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Twenty Fifth Annual General Meeting

Day : Monday
 Date : 2nd September, 2013
 Time : 10.30 am
 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 LTD.

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 :

www.spiceislandsapparelslimited.in

FOR LODGING INVESTOR GRIEVANCES :

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- 2596 3838 Fax : 022-2596 2691 E-mail : helpdesk@linkintime.co.in



NOTICE

Notice is hereby given that Twenty Fifth 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, 2nd day of September, 2013 at 10.30 a.m. to transact the following business:

1. To consider and adopt the audited balance sheet as at March 31st, 2013, the statement of Profit and Loss for the year ended on that date and the report of the Board of Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Rahul Mehta who retires by rotation and being eligible, offers himself for re-appointment
4. To appoint Auditors and fix their remuneration.

SPECIAL BUSINESS

5. 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 sections 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 01.11.2012 to 31.10.2015 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.”

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

“**RESOLVED THAT** pursuant to section 314 and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company, be and is hereby accorded to the holding and continuing to hold an office or place of profit, within the meaning of Section 314 of the Companies Act, 1956, under the Company by Mr. Rohan Umesh Katre, son of Umesh & Seema Katre, Managing Director / Whole Time Director of the Company, who was appointed by the Board of Directors as Management Trainee on a salary not exceeding Rs.55,000/- (Rupees Fifty Five Thousand Only) per month w.e.f. 05.11.2012.”

“**RESOLVED FURTHER THAT** pursuant to provision of Section 314 (1) of the Companies Act, 1956, a salary of Rs. 55,000/- per month w.e.f. 05.11.2012 be and is hereby ratified.”

“**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to place Mr. Rohan Katre to a suitable position in the Company after completion of his training and grant him an increase in gross emoluments, including all allowances, such that it shall not exceed a sum of Rs. 2,40,000/- per month.”

“**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to take all necessary steps to give effect to the aforesaid resolution.”

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

PLACE : MUMBAI
DATE : 28th May, 2013.

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 2013 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 19th August, 2013. 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 19th August, 2013 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 19th day of August, 2013 to 2nd day of September 2013, 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 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 20th, 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.



NOTICE



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 : 28th May, 2013.

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.

The present terms of office of Mr. Umesh Katre as Managing Director expired on 31st October, 2012. The Board of Directors had, at its meeting held on 6th November, 2012, 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, 2012. 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.1,25,000/- – 25000/- – 1,75,000/- Annual increment of Rs. 25,000/- shall become due on 1st April each year.
2. Perquisites(including allowances)-
 - a) House Rent Allowance : 60% of the basic salary relevant for the concerned period as and by way of House Rent Allowance.
 - b) Leave Travel Allowance : The yearly payment in the form of allowance shall be equivalent to one month's salary (basic)
 - c) Bonus : Yearly payment, subject to minimum of one month basic salary.
 - d) Ex-gratia : The yearly payment shall not exceed Rs. 5,00,000 per financial year.
 - e) Club Fees : Actual fees for a maximum of two clubs. Admission fee and life membership fee shall not be paid by the Company.
 - f) Medical reimbursement : Reimbursement of actual medical expenses, including mediclaim / personal accident insurance premium up to a limit of one basic salary.
 - g) Contribution to Provident Fund and Superannuation / Annuity Fund will be as per Scheme of the Company.
 - h) 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.
 - i) Encashment of unavailed leaves at the end of the tenure or at specified intervals will be as per Scheme of the Company.
 - j) 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 since 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.

**ANNEXURE TO THE NOTICE**

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 and Mrs. Seema U. Katre, being a relative may be deemed to be concerned or interested in the Resolution.

ITEM NO. 6

Mr. Rohan Umesh Katre holds a MBA, with specialization in Marketing, from Symbiosis Institute of Business Management, Bangalore and has also a B.A. (Honours) in Business Administration from Bristol Business School in UK. He has done his internship and worked as a Management Trainee with reputed public companies in India and having gained a good understanding of international and Indian business environment, policy, strategy etc., he was appointed as Management Trainee of the Company w.e.f. 05.11.2012 at a monthly remuneration not exceeding Rs. 55,000/- per month.

Mr. Rohan U. Katre is the son of Umesh & Seema Katre, Managing Director / Whole Time Director of the Company and hence, he is deemed to hold an office or place of profit as per the provisions of Section 314 of the Companies Act, 1956.

In terms of the provisions of Section 314 of the Companies Act, 1956, members' approval by way of Special resolution is required for the aforesaid appointment and payment of remuneration. Your directors recommend the adoption of resolution in the larger interest of the Company.

On successful completion of training and after reviewing his performance, the Board may place him at a suitable Executive position in the Company and decide his remuneration, within the overall limit of Rs. 2,40,000/- per month. He may hold this position for such period as may be firmed up by the Board.

Mr. Umesh M. Katre and Mrs. Seema U. Katre, being relatives, are deemed to be concerned or interested in the said resolution. None of the other Directors is concerned or interested.

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

PLACE : MUMBAI
DATE : 28th May, 2013.

UMESH M. KATRE
(Chairman & Managing Director)





DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting the TwentyFifth Annual Report of the Company for the year ended 31st March, 2013.

	(Rs. in lacs) 2012-2013	(Rs. in lacs) 2011-2012
<u>FINANCIAL RESULTS</u>		
Sales & Operating Income	1231.91	1381.02
Other Income	55.29	84.90
Profit (Loss) before Taxation	(70.98)	38.45
Provision for Taxation- Current Year (Nett)	4.13	18.37
Short / (excess) Provision for Tax	0.60	(0.70)
Profit after Taxation	<u>(75.71)</u>	<u>20.79</u>
Add : Balance brought forward from previous year	512.97	530.66
	<u>437.26</u>	<u>551.45</u>
<u>APPROPRIATION</u>		
General Reserve	1.00	1.00
Proposed Dividend	21.50	32.25
Tax on distribution of dividend	3.65	5.23
Balance Profit carried forward	411.11	512.97
	<u>437.26</u>	<u>551.44</u>

OPERATIONS

The trend of decline in sales has continued even during the year 2012 – 13, although the percentage fall was much lower compared to the previous year (10.79% as against 26 %). To be precise, the turnover has declined to Rs. 1231.91 lacs as against Rs. 1381.02 lacs in the preceding year. It was difficult to maintain the turnover as certain factors such as prevailing economic situation in Europe, financial health of buyers, difficult entry in the US market etc. are beyond control of the Management. The recovery of claim amount from ECGC on account of failure of one of the company's main customer was not sufficient and the company had to book bad debts of about 66.60 lacs. Unlike last year, the benefit on account of exchange gain is marginal as the currency has stabilized.

Thus the above factors have resulted in a net loss of 70.92 lacs as against a profit of 38.45 lacs in 2011-12. The loss would have been higher but for the tight control over expenses. Having regard to the fact that the Company has incurred loss but with a view not to disappoint shareholders in the 25th year of the Company, a modest dividend of Rs. 0.50 per share is recommended.

The current year would certainly see an increase in turnover & profitability, as order booking has improved.

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs. 0.50 per Share. Dividend, if approved by the shareholders, at the Annual General Meeting, will absorb Rs. 21.50 lacs.



DIRECTORS' REPORT

TAXATION

Provision of Rs. 4.72 lacs is made to meet the liability for Tax.

DIRECTORS

Mr. Rahul Mehta retires by rotation and being eligible offers himself for re-appointment.

Mr. Umesh Katre's continued association as s Managing Director is in the interest of the growth of the Company and suitable resolution is proposed in the forthcoming Annual General Meeting for his re-appointment 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, 2013 and of the loss of the company for the year ended on 31st March, 2013.
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 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, M/s. Nitesh Jain & Co., in the prescribed form regarding the compliance of all the provisions of the said Act, is enclosed herewith.

COST COMPLIANCE REPORT

As required by Notification 429E dated 3rd June 2011 issued by the Ministry of Corporate Affairs, the Company has obtained Cost Compliance Report from the Cost Accountants and field the same with the Central Government.



DIRECTORS' REPORT

AUDITORS COMMENTS

Independent Auditors report to the Members does not contain any adverse remarks and as such no comments are required. However, out of abundant caution, the Board explains the information provided in Annexure referred to para 1 of the said report.

- a) Disputed dues (Clause 9`c) of the Report on other legal and regulatory requirements): The Company has challenged the various demands at different levels with concerned authorities and is hopeful that this will be reduced considerably once the appeal orders are received. Besides, the Company has obtained legal opinion and at present no provision is required for the disputed demands.
- b) Cash loss (Clause 10 of the Report on other legal and regulatory requirements) :

On account of reduction in turnover and the fact that a substantially large amount was to be provided towards bad debts, the Company did suffer cash loss during the year under review. The issue is addressed at a different level and attempts are being made to recover all fixed and variable costs. The resources of the Company are judicially utilised and the Board is of the opinion that the Company will certainly be able to do away with cash losses during the current financial year.

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 : 28th May, 2013.

UMESH M. KATRE
 (Chairman & Managing Director)

