



Spice Islands
Apparels Limited

22nd Annual Report
2009-2010



*Spice Islands
Apparels Limited*

BOARD OF DIRECTORS

Chairman & Managing Director

UMESH KATRE

Director

ASHOK DARYANANI

KARL DANTAS

CHARUCHANDRA PATANKAR

RAHUL MEHTA (w.e.f. 29/01/2010)

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 4368 • Fax: 2283 1564	125-A, Mittal Tower, 210, Nariman Point, Mumbai - 400 021. Tel.: 6740 0800, Fax: 2282 6167

FACTORY	
S. E. No. 287, Kuthampalayam, Thirumurgan Poondi (P. O.), P. N. Road, Tirupur - 641 652. Tel.: 0421-2350492/3	Unit 43-48, Bhandup Industrial Estate, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (W), Mumbai - 400 078. Tel.: 2596 8069 / 6507 8883

For Lodging Investor Grievances : grievance_redressal@spiceislandsindia.com

REGISTRAR & SHARE TRANSFER AGENT LINK INTIME INDIA PRIVATE LIMITED (Formerly known as Intime Spectrum Registry Limited)	
C-13, Bhandup Industrial Estate, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (W), Mumbai - 400 078. Ph.: 022-2594 6970 Fax : 022-2594 6969 E-mail : helpdesk@linkintime.co.in	O R 203, Daver House, Near Central Camera, Dr. D. N. Road, Fort, Mumbai - 400 001. Telefax.: 022-2269 4127

NOTICE

Notice is hereby given that Twenty Second 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, 26th July, 2010 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, 2010, the Balance Sheet as on that date and Reports of the Board of Directors and Auditors.
2. To declare dividend.
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

5. To appoint Mr. Rahul Mehta as a Director of the Company.

"RESOLVED THAT Mr. Rahul Mehta be and is hereby appointed a Director of the Company, liable to retire by rotation."

6. To consider and, if thought fit, to pass with or without modification the following resolution as a SPECIAL RESOLUTION.

"RESOLVED THAT pursuant to the provision of section 198, 269, 309, 310 and other applicable provision, if any, of the Companies Act 1956 (Act) read with Schedule XIII to the said Act, approval of Members be and is hereby accorded to the re-appointment of Mr. Umesh M. Katre as the Managing Director of the Company for a further period of three years with effect from 01.11.2009 to 31.10.2012 on the terms and conditions set out in the draft Agreement, a copy of which is placed before the meeting duly initialed by the Chairman for the purpose of identification, with authority to the Board of Directors (the Board) to alter or vary his terms of remuneration subject to the overall ceiling specified in Schedule XIII to the Act, read with Sections 198, 309, 310 and other applicable provisions of the Act or any amendment thereto or re-enactment thereof as may be agreed by the Board and Mr. Katre."

"RESOLVED FURTHER THAT the Board be and it is hereby authorised to do all acts, deeds, matters and things as may be considered necessary, desirable or expedient for giving effect to this Resolution."

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

PLACE : MUMBAI
DATE : 21st MAY, 2010.

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 Special Business at item no 5 and 6 of the Notice is annexed herewith.
3. All documents referred to in accompanying notice and explanatory statement are open to inspection at the Registered Office of the Company between 2 pm and 4 pm on all working days up to the day of the Annual General Meeting.
4. The Dividend for the year ended 31st March 2010 as recommended by the Board, if sanctioned at the meeting, will be paid to those members whose names appear in the Company's Register of Members after effecting valid transfers received up to the close of business hours on 12th July 2010. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details provided as at the close of business hours on 12th July 2010 by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.
5. The Register of Members and Share Transfer books of the Company will remain closed from Monday, 12th July 2010 to Monday, 26th July 2010 both days inclusive.
6. The Company has transferred unclaimed amount of dividends paid upto 31st March, 2002 to the Investor Education and Protection Fund of the Central Government as required under section 205C of the Companies Act 1956. Members may please note that if unpaid dividend is not claimed from the Company for seven years from the date when it became due, it shall be transferred to the Investor Education and Protection Fund as stated above and it cannot be claimed from that fund.

Members who have not encashed their dividend warrants within the validity period may write to the Company at its registered office for obtaining payment in lieu of such warrants.

7. Members are requested to notify immediately any change of address, details of their bank accounts viz. name of bank, full address of the branch, account number, and folio number for incorporation on the dividend warrant, to the Company's Registrar and Share Transfer Agents, M/s. Link Intime India Private Ltd., C-13, Bhandup Industrial Estate, Pannalal Silk Mills compound, L.B.S. Marg, Bhandup (W), Mumbai - 400078.
8. 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.
9. 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 Share Transfer Agent.
10. Pursuant to the directions/notifications of SEBI and Depositories, the demat account holders can operate their accounts if they had already provided Income Tax Permanent Account Number either at the time of opening of the account or subsequently. In case, they have not furnished the Income Tax Permanent Account Number either to the Depository Participants, such demat account holders are requested to contact their DPs with a photocopy of the PAN Card (with original PAN Card for verification), so that the frozen demat accounts would be available for operation and further consequences of non-compliance with the aforesaid directives would be obviated.

Securities and Exchange Board of India, vide Circular ref. # MRD/Dop/Cir-05/2009 dated May 20, 2009 made it mandatory to have PAN particulars for registration of physical share transfer requests. Based on the directive contained in the current circular, all share transfer requests received after 20 May, 2009 should therefore be accompanied with PAN details.

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 : 21st MAY, 2010.

UMESH M. KATRE
(Chairman & Managing Director)

ANNEXURE TO THE NOTICE

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

ITEM NO. 5

Appointment of Mr. Rahul Lalbhai Mehta as a Director of the Company.

Mr. Rahul Lalbhai Mehta was appointed as an Additional Director of the Company at the Board Meeting held on 29th January 2010. Mr. Mehta holds the office of Director upto the date of next Annual General Meeting pursuant to section 260 of the Companies Act, 1956. It is proposed to appoint Mr. Mehta 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. Rahul Mehta for the office of Director.

Mr. Mehta is a Bachelor of Technology from Indin Institute of Technology, Mumbai and is currently holding the position of Managing Director of M/s. Infreight Logistics Solutions Ltd. (a subsidiary of M/s. Sundaram Finance Ltd.) and has commercial experience of over 23 years, particularly in logistics Industry.

The Board is of the opinion that having regard to the rich experience which Mr. Mehta 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. Mehta, no other Director is interested in the Resolution.

ITEM NO. 6

The present terms of office of Mr. Umesh Katre as Managing Director expired on 31st October 2009. The Board of Directors had, at its meeting held on 30th October 2009, re-appointed Mr. Umesh Katre as the Managing Director for a period of three years from the expiry of his present term of office, that is, on and with effect from 1st November 2009. The Board of Directors have also approved the increase in remuneration payable to Mr. Umesh Katre. The draft Agreement to be entered into by the Company with Mr. Umesh Katre in respect of his re-appointment for a further period of three years inter alia states that

1. Salary (Basic) per month : Rs. 1,00,000/- – 25,000/- – 1,75,000/- Annual increment of Rs. 25,000/- shall be payable on 1st April each year.
2. Commission : Such percentage 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.
3. Perquisites (including allowances)-
 - a. Leave Travel Allowance : The yearly payment in the form of allowance shall be equivalent to one month's salary (basic)
 - b. Gas/Electricity/Maintenance allowance : Rs. 1,20,000/- per annum
 - c. Magazine/Book Allowance : Rs. 1,20,000/- per annum
 - d. Housing I : Expenditure incurred by the Company on hiring furnished accommodation for the Managing Director subject to a maximum of 60% of the basic salary relevant for the concerned period
OR
Housing II : In case Company owned and furnished accommodation is provided no allowance shall be paid
OR



- Housing III : In case no accommodation-owned or hired-is provided by the Company the Managing Director shall be entitles to 60% of the basic salary relevant for the concerned period as and by way of House Rent Allowance.
- e. Soft Furnishings : Total amount payable over a period of three years shall not exceed Rs. 15,00,000/-
- f. Medical reimbursement : Expenditure incurred by the Managing Director and his family subject to a ceiling of one month's salary (basic) in a year of three months salary (basic) over a period of three years.
- g. Club Fees : Actual fees for a maximum of two clubs. Admission fee and life membership fee shall not be paid by the Company.
- h. Hospitalisation Insurance Scheme : As per the scheme of the Company provided the premium amount does not exceed a sum of Rs. 4,000/- per annum.
- i. Contribution to Provident Fund and Superannuation / Annuity Fund will be as per Scheme of the Company.
- j. Gratuity payable shall be at a rate not exceeding 15 days salary for each completed year of service or part thereof in excess of six months as per Scheme of the Company.
- k. Encashment of unavailed leaves at the end of the tenure or at specified intervals will be as per Scheme of the Company.
- l. Provision of car with driver for use in relation to Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director.

MINIMUM REMUNERATION :

Notwithstanding anything to the contrary herein contained, wherein any financial year during the currency of the tenure of Mr. Katre, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites and allowances as specified by the provision of Section II of part II of schedule XIII.

In compliance with the requirement, as laid down in Schedule XIII, Part II, Section II (B) of the Companies Act 1956, some of the information required under this clause are given herein below :

The Company is engaged in the business of export of garments (100% exports) and Mr. Katre is associated with the Company sine inception, as promoter and has contributed immensely to the growth of the Company. Under the guidance of the Board, he has been handling the affairs of the Company and as such remuneration proposed is commensurate with the responsibility assigned and is comparable to Industry Standards. In the adverse market situation, Mr. Katre has been able to contribute for the greater turnover and profitability.

The Agreement may be terminated by either party giving the other party three months notice or the Company paying three months salary in lieu thereof.

In compliance with the provisions of Section 269, 309 and 310 of the Companies Act 1956, the terms of remuneration specified above are now being placed before the shareholders in General Meeting for their approval, which the Director commend for acceptance.

The draft Agreement between the Company and Mr. Umesh M. Katre is available for inspection at its Registered office between 2.00 pm and 4.00 pm on any working day.

Mr. Umesh M. Katre may be deemed to be concerned or interested in the Resolution.

This may be treated as an abstract of the draft Agreement between the Company and Mr. Umesh M. Katre pursuant to Section 302 of the Act (Although the same was also sent by post earlier)

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

PLACE : MUMBAI
DATE : 21st MAY, 2010

UMESH M. KATRE
(Chairman & Managing Director)

DIRECTORS' REPORT

To,
The Members

Your Directors have pleasure in presenting the Twenty Second Annual Report of the Company for the year ended 31st March, 2010.

FINANCIAL RESULTS

Sales & Operating Income
Other Income
Profit before Taxation / Extra Ordinary item
Provision for Taxation - Current Year
Excess Provision for Tax
Profit after Taxation

(Rs. IN LACS)

2009-2010

(Rs. IN LACS)

2008-2009

2039.36

1441.40

165.23

125.12

390.47

191.95

60.92

1.46

(0.43)

(0.50)

329.98

193.91

329.98

193.91

APPROPRIATION

General Reserve
Proposed Dividend
Tax on distribution of dividend
Balance Profit carried forward

20.00

10.00

64.50

43.00

10.96

7.31

234.52

133.60

329.98

193.91

OPERATIONS

Continuing the trend of increase in turnover, the sales and operating income increased by approx 42% (previous year 8%) to Rs. 2039.37 lacs as against Rs. 1441.40 lacs in the previous year. This was achieved despite the global downturn affecting all the markets. The main reason towards the better results achieved by the Company purely rests on the abilities of the overseas agents appointed and their having channelized business of stable & profit worthy clients to the Company and at the same time ensuring that the debtor book remains under control.

The knitwear division continues to hold the key and contributes about 72% of the turnover. With the increase in turnover, profitability has increased more than 100% over the previous year. Prudent utilization of resources, re-grouping of product mix coupled with apportionment of fixed cost over greater turnover has paid rich dividends. Apart from the operating profits achieved from the core business, the Company also gainfully utilized its surplus funds in a mix of deposits and market operations which also added a fair amount to the bottom-line. Conservative approach of write-off of Irrecoverable advance of Rs. 68.04 lacs in the previous year has also been instrumental in uplifting the profit as the advance are recovered in the form of shares of a certain company. Overall, the profit before tax works out to Rs. 390.47 lacs as against Rs. 191.95 lacs in the preceding year. The profit achieved is lower by approx Rs. 73.80 lacs as the last quarter resulted in a forex loss of approx Rs. 31.68 lacs on account of fall in value of foreign currency as well as the Company having paid its employees a performance bonus of Rs. 17.12 lacs and also having given a donation of Rs. 25 lacs for a worthy cause as per the wishes expressed by the members in the last Annual General Meeting.

The current calendar year began with upheavals in European currencies on account of uncertainties on the financials of three or four members of the European Union. This has resulted in a significant downward pressure on the two principal currencies in which your Company trades i.e. GBP and Euro. Added to this, the last six months have seen increased speculation in the cotton and cotton yarn markets resulting in the yarn and fabric prices firming up by approx 20%. Thus the downward pressure on the foreign exchange aspect with added price increase in the principle



DIRECTORS' REPORT Contd..

raw material would probably lead to a difficult year ahead in terms of margins and perhaps even in achieving planned targets. Nevertheless the management will make all efforts in keeping the Company's operations under control so as to reduce the negative impact as far as possible.

In keeping with the streamlining of the Company's operations & structure, the Board has decided to do away with the subsidiary company as it is not contributing in any significant manner.

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs. 1.50 per Share. Dividend, if approved by the shareholders, at the Annual General Meeting, will absorb Rs. 64.50 lacs.

TAXATION

Provision of Rs. 68,50,000/- is made to meet the liability for Tax.

DIRECTORS

During the year under review, Mr. Rahul Lalbhai Mehta 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. Kart Dantas retires by rotation and being eligible, offers himself for re-appointment.

Mr. Umesh Katre's continued association as a Managing Director is in the interest of the growth of the Company and suitable resolution is proposed in the forthcoming Annual Meeting for his reappointment for a further period of three 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 judgments 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, 2010 and of the Profit of the company for the year ended on 31st March, 2010.
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 dematerialized form. Since dematerialization facilitates quick share transfers and prevents forging of documents, those shareholders who have not opted for this facility are advised to dematerialize their shares with either of the Depositories.

DIRECTORS' REPORT Contd..

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.

COMPLIANCE CERTIFICATE

Compliance Certificate obtained pursuant to provisions of Sec 383 A of the Companies Act, 1956 from a Secretary in Whole Time practice, Mr. P. V. Ramaswamy, in the prescribed form regarding the compliance of all the provisions of the said Act, is enclosed herewith.

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.

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 : 21st MAY, 2010.

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, 2010.
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, 2010.	:	NIL
b) Not dealt with in the accounts of the Company for the year ended 31st March, 2010.	:	Rs. 2,79,481
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, 2010.	:	NIL
b) Not dealt with in the accounts of the Company for the year ended 31st March, 2010.	:	(Rs. 24,50,001)

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

PLACE : MUMBAI
DATE : 21st MAY, 2010

UMESH M. KATRE
(Chairman & Managing Director)