



Spice Islands
Appards Ltd.

REPORTJUNCTION

13th
Annual Report
2000 - 2001

ANNUAL REPORT 2000-2001



*Spice Islands
Apparels Limited*

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 Thirteenth Annual General Meeting of the members of SPICE ISLANDS APPARELS LIMITED will be held on Wednesday, 8th August, 2001, at 4.00 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 year ended 31st March, 2001, 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 Mr. O.V. Kuruvilla who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Karl Dantas 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 Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 including any statutory modifications and re-enactments thereof for the time being in force and subject to any approvals if necessary, the Articles of Association of the Company be and are hereby altered as followed :

- (A) In existing Article 2, being the Article dealing with Definitions, the following new Sub Clauses be inserted after the existing Sub Clause (z) :-
 - (z-1) 'Beneficial Owner' shall mean beneficial owner as defined in Clause (a) of sub section (1) of Section 2 of the Depositories Act, 1996;
 - (z-2) 'Depositories Act, 1996' shall include any statutory modification or re-enactment thereof, and
 - (z-3) 'Depository' shall mean a Depository as defined in Clause (e) of sub section (1) of Section 2 of the Depositories Act, 1996.

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(z-4) 'Member' means the duly registered holder from time to time of the shares of the Company and includes the subscribers to the Memorandum of the Company and the Beneficial Owner as defined above.

(B) After the existing Article 21 the following newArticles be inserted :

21A. The shares in the capital shall be numbered progressively according to their several denominations and except in the manner hereinafter mentioned, on shares shall be sub divided, provided, however, that the provisions relating to progressive numbering shall not apply to the shares of the Company which are in dematerialised form.

21B. The Company shall cause to be kept a Register and Index of Members in accordance with applicable provisions of the Companies Act,1956 and the Depositories Act, 1996 with details of shares held in material and dematerialised forms in any media as may be permitted by law including in any form of electronic media. The Company shall be entitled to keep in any State or Country outside India a branch Register of Members resident in that State or Country.

21C. Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or whose name appears as the Beneficial Owner of shares in the records of the Depository, as the absolute owner thereof and accordingly shall not except as ordered by a Court of competent jurisdiction or as by law required, be bound to recognise any benami trust or equity or equitable, contingent, future or partial or other claim or claims or right to or interest in such share on the part of any other person, whether or not it shall have express or implied notice thereof.

No notice of any trust, express, implied or constructive shall be entered in the register of members or of debenture holders.

21D. The Company shall be entitled to dematerialise its existing shares, debentures and other securities, rematerialise its shares, debentures and other securities held in the Depository and / or to issue its fresh shares, debentures and other securities, in a dematerialised form pursuant to the Depositories Act, 1996 and the rules / regulations framed thereunder.

(C) Article 28 of the Articles of Association shall be altered to include the words "Provided however, that no share certificate(s) shall be issued in respect of the shares held in the Depository" at the end of the existing Article 28.

(D) The existing Article 56 be deleted and in its place, following two new Articles be inserted :-

56. The Company shall keep a book to be called 'Register of Transfer' and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any share held in material form.



56A. In the case of transfer or transmission of shares or other marketable securities where the Company has not issued any certificates and / or where such shares or securities are being held in an electronic and fungible form in a Depository, the provisions of the Depositories Act, 1996 shall apply.

(E) After the existing Article 30 the following new Articles be inserted.

30A. Upon receipt of certificate of shares on surrender by a person who has entered into any agreement with the Depository, the company shall cancel such certificate and substitute in its records the name of depository as the registered owner in respect of the said shares and shall also inform the depository accordingly.

30B. If a beneficial owner opts out of the depository in respect of any shares of the Company and the Company received due intimation thereof from the Depository, the Company shall on fulfillment of such conditions and on payment of such fees as may be prescribed or determined by the Board, issue certificate of the said shares to the beneficial owner or the transferee, as the case may be.

2. To consider and if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution.

"RESOLVED THAT pursuant to the provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter) and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), consent is hereby accorded to the Board to delist its equity shares and all other securities from The Stock Exchange - Ahmedabad and the Pune Stock Exchange Ltd.

For and on behalf of the Board of Directors,

SPICE ISLANDS APPARELS LIMITED

PLACE : MUMBAI

DATE : 25th JUNE, 2001.

UMESH M. KATRE

(MANAGING DIRECTOR)

ANNUAL REPORT 2000-2001**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 Registered Office of the Company not less than forty-eight hours before the commencement of the meeting.
3. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.
4. The Dividend as recommended by the Directors if approved at the Annual General Meeting is payable on or after 8th August, 2001 to those members whose name appear on the Register of Members of the Company as on the date of the Thirteenth Annual General Meeting, subject to the provisions of Section 206 A of the Companies Act, 1956.
5. The Register of Members will remain close from 6th August, 2001 to 8th August, 2001. [Both the days inclusive]
6. Members who have not encashed the dividend warrant(s) so far for the year ending on 31-3-1996 or any subsequent dividend payment(s) are requested to make their claims to the Company. Under Section 205C of the Companies Act, 1956, the amount of dividend remaining unclaimed for a period of seven years from the date of payment shall be transferred to the Investor Education and Protection Fund. Thereafter no claim shall lie against the Company or the said Fund in respect of individual amounts which were unclaimed and unpaid for a period of seven years from the date of payment.
7. Members are requested to notify immediately any change in their address to the company.
8. 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.
9. Individual shareholders can now take the facility of nomination. The nominee shall be the person in whom all rights of transfer and/or amount payable in respect of shares shall vest in the event of the death of the shareholder(s). A minor can be a nominee provided the name of the guardian is given in the Nomination Form. Members who are interested in availing the nomination facility are requested to write to the Company.

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

PLACE : MUMBAI.
DATE : 25th JUNE, 2001.

UMESH M. KATRE
(MANAGING DIRECTOR)



ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

ITEM NO. 1

Consequent to the passing of the Depositories Act, 1996 and the introduction of the Depository System, your Company has entered into an agreement with each of National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL), to facilitate holding and trading of the Company's Equity Shares in the electronic form. Accordingly, some of the provisions of the Companies Act, 1956 pertaining to issue, holding, transfer / transmission and dealing in shares thereof have been amended to facilitate the Depository System. A few articles in the Association which were in line with the erstwhile provisions of the Companies Act, 1956 are being amended and new Articles are being inserted in view of the provisions of the Depositories Act, 1996 which have become applicable as a result of the introduction of the Depositories System by the Company. The required amendments have been made so as to give effect to the legal and practical aspects of the Depository System and are self explanatory.

The amendments are in compliance with the provisions of the Companies Act and are recommended as being in the Company's interest.

A copy of the existing Articles of Association of the Company alongwith the proposed draft alterations is available for inspection by any member at the Registered Office of the Company between 10.00 a.m. and 12.00 noon on all working days (except Sundays and Public holidays) into the date of the Annual General Meeting.

None of the Directors of the Company is in any way concerned or interested in the said Resolution.

Your Directors recommend this resolution for approval of the shareholders.

ITEM NO. 2

Presently, the Company's securities are listed on The Stock Exchange, Mumbai, The Stock Exchange - Ahmedabad and The Pune Stock Exchange Limited. The Regional Stock Exchange is the Stock Exchange, Mumbai.

With the networking of centers of the Stock Exchange, Mumbai, the members of the Company have access to online dealings in the Company's securities across the country. The trading volumes on the Stock Exchange - Ahmedabad and Pune Stock Exchange in the Company's securities are negligible. the proposed delisting of the Company's securities on these Exchanges will not, therefore, adversely affect any investor including the members located in the two regions where the said Stock Exchanges are situated.

Stock Exchanges in India with the permission of SEBI are now free to fix the prescribed listing fees unilaterally and it has been observed that the listing fees paid to the said two Stock Exchanges are disproportionately higher and trading volumes are extremely low compared to the major Stock Exchanges.

As a part of its cost reduction measures, the Company has proposed delisting of its securities from the said two Stock Exchanges and in line with the SEBI regulations for voluntary delisting of the Company's securities by the Company, members approval is sought by a Special Resolution for delisting its securities from the said two Stock Exchange as set out in Resolution at Item No. 2. The Proposed delisting is in the interest of the Company and the Board recommends the Resolution for acceptance by the members.

The delisting will take effect after all approvals, permissions and sanctions are received. The exact date on which the delisting will take effect will be suitably notified at that time.

The Company is also separately giving notice of the proposed delisting in one national newspaper and one newspaper circulating in each of the two regions where the said Stock Exchanges are situated.

None of the Directors are, in any way concerned or interested in the said Resolution.

Your Directors recommend this resolution for approval of the shareholders.

For and on behalf of the Board of Directors,

SPICE ISLANDS APPARELS LIMITED

PLACE : MUMBAI;
DATE : 25th JUNE, 2001.

UMESH M. KATRE
(MANAGING DIRECTOR)

ANNUAL REPORT 2000-2001**DIRECTORS' REPORT**

To,
The Members,
Your Directors have pleasure in presenting the Thirteenth Annual Report of the Company for the year ended 31st March, 2001.

FINANCIAL RESULTS

	(RS. IN LACS) 2000-2001	(RS. IN LACS) 1999-2000
Sales & Operating Income	801.83	1203.24
Other Income	125.46	93.08
Profit before Taxation	150.08	139.87
Less : Provision for Taxation	41.00	29.00
Prior Period Adjustments	0.78	2.56
Profit after Taxation	108.30	113.43
Add : Brought forward profit	265.43	243.59
	<u>373.73</u>	<u>357.02</u>

APPROPRIATION

General Reserve	30.00	20.00
Proposed Dividend	64.50	64.50
Tax on distribution of Dividend	6.58	7.09
Balance carried forward	272.65	265.43
	<u>373.73</u>	<u>357.02</u>

OPERATIONS

During the year under review the gross revenue of the Company has declined considerably. The sales & operating Income has reduced to Rs. 801.83 lacs as against 1203.24 lacs in the previous financial year. As reported in the previous Annual Report, the business declined on certain unexpected mergers / acquisitions amongst the Company's major clients. Your Directors expected addition of new clients to the customers list, but this did not happen due to worsening of the economic scenario in the major market area of Company's client base, as well as a worldwide general slowdown.

Although the gross revenue of the Company has declined considerably, the profit before tax has increased marginally over the previous year. The profit before tax during the year under review stood at 150.08 lacs as against 139.87 lacs in the previous financial year. This was partly on account of controlled expenditure and higher earnings on account of prudent deployment of surplus funds. However, profit after tax is affected on account of higher tax incidence. The members are aware that 20% of the export earnings are taxable now, and the percentage of earnings which will be taxed in the future years is going to increase steadily.

It may be noted that the recession in the overseas market, removal of import restrictions, reduced rate of duty drawback, and increased incidence of Income Tax will have a telling effect on the Company's performance in



the years to come. Your Board does not expect immediate change in the parameters within which the Company has to perform. The current year has begun on a weak note and the 3rd and 4th quarter will be decisive in determining the performance of the Company. However all that is not lost as efforts are being made to explore the possibilities of higher volume of Knitwear business, despite low profit margins. Surplus funds of the Company are also deployed most judiciously with an aim to bring higher earnings. Your Directors are confident that the Company will be able to overcome the difficult time and keep its head above water.

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs. 1.50 per share. Dividend, if approved by the Shareholders at the Annual General Meeting, will absorb Rs. 64.50 lacs.

TAXATION

The Company has provided Rs. 41 lacs to meet the liability for taxes. Further provision of Rs. 6.58 lacs is made to meet the liability for taxes on distribution of Dividend.

DIRECTORS

Mr. O.V.Kuruvilla and Mr. Karl Dantas retire by rotation and being eligible, offer themselves for re-appointment.

DIRECTORS RESPONSIBILITY

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000, the Director's confirm that :-

1. In the preparation of the annual accounts, the applicable accounting standards have been followed.
2. Appropriate accounting policies have been selected and applied consistently, and have made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company as at March 31, 2001 and of the profit of the company for the year ended on 31st March, 2001.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. The annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

Since the paid up capital of the company is more than Rs. 3 crores but less than Rs. 10 crores, all adequate steps to ensure that all mandatory provisions of Corporate Governance as prescribed under the amended listing agreement of the stock exchange with which the shares of the company are listed, will be taken during the financial year 2002-2003, but not later than 31st March, 2003.

DEMATERIALISATION OF SHARES OF THE COMPANY

The Stock Exchange, Mumbai has decided that all B2 group companies should be advised to sign agreement and establish the required connectivity with both the depositories i.e. Central Depository Services (India) Limited (CDSL) and National Securities Depository Ltd. (NSDL)

The Company has initiated steps in the direction of dematerializing shares of the company. The Agreements are being signed with CDSL & NSDL and the company has appointed M/s. Intime Spectrum Registry Pvt. Ltd. for providing requisite connectivity. Once the code number is allotted, the company shall communicate to the members for utilising the demat facility.

Requisite amendment in the Articles of Association of the Company are proposed to meet with the requirement

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of Depository Act of 1996.

DELISTING OF SHARES OF THE COMPANY FROM THE AHMEDABAD STOCK EXCHANGE AND FROM THE PUNE STOCK EXCHANGE LIMITED.

With the networking of centers of the Stock Exchange, Mumbai, the members of the Company have access to online dealings in the Company's securities across the country. The trading volumes on the Stock Exchange-Ahmedabad and Pune Stock Exchange in the Company's securities are negligible. The Proposed delisting of the Company's securities on these Exchange will not, therefore, adversely affect any investor including the members located in the two regions where the said Stock Exchanges are situated.

SUBSIDIARY COMPANY

A statement under section 212 of the Companies Act, 1936 is enclosed.

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.

NOMINATION

Articles of Association of the Company was suitably amended to permit nomination facility. Members of the Company are requested to avail themselves of the nomination facility.

APPRECIATION

Your Directors acknowledge with gratitude the co-operation extended by Bankers of the Company, Stock Exchange, SEBI, and other 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 : 25th June, 2001.

MOHAN KATRE
CHAIRMAN