



SPICE ISLANDS APPARELS LTD.



26th Annual Report  
**2013-2014**

25th  
Anniversary



Bhalchandra Deolekar receiving a momento from Mr. Umesh Katre, Managing Director  
on completion of 25 years of selfless service.





Board of Directors	2
Notice of Annual General Meeting	3-14
Management Discussion and Analysis Report	15
Directors' Report	16-21
Report on Corporate Governance / Shareholder Information	22-36
Independent Auditors' Report on Financial Statements	37-41
Balance Sheet	42
Statement of Profit and Loss	43
Cash flow Statement	44-45
Significant Accounting Policies / Notes to Financial Statements	46-65

#### **TWENTY SIXTH ANNUAL GENERAL MEETING**

Day : Wednesday  
 Date : 24th September 2014  
 Time : 10.30 am  
 Venue : M.C. Ghia Hall  
 Bhogilal Hargovindas Building,  
 18/20 K. Dubash Marg,  
 (Behind Prince of Wales Museum),  
 Kala Ghoda, Mumbai - 400 001



## Board of Directors



### BOARD OF DIRECTORS

Chairman & Managing Director

**UMESH KATRE**

Whole-time Director

**SEEMA KATRE**

Director

**ASHOK DARYANANI**

**CARL DANTAS**

**CHARUCHANDRA PATANKAR**

**RAHUL MEHTA**

Bankers

**VIJAYA BANK**

Auditors

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

### REGISTERED OFFICE

Unit 43-48, 3rd Floor, Bhandup Industrial Estate, Pannalal Silk Mills Compound,  
L. B. S. Marg, Bhandup (W), Mumbai - 400 078.

Tel.: 61992900

CIN No: L17121MH1988PLC050197

### 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  
Tel. : 080-23652872

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

### WEBSITE :

[www.spiceislandsapparelslimited.in](http://www.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- 2596 3838 Fax : 022-2596 2691

E-mail : [helpdesk@linkintime.co.in](mailto:helpdesk@linkintime.co.in)



## Notice of Annual General Meeting



Notice is hereby given that Twenty Sixth Annual General Meeting of the members of SPICE ISLAND APPARELS LIMITED will be held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20 K. Dubash Marg, (Behind Prince of Wales Museum), Kala Ghoda, Mumbai - 400 001 on Wednesday, 24th day of September, 2014 at 10.30 a.m. to transact the following business:

### Ordinary Business.

1. To consider and adopt the audited financial statement of the Company for the financial year ended March 31, 2014, the reports of the Board of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

**"RESOLVED THAT** M/S. T. D. Jain and D I Sakaria Chartered Accountants (Registration No. 002491S) be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company at such remuneration as shall be fixed by the Board of Directors of the Company."

### Special Business.

4. To appoint Mr. Carl V. Dantas (DIN:00985087) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, that Mr. Carl V. Dantas (DIN:00985087), who was appointed as a Director liable to retire by rotation and whose term expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (five) consecutive years that is for the period April 1, 2014 to March 31, 2019."

5. To appoint Mr. Ashok G. Daryanani (DIN:01175337) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

"RESOLVED pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies ( Appointment and Qualification of Directors ) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, that Mr. Ashok G. Daryanani (DIN:01175337), who was appointed as a Director liable to retire by rotation and whose term expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (five) consecutive years that is for the period April 1,2014 to March 31,2019."

6. To appoint Mr. C.G. Patankar (DIN:00136573) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**



## Notice of Annual General Meeting



**"RESOLVED** pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force and Clause 49 of the Listing Agreement), that Mr. C. G. Patankar (DIN:00136573), who was appointed as a Director liable to retire by rotation and whose term expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (five) consecutive years that is for the period April 1, 2014 to March 31, 2019."

7. To appoint Mr. Rahul L. Mehta (DIN:00047747) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force and Clause 49 of the Listing Agreement), that Mr. Rahul L. Mehta (DIN:00047747), who was appointed as a Director liable to retire by rotation and whose term expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 160 of the Companies Act, 2013 from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for 5 (five) consecutive years that is for the period April 1, 2014 to March 31, 2019."

8. To re-appoint Mrs. Seema U. Katre (DIN: 00196783) as Whole Time Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

**"RESOLVED** in accordance with the provisions of Sections 196, 197 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), that approval of the Company be as is hereby accorded to the re-appointment of Mrs. Seema U. Katre (DIN NO. 00196783) as Whole Time Director of the Company, for a period of 3 (three) years with effect from November 12, 2013, on the terms and conditions including remuneration as set out in the statement annexed to the Notice convening this meeting, with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee of the Board) to alter and vary the terms and conditions of the said re-appointment and/or remuneration as it may deem fit and as may be acceptable to Mrs. Seema U. Katre, subject to the same not exceeding the limits specified under Schedule V to the Companies Act, 2013 or any statutory modification(s) or re-enactment thereof."

**"RESOLVED FURTHER THAT** the Board be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

9. Authority to the Board of Directors to create charges on the assets of the Company and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

**"RESOLVED** pursuant to the provisions of Section 180(1)(a) and other applicable provisions of the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force), and all other applicable Acts, laws, rules, regulations and guidelines for the time being in force, that the consent of the Company be and is hereby accorded to the Board of Directors (herein after called "the Board") which terms shall be deemed to include any committee thereof, which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution and with the power to delegate such authority to any person or person(s) to mortgage and / or charge any of its movable and/or immovable properties wherever situated both present and future or to sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole or substantially the whole of any such undertaking(s) and to create a mortgage and/or charge, on such terms and condition at such time(s) and in such form and manner, and with such ranking as to priority as the Board in its absolute discretion thinks fit on the whole or substantially the whole of the Company's any one or more of the undertaking or all of the undertakings of the Company in favor of any bank(s) or body(ies) corporate or person(s), whether shareholders of the Company or not, together with interest, cost, charges and expenses thereon for



## Notice of Annual General Meeting



amount not exceeding Rs. 25 Crore ( Rupees Twenty Five Crore) over and above the aggregate of the paid up share capital and free reserves of the Company."

**"RESOLVED FURTHER THAT** the Securities to be created by the Company as aforesaid may rank prior/ paripassu / subservient with/ to the mortgages and / or charges already created or to be created by the Company as may be agreed to between the concerned parties."

10. Authority to Board of Directors to borrow in excess of paid up share capital and free reserves and in this regard to consider and if thought fit, to pass with or without modification(s), the following Resolution as a **Special Resolution**:

**"RESOLVED** pursuant to Section 180(1)(c) and other applicable provisions of the Companies Act, 2013 and the rules made there under ( including any statutory modification(s) or re-enactment thereof for the time being in force), that the consent of the Company be and is hereby accorded to the Board of Directors to borrow money in excess of the aggregate of the paid up share capital and free reserves of the Company, provided that the total amount borrowed and outstanding at any point of time apart from temporary loans obtained / to be obtained from the Company's Bankers in the ordinary course of business, shall not be in excess of Rs. 25 Crore (Rupees Twenty Five Crore) over and above the aggregate of the paid up share capital and free reserve of the Company."

11. Increasing the limits to make loans or investment and to give guarantee or to provide security in connection with a loan made under section 186 of Companies Act, 2013. Accordingly to consider and if though fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

**"RESOLVED** pursuant to Section 186 of the Companies Act, 2013 , and other applicable provisions, rules and schedules , if any, including any statutory modification(s) / amendment(s) / revision(s) thereof or any other law, as may be applicable ( hereinafter referred to as "the Act"), and/or any other approvals, as may be required that the consent of the members be and is hereby accorded to the Board of Directors to make any loans or investments and to give any guarantees or to provide security in connection with a loan made by any other person to, or to any other person by, a body corporate as the Board of Directors may think fit, for an amount not exceeding Rs. 25 Crore (Twenty Five Crore) as detailed in the attached explanatory statement, notwithstanding that such investments, outstanding loans given or to be given and guarantees and security provided are in excess of the limits prescribed under Section 186 of Companies Act, 2013 as in their absolute discretion deem beneficial and in the interest of the Company."

**"RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors or any one or more Directors of the Companies."

**"RESOLVED FURTHER THAT** for the purpose of giving effect to the above, the Board of Directors of the Company and/or Committee of directors constituted for this purpose be and is hereby authorized to take all such actions and to give all such directions as may be necessary or desirable and also to settle any question or difficulty that may arise in regards to the proposed investments or loans made or guarantees given or securities to be provided and further to do all such acts, deeds, matters and things and to execute all such deeds, documents and writings as may be necessary, desirable or expedient in connection herewith."

12. To approve the remuneration payable to the Cost Auditors for the financial year ended March 31, 2014 and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

**"RESOLVED** pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the Cost Auditors appointed by the Board of Directors of the Company, to conduct the audit of the cost records of the Company for the financial year ended March 31, 2014, be paid the remuneration as set out in the Statement annexed to the Notice convening this Meeting."

**"RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

13. To approve the remuneration payable to the Cost Auditors for the financial year ending March 31, 2015 and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:



## Notice of Annual General Meeting



**"RESOLVED** pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the Cost Auditors appointed by the Board of Directors of the Company, to conduct the audit of the cost records of the Company for the financial year ending March 31, 2015, be paid the remuneration as set out in the Statement annexed to the Notice convening this Meeting."

**"RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

14. To adopt new set of Articles of Association of the Company containing regulations in conformity with the Companies Act, 2013 and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

**"RESOLVED** pursuant to the provisions of Section 14 and all other applicable provisions of the Companies Act, 2013 read with Companies (Incorporation) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), that the draft regulations contained in the Articles of Association submitted to this meeting be and are hereby approved and adopted in substitution, and to the entire exclusion, of the regulations contained in the existing Articles of Association of the Company."

**"RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

15. Delisting of Equity Shares from Ahmedabad and Pune Stock Exchange. To consider and if thought fit, to pass with or without modification, the following Resolution as a **Special Resolution**.

**"RESOLVED** subject to the provisions of the Companies Act, 2013 the Securities and Exchange Board of India (delisting of Securities) Guideline, 2003 and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board"), consent is hereby accorded to the Board to seek voluntary delisting of the Company's Equity Share from The Stock Exchange, Ahmedabad and Pune Stock Exchange Limited."

**"RESOLVED FURTHER THAT** the Board be and is hereby authorized to take all necessary steps in this regard to comply with all the legal and procedural formalities and further to authorize any of its Director(s) or Officer(s) to do all such acts, things and deeds as may be necessary, to give effect to this Resolution."

16. Buy Back of Shares – Enabling Provision. To consider and if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution**:

**"RESOLVED THAT** subject to all applicable provisions of the Companies Act, 2013 ( including any statutory modification or re-enactment thereof for the time being in force and as may be enacted from time to time ) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Director of the Company (herein after referred to as the "Board"), the consent of the Company be and is hereby accorded to the Board to acquire/purchase any of its own fully paid Shares on such terms and conditions and up to such limits as may be prescribed by law from time to time; Provided that acquisition/purchase of such fully paid Equity shares of the Company be not construed as reduction of Equity Share Capital which is subject to the controls as stipulated in provisions of the Companies Act, 2013, for the time being in force and that the Board of Directors of the Company be and is hereby authorized to do all such acts and things as may be necessary or proper to implement this resolution"

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



1. A member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. The instrument appointing the proxy should, however, be deposited at the registered office of the Company not less than forty-eight hours before the commencement of the Meeting.  
 A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
2. Corporate members intending to send their authorized representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
3. Brief resume of Directors including those proposed to be appointed / re-appointed, nature of their expertise in specific functional areas, names of companies in which they hold directorships and memberships / chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are provided in the Corporate Governance Report forming part of the Annual Report.
4. A Statement pursuant to Section 102(1) of the Companies Act, 2013, relating to the Special Business to be transacted at the Meeting is annexed hereto.
5. Members are requested to bring their attendance slip along with their copy of Annual Report to the Meeting.
6. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names entitled to vote.
7. Relevant documents referred to in the accompanying Notice and the Statement are open for inspection by the members at the Administrative Office of the Company on all working days, except Saturdays, during business hours up to the date of the Meeting.
8. (a) The Company has notified closure of Register of Members and Share Transfer Books from Monday 15th September, 2014 to Wednesday, 24th September, 2014 (both days inclusive) for determining the names of members eligible for dividend on Equity Shares, if declared at the Meeting.  
 (b) The Dividend on Equity Shares, if declared at the Meeting will be credited / dispatched between September 30, 2014 and October 7, 2014 to those members whose names shall appear on the Company's Register of Members on 15th September, 2014; in respect of the shares held in de-materialized form, the dividend will be paid to members whose names are furnished by National Securities Depository Limited and Central Depository Services (India) Limited as beneficial owners as on that date.
9. Members holding shares in electronic form may note that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company or its Registrars and Transfer Agents, Link Intime India Private Ltd. (Link) can not act on any request received directly from the members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant by the members.
10. Members holding shares in electronic form are requested to intimate immediately any change in their address or bank mandates to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form are requested to advise any change in their address or bank mandates immediately to the Company/Link Intime.
11. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company/Link Intime.



12. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company.
13. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificates to Link Intime for consolidation into a single folio.
14. Members who have not registered their e-mail addresses so far are requested to register their e-mail address for receiving all communication including Annual Report, Notices, Circulars, etc. from the Company electronically.

#### REQUEST TO THE MEMBERS

1. Members desiring any relevant information on the accounts at the Annual General Meeting are requested to write to the Company at least seven days in advance, so as to enable the Company to keep the information ready.
2. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copies of the Annual Report to the Meeting.
3. Members who hold shares in demat mode are requested to bring their Client ID and DP ID numbers for easy identification of membership at the Meeting.
4. For the convenience of Members, an Attendance Slip is annexed to the Proxy Form. Members are requested to fill in and affix their signatures at the space provided therein and hand over the Attendance Slip at the entrance of the place of the Meeting. Proxy / Representative of a Member should mark on the Attendance Slip as "Proxy" or "Representative", as the case may be.

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

PLACE : MUMBAI  
 DATE : 28th May, 2014.

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



## Annexure to the Notice



### **STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013 ("the Act")**

The following Statement sets out all material facts relating to the Special Business mentioned in the accompanying Notice:

#### **ITEMS NOS: 4, 5, 6 & 7**

Following Independent Directors of the Company have held the positions as such from the date of their respective appointments.

Item No. in Notice	Name of the Independent Director	DIN No	Date of Appointment
4	Mr. Carl V. Dantas	00985087	04/11/1995
5	Mr. Ashok G. Daryanani	01175337	29/10/2003
6	Mr. Charuchandra G. Patankar	00136573	30/01/2006
7	Mr. Rahul L. Mehta	00047747	29/01/2010

The Securities and Exchange Board of India (SEBI) has amended Clause 49 of the Listing Agreement inter alia stipulating the conditions for the appointment of independent directors by a listed company.

It is proposed to appoint Mr. Dantas, Mr. Daryanani, Mr. Patankar & Mr. Mehta as Independent Directors under Section 149 of the Act and Clause 49 of the Listing Agreement to hold office for 5 (five) consecutive years for a term up to 31st March, 2019.

Mr. Dantas, Mr. Daryanani, Mr. Patankar & Mr. Mehta are not disqualified from being appointment as Directors in terms of Section 164 of the Act and have given their consent to act as Directors.

The Company has received notices in writing from members along with the deposit of requisite amount under Section 160 of the Act proposing the candidatures of Mr. Dantas, Mr. Daryanani, Mr. Patankar & Mr. Mehta for the office of Directors of the Company.

The Company has also received declaration from Mr. Dantas, Mr. Daryanani, Mr. Patankar & Mr. Mehta that they meet with the criteria of independence as prescribed both under sub-section (6) of Section 149 of the Act and under Clause 49 of the Listing Agreement.

In the opinion of the Board, Mr. Dantas, Mr. Daryanani, Mr. Patankar & Mr. Mehta fulfill the conditions for appointment as Independent Directors as specified in the Act and the Listing Agreement. Mr. Dantas, Mr. Patankar, Mr. Daryanani & Mr. Mehta are independent of the management.

Brief resume of Mr. Dantas, Mr. Daryanani, Mr. Patankar & Mr. Mehta, nature of their expertise in specific functional areas and names of companies in which they hold directorships and memberships / chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are provided in the Corporate Governance Report forming part of the Annual Report.

Copy of the draft letters for respective appointments of Mr. Dantas, Mr. Daryanani, Mr. Patankar & Mr. Mehta as Independent Directors setting out the terms and conditions are available for inspection by members at the Registered Office of the Company.

This Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchanges.

Mr. Dantas, Mr. Daryanani, Mr. Patankar & Mr. Mehta are interested in the resolutions set out respectively as Item Nos: 4, 5, 6 and 7 of the Notice with regard to their respective appointments.

The relatives of Mr. Dantas, Mr. Daryanani, Mr. Patankar & Mr. Mehta may be deemed to be interested in the resolutions set out respectively at Item Nos: 4, 5, 6 and 7 of the Notice, to the extent of their shareholding interest, if any, in the Company.

Save and except the above, none of the other Directors / Key Managerial Personnel of the Company / their relatives are in any way, concerned or interested, financially or otherwise, in these resolutions.

The Board commends the Ordinary Resolutions set out at Item Nos: 4, 5, 6 and 7 of the Notice for approval by the shareholders.



## Annexure to the Notice



### ITEM NO:8

The present terms of office of Mrs. Seema U. Katre as Whole Time Director expired on 11th November, 2013. The Board of Directors had, at its meeting held on 11th November, 2013, re-appointed Mrs. Seema U. Katre as Whole Time Director for a period of three years from the expiry of her present term of office, that is, on and with effect from 12th November, 2013. The Board of Directors have also approved the increase in remuneration payable to Mrs. Seema U. Katre. The draft Agreement to be entered into by the company with Mrs. Seema U. Katre in respect of her re-appointment for a further period of three years inter alia states that.

- |   |  |
|---|--|
| 1. Salary(Basic) per month  | : Rs. 80,000/- per month in the scale of Rs. 80,000/- to Rs. 1,00,000/- per month with authority to the board (which expression shall include a committee thereof) to revise her salary from time to time. The annual increment will be merit based and take into account the Company's performance. |
| 2. Perquisites(including allowances)-                               |  |
| a) Leave Travel Allowance   | : The yearly payment in the form of allowance shall be equivalent to one month's salary (basic)  |
| b) Bonus  | : Yearly payment, subject to minimum of one month basic salary.  |
| c) Ex-gratia  | : The yearly payment shall not exceed Rs. 3,00,000 per financial year.   |
| d) Gas/Electricity/Maintenance Allowance.                           | : Rs. 1,20,000/- per annum   |
| Magazine / Book Allowance   | : Rs. 48,000/- per annum.  |
| f) Medical reimbursement  | : Reimbursement of actual medical expenses, including medicine / personal accident insurance premium up to a limit of one basic salary.  |
| g) Contribution to Provident Fund and Superannuation / Annuity Fund | will be as per Scheme of the Company.  |
| h) Gratuity payable   | shall be at a rate not exceeding 15 days salary for each completed year of service or part thereof in excess of six months as per Scheme of the Company.   |
| i) Encashment of un availed leaves                                  | at the end of the tenure or at specified intervals will be as per Scheme of the Company.   |
| j) Provision of car with driver                                     | for use in relation to Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Whole Time Director.  |
| k) Provision of club facilities,                                    | including admission fees and life membership fees and reimbursement of yearly subscription / expenses, subject to a maximum limit of Rs. 3.50 lacs per annum   |

The perquisite and allowance shall be evaluated as per Income Tax Rule, wherever applicable and in the absence of any Rule, perquisite allowance shall be evaluated at actual cost.

### Minimum Remuneration:

Notwithstanding anything to the contrary herein contained, wherein any financial year during the currency of the tenure of Mrs. Katre, the company has no profit or its profits are inadequate, the Company will pay remuneration by the way of salary and perquisites and allowances as specified by the provisions of schedule V of Companies Act, 2013.

### Leave:

In accordance with the Rules and Regulation of the company.

### Sitting Fees:

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

Mrs. Katre satisfy all the conditions set out in Part-I of Schedule V to the Act as also conditions set out under sub-section (3) of Section 196 of the Act for being eligible for her re-appointment. She is not disqualified from being appointed as Director in terms of Section 164 of the Act.

The above may be treated as a written memorandum setting out the terms of re-appointment of Mrs. Katre under section 190 of the Act.

Brief resume of Mrs. Katre, nature of her expertise in specific functional areas, names of companies in which she hold directorships and membership/ Chairmanships of the Board Committees, shareholding and relationships among



## Annexure to the Notice



directors inter-se as stipulated under Clause 49 of listing Agreement with the Stock Exchanges, are provided in the Corporate Governance Report forming part of Annual Report.

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

In compliance with the provisions of Sections 196, 197 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the terms of remuneration specified above are now being placed before the shareholders in General Meeting for their approval, which the Director command for acceptance.

The draft Agreement between the Company and Mrs. Seema U. Katre is available for inspection at its registered office between 2.00 pm and 4.00 pm on any working day.

The relatives of Mrs. Seema Katre may be deemed to be interested in the resolution set out respectively at Item No. 8 of the Notice, to the extent of their shareholding interest, if any, in the Company.

### **ITEM NO: 9**

The Members of the Company at their earlier Annual General Meeting granted powers under section 293(1)(a) of the Companies Act, 1956 to the "BOARD" to create mortgage or charge on the assets (movable and/or immovable) of the Company for an amount not exceeding Rs. 10 Crore (Rupees Ten Crore).

Section 180(1)(a) of the Companies Act, 2013 requires that the Board of Directors shall not create mortgage or charge on its movable or immovable properties, except with the consent of the members accorded by way of a special resolution.

It is, therefore, necessary for the members to pass a Special Resolution under Section 180(1)(a) and other applicable provisions of the Companies Act, 2013, as set out at item No. 9 of the Notice, to enable the Board of Directors to create mortgage or charge on its movable or immovable properties. Approval of members is being sought for requisite authority to the board to create charge for amount not exceeding Rs. 25 Crore over and above the aggregate of the paid up share capital and free reserves of the Company.

None of the Directors and / or Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No. 9.

### **ITEM NO: 10**

The Members of the Company at their earlier Annual General Meeting had approved by way of an Ordinary Resolutions under section 293(1)(d) of the Companies Act, 1956, borrowing over and above the aggregate of paid up share capital and free reserves of the Company provided that the total amount of such borrowings together with the amounts already borrowed and outstanding at any point of time shall not be in excess of Rs. 10 Crore (Rupees Ten Crore).

Section 180(1)(c) of the Companies Act, 2013 requires that the Board of Directors shall not borrow money in excess of the Company's paid up share capital and free reserves, apart from temporary loans obtained from the company's bankers in the ordinary course of business except with the consent of the Company accorded by way of a special resolution.

It is, therefore, necessary that the members pass a special resolution under section 180(1)(c) and other applicable provisions of the Companies Act, 2013, as set out at Item No.10 of the Notice, to enable to the Board of Directors to borrow money in excess of the aggregate of the paid up share capital and free reserve of the Company. Approval of members is being sought to borrow money up to Rs.25 crore (Rupees Twenty Five Crore) in excess of the aggregate of the paid up share capital and free reserves of the Company.

None of the Directors and / or Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution set out at Item No.10.

### **ITEM NO: 11**

As per provisions of Section 186 of the Companies Act 2013, a Company can give a loan to bodies corporate or give any guarantees or make investments in the securities of any other body corporate with the approval of the Board of Directors if the same is within the permissible limit of either 100% of free reserves or 60% of the paid up share capital and free reserves. Inter-corporate loans and investments can be made above the aforesaid limits if the Company has prior approval from its members by a Special resolution.

It is possible that in the near future, with the availability of free cash flow and opportunity for investment in shares/securities/ interoperate deposits/ loans, guarantees, the Company may have to park surplus fund to optimize the income for the shareholders. At that time the restriction placed under provisions of section 186 may prevent the board of directors from taking suitable investment actions. The Investments may exceeds the prescribed limit and hence, the permission is sought to enable the Board of Directors with powers for making further investments/loans/guarantees and providing securities, whenever required on need basis up to an amount not exceeding Rs. 25 Crore.

Approval of shareholders of the Company is sought to authorize the Board of Directors to make the following Investments/loans/corporate Guarantees as may be required from time to time.

Particulars	Existing Amount of Investment, Loans and Corporate Guarantee/ Securities ( as on 31st March, 2014 ) (INR In Crore)	Proposed amount of Investments, Loans, and Corporate Guarantees /Securities in addition to the existing amount (INR In Crore)	Total amount of Investment, Loans and Corporate Guarantees/Securities including the existing amount (INR in Crore)
Inter-corporates Deposit	0.41	9.59	10
Investment in Equity / Pre. Shares of any listed/ unlisted Cos., Investment in Mutual Funds	2.69	7.31	10
Other Loan and Advances	2.51	2.49	5
<b>Total</b>	<b>5.61</b>	<b>19.39</b>	<b>25</b>

These investments, loans, guarantees and securities are made/proposed to be made out of own/surplus funds internal accruals/borrowed funds, the objective of which is optimum utilization of funds of the Company and also to achieve long term strategic and business objectives. The investments, loans, guarantees and securities will be made on terms and conditions most beneficial to the Company and at prevailing market rates.

The Directors are satisfied that this resolution would be in the interest of the Company and its members and accordingly recommend the Resolutions for your approval.

None of the Directors / Key Managerial Personnel of the Company /their relatives are, in any way, concerned or interested, financial or otherwise, in the resolution set out at Item No: 12 of the Notice.

The Board commends the Ordinary Resolution set out at Item No: 11 of the Notice for approval by the Shareholders.

#### ITEM NO.12

The Board, on the recommendation of the Audit Committee, has approved the appointment and remuneration of the Cost Auditors to conduct the audit of the cost records of the Company for the financial year ended March, 2014 as per the following details:

Name of the Cost Auditor	Industry	Audit Fees
Murthy & Company LLP	3029 : Apparels & Clothing's.	Rs. 25,000/- (Plus Service tax and actual out of pocket expenses)

In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules 2014 the remuneration payable to the Cost Auditors has to be ratified by the Shareholders of the Company.

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No: 12 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ended March, 2014.



## Annexure to the Notice



None of the Directors / Key Managerial Personnel of the Company /their relatives are, in any way, concerned or interested, financial or otherwise, in the resolution set out at Item No : 12 of the Notice.

The Board commends the Ordinary Resolution set out at Item No: 12 of the Notice for approval by the Shareholders.

### ITEM NO.13

The Board, on the recommendation of the Audit Committee, has approved the appointment and remuneration of the Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending March, 2015 as per the following details:

Name of the Cost Auditor	Industry	Audit Fees
Murthy & Company LLP	3029 : Apparels & Clothing's.	Rs. 25,000/- (Plus Service tax and actual out of pocket expenses)

In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules 2014 the remuneration payable to the Cost Auditors has to be ratified by the Shareholders of the Company.

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No: 12 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending March 2015.

None of the Directors / Key Managerial Personnel of the Company /their relatives are, in any way, concerned or interested, financial or otherwise, in the resolution set out at Item No: 13 of the Notice.

The Board commends the Ordinary Resolution set out at Item No: 13 of the Notice for approval by the Shareholders.

### ITEM NO.14

The Articles of Association ("AoA") of the Company as presently in force were suitably modified in August, 2001 from what they were when the Company was incorporated in 1988. The existing AoA are based on the Companies Act, 1956 and several regulations in the existing AoA contain references to specific sections of the Companies Act, 1956 and some regulations in the existing AoA are no longer in conformity with the Act.

The Act is now largely in force. On September 12, 2013, the Ministry of Corporate Affairs ("MCA") had notified 98 Sections for implementation. Subsequently, on March, 26, 2014, MCA notified most of the remaining Sections (barring those provisions which require sanction/confirmation of the National Company Law Tribunal ("Tribunal") such as variation of rights of holders of different classes of shares ( Section 48), reduction of share capital (Section 66), compromises, arrangements and amalgamations(Chapter XV), prevention of oppression and mismanagement (Chapter XVI), revival and rehabilitation of sick companies (Chapter XIX) , winding up (Chapter XX) and certain other provisions including, inter alia , relating to Investor Education and Protection Fund (Section 125) and valuation by registered valuers (section 247) . However, substantive sections of the Act which deal with the general working of companies stand notified.

With the coming into force of the Act several regulations of the existing AoA of the Company require alteration or deletions in several articles. Given this position, it is considered expedient to wholly replace the existing AoA by a new set of Articles.

The new AoA to be substituted in place of the existing AoA are based on Table "F" of the Act which sets out the model articles of association for a company limited by shares. Shareholder's attention is invited to certain salient provisions in the new draft AoA of the Company viz:

- Company's lien now extend also to bonuses declared from time to time in respect of shares over which lien exists;
- The nominee(s) of a deceased sole member are recognized as having title to the deceased's interest in the shares.
- New provisions regarding application of funds from reserve accounts when amounts in reserve accounts are to be capitalized;
- New provisions relating to appointment of chief executive officer and chief financial officer, in addition to manager and company secretary;
- Existing articles have been streamlined and aligned with the Act;
- The statutory provisions of the Act which permit a company to do some acts " if so authorized by its articles" or

provisions which require a company to do acts in a prescribed manner: unless the articles otherwise provide" have been specifically included; and

- (g) Provisions of the existing AoA which are already part of statue in the Act have not been reproduced in the new draft AoA as they would only lead to duplication- their non-inclusion makes the new AoA crisp, concise and clear and aids ease of reading and understanding.

The proposed new draft AoA is being uploaded on the Company's website for perusal by the Shareholders.

None of the Directors/key Managerial personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the Special Resolution set out at Item No: 14 of the Notice.

The Board commends the Special Resolution set out at Item No: 14 of the Notice for approval by the Shareholders.

#### **ITEM NO: 15**

With the extensive networking of The Stock Exchange, Mumbai and availability of nationwide trading terminals, the investors have access to online dealings in the Equity Shares of the Company across the country. The volume of trading of the Company's Equity Shares on The Stock Exchange Ahmadabad (SEA) and Pune Stock Exchange Limited (PSEL) is not significant. The listing fee paid to both the stock exchange at present constitutes about 40% of the total listing fees paid to all the Stock Exchanges for each financial year and does not offer commensurate benefits to the Company or investors. Further, delisting of shares of SEA/PSEL will contribute to reduction in administrative costs/efforts of the Company. Therefore, the Board of Directors has decided to apply for voluntary delisting of Equity Shares of the Company from the said Stock Exchanges.

None of the Directors / Key Managerial personnel of the Company/ their relatives are, in any way, concerned or interested, financially or otherwise in the Special Resolution set out at item no 15 of the notice.

The Board commends the Special Resolution set out at Item No: 15 of the Notice for approval by the Shareholders.

#### **ITEM NO: 16**

##### **Enabling Provision – No immediate buyback program.**

Members are aware that the Companies Act 2013, presently restricts the purchase of own shares by a company unless the same is done with a view to reduce its capital. Reduction of capital is subject to the controls as stipulated in various provisions of the Companies Act, 2013.

Flexibility to buy back own shares by a company would give a clear signal to the market that the company believes that the share at a point of time is undervalued. Further it provides a company to use "Surplus fund" advantageously with minimum risk as compared to investments in the shares of other companies. It sends a positive message to the investment community that the management believes strongly that the share is undervalued.

Of late, there have been discussions on this subject and the Directors feel that it would be desirable to have an enabling power from the shareholders for the purpose. It will be in the fitness of things if shareholders approve the resolution set out at item No: 16 of this Notice, should the provisions of the Companies Act, 2013, be modified or amended permitting such purchases.

It must be clearly understood that acquisition/purchase of the shares of the Company, as proposed in the Resolution at this item of the Notice, should not be construed as reduction of Capital which is subject to the controls as stipulated in various provisions of the Companies Act, 2013, for the time being in force.

None of the Directors / Key Managerial personnel of the Company/ their relatives are, in any way, concerned or interested, financially or otherwise in the Special Resolution set out at item no 16 of the notice.

The Board commends the Special Resolution set out at Item No: 16 of the Notice for approval by the Shareholders.

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

PLACE : MUMBAI  
DATE : 28th May, 2014.

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



# 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 growing both locally and internationally. There's an unprecedented retail boom on domestic front and 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 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 is 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 is a must that we tune well with the changes around us 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 : 28th May, 2014.

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



To,  
The Members,

Your Directors have pleasure in presenting the Twenty Sixth Annual Report of the Company for the year ended 31st March, 2014.

	(Rs. in lacs) 2013-2014	(Rs. in lacs) 2012-2013
<b><u>FINANCIAL RESULTS</u></b>		
Sales & Operating Income	1617.41	1231.91
Other Income	123.01	55.29
Profit (Loss) before Taxation	48.41	(70.98)
Provision for Taxation - Current Year (Nett)	0.11	--
Short / (excess) Provision for Tax	16.71	0.60
Deferred Tax	<u>(11.33)</u>	<u>4.13</u>
Profit after Taxation	42.92	(75.71)
Add : Balance brought forward from previous year	411.11	512.97
	<b><u>454.03</u></b>	<b><u>437.26</u></b>
<b><u>APPROPRIATION</u></b>		
General Reserve	1.00	1.00
Proposed Dividend	43.00	21.50
Tax on distribution of dividend	7.30	3.65
Balance Profit carried forward	402.73	411.11
	<b><u>454.03</u></b>	<b><u>437.26</u></b>

## OPERATIONS

During the year under review, the turnover of the company registered an increase of about 31% over the previous year. Other income has also increased by about 122% over the previous year. This has helped the company to achieve profit of 48.41 lacs as against loss of 70.98 lacs in the preceding period.

The turnaround was mainly on account of breakthrough in the Middle East market as against the Company's core market in Europe. This was first experience in a new market and the margin has been satisfactory. Going forward, this may turn out to be a potential growth area.

The current year has begun on a good note and the Company expects improvement in performance.

## DIVIDEND

Your Directors are pleased to recommend a dividend of Rs. 1.00 per Share. Dividend, if approved by the shareholders, at the Annual General Meeting, will absorb Rs. 43.00 lacs.

## TAXATION

Provision of Rs. 16.81 lacs is made to meet the liability for Tax (Nett).

## DIRECTORS

In accordance with the provisions of Section 149 and other applicable provisions of the Companies Act, 2013, Your Company is seeking appointment of Mr. Carl V. Dantas, Mr. C.G. Patankar, Mr. Ashok G. Daryanani & Mr. Rahul L. Mehta as Independent Directors for Five consecutive years. Details relating to their appointment are mentioned in the Statement annexed to the Notice under Section 102 of the Companies Act, 2013.



The Company has received declaration from all the Independent Directors of the Company confirming that they meet with the criteria of Independence as prescribed, both under sub-section (6) of Section 149 of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchange.

Mrs. Seema Katre's continued association as a Whole time Director is in the interest of the Company, particularly for strengthening the back office functions and improved coordination amongst various functional heads. Her contribution for cost control and for improving efficiency at all levels is immense and hence the Board recommends her re-appointment as a WHOLE TIME DIRECTOR for a further period of three years. Suitable resolution is proposed in the forthcoming Annual General Meeting.

#### **DIRECTORS' RESPONSIBILITY**

Pursuant to the requirements under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed 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, 2014 and of the profit of the company for the year ended on 31st March, 2014.
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.

#### **REPORTS ON CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS**

The reports on Corporate Governance and Management Discussion and Analysis for the year under review, as stipulated under Clause 49 of the Listing Agreement form part of the Annual Report. The certificate from the Practicing Company Secretary confirming compliance with the conditions of corporate governance is annexed to the Corporate Governance Report.

#### **UNCLAIMED DIVIDEND FOR PREVIOUS YEAR'S**

Pursuant to the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on September, 2, 2013 (date of last Annual General Meeting) on the Company's website ([www.spiceislandsapparelslimited.in](http://www.spiceislandsapparelslimited.in)), as also on the Ministry of Corporate Affairs, website.

#### **DEPOSITORY SYSTEM**

Trading in Equity Shares of your Company is permitted in dematerialized form in terms of notification issued by Securities and Exchange Board of India [SEBI]. Your Company has entered into agreements with National Securities Depository Ltd. [NSDL] & Central Depository Services India) Ltd. [CDSL], to enable shareholders to hold shares in dematerialized form. Since dematerialization facilitates quick share transfers and prevents forging of documents, those shareholders who have not opted for this facility are advised to dematerialize their shares with either of the Depositories.

#### **PARTICULARS OF EMPLOYEES**

The particulars required under section 217 (2A) of the Companies Act, 1956, read with the Companies (particulars of employees) Rule, 1975 are not furnished since none of the employees of the Company are drawing remuneration in excess of the limit laid down under the said provisions.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO**

The details as required under the Companies (disclosure of particulars in the Report of Board of Directors) Rules 1988, are set out in the annexure forming part of this Report.

#### **COMPLIANCE CERTIFICATE**

The Company has obtained Compliance Certificate pursuant to provisions of Sec 383 A of the Companies Act, 1956



## Directors' Report



from a Secretary in Whole Time practice, M/s. Nitesh Jain & Co., in the prescribed form regarding the compliance of all the provisions of the said Act.

### COST COMPLIANCE REPORT

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

### AUDITORS COMMENTS

Independent Auditors report to the Members does not contain any adverse remarks and as such no comments are required.

### 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.

### COMPLIANCE WITH COMPANIES ACT, 2013

With effect from 1st April, 2014 most of the provisions of the Companies Act, 2013 as notified by Ministry of Corporate Affairs ('MCA') are in force. The Statutory compliance done by the Company under the provisions of the Companies Act, 1956 requires review / modifications and should be made compliant with the New Companies Act. Keeping in mind the good practices followed by the Company in earlier years, several resolutions are proposed for approval by the members of the Company in the Annual General Meetings the details are available in the notice of Annual General Meeting and explanatory statement attached thereto.

Ordinary / Special resolution's proposed for approval of members are detailed herein below.

SN.	Particulars	Remark
1.	Appointment of Mr. Carl V. Dantas as an Independent Director	Mr. Carl V. Dantas was appointed as an independent director on 4th November, 1995. Under provision of Section 149(10) of the Companies Act, 2013 he can hold office of director for a further period of 5 years if approved by shareholders of the Company. Having regard to be valuable experience Mr. Dantas has, it is in the interest of the Company that he holds the directorship of the Company for a further period of five years.
2.	Appointment of Mr. Ashok G. Daryanani as an Independent Director	Mr. Ashok G. Daryanani was appointed as an independent director on 29 <sup>th</sup> October, 2003. Under provision of Section 149(10) of the Companies Act, 2013 he can hold office of director for a further period of 5 years if approved by shareholders of the Company. Having regard to be valuable experience Mr. Ashok G. Daryanani has, it is in the interest of the Company that he holds the directorship of the Company for a further period of five years.
3.	Appointment of Mr. C. G. Patankar as an Independent Director	Mr. C.G. Patankar was appointed as an independent director on 30th January, 2003. Under provision of Section 149(10) of the Companies Act, 2013 he can hold office of director for a further period of 5 years if approved by shareholders of the Company. Having regard to be valuable experience Mr. C.G. Patankar has, it is in the interest of the Company that he holds the directorship of the Company for a further period of five years.



## Directors' Report



SN.	Particulars	Remark
4.	Appointment of Mr. Rahul L. Mehta as an Independent Director	Mr. Rahul L. Mehta was appointed as an independent director on 29th January, 2010. Under provision of Section 149(10) of the Companies Act, 2013 he can hold office of director for a further period of 5 years if approved by shareholders of the Company. Having regard to be valuable experience Mr. Rahul L. Mehta has, it is in the interest of the Company that he holds the directorship of the Company for a further period of five years
5.	Reappointment of Mrs. Seema U. Katre as Whole Time Director	Mrs. Seema U. Katre is associated with the Company as whole time director for past 3 years and having regard to the valuable contribution made by her in improving efficiency at all level she is reappointed as whole time director for further period of three years.
6.	Authority to the Board of Directors to sell / dispose off / create charge on the assets of the Company	Although the requisite authority was granted to the board by the members under provisions of section 293(1)(a) of the Companies Act, 1956, the enabling resolution is proposed under provisions of section 180(1)(a) of the Companies Act, 2013.
7.	Authority to the Board of Directors to borrow in excess of paid up share capital and free reserves	Although the borrowing powers were granted to the board by the members under provisions of section 293(1)(d) of the Companies Act, 1956, the enabling resolution is proposed under provisions of section 180(1)(c) of the Companies Act, 2013.
8.	Increasing the limits to make loans / investments / provide guarantees	Suitable authority to the board is sought to be granted under provisions of section 186 of the Companies Act, 2013. This will help the board to park the surplus fund of the Company in a profitable manner and / or to make strategic investment.
9.	Approval of Remuneration payable to Cost Auditors	The boards of directors have appointed M/s. Moorthy & Company LLP as Cost Auditors to conduct audit of the cost record of the Company for financial year ended 31.03.2014. Specific approval from members is required for payment of remuneration to the cost auditors under provisions of section 148 of Companies Act, 2013
10.	Approval of Remuneration payable to Cost Auditors	The boards of directors have appointed M/s. Moorthy & Company LLP as Cost Auditors to conduct audit of the cost record of the Company for financial year ending on 31.03.2015. Specific approval from members is required for payment of remuneration to the cost auditors under provisions of section 148 of Companies Act, 2013
11.	Adoption of New Articles of Association	The present Articles of Association is not in consonance with the provisions of Companies Act, 2013. The Article contains the references of Companies Act 1956 it is therefore considered expedient to wholly replace the existing article of Association with new set of Articles
12.	Delisting of equity shares of the company from Ahmadabad & Pune Stock Exchange	The equity shares of the Company are not at all traded in Ahmadabad & Pune Stock Exchanges. It would therefore be advisable to do away with the listing of equity shares from the said stock exchange.
13.	ENABLING POWERS – buy back of the Shares of the Company	Only enabling power from shareholders are sought, to permit the board of directors to decide on buy back of shares at an appropriate time. At present there is no concrete plan but in near future if opportunity permits the board may consider buying back some shares which will improve the share valuation, as the same is highly undervalued. As of now, there is no firmed up immediate plan to go for buy back.

Directors commend the above resolutions for approval of the shareholders.



## Directors' Report



### APPRECIATION

Your Directors acknowledge with gratitude the co-operation extended by Bankers of the Company, Stock Exchange, SEBI, and other Government/ Semi Government Authorities.

Your Directors also wish hereby to place on record their appreciation of the efficient and loyal services rendered by all the staff and workmen of the company, without whose whole hearted efforts, the overall satisfactory performance would not have been possible.

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

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

PLACE : MUMBAI  
DATE : 28th May, 2014.

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

**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	60,378.40
Total Amount	4,80,637.00
Rate per unit (Rs.)	7.96
b) Own Generation (Through D.G.set)	Nil

**B) TECHNOLOGY ABSORPTION  
FORM B.****1. RESEARCH AND DEVELOPMENT**

- a) Special Areas : Our research and development activities are concentrated mainly on development of new designs /colours for improving existing products and developing new product line for exports.
- b) Benefits derived : The company has established itself in the Export Market and also proposes to enter the domestic market at an appropriate time.
- c) Plan of Action : The Company is continuously making improvements in quality of its products.
- d) Expenditure on R&D : Commensurate with the requirements of the industry.

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

- a) Efforts made : Continuous efforts are being made in improving the quality of Shirts, Jackets, Skirts, and Blouses, produced by the Company on existing production methods. Improving labour productivity and installation of new machinery is also a part of these efforts.
- b) Benefits : Company could make its impact in the items manufactured by adopting changing technology.
- c) Imported Technology : The company is presently using Indian Technology.

**3. FOREIGN EXCHANGE EARNINGS AND OUTGO**

a) Efforts : The Company has been constantly endeavoring to get an increased share of the world textile market and has met with remarkable success in this area.	
b) EARNING AND OUTGO	Rs. In Lacs
i) Foreign Exchange Earning Export Sales (FOB)	1495.18
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	10.01
d) Dyes & Chemicals	Nil
e) Travelling & Other Expenses	16.70
f) Commission	12.02

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

PLACE : MUMBAI  
DATE : 28th May, 2014.

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



## 1. CORPORATE GOVERNANCE

Corporate Governance is about commitment to values, ethical business conduct and about considering all stakeholders' interest in conduct of business. Transparency and accountability are the two basic tenets of Corporate Governance. Your Company continues to lay great emphasis on the broad principles of Corporate Governance. Spice Island's philosophy on Corporate Governance is stated below:

### PHILOSOPHY OF SPICE ISLANDS APPARELS LTD. ON CORPORATE GOVERNANCE:

At Spice Islands Apparels Ltd, we believe in adopting the "best practices" followed in the area of Corporate Governance. We emphasize the need for transparency and accountability in our businesses, in order to protect the interest of our stakeholders.

Corporate Governance is a continuous journey towards sustainable value creation for all the stakeholders:

Our vision is to be the most trusted partner for every stakeholder and we are committed to provide fair, transparent and equitable treatment to our stakeholders.

Our core value system is guided by the principles of accountability, transparency, timely disclosure and dissemination of price sensitive information and matters of interest to the investors ensuring compliance with the applicable acts, laws, rules and regulations and conducting business in a best ethical manner. Accordingly, Corporate Governance stands on the aforesaid broad pillars of transparency, fairness in action, accountability and responsibility towards all the stakeholders.

Securities and Exchange Board of India has issued guidelines on the corporate governance for all listed companies through clause, 49 of the Listing Agreement. At Spice Islands Apparels Ltd., we are not only committed to follow the prescribed corporate practices embodied in various regulatory provisions but also the best international practices. We also believe that good governance practices flow from the culture and mindset of the top management and percolate down in the organization.

## 2. BOARD OF DIRECTORS

The directors of your Company are eminent people from various fields and are also conscious of following the good governance practices. The Board oversees as to how the management serves and protects the long term interests of all the stakeholders.

### A. COMPOSITION OF THE BOARD

As on March 31, 2014, the Company's Board consisted of six Directors, four of whom (i.e. 67%) are Non-Executive and Independent Directors. The composition of the Board is in consonance with Clause 49 of the Listing Agreement, entered into with the Stock Exchanges and in accordance with the provisions of the Companies Act, 2013 (the Act). As per the Articles of Association of the Company, the maximum number of Directors the Company can have is 12.

All the Non-Executive and Independent Directors have confirmed to the Board that they qualify to be independent as per the definition of 'Independent Director' 49 (I) (A) (iii) of the Listing Agreement and Section 149 (6) of the Act. These confirmations have been placed before the Board.

None of the Directors hold directorship in more than 20 companies. None of the Directors is serving as a Member of more than ten committees or as the Chairman of more than five committees across all the public companies of which he is a Director. Necessary disclosures regarding committee position in other public companies as on March 31, 2014 have been made by the Directors.

### B. MEMBERSHIPS OF OTHER BOARDS

The number of directorship and committee Chairmanships/Memberships held by the Directors in other public companies as on March 31, 2014 are given below.



Name of the Director	Category	Number of directorships in other public companies	Number of committee positions held in other public companies	
			Chairman	Member
Mr. Umesh M. Katre	Chairman & Managing Director	--	--	--
Mrs. Seema U. Katre	Whole Time Director	1	--	--
Mr. Carl V. Dantas	Non-Executive & Independent Director	--	--	--
Mr. Ashok G. Daryanani	Non-Executive & Independent Director	--	--	--
Mr. C. G. Patankar	Non-Executive & Independent Director	6	--	2
Mr. Rahul L. Mehta	Non-Executive & Independent Director	1	--	--

**Notes:**

- Other directorships as above do not include directorships of private limited companies, companies under Section 25 of Companies Act, 1956 and of companies incorporated outside India.
- Only the audit and Shareholders' Grievance Committees are considered for the purpose of reckoning the number of Chairmanships and Memberships held by the Directors.
- None of the Non-Executive and Independent Directors have any material pecuniary relationship or transactions with the Company, other than the sitting fees paid to them for attending the meetings of the Board and its Committee(s).

**C. LENGTH OF TENURE OF NON-EXECUTIVE & INDEPENDENT DIRECTORS.**

Sr. No.	Name of Independent Director	No. of years associated with the Company as a director
1	Mr. Carl V. Dantas	18
2	Mr. Ashok G. Daryanani	10
3	Mr. Charuchandra G. Patankar	8
4	Mr. Rahul L. Mehta	3

**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:

**i. Mr. CARL V. DANTAS**

Mr. Carl V. Dantas is a Director associated with the Company since 1995. He is one of the leading professionals in the travel industry and is the CEO of Bombay Travels Pvt. Ltd. which is one of the oldest travel agency in the country.

After High School, Mr. Dantas worked as an intern with Arcadia Travels. He later joined the family run travel agency and has over 40 years of experience in the trade. He has a large network of clients from various industries and is an advisor to many Foreign, Indian Diplomats, Ministers and bureaucrats for their overseas programs. Due to nature of his overseas work, he has also a vast area of contacts in the international market.

Being an independent Director and having a vast commercial experience, appointment of Mr. Dantas, as a Director is in the interest of the Company.

The details of other directorships and committee memberships of Mr. Dantas is as follows:

Name	Directorships	Committee Memberships
Mr. Carl Dantas	--	4

He holds 600 shares of the Company in his name as on March 31, 2014.

#### ii. Mr. ASHOK G. DARYANANI

Mr. Ashok G. Daryanani is a Graduate in Commerce and has over 45 years varied experience in all aspects of textile marketing.

Being an independent Director and having a vast commercial experience, appointment of Mr. Daryanani is in the interest of the Company.

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

Name	Directorships	Committee Memberships
Mr. Ashok Daryanani	--	--

He holds 34386 shares of the Company in his name as on March 31, 2014.

#### iii. Mr. CHARUCHANDRA G. PATANKAR

Mr. Charuchandra G Patankar is a Chartered Accountant having a total experience of over 34 years. He is an Executive Director of Kalyani Steels Limited from July 1999 and also serves on Board of various Public as well as Private Companies and has vast commercial experience. He is associated with the Company since January 2006.

Being an independent Director and having a vast commercial experience, appointment of Mr. Patankar is in the interest of the Company.

The details of other directorships and committee memberships of Mr. Patankar is as follows:

Name	Directorships	Committee Memberships
Mr. Charuchandra Patankar	8	2

He is a Director of Kalyani Steels Ltd., Kalyani Technoforge Limited., Kalyani International Ltd., Kalyani Mukund Limited., Hospet Steels Limited. & Kalyani Investment Company Limited.

Mr. Patankar did not hold any shares of the Company as on March 31, 2014.

**iv. Mr. RAHULL MEHTA**

Mr. Rahul L. Mehta is a Bachelor of Technology from Indian Institute of Technology, Mumbai and is currently holding the position of Director of M/s. Infreight Logistics Solutions Ltd. [a subsidiary of M/s. Sundaram Finance Ltd.] and has commercial experience of over 27 years, particularly in logistics Industry.

Being an independent Director and having a vast commercial experience, re-appointment of Mr. Mehta as a Director is in the interest of the Company.

Details of other directorships and committee membership of Mr. Mehta is as follows:

Name	Directorships	Committee Memberships
Mr. Rahul Mehta	4	--

He is a Director of Sundaram Parekh Warehousing Services Ltd. & M/s. Infreight Logistics Solutions Ltd.

He holds 600 shares of the Company in his name as on March 31, 2014.

**v. Mrs. SEEMA U. KATRE**

Mrs. Seema Katre has rich experience of over 18 years in administration and her handling of back office work and coordination amongst various functional heads for the past three years has helped the company to improve efficiency at all levels. Her contribution for cost control and result oriented administration has improved organisational set up.

Name	Directorships	Committee Memberships
Mrs. Seema Katre	1	--

She is a Director of Bhupco Alloys Ltd.

She holds 407400 shares of the Company in his name as on March 31, 2014.

**E. BOARD MEETINGS AND BOARD PROCEDURE**

The Board meets at regular intervals. At least one meeting is held in every quarter inter alia to review the quarterly results. Additional meetings of the Board are held when deemed necessary. In case of business exigencies or urgencies, the resolutions are passed by way of circulation to the extent permissible under the applicable laws.

- ❖ During the financial year 2013- 2014, the Board met four times on May, 28, 2013, August, 13, 2013, November 11, 2013 & February 12, 2014. The gap between two meetings did not exceed 120 days. The details of the attendance of the Directors at the Board meetings and the last Annual General Meeting is given below.

Sr. No.	Name of the Director	No. of Board meetings held	No. of Board meetings attended	Attendance at the previous Annual General Meeting
1	Mr. Carl V. Dantas	4	2	Yes
2	Mr. Ashok G. Daryanani	4	4	Yes
3	Mr. C. G. Patankar	4	4	Yes
4	Mr. Rahul L. Mehta	4	4	Yes

- ❖ The necessary quorum was present at all the above meetings.
- ❖ During the Financial year 2013-2014, information as mentioned in Annexure 1A to Clause 49 of the Listing Agreement was placed before the Board.



- ❖ The tentative annual calendar of Board meeting is agreed upon at the beginning of the Calendar year. The Board meetings are generally held at the administrative office of the Company.
- ❖ With regard to matters requiring the approval of the Board, all the concerned persons in the company communicate with the Managing Director in advance to enable inclusion of such matters in the agenda for the Board meetings.
- ❖ The details agenda as approved by the Chairman together with the relevant attachment is circulated amongst the Directors' in advance. All major agenda items are backed by comprehensive background information to enable the Board to take the informed decisions. Where it is not practicable to circulate any document or if the agenda is of the confidential nature, the same is tabled at the meeting.
- ❖ In special and exceptional circumstances, consideration of additional or supplementary items are taken up with the permission of the Chairman.
- ❖ The concerned officials of the Group are invited to the Board meetings to provide additional inputs for the items being discussed by the Board of Directors as and when necessary.
- ❖ As part of its function, the Board periodically reviews the items required to be placed before it as per Clause 49 of the Listing Agreement and in particular reviews and approves quarterly/ half yearly unaudited financial statements and the audited accounts, corporate strategies, business plans, annual budget and capital expenditure.
- ❖ The Board periodically reviews compliance reports of all laws applicable to the Company.
- ❖ The draft minutes are circulated amongst the Members of the Board for their perusal.
- ❖ Comments, if any, received from the Directors are also incorporated in the minutes, in consultation with the Chairman.
- ❖ The minutes are generally confirmed by the Members of the Board at the next meeting.
- ❖ The Company has an effective post meeting follow-up, review and reporting process for the decisions taken by the Board and Committees thereof. The important decisions taken at the Board/Committee meetings are communicated to the concerned persons promptly. Action taken report on the decisions/minutes of the previous meetings is placed at the immediately succeeding meeting of the board/Committee for noting by the Board/Committee.

#### F. CODE OF CONDUCT

The Company has laid down a Code of Conduct ("Code") for the Board Members and Senior Management Personnel. The Code is available on the website of the Company. i.e. [www.spiceislandsindia.com](http://www.spiceislandsindia.com). The Code impresses upon Directors and Senior Management Personnel to uphold the interest of the Company and fulfill the fiduciary obligations. The Code further enjoins the Directors and Senior Management Personnel to act in accordance with the highest standard of honesty, integrity, fairness and good faith and due diligence in performing their duties. The Code has been circulated to all the Members of the Board and Senior Management Personnel and they have confirmed compliance with the Code. A declaration signed by the Chairman and Managing Director to this effect is given below:

#### DECLARATION:

I confirmed that the Company has obtained the confirmation from all its Directors and Senior Management Personnel that they have complied with the provisions of the code of Conduct for the financial year 2013-2014.

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

PLACE : MUMBAI  
DATE : 28th May, 2014.

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

**3. COMMITTEES OF THE BOARD:**

- ❖ The Board Committees play a crucial role in the governance structure of the Company and have been constituted to deal with specific areas/activities which concern the Company and need a closer review.
- ❖ The Board Committees are established by the Board to carry out clearly defined roles which are considered to be performed by members of the Board, as a part of good governance practice. The Board supervises the execution of its responsibilities through the Committees and is responsible for its action. Each Committee of the Board is guided by its terms of reference and also makes specific references to the Board on various matters when required. All the minutes of committee meetings are placed before the Board for its noting.
- ❖ The Company had following Committees of the Board (during the financial year 2013 – 14) with specific terms of reference assigned to each of them.

1. Audit Committee
2. Remuneration Committee
3. Shareholder's Grievance Committee
4. Share Transfer Committee

The Board at its meeting held on May 28, 2014 has constituted 'Nomination and Remuneration Committee' and renamed the Shareholders Grievance Committee to 'Stakeholders Relationship Committee' as required under the Companies Act, 2013. With this, two separate committee's viz. the 'Compensation Committee' and 'Nomination Committee's have been dissolved.

With effect from 1st April 2014, the Company will have the following Committees:

**1. Audit Committee**

- With Mr. Ashok Daryanani, Mr. Charuchandra Patankar, Mr. Rahul Mehta and Mr. Carl Dantas as members.

**2. Nomination & Remuneration Committee**

- With Mr. Umesh Katre, Mrs. Seema Katre, Mr. Ashok Daryanani, Mr. Rahul Mehta and Mr. Carl Dantas as members.

**3. Stakeholder's Relationship Committee**

- With Mr. Umesh Katre, Mrs. Seema Katre, Mr. Rahul Mehta and Mr. Carl Dantas as members.

**A. AUDIT COMMITTEE:****i) COMPOSITION**

The Audit Committee consists of four Non-Executive and Independent Directors. Mr. Ashok Daryanani is the Chairman of the Committee. The other members are Mr. Carl Dantas, Mr. Charuchandra Patankar and Mr. Rahul Mehta. All the Committee members are learned and very experienced and well known in their respective fields. All members of the Committee are financially literate.

The quorum for the Committee meeting is two members.

The Chief Accountant of the company along with Internal Auditors and Statutory Auditors are invited to attend the meetings of the committee.

The minutes of each Audit Committee meeting are included in the agenda of the subsequent Board meeting for noting by the Directors.

The Committee review with the management, the consolidated and standalone quarterly/half yearly results of the Company prior to recommending the same to the Board for its approval.

**ii) SCOPE / FUNCTION / TERMS OF REFERENCE**

The Audit Committee observes and controls the Company's financial reporting process with a view to provide accurate, timely and proper disclosures.

- ❖ The Committee's role includes overseeing the accounting and financial reporting process of the company,

audit of the company's financial statements, appointment, independent, performance and remuneration of the statutory auditors and performance of internal auditors.

- ❖ The recommendation of the audit Committee on any matter relating to financial management including the audit report is communicated to the Board.
- ❖ The audits Committee also review the statements of significant related party transactions.
- ❖ The Chairman of the audit Committee briefs the Board of Directors about significant discussions and decisions taken at the Audit Committee meetings.
- ❖ The Board at its meeting held on May 28, 2014, approved the terms of reference of the audit Committee in accordance with the provisions of Section 177 of the Companies Act, 2013 which are as follows:
  - The recommendation for appointment, remuneration and terms of appointment of the auditors of the company;
  - Review and monitor the auditors' independence and performance, and effectiveness of audit process;
  - Examination of the financial statement and the auditors' report thereon;
  - Approval or any subsequent modification of transactions of the Company with related parties;
  - Scrutiny of inter-corporate loans and investments;
  - Valuation of undertakings or assets of the Company, wherever it is necessary;
  - Evaluation of internal financial controls and risk management systems;

### **iii) MEETING AND ATTENDANCE**

- ❖ The Audit Committee met four times during the financial year 2013 - 2014 i.e. on May 28, 2013, August 13, 2013, November 11, 2013 and February 12, 2014. The details of the attendance of the members at the said meeting are as below:

Name of the Members	No. of meetings held	No. of meetings attended
Mr. Ashok Daryanani	4	4
Mr. Charuchandra Patankar	4	3
Mr. Rahul Mehta	4	4
Mr. Carl Dantas	4	3

- ❖ The necessary quorum was present at all the audit Committee meetings
- ❖ Mr. Ashok Daryanani, the Chairman of the Committee, was present at the last Annual General Meeting held on September 2, 2013.

## **B. REMUNERATION COMMITTEE:**

### **i) COMPOSITION**

- The Remuneration Committee of the Board comprises four members namely, Mr. Umesh Katre – Chairman & Managing Director, Mrs. Seema Katre – Whole Time Director, Mr. Ashok Daryanani and Mr. Carl Dantas. Mr. Ashok Daryanani and Mr. Carl Dantas are Non-Executive and Independent Directors.
- Mr. Umesh M. Katre acts as the Chairman of the Remuneration Committee.
- The Administrative Manager is invited to the meetings of the Remuneration Committee.

### **ii) SCOPE/FUNCTION/TERMS OF REFERENCE**

The Remuneration Committee of the Board, inter alia, recommends and /or approves the compensation terms of the Executive and Non-executive Directors and Senior employees of the Company and performs such other functions as may be delegated to it by the Board of Directors from time to time.

### **iii) MEETING AND ATTENDANCE**

- The Remuneration Committee met once during the financial year 2013- 2014 i.e. on 11th November, 2013. The



detail of the attendance of the members at the said meeting is as below:

Name of the Members	No. of meetings held	No. of meetings attended
Mr. Umesh M. Katre	1	1
Mrs. Seema Katre	--	--
Mr. Ashok Daryanani	1	1
Mr. Carl Dantas	1	1

#### iv) REMUNERATION

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.

##### ❖ REMUNERATION TO EXECUTIVE DIRECTORS

Mr. Umesh M. Katre, the Chairman & Managing Director and Mrs. Seema U. Katre, Whole Time Director of the company was paid remuneration during the financial year 2013-2014 in accordance with the terms and conditions of the Agreement entered into by the Company with them. The details of the remuneration paid during the financial year 2013-2014 is given below:-

Particulars	Mr. Umesh M. Katre (Managing Director)	Mrs. Seema U. Katre (Whole Time Director)
Salary	Rs. 24,00,000	Rs. 8,12,667
Other Allowances	Rs. 5,50,000	Rs. 5,78,000
Perquisites	Rs. 39,600	-
Total	Rs. 29,89,600	Rs. 13,90,667

Additionally, the Company has contributed to the provident fund based on Mr. Umesh M. Katre and Mrs. Seema U. Katre's entitlement as per the rules of the Company. They were not paid any sitting fees for attending meetings of the Board or any committees thereof.

##### ❖ REMUNERATION TO NON-EXECUTIVE DIRECTORS.

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, 2014.

Directors	Sittings fees for Board / Audit Committee Meetings
Mr. Ashok Daryanani	Rs. 30,000/-
Mr. Charuchandra Patankar	Rs. 30,000/-
Mr. Rahul Mehta	Rs. 30,000/-
Mr. Carl Dantas	Rs. 15,000/-

##### ❖ Materially significant related party transactions :

Details of all transactions by the Company with its Directors, during the financial year 2013 – 14, is given herein below;

	Payment to Mr.Umesh M.Katre, Managing Director towards	
a)	Guest house lease rent	Rs.1,20,000
b)	Guest house maintenance (reimbursement)	Rs.4,80,000

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

### C) SHAREHOLDERS' GRIEVANCE COMMITTEE

#### ❖ COMPOSITION

The Shareholders' Grievance committee comprises Mr. Umesh M. Katre, the Chairman and Managing Director, Mrs. Seema Katre – Whole Time Director and two Non-Executive and Independent Directors namely, Mr. Ashok G. Daryanani and Mr. Carl V. Dantas.

Mr. Umesh M. Katre is the chairman of the Committee. The Senior Accountant of the Company acts as the Compliance Officer and takes the Committee through each of the grievances, the steps taken and the responses given by the Company to the shareholders/investors.

#### ❖ SCOPE/FUNCTION/TERMS OF REFERENCE

The objective of establishing this Committee is to look into the grievances of the shareholders/investors and speedy disposal thereof. Further, this Committee is also required to be constituted in terms of Clause 49 of the Listing Agreement.

#### ❖ MEETING AND ATTENDANCE

The Shareholders' Grievance Committee met four times during the financial year 2013- 2014 i.e. on May 28, 2013, August 13, 2013, November 11, 2013 & February 12, 2014. The details of the attendance of the members at the said meetings is as below:

Name of the Members	No. of meetings held	No. of meetings attended
Mr. Umesh M. Katre	4	4
Mrs. Seema Katre	4	4
Mr. Ashok Daryanani	2	2
Mr. Carl Dantas	2	2

The details of the Compliance Officer is given below for ready reference of the shareholders:

Name, designation, address and contact details of Compliance Officer.

Name	Mr. Umesh M. Katre (Chairman & Managing Director)
Address	125, "A" Wing, Mittal Tower, 210, Nariman Point, Mumbai- 400021
Phone No.	022 67400800
Fax No:	022 22826167
Email ID	grievance_redressal@spiceislandsindia.com

#### NATURE AND NUMBER OF GRIEVANCES:

- ❖ To provide an appropriate disclosure of the investor grievance, the Company has classified the investor communication by differentiating between general correspondences and reporting of grievances. During the financial year 2013-2014, the complaints and queries received by the Company were general in nature, which includes matters relating to a) non-receipt of a dividend and b) Share Certificates. The following complaints /grievances received from shareholders during the year by the Company/its Registrars were revolved promptly.



## Annexure to Directors' Report



Nature of Grievances	Nos. of Grievances received	No. of Grievances resolved	Pending Grievances
Non-receipt of Dividend			NIL
Non-receipt of share certificates sent for transfer			NIL
Total			NIL

All complaints have been resolved and no complaints remained unattended/pending as on March 31, 2014

#### 4) 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.

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

The Certificate from M/s. Nitesh Jain & Co., Practicing Company Secretary regarding compliance of conditions of Corporate Governance for the year ended on 31st March, 2014 forms part of this 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, 2013	2 <sup>nd</sup> September, 2013	10.30 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, 2012	25 <sup>th</sup> September, 2012	10.30 a.m.	M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai - 400 001 .	None
31 <sup>st</sup> March, 2011	23 <sup>rd</sup> August, 2012	10.00 a.m.	M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai - 400 001 .	2*

- \* 23/08/2011 (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.
- \*\* 02/09/2013 (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)
  - ii) Special resolution for appointment of Mr. Rohan Katre for holding an office or place of profit within the meaning of section 314 of the 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 – 19th August, 2013.
- b) The Share Transfer Register will remain closed from Monday 15th September, 2014 to Wednesday, 24th September, 2014 (Both days inclusive)

**3) Financial Calendar**

- |   |  |
|---|--|
| Period  | : Board meeting to approve quarterly / financial results |
| Year ending March 31, 2014                                | : End May 2014   |
| Quarter ending June 30, 2014                              | : By 15th August 2014                                    |
| Quarter ending September 30, 2014                         | : By 15th November 2014                                  |
| Quarter ending December 31, 2014                          | : By 15th February 2015                                  |
| Year ending March 31, 2015                                | : End May 2015   |
| Annual General Meeting for the year ending March 31, 2014 | : September, 2014  |

**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**

- : The shares of the company are listed on stock exchanges at the following stock exchanges.
  - 1) Bombay Stock Exchange Ltd.
  - 2) Ahmedabad Stock Exchange Ltd.
  - 3) Pune Stock Exchange Limited.

**6) Listing Fees**

- : The Company has paid listing fees to all the above stock exchanges for the year 2014 – 2015.

**7) Stock Code**

- a) Bombay Stock Exchange Ltd.(BSE) : 526827
- b) ISIN Number : INE882D01017
- c) Corporate Identity Number (CIN) : L17121MH1988PLC050197

**8) Stock Price Data**

	Bombay Stock Exchange (BSE) (in Rs.)	
	High	Low
April 2013	13.80	10.65
May 2013	15.00	14.26
June 2013	14.00	13.55
July 2013	16.50	13.45
August 2013	18.00	17.00
September 2013	18.25	14.85
October 2013	15.45	13.00
November 2013	14.00	12.74
December 2013	13.97	12.07
January 2014	13.28	10.65
February 2014	11.69	9.48
March 2014	11.05	8.65

**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- 2596 3838 • Fax : 022- 2596 2691  
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)

**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, 2014.**

			Shareholders		Share Amount	
			No.	%	(in Rs.)	%
Upto	-	2,500	1340	62.32	1473210	3.42 %
2,501	-	5,000	379	17.62	1455180	3.38 %
5,001	-	10,000	227	10.55	1793310	4.17 %
10,001	-	20,000	87	4.04	1329840	3.09 %
20,001	-	30,000	34	1.58	879890	2.04 %
30,001	-	40,000	22	1.02	750180	1.74 %
40,001	-	50,000	9	0.42	417010	0.96 %
50,001	-	1,00,000	18	0.83	1361160	3.16 %
1,00,001	-	Above	34	1.58	33540220	78.00 %
<b>** Total **</b>			<b>2150</b>	<b>100.00</b>	<b>43000000</b>	<b>100.00</b>



## Annexure to Directors' Report



### 13) Categories of shareholding as on 31st March, 2014

	Category	No. of Shareholders	No. of Shares held	% Shareholding
1)	Indian promoters	6	1,337,925	31.11 %
2)	Directors	6	1,378,673	32.06 %
3)	Indian Public	2048	1,207,964	28.09 %
4)	Private corporate bodies	73	368,074	8.57 %
5)	NRIs / OCBs	5	540	0.01 %
6)	Clearing members	12	6,824	0.16 %
		<b>2132</b>	<b>4,300,000</b>	<b>100.00%</b>

### 14) Dematerialisation of shares and liquidity

93.98 % of total equity capital is held in dematerialised form with NSDL & CDSL as on 31st March 2014. 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. These results are simultaneously posted on the website of the Company at [www.spiceislandsapparelslimited.in](http://www.spiceislandsapparelslimited.in)

### 16) Registered office and address for correspondence

- a) Registered Office : Unit 43-48, 3rd Floor, 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. : [www.spiceislandsapparelslimited.in](http://www.spiceislandsapparelslimited.in)  
Email : [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  
• Tel.: 080 - 2365 2872

- 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



## Annexure to Directors' Report



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 : 28th May, 2014.

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



**NITESH JAIN & CO.**  
COMPANY SECRETARIES

201, Himalaya,  
Plot No. 34-35, Sector No. 1,  
Sanpada,  
Navi Mumbai 400 705  
Tel.: 2781 1815 Mob. : 99300 70193  
Email: csniteshjain@gmail.com

**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, 2014, 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.

for NITESH JAIN & CO.  
Company Secretaries

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Nitesh Jain  
Proprietor.  
F.C.S. No. :6069  
C.P.No. :8582

Place : Mumbai  
Date : 28th May, 2014.



## Independent auditors' report to the members of **SPICE ISLANDS APPARELS LIMITED**

### **Report on the financial statements**

We have audited the accompanying financial statements of SPICE ISLANDS APPARELS LIMITED, which comprise the balance sheet as at 31 March 2014, and the statement of profit and loss and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with the Accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements those give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing and opinion on effectiveness of entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion and to the best of our information and according to the explanation given to us, the financial statements give the information required by the Act 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 the balance sheet, of the state of affairs of the company as at 31 March 2014;
- (b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
- (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

### **Report on other legal and regulatory requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - (b) 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 and proper returns adequate for the purposes of our audit have been received from the branches not visited by us.
  - (c) The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account and with the returns received from branches not visited by us.



- (d) In our opinion, the balance Sheet, statement of profit and loss and cash flow statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- (e) the basis of written representation received from the directors, as on 31 March 2014 and taken on record by Board of Directors, we report that none of the directors is disqualified as on 31 March 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **M/s T D JAIN AND D I SAKARIA**

Chartered Accountants

Firm registration no: 002491S

**DHANPAL I SAKARIA**

Partner

M NO: 213666

Place: Bangalore

Date : 28 May 2014



## Independent auditors' report to the members



### Independent auditors' report to the members of **SPICE ISLANDS APPARELS LIMITED**

#### **The annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of the auditor's report of even date**

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. (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.  
 (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of ₹. 500,000 have been entered into during the financial year 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. We have broadly reviewed the books of accounts maintained by the company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956; and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have however not, made a detailed examination of these records with a view to determine whether they are accurate and complete.
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.  
 (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



## Independent auditors' report to the members

Duty, Cess and other material statutory dues were in arrears as at 31 March 2014 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 however, there were cash losses 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.
- 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 **M/s T D JAIN AND D I SAKARIA**

Chartered Accountants

Firm registration no: 002491S

**DHANPAL I SAKARIA**

Partner

M NO: 213666

Place: Bangalore

Date : 28 May 2014



# Independent auditors' report to the members



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

Name of the Statute	Nature of dues	Amount in (₹. )	Period to which Amount relates	Forum where dispute is pending
Apparel Export promotion council	Non fulfillment of export obligation	₹. 7,26,310	F Y 1998-99	High court, Bombay
Income tax Act, 1961	Demand u/s 156 against order u/s 143(3)	₹. 82,16,360	A Y 2010-11	Commissioner of Income tax – Appeals – 7, Mumbai
Income tax Act, 1961	Demand u/s 156 against order u/s 271(1)(c)	₹. 2,01,212	A Y 2007-08	Commissioner of Income tax – Appeals – 7, Mumbai
Income tax Act, 1961	Demand u/s 156 against order u/s 148	₹. 12,97,334	A Y 2009-10	Commissioner of Income tax – Appeals – 7, Mumbai



## Balance Sheet as at 31 March 2014



	Notes	31 <sup>st</sup> March 2014 ₹.	31 <sup>st</sup> March 2013 ₹.
<b>I. Equity and Liabilities</b>			
Shareholders' fund			
Share capital	<b>3</b>	4,30,00,000	4,30,00,000
Reserves and surplus	<b>4</b>	9,23,63,745	9,31,02,041
		<b>13,53,63,745</b>	<b>13,61,02,041</b>
<b>Non- current liabilities</b>			
Long-term borrowings	<b>5</b>	8,70,643	30,00,428
Deferred tax liabilities (Net)	<b>6</b>	-	6,35,432
Other long term liabilities		-	-
Long-term provisions		-	-
		<b>8,70,643</b>	<b>36,35,860</b>
<b>Current liabilities</b>			
Short- term borrowings		-	-
Trade payables	<b>7</b>	17,88,418	17,67,979
Other current liabilities	<b>8</b>	73,35,369	1,00,89,243
Short- term provisions	<b>9</b>	52,61,184	25,52,743
		<b>1,43,84,971</b>	<b>1,44,09,965</b>
<b>Total</b>		<b>15,06,19,359</b>	<b>15,41,47,866</b>
<b>II. Assets</b>			
<b>Non- current assets</b>			
Fixed assets			
i) Tangible assets	<b>10</b>	2,31,33,609	2,78,55,920
ii) Intangible assets	<b>11</b>	1,77,549	54,526
iii) Capital work in progress		-	-
Non-current investments	<b>12</b>	1,26,54,300	1,26,54,300
Deferred tax assets (net)	<b>6</b>	4,97,474	-
Long term loans and advances	<b>13</b>	2,90,64,741	2,72,16,896
Other non-current assets	<b>14</b>	32,322	10,17,677
		<b>6,55,59,995</b>	<b>6,87,99,319</b>
<b>Current assets</b>			
Current investments	<b>15</b>	1,41,82,683	87,17,891
Inventories	<b>16</b>	1,02,49,537	88,20,045
Trade receivables	<b>17</b>	16,50,374	1,45,31,510
Cash and cash equivalents	<b>18</b>	4,99,40,021	4,42,45,525
Short-term loans and advances	<b>13</b>	87,35,720	89,13,245
Other current assets	<b>14</b>	3,01,029	1,20,331
		<b>8,50,59,364</b>	<b>8,53,48,547</b>
<b>Total</b>		<b>15,06,19,359</b>	<b>15,41,47,866</b>
Summary of significant accounting policies	2.1		
The accompanying notes are an integral part of the financial statements			
As per our attached report of even date.			
For <b>M/s T D JAIN AND D I SAKARIA</b>			
Chartered Accountants			
firm registration no: 002491S			
<b>DHANPAL I SAKARIA</b>			
Partner			
M.No: 21366			
Place: Bangalore			
Date : 28th May 2014			
			<b>Directors</b>
			Place: Mumbai
			Date: 28th May 2014

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

2.1  
 The accompanying notes are an integral part of the financial statements  
 As per our attached report of even date.  
**M/s T D JAIN AND D I SAKARIA**  
 Chartered Accountants  
 firm registration no: 002491S

**DHANPAL I SAKARIA**

Partner

M.No: 21366

Place: Bangalore

Date : 28th May 2014

**Directors**

Place: Mumbai  
 Date: 28th May 2014



## Statement of Profit and Loss for the year ended 31 March 2014

25th  
Anniversary

	Notes	31 <sup>st</sup> March 2014 ₹.	31 <sup>st</sup> March 2013 ₹.
<b>Revenue</b>			
Revenue from operations(net)	19	16,17,41,164	12,31,91,169
Other income	20	1,23,01,348	55,29,237
<b>Total Revenue - (i)</b>		<b>17,40,42,512</b>	<b>12,87,20,406</b>
<b>Expenses</b>			
Cost of materials consumed	21	6,47,00,782	4,62,40,652
Purchase of traded goods		-	-
(Increase)/decrease in inventories of finished goods and work in process	22	(37,98,747)	(9,04,440)
Employees benefits expenses	23	2,47,30,505	1,99,91,982
Other expenses	24	7,95,16,511	6,51,06,942
<b>Total Expense - (ii)</b>		<b>16,51,49,050</b>	<b>13,04,35,136</b>
<b>Earnings before interest, tax, depreciation and amortisation - EBITDA - (i-ii)</b>		<b>88,93,461</b>	<b>(17,14,730)</b>
Finance costs	25	16,09,893	27,29,095
Depreciation and amortization expenses	26	24,42,588	26,53,888
<b>Profit/(loss) before tax - (iii)</b>		<b>48,40,980</b>	<b>(70,97,712)</b>
Tax expenses			
Current tax (MAT)		3,29,223	-
Less: MAT credit entitlement		3,18,395	
Net Current tax		10,828	
(Excess)/short provision for tax of earlier years		16,70,569	59,631
Deferred Tax		(11,32,906)	4,13,175
Total tax expense - (iv)		5,48,491	4,72,806
<b>Profit/(loss) for the year (iii-iv)</b>		<b>42,92,489</b>	<b>(75,70,518)</b>
Earning per equity share: (Nominal value per share: ₹.10 (31 March 2013: ₹.10)			
Basic		1.00	(1.76)
Diluted		1.00	(1.76)
Summary of significant accounting policies	2.1		
The accompanying notes are an integral part of the financial statements			
As per our attached report of even date.			
For <b>M/s T D JAIN AND D I SAKARIA</b>			
Chartered Accountants			
firm registration no: 002491S			
<b>DHANPAL I SAKARIA</b>			
Partner			
M.No: 21366			
Place: Bangalore			
Date : 28th May 2014			
			On behalf of the Board of directors of <b>Spice Islands Apparels Limited</b> Umesh Katre Rahul Mehta Ashok Daryanani
			Directors
			Place: Mumbai
			Date: 28th May 2014



## Cash flow statement for the year ended 31<sup>st</sup> March 2014

### Cash flows from operating activities:

	31 <sup>st</sup> March 2014 ₹.	31 <sup>st</sup> March 2013 ₹.
Profit before tax	48,40,980	(70,97,712)
<b>Add/(Less):Non cash adjustments to reconcile profit before tax to net cash flows</b>		
- Depreciation and Amortisation	24,42,588	26,53,888
- Wealth tax (included in Rates and taxes)	5,824	37,350
- (Gain)/Loss on sale of fixed assets	10,33,539	(82,550)
- Adjustment to the carrying amount of investment	(27,52,525)	5,56,660
- Finance cost	16,09,893	27,29,095
- Loss on sale of current investments	11,35,162	-
- Bad debts	23,61,261	69,52,198
- Interest income	(42,81,831)	(50,66,460)
- Dividend income	(5,35,161)	(1,70,321)
<b>Operating profit/(loss) before working capital changes</b>	58,59,731	5,12,146

### Add/(Less): Working capital changes

- Decrease/(Increase) in inventories	(14,29,491)	(32,19,247)
- Decrease/(Increase) in trade receivables	1,05,19,875	82,21,474
- Decrease/(Increase) in loans and advances	(22,04,043)	1,86,06,729
- Decrease/(Increase) in other assets	10,23,066	53,746
- Increase/(Decrease) in trade payables	20,439	9,56,143
- Increase/(Decrease) in other liabilities	(26,63,129)	14,48,363
- Increase/(Decrease) in provisions	2,24,571	(1,48,758)

### Cash generated from/(used in) operations

Direct taxes paid	11,85,023	26,81,455
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### Net cash flow from/(used in) operating activities (A)

**1,01,65,997**

### Cash flows from investing activities:

Purchase of fixed assets including intangible assets	(27,76,640)	(51,51,172)
Proceeds from sale of investments	21,04,059	-
Purchase of investments	(59,51,487)	(12,50,000)
Proceeds from sale of fixed assets	38,99,800	13,00,000
Interest income	40,63,422	49,46,129
Dividend income	5,35,161	1,70,321

### Net cash flow from/(used in) investing activities (B)

**18,74,315**

### Cash flows from financing activities:

(Repayment)/borrowal of long-term borrowings	(22,20,530)	14,13,741
(Repayment)/borrowal of short-term borrowings	-	(2,88,89,545)
Dividends paid on equity shares	(21,50,000)	(32,25,000)
Tax on equity dividend paid	(3,65,393)	(5,23,417)
Finance cost	(16,09,893)	(27,29,095)

### Net cash flow from/(used in) financing activities (C)

**(63,45,816)**

<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<b>56,94,496</b>	<b>(1,01,88,896)</b>
Cash and cash equivalents at the beginning of the year	4,42,45,525	5,44,34,420
Cash and cash equivalents at the end of the year	4,99,40,021	4,42,45,524

### Components of cash and cash equivalents

Cash in hand	1,46,060	2,23,239
Balance with banks - on current accounts	4,90,67,651	4,32,95,976
Balance with banks - on deposit accounts	7,26,310	7,26,310
<b>Total Cash and cash equivalents</b>	<b>4,99,40,021</b>	<b>4,42,45,525</b>



Summary of significant accounting policies

2.1

The accompanying notes are an integral part of the financial statements

As per our attached report of even date.

For **M/s T D JAIN AND D I SAKARIA**

Chartered Accountants

firm registration no: 002491S

**DHANPAL I SAKARIA**

Partner

M.No: 213666

Place: Bangalore

Date : 28th May 2014

On behalf of the Board of directors of

**Spice Islands Apparels Limited**

**Umesh Katre**

**Rahul Mehta**

**Ashok Daryanani**

**Directors**

Place: Mumbai

Date: 28th May 2014



## 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

The financial statements of the company have been 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), other pronouncements of Institute of Chartered Accountants of India and the relevant provisions of Companies Act, 1956.

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) Use of Estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenditure for the year. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

#### b) 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.

#### c) Intangible fixed 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.

#### 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) Valuation of inventories**

Inventories are valued at the lower of cost and net realizable value. Cost of inventories comprises all cost of purchases, 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-progress 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.

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) Employee 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 Employees 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.

### j) 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.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the company will pay normal income tax during the specified period, i.e, the period for which MAT credit is allowed to be carried forward.

In the year in which the company recognizes MAT credit as an asset in accordance with the Guidance Note on accounting for credit available in respect of Minimum Alternate Tax under the Income Tax Act, 1961, the said asset is created by way of credit to the statement of profit & loss and shown as "MAT credit Entitlement".

The company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.

#### 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 recognized using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

### k) 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 in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at year-end rates. The resultant exchange differences are recognized in the profit and loss account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

### l) 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.

**m) Borrowing costs**

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.

**n) 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. Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

**o) Earnings 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) Accounting policies, which are not specifically referred to, are consistent with generally accepted accounting policies.**



### 3 Share Capital

	31 <sup>st</sup> March 2014 ₹.	31 <sup>st</sup> March 2013 ₹.
Authorised shares: 5,00,00,000 (31 March 2013: 5,00,00,000) equity shares of ₹.10 each	5,00,00,000 <u>5,00,00,000</u>	5,00,00,000 <u>5,00,00,000</u>
Issued, subscribed and fully paid-up shares: 4,30,00,000 (31 March 2013: 4,30,00,000) equity shares of ₹.10 each	4,30,00,000 <u>4,30,00,000</u>	4,30,00,000 <u>4,30,00,000</u>
<b>Total</b>	<b>4,30,00,000</b>	<b>4,30,00,000</b>

#### A. Reconciliation of the Equity shares outstanding at the beginning and at the end of the reporting period

Particulars	31 <sup>st</sup> March 2014		31 <sup>st</sup> March 2013	
	Nos	₹.	Nos	₹.
At the beginning of the period	43,00,000	4,30,00,000	43,00,000	4,30,00,000
Issued during the period	-	-	-	-
Outstanding at the end of the period	43,00,000	4,30,00,000	43,00,000	4,30,00,000

#### B. Terms/Rights attached to Equity shares

The company has only one class of equity shares having par value of ₹. 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 2014, the amount of per share dividend recognised as distributions to equity shareholders was ₹. 1.00 (31 March 2013: ₹. 0.50)

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

Name of shareholder	31 <sup>st</sup> March 2014		31 <sup>st</sup> March 2013	
	Numbers	% holding	Numbers	% holding
Equity Shares of ₹. 10 each fully paid				
Umesh Katre	9,35,087	21.75	9,35,087	21.75
Seema Katre	4,07,400	9.47	4,07,400	9.47
Rohan Katre	2,39,250	5.56	2,39,250	5.56
Shweta Katre	2,39,250	5.56	2,39,250	5.56
Umesh M. Katre (HUF)	3,15,100	7.33	3,15,100	7.33
Nalini M. Katre	2,57,200	5.98	2,57,200	5.98
Mohan G. Katre (HUF)	2,55,125	5.93	2,55,125	5.93

As per records of the company, including its register of shareholders/members and other declaration received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

**D.** Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date: Nil (31 March 2013: Nil)

**E.** Share reserved for issue under options and contracts/commitments are: Nil (31 March 2013: Nil)



## 4 Reserves and surplus

	<b>31<sup>st</sup> March 2014</b>	<b>31<sup>st</sup> March 2013</b>
<b>Securities premium</b>		
Balance as at beginning of the reporting period	₹. 3,49,14,240	₹. 3,49,14,240
Add/Less: Adjustments during the year	-	-
Closing balance	3,49,14,240	3,49,14,240
<b>General reserve</b>		
Balance as at beginning of the reporting period	₹. 1,70,76,795	₹. 1,69,76,795
Add: Amount transferred from surplus balance in the statement	1,00,000	1,00,000
<b>Closing balance</b>	1,71,76,795	1,70,76,795
<b>Surplus/(deficit) in the statement of profit and loss</b>		
Balance as at beginning of the reporting period	₹. 4,11,11,006	₹. 5,12,96,916
Add: Profit/(loss) for the year	42,92,489	(75,70,518)
	4,54,03,495	4,37,26,399
<b>Less: Appropriations</b>		
Proposed final equity dividend amount per share ₹. 1.00 ( 31 March 2013: ₹.0.50)	43,00,000	21,50,000
Tax on proposed equity dividend	7,30,785	3,65,393
Transfer to General reserves	1,00,000	1,00,000
<b>Net surplus/(deficit) in the statement of profit and loss</b>	₹. 4,02,72,710	₹. 4,11,11,006
<b>Total</b>	<b>₹. 9,23,63,745</b>	<b>₹. 9,31,02,041</b>

## 5 Long-term borrowings

<b>Long-term borrowings</b>	<b>Non-current portion</b>		<b>Current maturities</b>	
	<b>31<sup>st</sup> March 2014</b>	<b>31<sup>st</sup> March 2013</b>	<b>31<sup>st</sup> March 2014</b>	<b>31<sup>st</sup> March 2013</b>
	₹.	₹.	₹.	₹.
<b>Other Loans and Advances</b>				
Vehicle Loans (Secured)	8,70,643	30,00,428	7,66,562	8,57,307
	<b>8,70,643</b>	<b>30,00,428</b>	<b>7,66,562</b>	<b>8,57,307</b>
The above amount includes				
Secured borrowings	8,70,643	30,00,428	7,66,562	8,57,307
Unsecured borrowings	-	-	-	-
Amount disclosed under the head "other current liabilities" - note 8	-	-	(7,66,562)	(8,57,307)
<b>Total</b>	<b>8,70,643</b>	<b>30,00,428</b>	<b>-</b>	<b>-</b>

**The vehicle loans are secured by hypothecation of vehicles taken on loan.**

## 6 Net deferred tax liability/(asset)

<b>Net deferred tax liability/(asset)</b>	<b>31<sup>st</sup> March 2014</b>	<b>31<sup>st</sup> March 2013</b>
	₹.	₹.
<b>Deferred tax liability</b>		
Fixed assets: Impact of difference between tax depreciation and depreciation/amortization charged for the financial reporting	8,01,691	8,47,269
<b>Gross deferred tax assets</b>	<u>8,01,691</u>	<u>8,47,269</u>
<b>Deferred tax assets</b>		
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	3,48,468	1,97,932
Impact of provision made for diminution in the value of investments	9,50,697	13,905
<b>Gross deferred tax liability</b>	<u>12,99,165</u>	<u>2,11,837</u>
<b>Net deferred tax liability/(asset)</b>	(4,97,474)	6,35,432



	31 <sup>st</sup> March 2014 ₹.	31 <sup>st</sup> March 2013 ₹.
Trade payables (refer note 38 for details of dues to micro and small enterprises)	17,88,418	17,67,979
<b>Total</b>	<b>17,88,418</b>	<b>17,67,979</b>
<b>8 Other current liabilities</b>	<b>31 March 2014 ₹.</b>	<b>31 March 2013 ₹.</b>
Current maturities of long-term borrowings (note 5)	7,66,562	8,57,307
Creditors for expenses	54,90,734	73,22,830
Advance from customers	-	9,35,153
Unclaimed dividends	5,31,330	4,64,570
Statutory liabilities	5,46,743	5,09,383
<b>Total</b>	<b>73,35,369</b>	<b>1,00,89,243</b>
<b>9 Short-term provisions</b>	<b>31 March 2014 ₹.</b>	<b>31 March 2013 ₹.</b>
<b>Provision for employee benefits</b>		
Provision for Gratuity (refer note 34)	2,24,575	-
<b>Other provisions</b>		
Provision for Wealth tax	5,824	37,350
Proposed equity dividend	43,00,000	21,50,000
Provision for tax on proposed equity dividend	7,30,785	3,65,393
<b>Total</b>	<b>52,61,184</b>	<b>25,52,743</b>



**Notes to Financial Statements for the year ended 31.03.2014**

25th  
Anniversary

**10. 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	
Building	27,18,402	-	-	27,18,402	4,34,499	44,310	-	4,78,809
Factory building	26,71,491	-	-	26,71,491	15,78,489	89,228	-	16,67,717
Plant and machinery	93,35,579	9,92,758	3,74,157	99,54,180	41,64,133	4,14,663	1,53,716	44,25,081
Electrical installation	38,17,810	-	-	38,17,810	20,63,348	1,60,646	-	22,23,994
Furniture and Fixtures	1,07,45,877	5,52,375	-	1,12,98,252	67,82,307	5,22,095	-	73,04,402
Office Equipments	44,95,090	9,27,055	1,30,030	52,92,115	18,77,574	2,18,668	31,643	20,64,599
Vehicles	1,30,75,034	-	61,22,248	69,52,786	24,82,276	7,67,841	15,16,976	17,33,141
Computers	42,69,368	1,51,905	22,115	43,99,158	38,90,106	1,95,612	12,876	40,72,842
Total	5,11,28,651	26,24,093	66,48,550	4,71,04,194	2,32,72,732	24,13,064	17,15,211	2,39,70,585
31 March 2013	4,81,48,275	51,51,172	21,70,796	5,11,28,651	2,15,82,137	26,43,941	9,53,346	2,32,72,732
								2,78,55,920
								2,78,55,920
								2,65,66,138

**11. Intangible assets**

Particulars	Gross carrying value			Amortisation			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	
Computer software	1,23,482	1,52,547	-	2,76,029	68,956	29,524	-	98,480
Total	1,23,482	1,52,547	-	2,76,029	68,956	29,524	-	98,480
31 March 2013	1,23,482	-	-	1,23,482	59,009	9,947	-	68,956
								54,526
								64,473

**Notes to Financial Statements for the year ended 31.03.2014**
**12 Non-current investments (Valued at cost unless stated otherwise)**

	31 <sup>st</sup> March 2014 ₹.	31 <sup>st</sup> March 2013 ₹.
<b>Non-Trade Investments</b>		
<b>Investment in equity shares (quoted)</b>		
9,000 (31 March 2013: 9,000) Equity Shares of ₹.10 each fully paid equity shares of Sushant Capital Ltd.	-	-
(At cost less provision for other than temporary diminution ₹.45,000 (31 March 2013: ₹.45,000))		
<b>Investment in equity shares (unquoted)</b>		
50,000 (31 March 2013: 50,000) Equity Shares of ₹.10 each fully paid up of Imperial Spirits Pvt. Ltd.	68,04,000	68,04,000
<b>Investment in Mutual funds (quoted)</b>		
1727.263 (31 March 2013: 1727.263) Units of Reliance Vision Fund-Retail Growth Plan	3,70,000	3,70,000
1919.263 (31 March 2013: 1919.263) Units of HDFC Equity Fund Growth Plan	3,70,000	3,70,000
<b>Investment in Mutual funds (Unquoted)</b>		
500,000 (31 March 2013: 375,000) Units of Reliance Alternative Investment. Fund Pvt. Equity Scheme	51,10,300	51,10,300
<b>Total</b>	<b>1,26,54,300</b>	<b>1,26,54,300</b>
Aggregate amount of quoted investments (Market value ₹.11,49,336 (31 March 2013: ₹. 930,315)	7,40,000	7,40,000
Aggregate amount of unquoted investments	1,19,14,300	1,19,14,300
Aggregate provision for diminution in value of investments	45,000	45,000

**13 Loans and advances**

	Non-current		Current	
	31 <sup>st</sup> March 2014 ₹.	31 <sup>st</sup> March 2013 ₹.	31 <sup>st</sup> March 2014 ₹.	31 <sup>st</sup> March 2013 ₹.
<b>Security deposit</b>				
Unsecured considered good	1,87,50,929	1,32,58,329	-	-
<b>Advances recoverable in cash or kind</b>				
Unsecured considered good	3,92,000	3,92,000	35,67,663	27,34,449
<b>Other loans and advances</b>				
Unsecured, Considered Good				
Advance tax (net of provision)	56,048	16,95,955	-	-
MAT Credit entitlement	3,18,395	-	-	-
Inter corporate deposits (ICDs)	20,34,500	34,34,500	-	-
Loans/advances to employees	13,66,667	15,77,975	5,31,400	4,64,192
Gratuity asset (refer note 34)	-	-	-	18,469
Prepaid expenses	5,447	10,894	5,00,936	7,20,021
Other advances	20,00,000	20,00,000	-	-
Balance with statutory/govt. authorities	41,40,755	48,47,243	41,35,721	49,76,114
Unsecured, considered doubtful				
Inter corporate deposits (ICDs)	20,00,000	40,00,000	-	-
	1,19,21,812	1,75,66,567	51,68,057	61,78,796
<b>Provision for doubtful loans &amp; advances</b>				
Inter corporate deposits (ICDs)	(20,00,000)	(40,00,000)	-	-
	99,21,812	1,35,66,567	51,68,057	61,78,796
<b>Total</b>	<b>2,90,64,741</b>	<b>2,72,16,896</b>	<b>87,35,720</b>	<b>89,13,245</b>

**Loans and advances due by directors or other officers, etc**

	Non-current		Current	
	31 <sup>st</sup> March 2014 ₹.	31 <sup>st</sup> March 2013 ₹.	31 <sup>st</sup> March 2014 ₹.	31 <sup>st</sup> March 2013 ₹.
Due from Managing director - included in security deposits	20,00,000	20,00,000	-	-
Due from Managing director - included in Advances recoverable in cash or kind	-	-	-	4,800
Due from Whole time director - included in Advances recoverable in cash or kind	-	-	-	5,000
<b>Total</b>	<b>20,00,000</b>	<b>20,00,000</b>	<b>-</b>	<b>9,800</b>

**14 Other assets**

	Non-current		Current	
	31 <sup>st</sup> March 2014 ₹.	31 <sup>st</sup> March 2013 ₹.	31 <sup>st</sup> March 2014 ₹.	31 <sup>st</sup> March 2013 ₹.
Unsecured Considered Good unless stated otherwise	-	-	-	-
Non current bank balances (note 18)	-	25,000	-	-
Interest accrued on fixed deposits with bank	-	-	2,18,409	1,20,331
Interest accrued on ICDs:	32,322	9,92,677	-	-
Interest accrued on other advances:	-	-	82,620	-
Unsecured, considered doubtful	-	-	-	-
Interest accrued on ICDs:	-	3,97,902	-	-
Provision for doubtful other assets	-	(3,97,902)	-	-
<b>Total</b>	<b>32,322</b>	<b>10,17,677</b>	<b>3,01,029</b>	<b>1,20,331</b>

**15 Current investments (Valued at lower of cost and fair value unless stated otherwise)**

	31 <sup>st</sup> March 2014 ₹.		31 <sup>st</sup> March 2013 ₹.	
	Non-Trade Investments	Investment in equity shares (quoted)	Non-Trade Investments	Investment in equity shares (quoted)
22,000 (31 March 2013: 14,000) Equity Shares of ₹. 2 each of Anant Raj Industries Ltd.	-	12,13,702	-	8,95,115
10,000 (31 March 2013: 16,000) Equity Shares of ₹.10 each of Aptech Ltd.	-	7,52,000	-	6,76,800
3,000 (31 March 2013: 3,000) Equity Shares of ₹.10 each of Aurionpro Solutions Ltd.	-	5,10,450	-	2,30,400
5,000 (31 March 2013: Nil) Equity Shares of ₹.1 each of Delta Corp Limited	-	4,95,250	-	-
Nil (31 March 2013: 15,000) Equity Shares of ₹.1 each of Ferro Alloys Corporation Ltd.	-	-	-	83,100
10,000 (31 March 2013: 10,000) Equity Shares of ₹.1 each of Usha Martin Ltd.	-	3,50,270	-	2,34,000
5,000 (31 March 2013: 5,000) Equity Shares of ₹.2 each of Gulf Oil Corporation Ltd.	-	5,44,500	-	3,29,000
15,000 (31 March 2013: 15,000) Equity Shares of ₹.1 each of JM Financial Ltd.	-	3,74,250	-	2,52,000
10,000 (31 March 2013: 10,000) Equity Shares of ₹.10 each of JSW Energy Ltd.	-	5,92,500	-	5,52,500
7,500 (31 March 2013: 7,500) Equity Shares of ₹.10 each of Nitesh Estate Ltd.	-	85,500	-	93,525
4,000 (31 March 2013: 4,000) Equity Shares of ₹.10 each of Saregama India Ltd.	-	2,56,000	-	2,41,200



## Notes to Financial Statements for the year ended 31.03.2014

Nil (31 March 2013: 5,000) Equity Shares of ₹.10 each of Technocraft Industries (India) Ltd. - 3,28,500

Nil (31 March 2013: 1,250) Equity Shares of ₹.5 each of VA Tech Wabag Ltd. - 6,37,438

### Investment in mutual funds (quoted)

134061.569 (31 March 2013: 134061.569) Units of L & T Mutual Fund Growth Plan	27,00,000	25,61,916
60000 (31 March 2013: 60000) Units of B292G Axis Triple Advantage Fund Option Growth	6,00,000	6,00,000
35264.484 (31 March 2013: 35264.484) Units of L & T Opportunities Mutual Fund	7,00,000	5,67,052
23946.360 (31 March 2013: 23946.360) Units of L & T Mid-Cap Mutual Fund	5,00,000	4,35,345
2968.209 (31 March 2013: Nil ) Units of IDFC Cash Fund	45,08,261	-
<b>Total</b>	<b>1,41,82,683</b>	<b>87,17,891</b>

Aggregate amount of quoted investments	1,41,82,683	87,17,891
Market Value ₹. 14,557,137 ( 31st March 2013: ₹.9,274,551)		
Aggregate amount of unquoted investments	-	-
Aggregate provision for diminution in value of investments	30,31,689	57,84,214

16 Inventories (valued at lower of cost and net realisable value)	31 March 2014 ₹.	31 March 2013 ₹.
Raw material (refer note 21)	51,22,486	72,12,752
Accessories (refer note 21)	2,55,504	5,34,493
Work in process (refer note 22)	-	4,19,250
Finished goods (refer note 22)	48,71,547	6,53,550
<b>Total</b>	<b>1,02,49,537</b>	<b>88,20,045</b>

17 Trade receivables	31 March 2014 ₹.	31 March 2013 ₹.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	-

### Other receivables

Unsecured, considered good	16,50,374	1,45,31,510
<b>Total</b>	<b>16,50,374</b>	<b>1,45,31,510</b>

18 Cash and cash equivalents	Non-current		Current	
	31 March 2014 ₹.	31 March 2013 ₹.	31 March 2014 ₹.	31 March 2013 ₹.
Cash on hand	-	-	1,46,060	2,23,239
Balance with Bank				
On current Account	-	-	4,85,36,098	4,28,31,326
On unpaid dividend account	-	-	5,31,553	4,64,650
Other bank balance				
Deposits with original maturity for more than 12 months	-	25,000	-	-
Margin money deposits	-	-	7,26,310	7,26,310
Amount disclosed under non current assets (note 14)	-	(25,000)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>4,99,40,021</b>	<b>4,42,45,525</b>

**19 Revenue from Operations****Sale of products**

- Finished goods
- Traded goods

**Other operating Revenue**

- Sale of scrap
- Export incentives
- Others

**Total****Details of products sold**

Finished goods  
Garments

**Total****20 Other Income**

## Interest income on

- Bank deposits
- Intercorporate deposits
- Dividend income
- Foreign exchange differences (net)
- Profit on sale of fixed assets (net)
- Adjustment to the carrying amount of investment
- Provisions no longer required written back

**Total****21 Cost of materials consumed****Raw materials - Fabric and yarn**

- Opening stock
- Add: Purchases
- Less: Closing stock

**Accessories**

- Opening stock
- Add: Purchases
- Less: Closing stock

**Total**

<b>31<sup>st</sup> March 2014</b>	<b>31<sup>st</sup> March 2013</b>
₹.	₹.

14,73,02,471	11,27,33,831
--------------	--------------

-	-
---	---

5,05,219	1,10,446
----------	----------

1,37,82,183	1,00,90,042
-------------	-------------

1,51,291	2,56,850
----------	----------

<b>16,17,41,164</b>	<b>12,31,91,169</b>
---------------------	---------------------

<b>31<sup>st</sup> March 2014</b>	<b>31<sup>st</sup> March 2013</b>
₹.	₹.

14,73,02,471	11,27,33,831
--------------	--------------

<b>14,73,02,471</b>	<b>11,27,33,831</b>
---------------------	---------------------

<b>31<sup>st</sup> March 2014</b>	<b>31<sup>st</sup> March 2013</b>
₹.	₹.

1,24,957	4,20,882
----------	----------

41,56,874	46,45,578
-----------	-----------

5,35,161	1,70,321
----------	----------

36,06,831	2,09,906
-----------	----------

-	82,550
---	--------

27,52,525	-
-----------	---

11,25,000	-
-----------	---

<b>1,23,01,348</b>	<b>55,29,237</b>
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<b>31<sup>st</sup> March 2014</b>	<b>31<sup>st</sup> March 2013</b>
₹.	₹.

72,12,752	50,45,074
-----------	-----------

5,21,91,500	4,25,92,698
-------------	-------------

5,94,04,252	4,76,37,772
-------------	-------------

51,22,486	72,12,752
-----------	-----------

A 5,42,81,766	4,04,25,020
---------------	-------------

5,34,493	3,87,364
----------	----------

1,01,40,026	59,62,761
-------------	-----------

1,06,74,519	63,50,125
-------------	-----------

2,55,504	5,34,493
----------	----------

B 1,04,19,015	58,15,632
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<b>A+B 6,47,00,782</b>	<b>4,62,40,652</b>
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## Notes to Financial Statements for the year ended 31.03.2014

<b>22 (Increase)/decrease in Inventories of finished goods and work-in-process</b>	<b>31<sup>st</sup> March 2014</b>	<b>31<sup>st</sup> March 2013</b>	<b>"(Increase)/decrease "</b>
	<b>₹.</b>	<b>₹.</b>	
<b>Inventories at the end of the year</b>			
Finished goods - Garments	48,71,547	6,53,550	(42,17,997)
Work in process	-	4,19,250	4,19,250
	<b>48,71,547</b>	<b>10,72,800</b>	<b>(37,98,747)</b>
<b>Inventories at the beginning of the year</b>			
Finished goods - Garments	6,53,550	1,68,360	(4,85,190)
Work in process	4,19,250	-	(4,19,250)
	<b>10,72,800</b>	<b>1,68,360</b>	<b>(9,04,440)</b>
<b>Total (increase)/decrease</b>	<b>(37,98,747)</b>	<b>(9,04,440)</b>	
<b>23 Employee Benefit Expense</b>			
Salaries, wages and bonus	2,11,89,811	1,68,90,980	
Leave salary and LTA	14,00,419	13,68,963	
Contribution to provident and other fund	11,60,082	9,86,258	
Gratuity expense (refer note 34)	5,12,024	2,39,614	
Staff welfare expense	4,68,169	5,06,167	
<b>Total</b>	<b>2,47,30,505</b>	<b>1,99,91,982</b>	
<b>24 Other Expenses</b>			
Power and fuel	9,21,713	12,03,432	
Repairs and maintenance:			
Building	24,187	1,71,956	
Plant & Machinery	1,45,407	2,58,995	
Others	22,82,482	17,51,160	
Jobwork charges	3,87,49,812	2,92,53,283	
Embroidery charges	31,41,182	17,36,161	
Testing expense	6,44,113	4,64,343	
Commission	53,53,429	43,54,135	
Conveyance expense	28,90,993	23,09,464	
Service charges	26,42,455	19,52,849	
Rates and taxes	6,83,504	4,55,807	
Freight	13,21,966	15,50,320	
Adjustment to the carrying amount of investment	-	5,56,660	
Clearing and forwarding charges	26,87,301	21,17,419	
Communication costs	21,57,010	17,13,591	
Travelling charges	23,78,276	18,28,395	
Printing and stationery	5,78,996	7,09,739	
Legal and professional charges	24,78,100	18,27,882	
Sales promotion expense	16,62,173	9,87,586	
Insurance	7,79,274	7,49,397	
Rent	18,78,841	12,31,966	
Directors' sitting fees	1,05,000	1,05,000	
Loss on sale of investments (net)	11,35,162	-	
Loss on sale of fixed assets (net)	10,33,539	-	
Bad debts/balances written off	23,61,261	69,52,198	

**Payment to Auditors****As auditor**

Audit fee	3,45,507	2,80,900
Tax audit fee	56,180	56,180

**In other capacity**

Other services (certification fees)	16,854	39,326
Others	10,61,795	4,88,799
<b>Total</b>	<b>7,95,16,511</b>	<b>6,51,06,942</b>

**25 Finance costs****Interest**

- Banks	1,28,697	16,09,541
- Others	4,89,064	2,81,125
Bank charges	9,92,132	8,38,429
<b>Total</b>	<b>16,09,893</b>	<b>27,29,095</b>

**26 Depreciation and amortisation**

Depreciation on tangible assets	24,13,064	26,43,941
Depreciation on intangible assets	29,524	9,947

<b>Total</b>	<b>24,42,588</b>	<b>26,53,888</b>
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**31 March 2014 31 March 2013****₹. ₹.**

<b>31<sup>st</sup> March 2014</b>	<b>31<sup>st</sup> March 2013</b>
<b>₹.</b>	<b>₹.</b>
24,13,064	26,43,941
29,524	9,947
<b>24,42,588</b>	<b>26,53,888</b>



**27. Contingent liabilities not provided for:**

As per the order of Hon'ble Bombay High Court, the claim of Apparel Export Council has been guaranteed by furnishing bank guarantee of equivalent amount: ₹. 7,26,310 (31 March 2013: ₹. 7,26,310)

Disputed claims/levies (excluding interest, if any), in respect of Income tax ₹.97,14,906 (31 March 2013: ₹.84,17,572)

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.

28. Value of imports calculated on CIF basis: ₹. 13,89,222 (31 March 2013: ₹. 2,19,736)

**29. A) Expenditure in foreign currency:**

Nature of expenses	31 <sup>st</sup> March 2014 ₹.	31 <sup>st</sup> March 2013 ₹.
Travelling expenses	4,87,109	3,71,883
Commission	12,02,422	24,75,033

B) Earnings in foreign currency – FOB value of export sales: ₹. 145,773,109 (31 March 2013: ₹. 109,639,226)

30. Balances of Sundry debtors, sundry creditors, loans and advances, receivables and payables are subject to confirmation/reconciliation, if any.

31. 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 realization in the ordinary course of business at least equal to the value stated in the balance sheet.

32. The Company's significant leasing arrangements are in respect of operating leases for Guest houses 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 rent under note 24.

The company conduct its factory operations from facility that is leased under a 72 month non-cancellable lease expiry in December, 2016 for which lump sum interest free deposit of ₹. 50 lacs has been given, refundable after the expiry of the lease period.

The company uses motor car, speed boat and guest houses which are leased under non-cancellable operating leases. The company has commitment under non-cancellable operating leases as follows:

Minimum Lease Payment	31 <sup>st</sup> March 2014 ₹.	31 <sup>st</sup> March 2013 ₹.
Due within one year	11,83,362	6,12,078
Due later than one year and not later than five years	10,14,300	1,87,662
Due later than five years	-----	-----

Lease payments recognized in the statement of profit & loss as rent under note 24.

Rent paid	31 <sup>st</sup> March 2014 ₹.	31 <sup>st</sup> March 2013 ₹.
On account of Non-cancellable lease	16,72,841	8,58,574
On account of Cancellable Lease	2,06,000	3,73,392

33. During the financial year 2010-2011, the company sold all the shares of M/s. Bhupco Alloys Limited., its erstwhile subsidiary Company, to M/s. Emer Hotels & Suites Pvt Ltd., pursuant to approval for the same by the board of directors of the Company vide its resolution dated 04/02/2011 for an amount ₹. 1,16,20,843, against which an



amount of ₹. 70,00,000 was received from M/s. Emer Hotels & Suites Pvt Ltd., during the year 2011-2012.

The management is of the opinion that an amount of ₹. 20,00,000 though not received till date shall be received during the year 2014-15. 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 recognized in the books of accounts as at 31 March 2014.

#### 34. Gratuity Plan

The following table set out the status of the plan as required under AS 15(revised):

Change in defined benefit obligation	31 <sup>st</sup> March 2014 ₹.	31 <sup>st</sup> March 2013 ₹.
Opening defined benefit obligation	26,44,112	22,51,483
Interest cost	2,11,529	1,91,376
Current Service cost	82,537	1,15,340
Benefits paid	(68,885)	(54,834)
Actuarial losses/(gain)	4,41,095	1,40,747
Past Service Cost (Vested Benefit) incurred during the year	-----	-----
Closing defined benefit obligation	33,10,388	26,44,112

Change in plan assets	31 <sup>st</sup> March 2014 ₹.	31 <sup>st</sup> March 2013 ₹.
Plan Assets at beginning of the year, at fair value	26,62,581	21,02,725
Expected Return on plan Assets (estimated)	2,31,645	1,80,834
Contributions	2,68,980	4,06,841
Benefits settled	(68,885)	(54,834)
Actuarial gain/(loss) on plan assets	(8,508)	27,015
Plan Assets at end of the year, at fair value	30,85,813	26,62,581

Reconciliation of present value of the obligation and the fair value of the plan assets		
Fair value of plan assets at the end of the year	30,85,813	26,62,581
Present value of the defined benefit obligation at the end of the year	33,10,388	26,44,112
Assets/(Liability) recognized in the balance sheet	(2,24,575)	18,469

Gratuity cost for the period	31 <sup>st</sup> March 2014 ₹.	31 <sup>st</sup> March 2013 ₹.
Current Service Cost	82,537	1,15,340
Past Service Cost (Vested Benefit) incurred during the year	-----	-----
Interest cost	2,11,529	1,91,376
Expected Return on plan Asset	(2,31,645)	(1,80,834)
Net Actuarial (Gain)/Loss recognized for the year	4,49,603	1,13,732
Expenses recognised in the statement of profit and loss	5,12,024	2,39,614

**Notes to financial statements for the year ended 31 March 2014**
**Movements in the liability recognized in Balance sheet**

Opening Liability	(18,469)	1,48,758
Expenses recognized	512,024	2,39,614
Contribution paid	(268,980)	(4,06,841)
Closing Liability	224,575	(18,469)

**Assumptions at the valuation date**

Discount factor	9.35%	8.50%
Salary Escalation rate	4.00%	4.00%
Rate of Return (Expected) on plan Asset	8.70%	8.00%
Retirement age	58 years	58 years

Other information	31 <sup>st</sup> March 2014 ₹.	31 <sup>st</sup> March 2013 ₹.	31 <sup>st</sup> March 2012 ₹.	31 <sup>st</sup> March 2011 ₹.	31 <sup>st</sup> March 2010 ₹.
Defined benefit obligation	33,10,388	26,44,112	22,51,483	2,12,11,452	12,21,707
Plan assets	30,85,813	26,62,581	21,02,725	13,85,816	11,15,703
(Surplus)/deficit	2,24,575	(18,469)	1,48,758	1,98,25,636	1,06,004
Experience adjustments on plan liabilities – (Gain)/loss	6,39,017	(2,399)	(1,06,815)	4,55,874	1,15,283
Experience adjustments on plan assets – (Gain)/loss	(8,508)	(27,015)	(64,935)	(25,616)	(10,236)

**35. Details of Imported & Indigenous Raw Materials and Stores and Spare parts consumed**

Particulars	31 <sup>st</sup> March 2014 ₹.	% of Total Consumption	31 <sup>st</sup> March 2013 ₹.	% of Total Consumption
<b>Raw Materials</b>				
Imported	-----	-----	-----	-----
Indigenous	5,42,81,766	100.00%	4,04,25,020	100.00%
<b>Total</b>	<b>5,42,81,766</b>	<b>100.00%</b>	<b>4,04,25,020</b>	<b>100.00%</b>
<b>Accessories</b>				
Imported	10,00,859	9.61%	2,19,736	3.78%
Indigenous	94,18,156	90.39%	55,95,896	96.22%
<b>Total</b>	<b>1,04,19,015</b>	<b>100.00%</b>	<b>58,15,632</b>	<b>100.00%</b>

**36. Related party disclosures:**
**A. Name of the related parties and related party relationship**

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

-Key managerial Personnel represented on the board:

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

-Relatives of key managerial personnel:

Mr. Rohan U Katre	- Managing director's son
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## B. Particulars of Related Party Transactions

Particulars	31 <sup>st</sup> March 2014 Amount ₹.	31 <sup>st</sup> March 2013 Amount ₹.
Managerial remuneration:		
Managing director (including bonus)	29,50,000	33,80,000
Whole time director (including bonus)	13,90,667	11,17,199
Director's sitting fees:		
Mr Ashok Daryanani	30,000	30,000
Mr Karl Dantas	15,000	22,500
Mr C G Patankar	30,000	22,500
Mr R L Mehta	30,000	30,000
Salary: (Including contribution to PF)		
Rohan U Katre	576,210	206,347
Lease rent:		
Managing director	1,20,000	1,20,000
Purchase of services:		
Managing director	4,80,000	4,80,000

## C. Details of remuneration to key managerial personnel

## Umesh M Katre – Managing Director

Particulars	31 <sup>st</sup> March 2014 Amount ₹.	31 <sup>st</sup> March 2013 Amount ₹.
Salary including bonus and leave salary	20,50,000	23,00,000
Contribution to provident fund	1,80,000	1,80,000
House rent allowance	9,00,000	9,00,000
Perquisites	39,600	39,600
Total	31,69,600	34,19,600

## Seema Katre – Wholetime Director

Particulars	31 <sup>st</sup> March 2014 Amount ₹.	31 <sup>st</sup> March 2013 Amount ₹.
Salary including bonus and leave salary	13,90,667	10,59,599
Contribution to provident fund	97,520	57,600
House rent allowance	-----	-----
Perquisites	-----	-----
Total	14,88,187	11,16,199

## D. The Company has the following amounts due from/to related parties as on 31 March 2014

Particulars	31 <sup>st</sup> March 2014 Amount ₹.	31 <sup>st</sup> March 2013 Amount ₹.
Due from Managing director (included in long term loans and advances)	20,00,000	20,00,000
Due from Whole time director (included in short term loans and advances)	-----	5,000
Due from Managing director (included in short term loans and advances)	-----	4,800

**Notes to financial statements for the year ended 31 March 2014**
**37. Unclaimed Dividends on Equity Shares:**

Year	Amount in ₹. as at 31 <sup>st</sup> March 2014	Amount in ₹. as at 31 <sup>st</sup> March 2013
2008-2009	1,13,125	1,13,125
2009-2010	1,88,141	1,88,141
2010-2011	78,032	78,032
2011-2012	70,218	85,272
2012-2013	81,814	-----

38. Based on the information available with the company, principal amount due to micro and small enterprises as defined under MSMED Act, 2006 is ₹. Nil (31 March 2013: ₹. Nil). Further interest paid during the year and interest due at the end of the year to micro and small enterprises is ₹. Nil (31 March 2013: ₹. Nil).
39. 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.

Particulars	31 <sup>st</sup> March 2014			31 <sup>st</sup> March 2013		
	Garments	Finance	Total	Garments	Finance	Total
Segment revenue	16,53,47,995	85,69,560	17,39,17,555	12,34,83,625	48,15,899	12,82,99,523
Inter segment revenue	-----	-----	-----	-----	-----	-----
Net segment revenue	16,53,47,995	85,69,560	17,39,17,555	12,34,83,625	48,15,899	12,82,99,523
Segment results	1,49,06,568	50,74,043	1,99,80,611	34,11,656	42,59,239	76,70,895
Extraordinary items	-----	-----	-----	-----	-----	-----
Unallocable corporate office expenses (net)	-----	-----	1,10,87,150	-----	-----	93,85,624
Financial expenses	-----	-----	16,09,893	-----	-----	27,29,095
Depreciation	24,42,588	-----	24,42,588	26,53,888	-----	26,53,888
Profit before tax	-----	-----	48,40,980	-----	-----	(70,97,712)
Current tax	-----	-----	10,828	-----	-----	-----
(Excess)/short provision for tax of earlier years	-----	-----	16,70,569	-----	-----	59,361
Deferred Tax	-----	-----	(11,32,906)	-----	-----	4,13,175
Profit after tax	-----	-----	42,92,489	-----	-----	(75,70,518)
Segment assets	11,43,26,088	3,28,71,483	14,71,97,571	10,95,72,274	4,11,17,554	15,06,89,828
Unallocable assets	-----	-----	34,21,788	-----	-----	34,58,038
Total assets			15,06,19,359			15,41,47,866
Segment liabilities	1,02,19,005	-----	1,02,19,005	1,48,57,650	-----	1,48,57,650
Unallocable liabilities	-----	-----	50,36,609	-----	-----	25,52,743
Total liabilities			1,52,55,614			1,74,10,393
<b>Other information</b>						
Capital expenditure	27,76,640	-----	27,76,640	51,51,172	-----	51,51,172
Depreciation	24,42,588	-----	24,42,588	26,53,888	-----	26,53,888
Profit/(loss) on sale of fixed assets	(10,33,539)	-----	(10,33,539)	82,550	-----	82,550



## 40. Calculation of EPS (Basic and Diluted)

S.No	Particulars	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2013
1	Opening No. of Shares	43,00,000	43,00,000
2	Total Shares Outstanding	43,00,000	43,00,000
3	Weighted average number of shares	43,00,000	43,00,000
4	Net Profit attributable to equity share holders	₹. 42,92,489	₹. (75,70,518)
5	Basic and Diluted EPS	₹. 1.00	₹. (1.76)

## 41. The company has re classified/regrouped/rearranged the previous year figures wherever necessary.

For **M/s T D JAIN AND D I SAKARIA**

Chartered Accountants

Firm Registration No: 002491S

On behalf of the Board of directors of

**Spice Islands Apparels Limited**

Umesh Katre

Rahul Mehta

Ashok Daryanani

**DHANPAL I SAKARIA**

Partner

M No: 213666

Place: Bangalore

Date : 28 May 2014

**Directors**

Place: Mumbai

Date: 28th May 2014





## SPICE ISLANDS APPARELS LIMITED

CIN : L17121MH1988PLC05019

Registered Office : Unit 43-48, Bhandup Industrial Estate, L.B.S. Marg, Bhandup, Mumbai-400078

### ATTENDANCE SLIP

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

Joint shareholders may obtain additional Slip at the venue of the meeting.

DP Id*	
Client Id*	

Folio No.	
No of Shares	

NAME AND ADDRESS OF THE SHAREHOLDER

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I hereby record my presence at the 26TH ANNUAL GENERAL MEETING of the Company held on Wednesday, September,24, 2014 at 10.30 a.m. at M. C. Ghai Hall, Bhogilal Hargovindas Building,18/20 K. Dubash Marg, (Behind Prince of Wales Museum) Kala Ghoda, Mumbai-400 001.

\* Applicable for investors holding shares in electronic form.

\_\_\_\_\_  
Signature of Shareholder / Proxy

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## SPICE ISLANDS APPARELS LIMITED

CIN : L17121MH1988PLC05019

Registered Office : Unit 43-48, Bhandup Industrial Estate, L.B.S. Marg, Bhandup, Mumbai-400078

### PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies Management and Administration) Rules, 2014]

Name of the Member(s) : \_\_\_\_\_ e-mail Id : \_\_\_\_\_

Registered address: \_\_\_\_\_ Folio No / Client Id : \_\_\_\_\_

\* DP Id : \_\_\_\_\_

I/We, Being the holder(s) of \_\_\_\_\_ shares of Spice Islands Apparels Ltd., hereby appoint :

1) \_\_\_\_\_ of \_\_\_\_\_ having e-mail id \_\_\_\_\_ or failing him  
 2) \_\_\_\_\_ of \_\_\_\_\_ having e-mail id \_\_\_\_\_ or failing him  
 3) \_\_\_\_\_ of \_\_\_\_\_ having e-mail id \_\_\_\_\_ and who's  
 signature(s) are appended below as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 26th Annual General Meeting of the Company, to be held on Wednesday, September 24, 2014 at 10.30 a.m. at M. C. Ghai Hall, Bhogilal Hargovindas Building, 18/20 K. Dubash Marg, (Behind Prince of Wales Museum) Kala Ghoda, Mumbai-400 001 and at any adjournment thereof in respect of such resolutions as are indicated below:

\*\* I wish my above Proxy to vote in the manner as indicated in the box below :

Resolutions	For	Against
1. Consider and Adopt: Audited Financial Statement, Report of the Board of Directors and Auditors		
2. Declaration of Dividend on Equity shares		
3. Appointment of Auditors and fixing their remuneration		
4. Appointment of Mr. Carl Dantas as an Independent Director		
5. Appointment of Mr. Ashok Daryanani as an Independent Director		
6. Appointment of Mr. Charuchandra Patankar as an Independent Director		
7. Appointment of Mr. Rahul Mehta as an Independent Director		
8. Re-appointment of Mrs. Seema Katre as a Whole Time Director		
9. Delegation of powers to the Board to create charge on the assets of the Company under provisions of Section 180 (1)(a) of the Companies Act, 2013		
10. Delegation of borrowing powers to the Board under provisions of Section 180 (1)(c) of the Companies Act, 2013		
11. Increase in the limits to make loans/investments under provisions of Section 186 of the Companies Act, 2013		
12. Approval of Remuneration payable to the Cost Auditors for 31st March, 2014		
13. Approval of Remuneration payable to the Cost Auditors for 31st March, 2015		
14. Adoption of new Articles of Association of the Company		
15. Delisting of shares of the Company from Ahmedabad & Pune Stock Exchange.		
16. Enabling Provision: powers to the Board to buy back shares of the Company.		



Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014

\_\_\_\_\_  
Signature of Shareholder

Signature  
first proxy holder

Signature  
second proxy holder

Signature  
Third proxy holder

Affix a  
Rs. 1  
Revenue  
Stamp

**Notes:**

- (1) This form of proxy in order to be effective should be duly completed and deposited at the Registered office of the Company not less than 48 hours before the commencement of the meeting.
- (2) A proxy need not be a member of the Company.
- (3) A person can act as a proxy on behalf of member not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. A Member holding more than 10% of the total share capital of the Company carrying voting right may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
- (4) This is only optional. Please put a "X" in the appropriate column against the resolution indicated in the Box. If you leave the "For" or "Against" column blank against any or all the resolutions, your proxy will be entitled to vote in the manner as he/she thinks appropriate.
- (5) Appointing a proxy does not prevent a member from attending the meeting in person if he so wishes.
- (6) In the Case of jointholders, the signature of any one holder will be sufficient, but names of all the jointholders should be started.



## SPICE ISLANDS APPARELS LTD.

125-A, Mittal Tower, 12th Floor,  
210, Nariman Point, Mumbai - 400 021