

14th
ANNUAL
REPORT
2001-2002

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Spice Islands
Apparels Limited

ANNUAL REPORT 2001-02



*Spice Islands
Apparels Limited*

BOARD OF DIRECTORS

MR. MOHAN KATRE *Chairman*
MR. UMESH KATRE *Managing Director*
MR. BILIN KUMAR SEN *Whole Time Director*
MR. B.K. KHARE *Director*
MR. L.A. MEHTA *Director*
MR. 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

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

REGISTRAR & SHARE TRANSFER AGENT

INTIME SPECTRUM REGISTRY LIMITED

260, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (W), Mumbai - 400 080. Ph.: 592 3837, Fax : 567 2693 E-mail : isri@vsnl.com	O R	201 Davar House, Near Central Camara, Dr. D. N. Road, Fort, Mumbai - 400 001. Ph.: 265 6927 Fax : 265 6929
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FACTORY

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



NOTICE

Notice is hereby given that Fourteenth Annual General Meeting of the members of SPICE ISLAND APPARELS LIMITED will be held on Monday, 26th August, 2002 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 and Loss Account for the year ended 31st March, 2002, the Balance Sheet as at that date and Report of the Director and Auditors thereon.
2. To appoint a Director in place of Mr. M. G. Katre who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. L. A. Mehta who retires by rotation and being eligible offers himself for re-appointment
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT approval be and the same is hereby accorded to keeping the Register of Members, the Index of Members, and copies of all Annual Returns prepared under sections 159 and 160 of the Companies Act 1956, together with certificates and documents required to be annexed thereto under section 161 of the said Act with M/s. Intime Spectrum Registry Ltd. (the new Registrar to the Company) instead of at the registered office of the Company."

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

PLACE : MUMBAI
DATE : 21st JUNE, 2002

UMESH M. KATRE
(MANAGING DIRECTOR)

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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. *Members who have not encashed the dividend warrant(s) so far for the 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.*
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.
7. 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 ISLAND APPARELS LIMITED

PLACE : MUMBAI
DATE : 21st JUNE, 2002

UMESH M. KATRE
(MANAGING DIRECTOR)



ANNEXURE TO THE NOTICE

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

ITEM NO. 1

Your Directors consider that it would be more economical to entrust the work of maintaining the Register and Index of Members and connected documents to an outside agency than to employ fresh personnel for handling this job. Accordingly, M/s. Intime Spectrum Registry Limited have been appointed as Transfer Agents and Registrars for registration and certification of transfer of shares, maintenance of register and Index of members and preparation of the necessary list required for the Annual Returns and similar other work. To enable the Transfer Agents and registrars to carry on their work efficiently and expeditiously, the Register and Index of members and other related books and documents require to be placed at their office instead of the registered office of the Company. Section 163 of the Companies Act, 1956, require that register books and documents should be kept at the Registered office of the Company unless a different place for keeping the same has been approved by a Special Resolution. The approval of members is therefore sought by a Special Resolution to keep the register, indexes of members and other records relevant to the members as also the Annual Returns of the Company at the office of M/s. Intime Spectrum Registry Limited at 260, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (W), Mumbai - 400 080. As required under the provisions of section 163 of the said Act, the Registrar of Companies, Maharashtra has been given an advance copy of the proposed Special Resolution.

It may be noted that Ms/ Intime Spectrum Registry Limited is required for providing necessary connectivity with CDSL and NSDL for dealing in the shares in the electronic form as the Company does not have the said facility. It would also be costlier to establish the connectivity.

None of the Directors of the Company are concerned or interested in the Resolution.

Your Directors recommend this resolution for approval of the shareholders.

For and on behalf of the Board of Directors,

SPICE ISLAND APPARELS LIMITED

PLACE : MUMBAI
DATE : 21st JUNE, 2002

UMESH M. KATRE
(MANAGING DIRECTOR)

ANNUAL REPORT 2001-02**DIRECTOR'S REPORT**

To,

The Members

Your Directors have pleasure in presenting the Fourteenth Annual Report of the Company for the year ended 31st March, 2002.

	(Rs. IN LACS) 2001-2002	(Rs. IN LACS) 2000-2001
FINANCIAL RESULTS		
Sales & Operating Income	468.92	801.83
Other Income	121.03	125.46
Profit before Taxation	27.11	150.08
Less : Provision for Taxation	9.95	41.00
Prior Period Adjustments	6.86	0.78
Profit after Taxation	10.29	108.30
Add : Brought forward profit	272.65	265.43
	<u>282.94</u>	<u>373.73</u>
APPROPRIATION		
General Reserve	0	30.00
Proposed Dividend	0	64.50
Tax on distribution of Dividend	0	6.58
Balance carried forward	282.94	272.65
	<u>282.94</u>	<u>373.73</u>

OPERATIONS

During the year under review, the gross revenue of the Company has declined considerably. The sales & operating income has reduced to Rs. 468.92 lacs as against Rs. 801.83 lacs in the previous financial year. Business has declined almost by 50% showing a severe down turn in the performance of the Company, which was not noticed in the earlier years. Certain external incidents have affected the Company's main market and the demand has substantially gone down. The great turmoil in the US had a telling impact on the Company's performance since European market has suffered badly. Certain customers have gone bankrupt and its not safer to do business with new customers without establishing their credibility. Despite all odds, the management of the Company tried their best to salvage the situation and prevent the Company from going into the RED.

The first 3 months of the current financial year are also not promising and if the same trend continue, the year ahead will be one of the difficult year which the Company will have to face. The dull outlook, added to that 50% tax on the export earnings and reduced rate of duty drawback are likely to guide the performance of the Company in the financial year 2002-03. However all attempts are being made to restore the business and recover the full cost. Your directors are confident that the Company will be able to overcome the difficult time.



DIVIDEND

The weak financial performance and to salvage valuable resources for the Company, your Directors are unable to recommend any dividend for the financial year 2001-02.

Your Directors are hopeful that we'll soon come back to the dividend list.

TAXATION

The Company has provided Rs. 995,197/- (including Rs. 175,197/- towards deferred tax liability) to meet the liability for taxes.

DIRECTORS

Mr. O. V. Kuruvilla resigned as a Director of the Company during the year under review. The Board places on record their sincere appreciation for the valuable services rendered by Mr. Kuruvilla during his long association with the Company and wish him good luck for his future endeavor.

Mr. M. G. Katre and Mr. L. A. Mehta 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, 2002 and of the profit of the company for the year ended on 31st March, 2002.
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

Your Company has always striven to incorporate appropriate standards for Corporate Governance. During the current financial year, adequate steps are being taken 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, are complied with.

DEPOSITORY SYSTEM

Trading in Equity Shares of your Company is permitted in dematerialised form in terms of notification issued by Securities and Exchange Board of India (SEBI). Your Company has entered into agreements with National Securities Depository Ltd. (NSDL) & Central Depository Services (India) Ltd. (CDSL) to enable share holders to hold shares in dematerialised form. Since dematerialisation facilitates quick share transfers and prevents forging of documents, those shareholders who have not opted for this facility are advised to dematerialise their shares with either of the Depositories.

APPOINTMENT OF REGISTRAR AND SHARE TRANSFER AGENT

The Company has appointed M/s. Intime Spectrum Registry Limited as Registrar and Share Transfer Agent of the Company. This is to facilitate speedier disposal of the share transfer work and the availability of the professional

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advise. M/s. Intime has also established connectivity with CDSL and NSDL for dealing in the shares in the electronic form. This certainly will benefit the Members of the Company.

The Board requests Members to pass a Special Resolution which is proposed hereto, under section 163 of the Companies Act for keeping the Register of Members at a place other than the Registered office of the Company.

SUBSIDIARY COMPANY

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

PARTICULARS OF EMPLOYEES

The particulars required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rule, 1975 are not furnished since none of the employees of the Company are drawing remuneration in excess of the limit laid down under the said provisions.

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. M/s. 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 were 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 : 21st JUNE, 2002

MOHAN KATRE
(CHAIRMAN)



ANNEXURE TO DIRECTOR'S 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, 2002.
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 fully paid up.
b) Extent of holding	:	99.93%
3. Net aggregate amount of profits/(loses) of the subsidiary for the above financial year so far as they concern members of the company.		
a) Dealt with in the accounts of the Company for the year ended 31st March, 2002	:	NIL
b) Not dealt with in the accounts of the company for the year ended 31st March, 2002	:	(Rs. 23,971)
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, 2002	:	NIL
b) Not dealt with in the accounts of the company for the year ended 31st March, 2002	:	(Rs. 16,78,208)

For and on behalf of the Board,

PLACE : MUMBAI
DATE : 21st JUNE, 2002

MOHAN KATRE
(CHAIRMAN)

ANNUAL REPORT 2001-02**ANNEXURE TO DIRECTOR'S 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	81,724	Units
	Total Amount	Rs. 4.85	Lacs
	Rate per unit (Rs.)	Rs. 5.93	
b)	Own Generation (Through D. G. set)	Nil	

**B) TECHNOLOGY ABSORPTION
FORM B.****1. RESEARCH AND DEVELOPMENT**

- 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.
- Benefits derived : The company has established itself in the Export Market and also proposes to enter the domestic market at an appropriate time.
- Plan of Action : The Company is continuously making improvements in quality of its products.
- Expenditure on R & D : Commensurate with the requirements of the industry.

2. TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATIONS

- 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.
- Benefits : Company could make its impact in the items manufactured by adopting changing technology.
- Imported Technology : The company is presently using Indian Technology.

C) FOREIGN EXCHANGE EARNING AND OUTGO

- 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.
- EARNING AND OUTGO** Rs. In Lacs
 - Foreign Exchange Earning 411.83
Export Sales (FOB)
 - Foreign Exchange Outgo (includes raw material, spare parts, capital goods and other expenditure in foreign currency including dividends)
 - Raw Material Nil
 - Capital Goods (Machinery) Nil
 - Components, Spares and Accessories 14.37
 - Dyes & Chemicals Nil
 - Travelling & Other Expenses 16.38

For and on behalf of the Board,

PLACE : MUMBAI
DATE : 21st JUNE, 2002

MOHAN KATRE
(CHAIRMAN)