



*Spice Islands  
Apparels Limited*

22nd Annual Report  
**2009-2010**





*Spice Islands  
Apparels Limited*

## **BOARD OF DIRECTORS**

*Chairman & Managing Director*

**UMESH KATRE**

*Director*

**ASHOK DARYANANI**

**KARL DANTAS**

**CHARUCHANDRA PATANKAR**

**RAHUL MEHTA** (w.e.f. 29/01/2010)

*Bankers*

**VIJAYA BANK**

*Auditors*

**M/S. OSTAWAL & JAIN** (Chartered Accountants)

<b>REGISTERED OFFICE</b>	<b>ADMINISTRATIVE OFFICE</b>
62-B, Mittal Tower, 210, Nariman Point, Mumbai - 400 021. Tel.: 2284 4368 • Fax: 2283 1564	125-A, Mittal Tower, 210, Nariman Point, Mumbai - 400 021. Tel.: 6740 0800, Fax: 2282 6167

<b>FACTORY</b>	
S. E. No. 287, Kuthampalayam, Thirumurgan Poondi (P. O.), P. N. Road, Tirupur - 641 652. Tel.: 0421-2350492/3	Unit 43-48, Bhandup Industrial Estate, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (W), Mumbai - 400 078. Tel.: 2596 8069 / 6507 8883

For Lodging Investor Grievances : [grievance\\_redressal@spiceislandsindia.com](mailto:grievance_redressal@spiceislandsindia.com)

<b>REGISTRAR &amp; SHARE TRANSFER AGENT</b> <b>LINK INTIME INDIA PRIVATE LIMITED</b> (Formerly known as Intime Spectrum Registry Limited)	
C-13, Bhandup Industrial Estate, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (W), Mumbai - 400 078. Ph.: 022-2594 6970 Fax : 022-2594 6969 E-mail : <a href="mailto:helpdesk@linkintime.co.in">helpdesk@linkintime.co.in</a>	<b>O R</b> 203, Daver House, Near Central Camera, Dr. D. N. Road, Fort, Mumbai - 400 001. Telefax.: 022-2269 4127

## NOTICE

Notice is hereby given that Twenty Second Annual General Meeting of the members of SPICE ISLAND APPARELS LIMITED will be held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20 K. Dubash Marg, (Behind Prince of Wales Museum), Kala Ghoda, Mumbai - 400 001 on Monday, 26th July, 2010 at 10.30 a. m. to transact the following business:

1. To receive and adopt the audited Profit & Loss Account for the year ended 31st March, 2010, the Balance Sheet as on that date and Reports of the Board of Directors and Auditors.
2. To declare dividend.
3. To appoint a Director in place of Mr. Karl Dantas who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

### SPECIAL BUSINESS

5. To appoint Mr. Rahul Mehta as a Director of the Company.

"RESOLVED THAT Mr. Rahul Mehta be and is hereby appointed a Director of the Company, liable to retire by rotation."

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

"RESOLVED THAT pursuant to the provision of section 198, 269, 309, 310 and other applicable provision, if any, of the Companies Act 1956 (Act) read with Schedule XIII to the said Act, approval of Members be and is hereby accorded to the re-appointment of Mr. Umesh M. Katre as the Managing Director of the Company for a further period of three years with effect from 01.11.2009 to 31.10.2012 on the terms and conditions set out in the draft Agreement, a copy of which is placed before the meeting duly initialed by the Chairman for the purpose of identification, with authority to the Board of Directors (the Board) to alter or vary his terms of remuneration subject to the overall ceiling specified in Schedule XIII to the Act, read with Sections 198, 309, 310 and other applicable provisions of the Act or any amendment thereto or re-enactment thereof as may be agreed by the Board and Mr. Katre."

"RESOLVED FURTHER THAT the Board be and it is hereby authorised to do all acts, deeds, matters and things as may be considered necessary, desirable or expedient for giving effect to this Resolution."

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

PLACE : MUMBAI  
DATE : 21st MAY, 2010.

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



## NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself, only on a poll and a proxy need not be a member. Proxies in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
2. Relevant explanatory statement pursuant to section 173(2) of the Companies Act 1956 in respect of Special Business at item no 5 and 6 of the Notice is annexed herewith.
3. All documents referred to in accompanying notice and explanatory statement are open to inspection at the Registered Office of the Company between 2 pm and 4 pm on all working days up to the day of the Annual General Meeting.
4. The Dividend for the year ended 31st March 2010 as recommended by the Board, if sanctioned at the meeting, will be paid to those members whose names appear in the Company's Register of Members after effecting valid transfers received up to the close of business hours on 12th July 2010. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details provided as at the close of business hours on 12th July 2010 by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.
5. The Register of Members and Share Transfer books of the Company will remain closed from Monday, 12th July 2010 to Monday, 26th July 2010 both days inclusive.
6. The Company has transferred unclaimed amount of dividends paid upto 31st March, 2002 to the investor Education and Protection Fund of the Central Government as required under section 205C of the Companies Act 1956. Members may please note that if unpaid dividend is not claimed from the Company for seven years from the date when it became due, it shall be transferred to the Investor Education and Protection Fund as stated above and it cannot be claimed from that fund.

Members who have not encashed their dividend warrants within the validity period may write to the Company at its registered office for obtaining payment in lieu of such warrants.

7. Members are requested to notify immediately any change of address, details of their bank accounts viz. name of bank, full address of the branch, account number, and folio number for incorporation on the dividend warrant, to the Company's Registrar and Share Transfer Agents, M/s. Link Intime India Private Ltd., C-13, Bhandup Industrial Estate, Pannalal Silk Mills compound, L.B.S. Marg, Bhandup (W), Mumbai - 400078.
8. Members are informed that in case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
9. In terms of Section 109A of the Companies Act, 1956, Members are entitled to make nominations in respect of shares held by them in physical form. Members desirous of making nominations are requested to send their request in Form 2B, in duplicate, to the Secretarial Department at the Registered Office of the Company or to the Registrar and Share Transfer Agent.
10. Pursuant to the directions/notifications of SEBI and Depositories, the demat account holders can operate their accounts if they had already provided Income Tax Permanent Account Number either at the time of opening of the account or subsequently. In case, they have not furnished the Income Tax Permanent Account Number either to the Depository Participants, such demat account holders are requested to contact their DPs with a photocopy of the PAN Card (with original PAN Card for verification), so that the frozen demat accounts would be available for operation and further consequences of non-compliance with the aforesaid directives would be obviated.

Securities and Exchange Board of India, vide Circular ref. # MRD/Dop/Cir-05/2009 dated May 20, 2009 made it mandatory to have PAN particulars for registration of physical share transfer requests. Based on the directive contained in the current circular, all share transfer requests received after 20 May, 2009 should therefore be accompanied with PAN details.

### REQUEST TO THE MEMBERS

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

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

PLACE : MUMBAI  
DATE : 21st MAY, 2010.

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

## ANNEXURE TO THE NOTICE

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

#### ITEM NO. 5

Appointment of Mr. Rahul Lalbhai Mehta as a Director of the Company.

Mr. Rahul Lalbhai Mehta was appointed as an Additional Director of the Company at the Board Meeting held on 29th January 2010. Mr. Mehta holds the office of Director upto the date of next Annual General Meeting pursuant to section 260 of the Companies Act, 1956. It is proposed to appoint Mr. Mehta as Director of the Company. The Company has received notice in writing as required by section 257 of the Companies Act 1956 from some members proposing the candidature of Mr. Rahul Mehta for the office of Director.

Mr. Mehta is a Bachelor of Technology from Indin Institute of Technology, Mumbai and is currently holding the position of Managing Director of M/s. Infreight Logistics Solutions Ltd. (a subsidiary of M/s. Sundaram Finance Ltd.) and has commercial experience of over 23 years, particularly in logistics Industry.

The Board is of the opinion that having regard to the rich experience which Mr. Mehta possesses it would be in the interest of the Company to appoint him as a Director of the Company.

Apart from the obvious interest of Mr. Mehta, no other Director is interested in the Resolution.

#### ITEM NO. 6

The present terms of office of Mr. Umesh Katre as Managing Director expired on 31st October 2009. The Board of Directors had, at its meeting held on 30th October 2009, re-appointed Mr. Umesh Katre as the Managing Director for a period of three years from the expiry of his present term of office, that is, on and with effect from 1st November 2009. The Board of Directors have also approved the increase in remuneration payable to Mr. Umesh Katre. The draft Agreement to be entered into by the Company with Mr. Umesh Katre in respect of his re-appointment for a further period of three years inter alia states that

1. Salary (Basic) per month : Rs. 1,00,000/- – 25,000/- – 1,75,000/- Annual increment of Rs. 25,000/- shall be payable on 1st April each year.
2. Commission : Such percentage of the amount of the net profit as appearing in the audited Annual Profit & Loss Account for each completed corporate financial year of the company, unless otherwise decided by the board for any financial year subject, however, that the total remuneration (i.e.) salary, commission and perquisites in any one financial year shall not exceed the limits prescribed or to be prescribed from time to time under sections 198, 309 and other applicable provisions of the Companies Act 1956, read with schedule XIII to the Act, as may for the time being be in force.
3. 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. Gas/Electricity/Maintenance allowance : Rs. 1,20,000/- per annum
  - c. Magazine/Book Allowance : Rs. 1,20,000/- per annum
  - d. Housing I : Expenditure incurred by the Company on hiring furnished accommodation for the Managing Director subject to a maximum of 60% of the basic salary relevant for the concerned period  
OR  
Housing II : In case Company owned and furnished accommodation is provided no allowance shall be paid  
OR



- Housing III : In case no accommodation-owned or hired-is provided by the Company the Managing Director shall be entitles to 60% of the basic salary relevant for the concerned period as and by way of House Rent Allowance.
- e. Soft Furnishings : Total amount payable over a period of three years shall not exceed Rs. 15,00,000/-
- f. Medical reimbursement : Expenditure incurred by the Managing Director and his family subject to a ceiling of one month's salary (basic) in a year of three months salary (basic) over a period of three years.
- g. Club Fees : Actual fees for a maximum of two clubs. Admission fee and life membership fee shall not be paid by the Company.
- h. Hospitalisation Insurance Scheme : As per the scheme of the Company provided the premium amount does not exceed a sum of Rs. 4,000/- per annum.
- i. Contribution to Provident Fund and Superannuation / Annuity Fund will be as per Scheme of the Company.
- j. 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.
- k. Encashment of unavailed leaves at the end of the tenure or at specified intervals will be as per Scheme of the Company.
- l. Provision of car with driver for use in relation to Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director.

#### **MINIMUM REMUNERATION :**

Notwithstanding anything to the contrary herein contained, wherein any financial year during the currency of the tenure of Mr. Katre, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites and allowances as specified by the provision of Section II of part II of schedule XIII.

In compliance with the requirement, as laid down in Schedule XIII, Part II, Section II (B) of the Companies Act 1956, some of the information required under this clause are given herein below :

The Company is engaged in the business of export of garments (100% exports) and Mr. Katre is associated with the Company sine inception, as promoter and has contributed immensely to the growth of the Company. Under the guidance of the Board, he has been handling the affairs of the Company and as such remuneration proposed is commensurate with the responsibility assigned and is comparable to Industry Standards. In the adverse market situation, Mr. Katre has been able to contribute for the greater turnover and profitability.

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

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

The draft Agreement between the Company and Mr. Umesh M. Katre is available for inspection at its Registered office between 2.00 pm and 4.00 pm on any working day.

Mr. Umesh M. Katre may be deemed to be concerned or interested in the Resolution.

This may be treated as an abstract of the draft Agreement between the Company and Mr. Umesh M. Katre pursuant to Section 302 of the Act (Although the same was also sent by post earlier)

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

PLACE : MUMBAI  
DATE : 21st MAY, 2010

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

## DIRECTORS' REPORT

To,  
The Members

Your Directors have pleasure in presenting the Twenty Second Annual Report of the Company for the year ended 31<sup>st</sup> March, 2010.

### FINANCIAL RESULTS

Sales & Operating Income  
Other Income  
Profit before Taxation / Extra Ordinary item  
Provision for Taxation - Current Year  
Excess Provision for Tax  
Profit after Taxation

(Rs. IN LACS)

2009-2010

(Rs. IN LACS)

2008-2009

2039.36

1441.40

165.23

125.12

390.47

191.95

60.92

1.46

(0.43)

(0.50)

329.98

193.91

329.98

193.91

### APPROPRIATION

General Reserve  
Proposed Dividend  
Tax on distribution of dividend  
Balance Profit carried forward

20.00

10.00

64.50

43.00

10.96

7.31

234.52

133.60

329.98

193.91

### OPERATIONS

Continuing the trend of increase in turnover, the sales and operating income increased by approx 42% (previous year 8%) to Rs. 2039.37 lacs as against Rs. 1441.40 lacs in the previous year. This was achieved despite the global downturn affecting all the markets. The main reason towards the better results achieved by the Company purely rests on the abilities of the overseas agents appointed and their having channelized business of stable & profit worthy clients to the Company and at the same time ensuring that the debtor book remains under control.

The knitwear division continues to hold the key and contributes about 72% of the turnover. With the increase in turnover, profitability has increased more than 100% over the previous year. Prudent utilization of resources, re-grouping of product mix coupled with apportionment of fixed cost over greater turnover has paid rich dividends. Apart from the operating profits achieved from the core business, the Company also gainfully utilized its surplus funds in a mix of deposits and market operations which also added a fair amount to the bottom-line. Conservative approach of write-off of Irrecoverable advance of Rs. 68.04 lacs in the previous year has also been instrumental in uplifting the profit as the advance are recovered in the form of shares of a certain company. Overall, the profit before tax works out to Rs. 390.47 lacs as against Rs. 191.95 lacs in the preceding year. The profit achieved is lower by approx Rs. 73.80 lacs as the last quarter resulted in a forex loss of approx Rs. 31.68 lacs on account of fall in value of foreign currency as well as the Company having paid its employees a performance bonus of Rs. 17.12 lacs and also having given a donation of Rs. 25 lacs for a worthy cause as per the wishes expressed by the members in the last Annual General Meeting.

The current calendar year began with upheavals in European currencies on account of uncertainties on the financials of three or four members of the European Union. This has resulted in a significant downward pressure on the two principal currencies in which your Company trades i.e. GBP and Euro. Added to this, the last six months have seen increased speculation in the cotton and cotton yarn markets resulting in the yarn and fabric prices firming up by approx 20%. Thus the downward pressure on the foreign exchange aspect with added price increase in the principle



## **DIRECTORS' REPORT Contd..**

raw material would probably lead to a difficult year ahead in terms of margins and perhaps even in achieving planned targets. Nevertheless the management will make all efforts in keeping the Company's operations under control so as to reduce the negative impact as far as possible.

In keeping with the streamlining of the Company's operations & structure, the Board has decided to do away with the subsidiary company as it is not contributing in any significant manner.

### **DIVIDEND**

Your Directors are pleased to recommend a dividend of Rs. 1.50 per Share. Dividend, if approved by the shareholders, at the Annual General Meeting, will absorb Rs. 64.50 lacs.

### **TAXATION**

Provision of Rs. 68,50,000/- is made to meet the liability for Tax.

### **DIRECTORS**

During the year under review, Mr. Rahul Lalbhai Mehta was co-opted as an Additional Director of the Company. The Board recommends his appointment as a Director in the forthcoming Annual General Meeting.

Mr. Kart Dantas retires by rotation and being eligible, offers himself for re-appointment.

Mr. Umesh Katre's continued association as a Managing Director is in the interest of the growth of the Company and suitable resolution is proposed in the forthcoming Annual Meeting for his reappointment for a further period of three years. The Board recommends the resolution.

### **DIRECTORS RESPONSIBILITY**

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000, the Director's confirm that :

1. In the preparation of the annual accounts, the applicable Accounting Standards have been followed.
2. Appropriate accounting policies have been selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company as at 31st March, 2010 and of the Profit of the company for the year ended on 31st March, 2010.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. The annual accounts have been prepared on a going concern basis.

### **CORPORATE GOVERNANCE**

A report on the Corporate Governance Code along with a certificate from the Auditors of the Company regarding the compliance of conditions of Corporate Governance as also the Management Discussion and Analysis Report as stipulated under Clause 49 of the Listing Agreements are annexed to this Report.

### **DEPOSITORY SYSTEM**

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



## **DIRECTORS' REPORT Contd..**

### **SUBSIDIARY COMPANY**

A statement under section 212 of the Companies Act, 1956 is enclosed.

### **PARTICULARS OF EMPLOYEES**

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

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

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

### **COMPLIANCE CERTIFICATE**

Compliance Certificate obtained pursuant to provisions of Sec 383 A of the Companies Act, 1956 from a Secretary in Whole Time practice, Mr. P. V. Ramaswamy, in the prescribed form regarding the compliance of all the provisions of the said Act, is enclosed herewith.

### **AUDITORS**

Members are requested to appoint Auditors for the current year and to authorize the Board of Directors to fix their remuneration. M/s. Ostawal & Jain, Chartered Accountants, have furnished a certificate of their eligibility for re-appointment under section 224 (1B) of the Companies Act, 1956.

### **NOMINATION**

Articles of Association of the Company were suitably amended to permit nomination facility. Members of the Company are requested to avail themselves of the nomination facility.

### **APPRECIATION**

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

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

For and on behalf of the Board of Directors,

**SPICE ISLANDS APPARELS LIMITED**

PLACE : MUMBAI  
DATE : 21st MAY, 2010.

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



## ANNEXURE TO DIRECTORS' REPORT

### STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY :

Name of the subsidiary	:	BHUPCO ALLOYS LIMITED.
1. Financial Year of the subsidiary ended on	:	31st March, 2010.
2. Shares of the subsidiary held by the Company on the above date	:	
a) Number and face value	:	6,09,000/- equity shares of Rs.10/- each fully paid up
b) Extent of holding	:	100%
3. Net aggregate amount of profits / (losses) of the subsidiary for the above financial year so far as they concern members of the company.	:	
a) Dealt with in the accounts of the Company for the year ended 31st March, 2010.	:	NIL
b) Not dealt with in the accounts of the Company for the year ended 31st March, 2010.	:	Rs. 2,79,481
4. Net aggregate amount of profits / (losses) for previous financial years of the subsidiary so far as they concern members of the company.	:	
a) Dealt with in the accounts of the Company for the year ended 31st March, 2010.	:	NIL
b) Not dealt with in the accounts of the Company for the year ended 31st March, 2010.	:	(Rs. 24,50,001)

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

PLACE : MUMBAI  
DATE : 21st MAY, 2010

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

## ANNEXURE TO DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURES OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1998.

### A) POWER AND FUEL CONSUMPTION IN RESPECT OF MANUFACTURING UNITS

a)	Purchased Units	78,331
	Total Amount (Rs.)	5,00,865
	Rate per unit (Rs.)	6.40
b)	Own Generation (Through D. G. set)	Nil

### B) TECHNOLOGY ABSORPTION

#### FORM B.

#### 1. RESEARCH AND DEVELOPMENT

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

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

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

#### 3. FOREIGN EXCHANGE EARNINGS AND OUTGO

- Efforts : The Company has been constantly endeavoring to get an increased share of the world textile market and has met with remarkable success in this area.
- EARNING AND OUTGO

	Rs. In Lacs
i) Foreign Exchange Earning	1817.13
Export Sales (FOB)	
ii) Foreign Exchange Outgo (includes raw material, spare parts, capital goods and other expenditure in foreign currency including dividends)	
a) Raw Material	Nil
b) Capital Goods (Machinery)	Nil
c) Components, Spares and Accessories	8.06
d) Dyes & Chemicals	Nil
e) Travelling & Other Expenses	2.67
f) Commission	108.49

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

PLACE : MUMBAI  
DATE : 21st MAY, 2010

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



# ANNEXURE TO DIRECTORS' REPORT

## P. V. RAMASWAMY

M.Com., LL.B., FCS  
Company Secretary

103, Ashok Kumar Towers,  
47, Union Park, Chembur,  
Mumbai - 400 071.

Tel.: 25207302 Mob.: 9833039832

E-mail: perinkolamramaswamy@yahoo.co.in

## COMPLIANCE CERTIFICATE

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

The Members

**Spice Island Apparels Ltd.**

62B, Mittal Tower,  
210, Nariman Point,  
Mumbai - 400 021.

I have examined the registers, records, books and papers of Spice Islands Apparels Ltd. having Registered Office at 26B, Mittal Tower, 210, Nariman Point, Mumbai - 400 021, Maharashtra having its Registration No 11-50197 (CIN No. L17121MH1988PLC050197) hereinafter referred to as 'Company' as required to be maintained under Companies Act 1956 (hereinafter referred to as the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the company for the financial year ended on 31st March 2010 (financial year). In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year;

- 1) The company has kept and maintained all registers as stated in Annexure 'A' to this certificate as per the provisions of the Act and rules made there under and all entries therein have been duly recorded.
- 2) The company has duly filed the forms and returns as stated in Annexure 'B' to this certificate with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made hereunder, in case of delay if any, with the payment of additional filing fees thereon as prescribed under the Act and the rules made thereunder.
- 3) The company being a Public Limited company has maintained the minimum prescribed paid up capital.
- 4) The Board of Directors duly met six times respectively on 22nd April, 2009, 5th July, 2009, 30th July 2009, 31st August 2009, 30th October 2009 and 29th January, 2010 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
- 5) The Company closed its Register of Members from 17th August, 2009 to 31st August, 2009 and necessary compliance of section 154 of the Act, has been made.
- 6) The Annual General Meeting for the financial year ended 31st March 2009 was held on 31st August, 2009 after giving due notice to the members of the company and the resolutions passed there at were duly recorded in the Minutes Book maintained for the purpose.
- 7) That during the financial year under report, no Extra Ordinary Meeting of the shareholders of the Company was held.
- 8) The company has not advanced any loans to any of the parties mentioned in section 295 of the Act during the year under review.
- 9) The company has duly complied with the provisions of section 297 of the Act in respect of contracts specified in that section.
- 10) The company has maintained a Register required to be maintained u/s 301 of the Act and entries have been duly made.
- 11) The company has not employed any person falling within the purview of Section 314 of the Act and as such the question of obtaining any approvals from the Board of Directors, its Members or from the Central Government does not arise.
- 12) The company has not issued any duplicate certificates during the financial year.
- 13) The Company has
  - i) Delivered all the certificates on lodgment thereof for transfer / transmission or any other purpose in accordance with the provision of the Act.
  - ii) Deposited the amount of dividend declared including interim dividend in a separate Bank Account on 28th August 2009, which is within five days (in fact before declaration) from the date of declaration of such dividend.



## ANNEXURE TO DIRECTORS' REPORT

- iii) Paid/posted warrants for dividends to all the members within a period of 30 (Thirty) days from the date of declaration and that all unclaimed / unpaid dividend has been transferred to Unpaid Dividend Account of the Company with AXIS Bank Ltd.
- iv) Except for an amount of unclaimed / unpaid dividend of Rs. 1,22,025/- for the year ended on 31st March 2009, the company does not have any amount which has not been transferred to Investor Education and protection Fund.
- v) The Company has duly complied the requirement of section 217 of the Act.
- 14) The Board of Directors of the company is duly constituted and the appointment of directors, additional directors alternate directors and directors to fill casual vacancies have been duly made.
  - i) During the year Mr. Rahul Mehta was appointed as an additional director.
- 15) The appointment of Managing Director / Whole time Director / Manager has been made in compliance with the provisions of section 269 read with Schedule XIII to the Act, No approval from Central Government was required.
  - i) During the year, Mr. Umesh M. Katre was appointed as Managing Director for a period of three years.
- 16) The Company has not appointed any sole-selling agent during the financial year under report.
- 17) The company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and / or such authorities prescribed under the various provisions of the Act during the financial year under report.
- 18) The Directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
- 19) During the financial year under report, the Company has not issued any shares, debentures or other securities.
- 20) During the financial year under report, the Company has not bought back any shares.
- 21) The Company has not issued any Preference shares and hence the question of redemption of Preference Shares during the year did not arise.
- 22) There was no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares in compliance with the provisions of the Act.
- 23) The Company has not accepted any deposits during the year.
- 24) The amount borrowed by the Company from directors, members, public, financial, institutions, banks and others during the financial year ending 31st March 2010 are within the borrowing limits of the company.
- 25) During the financial year under report, the Company has not given any loan or given any guarantee or provided securities to other bodies corporate.
- 26) The company has not altered the provisions of the Memorandum with respect to the situation of the company's registered office from one state to another during the financial year under report.
- 27) The company has not altered the provisions of the Memorandum with respect to the object of the company during the financial year under report.
- 28) The company has not altered the provisions of the Memorandum with respect to the name of the company during the financial year under report.
- 29) The company has not altered the provisions of the Memorandum with respect to the share capital of the company during the year under scrutiny.
- 30) The company has not altered its Articles of Association during the financial year under report.
- 31) On verification of the records of the Company and as informed to me, there was no prosecution initiated against or show cause notices received by the company for alleged offences under the Act and also the fines and penalties or any other punishment imposed on the Company. The Company have applied for compounding of offence in respect of some defaults u/s 297 in earlier years, in response to notice from the Registrar of Companies.
- 32) The company has not received any money as security from its employees during the financial year under report.
- 33) The company has deposited both employees and employers contribution to Provident Fund with prescribed authorities pursuant to section 418 of the Act.

PLACE : MUMBAI  
DATE : 20th MAY, 2010

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



# ANNEXURE TO DIRECTORS' REPORT

## ANNEXURE 'A'

Register of Investment u/s 49 of the Act.  
 Register of Charges u/s 143 of the Act.  
 Register of Members u/s 150 and Index of members u/s 151 of the Act.  
 Minutes Book of Board of Directors.  
 Minutes Book of the General Meeting.  
 Books of Account u/s 209 of the Act.  
 Register of particulars of Contracts u/s 301 of the Act.  
 Register of Directors u/s 303 of the Act.  
 Register of Directors Shareholding u/s 307 of the Act.  
 Register of Investments or loans made, guarantees given or securities provided u/s 372 a of the Act.  
 Register of Transfers.

## ANNEXURE 'B'

Forms and Returns filed by the Company with the Register of Companies, Regional Director, Central Government, Company Law Board or other Authorities during the year ended on 31st March 2010.

### A. To the Register of Companies :

Form & Particulars	For the year	Delay in filing	Form No.	ROC receipt / date
Application for compounding	---	No	61	20/10/2009 (A71109813)
Compliance Certificate	31-03-2009	Yes	66	20/10/2009 (P36512382)
Balance Sheet	31-03-2009	Yes	23AC	04/11/2009 (P39648183)
Profit & Loss Account	31-03-2009	Yes	23ACA	04/11/2009 (P39648183)
Re-appointment of Mr. Umesh M. Katre as Managing Director	---	Yes	23	31/11/2009 (A73622185)
	---	Yes	25C	03/02/2010 (A77707768)
Annual return	AGM held on 31-8-2009	Yes	20B	29/11/2009 (P44267359)
Appointment of Mr. Rahul Mehta as an Additional Director	---	No	32	11/02/2010 (A78340114)
Donation in excess of prescribed limit u/s 293 (1) (e)	---	Yes	23	18/05/2010 (A85310225)

B. To Central Government / Regional Director : NIL

PLACE : MUMBAI  
 DATE : 20th MAY, 2010

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

## ANNEXURE TO DIRECTORS' REPORT

### 1. CORPORATE GOVERNANCE

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

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

1. **Corporate Governance** is the combination of voluntary practices and compliance with laws & regulation leading to effective control and management of the organization. Good Corporate Governance leads to a long term shareholder value and enhances interest of other stake holders. It brings into focus the fiduciary and the trusteeship role of the Board to align and direct the actions of the organization towards creating wealth and shareholder value.

### 2. BOARD OF DIRECTORS

a) **Composition and other related matters :**

The Board of Directors of the Company has optimum combination of Executive and Non-Executive Directors. As on 31st March 2010, the strength of Board was five Directors, of which, one was an Executive Directors and four were Non-Executive Independent Directors. The composition of Board of Directors as on 31st March 2010, attendance of Directors at the Board meetings and at the Annual General Meeting held during the year under review alongwith the number of out side Directorship and Committee position are given in the table below :

Name of Director	Category of Directorship	No. of Directorship held in other companies	No. of Committee positions in other companies		Attendance At	
			Chairman	Member	Board Meeting	Last Annual General Meeting 31/8/2009
Umesh M. Katre Chairman & Managing Director	Executive	None	2	---	6	Yes
Ashok G. Daryanani	Non Executive Independent	None	1	3	5	Yes
C. G. Patankar	Non Executive Independent	9	1	1	6	Yes
Karl Dantas	Non Executive Independent	None	---	4	5	No
Rahul Mehta	Non Executive Independent	2	---	---	1	NA

\* Mr. Rahul Mehta was appointed as an additional director on 29th January 2010.

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

b) **Board Meetings**

Board Meetings are held at least once in every quarter and the time gap between two meetings was not more than four months. During the financial year under review, six board meetings were held on 22nd April 2009, 5th June 2009, 30th July 2009, 31st August 2009, 30th October 2009 and 29th January 2010.

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



c) **Details of Directors seeking appointment / re-appointment.**

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

**Mr. Karl Dantas**

Mr. Karl 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 36 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. Karl Dantas	None	4

**Mr. Rahul Mehta**

Mr. Mehta is a Bachelor of Technology from Indian Institute of Technology, Mumbai and is currently holding the position of Managing Director of M/s. Infreight Logistics Solutions Ltd. (a subsidiary of M/s. Sundaram Finance Ltd.) and has commercial experience of over 23 years, particularly in logistics industry.

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

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

Name	Directorships	Committee Memberships
Mr. Rahul Mehta	None	2

**Mr. Umesh Katre**

Mr. Umesh Katre is a graduate in commerce and a MBA. He has an experience of over 29 years in all aspect of textile production, marketing and exports. Mr. Katre was appointed as a Managing Director in the Board meeting held on 30th October 2009.

**3) AUDIT COMMITTEE**

The Audit committee held four meetings on 5th June, 2009, 30th July, 2009, 30th October, 2009 and 29th January, 2010. The details of composition of the committee and attendance of Members are as follows :

<u>Name of the Director</u>	<u>Category of Director</u>	<u>No. of Committee Meetings attended</u>
Karl Dantas	Non-Executive-Independent	3
C. G. Patankar	Non-Executive-Independent	4
Ashok Daryanani	Non-Executive-Independent	2

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



**4) SHAREHOLDERS / INVESTORS GRIEVANCE**

The shareholders/Investors Grievance Committee comprises of Mr. Umesh M. Katre, Chairman, Mr. Ashok Daryanani and Mr. Karl Dantas a Non-Executive-Independent Director. The committee held one meeting on 30th October, 2009.

The committee was constituted to specifically to look into the redress of shareholder and investor complaints like transfer of shares, non-receipt of dividends declared, non - receipt of Annual Reports etc. During the financial year 2009 – 2010, the Committee met on 30th October, 2009.

No. of shareholders complaints received during the year	:	8
No. of complaints not resolved to the satisfaction of the Shareholders.	:	Nil
No. of pending share transfers	:	Nil

**5) REMUNERATION COMMITTEE**

The Remuneration Committee reviews and approves the annual salary, bonus, performance commission, service agreements and other employment conditions of executive directors. The committee takes into consideration remuneration practices of comparable companies and past performances. During the financial year 2009 – 10, the Remuneration Committee met once, i.e. on 30th October, 2009. The details of composition of the committee and attendance of Members are as follows:

<u>Name of the Director</u>	<u>Category of Director</u>	<u>No. of Committee Meetings attended</u>
Karl Dantas	Non-Executive-Independent	1
C. G. Patankar	Non-Executive-Independent	1
Ashok Daryanani	Non-Executive-Independent	1

**6) SHARE TRANSFER COMMITTEE**

The Committee deals with matters relating to Transfer of shares, Transmission of shares, Issue of duplicate share certificates, Review of dematerialised shares, at All other matters relating to shares. Members: Mr. U. M. Katre, Mr. Ashok Daryanani and Mr. Karl Dantas, two senior executives of the Company and one or two representatives of Registrar & Share transfer agent – M/s. Link Intime India Private Limited. The Share Transfer Committee meets at regular intervals. During the financial year 2009–2010, seven meetings were held.

**7) REMUNERATION TO DIRECTORS :**

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

**A. Remuneration to Non-executive Directors for the year ended March 31st, 2010**

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 2010.

<u>Directors</u>	<u>Sitting fees for Board meetings</u>
	Rs.
C. G. Patankar	35,000/-
Karl Dantas	32,500/-
Ashok Daryanani	40,000/-
Rahul Mehta	5,000/-

**8) DISCLOSURE BY MANAGEMENT**

A. The Company has complied with all requirement of the Listing Agreement entered into with the Stock Exchange as well as SEBI regulation and guidelines. No penalties were imposed or strictures were passed against the Company with regard to the Capital Market in the last three years.

B. As required by SEBI (prohibition of insider Trading) Regulations 1992, the Company has adopted a policy for corporate disclosures practice for prevention of the insider trading w.e.f. June 2002. Mr. Umesh M. Katre, Managing Director, has been appointed as the Compliance Officer.

**REMUNERATION PAID TO EXECUTIVE DIRECTORS OF THE COMPANY :**

Remuneration paid to executive director of the company is fixed by the Remuneration Committee and thereafter duly approved by shareholders at the Annual General Meeting. Details of payment to the Executive Director is given herein below :

Name of the Director	Relationship with other Director	Sitting Fees	Commission on Profits	Salary	Other allowance incl Contribution to PF	Perquisite	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Mr. Umesh M. Katre	None	NIL	191,952	12,51,750	631,380	194,408	2,269,490

**Materially significant related party transactions :**

There have been no materially significant transactions, pecuniary transactions or relationship between Spice Islands Apparels Ltd. and its Directors for the year ended on 31st March 2010, that may have potential conflict with the interest of the Company at large. However, details of all transactions by the Company with its Directors, or with a Private Company in which Director of the Company is a Director is given herein below :

a)	Lease rent payment to Mr. Umesh M. Katre, Managing Director for leasing of house facility to the Company.	Rs. 1,20,000.00
----	---	-----------------

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

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

The Certificate from Mr. P. V. Ramaswamy, Practicing Company Secretary regarding compliance of conditions of Corporate Governance for the year ended on 31st March 2010 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
31st March 2009	31st August 2009	10.30 a.m.	M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai - 400 001.
31st March 2008	4th August 2008	11.30 a.m.	M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai - 400 001.
31st March 2007	17th August 2007	11.30 a.m.	M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai - 400 001.

- 2) Record Date for taking list of members : a) Last record date : 31 st August 2009  
b) The Share Transfer Register will remain closed from Monday, 12th July, 2010 to Monday, 26th July 2010 (Both days inclusive)
- 3) Financial Calendar  
Period : Board meeting to approve quarterly / financial results  
Year ending March 31, 2010 : End May 2010  
Quarter ending June 30, 2010 : By 15th August 2010  
Quarter ending September 30, 2010 : By 15th November 2010  
Quarter ending December 31, 2010 : By 15th February 2010  
Year ending March 31, 2011 : End May 2011  
Annual General Meeting for the year ending 31st March, 2010 : August 2010
- 4) Dividend Payment date : Dividend, if approved by the members, will be paid within 30 days from the date of Annual General Meeting.
- 5) Listing of equity shares on Stock exchanges : The shares of the company are listed at the following stock exchanges.  
1) Bombay Stock Exchange Ltd.  
2) Ahmedabad Stock Exchange Ltd.  
3) Poona Stock Exchange Limited.
- 6) Listing Fees : The Company has paid listing fees to all the above Stock Exchange for the year 2009-2010
- 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 2009	5.60	5.00
May 2009	7.85	4.78
June 2009	12.55	6.94
July 2009	12.50	10.02
August 2009	14.00	11.90
September 2009	14.50	11.06
October 2009	14.60	11.65
November 2009	20.20	13.85
December 2009	19.80	15.35
January 2010	23.00	15.10
February 2010	25.30	14.05
March 2010	43.90	20.45

## 9) Registrar &amp; Share Transfer Agent

**LINK INTIME INDIA PRIVATE LIMITED**

Pannalal Silk Mill Compound,

C-13, Bhandup Industrial Estate, L.B.S. Marg,

Bhandup (W), Mumbai - 400 078.

Tel. : 022-2594 6970 • Fax : 022-2594 6969

Email : [mt.helpdesk@linkintime.co.in](mailto:mt.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, 2010.

	Shareholders		Share Amount	
	No.	%	(in Rs.)	%
Upto - 2,500	1088	60.5454	1,308,340	3.0427
2,501 - 5,000	381	20.0890	1,354,960	3.1511
5,001 - 10,000	183	10.1836	1,392,180	3.2376
10,001 - 20,000	66	3.6728	980,620	2.2805
20,001 - 30,000	26	1.4469	695,500	1.6174
30,001 - 40,000	24	1.3356	839,510	1.9523
40,001 - 50,000	4	0.2226	192,500	0.4477
50,001 - 1,00,000	10	0.5565	809,120	1.8617
1,00,001 - Above	35	1.9477	35,427,270	82.3690
<b>** Total **</b>	<b>1797</b>	<b>100.0000</b>	<b>43000000</b>	<b>100.0000</b>



13) Categories of shareholding as on 31st March, 2010

	Category	No. of Shareholders	No. of Shares held	% Shareholding
1)	Indian promoters	8	2,681,187	62.35 %
2)	Directors	4	37,109	0.86 %
3)	Indian Public	1035	1,122,029	26.09 %
4)	Private corporate bodies	48	451,106	10.49 %
5)	Banks, FIs, Insurance Co.	1	3,400	0.08 %
6)	NRIs / OCBs	4	403	0.01 %
7)	Clearing members	13	4,766	0.12 %
		<b>1113</b>	<b>4,300,000</b>	<b>100.00%</b>

14) Dematerialisation of shares and liquidity

69.18% of total equity capital is held in dematerialised form with NSDL & CDSL as on 31st March 2010. Trading in equity shares of the company is permitted in dematerialised form as per notification issued by the Security and Exchange Board of India [SEBI]

15) Means of Communication

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

16) Registered Office and address for correspondence

a) Registered Office : 62-B, Mittal Towers, 210, Nariman Point, Mumbai - 400 021. • Tel. : 2284 4368

b) Administrative Office : 125-A, Mittal Towers, 210, Nariman Point, Mumbai - 400 021. • Tel.: 6740 0800  
Web.: [www.spiceislandsindia.com](http://www.spiceislandsindia.com)  
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. : 2596 8069 / 6607 8883 • Fax : 2596 3343

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

19) Auditors certificate on Corporate Governance, 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 : 21st MAY, 2010

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



## **ANNEXURE I TO CORPORATE GOVERNANCE REPORT**

### **AFFIRMATION OF COMPLIANCE WITH CODE OF CONDUCT AND BUSINESS ETHICS.**

Pursuant to the requirements of clause 49 (I) (D) of the Listing Agreement, I hereby affirm that all the Board Members and the Senior Management Personnel have affirmed compliance with code of conduct and business ethics for the financial year ended 31st March 2010.

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

PLACE : MUMBAI  
DATE : 21st MAY, 2010

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

## CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of,

**Spice Islands Apparels Ltd.**

We have examined the compliance of Corporate Governance by **Spice Islands Apparels Limited** the Company for the year ended on March 31st, 2010 as stipulated in clause 49 of the Listing Agreement of the Company with Stock Exchange.

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 the 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 Agreement.

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.

**P. V. RAMASWAMY**

Practicing Company Secretary

F.C.S. No. 1708

C. P. No. 2087

Place : Mumbai

Date : 20th May, 2010



# MANAGEMENT DISCUSSION AND ANALYSIS REPORT

## 1) INDUSTRY STRUCTURE & DEVELOPMENTS

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

## 2) OPPORTUNITIES AND THREATS

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

## 3) SEGMENT WISE OR PRODUCT WISE PERFORMANCE

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

## 4) OUTLOOK

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

## 5) RISK AND CONCERNS

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

## 6) INTERNAL CONTROL SYSTEMS AND ADEQUACY

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

## 7) DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

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

## 8) MATERIAL DEVELOPMENT IN HUMAN RESOURCES / INDUSTRIAL RELATION FRONT INCLUDING NUMBER OF PEOPLE EMPLOYED

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

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

PLACE : MUMBAI

DATE : 21st MAY, 2010

**UMESH M. KATRE**

(Chairman & Managing Director)



## AUDITORS' REPORT

To,

The Members of  
**SPICE ISLANDS APPARELS LIMITED**

We have audited the attached Balance Sheet of **SPICE ISLANDS APPARELS LIMITED** as at 31st March 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
- iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- v. On the basis of written representations received from the directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in the case of Balance Sheet, of the state of affairs of the company as at 31 March 2010;
  - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date, and
  - c) in the case of the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

For **OSTAWAL & JAIN**  
CHARTERED ACCOUNTANTS

PLACE : BANGALORE  
DATE : 21st MAY, 2010

**Dhanpal I. Sakaria**  
PARTNER  
Membership No. 213666



## ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 3 of our report of even date on the accounts of **Spice Islands Apparels Limited** for the year ended 31 March 2010.

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 the Fixed Assets have 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. (a) As per records of the Company, it has not granted interest-free unsecured loan to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956. The Company has however granted interest-free unsecured advance to its subsidiary Company. The maximum amount involved during the year was Rs. 5,69,999/- and the year-end balance was Rs NIL.  
  
(b) Based on the information received and the explanations given, the terms and conditions of the loan are prima facie not prejudicial to the interest of the Company.  
  
(c) As informed to us, there is no overdue amount as at 31 March 2010.  
  
(d) As per records of the Company, it has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956. Accordingly Sub-Clauses (f) and (g) of clause 4(iii) of the order is not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal controls.
5. In our opinion, and according to the information and explanations given by the management, we are of the opinion that contracts and arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section and such transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under are not applicable to the Company.

7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. As informed to us, the Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956.
9. (a) According to the information and explanations given to us and on the basis of our examination of books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs duty, Excise duty, Cess and any other material statutory dues during the year with the appropriate authorities.  
  
(b) According to information & explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Sales Tax, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues were in arrears as at 31 March 2010 for a period of more than six months from the date they became payable.  
  
(c) According to information & explanations given to us, there are no amounts in respect of Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess that have not been deposited with appropriate authorities on account of any dispute other than those mentioned in Annexure 1 to this report.
10. The Company has no accumulated losses. The Company has not incurred cash losses in the financial year under report and in the immediately preceding financial year.
11. The Company has not defaulted in repayment of dues to its bankers or to any financial institution. The Company did not have any outstanding debentures during the year.
12. The Company has not granted any loans and advance 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(xiv) 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 4 (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.
20. 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 **OSTAWAL & JAIN**  
CHARTERED ACCOUNTANTS

PLACE : BANGALORE  
DATE : 21st MAY, 2010

**Dhanpal I. Sakaria**  
PARTNER  
Membership No. 213886

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

Name of the Statute	Nature of dues	Amount (Rs.)	Period to which amount relates	Forum where dispute is pending
Apparel Export Promotion Council	Non Fulfillment of Export Obligation	Rs. 7,26,310/-	F.Y. 1998-99	High Court, Bombay

## BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedule	31-3-2010 Rs.	31-3-2009 Rs.
<b>I SOURCES OF FUNDS :</b>			
<b>1. Shareholders' Fund</b>			
a) Share Capital	1	43,000,000	42,965,696
b) Reserves & Surplus	2	99,018,211	73,566,449
		<u>142,018,211</u>	<u>116,532,145</u>
<b>2. Loan Funds</b>			
Secured Loans	3	11,996,168	19,094,759
<b>3. Deferred Tax Liability (Net)</b> (Refer Schedule 22, Note No.11)			
		655,861	1,414,016
	<b>Total</b>	<u>154,670,235</u>	<u>137,040,920</u>
<b>II APPLICATION OF FUNDS :</b>			
<b>1. Fixed Assets</b>			
Gross Block	4	46,152,667	45,305,624
Less : Depreciation / Impairment		17,812,996	16,844,846
Net Block		<u>28,339,672</u>	<u>28,460,778</u>
<b>2. Investments</b>			
	5	30,178,331	17,596,623
<b>3. Current Assets, Loans and Advances</b>			
a) Inventories	6	5,705,593	2,851,258
b) Sundry Debtors	7	15,699,596	36,007,626
c) Cash and Bank Balances	8	65,118,481	45,429,623
d) Loans & Advances	9	16,677,882	13,722,902
e) Other Current Assets	10	15,711,981	10,557,649
<b>Total Current Assets</b>	<b>[A]</b>	<u>118,913,533</u>	<u>108,569,055</u>
<b>4. Current Liabilities and Provisions</b>			
a) Current Liabilities	11	8,365,123	10,236,467
b) Provisions	12	14,396,178	7,349,069
<b>Total Current Liabilities</b>	<b>[B]</b>	<u>22,761,301</u>	<u>17,585,536</u>
<b>Net Current Assets [A] - [B]</b>		<u>96,152,232</u>	<u>90,983,519</u>
	<b>Total</b>	<u>154,670,235</u>	<u>137,040,920</u>
<b>Notes to Accounts</b>	22		

The Schedules referred to above form an integral part of the Balance Sheet

AS PER OUR REPORT OF EVEN DATE ATTACHED  
For **OSTAWAL & JAIN**  
CHARTERED ACCOUNTANTS

**Dhanpal I. Sakaria**  
PARTNER  
Membership No. : 213666  
PLACE : BANGALORE  
DATE : 21st MAY, 2010

On behalf of the Board

**Umesh M. Katre**  
**Karl Dantas**  
**Rahul L. Mehta**

**DIRECTORS**

PLACE : MUMBAI  
DATE : 21st MAY, 2010



# PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Schedule	31-3-2010 Rs.	31-3-2009 Rs.
<b>I INCOME</b>			
a) Export Sales		187,574,471	131,311,784
b) Local Sales		535,114	993,468
c) Operating Income	13	16,827,924	11,834,581
d) Other Income	14	16,519,277	6,138,477
		<u>220,455,686</u>	<u>150,278,310</u>
<b>II EXPENDITURE</b>			
a) (Increase) / Decrease in stock of Finished Goods / Work in process	15	(1,931,346)	553,354
b) Raw Materials & Accessories consumed	16	66,177,392	41,349,778
c) Manufacturing Expenses	17	58,311,488	36,220,014
d) Administrative & Selling Expenses	18	44,485,487	49,512,750
e) Payments to and Provisions for Employees	19	8,453,258	5,319,754
f) Remuneration to Directors	20	2,104,911	1,263,360
g) Interest	21	1,224,974	417,684
h) Depreciation		2,615,807	3,070,454
i) Impairment Loss		—	(6,623,989)
		<u>161,408,981</u>	<u>131,083,159</u>
<b>III PROFIT / (LOSS) BEFORE TAX</b>			
		39,046,905	19,195,151
(Add)/Less.: Provision for Taxation			
Current Tax		6,450,000	1,360,000
Deferred Tax		(788,155)	(1,971,048)
(Refer Schedule 22, Note No. 11)			
Fringe Benefit Tax		—	465,000
(Excess)/Short Provision for Tax of earlier years		(42,880)	(49,863)
		<u>6,048,965</u>	<u>(195,911)</u>
<b>IV PROFIT / (LOSS) AFTERTAX</b>			
		<u>32,997,940</u>	<u>19,391,062</u>
<b>V APPROPRIATION</b>			
a) Proposed Dividend		6,450,000	4,300,000
b) Tax on Proposed Dividend		1,096,178	730,785
c) Transfer to General Reserve		2,000,000	1,000,000
d) Balance carried to Balance Sheet		23,451,762	13,360,277
		<u>32,997,940</u>	<u>19,391,062</u>
Net-Profit/(Loss) After Tax Attributable to Equity Share-Holders		32,997,940	19,391,062
Weighted Average Number Of Equity Shares		4,300,000	4,300,000
Basic & Diluted Earnings Per Share		7.67	4.51
Face-Value Per Equity Share		10.00	10.00

## Notes to Accounts

22

The Schedules referred to above form an integral part of the Profit & Loss Account.

AS PER OUR REPORT OF EVEN DATE ATTACHED  
For **OSTAWAL & JAIN**  
CHARTERED ACCOUNTANTS

**Dhanpal I. Sakaria**  
PARTNER  
Membership No. : 213666  
PLACE : BANGALORE  
DATE : 21st MAY, 2010

On behalf of the Board

**Umesh M. Katre**  
**Karl Dantas**  
**Rahul L. Mehta**

**DIRECTORS**

PLACE : MUMBAI  
DATE : 21st MAY, 2010

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	31-3-2010 Rs.		31-3-2009 Rs.
<b>SCHEDULE-1</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised</b>			
50,00,000 (P.Y. 50,00,000) Equity Shares of Rs. 10/- each	<u>50,000,000</u>		<u>50,000,000</u>
<b>Issued, Subscribed and Paid Up</b>			
43,00,000 (P.Y. 43,00,000) Equity shares of Rs. 10/- each fully paid up.	43,000,000	43,000,000	
Less : Calls-in-arrears	<u>43,000,000</u>	34,304	42,965,696
	<u>43,000,000</u>		<u>42,965,696</u>
<b>SCHEDULE-2</b>			
<b>RESERVES &amp; SURPLUS</b>			
a) Securities Premium	34,914,240		34,914,240
b) General Reserve :			
Opening Balance	13,876,795	12,876,795	
Add : Transferred from Profit & Loss A/c	<u>2,000,000</u>	1,000,000	13,876,795
c) Profit and Loss Account :			
Opening Balance	24,775,414	11,415,137	
Add : Transferred from Profit & Loss A/c	<u>23,451,762</u>	13,360,277	24,775,414
	<u>99,018,211</u>		<u>73,586,449</u>
<b>SCHEDULE-3</b>			
<b>SECURED LOANS</b>			
Cash Credit (Post Shipment credit) From Vijaya Bank (Secured by a hypothecation of plant & machinery readymade garments meant for Export including Export Bills drawn under DP/DA basis and mortgage of the property bearing Gala No. 43 to 47 at Bhandup Industrial Estate Co. Op. Soc. Ltd.)	10,262,960		18,549,461
Car Loan from Kotak Mahindra Prima Ltd., (Secured by a specific charge on assets purchased) (Repayable within 1 year Rs. 7,48,345/-) (Previous Year Rs. 3,04,702/-)	1,734,203		545,298
	<u>11,997,163</u>		<u>19,094,759</u>



# SCHEDULE-4

## FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION / IMPAIRMENT LOSS					NET BLOCK	
	Cost as at 1-4-2009 Rs.	Additions during the year Rs.	Deductions during the year Rs.	Cost as at 31-3-2010 Rs.	As at 1-4-2009 Rs.	For the year Rs.	Deductions during the year Rs.	Impairment Loss Reversed Rs.	Total as at 31-3-2010 Rs.	As at 31-3-2010 Rs.	As at 31-3-2009 Rs.
Building	2,718,402	---	---	2,718,402	257,257	44,310	---	---	301,567	2,416,835	2,461,145
Factory Building(Galas)	2,671,491	---	---	2,671,491	1,221,092	69,717	---	---	1,310,809	1,360,682	1,450,399
Plant & Machinery	7,543,367	1,126,493	---	8,669,860	2,644,952	385,090	---	---	3,030,042	5,639,818	4,898,415
Electrical Installation	3,310,006	507,804	---	3,817,810	1,437,019	144,388	---	---	1,581,407	2,236,403	1,872,987
Furniture & Fixtures	9,370,973	1,165,867	---	10,536,840	4,573,673	514,135	---	---	5,088,008	5,448,832	4,797,100
Office Equipment	3,147,357	1,032,753	42,740	4,137,370	1,272,759	145,920	18,188	---	1,400,491	2,736,879	1,874,598
Vehicles	12,606,486	6,869,864	9,976,674	9,499,676	2,586,260	915,190	1,629,470	---	1,871,980	7,627,686	10,020,226
Computers	3,937,542	163,676	---	4,101,218	2,851,634	377,057	---	---	3,228,691	872,527	1,085,908
Total	45,305,624	10,866,457	10,019,414	46,152,687	16,844,846	2,615,607	1,647,658	---	17,612,995	28,339,672	28,460,778
Previous year	57,206,653	10,405,213	22,306,242	45,305,624	27,206,513	3,070,454	6,808,133	(6,523,989)	16,844,846	28,460,778	30,000,140





## SCHEDULES FORMING PART OF THE BALANCE SHEET

### SCHEDULE-5

#### INVESTMENTS :

##### I. Long Term Investments

(At cost / Diminished Value)

##### A. Investments in Shares

**Quoted : Non Trade :**

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

45,000

45,000

**Unquoted : Non Trade :**

50,000 (P.Y. NIL) Equity Shares of Rs. 10/- each fully paid up of Imperial Spirits Pvt. Ltd.

6,804,000

---

##### B. Investments in Subsidiary Company

609,000 (P.Y. 6,09,000) Equity Shares of Rs. 10/- each fully paid up of Bhupco Alloys Ltd.

15,659,890

15,659,890

22,508,890

15,704,890

Less : Provision for Permanent Diminution

Sushant Capital Limited

45,000

45,000

Bhupco Alloys Limited

4,100,000

4,100,000

[A] 18,363,890

11,559,890

##### C. Investments in Mutual Funds

**Quoted : Non Trade**

23591.623 (P.Y. 23591.623) Units of Reliance Mutual Fund Growth Plan

300,000

300,000

17465.023 (P.Y. 17465.023) Units of B292G Birla Top 100 Mutual Fund Growth Plan

300,000

300,000

1109.026 (P.Y. 544.841) Units of Reliance Vision Fund-Retail Plan Growth Plan

200,000

80,000

1306.686 (P.Y. 671.360) Units of HDFC Equity Fund Growth Plan

200,000

80,000

NIL (P.Y. 167865.224) Units of Taurus Income Fund Dividend Plan

2,500,000

(Market value as on 31.03.2010

Rs. 12,96,176/-) (P.Y. Rs. 30,41,181/-)

[B] 1,000,000

3,260,000

##### II. CURRENT INVESTMENTS

(At lower of cost and fair market value)

##### A. Investment in Mutual funds

**Quoted : Non Trade**

70,120.394 (P.Y. NIL) Units of Taurus Starshares Fund Dividend Plan

2,447,202

---

48,899.756 (P.Y. NIL) Unit of Shinesei Mutual Fund Dividend Plan

500,000

---

(Market value as on 31.03.2010

Rs. 29,62,116/-) (P.Y. Rs. NIL)

[C] 2,947,202

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# SCHEDULES FORMING PART OF THE BALANCE SHEET

## B. Investment in Shares

### Quoted : Non Trade

	31-3-2010 Rs.	31-3-2009 Rs.
NIL (P.Y. 500) Equity Shares of Rs. 10/- each of Reliance Industries Ltd.	---	543,046
NIL (P.Y. 50,000) Equity Shares of Rs. 10/- each Alok Industries Ltd.	---	625,000
4000 (P.Y. NIL) Equity Shares of Rs. 10/- each Bharati Shipyards Ltd.	1,000,600	---
2500 (P.Y. NIL) Equity Shares of Rs. 2/- each of Praj Industries Ltd.	215,500	---
NIL (P.Y. 10000) Equity Shares of Rs. 10/- each of Sujana Tower Ltd.	---	129,000
NIL (P.Y. 10000) Equity Shares of Rs. 10/- each of Divi's Laboratories Ltd.	---	442,064
NIL (P.Y. 3000) Equity Shares of Rs. 10/- each of JSW Steel Ltd.	---	601,123
NIL (P.Y. 2500) Equity Shares of Rs. 10/- each of Reliance Communication Ltd.	---	436,500
5000 (P.Y. NIL) Equity Shares of Rs. 10/- each of Fortis Health Ltd.	839,521	---
8000 (P.Y. NIL) Equity Shares of Rs. 2/- each of Graphite India Ltd.	708,000	---
11000 (P.Y. NIL) Equity Shares of Rs. 2/- each of Kirloskar Oil Engine Ltd.	1,795,932	---
10000 (P.Y. NIL) Equity Shares of Rs. 10/- each of Spicejet Ltd.	583,000	---
10000 (P.Y. NIL) Equity Shares of Rs. 1/- each of Usha Martin Ltd.	1,009,921	---
10000 (P.Y. NIL) Equity Shares of Rs. 1/- each of Vikas WSP Ltd.	326,000	---
25000 (P.Y. NIL) Equity Shares of Rs. 10/- each of Prism Cement Ltd.	1,388,765	---
Total Market value as on 31.03.2010 Rs. 7,980,450/- (P.Y. Rs. 3,124,450/-)	7,867,239	2,776,733

[D]

[A] + [B] + [C] + [D] 30,178,331

## SCHEDULE-6

### INVENTORIES

[As valued and certified by the Management]

a) Raw Materials	3,162,578	2,141,708
b) Accessories	378,569	478,439
c) Work in process	687,245	---
d) Finished Goods	1,477,809	233,108
	5,705,599	2,851,255

## SCHEDULE-7

### SUNDRY DEBTORS

(Unsecured Considered Good)

Debts outstanding for more than six months	1,124,800	7,054,143
Less : Provision for Doubtful debts	---	6,804,000
Others	14,574,796	250,143
	15,699,596	35,757,483
	---	36,007,626

## SCHEDULES FORMING PART OF THE BALANCE SHEET

	31-3-2010 Rs.		31-3-2009 Rs.
<b>SCHEDULE-8</b>			
<b>CASH &amp; BANK BALANCES</b>			
a) Cash on hand	168,965		236,812
b) <u>Bank balances with Scheduled Banks</u>			
In Current Accounts	64,069,118		43,945,828
In Margin Account	184,578		88,333
In EEFC Account	673,820		1,133,550
In Deposit A/c	29,000		25,000
	<u>65,116,481</u>		<u>45,429,623</u>
<b>SCHEDULE-9</b>			
<b>LOANS AND ADVANCES</b>			
<b>(Unsecured Considered Good)</b>			
a) Advances against Expenses	3,286,840		3,094,519
b) Staff Advance	2,674,225		2,431,625
c) Prepaid Taxes	7,682,311		4,662,258
d) Intercorporate Loans/Deposits	3,034,500		3,534,500
<b>Considered Doubtful</b>			
Intercorporate Loans/Deposits	4,000,000	4,000,000	
Less : Provision for Doubtful Loan / Advance	4,000,000	4,000,000	---
	<u>16,677,882</u>		<u>13,722,902</u>
<b>SCHEDULE-10</b>			
<b>OTHER CURRENT ASSETS</b>			
a) Duty Drawback Receivable	2,940,595		1,658,040
b) DEPB Receivable	248,153		248,154
c) Prepaid Expenses	1,039,559		89,425
d) Interest Receivable	992,514		985,378
e) Security Deposit for Premises	4,975,060		4,975,000
f) Other Deposits*	3,627,589		1,591,928
g) Duties and Taxes	4,678,565		1,009,724
	<u>15,711,981</u>		<u>10,557,849</u>
<b>* OTHER DEPOSIT INCLUDES</b>			
Paid to Managing Director	2,000,000		936,432
Maximum Amt. Outstanding during the year	2,000,000		3,436,432
<b>SCHEDULE-11</b>			
<b>CURRENT LIABILITIES</b>			
a) Sundry Creditors for Goods	2,878,161		3,375,775
b) Unclaimed Dividend	122,024		---
c) Outstanding Liabilities	5,364,938		6,860,692
	<u>8,365,123</u>		<u>10,236,467</u>
<b>SCHEDULE-12</b>			
<b>PROVISIONS</b>			
a) Provision for Taxes	6,850,000		2,318,284
b) Provision Dividend	6,450,000		4,300,000
c) Provision for Tax on Proposed Dividend	1,069,178		730,785
	<u>14,369,178</u>		<u>7,349,069</u>

# SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

## SCHEDULE-13

### OPERATING INCOME

- a) Duty Drawback  
b) Exchange Gain (Net)

81-3-2010  
Rs.

15,827,024

31-3-2009  
Rs.

11,783,922  
50,659

11,834,581

## SCHEDULE-14

### OTHER INCOME

- a) Interest :  
From Bank (TDS Rs. 1,177) (P.Y. Rs. NIL)  
On ICDs (TDS Rs. 3,90,210/-) (P.Y. Rs. 6,40,202/-)  
b) On Income Tax Refund  
c) Dividend Received  
d) Discount (Net)  
e) Profit on Sale of Investments  
d) Sundry balances / provisions written back

11,771

3,624,657

3,536,428

12,152

3,110,763

3,122,915

99,523

156,300

6,430

5,630,889

6,988,707

650,860

2,384,702

16,519,277

6,138,477

## SCHEDULE-15

### INCREASE / (DECREASE) IN STOCK OF FINISHED GOODS / WORK IN PROCESS

- Finished Goods  
Opening Stock  
Less : Closing Stock

283,108

1,477,809

(1,244,101)

786,462

233,108

553,354

- Work in process  
Opening Stock  
Less : Closing Stock

687,245

(687,245)

---

---

---

(1,931,346)

553,354

## SCHEDULE-16

### MATERIAL CONSUMPTION

- a) Raw Material Consumed  
Opening Stock  
Add : Purchases

2,141,708

55,137,072

57,278,780

3,162,570

54,116,210

3,177,664

30,335,747

33,513,411

2,141,708

31,371,703

- Less : Closing Stock

- b) Accessories consumed  
Opening Stock  
Add : Purchases

476,439

11,718,025

12,194,464

378,569

11,815,895

451,126

9,906,551

10,357,677

476,439

9,881,238

- Less : Closing Stock

- c) Sample Purchase

245,287

96,837

66,177,392

41,349,778

## SCHEDULE-17

### MANUFACTURING EXPENSES

- a) Labour Charges  
b) Workers' Emoluments  
(includes contribution to ESIC & PF)  
c) Processing Charges  
d) Loading & Unloading Charges  
f) Freight Inward  
g) Fabric Testing Charges  
h) Factory General Expenses  
i) Embroidery Charges  
j) Electricity Charges

28,741,099

11,300,316

8,760,676

13,403

370,727

408,345

190,045

7,037,788

592,349

58,311,498

14,937,340

7,953,142

6,468,695

17,465

256,172

269,965

218,696

5,568,598

533,941

38,220,014

## SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	31-3-2010 Rs.	31-3-2009 Rs.
<b>SCHEDULE-18</b>		
<b>ADMINISTRATIVE &amp; SELLING EXPENSES</b>		
a) Advertisement & Sales Promotion	976,819	1,081,280
b) Clearing, Forwarding, Octroi & Transport Charges	5,830,593	4,418,133
c) Postage, Telephone & Telex Charges	1,466,643	1,590,981
d) Printing & Stationery	339,351	348,795
e) Rates & Taxes	248,305	1,153,375
f) Service Charges	1,894,624	1,944,776
g) Office Electricity Charges	455,965	496,978
h) Travelling & Conveyance	3,124,482	3,109,116
i) Computer Expenses	142,738	139,631
j) Exchange Loss (Net)	3,166,317	---
k) Bank Charges	2,041,341	593,066
l) Insurance	282,172	150,420
m) ECGC Premium	736,809	143,625
n) Repairs :		
Building	573,383	1,561,132
Machinery	1,02,287	156,732
Others	635,147	393,435
o) Commission Paid	11,007,494	7,394,314
p) Directors' Sitting Fees	112,500	100,000
q) Legal & Professional Charges	1,153,804	1,193,574
r) Lease Rentals (Refer Schedule 22, Note No.10)	1,634,968	642,120
s) Diminution in the value of Current investments	707,089	250,086
s) Auditor's Remuneration :		
Audit Fees	165,450	137,875
Certificate Matters	33,090	16,854
t) Listing Fees	198,540	154,729
u) Sundry Expenses	46,026	65,475
v) Loss on Sale of Fixed Assets (Net)	954,812	601,843
w) Donations	3,165,584	13,632,730
x) Guest House maintenance	2,511,080	44,501
y) Discount (Net)	717,296	820,225
z) Advances / Balances written off	208,442	29,773
	<u>44,455,467</u>	<u>49,512,750</u>
<b>SCHEDULE-19</b>		
<b>PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>		
a) Salary and Bonus	5,165,350	4,227,197
b) Performance Bouns	1,712,000	---
c) L T A, Leave Salary, EPF & ESIC etc.	1,069,380	732,519
d) Gratuity	106,004	56,774
e) Staff welfare Expenses	400,645	303,264
	<u>8,453,259</u>	<u>5,319,754</u>
<b>SCHEDULE-20</b>		
<b>REMUNERATION TO DIRECTORS</b> (Refer Schedule 22, Note No. 1)		
a) Salary including Bonus & Leave Salary	1,473,531	858,000
b) Provident Fund Contribution	100,880	9,360
c) H R A	537,900	396,000
	<u>2,104,911</u>	<u>1,263,360</u>
<b>SCHEDULE-21</b>		
<b>INTEREST</b>		
a) Interest to Bank	1,116,184	347,386
b) Hire Purchase Interest	108,796	70,298
	<u>1,221,974</u>	<u>417,684</u>

## **SCHEDULE - 22**

### **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS AS ON 31ST MARCH, 2010**

#### **I. SIGNIFICANT ACCOUNTING POLICIES**

##### **(A) BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

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

The Management evaluates and adopts all recently issued or revised accounting standards on an ongoing basis.

##### **(B) USE OF ESTIMATES**

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

##### **(C) FIXED ASSETS**

Fixed Assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of 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 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.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress.

##### **(D) DEPRECIATION**

Depreciation on fixed 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 assets are sold or disposed.

##### **(E) IMPAIRMENT OF ASSETS**

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

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

##### **(F) INVESTMENTS**

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

##### **(G) INVENTORIES**

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

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

- a) Raw materials & Accessories - First in-first-out (FIFO)
- b) Work-in-process and Finished Goods - FIFO and including and appropriate share of production overheads. (manufactured)



**(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) EXPENSES**

Expenses are accounted on accrual basis.

**(J) 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.

**i) GRATUITY**

The Company has an obligation towards gratuity, a defined benefit retirement plan covering all eligible employees of the Company and its subsidiary. 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.

**ii) SHORT TERM EMPLOYEE BENEFITS**

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

**(K) INCOME TAX EXPENSE**

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

**Current Tax**

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

**Deferred Tax**

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

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

Foreign currency transaction 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.

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

**(M) LEASES**

Lease payments under operating leases are recognised as an expense in the statement of Profit & Loss on a straight-line basis over the lease term.

**(N) EARNING PER SHARE**

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

**(O) 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.

**II. NOTES TO ACCOUNTS**

**1 Remuneration to Directors**

	<u>31-3-2010</u>	<u>31-3-2009</u>
	Rs.	Rs.
Salary including Bonus & Leave Salary	1,251,750	858,000
PF Contribution	100,380	9,360
H R A	531,000	396,000
Commission	191,952	---
Tax Perquisites	194,408	---
	<u>2,269,490</u>	<u>1,263,360</u>

**Computation of net profit in accordance with Section 349 & 350 read with section 198 of Companies Act, 1956**

	<u>31-3-2010</u>	<u>31-3-2009</u>
	Rs.	Rs.
<b>Particulars</b>		
Net Profit before Taxation as per Profit and Loss account	39,046,905	19,195,151
Add : Directors Remuneration (including commission)	2,269,490	1,263,360
Directors Sitting Fees	112,500	100,000
Depreciation provided in the accounts	2,615,807	3,070,454
Loss on Sale of fixed assets	3,185,584	13,632,730
	<u>8,183,381</u>	<u>18,066,544</u>
	<u>47,230,286</u>	<u>37,261,695</u>
Less : Depreciation under section 350 of the Act	2,615,807	3,070,454
Net Profit for the purpose of section 269	44,614,479	34,191,241
Managerial remuneration allowable to Managing Director 5%	2,232,414	1,709,562
Actual Managerial remuneration	2,269,490	1,263,360

The Remuneration paid to Mr. Umesh Katre, Managing Director is in accordance with the stipulations under schedule XIII, Part II, Section II (B) of the Companies Act, 1956 however, subject to shareholders approval by way of special resolution at the ensuing 22nd Annual General Meeting.

	<b>31-3-2010</b>	<b>31-3-2009</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Presentation For Effective Capital</b>		
(Read with section 309 & Part II of Schedule XIII)		
Paid-up Share Capital	42,965,696	42,965,696
Security Premium Account	34,914,240	34,914,240
Profit and Loss Account	24,775,414	11,415,137
General Reserve Fund	13,876,795	12,876,795
<b>Total - A</b>	<b>116,532,144</b>	<b>102,171,868</b>
<b>Less :</b>		
Investments	17,596,623	12,159,890
Accumulated Losses	---	---
<b>Total - B</b>	<b>17,596,623</b>	<b>12,159,890</b>
<b>Effective Capital (A-B)</b>	<b>98,935,521</b>	<b>90,011,978</b>

**2. Statement of Investments purchased and sold during the year**

Name of the Company / Institution	Nature of Investments	Quantity	Value	Quantity	Value
		(in Units) 31.03.2010	(in Rs.) 31.03.2010	(in Units) 31.03.2009	(in Rs.) 31.03.2009
Reliance Equity Fund - Growth	Units	---	---	---	---
Birla Top 100 Fund - Growth	Units	---	---	---	---
HDFC Equity Fund - Growth	Units	1,306,666	200,000	671,360	80,000
Reliance Vision Fund - Growth	Units	1,109,026	200,000	544,841	80,000
Taurus Income Fund - Dividend	Units	167,865,224	2,500,000	167,865,224	2,500,000
Taurus Income Fund - Dividend (Sold)	Units	(167,865,224)	(2,443,262)	---	---
Taurus Infrastructure Fund - Dividend	Units	209,362,601	2,443,262	---	---
Taurus Infrastructure Fund - Dividend (Sold)	Units	(209,362,601)	(2,694,026)	---	---
Taurus Starshare Fund - Dividend	Units	70,120,394	2,694,026	---	---
Shinsei Mutual Fund	Units	48,899,756	500,000	---	---
Alok Industries Ltd.	Shares	---	---	50,000	743,053
Alok Industries Ltd. (Sold)	Shares	(50,000)	(1,144,650)	---	---
I.D.F.C	Shares	---	---	15,000	761,040
I.D.F.C. (Sold)	Shares	---	---	(15,000)	(914,426)
JSW Steel Ltd.	Shares	---	---	8,000	1,562,307
JSW Steel Ltd. (Sold)	Shares	(3,000)	(894,079)	(5,000)	(1,110,677)
Larsen & Toubro Ltd.	Shares	---	---	1,000	701,002
Larsen & Toubro Ltd. (Sold)	Shares	---	---	(1,000)	(838,070)
Reliance Communication Ltd.	Shares	---	---	5,000	947,893
Reliance Communication Ltd. (Sold)	Shares	(2,500)	(768,069)	(2,500)	(613,305)
Reliance Industries Ltd.	Shares	500	543,046	500	543,046
Reliance Industries Ltd. (Sold)	Shares	(500)	(822,584)	---	---
United Phosp	Shares	---	---	15,000	1,362,947
United Phosp (Sold)	Shares	---	---	(15,000)	(1,586,459)
Jindal Steel Ltd.	Shares	---	---	1,004	907,427
Jindal Steel Ltd. (Sold)	Shares	---	---	(1,004)	(1,005,767)

Pyramid Sain	Shares	---	---	5,000	341,879
Pyramid Sain (Sold)	Shares	---	---	(5,000)	(71,847)
Sujana Tower Ltd.	Shares	20,000	322,678	10,000	234,468
Sujana Tower Ltd. (Sold)	Shares	(30,000)	(754,494)	---	---
Divi's Labrotories Ltd.	Shares	---	---	1,000	884,129
Divi's Labrotories Ltd. (Sold)	Shares	(500)	(488,530)	(500)	(472,826)
Kirloskar Electric	Shares	10,000	315,621	---	---
Kirloskar Electric (Sold)	Shares	(10,000)	(511,272)	---	---
Sunil Hi-Tech	Shares	10,000	842,607	---	---
Sunil Hi-Tech (Sold)	Shares	(10,000)	(890,820)	---	---
Gayatri Project	Shares	2,500	208,495	---	---
Gayatri Project (Sold)	Shares	(2,500)	(448,678)	---	---
Electrosteel Casting Ltd.	Shares	20,000	478,665	---	---
Electrosteel Casting Ltd. (Sold)	Shares	(20,000)	(655,260)	---	---
Shivani Oil	Shares	5,000	788820.33	---	---
Shivani Oil (Sold)	Shares	(5,000)	(910,106)	---	---
Opto Circuit	Shares	5,000	633,473	---	---
Opto Circuit (Sold)	Shares	(5,000)	(731,094)	---	---
Orbit Co.	Shares	15,000	2,091,572	---	---
Orbit Co. (Sold)	Shares	(15,000)	(2,973,878)	---	---
3I Infotech	Shares	5,000	362,696	---	---
3I Infotech (Sold)	Shares	(5,000)	(412,797)	---	---
Emco Ltd.	Shares	12,000	954,513	---	---
Emco Ltd. (Sold)	Shares	(12,000)	(1,073,707)	---	---
Nav Bhar Ven	Shares	2,000	567,887	---	---
Nav Bhar Ven (Sold)	Shares	(2,000)	(686,006)	---	---
Deccan CHR.	Shares	5,000	382,626	---	---
Deccan CHR. (Sold)	Shares	(5,000)	(458,887)	---	---
B iocon Ltd.	Shares	5,000	1,081,078	---	---
B iocon Ltd. (Sold)	Shares	(5,000)	(1,219,271)	---	---
SREI Infra	Shares	5,000	354,936	---	---
SREI Infra (Sold)	Shares	(5,000)	(390,314)	---	---
REI Agro Ltd.	Shares	5,000	366,430	---	---
REI Agro Ltd. (Sold)	Shares	(5,000)	(384,779)	---	---
NIIT Ltd.	Shares	10,000	735,481	---	---
NIIT Ltd. (Sold)	Shares	(10,000)	(744,230)	---	---
Apollo Tyers	Shares	15,000	582,075	---	---
Apollo Tyers (Sold)	Shares	(15,000)	(589,208)	---	---
Ruchi Soya	Shares	25,000	1,847,219	---	---
Ruchi Soya (Sold)	Shares	(25,000)	(2,107,151)	---	---
Glenmark Pharma	Shares	8,000	1,964,169	---	---
Glenmark Pharma (Sold)	Shares	(8,000)	(1,877,969)	---	---
Kirloskar Oils	Shares	16,000	2,124,234	---	---
Kirloskar Oils (Sold)	Shares	(5,000)	(334,016)	---	---
Prakash Industries	Shares	2,000	296,544	---	---
Prakash Industries (Sold)	Shares	(2,000)	(298,964)	---	---
Ster Tech	Shares	7,000	1,777,968	---	---
SterTech (Sold)	Shares	(7,000)	(2,142,467)	---	---
FSL	Shares	25,000	862,395	---	---
FSL (Sold)	Shares	(25,000)	(909,237)	---	---
ESS DEE Aluminium	Shares	1,500	548,456	---	---
ESS DEE Aluminium (Sold)	Shares	(1,500)	(527,349)	---	---

Marg Ltd.	Shares	5,000	779,377	---	---
Marg Ltd. (Sold)	Shares	(5,000)	(983,664)	---	---
KPIT Cummin	Shares	10,000	1,110,044	---	---
KPIT Cummin (Sold)	Shares	(10,000)	(1,311,274)	---	---
MAX India	Shares	5,000	1,008,935	---	---
MAX India (Sold)	Shares	(5,000)	(1,115,550)	---	---
Kalyani Steel	Shares	10,000	1,947,662	---	---
Kalyani Steel (Sold)	Shares	(10,000)	(2,139,138)	---	---
Time Techno	Shares	5,000	244,929	---	---
Time Techno (Sold)	Shares	(5,000)	(238,067)	---	---
PSL Ltd.	Shares	5,000	883,228	---	---
PSL Ltd. (Sold)	Shares	(5,000)	(802,509)	---	---
Shobha Developers	Shares	2,000	495,300	---	---
Shobha Developers (Sold)	Shares	(2,000)	(587,778)	---	---
Prism Cement	Shares	25,000	1,447,058	---	---
Praj Industries Ltd.	Shares	2,500	254,320	---	---
Graphit India	Shares	8,000	738,336	---	---
Bharati Shipyard	Shares	4,000	1,234,930	---	---
Vikas WSP Ltd.	Shares	10,000	349,089	---	---
Fortis Health	Shares	5,000	839,521	---	---
Spicojet Ltd.	Shares	10,000	616,017	---	---
Usha Martin	Shares	10,000	1,009,921	---	---

Note : Figures in the bracket indicates shares sold during the year.

- Balances of Sundry Debtors, Sundry Creditors, Loans and Advances, Receivables and Payable are subject to confirmation/reconciliation, if any.
- In the opinion of the Board of Directors adequate provision has been made in the accounts for all known liabilities and the current assets, loans and advances have a value on realisation in the ordinary course of business at least equal to the value stated in the Balance Sheet.
- Gratuity Plan :

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

Change in defined benefit obligation	(Amount in Rupees)	
	AS AT31.03.2010	AS AT31.03.2009
Opening defined benefit obligation	1,027,301	817,664
Interest Cost	86,736	72,082
Current Service Cost	91,873	83,360
Benefits Paid	---	(111,739)
Actuarial Losses	15,797	170,404
Closing defined benefit obligation	1,221,707	1,027,301

#### Change in plan assets

Plan Assets at beginning of the year, at fair Value	1,023,581	1,050,267
Expected Return on plan Assets (estimated)	81,886	84,021
Contributions	---	---
Benefits settled	---	(111,739)
Actuarial gain / (loss) on plan assets	10,236	5,501
Plan Assets at end of the year, at fair value	1,115,703	1,023,581

(Amount in Rupees)  
AS AT31.03.2010

(Amount in Rupees)  
AS AT31.03.2009

**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	1,221,707	1,027,301
Present value of the defined benefit obligation at the end of the year	1,115,703	1,023,581
Assets /(Liability) recognized in the balance sheet	(106,004)	---
Assets /(Liability) not recognized in the balance sheet	---	(3,720)

**Gratuity cost for the period**

Current Service Cost	91,873	83,360
Interest cost	86,736	67,612
Expected Return on plan Asset	(81,886)	(79,552)
Net Actuarial (Gain)/Loss recognized for the year	5,561	164,902
Opening liability recognized during the year	3,720	---
Expenses recognised in statement of profit and loss account	106,004	---
Expenses not recognised in statement of profit and loss account	---	236,322

**Movements in the liability recognized in Balance sheet**

Opening Liability	---	---
Expenses recognised	106,004	---
Contribution paid	---	---
Closing Liability	106,004	---

**Assumptions at the valuation date**

Discount factor	8.50%	8%
Salary Escalation rate	5%	5%
Rate of Return (Expected) on plan Asset	8%	8%
Retirement age	58	58

**6. Following Contingent Liabilities are not provided for :**

	<u>31.3.2010</u>	<u>31.3.2009</u>
In respect of Income Tax Demand for A.Y. 1996-97 in dispute under appeal	---	288,895

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

	726,310	726,310
--	---------	---------

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

- Loss on sale of fixed assets amounting to Rs. NIL (P.Y. Rs. 13,632,730/-) was charged to profit and loss account during the year on account of closure of Bangalore Unit.
- Impairment loss of Rs. NIL (P.Y. 6,623,989/-) has been reversed during the year on account of closure of Bangalore Unit and sale of fixed assets at Bangalore Unit.
- The Company has initiated the process of obtaining confirmation from suppliers who have registered themselves under the Micro Small Medium Enterprise Development Act, 2006 (MSMED Act, 2006). Based on the information available with the Company, the balance due to Micro & Small Enterprises as defined under the MSMED Act, 2006 is Rs. NIL (Previous year Rs. NIL) Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

**10. Operating Lease**

The Company's significant leasing arrangements are in respect of operating leases for Guesthouses and Office Premises. These are cancelable operating leases and these lease agreements are normally renewed on expiry. The aggregate lease rentals payable are charged as Lease Rentals under Schedule 18.

The Company conducts its factory operations from facility that is leased under a 60 months non-cancellable operating lease expiring in November 2013. The Company also uses motor car and speed boat that is leased under non-cancellable operating leases. The Company has commitment under non-cancellable operating leases as follows :

Minimum Lease Payment	As at 31 March 2010	As at 31 March 2009
Due within one year	1,843,143	---
Due later than one year and not late than five years	3,850,192	---
Due later than five years	---	---

Lease payment recognised in the statement of profit & loss account as lease rentals under schedule 18

On account of Non-cancellable Lease	1,400,968	(P.Y. Rs. NIL)
On account of Cancellable Lease	234,000	(P.Y. Rs. 642,120/-)

**11. Deferred Tax**

In compliance with the accounting standard - AS 22 relating to "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the Company has credited a sum of Rs. 7,58,141/- (Previous Year Rs. 19,71,048 /- Cr.) as Deferred Tax arising out of timing differences, in the Profit & Loss Account.

**Major components of Deferred Tax Assets & Liabilities on account of timing differences are :**

	31-3-2010		31-3-2009	
	Assets	Liabilities	Assets	Liabilities
Depreciation and other differences in the block of Fixed Assets	---	817,062	---	1,520,714
Disallowances u/s 43B of the I.T. Act, 1961	161,201	---	106,698	---
<b>Total</b>	<b>161,201</b>	<b>817,602</b>	<b>106,698</b>	<b>1,520,714</b>

**12. Income tax**

Provision of Rs. 68,00,000/- (P.Y. Rs. 12,75,000/-) is made towards liability for income tax and Rs. 50,000/- (P.Y. Rs. 85,000/-) towards liability for wealth tax.

**13. Related Party Disclosures**

Related parties with whom transaction have taken place during the year :

(As identified by the Management and relied upon by Auditors)

I. Subsidiary Company  
**Bhupco Alloys Ltd.**

II. Key Management Personnel

<b>Mr. Umesh M. Katre</b>	Managing Director
<b>Mr. Ashok Daryanani</b>	Director
<b>Mr. Karl Dantas</b>	Director
<b>Mr. Charuchandra Patankar</b>	Director
<b>Mr. Rahul L. Mehta</b>	Director



III. Company / Firms in which one of the Director or Relative of director is interested  
**Dyna Sales International**  
**Dyna Sales**

Particulars of Related party transactions :

	31st March, 2010		31st March, 2009	
	Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance
Purchase of services (Guset House)				
-- Mr. Umesh Katre	120,000	---	120,000	---
Purchase of Fixed Assets				
-- Dyna Sales International (Plant & Machinery)	---	---	---	330,840
Loans & Advances				
-- Bhupco Alloys Ltd.	569,999	---	72,876	---
Remuneration				
-- Key management personnel	2,104,911	---	1,263,360	63,250
Directors Sitting Fees				
-- Mr. B. K. Sen	---	---	40,000	---
-- Mr. Ashok Daryanani	40,000	---	20,000	---
-- Mr. Karl Dantas	32,500	---	17,500	---
-- Mr. C.G.Patankar	35,000	---	22,500	---
-- Mr. R. L. Mehta	5,000	---	---	---
Deposit (Guest House)				
-- Mr. Umesh Katre	1,063,568	2,000,000	(2,500,000)	936,432
Investment in shares of subsidiary of the company				
-- Bhupco Alloys Ltd.	---	15,659,890	---	15,659,890

14. **Disclosures requirements of Clause 32 of Listing agreement issued by SEBI**

	31st March, 2010		31st March, 2009	
	Closing Balance	Maximum Outstanding	Closing Balance	Maximum Outstanding
<b>Investments In Bhupco Alloys Ltd.</b>				
Carrying Cost of Investment	11,559,890	11,559,890	11,559,890	11,559,890
Number of Shares	609,000	609,000	609,000	609,000
Loan Given to Bhupco Alloys Ltd.	---	569,999	---	72,876

**15. Segment Reporting**

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

	31st March, 2010			31st March, 2009		
	Garment	Finance	Total	Garment	Finance	Total
<b>Business Segment</b>						
I. Segment Revenue	211,032,269	9,423,617	220,455,886	146,504,535	3,523,689	150,028,223
Less : Inter Segment Revenue	---	---	---	---	---	---
II. Segment results	52,610,424	9,423,617	62,034,041	29,742,379	3,532,689	33,266,068
Less : Extraordinary Items	---	---	---	---	---	---
	52,610,424	9,423,617	62,034,041	29,742,379	3,523,689	33,266,068
Unallocated Corporate Expenses (Net of unallocated income)			19,149,354			17,206,768
Financial Expenses	---	---	1,221,974	---	---	417,684
Depreciation	2,615,807	---	2,615,807	3,070,454	---	3,070,454
Impairment Loss	---	---	---	(6,623,989)	---	(6,623,989)
III. <b>Profit Before Tax</b>			39,046,905			19,195,151
Less : Provision for Tax			6,850,000			1,360,000
Less : Short Provision for Tax for Earlier Years			(42,880)			(49,863)
Less : Provision For Deferred Tax (Net)			(758,155)			(1,971,048)
Less : Fringe Benefit Tax			---			465,000
Less : Prior Period Adjustments			---			---
IV. <b>Profit After Tax</b>			32,997,940			19,391,082
V. Segment Assets	70,425,299	34,205,448	104,630,745	62,418,074	22,118,500	104,534,574
Unallocable Assets			72,800,792			50,091,881
<b>Total Assets</b>			<u>177,431,536</u>			<u>154,626,455</u>
VI. Segment Liabilities	13,141,121	---	13,141,121	21,925,236	---	21,925,236
Unallocable Liabilities			22,272,204			16,169,076
<b>Total Liabilities</b>			<u>35,413,325</u>			<u>38,094,312</u>
VII. Other Information						
Capital Expenditure	10,866,457	---	10,866,457	10,405,213	---	10,405,213
Depreciation	2,615,807	---	2,615,807	3,070,454	---	3,070,454
Loss on sale of Fixed Asset	3,185,584	---	3,185,584	13,632,730	---	13,632,730
Impairment Loss	---	---	---	(6,623,989)	---	(6,623,989)

16. Quantities and sale value in respect of each class of goods, dealt with by the Company.

	Units	31-3-2010		31-3-2009	
		Qty.	Value (Rs.)	Qty.	Value (Rs.)
<b>-- Class of Goods : Readymade Garments</b>					
<b>A) MANUFACTURING</b>					
a) Licensed Capacity	---	N.A.	---	N.A.	---
b) Installed Capacity	(Pcs)	850,000	---	800,000	---
c) Opening Stock	(Pcs.)	5,685	233,108	17,011	786,462
d) Production	(Pcs.)	827,726	---	535,467	---
e) Closing Stock	(Pcs.)	9,942	1,477,209	5,685	233,108
f) Sales	(Pcs.)	823,469	187,574,471	546,793	131,311,784

• Installed Capacity is certified by the Management and relied upon by the Auditors, It being a technical matter.

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

**A) CONSUMPTION OF RAW MATERIALS**

i) Fabrics	(Mts.)	1,480,480	54,116,210	851,397	31,371,703
ii) Accessories	---	---	11,815,895	---	9,881,238

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

Accessories		806,307	2,638,937
		<u>806,307</u>	<u>2,638,937</u>

**C) VALUE OF FABRIC CONSUMED**

	% of total consumption	Rs.	% of total consumption	Rs.
Indigenous	100%	54,116,210	100%	31,371,703
	100%	54,116,210	100%	31,371,703

**D) VALUE OF ACCESSORIES CONSUMED**

	% of total consumption	Rs.	% of total consumption	Rs.
Imported (Inclusive of custom duty and other incidental expenses)	6.82	806,307	26.71	2,638,937
Indigenous	93.18	11,009,588	73.29	7,242,301
	100.00	11,815,895	100.00	9,881,238

17. Earnings in Foreign Exchange :

	Rs.	Rs.
F.O.B. Value of Export of Goods	181,713,471	127,078,655

18. Expenditure in Foreign Currency

	Rs.	Rs.
Accessories	806,307	2,636,937
Travelling Expenses	266,782	245,361
Commission	10,849,364	7,068,711
	<u>11,922,453</u>	<u>9,953,009</u>

19. Earning Per Share

	<u>31st March 2010</u>	<u>31st March 2009</u>
a. Profit / (Loss) after Tax	32,997,940	19,391,062
b. Number of Shares (weighted average)	4,300,000	4,300,000
c. Earning Per Share (Rs.)	7.67	4.51

20. Previous Year's figures have been regrouped / rearranged wherever necessary.

For OSTAWAL & JAIN,  
CHARTERED ACCOUNTANTS

DHANPAL I. SAKARIA  
PARTNER  
MEMBERSHIP NO. : 213666

PLACE : BANGALORE  
DATE : 21st MAY, 2010

On behalf of the Board

Umesh M. Katre  
Karl Dantas  
Rahul L. Mehta

DIRECTORS  
PLACE : MUMBAI  
DATE : 21st MAY, 2010

To,

The Board of Directors,  
**Spice Islands Apparels Limited,**  
62-B, Mittal Tower,  
210, Nariman Point,  
Mumbai - 400 021.

We have examined the attached Cash Flow Statement of Spice Island Apparels Limited for the year ended on 31/03/2010. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of the Listing Agreements with Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company, covered by our report of 21st May, 2010 to the members of the Company.

For **OSTAWAL & JAIN**  
CHARTERED ACCOUNTANTS

PLACE : BANGALORE  
DATE : 21st MAY, 2010

**DHANPAL I. SAKARIA**  
PARTNER  
MEMBERSHIP NO.: 213666

## CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET

	Year Ended 31-3-2010 Rs.	Year Ended 31-3-2009 Rs.
<b>(I)</b>		
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit after tax as per Profit & Loss Account	32,997,940	19,391,062
<u>Adjusted for</u>		
Provision for taxation (including Deferred Tax)	6,048,965	(195,911)
	<u>6,048,965</u>	<u>(195,911)</u>
<b>Net Profit Before Tax</b>	<b>39,046,905</b>	<b>19,195,151</b>
<u>Adjusted for:</u>		
Depreciation	2,615,807	3,070,454
Interest on Borrowings	1,119,184	347,386
Dividend Received	(156,300)	---
Profit on Sale of Investment	(5,630,889)	(650,860)
Loss on Sale of Fixed Assets	3,185,584	13,632,730
Diminution in the value of Current Investments	707,089	250,086
Impairment Loss Reversed	---	(6,623,989)
<b>Operating Profit Before Working Capital Changes</b>	<b>40,886,360</b>	<b>29,220,958</b>
<u>Adjusted for</u>		
<u>Movements In:</u>		
Trade & Other Receivables	14,718,771	(7,534,711)
Inventories	(2,854,338)	1,563,996
Inter-Corporate Deposits & Bills Discounted	500,000	500,000
Trade Payables	(13,752,128)	(2,159,902)
<b>Cash Generated from Operations</b>	<b>39,498,684</b>	<b>21,590,341</b>
Less : Direct Taxes paid/ (Refund)	(1,554,543)	385,204
<b>Net Cash Flow from Operating Activities</b>	<b>41,053,227</b>	<b>21,205,137</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of Fixed Assets	5,186,172	1,856,024
Purchase of Fixed Assets	(10,886,457)	(10,395,857)
Sale of Investments	38,778,484	6,613,228
Purchase of Investments	(46,436,391)	(11,649,191)
Dividend Received	156,300	---
<b>Net Cash Flow from Investing Activities</b>	<b>(13,181,892)</b>	<b>(13,575,796)</b>



## CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET

	Year Ended 31-3-2010 Rs.	Year Ended 31-3-2009 Rs.
<b>(C) CASH FLOW FROM FINANCIAL ACTIVITIES</b>		
Working Capital Loan	(8,286,901)	17,533,166
Movement in Vehicle Loan	1,187,985	545,298
Interest on Borrowings	(1,118,184)	(347,386)
Calls-in arrears received	84,304	---
<b>Net Cash Flow from Financial Activities</b>	<b>(8,132,796)</b>	<b>17,731,078</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS ((A)+(B)+(C))</b>	<b>19,688,858</b>	<b>25,360,419</b>
<b>(II)</b>		
Opening Balance of Cash & Cash Equivalents	45,429,623	20,069,204
Closing Balance of Cash & Cash Equivalents	65,118,481	45,429,623
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>19,688,858</b>	<b>25,360,419</b>

**Notes :**

1. Interest earned, discounting charges, provision for doubtful inter-corporate deposits, movements in inter-corporate deposits and bills of exchange have been considered as part of "Cash Flow From Operating Activities".
2. Direct Taxes Paid is treated as arising from Operating Activities and is not bifurcated between Operating, Investing and Financing Activities.
3. Previous year figures have been regrouped/reclassified wherever necessary.

**AS PER OUR REPORT ATTACHED TO THE BALANCE SHEET**  
**For OSTAWAL & JAIN**  
**CHARTERED ACCOUNTANTS**

**DHANPAL I. SAKARIA**  
**PARTNER**  
 MEMBERSHIP NO. : 213666

PLACE : BANGALORE  
 DATE : 21st MAY, 2010

**On behalf of the Board**

**Umesh M. Katre**  
**Karl Dantas**  
**Rahul L. Mehta**

**DIRECTORS**  
 PLACE : MUMBAI  
 DATE : 21st MAY, 2010

**Statement Pursuant to Part IV to the Companies Act, 1956  
Balance Sheet Abstract and Company's General Business Profile**

**I REGISTRATION DETAILS**

Registration No.

State Code

Balance Sheet Date

**II CAPITAL RAISED DURING THE YEAR (AMOUNT RS. IN THOUSAND)**

Public Issue	<input type="text" value="NIL"/>	Rights Issue	<input type="text" value="NIL"/>
Bonus Issue	<input type="text" value="NIL"/>	Private Placement	<input type="text" value="NIL"/>

**III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT RS. IN THOUSANDS)**

Total Liabilities	<input type="text" value="154670"/>	Total Assets	<input type="text" value="154670"/>
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**SOURCES OF FUNDS**

Paid-up-Capital	<input type="text" value="43000"/>	Reserves & Surplus	<input type="text" value="99018"/>
Secured Loans	<input type="text" value="11996"/>	Unsecured Loans	<input type="text" value="NIL"/>

**APPLICATION OF FUNDS**

Net Fixed Assets	<input type="text" value="28340"/>	Investments	<input type="text" value="30178"/>
Net Current Assets	<input type="text" value="96152"/>	Misc. Expenditure	<input type="text" value="NIL"/>
Accumulated Losses	<input type="text" value="NIL"/>		

**IV PERFORMANCE OF THE COMPANY (AMOUNT RS. IN THOUSANDS)**

Turnover	<input type="text" value="220456"/>	Total Expenditure	<input type="text" value="181409"/>
+ (-) Profit/Loss Before Tax	<input type="text" value="39047"/>	+ (-) Profit/Loss After Tax	<input type="text" value="32998"/>
Earnings per share (In Rs.)	<input type="text" value="7.67"/>	Dividend Rate (%)	<input type="text" value="15"/>

**V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY (AS PER MONETARY TERMS).**

Product Description	Item Code No. (ITC Code)	Product Description	Item Code No. (ITC Code)
Mens Jackets	62033200	Mens Shorts	62034200
Mens Shirts	62052000	Womens	62063000
Womens Jackets	62043200	Blouses / Shirts	
Womens Skirts	62045200	Womens Dresses	62044200

On behalf of the Board of Directors

**Umesh M. Katre  
Karl Dantas  
Rahul L. Mehta**

**DIRECTORS**

PLACE : MUMBAI  
DATE : 21st MAY, 2010





## AUDITORS' REPORT

### On the Consolidated Financial Statements of M/s. Spice Islands Apparels Limited and it's Subsidiaries

1. We have examined the attached consolidated Balance Sheet of **M/S. SPICE ISLANDS APPARELS LIMITED** ("the company") and its Subsidiary Company as at 31 March 2010 and also the Consolidated profit and loss account and Consolidated cash flow statement for the year then ended on that date annexed thereto. These Consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Consolidated financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21 'Consolidated Financial Statements', issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of M/s. Spice Islands Apparels Limited and its subsidiary M/s. Bhupco Alloys Limited included in the aforesaid consolidated financial statements.
4. In our opinion and to the best of our information and according to the explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of M/s. Spice Islands Apparels Limited, and its aforesaid subsidiary, the Consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India :
  - (i) in the case of the Consolidated Balance Sheet of the consolidated state of affairs of Spice Islands Apparels Limited's Group as at 31 March, 2010;
  - (ii) in the case of Consolidated Profit and Loss Account, of the consolidated results of operations of Spice Islands Apparels Limited's Group for the year ended on that date; and
  - (iii) in the case of Consolidated Cash Flow Statement, of the consolidated cash flows of Spice Islands Apparels Limited's Group for the year ended on the date.

For **OSTAWAL & JAIN**  
CHARTERED ACCOUNTANTS

**Dhanpal I. Sakarla**  
Partner  
Membership No. 213666

PLACE : BANGALORE  
DATE : 21st MAY, 2010

## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedule	31-3-2010 Rs.	31-3-2009 Rs.
<b>I SOURCES OF FUNDS :</b>			
<b>1) Shareholders' Fund</b>			
a) Share Capital	1	42,715,000	42,680,696
b) Reserves & Surplus	2	96,717,775	139,432,775
<b>2) Loan Funds</b>			
Secured Loans	3	11,995,183	19,094,759
<b>3) Deferred Tax Liability (Net)</b> (Refer Schedule 22, Note No. 11)		839,993	1,607,459
<b>Total</b>		<b>152,268,931</b>	<b>134,369,446</b>
<b>II APPLICATION OF FUNDS:</b>			
<b>1. Fixed Assets</b>			
Gross Block	4	52,997,948	52,129,105
Less : Depreciation/Impairment		23,090,015	21,983,357
Net Block		29,907,933	30,145,748
<b>2. Goodwill (On Consolidation)</b>		3,306,807	3,306,807
<b>3. Investments</b>	5	18,818,441	6,036,733
<b>4. Current Assets, Loans and Advances</b>			
a) Inventories	6	5,705,593	2,851,255
b) Sundry Debtors	7	15,734,219	36,014,526
c) Cash and Bank Balances	8	85,130,859	46,097,069
d) Loans & Advances	9	18,376,668	14,553,148
e) Other Current Assets	10	18,996,043	13,641,710
<b>[A]</b>		<b>123,943,183</b>	<b>113,157,708</b>
<b>5. Less : Current Liabilities and Provisions</b>			
a) Current Liabilities	11	9,055,356	10,891,785
b) Provisions	12	14,452,078	7,385,765
<b>[B]</b>		<b>23,507,434</b>	<b>18,277,550</b>
<b>Net Current Assets [A] - [B]</b>		<b>100,435,749</b>	<b>94,880,158</b>
<b>Total</b>		<b>152,268,930</b>	<b>134,369,446</b>
<b>Notes to Accounts</b>	22		

The Schedules referred to above forms an integral part of the Balance Sheet

AS PER OUR REPORT OF EVEN DATE ATTACHED  
For **OSTAWAL & JAIN**  
CHARTERED ACCOUNTANTS

**DHANPAL I. SAKARIA**  
PARTNER  
Membership No. : 213666  
PLACE : BANGALORE  
DATE : 21st MAY, 2010

On behalf of the Board

**Umesh M. Katre**  
**Karl Dantas**  
**Rahul L. Mehta**

**DIRECTORS**  
PLACE : MUMBAI  
DATE : 21st MAY, 2010

# CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Schedule	31-3-2010 Rs.	31-3-2009 Rs.
<b>I INCOME</b>			
a) Export Sales		187,574,471	131,311,784
b) Local Sales		535,114	993,468
c) Operating Income	13	15,827,024	11,834,581
d) Other Income	14	17,983,865	7,483,960
		<b>221,920,474</b>	<b>151,623,793</b>
<b>II EXPENDITURE</b>			
a) (Increase) / Decrease in stock of Finished Goods / Work in process	15	(1,931,348)	553,354
b) Raw Materials & Accessories	16	66,177,392	41,349,778
c) Manufacturing Expenses	17	58,311,498	36,220,015
d) Administrative & Selling Expenses	18	45,130,616	49,853,869
e) Payments to and Provisions for Employees	19	8,545,998	5,403,542
f) Remuneration to Directors	20	2,301,303	1,437,576
g) Interest	21	1,221,974	417,684
h) Depreciation		2,754,315	3,195,959
i) Impairment Loss			(6,623,989)
		<b>182,511,750</b>	<b>131,807,788</b>
<b>III PROFIT / (LOSS) BEFORE TAX</b>			
		<b>39,408,724</b>	<b>19,816,005</b>
(Less) : Provision For Taxation			
Current Tax		6,905,900	1,360,000
Deferred Tax		(767,466)	(1,974,051)
(Refer Schedule 22, Note No. 11)			
Fringe Benefit Tax		---	476,000
(Excess) / Short provision for tax of earlier years		(7,131)	(49,863)
		<b>6,131,303</b>	<b>(187,914)</b>
<b>IV PROFIT / (LOSS) AFTER TAX</b>			
		<b>33,277,421</b>	<b>20,003,919</b>
		<b>33,277,421</b>	<b>20,003,919</b>
<b>V APPROPRIATION</b>			
Proposed Dividend		6,450,000	4,300,000
Tax on Proposed Dividend		1,096,178	730,785
Transfer to General Reserve		2,000,000	1,000,000
Balance carried to Balance Sheet.		23,731,243	13,973,135
		<b>33,277,421</b>	<b>20,003,920</b>
Net-Profit (Loss) After Tax Attributable To Equity Share Holders		<b>33,277,421</b>	<b>20,003,919</b>
Weighted Average Number of Equity Shares		<b>4,271,500</b>	<b>4,271,500</b>
Basic & Diluted Earnings Per Share		<b>7.79</b>	<b>4.68</b>
Face-Value Per Equity Share		<b>10.00</b>	<b>10.00</b>

### Notes to Accounts

22

The Schedules referred to above forms an integral part of the Balance Sheet.

AS PER OUR REPORT OF EVEN DATE ATTACHED  
For **OSTAWAL & JAIN**  
CHARTERED ACCOUNTANTS

**DHANPAL I. SAKARIA**

PARTNER

Membership No.: 213666

PLACE : Bangalore

DATE : 21st MAY, 2010

On behalf of the Board

**Umesh M. Katre**

**Karl Dantas**

**Rahul L. Mehta**

**DIRECTORS**

PLACE : MUMBAI

DATE : 21st MAY, 2010

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET**

**SCHEDULE-1**

**SHARE CAPITAL**

**Authorised**

50,00,000 (P.Y. 50,00,000)

Equity Shares of Rs. 10/- each

31-3-2010  
Rs.

31-3-2009  
Rs.

50,000,000

50,000,000

**Issued, Subscribed and Paid up**

43,00,000 Equity shares of Rs. 10/- each fully paid up.

43,000,000

43,000,000

Less : Calls-in-arrears

34,304

Less : Shares held by subsidiary

285,000

285,000

42,715,000

42,680,696

42,680,696

**SCHEDULE-2**

**RESERVES & SURPLUS**

a) Securities Premium

34,690,047

34,690,047

b) Reserve Fund

6,132

6,132

c) General Reserve :

Opening Balance

10,465,983

9,465,983

Add/(Less) : Transferred from Profit & Loss A/c

2,000,000

12,465,983

1,000,000

10,465,983

d) Profit and Loss Account:

Opening Balance

25,824,370

11,851,235

Add : Transferred from Profit & Loss A/c

23,731,243

49,555,613

13,973,135

25,824,370

96,717,775

70,986,532

**SCHEDULE-3**

**SECURED LOANS**

Cash Credit (Including Post Shipment credit) From Vijaya Bank

10,262,960

18,549,461

(Secured by a hypothecation of plant & machinery readymade garments meant for exports including Export Bills drawn under DP/DA basis and mortgage of the property bearing Gala No. 43 to 47 at Bhandup Industrial Estate Co. Op. Soc. Ltd.)

Hire Purchase Loans from Financial Company

1,733,202

545,298

(Secured by a specific charge on assets purchased)

(Repayable within 1 year Rs. 7,48,345/-)

(Previous Year Rs. 3,04,702/-)

11,996,162

19,094,759

# SCHEDULE-4

## FIXED ASSETS

Particulars	GROSS BLOCK			DEPRECIATION / IMPAIRMENT LOSS				NET BLOCK			
	Cost as at 1-4-2009 Rs.	Additions during the year Rs.	Deductions/ Adjustments during the year Rs.	Cost as at 31-3-2010 Rs.	As at 1-4-2009 Rs.	For the year Rs.	Deductions during the year Rs.	Impairment Loss Reversed Rs.	Total as at 31-3-2010 Rs.	As at 31-3-2010 Rs.	As at 31-3-2009 Rs.
Building	2,718,402	--	--	2,718,402	257,257	44,310	--	--	301,567	2,416,835	2,461,145
Factory Building (Gales)	2,671,491	--	--	2,671,491	1,221,092	89,717	--	--	1,310,809	1,360,682	1,450,399
Office Premises	3,335,676	--	--	3,335,676	2,078,991	62,880	--	--	2,140,971	1,194,706	1,257,586
Plant & Machinery	7,534,367	1,126,493	--	8,669,860	2,644,952	385,090	--	--	3,030,042	5,639,818	4,898,415
Electrical Installation	3,310,006	507,604	--	3,817,610	1,437,019	144,388	--	--	1,581,407	2,236,403	1,872,987
Furniture & Fixtures	11,990,258	1,165,867	--	13,156,125	6,875,422	571,645	--	--	7,447,067	5,709,058	5,114,896
Office Equipment	4,015,877	1,054,553	42,740	5,027,690	2,031,631	164,038	18,188	--	2,177,481	2,850,209	1,984,246
Vehicles	12,606,486	6,869,864	9,976,674	9,499,676	2,586,260	915,190	1,629,470	--	1,871,980	7,627,696	10,020,226
Computers	3,937,542	163,676	--	4,101,218	2,851,634	377,057	--	--	3,228,691	872,527	1,085,908
<b>Total</b>	<b>52,129,105</b>	<b>10,888,257</b>	<b>10,019,414</b>	<b>52,997,948</b>	<b>21,963,358</b>	<b>2,754,315</b>	<b>1,647,658</b>	<b>--</b>	<b>23,090,015</b>	<b>29,907,933</b>	<b>30,145,748</b>
Previous year	64,250,155	923,944	1,323,185	63,850,914	22,934,272	3,380,647	719,390	6,623,989	32,219,518	31,831,395	41,315,883

**SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET**

**SCHEDULE-5**

**INVESTMENTS :**

**I. Long Term Investments**

**(At Cost / Diminuted Value)**

**A. Investments in Shares**

**Quoted, Non Trade :**

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

45,000

45,000

**Unquoted, Non Trade :**

50,000 (P.Y. NIL) Equity Shares of Rs. 10/- each fully paid up of Imperial Spirits Pvt. Ltd.

6,804,000

---

6,849,000

45,000

Less : Provision for Permanent Diminution  
Sushant Capital Limited

45,000

45,000

**[A]** 6,804,000

---

**B. Investments in Mutual Funds**

**Quoted, Non Trade :**

23591.623 (P.Y. 23591.623) Units of Reliance Mutual Fund Growth Plan

300,000

300,000

17465.023 (P.Y. 17465.023) Units of B292G Birla Top 100 Mutual Fund Growth Plan

300,000

300,000

1109.026 (P.Y. 544.841) Units of Reliance Vision Fund-Retail Plan Growth Plan

200,000

80,000

1306.686 (P.Y. 671.360) Units of HDFC Equity Fund Growth Plan

200,000

80,000

NIL (P.Y. 167865.224) Units of Taurus Income Fund Dividend Plan

---

2,500,000

Market Value as on 31.03.2010

Rs. 12,96,176/- (P.Y. Rs. 30,41,181)

**[B]** 1,000,000

3,280,000

**CURRENT INVESTMENTS**

**At lower of cost and fair market value**

**A. Investment in Mutual Funds**

**Quoted, Non Trade :**

70,120.394 (P.Y. NIL) Unit of Taurus Starshares Fund Dividend Plan

2,447,202

---

48,899.756 (P.Y. NIL) Unit of Shinesel Mutual Fund Dividend Plan

580,000

---

(Market value as on 31.03.2010  
Rs. 29,82,116/-) (P.Y. Rs. NIL)

**[C]** 2,847,202

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## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

### B. Investment in Shares

#### Quoted, Non Trade

NIL (P.Y. 500) Equity Shares of Rs. 10/- each of Reliance Industries Ltd.  
 NIL (P.Y. 50000) Equity Shares of Rs. 10/- each of Alok Industries Ltd.  
 4000 (P.Y. NIL) Equity Shares of Rs. 10/- each of Bharati Shipping Ltd.  
 2500 (P.Y. NIL) Equity Shares of Rs. 10/- each of Praj Industries Ltd.  
 NIL (P.Y. 10000) Equity Shares of Rs. 10/- each of Sujana Tower Ltd.  
 NIL (P.Y. 10000) Equity Shares of Rs. 10/- each of Divi's Laboratories Ltd.  
 NIL (P.Y. 3000) Equity Shares of Rs. 10/- each of JSW Steel Ltd.  
 NIL (P.Y. 2500) Equity Shares of Rs. 10/- each of Reliance Communication Ltd.  
 5000 (P.Y. NIL) Equity Shares of Rs. 10/- each of Fortis Health Ltd.  
 8000 (P.Y. NIL) Equity Shares of Rs. 2/- each of Graphite India Ltd.  
 11000 (P.Y. NIL) Equity Shares of Rs. 2/- each of Kirloskar Oil Engine Ltd.  
 10000 (P.Y. NIL) Equity Shares of Rs. 10/- each of Spicejet Ltd.  
 10000 (P.Y. NIL) Equity Shares of Rs. 1/- each of Usha Martin Ltd.  
 10000 (P.Y. NIL) Equity Shares of Rs. 1/- each of Vikas WSP Ltd.  
 25,000 (P.Y. NIL) Equity Shares of Rs. 10/- each of Prism Cement Ltd.  
 Total Market Value as on 31.03.2010  
 Rs. 7,980,450/- (P.Y. Rs. 31,24,450/-)

[A] + [B] + [C] + [D]

	31-3-2010 Rs.	
	---	---
	---	543,046
	---	625,000
	1,000,600	---
	215,500	---
	---	129,000
	---	442,064
	---	601,123
	---	436,500
	838,821	---
	708,000	---
	1,795,932	---
	583,000	---
	1,009,921	---
	326,000	---
	1,388,765	---
	<u>7,867,239</u>	<u>2,776,793</u>
	<u>18,618,441</u>	<u>6,036,733</u>
<b>SCHEDULE-6</b>		
<b>INVENTORIES</b>		
<b>[As valued and certified by the Management]</b>		
Raw Materials	3,162,578	2,141,708
Accessories	378,569	476,439
Work in process	687,345	---
Finished Goods	1,477,209	233,108
	<u>5,705,699</u>	<u>2,851,255</u>
<b>SCHEDULE-7</b>		
<b>SUNDRY DEBTORS</b>		
<b>(Unsecured Considered Good)</b>		
Debts Outstanding for more than six months	1,124,880	7,054,143
Less : Provision for Doubtful Debts	---	6,804,000
Others debts	1,469,419	250,143
	<u>19,734,219</u>	<u>35,764,383</u>
	<u>19,734,219</u>	<u>36,014,526</u>

**SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT**

	31-3-2010 Rs.	31-3-2009 Rs.
<b>SCHEDULE-8</b>		
<b>CASH &amp; BANK BALANCES</b>		
a) Cash on hand	174,791	240,292
b) <u>Bank balances with Scheduled Banks</u>		
In Current Accounts	64,075,470	44,609,892
In Margin Account	181,578	88,333
In EEFC Account	673,820	1,133,551
In Deposit Account	25,000	25,000
	<u>65,130,659</u>	<u>46,097,068</u>
<b>SCHEDULE-9</b>		
<b>LOANS AND ADVANCES</b>		
<b>(Unsecured Considered Good)</b>		
a) Advances against Expenses	3,994,665	3,158,453
b) Staff Advance	2,708,118	2,448,917
c) Prepaid Taxes	8,639,385	5,411,278
d) Intercorporate Loans / Deposits	3,034,500	3,534,500
<b>Considered Doubtful</b>		
a) Intercorporate Loans / Deposits	4,000,000	4,000,000
Less : Provision for Doubtful Loan / Advance	4,000,000	---
	<u>18,376,668</u>	<u>14,553,148</u>
<b>SCHEDULE-10</b>		
<b>OTHER CURRENT ASSETS</b>		
a) Duty Drawback Receivable	2,940,595	1,658,040
b) DEPB Receivable	248,153	248,154
c) Prepaid Expenses	1,039,555	89,425
d) Interest Receivable	992,615	985,378
e) Security Deposit for Premises	7,975,000	7,975,000
f) Other Deposits *	4,121,620	1,875,989
g) Duties and Taxes	1,678,505	1,009,724
	<u>18,996,043</u>	<u>13,641,710</u>
* Other Deposit includes :		
Paid to Managing Director	2,000,000	936,432
Maximum Outstanding during The Year	2,000,000	3,436,432
<b>SCHEDULE-11</b>		
<b>CURRENT LIABILITIES</b>		
a) Sundry Creditors For Goods	2,876,816	3,375,775
b) Unclaimed Dividend	122,024	---
c) Outstanding Liabilities	6,055,171	7,516,010
	<u>9,055,356</u>	<u>10,891,785</u>
<b>SCHEDULE-12</b>		
<b>PROVISIONS</b>		
a) Provision for Taxation	6,905,900	2,354,980
b) Proposed Dividend	6,450,000	4,300,000
c) Provision for Tax on Proposed Dividend	1,096,178	730,785
	<u>14,452,078</u>	<u>7,385,765</u>
<b>SCHEDULE-13</b>		
<b>OPERATING INCOME</b>		
a) Duty Drawback	15,827,024	11,783,922
b) Exchange Gain	---	50,859
	<u>15,827,024</u>	<u>11,834,781</u>





## SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT

	31-3-2010 Rs.		31-3-2009 Rs.
<b>SCHEDULE-14</b>			
<b>OTHER INCOME</b>			
Service Charges (TDS Rs. 258,666/-, P.Y. Rs. 339,900/-)	1,436,088		1,337,113
Interest:			
From Bank (TDS Rs. 1,177, P.Y. Rs. NIL)	41,771	12,152	
On ICDs (TDS Rs. 3,90,210/-) (P.Y. Rs. 6,40,202/-)	3,624,657	3,110,763	
On Income Tax Refund	3,636,428		3,122,915
Dividend Received	98,523		---
Discount (Net)	184,800		---
Profit on Sale of Investments	6,430		---
Sundry balances / provisions written back	5,630,889		650,860
	6,989,707		2,373,072
	<u>17,983,665</u>		<u>7,483,960</u>
<b>SCHEDULE-15</b>			
<b>INCREASE / (DECREASE) IN STOCK OF FINISHED GOODS / WORKS IN PROCESS</b>			
Finished Goods			
Opening Stock	238,108	786,462	
Closing Stock	(1,244,101)	233,108	553,354
Work in Process			
Opening Stock		---	---
Less : Closing Stock	687,245	---	---
	<u>(687,245)</u>		<u>---</u>
			<u>553,354</u>
<b>SCHEDULE-16</b>			
<b>MATERIALS CONSUMPTION</b>			
Raw Material Consumed			
Opening Stock	2,141,708	3,177,664	
Add : Purchases	55,137,072	30,335,747	
	57,278,781	33,513,411	
Less : Closing Stock	3,152,570	2,141,708	31,371,703
Accessories Consumed			
Opening Stock	476,439	451,126	
Add : Purchases	11,718,025	9,906,551	
	12,194,464	10,357,677	
Less : Closing Stock	378,589	11,815,895	9,881,238
Purchase of Readymade Garments	245,267		96,837
	<u>66,177,392</u>		<u>41,349,778</u>
<b>SCHEDULE-17</b>			
<b>MANUFACTURING EXPENSES</b>			
Labour Charges	28,741,099		14,937,340
Workers' emoluments (includes contribution to ESIC & PF)	11,800,876		7,953,142
Processing Charges	8,760,676		6,466,695
Loading & Unloading Charges	13,108		17,465
Freight Inward	390,777		256,172
Fabric Testing Charges	485,345		269,965
Factory General Expenses	100,045		218,696
Embroidery Charges	7,937,788		5,568,598
Electricity Charges	592,549		593,941
	<u>58,311,498</u>		<u>36,220,015</u>

**SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT**

**SCHEDULE-18**

**ADMINISTRATIVE & SELLING EXPENSES**

	31-3-2010 Rs.		31-3-2009 Rs.
Advertisement & Sales Promotion	976,816		1,081,280
Clearing, Forwarding, Octroi & Transport Charges	5,830,533		4,418,133
Postage, Telephone Telex Charges	1,478,364		1,590,981
Printing & Stationery	339,351		348,795
Rates & Taxes	248,905		1,153,375
Service Charges	1,894,624		1,944,776
Office Electricity Charges	455,985		496,978
Travelling & Conveyance	3,389,786		3,255,064
Computer Expenses	142,733		139,631
Exchange Loss (Net)	3,168,817		---
Bank Charges	2,042,638		593,966
Insurance	282,172		150,420
Demat Charges	671		562
ECGC Premium	736,809		143,625
Repairs :			
Building	624,987	1,606,938	
Machinery	102,287	156,732	
Others	638,782	429,628	2,193,298
Commission	11,007,498		7,394,314
Directors' Sitting fees	112,500		100,000
Legal & Professional Charges	1,341,164		1,198,574
Lease Rentals (Refer Schedule 22, Note No. 10)	1,801,638		722,120
Diminution in the value of Current Investments	707,059		250,086
<u>Auditor's Remuneration :</u>			
Audit Fees	170,965	143,390	
Certificate Matters	33,090	16,854	160,244
Listing Fees	45,026		65,475
Sundry Expenses	966,182		823,038
Loss on Sale of fixed Assets (Net)	3,185,584		13,632,790
Donation	2,511,000		44,501
Discount			29,773
Advances / Balances W/off	208,442		7,301,905
Guest House Maintenance	717,298		820,225
	<u>45,130,616</u>		<u>49,853,869</u>

**SCHEDULE-19**

**PAYMENTS TO AND PROVISIONS FOR EMPLOYEES**

Salary and Bonus	5,250,320		4,296,805
L.T A, Leave Salary, EPF & ESIC etc.	1,077,130		746,699
Performance Bouns	1,712,000		---
Gratuity	106,004		56,774
Staff Welfare Expenses	400,544		303,264
	<u>8,545,998</u>		<u>5,403,542</u>

**SCHEDULE-20**

**REMUNERATION TO DIRECTORS**

(Refer Schedule 22, Notes No.1)			
Salary including Bonus & Leave Salary	1,680,630		1,023,900
Provident Fund	109,764		17,676
H R A	587,000		396,000
	<u>2,304,208</u>		<u>1,437,576</u>

**SCHEDULE-21**

**INTEREST**

Interest to Bank	1,118,184		347,986
Hire Purchase Interest	103,790		70,298
	<u>1,221,974</u>		<u>417,684</u>

## SCHEDULE - 22

### **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS AS ON 31ST MARCH, 2010**

#### **I. SIGNIFICANT ACCOUNTING POLICIES**

##### **(A) BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The Consolidated Financial statements of Spice Islands Apparels Limited and its subsidiaries ('the group' or '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 section 211(3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accounts of India, the provision of Companies Act, 1956 and guidelines issued by Securities and Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The Management evaluates and adopts all recently issued or revised accounting standards on an ongoing basis.

##### **(B) PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements are prepared in accordance with 'AS-21' "Consolidated Financial Statement" issued by the Institute of Chartered Accountants of India.

The consolidated Financial Statements relate to Spice Islands Apparels Ltd. ("the Company") and its Subsidiary Company ("the Group"). The consolidated Financial Statements have been prepared on the following basis:

The financial statements of the company and its Subsidiary Company have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra group balances / transactions and resulting unrealized profits or losses in full. Unrealized losses resulting from intra group transactions have also been eliminated except to the extent recoverable value of related assets is lower than their cost to the group.

The excess / deficit of cost to the parent company of its investment in the subsidiaries over its portion of equity at the respective dates on which investments in such entities were made is recognized in the financial statements as Goodwill / Capital Reserve.

The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent company for its separate financial statements.

The consolidated financial statements are prepared using uniform accounting policies for like transaction and other events in similar circumstances.

The Subsidiary Company considered in the consolidated financial statements is

Name of the Company	Country of Incorporation	Voting power held as at 31/3/2010
Bhupco Alloys Ltd.	India	100%

##### **(C) FIXED ASSETS**

Fixed Assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of 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 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.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress.

**(D) DEPRECIATION**

Depreciation on Fixed 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 assets are sold or disposed.

Depreciation on fixed assets of Subsidiary Company is provided on Written Down Value at the rates prescribed in schedule XIV of the Companies Act, 1956. Depreciation is calculated on a pro-rata basis from the date of installation till the date the assets are sold or disposed.

**(E) IMPAIRMENT OF FIXED ASSETS**

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

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

**(F) INVESTMENTS**

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

**(G) INVENTORIES**

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

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

Raw materials & Accessories	First in -first-out (FIFO)
Work-in-process and Finished goods (manufactured)	FIFO and including an appropriate share of production overheads.

**(H) REVENUE RECOGNITION**

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

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

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

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

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

**(I) EXPENSES**

Expenses are accounted on accrual basis.

**(J) 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 and its subsidiary. The plan provides for a lump sum payment to vested employees



on retirement, death while in employment or on termination of employment in an amount equivalent to 15 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. Contributions to Gratuity fund are made to recognized funds managed by the Life Insurance Corporation of India. The Company accounts for the liability for future gratuity benefits on the basis of an independent actuarial valuation.

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

**B. Short Term Employee Benefits :**

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

**(K) INCOME TAX EXPENSE**

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

Current Tax

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

Deferred Tax

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

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

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognized in the profit and loss account.

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

**(M) LEASES**

Lease payments under operating leases are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

**(N) EARNING PER SHARE**

In determining earnings per share, the company considers the net profit after tax and includes the post tax effect of any extraordinary / exceptional item. The number of shares used in computing basic earning 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).

**(O) 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.

## SPICE ISLANDS APPARELS LTD.

### II. NOTES TO ACCOUNTS

1 a) Remuneration paid to Managing Director  
Spice Islands Apparels Limited

	31-3-2010 Rs.	31-3-2009 Rs.
Salary including Bonus & Leave Salary	1,251,750	858,000
PF Contribution	100,380	9,360
H R A	531,000	396,000
Commission	191,952	---
Tax Perquisites	194,408	---
	2,269,490	1,263,360

b) Remuneration paid to Director of Bhupco Alloys Limited

Salaries	187,008	165,900
PF Contribution	9,384	8,316
	196,392	174,216

2. Statement of Investments purchased and sold during the year :

Name of the Company / Institution	Nature of Investments	Quantity	Value	Quantity	Value
		(In Units) 31.03.2010	(in Rs.) 31.03.2010	(in Units) 31.03.2009	(In Rs.) 31.03.2009
Reliance Equity Fund - Growth	Units	---	---	---	---
Birla Top 100 Fund - Growth	Units	---	---	---	---
HDFC Equity Fund - Growth	Units	1,306,686	200,000	671,360	80,000
Reliance Vision Fund - Growth	Units	1,109,026	200,000	544,841	80,000
Taurus Income Fund - Dividend	Units	167,865.224	2,500,000	167,865.224	2,500,000
Taurus Income Fund - Dividend (Sold)	Units	(167,865.224)	(2,443,262)	---	---
Taurus Infrastructure Fund - Dividend	Units	209,362.601	2,443,262	---	---
Taurus Infrastructure Fund - Dividend (Sold)	Units	(209,362.601)	(2,694,026)	---	---
Taurus Starshare Fund - Dividend	Units	70,120.394	2,694,026	---	---
Shinsei Mutual Fund	Units	48,899.756	500,000	---	---
Alok Industries Ltd.	Shares	---	---	50,000	743,053
Alok Industries Ltd. (Sold)	Shares	(50,000)	(1,144,650)	---	---
I.D.F.C	Shares	---	---	15,000	761,040
I.D.F.C. (Sold)	Shares	---	---	(15,000)	(914,426)
JSW Steel Ltd.	Shares	---	---	8,000	1,562,307
JSW Steel Ltd. (Sold)	Shares	(3,000)	(894,079)	(5,000)	(1,110,677)
Larsen & Toubro Ltd.	Shares	---	---	1,000	701,002
Larsen & Toubro Ltd. (Sold)	Shares	---	---	(1,000)	(898,070)
Reliance Communication Ltd.	Shares	---	---	5,000	947,893
Reliance Communication Ltd. (Sold)	Shares	(2,500)	(768,069)	(2,500)	(613,305)
Reliance Industries Ltd.	Shares	500	543,046	500	543,046
Reliance Industries Ltd. (Sold)	Shares	(500)	(822,584)	---	---
United Phosp	Shares	---	---	15,000	1,362,947
United Phosp (Sold)	Shares	---	---	(15,000)	(1,586,459)
Jindal Steel Ltd.	Shares	---	---	1,004	907,427
Jindal Steel Ltd. (Sold)	Shares	---	---	(1,004)	(1,005,767)
Pyramid Sain	Shares	---	---	5,000	341,879
Pyramid Sain (Sold)	Shares	---	---	(5,000)	(71,847)
Sujana Tower Ltd.	Shares	20,000	322,678	10,000	234,468
Sujana Tower Ltd. (Sold)	Shares	(30,000)	(754,494)	---	---
Divi's Laboratories Ltd.	Shares	---	---	1,000	884,129



Divl's Laboratories Ltd. (Sold)	Shares	(500)	(488,530)	(500)	(472,626)
Kirloskar Electric	Shares	10,000	315,621	---	---
Kirloskar Electric (Sold)	Shares	(10,000)	(511,272)	---	---
Sunil Hi-Tech	Shares	10,000	842,607	---	---
Sunil Hi-Tech (Sold)	Shares	(10,000)	(890,620)	---	---
Gayatri Project	Shares	2,500	208,495	---	---
Gayatri Project (Sold)	Shares	(2,500)	(448,678)	---	---
Electrosteel Casting Ltd.	Shares	20,000	478,665	---	---
Electrosteel Casting Ltd.	Shares	(20,000)	(655,260)	---	---
Shivani Oil	Shares	5,000	788820.33	---	---
Shivani Oil (Sold)	Shares	(5,000)	(910,106)	---	---
Opto Circuit	Shares	5,000	633,473	---	---
Opto Circuit (Sold)	Shares	(5,000)	(731,094)	---	---
Orbit Co.	Shares	15,000	2,091,572	---	---
Orbit Co. (Sold)	Shares	(15,000)	(2,973,878)	---	---
3I Infotech	Shares	5,000	362,696	---	---
3I Infotech (Sold)	Shares	(5,000)	(412,797)	---	---
Emco Ltd.	Shares	12,000	954,513	---	---
Emco Ltd. (Sold)	Shares	(12,000)	(1,073,707)	---	---
Nav Bhar Ven	Shares	2,000	567,887	---	---
Nav Bhar Ven (Sold)	Shares	(2,000)	(686,006)	---	---
Deccan CHR.	Shares	5,000	382,626	---	---
Deccan CHR. (Sold)	Shares	(5,000)	(458,887)	---	---
B ioccon Ltd.	Shares	5,000	1,081,078	---	---
B ioccon Ltd. (Sold)	Shares	(5,000)	(1,219,271)	---	---
SREI Infra	Shares	5,000	354,936	---	---
SREI Infra (Sold)	Shares	(5,000)	(390,314)	---	---
REI Agro Ltd.	Shares	5,000	366,430	---	---
REI Agro Ltd. (Sold)	Shares	(5,000)	(384,779)	---	---
NIIT Ltd.	Shares	10,000	735,481	---	---
NIIT Ltd. (Sold)	Shares	(10,000)	(744,230)	---	---
Apollo Tyers	Shares	15,000	582,075	---	---
Apollo Tyers (Sold)	Shares	(15,000)	(589,208)	---	---
Ruchi Soya	Shares	25,000	1,847,219	---	---
Ruchi Soya (Sold)	Shares	(25,000)	(2,107,151)	---	---
Glenmark Pharma	Shares	8,000	1,964,169	---	---
Glenmark Pharma (Sold)	Shares	(8,000)	(1,877,969)	---	---
Kirloskar Oils	Shares	16,000	2,124,234	---	---
Kirloskar Oils (Sold)	Shares	(5,000)	(334,016)	---	---
Prakash Industries	Shares	2,000	296,544	---	---
Prakash Industries (Sold)	Shares	(2,000)	(298,964)	---	---
Ster Tech	Shares	7,000	1,777,968	---	---
SterTech (Sold)	Shares	(7,000)	(2,142,467)	---	---
FSL	Shares	25,000	862,335	---	---
FSL (Sold)	Shares	(25,000)	(909,237)	---	---
ESS DEE Aluminium	Shares	1,500	548,456	---	---
ESS DEE Aluminium (Sold)	Shares	(1,500)	(527,349)	---	---
Marg Ltd.	Shares	5,000	779,377	---	---
Marg Ltd. (Sold)	Shares	(5,000)	(983,664)	---	---
KPIT Cummin	Shares	10,000	1,110,044	---	---
KPIT Cummin (Sold)	Shares	(10,000)	(1,311,274)	---	---
MAX India	Shares	5,000	1,008,935	---	---
MAX India (Sold)	Shares	(5,000)	(1,115,550)	---	---

## SPICE ISLANDS APPARELS LTD.

Kalyani Steel	Shares	10,000	1,947,662	---	---
Kalyani Steel (Sold)	Shares	(10,000)	(2,139,138)	---	---
Time Techno	Shares	5,000	244,929	---	---
Time Techno (Sold)	Shares	(5,000)	(238,067)	---	---
PSL Ltd.	Shares	5,000	883,228	---	---
PSL Ltd. (Sold)	Shares	(5,000)	(802,509)	---	---
Shobha Developers	Shares	2,000	495,300	---	---
Shobha Developers (Sold)	Shares	(2,000)	(587,778)	---	---
Prism Cement	Shares	25,000	1,447,058	---	---
Praj Industries Ltd.	Shares	2,500	254,320	---	---
Graphit India	Shares	8,000	738,336	---	---
Bharati Shipyard	Shares	4,000	1,234,930	---	---
Vikas WSP Ltd.	Shares	10,000	349,089	---	---
Fortis Health	Shares	5,000	839,521	---	---
Spicejet Ltd.	Shares	10,000	616,017	---	---
Usha Martin	Shares	10,000	1,009,921	---	---

Note : Figures in the bracket indicates shares sold during the year.

3. Balances of Sundry Debtors, Sundry Creditors, Loans and Advances, Receivables and Payable are subject to confirmation/reconciliation, if any.

4. In the opinion of the Board of Directors adequate provision has been made in the accounts for all known liabilities and the current assets, loans and advances have a value on realisation in the ordinary course of business at least equal to the value stated in the Balance Sheet.

5. Gratuity Plan :

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

Change in defined benefit obligation	(Amount in Rupees)	(Amount in Rupees)
	AS AT 31.03.2010	AS AT 31.03.2009
Opening defined benefit obligation	1,027,301	817,664
Interest Cost	86,736	72,082
Current Service Cost	91,873	83,360
Benefits Paid	---	(111,739)
Actuarial Losses	15,797	170,404
Closing defined benefit obligation	1,221,707	1,027,301

### Change in plan assets

Plan Assets at beginning of the year, at fair value	1,023,581	1,050,267
Expected Return on plan Assets	81,886	79,552
Contributions	---	---
Benefits settled	---	(111,739)
Actuarial gain / (loss) on plan assets	10,236	550
Plan Assets at end of the year, at fair value	1,115,703	1,023,581

### 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	1,221,707	1,027,301
Present value of the defined benefit obligation at the end of the year	1,115,703	1,023,581
Assets /(Liability) recognized in the balance sheet	(106,004)	---
Assets /(Liability) not recognized in the balance sheet	---	(3,720)





# SPICE ISLANDS APPARELS LTD.

(Amount in Rupees)  
AS AT 31.03.2010

(Amount in Rupees)  
AS AT 31.03.2009

## Gratuity cost for the period

Current Service Cost	91,873	83,360
Interest cost	86,736	67,612
Expected Return on plan Asset	(81,886)	(79,552)
Net Actuarial (Gain)/Loss recognized for the year	5,581	164,902
Opening liability recognized during the year	3,720	---
Expenses recognised in statement of profit and loss account	106,044	---
Expenses not recognised in statement of profit and loss account	---	236,322

## Movements in the liability recognized in Balance sheet

Opening Liability	---	---
Expenses recognised	106,004	---
Contribution paid	---	---
Closing Liability	106,004	---

## Assumptions at the valuation date

Discount factor	8.50%	%
Salary Escalation rate	5%	5%
Rate of Return (Expected) on plan Asset	8%	8%
Retirement age	58	58

## 6. Following Contingent Liabilities are not provided for :

	31.3.2010	31.3.2009
In respect of Income Tax Demand for A.Y. 1996-97 in dispute under appeal	---	288,895
As per the order of Hon'ble Bombay High Court, the Claim of Apparel Export Promotion Council has been guaranteed by furnishing Bank guarantee of equivalent amount	726,310	726,310
As per letter received from Mittal Tower Premises Co-op Soc. Ltd. pursuant to demand notice received by it from Municipal Corporation of Greater Mumbai towards additional property tax covering the period from 01.04.2001 to 31.03.2009	44,01,176	---

The Company is also involved in other lawsuits, claims, investigation 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.

- Loss on sale of fixed assets amounting to Rs. NIL (P.Y. Rs. 13,632,730/-) was charged to profit and loss account during the year on account of closure of Bangalore Unit.
- Impairment loss of Rs. NIL (P.Y. 66,23,989/-) has been reversed during the year on account of closure of Bangalore Unit and sale of fixed assets at Bangalore Unit.
- The Company has initiated the process of obtaining confirmation from suppliers who have registered themselves under the Micro Small Medium Enterprise Development Act, 2006 (MSMED Act, 2006). Based on the information available with the Company, the balance due to Micro & Small Enterprises as defined under the MSMED Act, 2006 is Rs. NIL. (Previous year Rs. NIL) Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

**10. Operating Lease**

The Company's significant leasing arrangements are in respect of operating leases for Guesthouses and Office Premises. These are cancelable operating leases and these lease agreements are normally renewed on expiry. The aggregate lease rentals payable are charged as Lease Rentals under Schedule 18.

The Company conducts its factory operations from facility that is leased under a 60 months non-cancellable operating lease expiring in November 2013. The Company also uses motor car and speed boat that is leased under non-cancellable operating leases. The Company has commitment under non-cancellable operating leases as follows :

Minimum Lease Payment	As at 31 March 2010	As at 31 March 2009
Due within one year	1,843,143	---
Due later than one year and not later than five years	3,850,192	---
Due later than five years	---	---

Lease payment recognised in the statement of profit & loss account as lease rentals under schedule 18

On account of Non-cancellable Lease	1,567,638	(P.Y. Rs. NIL)
On account of Cancellable Lease	234,000	(P.Y. Rs. 7,22,120/-)

11. In compliance with the accounting standard - AS 22 relating to "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the Company has credited a sum of Rs. 7,67,464/- (Previous Year Rs. 19,74,051 /- Cr.) as Deferred Tax arising out of timing differences, in the Profit & Loss Account.

**Major components of Deferred Tax Assets & Liabilities on account of timing differences are :**

	31-3-2010		31-3-2009	
	Assets	Liabilities	Assets	Liabilities
Depreciation and other differences in the block of Fixed Assets	---	1,001,194	---	1,714,157
Disallowances u/s 43B of the I.T. Act, 1961	161,201	---	---	---
Disallowances u/s 40(a) (ia) of the I.T. Act, 1961	---	---	106,698	---
<b>Total</b>	<b>106,698</b>	<b>1,714,157</b>	<b>193,846</b>	<b>3,775,357</b>

**12. Income tax**

Provision of Rs. 69,05,900/- (P.Y. Rs. 12,75,000/-) is made towards liability for income tax and Rs. 50,000/- (P.Y. Rs. 85,000/-) towards liability for wealth tax.

**13. Related Party Disclosures**

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

**11. Related Party Disclosures**

As required by accounting standard - AS 18 "Related Party Disclosure" issued by the Institute of Chartered Accountants of India are as follows :

**I. Key Management Personnel of Parent Company**

<b>Mr. Umesh M. Katre</b>	Managing Director
<b>Mr. Ashok Daryanani</b>	Director
<b>Mr. Karl Dantas</b>	Director
<b>Mr. Charuchandra Patankar</b>	Director
<b>Mr. Rahul L. Mehta</b>	Director

**II. Key Management Personnel of Subsidiary Company**

<b>Mrs. Seema U. Katre</b>	Director
<b>Mrs. Nalini Karte</b>	Director
<b>Dr. (Mrs.) Leena B. Sen</b>	Director
<b>Mr. Gopalakrishnan S. k.</b>	Director



III. Companies / Firms in which one of the Director or Relative of Director is interested and relatives of directors  
**Dyna Sales International**  
**DynaSales**  
**M. N. Dixit**

Particulars of Related party transactions :

	31st March, 2010		31st March, 2009	
	Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance
Purchase of services				
-- Mr. Umesh Katre	120,000	---	120,000	---
-- Mr. M. . Dixit	---	---	80,000	---
Purchase of Fixed Assets				
-- Dyna Sales International (Plant & Machinery)	---	---	---	330,840
Remuneration				
-- Key management personnel	2,301,303	---	1,437,576	63,250
Directors Sitting Fees				
-- Mr. R. L. Mehta	5,000	---	---	---
-- Mr. B. K. Sen	---	---	40,000	---
-- Mr. Ashok Daryanani	40,000	---	20,000	---
-- Mr. Karl Dantas	32,500	---	17,500	---
-- Mr. C.G. Patankar	35,000	---	22,500	---
Deposit (Guest House)				
-- Mr. Umesh Katre	1,063,588	2,000,000	(2,500,000)	936,432
Investment in shares of subsidiary of the company				
-- Bhupco Alloys Ltd.	---	15,659,890	---	15,659,890
-- Key management personnel	1,437,576	63,250	1,418,537	81,750
Directors Sitting Fees				
-- Mr. L. A. Mehta	---	---	7,500	---
-- Mr. B. K. Sen	40,000	---	---	---
-- Mr. Ashok Daryanani	20,000	---	---	---
-- Mr. Karl Dantas	17,500	---	15,000	---
-- Mr. C. G. Patankar	22,500	---	7,500	---
Deposit				
-- Mr. Umesh M. Katre	(2,500,000)	936,432	---	3,436,432

## SPICE ISLANDS APPARELS LTD.

### 14. Segment Reporting

The group's operations predominantly comprises of export of manufactured & traded garments. It also deploys its surplus funds in financial activities. The Subsidiary is in the business of Rental Services. Accordingly, garments & finance & rental services have been identified as primary basis for segment information. The group does not have any secondary segment.

	31st March, 2010				31st March, 2009			
	Garment	Finance	Rental Service	Total	Garment	Finance	Rental Service	Total
<b>Business Segment</b>								
I. Segment Revenue	211,032,269	9,423,617	1,464,588	221,920,475	146,504,535	3,523,689	1,345,483	151,373,707
Less: Inter Segment Revenue	—	—	—	—	—	—	—	—
II. Segment results	52,610,424	9,423,617	500,327	62,534,368	29,742,379	3,523,689	746,360	34,012,428
Less: Extraordinary items	—	—	—	—	—	—	—	—
	52,610,424	9,423,617	500,327	62,324,368	29,742,379	3,523,689	746,360	34,012,428
Unallocated Corporate Expenses (Net of unallocated income)				19,149,351				172,067,682
Interest Expenses	—	—	—	1,221,974	—	—	—	417,684
Depreciation	2,615,807	—	138,508	2,754,315	3,070,454	—	125,505	3,195,959
Impairment Loss	—	—	—	—	(6,623,989)	—	—	(6,623,989)
Sales of Investment W/Off	—	—	—	—	—	—	—	—
III. Profit Before Tax				39,408,724				198,16005
Less: Provision for Tax				6,905,900				1,360,000
Less: Short Provision for Tax for earlier years				(7,131)				(49,863)
Less: Provision For Deferred Tax (Net)				(767,466)				(1,974,051)
Less: Fringe Benefit Tax				—				476,000
Less: Prior Period Adjustments				—				—
IV. Profit After Tax				33,277,421				20,003,920
V. Segment Assets	70,425,299	34,205,446	6,597,908	111,228,652	82,418,074	22,116,500	6,273,619	110,808,193
Unallocable Assets				64,547,712				41,838,799
<b>Total Assets</b>				175,776,365				152,646,992
VI. Segment Liabilities	13,141,121	—	930,265	14,071,386	21,925,236	—	885,456	22,810,692
Unallocable Liabilities				22,272,204				16,169,076
<b>Total Liabilities</b>				36,343,590				38,979,768
VII. Other Information								
Capital Expenditure	10,866,457	—	—	10,866,457	10,405,213	—	—	10,405,213
Depreciation	2,615,807	—	138,508	2,754,315	3,070,454	—	125,505	3,195,959
Impairment Loss	—	—	—	—	(6,623,989)	—	—	(6,623,989)



15. Quantities and sale value in respect of each class of goods, dealt with by the Company.

Units	31-3-2010		31-3-2009	
	Qty.	Value (Rs.)	Qty.	Value (Rs.)
<b>-- Class of Goods : Readymade Garments</b>				
<b>A) MANUFACTURING</b>				
a) Licensed Capacity	---	N.A.	---	N.A.
b) Installed Capacity	(Pcs)	850,000	800,000	---
c) Opening Stock	(Pcs.)	5,685	17,011	786,462
d) Production	(Pcs.)	827,726	535,467	---
e) Closing Stock	(Pcs.)	9,942	5,685	233,108
f) Sales	(Pcs.)	823,469	546,793	131,311,784

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

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

**A) CONSUMPTION OF RAW MATERIALS**

i) Fabrics	(Mts.)	1,480,480	54,116,210	851,397	31,371,703
ii) Accessories	---	---	11,815,895	---	9,881,238

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

Accessories	806,3087	2,638,937
	<u>806,307</u>	<u>2,638,937</u>

**C) VALUE OF FABRIC CONSUMED**

	% of total consumption	Rs.	% of total consumption	Rs.
Indigenous	100%	54,116,210	100%	31,371,703
	100%	54,116,210	100%	31,371,703

**D) VALUE OF ACCESSORIES CONSUMED**

	% of total consumption	Rs.	% of total consumption	Rs.
Imported (Inclusive of custom duty and other incidental expenses)	6.82	806,307	26.71	2,638,937
Indigenous	93.18	11,009,588	73.29	7,242,301
	100.00	11,815,895	100.00	9,881,238

**16. Earnings in Foreign Exchange :**

	Rs.	Rs.
F.O.B. Value of Export of Goods	181,713,471	127,078,655

**17. Expenditure In Foreign Currency**

	Rs.	Rs.
Accessories	806,307	2,638,937
Travelling Expenses	266,782	245,361
Commission	10,849,364	7,068,711
	<u>11,922,453</u>	<u>9,953,009</u>

18. Earning per share is calculate by dividing the profit attributable to Equity Shareholders by the weighted average number of equity shares outstanding during the year. The number used in calculating basic and diluted earnings are state below:

Particulars	31st March 2010	31st March 2009
a. Profit / (Loss) after Tax	33,277,421	20,003,919
b. Number of Shares (weighted average)	4,271,500	4,271,500
c. Earning Per Share (Rs.)	7.79	4.68
d. Face val of Equity shares	10	10

19. Previous Year's figures have been regrouped / rearranged wherever necessary.

**For OSTAWAL & JAIN.**  
**CHARTERED ACCOUNTANTS**

**DHANPAL I. SAKARIA**  
**PARTNER**  
MEMBERSHIP NO. : 213666

PLACE : BANGALORE  
DATE : 21st MAY, 2010

**On behalf of the Board of Directors**

**Umesh M. Katre**  
**Karl Dantas**  
**Rahul L. Mehta**

**DIRECTORS**

PLACE : MUMBAI  
DATE : 21st MAY, 2010 -



## CONSOLIDATED CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET

	Year Ended 31-3-2010 Rs.	Year Ended 31-3-2009 Rs.
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit After Tax as per Profit and Loss Account	33,277,421	20,003,919
<u>Adjusted For</u>		
Provision for Taxation (including deferred tax and Short Provision for earlier years)	6,131,303	(187,914)
	6,131,303	(187,914)
<b>Net Profit Before Tax &amp; Prior Period Adjustments</b>	<b>39,408,724</b>	<b>19,816,005</b>
<u>Adjusted for</u>		
Depreciation	2,764,315	3,195,959
Interest on Borrowings	1,118,184	347,386
Dividend Received	(1,84,800)	---
Profit on Sale of Investment	(5,630,689)	(400,774)
Loss on Sale of Fixed Assets	3,185,584	13,632,730
Diminution in the value of Current Investments	707,089	250,086
Impairment Loss Reversed	---	(6,623,989)
	1,949,483	10,151,312
<b>Operating Profit Before Working Capital Changes</b>	<b>41,358,207</b>	<b>29,967,317</b>
<u>Adjusted for</u>		
<u>Movement In :</u>		
Trade & Other Receivables	13,830,561	(7,574,389)
Inventories	(2,254,938)	1,563,997
Inter-Corporate Deposits & Bills Discounted	500,000	500,000
Trade Payables	(13,773,714)	(2,509,752)
	(12,000,112)	(8,020,144)
<b>Cash Generated from Operation</b>	<b>39,064,315</b>	<b>21,947,173</b>
Less : Director Taxes Paid / (Refund)	(1,369,984)	721,998
<b>Net Cash Flow from Operating Activities</b>	<b>40,394,259</b>	<b>21,225,175</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of Fixed Assets	5,186,172	1,856,024
Purchase of Fixed Assets	(10,969,257)	(10,575,078)
Sale of Investments	38,778,484	6,613,228
Purchase of Investments	(46,436,391)	(11,649,191)
Dividend Received	184,800	---
<b>Net Cash Flow from Investing Activities</b>	<b>(13,175,191)</b>	<b>(13,755,016)</b>



**(C) CASH FLOW FROM FINANCING ACTIVITIES**

Working Capital Loan

Movement in Vehicle Loan taken

Interest on Borrowings

Calls-in arrears

**Net Cash Flow from Financial Activities**

**NET INCREASE IN CASH AND  
CASH EQUIVALENTS ((A)+(B)+(C))**

**(II)**

Opening Balance of Cash & Cash Equivalents

Closing Balance of Cash & Cash Equivalents

**NET INCREASE IN CASH & CASH EQUIVALENTS**

	Year Ended 31-3-2010 Rs.	Year Ended 31-3-2009 Rs.
	(8,286,501)	17,533,166
	1,147,906	545,298
	(1,118,184)	(347,386)
	34,304	---
	<u>(8,162,475)</u>	<u>17,731,078</u>
	<u>10,833,594</u>	<u>25,201,237</u>
	46,097,066	20,895,829
	<u>66,130,659</u>	<u>46,097,066</u>
	<u>19,033,593</u>	<u>25,201,237</u>

**Notes :**

1. Interest earned, discounting charges, provision for doubtful inter-corporate deposits, movements in inter-corporate deposits and bills of exchange have been considered as part of "Cash Flow From Operating Activities"
2. Direct Taxes Paid is treated as arising from Operating Activities and is not bifurcated between Operating, Investing and Financing Activities.
3. Previous year figures have been regrouped/reclassified wherever necessary.

**AS PER OUR REPORT ATTACHED TO THE BALANCE SHEET**

**For OSTAWAL & JAIN**  
CHARTERED ACCOUNTANTS

**DHANPAL I. SAKARIA**  
PARTNER  
MEMBERSHIP NO. 213666

PLACE : BANGALORE  
DATE : 21st MAY, 2010

On behalf of the Board of Directors

**Umesh M. Katre**  
**Karl Dantas**  
**Rahul L. Mehta**

**DIRECTORS**  
PLACE : MUMBAI  
DATE : 21st MAY, 2010



# **BHUPCO ALLOYS LTD.**

## **BOARD OF DIRECTORS**

MRS. SEEMA KATRE  
DR. (MRS.) LEENA B. SEN [upto 24/12/2009]  
MRS. NALINI M. KATRE  
MR. S. GOPALAKRISHNAN [from 24/12/2009]

## **BANKERS**

VIJAYA BANK

## **AUDITORS**

OSTAWAL & JAIN  
*Chartered Accountants*

## **REGISTERED OFFICE**

62-B, Mittal Tower,  
210, Nariman Point,  
Mumbai - 400 021.

## **ADMINISTRATIVE OFFICE**

125-A, Mittal Tower,  
210, Nariman Point,  
Mumbai - 400 021.

**NOTICE**

Notice is hereby given that the Twenty First Annual General Meeting of the shareholders of the Company will be held on Tuesday 18<sup>th</sup> May, 2010 at 11.00 a. m. at the Registered Office of the Company at 62/B, Mittal Tower, 210, Nariman Point, Mumbai 400 021 to transact the following business:

- 1) To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March 2010, Profit and Loss Account for the year ended on that date and Report of Directors and Auditors thereon.
- 2) To appoint a Director in place of Mrs. Seema Umesh Katre who retires by rotation and being eligible, offers herself for re-appointment.
- 3) To appoint auditors and fix their remuneration.

**SPECIAL BUSINESS**

- 4) To appoint Mr. S. Gopalakrishnan as a Director of the Company.

"Resolved That Mr. S. Gopalakrishnan be and is hereby appointed a Director of the Company, liable to retire by rotation."

For and on behalf of the Board,  
**BHUPCO ALLOYS LIMITED**

PLACE : MUMBAI  
DATE : 26th APRIL, 2010.

**SEEMA U. KATRE**  
DIRECTOR

**Notes:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF, ONLY ON A POLL AND A PROXY NEED NOT BE A MEMBER.

Proxies in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.

2. Relevant explanatory statement pursuant to section 173 (2) of the Companies Act 1956 in respect of Special Business at item no. 4 of the Notice is annexed herewith.

**ANNEXURE TO THE NOTICE**

Relevant Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

ITEM NO. 4

Appointment of Mr. S. Gopalakrishnan as a Director of the Company.

Mr. S. Gopalakrishnan was appointed as an Additional Director of the Company at the Board meeting held on 24th December 2009. Mr. Gopalakrishnan holds the office of Director upto the date of next Annual General Meeting pursuant to section 260 of the Companies Act 1956. It is proposed to appoint Mr. Gopalakrishnan as a Director of the Company. The Company has received notice in writing as required by section 257 of the Companies Act, 1956 from some members proposing the candidature of Mr. Gopalakrishnan for the office of Director.

Mr. Gopalakrishnan is a Bachelor of Engineering and has over 15 years of experience in the field of Maintenance Engineer, Quality Controller and Production coordinator.

The Board is of the opinion that having regard to the rich experience which Mr. Gopalakrishnan possesses, it would be in the interest of the Company to appoint him as a Director of the Company.

Apart from the obvious interest of Mr. Gopalakrishnan, no other Director is interested in the Resolution.

For and on behalf of the Board,  
**BHUPCO ALLOYS LIMITED**

PLACE : MUMBAI  
DATE : 26th APRIL, 2010.

**SEEMA U. KATRE**  
CHAIRPERSON

**DIRECTOR'S REPORT**

To,  
The Members,

Your Directors have pleasure in presenting their Twenty First Annual Report of the Company for the year ended 31st March, 2010.

**FINANCIAL HIGHLIGHTS**

During the year under review, the Company has earned a net income of Rs. 14.65 lacs as against Rs. 13.45 lacs in the previous year. While the revenue has increased, there is corresponding increase in expenditure as well, resulting into profit of Rs. 3.62 lacs as against Rs. 6.21 lacs in the preceeding year. Performance will improve further as revenue from service charges are likely to increase.

Provision of Rs. 55,900 is made to meet the liability for tax.

**DIVIDEND**

Due to brought forward loss position, your Directors are unable to recommend any dividend.

**DIRECTORS**

During the year under review, Dr. (Mrs.) Leena B. Sen resigned as a Director of the Company. The Board places on record their appreciation for the valuable services rendered by Dr. (Mrs.) Sen during her association with the Company.

Mrs. Seema U. Katre retires by rotation and being eligible, offer herself for re-appointment.

Mr. S. Gopalakrishnan was co-opted as an Additional Director of the Company. The Board recommends his appointment as a director in the forthcoming Annual General Meeting.

**DIRECTORS RESPONSIBILITY**

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2000, the Director's confirm that :-

1. In the preparation of the annual accounts, the applicable accounting standards have been followed;
2. Appropriate accounting policies have been selected and applied consistently, and have made judgements 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 March 31st, 2010 and of the profit of the company for the year ended on 31st March, 2010.
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.

**DIRECTORS' REPORT Contd...****AUDITORS**

Members are requested to appoint Auditors for the current year and to authorize the Board of Directors to fix their remuneration. M/s. Ostawal & Jain, Chartered Accountants, the retiring Auditors, have furnished a certificate of their eligibility for re-appointment under section 224 (1B) of the Companies Act, 1956.

**AUDITOR'S REMARKS**

The company is compiling Fixed Asset Register. As regards internal audit, the company does not have formal internal audit department. However, proper care is taken at the time of entering into every transactions and internal checks are maintained.

**COMPLIANCE CERTIFICATE**

Compliance Certificate obtained pursuant to provisions of Sec 383 A of the Companies Act, 1956 from a Secretary in Whole Time practice, Mr. P. V. Ramaswamy, in the prescribed form regarding the compliance of all the provisions of the said Act is enclosed herewith.

**EMPLOYEES**

None of the employees of the Company are falling within the preview of the provisions of section 217 (2A) of the Companies Act, 1956 read with the Companies (particulars of employees) Rules 1975.

**ENERGY CONSERVATION, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS & OUTGO:**

The Provision of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars) Rule, 1988 are not applicable to the Company.

For and on behalf of the Board,

PLACE : MUMBAI  
DATE : 26th APRIL, 2010.

**SEEMA KATRE**  
(CHAIRPERSON)

**COMPLIANCE CERTIFICATE****P. V. RAMASWAMY**

M.Com., LLB., FCS  
Company Secretary

103, Ashok Kumar Towers,  
47, Union Park, Chembur,  
Mumbai - 400 071.

Tel.: 25207302 Mob.: 9833039832

E-mail: perinkolamramaswamy@yahoo.co.in

**COMPLIANCE CERTIFICATE**

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

The Members

**Bhupco Alloys Ltd.**  
62B, Mittal Tower,  
210, Nariman Point,  
Mumbai - 400 021.

I have examined the registers, records, books and papers of Bhupco Alloys Ltd. as required to be maintained under Companies Act 1956 (the Act) and the rule made there under and also the provisions contained in the Memorandum and Articles of Association of the company for the financial year ended on 31st March 2010 (financial year). In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year;

- 1) The company has kept and maintained all registers as stated in Annexure 'A' to this certificate as per the provisions of the Act and rules made there under and all entries therein have been duly recorded.
- 2) The company has duly filed the forms and returns as stated in Annexure 'B' to this certificate with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
- 3) The company being a public limited company has maintained the minimum prescribed paid up capital.
- 4) The Board of Directors duly met five times respectively on 5th June, 2009, 15th July, 2009, 28th November 2009, 24th December 2009 and 26th March, 2010 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
- 5) The Company was not required to close its Register of Members / Debenture holders during the financial year.
- 6) The Annual General Meeting for the financial year ended 31st March 2009 was held on 10th July, 2009 after giving due notice to the members of the company and the resolutions passed there at were duly recorded in the Minutes Book maintained for the purpose.
- 7) No extra Ordinary Meeting was held during the financial year.
- 8) The company has not advanced any loans either to its directors or to persons or firms or companies referred to under section 295 of the Act.
- 9) The company has not entered into any contracts within the purview of section 297 of the Companies Act.
- 10) The company has made requisite entries in the register maintained under section 301 of the Act.
- 11) The company has not obtained any approvals from the Board of Directors, its Members or from the Central Government as there were no instances falling within the purview of Section 314 of the Act.
- 12) The company has not issued any duplicate certificates during the financial year.
- 13)
  - i) There was no allotment / transmission of securities during the financial year.
  - ii) The company has not deposited any amount in a separate bank account as no dividend was declared during the financial year.
  - iii) The company has not posted warrants to any Member of the Company as no dividend was declared during the financial year.
  - iv) The provisions of the Act relating to transfer of amount remaining un-paid in dividend account, application money due for refund matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund are not applicable.

- 14) The Board of Directors of the company is duly constituted. During the financial year 2009-2010 Dr. (Mrs.) Leena B. Sen resigned as a Director of the Company and Mr. S. Gopalakrishnan was appointed as an Additional Director of the Company.
- 15) The Company has not appointed any Managing Director / Whole-time Director / Manager during the financial year.
- 16) The Company has not appointed any sole-selling agent during the financial year.
- 17) The company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and / or such authorities prescribed under the various provisions of the Act.
- 18) The Directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
- 19) The Company has not issued any shares, debentures or other securities during the financial year.
- 20) The Company has not bought back any shares during the financial year.
- 21) There was no redemption of preference shares or debentures during the financial year.
- 22) There were no transactions necessitating the company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
- 23) The company has not invited / accepted any deposits including any unsecured loans falling within the purview of section 58A of the Act during the financial year.
- 24) The amount borrowed by the Company from directors, members, public, financial institutions, banks and others during the financial year ending 31st March 2010 are within the borrowing limits of the company.
- 25) During the financial year under report, the Company has not given any loan or guarantees or provided securities to other bodies corporate.
- 26) The company has not altered the provisions of the Memorandum with respect to the situation of the company's registered office from one state to another during the year under scrutiny.
- 27) The company has not altered the provisions of the Memorandum with respect to the objects of the company during the year under scrutiny.
- 28) The company has not altered the provisions of the Memorandum with respect to the name of the company during the year under scrutiny.
- 29) The company has not altered the provisions of the Memorandum with respect of the share capital of the company during the year under scrutiny.
- 30) The company has not altered its Articles of Association during the year under scrutiny.
- 31) There were no prosecution initiated against or show cause notices received by the company, during the financial year, for offences under the Act.
- 32) The company has not received any money as security from its employees during the financial year.
- 33) The company has deposited both employees and employers contribution to Provident Fund with prescribed authorities pursuant to section 418 of the Act.

PLACE : MUMBAI  
DATE : 26th APRIL, 2010

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

**ANNEXURE 'A'****Registers / Records as maintained by the Company****No. Particulars**

- 1) Register of Members and Index under section 150 & 151.
- 2) Register of transfer of shares.
- 3) Copies of Annual Return under section 159.
- 4) Books of Account under section 209.
- 5) Register of contracts, companies and firms in which directors are interested under Section 301.
- 6) Register of Directors, Managing Director, Manager and Company Secretary under Section 303.
- 7) Records pertaining to Directors Attendance attending the meeting.
- 8) Records pertaining to Members Attendance attending the meeting.
- 9) Minute Books for Minutes of the meetings of the Board of Directors and Members.
- 10) Register of fixed assets.
- 11) Records of Form 24AA.

**ANNEXURE 'B'**

Forms and Returns filed by the Company, during the financial year ended on 31st March 2010.

<u>Sr. No.</u>	<u>Forms</u>	<u>Section</u>	<u>Filed on</u>
1.	Form No. 23 AC (Balance Sheet as at 31/3/2009)	U/s 220 of the Companies Act, 1956.	24/11/2009
2.	Form No. 23 ACA (Profit & Loss Account for the year ended on 31/03/2009)	U/s 220 of the Companies Act, 1956.	24/11/2009
3.	Form No. 66 (Compliance Certificate dated 4th June, 2009)	U/s 383A of the Companies Act, 1956.	24/11/2009
4.	Form No. 20 B (Annual Return of the Company)	U/s 159 of the Companies Act, 1956	27/11/2009
5.	Form No. 32	U/s 303(2) of the Companies Act, 1956	19/03/2010
6.	Form No. 32	U/s 303(2) of the Companies Act, 1956	26/04/2010

With Regional Director

Not Applicable

With Central Government And Regional Authorities

Not Applicable

**P.V. RAMASWAMY**

PLACE : MUMBAI  
DATE : 26th APRIL, 2010

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



**AUDITORS' REPORT**

To the Members of  
**BHUPCO ALLOYS LIMITED**

1. We have audited the attached Balance Sheet of **BHUPCO ALLOYS LIMITED** as at 31 March, 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) order, 2004, issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
  - iv. In our opinion, the Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - v. On the basis of written representations received from the directors, as on 31st March, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) in the case of Balance Sheet, of the state of affairs of the company as at 31st March 2010;
    - b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date and
    - c) in the case of the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

For **OSTAWAL & JAIN**  
Chartered Accountants

**Dhanpal I. Sakarla**  
Partner  
Membership No. 213666

PLACE : Bangalore  
DATE : 21st MAY, 2010

**ANNEXURE TO THE AUDITORS' REPORT**

Annexure referred to in paragraph 3 of our report of even date on the accounts of **BHUPCO ALLOYS LIMITED** for the year ended 31st March 2010.

1. (a) *The Company has not updated fixed assets register showing proper records, 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 have not been disposed off during the year, which will affect its status as going concern.
2. The company does not carry on any manufacturing or trading activity. Accordingly sub-clause (a), (b) and (c) of clause 4(ii) of the order are not applicable.
3. (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956. Accordingly Sub-Clauses (b), (c) and (d) of clause 4(iii) of the order are not applicable.
  - (b) The Company has taken interest-free unsecured loans, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956. The Company has taken unsecured interest free loan from its holding Company. The maximum balance outstanding during the year was Rs. 5,69,999/- and the year-end balance of loan was Rs. NIL.
  - (c) Based on the information received and the explanations given, the terms and conditions of the loan are prima facie not prejudicial to the interest of the Company.
  - (d) As informed to us, there is no overdue amount as at 31st March 2010.
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 fixed assets and for the sale of services. During the course of our audit, we have not observed any major weakness in internal controls.
5. In our opinion and according to the information and explanations given by the management, we are of the opinion that contracts and arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section and such transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposit from the public and consequently, the directives issued by the Reserve Bank of India and the provision 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. *The Company's paid up capital and reserves exceed Rs. 50 lacs. However it has no formal internal audit system commensurate with its size and nature of business.*
8. As informed to us, the Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956.
9. (a) According to the information and explanations given to us and on the basis of our examination of books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service 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 Duty, Cess and other material statutory dues were in arrears as at 31 March 2010 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 has not been deposited with appropriate authorities on account of any dispute.
10. The Company's accumulated losses at the end of the financial year are less than fifty percent of its net worth. The Company has not incurred cash losses in the financial year under report and in the immediately preceding financial year.
11. The Company has not taken any loan from Financial Institution, Banks and has not issue any debentures. Accordingly, sub-clause (xi) of clause 4 of the Order is not applicable.
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. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly clause 4(xiv) of the Order is not applicable.
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 OSTAWAL & JAIN**  
Chartered Accountants

PLACE : Bangalore  
DATE : 21st MAY, 2010

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

**BALANCE SHEET AS AT 31ST MARCH, 2010**

	Schedule	31-3-2010 Rs.	31-3-2009 Rs.
<b>I SOURCES OF FUNDS :</b>			
<b>1. Shareholder's Fund</b>			
a) Share Capital	1	6,090,000	6,090,000
b) Reserves & Surplus	2	3,030,132	3,030,132
		<u>9,120,132</u>	<u>9,120,132</u>
<b>2. Loan Funds</b>			
<b>3. Deferred Tax Liability (Net)</b> (Refer Schedule 14, Notes 6)			
		194,132	193,443
	<b>Total</b>	<u>9,304,264</u>	<u>9,313,575</u>
<b>II APPLICATION OF FUNDS :</b>			
<b>1. Fixed Assets</b>			
Gross Block	3	6,845,281	6,823,481
Less : Depreciation		5,277,020	5,138,511
Net Block		<u>1,568,261</u>	<u>1,684,969</u>
<b>2. Investments</b>			
	4	1,002,488	1,002,488
<b>3. Current Assets, Loans and Advances</b>			
a) Cash & Bank Balances	5	12,178	667,443
b) Sundry Debtors	6	34,623	6,900
c) Loans and Advances	7	1,698,785	830,246
d) Other Current Assets	8	3,284,061	3,084,061
	[A]	<u>5,029,647</u>	<u>4,588,650</u>
<b>4. Current Liabilities and Provisions</b>			
	9	746,133	692,014
	[B]	<u>746,133</u>	<u>692,014</u>
Net Current Asset	[A] - [B]	<u>4,283,514</u>	<u>3,896,636</u>
<b>5. Profit and Loss Account (Debit Balance)</b>			
	10	2,450,001	2,729,482
	<b>Total</b>	<u>9,304,264</u>	<u>9,313,575</u>
Notes to Accounts	14		

The Schedules referred to above form an integral part of the Balance Sheet.

AS PER OUR REPORT OF EVEN DATE ATTACHED FOR OSTAWAL & JAIN CHARTERED ACCOUNTANTS

DHANPAL I. SAKARIA  
PARTNER  
Membership No. : 213666

PLACE : BANGALORE  
DATE : 21st MAY, 2010

On behalf of the Board  
**SEEMA U. KATRE**  
**S. GOPALAKRISHNAN**

DIRECTORS  
PLACE : MUMBAI  
DATE : 21st MAY, 2010

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010**

	Schedule	31-3-2010 Rs.	31-3-2009 Rs.
<b>I. INCOME</b>			
a) Service Charges (TDS Rs. 258,666/-) (P.Y. Rs. 339,900/-)		1,436,088	1,337,113
b) Other Income		28,500	8,370
		<u>1,464,588</u>	<u>1,345,483</u>
<b>II. EXPENDITURE</b>			
a) Office and Administrative Expenses	11	675,129	341,119
b) Payments to & Provision for employees	12	52,748	83,788
c) Remuneration to Directors	13	196,392	174,216
d) Depreciation	3	138,508	125,505
		<u>1,102,769</u>	<u>724,628</u>
<b>III. PROFIT / (LOSS) BEFORE TAX</b>			
		361,819	620,855
Provision For Income Tax - Current Year		55,900	
Deferred Tax (Asset) / Liability (Refer Schedule 14, Note 6)		(9,311)	(3,003)
Fringe Benefit Tax			11,000
Short / (Excess) Provision for Taxes of Earlier Years		35,749	7,997
		<u>82,338</u>	<u>7,997</u>
<b>IV. PROFIT / (LOSS) AFTER TAX</b>			
		<u>279,481</u>	<u>612,858</u>
<b>Notes to Accounts</b>	14		
The Schedules referred to above forms an integral part of the Profit & Loss Account.			

AS PER OUR REPORT OF EVEN DATE ATTACHED  
FOR OSTAWAL & JAIN  
CHARTERED ACCOUNTANTS

DHANPAL I. SAKARIA  
PARTNER  
Membership No. : 213666

PLACE : BANGALORE  
DATE : 21st MAY, 2010

On behalf of the Board  
**SEEMA U. KATRE**  
**S. GOPALAKRISHNAN**

DIRECTORS  
PLACE : MUMBAI  
DATE : 21st MAY, 2010

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

**AS AT 31ST MARCH, 2010**

**SCHEDULE-1**

**SHARE CAPITAL**

**Authorised**

11,00,000 Equity Shares of Rs. 10/- each

**Issued, Subscribed and Paid up**

6,09,000 Equity Shares of Rs. 10/- each fully paid up  
(Previous Year 6,09,000 Equity Shares of Rs. 10/- each)

Entire Share Capital is held by 100% Holding Company  
M/s. Spice Islands Apparels Ltd.

**SCHEDULE-2**

**RESERVES AND SURPLUS**

a) Securities Premium

b) Reserve Fund

**SCHEDULE-4**

**INVESTMENTS :- Long Term Non Trade**

**Quoted (At Cost)**

28,500 (Previous Year 28,500/-)

Equity Shares of Spice Islands Apparels Ltd.

Aggregate Market Value of Quoted Investments

**SCHEDULE-5**

**CASH & BANK BALANCE**

a) Cash on hand

b) Balance with Scheduled Bank  
in Current Account

**SCHEDULES-6**

**SUNDRY DEBTORS**

(Unsecured considered good)

Debts Outstanding for more than six months

Others debts

**SCHEDULE-7**

**LOANS AND ADVANCES**

(Unsecured considered good)

a) Advance Income-Tax & TDS

b) Staff Advance

c) Advance against Expenses

	31-3-2010 Rs.	31-3-2009 Rs.
<b>11,00,000</b>	<b>11,00,000</b>	<b>11,00,000</b>
<b>6,09,000</b>	<b>6,09,000</b>	<b>6,09,000</b>
<b>6,09,000</b>	<b>6,09,000</b>	<b>6,09,000</b>
<b>3,024,000</b>	<b>3,024,000</b>	<b>3,024,000</b>
<b>6,132</b>	<b>6,132</b>	<b>6,132</b>
<b>3,030,132</b>	<b>3,030,132</b>	<b>3,030,132</b>
<b>1,002,488</b>	<b>1,002,488</b>	<b>1,002,488</b>
<b>1,002,488</b>	<b>1,002,488</b>	<b>1,002,488</b>
<b>150,195</b>	<b>150,195</b>	<b>150,195</b>
<b>5,826</b>	<b>5,826</b>	<b>3,479</b>
<b>6,352</b>	<b>6,352</b>	<b>663,964</b>
<b>12,178</b>	<b>12,178</b>	<b>667,443</b>
<b>34,623</b>	<b>34,623</b>	<b>6,900</b>
<b>34,623</b>	<b>34,623</b>	<b>6,900</b>
<b>957,074</b>	<b>957,074</b>	<b>749,020</b>
<b>33,892</b>	<b>33,892</b>	<b>17,292</b>
<b>707,819</b>	<b>707,819</b>	<b>63,934</b>
<b>1,698,785</b>	<b>1,698,785</b>	<b>830,246</b>

## SCHEDULE-3

## FIXED ASSETS

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	Cost as at 1-4-2009	Additions during the year	Cost as at 31-03-2010	As at 1-4-2009	For the Year	Total as at 31-3-2010	As at 31-3-2010	As at 31-3-2009
Office Premises	3,335,676	---	3,335,676	2,076,091	62,880	2,140,971	1,194,705	1,257,586
Furniture & Fixtures	2,619,285	---	2,619,285	2,301,549	57,510	2,359,059	260,226	317,736
Office Equipments	868,520	21,800	890,320	758,872	18,118	776,990	113,330	109,648
<b>Total</b>	<b>6,823,481</b>	<b>21,800</b>	<b>6,845,281</b>	<b>5,138,512</b>	<b>138,508</b>	<b>5,277,020</b>	<b>1,568,261</b>	<b>1,684,970</b>
<b>Previous Year</b>	<b>6,644,261</b>	<b>179,220</b>	<b>6,823,481</b>	<b>5,013,007</b>	<b>125,505</b>	<b>5,138,512</b>	<b>1,684,969</b>	<b>1,631,254</b>

**SCHEDULES TO PROFIT AND LOSS ACCOUNT**

**AS AT 31ST MARCH, 2009**

**SCHEDULE-8**

**OTHER CURRENT ASSETS**

- a) Deposit For Premises
- b) Other Deposits / Advance

**SCHEDULE-9**

**CURRENT LIABILITIES & PROVISIONS**

- a) Sundry Creditors For Expenses
- b) Security Deposit
- c) Provision for Retirement & Other Employees Benefit Schemes
- d) Provision for Taxes

**SCHEDULE-10**

**PROFIT & LOSS ACCOUNT**

- Opening Balance
- Add/(Less): Transfer from Profit & Loss Account

**SCHEDULE-11**

**OFFICE & ADMINISTRATIVE EXPENSES**

- a) Society Charges
- b) Car Expenses
- c) Conveyances
- d) Telephone Expenses
- e) Bank Charges
- f) Audit Fees
- g) Office General Expenses
- h) Legal & Professional Charges
- i) Lease Rentals (Ref. Schedule 14, Note No.8)
- j) Demat Charges
- k) Repairs & Maint. Charges (Others)

**SCHEDULE-12**

**PAYMENTS TO AND PROVISIONS FOR EMPLOYEES**

- a) Salary & Bonus
- b) LTA, Leave Salary, EPF & ESIC

**SCHEDULE-13**

**REMUNERATION TO DIRECTORS**

(Refer Schedule 14, Note No. 1)

- a) Salary, Bonus & Leave Salary
- b) EPF

	31-3-2010 Rs.		31-3-2009 Rs.
<b>SCHEDULE-8</b>			
<b>OTHER CURRENT ASSETS</b>			
a) Deposit For Premises	3,000,000		3,000,000
b) Other Deposits / Advance	284,061		84,061
	3,284,061		3,084,061
<b>SCHEDULE-9</b>			
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>			
a) Sundry Creditors For Expenses	424,899		391,572
b) Security Deposit	250,000		250,000
c) Provision for Retirement & Other Employees Benefit Schemes	16,334		13,746
d) Provision for Taxes	55,900		36,696
	746,133		692,014
<b>SCHEDULE-10</b>			
<b>PROFIT &amp; LOSS ACCOUNT</b>			
Opening Balance	2,729,482	3,342,340	
Add/(Less): Transfer from Profit & Loss Account	(279,481)	(612,858)	2,729,482
	2,450,001		2,729,482
<b>SCHEDULE-11</b>			
<b>OFFICE &amp; ADMINISTRATIVE EXPENSES</b>			
a) Society Charges	51,604		45,806
b) Car Expenses	234,787		143,328
c) Conveyances	518		2,820
d) Telephone Expenses	11,721		---
e) Bank Charges	1,298		900
f) Audit Fees	5,515		5,515
g) Office General Expenses	11,370		21,195
h) Legal & Professional Charges	187,360		5,000
i) Lease Rentals (Ref. Schedule 14, Note No.8)	166,670		80,000
j) Demat Charges	671		562
k) Repairs & Maint. Charges (Others)	3,615		36,193
	675,129		341,119
<b>SCHEDULE-12</b>			
<b>PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>			
a) Salary & Bonus	84,970		69,808
b) LTA, Leave Salary, EPF & ESIC	7,770		14,180
	92,740		83,788
<b>SCHEDULE-13</b>			
<b>REMUNERATION TO DIRECTORS</b>			
(Refer Schedule 14, Note No. 1)			
a) Salary, Bonus & Leave Salary	187,008		165,900
b) EPF	9,364		8,316
	196,392		174,216



**SCHEDULE-14****SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS ANNEXED****TO AND FORMING PART OF THE ACCOUNTS AS ON 31ST MARCH 2010****I. SIGNIFICANT ACCOUNTING POLICIES****A) BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

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

The Management evaluates and adopts all recently issued or revised accounting standards on an ongoing basis.

**B) USE OF ESTIMATES**

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

**C) FIXED ASSETS**

Fixed assets are carried at the cost of acquisition or construction less accumulated depreciation. The cost of 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 fixed assets which necessarily take a substantial period of time to get ready for their intended use and all preoperative expenses till the commencement of commercial production are capitalized.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date are disclosed under capital work-in-progress.

**D) DEPRECIATION**

Depreciation on Fixed Assets is provided for on the written down value 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 assets are sold or disposed.

**E) IMPAIRMENT OF 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.

In view of the Management, carrying amount of assets is equivalent to its recoverable amount & therefore no provision is made for impairment loss.

#### 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) **REVENUE RECOGNITION**

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.

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.

#### H) **RETIREMENT BENEFITS**

##### A. Gratuity

In accordance with Indian laws, the holding company provides for gratuity, a defined benefit retirement plan covering all eligible employees of the Company. In accordance with the Payment of Gratuity Act, 1972, the Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment of an amount based on the respective employee's salary and tenure of employment and vesting occurs upon completion of five years of service. The measurement date used for determining retirement benefits for gratuity is March 31.

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

##### B. Short Term Employee Benefits

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

#### I) **INCOMETAX**

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

##### Current Tax

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

**Deferred Tax**

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

**J) 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.

**K) 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.

**L) EARNING PER SHARE**

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

**M) PROVISIONS AND CONTINGENT LIABILITIES**

The Company creates a provision when there is 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.

**II) NOTES TO ACCOUNTS :**

**1. Remuneration to Directors**

	<b>31-3-2010</b>	<b>31-3-2009</b>
	<b>Rs.</b>	<b>Rs.</b>
Salary including Bonus & Leave Salary	187,008	165,900
PF Contribution	9,384	8,316
	<b>196,392</b>	<b>174,216</b>

**Presentation For Effective Capital**

	<b>31-03-2010</b>	<b>31-03-2009</b>
	<b>Rs.</b>	<b>Rs.</b>
(Read with section 309 & Part II of Schedule XIII)		
Paid-up Share Capital	6,090,000	6,090,000
Securities Premium Account	3,024,000	3,024,000
General Reserve Fund	6,132	6,132
Total [A]	<b>9,120,132</b>	<b>9,120,132</b>

**Less :**

Investments	1,002,488	1,002,488
Accumulated Losses	2,729,482	3,342,338
Total [B]	<b>3,731,970</b>	<b>4,344,826</b>

**Effective Capital**

**[A - B]**

<b>5,388,162</b>	<b>4,775,306</b>
------------------	------------------

**Effective Capital**

**(Less than Rs One Crore)**

Maximum Permissible	900,000	900,000
Actual Remuneration	196,392	174,216

2. Balances of Sundry Debtors, Sundry Creditors, Loans and Advances, Receivables and Payable are subject to confirmation / reconciliation, if any.
3. In the opinion of the Board of Directors adequate provision has been made in the accounts for all known liabilities and the current assets, loans and advances have a value on realisation in the ordinary course of business at least equal to the value stated in the Balance Sheet.
4. The company has initiated the process of obtaining confirmation from suppliers who have registered themselves under the Micro Small Medium Enterprise Development Act, 2006 (MSMED Act, 2006). Based on the information available with the Company, the balance due to Micro & Small Enterprises as defined under the MSMED Act, 2006 is Rs. Nil. (Previous year Rs. Nil) Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

**5. Operating Lease**

The Company's significant leasing arrangements are in respect of operating lease for motor car. This is a 48 months non-cancellable operating lease expiring in May 2013. The company has commitment under non-cancellable operating leases as follows :

Minimum Lease Payment	As at 31st March 2010	As at 31st March 2009
Due within one year	200,004	---
Due later than one year and not later than five years	433,342	---
Due later than five years	---	---

Lease payment recognised in the statement of profit & loss account as lease rentals under Schedule 13.

On account of Non-cancellable Lease	166,670	(P.Y. Rs. Nil/-)
On account of Cancellable Lease	Nil	(P.Y. Rs. 80,000/-)

**6. DEFERRED TAX**

In compliance with the accounting standard - AS 22 relating to "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the company has credited a sum of Rs.9,311 (Previous Year Rs. 3,003/- Cr) as Deferred Tax arising out of timing differences, in the Profit & Loss Account.

Major components of Deferred Tax Assets and Liabilities on account of timing differences are :-

	31 Mar. 2010		31 Mar. 2009	
	Asset	Liability	Asset	Liability
Depreciation and other differences in the block of Fixed Asset	---	184,132	---	193,443
Disallowances u/s 43B of the I.T. Act, 1961	---	---	---	---
<b>Total</b>	---	<b>184,132</b>	---	<b>193,443</b>

**7. Related Party Disclosures**

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

- I. Holding Company  
**Spice Island Apparels Limited**
- II. Key Management Personnel  

<b>Mrs. Seema U. Katre</b>	Director
<b>Mrs. Nalini Katre</b>	Director
<b>Dr. (Mrs.) Leena B. Sen</b>	Director
<b>Mr. S. Gopalakrishnan</b>	Director
- III. Relatives of Key Management Personnel  
**Mr. Umesh M. Katre**

Particulars of Related Party transactions are as follows :

	31st March, 2010		31st March, 2009	
	Transaction Value Rs.	Outstanding Balance Rs.	Transaction Value Rs.	Outstanding Balance Rs.
Investment in shares of Holding Company				
-- Spice Island Apparels-Ltd.	---	1,002,488	---	1,002,488
Unsecured Loan from Holding Company				
-- Spice Island Apparels Ltd.	569,999	---	72,876	---
Remuneration to Director				
-- Mrs. Seema U. Katre	196,392	---	174,216	---
Lease Rent Paid				
-- Mr. M. N. Dixit	---	---	80,000	---

8. During the year, the Company received letter from Mittal Tower Permisses Co-Operative Society Limited pursuant to demand notice received by it from Municipal Corporation of Greater Mumbai towards additional property tax covering the period from 01.04.2001 to 31.03.2009 amounting to Rs. 44,01,176/-. The Company is of the opinion that this additional property tax liability does not arise on it and hence no provision for the same is required as at the balance sheet date.

**9. Segment Reporting**

Based on the guiding principles given in Accounting Standard 17 on "Segment Reporting" Issued by the Institute Of Chartered Accountants Of India, the Company is engaged in business of running Business Centre, other services. As the Company's business activity falls within single primary business segment, disclosure requirements in this regard are not given.

**10. Earnings Per Share**

Earning per share is calculated by dividing the profit attributable to Equity Shareholders by the Weighted average number of equity shares outstanding during the year. The number used in calculating basic and diluted earnings are state below :

Particulars	31st March 2010	31st March 2009
Profit / (Loss) after Tax	279,481	612,858
Number of Shares (weighted average)	609,000	609,000
Earnings Per Share (Rs.)	0.46	1.01
Face Value of Equity-Shares	10	10

11. In the opinion of Management, fall in Market Value of Investment is Temporary and therefore no provision is required to be made for Diminution in Value of Investments.

12. Other details as required by Part II of Schedule VI of the Companies Act, 1956 are either Nil or Not Applicable.

13. Previous Year's figures have been regrouped / rearranged wherever necessary.

**FOR OSTAWAL & JAIN  
CHARTERED ACCOUNTANTS**

**DHANPAL I. SAKARIA  
PARTNER  
Membership No. : 213666  
PLACE : BANGALORE  
DATE : 21st MAY, 2010**

**On behalf of the Board  
SEEMA U. KATRE  
S. GOPALAKRISHNAN**

**DIRECTORS  
PLACE : MUMBAI  
DATE : 21st MAY, 2010**

**CASH FLOW STATEMENTS ANNEXED TO THE BALANCE SHEET**

	Year Ended 31-3-2010 Rs.		Year Ended 31-3-2009 Rs.	
<b>A. Cash Flow From Operating Activities</b>				
Net Profit after tax as per Profit & Loss Account		279,981		612,858
<b>Adjusted For</b>				
Provision for Taxation (Including Deferred Tax)		82,338		7,997
<b>Net Profit / (Loss) before Tax</b>		361,819		620,855
<b>Adjusted For</b>				
Depreciation	138,508	138,508	125,505	125,505
<b>Operating Profit before working Capital Changes</b>		500,327		746,360
<b>Adjusted for</b>				
Trade & Other Receivables	(227,723)		(6,900)	---
Loans & Advances	(701,522)		(51,673)	---
Trade Payables & Deposits	54,119	(875,126)	(327,849)	(386,422)
<b>Cash Generated From Operations</b>		(374,796)		359,938
Less : Direct Taxes Paid (Refund)		258,666		339,900
<b>Net Cash Flow from Operating Activities</b>		(633,464)		20,038
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets		(21,800)		(179,220)
<b>Net Cash Flow From Investing Activities</b>		(21,800)		(179,220)
<b>C. Cash Flow From Financial Activities</b>				
<b>Net Cash Flow / (Used) From Financial Activities</b>				---
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS ((A)+(B)+(C))</b>		(655,264)		(159,182)
Opening Balance of Cash & Cash Equivalents		667,443		826,625
Closing Balance of Cash & Cash Equivalents		12,179		667,443
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		(655,265)		(159,182)

Notes :

1. Direct Taxes paid is treated as arising from Operating Activities and is not bifurcated between Operating, Investing and Financing Activities.
2. Previous year figures have been regrouped/reclassified wherever necessary.

AS PER OUR REPORT ATTACHED TO THE BALANCE SHEET

FOR OSTAWAL & JAIN  
CHARTERED ACCOUNTANTS

DHANAPAL I. SAKARIA  
PARTNER  
Membership No. : 213666

PLACE : BANGALORE  
DATE : 21st MAY, 2010

On behalf of the Board

SEEMA U. KATRE  
S. GOPALAKRISHNAN

DIRECTORS

PLACE : MUMBAI  
DATE : 21st MAY, 2010

**Statement Pursuant to Part IV to the Companies Act, 1956  
Balance Sheet Abstract and Company's General Business Profile**

**I REGISTRATION DETAILS**

Registration No. **11-51422**

State Code **11**

Balance Sheet Date **31-03-2010**

**II CAPITAL RAISED DURING THE YEAR (AMOUNT RS. IN THOUSAND)**

Public Issue

**NIL**

Rights Issue

**NIL**

Bonus Issue

**NIL**

Private Placement

**NIL**

**III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT RS. IN THOUSAND)**

Total Liabilities

**9304**

Total Assets

**9304**

**SOURCES OF FUNDS**

Paid-up-Capital

**6090**

Reserves & Surplus

**3030**

Secured Loans

**NIL**

Unsecured Loans

**NIL**

**APPLICATION OF FUNDS**

Net Fixed Assets

**1568**

Investments

**1002**

Net Current Assets

**4284**

Misc. Expenditure

**0**

Accumulated Losses

**2450**

**IV PERFORMANCE OF THE COMPANY (AMOUNT RS. IN THOUSAND)**

Turnover

**1465**

Total Expenditure

**1103**

+ (-) Profit/Loss Before Tax

**362**

+ (-) Profit/Loss After Tax

**279**

Earnings per Share (In Rs.)

**0.46**

Dividend Rate (%)

**NIL**

**V GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY (AS PER MONETARY TERMS)**

Product Description	Item Code No. (ITC Code)	Product Description	Item Code No. (ITC Code)
N.A.	N.A.	N.A.	N.A.

On behalf of the Board

**SEEMA U. KATRE**  
**S. GOPALAKRISHNAN**

PLACE : MUMBAI  
DATE : 21st MAY, 2010

**DIRECTORS**  
PLACE : MUMBAI  
DATE : 21st MAY, 2010