

16th Annual Report 2003-2004



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*

ASHOK DARYANANI *Executive 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	BRANCH OFFICE
125-A, Mittal Tower, 210, Nariman Point, Mumbai - 400 021. Tel.: 2284 4368	305/306, Brigade Links, 1st Main Road, Seshadripuram, Bangalore - 560 020. Tel.: 080-23312493, 2344 4671

FACTORY	
Unit Nos. 41 to 47, Bhandup Industrial Estate, Pannalal Silk Mill Compound, Bhandup (W), Mumbai - 400 078. Tel.: 2591 8069	193-B, 3rd Phase, KIADB Industrial Estate, Peenya, Bangalore - 560 058 Tel.: 080-28370561 / 562

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 : isrl@vsnl.com	O R
	201 Davar House, Near Central Camera, Dr. D. N. Road, Fort, Mumbai - 400 001. Ph.: 2265 6927 Fax : 2265 6929

ANNUAL REPORT 2003-04**NOTICE**

Notice is hereby given that Sixteenth Annual General Meeting of the members of SPICE ISLANDS APPARELS LIMITED will be held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, (Behind Prince of Wales Museum), Kala Ghoda, Mumbai - 400 001, on Thursday, 9th September, 2004 at 4.30 p.m. to transact the following business :

1. To receive and adopt the audited Profit & Loss Account for the year ended 31st March, 2004, the Balance Sheet as at that date and Reports of the Board of Directors and Auditors.
2. To appoint a Director in place of Mr. L. A. Mehta who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

4. To appoint Mr. Ashok Daryanani as a Director of the Company.
5. To consider and if thought 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, consent of the Company be and is hereby accorded to the re-appointment of Mr. Ashok Daryanani as an Executive Director of the Company for a period of 5 years with effect from 29th October 2003 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. Ashok Daryanani 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 Executive Director within the limits stated in Section II of the Part II of the Schedule XIII to the Companies Act, 1956."

6. To consider and if thought fit, to pass with or without modification, the following Resolution as a Special Resolution.
"RESOLVED THAT subject to the provisions of the Companies Act, 1956 the Securities and Exchange Board of India (delisting of Securities) Guidelines, 2003 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 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"), consent is hereby accorded to the Board to seek voluntary delisting of the Company's Equity Shares from The Stock Exchange, Ahmedabad and Pune Stock Exchange Limited.

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take all necessary steps in this regard to comply with all the legal and procedural formalities and further to authorise any of its Director(s) or Officer(s) to do all such acts, things and deeds as may be necessary, to give effect to this Resolution."

For and on behalf of the Board of Directors,

SPICE ISLANDS APPARELS LIMITED

PLACE : MUMBAI

DATE : 26th JUNE, 2004.

UMESH M. KATRE

(Chairman & Managing Director)



NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself, only on a poll and a proxy need not be a member. Proxies in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
2. Relevant Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the Special Business at item no 4, 5 and 6 of the Notice is annexed.
3. All document referred to in the accompanying notice and Explanatory Statement are open to inspection at the Registered Office of the Company between 2 p.m. and 4 p.m. on all working days up to the day of the Annual General Meeting.
4. The Register of Members and Share Transfer books of the Company will remain closed from Monday 30th August, 2004 to Thursday 9th September, 2004, both days inclusive.
5. In terms of Section 205A and 205C of the Companies Act, 1956, the dividends for the year ended 31st March, 1997 and thereafter which remains unclaimed for a period of 7 years from the date of transfer to the Unpaid Dividend Account are required to be transferred to the "Investor Education and Protection Fund" established by the Central Government. According to the relevant provisions of the Companies Act, 1956, as amended, no claims shall remain against the said Fund or the Company for the amount of dividends so transferred to the said Fund. Members who have not encashed their dividend warrant(s) so far for the year ending on 31-3-1997 or any subsequent years are requested to send their claim directly to the Company or to the Registrars and Share Transfer Agents. The Company have been sending reminders to the concerned members to claim their dividend amount.

Unclaimed dividend for the year ended 31st March, 1996 was transferred to the "Investor Education and Protection Fund" of the Central Government during the year.

6. Members are requested to notify immediately any change of address to their Depository Participants (DPs) in respect of their holdings in electronic form and to the Secretarial Department at the Registered Office of the Company or to the Registrar and Share Transfer Agent in respect of their holding in physical form.
7. Members are informed that in case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
8. In terms of Section 109A of the Companies Act, 1956, Members are entitled to make nominations in respect of shares held by them in physical form. Members desirous of making nominations are requested to send their request in Form 2B, in duplicate, to the Secretarial Department at the Registered Office of the Company or to the Registrar and Transfer Agent.

REQUEST TO THE MEMBERS

1. Members desiring any relevant information on the accounts at the Annual General Meeting are requested to write to the Company at least seven days in advance, so as to enable the Company to keep the information ready.
2. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the Meeting.
3. Members who hold shares in demat mode are requested to bring their Client ID and DP ID numbers for easy identification of membership at the Meeting.
4. For the convenience of Members, an Attendance Slip is annexed to the Proxy Form. Members are requested to fill in and affix their signature at the space provided therein and hand over the Attendance Slip at the entrance of the place of the Meeting. Proxy / Representative of a Member should mark on the Attendance Slip as "Proxy" or "Representative", as the case may be.

For and on behalf of the Board of Directors,

SPICE ISLANDS APPARELS LIMITED

PLACE : MUMBAI
DATE : 26th JUNE, 2004.

UMESH M. KATRE
(Chairman & Managing Director)

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ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.****ITEM NO. 4 & 5**

Appointment of Mr. Ashok G. Daryanani as a Director and Executive Director of the Company.

Mr. Ashok G. Daryanani was appointed as an Additional Director of the Company at the Board Meeting held on 29th October, 2003. Mr. Daryanani holds the office of Director up to the date of next Annual General Meeting pursuant to section 260 of the Companies Act, 1956. It is proposed to appoint Mr. Daryanani as Director of the Company. The Company has received notice in writing as required by section 257 of the Companies Act, 1956 from member proposing the candidature of Mr. Ashok G. Daryanani for the office of Director.

Mr. Ashok G. Daryanani is a Graduate in Commerce faculty. He has an experience of over 37 years in all aspects of textile marketing including retail, Wholesale and exports of textiles. Joined the family business in 1970 and since then he has associated with leading mills. He has worked as a distributor for leading brands in the southern states. He has widely travelled throughout all textile centers of India and has a keen insight of all aspects of textile manufacturing.

Having regard to the rich experience in the Textile Industry, the Board appointed Mr. Ashok G. Daryanani as Executive Director of the company with effect from 29th October, 2003.

The Board is of the opinion that Mr. Ashok G. Daryanani's appointment as Director and as Executive Director would be in the interest of your company.

The remuneration payable to Mr. Ashok G. Daryanani, including 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 agreement to be entered into by the Company with him and the salient features of the same are given hereunder;

- I. **TOTAL EMOLUMENTS:** The total emoluments will be subject to a limit of Rs. 1 Lac per month.
 - A. Basic Salary : Rs. 44,000/- per month with annual increment of Rs. 2,000/-.
 - B. Allowances :
 - I. House Rent Allowances Rs. 22,000/- per month with an annual increment of Rs. 1,000/-.
 - II. Reimbursement of actual medical expenses incurred in India by Mr. Daryanani, his wife and dependent children up to a maximum of Rs. 15,000/- per annum.
 - III. Reimbursement of driver's salary (up to a limit of Rs. 4,000/- per month) along with running and maintenance expenses.
 - IV. Free telephone facility at his residence (long distance personal calls to be charged).
 - V. Leave travel allowances : Once in a block of two years subject to a ceiling of one months basic salary and house rent allowance.
 - VI. Leave salary : as per rules of the Company. In case of leave not availed, Mr. Daryanani shall be entitled to encash the same at the end of his tenure.
 - VII. City compensatory allowances : Rs. 3,750/- per month.
 - C. 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.

- D. Other benefits like contribution to Provident Fund, Gratuity Fund etc. will be applicable as per the rules of the company.
- E. The running & maintenance expense of the motorcar, the Company's contribution to the provident fund, gratuity fund and commission shall not be included in the ceiling on remuneration.

Apart from the obvious increase of Mr. Daryanani no other director is interested in this resolution.

ITEM NO. 6

With the extensive networking of The Stock Exchange, Mumbai and availability of nationwide trading terminals, the investors have access to online dealings in the Equity Shares of the Company across the country. The volume of trading of the Company's Equity shares on The Stock Exchange Ahmedabad (SEA) and Pune Stock Exchange Limited (PSEL) is not significant. The listing fee paid to both the stock exchange at present constitutes about 40% of the total listing fees paid to all the Stock Exchanges for each financial year and does not offer commensurate benefits to the Company or investors. Further, delisting of shares on SEA / PSEL will contribute to reduction in administrative costs/efforts of the Company. Therefore, the Board of Directors has decided to apply for voluntary delisting of Equity Shares of the Company from the said Stock Exchanges.

None of the Director is interested in the Resolution.

For and on behalf of the Board of Directors,

SPICE ISLANDS APPARELS LIMITED

PLACE : MUMBAI

DATE : 26th JUNE, 2004.

UMESH M. KATRE

(Chairman & Managing Director)

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DIRECTORS' REPORT

To,
The Members

Your Directors have pleasure in presenting the Sixteenth Annual Report of the Company for the year ended 31st March, 2004.

	(Rs. IN LACS) 2003-2004	(Rs. IN LACS) 2002-2003
FINANCIAL RESULTS		
Sales & Operating Income	729.71	657.39
Other Income	91.38	97.08
Profit / (Loss) before Taxation / Extra Ordinary item	(65.02)	(7.03)
Prior Period Adjustments	0.20	0.99
Extra Ordinary charges	0.00	(26.49)
Provision for Taxation	(7.29)	(9.06)
Profit / (Loss) after Taxation	(72.52)	(41.59)
Add : Brought forward profit	241.35	282.94
	168.83	241.35
APPROPRIATION		
Balance carried forward	168.83	241.35

OPERATIONS

During the year under review, the gross revenue of the Company has marginally increased to Rs. 729.71 lacs as against 657.39 lacs in the previous financial year. There is all around increase in the cost, partly due to internal restructuring including setting up factories at Bangalore & Tirupur and partly on account of market forces which were beyond the control of the management. The Company has suffered loss of Rs. 65.02 lacs and after providing for the taxes the net loss works out to 72.52 lacs, a situation which was never heard of since inception of the Company. If the surplus funds were not judiciously deployed the financial position would have been far worse:

The market is showing a clear sign of excitement ahead. The industry is entering a new era of quota free world 2005 onwards which opens up immense possibilities. There, of course would be formidable challenge from China, Bangladesh and others who are likely to grab an almost over 50% of the world trade. Nevertheless, it still would mean vast area to play around.

Keeping the new scenario in mind SPICE are gearing up to face the changed environment in terms of upgraded technical facilities at the State of Art Factory in Bangalore with compliances that some of the top brands are asking for. Additionally, professionals have been picked to strengthen and back the broad frame work of operation ahead. Considering all these, we feel confident of a positive outcome for the next financial year 2004-2005.



DIRECTORS' REPORT Contd..

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. 7,01,665/- (including Rs. 5,96,665/- towards deferred tax liability) to meet the liability for taxes.

DIRECTORS

Mr. L.A. Mehta retires by rotation being eligible offers himself for re-appointment.

During the year under review, Mr. Ashok G. Daryanani was co-opted as an Additional Director and was appointed Executive Director of the Company. The Board recommends his appointment in the forthcoming Annual General Meeting.

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 31st March, 2004 and of the loss of the company for the year ended on 31st March, 2004.
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

A report on the Corporate Governance Code alongwith a certificate from the Auditors of the Company regarding the compliance of conditions of Corporate Governance as also the Management Discussion and Analysis Report as stipulated under Clause 49 of the Listing Agreements are annexed to this Report.

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.

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DIRECTORS' REPORT Contd..**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 re-appointment 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 : 26th JUNE, 2004.

UMESH M. KATRE

(Chairman & Managing Director)

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, 2004.
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, 2004.	:	NIL
b) Not dealt with in the accounts of the Company for the year ended 31st March, 2004.	:	(Rs. 2,28,628)
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, 2004.	:	NIL
b) Not dealt with in the accounts of the Company for the year ended 31st March, 2004.	:	(Rs. 21,45,215)

For and on behalf of the Board of Directors,

PLACE : MUMBAI
DATE : 26th JUNE, 2004

UMESH M. KATRE
(Chairman & Managing Director)