



*Spice Islands Apparels Limited*

**23rd Annual Report  
2010-2011**



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### Twenty Third Annual General Meeting

Day : Tuesday, 23rd August, 2011  
Time : 10.00 A.M.  
Venue : M. C. Ghia Hall,  
Bhogilal Hargovindas Building,  
18/20, K. Dubash Marg,  
(Behind Prince of Wales Museum),  
Kala Ghoda, Mumbai - 400 001.



*Spice Islands  
Apparels Limited*

**BOARD OF DIRECTORS**

Chairman & Managing Director  
**UMESH KATRE**

Whole-time Director  
**SEEMA KATRE**  
[w.e.f. 12/11/2010]

Director  
**ASHOK DARYANANI**  
**KARL DANTAS**  
**CHARUCHANDRA PATANKAR**  
**RAHUL MEHTA**

Bankers  
**VIJAYA BANK**

Auditors  
**M/s. T. D. JAIN & D. I. SAKARIA**  
(Chartered Accountants)

**REGISTERED OFFICE**

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

**FACTORY**

S. F. 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.: 61992900

FOR LODGING INVESTOR GRIEVANCES : [grievance\\_redressal@spiceislandsindia.com](mailto:grievance_redressal@spiceislandsindia.com)

**REGISTRAR & SHARE TRANSFER AGENT**  
**LINK INTIME INDIA PRIVATE 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](mailto:helpdesk@linkintime.co.in)

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 Third 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 Tuesday, 23rd August 2011, at 10.00 a.m. to transact the following business:

1. To receive and adopt the audited Profit & Loss Account for the year ended 31st March, 2011, 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. Charuchandra Patankar 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 Mrs. Seema Katre as a Director of the Company.

“RESOLVED THAT Mrs. Seema Katre 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 (s), the following resolution as SPECIAL RESOLUTION:

“RESOLVED THAT pursuant to Section 198, 309, 310, read with Schedule XIII and other applicable provisions of the Companies Act, 1956, and modifications thereof, Mrs. Seema Katre be and is hereby appointed as Whole Time Director of the Company for a period of three years with effect from 12th November, 2010 at a remuneration as under :

I. Salary (Basic) per month Rs.40,000/- – 10,000/- – 70,000/- Annual increment of Rs. 10,000/- shall be payable on 1st April each year.

#### II. Allowance

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. 50,000/- per annum

d) Soft Furnishings Total amount payable over a period of three years shall not exceed Rs. 7,50,000/-

#### III. Perquisites :

a) Contribution to Provident Fund and Superannuation / Annuity Fund will be as per Scheme of the Company.

b) 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.

c) Encashment of unvested leaves at the end of the tenure or at specified intervals will be as per Scheme of the Company.

d) 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 Whole Time Director.

“RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year the remuneration payable to Mrs. Seema Katre be governed by Section II of Part II of Schedule XIII of the Companies Act, 1956 including any statutory modifications or reenactments thereof for the time being in force, as may be approved by the Board from time to time”

## NOTICE

“RESOLVED FURTHER THAT any one of the Director of the Company be and is hereby authorized to sign such documents and papers and file necessary forms with the Ministry of Corporate Affairs, and such other authorities as is required to give effect to the above”

7. 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 Section 17 (C) of the Companies Act 1956, the new sub clause no 80 be inserted after the existing sub clause no 79 of ‘Other Objects’ Clause III (C) of the Memorandum of Association of the Company as follows:

80. To carry on the activity and / or business of power generation by undertaking projects / installation of windmills, wind turbine generators or any other eco-friendly power generation systems using resources – natural or otherwise, distribution, transmission, sale, purchase, barter and / or deal in power / electricity and to purchase, acquire, lease, hire or procure in any manner whatsoever land, plant & machinery, equipments, transmission systems, sub-stations or the like to undertake any of the above activities.

To become members and participate in trading / selling / buying in carbon credit units & settlement, in spot markets and in futures for itself or for clients, trades and clearing / settlement of trades in spots, in futures and in derivatives of all other commodities permitted under the laws of India.

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

PLACE : MUMBAI  
DATE : 27th May, 2011.

**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, 6 and 7 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 2011 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 upto the close of business hours on 9th August 2011. 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 9th August 2011 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 Tuesday, 9th August, 2011 to Tuesday, 23rd August, 2011 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 - 400 078
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 direction / 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 20th 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.

## NOTES

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 : 27th May, 2011.

**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 Mrs. Seema Katre as a Director of the Company.

Mrs. Seema Katre was appointed as an Additional Director of the Company at the Board Meeting held on 12th November, 2010. Mrs. Katre holds the office of Director upto the date of next Annual General Meeting pursuant to provision of section 260 of the Companies Act, 1956. It is proposed to appoint Mrs. Katre 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 Mrs. Seema Katre for the office of Director.

Apart from the obvious interest of Mrs. Seema Katre, Mr. Umesh Katre, being relative may be considered as interested in the resolution. No other Director is considered to be concerned or interested in the Resolution.

#### ITEM NO. 6 :

Mrs. Seema U. Katre was appointed as Whole Time Director of the Company for a period of three years, from 12th November 2010 to 11th November 2013 on the following terms and conditions.

- I. Salary (Basic) per month Rs.40,000/- – 10,000/- – 70,000/- Annual increment of Rs. 10,000/- shall be payable on 1st April each year.
- II. Allowance
  - 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. 50,000/- per annum
  - d) Soft Furnishings Total amount payable over a period of three years shall not exceed Rs. 7,50,000/-

#### III. Perquisites

- a) Contribution to Provident Fund and Superannuation / Annuity Fund will be as per Scheme of the Company.
- b) 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.
- c) Encashment of unvested leaves at the end of the tenure or at specified intervals will be as per Scheme of the Company.
- d) 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 Whole Time Director.

For the purpose of calculating the ceiling, perquisites and allowances shall be evaluated as per Income Tax Rule, wherever applicable and in the absence of any such Rule, Perquisites and Allowances shall be evaluated at actual cost.

In addition, she will be entitled for a contribution to the Provident Fund and Pension Fund as per applicable law in force from time to time.

#### Minimum Remuneration:

Notwithstanding anything to the contrary herein contained, wherein any financial year during the currency of the tenure of Mrs. Seema U. 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.

#### Leave

In accordance with the Rules and Regulations of the Company.

#### Sitting Fees :

Mrs. Seema U. Katre shall not be entitled to sitting fees for attending meeting of the Board of Directors or Committees thereof.



**Tenure**

The tenure of employment of Mrs. Seema U. Katre as Whole Time Director of the Company is terminable by either side with a notice period of three months or payment of basic salary in lieu thereof.

**Memorandum of Concern or Interest**

Apart from the obvious interest of Mrs. Seema Katre, Mr. Umesh Katre, being relative may be considered as interested in the Resolution. No other Director is considered to be concerned or interested in the Resolution.

**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 are furnished herein below:**

The company is engaged in the business of export of garments (100% exports). The entire earning of the Company is in foreign exchange.

Mrs. Seema Katre is entrusted with the job of back office work of the Company. This ensures consistency in administration and implementation of major work ideas. The whole aim is to ensure co-ordination among various functional heads, execution and smooth functioning of work flow. Ultimate aim is to have effective cost control and thereby improve financial performance.

Remuneration proposed is comparable to a senior executive of the company and is commensurate with the responsibility assigned, although the same is much lower than the industry standard.

Mrs. Katre's appointment as a Whole Time Director will strengthen the hands of the Management in the back office work and also in cost control.

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

The draft agreement between the Company and Mrs. Seema Katre is available for inspection at the Registered Office between 2.00 pm and 4.00 pm on any working day.

**ITEM NO 7**

The proposed addition of new object Clause at No. 80 in other object Clause III (C) of the Memorandum of Association is mainly to facilitate sale / distribution of carbon credit units. It is proposed to add in the existing clauses of the Memorandum of Association, thereby making provision.

The Board of Directors recommend to pass these resolutions as Special Resolution. None of the Directors are concerned or interested in this resolution.

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

PLACE : MUMBAI

DATE : 27th May, 2011.

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



## DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting the Twenty Third Annual Report of the Company for the year ended 31st March, 2011.

	<b>(Rs. in lacs)</b> <b><u>2010-2011</u></b>	(Rs. in lacs) 2009-2010
<b><u>FINANCIAL RESULTS</u></b>		
Sales & Operating Income	1923.42	2039.36
Other Income	73.32	165.19
Profit before Taxation / Extra Ordinary item	177.79	390.47
Prior period expense	1.19	--
Profit after prior period expense	176.60	390.46
Provision for Taxation - Current Year (Nett)	66.61	60.92
Short / (excess) Provision for Tax	1.46	(0.43)
Profit after Taxation	<b><u>108.53</u></b>	<b><u>329.98</u></b>
<b><u>APPROPRIATION</u></b>		
General Reserve	10.00	20.00
Proposed Dividend	43.00	64.50
Tax on distribution of dividend	7.14	10.96
Balance Profit carried forward	48.39	234.52
	<b><u>108.53</u></b>	<b><u>329.98</u></b>

### **OPERATIONS**

Sales and operating income has declined by about 6% over the previous year i.e. from 2039.36 lacs to Rs. 1923.42 lacs. To restrict the fall to 6%, by itself is a big achievement having regard to the fact that global downturn is percolating down in the consumer market and is affecting purchasing power in European / US market. The financial position of the Company's major customers is under stress due to market conditions in their countries and as such the Company has to be cautious in its dealings with current customers as well as new ones.

However the 6% fall in sales and operating income has a considerable impact on the operating profit, as major part of Rs. 115.94 lacs would have straight away added up in operating profit. Thus, lower operating profit coupled with provision of Rs. 45.69 lacs on account of diminution in the value of investments and reduction in short term gain by Rs. 33.89 lacs and actual loss of Rs. 25.69 lacs on account of sale of some investments has pulled down profitability. In addition, write back of Rs. 68.04 lacs on account of write-off of irrecoverable advances had also improved profitability in the previous financial year. However, unfortunately, the same is not the case for the year 2010-11.

All this has a major impact and the profit before tax has declined to Rs. 176.60 lacs as against Rs. 390.47 lacs in the previous year. Despite having low profit, the provision for tax has increased to Rs. 75.75 lacs as against Rs. 68.50 lacs in the previous year on a substantially large profit before tax. This is mainly because the tax shield is not available to the Company now on account of full utilization of earlier years carried forward losses. Thus the profit after tax has declined to Rs. 108.53 lacs as against Rs. 330.00 lacs in the previous year.

As had mentioned in previous years report, about the speculative trend in the cotton trade as well as global currencies, this in fact reached its peak during the year 2010-11 where the Company's main raw material e.g. cotton yarn, prices rose to the extent of 70 –