



Spice Islands
Apparels Ltd.





BOARD OF DIRECTORS

MOHAN KATRE *Chairman*

UMESH KATRE *Managing Director*

BILIN KUMAR SEN *Whole Time Director*

O. V. KURUVILLA *Director*

B. K. KHARE *Director*

L. A. MEHTA *Director*

KARL DANTAS *Director*

BANKERS

VIJAYA BANK

AUDITORS

P. R. GANDHI & CO. *Chartered Accountants*

REGISTERED OFFICE

62-B, Mittal Tower,
210, Nariman Point,
Mumbai - 400 021.

ADMINISTRATIVE OFFICE & SHARE TRANSFER DEPARTMENT

125-A, Mittal Tower,
210, Nariman Point,
Mumbai - 400 021.

FACTORY

Unit Nos. 41 to 47
Bhandup Industrial Estate,
Pannalal Silk Mill Compound,
Bhandup (W), Mumbai - 400 078.

NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the members of SPICE ISLANDS APPARELS LIMITED will be held on Monday, the 9th August 1999, at 4.30 p.m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, (Behind Prince of Wales Museum), Kala Ghoda, Mumbai - 400 001, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit & Loss Account for the financial year ended 31st March, 1999 the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri M. G. Katre who retires by rotation and being eligible, offer himself for re-appointment.
4. To appoint a Director in the place of Shri L. A. Mehta who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

1. To consider and if thought fit, to pass, with or without modification(s), the following, resolution as a Ordinary Resolution:
 "RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof, for the time being in force), the Company hereby approves, in partial modification of Resolution No. 7 passed at the Annual General Meeting of the Company held on 11th August, 1998 of the change in the salary scale applicable to Shri Bilin Kumar Sen, Wholetime Director of the Company, with authority to the Board of Directors to fix his salary increasing proportionately all benefits related to the quantum of salary for the period 14th August, 1997 to 31st March, 1999, and for the period 1st April, 1999 to 31st August, 2002 as set out in the draft Supplemental Agreement submitted to this meeting and initialed by the Chairman for the purpose of identification, which Supplemental Agreements are hereby specifically sanctioned."
2. To consider and, if thought fit, to pass with or without modification, as an Ordinary Resolution the following :
 "RESOLVED that pursuant to the provisions of Sections 198, 269, 309, 310 and other applicable provisions if any, of the Companies Act, 1956, (Act) read with Schedlue XIII to the said Act, approval of the Members, be and it is hereby accorded to the re-appointment of Shri Umesh Katre as a Managing Director of the Company for a further period of five years with effect from 1-11-99 to 31-10-2004, on the terms and conditions set out in the draft Agreement, a copy of which is placed before the meeting, duly initialed by the Chairman for the purpose of identification, with authority to the Board of Directors (the Board) to alter or vary his terms of remuneration subject to the overall ceiling specified in Schedule XIII to the Act, read with Sections 198, 309, 310 and other applicable provisions of the Act or any amendment thereto or re-enactment thereof as may be agreed by the Board and Shri Katre."
 "RESOLVED FURTHER that the Board be and it is hereby authorised to do all acts, deeds, matters and things as may be considered necessary, desirable or expedient for giving effect to this Resolution."

For and on behalf of the Board,
SPICE ISLANDS APPARELS LIMITED

PLACE : MUMBAI
 DATE : 18th JUNE, 1999.

UMESH M. KATRE
 (MANAGING DIRECTOR)

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT

EXPLANATORY STATEMENT as required by Section 173 of the Companies Act, 1956

The following Explanatory Statement sets out all material facts relating to the business mentioned in the accompanying notice dated 18th June, 1999.

1. Item No. 6 : At the tenth Annual General Meeting of the Company held on 11th August, 1998 the members of the Company had approved remuneration payable to Mr. Bilin Kumar Sen, Wholetime Director of the Company. The house rent allowance payable was fixed at Rs. 12,000 per month whereas driver's salary (reimbursement) were fixed at Rs. 3,500 per month. In a Board meeting held on 18th June, 1999, it has been decided by the Board as under :

- i) House Rent Allowance : 30% of basic
- ii) Driver's Salary (Reimbursement) : On actuals.

This has been done to give effect for the increase in house rent allowances as and when basic salary increases as per the terms of original contract. This will also take care of proportionate increase in the value of benefits related to salary. Driver's salary will now be reimbursed on actual basis instead of fixed amount of 3,500 per month.

All other terms and conditions of the appointment of Mr. Bilin Kumar Sen as approved by the Shareholders, will remain unchanged. The Resolution for the change in the scale of the remuneration payable to the Wholetime Director is commended for acceptance by the Shareholders.

The draft Supplemental Agreement between the Company and Mr. Bilin Kumar Sen is available for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on any working day.

Mr. Bilin Kumar Sen may be deemed to be concerned or interested in the Resolution. None of the other Directors of the Company is, in any way, concerned or interested in the said resolution.

This may be treated as an abstract of the draft Supplemental Agreement between the Company and Mr. Bilin Kumar Sen pursuant to Section 302 of the Companies Act 1956.

2. Item No. 7 : The present term of office of Mr. Umesh Katre as Managing Director expires on 31st October, 1999. The Board of Directors has, at its meeting held on 18th June, 1999, re-appointed Mr. Umesh Katre as Managing Director for a period of five years from the expiry of his present term of office, that is, on and with effect from 1st November, 1999. The Board of Directors have also approved the increase in remuneration payable to Mr. Umesh Katre. The draft Agreement to be entered into by the Company with Mr. Umesh Katre in respect of his re-appointment for a further period of five years, inter alia states that :

- a) Salary scale of Rs. 50,000 - Rs. 75,000 per month with authority to the Board of Directors or a Committee thereof, to fix his salary within the respective scales from time to time. The annual increments will be decided by the Board and will be merit-based and take into account the Company's performance.
- b) Perquisites & Allowances :
 - i) In addition to salary, the appointee shall also be entitled to perquisites and allowances like accomodation (furnished or otherwise) or house rent allowance in lieu thereof, house maintenance allowance, together with reimbursement of expenses for utilities such as gas, electricity, water, furnishings, servant's salaries, society charges, property tax and repairs, medical reimbursement, club fees and leave travel concession for themselves and their families, medical / accident insurance and such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors and the appointee.

- 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 allowance shall be evaluated at actual cost.

Provision 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 and allowances for the purpose of calculating the said ceiling.

- iii) Company's contribution to Provident Fund and Superannuation Fund or Annuity 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 encashment of leave at the end of the tenure, shall not be included in the computation of limits for the remuneration or perquisites aforesaid.

c) **Minimum Remuneration :**

Notwithstanding anything to the contrary herein contained, wherein any financial year during the currency of the tenure of the Appointee, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of Salary and perquisites and allowances as specified by the provisions of section II of part II of schedule XIII.

- d) The Agreement may be terminated by either party giving the other party six months notice or the Company paying six months salary in lieu thereof.

In compliance with the provisions of Section 269, 309 and 310 of the Companies Act, 1956, the terms of remuneration specified above are now being placed before the shareholders in General Meeting for their approval, which the Directors commend for acceptance.

The draft Agreement between the Company and Mr. Umesh M. Katre is available for inspection at its Registered Office between 11.00 a.m. and 1.00 p.m. on any working day.

Mr. Umesh M. Katre may be deemed to be concerned or interested in the Resolution. Further Mr. M. G. Katre being related to Mr. Umesh M. Katre may also be deemed to be concerned or interested in the Resolution. None of the other Directors of the Company is, in any way, concerned or interested in the said resolution.

This may be treated as an abstract of the draft Agreements between the Company and Mr. Umesh Katre pursuant to Section 302 of the Act.

For and on behalf of the Board,
SPICE ISLANDS APPARELS LIMITED

PLACE : MUMBAI;
 DATE : 18th JUNE, 1999.

UMESH M. KATRE
 (MANAGING DIRECTOR)

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 Instrument appointing a proxy should be deposited at the Administrative Office of the Company not less than forty-eight hours before the commencement of the meeting.
3. The Dividend as recommended by the Directors, if approved at the Annual General Meeting is payable on or after 9th August, 1999 to those members whose name appear on the Register of Members of the Company as on the date of the Eleventh Annual General Meeting, subject to the provisions of Section 206 A of the Companies Act, 1956.
4. The Register of Members will remain close from 2nd August, 1999 to 9th August, 1999. [Both days inclusive]
5. Members are requested to notify immediately any change in their address to the company.
6. Members holding more than one Share Certificate in the same name under different ledger folios are requested to apply for consolidation of such folios and send the relevant share certificates to the Company.

For and on behalf of the Board,
SPICE ISLANDS APPARELS LIMITED

PLACE : MUMBAI;
DATE : 18th JUNE, 1999.

UMESH M. KATRE
(MANAGING DIRECTOR)

DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting the Eleventh Annual Report of the Company for the year ended 31st March, 1999.

FINANCIAL RESULTS	(Rs. in Lacs) 1998-99	(Rs. in Lacs) 1997-98
Sales & Operating Income	1714.58	615.37
Other Income	65.72	83.87
Profit before Taxation	378.55	172.92
Less : Provision for Taxation	21.47	8.50
Prior Period Adjustments	2.26	0.56
Profit after Taxation	359.34	164.97
Add : Brought forward profit	152.50	108.48
	511.84	273.45
	511.84	273.45
APPROPRIATION		
General Reserve	150.00	50.00
Proposed Dividend	107.50	64.50
Tax on distribution of Dividend	10.75	6.45
Balance carried forward	243.59	152.50
	511.84	273.45
	511.84	273.45

OPERATIONS

During the year under review there was considerable increase in the gross revenue of the company. The sales & operating Income has increased to Rs. 1714.58 lacs as against 615.37 lacs in the preceeding year. This is on account of continuous efforts by the company in promoting its product and diversification in manufacturing of T-Shirts and other products. Increase in gross revenue has resulted into higher profit before tax of Rs. 378.55 lacs as against 172.93 lacs in the previous year.

Although the increased trend has continued in the first quarter of the current financial year, the order booking in the second and third quarter will only tell us about the actual performance in 1999-2000. However, your Board expects a reasonably better year.

DIVIDEND

Your Directors are pleased to recommed Dividend of Rs. 2.50 per share. Dividend, if approved by the Shareholders at the Annual General Meeting, will absorb Rs. 107.50 lacs.

SUBSIDIARY COMPANY

A statement under section 212 of the Companies Act, 1956 is enclosed.

DIRECTORS

Shri. M. G. Katre and Shri. L. A. Mehta retire by rotation and being eligible, offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES

The particulars required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 form part of this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO

The details as required under the Companies (disclosure of particulars in the Report of Board of Directors) Rules 1988, are set out in the annexure forming part of this Report.

AUDITORS

Members are requested to appoint Auditors for the current year and to authorise the Board of Directors to fix their remuneration. Messrs P. R. Gandhi & Company, the retiring Auditors, have furnished a Certificate of their eligibility for reappointment under section 224 (1B) of the Companies Act, 1956.

APPRECIATION

Your Directors acknowledge with gratitude the co-operation extended by Bankers of the Company, Stock Exchange, SEBI, and Government / Semi Government Authorities.

Your Directors also wish hereby to place on record their appreciation of the efficient and loyal services rendered by all the staff and workmen of the company, without whose whole hearted efforts, the overall satisfactory performance would not have been possible.

For and on behalf of the Board,

PLACE : MUMBAI
DATE : 18th JUNE, 1999.

MOHAN KATRE
CHAIRMAN

ANNEXURE TO THE DIRECTORS' REPORT

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY :

Name of the subsidiary	:	BHUPCO ALLOYS LIMITED
1. Financial Year of the subsidiary ended on	:	31st March, 1999.
2. Shares of the subsidiary held by the Company on the above date		
a) Number and face value	:	6,08,600 equity shares of Rs. 10/- each
b) Extent of holding	:	99.93%
3. Net aggregate amount of profits / (losses) of the subsidiary for the above financial year of the subsidiary so far as they concern members of the company.		
a) Dealt with in the accounts of the Company For the year ended 31st March, 1999	:	NIL
b) Not dealt with in the accounts of the Company for the year ended 31st March 1999	:	Rs. 30,641
4. Net aggregate amount of profits/(losses) for previous financial years of the subsidiary so far as they concern members of the company.		
a) Dealt with in the accounts of the Company for the year ended 31st March 1999	:	NIL
b) Not dealt with in the accounts of the Company for the year ended 31st March 1999	:	(Rs. 3,82,531)

For and on behalf of the Board,

PLACE : MUMBAI;
DATE : 18th JUNE, 1999.

MOHAN KATRE
CHAIRMAN

ANNEXURE TO THE DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURES OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1998.

A POWER AND FUEL CONSUMPTION IN RESPECT OF MANUFACTURING UNITS

a)	Purchased Units	147336	Units
	Total Amount	Rs. 4.53	Lacs
	Rate per unit (Rs.)	Rs. 3.07	
b)	Own Generation	Nil	
	(Through D.G. set) :		

B TECHNOLOGY ABSORPTION

FORM B

1. RESEARCH AND DEVELOPMENT

- a. Special Areas : Our research and development activities are concentrated mainly on development of new designs/colours for improving existing products and developing new product line for exports.
- b. Benefits derived : The Company has established itself in the Export Market and also proposes to enter the domestic market at an appropriate time.
- c. Plan of Action : The Company is continuously making improvements in quality of its products.
- d. Expenditure on R & D : Commensurate with the requirements of the industry.

2. TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATIONS

- a. Efforts made : Continuous efforts are being made in improving the quality of Shirts, Jackets produced by the Company on existing production methods. Improving labour productivity and installation of new machinery is also a part of these efforts.
- b. Benefits : Company could make its impact in the items manufactured by adopting changing technology.
- c. Imported Technology : The Company is presently using Indian technology.

C. FOREIGN EXCHANGE EARNING AND OUTGO

- a. Efforts : The Company has been constantly endeavouring to get an increased share of the world textile market and has met with remarkable success in this area.

b. EARNING AND OUTGO

	<u>Rs. in Lacs</u>
i) Foreign Exchange Earning Export Sales (FOB).	1469.09
ii) Foreign Exchange Outgo (includes raw material, spare parts, capital goods and other expenditure in foreign currency including dividends)	Nil
a) Raw Material	55.84
b) Capital Goods (Machinery)	15.78
c) Components, Spares and Accessories	32.83
d) Dyes & Chemicals	Nil
e) Travelling & Other Expenses	43.91

For and on behalf of the Board,

PLACE : MUMBAI
DATE : 18th JUNE, 1999.

MOHAN KATRE
CHAIRMAN