



SPENTA INTERNATIONAL LIMITED
19th Year Annual Report
2005 - 2006

**spenta®****SPENTA INTERNATIONAL LIMITED****BOARD OF DIRECTORS****MR. SANJAY S. GADODIA***(Chairman)***MR. SANDEEP S. GADODIA***(Whole Time Director)***MR. MILIND VINOD***(Independent Non - Ex. Director)***MR. R. S. DESHPANDE***(Independent Non - Ex. Director
Upto 08 - 09 - 2005)***MR. J. G. FARSWANI***(Independent Non - Ex. Director
Upto 31 - 12 - 2005)***MRS. MEENA SEHRA***(Independent Non - Ex. Director
w.e.f. 08 - 09 - 2005)***MR. CHETAN RATHOD***(Independent Non - Ex. Director
w.e.f. 31 - 12 - 2005)***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 (W) - 401 404.

ADMIN. OFFICE

86 & 87, MAHENDRA CHAMBERS,

2ND FLOOR, 134/136, D. N. ROAD,

FORT, MUMBAI - 400 001.

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NOTICE

NOTICE is hereby given that the 19th Annual General Meeting of the members of **SPENTA INTERNATIONAL LIMITED** will be held on **Thursday the 31st August, 2006** at 11.30 a.m. at the Registered Office of the Company situated at Plot Nos. 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, 2006 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. Milind Vinod who retires by rotation & being eligible offers himself for re-appointment.
3. To appoint auditors of the Company to hold office from the conclusion of this Annual General meeting, until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

4. To consider and if thought fit to pass, with or without modification, the following resolution as an ordinary resolution.

"RESOVLED THAT Mrs. Meena Sehra, who was appointed as an additional Director w.e.f. 8th September, 2005 and who holds office upto the date of the 19th Annual General Meeting, but who is eligible for the 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 re-appointed as a Director.

5. To consider and if thought fit to pass, with or without modification, the following resolution as an ordinary resolution.

"RESOVLED THAT Mr. Chetan Rathod, who was appointed as an additional Director w.e.f. 31st December, 2005 and who holds office upto the date of the 19th Annual General Meeting, but who is eligible for the 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 re-appointed 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 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. Sandeep Gadodia** as a **Whole Time Director** of the Company for a period of 5 (Five) years with effect from **1st June, 2006** on the terms and conditions including remuneration as are set out in the agreement to be entered into between the Company and **Mr. Sandeep Gadodia**, 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 Whole Time 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 Whole Time Director shall be the maximum amount permitted as per Schedule 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

Sanjay S. Gadodia
CHAIRMAN

DATE : 30/06/06
PLACE : MUMBAI

19th
annual report
2005 - 2006

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 **24th August 2006** to Thursday the **31st August, 2006 (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. The explanatory statement in respect of item No. 4, 5 and 6 of the notice Pursuant to section 173(2) of the Act is annexed hereto.
7. Any member requiring further information on accounts at the meeting is requested to send their queries in writing to the Managing Director of the Company before August, 16, 2006.

EXPLANATORY STATEMENT

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

Item No. 4 and 5:

Mrs. Meena Sehra and Mr. Chetan Rathod were appointed as additional Directors w.e.f. 8th September, 2005 & 31st December, 2005 respectively, under provision of section 260 of the Companies Act, 1956. The said Directors will hold office upto the date of the 19th Annual General Meeting. The company has received notices in writing from members proposing the candidatures of Mr. Chetan Rathod and Mrs. Meena Sehra for the office of the Directors under section 257 of the Companies Act, 1956.

Name of the Director	Mrs. Meena Sehra	Chetan Rathod
Age	40	36
Qualification	Diploma in fashion designing	Masters in Science
Expertise in specific functional areas	Almost 12 years experience in Business communication, advertising and fashion designing	More than 10 years experience in computer and software industry
Directorship in other Indian Public Limited Company & other firms as on 31.03.2006	NIL	NIL
Shareholding	NIL	NIL

The Board of Directors recommends these resolutions for approval of the members.

Mr. Chetan Rathod and Mrs. Meena Sehra are interested in their respective appointments.

Item No.: 6

As recommended by the Remuneration Committee and approved by the Board of Directors of the Company, at its meeting held on 31st May, 2006 Mr. Sandeep Gadodia, was re-appointed as a Whole Time Director of the Company for a period of 5 (Five) years with effect from 1st June, 2006. The remuneration to Mr. Sandeep Gadodia inter alia, includes the payment of salary, perquisites and benefits and is subject to the approval of the members.

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1	Name of the director	Mr. Sandeep Gadodia
2	Age	38
3	Qualification	B.Com
4	Experience	More than 16 years experience in textile Industry.
5	Number of directorship in other companies	ORIENT SOCKNIT INDIA PRIVATE LIMITED. VISHWALENE TEXTILES PRIVATE LIMITED.
6.	Shareholding	142500

Mr. Sandeep Gadodia will serve as a Whole Time Director on the Board of the Company from 1st June, 2006.

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

MAJOR TERMS OF REMUNERATION OF MR. SANDEEP GADODIA, WHOLE TIME DIRECTOR:

TERMS & CONDITIONS:

1. Name & Designation of Director : **Mr. Sandeep Gadodia**
Whole Time Director
2. Date of Appointment : Re-appointment w.e.f.1st June, 2006.
3. Period : 5 (Five) years.
4. Salary (p.m) : **Rs.12,500 /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. Sandeep Gadodia 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. Sandeep Gadodia shall be the maximum amount permitted as per Schedule XIII, as amended from time to time.

II) PERQUISITES:

Mr. Sandeep Gadodia as a Whole Time 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 India if they are not residing in India with the managerial person.
- 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.

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

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

V). The Whole Time 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. Sanjay Gadodia and Mr. Sandeep Gadodia are considered to be interested or concerned in this resolution.

These Terms & Conditions of appointment may be treated as abstracts between the company & Mr. Sandeep Gadodia, Whole Time Director Pursuant to section 302 of the Companies Act, 1956.

The Copy of Draft agreement is open for inspection during office hours 10.00 a.m. to 12 noon till the date of Annual General Meeting.

By order of the Board

DATE : 30/06/2006

PLACE : MUMBAI

Sanjay S. Gadodia
CHAIRMAN

DIRECTORS REPORT

To,
The Members,
SPENTA INTERNATIONAL LIMITED

Your Directors have great pleasure in presenting the 19th ANNUAL REPORT along with the Audited Balance Sheet and Profit And Loss Account, for the year ended 31st March, 2006.

1. FINANCIAL RESULTS :

The financial Results are briefly indicated below :

(Rs. In lacs)

	YEAR ENDED	
	31 st March 2006	31 st March 2005
Sales	979.75	697.60
Profit before Interest & Depreciation	273.58	140.92
Less : Interest & finance charges.	44.23	27.43
Profit after Interest but before Depreciation	229.35	113.49
Less : Depreciation & Amortisation	74.46	64.35
Extra ordinary Items	---	25.87
Profit Before Tax	154.89	23.27
Less : Provision for Taxation - Current	21.50	6.50
- Deferred	31.51	(39.85)
- Fringe Benefit Tax	1.09	---
Profit After Tax	100.78	56.62
Balance Brought forward	217.73	161.11
Profit carried to Balance sheet	318.51	217.73



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2. FINANCIAL OPERATIONS:-

Your company has almost managed to achieve the target of 100 million with a sales turn over of Rs. 979.75 lacs, 40% higher compared to Rs. 697.60 lacs in 2004-2005. Your company has posted a net profit of Rs. 100.78 lacs, 78% higher compared to Rs. 56.62 lacs in 2004-2005.

3. FUTURE PROSPECTS:

Your company has successfully implemented 100% of the production lost due to the fire. The long term aim of SPENTA is to expand the capacities by increasing the number of machines from 100 to 500 over a period of 5 years. At present SIL is running at the capacity of 63 machines which would be increased to 93 machines by the end of July'06. There is a growing demand from its existing customers, SPENTA is not able to meet their requirement due to limited capacities.

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.

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:

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

7. DIRECTORS:

During the year Mr. Milind Vinod, Director, who is retiring by rotation but being eligible offer himself for re-appointment.

Mrs. Meena Sehra and Mr. Chetan Rathod were appointed as additional Directors w.e.f. 8th September, 2005 and 31st December, 2005 respectively. You are requested to reappoint them in the forth coming Annual General Meeting.

Mr. Rajesh Deshpande and Mr. Jayant G. Farswani were resigned from the Board w.e.f. 8th September, 2005 and 31st December, 2005 respectively.

Mr. Sandeep Gadodia, was re-appointed as a Whole Time Director w.e.f. 1st June, 2006.

8. DIRECTOR'S 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 the Directors 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 the Directors have taken proper and sufficient care for the maintenances of adequate accounting records in accordance with the provision of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. That the Directors have prepared the Annual accounts on a going concern basis.

9. CORPORATE GOVERNANCE CODE:

The Board had implemented Corporate Governance Code in pursuance of clause 49 of Listing Agreement during the year. The report on Corporate Governance is annexed hereto forming part of this report. The requisite certificate from M/s. H. Shetye Associates, Company Secretaries on implementation of requirements of the Corporate Governance is also annexed herewith forming part of this report.

10. STOCK EXCHANGE REQUIREMENT:

Being listed at Mumbai & Ahmedabad Stock Exchanges, your company has paid listing fees till March, 2007.

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.

12. ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE:

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



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

	31/03/2006	31/03/2005
A. POWER AND FUEL CONSUMPTION :		
1. Electricity		
a) Purchased		
Units (in lakhs) (in Kwh)	7.49	5.91
Amount in Rupees (in lakhs)	28.12	22.53
Rate per Unit (in Rupees)	3.76	3.81
B. CONSUMPTION PER UNIT OF PRODUCTION		
Knitted Cotton Socks	0.77	0.88

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)

	31.03.2006	31.03.2005
1. Foreign Exchange Earnings		
- FOB value of Exports	18.16	Nil
2. Foreign Exchange outgo:		
- C.I.F. Value of Capital Goods	338.19	Nil
- C.I.F. Value of Spares & consumables	8.15	13.91
- Travelling Expenses	2.25	3.78

13. PARTICULARS OF EMPLOYEES

In accordance with the provision of section 217 of the Companies Act, 1956, read with the Companies (Particulars 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 corporation and support received from their Banker, 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 : 30/06/2006

SANJAY GADODIA
(Chairman)

CORPORATE GOVERNANCE REPORT

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

1. Company's philosophy:

The Corporate Governance code as introduced by Security and Exchange Board of India (SEBI) in pursuance of clause 49 of Listing Agreement and subsequently amended w.e.f. 1st January, 2006 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 Whole Time Director while other two Directors are Managing Director & Whole Time Director respectively. The other three Directors are independent Directors. There are no nominee or Institutional Directors in the Company.

None of Directors have pecuniary or Business relationship with the Company other than as mentioned in the elsewhere in the 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 a Director.

Non Executive Directors:

As per revised code of Corporate Governance, the composition of the Board should be as such that the Board of Directors of the company shall have an optimum combination of executive and non-executive Directors with not less than fifty percent of the Board of Directors comprising of non Executive Directors.

During the year there were in total 7 (seven) Board Meetings held i.e. on 27/05/2005, 04/06/2005, 30/07/2005, 08/09/2005, 29/10/2005, 31/12/2005 and 31/01/2006. The time gap between any 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 other Directorship*	No. of Membership in other Board Committees
1.	Mr. Sanjay S. Gadodia	Chairman & Whole Time Director	7	Yes	1	Nil
2.	Mr. Danny Hansotia	Managing Director	7	Yes	1	Nil
3.	Mr. Sandeep Gadodia	Whole Time Director	7	Yes	Nil	Nil
4.	Mr. Jayant Farswani (upto 31-12-05)	Independent Non-Ex Director	5	Yes	Nil	Nil
5.	Mr. Rajesh Deshpande (upto 08-09-05)	Independent Non-Ex Director	3	No	Nil	Nil
6.	Mr. Milind Vinod	Independent Non-Ex Director	7	No	Nil	Nil
7.	Mrs. Meena Sehra (w.e.f. 08-09-05)	Independent Non-Ex Director	3	No	Nil	Nil
8.	Mr. Chetan Rathod (w.e.f. 31-12-05)	Independent Non-Ex Director	2	No	Nil	Nil

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

Details of Directors Seeking Appointment / Reappointment at the Forthcoming Annual general meeting (pursuant to clause 49 VI (IA) of the Listing Agreement)



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Name of the Director	Mr. Sandeep Gadodia	Mrs. Meena Sehra	Mr. Chetan Rathod	Mr. Milind Vinod
Age	38	40	36	46
Qualification	B.Com	Diploma in fashion designing	Masters in Science	B.com, C.A.
Expertise in specific functional areas.	More than 15 years experience in textile Industry.	Almost 12 years experience in Business communication, advertising and fashion designing	More than 10 years experience in computer and software industry.	A commerce graduate and member of institute of chartered Accountants of India. Almost 20 years experience in audit Taxation and corporate planning.
Directorship in other Indian Public Limited Company & other firms as on 31.03.2006	1. Orient Socknit India Private Limited. 2. Vishwalene Textiles Private Limited.	NIL	NIL	NIL
Shareholding	142500	NIL	NIL	NIL

3. Audit Committee:

Pursuant to the provisions of section 292(A) of the Companies Act, 1956 and clause 49 of the Listing Agreement, an Audit Committee comprising of 3 (Three) Non executive Directors out of which two Directors are Independent.

The said committee was re-constituted on 31st December, 2005 under chairmanship of Mr. Milind Vinod.

The Attendance at the Audit Committee Meeting was as under:

Director	No. of Committee meetings held	No. of Committee meetings attend
Mr. Milind Vinod - Chairman and Independent non Executive Director	4	4
Mr. Chetan Rathod - Member and Independent Non Ex. Director	4	1
Mr. Danny Hansotia – Member, CFO and Managing Director.	4	4
Mr. A. R. Parikh – Statutory Auditors of the Company. (by invitation)	4	4

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

- 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.
- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- Reviewing, with management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Reviewing the finding of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.