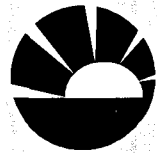


Spice Islands Apparels Limited



REPORT JUNCTION

**20th
Annual Report
2007-2008**



*Spice Islands
Apparels Limited*

BOARD OF DIRECTORS

Chairman & Managing Director

UMESH KATRE

Director

BILIN KUMAR SEN

ASHOK DARYANANI

L. A. MEHTA (Upto 27/06/2007)

KARL DANTAS

CHARUCHANDRA PATANKAR

Bankers

VIJAYA BANK

Auditors

M/S. OSTAWAL & JAIN Chartered Accountants

REGISTERED OFFICE	ADMINISTRATIVE OFFICE
62-B, Mittal Tower, 210, Nariman Point, Mumbai - 400 021. Tel.: 2284 4363 • Fax: 2283 1564	125-A, Mittal Tower, 210, Nariman Point, Mumbai - 400 021. Tel.: 6740 0800, Fax : 2282 6167

FACTORY	
S. F. No. 287, Kuthampalayam, (Near Switzer Prem School), Thirumurgan Poondi (P. O.), P. N. Road, Tirupur - 641 652. Tel.: 0421-2350492/3	193-B, 3rd Phase, KIADB Industrial Estate, Peenya, Bangalore - 560 058. Tel.: 080-4163 7003
Unit 43-48, Bhandup Industrial Estate, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (W), Mumbai - 400 078. Tel.: 2596 8069 / 6607 8883, Fax : 2596 3343	

REGISTRAR & SHARE TRANSFER AGENT INTIME SPECTRUM REGISTRY LIMITED	
C-13, Bhandup Industrial Estate, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (W), Mumbai - 400 078. Ph.: 2596 3838 Fax : 2594 6969 E-mail : helpline@intimespectrum.com	203, Daver House, Near Central Camera, Dr. D. N. Road, Fort, Mumbai - 400 001. Ph.: 2269 4127 Fax : 2265 6929

ANNUAL REPORT 2007-08**NOTICE**

Notice is hereby given that Twentieth Annual General Meeting of the members of SPICE ISLAND 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 Monday, 4th August, 2008 at 10.30 a. m. to transact the following business:

1. To receive and adopt the audited Profit & Loss Account for the year ended 31st March, 2008, 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. Charuchandra G. Patankar who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration.

Report  Junction.com

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

PLACE : MUMBAI
DATE : 7th JUNE, 2008.

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. The Register of Members and Share Transfer books of the Company will remain closed from Monday, 21st July 2008 to Monday, 4th August 2008 both days inclusive.
3. 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 31-3-2001 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 2000 was transferred to the "Investor Education and Protection Fund" of the Central Government during the year.
4. 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.
5. 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.
6. 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 : 7th JUNE, 2008.

UMESH M. KATRE
(Chairman & Managing Director)

ANNUAL REPORT 2007-08

DIRECTORS' REPORT

To,
The Members

Your Directors have pleasure in presenting the Twentieth Annual Report of the Company for the year ended 31st March, 2008.

	(Rs. IN LACS) <u>2007-2008</u>	(Rs. IN LACS) <u>2006-2007</u>
<u>FINANCIAL RESULTS</u>		
Sales & Operating Income	1336.60	1270.06
Other Income	21.37	54.17
Profit / (Loss) before Taxation / Extra Ordinary item	161.62	(152.60)
Less : Impairment loss	66.24	---
Profit (Loss) after Extra Ordinary item	95.38	(152.60)
Prior Period Adjustments	(1.71)	(7.58)
Provision for Taxation - Current Year (Reversal of deferred tax)	20.47	(9.26)
Excess Provision for Tax - for earlier years	0.01	33.08
Profit / (Loss) after Taxation	114.15	(136.36)
Short Provision for Dividend of earlier year	---	(0.14)
	<u>114.15</u>	<u>(136.50)</u>
<u>APPROPRIATION</u>		
Balance Profit / (Loss) carried forward	<u>114.15</u>	<u>(136.50)</u>

OPERATIONS

During the year under review, the turnover of the Company marginally increased to 1118.47 lacs from 1102.98 lacs in the preceeding year. This, despite your Company having more or less cut out the American business as also reduced output in the woven segments. However, increased turnover in the knit business and higher margin of woven sales in the European Market resulted in the better realization. Your management also succeeded in bringing down the expenses towards Bangalore unit and thereby reduce the losses from 159 lacs to 17 lacs.

Your Directors are pleased to inform you that as against the envisaged breakeven position, the Company has earned profit of 93.68 lacs in the financial year 2007-2008. This is after making a provisions of impairment losses of 66.24 lacs. We intend to build on this although market continues to be extremely tough. Global inflation, slow down in American Economy, Oil crises and increased fuel cost is impacting production cost adversely. Efforts are being made to build on the performance of the last year and achieve better result in the year 2008-2009.

DIVIDEND

Due to insufficient profit, your directors express their inabilities to recommend any dividend.

TAXATION

Due to losses incurred in earlier years, no provisions for income tax is required. However, provisions of Rs. 5,50,000/- is made up towards Fringe Benefit Tax and Rs. 20,015/- towards Wealth Tax. Deferred Tax provision is reversed by

DIRECTORS' REPORT Contd..

Rs. 26,15,640/- since the same is not required.

DIRECTORS

Subsequent to the date of the last Annual General Meeting, there is no change in the Directors of the Company.

Mr. Charuchandra G. Patankar retires by rotation and being eligible offers himself 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 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, 2008 and of the Profit of the company for the year ended on 31st March, 2008.
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.

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.

ANNUAL REPORT 2007-08**DIRECTORS' REPORT Contd..****AUDITORS**

Members are requested to appoint Auditors for the current year and to authorize the Board of Directors to fix their remuneration. M/s. Ostawal & Jain, Chartered Accountants, have furnished a certificate of their eligibility for re-appointment under section 224 (1B) of the Companies Act, 1956.

AUDITOR'S REMARKS :

Internal checks and controls are inbuilt into the system and having regard to the weak financial position, it is difficult to have a full fledged internal audit department. However, attempt is being made to strengthen internal controls. 400 Equity shares of Bhupco Alloys Ltd. are lodged for transfer and the company will soon get the certificates duly endorsed.

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 : 7th JUNE, 2008.

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, 2008.
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
b) Extent of holding	:	100%
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, 2008.	:	NIL
b) Not dealt with in the accounts of the Company for the year ended 31st March, 2008.	:	(Rs. 4,36,096)
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, 2008.	:	NIL
b) Not dealt with in the accounts of the Company for the year ended 31st March, 2008.	:	(Rs. 33,42,338)

For and on behalf of the Board of Directors,

PLACE : MUMBAI
DATE : 7th JUNE, 2008

UMESH M. KATRE
(Chairman & Managing Director)

ANNUAL REPORT 2007-08

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	2,47,095
	Total Amount	12,25,413
	Rate per unit (Rs.)	4.96
b)	Own Generation (Through D. G. set)	Nil

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.

3. 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 Export Sales (FOB)	1055.06
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	14.71
d)	Dyes & Chemicals	Nil
e)	Travelling & Other Expenses	46.27

For and on behalf of the Board of Directors,

PLACE : MUMBAI
DATE : 7th JUNE, 2008**UMESH M. KATRE**
(Chairman & Managing Director)



ANNEXURE TO DIRECTORS' REPORT

CORPORATE GOVERNANCE

(Report on Corporate Governance pursuant to Clause 49 of the Listing Agreements entered into with the Stock Exchanges)

- The principles and canons of Corporate Governance over the years are being followed by your Company. Corporate Governance as a whole entails the conduct and the manner in which the Company deals with its stakeholders i.e. employees, shareholders, consumers and the society at large. Your Company has been transparent in its dealings, adhering to the corporate values, leveraging the corporate resources in alignment with the benefit to the stakeholders.

I) BOARD OF DIRECTORS

The Board consists of Executive and Non- Executive Directors including independent Directors who have a wide and varied experience in different disciplines of corporate functioning i.e. finance, accounting, technical, administration etc. The Chairman of the Board is an Executive Director. The composition of the Board and summary of other Directorships and Board Committee Memberships of each of the Directors as on 31st March, 2008 are as follows:

The constitution of the Board as on 31st March 2008.

Director	Brief Resume	Total no. of committee membership held (excluding in private companies) as on 31.3.2008	No. of outside directorship held (excluding alternate directorship & directorship in private companies) as on 31.3.2008
EXECUTIVE Umesh M. Katre	B. Com, MBA	2	---
NON EXECUTIVE Bilin Kumar Sen	B. Sc. (Tex), MBA	2	---
Ashok G. Daryanani	B.Com	1	---
L. A. Mehta (upto 27/6/07)	----	2	---
C. G. Patankar	B. Sc., F.C.A.	6	12
Karl Dantas	----	4	---

Details of Directors seeking appointment/re-appointment as required under Clause 49 VI (A) of the Listing Agreements entered into with the Stock Exchanges:

Mr. Charuchandra G. Patankar

Mr. Patankar is a Chartered Accountant having a total experience of over 28 years. He is Executive Directors of Kalyani Steels Limited from July, 1999 and also serves on Board of various Public as well as Private Companies and has vast commercial experience. He is associated with the Company since, January 2006.

Being an independent Director and having a vast commercial experience, appointment of Mr. Charuchandraji Patankar is in the interest of the Company.

The details of other directorships and committee memberships of Mr. C.G. Patankar is as follows :

Name	Directorships	Committee Memberships
Mr. C. G. Patankar	12	6