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### 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

- 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.
- Benefits derived: The company has established itself in the Export Market and also proposes to enter the domestic market at an appropriate time.
- Plan of Action: The Company is continuously making improvements in quality of its products.
- Expenditure on R & D: Commensurate with the requirements of the industry.

##### 2. TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATIONS

- 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.
- Benefits : Company could make its impact in the items manufactured by adopting changing technology.
- Imported Technology: The company is presently using Indian Technology.

##### 3. FOREIGN EXCHANGE EARNINGS AND OUTGO

- 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	1215.54
Export Sales (FOB)	
ii) Foreign Exchange Outgo (includes raw material, spare parts, capital goods and other expenditure in foreign currency including dividends)	
a)	Raw Material
Nil	
b) Capital Goods (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.



## ANNEXURE TO DIRECTORS' REPORT

- 9) The company has duly complied with the provisions of section 297 of the Act in respect of contracts specified in that section.
- 10) The Company has maintained a Register required to be maintained u/s 301 of the Act and entries have been duly made.
- 11) The company has not employed any person falling within the purview of Section 314 of the Act and as such the question of obtaining any approvals from the Board of Directors, its Members or from the Central Government does not arise.
- 12) The company has not issued any duplicate certificates during the financial year.
- 13) The Company has
  - i) Delivered all the certificates on lodgment thereof for transfer/transmission or any other purpose in accordance with the provisions of the Act.
  - ii) Deposited the amount of dividend declared including interim dividend in a separate Bank Account on 22nd August 2011, which is within seven days from the date of declaration of such dividend.
  - iii) Paid/posted warrants for dividends to all the members within a period of 30 (Thirty) days from the date of declaration and that all unclaimed/unpaid dividend has been transferred to Unpaid Dividend Account of the Company with AXIS BANK LTD.
  - iv) Details of unclaimed / unpaid dividend.

Dividend for The year Ended on	Declared on	Unclaimed Amount	Due date for transfer to Investor educations and Protection fund
31/03/2009	31/08/2009	Rs. 1,13,125/-	31/08/2016
31/03/2010	26/07/2010	Rs. 1,88,221/-	26/07/2017
31/03/2011	23/08/2011	Rs. 89,332/-	23/08/2018

- v) The Company has duly complied the requirement of section 217 of the Act.
- 14) The Board of Directors of the company is duly constituted and the appointment of directors, additional directors alternate directors and directors to fill casual vacancies have been duly made
- 15) The appointment of Managing Director/Whole time Director/Manager has been made in compliance with the provisions of section 269 read with Schedule XIII to the Act, No approval from Central Government was required.
- 16) The Company has not appointed any sole selling agent during the financial year under report.
- 17) The company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and / or such authorities prescribed under the various provisions of the Act during the financial year under report.
- 18) The Directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
- 19) During the financial year under report, the Company has not issued any shares, debentures or other securities.
- 20) During the financial year under report, the company has not bought back any shares.
- 21) The Company has not issued any Preference shares and hence the question of redemption of Preference Shares during the year did not arise.

**ANNEXURE TO DIRECTORS' REPORT**

- 22) There was no transaction necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares in compliance with the provisions of the Act.
- 23) The Company has not accepted any deposit during the year.
- 24) The amount borrowed by the Company from directors, members, public, financial institutions, banks and others during the financial year ending 31st March 2012 are within the borrowing limits of the company.
- 25) During the financial year under report, the Company has not given any loan or given any guarantee or provided securities to other bodies corporate.
- 26) The Company has not altered the provisions of the Memorandum with respect to the situation of the company's registered office from one state to another during the financial year under report.  
However Registered Office of the Company shifted  
From : 125-A Mittal Tower, 210 Nariman Point, Mumbai 400 021  
To : Unit No.3043-3048, 3rd Floor, Bhandup Industrial Estate,  
Pannalal Silk Mills Compound, L.B.S. Marg,  
Bhandup (West), Mumbai 400 078.  
This was w.e.f. 11th November, 2011.
- 27) The Company has not altered provisions of the Memorandum with respect to the object of the company during the financial year under report.
- 28) The Company has not altered the provisions of the Memorandum with respect to the name of the Company during the financial year under report.
- 29) The company has not altered the provisions of the Memorandum with respect to the share capital of the company during the financial year under report.
- 30) The company has not altered its Articles of Association during the financial year under report.
- 31) On verification of the records of the Company and as informed to me, there was no prosecution initiated against or Show cause notices received by the company for alleged offences under the Act and also the fines and penalties or any other punishment imposed on the Company.
- 32) The company has not received any money as security from its employees during the financial year under report.
- 33) The company has deposited both employees and employers contribution to Provident Fund with prescribed authorities pursuant to section 418 of the Act.

Place : Mumbai  
Date: 28th May, 2012.

**P. V. RAMASWAMY**  
Practicing Company Secretary  
F.C.S. No. : 1708  
C. P. No. : 2087



## ANNEXURE TO DIRECTORS' REPORT

### ANNEXURE 'A'

1. Register of Investment u/s 49 of the Act.
2. Register of Charges u/s. 143 of the Act.
3. Register of Members u/s 150 and Index of members u/s 151 of the Act.
4. Minutes Book of Board of Directors.
5. Minutes Book of the General Meeting.
6. Books of Accounts u/s 209 of the Act.
7. Register of particulars of Contracts u/s 301 of the Act.
8. Register of Directors u/s 303 of the Act.
9. Register of Directors Shareholding u/s 307 of the Act.
10. Register of Investments or loans made, guarantees given or securities provided u/s 372 A of the Act.
11. Register of Transfers

### ANNEXURE 'B'

Forms and Returns filed by the Company with the Registrar of Companies, Regional Director / Central Government / Company Law Board or other Authorities during the year ended on 31st March 2012.

#### A) To the Registrar of Companies.

Sr. No.	Form & particulars	For the year	Delay in filing	Form No.	ROC Receipt / Date
1.	<b>CLB Order u/s 141 of the Companies Act,1956</b>	--	No	61	18/06/2011 [B14472518]
2.	<b>Compliance certificate</b>	31-03-2011	Yes	66	04/10/2011 [P71629059]
3.	<b>Appointment of Mrs.Seema Katre as a Whole Time Director</b>	--	Yes	23	04/10/2011 [B22136063]
4.	<b>Annual return for return for 23/08/2011</b>	--	Yes	20B	04/11/2011 [P78153483]
5.	<b>Change of registered office</b>	--	No	18	14/11/2011 [B24782856]
6.	<b>Balance Sheet</b>	31-03-2011	No	23ACXBRL	29/12/2011 [P84063569]

#### B) To Central Government / Regional Director: NIL.

Place : Mumbai  
Date: 28th May, 2012.

**P. V. RAMASWAMY**  
Practicing Company Secretary  
F.C.S. No. : 1708  
C. P. No. : 2087

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

**1) Industry structure & developments.**

The Textile & Garment Industry is booming – there are excitements all around and new opportunities to surge further ahead.

**2) Opportunities and threats.**

Market is surely growing both locally and internationally. There's an unprecedented retail boom on domestic front the possibilities are immense although with consequent keen price war.

**3) Segment wise or product wise performance.**

Men's and Ladies Tops still dominate the market although bottom wears also have made deep inroads. A lot of young fashion wears are surfacing to form a major block in between.

**4) Outlook**

It's a bright future ahead. The young fashion segment will sure dominate a fair segment of the emerging market.

**5) Risk and concerns**

Compliances are very much in place for overall required international expectations.

**6) Internal control systems and adequacy**

As an extension of above, there's a machinery function to regulate and control the expected parameters to ensure a first class work situation and consequent quality output.

**7) Discussion on financial performance with respect to operational performance.**

Against an emerging market and consequent changes of product movements, we too have had to go through a different product mix to flow along with. The impact, financial and/or otherwise, is being investigated.

**8) Material development in Human Resources/Industrial relation front including number of people employed**

In the field that we are in, it's a must that we tune well with the changes around which not only mean changes in product lines as required but also realignment of the human resources available in order that the Company moves ahead in the competitive environment.

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

### CORPORATE GOVERNANCE

Your Company has complied in all material respects with the requirements of Corporate Governance Code as per Clause 49 of the Listing Agreement with the Stock Exchanges.

A report on the implementation of the Corporate Governance Code of the Listing Agreement by the Company is furnished below :

#### 1. Corporate Governance

- a) Is the combination of voluntary practices and compliance with laws & regulations leading to effective control and management of the organization. Good Corporate Governance leads to a long term shareholder value and enhances interest of other stake holders. It brings into focus the fiduciary and the trusteeship role of the Board to align and direct the actions of the organization towards creating wealth and shareholder value.
- b) The Company is in full compliance with the requirements under Clause 49 of the Listing Agreement with the Stock Exchange. This chapter of the report, plus the information given under 'Management Discussion and Analysis' and shareholder Information constitutes the compliance report of the Company on Corporate Governance during the year 2011-12.

#### 2) BOARD OF DIRECTORS

- a) Composition and other related matters :

The Board of Directors of the Company has optimum combination of Executive and Non-Executive Directors. As on 31st March, 2012, the strength of Board was six Directors, of which, two were Executive Directors and four were Non-Executive Independent Directors. The composition of Board of Directors as on 31st March 2012, attendance of Directors at the Board meetings and at the Annual General Meeting held during the year under review along with the number of outside Directorship and Committee position are given in the table below :

Name of Director	Category of Directorship	No of Directorship held in other companies	No of Committee positions in other Companies		Attendance At	
			Chairman	Member	Board meeting	Last Annual General Meeting [23-08-2011]
Umesh M. Katre <i>Chairman &amp; Managing Director</i>	Executive	None	--	--	5	Yes
Ashok G. Daryanani	Non Executive Independent	None	--	--	5	Yes
C. G. Patankar	Non Executive Independent	8	--	4	4	No
Karl Dantas	Non Executive Independent	None	--	--	3	Yes
Rahul Mehta	Non Executive Independent	2	--	--	4	Yes
Seema Katre <i>Whole Time Director</i>	Executive	1	--	--	5	Yes

## ANNEXURE TO DIRECTORS' REPORT

\* The number of other Directorships are calculated as per section 275 of the Companies Act 1956. It excludes private limited companies, foreign companies, companies u/s 25 of the Companies Act 1956 and alternate directorship. This includes the Chairmanship / membership only in the audit committee, shareholder grievance committee, remuneration committee, share transfer committee and of all listed and unlisted public limited companies.

### b) BOARD PROCEDURE:

Information Supplied to the Board

Among others, information supplied to the Board includes :

- Annual operating plans and budgets, capital budgets and any update thereof
- Quarterly results of the Company
- Minutes of meetings of committees
- Non-Compliance of any regulatory, statutory nature or listing requirements etc. if any
- Materially important show cause, demand notice if any

The Board of the Company is presented with all the relevant information on various vital matters affecting the working of the Company as well as those matters, which require deliberation at the highest level. Board Members are given appropriate documents / detailed notes and information in advance of each Board and Committee Meeting.

**DIRECTORS WITH MATERIALLY PECUNIARY OR BUSINESS RELATIONSHIP WITH THE COMPANY:**

There has been no materially relevant pecuniary transactions or relationship between the Company and its non-executive and / or independent Directors for the year 2011-12.

### c) Board Meetings

Board meetings are held at least once in every quarter and the time gap between two meetings was not more than four months. During the financial year under review, five board meetings were held on 27th May 2011, 12th August 2011, 11th November 2011, 10th February 2012, 20th March 2012.

The Board is regularly appraised and informed of important business related information. The Agenda papers are circulated in advance to all the Board Members. Quarterly / half yearly results, internal audit report, limited review reports, compliance report of applicable law and minutes of the meeting of the Audit Committee, Investor Grievance Committee and other Board Committees are placed before the Board at regular intervals.

### d) Details of Directors seeking appointment / re-appointment.

Details of Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting as required under clause 49(IV) (G) of the Listing Agreement is as under:

Mr. Ashok Daryanani is a Graduate in Commerce and has over 43 years varied experience in all aspects of textile marketing. Being an independent Director and having a vast commercial experience, appointment of Mr. Ashok Daryanani is in the interest of the Company.

Details of other directorships and committee membership of Mr. Ashok Daryanani is as follow :

Name	Directorships	Committee Memberships
Mr. Ashok G. Daryanani	None	2





## ANNEXURE TO DIRECTORS' REPORT

### 3) AUDIT COMMITTEE

The Audit committee held four meetings on 27th May 2011, 12th August 2011, 11th November 2011 and 10th February 2012.

The details of composition of the committee and attendance of Members are as follows:

Name of the Director	Category of Director	No. of Committee Meetings attended
Karl Dantas	Non-Executive-Independent	3
C. G. Patankar	Non-Executive-Independent	4
Ashok Daryanani	Non-Executive-Independent	4
Rahul Mehta	Non-Executive-Independent	3

The terms of reference of the Audit Committee were set out in accordance with the requirements of the securities and Exchange Board of India. The Statutory Auditor of the company, M/s. T. D. Jain & D. I. Sakaria were invitees and participated at few meetings.

The functions of the Audit Committee of the Company include of the following :

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
- Recommending to the board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual / quarterly financial statements before submission to the board for approval.
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Discussions with management auditors on any significant findings and follow up thereon.
- Discussions with statutory auditors before audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Carrying out any other function as is mentioned in the terms of reference of the audit committee. The Company has systems and procedure in place to ensure that the Audit Committee mandatorily reviews:
  - Management discussion and analysis of financial condition and results of operations.
  - Statement of significant related party transactions (as defined by the Audit Committee), submitted by management.
  - Management letters / letters of internal control weaknesses issued by the statutory auditors.
  - Internal audit reports relating to internal control weaknesses.
  - The appointment, removal and terms of remuneration of the internal auditor.

### 4) SHAREHOLDERS / INVESTORS GRIEVANCE

The shareholders/Investors Grievance Committee comprises of Mr. Umesh M. Katre, Chairman, Mr. Ashok Daryanani and Mr. Karl Dantas a Non-Executive Independent Director. The committee held one meeting on 11th November 2011.

The committee was constituted to specifically look into the redress of shareholder and investor complaints like transfer of shares, non-receipt of dividends declared, non-receipt of Annual Reports etc. During the financial year 2011 - 2012, the Committee met on 11th November 2011.

No. of shareholders complaints received during the year	: 9
No. of complaints not resolved to the satisfaction of the Shareholders.	: Nil
No. of pending share transfers	: Nil

## ANNEXURE TO DIRECTORS' REPORT

### 5) REMUNERATION COMMITTEE

The Remuneration Committee reviews and approves the annual salary, bonus, performance commission, service agreements and other employment conditions of executive directors. The committee takes into consideration remuneration practices of comparable companies and past performances. During the financial year 2011 - 12, the Remuneration Committee met once, i.e. on 11th November 2011. The details of composition of the committee and attendance of Members are as follows:

Name of the Director	Category of Director	No. of Committee Meetings attended
Karl Dantas	Non-Executive-Independent	1
Rahul Mehta	Non-Executive-Independent	1
Ashok Daryanani	Non-Executive-Independent	1

### 6) SHARE TRANSFER COMMITTEE

The Committee deals with matters relating to Transfer of shares, Transmission of shares, Issue of duplicate share certificates, Review of dematerialised shares, at all other matters relating to shares. Members: Mr. U. M. Katre, Mr. Ashok Daryanani and Mr. Karl Dantas, two senior executives of the Company and one or two representatives of Registrar & Share transfer agent - M/s. Link Intime India Private Limited. The Share Transfer Committee meets at regular intervals. During the financial year 2011 – 2012 four meetings were held.

### 7) REMUNERATION TO DIRECTORS :

The policy of Remuneration Committee is to ensure that the remuneration practices of the Company are competitive thereby enabling the Company to attract and retain executives of high caliber. In framing its remuneration policy, the Remuneration Committee takes into consideration the remuneration practices of garment manufacturing company of a size and standing similar to the Company.

A. Remuneration to Non-executive Directors for the year ended March 31st, 2012.

The non executive directors are paid only sitting fees of Rs. 5000/- for each meeting of the Board attended by them.

No sitting fees are paid for Committee meetings (except Audit Committee) attended by the Directors.

Remuneration paid for the year ended 31st March 2012.

Directors	Sitting fees for Board / Audit Committee Meetings
C. G. Patankar	Rs. 30,000/-
Karl Dantas	Rs. 22,500/-
Ashok Daryanani	Rs. 35,000/-
Rahul Mehta	Rs. 27,500/-



## ANNEXURE TO DIRECTORS' REPORT

### REMUNERATION PAID TO EXECUTIVE DIRECTOR OF THE COMPANY.

Remuneration paid to executive director of the company is fixed by the Remuneration Committee and thereafter duly approved by shareholders at the Annual General Meeting.

Details of payment to the Executive Director is given herein below :

Name of the Director	Relationship with other Directors	Sitting Fees <i>Rs.</i>	Commission on Profits <i>Rs.</i>	Salary <i>Rs.</i>	Other allowance incl Contribution to PF <i>Rs.</i>	Perquisite <i>Rs.</i>	Total <i>Rs.</i>
Umesh M. Katre	Husband	NIL	NIL	24,00,000	4,29,950	1,64,579	29,94,529
Seema U. Katre	Wife	NIL	NIL	4,80,000	3,92,565	--	8,72,565

### Materially significant related party transactions :

There have been no materially significant transactions, pecuniary transactions or relationship between Spice Islands Apparels Ltd. and its Directors for the year ended on 31st March 2012, that may have potential conflict with the interest of the Company at large. However, details of all transactions by the Company with its Directors, or with a Private Company in which Director of the Company is a Director is given herein below;

a) Lease rent payment to Mr. Umesh M. Katre, Managing Director for leasing of house facility to the Company.	Rs. 1,20,000
--	--------------

The necessary details have been duly recorded in the Register of Contracts, pursuant to section 301 of the Companies Act 1956.

### 8) DISCLOSURE BY MANAGEMENT

- A. The Company has complied with all requirement of the Listing Agreement entered into with the Stock Exchange as well as SEBI regulation and guidelines. No penalties were imposed or strictures were passed against the Company with regard to the Capital Market in the last three years.
- B. As required by SEBI (prohibition of insider Trading) Regulations 1992, the Company has adopted a policy for corporate disclosures practice for prevention of the insider trading w.e.f. June 2002. Mr. Umesh M. Katre Managing Director, has been appointed as the Compliance Officer.
- C. This Annual Report has a detailed chapter on Management Discussion and Analysis.
- D. All disclosures relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board and the interested Directors do not participate in the discussions nor do they vote on such matters.

### 9) CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

The Certificate from Mr. P. V. Ramaswamy, Practicing Company Secretary regarding compliance of conditions of Corporate Governance for the year ended on 31st March 2012 forms part of this report.

## ANNEXURE TO DIRECTORS' REPORT

## GENERAL SHAREHOLDERS INFORMATION

## 1. General Body Meeting

Details of the last three Annual General Meetings are given herein below:

Financial Year (ended)	Date	Time	Venue	Special Resolution Passed
31 <sup>st</sup> March, 2011	23 <sup>rd</sup> August, 2011	10.00 a.m.	M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai - 400 001.	2*
31 <sup>st</sup> March, 2010	26 <sup>th</sup> July, 2010	10.30 a.m.	M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai - 400 001.	1**
31 <sup>st</sup> March, 2009	31 <sup>st</sup> August, 2009	10.30 a.m.	M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai - 400 001.	None

- \* 23/06/2011 (i) Special resolution for appointment of Mrs. Seema Katre as a Whole-time Director (Schedule XIII – Part II – section II B (iii)) of Companies Act,1956.)  
(ii) Insertion of clause 80 in the Memorandum of Association of the Company (Section 17 (c) of the Companies Act 1956.)
- \*\* 26/07/2010 (i) Special resolution for appointment of Mr. Umesh M. Katre as Managing Director (Schedule XIII – Part II – section II B (iii)) of Companies Act,1956.)

- No Special Resolution was put through Postal Ballot in the last year
- This year no resolution is proposed to be taken up through Postal Ballot.

2) Record Date for taking list of members : a) Last record date – 23<sup>rd</sup> August, 2011.  
b) The Share Transfer Register will remain closed from Tuesday 18<sup>th</sup> September 2012 to Tuesday 25<sup>th</sup> September 2012 (Both days inclusive)

3) Financial Calender Period : Board meeting to approve quarterly / financial results

Year ending March 31, 2012 : End May 2012

Quarter ending June 30, 2012 : By 15th August 2012

Quarter ending September 30, 2012 : By 15th November 2012

Quarter ending December 31, 2012 : By 15th February 2012

Year ending March 31, 2013 : End May 2013

Annual General Meeting for the year ending March 31, 2012 : September, 2012



## ANNEXURE TO DIRECTORS' REPORT

- 4) Dividend Payment date : Dividend, if approved by the members, will be paid within 30 days from the date of Annual General Meeting.
- 5) Listing of equity shares on Stock exchanges : The shares of the company are listed at the following stock exchanges.  
1) Bombay Stock Exchange Ltd.  
2) Ahmedabad Stock Exchange Ltd.  
3) Poona Stock Exchange Limited.
- 6) Listing Fees : The Company has paid listing fees to all the above stock exchanges for the year 2011 – 2012.
- 7) Stock Code  
a) Bombay Stock Exchange Ltd.(BSE) : 526827  
b) ISIN Number : INE882D01017  
c) Corporate Identity Number (CIN) : L17121MH1988PLC050197

8) Stock Price Data

<b>Bombay Stock Exchange (BSE)</b>		
<b>(in Rs.)</b>		
	<b>High</b>	<b>Low</b>
<b>April 2011</b>	19.80	16.55
<b>May 2011</b>	19.00	15.00
<b>June 2011</b>	18.60	15.20
<b>July 2011</b>	18.30	15.00
<b>August 2011</b>	15.75	11.55
<b>September 2011</b>	14.50	11.05
<b>October 2011</b>	13.97	13.10
<b>November 2011</b>	14.01	11.53
<b>December 2011</b>	14.37	11.42
<b>January 2012</b>	14.87	11.83
<b>February 2012</b>	14.18	11.12
<b>March 2012</b>	13.46	11.51

9) Registrar & Share Transfer Agent

**LINK INTIME INDIA PRIVATE LIMITED.**

Pannalal Silk Mill Compound,  
C-13, Bhandup Industrial Estate, L.B.S. Marg,  
Bhandup (W), Mumbai - 400 078.  
Tel. : 022- 2594 6970 • Fax : 022- 2594 6969  
Email : [helpdesk@linkintime.co.in](mailto:helpdesk@linkintime.co.in)

10) Email ID for lodging Investor grievances

[grievance\\_redressal@spiceislandsindia.com](mailto:grievance_redressal@spiceislandsindia.com)

## ANNEXURE TO DIRECTORS' REPORT

## 11) Share Transfer System

Shares sent for transfer in physical form are registered by the Registrar and Share Transfer Agent within 30 days of receipt of the documents, if found in order. Shares under objection are returned within two weeks. The Share Transfer Committee meets generally on weekly basis to consider the transfer proposal. All requests for dematerialisation of shares processed and the confirmation is given to the respective depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL) within 15 days.

## 12) Distribution of shareholding as on 31st March, 2012.

			Shareholders		Share Amount	
			No.	%	(in Rs.)	%
Upto	-	2,500	1324	61.1265	1497920	3.4835
2,501	-	5,000	387	17.8670	1485370	3.4543
5,001	-	10,000	242	11.1727	1906690	4.4342
10,001	-	20,000	91	4.2013	1371630	3.1898
20,001	-	30,000	34	1.5697	871880	2.0276
30,001	-	40,000	22	1.0157	771040	1.7931
40,001	-	50,000	9	0.4155	426160	0.9911
50,001	-	1,00,000	25	1.1542	1887070	4.3885
1,00,001	-	Above	32	1.4774	32782240	76.2378
<b>**Total**</b>			<b>2166</b>	<b>100.0000</b>	<b>43000000</b>	<b>100.0000</b>

## 13) Categories of shareholding as on 31st March, 2012

Category	No. of Shareholders	No. of Shares held	% Shareholding
1) Indian promoters	8	2,679,312	62.31%
2) Directors	3	35,586	0.83%
3) Indian Public	2061	1,265,554	29.42%
4) Private corporate bodies	76	311,390	7.24%
5) NRIs / OCBs	7	1740	0.05%
6) Clearing members	10	6418	0.15%
	<b>2165</b>	<b>4,300,000</b>	<b>100.00%</b>

## 14) Dematerialisation of shares and liquidity

93.93% of total equity capital is held in dematerialised form with NSDL & CDSL as on 31st March 2012. Trading in equity shares of the company is permitted in dematerialised form as per notification issued by the Security and Exchange Board of India [SEBI]

## 15) Means of Communication

Quarterly results including the half yearly results are published in leading newspapers such as Free Press Journal and Navshakti. The half yearly report has not been sent to each household of the shareholders. With effect from 1st April 2004, these results are simultaneously posted on the website of the Company at [www.spiceislandsapparelslimited.in](http://www.spiceislandsapparelslimited.in)



## ANNEXURE TO DIRECTORS' REPORT

16) Registered office and address for correspondence

a) Registered Office : Unit 43-48, Bhandup Industrial Estate,  
Pannalal Silk Mills Compound,  
L. B. S. Marg, Bhandup (W),  
Mumbai - 400 078.  
Tel. : 6199 2900  
Fax : 2596 3343

b) Corporate Office : 125-A, Mittal Towers,  
210, Nariman Point,  
Mumbai - 400 021.  
Tel.: 6740 0800

*Web.*

*Email*

[www.spiceislandsapparelslimited.in](http://www.spiceislandsapparelslimited.in)  
[sales@spiceislandsindia.com](mailto:sales@spiceislandsindia.com)

17) Plant Location

: S. F. No. 287, Kuthampalayam,  
(Near Switzer Prem School)  
Thirumurugan Poondi Post,  
P. N. Road, Tirupur - 641652.  
Tel.: 0421 - 235 0492 / 235 0493

Pannalal Silk Mills Compound, Unit 43-48,  
Bhandup Industrial Estate, L. B. S. Marg,  
Bhandup (W), Mumbai - 400 078.  
Tel.: 022 - 6199 2900

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

18) The Management Discussion and Analysis Report forms part of the Annual Report.

19) The Company is fully compliant with the applicable mandatory requirements of the Clause 49. It has not adopted any non-mandatory requirements.

20) Certificate on Corporate Governance, from a Company Secretary in whole time practice, as required by clause 49 of the Listing Agreement, is given as an annexure to the Directors Report.

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 I TO CORPORATE GOVERNANCE**

### **Declaration under Clause 49 (D) (ii) by the Managing Director of affirmation by the Board of Directors and Senior Management of Compliance with the Code of Conduct**

The Shareholders,

I, Umesh M. Katre, Managing Director of the Company do hereby declare that all the Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct adopted by the Board at its meeting held on 30th January, 2006, applicable to the Board of Directors and Senior Management of the Company.

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)





## CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members of Spice Islands Apparels Limited

We have examined the compliance of Corporate Governance by Spice Islands Apparels Limited the Company for the year ended March 31st, 2011, as stipulated in clause 49 of the Listing Agreement of the Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring the Compliance with the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of Corporate Governance as stipulated in the above-mentioned Listing Agreements.

In our opinion and to the best of our information and according to the explanations given to us and based on the representations, made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned listing agreements.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place : Mumbai  
Date: 28th May, 2012.

**P. V. RAMASWAMY**  
Practicing Company Secretary  
F.C.S. No. : 1708  
C. P. No. : 2087

**AUDITORS' REPORT**

To the Members of

**SPICE ISLANDS APPARELS LIMITED**

We have audited the attached Balance Sheet of **Spice Islands Apparels Limited** as at 31st March 2012 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) order, 2004, issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors, as on 31 March 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of Balance Sheet, of the state of affairs of the company as at 31 March 2012;
  - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date and
  - (c) in the case of the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

**FOR T D JAIN AND D I SAKARIA**  
Chartered Accountants

**Dhanpal I Sakaria**  
Partner

M. No. 213666

Place: Bangalore  
Date: 30th May 2012



## ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 3 of our report of even date on the accounts of Spice Islands Apparels Limited for the year ended 31 March 2012:

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
(b) As explained to us, all the fixed assets have been physically verified by the management at reasonable intervals during the year. No material discrepancies were noticed on such verification.  
(c) Substantial part of fixed assets has not been disposed off during the year, which will affect its status as going concern.
2. (a) The management has conducted physical verification of inventory during the year. In our opinion the frequency of verification is reasonable.  
(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) The Company is maintaining proper records of inventory and the discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of account.
3. The Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, clauses 4(iii)(a) to 4(iii)(g) of the Order are not applicable to the company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal controls.
5. In our opinion, and according to the information and explanations given by the management, we are of the opinion that contracts and arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section and such transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under are not applicable to the Company.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. As informed to us, the Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956.
9. a) According to the information and explanations given to us and on the basis of our examination of books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs duty, Excise duty, Cess and any other material statutory dues during the year with the appropriate authorities.

**ANNEXURE TO THE AUDITORS' REPORT**

- b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Sales Tax, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues were in arrears as at 31 March 2012 for a period of more than six months from the date they became payable.
- c) According to the information and explanations given to us, there are no amounts in respect of Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise duty and Cess that have not been deposited with appropriate authorities on account of any dispute other than those mentioned in Annexure 1 to this report.
10. The Company has no accumulated losses. The Company has not incurred cash losses in the financial year under report and in the immediately preceding financial year.
11. The Company has not defaulted in repayment of dues to its bankers or to any financial institution. The Company did not have any outstanding debentures during the year.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the Order is not applicable.
13. The Company is not a chit fund, nidhi or mutual benefit fund/society. Accordingly, clause 4(xiii) of the Order is not applicable.
14. In respect of dealing or trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records of the transactions and contracts have been maintained and timely entries have been made therein. The shares, securities, debentures and other investments are held by the Company in its own name.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, clause 4(xv) of the Order is not applicable.
16. The Company has not taken any term loan during the year. Accordingly, clause 4(xvi) of the Order is not applicable.
17. According to the information and explanations given to us, and on an overall examination of the Balance Sheet and Cash Flow statement of the Company, funds raised by the Company on short-term basis have not been used to finance Long Term Investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year. Accordingly, clause (xviii) of the Order is not applicable.
19. The Company has not issued any debentures. Hence the requirements of clause (xix) of paragraph 4 of the Order are not applicable to the Company.
20. The Company has not raised any money by way of public issue during the year.



## ANNEXURE TO THE AUDITORS' REPORT

21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

**FOR T D JAIN AND D I SAKARIA**  
Chartered Accountants

**Dhanpal I Sakaria**  
**Partner**  
M. No. 213666

Place: Bangalore  
Date: 30th May 2012

Annexure 1 as referred to in para 9( c) of annexure to the auditor's report:

<b>Name of the Statue</b>	<b>Nature of dues</b>	<b>Amount in (Rs.)</b>	<b>Period to which Amount relates</b>	<b>Forum where dispute is pending</b>
Apparel Export promotion council	Non fulfillment of export obligation	Rs. 7,26,310/-	F.Y. 1998-1999	High court, Bombay

**BALANCE SHEET AS AT 31 MARCH 2012**

	Note No.	31 March 2012		31 March 2011	
		₹		₹	
<b>I EQUITY AND LIABILITIES:</b>					
<b>1 Shareholders' Fund</b>					
(a) Share Capital	3	43,000,000		43,000,000	
(b) Reserves and Surplus	4	<u>103,187,950</u>	<u>146,187,950</u>	<u>104,857,382</u>	147,857,382
<b>2 Non-current liabilities</b>					
(a) Long term borrowings	5	1,762,466		1,874,946	
(b) Deferred tax liabilities (Net)	6	222,257		(258,415)	
(c) Other long term liabilities	7	560,542		560,542	
(d) Long term provisions	8	-		100,783	
<b>3 Current liabilities</b>					
(a) Short term borrowings	9	28,889,545		12,678,386	
(b) Trade payables	10	1,075,003		2,792,944	
(c) Other current liabilities	11	7,559,075		13,339,455	
(d) Short term provisions	8	4,823,044		7,799,017	
<b>Total</b>		<u>191,079,882</u>		<u>186,745,040</u>	
<b>II ASSETS</b>					
<b>1 Non current assets</b>					
(a) Fixed assets					
(i) Tangible assets	12	26,566,138		29,046,603	
(ii) Intangible assets	13	64,473		2,228	
(b) Non current investments	14	11,404,300		10,054,300	
(c) Long term loans and advances	15	24,231,846		24,917,155	
(d) Trade receivables	16	-		-	
(e) Other non current assets	16	985,355		985,355	
		<u>63,252,112</u>		<u>65,005,641</u>	
<b>2 Current assets</b>					
(a) Current investments	17	9,274,551		11,970,865	
(b) Inventories	18	5,600,798		9,244,709	
(c) Trade receivables	16	29,705,182		43,541,796	
(d) Cash and Cash equivalent	19	54,434,420		47,492,647	
(e) Short term loans and advances	15	28,726,751		9,124,149	
(f) Other current assets	16	86,068		365,233	
		<u>127,827,770</u>		<u>121,739,399</u>	
<b>Total</b>		<u>191,079,882</u>		<u>186,745,040</u>	

Summary of Significant accounting policies 2.1

The accompanying notes are an integral part of the financial statements.

AS PER OUR REPORT OF EVEN DATE  
FOR **T D JAIN AND D I SAKARIA**

Chartered Accountants  
Firm Reg. No. 0024915

**Dhanpal I Sakaria**  
Partner

M. No. 213666  
Place: Bangalore  
Date: 30th May 2012

On behalf of the Board of directors of  
**Spice Islands Apparels Limited**

**Umesh Katre**  
**Rahul Mehta**  
**Ashok Daryanani**

Directors  
Place: Mumbai  
Date: 30th May 2012



## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2012

	Note No.	31-Mar-12 ₹	31-Mar-11 ₹
<b>I. INCOME</b>			
Revenue From Operations	20	143,072,830	194,339,863
Other Income	21	3,751,710	5,334,462
Total Revenue		<b>146,824,540</b>	<b>199,674,325</b>
<b>II. EXPENDITURE</b>			
Cost of raw material and components consumed	22	49,135,493	67,819,100
Change in Inventories of Finished goods and Work in progress	23	146,297	1,849,797
Employee Benefits Expenses	24	19,751,694	21,189,006
Other Expenses	26	67,678,854	85,453,925
		<b>136,712,338</b>	<b>176,311,828</b>
<b>III. Profit/(Loss) before interest, tax depreciation and amortization</b>			
		10,112,202	23,362,497
Finance Costs	25	3,494,172	2,912,456
Depreciation / amortization	12&13	2,739,642	2,789,623
<b>IV. PROFIT / (LOSS) BEFORE TAX</b>			
		3,878,388	17,660,419
Tax expenses			
Current Tax		1,389,000	7,575,000
Deferred Tax		480,671	-914,276
(Excess)/Short provision for tax of earlier years		(70,269)	146,337
		<b>1,799,402</b>	<b>6,807,061</b>
<b>V. PROFIT / (LOSS) AFTER TAX FOR THE YEAR</b>			
		<b>2,078,986</b>	<b>10,853,358</b>

Net Profit after Tax attributable to equity share holder	2,078,988	10,853,358
Weighted Average Number of Equity Shares	4,300,000	4,300,000
Basic Earnings Per Share	0.48	2.52
Diluted Earnings Per Share	0.48	2.52
Nominal Value Per Equity Share	10	10

### Summary of Significant accounting policies 2.1

The accompanying notes are an integral part of the financial statements

AS PER OUR REPORT OF EVEN DATE  
FOR **T D JAIN AND D I SAKARIA**

Chartered Accountants  
Firm Reg. No. 0024915

**Dhanpal I Sakaria**  
Partner

M. No. 213666  
Place: Bangalore  
Date: 30th May 2012

On behalf of the Board of directors of  
**Spice Islands Apparels Limited**

**Umesh Katre**  
**Rahul Mehta**  
**Ashok Daryanani**

Directors  
Place: Mumbai  
Date: 30th May 2012

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012**

	Year Ended 31-03-2012 ₹	Year Ended 31-03-2011 ₹
<b>(A) Cash flow from operating activities</b>		
Profit before tax as per profit and loss account	3,878,388	17,660,419
Depreciation/ amortization	2,739,642	2,789,623
Loss/ (profit) on Sale of fixed assets	183,829	780,733
Provision for diminution in value of investments (current plus other long term)	(48,661)	4,569,126
Loss/ (profit) on Sale of current investments	2,453,682	(2,242,320)
Loss/ (profit) from Speculative Commodity Trading	185,475	-
Loss/ (profit) on Sale of investments in subsidiary	-	2,559,890
Bad Debts	7,303,064	-
Interest expense	2,366,323	1,377,919
Interest Income	(5,023,301)	(4,257,575)
Dividend income	(289,849)	(518,505)
<b>Operating profit before working capital changes</b>	<b>13,748,592</b>	<b>22,719,310</b>
<u>Movements in working capital:</u>		
Trade & Other Receivables	(4,801,515)	(36,414,950)
Inventories	3,643,911	(3,539,116)
Trade Payables	(12,651,222)	835,285
Cash generated from operations	<b>(60,234)</b>	<b>(16,399,471)</b>
Less: Direct Taxes Paid/ (Refund)	5,652,600	(1,074,174)
<b>Net cash flow from/(used) operating activities (A)</b>	<b>(5,712,834)</b>	<b>(15,325,297)</b>
<b>(B) Cash flow from investing activities</b>		
Purchase of fixed assets,including intangible assets,CWIP and capital advances	(1,761,803)	(8,334,717)
Proceeds from sale of fixed assets	1,256,552	4,055,202
Proceeds of non-current investments	-	9,736,956
Purchase of non-current investments	(1,350,000)	(3,450,300)
Purchase of current investments	(1,363,644)	(41,921,452)
Proceeds from sale/maturity of current investments	1,674,491	38,901,267
Interest received	4,937,233	4,143,602
Dividend Received	289,849	518,505
<b>Net cash flow from/(used in) investing activities (B)</b>	<b>3,682,677</b>	<b>3,649,063</b>





	<b>Year Ended 31-03-2012</b>	<b>Year Ended 31-03-2011</b>
	₹	₹
<b>(C) Cash flow from financing activities</b>		
Proceeds from long term borrowings	800,000	2,447,350
Repayment of long term borrowings	(658,719)	(1,888,279)
Proceeds from short-term borrowings	67,088,939	66,974,391
Repayment of short-term borrowings	(50,877,780)	(64,558,965)
Interest paid	(2,366,323)	(1,377,919)
Dividends paid on equity shares	(4,300,000)	(6,450,000)
Tax on equity dividend paid	(714,187)	(1,096,178)
<b>Net Cash Flow from/(used in) in financial activities (C)</b>	<b>8,971,930</b>	<b>(5,949,600)</b>
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	6,941,773	(17,625,834)
Cash & cash equivalents at the beginning of the year	47,492,647	65,118,481
<b>Cash &amp; cash equivalents at the end of the year</b>	<b>54,434,420</b>	<b>47,492,647</b>
	<b>6,941,773</b>	<b>(17,625,834)</b>
<b>Total cash and cash equivalents (Note 19)</b>		

AS PER OUR REPORT OF EVEN DATE  
FOR **T D JAIN AND D I SAKARIA**  
Chartered Accountants  
Firm Reg. No. 0024915

**Dhanpal I Sakaria**  
**Partner**  
M. No. 213666  
Place: Bangalore  
Date: 30th May 2012

On behalf of the Board of directors of  
**Spice Islands Apparels Limited**  
**Umesh Katre**  
**Rahul Mehta**  
**Ashok Daryanani**

Directors  
Place: Mumbai  
Date: 30th May 2012

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012****1 CORPORATE INFORMATION**

Spice Islands Apparels Limited is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Its shares are listed on three stock exchanges in India. The company is engaged in the manufacturing and selling of knitted and woven garments. The company caters to both domestic and international markets. The Company also deploys its surplus funds in financial activities.

**2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements are prepared and presented in accordance with Indian Generally Accepted Accounting Principles ('GAAP') under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006, (as amended) under section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India, the provisions of Companies Act, 1956 and guidelines issued by Securities and Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The Management evaluates and adopts all recently issued or revised accounting standards on an ongoing basis.

**2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(A) PRESENTATION AND DISCLOSURE OF FINANCIAL STATEMENTS**

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However it has significant impact on presentation and disclosures made in the financial statements. The company has also re classified the previous year figures in accordance with the requirements applicable in the current year.

**(B) USE OF ESTIMATES**

The preparation of the financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenditure for the year. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

**(C) FIXED ASSETS****a. Tangible Fixed Assets**

Tangible fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of tangible fixed assets includes non refundable taxes, duties, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs directly attributable to acquisition or construction of those tangible fixed assets which necessarily take a substantial period of time to get ready for their intended use and all pre-operative expenses till the commencement of commercial production are capitalized.

**b. Intangible Assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

### (D) DEPRECIATION AND AMORTIZATION

Depreciation on tangible assets is provided for on the straight line method as per the rates and in the manner prescribed under Schedule XIV of the Companies Act 1956. Depreciation is calculated on a pro-rata basis from the date of installation till the date the tangible assets are sold or disposed.

Amortization of intangible assets is provided for on the straight line method as per the rates and in the manner prescribed under Schedule XIV of the Companies Act 1956.

### (E) IMPAIRMENT OF TANGIBLE, AND INTANGIBLE ASSETS

Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's assets, If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value based on an appropriate discount factor.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation), had no impairment loss been recognised for the asset in prior years.

### (F) INVESTMENTS

Investments are either classified as current or long-term based on the management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

### (G) INVENTORIES

Inventories are valued at the lower of cost and net realizable value. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The methods of determining cost of various categories of inventories are as follows:

Raw materials and Accessories

First in-first-out (FIFO)

Work-in-process and finished goods (manufactured)

FIFO and including an appropriate share of production overheads.

### (H) REVENUE RECOGNITION

Revenue from product sales is stated exclusive of returns, sales tax and applicable trade discounts and allowances.

Service income is recognized as per the terms of contracts with customers when the related services are performed, or the agreed milestones are achieved.

All other items of income are accounted on accrual basis except interest on Income Tax refund and dividend income which are accounted on receipt basis.

Export entitlements/incentives are recognized as income when the right to receive credit as per the terms of the relevant scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012**

Profit on sale of investments is recorded on transfer of title from the company and is determined as the difference between the sales price and then carrying value of the investment.

**(I) EXPENSES**

Expenses are accounted on accrual basis.

**(J) RETIREMENT BENEFITS**

Liability for employee benefits, both short and long term, for present and past services which are due as per the terms of the employment are recorded in accordance with Accounting Standard (AS) 15 "Employee Benefits" notified by the Companies (Accounting Standards) Rules, 2006.

**A. Gratuity**

The Company has an obligation towards gratuity, a defined benefit retirement plan covering all eligible employees of the Company. The plan provides for a lump sum payment to vested employees on retirement, death while in employment or on termination of employment in an amount equivalent to 15 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. Contributions to Gratuity fund are made to recognized funds managed by the Life Insurance Corporation of India. The Company accounts for the liability for future gratuity benefits on the basis of an independent actuarial valuation.

Contributions payable to the recognised provident fund, which is defined contribution scheme, are charged to the profit and loss account.

**B. Short Term Employee Benefits**

Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered. These benefits include leave travel allowance, bonus/performance incentives and leave encashment.

**(K) INCOME TAX EXPENSE**

Income tax expense comprises current tax and deferred tax charge or credit Current tax

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company.

**Deferred tax**

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and is written-down or written-up to reflect the amount that is reasonably /virtually certain (as the case may be) to be realised.

**(L) FOREIGN CURRENCY TRANSACTIONS AND BALANCES**

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions.

Exchange differences arising on foreign currency transactions settled during the year are recognized



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

in the Statement of Profit and Loss.

Current Assets and liabilities at the end of the year are translated at the year end exchange rate. Profit or loss so determined and also the realised exchange gains/losses are recognised in the Statement of Profit & Loss.

### **(M) LEASES**

Finance leases, which effectively transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are recognised as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized.

A leased asset is depreciated on straight line basis over the useful life of the asset as envisaged in schedule XIV to the Companies Act, 1956. However, if there is no reasonable certainty that the company will obtain the ownership by the end of the lease term, the capitalized asset is depreciated on a straight line basis over the shorter of lease term or the useful life envisaged in Schedule XIV to Companies Act, 1956.

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Lease payments under operating leases are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

### **(N) BORROWING COST**

Borrowing cost directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

### **(O) EARNING PER SHARE**

In determining earnings per share, the company considers the net profit after tax and includes the post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earnings per Share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares).

### **(P) PROVISIONS AND CONTINGENT LIABILITIES**

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

	31-3-2012	31-3-2011
	₹	₹
<b>3. SHARE CAPITAL</b>		
<b>Authorised Share Capital</b>		
50,00,000 (P.Y. 50,00,000) Equity Shares of Rs. 10/- each	50,000,000	50,000,000
Issued.Subscribed.Fully Paid up shares		
43,00,000 (P.Y.43,00,000) Equity shares of Rs.10j - each	43,000,000	43,000,000
	<u>43,000,000</u>	<u>43,000,000</u>
<b>A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period Equity Shares</b>		
	31.03.2012	31.03.2011
	<b>No's</b>	<b>Amount Rs.</b>
At the beginning of the period	4,300,000	43,000,000
Add/ (Less): Issued/ (reduction) during the year	-	-
<b>Outstanding at the year end of the period</b>	<b>4,300,000</b>	<b>43,000,000</b>

**B. Terms/rights attached to equity shares**

The Company has only one class of equity shares having a par value of Rs. 10/- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31 March 2012, the amount of per share dividend recognized as distributions to equity shareholders was Rs. 0.75 (31 March 2011 Rs./-)

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**C. Details of shareholders holding more than 5% shares in the company:**

Sr. No.	Name of share holder	31.03.2012		31.03.2011	
		No. of Shares	% holding	No. of Shares	% holding
1	Umesh Katre	933,987	22%	933,987	22%
2	Seema Katre	407,400	9%	407,400	9%
3	Rohan Katre	239,250	6%	239,250	6%
4	Shweta Katre	239,250	6%	239,250	6%
5	Umesh M. Katre (HUF)	315,100	7%	315,100	7%
6	Nalini M. Katre	257,200	6%	257,200	6%
7	Mohan G. Katre (HUF)	255,125	6%	255,125	6%

**D. Share reserved for issue under options and contracts/commitments**

Share reserved for issue under options and contracts/ commitments are Nil. (P.Y. Nil)

	31-3-2012	31-3-2012
	₹	₹
<b>4. RESERVES AND SURPLUS</b>		
a) Securities premium account Balance as per last financial statements Add/ (Less) Adjustments during the year	34,914,240	34,914,240
<b>Closing Balance</b>	<b>a</b> <u>34,914,240</u>	<u>34,914,240</u>



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

	31-3-2012 ₹	31-3-2011 ₹
<b>b) General reserve:</b>		
Balance as per last financial statements	16,876,795	15,876,795
Add: Amount transferred from surplus balance in the statement of Profit & Loss	100,000	1,000,000
<b>Closing Balance</b>	<b>b 16,976,795</b>	<b>16,876,795</b>
<b>c) Surplus/ (deficit) in the statement of profit and loss:</b>	53,066,347	48,227,176
Balance as per the last financial statements		
Add: Profit for the year	2,078,986	10,853,358
	<b>55,145,333</b>	<b>59,080,534</b>
Less: Appropriations		
a) Proposed final equity dividend (amount per share Rs. 0.75/-) (P.Y / Rs. 1/-)	3,225,000	4,300,000
b) Tax on proposed equity dividend	523,417	714,187
c) Transfer to general reserve	100,000	100,000
Net surplus in the statement of profit and loss	c 51,296,916	53,066,347
Total Reserves and Surplus	(a+b+c) <b>103,187,950</b>	<b>104,857,382</b>

### 5. Long-term Borrowings

#### Long term maturities of finance lease obligations (Secured)

Car Loan from Kotak Mahindra Prima Ltd.,  
(Secured by a specific charge on assets purchased)  
Amount disclosed under the head  
"other current liabilities" (Note 11)

Non Current portion		Current maturities	
31.03.2012	31.03.2011	31.03.2012	31.03.2011
1,762,466	1,874,946	681,528	417,328
-	-	(681,528)	(417,328)
<b>1,762,466</b>	<b>1,874,946</b>	-	-

### 6. Deferred Tax Liability (Net)

#### Deferred Tax Liability :

Fixed assets: Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting

#### Gross deferred tax liability

#### Deferred Tax Assets:

Provision for diminution in the value of  
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis

#### Gross deferred tax assets

#### Deferred Tax Liability (Net)

#### 31.03.2012

519,532

**519,532**

**14,948**

282,327

**297'275**

**222,257**

#### 31.03.2011

148,888

**148,888**

-

407,303

**407,303**

**(258'415)**

### 7. Other Long Term Liabilities

Others - Service charges payable

560,542

**560,542**

560,542

**560,542**

### 8. PROVISIONS

#### Long term maturities of finance lease

(a) Provision for Employee Benefits  
Provision for Gratuity

#### Long Term

31.03.2012      31.03.2011

-      100,783

#### Short Term

31.03.2012      31.03.2011

148,758      634,546

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

**(b) Other Provisions**

	31-3-2012 ₹		31-3-2011 ₹
Provision for Taxes (Net of advance tax and TDS)		925,869	2,150,284
Proposed equity dividend		3,225,000	4,300,00
Provision for tax on proposed equity dividend		523,418	714,187
	-	<u>4,823,044</u>	<u>7,799,017</u>

**9. Short Term Borrowings**

Cash credit from Vijaya bank(Post Shipment credit) (Secured by hypothecation of plant & machinery, readymade garments meant for export including Export bills drawn under DP IDA basis and mortgage of the property bearing Gala No. 43 to 47 at Bhandup Industrial Estate Co-Op Soc. Ltd.)	28,889,545		12,678,386
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**28,889,545****12,678,386****10. Current Liabilities**

Trade Payables (refer note 31 for details of dues to micro and small enterprises)	1,075,003		2,792,944
	<u>1,075,003</u>		<u>2,792,944</u>

**11. Other Current Liabilities**

Current maturities of finance lease obligations (Note 5)	681,528		417,328
Advance from customers	165,486		-
Unclaimed Dividends	390,598		310,666
Other Payables	6,321,463		12,611,461
	<u>7,559,075</u>		<u>13,339,455</u>





## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

### 12. TANGIBLE ASSETS

Particulars	GROSS CARRYING VALUE				DEPRECIATION				NET CARRYING VALUE	
	As at Beginning of the reporting period	Additions	Disposal	As at end of the reporting period	Upto last year	For the Year	Withdrawal	Total	As at end of the reporting period	As at Beginning of the reporting period
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Building	2,718,402	-	-	2,718,402	345,878	44,311	-	390,189	2,328,213	2,372,524
Factory Building	2,671,491	-	-	2,671,491	1,400,035	89,226	-	1,489,261	1,182,230	1,271,456
Plant & Machinery	8,677,860	639,693	147,950	9,169,603	3,403,431	388,523	35,783	3,756,171	5,413,432	5,274,429
Electrical Installation	3,817,810	-	-	3,817,810	1,742,054	160,647	-	1,902,701	1,915,109	2,075,756
Furniture & Fixtures	10,697,296	-	-	10,697,296	5,651,420	569,178	-	6,220,598	4,476,698	5,045,876
Office Equipment	4,308,303	79,000	150,736	4,236,567	1,569,562	185,851	63,013	1,692,400	2,544,167	2,738,741
Vehicles	11,908,341	906,610	2,223,927	10,591,024	2,313,657	1,039,673	983,436	2,369,894	8,221,130	9,594,684
Computers	4,183,582	62,500	-	4,246,082	3,510,445	250,478	-	3,760,923	485,159	673,137
Total	48,983,085	1,687,803	2,522,613	48,148,275	19,936,482	2,727,887	1,082,232	21,582,137	26,566,138	29,046,603
Previous year	46,103,185	8,334,717	5,454,817	48,983,085	17,769,223	2,786,141	618,882	19,936,482	29,046,603	28,333,962

### 13. INTANGIBLE ASSETS

Particulars	GROSS CARRYING VALUE				AMORTIZATION				NET CARRYING VALUE	
	As at Beginning of the reporting period	Additions	Disposal	As at end of the reporting period	Upto last year	For the Year	Withdrawal	Total	As at end of the reporting period	As at Beginning of the reporting period
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Computer Softwares	49,482	74,000	-	123,482	47,254	11,755	-	59,009	64,473	2,228
Total	49,482	74,000	-	123,482	47,254	11,755	-	59,009	64,473	2,228
Previous year	49,482	-	-	49,482	43,772	3,482	-	47,254	2,228	5,710
	49,032,567	1,761,803	2,522,613	48,271,757	19,983,736	2,739,642	1,082,232	21,641,146	26,630,611	29,048,831

**Vehicles include motor car taken on finance lease:**

	31.03.2012	31.03.2011
Gross Block	7,028,858	6,122,248
Depreciation charge for the year	630,430	607,690
Accumulated depreciation	834,393	785,974
Net Book Value	6,194,465	5,336,274

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012**

**14. NON CURRENT INVESTMENTS:**

I. Non-Trade Investments (Valued at cost unless stated otherwise)

**A. Investments in Equity Instruments (quoted)**

9,000 (p.Y.9,000) Equity Shares of Rs. 10/- each fully paid up of Sushant Capital Ltd.

(At cost less provision for other than temporary diminution Rs.45,000 (PY Rs.45,000))

B. Investments in Equity Instruments (Unquoted)

50000 (P.Y. 50000) Equity Shares of Rs. 10/- each fully paid up of Imperial Spirits Pvt. Ltd.

**C. Investment in Mutual Funds (Quoted)**

1727.263 (P.Y.1542.945) Units of Reliance Vision Fund-Retail Growth Plan

1919.263 (P.Y. 1306.686) Units of HDFC Equity Fund Growth Plan

	31-3-2012 ₹	31-3-2011 ₹
	-	-
	-	-
	6,804,000	6,804,000
[A]	<u>6,804,000</u>	<u>6,804,000</u>
	370,000	320,000
	370,000	320,000
	<u>740,000</u>	<u>640,000</u>



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

### D. Investment in Mutual Funds (Unquoted)

	31-3-2012		31-3-2011	
		₹		₹
375000(P.Y. 250000) Units of Reliance Alternative Investment. Fund Pvt. Equity Scheme		3,860,300		2,610,300
	[B]	4,600,300		3,250,300
	[A] + [B]	11,404,300		10,054,300
Aggregate amount of quoted investments (Market value Rs. 9,40,991/- (P.Y. Rs. 9,10,621/-)		740,000		
Aggregate amount of unquoted investments		10,664,300		
Aggregate provision for diminution in value of investments.		45,000		

### 15. LOANS AND ADVANCES

	Non-Current		Current	
	31.03.2012 (Amount Rs.)	31.03.2011 (Amount Rs.)	31.03.2012 (Amount Rs.)	31.03.2011 (Amount Rs.)
<b>Security Deposit</b>				
Unsecured, Considered Good	12,900,000	12,800,000	-	1,189,000
<b>A</b>	<b>12,900,000</b>	<b>12,800,000</b>	<b>-</b>	<b>1,189,000</b>
<b>Advances recoverable in cash or kind</b>				
Unsecured, Considered Good	3,027,732	3,288,389	481,868	332,152
	-	-	-	-
<b>B</b>	<b>3,027,732</b>	<b>3,288,389</b>	<b>481,868</b>	<b>332,152</b>
<b>Other loans and advances</b>				
<b>Unsecured, Considered Good</b>				
Intercompany loans/ deposits	3,034,500	3,034,500	23,000,000	2,150,000
Prepaid Expenses	233,843	467,686	425,913	361,415
Loan to Employees	2,071,217	2,445,125	626,500	556,992
Balance with statutory/government authorities	2,964,554	2,881,455	4,192,470	4,534,590
Unsecured considered doubtful				
Intercompany loans/ deposits	4,000,000	4,000,000	-	-
	<b>12,304,114</b>	<b>12,828,766</b>	<b>28,244,883</b>	<b>7,602,997</b>
Provision for doubtful advances				
Intercompany loans/ deposits	(4,000,000)	(4,000,000)	-	-
<b>C</b>	<b>8,304,114</b>	<b>8,828,766</b>	<b>28,244,883</b>	<b>7,602,997</b>
	<b>24,231,846</b>	<b>24,917,155</b>	<b>28,726,751</b>	<b>9,124,149</b>
<b>Loans and advances due by directors or other officers, etc</b>				
	<b>Non-Current</b>		<b>Current</b>	
	<b>31.03.2012</b>	<b>31.03.2011</b>	<b>31.03.2012</b>	<b>31.03.2011</b>
	<b>(Amount Rs.)</b>	<b>(Amount Rs.)</b>	<b>(Amount Rs.)</b>	<b>(Amount Rs.)</b>
<b>Security Deposits Include</b>				
Dues from managing director	2,000,000	2,000,000	-	-
	2,000,000	2,000,000		

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

## 16. TRADE RECEIVABLES AND OTHER ASSETS

	Non-Current		Current	
	31.03.2012 (Amount Rs.)	31.03.2011 (Amount Rs.)	31.03.2012 (Amount Rs.)	31.03.2011 (Amount Rs.)
<b>A. Trade Receivables</b>				
Unsecured Considered Good unless stated otherwise				
Outstanding for a period exceeding six months from the date they are due for payment	-	-	3,836,473	1,736,118
Other receivables	-	-	25,868,709	41,805,678
	-	-	29,705,182	43,541,796
<b>B. Other Assets</b>				
Unsecured Considered Good unless stated otherwise Non Current bank balances (Note 19)	25,000	25,000	-	251,260
Interest Accrued on Fixed deposits	-	-	53,746	22,140
Interest Accrued on Inter Corporate deposits	960,355	960,355	32,322	91,833
Unsecured considered doubtful				
Interest Accrued on Inter Corporate deposits	397,902	397,902	-	-
Provision for doubtful other assets				
Interest Accrued on Inter Corporate deposits	397,902	397,902	-	-
	985,355	985,355	86,068	365,233
<b>17. Current Investments (At lower of cost and fair value unless stated otherwise)</b>				
<b>Quoted Mutual funds</b>				
134061.569 (P.Y. 134061.569) Units of L & T Mutual Fund Growth Plan		2,378,252		2,543,147
60000.000 (P.Y. 60000.000) Units of B292G Axis Triple Advantage Fund Option Growth		600,000		600,000
35264.484 (P.Y. 35264.484) Units of L & T Opportunities Mutual Fund		545,189		602,317
23946.360 (P.Y. 23946.360) Units of L & T Mid-Cap Mutual Fund		450,910		500,000
		<b>3,974,351</b>		<b>4,245,464</b>

[A]



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

	<u>31-3-2012</u>	<u>31-3-2011</u>
<b>Quoted Equity instruments</b>		
14000 (P.Y. 7000) Equity Shares of Rs. 2/- each of Anant Raj Industries Ltd.	819,000	583,100
16000 (P'y'8000) Equity Shares of Rs. 10/- each of Aptech Ltd.	1,240,000	786,800
Nil (P.Y.12000) Equity Shares of Rs. 10/- each of Bharati Shipyards Ltd.	-	1,743,600
Nil (P.Y.3000) Equity Shares of Rs. 10/- each of Comson Bio Technologies Ltd.	-	346,800
3000 (p.Y.3000) Equity Shares of Rs. 10/- each of Aurionpro Solutions Ltd.	342,450	572,700
Nil (P.Y.8000) Equity Shares of Rs. 10/- each of CEBBCO Ltd.	-	352,000
15000 (P.Y.15000) Equity Shares of Rs. 1/- each of Ferro Alloys Corporation Ltd.	150,300	244,500
10000 (P.Y.10000) Equity Shares of Rs. 1/- each of Usha Martin Ltd.	307,000	286,000
5000 (P.Y.5000) Equity Shares of Rs. 2/- each of Gulf Oil Corporation Ltd.	375,000	401,500
15000 (P.Y.15000) Equity Shares of Rs. 1/- each of JM Financial Ltd.	234,751	360,001
10000 (P.Y.10000) Equity Shares of Rs. 10/- each of JSW Energy Ltd.	612,500	717,000
7500 (P.Y.7500) Equity Shares of Rs. 10/- each of Nitesh Estate Ltd.	107,250	202,125
4000 (P.Y.8000) Equity Shares of Rs. 10/- each of Saregama India Ltd.	401,200	220,800
5000 (P.Y.5000) Equity Shares of Rs. 10/- each of Technocraft Industries (India) Ltd.	175,200	279,000
1250 (p.Y.500) Equity Shares of Rs. 5/- each of VA Tech Wabag Ltd.	535,500	629,475
	<u>5,300,200</u>	<u>7,725,401</u>
	<u>9,274,551</u>	<u>11,970,865</u>
Aggregate amount of quoted investments (Market value Rs. 9,274,551/- (P.Y. Rs. 12,032,483/-))	14,502,105	17,247,080
Aggregate provision for diminution in value of investments	5,227,554	5,276,215
<b>18. Inventories (Valued at lower of cost and net realizable value)</b>		
Raw Materials & Accessories	5,432,438	8,930,052
Work in process	-	182,070
Finished Goods	168,360	132,587
	<u>5,600,798</u>	<u>9,244,709</u>

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012**

**19. CASH & CASH EQUIVALENT**

	Non-Current		Current	
	31.03.2012 (Amount Rs.)	31.03.2011 (Amount Rs.)	31.03.2012 (Amount Rs.)	31.03.2011 (Amount Rs.)
<b>Balances with banks</b>				
On current Accounts	-	-	52,993,534	46,616,439
On unpaid dividend account	-	-	390,678	310,746
Cash on hand	-	-	323,897	371,072
<b>Other bank balances</b>				
Deposits with original maturity for more than 12 months	25,000	25,000	-	-
Margin money deposit	-	-	726,310	194,390
Amount disclosed under non-current assets (Note 16)	(25,000)	(25,000)	-	-
	-	-	<b>54,434,420</b>	<b>47,492,647</b>

**20. REVENUE FROM OPERATIONS**

**A. Sale of Products:**

	31-3-2012 ₹	31-3-2011 ₹
Export Sales	124,733,228	174,017,662
Local Sales	585,107	733,172

**B. Other Operating Income**

Export Incentives	9,571,791	13,879,143
Sale of DEPB	3,039,981	1,208,860
Interest on ICDs	4,971,113	4,253,623
Others	171,610	247,403

**143,072,830**

**194,339,863**

**21. OTHER INCOME**

Interest income on bank deposits	52,188	3,952
Dividend Income	289,849	518,505
Net Gain on foreign currency transaction/ translation	3,361,02	2,503,178
Income from speculative commodity trading	-	66,507
Profit on sale of investments (Net)	-	2,242,320
Adjustment to the carrying amount of current investment	48,661	-
	<b>3,751,710</b>	<b>5,334,462</b>



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

### 22. COST OF MATERIAL CONSUMED

#### Cost of Rawmaterial and Accessories consumed

	Non-Current		Current	
	31.03.2012 (Amount Rs.)	31.03.2011 (Amount Rs.)	31.03.2012 (Amount Rs.)	31.03.2011 (Amount Rs.)
<b>Raw Materials Consumed</b>				
Opening Stock	8,690,560		3,162,570	
Add: Purchases	37,750,788		62,475,671	
	<b>46,441,348</b>		65,638,241	
Less: Closing Stock	5,045,074	41,396,274	8,690,560	56,947,681
<b>Accessories Consumed</b>				
Opening Stock	239,492		378,569	
Add: Purchases	7,887,091		10,732,342	
	8,126,583		11,110,911	
Less: Closing Stock	387,364	7,739,219	239,492	10,871,419
		49,135,493		67,819,100
<b>23. CHANGE IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS</b>				
<b>Finished goods</b>				
Opening Stock	132,587		1,477,209	
Less: Closing Stock	168,360	(35,773)	132,587	1,344,622
<b>Work in progress</b>				
Opening Stock	182,070		687,245	
Less: Closing Stock	-	182,070	182,070	505,175
		<b>146,297</b>		<b>1,849,797</b>
<b>24. EMPLOYEE BENEFITS EXPENSES</b>				
<b>Employee Benefits</b>				
Salary, Wages and Bonus		17,055,758		17,848,999
Leave Salary and L T A		1,243,372		1,146,355
Contribution to provident and other funds		1,062,647		1,116,552
Gratuity expenses		40,448		795,286
Staff Welfare Expenses		349,469		281,814
		<b>19,751,694</b>		<b>21,189,006</b>
<b>25. FINANCIAL COST</b>				
Interest expense (includes finance lease charges)		2,619,046		1,662,808
Bank Charges		875,126		1,249,648
		<b>3,494,172</b>		<b>2,912,456</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

	31-3-2012 ₹	31-3-2011 ₹
<b>26. OTHER EXPENSES</b>		
Labour Charges	22,213,996	29,015,315
Processing Charges	3,162,052	8,618,723
Freight Inward	1,676,397	426,793
Fabric Testing Charges	155,824	260,978
Embroidery Charges	3,691,536	6,537,693
Electricity Charges	1,022,558	1,083,592
Advertisement & Sales Promotion	738,750	724,144
Bad Debts	7,303,064	
Clearing, Forwarding, Octroi & Transport Charges	3,181,811	5,286,880
Postage, Telephone & Telex Charges (Including Prior Period Nil P.Y. 79,500/-)	1,440,313	1,714,606
Printing & Stationery	545,875	790,013
Rates & Taxes (Including Prior Period Nil P.Y. 39,214/-)	207,969	341,796
Service Charges	1,726,966	2,010,561
Travelling & Conveyance	3,663,997	3,981,266
Computer Expenses	116,832	144,156
Insurance	214,512	219,222
ECGC Premium	443,594	680,679
<b>Repairs:</b>		
Building	1,089,014	17,642
Machinery	132,627	125,172
Others	2,444,135	517,727
Commission expenses	4,653,171	9,394,252
Directors' Sitting Fees	115,000	120,000
Legal & Professional Charges	1,709,653	1,778,054
Lease Rentals	1,337,127	1,891,680
Adjustment to the carrying amount of current investment		4,569,126
Auditor's Remuneration:		
Audit Fees	280,900	275,750
Certification and Other Services	81,622	27,575
Listing Fees	49,994	45,024
Sundry Expenses	596,085	558,615
Loading & Unloading Charges	7,707	15,141
Factory General Expenses	140,426	146,569
Loss on Sale of Fixed Assets (Net)	183,829	780,733
Loss on Sale of Investment in Subsidiary		2,559,890
Loss from Speculative Commodity Trading (Net)	185,475	
Loss on Sale of Investments (Net)	2,453,682	
Donations	17,000	37,100
Guest house maintenance	688,321	632,173
Advances / Balances written off	7,040	125,285
	<u>67,678,854</u>	<u>85,453,925</u>





## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

- 27 Balances of Sundry Debtors, Sundry Creditors, Loans and Advances, Receivables and Payable are subject to confirmation/reconciliation, if any.
- 28 In the opinion of the Board of Directors adequate provision has been made in the accounts for all known liabilities and the current assets, loans and advances have a value on realisation in the ordinary course of business at least equal to the value stated in the Balance Sheet.
- 29 Gratuity Plan:-  
The following table set out the status of the plan as required under AS 15(revised)

<b>Change in defined benefit obligation</b>	(Amount in ₹)	
	AS AT 31.03.2012	AS AT 31.03.2011
Opening defined benefit obligation	2,121,145	1,221,707
Interest cost	174,994	103,845
Current Service Cost	193,099	119,328
Benefits paid	(85,910)	(10,720)
Actuarial losses/ (gain)	(151,845)	261,341
Past Service Cost (Vested Benefit) incurred during the year	-	425,644
Closing defined benefit obligation	2,251,483	2,121,145
<b>Change in plan assets</b>		
Plan Assets at beginning of the year, at fair value	1,385,816	1,115,703
Expected Return on plan Assets (estimated)	110,865	89,256
Contributions .	627,019	165,961
Benefits settled	(85,910)	(10,720)
Actuarial gain/ (loss) on plan assets	64,935	25,616
Plan Assets at end of the year, at fair value	2,102,725	1,385,816
<b>Reconciliation of present value of the obligation and the fair value of the plan assets</b>		
Fair value of plan assets at the end of the year	2,102,725	1,385,816
Present value of the defined benefit obligation at the end of the year	2,251,483	2,121,145
Assets/ (Liability) recognized in the balance sheet	(148,758)	(735,329)
<b>Gratuity cost for the period</b>		
Current Service Cost	193,099	119,328
Past Service Cost (Vested Benefit) incurred during the year	-	425,644
Interest cost	174,994	103,845
Expected Return on plan Asset	(110,865)	(89,256)
Net Actuarial (Gain)/Loss recognized for the year	(216,780)	235,725
Expenses recognised in the statement of profit and loss	40,448	795,286
<b>Movements in the liability recognized in Balance sheet</b>		
Opening Liability	735,329	106,004
Expenses recognised	40,448	795,286 (165,961)
Contribution paid	(627,019)	735,329
Closing Liability	148,758	
<b>Assumptions at the valuation date</b>		
Discount factor	8.50%	4%
Salary Escalation rate	4%	8%
Rate of Return (Expected) on plan Asset	8%	58
Retirement age	58	

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

**Gratuity**

	31 Mar 2012 ₹	31 Mar 2011 ₹	31 Mar 2010 ₹	31 Mar 2009 ₹
Defined benefit obligation	2,251,483	2,121,145.00	1,221,707.00	1,027,301.00
Plan assets	2,102,725	1,385,816.00	1,115,703.00	1,144,791.00
Surplus/ (deficit)	148,758	735,329	106,004	(117,490)
Experience adjustments on plan liabilities	(106,815)	455,874.00	115,283.00	35,378.00
Experience adjustments on plan assets	64,935	25,616.00	10,236.00	10,503.00

**30 Following Contingent Liabilities are not provided for: 31-3-2012 31-3-2011**

As per the order of Hon'ble Bombay High Court, the Claim of Apparel Export Promotion Council has been guaranteed by furnishing bank guarantee of equivalent amount

726,310

726,310

The Company is also involved in other lawsuits, claims, investigations and proceedings, which arise in the ordinary course of business, however, there are no such matters pending that the company expects to be material in relation to its business.

31 Based on the information available with the Company, no supplier of the company is registered under the Micro, Small and Medium Enterprise Development Act, 2006. Hence, the balance due to Micro & Small enterprises as defined under MSMED Act, 2006 is Rs. Nil (Previous Year Rs. Nil). Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

**32 Operating Lease**

The Company's significant leasing arrangements are in respect of operating leases for Guesthouses and Office Premises. These are cancelable operating leases and these lease agreements are normally renewed on expiry. The aggregate lease rentals payable are charged as Lease Rentals under note no 25 of financial statements.

The company uses motor car and speed boat that is leased under non-cancellable operating leases. The company has commitment under non-cancellable operating leases as follows:

Minimum Lease Payment	As at 31st March 2012	As at 31st March 2011
Due within one year	858,574	922,197
Due later than one year and not later than five years	799,740	1,641,215
Due later than five years	-	-

Lease payment recognised in the statement of profit & loss as lease rentals under note no. 25 of financial statements

On account of Non-cancellable lease 1,187,127 (Previous year ₹ 1,728,180/-)

On account of Cancellable Lease 150,000 (Previous year ₹ 1,63,500/-)



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

The company conduct its factory operations from facility that is leased under a 72 month non cancelable lease expiring in December, 2016 for which lumpsum interest free deposit of Rs. 50 lacs has been given, repayable after the expiry of the lease period.

### 33 INCOMETAX

Provision of ₹ 13,56,000/-(P.Y. 75,25,000/-) is made towards liability for income tax and ₹ 33,000/-(P.Y. 50,000/-) towards liability for wealth tax.

### 34 Remuneration to Key Managerial Personnel

	31-3-2012 ₹	31-3-2011 ₹
Salary including Bonus & Leave Salary	2,564,915	2,224,369
PF Contribution	237,600	202,240
HRA	900,000	900,000
Perquisites	164,579	164,579
	<b><u>3,867,094</u></b>	<b><u>3,491,188</u></b>

Note: The remuneration to the key managerial personnel does not include the provisions made for gratuity, as they are determined on an actuarial basis for the company as a whole.

### 35 Related Party Disclosures

Related parties with whom transactions have taken place during the year: (As identified by the Management and relied upon by Auditors)

#### 1 Key Management Personnel

Mr. Umesh M. Katre	Managing Director
Mr. Ashok Daryanani	Director
Mr. Karl Dantas	Director
Mr. Charuchandra Patankar	Director
Mr. Rahul L Mehta	Director
Mrs. Seema Katre	Whole time Director

Particulars of Related party transactions:

	31-03-2012		31 March 2011	
	Transaction Value (₹)	Outstanding Balance (₹)	Transaction Value (₹)	Outstanding Balance (₹)
Purchase of services (Guest house)				
-- Mr. Umesh Katre	120,000	-	120,000	-
Remuneration				
-- Key management personnel	3,702,515	-	3,326,609	-
Directors Sitting Fees				
-- Mr. Ashok Daryanani	35,000	-	22,500	-
-- Mr. Karl Dantas	22,500	-	35,000	-
-- Mr. C. G. Patankar	30,000	-	27,500	-
-- Mr. R. L. Mehta	27,500	-	35,000	-
Deposit - (Guest house)				
-- Mr. Umesh Katre	-	2,000,000	-	2,000,000

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

36 During the financial year 2010-2011, the company sold all the shares of M/s. Bhupco Alloys Limited, its subsidiary Company, to M/s. Emer Hotels & Suites Pvt. Ltd. pursuant to approval of the same by the board of directors of the Company vide its resolution dated 04/02/2011 for an amount t. 116,20,843/-, against which an amount of ₹ 70 lacs was received from M/s. Emer Hotels & Suites Pvt. Ltd. during the said year. The management is of the opinion that an amount of ₹ 20,00,000/- shall be received during the year 2012-13. The remaining balance of ₹ 26,20,843/- is to be received from them only on receipt of rental deposit from landlord in Bhupco Alloys Ltd. Since, the consideration of ₹ 26,20,843/- is contingent on happening of an event in future, the outcome of which cannot be ascertained accurately as at balance sheet date, the same has not been recognised in the books of accounts as at 31 March 2012.

## 37 Segment Reporting

The Company's operations predominantly comprises of export of manufactured garments. Company also deploys its surplus funds in financial activities. Accordingly, garments & finance have been identified as primary basis for segment information. The Company does not have any secondary segment.

	31 March 2012			31 March 2011		
	Garment	Finance	Total	Garment	Finance	Total
<b>Business Segment</b>						
I Segment Revenue	141,462,729	5,361,811	146,824,538	192,589,418	7,084,907	199,674,325
Less: Inter Segment Revenue	-	-	-	-	-	-
II Segment Results	28,274,106	5,361,811	33,635,917	37,574,079	7,084,907	44,658,986
Less: Extraordinary Items	-	-	-	-	-	-
	28,274,106	5,361,811	33,635,917	37,574,079	7,084,907	44,658,986
Unallocated corporate Expenses (Net of unallocable income)			23,523,713			22,546,136
Financial Expenses	-	-	3,494,172	-	-	1,662,808
Depreciation	2,739,642	-	2,739,642	2,789,623	-	2,789,623
III <b>Profit Before Tax</b>			3,878,390			17,660,420
Less: Provision For Tax			1,389,000			7,575,000
Less: Short Provision for tax of Earlier Years			(70,269)			146,338
Less: Provision For Deferred Tax (Net)			480,672			(914,276)
<b>Profit After Tax</b>			2,078,988			10,853,358
IV Segment Assets	88,170,028	26,034,500	114,204,528	108,694,523	6,258,828	114,953,351
Unallocable Assets			76,875,354			76,980,871
<b>Total Assets</b>			<b>191,079,882</b>			<b>191,934,222</b>
V Segment Liabilities	29,964,548	-	29,964,548	15,235,797	-	15,235,797
Unallocable Liabilities			14,927,382			29,099,457
<b>Total Liabilities</b>			<b>44,891,930</b>			<b>44,335,254</b>
VII Other Information						
Capital Expenditure	1,761,803	-	1,761,803	8,334,717	-	8,334,717
Depreciation	2,739,642	-	2,739,642	2,789,623	-	2,789,623
Loss on sale of Fixed Assets	183,829	-	183,829	780,733	-	780,733



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

### 38 Quantities and sale value in respect of each class of goods, dealt with by the Company:

	Units	31-3-2012		31-3-2011	
		Qty	Value (₹)	Qty	Value (₹)
<b>- Class of Goods: Readymade Garments</b>					
<b>A) MANUFACTURING</b>					
(a) Licensed Capacity	-	N.A.	-	N.A.	-
(b) Installed Capacity	(Pcs)	850,000	-	850,000	-
(c) Opening Stock	(Pcs.)	4,587	132,587	9,942	1,477,209
(d) Production	(Pcs.)	523,865	-	841,557	-
(e) Closing Stock	(Pcs.)	2,581	168,360	4,587	132,587
(f) Sales	(pcs.)	525,871	124,809,962	846,912	174,325,394

\* Installed Capacity is certified by the Management and relied upon by the Auditors, it being a technical matter.

### --Class of Goods: Raw Materials & Accessories

**31-3-2012**

**31-3-2011**

#### A) CONSUMPTION OF RAW MATERIALS

i) Fabrics	(Mts.)	1,098,641	41,396,275	1,480,480	56,947,681
ii) Accessories	--	-	7,739,219	-	10,871,419

#### B) VALUE OF IMPORTS (Calculated on CIF basis)

Accessories		47,593	503,705
		<b>47,593</b>	<b>503,705</b>

#### C) VALUE OF FABRICS CONSUMED

	% of total consumption	₹.	% of total consumption	₹.
Indigenous	100%	41,396,275	100%	56,947,681
	<b>100%</b>	<b>41,396,275</b>	<b>100%</b>	<b>56,947,681</b>

#### D) VALUE OF ACCESSORIES CONSUMED

	% of total consumption	₹.	% of total consumption	₹.
Imported (Inclusive of custom duty and other)	0.61	47,593	4.63	503,705
Indigenous	99.39	7,691,626	95.37	10,367,714
	<b>100.00</b>	<b>7,739,219</b>	<b>100.00</b>	<b>10,871,419</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

## 39 Earnings in Foreign Exchange:

	31-3-2012 (₹)	31-3-2011 (₹)
F.O.B. Value of Export Sales	121,553,614	168,725,491

## 40 Expenditure in Foreign Currency

	31-3-2012 (₹)	31-3-2011 (₹)
Accessories	47,593	503,705
Travelling Expenses	258,251	349,534
Commission	4,384,222	9,203,436
Components & Spare Parts	-	155,370
	<b>4,690,066</b>	<b>10,212,045</b>

## 41 Earnings Per Share

	31-3-2012 (₹)	31-3-2011 (₹)
a. Profit / (Loss) after Tax	2,078,988	10,853,358
b. Number of Shares (weighted average)	4,300,000	4,300,000
c. Earning Per Share (Rs.)	0.48	2.52

## 42 Unclaimed Dividends on Equity Shares:

Year	(₹)
2008-2009	113,125
2009-2010	188,221
2010-2011	89,332

43 Till the year ended 31 March 2011, the company was using pre-revised schedule VI to the companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31 March 2012, the revised schedule VI notified under the companies Act, 1956, has become applicable to the company. The company has reclassified previous year figures to conform to this year's classification.

AS PER OUR REPORT OF EVEN DATE  
FOR **T D JAIN AND D I SAKARIA**  
Chartered Accountants  
Firm Reg. No. 0024915

**Dhanpal I Sakaria**  
Partner  
M. No. 213666  
Place: Bangalore  
Date: 30th May 2012

On behalf of the Board of directors of  
**Spice Islands Apparels Limited**  
**Umesh Katre**  
**Rahul Mehta**  
**Ashok Daryanani**

Directors  
Place: Mumbai  
Date: 30th May 2012

**SPICE ISLANDS APPARELS LIMITED**

Registered Office : Unit No. 43-48, Bhandup Industrial Estate, Pannalal Silk Mills Compound,  
L. B. S. Marg, Bhandup (W), Mumbai - 400 078

**ATTENDANCE SLIP**

To be handed over at the entrance of the Meeting Hall.

Name of the attending Member  
(in block letters)

Member's Registered  
(Folio Number)

No. of Shares held

I hereby record my presence at the 24th Annual General Meeting, 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 the 25th September, 2012, at 10.00 A.M.

(To be signed at the time of handing over the slip)

**SPICE ISLANDS APPARELS LIMITED**

Registered Office : Unit No. 43-48, Bhandup Industrial Estate, Pannalal Silk Mills Compound,  
L. B. S. Marg, Bhandup (W), Mumbai - 400 078

FOLIO NO . .....

**PROXY FORM**

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member/members of the above-named Company hereby appoint \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_ or failing him

\_\_\_\_\_ of \_\_\_\_\_ or failing him

\_\_\_\_\_ of \_\_\_\_\_ as my/ own

proxy to vote for me/us on my/our behalf at the 24th Annual General Meeting of the Company to be held on 25th September, 2012.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2012



Note : This instrument of Proxy shall be deposited at the Registered Office of the Company not less than 48 (FORTY-EIGHT) hours before the time of holding the meeting.

