

## 15<sup>th</sup> Annual Report 2002-2003



*Spice Islands*  
*Apparels Limited*

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**Spice Islands**  
*Apparels Limited*

## **BOARD OF DIRECTORS**

**UMESH KATRE** *Chairman & Managing Director*
**BILIN KUMAR SEN** *Whole Time 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**

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

Ph.: 2204 4182 / 2282 3128

 Website : [www.spiceislandsindia.com](http://www.spiceislandsindia.com)

 Email: [sales@spiceislandsindia.com](mailto:sales@spiceislandsindia.com)

### **REGISTRAR & SHARE TRANSFER AGENT**

#### **INTIME SPECTRUM REGISTRY LIMITED**

260, Shanti Industrial Estate, Sarojini Naidu Road, Mulund (W), Mumbai - 400 080. Ph.: 2592 3837, Fax : 2567 2693 E-mail : <a href="mailto:isrl@vsnl.com">isrl@vsnl.com</a>	O R	201 Davar House, Near Central Camara, Dr. D. N. Road, Fort, Mumbai - 400 001. Ph.: 2265 6927 Fax : 2265 6929
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### **FACTORY**

 Unit Nos. 41 to 47, Bhandup Industrial Estate,  
 Pannalal Silk Mill Compound, Bhandup (W), Mumbai - 400 078.  
 Ph.: 2591 8069

**ANNUAL REPORT 2002-03****NOTICE**

Notice is hereby given that Fifteenth Annual General Meeting of the members of SPICE ISLANDS APPARELS LIMITED will be held on Friday, 12th September, 2003 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, 2003, the Balance Sheet as at that date and Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. B. K. Khare who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Karl Dantas 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 though fit, to pass with or without modification (s) the following Resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of section 198, 269, 309 and other applicable provisions, if any, of the Companies Act 1956 read with schedule XIII as amended and subject to approval of the members be and is hereby accorded to, the re-appointment of Mr. Bilin Kumar Sen as the Whole time Director of the Company for a period of 5 years with effect from 14th August 2002 on the terms and conditions, including expressly the remuneration payable to him in case of absence or inadequacy of profits in any year, as set out in the Draft Agreement between the Company and the said Mr. Bilin Kumar Sen produced at this meeting and for the purpose of identification, initialed by the Chairman hereof."

"RESOLVED FURTHER THAT in the event of any statutory amendment or modification or relaxation in the provisions relating to the payment of remuneration to the managerial person or to schedule XIII of the Companies Act 1956, the Board of Directors be and is hereby authorised to vary or increase the remuneration including, salary, commission perquisite etc. within such prescribed limit."

"AND RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps expedient or desirable to give effect to this resolution."

"RESOLVED FURTHER THAT notwithstanding anything contained herein above, where in any financial year, if the Company incurs losses or its profits are inadequate, the Board of Directors may determine the remuneration payable to the Whole time Director within the limits stated in Section II of the Part II of the Schedule XIII to the Companies Act, 1956."

For and on behalf of the Board of Directors,

**SPICE ISLANDS APPARELS LIMITED**

PLACE : MUMBAI

DATE : 27th JUNE, 2003.

**UMESH M. KATRE**

(Chairman & 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 Registered Office of the Company, not less than forty-eight hours before the commencement of the meeting.
3. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.
4. The Register of Members and share transfer book will remain closed from 8th September 2003 to 12th September 2003 (Both days inclusive)
5. 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.
6. Members are requested to notify immediately any change in their address to the company.
7. 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.
8. 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 : 27th JUNE, 2003.

**UMESH M. KATRE**

(Chairman & Managing Director)

## ANNUAL REPORT 2002-03

**ANNEXURE TO THE NOTICE****EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.****ITEM NO. 1**

Mr. Bilin Kumar Sen's 5 years term as a Whole-time Director of the Company expired on 14th August 2002. The Board of Directors, Subject to approval of members of the Company, re-appointed Mr. Sen as a Whole-time Director for a further period of 5 years with effect from 14th August, 2002. The Directors are confident of the fact that the Company should continue to avail of the services of Mr. Bilin Kumar Sen, a very senior and experienced person. Mr. Sen is a Textile Engineer and MBA from IIM, Ahmedabad. He has an experience of over 35 years in Textiles and Garments.

Having regard to Mr. Sen's brilliant academic background and rich experience in the Textile Industry, the Board felt that his continued association with the Company for a further period of five years will be certainly in the interest of the Company. The remuneration payable to Mr. Bilin Kumar Sen, as a Whole-time Director, including the minimum remuneration payable to him in the event of absence or inadequacy of profits in any financial year of the Company, is set out in the draft agreements to be entered into by the Company with him and the salient features of the same are given hereunder :

- A. Basic Salary : Rs. 40000-2000-50000
- B. Commission : 1% of the amount of the net profit as appearing in the audited Annual Profit & Loss Account for each completed corporate financial year of the company, unless otherwise decided by the board for any financial year subject, however, that the total remuneration (i.e. salary, commission and perquisites) in any one financial year shall not exceed the limits prescribed or to be prescribed from time to time under sections 198,309 and other applicable provisions of the Companies Act, 1956 read with schedule XIII to the Act, as may for the time being be in force.
- C. Perquisites : As follows
  - I. House Rent Allowances : Rs. 12000 per month.
  - II. Driver's Salary (Reimbursement) : Rs. 4000 per month.
  - III. Leave Travel Allowances : Once in a block of two years of gross salary.
  - IV. Leave Salary : Once in the year of gross salary
- D. Other benefits like contribution to Provident Fund etc. will be applicable as per the rules of the company.

In case if Company has no profits or its profits are inadequate, the remuneration payable to Managerial personnel shall be governed by the provisions of Section II of part II of schedule XIII of the Companies Act, 1956.

Mr. Bilin Kumar Sen is interested in the Ordinary Resolution at item no. 1 of the special business in respect of his re-appointment to the extent of the remuneration proposed to be paid to him. No other Director of the Company is interested in the said Resolution.

The draft of the Agreement for appointment of Whole-time Director, referred to above, is available for inspection by the members at the Administrative office of the Company on any working day, except Sundays and holidays, between 11 am and 1 pm.

For and on behalf of the Board of Directors,

**SPICE ISLANDS APPARELS LIMITED**

PLACE : MUMBAI

DATE : 27th JUNE, 2003.

**UMESH M. KATRE**

(Chairman & Managing Director)

## DIRECTORS' REPORT

To,

The Members

Your Directors have pleasure in presenting the Fifteenth Annual Report of the Company for the year ended 31st March, 2003.

### FINANCIAL RESULTS

	(Rs. IN LACS) <u>2002-2003</u>	(Rs. IN LACS) <u>2001-2002</u>
Sales & Operating Income	657.39	468.92
Other Income	97.08	121.03
Profit (Loss) before Taxation / Extra Ordinary item	(7.03)	27.11
Prior Period Adjustments	0.99	6.86
Extra Ordinary charges	(26.49)	--
Provision for Taxation	(9.06)	9.95
Profit (Loss) after Taxation	(41.59)	10.29
Add : Brought forward profit	282.94	272.65
	<u><u>241.35</u></u>	<u><u>282.94</u></u>

### APPROPRIATION

Balance carried forward	<u>241.35</u>	<u>282.94</u>
	<u><u>241.35</u></u>	<u><u>282.94</u></u>

### OPERATIONS

During the year under review, the gross revenue of the Company has increased by about 40% over the previous year. The sales and operating income has increased to Rs. 657.39 lacs as against Rs. 468.92 lacs in the previous financial year. The market is looking up and the opportunities are opening up in the Company's main market area. The clouds of slowdown are slowly dismantling and the prospects appear to be brighter. The order booking position is improving and all efforts are being made to take benefit of the improved scenario and convert into opportunities for the Company.

While the gross sales and operating income has improved, the efforts to curtail expenses and the strict monitoring of every outgo has also yielded results. While the gross revenue has increased by about 40%, the expenses have increased only by about 7% (after taking into account the increased volume/activities) resulting into greater amount available to the company for :

- a) Write-off of investments / advances : Rs. 61.45 lacs
- b) Settlement charges : Rs. 26.49 lacs

On account of prudence the investments are valued at a price closer to its actual realisable value and provision is made in the accounts for the diminution in the value of its investments.

During the year under review, the Company had to pay one time settlement charges of Rs. 26.49 lacs to terminate the services of labour contractors.

If the above was not the situation, the profit for the year would have been Rs. 46.35 lacs.

**ANNUAL REPORT 2002-03****DIRECTORS' REPORT Contd..**

The current year has begun on a promising note. However, the margins are under pressure and the Company is accepting lower profit orders to recover the fixed cost. The performance in the second and third quarter will be decisive in deciding the performance for the year.

**DIVIDEND**

Due to losses incurred by the Company during the financial year under review, your Directors express their inability to recommend any dividends.

**TAXATION**

The Company has provided Rs. 9,05,986/- (including Rs. 1,55,986/- towards deferred tax liability) to meet the liability for taxes.

**DIRECTORS**

Mr. Mohan G. Katre, Chairman of the Company who was associated with the Company for the last several years, has passed away on 19th March 2003. Mr. Katre set the destiny of the Company and was instrumental in bringing up the Company to its present level. Mr. Katre was always available to guide the company and the void caused by his demise would always be felt. The Board places on record their deep appreciation for the valuable services rendered by Mr. Katre during his long tenure with the Company.

Mr. B.K. Khare and Mr. Karl Dantas retire by a rotation and being eligible, offer themselves for a re-appointment.

Mr. Bilin Kumar Sen's continued association as a whole time Director is in the interest of the growth of the Company and suitable resolution is proposed in the forthcoming Annual General Meeting for his reappointment for a further period of 5 years. The Board recommends the resolution.

**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, 2003 and of the loss of the company for the year ended on 31st March, 2003.
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 good Corporate Governance. The Company has set up independent audit committee and remuneration committee. It has taken 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, are complied with. A separate report on Corporate Governance is produced as a part of the Annual Report alongwith the auditors statement on its compliance.



## **DIRECTORS' REPORT Contd..**

### **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 shareholders 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.

### **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 of Directors,

**SPICE ISLANDS APPARELS LIMITED**

PLACE : MUMBAI

DATE : 27th JUNE, 2003.

**UMESH M. KATRE**

(Chairman & Managing Director)



## ANNUAL REPORT 2002-03

**ANNEXURE TO 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, 2003.
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/(losses) 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, 2003 : NIL
- b) Not dealt with in the accounts of the company for the year ended 31st March, 2003 : (Rs. 28,768)
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, 2003 : NIL
- b) Not dealt with in the accounts of the company for the year ended 31st March, 2003 : (Rs. 18,87,819)

For and on behalf of the Board of Directors,

PLACE : MUMBAI  
DATE : 27th JUNE, 2003

**UMESH M. KATRE**  
(Chairman & Managing Director)

# ANNEXURE TO 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	12,440	Units
	Total Amount	Rs. 0.87	Lacs
	Rate per unit (Rs.)	Rs. 6.98	
b)	Own Generation	Nil	
	(Through D. G. set)		

### 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.

b)	EARNING AND OUTGO	Rs. In Lacs
i)	Foreign Exchange Earning	565.74
	Export Sales (FOB)	
ii)	Foreign Exchange Outgo (includes raw material, spare parts, capital goods and other expenditure in foreign currency including dividends)	
a)	Raw Material	Nil
b)	Capital Goods (Machinery)	Nil
c)	Components, Spares and Accessories	2.47
d)	Dyes & Chemicals	Nil
e)	Travelling & Other Expenses	30.64

For and on behalf of the Board of Directors,

PLACE : MUMBAI  
 DATE : 27th JUNE, 2003

**UMESH M. KATRE**  
 (Chairman & Managing Director)