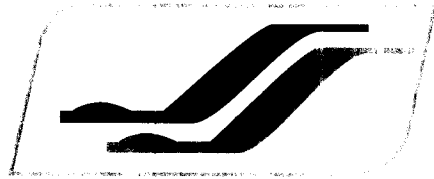


SPENTA INTERNATIONAL LIMITED



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18th Annual Report
2004-2005

**spenta®****SPENTA INTERNATIONAL LIMITED****BOARD OF DIRECTORS****MR. SANJAY S. GADODIA***(Chairman)***MR. SANDEEP S. GADODIA***(Whole time Director)***MR. JAYANT G. FARSWANI***(Independent Non - Ex. Director)***MR. MILIND VINOD***(Independent Non - Ex. Director)***MR. RAJESH S. DESHPANDE***(Independent Non - Ex. Director)***MR. DANNY F. HANSOTIA***(Managing Director)***BANKERS**

DENA BANK,

SHARE BAZAR BRANCH, MUMBAI

AUDITORS

A. R. PARIKH & CO., MUMBAI.

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

THE STOCK EXCHANGE, MUMBAI

PHIROZE JEEJEEBHAY TOWERS,

DALAL STREET,

MUMBAI - 400 001.

THE AHMEDABAD STOCK EXCHANGE

KAMDHENU COMPLEX,

PANGARPOLE, AHMEDABAD 380015.

REGISTERED OFFICE & FACTORY

PLOT NOS. 13, 14, 15 & 16

DEWAN INDUSTRIAL ESTATE

VILLAGE NAVALI, PALGHAR - 401 404.

ADMIN. OFFICE

86 & 87, EMPIRE BUILDING, 2ND FLOOR,

134/136, D. N. ROAD, MUMBAI - 400 001.

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NOTICE

NOTICE is hereby given that the **18th Annual General Meeting** of the members of **SPENTA INTERNATIONAL LIMITED** will be held on **Thursday the 8th September, 2005** at 11.30 a.m. at the Registered Office of the Company situated at Plot No's. 13, 14, 15 & 16, Dewan Industrial Estate, Village Navali, Dist. Thane, Palghar to transact the following business:-

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited accounts for the year ended 31st March, 2005 along with the notes and schedules thereon as on that date and the reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. Jayant Farswani who retires by rotation & being eligible offers himself for re-appointment.
3. To appoint auditors of the Company to hold office from the conclusion on this Annual General meeting, untill the conclusion of the next Annual General Meeting and to fix their remuneration.
4. To consider and if thought fit to pass, with or without modification, the following resolution as an ordinary resolution.

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), (hereinafter referred to as "the said Act") the consent of the Company be and is hereby accorded to the re-appointment of Mr. Danny Hansotia as a Managing Director of the Company for a period of 5 (Five) years with effect from 1st October, 2005 on the terms and conditions including remuneration as are set out in the agreement to be entered into between the Company and Mr Danny Hansotia, a draft whereof is placed before this meeting, with liberty to the Board of Directors (hereinafter referred to "the Board" which term shall be deemed to include the Remuneration Committee constituted by the Board) to alter and vary the terms of the said appointment and/or remuneration and/or agreement.

RESOLVED FURTHER THAT in the absence or inadequacy of profits in any financial year, (a) subject to the approval of the Central Government, the remuneration payable to the Managing Director by way of salary and perquisites shall not be reduced and (b) if the approval of the Central Government as stated in (a) is not received, the remuneration payable to the Managing Director shall be the maximum amount permitted as per Shedule XIII, as amended from time to time.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient, to give effect to this resolution."

By order of the Board
FOR SPENTA INTERNATIONAL LIMITED

DATE : 04/06/2005.
PLACE : MUMBAI

Sanjay S. 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 Thursday the **1st September 2005** to Thursday the **8th September, 2005 (both days inclusive)**.
4. 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.
5. Members are requested to produce the attendance slip duly signed, sent along with the Annual Report and Accounts, for admission to the meeting hall.



6. 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 consolidate their holdings in one folio.
7. The Explanatory statement in respect of item No. 4 of the Addendum to the notice Pursuant to section 173(2) of the Act is annexed hereto.

EXPLANATORY STATEMENT

As required by section 173(2) of the Companies Act, 1956

Item No. : 4

As recommended by the Remuneration Committee and approved by the Board of Directors of the Company, at its meeting held on 4th June, 2005, Mr. Danny Hansotia was re-appointed as a Managing Director of the Company for a period of 5 (Five) years with effect from 1st October, 2005. The remuneration to Mr. Danny Hansotia inter alia, includes the payment of salary, perquisites and benefits and is subject to the approval of the members.

Mr. Danny Hansotia is a Chartered Accountant having experience of more than 15 years in corporate planning and taxation. Because of his sustained efforts, the company recorded a commendable growth in the past few years.

Mr. Danny Hansotia will continue to serve as a Managing Director on the Board of the Company from 1st October, 2005.

The terms & Conditions proposed to be entered into by the Company with Mr. Danny Hansotia in respect of his re-appointment, inter alia, contains the following terms and conditions :

MAJOR TERMS OF REMUNERATION OF Mr. Danny Hansotia, EXECUTIVE DIRECTOR :

TERMS & CONDITION :

1.	Name & Designation of Director	:	Mr. Danny Hansotia Managing Director
2.	Date of Appointment	:	Re-appointment w.e.f. 1st October, 2005
3.	Period	:	5 (Five) years.
4.	Salary (p.m.)	:	Rs. 40,000/- p.m. with power to Board to vary from time to time within the limits of schedule XIII of the Companies Act.
5.	Minimum Remuneration	:	In the absence or inadequacy of profits in any financial year, (a) subject to the approval of the Central Government, the remuneration payable to Mr. Danny Hansotia by way of salary and perquisites shall not be reduced and (b) if the approval of the Central Government as stated in (a) is not received, the remuneration payable to the Mr. Danny Hansotia shall be the maximum amount permitted as per Schedule XIII, as amended from time to time.

ii) PERQUISITES :

Mr. Danny Hansotia as a Managing Director will be entitled for following perquisites, which shall not be part of the ceiling of remuneration.

- a) Contribution to provident Fund, Superannuation fund or annuity fund to the extent such contribution either singly or put together are not taxable under the Income Tax Act, 1961,
- b) Gratuity : as per the rules of the Company, payable in accordance with the Approved Gratuity Fund and which shall not exceed half a month's salary for each completed year of service.
- c) Children's education allowance : In case of children studying in or outside India, an allowance limited to a maximum of Rs. 5,000 /- per month per child or actual expenses incurred, whichever is less such allowance is admissible upto a maximum of two children.
- d) Holiday passage for children studying outside India / family staying abroad : Return holiday passage once in a year by economy class or once in two years by first class to children and to the members of the family from the place of their study or stay abroad, if they are not residing in India with the managerial person.

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- e) Leave travel concession : Return passage for self and family in accordance with the rules specified by the Company where it is proposed that the leave be spent in home country instead of anywhere in India.

III) Salary and perquisites specified herein shall be payable to the Managing Director notwithstanding the inadequacy or no profits in any financial year during the currency of tenure of his office as such.

IV) The Managing Director shall not be paid any sitting fee for attending the meetings of the Board of Directors or committee thereof.

V) The Managing Director shall not become interested or otherwise concerned directly or through his wife or minor children in any selling agency of the Company as per the provisions of the Law in force as applicable to the Company.

VI) The terms and conditions of the said appointment and/ or may be altered and varied from time to time by the board as it may, in its discretion, deem fit so as not to exceed the limits specified in Schedule XIII the Companies Act, 1956, or any amendment hereafter in that regard.

None of the Directors of the company, except Mr. Danny Hansotia himself is considered to be interested or concerned in this resolution.

These Terms & Conditions of appointment may be treated as abstracts between the company & Mr. Danny Hansotia, Managing Director pursuant to section 302 of the Companies Act, 1956.

By order of the Board
FOR SPENTA INTERNATIONAL LIMITED

DATE : 04/06/2005.
PLACE : MUMBAI

Sanjay S. Gadodia
CHAIRMAN

DIRECTORS REPORT

To,
The Members,
SPENTA INTERNATIONAL LIMITED

Your Directors have great pleasure in presenting the 18th ANNUAL REPORT along with the Audited Balance Sheet and Profit And Loss Account, for the year ended 31st March, 2005

1. FINANCIAL RESULTS :

The financial Results are briefly indicated below :

	(Rs. In lacs)	
	<u>YEAR ENDED</u>	<u>YEAR ENDED</u>
	<u>31.03.2005</u>	<u>31.03.2004</u>
Sales	697.60	577.32
Profit before Interest, Depreciation and Tax	140.92	144.79
Less : Interest & finance charges.	27.43	12.69
Profit after Interest but before Depreciation	113.49	132.10
Less : Depreciation & Amortisation	64.35	51.98
Extra ordinary Items	25.87	---
Profit Before Tax	23.27	80.12
Less : Provision for Taxation - Current	6.50	9.65
- Deferred	(39.85)	21.71
Profit After Tax	56.62	48.76
Balance Brought forward	161.11	112.35
Profit carried to Balance sheet	217.73	161.11

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2. **FINANCIAL OPERATIONS :-**

The company faces a set-back temporarily due to a fire in it's manufacturing plant. The company quickly recovered by starting partial manufacturing operation's within 20 day's of the fire. The company has still managed to achieve a turn over of Rs. 697.60 Lacs, 21% higher compared to Rs. 577.32 Lacs in 2003-04. Your Co. has focused on introducing new and exciting range which are competitively priced and give VFM. The growth in sales in "SPENTA" brand is focused on a complete range in socks, accessing up-market through appointing distributors in major cities in India. The management is gearing up distribution network along with effective management information system to ensure that the right products are available at the right time and hereby focusing on improvement in market share in 2005-06.

3. **FUTURE PROSPECTS :**

The company has implemented successfully through it's own resources part of the manufacturing activities. The company is looking forward in implementing the rest of the manufacturing activities on receipt of the advance amount towards the settlement of the Insurance claim. The company feels confident of implementing 100% of the production lost due to the fire in the coming months.

4. **DIVIDEND :**

Due to the fire at the factory, the directors do not recommend any dividend for the year in order to conserve funds.

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 , Director, who is retiring by rotation but being eligible offers himself for re-appointment.

Mr. Danny Hansotia, was re-appointed as a Managing Director w.e.f. 1st October, 2005.

8. **DIRECTORS RESPONSIBILITY STATEMENT :**

The Board of Directors hereby 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 or loss 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 Companies 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 :**

To comply with conditions of corporate Governance, Pursuant to clause 49 of the Listing Agreements with the Stock Exchanges, a Management Discussion and Analysis statement, Corporate Governance Report and Auditor's Certificate, are included in the Annual Report.

10. **STOCK EXCHANGE REQUIREMENT :**

Being listed at Mumbai & Ahmedabad Stock Exchanges , your company has paid listing fees till March, 2006.

11. **AUDITORS**

M/s A. R. PARIKH & CO., Chartered Accountants, Mumbai statutory Auditors of your company holds office until the conclusion of the forthcoming Annual General Meeting. He has signified his willingness to accept re-appointment and has further confirmed his eligibility under Section 224 (1B) of the Companies Act, 1956.



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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 :

Form A : Disclosure of Particulars with respect to Conservation of Energy.

	31/3/2005	31/3/2004
A. POWER AND FUEL CONSUMPTION :		
1. Electricity		
a) Purchased		
Units (in lakhs) (in Kwh)	5.91	5.00
Amount in Rupees (in lakhs)	22.53	18.23
Rate per Unit (in Rupees)	3.81	3.64
B. CONSUMPTION PER UNIT OF PRODUCTION		
Knitted Cotton Socks	0.88	0.85

Form B : Disclosure of Particulars with respect of Technology Absorption.

- I. Research and Development (R & D)
- Expenditure on R & D Nil Nil
- II. A. TECHNOLOGY ABSORPTION & ADOPTION
Our manufacturing process is based on knowhow from Lonati, Spa, Italy. The plant is being operated at the optimum level. Continuous coordination is being maintained with LONATI to avail the benefits of further development in technology.
- B. FOREIGN EXCHANGE EARNINGS & OUTGO
The details of Foreign Exchange Earning & outgoing are as follows :

(Rs. in Lacs)

	31.03.2005	31.02.2004
1. Foreign Exchange Earnings		
- FOB value of Exports	Nil	4.27
2. Foreign Exchange outgo:		
- C.I.F. Value of Capital Goods	222.62	54.59
- C.I.F. Value of Spares & consumables	13.91	4.18
- Travelling Expenses	3.78	3.04

13. PARTICULARS OF EMPLOYEES

In accordance with the provision of Section 217 of the companies Act, 1956 read with the Companies (Particular of Employees) Amendment Rules 1999, as amended up to date, there were no employees during the whole or part of the year who were in receipt of remuneration in excess of limits as mentioned in the section and hence no details are given as such.

14. ACKNOWLEDGEMENT

Your Directors take this opportunity to place on record, gratitude for the corporation and support received from their Bankers, various departments and agencies of Central and state Government and dedication and commitment to the staff at all levels without which the all-round growth and prosperity of the Company would not have been possible. Your Directors also appreciate the support provided by the several overseas and local customers to the Company's marketing efforts and to the esteemed shareholders who have maintained confidence in the company.

By order of the Board
For SPENTA INTERNATIONAL LIMITED

Place : Mumbai
Date : 04/06/2005

SANJAY GADODIA
(Chairman)

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CORPORATE GOVERNANCE REPORT

Pursuant to Clause 49 of the Listing Agreement, a Report on Corporate Governance is given below :

1. Company Philosophy :

The Corporate Governance code as introduced by Security and Exchange Board of India (SEBI) in pursuance of clause 49 of Listing Agreement has become applicable to the company from March, 2003. The same has been Implemented by the company.

The company believes in maximum utilization of resources at minimum cost and attaining maximum long term shareholders value. The company has also consistently followed good Corporate policy and enhanced its value in the eyes of shareholders, Bankers, Customers and Employees.

2. Board of Directors :

The Board of the Company comprises of Six Directors out of which Chairman is a Whole Time Director while other two Directors are Managing Director and Whole Time Director respectively. The other three Directors are Independent Directors. There are no nominee or Institutional Directors in the Company.

None of Directors has pecuniary or Business relationship with the Company apart from as else where mentioned in this Annual Report. No Director of the Company is either member in more than ten committees and / or Chairman of more than five committees across all Companies in which he is Director.

During the year there were in total 7 (Seven) Board Meetings were held i.e. on 26/4/2004, 28/5/2004, 30/6/2004, 30/07/2004, 2/09/2004, 29/10/2004, & 28/01/05. The time gap between the two meetings was not more than 4 months. All the information required to be furnished to the Board was made available to them along with detailed Agenda notes.

Sr. No.	Name of Director	Category	No. of Board meetings Attended	Attendance at last AGM	No. of outside directorship held *	No. of Membership in other Board Committees	Executive/ Non-Executive/ Independent
1.	Mr. Sanjay S. Gadodia	Chairman & Whole Time Director	7	Yes	1	Nil	Executive
2.	Mr. Danny Hansotia	Managing Director	7	Yes	1	Nil	Executive
3.	Mr. Sandeep Gadodia	Whole Time Director	7	Yes	Nil	Nil	Executive
4.	Mr. Jayant Farswani	Director	7	Yes	Nil	Nil	Non-Executive & Independent
5.	Mr. Rajesh Deshpande	Director	7	No	Nil	Nil	Non-Executive & Independent
6.	Mr. Milind Vinod	Director	1	No	Nil	Nil	Non-Executive & Independent

*Directorship in Companies registered under the Companies Act, 1956, excluding directorship in Private Companies & alternate Directorship.

3. Committees of the Board :

- a. **Audit Committee :** Pursuant to the provisions of section 292(A) of The Companies Act, 1956 & clause 49 of Listing Agreement, an Audit Committee comprising of 3 Non Executive Directors has been constituted.

Following are the members of the Committee.

1. Mr. R. S. Deshpande - Chairman
2. Mr. J. G. Farswani - Member
3. Mr. Milind Vinod - Member.

The audit committee has held 3 meetings during the year. The said meetings were attended by all the committee members and Mr. Ameet Parikh, Statutory Auditor of the company except Mr. Milind Vinod.



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Board terms of reference of the Audit Committee are as per following :

- Management discussion and analysis of financial condition and results of operations :
- Approving and implementing the Audit procedures and techniques.
- Reviewing audit reports of both statutory and internal auditors with auditors and management.
- Reviewing financial reporting systems, internal control systems and control procedures.
- Ensuring compliance with regulatory guidelines.
- The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee.

b. Remuneration Committee :

The Stock Exchange Listing Agreement stipulates that the Remuneration Committee should comprise of at least three Non Executive Independent Directors. Accordingly the company constituted the remuneration committee comprising of Non Executive & Independent Directors.

Following are the members of the Committee.

1. Mr. J.G. Farswani - Chairman
2. Mr. R.S. Deshpande - Member
3. Mr. Milind Vinod - Member

The details of remuneration paid to Executive Directors for the year ended 31st March, 2005, are as follows :

Executive Directors

Rs. in Lacs.

Name	Salary	Commission	perquisites	Retirement Benifits
Mr. Danny Hansotia (Managing Director)	5,76,000/-	Nil	1,44,000/-	Nil
Mr. Sanjay Gadodia (Whole Time Director)	5,76,000/-	Nil	1,44,000/-	Nil
Mr. Sandeep Gadodia (Whole Time Director)	1,20,000/-	Nil	Nil	Nil

During the year the Non-Ex. Directors were not paid any sitting fees as such.

c. Shareholders / Investors Grievance Committee :

The Shareholders / Investors Grievance Committee has been constituted. The committee consists of three Non Executive & Independent Directors & Compliance Officer. The Committee is chaired by Mr. Jayant Farswani. The committee looks into the shareholder and investors grievances that are not settled at the level of Compliance Officer and helps to expedite the share transfers and related matters.

Following are the members of the Committee.

1. Mr. J. G. Farswani - Chairman
2. Mr. R. S. Deshpande- Member
3. Mr. Milind Vinod - Member
4. Mr. Sandeep Gadodia - Compliance Officer

The company received 12 complaints from the shareholders during the year. No complaint remained pending at the end of the year. Normally all complaints/queries are disposed off, within two weeks of receipt of the same. The company had no transfers pending at the close of the financial year.

The Committee met once during the year ended 31st March, 2005.



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4. General Body Meetings :

Details of last three Annual General Meetings are given below :

Financial year	Date	Time	Venue	Special Resolution (s)
2001-02	24th September, 2002	11.30 a.m.	Regd. Office	N.A.
2002-03	24th September, 2003	11.30 a.m.	Regd. Office	N.A.
2003-04	26th August, 2004	11.30 a.m.	Regd. Office	N.A.

No special resolutions were put through postal ballot as all the above special resolutions were voted unanimously by show of hands.

5. Disclosures :

During the year under review, besides the transactions reported elsewhere, there were no other related party transactions of material nature with the promoters, Directors, the management or their subsidiaries or relatives during the year that may have potential conflict with the interest of the company at large.

There were no instances of Non-compliance on any matter related to the capital market during the past three years and that no penalties or strictures were imposed on the Company by any Stock Exchange or SEBI except a show cause Notice dt. 10th September, 2004 No. CFD/DCR/RC/TO/13060/04 received from SEBI for violation of Take over Regulations, was suitably replied by the company vide letter dt. 24th September 2004.

6. Means of Communication :

Since the company's registered office is situated at Palghar the Quarterly / yearly results are normally published in the local News Paper. The company has its own Web Site, all unaudited & audited results are published on the web site - www.spentasocks.com No presentation was made during the year either to Institutional Investors or to the analysts.

Management discussion & Analysis Report is attached herewith forming part of this Report.

7. General Shareholders Information:

i. The 18th Annual General Meeting is schedule to be held on Thursday the 8th September, 2005 at 11.30 a.m. at Regd. Office of the Company.

ii. The Financial year of the company is from April to March. The financial calender is as per following.

First quarter results (30th June)	End of July
Mailing of Annual Reports	Second Week August
Annual General Meeting	8th September, 2005
Payment of Dividend	N.A.
Second quarter results (30th September)	End of October
Third quarter results (31st December)	End of January
Fourth quarter / Annual Results (31st March)	End of June

iii Book Closure dates are from Thursday the 1st September 2005 to Thursday 8th September, 2005 (both days inclusive).