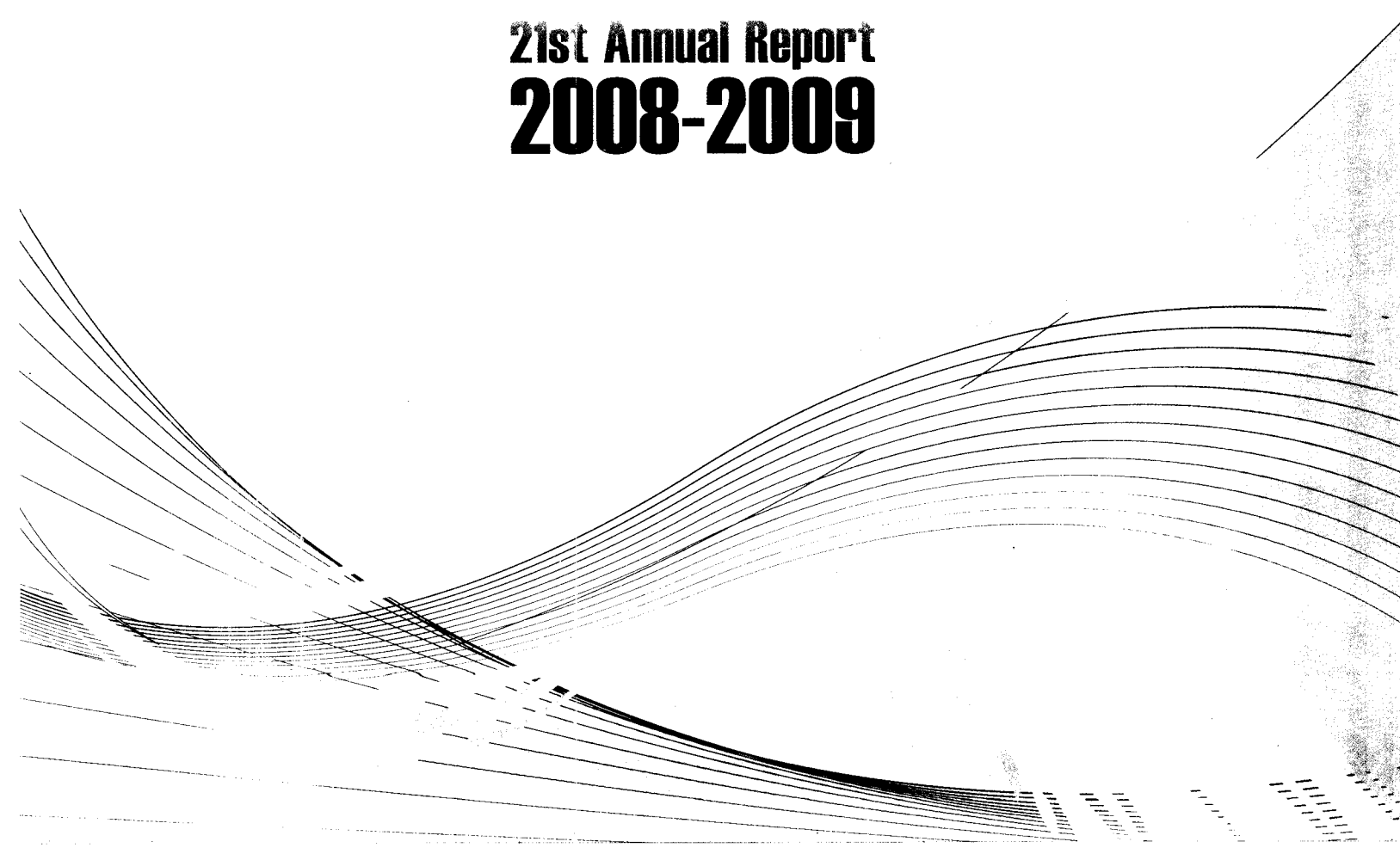


*Spice Islands  
Apparels Limited*

**21st Annual Report  
2008-2009**





*Spice Islands  
Apparels Limited*

## **BOARD OF DIRECTORS**

*Chairman & Managing Director*

**UMESH KATRE**

*Director*

**BILIN KUMAR SEN** (Upto 31/10/2008)

**ASHOK DARYANANI**

**KARL DANTAS**

**CHARUCHANDRA PATANKAR**

*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. F. 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 / 6607 8883

<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.: 2596 3838 Fax : 2594 6969 E-mail : mumbai@linkintime.co.in	<b>O R</b>
	203, Daver House, Near Central Camera, Dr. D. N. Road, Fort, Mumbai - 400 001. Ph.: 2269 4127 Fax : 2265 6929

## NOTICE

Notice is hereby given that Twenty First 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, 31st August, 2009 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, 2009, the Balance Sheet as at that date and Reports of the Board of Directors and Auditors.
2. To declare dividend.
3. To appoint a Director in place of Mr. Ashok Daryanani who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration.

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

PLACE : MUMBAI  
DATE : 5th JUNE, 2009.

**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. The Dividend for the year ended 31st March 2009 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 17th August 2009. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details provided as at the close of business hours on 17th August 2009 by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.
3. The Register of Members and Share Transfer books of the Company will remain closed from Monday, 17th August 2009 to Monday, 31st August 2009 both days inclusive.
4. In terms of Section 205 A and 205C of the Companies Act, 1956, the dividends for the year ended 31<sup>st</sup> March 1997 and thereafter which remains unclaimed for a period of 7 years from the date of transfer to the Unpaid Dividend account are required to be transferred to the "Investor Education and Protection Fund" established by the Central Government. According to the relevant provisions of the Companies Act, 1956, as amended, no claims shall remain against the said Fund or the Company for the amount of dividends so transferred to the said Fund.  
Unclaimed dividend for the year ended 31<sup>st</sup> March 2001 was transferred to the "Investor Education and Protection Fund" of the Central Government during the year.
5. Members are requested to furnish 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 Transfer Agents, M/s. Link Intime India Private Ltd., C-13, Bhandup Industrial Estate, Pannalal Silk Mills compound, Bhandup (W), Mumbai - 400078.
6. 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.
7. 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 Transfer Agent.
8. Pursuant to the directors/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. no. 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 : 5th JUNE, 2009.

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

## DIRECTORS' REPORT

To,  
The Members

Your Directors have pleasure in presenting the Twenty First Annual Report of the Company for the year ended 31<sup>st</sup> March, 2009.

	<b>(Rs. IN LACS)</b> <b>2008-2009</b>	(Rs. IN LACS) <u>2007-2008</u>
<b>FINANCIAL RESULTS</b>		
Sales & Operating Income	1441.40	1336.60
Other Income	125.12	21.37
Profit / (Loss) before Taxation / Extra Ordinary item	191.95	161.69
Less : Impairment loss	---	66.24
Profit (Loss) after Extra Ordinary item	191.95	95.38
Prior Period Adjustments	---	(1.71)
Provision for Taxation - Current Year (Reversal of deferred tax)	1.46	20.47
Excess Provision for Tax - for earlier years	0.50	0.01
Profit / (Loss) after Taxation	<u>193.91</u>	<u>114.15</u>
	<b>193.91</b>	<b>114.15</b>
<b>APPROPRIATION</b>		
General Reserve	10.00	---
Proposed Dividend	43.00	---
Tax on distribution of dividend	7.31	---
Balance Profit / (Loss) carried forward	<u>133.60</u>	<u>114.15</u>
	<b>193.91</b>	<b>114.15</b>

### OPERATIONS

During the year under review, the turnover of the Company increased by approx 8% to Rs. 1441.40 lacs as against Rs. 1336.60 lacs in the preceeding year. The modest increase in turnover was achieved by consolidating business in the knitwear division. As mentioned in the previous year's report, your company's decision to temporarily stay away from American market & concentrate sales effort in the European market as well as prudent management of resources has resulted in a profit before tax of appox Rs. 194 lacs as aginst Rs. 114 lacs for the previous year.

The above profit has been achieved despite having to write off losses pertaining to sale of machinery at Bangalore after finally shutting down operations there & providing for degradation in investments (as per legally prescribed norms) to the extent of Rs. 138 lacs. Despite the recessionary trend in the overseas market & specific downtrend of exports from India, your Directors hope to maintain the current performance perhaps with lower nett returns.

### DIVIDEND

Your Directors are pleased to recommend a dividend of Rs. 1/- Share. Dividend, if approved by the shareholders, at the Annual General Meeting, will absorb Rs. 43 lacs.

### TAXATION

Provision of Rs. 18,25,000/- is made to meet the liability of Income Tax and Fringe Benefit Tax.



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

### **DIRECTORS**

During the year under review, Mr. Bilin Kumar Sen resigned as a Director of the Company. The Board places on record their sincere appreciation for the valuable services rendered by Mr. Sen during his long association with the Company and wish him good health in the years to come.

Mr. Ashok Daryanani retires by rotation and being eligible offers himself re-appointment.

### **DIRECTORS RESPONSIBILITY**

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

1. In the preparation of the annual accounts, the applicable Accounting Standards have been followed.
2. Appropriate accounting policies have been selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as to give true and faire view of the state of affairs of the company as at March 31, 2009 and of the Profit of the company for the year ended on 31st March, 2009.
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 dematerialised form. Since dematerialisation facilitates quick share transfers and prevents forging of documents, those shareholders who have not opted for this facility are advised to dematerialise their shares with either of the Depositories.

### **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.

## **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, have furnished a certificate of their eligibility for re-appointment under section 224 (1B) of the Companies Act, 1956.

### **AUDITOR'S REMARKS :**

400 Equity shares of Bhupco Alloys Ltd. are lodged for transfer and the company will soon get the certificates duly endorsed.

### **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 : 5th JUNE, 2009.

**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, 2009.
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, 2009.	:	NIL
b) Not dealt with in the accounts of the Company for the year ended 31st March, 2009.	:	Rs. 6,12,858
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, 2009.	:	NIL
b) Not dealt with in the accounts of the Company for the year ended 31st March, 2009.	:	(Rs. 27,29,480)

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

PLACE : MUMBAI  
DATE : 5th JUNE, 2009

**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	69,078
	Total Amount (Rs.)	4,69,894
	Rate per unit (Rs.)	6.80
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 produced by the Company on existing production methods. Improving labour productivity and installation of new machinery is also a part of these efforts.
- Benefits : Company could make its impact in the items manufactured by adopting changing technology.
- Imported Technology : The company is presently using Indian Technology.

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

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

b)	EARNING AND OUTGO	Rs. In Lacs
i)	Foreign Exchange Earning Export Sales (FOB)	1270.79
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	26.39
	d) Dyes & Chemicals	Nil
	e) Travelling & Other Expenses	2.45
	f) Commission	70.69

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

PLACE : MUMBAI  
DATE : 5th JUNE, 2009

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



# ANNEXURE TO DIRECTORS' REPORT

## CORPORATE GOVERNANCE

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

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

1. **Corporate Governance** 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 2009, the strength of Board was four Directors, of which, one was an Executive Directors and three were Non-Executive Independent Directors. The composition of Board of Directors as on 31st March 2009, 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	
			Chairman	Member	Board Meeting	Last Annual General Meeting 4/8/2008
Umesh M. Katre Chairman & Managing Director	Executive	None	2	---	6	Yes
Ashok G. Daryanani	Non Executive Independent	None	1	1	3	Yes
C. G. Patankar	Non Executive Independent	12	1	1	4	Yes
Karl Dantas	Non Executive Independent	None	---	4	2	No
Bilinkumar Sen*	Non Executive Independent	None	---	2	5	Yes

\* Mr. Bilin Kumar Sen resigned on 31st October 2008 and accordingly ceased to be a Director.

\*\* 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 10th April 2008, 7th June 2008, 31st July 2008, 25th August 2008, 31st October 2008 and 31st January 2009.

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. Ashok Daryanani**

Mr. Ashok Daryanani is a graduate in Commerce and has an experience of over 40 years in all aspects of Textile Marketing. Being an independent Director and having a vast commercial experience, appointment of Mr. Ashok Daryanani is in the interest of the Company.

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

Name	Directorships	Committee Memberships
Mr. Ashok Daryanani	None	2

**3) AUDIT COMMITTEE**

The Audit committee held four meetings on 7th June, 2008, 5th August, 2008, 31st October, 2008 and 31st January, 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	2
C. G. Patankar	Non-Executive-Independent	4
Ashok Daryanani	Non-Executive-Independent	4

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 Director and Mr. Karl Dantas a Non-Executive-Independent Director. The committee held one meeting on 30th October, 2008.

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 2008 – 2009, the Committee met on 30th October, 2008.

No. of shareholders complaints received during the year	:	1
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 2008 – 09, the Remuneration Committee met once, i.e. on 5th August, 2008. 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

**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, All other matters relating to shares. Members: Mr. U. M. Katre, Mr. B. K. Sen (upto 31st October 2008), Mr. Ashok Daryanani (from 1st November 2008) 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 2008–2009, 7 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, 2009

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 2009.

<u>Directors</u>	<u>Sitting fees for Board meetings</u> <u>Rs.</u>
C. G. Patankar	30,000/-
Karl Dantas	17,500/-
Ashok Daryanani	22,500/-
Bilin Kumar Sen	20,000/-

## 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 Rs.	Commission on Profits Rs.	Salary Rs.	Other allowance incl Contribution to PF Rs.	Perquisite Rs.	Total Rs.
Mr. Umesh M. Katre	None	NIL	NIL	8,58,000	4,05,360	---	12,63,360

### 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 2009, 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 Rs. 1,20,000.00  
for leasing of house facility to the Company.

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 2009 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 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.
31st March 2006	30th August 2006	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 - 4<sup>th</sup> August, 2008.  
b) The Share Transfer Register will remain closed from Monday, 17th August, 2009 to Monday, 31st August 2009 (Both days inclusive)
- 3) Financial Calender  
Period : Board meeting to approve quarterly / financial results  
Year ending March 31, 2009 : End June 2009  
Quarter ending June 30, 2009 : End July 2009  
Quarter ending September 30, 2009 : End October 2009  
Quarter ending December 31, 2009 : End January 2010  
Year ending March 31, 2010 : End June 2010  
Annual General Meeting for the year ending 31st March, 2009 : September, 2009
- 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 2008-2009
- 7) a. Bombay Stock Exchange Ltd. (BSE) : 526827  
b. ISIN Number : INE882D01017  
c. Corporate Identity Number (CIN) : L1712MH1988PLC050197



## 8) Stock Price Data :

**Bombay Stock Exchange (BSE)**  
(in Rs.)

	<u>High</u>	<u>Low</u>
April 2008	6.99	4.50
May 2008	7.49	5.60
June 2008	8.40	6.65
July 2008	8.18	5.40
August 2008	8.64	5.85
September 2008	8.59	5.15
October 2008	5.40	4.53
November 2008	6.44	4.95
December 2008	6.59	5.25
January 2009	6.49	5.85
February 2009	6.46	4.34
March 2009	5.27	3.69

## 9) Registrar &amp; Share Transfer Agent :

**LINK INTIME INDIA PRIVATE LIMITED**

(Formerly known as Intime Spectrum Registry Limited)

Pannalal Silk Mill Compound,

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

Bhandup (W), Mumbai - 400 078.

Tel. : 2596 3838 • Fax : 2594 6969

Email : [mumbai@linkintime.co.in](mailto:mumbai@linkintime.co.in)

## 10) 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 Limited. (CDSL) within 15 days.

## 11) Distribution of shareholding as on 31st March, 2009.

	Shareholders No.	Share Amount (in Rs.)	% to Equity
Upto - 2,500	1082	1,390,120	3.2328
2,501 - 5,000	422	1,642,110	3.8189
5,001 - 10,000	260	2,055,630	4.7805
10,001 - 20,000	95	1,423,330	3.3101
20,001 - 30,000	36	953,250	2.2169
30,001 - 40,000	24	860,300	2.0007
40,001 - 50,000	08	388,500	0.9035
50,001 - 1,00,000	14	1,071,160	2.4911
1,00,001 - Above	36	33,215,600	77.2456
<b>** Total **</b>	<b>1977</b>	<b>43,000,000</b>	<b>100.0000</b>

12) Categories of shareholding as on 31st March, 2009

	Category	No. of Shareholders	No. of Shares held	% Shareholding
1)	Indian promoters	8	2,678,861	62.30 %
2)	Directors	3	36,509	0.84 %
3)	Indian Public	1887	1,294,400	30.10 %
4)	Private corporate bodies	72	283,809	6.60 %
5)	Banks, FIs, Insurance Co.	1	3,400	0.08 %
6)	NRIs / OCBs	3	2,512	0.05 %
7)	Clearing members	3	509	0.03 %
		<b>1977</b>	<b>4,300,000</b>	<b>100.00%</b>

13) Dematerialisation of shares and liquidity

43.97% of total equity capital is held in dematerialised form with NSDL & CDSL as on 31st March 2009. 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]

14) 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)

15) 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)

16) Plant Location

: S. F. No. 287, Kuthampalayam, 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

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

18) 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 : 5th JUNE, 2009

**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 2009.

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

PLACE : MUMBAI  
DATE : 5th JUNE, 2009

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



## CERTIFICATE ON CORPORATE GOVERNANCE

To the Members,

**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, 2009 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 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 of 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  
Mumbai

Date : 25th May, 2009



# 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 : 5th JUNE, 2009

**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 2009 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 it 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, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2009 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 2009;
  - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date, and
  - c) in so far it relates to 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 : 5th JUNE, 2009

**J. G. OSTAWAL**  
PARTNER  
Membership No. 8892



## ANNEXURE TO THE AUDITORS' REPORT

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 2009.

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) Though a substantial part of the Fixed Assets pertaining to Bangalore unit has been disposed off during the year, it has not effected operations of company 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 had 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 granted interest-free unsecured loan to its subsidiary Company. The maximum amount involved during the year was Rs. 72,876/- and the year-end balance of loan 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 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.  
  
(d) There is no overdue amount as on 31 March 2009.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal controls.
5. (a) According to the information and explanations given to us and relevant records produced before us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.  
  
(b) According to information & explanations given by the management and relevant records produced before us, we are of the opinion that transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevailing market prices.

6. The Company has not accepted any deposit within the meaning of section 58A and 58AA or any other relevant provisions of the Companies Act 1956 and the rules framed there under.
7. The Company has no formal internal audit system as such; however its internal control procedures ensure reasonable internal checking.
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. (i) According to records of the Company, it is generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income tax, Sales tax, Wealth tax, Professional tax, Investor Education and Protection Fund, and other material statutory dues applicable to it with the appropriate authorities, except for few instances of delay in depositing Income-Tax deducted at source. According to records of the Company, no undisputed amounts payable in respect of above were in arrears as at 31 March 2009, for a period exceeding six months from the date they became payable.

(ii) According to the information and explanations give to us, there are no dues outstanding of Income tax, Wealth tax, Service tax, Professional tax, Sales Tax, or Cess on account of any dispute, other than the following :

Name of the Statute	Nature of dues	Amount (Rs.)	Period to which amount relates	Forum where dispute is pending
The Income Tax Act, 1961	Demand raised by order giving effect to the ITAT order	Rs. 2,88,895/-	F. Y. 1995-96	Commissioner of Income Tax (Appeals)
Apparel Export Promotion Council	Non Fulfillment of Export Obligation	Rs. 7,26,310/-	F. Y. 1998-99	High Court, Bombay

10. The Company does not have accumulated losses at the end of the financial year. The Company has not incurred cash losses in the Financial year under report and had not incurred cash losses in the immediately preceding financial year.
11. In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to a financial institution.
12. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted any loan and/or 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. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statue applicable to chit fund and nidhi / mutual benefit fund/ societies. 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 *except for 400 equity shares of Subsidiary Company Bhupco Alloys Limited which have not been transferred in the name of the Company.*



15. The Company has not taken any term loan during the year.
16. 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.
17. The Company has not made any allotment of shares during the year. Accordingly, clause 4(xviii) of the Order is not applicable.
18. The Company has not issued any debentures during the year. Accordingly, clause 4(xix) of the Order is not applicable.
19. The Company has not raised any money by way of public issue during the year.
20. Based upon the audit procedures performed and information and explanations given to us by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **OSTAWAL & JAIN**  
CHARTERED ACCOUNTANTS

PLACE : BANGALORE  
DATE : 5th JUNE, 2009

**J. G. OSTAWAL**  
PARTNER  
Membership No. 8892

## BALANCE SHEET AS AT 31ST MARCH, 2009

	Schedule	31-3-2009 Rs.	31-3-2008 Rs.
<b>I SOURCES OF FUNDS :</b>			
<b>1. Shareholders' Fund</b>			
a) Share Capital	1	42,965,696	42,965,696
b) Reserves & Surplus	2	73,566,451	59,206,174
<b>2. Loan Funds</b>			
Secured Loans	3	19,094,759	1,016,295
<b>3. Deferred Tax Liability (Net)</b> (Refer Schedule 22, Note No.11)			
		1,414,016	3,385,064
	<b>Total</b>	<b>137,040,923</b>	<b>106,573,229</b>
<b>II APPLICATION OF FUNDS :</b>			
<b>1. Fixed Assets</b>			
Gross Block	4	45,305,624	57,206,653
Less : Depreciation / Impairment		16,844,846	27,206,513
Net Block		28,460,778	30,000,140
<b>2. Investments</b>			
	5	17,596,623	12,159,890
<b>3. Current Assets, Loans and Advances</b>			
a) Inventories	6	2,851,255	4,415,251
b) Sundry Debtors	7	36,007,626	16,512,836
c) Cash and Bank Balances	8	45,429,623	20,069,204
d) Loans & Advances	9	13,722,902	18,247,234
e) Other Current Assets	10	10,557,648	17,639,647
<b>Total Current Assets [A]</b>		<b>108,569,058</b>	<b>76,884,172</b>
<b>4. Less : Current Liabilities and Provisions</b>			
a) Current Liabilities	11	9,439,898	9,831,815
b) Provisions	12	8,145,638	2,639,158
<b>Total Current Assets [B]</b>		<b>17,585,536</b>	<b>12,470,973</b>
<b>Net Current Assets</b>	<b>[A] - [B]</b>	<b>90,983,522</b>	<b>64,413,199</b>
	<b>Total</b>	<b>137,040,923</b>	<b>106,573,229</b>
<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

**J. G. OSTAWAL**  
PARTNER  
Membership No. : 8892  
PLACE : BANGALORE  
DATE : 5th JUNE, 2009

On behalf of the Board of Directors

**Umesh M. Katre**  
**Ashok Daryanani**  
**Karl Dantas**

**DIRECTORS**

PLACE : MUMBAI  
DATE : 5th JUNE, 2009



# PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

	Schedule	31-3-2009 Rs.	31-3-2008 Rs.
<b>I INCOME</b>			
a) Export Sales		131,311,784	111,847,086
b) Local Sales		993,468	1,446,858
c) Operating Income	13	11,834,581	20,366,274
d) Other Income	14	5,888,390	2,136,565
		<u>150,028,223</u>	<u>135,796,783</u>
<b>II EXPENDITURE</b>			
a) (Increase) / Decrease in stock of Finished Goods	15	553,354	(179,082)
b) Raw Materials & Accessories	16	41,349,778	37,801,537
c) Manufacturing Expenses	17	36,220,014	42,012,643
d) Administrative & Selling Expenses	18	49,262,664	29,108,377
e) Payments to and Provisions for Employees	19	5,319,754	6,074,492
f) Remuneration to Directors	20	1,263,360	1,283,431
g) Interest	21	417,684	282,706
h) Depreciation		3,070,454	3,249,945
i) Impairment Loss		(6,623,989)	6,623,989
		<u>130,833,072</u>	<u>126,258,038</u>
<b>III PROFIT / (LOSS) BEFORE TAX</b>		19,195,151	9,538,745
Add/(Less) : Prior Period Adjustments		---	(170,606)
<b>IV PROFIT / (LOSS) BEFORE TAX</b>		19,195,151	9,368,139
(Add) Less : Provision for Taxation			
Current Tax		1,360,000	20,015
Deferred Tax (Refer Schedule 22, Note No. 11)		(1,971,048)	(2,615,640)
Fringe Benefit Tax		465,000	550,000
(Excess)/Short Provision for Tax of earlier years		(49,863)	(1,375)
		<u>(195,911)</u>	<u>(2,047,000)</u>
<b>V PROFIT / (LOSS) AFTER TAX</b>		19,391,062	11,415,139
<b>VI APPROPRIATION</b>			
a) Proposed Dividend		4,300,000	---
b) Tax on Proposed Dividend		730,785	---
c) Transfer to General Reserve		1,000,000	---
d) Balance carried to Balance Sheet		13,360,277	11,415,139
		<u>19,391,062</u>	<u>11,415,139</u>
Net-Profit/(Loss) After Tax Attributable to Equity Share-Holders		19,391,062	11,415,139
Weighted Average Number Of Equity Shares		4,300,000	4,300,000
Basic & Diluted Earnings Per Share		4.51	2.65
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

### J.G. OSTAWAL

PARTNER

Membership No. : 8892

PLACE : BANGALORE

DATE : 5th JUNE, 2009

On behalf of the Board of Directors

**Umesh M. Katre**

**Ashok Daryanani**

**Karl Dantas**

**DIRECTORS**

PLACE : MUMBAI

DATE : 5th JUNE, 2009



## SCHEDULES FORMING PART OF THE BALANCE SHEET

**SCHEDULE-1**

**SHARE CAPITAL**

**Authorised**

50,00,000 (P.Y. 50,00,000) Equity Shares  
of Rs. 10/- each

**Issued, Subscribed and Paid Up**

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

Less : Calls-in-arrears

**SCHEDULE-2**

**RESERVES & SURPLUS**

**a) Securities Premium**

**b) General Reserve :**

Opening Balance

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

**c) Profit and Loss Account :**

Opening Balance

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

**SCHEDULE-3**

**SECURED LOANS**

Cash Credit (Including 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.

Car Loan from Kotak Mahindra Prima Ltd.,  
(Secured by a specific charge on assets purchased)  
(Repayable within 1 year Rs. 3,04,702/-)  
(Previous Year Rs. NIL)

		<b>31-3-2009</b>		<b>31-3-2008</b>
		<b>Rs.</b>		<b>Rs.</b>
		<b>50,000,000</b>		<b>50,000,000</b>
	<b>43,000,000</b>		43,000,000	
	<b>34,304</b>	<b>42,965,696</b>	34,304	42,965,696
		<b>42,965,696</b>		42,965,696
		<b>34,914,240</b>		34,914,240
	<b>12,876,795</b>		12,876,795	
	<b>1,000,000</b>	<b>13,876,795</b>	---	12,876,795
	<b>11,415,139</b>		---	
	<b>13,360,277</b>	<b>24,775,416</b>	11,415,139	11,415,139
		<b>73,566,451</b>		59,206,174
		<b>18,549,451</b>		1,016,295
		<b>545,298</b>		---
		<b>19,094,759</b>		1,016,295

# SCHEDULE-4

## FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION / IMPAIRMENT					NET BLOCK	
	Cost as at 1-4-2008 Rs.	Additions during the year Rs.	Deductions during the year Rs.	Cost as at 31-3-2009 Rs.	As at 1-4-2008 Rs.	For the year Rs.	Deductions during the year Rs.	Impairment Loss Reversed Rs.	Total as at 31-3-2009 Rs.	As at 31-3-2009 Rs.	As at 31-3-2008 Rs.
Building	2,718,402	--	--	2,718,402	212,947	44,310	--	---	257,257	2,461,145	2,505,455
Factory Building(Galas)	2,671,491	--	--	2,671,491	1,131,864	89,228	--	---	1,221,092	1,450,399	1,539,627
Plant & Machinery	19,184,196	623,160	12,263,989	7,543,367	9,140,637	637,898	3,535,250	(3,598,333)	2,644,952	4,898,415	10,043,559
Electrical Installation	4,575,037	116,356	1,381,387	3,310,006	1,658,445	178,480	282,886	(117,020)	1,437,019	1,872,987	2,916,592
Furniture & Fixtures	13,449,127	909,281	4,987,434	9,370,973	7,385,491	576,578	1,420,584	(1,967,612)	4,573,873	4,797,101	6,063,636
Office Equipment	4,885,231	324,955	2,062,829	3,147,357	2,249,343	189,977	686,213	(480,348)	1,272,759	1,874,598	2,635,888
Motor Car	5,035,138	7,874,790	303,442	12,606,486	1,800,507	910,740	122,562	(2,425)	2,586,260	10,020,226	3,234,631
Computers	4,688,031	556,671	1,307,160	3,937,542	3,627,279	443,243	760,637	(458,251)	2,851,634	1,085,908	1,060,752
<b>Total</b>	<b>57,206,653</b>	<b>10,405,213</b>	<b>22,306,242</b>	<b>45,305,624</b>	<b>27,206,513</b>	<b>3,070,454</b>	<b>6,808,133</b>	<b>(6,623,989)</b>	<b>16,844,846</b>	<b>28,460,778</b>	<b>30,000,140</b>
Previous year	57,605,894	3,609,922	1,520,512	59,695,304	18,051,969	3,270,232	621,214	--	20,700,987	39,553,925	39,553,925



## SCHEDULES FORMING PART OF THE BALANCE SHEET

**SCHEDULE-5**

**INVESTMENTS : Long Term**

**I. Quoted : Non Trade at Cost / Diminuted Value**

a) 9,000 (P.Y.9,000) Equity Shares of Rs. 10/- each fully paid up of Sushant Capital Ltd.	45,000	45,000
b) 23591.623 (P.Y. 23591.623) Units of Reliance Mutual Fund Growth Plan	300,000	300,000
c) 17465.023 (P.Y. 17465.023) Units of B292G Birla Top 100 Mutual Fund Growth Plan	300,000	300,000
d) 544.841 (P.Y. NIL) Units of Reliance Vision Fund-Retail Plan Growth Plan	80,000	---
e) 671.360 (P.Y. NIL) Units of HDFC Equity Fund Growth Plan	80,000	---
f) 167865.224 (P.Y. NIL) Units of Taurus Income Fund Dividend Plan	2,500,000	---
	3,305,000	645,000
Less : Provision for Permanent Diminution	45,000	45,000

	<b>[A]</b>	3,260,000	600,000
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**CURRENT INVESTMENTS**

**Quoted : Non Trade at Cost / Diminuted Value**

a) 500 (P.Y. NIL) Equity Shares of Rs. 10/- each fully paid up of Reliance Industries Ltd.	543,046	---
b) 500 (P.Y. NIL) Equity Shares of Rs. 10/- each fully paid up of Alok Industries Ltd.	625,000	---
c) 10,000 (P.Y. NIL) Equity Shares of Rs. 10/- each fully paid up of Sujana Tower Ltd.	129,000	---
d) 10,000 (P.Y. NIL) Equity Shares of Rs. 10/- each fully paid up of Divi's Laboratories Ltd.	442,064	---
e) 3,000 (P.Y. NIL) Equity Shares of Rs. 10/- each fully paid up of JSW Steel Ltd.	601,123	---
f) 2,500 (P.Y. NIL) Equity Shares of Rs. 10/- each fully paid up of Reliance Communication Ltd.	436,500	---

	<b>[B]</b>	2,776,733	---
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**II. Unquoted at Cost / Diminuted Value**

**A) In Subsidiary Company**

a) 609,000 (P.Y. 609,000) Equity Shares of Rs.10/- each fully paid up of Bhupco Alloys Ltd.	15,659,890	15,659,890
Less : Provision for Permanent Diminution	4,100,000	4,100,000

	<b>[C]</b>	11,559,890	11,559,890
--	------------	------------	------------

	<b>[A] + [B] + [C]</b>	17,596,623	12,159,890
--	------------------------	------------	------------

Aggregate Cost of Unquoted Investments	11,559,890	11,559,890
Aggregate NAV of Mutual Fund Units	3,041,181	607,582
Aggregate Market value of quoted Investments	3,124,450	---



# SCHEDULES FORMING PART OF THE BALANCE SHEET

	31-3-2009 Rs.	31-3-2008 Rs.
<b>SCHEDULE-6</b>		
<b>INVENTORIES</b>		
<b>[As valued and certified by the Management]</b>		
a) Raw Materials	2,141,708	3,177,664
b) Accessories	476,439	451,125
c) Finished Goods	233,108	786,462
	<b>2,851,255</b>	<b>4,415,251</b>
<b>SCHEDULE-7</b>		
<b>SUNDRY DEBTORS</b>		
<b>(Unsecured Considered Good)</b>		
Outstanding for more than six months	7,054,143	6,971,628
Less : Provision for Doubtful Receivable	6,804,000	6,804,000
Others	35,757,483	16,345,208
	<b>36,007,626</b>	<b>16,512,836</b>
<b>SCHEDULE-8</b>		
<b>CASH &amp; BANK BALANCES</b>		
a) Cash on hand	236,812	93,653
b) <u>Bank balances with Scheduled Banks</u>		
In Current Accounts	43,945,928	19,585,280
In Margin Account	88,333	330,434
In EEFC Account	1,133,550	34,837
In Deposit A/c	25,000	25,000
	<b>45,429,623</b>	<b>20,069,204</b>
<b>SCHEDULE-9</b>		
<b>LOANS AND ADVANCES</b>		
<b>(Unsecured Considered Good)</b>		
a) Advances against Expenses	3,094,519	1,328,985
b) Staff Advance	2,431,625	2,186,239
c) Prepaid Taxes	4,662,258	3,808,510
d) Intercompany Loans/Deposits	3,534,500	4,034,500
e) Other Advances *	---	6,889,000
<b>Considered Doubtful</b>		
a) Intercompany Loans/Deposits	4,000,000	4,000,000
Less : Provision for Doubtful Loan / Advance	4,000,000	4,000,000
	<b>13,722,902</b>	<b>18,247,234</b>
<b>* Includes Advance to :</b>		
a) <u>Subsidiary Company (Bhupco Alloys Ltd.)</u>		
Maximum Outstanding	72,876	46,614
Year End Balance	---	---
b) <u>Firm in which Relative of one of the director is interested as Partner (M/s. Dyna Sales)</u>		
Maximum Outstanding	---	700,000
Year End Balance	---	---

## SCHEDULES FORMING PART OF THE BALANCE SHEET

	<u>31-3-2009</u> Rs.	<u>31-3-2008</u> Rs.
<b>SCHEDULE-10</b>		
<b>OTHER CURRENT ASSETS</b>		
a) Duty Drawback Receivable	1,658,040	4,456,291
b) DEPB Receivable	248,153	248,153
c) Prepaid Expenses	89,425	90,875
d) Interest Receivable	985,378	1,816,853
e) Security Deposit for Premises	4,975,000	5,596,014
f) Other Deposits*	1,591,928	4,166,928
g) Duties and Taxes	1,009,724	1,264,533
	<b>10,557,648</b>	<b>17,639,647</b>
<b>* OTHER DEPOSIT INCLUDES</b>		
Paid to Managing Director	936,432	3,436,432
Maximum Amt. Outstanding during the year	3,436,432	3,436,432
<b>SCHEDULE-11</b>		
<b>CURRENT LIABILITIES</b>		
a) Sundry Creditors for Goods	3,375,775	5,653,427
b) Unclaimed Dividend	---	35,664
c) Outstanding Liabilities	6,064,123	4,142,724
	<b>9,439,898</b>	<b>9,831,815</b>
<b>SCHEDULE-12</b>		
<b>PROVISIONS</b>		
a) Provision for Taxes	2,318,284	1,899,603
b) Provision Dividend	4,300,000	---
c) Provision for Tax on Proposed Dividend	730,785	---
d) Provision for Retirement & other Employees Benefit Schemes	796,569	739,555
	<b>8,145,638</b>	<b>2,639,158</b>



## SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

	31-3-2009 Rs.	31-3-2008 Rs.
<b>SCHEDULE-13</b>		
<b>OPERATING INCOME</b>		
a) Duty Drawback	11,783,922	10,797,130
b) Exchange Gain (Net)	50,659	229,825
c) Labour Charges (TDS Rs. Nil, P.Y. Rs. 2,08,702/-)	---	9,237,000
d) Sample Development Charges	---	102,319
	<b>11,834,581</b>	<b>20,366,274</b>
<b>SCHEDULE-14</b>		
<b>OTHER INCOME</b>		
a) Interest :		
From Bank (TDS Rs. NIL) (P.Y. Rs. 1,737/-)	12,152	8,709
On ICDs (TDS Rs. 6,40,202/-) (P.Y. Rs. 2,43,509/-)	<b>3,110,763</b>	1,529,496
b) Profit on Sale of Investments	400,774	---
c) Sundry balances / provisions written back	<b>2,364,702</b>	598,360
	<b>5,888,390</b>	<b>2,136,565</b>
<b>SCHEDULE-15</b>		
<b>INCREASE / (DECREASE) IN STOCK OF FINISHED GOODS</b>		
Opening Stock	786,462	607,380
Closing Stock	233,108	786,462
	<b>553,354</b>	<b>(179,082)</b>
<b>SCHEDULE-16</b>		
<b>MATERIAL CONSUMPTION</b>		
a) Raw Material consumed		
Opening Stock	3,177,664	3,127,737
Add : Purchases	<b>30,335,747</b>	29,112,424
	<b>33,513,411</b>	32,240,161
Less : Closing Stock	<b>2,141,708</b>	3,177,664
	<b>31,371,703</b>	29,062,497
b) Accessories consumed		
Opening Stock	451,126	708,146
Add : Purchases	<b>9,906,551</b>	8,355,322
	<b>10,357,677</b>	9,063,468
Less : Closing Stock	<b>476,439</b>	451,125
	<b>9,881,238</b>	8,612,343
c) Sample Purchase	<b>96,837</b>	126,697
	<b>41,349,778</b>	<b>37,801,537</b>
<b>SCHEDULE-17</b>		
<b>MANUFACTURING EXPENSES</b>		
a) Labour Charges	14,937,340	14,216,653
b) Workers' Emoluments (includes contribution to ESIC & PF)	7,953,142	14,598,309
c) Processing Charges	6,466,695	6,128,929
d) Utilities & Spares	---	32,331
e) Loading & Unloading Charges	17,465	16,438
f) Freight Inward	256,172	239,992
g) Fabric Testing Charges	269,965	234,159
h) Factory General Expenses	218,696	287,100
i) Embroidery Charges	5,566,598	5,137,636
j) Electricity Charges	533,941	1,121,096
	<b>36,220,014</b>	<b>42,012,643</b>

**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT**

	<b>31-3-2009</b>	<b>31-3-2008</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>SCHEDULE-18</b>		
<b>ADMINISTRATIVE &amp; SELLING EXPENSES</b>		
a) Advertisement & Sales Promotion	1,081,280	743,813
b) Clearing, Forwarding, Octroi & Transport Charges	4,418,133	6,597,916
c) Postage, Telephone & Internate Charges	1,590,981	1,845,910
d) Printing & Stationery	348,795	344,781
e) Rates & Taxes	1,153,375	643,704
f) Service Charges	1,944,776	1,866,099
g) Office Electricity Charges	496,978	424,551
h) Travelling & Conveyance	3,109,116	4,513,076
i) Computer Expenses	139,631	80,694
j) Bank Charges	593,066	329,111
k) Insurance	150,420	157,546
l) ECGC Premium	143,625	33,241
m) <u>Repairs :</u>		
Building	1,561,132	189,965
Machinery	156,732	150,616
Others	393,435	288,967
n) Commission Paid	7,394,314	4,342,536
o) Directors' Sitting Fees	100,000	30,000
p) Legal & Professional Charges	1,193,574	1,077,074
q) Lease Rentals (Refer Schedule 22, Note No.10)	642,120	1,700,040
r) <u>Auditor's Remuneration :</u>		
Audit Fees	137,875	112,480
Certificate Matters	16,854	16,854
s) Listing Fees	65,475	38,564
t) Sundry Expenses	601,843	549,080
u) Loss on Sale of Fixed Assets	13,632,730	313,962
v) Donation	44,501	16,003
w) Guest House maintenance	820,225	1,593,492
x) Bad Debts	---	88,581
y) Discounts (Net)	29,773	205,135
z) Advances / Balances written off	7,301,905	814,586
	<b>49,262,664</b>	<b>29,108,377</b>
<b>SCHEDULE-19</b>		
<b>PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>		
a) Salary and Bonus	4,227,197	4,809,129
b) L T A, Leave Salary, EPF & ESIC etc.	732,519	809,590
c) Gratuity	56,774	4,929
d) Staff welfare Expenses	303,264	450,844
	<b>5,319,754</b>	<b>6,074,492</b>
<b>SCHEDULE-20</b>		
<b>REMUNERATION TO DIRECTORS</b>		
(Refer Schedule 22, Note No. 1)		
a) Salary including Bonus & Leave Salary	858,000	876,511
b) Provident Fund Contribution	9,360	10,920
c) H R A	396,000	396,000
	<b>1,263,360</b>	<b>1,283,431</b>
<b>SCHEDULE-21</b>		
<b>INTEREST</b>		
a) Interest to Bank	347,386	281,662
b) Hire Purchase Interest	70,298	1,044
	<b>417,684</b>	<b>282,706</b>



## **SCHEDULE - 22**

### **SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS ANNEXED TO AND FORMING PART OF THE ACCOUNTS AS ON 31ST MARCH, 2009**

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

##### **(A) ACCOUNTING CONVENTION**

The Financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises mandatory accountion standards issued by the Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956. Accounting policies have been consistently applies 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 all recently issued or revised accounting standards on an ongoing basis.

##### **(B) FIXED ASSETS**

Fixed Assets are stated at cost of acquisition inclusive of inward freight, duties and taxes (excluding recoverable duties & taxes) and other incidental expenses related to their acquisition.

##### **(C) DEPRECIATION**

Depreciation on Fixed Assets is provided on Straight Line Method at the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation on additions & deletions to Fixed Assets during the year have been provided for on pro-rata basis.

##### **(D) 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 fixed 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.

##### **(E) INVESTMENTS**

Long Term Investments are stated at cost. However in appropriate cases diminution in value which is considered to be permanent is recognised in the financial statements accordingly. Current investments are carried at lower of cost and fair value.

Profit and loss on sale of investments is determined on a first in first out (FIFO) basis.

##### **(F) INVENTORIES**

Inventories are valued as under :

- a) Raw materials & Accessories - At lower of cost or net realisable value, Cost being worked out on FIFO basis.
- b) Finished Goods - At lower of cost or net realisable value.

##### **(G) REVENUE RECOGNITION**

- a) Sale is recognised at the time of despatch of goods to the customers.
- b) 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.

##### **(H) EXPENSES**

Expenses are accounted on accrual basis.

##### **(I) RETIREMENT BENEFITS**

###### **i) GRATUITY**

As per revised Accounting Standard 15 issued by ICAI, the company has the policy of adopting long term benefit plan of gratuity, a defined contribution plan under Life Insurance scheme covering all eligible employees of the Company and its subsidiary in accordance with the Payment of Gratuity Act, 1972. The obligation for each period is determined by the amounts contributed to LIC fund and consequently no actuarial assumptions required to measure the obligations or the expense for future liability, since there is no possibility of actuarial gain or loss.



**ii) SHORT TERM EMPLOYEE BENEFITS**

The undisclosed amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders services. These benefits include compensated absence such as paid annual leave, leave travel allowance, bonus / performance incentives.

**(J) INCOME TAX / DEFERRED TAX**

Provision for Taxation and Fringe Benefit Tax has been made in accordance with the provisions of Income Tax Act 1961, & Wealth Tax Act, 1957. The Company has accounted for Deferred Taxation in line with Accounting Standard AS 22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

**(K) FOREIGN CURRENCY TRANSACTIONS**

- a) All foreign currency transactions are recorded at the rates prevailing on the date of transaction.
- b) 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.

**(L) BORROWING COST**

Borrowing cost other than those incurred for qualifying asset is expensed out in the year in which it is incurred.

**(M) LEASES**

Lease payments under an operating lease is recognised as an expense in the Profit & Loss Account on a Straight Line basis.

**(N) EARNING PER SHARE**

The basic and diluted earning per share ("EPS" ) is computed by dividing the net profit after tax for the year by weighted average number of equity shares outstanding during the year.

**(O) PROPOSED DIVIDEND**

Dividend recommended by the The Board of Directors is provided for in the accounts, pending approval at the Annual General Meeting.

**II. NOTES TO ACCOUNTS**

**1 Remuneration to Directors**

	<u>31-3-2009</u>	<u>31-3-2008</u>
	Rs.	Rs.
Salary including Bonus & Leave Salary	858,000	876,511
PF Contribution	9,360	10,920
H R A	396,000	396,000
	<u>1,263,360</u>	<u>1,283,431</u>

	<u>31-3-2009</u>	<u>31-3-2008</u>
	Rs.	Rs.
<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
General Reserve Fund	13,876,795	12,876,795
Long Term Secured Loans	545,298	---
<b>A</b>	<u>92,302,028</u>	<u>90,756,730</u>
<b>Less :</b>		
Investments	17,596,623	12,159,890
Accumulated Losses	---	--
<b>B</b>	<u>17,596,623</u>	<u>12,159,890</u>
<b>Effective Capital (A-B)</b>	<u>74,705,406</u>	<u>78,596,840</u>



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

Name of the Company / Institution	Nature of Investments	Quantity	Value	Quantity	Value
		(in Units)	(in Rs.)	(in Units)	(in Rs.)
		31.03.2009	31.03.2009	31.03.2008	31.03.2008
Reliance Equity Fund - Growth	Units	---	---	23,591.587	300,000
Birla Top 100 Fund - Growth	Units	---	---	17,465.023	300,000
HDFC Equity Fund - Growth	Units	671.360	80,000	---	---
Reliance Vision Fund - Growth	Units	544.841	80,000	---	---
Taurus Income Fund - Dividend	Units	167,865.224	2,500,000	---	---
Alok Industries Ltd.	Shares	50,000	743,053	---	---
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	(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)	(613,305)	---	---
Reliance Industries Ltd.	Shares	500	543,046	---	---
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	10,000	234,468	---	---
Divi's Labrotories Ltd.	Shares	1,000	884,129	---	---
Divi's Labrotories Ltd. (Sold)	Shares	(500)	(472,626)	---	---

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.A. Provident Fund

In accordance with Indian law, all eligible employees receive benefits from the provident fund, which is a defined contribution plan. Both the employee and the employer contribute monthly at a determined rate (up to 12% of employee's salary). The Company and its subsidiary contributed Rs. 4,14,891/- (P.Y. Rs. 10,24,833/-) to the provident fund during the year.

B. The Company has opted for the Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India (LIC). The Company's contribution to this scheme is charged to the Profit & Loss Account for the year. LIC has confirmed that the contribution taken together with Funds available with LIC in the corpus, cover adequately actuarially valued gratuity liability of the company as at the year end.

### C. Gratuity Plan :

Effective from 1 April 2007, the company has adopted revised Accounting Standard 15 on "Employee Benefits" the following table set out the status of plan as required under AS 15 (revised)

C. Gratuity Plan :

Effective from 1 April 2007, the company has adopted revised Accounting Standard 15 on "Employee Benefits" the following table set out the status of plan as required under AS 15 (revised)

**Change in defined benefit obligation** **(Amount in Rupees)**  
**AS AT31.03.2009**

Opening defined benefit obligation	817,664
Interest Cost	72,082
Current Service Cost	83,360
Benefits Paid	---
Actuarial Losses	54,195
Closing defined benefit obligation	1,027,301

**Change in plan assets**

Plan Assets at beginning of the year, at fair	1,050,267
Expected Return on plan Assets (estimated)	84,021
Contributions	---
Benefits settled	---
Actuarial gain / (loss) on plan assets	10,503
Plan Assets at end of the year, at fair value	1,144,791

**Reconciliation of present value of the obligation and the**

Fair value of plan assets at the end of the year	1,144,791
Present value of the defineda benefit obligation at the end of the year	1,027,301
Assets /(Liability) not recognized in the balance sheet	117,490

**Gratuity cost for the period**

Current Service Cost	83,360
Inerest cost	72,082
Expected Return on plan Asset	(84,021)
Net Actuarial (Gain)/Loss recognized for the year	43,692
Opening plan assets recognized in 1 April 2007	NIL
Total, included in 'provisions/ Creditors no longer payable written back	NIL

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

Opening Liability	1,027,301
Provision reversal, as above	---
Contribution paid	---
Closing Liability	1,027,301

**Assumptions at the valuation date**

Discount factor	3%
Salary Escalation rate	5%
Rate of Return (Expected) on plan Asset	8%
Retirement age	58



6. Pursuant to the Accounting Standard (AS 29)- "Provisions, Contingent Liabilities And Contingent Assets, the disclosures relating to provisions made in the accounts are :

	<u>31-3-2009</u>	<u>31-3-2008</u>
	Rs.	Rs.
<b><u>Provision for Doubtful Inter-Corporate Deposits</u></b>		
Opening Balance	4,000,000	4,000,000
Additions	--	--
Utilizations	--	--
Reversals	--	--
Closing Balance	<u>4,000,000</u>	<u>4,000,000</u>
<b><u>Provision for Doubtful Interest Receivable On Inter-Corporate Deposits#</u></b>		
Opening Balance	397,302	397,302
Additions	--	--
Utilizations	--	--
Reversals	--	--
Closing Balance	<u>397,302</u>	<u>397,302</u>

# Provision for Doubtful Interest Receivable On Inter-Corporate Deposits is grouped under the head "Interest Receivable"

**Provision for sundry Debtors**

**Provision for Doubtful Other Advance**

Opening Balance	--	--
Additions	6,804,000	--
Utilizations	--	--
Reversals	--	--
Closing Balance	<u>6,804,000</u>	<u>--</u>

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

	<u>31-3-2009</u>	<u>31-3-2008</u>
	Rs.	Rs.
a. In respect of Income Tax Demand for A. Y. 1996-97 in dispute under appeal	288,895	288,895
b. 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

7. **Loss on sale of fixed assets**

A total loss on sale of fixed assets of Rs. 1,36,32,730/- on account of closing of Bangalore unit is charged to profit and loss account during the year.

AS 24 Discontinuing Operations disclosures

a) A description of Discounting Operation	Production of woven Garments at Bangalore Garments
b) The business or geographical segment in which it is reported as per AS 17, Segment Reporting	
c) The date and nature of the initial disclosure event	30.10.2007 - Approval or detailed, formal plan for discontinuance by the Board of Directors of the Company.
d) The date or period in which the discontinuance is expected to be completed if known or determinable.	Completed before 31.03.2008
e) The carrying amount, as of the balance sheet date, of the total assets to be disposed of and the total liabilities to be settled.	NIL
f) The amount of revenue and expenses in respect of the ordinary activities attributable to the discounting operation during the current financial reporting period.	Income Rs. 2.39 Crores Expenses Rs. 2.34 Crores
g) The amount of pre-tax profit or loss from ordinary activities attributable to the discounting operations during the current financial reporting period, and the income tax expense related thereto	6.07 Lacs
h) The amounts of net cash flows attributable to the operating, investing, and financial activities of the discounting operation during the current financial reporting period.	5.24 Lacs

8. **Impairment**

Since the operations of Bangalore unit has not Viable, the same was closed during the year and the actual loss on sale of fixed assets of Rs. 1,36,32,730/- has been ascertained and booked in the profit and loss account and provision for loss on impairment of assets of Rs. 66,23,989/- provided during previous year has been reversed during the year.

9. 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. 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, Office & Factory 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.

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. 19,71,048/- (Previous Year Rs. 26,15,640 /- 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 :**

	31-3-2009		31-3-2008	
	Assets	Liabilities	Assets	Liabilities
Depreciation and other differences in the block of Fixed Assets	---	1,520,714	---	3,578,910
Disallowances u/s 43B of the I.T. Act, 1961	106,698	---	126,994	---
Disallowances u/s 40(a)(ia) of the I.T. Act, 1961	---	---	66,852	---
<b>Total</b>	<b>106,698</b>	<b>1,520,714</b>	<b>193,846</b>	<b>3,578,910</b>

12. **Income tax**

Provision of Rs. 12,75,000/- is made towards liability for income tax and Rs. 85,000/- towards liability for wealth tax.



### 13. Related Party Disclosures

The disclosures required by Accounting Standard - AS 18 "Related Party Disclosure" issued by the Institute of Chartered Accountants of India are as follows :

#### List of related parties

- I. Subsidiary Company  
**Bhupco Alloys Ltd.**
- II. Key Management Personnel  
**Mr. Umesh M. Katre**
- III. Company / Firms in which one of the Director is interested  
**Bombay Travels Pvt. Ltd.**  
**Dyna Sales International**  
**DynaSales**
- IV. Directors  
**Mr. Umesh M. Katre**  
**Mr. Bilin Kumar Sen (31st October 2008)**  
**Mr. Ashok Daryanani**  
**Mr. Karl Dantas**  
**Mr. Charuchandra Patankar**

Details of transactions are as follows :

	31st March, 2009		31st March, 2008	
	Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance
Purchase of services				
-- Bombay Travels Pvt. Ltd.	662,159	---	894,706	21,070
-- Mr. Umesh Katre	120,000	---	120,000	---
Purchase of Fixed Assets				
-- Dyna Sales International (Plant & Machinery)	---	330,840	---	330,840
Purchase of Goods				
-- Dyna Sales	---	---	204,440	10,640
Loans & Advances				
-- Bhupco Alloys Ltd.	72,876	---	46,614	---
Advances written off				
-- Dyna sales	---	---	700,000	---
Remuneration				
-- Key management personnel	1,263,360	63,250	1,283,431	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 Katre	(2,500,000)	936,432	---	3,436,432
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, 2009		31st March, 2008	
	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.	---	72,876	---	394,208

**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, 2009			31st March, 2008		
	Garment	Finance	Total	Garment	Finance	Total
<b>Business Segment</b>						
I. Segment Revenue	146,504,535	3,523,689	150,028,223	134,258,578	1,538,205	135,796,783
Less : Inter Segment Revenue	---	---	---	---	---	---
II. Segment results	29,742,379	35,236,689	33,266,067	31,045,091	1,538,205	32,583,296
Less : Extraordinary Items	---	---	---	---	---	---
	29,742,379	3,523,689	33,266,067	31,045,091	1,538,205	32,583,296
Unallocated Corporate Expenses (Net of unallocated income)			17,206,768			12,887,911
Financial Expenses	---	---	417,684	---	---	282,706
Depreciation	3,070,454	---	3,070,454	3,249,945	---	3,249,945
Impairment Loss	(66,23,989)	---	(66,23,989)	6,623,989	---	6,623,989
III. Profit Before Tax			19,195,150			9,538,745
Less : Provision for Tax			1,360,000			20,015
Less : Short Provision for Tax for earlier years			(49,863)			(1,375)
Less : Provision For Deferred Tax (Net)			(1,971,048)			(2,615,640)
Less : Fringe Benefit Tax			465,000			550,000
Less : Prior Period Adjustments			---			170,606
IV. Profit After Tax			19,391,061			11,415,139
V. Segment Assets	82,418,074	22,116,500	104,534,574	77,155,246	18,011,243	95,166,488
Unallocable Assets			50,091,881			23,877,715
<b>Total Assets</b>			<b>154,626,455</b>			<b>119,044,204</b>
VI. Segment Liabilities	21,925,236	---	21,925,236	6,669,722	---	6,669,722
Unallocable Liabilities			16,169,076			10,202,610
<b>Total Liabilities</b>			<b>38,094,312</b>			<b>16,872,332</b>
VII. Other Information						
Capital Expenditure	10,405,213	---	10,405,213	923,944	---	923,944
Depreciation	3,070,454	---	3,070,454	3,249,945	---	3,249,945
Loss on sale of Fixed Asset	13,632,730	---	13,632,730	---	---	---
Impairment Loss	(66,23,989)	---	(66,23,989)	6,623,989	---	6,623,989



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

	Units	31-3-2009		31-3-2008	
		Qty.	Value	Qty.	Value
<b>-- Class of Goods : Readymade Garments</b>					
<b>A) MANUFACTURING</b>					
a) Licensed Capacity	---	N.A.	---	N.A.	---
b) Installed Capacity	(Pcs)	800,000	---	800,000	---
c) Opening Stock	(Pcs.)	17,011	786,462	11,775	607,380
d) Production	(Pcs.)	535,467	---	507,984	---
e) Closing Stock	(Pcs.)	5,685	233,108	17,011	786,462
f) Sales	(Pcs.)	546,793	131,311,784	502,748	113,293,944

- 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.)	851,397	31,371,703	869,781	29,062,497
ii) Accessories	---	---	9,881,238	---	8,612,343

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

Accessories		2,638,937		1,471,072
		<u>2,638,937</u>		<u>1,471,072</u>

**C) VALUE OF FABRIC CONSUMED**

	% of total consumption	Rs.	% of total consumption	Rs.
Indigenous	100%	31,371,703	100%	29,062,497
	100%	<u>31,371,703</u>	100%	<u>29,062,497</u>

**D) VALUE OF ACCESSORIES CONSUMED**

	% of total consumption	Rs.	% of total consumption	Rs.
Imported (Inclusive of custom duty and other incidental expenses)	26.71	2,638,937	17.08	1,471,072
Indigenous	73.29	7,242,301	82.92	7,141,271
	100.00	<u>9,881,238</u>	100.00	<u>8,612,343</u>



**17. Earnings in Foreign Exchange :**

	Rs.	Rs.
F.O.B. Value of Export of Goods	127,078,655	105,506,433

**18. Expenditure in Foreign Currency**

	Rs.	Rs.
Accessories	2,638,937	1,471,072
Travelling Expenses	245,361	327,982
Commission	7,068,711	4,299,309
	<u>9,953,009</u>	<u>6,098,363</u>

**19. Earning Per Share**

	31st March 2009	31st March 2008
a. Profit / (Loss) after Tax	19,391,062	11,415,139
b. Number of Shares (weighted average)	4,300,000	4,300,000
c. Earning Per Share (Rs.)	4.51	2.65

20. Previous Year's figures have been regrouped / rearranged wherever necessary so as to confirm with current year's figures and rounded off to the nearest rupee.

On behalf of the Board of Directors

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

**Umesh M. Katre**  
**Ashok Daryanani**  
**Karl Dantas**

**DIRECTORS**

PLACE : MUMBAI  
DATE : 5th JUNE, 2009

**J. G. OSTAWAL**  
**PARTNER**  
MEMBERSHIP NO. : 8892

PLACE : BANGALORE  
DATE : 5th JUNE, 2009



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 31/03/2009. 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 5th June, 2009 to the members of the Company.

For **OSTAWAL & JAIN**  
CHARTERED ACCOUNTANTS

**J. G. OSTAWAL**  
PARTNER  
MEMBERSHIP NO.: 8892

PLACE : BANGALORE  
DATE : 5th JUNE, 2009

## CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET

	<u>Year Ended</u> <u>31-3-2009</u> Rs.	<u>Year Ended</u> <u>31-3-2008</u> Rs.
<b>[I]</b>		
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit after tax & Prior Period Adjustments Profit & Loss Account	19,391,062	11,415,139
<u>Adjusted for</u>		
Provision for taxation (including deferred tax)	(195,911)	(2,047,000)
Prior period items / adjustments	— (195,911)	170,606 (1,876,394)
<b>Net Profit Before Tax &amp; Prior Period Adjustments</b>	<b>19,195,151</b>	<b>9,538,745</b>
<u>Adjusted for :</u>		
Depreciation	3,070,454	3,249,945
Interest on Borrowings	347,386	281,662
Profit on Sale of Investment	(400,774)	---
Loss on Sale of Fixed Assets	13,632,730	313,962
Loss on Impairment of Fixed Assets	—	6,623,989
Prior Period Items / adjustments	—	(170,606)
Impairment Loss Reversed	(6,823,989) 10,025,808	---
<b>Operating Profit Before Working Capital Changes</b>	<b>29,220,959</b>	<b>19,837,697</b>
<u>Adjusted for</u>		
<u>Movements In :</u>		
Trade & Other Receivables	(7,534,711)	(7,522,407)
Inventories	1,563,996	28,012
Inter-Corporate Deposits & Bills Discounted	500,000	14,965,500
Trade Payables	(2,159,902) (7,630,617)	1,813,052 9,284,157
<b>Cash Generated from Operation</b>	<b>21,590,341</b>	<b>29,121,854</b>
Less : Direct Taxes paid/ (Refund)	385,204	489,830
<b>Net Cash Flow from Operating Activities</b>	<b>21,205,137</b>	<b>28,632,024</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of Fixed Assets	1,856,024	289,833
Purchase of Fixed Assets	(10,395,857)	(923,944)
Sale of Investments	6,613,215	---
Purchase of Investments	(11,649,191)	(350,000)
<b>Net Cash Flow from Investing Activities</b>	<b>(13,575,809)</b>	<b>(984,111)</b>



## CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET

	<b>Year Ended 31-3-2009 Rs.</b>	<b>Year Ended 31-3-2008 Rs.</b>
<b>(C) CASH FLOW FROM FINANCIAL ACTIVITIES</b>		
Working Capital Loan	17,533,166	(8,894,857)
Movement in Vehicle Loan	545,298	(110,956)
Interest on Borrowings	(347,386)	(281,662)
<b>Net Cash Flow from Financial Activities</b>	<b>17,731,078</b>	<b>(9,287,475)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS {(A)+(B)+(C)}</b>	<b>25,360,419</b>	<b>18,046,476</b>
<b>(II)</b>		
Opening Balance of Cash & Cash Equivalents	20,069,204	1,708,766
Closing Balance of Cash & Cash Equivalents	45,429,623	20,069,204
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>25,360,419</b>	<b>18,360,438</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**

**J. G. OSTAWAL**  
**PARTNER**  
MEMBERSHIP NO. : 8892

PLACE : BANGALORE  
DATE : 5th JUNE, 2009

On behalf of the Board of Directors

**Umesh M. Katre**  
**Ashok Daryanani**  
**Karl Dantas**

**DIRECTORS**  
PLACE : MUMBAI  
DATE : 5th JUNE, 2009

**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="137041"/>	Total Assets <input type="text" value="137041"/>
--	---

**SOURCES OF FUNDS**

Paid-up-Capital <input type="text" value="42966"/>	Reserves & Surplus <input type="text" value="73566"/>
Secured Loans <input type="text" value="19095"/>	Unsecured Loans <input type="text" value="NIL"/>

**APPLICATION OF FUNDS**

Net Fixed Assets <input type="text" value="28461"/>	Investments <input type="text" value="17597"/>
Net Current Assets <input type="text" value="90984"/>	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="150028"/>	Total Expenditure <input type="text" value="130833"/>
+ (-) Profit/Loss Before Tax <input type="text" value="19195"/>	+ (-) Profit/Loss After Tax <input type="text" value="19391"/>
Earnings per share (In Rs.) <input type="text" value="4.51"/>	Dividend Rate (%) <input type="text" value="10"/>

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

<u>Product Description</u>	<u>Item Code No. (ITC Code)</u>	<u>Product Description</u>	<u>Item Code No. (ITC Code)</u>
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  
Ashok Daryanani  
Karl Dantas  
DIRECTORS**

PLACE : MUMBAI  
DATE : 5th JUNE, 2009



## AUDITORS' REPORT

### To the Board of Directors of Spice Islands Apparels Limited on the Consolidated Financial Statements of Spice Islands Apparels Limited and it's Subsidiary

1. We have examined the attached consolidated balance sheet of Spice Islands Apparels Limited and its Subsidiary Company as at March 31 2009, and also the related profit and loss account and the cash flow statement for the year then ended. 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 generally accepted auditing standards 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 the significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit report provide a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India, on the basis of the individual financial statements of Spice Islands Apparels Limited and its Subsidiary Company included in the aforesaid consolidation.
4. On the basis of the information and explanation given to us, and on consideration of the separate audit reports on individual audited statements of the Company and its subsidiary, we are of the opinion that:
  - (i) The Consolidated Balance Sheet gives true and fair view of the consolidated state of affairs of the Company and its subsidiary as at 31 March, 2009;
  - (ii) The Consolidated Profit and Loss Account gives true and fair view of the consolidated results of operations of the Company and its subsidiary for the year then ended; and
  - (iii) The Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of the Company and its subsidiary for the year then ended.

For **OSTAWAL & JAIN**  
CHARTERED ACCOUNTANTS

PLACE : BANGALORE  
DATE : 5th JUNE, 2009

**J.G. OSTAWAL**  
Partner  
Membership No. 8892

## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009

	5		<u>31-3-2009</u>		<u>31-3-2008</u>
	Schedule		Rs.		Rs.
<b>I SOURCES OF FUNDS :</b>					
<b>1) Shareholders' Fund</b>					
a) Share Capital	1	42,680,696		42,680,696	
b) Reserves & Surplus	2	<u>70,986,532</u>	113,667,228	<u>56,013,397</u>	98,694,093
<b>2) Loan Funds</b>					
Secured Loans	3		19,094,759		1,016,295
<b>3) Deferred Tax Liability (Net)</b>					
(Refer Schedule 22, Note No. 10)					
	<b>Total</b>		<u><u>134,369,446</u></u>		<u><u>103,291,899</u></u>
<b>II APPLICATION OF FUNDS:</b>					
<b>1. Fixed Assets</b>					
Gross Block	4	52,129,105		63,850,914	
Less : Depreciation/Impairment		<u>21,983,357</u>		<u>32,219,518</u>	
Net Block			30,145,748		31,631,396
<b>2. Goodwill (On Consolidation)</b>					
			3,306,807		3,306,807
<b>3. Investments</b>					
	5		6,036,734		600,000
<b>4. Current Assets, Loans and Advances</b>					
a) Inventories	6	2,851,255		4,415,251	
b) Sundry Debtors	7	36,014,526		16,512,836	
c) Cash and Bank Balances	8	46,097,067		20,895,829	
d) Loans & Advances	9	14,553,148		18,696,907	
e) Other Current Assets	10	<u>13,641,709</u>		<u>20,723,708</u>	
	<b>[A]</b>	<u><u>113,157,706</u></u>		<u><u>81,244,531</u></u>	
<b>5. Less : Current Liabilities and Provisions</b>					
a) Current Liabilities	11	10,081,470		10,810,792	
b) Provisions	12	8,196,079		2,680,043	
	<b>[B]</b>	<u><u>18,277,549</u></u>		<u><u>13,490,835</u></u>	
<b>Net Current Assets</b>	<b>[A] - [B]</b>		<u><u>94,880,157</u></u>		<u><u>67,753,696</u></u>
	<b>Total</b>		<u><u>134,369,446</u></u>		<u><u>103,291,899</u></u>
<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

**J. G. OSTAWAL**  
PARTNER  
Membership No. : 8892  
PLACE : BANGALORE  
DATE : 5th JUNE, 2009

On behalf of the Board of Directors

**Umesh M. Katre**  
**Ashok Daryanani**  
**Karl Dantas**

**DIRECTORS**

PLACE : MUMBAI  
DATE : 5th JUNE, 2009



## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

	Schedule	31-3-2009 Rs.		31-3-2008 Rs.
<b>I INCOME</b>				
a) Export Sales		131,311,784		111,847,086
b) Local Sales		993,468		1,446,858
c) Operating Income	13	11,834,581		20,366,274
d) Other Income	14	7,233,873		3,242,587
		151,373,706		136,902,805
<b>II EXPENDITURE</b>				
a) (Increase) / Decrease in stock of Finished Goods	15	553,354		(179,082)
b) Raw Materials & Accessories	16	41,349,778		37,801,537
c) Manufacturing Expenses	17	36,220,015		42,012,643
d) Administrative & Selling Expenses	18	49,603,783		29,435,582
e) Payments to and Provisions for Employees	19	5,403,542		6,151,513
f) Remuneration to Directors	20	1,437,576		1,418,537
g) Interest	21	417,684		282,706
h) Depreciation		3,195,959		3,380,647
i) Impairment Loss		(6,623,989)		6,623,989
		131,557,701		126,928,072
<b>III PROFIT / (LOSS) BEFORE TAX</b>		19,816,005		9,974,733
Add/(Less) : Prior period adjustments		---		170,606
<b>IV PROFIT / (LOSS) BEFORE TAX AFTER PRIOR ADJUSTMENTS</b>		19,816,005		9,804,127
Less : Provision for Taxation				
Current Tax		1,360,000		20,015
Deferred Tax (Refer Schedule 22, Note No. 10)		(1,974,051)		(2,619,694)
Fringe Benefit Tax		476,000		553,947
(Excess)/Short provision for tax of earlier years		(49,863)	(187,914)	(1,375)
		20,003,920		11,851,234
<b>V PROFIT / (LOSS) AFTERTAX</b>				
<b>VI APPROPRIATION</b>				
Proposed Dividend		4,300,000		---
Tax on Proposed Dividend		730,785		---
Transfer to General Reserve		1,000,000		---
Balance carried to Balance Sheet		13,973,135		11,851,234
		20,003,920		11,851,234
Net-Profit (Loss)After Tax Attributable to equity share holders		20,003,920		11,851,234
Weighted Average Number of Equity Shares		4,271,500		4,271,500
Basic & Diluted Earnings per share		4.68		2.77
Face-Value Per Equity Share		10.00		10.00

**Notes to Accounts** 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

**J. G. OSTAWAL**  
PARTNER  
Membership No.: 8892  
PLACE : Bangalore  
DATE : 5th JUNE, 2009

On behalf of the Board of Directors

**Umesh M. Katre**  
**Ashok Daryanani**  
**Karl Dantas**

**DIRECTORS**

PLACE : MUMBAI  
DATE : 5th JUNE, 2009



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

	<u>31-3-2009</u> Rs.	<u>31-3-2008</u> 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 Equity shares of Rs. 10/- each fully paid up.	43,000,000	43,000,000
Less : Calls-in-arrears	34,304	34,304
Less : Shares held by subsidiary	<u>285,000</u>	<u>285,000</u>
	<u>42,680,696</u>	<u>42,680,696</u>
<b>SCHEDULE-2</b>		
<b>RESERVES &amp; SURPLUS</b>		
a) Securities Premium	34,690,047	34,690,047
b) Reserve Fund	6,132	6,132
c) General Reserve :		
Opening Balance	9,465,983	9,465,983
Add/(Less) : Transferred from Profit & Loss A/c	<u>1,000,000</u>	<u>---</u>
d) Profit and Loss Account:		
Opening Balance	11,851,235	---
Add/ (Less) : Transferred from Profit & Loss A/c	<u>13,973,135</u>	<u>11,851,235</u>
	<u>70,986,532</u>	<u>56,013,397</u>
<b>SCHEDULE-3</b>		
<b>SECURED LOANS</b>		
Cash Credit (Including Post Shipment credit) From Vijaya Bank (Secured by a hypothecation of readymade garment for exports of the Company 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. and Hypothecation of Plant & Machinery)	18,549,461	1,016,295
Hire Purchase Loans from Financial Company (Secured by a specific charge on assets purchased) (Repayable within 1 year Rs. 3,04,702/-) (Previous Year Rs. NIL)	545,298	---
	<u>19,094,759</u>	<u>1,016,295</u>

## SCHEDULE-4

### FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION / IMPAIRMENT LOSS					NET BLOCK	
	Cost as at 1-4-2008 Rs.	Additions during the year Rs.	Deductions/ Adjustments during the year Rs.	Cost as at 31-3-2009 Rs.	As at 1-4-2008 Rs.	For the year Rs.	Deductions during the year Rs.	Impairment Loss Reversed Rs.	Total as at 31-3-2009 Rs.	As at 31-3-2009 Rs.	As at 31-3-2008 Rs.
Building	2,718,402	--	--	2,718,402	212,947	44,310	--	--	257,257	2,461,145	2,505,455
Factory Building (Galas)	2,671,491	--	--	2,671,491	1,131,864	89,228	--	--	1,221,092	1,450,399	1,539,627
Office Premises	3,335,676	--	--	3,335,676	2,011,902	66,189	--	--	2,078,091	1,257,585	1,323,774
Plant & Machinery	19,184,196	623,160	12,263,989	7,543,367	9,140,637	637,898	3,535,250	(3,598,333)	2,644,952	4,898,415	10,043,559
Electrical Installation	4,575,037	116,356	1,381,387	3,310,006	1,658,445	178,480	282,886	(117,020)	1,437,019	1,872,987	2,916,592
Furniture & Fixtures	15,899,642	1,078,051	4,987,434	11,990,259	9,645,024	618,594	1,420,584	(1,967,612)	6,875,422	5,114,837	6,254,618
Office Equipment	5,743,301	335,405	2,062,829	4,015,877	2,990,915	207,277	686,213	(480,348)	2,031,631	1,984,246	2,752,386
Motor Car	5,035,138	7,874,790	303,442	12,606,486	1,800,507	910,740	122,562	(2,425)	2,586,260	10,020,226	3,234,631
Computers	4,688,031	556,671	1,307,160	3,937,542	3,627,279	443,243	760,637	(458,251)	2,851,634	1,085,908	1,060,752
<b>Total</b>	<b>63,850,914</b>	<b>10,584,433</b>	<b>22,306,242</b>	<b>52,129,105</b>	<b>32,219,520</b>	<b>3,195,959</b>	<b>6,808,133</b>	<b>(6,623,989)</b>	<b>21,983,357</b>	<b>30,145,748</b>	<b>31,631,394</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	31,631,395	41,315,883



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

	<u>31-3-2009</u> Rs.	<u>31-3-2008</u> Rs.
<b>SCHEDULE-5</b>		
<b>INVESTMENTS : Long Term</b>		
<b>I. Quoted : Non Trade at Cost / Diminuted Value</b>		
a) 9,000 Equity Shares of Rs. 10/- each fully paid up of Sushant Capital Ltd. (P.Y. 9,000 Equity Shares)	45,000	45,000
b) 23591.623 Units of Reliances Mutual Fund Growth Plan (P.Y. 23591.623 Units)	300,000	300,000
c) 17465.023 Units of Birla Top 100 Mutual Fund Growth Plan ( P.Y. 17465.023 Units)	300,000	300,000
d) 544.841 (P.Y. Nil) Units of Reliance Vision Fund-Retail Plan Growth Plan	80,000	---
e) 671.360 (P.Y. Nil) Units of HDFC Equity Fund Growth Plan	80,000	---
f) 167865.224 (P.Y. Nil) Units of Taurus Income Fund Dividend Plan	2,500,000	---
	<u>3,305,000</u>	645,000
Less : Provision for Permanent Diminution	45,000	45,000
<b>[A]</b>	<u><u>3,260,000</u></u>	<u><u>600,000</u></u>
<b>CURRENT INVESTMENTS</b>		
<b>I. Quoted : Non Trade at Cost / Diminuted Value</b>		
a) 5,00 (P.Y. Nil) Equity Shares of Rs. 10/- each fully paid up of Reliance Industries Ltd.	543,046	---
b) 5,00 (P.Y. Nil) Equity Shares of Rs. 10/- each fully paid up of Alok Industries Ltd.	625,000	---
c) 10,000 (P.Y. Nil) Equity Shares of Rs. 10/- each fully paid up of Sujana Tower Ltd.	129,000	---
d) 10,000 (P.Y. Nil) Equity Shares of Rs. 10/- each fully paid up of Divi's Labrotories Ltd.	442,064	---
e) 3,000 (P.Y. Nil) Equity Shares of Rs. 10/- each fully paid up of JSW Steel Ltd.	601,123	---
f) 2,500 (P.Y. Nil) Equity Shares of Rs. 10/- each fully paid up of Reliance Communication Ltd.	436,500	---
	<u>2,776,734</u>	---
<b>[B]</b>	<u>2,776,734</u>	---
<b>[A] + [B]</b>	<u><u>6,036,734</u></u>	<u><u>600,000</u></u>
Aggregate Cost of Quoted Investments	<u>6,036,734</u>	600,000
Aggregate NAV of Mutual Fund Units	<u>3,041,181</u>	607,582
Aggregate Market value of quoted Investments	<u>3,124,450</u>	---
<b>SCHEDULE-6</b>		
<b>INVENTORIES</b>		
<b>[As valued and certified by the Management]</b>		
a) Raw Materials	2,141,708	3,177,664
b) Accessories	476,439	451,125
c) Finished Goods	233,108	786,462
	<u>2,851,255</u>	<u>4,415,251</u>



## SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	<b>31-3-2009</b>		<b>31-3-2008</b>
	<b>Rs.</b>		<b>Rs.</b>
<b>SCHEDULE-7</b>			
<b>SUNDRY DEBTORS</b>			
<b>(Unsecured Considered Good)</b>			
Outstanding for more than six months	7,054,143		6,971,628
Less : Provision for Doubtful Receivable	6,804,000	250,143	6,804,000
Others		<b>35,764,383</b>	167,628
		<b>36,014,526</b>	16,345,208
			<b>16,512,836</b>
<b>SCHEDULE-8</b>			
<b>CASH &amp; BANK BALANCES</b>			
a) Cash on hand		240,292	97,132
b) <u>Bank balances with Scheduled Banks</u>			
In Current Accounts		44,609,892	20,408,426
In Margin Account		88,333	330,434
In EEFC Account		1,133,550	34,837
In Deposit Account		25,000	25,000
		<b>46,097,067</b>	20,895,829
<b>SCHEDULE-9</b>			
<b>LOANS AND ADVANCES</b>			
<b>(Unsecured Considered Good)</b>			
a) Advances against Expenses		3,158,453	1,337,300
b) Staff Advance		2,448,917	2,226,371
c) Prepaid Taxes		5,411,278	4,209,736
d) Intercorporate Loans / Deposits		3,534,500	4,034,500
e) Other Advances *		---	6,889,000
<b>Considered Doubtful</b>			
a) Intercorporate Loans / Deposits	4,000,000	---	4,000,000
Less : Provision for Doubtful Debts	4,000,000	---	4,000,000
		<b>14,553,148</b>	18,696,907
* Includes Advance to :			
<u>Firm in which Relative of One of the director is</u>			
<u>Interested as Partner : (M/s. Dyna Sales)</u>			
Maximum Outstanding		---	700,000
Year End Balance		---	---
<b>SCHEDULE-10</b>			
<b>OTHER CURRENT ASSETS</b>			
a) Duty Drawback Receivable		1,658,040	4,456,291
b) DEPB Receivable		248,153	248,153
c) Prepaid Expenses		89,425	90,875
d) Interest Receivable		985,378	1,816,853
e) Security Deposit for Premises		7,975,000	8,596,014
f) Other Deposits *		1,675,989	4,250,989
g) Duties and Taxes		1,009,724	1,264,533
		<b>13,641,709</b>	20,723,708
* Other Deposit includes :			
Paid to Managing Director		936,432	3,436,432
Maximum Outstanding during the year		3,436,432	3,436,432
<b>SCHEDULE-11</b>			
<b>CURRENT LIABILITIES</b>			
a) Sundry Creditors For Goods		3,375,775	5,653,427
b) Unclaimed Dividend		---	35,644
c) Other Provisions		6,705,695	5,121,701
		<b>10,081,470</b>	10,810,792
<b>SCHEDULE-12</b>			
<b>PROVISIONS</b>			
a) Provision for Taxation		2,354,980	1,925,299
b) Proposed Dividend		4,300,000	---
c) Provision for Tax on Proposed Dividend		730,785	---
b) Provision for retirement & other employees benefit schemes		810,314	754,744
		<b>8,196,079</b>	2,680,043

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

	<b>31-3-2009</b>		<b>31-3-2008</b>
	<b>Rs.</b>		<b>Rs.</b>
<b>SCHEDULE-13</b>			
<b>OPERATING INCOME</b>			
a) Duty Drawback	11,783,922		10,797,130
b) Exchange Gain	50,659		229,825
c) Labour charges (TDS Rs. NIL, P.Y. Rs. 2,08,702/-)	---		9,237,000
d) Sample Development Charges	---		102,319
	<b>11,834,581</b>		<b>20,366,274</b>
<b>SCHEDULE-14</b>			
<b>OTHER INCOME</b>			
a) Service Charges (TDS Rs. 3,39,900/-, P.Y. Rs. 2,81,583/-)	1,337,113		1,106,022
b) Interest :			---
From Bank (TDS Rs. NIL, P.Y. Rs. 1,737/-)	12,152	8,709	
On ICDs (TDS Rs. 6,40,202/-, P.Y. Rs. 2,43,509/-)	<b>3,110,763</b>	<b>1,529,496</b>	
	<b>3,122,915</b>		1,514,760
c) Profit on Sale of Investments	400,773		---
d) Sundry balances / provisions written back	2,373,072		598,360
	<b>7,233,873</b>		<b>3,242,587</b>
<b>SCHEDULE-15</b>			
<b>INCREASE / (DECREASE) IN STOCK OF FINISHED GOODS</b>			
Opening Stock	786,462		607,380
Closing Stock	233,108		786,462
	<b>553,354</b>		<b>(179,082)</b>
<b>SCHEDULE-16</b>			
<b>MATERIALS CONSUMPTION</b>			
a) Raw Material consumed			
Opening Stock	3,177,664		3,127,737
Add : Purchases	30,335,747		29,112,424
	<b>33,513,412</b>		32,240,161
Less : Closing Stock	2,141,708	31,371,703	3,177,664
			29,062,497
b) Accessories consumed			
Opening Stock	451,126		708,146
Add : Purchases	9,906,551		8,355,322
	<b>10,357,677</b>		9,063,468
Less : Closing Stock	476,439	9,881,238	451,125
			8,612,343
c) Purchase of Readymade Garments	96,837		126,697
	<b>41,349,778</b>		<b>37,801,537</b>
<b>SCHEDULE-17</b>			
<b>MANUFACTURING EXPENSES</b>			
Labour Charges	14,937,340		14,216,653
Workers' emoluments (includes contribution to ESIC & PF)	7,953,142		14,598,309
Processing Charges	6,466,695		6,128,929
Utilities & Spares	---		32,331
Loading & Unloading Charges	17,465		16,438
Freight Inward	256,172		239,992
Fabric Testing Charges	269,965		234,159
Factory General Expenses	218,696		287,100
Embroidery Charges	5,566,598		5,137,636
Electricity Charges	533,941		1,121,096
	<b>36,220,015</b>		<b>42,012,643</b>



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

### SCHEDULE-18

#### ADMINISTRATIVE & SELLING EXPENSES

	31-3-2009 Rs.		31-3-2008 Rs.
a) Advertisement & Sales Promotion	1,081,280		749,741
b) Advances Balance W/off	7,301,905		814,586
c) Clearing, Forwarding, Octroi & Transport Charges	4,418,133		6,597,916
d) Postage, Telephone Charges	1,590,981		1,845,910
e) Printing & Stationery	348,795		344,781
f) Rent, Rates & Taxes	1,153,375		643,704
g) Service Charges	1,944,776		1,866,099
h) Office Electricity Charges	496,978		424,551
i) Travelling & Conveyance	3,255,065		4,571,134
j) Computer Expenses	139,631		80,694
k) Bank Charges	593,966		329,467
l) Insurance	150,420		157,546
m) Demat Charges	562		562
n) ECGC Premium	143,625		33,241
o) Repairs :			
Building	1,606,938	244,723	
Machinery	156,732	150,616	
Others	429,628	288,967	684,306
p) Commission	7,394,314		4,342,536
q) Directors' Sitting fees	100,000		30,000
r) Legal & Professional Charges	1,198,574		1,099,640
s) Lease Rentals (Refer Schedule 22, Note No. 9)	722,120		1,876,040
Auditor's Remuneration :			
Audit Fees	143,390	118,104	
Certificate Matters	16,854	16,854	134,958
t) Listing Fees	65,475		38,564
u) Sundry Expenses	623,038		552,432
v) Loss on Sale of fixed Assets	13,632,730		313,962
x) Donation	44,501		16,003
y) Discount	29,773		205,135
z) Guest House Maintenance	820,225		1,593,492
z) Bad Debts	---		88,581
	<b>49,603,783</b>		<b>29,435,581</b>

### SCHEDULE-19

#### PAYMENTS TO AND PROVISIONS FOR EMPLOYEES

a) Salary and Bonus	4,296,805		4,867,485
b) L T A, Leave Salary, EPF & ESIC etc.	746,699		828,255
c) Gratuity	56,774		4,929
d) Staff Welfare Expenses	303,264		450,844
	<b>5,403,542</b>		<b>6,151,513</b>

### SCHEDULE-20

#### REMUNERATION TO DIRECTORS

(Refer Schedule 22, Notes No.1)

a) Salary including Bonus & Leave Salary	1,023,900		1,004,396
b) Provident Fund	17,676		18,141
c) H R A	396,000		396,000
	<b>1,437,576</b>		<b>1,418,537</b>

### SCHEDULE-21

#### INTEREST

a) Interest to Bank	347,386		281,662
b) Hire Purchase Interest	70,298		1,044
	<b>417,684</b>		<b>282,706</b>

**SCHEDULE - 22**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS AS ON 31ST MARCH, 2009**

**I. SIGNIFICANT ACCOUNTING POLICIES**

**(A) ACCOUNTING CONVENTION**

The Consolidated Financial statements are prepared under historical cost convention in accordance with applicable Accounting Standards and relevant presentation requirements under the Companies Act, 1956.

**(B) PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements are prepared in accordance with Accounting Standard 21 on "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 and intra group transactions resulting in unrelieved profits or losses.

The excess of costs to the Company of its investment in subsidiary after providing for diminution and excess of cost to the subsidiary of its investment in holding company is recognised in the financial statement as Goodwill.

The Subsidiary Company considered in the financial statements is

Name of the Company	Country of Incorporation	Voting power held as at 31/3/2009
Bhupco Alloys Ltd.	India	100%

**(C) FIXED ASSETS**

Fixed Assets are stated at cost of acquisition inclusive of inward freight, duties and taxes and other incidental expenses related to their acquisition.

**(D) DEPRECIATION**

Depreciation on Fixed Assets of the Company is provided on Straight Line Method at the rates prescribed in Schedule XIV of the Companies Act, 1956.

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 on additions & deletions to Fixed Assets during the year have been provided for on pro-rata basis.

**(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 fixed 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**

Long Term Investments are stated at cost. However in appropriate cases diminution in value which is considered to be permanent is recognised in the financial statements accordingly. Current investments are carried at lower of cost and fair value.

Profit and loss on sale of investments is determined on a first in first out (FIFO) basis.

**(G) INVENTORIES**

Inventories are valued as under :

- a) Raw materials & Accessories - At lower of cost or net realisable value, Cost being worked out on FIFO basis.
- b) Finished goods - At lower of cost or net realisable value.

**(H) REVENUE RECOGNITION**

- a) Sale is recognised at the time of despatch of goods to the customers.
- b) 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.

**(I) EXPENSES**

Expenses are accounted on accrual basis.

**(J) RETIREMENT BENEFITS**

- a) **Gratuity** : In accordance with Indian laws, Spice Islands Apparels Limited and its subsidiary in India provide for gratuity a defined benefit retirement plan covering all eligible employees of the Company and its subsidiary. 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.
- b) **Short Term Employee Benefits** : The undisclosed amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders services. These benefits include compensated absence such as paid annual leave, leave travel allowance, bonus / performance incentives.

**(K) INCOME TAX**

Provision for Tax and Fringe Benefit Tax is made in accordance with the provisions of Income Tax Act 1961, & Wealth Tax Act, 1957. The Company has accounted for Deferred Taxation in line with Accounting Standard AS 22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India.

**(L) FOREIGN CURRENCY TRANSACTIONS**

- a) All foreign currency transactions are recorded at the rates prevailing on the date of transaction.
- b) 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) BORROWING COST**

Borrowing cost other than those incurred for qualifying asset is expensed out in theyear in which it is incurred.

**(N) LEASES**

Lease payments under an operating lease is recognised as an expense in the Profit & Loss Account on a Straight Line basis.

**(O) EARNING PER SHARE**

The basic and diluted earning per share ("EPS") is computed by dividing the net profit after tax for the year by weighted average number of equity shares outstanding during the year.

**(P) PROPOSED DIVIDEND**

Dividend recommended by the The Board of Directors is provided for in the accounts, pending approval at the Annual General Meeting.



## SPICE ISLANDS APPARELS LTD.

### II. NOTES TO ACCOUNTS

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

	<b>31-3-2009</b>	<b>31-3-2008</b>
	<b>Rs.</b>	<b>Rs.</b>
Salary including Bonus & Leave Salary	858,000	876,511
PF Contribution	9,360	10,920
H R A	396,000	396,000
	<u>1,263,360</u>	<u>1,283,431</u>

**b) Remuneration paid to Director of Bhupco Alloys Limited**

Salaries	165,900	127,885
PF Contribution	8,316	7,221
	<u>174,216</u>	<u>135,106</u>

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. A. Provident Fund**

In accordance with Indian law, all eligible employees receive benefits from the provident fund, which is a defined contribution plan. Both the employee and the employer contribute monthly at a determined rate (up to 12% of employee's salary). The Company and its subsidiary contributed Rs. 4,14,891/- (P.Y. Rs. 10,24,833/-) to the provident fund during the year.

**B.** The Company has opted for the Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India (LIC). The company's contribution to this scheme is charged to the profit and loss account for the year. LIC has confirmed that the contributions taken together with funds available with LIC in the corpus, cover adequately the actuarially valued gratuity liability of the company as at the year end.

**C. Gratuity Plan :**

Effective from 1 April 2007, the company has adopted revised Accounting Standard 15 on "Employee Benefits" the following table set out the status of plan as required under AS 15 (revised)

**Change in defined benefit obligation**

**(Amount in Rupees)**  
**AS AT31.03.2009**

Opening defined benefit obligation	817,664
Interest Cost	72,082
Current Service Cost	83,360
Benefits Paid	---
Actuarial Losses	54,195
Closing defined benefit obligation	1,027,301

**Change in plan assets**

Plan Assets at beginning of the year, at fair value	1,050,267
Expected Return on plan Assets (estimated)	84,021
Contributions	---
Benefits settled	---
Actuarial gain / (loss) on plan assets	10,503
Plan Assets at end of the year, at fair value	1,144,791

**Reconciliation of present value of the obligation and the fair value of the plan asset**

Fair value of plan assets at the end of the year	1,144,791
Present value of the defineda benefit obligation at the end of the year	1027301
Assets /(Liability) not recognized in the balance sheet	117,490

**Gratuity cost for the period**

Current Service Cost	83,360
Interest cost	72,082
Expected Return on plan Asset	(84,021)
Net Actuarial (Gain)/Loss recognized for the year	43,692
Opening plan assets recognized in 1 April 2007	NIL
Total, included in 'provisions/ Creditors no longer payable written back	NIL

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

Opening Liability	1,027,301
Provision reversal, as above	---
Contribution paid	---
Closing Liability	1,027,301

**Assumptions at the valuation date**

Discount factor	3%
Salary Escalation rate	5%
Rate of Return (Expected) on plan Asset	8%
Retirement age	58

5. Pursuant to the Accounting Standard (AS 29)- "Provisions, Contingent Liabilities And Contingent Assets, the disclosures relating to provisions made in the accounts are :

	<b>31-3-2009</b>	<b>31-3-2008</b>
	<b>Rs.</b>	<b>Rs.</b>
<b><u>Provision for Doubtful Inter-Corporate Deposits</u></b>		
Opening Balance	4,000,000	4,000,000
Additions	--	--
Utilizations	--	--
Reversals	--	--
Closing Balance	<u>4,000,000</u>	<u>4,000,000</u>
<b><u>Provision for Doubtful Interest Receivable On Inter-Corporate Deposits#</u></b>		
Opening Balance	397,902	397,902
Additions	--	--
Utilizations	--	--
Reversals	--	--
Closing Balance	<u>397,902</u>	<u>397,902</u>

# Provision For Doubtful Interest Receivable On Inter-Corporate Deposits is grouped under the head "Interest Receivable"

**Provision for Doubtful Sundry Deborts**

Opening Balance	--	--
Additions	6,804,000	--
Utilizations	--	--
Reversals	--	--
Closing Balance	<u>6,804,000</u>	<u>--</u>

## SPICE ISLANDS APPARELS LTD.

Following Contingent Liabilities are not provided for :

	31-3-2009 (Rs.)	31-3-2008 (Rs.)
a. In respect of Income Tax Demand for A. Y. 1996-97 in dispute under appeal	288,895	288,895
b. As per the order of Bombay High Court against, the Claim of Apparel Export Promotion Council guaranteed by furnishing Bank guarantee of equivalent amount.	726,310	726,310

### 6. LOSS IN SALE OF FIXED ASSETS

A total loss on sale of fixed assets of Rs.1,36,32,730/- on account of closing of Bangalore unit is changed to profit and loss account during the year.

#### AS 24 Discontinuing Operations Disclosures

a. A discription of Discontinuting Operation	Production of woven Garments at Bangalore Garments
b. The business or geographical segment in which it is reported as per AS 17, Segment Reporting	Garments
c. The date and nature of the initial disclosure event	30 Oct. 2007 Approval of detailed, formal plan for discontinuance by the Board of Directors of the Company
d. The date or period in which the discontinuance is expected to be completed if known or determinable	Completed before 31 March 2008
e. The carrying amount, as of the balance sheet date, of the total assets to be disposed of the total liabilities to be settled	NIL
f. The amounts of revenue and expenses in respect of the ordinary acivities attributable to the discontinuing operation during the current financial reporting period.	Income Rs. 2.39 Crores Expenses Rs. 2.34 Crores
g. The amount of pre-tax profit or loss from ordinary activities attributable to the discontinuing operation during the current financial reporting period, and the income tax expense related thereto	6.07 lacs
h. The amounts of net cash flows attributable to the operating, investing, and financing activities of the discontinuing operation during the curent financial reporting period.	5.24 lacs

### 7. Impairment

Since the operations of Bangalore unit was not viable, the same was closed during the year and the actual loss on sale of fixed assets of Rs. 1,36,32,730/- has been ascertained and booked in the profit and loss account and provision for loss on impalimnet of assets of Rs. 66,23,989/- provided during previous year has been reversed during the year.

### 8. 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. Further, no interest during the year has been paid or payable under the terms of the MSMED Act, 2006.

### 9. Operating Lease

The Company's significant leasing arrangements are in respect of operating leases for Motorcar, Guesthouses, Office & Factory 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.

### 10. Provision for Taxation

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. 19,62,717/- (Previous Year Rs.26,19,694/- (Cr)) as Deferred Tax arising out of timing differences, in the Profit & Loss Account.



# SPICE ISLANDS APPARELS LTD.

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

	31-3-2009		31-3-2008	
	Assets	Liabilities	Assets	Liabilities
Depreciation and other differences in the block of Fixed Assets	---	1,714,157	---	3,775,357
Disallowances u/s 43B of the I.T. Act, 1961	106,698	---	126,994	---
Disallowances u/s 40(a) (ia) of the I.T. Act, 1961	---	---	66,852	---
<b>Total</b>	<b>106,698</b>	<b>1,714,157</b>	<b>193,846</b>	<b>3,775,357</b>

## 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 :

List of related parties

- I. Subsidiary Company  
**Bhupco Alloys Ltd.**
- II. Director / Key Management Personnel of Parent Company  
**Mr. Umesh M. Katre**  
**Mr. Bilin Kumar Sen** (31st October 2008)  
**Mr. Ashok Daryanani**  
**Mr. Karl Dantas**  
**Mr. Charuchandra Patankar**
- III. Directors / Key Management Personnel of Subsidiary Company  
**Mrs. Seema Katre**  
**Mrs. Nalini Katre**  
**Dr. (Mrs) Leena B. Sen**
- IV. Company / Firms in which one of the Director or Relative of Director is interested  
**Bombay Travels Pvt. Ltd.**  
**DynaSales**  
**Dyna Sales International**

Details of transactions are as follows :

	31st March, 2009		31st March, 2008	
	Transaction Value	Outstanding Balance	Transaction Value	Outstanding Balance
Purchase of services				
-- Bombay Travels Pvt. Ltd.	662,159	---	894,706	21,070
-- Mr. Umesh M. Katre	120,000	---	120,000	---
-- Mrs. Nalini Katre	---	---	64,000	---
-- Mr. M. N. Dixit	80,000	---	---	---
Purchase of Goods				
-- Dyna Sales	---	---	204,440	10,640
Purchase of Fixed Assets				
-- Dynasales International				
-- (Plant & Machinery)	---	330,840	1,230,840	330,840
Advance written Off				
-- Dyna Sales	---	---	---	---
Remuneration				
-- 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.

### 12. 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, 2009				31st March, 2008			
	Garment	Finance	Rental Service	Total	Garment	Finance	Rental Service	Total
<b>Business Segment</b>								
I. Segment Revenue	146,504,535	3,523,689	1,345,483	151,373,707	134,258,578	1,538,205	1,106,022	136,902,806
Less : Inter Segment Revenue	—	—	—	—	—	—	—	—
II. Segment results	29,742,379	3,523,689	746,360	34,012,427	31,045,091	1,538,205	566,691	33,149,987
Less : Extraordinary Items	—	—	—	—	—	—	—	—
	29,742,379	3,523,689	746,360	34,012,427	31,045,091	1,538,205	566,691	33,149,987
Unallocated Corporate Expenses (Net of unallocated income)				172,067,682				12,887,911
Interest Expenses	—	—	—	417,684				282,706
Depreciation	3,070,454	—	125,505	3,195,959	3,249,945	—	130,702	3,380,647
Impairment Loss	(6,623,989)	—	—	(6,623,989)	6,623,989	—	—	6,623,989
Sales of Investment W/Off	—	—	—	—	—	—	—	—
III. Profit Before Tax				19816005				9,974,734
Less : Provision for Tax				1,360,000				20,015
Less : Short Provision for Tax for earlier years				(49,863)				(1,375)
Less : Provision For Deferred Tax (Net)				(1,974,051)				(2,619,694)
Less : Fringe Benefit Tax				476,000				553,947
Less : Prior Period Adjustments				—				170,606
IV. Profit After Tax				20,003,920				11,851,235
V. Segment Assets	82,418,074	22,116,500	6,273,619	110,808,193	77,155,246	18,011,243	5,991,615	101,158,104
Unallocable Assets				41,838,799				15,624,632
<b>Total Assets</b>				<b>152,646,992</b>				<b>116,782,736</b>
VI. Segment Liabilities	21,925,236	—	885,456	22,810,692	6,669,722	—	1,216,309	7,886,031
Unallocable Liabilities				16,169,076				10,202,610
<b>Total Liabilities</b>				<b>38,979,768</b>				<b>18,088,641</b>
VII. Other Information								
Capital Expenditure	10,405,213	—	—	10,405,213	923,944	—	—	923,944
Depreciation	3,070,454	—	125,505	3,195,959	3,249,945	—	130,702	3,380,647
Impairment Loss	(6,623,989)	—	—	(6,623,989)	6,623,989	—	—	6,623,989

13. Previous Year's figures have been regrouped / rearranged wherever necessary so as to conform with current year's figures and rounded off to the nearest rupee.

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

**J. G. OSTAWAL  
PARTNER  
MEMBERSHIP NO. 8892**

PLACE : BANGALORE  
DATE : 5th JUNE, 2009

**On behalf of the Board of Directors**

**Umesh M. Katre  
Ashok Daryanani  
Karl Dantas**

**DIRECTORS**

PLACE : MUMBAI  
DATE : 5th JUNE, 2009



## CONSOLIDATED CASH FLOW STATEMENT ANNEXED TO THE BALANCE SHEET

	<u>Year Ended</u> <u>31-3-2009</u> Rs.	<u>Year Ended</u> <u>31-3-2008</u> Rs.
<b>(I)</b>		
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit After Tax & Prior Period Adjustment Profit and Loss Account	20,003,920	11,851,234
<u>Adjusted For</u>		
Provision for Taxation (including deferred tax and Short Provision for earlier years)	(187,914)	(2,047,107)
Prior period adjustments	—	170,606
	<u>(187,914)</u>	<u>(1,876,501)</u>
<b>Net Profit Before Tax &amp; Prior Period Adjustments</b>	<b>19,816,005</b>	<b>9,974,733</b>
<u>Adjusted for</u>		
Depreciation	3,195,959	3,380,647
Interest on Borrowings	347,386	281,662
Profit on Sale of Investment	(400,774)	—
Loss on Sale of Fixed Assets	13,632,730	313,962
Loss on Impairment of Fixed Assets	—	6,623,989
Impairment Loss Reversed	(6,623,989)	—
Prior period items / adjustments	—	(170,606)
	<u>10,151,312</u>	<u>10,429,654</u>
<b>Operating Profit Before Working Capital Changes</b>	<b>29,967,317</b>	<b>20,404,387</b>
<u>Adjusted for</u>		
<u>Movement In :</u>		
Trade & Other Receivables	(7,574,389)	(7,318,095)
Inventories	1,563,997	28,012
Inter-Corporate deposits	500,00	14,965,500
Trade Payables	(2,509,752)	1,808,902
	<u>(8,020,144)</u>	<u>9,484,319</u>
<b>Cash Generated from Operation</b>	<b>21,947,173</b>	<b>29,888,706</b>
Less : Director Taxes Paid / (Refund)	721,998	767,466
<b>Net Cash Flow from Operating Activities</b>	<b>21,225,175</b>	<b>29,121,240</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of Fixed Assets	1,856,024	289,833
Purchase of Fixed Assets	(10,575,078)	(923,944)
Sale of Investments	6,613,228	—
Purchase of Investments	(11,649,191)	(350,000)
<b>Net Cash Flow from Investing Activities</b>	<b>(13,755,016)</b>	<b>(984,111)</b>

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

	<b>Year Ended 31-3-2009 Rs.</b>	<b>Year Ended 31-3-2008 Rs.</b>
Working Capital Loan	17,533,166	(8,894,857)
Movement in Vehicle Loan taken	545,298	(110,956)
Interest on Borrowings	(347,386)	(281,662)
Short Provision for Dividend of earlier years	—	—
<b>Net Cash Flow from Financial Activities</b>	<b>17,731,078</b>	<b>(9,287,475)</b>

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

<b>25,201,237</b>	<b>18,849,652</b>
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**[II]**

Opening Balance of Cash & Cash Equivalents	20,895,829	2,046,174
Closing Balance of Cash & Cash Equivalents	46,097,066	20,895,829
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>25,201,237</b>	<b>18,849,655</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

**J. G. OSTAWAL**  
**PARTNER**  
MEMBERSHIP NO. 8892

PLACE : BANGALORE  
DATE : 5th JUNE, 2009

**On behalf of the Board of Directors**

**Umesh M. Katre**  
**Ashok Daryanani**  
**Karl Dantas**

**DIRECTORS**

PLACE : MUMBAI  
DATE : 5th JUNE, 2009

# **BHUPCO ALLOYS LTD.**

## **BOARD OF DIRECTORS**

MRS. SEEMA U. KATRE  
DR. (MRS.) LEENA B. SEN  
MRS. NALINI M. KATRE

## **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 Twentieth Annual General Meeting of the shareholders of the Company will be held on Friday 10<sup>th</sup> July, 2009 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 2009, 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. Nalini Mohan Katre who retires by rotation and being eligible, offer herself for reappointment.
- 3) To appoint auditors and fix their remuneration.

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

PLACE : MUMBAI  
DATE : 5th JUNE, 2009.

**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.

## DIRECTORS' REPORT

To,

The Members,

Your Directors have pleasure in presenting their Twentieth Annual Report of the Company for the year ended 31st March, 2009.

### **FINANCIAL HIGHLIGHTS**

During the year under review, the Company has earned a nett income of Rs. 13.45 lacs as against Rs. 11.06 lacs in the previous year. Higher gross income of Rs. 13.45 lacs coupled with reduced expense of Rs. 7.25 lacs has helped the Company to achieve a nett profit of Rs. 6.21 lacs. During the current financial year, performance will improve further as revenue from service charges are likely to increase.

### **DIVIDEND**

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

### **DIRECTORS**

Mrs. Nalini M. Katre retires and being eligible offer herself for re-appointment.

### **DIRECTORS RESPONSIBILITY**

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

1. In the preparation of the annual accounts, the applicable accounting standards have been followed;
2. Appropriate accounting policies have been selected and applied consistently, and have made judgements and estimates that are reasonable and prudent so as to give true and faire view of the state of affairs of the company as at March 31st, 2009 and of the profit of the company for the year ended on 31st March, 2009.
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.

### **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.

**DIRECTORS' REPORT Contd...****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 ASORPTION & 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 : 5th JUNE, 2009.

**SEEMA U. KATRE**  
(CHAIRPERSON)

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

Company Secretary

3/13, Jaya  
Sector II,  
Chembur,  
Mumbai - 400 089.  
Ph.: 2520 7302**COMPLIANCE CERTIFICATE**

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

The Members

**Bhupco Alloys Ltd.**62B, Mittal Towers,  
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 2009 (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 there under.
- 3) The company being a public limited company has maintained the minimum prescribed paid up capital.
- 4) The Board of Directors duly met four times respectively on 7th June, 2008, 22nd September, 2008, 18th December 2008 and 24th March, 2009 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 2008 was held on 8th July, 2008 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 entered into the contracts falling within the purview of section 297 of the Act, in respect of leasing of motor-vehicle from Mr. Madhavrao N. Dixit, relative of one of the Director (amounting to Rs. 80,000/-).
- 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 2008-2009 there is no change in the Board of Directors 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 2009 are within the borrowing limits of the company and that necessary resolution as per section 293 (1) (d) of the Act have been passed in duly convened annual / extraordinary general meeting.
- 25) The company has made loans and investments or given guarantees or provided securities to other bodies corporate in compliance with the provisions of the Act and has made necessary entries in the register kept for the purpose.
- 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 : 4th JUNE, 2009

**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 2009.

<b><u>Sr. No.</u></b>	<b><u>Forms</u></b>	<b><u>Section</u></b>	<b><u>Filed on</u></b>
1.	Form No. 23 AC (Balance Sheet as at 31/3/2008)	U/s 220 of the Companies Act, 1956.	18/09/08
2.	Form No. 23 ACA (Profit & Loss Account for the year ended on 31/03/2008)	U/s 220 of the Companies Act, 1956.	18/09/08
3.	Form No. 66 (Compliance Certificate dated 7th June, 2008)	U/s 383A of the Companies Act, 1956.	12/09/08
4.	Form No. 20 B (Annual Return of the Company)	U/s 159 of the Companies Act, 1956	12/09/08

With Regional Director

Not Applicable

With Central Government And Regional Authorities

Not Applicable

**P.V. RAMASWAMY**

PLACE : MUMBAI  
DATE : 4th JUNE, 2009

**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, 2009 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, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2009 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 2009;
    - b) in the case of the Profit and Loss Account, of the Profit for the year ended on that date and
    - c) in so far it relates to the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

For **OSTAWAL & JAIN**  
Chartered Accountants

**J. G. OSTAWAL**  
Partner  
Membership No. 8892

PLACE : Bangalore  
DATE : 5th JUNE, 2009

**ANNEXURE TO THE AUDITORS' REPORT**

Referred to in paragraph 3 of our report of even date on the accounts of **BHUPCO ALLOYS LIMITED** for the year ended 31st March 2009.

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) The Company has not disposed off substantial part of fixed assets during the year.
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. 72,876/- 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, the repayment of principal amount is regular during the year.
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 services. During the course of our audit, we have not observed any major weakness in internal controls.
5. (a) According to the information and explanations given to us and relevant records produced before us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
  - (b) According to information & explanations given by the management and relevant records produced before us, we are of the opinion that transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevailing market prices.
6. The Company has not accepted any deposit within the meaning of section 58A and 58AA or any other relevant provisions of the Companies Act 1956 and the rules framed there under.
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. (i) According to records of the Company, it is generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income tax, Sales tax, Wealth tax, Professional tax, Investor Education and Protection Fund, and other material statutory dues applicable to it with the appropriate authorities. According to records of the Company, no undisputed amounts payable in respect of above were in arrears as at 31st March 2009, for a period exceeding six months from the date they became payable.



- (ii) According to the information and explanations given to us, there are no dues outstanding of Income tax, Wealth tax, Service tax, Professional tax, Sales Tax, or Cess on account of any dispute.
10. The Company does not have accumulated losses at the end of the financial year which is less than fifty percent of its net worth. The Company has not incurred cash losses in the financial year under report and had not incurred cash losses in the immediately preceding financial year.
  11. The Company has not taken any loan from Financial Institution, Banks or by way of issue of debentures. Accordingly, sub-clause (xi) of clause 4 of the Order is not applicable.
  12. According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted any loan and/or 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. In our opinion and accordingly to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/ mutual benefit fund/ societies. Accordingly, clause 4(xiii) of the Order is not applicable.
  14. In our opinion and accordingly to the information and explanations given to us, the Company does not deal in shares, securities, debentures and other investments. Accordingly clause 4(xiv) of the order is not applicable. The shares, securities, debentures and other investments are held by the Company in its own name.
  15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, clause 4(xv) of the Order is not applicable.
  16. The Company has not taken any term loan during the year. Accordingly, clause 4(xvi) of the Order is not applicable.
  17. According to the information and explanations given to us, and on an overall examination of the Balance Sheet and Cash Flow statement of the Company, funds raised by the Company on short-term basis have not been used to finance Long Term Investment.
  18. The Company has not made any allotment of shares during the year. Accordingly, clause 4(xviii) of the Order is not applicable.
  19. The Company has not issued any debentures during the year. Accordingly, clause 4(xix) of the Order is not applicable.
  20. The Company has not raised any money by way of public issue during the year.
  21. Based upon the audit procedures performed and information and explanations given to us by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **OSTAWAL & JAIN**  
Chartered Accountants

**J. G. OSTAWAL**  
Partner  
Membership No. 8892

PLACE : Bangalore  
DATE : 5th JUNE, 2009

**BALANCE SHEET AS AT 31ST MARCH, 2009**

	Schedule	31-3-2009 Rs.	31-3-2008 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
		<b>9,120,132</b>	9,120,132
<b>2. Deferred Tax Liability</b> (Refer Schedule 14, Notes 6)			
		<b>193,443</b>	196,447
	<b>Total</b>	<b>9,313,575</b>	<b>9,316,579</b>
<b>II APPLICATION OF FUNDS :</b>			
<b>1. Fixed Assets</b>			
Gross Block	3	6,823,481	6,644,261
Less : Depreciation		5,138,511	5,013,005
Net Block		<b>1,684,970</b>	1,631,256
<b>2. Investments</b>			
	4	<b>1,002,488</b>	1,002,488
<b>3. Current Assets, Loans and Advances</b>			
a) Cash & Bank Balances	5	667,443	826,625
b) Sundry Debtors	6	6,900	---
c) Loans and Advances	7	830,246	449,673
d) Other Current Assets	8	3,084,061	3,084,061
	[A]	<b>4,588,650</b>	4,360,359
<b>4. Less : Current Liabilities and Provisions</b>			
	9	<b>692,013</b>	1,019,862
	[B]	<b>692,013</b>	1,019,862
Net Current Asset	[A] - [B]	<b>3,896,637</b>	3,340,497
<b>5. Profit and Loss Account</b>			
	10	<b>2,729,480</b>	3,342,338
	<b>Total</b>	<b>9,313,575</b>	<b>9,316,579</b>
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

J. G. OSTAWAL & JAIN  
PARTNER  
Membership No. : 8892

PLACE : BANGALORE  
DATE : 5th JUNE, 2009

On behalf of the Board of Directors

Seema Katre  
Nalini Katre

DIRECTORS

PLACE : MUMBAI  
DATE : 5th JUNE, 2009

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009****FOR THE YEAR ENDED 31ST MAR**

	Schedule	31-3-2009 Rs.	31-3-2008 Rs.
<b>I. INCOME</b>			
a) Service Charges (TDS Rs. 3,39,900/-) (P. Y. Rs. 2,81,583/-)		1,337,113	1,106,022
b) Other Income		8,370	---
		<b>1,345,483</b>	<b>1,106,022</b>
<b>II. EXPENDITURE</b>			
a) Office and Administrative Expenses	11	341,119	327,204
b) Payments to & Provision for employees	12	83,788	77,021
c) Remuneration to Director	13	174,216	135,106
d) Depreciation		125,505	130,702
		<b>724,628</b>	<b>670,033</b>
<b>III. PROFIT / (LOSS) BEFORE TAX</b>			
		<b>620,855</b>	<b>435,989</b>
<u>Less : Provision For Taxes</u>			
Deferred Tax (asset) / Liability (Refer Schedule 14, Note 6)		(3,003)	(4,054)
Fringe Benefit Tax		11,000	3,947
Short / (Excess) Provision for Taxation of Earlier Years		---	(107)
		<b>7,997</b>	<b>---</b>
<b>IV. PROFIT / (LOSS) AFTER TAX</b>			
		<b>612,858</b>	<b>436,096</b>
<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**

**J. G. OSTAWAL & JAIN  
PARTNER  
Membership No. : 8892**

PLACE : BANGALORE  
DATE : 5th JUNE, 2009

On behalf of the Board of Directors

**Seema Katre  
Nalini Katre**

**DIRECTORS**

PLACE : MUMBAI  
DATE : 5th JUNE, 2009

**SCHEDULES FORMING PART OF THE BALANCE SHEET****AS AT 31ST MARCH,2009****SCHEDULE-1****SHARE CAPITAL****Authorised**

11,00,000 Equity Shares of Rs. 10/- each  
(Previous Year 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 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 Equity Shares of Spice Islands Apparels Ltd.  
(Previous Year 28,500/- Equity Shares)

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)**

Outstanding for more than six months  
Others

**SCHEDULE-7****LOANS AND ADVANCES****(Unsecured considered good)**

- a) Advance Income-Tax & TDS  
b) Staff Advance  
c) Advance against Expenses

	<b>31-3-2009 Rs.</b>	<b>31-3-2008 Rs.</b>
	<b>11,00,000</b>	11,000,000
	<b>6,090,000</b>	6,090,000
	<b>6,090,000</b>	6,090,000
	<b>3,024,000</b>	3,024,000
	<b>6,132</b>	6,132
	<b>3,030,132</b>	3,030,132
	<b>1,002,488</b>	1,002,488
	<b>1,002,488</b>	1,002,488
	<b>150,195</b>	115,995
	<b>3,479</b>	3,479
	<b>663,964</b>	823,146
	<b>667,443</b>	826,625
	---	---
	<b>6,900</b>	---
	<b>6,900</b>	---
	<b>749,020</b>	401,226
	<b>17,292</b>	40,132
	<b>63,934</b>	8,315
	<b>830,246</b>	449,673

**SCHEDULE-3****FIXED ASSETS**

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	Cost as at 1-4-2008	Additions during the year	Cost as at 31-03-2009	As at 1-4-2008	For the Year	Total as at 31-3-2009	As at 31-3-2009	As at 31-3-2008
Office Premises	3,335,676	---	3,335,676	2,011,902	66,189	2,078,091	1,257,585	1,323,774
Furniture & Fixtures	2,450,515	168,770	2,619,285	2,259,533	42,016	2,301,549	317,736	190,982
Office Equipments	858,070	10,450	868,520	741,572	17,300	758,872	109,648	116,498
<b>Total</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>1,684,971</b>	<b>1,631,254</b>
Previous Year	6,644,261	---	6,644,261	4,882,303	130,702	5,013,005	1,631,255	1,761,958

**SCHEDULES TO PROFIT AND LOSS ACCOUNT**

**AS AT 31ST MARCH, 2009**

**SCHEDULE-8**

**OTHER CURRENT ASSETS**

	<b>31-3-2009</b>		<b>31-3-2008</b>
	<b>Rs.</b>		<b>Rs.</b>
a) Deposit For Premises	<b>3,000,000</b>		3,000,000
b) Other Deposit / Advance	<b>84,061</b>		84,061
	<b>3,084,061</b>		<b>3,084,061</b>

**SCHEDULE-9**

**CURRENT LIABILITIES & PROVISIONS**

a) Sundry Creditions For Expenses	<b>391,572</b>		389,775
b) Security Deposit	<b>250,000</b>		589,202
c) Provision for Retirement & Other Employees Benefit Schemes	<b>13,745</b>		15,189
d) Provision for Taxes	<b>36,696</b>		25,696
	<b>692,013</b>		<b>1,019,862</b>

**SCHEDULE-10**

**PROFIT & LOSS ACCOUNT**

Opening Balance (Dr)	<b>3,342,340</b>	3,778,434	
Add/(Less): Transfer from Profit & Loss Account	<b>(612,858)</b>	(436,096)	3,342,338
	<b>2,729,480</b>		<b>3,342,338</b>

**SCHEDULE-11**

**OFFICE & ADMINISTRATIVE EXPENSES**

a) Society Charges	<b>45,806</b>		54,758
b) Advertisement Exp	---		5,928
c) Car Expenses	<b>143,328</b>		58,058
d) Conveyances	<b>2,620</b>		---
e) Bank Charges	<b>900</b>		356
f) Auditor's Remuneration Audit Fees	<b>5,515</b>		5,624
g) Office General Expenses	<b>21,195</b>		3,352
h) Legal & Professional Charges	<b>5,000</b>		22,566
i) Lease Rentals (Ref. Schedule 14, Note No.7)	<b>80,000</b>		176,000
j) Demat Charges	<b>562</b>		562
k) Repairs & Maint. Charges (Others)	<b>36,193</b>		---
	<b>341,119</b>		<b>327,204</b>

**SCHEDULE-12**

**PAYMENTS TO AND PROVISIONS FOR EMPLOYEES**

a) Salary & Bonus	<b>69,608</b>		58,356
b) LTA, Leave Salary, EPF & ESIC	<b>14,180</b>		18,665
	<b>83,788</b>		<b>77,021</b>

**SCHEDULE-13**

**REMUNERATION TO DIRECTOR**

(Refer Shchedule 14, Note No. 1)

a) Salary, Bonus & Leave Salary	<b>165,900</b>		127,885
b) EPF	<b>8,316</b>		7,221
	<b>174,216</b>		<b>135,106</b>

**SCHEDULE-14****ACCOUNTING POLICIES AND NOTES TO ACCOUNTS****A) ACCOUNTING POLICIES****Accounting Convention**

The Financial statements are prepared in accordance with applicable Accounting standards and relevant financial presentation requirements of the Companies Act, 1956.

**Fixed Assets**

Fixed Assets have been stated at cost of acquisition inclusive of freight inward, duties and taxes and incidental expenses related to acquisition.

**Depreciation**

Depreciation on Fixed Assets has been provided on Written Down Value basis at the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation on additions and deletions to Fixed Assets during the year has been provided on pro-rata basis.

**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 fixed assets, and If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of any 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 It's recoverable amount & therefore no provision is made for impairment loss.

**Investments**

Investments are stated at cost of acquisition.

**Revenue Recognition**

- a) Income is considered at the point of accrual.
- b) Dividend income is accounted in the year of receipt.

**Expenses**

Expenses are accounted on accrual basis.

**Income Tax**

The company has accounted for Deferred taxation in accordance with Accounting Standard (AS) 22 On "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India. The Company has accounted for Fringe Benefits Tax in accordance with the provision of Income Tax Act, 1961.

**Leases**

Lease payments under an operating lease is recognised as an expense in the Profit & Loss A/c on a straightline basis.

**Retirement Benefits**

**A. Gratuity**

In accordance with Indian laws, Bhupco Alloys Limited 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 lumpsum 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.

**B. Short Term Employee Benefits**

The undisclosed amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders services. These benefits include compensated absence such as paid annual leave, leave travel allowance, bonus / performance incentives.

**B) NOTES TO ACCOUNTS :**

**1. Remuneration to Directors**

	<b>31-3-2009</b>	<b>31-3-2008</b>
	<b>Rs.</b>	<b>Rs.</b>
Salary including Bonus & Leave Salary	165,900	127,885
PF Contribution	8,316	7,221
	<b>174,216</b>	<b>135,106</b>

**Presentation For Effective Capital**

	<b>31-03-2009</b>	<b>31-03-2008</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
Reserve Fund	6,132	6,132
	<b>[A] 9,120,132</b>	<b>9,120,132</b>
<b>Less :</b>		
Investments	1,002,488	1,002,488
Accumulated Losses	2,729,480	3,342,338
	<b>[B] 3,731,968</b>	<b>4,344,826</b>
<b>Effective Capital</b>	<b>[A - B] 5,388,164</b>	<b>4,775,306</b>



**Effective Capital  
(Less Than Rs One Crore)**

Maximum Permissible	900,000	900,000
Actual Remuneration	174,216	135,106

2. Balance of receivables, payables, loans and advances are subject to confirmation.
3. As per the records of the Company , the Company does not owe any sum which is outstanding for more than 30 days to any Small Scale Industrial Undertaking.
4. In opinion of the Board of Directors and to the best of their knowledge adequate provision has been made in the accounts for all known liabilities, and the current assets, loans and advances have value on realisation in the ordinary course of business at least equal to the value stated in the Balance Sheet. The Company as on 31st March 2009, does not have any present obligation as a result of a past event.

**5. A. Provident Fund**

In accordance with Indian law, all eligible employees receive benefits from the provident fund, which is a defined contribution plan. Both the employee and the employer contribute monthly at a determined rate (up to 12% of employee's salary).

**B. Gratuity**

The Company has opted for the Group-cum-Life Assurance Scheme of the Life Insurance Corporation of India (LIC). The company's contribution to this scheme is charged to the profit and loss account for the year. LIC has confirmed that the contributions taken together with funds available with LIC in the corpus, cover adequately the actuarially valued gratuity liability of the company as at the year end.

6. (i) The company has provided for additional Deferred Tax Liability / (Asset) during the year aggregating to Rs.(3,003/-) [Previous Year Rs. (4,054/-)] in the Profit & Loss account. The Company has not provided for Deferred Tax Asset on accumulated business losses on a conservative basis.
- (ii) Major components of Deferred tax assets and liabilities on account of timing differences are :-

	31 Mar. 2009		31 Mar. 2008	
	Asset	Liability	Asset	Liability
Depreciation	---	193,443	---	196,447

**7. Operating Lease**

The Company's significant leasing arrangements are in respect of operating lease for Motorcar. This is cancelable operating lease and this lease agreement is normally renewed on expiry. The aggregate lease rentals payable are charged as Lease Rentals under Schedule 11.

**8. Related Party Disclosures**

As required by the Accounting Standard - AS 18 "Related Parties Disclosure" issued by the Institute of Chartered Accountants of India are as follows :

List of related parties

- I. Holding Company  
**Spice Island Apparels Limited**
- II. Key Management Personnel  
**Mrs. Seema U. Katre**
- III. Directors  
**Mrs. Seema U. Katre**  
**Mrs. Nalini Katre**  
**Dr. (Mrs) Leena B. Sen**

Details of transactions are as follows :

	31st March, 2009		31st March, 2008	
	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.	72,876	---	46,614	---
Remuneration to Director				
-- Mrs. Seema U. Katre	174,216	---	135,106	---
Lease Rent Paid				
-- Mrs. Nalini Katre	---	---	64,000	---
-- Mr. M. N. Dixit	80,000	---	112,000	---

**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. 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.

**11. 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 stated below :

<b>Particulars</b>	<b>31st March 2009</b>	<b>31st March 2008</b>
Net Profit After Tax Attributable		
To Equity-Shareholders	612,858	436,096
Weighted Average Equity Shares	609,000	609,000
Basic & Diluted Earnings Per Share	1.01	0.72
Face Value of Equity-Shares	10	10

12. Other details as required by Part II of Schedule VI of the Companies Act, 1956 are either Nil or Nor Applicable.

13. The figures of the previous year have been regrouped/recasted wherever necessary.

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

**J. G. OSTAWAL  
PARTNER  
Membership No. : 8892**

PLACE : BANGALORE  
DATE : 5th JUNE, 2009

**On behalf of the Board of Directors**

**Seema Katre  
Nalini Katre**

**DIRECTORS**

PLACE : MUMBAI  
DATE : 5th JUNE, 2009

## CASH FLOW STATEMENTS ANNEXED TO THE BALANCE SHEET

	<u>Year Ended</u> <u>31-3-2009</u> Rs.	<u>Year Ended</u> <u>31-3-2008</u> Rs.
<b>I</b>		
<b>A. Cash Flow From Operating Activities</b>		
Net Profit after tax as per Profit & Loss Account	612,858	436,096
<b>Adjusted For</b>		
Provision for Taxation (including deferred Tax)	7,997	(107)
<b>Net Profit / (Loss) before Tax</b>	620,855	435,989
<b>Adjusted For</b>		
Depreciation	125,505	130,702
<b>Operating Profit before working Capital Changes</b>	746,361	566,691
<b>Adjusted for</b>		
Trade & Other Receivables	(6,900)	220,243
Loans & Advances	(51,672)	(19,878)
Trade Payable & Deposits	(327,849)	3,745
<b>Cash generated from operations</b>	359,938	770,801
Less : Direct Taxes Paid (Refund)	339,900	281,583
<b>Net Cash Flow from Operating Activities</b>	20,038	489,218
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(179,220)	---
<b>Net Cash Flow from Investing Activities</b>	(179,220)	---
	<u>Year Ended</u> <u>31-3-2009</u> Rs.	<u>Year Ended</u> <u>31-3-2008</u> Rs.
<b>C. Cash Flow From Financial Activities</b>		
Repayment of unsecured Loan	---	---
<b>Net Cash Flow / (Used) From Financial Activities</b>	---	---
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS {(A)+(B)+(C)}</b>	(159,182)	489,218
<b>II</b>		
Opening Balance of Cash & Cash Equivalents	826,625	337,408
Closing Balance of Cash & Cash Equivalents	667,443	826,625
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(159,182)	489,218

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**

**J. G. OSTAWAL  
PARTNER  
Membership No. : 8892**

PLACE : BANGALORE  
DATE : 5th JUNE, 2009

*On behalf of the Board of Directors*

**Seema Katre  
Nalini Katre**

**DIRECTORS**

PLACE : MUMBAI  
DATE : 5th JUNE, 2009

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 THOUSAND)**

Total Liabilities	<input type="text" value="9314"/>	Total Assets	<input type="text" value="9314"/>
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**SOURCES OF FUNDS**

Paid-up-Capital	<input type="text" value="6090"/>	Reserves & Surplus	<input type="text" value="3030"/>
Secured Loans	<input type="text" value="NIL"/>	Unsecured Loans	<input type="text" value="NIL"/>

**APPLICATION OF FUNDS**

Net Fixed Assets	<input type="text" value="1684"/>	Investments	<input type="text" value="1002"/>
Net Current Assets	<input type="text" value="3897"/>	Misc. Expenditure	<input type="text" value="0"/>
Accumulated Losses	<input type="text" value="2729"/>		

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

Turnover	<input type="text" value="1345"/>	Total Expenditure	<input type="text" value="725"/>
+ (-) Profit/Loss Before Tax	<input type="text" value="621"/>	+ (-) Profit/Loss After Tax	<input type="text" value="613"/>
Earnings per Share (In Rs.)	<input type="text" value="1.01"/>	Dividend Rate (%)	<input type="text" value="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 of Directors

**Seema Katre**  
**Nalini Katre**

**DIRECTORS**

PLACE : MUMBAI  
 DATE : 5th JUNE, 2009



# SPICE ISLANDS APPARELS LIMITED

Registered Office : 62/B, Mittal Tower, 210, Nariman Point, Mumbai - 400 021.

## ATTENDANCE SLIP

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

Name of the attending Member  
(in block letters)

Member's Registered  
(Folio Number)

No. of Shares held \_\_\_\_\_

I hereby record my presence at the 21st Annual General Meeting, at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, (Behind Prince of Wales Museum), Kala Ghoda, Mumbai - 400 001. On Monday the 31st August, 2009, at 10.30 A.M.

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

## **SPICE ISLANDS APPARELS LIMITED**

Registered Office : 62/B, Mittal Tower, 210, Nariman Point, Mumbai - 400 021.

FOLIO NO. ....

## PROXY FORM

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

of \_\_\_\_\_

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

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

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

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

proxy to vote for me/us on my/our behalf at the 21st Annual General Meeting of the Company to be held on 31st August, 2009.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2009



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



**Spice Islands Apparels Limited,**  
125-A, Mittal Tower, 12th Floor,  
210, Nariman Point, Mumbai - 400 021.