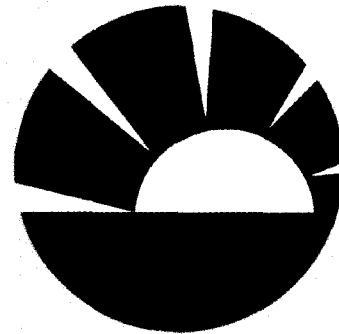
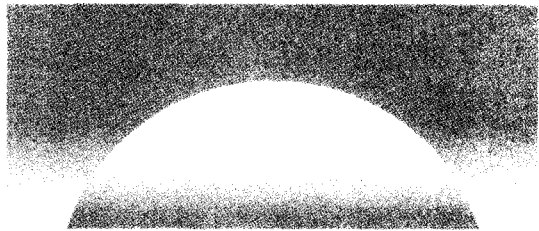
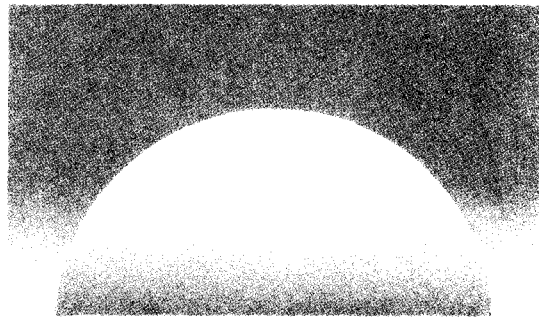


*Spice Islands
Apparels Limited*



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18th ANNUAL REPORT 2005-2006



Spice Islands
Apparels Limited

BOARD OF DIRECTORS

UMESH KATRE *Chairman & Managing Director*

BILIN KUMAR SEN *Whole Time Director*

ASHOK DARYANANI *Director*

B. K. KHARE *Director till 30/01/2006*

L. A. MEHTA *Director*

KARL DANTAS *Director*

CHARUCHANDRA PATANKAR *Additional Director from 30/01/2006*

BANKERS

VIJAYA BANK

AUDITORS

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

ADMINISTRATIVE OFFICE	REGISTERED OFFICE
125-A, Mittal Tower, 210, Nariman Point, Mumbai - 400 021. Tel.: 2282 3128 / 2282 3432, Fax : 2282 6167	62-B, Mittal Tower, 210, Nariman Point, Mumbai - 400 021. Tel.: 2284 4368 / 2285 5410

FACTORY	
Unit 43-48, Bhandup Industrial Estate, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (W), Mumbai - 400 078. Tel.: 2596 8069 / 5607 8883, Fax : 2596 3343	193-B, 3rd Phase, KIADB Industrial Estate, Peenya, Bangalore - 560 058. Tel.: 080-4127 2755 / 4127 2733
S. F. No. 287, Koothampalayam, (Near Switzer Prem School), Thirumurgan Poondi (P. O.), P. N. Road, Tirupur - 641 652. Tel.: 0421-2350492/3	

REGISTRAR & SHARE TRANSFER AGENT	
INTIME SPECTRUM REGISTRY LIMITED	
C-13, Bhandup Industrial Estate, Pannalal Silk Mill Compound, L. B. S. Marg, Bhandup (W), Mumbai - 400 080. Ph.: 5555 5454 / 2592 3837 Fax : 5555 5353 E-mail : helpline@intimespectrum.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 2005-06**NOTICE**

Notice is hereby given that Eighteenth 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 Wednesday, 30th August, 2006 at 11.30 a.m. to transact the following business :

1. To receive and adopt the audited Profit & Loss Account for the year ended 31st March, 2006, 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.

SPECIAL BUSINESS

3. To appoint M/s. Ostawal & Jain, Chartered Accountant as Auditors of the Company.

“RESOLVED THAT M/s. OSTAWAL & JAIN, Chartered Accountants, who have furnished requisite certificate u/s 224 (1B) of the Companies Act, 1956 be and are hereby appointed as Auditors of the Company, in place of M/s. P.R. GANDHI & CO, Chartered Accountants, who have expressed their unwillingness to be reappointed as Auditors of the Company u/s 224 (2)(b) of the Companies Act, 1956, Until the conclusion of the next Annual General Meeting at a remuneration as may be mutually decided by the Board of Directors and Auditors”.

4. To appoint Mr. Charuchandra G. Patankar as a Director of the Company.

“RESOLVED THAT Mr. Charuchandra G. Patankar be and is hereby appointed a Director of the Company, Liable to retire by rotation”.

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

PLACE : MUMBAI
DATE : 26th JUNE, 2006.

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 3 and 4 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 21st August, 2006 to Wednesday 30th August, 2006 both days inclusive.
5. In terms of Section 205 A 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 31-3-1999 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 from the Company.

Unclaimed dividend for the year ended 31st March 1998 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 signatures 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, 2006.

UMESH M. KATRE
(Chairman & Managing Director)

ANNUAL REPORT 2005-06

ANNEXURE TO THE NOTICE**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.****ITEM NO. 3**

Appointment of M/s.Ostawal & Jain Chartered Accountants as Auditors of the Company.

The Company has received communication u/s 224 (2)(b) of the Companies Act,1956 from the present Auditors, M/s P.R.GANDHI & COMPANY, Chartered Accountants, expressing their unwillingness to be reappointed as Auditors of the company.

The Company had approached M/s Ostawal & Jain Chartered Accountants, for being appointed as Auditors of the Company and the said firm has furnished requisite certificate u/s 224 (1B) of the companies Act,1956, stating that if they are appointed as Auditors of the Company then it will be within the limit of the provisions of the said section. Approval of member is required for appointment M/s Ostawal & Jain, Chartered Accountants as Auditors of the Company and hence the resolution is proposed for your approval.

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

ITEM NO. 4

Appointment of Mr. Charuchandra Ganesh Patankar as a Director of the Company.

Mr. Charuchandra Ganesh Patankar was appointed as an Additional Director of the Company at the Board Meeting held on 30th January 2006. Mr. Patankar 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. Patankar as Director of the Company. The Company has received notice in writing as required by section 257 of the Companies Act, 1956 from some members proposing the candidature of Mr. Charuchandra G. Patankar for the office of Director.

Mr. Patankar holds a Bachelors Degree in Science and is qualified as a Chartered Accountant. Mr. Patankar has over 26 years of experience and is an Executive Director of Kalyani Steels Limited since July 1999.

The Board is of the opinion that having regard to the rich experience which Mr. Patankar possesses, it would be in the interest of the Company to appoint him as a Director of the Company.

Apart from the obvious interest of Mr. Charuchandra G. Patankar, no other Director is interested in this Resolution.

For and on behalf of the Board of Directors,

SPICE ISLANDS APPARELS LIMITED

PLACE : MUMBAI

DATE : 26th JUNE, 2006.

UMESH M. KATRE

(Chairman & Managing Director)

DIRECTORS' REPORT

To,
The Members

Your Directors have pleasure in presenting the Eighteenth Annual Report of the Company for the year ended 31st March, 2006.

	(Rs. IN LACS) <u>2005-2006</u>	(Rs. IN LACS) <u>2004-2005</u>
<u>FINANCIAL RESULTS</u>		
Sales & Operating Income	2165.83	1407.98
Other Income	59.56	59.90
Profit / (Loss) before Taxation / Extra Ordinary item	(126.81)	(193.12)
Prior Period Adjustments	(1.82)	0.00
Provision for Taxation - Current Year	(18.95)	(2.79)
Short Provision for Tax - for earlier years	(0.00)	(22.47)
Profit (Loss) after Taxation	(147.58)	(218.39)
Add : Brought forward profit	(0.00)	168.83
	<u>(147.58)</u>	<u>(49.56)</u>
<u>APPROPRIATION</u>		
Balance Profit (Loss) carried forward	<u>(147.58)</u>	<u>(49.56)</u>

OPERATIONS

For the year under review, the gross revenue of the Company has increased by 50% and above as compared to the previous financial year. Again 40% of the total revenue increase has taken place during the last quarter – this compares similarly to the quantum increase experienced in the last quarter of the previous year.

Despite an increase of 50% in the revenue, your Company has shown a negative position to the extent of Rs. 126.81 lacs. The main area contributing to the negative factor happens to be the troubling issue of productivity vis-à-vis capacity and cost at the company's Bangalore unit.

As mentioned in last years report, the Company restructured its business model and other areas and therefore the negatives were well anticipated and have a detailed mention in the previous years report too. The process of turning around the Bangalore unit as well as the Company is on and we hope to achieve this in the current financial 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

Due to loss position no provision of tax is required. However provision of Rs. 18,95,082/- is made (Deferred tax Rs. 11,23,082/-, Fringe Benefit Tax Rs. 7,37,000, Wealth Tax Rs. 35,000/)

ANNUAL REPORT 2005-06

DIRECTORS' REPORT Contd..**DIRECTORS**

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

During the year under review, Mr. Charuchandra G. Patankar was co-opted as an Additional Director of the Company. The Board recommends his appointment as a Director in the forthcoming Annual General Meeting.

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

Having regard to weak financial position of the Company, Mr. Umesh M. Katre and Mr. Ashok G. Daryanani has stoped taking any salary from the Company. This is effective from 1st July, 2005.

Mr. Ashok Daryanani has also ceased to held executive position, effective 1st January, 2006. However he continues on the Board as in independent Director.

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 judgments and estimates that are reasonable and prudent so as to give true and faire view of the state of affairs of the company as at March 31, 2006 and of the loss of the company for the year ended on 31st March, 2006.
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 along with 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.

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.

DIRECTORS' REPORT Contd..

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

Present Auditors, M/s. P. R. Gandhi & Company, Chartered Accountant have expressed their unwillingness to be reappointed as Statutory Auditors of the Company and the company has received communication to this effect in pursuance to provisions of section 224 (2) (b) of the Companies Act, 1956.

The Directors of the Company had approached M/s. Ostwal & Jain, Chartered Accountants for being appointed as Auditors of the Company and they have furnished requisite Certificate under section 224 (1B) of the Companies Act, 1956.

Suitable resolution is proposed for the appointment of M/s. Ostwal & Jain, Chartered Accountant as Auditors of the Company.

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, 2006.

UMESH M. KATRE
(Chairman & Managing Director)

ANNUAL REPORT 2005-06

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, 2006.
2. Shares of the subsidiary held by the Company on the above date		
a) Number and face value	:	6,09,000 equity shares of Rs. 10/- each fully paid up (previous year 6,08,600 shares)
b) Extent of holding	:	100% (previous year 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, 2006.	:	NIL
b) Not dealt with in the accounts of the Company for the year ended 31st March, 2006.	:	(Rs. 7,06,601)
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, 2006.	:	NIL
b) Not dealt with in the accounts of the Company for the year ended 31st March, 2006.	:	(Rs. 34,12,252)

For and on behalf of the Board of Directors,

PLACE : MUMBAI
DATE : 26th JUNE, 2006

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	312,479 Units
	Total Amount	15,36,502
	Rate per unit (Rs.)	4.92
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 EARNINGS AND OUTGO

- a) Efforts : The Company has been constantly endeavoring 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	1957.44
	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	17.98
d)	Dyes & Chemicals	Nil
e)	Travelling & Other Expenses	23.89

For and on behalf of the Board of Directors,

PLACE : MUMBAI
DATE : 26th JUNE, 2006**UMESH M. KATRE**
(Chairman & Managing Director)