



## INDEX

Board of Directors	1
Notice	2-4
Directors' Report	5-12
Management - Discussion and Analysis	13
Report on Corporate Governance / Shareholder Information	14-24
Auditors' Report	25-28
Balance Sheet	29
Statement of Profit & Loss	30
Cash Flow Statement	31-32
Notes to Financial Statement	33-53

### Twenty Fourth Annual General Meeting

Day : Tuesday, 25th September, 2012  
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**

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**

Unit 43-48, Bhandup Industrial Estate, Pannalal Silk Mills Compound, L. B. S. Marg,  
Bhandup (W), Mumbai - 400 078. Tel.: 61992900

**CORPORATE OFFICE**

125-A, Mittal Tower, 210 Nariman Point, Mumbai 400 021  
Tel.: 67400800 Fax : 22826167

**FACTORY**

S. F. No. 287, Kuthampalayam,  
Thirumurgan Poondi (P. O.),  
P. N. Road, Tirupur - 641 652.  
Tel.: 0421-2350492/3

C/o. Vinayak International,  
1349, 5th Cross,  
Muninagappa Layout,  
Kavalbyrasandra, R. T. Nagar Post,  
Bangalore - 560 032

Unit 43-48,  
Bhandup Industrial Estate,  
Pannalal Silk Mills Compound,  
L. B. S. Marg, Bhandup (W),  
Mumbai - 400 078. Tel.: 61992900

Website : [spiceislandsapparelslimited.in](http://spiceislandsapparelslimited.in)

**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)



## NOTICE

Notice is hereby given that Twenty Fourth 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 - 400001 on Tuesday, 25th September, 2012 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, 2012, 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. Ashok G. Daryanani who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

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

PLACE : MUMBAI  
DATE : 30th May, 2012

**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. 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.
3. The Dividend for the year ended 31st March 2012 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 17th September, 2012. 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 17th September, 2012 by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.
4. The Register of Members and Share Transfer books of the Company will remain closed from Tuesday 18th September 2012 to Tuesday 25th September 2012, both days inclusive.
5. 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.

6. 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
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 Share Transfer Agent.
9. 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.



## NOTES

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.
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 : 30th May, 2012

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

## DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting the Twenty Fourth Annual Report of the Company for the year ended 31<sup>st</sup> March, 2012.

	(Rs. in lacs) 2011-2012	(Rs. in lacs) 2010-2011
<b><u>FINANCIAL RESULTS</u></b>		
Sales & Operating Income	1430.73	1943.40
Other Income	37.52	53.34
Profit before Taxation	38.78	176.60
Provision for Taxation - Current Year (Nett)	18.70	66.61
Short / (excess) Provision for Tax	(0.70)	1.46
	<hr/>	<hr/>
Profit after Taxation	20.79	108.53
Add : Balance brought forward from previous year	530.66	482.27
	<b><u>551.45</u></b>	<b><u>590.80</u></b>
<b><u>APPROPRIATION</u></b>		
General Reserve	1.00	10.00
Proposed Dividend	32.25	43.00
Tax on distribution of dividend	5.23	7.14
Balance Profit carried forward	<u>512.96</u>	<u>530.66</u>
	<b><u>551.44</u></b>	<b><u>590.80</u></b>

### OPERATIONS

Sales & operating income has declined by about 26% over the previous year i.e. from Rs. 1943.40 lacs to Rs. 1430.73 lacs. Restricting the fall to his level itself was a challenge as the major customer area of the company, the European markets as all of us are aware, are in a state of turmoil and severe recession. Given the negative outlook, the company found it difficult to accept business from probable customers for want of credit worthiness or risk insurance. Under these circumstances the Management had little choice but to restrict business to financially healthy customers, whose own order books were slack due to low demand and also a reluctance on their part to hold higher inventories. We expect this type of dismal scenario to continue, if not worsen, in the year ahead.

Resultant depression of the Western market has had its toll on retail businesses and in one such instance, a major retail chain store client of one of the company's UK based customer filed for liquidation which resulted in our customer facing severe financial issues & thereby necessitating the company of having to file its first ever



## DIRECTORS' REPORT

insurance claim with the Export Credit Guarantee Corporation. On account of this filing and based on procedure, a certain percentage of the claim as stipulated requires to be written off as bad debts. Same has been provided for, bringing further pressure on pre and post tax profitability.

As has been stated, the year gone by has seen severe recessionary trend in the Western market with no positive signs of recovery in the forthcoming year and on the other hand on the home front cost of production is steadily rising on account of double digit inflationary trend resulting in escalation of salaries and wages, transport cost, energy costs all of which are key elements in our price structure. The result of all these pressures are reflected in the lower margins and thereby the operating results.

Given the dismal scenario, the forthcoming financial year which itself has begun on an extremely weak note is unlikely to strengthen and therefore the Management of your company will strive to explore new markets and better manufacturing avenues and hope to achieve reasonable results.

### **DIVIDEND**

Your Directors are pleased to recommend a dividend of Rs. 0.75 per Share. Dividend, if approved by the shareholders, at the Annual General Meeting, will absorb Rs. 32.25 lacs.

### **TAXATION**

Provision of Rs. 13.89 lacs is made to meet the liability for Tax.

### **DIRECTORS**

Mr. Ashok G. Daryanani retires by rotation and being eligible offers himself for 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 fair view of the state of affairs of the company as at 31st March, 2012 and of the Profit of the company for the year ended on 31st March, 2012.
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 Practicing Company Secretary 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

## **DIRECTORS' REPORT**

forging of documents, those shareholders who have not opted for this facility are advised to dematerialize their shares with either of the Depositories.

### **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. T D Jain & D I Sakaria, 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.

The Board also thanks the Shareholders of the Company for their whole hearted support.

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

PLACE : MUMBAI  
DATE : 30th May, 2012

**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	76,710
Total Amount	5,96,400
Rate per unit (Rs.)	7.77
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, Skirts, Blouses, 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<br>Export Sales (FOB) | 1215.54 |
|---|---------|

- ii) Foreign Exchange Outgo (includes raw material, spare parts, capital goods and other expenditure in foreign currency including dividends)

- |           |              |
|-----------|--------------|
| a)<br>Nil | Raw Material |
|-----------|--------------|

- |                           |     |
|---------------------------|-----|
| b) Capital Goods (Spares) | Nil |
|---------------------------|-----|

- |                                       |      |
|---------------------------------------|------|
| c) Components, Spares and Accessories | 0.48 |
|---------------------------------------|------|

- |                     |     |
|---------------------|-----|
| d) Dyes & Chemicals | Nil |
|---------------------|-----|

- |                                |      |
|--------------------------------|------|
| e) Travelling & Other Expenses | 2.58 |
|--------------------------------|------|

- |               |       |
|---------------|-------|
| f) Commission | 43.82 |
|---------------|-------|

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

PLACE : MUMBAI  
DATE : 30th May, 2012

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

## ANNEXURE TO DIRECTORS' REPORT

**P. V. Ramaswamy** M. Com., LLB., FCS  
Company Secretary

103, Ashok Kumar Towers,  
47, Union Park, Chembur,  
Mumbai 400 071  
Tel. : 25207302 Mob. : 9833039832  
Email: perinkolamramaswamy@yahoo.co.in

### COMPLIANCE CERTIFICATE (u/s 383A (1) of the Companies Act 1956)

The Members

**Spice Islands Apparels Ltd.**

Unit No. 3043 – 3048, 3rd Floor,  
Bhandup Industrial Estate,  
Pannalal Silk Mills Compound,  
L. B. S. Marg, Bhandup (West),  
Mumbai – 400 078.

I have examined the registers, records, books and papers of Spice Islands Apparels Ltd. Having Registered Office at Unit No, 3043 – 3048, 3rd Floor, Bhandup Industrial Estate, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078, Maharashtra having its Registration No 11-50197 (CIN No.L17121MH1988PLC050197) hereinafter referred to as 'Company' as required to be maintained under Companies Act 1956 (hereinafter referred to as the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2012 (financial year). In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year;

- 1) The company has kept and maintained all registers as stated in Annexure 'A' to this certificate as per the provisions of the Act and rules made there under and all entries therein have been duly recorded.
- 2) The company has duly filed the forms and returns as stated in Annexure 'B' to this certificate with the Registrar of Companies / Regional Director / Central Government / Company Law Board or other Authorities within the time prescribed under the Act and the rules made hereunder, in case of delay if any, with the payment of additional filing fees thereon as prescribed under the Act and the rules made thereunder.
- 3) The company being a Public Limited Company has maintained the minimum prescribed paid up capital.
- 4) The Board of Directors duly met five times respectively on 27th May 2011, 12th August 2011, 11th November 2011, 10th February 2012, and 20th March 2012 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
- 5) The Company closed its Register of Members from 9th August 2011 to 23rd August 2011 and necessary compliance of section 154 of the Act, has been made.
- 6) The Annual General Meeting for the financial year ended 31st March 2011 was held on 23rd August, 2011 after giving due notice to the members of the company and the resolutions passed there at were duly recorded in the Minutes Book maintained for the purpose.
- 7) That during the financial year under report, no Extra Ordinary Meeting of the shareholders of the Company was held.
- 8) The company has not advanced any loans to any of the parties mentioned in section 295 of the Act during the year under review.