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Twenty Fifth Annual General Meeting

Day : Monday
 Date : 2nd September, 2013
 Time : 10.30 am
 Venue : M. C. Ghia Hall
 Bhogilal Hargovindas Building,
 18/20 K. Dubash Marg,
 (Behind Prince of Wales Museum),
 Kala Ghoda, Mumbai- 400 001



SPICE ISLANDS APPARELS LTD.

BOARD OF DIRECTORS

Chairman & Managing Director

UMESH KATRE

Whole-time Director

SEEMA KATRE

Director

ASHOK DARYANANI

KARL DANTAS

CHARUCHANDRA PATANKAR

RAHUL MEHTA

Bankers

VIJAYA BANK

Auditors

M/s. T D JAIN & D I SAKARIA

(Chartered Accountants)

REGISTERED OFFICE

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

CORPORATE OFFICE

125-A, Mittal Tower, 210 Nariman Point, Mumbai 400 021
Tel.: 67400800 Fax : 22826167

FACTORY

S. F. No. 287, Kuthampalayam,
Thirumurgan Poondi (P. O.),
P. N. Road, Tirupur- 641 652.
Tel.: 0421-2350492/3

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

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

WEBSITE :

www.spiceislandsapparelslimited.in

FOR LODGING INVESTOR GRIEVANCES :

grievance_redressal@spiceislandsindia.com

REGISTRAR & SHARE TRANSFER AGENT : LINK INTIME INDIA PRIVATE LIMITED

C-13, Bhandup Industrial Estate, Pannalal Silk Mills Compound, L. B. S. Marg,
Bhandup (W), Mumbai- 400 078.
Ph.: 022- 2596 3838 Fax : 022-2596 2691 E-mail : helpdesk@linkintime.co.in



NOTICE

Notice is hereby given that Twenty Fifth Annual General Meeting of the members of SPICE ISLAND APPARELS LIMITED will be held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20 K. Dubash Marg, (Behind Prince of Wales Museum), Kala Ghoda, Mumbai- 400 001 on Monday, 2nd day of September, 2013 at 10.30 a.m. to transact the following business:

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

SPECIAL BUSINESS

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

“RESOLVED THAT pursuant to the provision of sections 198, 269, 309, 310 and other applicable provision, if any, of the Companies Act 1956 (Act) read with Schedule XIII to the said Act, approval of Members be and is hereby accorded to the re-appointment of Mr. Umesh M. Katre as the Managing Director of the Company for a further period of three years with effect from 01.11.2012 to 31.10.2015 on the terms and conditions set out in the draft Agreement, a copy of which is placed before the meeting duly initialed by the Chairman for the purpose of identification, with authority to the Board of Directors (the Board) to alter or vary his terms of remuneration subject to the overall ceiling specified in Schedule XIII to the Act, read with Sections 198, 309, 310 and other applicable provisions of the Act or any amendment thereto or re-enactment thereof as may be agreed by the Board and Mr. Katre.”

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

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

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

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

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

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

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

PLACE : MUMBAI
DATE : 28th May, 2013.

UMESH M. KATRE
(Chairman & Managing Director)



NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself, only on a poll and a proxy need not be a member. Proxies in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
2. Relevant explanatory statement pursuant to section 173 (2) of the Companies Act, 1956 in respect of SPECIAL BUSINESS at item no. 5 and 6 of the Notice is annexed herewith.
3. All documents referred to in accompanying notice and explanatory statement are open to inspection at the Registered Office of the Company between 2 pm and 4 pm on all working days up to the day of the Annual General Meeting.
4. The Dividend for the year ended 31st March 2013 as recommended by the Board, if sanctioned at the meeting, will be paid to those members whose names appear in the Company's Register of Members after effecting valid transfers received upto the close of business hours on 19th August, 2013. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details provided as at the close of business hours on 19th August, 2013 by National Securities Depository Limited and Central Depository Services (India) Limited for this purpose.
5. The Register of Members and Share Transfer books of the Company will remain closed from 19th day of August, 2013 to 2nd day of September 2013, both days inclusive.
6. The Company has transferred unclaimed amount of dividends paid upto 31st March, 2002 to the Investor Education and Protection Fund of the Central Government as required under section 205C of the Companies Act 1956. Members may please note that if unpaid dividend is not claimed from the Company for seven years from the date when it became due, it shall be transferred to the Investor Education and Protection Fund as stated above and it cannot be claimed from that fund.

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

7. Members are requested to notify immediately any change of address, details of their bank accounts viz. name of bank, full address of the branch, account number and folio number for incorporation on the dividend warrant, to the Company's Registrar and Share Transfer Agents, M/s. Link Intime India Private Ltd., C-13, Bhandup Industrial Estate, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (W), Mumbai- 400 078.
8. Members are informed that in case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
9. In terms of Section 109A of the Companies Act, 1956, Members are entitled to make nominations in respect of shares held by them in physical form. Members desirous of making nominations are requested to send their request in Form 2B, in duplicate, to the Secretarial Department at the Registered Office of the Company or to the Registrar and Share Transfer Agent.
10. Pursuant to the directions / notifications of SEBI and Depositories, the demat account holders can operate their accounts if they had already provided Income Tax Permanent Account Number either at the time of opening of the account or subsequently. In case, they have not furnished the Income Tax Permanent Account Number either to the Depository Participants, such demat account holders are requested to contact their DPs with a photocopy of the PAN card (with original PAN card for verification) so that the frozen demat accounts would be available for operation and further consequences of non-compliance with the aforesaid directives would be obviated.

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



NOTICE

REQUEST TO THE MEMBERS

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

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

PLACE : MUMBAI
DATE : 28th May, 2013.

UMESH M. KATRE
(Chairman & Managing Director)



ANNEXURE TO THE NOTICE

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

ITEM NO 5.

The present terms of office of Mr. Umesh Katre as Managing Director expired on 31st October, 2012. The Board of Directors had, at its meeting held on 6th November, 2012, re-appointed Mr. Umesh Katre as the Managing Director for a period of three years from the expiry of his present term of office, that is, on and with effect from 1st November, 2012. The Board of Directors have also approved the increase in remuneration payable to Mr. Umesh Katre. The draft Agreement to be entered into by the Company with Mr. Umesh Katre in respect of his re-appointment for a further period of three years inter alia states that

1. Salary (Basic) per month : Rs.1,25,000/- – 25000/- – 1,75,000/- Annual increment of Rs. 25,000/- shall become due on 1st April each year.
2. Perquisites(including allowances)-
 - a) House Rent Allowance : 60% of the basic salary relevant for the concerned period as and by way of House Rent Allowance.
 - b) Leave Travel Allowance : The yearly payment in the form of allowance shall be equivalent to one month's salary (basic)
 - c) Bonus : Yearly payment, subject to minimum of one month basic salary.
 - d) Ex-gratia : The yearly payment shall not exceed Rs. 5,00,000 per financial year.
 - e) Club Fees : Actual fees for a maximum of two clubs. Admission fee and life membership fee shall not be paid by the Company.
 - f) Medical reimbursement : Reimbursement of actual medical expenses, including mediclaim / personal accident insurance premium up to a limit of one basic salary.
 - g) Contribution to Provident Fund and Superannuation / Annuity Fund will be as per Scheme of the Company.
 - h) Gratuity payable shall be at a rate not exceeding 15 days salary for each completed year of service or part thereof in excess of six months as per Scheme of the Company.
 - i) Encashment of unavailed leaves at the end of the tenure or at specified intervals will be as per Scheme of the Company.
 - j) Provision of car with driver for use in relation to Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to the Managing Director.

Minimum Remuneration:

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

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

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

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

ANNEXURE TO THE NOTICE



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

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

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

ITEM NO. 6

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

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

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

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

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

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

PLACE : MUMBAI
DATE : 28th May, 2013.

UMESH M. KATRE
(Chairman & Managing Director)

**DIRECTORS' REPORT**

To,

The Members,

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

FINANCIAL RESULTS

	(Rs. in lacs) 2012-2013	(Rs. in lacs) 2011-2012
Sales & Operating Income	1231.91	1381.02
Other Income	55.29	84.90
Profit (Loss) before Taxation	(70.98)	38.45
Provision for Taxation- Current Year (Nett)	4.13	18.37
Short / (excess) Provision for Tax	0.60	(0.70)
Profit after Taxation	(75.71)	20.79
Add : Balance brought forward from previous year	512.97	530.66
	437.26	551.45

APPROPRIATION

General Reserve	1.00	1.00
Proposed Dividend	21.50	32.25
Tax on distribution of dividend	3.65	5.23
Balance Profit carried forward	411.11	512.97
	437.26	551.44

OPERATIONS

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

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

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

DIVIDEND

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



DIRECTORS' REPORT

TAXATION

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

DIRECTORS

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

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

DIRECTORS RESPONSIBILITY

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

1. In the preparation of the annual accounts, the applicable Accounting Standards have been followed.
2. Appropriate accounting policies have been selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company as at 31st March, 2013 and of the loss of the company for the year ended on 31st March, 2013.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. The annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

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

DEPOSITORY SYSTEM

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

PARTICULARS OF EMPLOYEES

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

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

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

COMPLIANCE CERTIFICATE

Compliance Certificate obtained pursuant to provisions of Sec 383 A of the Companies Act, 1956 from a Secretary in Whole Time practice, M/s. Nitesh Jain & Co., in the prescribed form regarding the compliance of all the provisions of the said Act, is enclosed herewith.

COST COMPLIANCE REPORT

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



DIRECTORS' REPORT

AUDITORS COMMENTS

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

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

b) Cash loss (Clause 10 of the Report on other legal and regulatory requirements) :

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

AUDITORS

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

NOMINATION

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

APPRECIATION

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

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

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

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

PLACE : MUMBAI
DATE : 28th May, 2013.

UMESH M. KATRE
(Chairman & Managing Director)

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	63,347.40
Total Amount	5,28,857.00
Rate per unit (Rs.)	8.35
b) Own Generation (Through D. G. set)	Nil

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

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

2. TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATIONS

- Efforts made : Continuous efforts are being made in improving the quality of Shirts, Jackets, Skirts, and Blouses, produced by the Company on existing production methods. Improving labour productivity and installation of new machinery is also a part of these efforts.
- 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)	1096.39
ii) Foreign Exchange Outgo (includes raw material, spare parts, capital goods and other expenditure in foreign currency including dividends)	
a) Raw Material	Nil
b) Capital Goods (Spares)	Nil
c) Components, Spares and Accessories	2.19
d) Dyes & Chemicals	Nil
e) Travelling & Other Expenses	9.65
f) Commission	24.75

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

PLACE : MUMBAI
DATE : 28th May, 2013.

UMESH M. KATRE
(Chairman & Managing Director)

**NITESH JAIN & CO.**

COMPANY SECRETARIES

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

COMPLIANCE CERTIFICATE.

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

The Members

Spice Islands Apparels Ltd.
Unit No. 3043 – 3048, 3rd Floor,
Bhandup Industrial Estate,
Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (West),
Mumbai – 400 078.

We have examined the registers, records, books and papers of **Spice Islands Apparels Limited** hereinafter referred to as 'Company' as required to be maintained under Companies Act 1956 (hereinafter referred to as the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2013. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year;

- 1) The company has kept and maintained all registers as stated in **Annexure 'A'** to this certificate as per the provisions of the Act and rules made there under and all entries therein have been duly recorded.
- 2) The company has duly filed the forms and returns as stated in **Annexure 'B'** to this certificate with the Registrar of Companies / Regional Director / Central Government / Company Law Board or other Authorities within the time prescribed under the Act and the rules made hereunder, in case of delay if any, with the payment of additional filing fees thereon as prescribed under the Act and the rules made there under.
- 3) The company being a Public Limited Company has the minimum prescribed paid up capital.
- 4) The Board of Directors duly met four times respectively on 30th May 2012, 14th August 2012, 06th November 2012 and 12th February 2013 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
- 5) The Company closed its Register of Members from 18th September 2012 to 25th September 2012 and necessary compliance of section 154 of the Act, has been made.
- 6) The Annual General Meeting for the financial year ended 31st March 2012 was held on 25th September, 2012 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 General Meeting was held during the financial year.
- 8) The company has not advanced any loans to any of the parties mentioned in section 295 of the Act during the financial year under review.
- 9) The Company has not entered into any new contract falling within the purview of section 297 of the Act during the financial year under review.



- 10) The Company has made necessary entries in the register maintained under section 301 of the Act.
- 11) With effect from 5th November 2012, Mr. Rohan Katre, Who is son of Mr. Umesh Katre, Managing Director & Mrs. Seema Katre, Whole-time Director, is appointed as a Management Trainee by the Board within the purview of Section 314 of the Companies Act, 1956. Approvals of the members will be taken in the forthcoming Annual General Meeting of the Company. No approval from the Central Government is required as the gross emoluments are within the permissible limit.
- 12) The company has not issued any duplicate certificates during the financial year.
- 13) The Company has
- Delivered all the certificates on lodgment thereof for transfer/transmission or any other purpose in accordance with the provisions of the Act.
 - Deposited the amount of dividend declared including interim dividend in a separate Bank Account, which is within the stipulate time from the date of declaration of such dividend.
 - Paid/posted warrants for dividends to all the members within a period of 30 (Thirty) days from the date of declaration and that all unclaimed/unpaid dividend has been transferred to Unpaid Dividend Account of the Company with AXIS BANK LTD.
 - Details of unclaimed / unpaid dividend.

Dividend for The year Ended on	Declared on	Unclaimed/Unpaid Amount	Due date for transfer to Investor educations and Protection fund
31/03/2009	31/08/2009	Rs.1,13,125/-	31/08/2016
31/03/2010	26/07/2010	Rs.1,88,221/-	26/07/2017
31/03/2011	23/08/2011	Rs. 78,032/-	23/08/2018
31/03/2012	25/09/2012	Rs. 85,272/-	25/09/2019

Further there is no amount outstanding in respect of unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for the period of seven years and liable to transferred to Investor Education and Protection Fund;

- v) The Company has duly complied with the requirements of section 217 of the Act.
- 14) The Board of Directors of the company is duly constituted. There was no appointment of additional directors, alternate directors and directors to fill casual vacancy during the financial year.
- 15) The appointment / re-appointment of Managing Director/Whole time Director/Manager has been made in compliance with the provisions of section 269 read with Schedule XIII to the Act, No approval from Central Government was required.
- 16) The Company has not appointed any sole selling agent during the financial year under report.
- 17) The company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and / or such authorities prescribed under the various provisions of the Act during the financial year under report.
- 18) The Directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
- 19) During the financial year under report, the Company has not issued any shares, debentures or other securities.
- 20) During the financial year under report, the company has not bought back any shares.
- 21) The Company has not redeemed any preference shares / debentures during the financial year.
- 22) There was no transaction necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares in compliance with the provisions of the Act.



- 23) The Company has not accepted any deposit during the year.
- 24) The amount borrowed by the Company from directors, members, public, financial institutions, banks and others during the financial year are within the borrowing limits of the Company.
- 25) During the financial year under report, the Company has not given any loan or given any guarantee or provided securities to other bodies corporate.
- 26) The Company has not altered the provisions of the Memorandum with respect to the situation of the company's registered office from one state to another during the financial year under report.
- 27) The Company has not altered provisions of the Memorandum with respect to the object of the company during the financial year under report.
- 28) The Company has not altered the provisions of the Memorandum with respect to the name of the Company during the financial year under report.
- 29) The company has not altered the provisions of the Memorandum with respect to the share capital of the company during the financial year under report.
- 30) The company has not altered its Articles of Association during the financial year under report.
- 31) On verification of the records of the Company and as informed to us, there was no prosecution initiated against or Show cause notices received by the company for alleged offences under the Act and also the fines and penalties or any other punishment imposed on the Company.
- 32) The company has not received any money as security from its employees during the financial year under report.
- 33) The company has deposited both employees and employers' contribution to Provident Fund with prescribed authorities.

for **NITESH JAIN & CO.**
Company Secretaries

Place : MUMBAI
Date: 28th May, 2013.

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

ANNEXURE TO DIRECTOR' REPORT**ANNEXURE 'A'**

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

ANNEXURE 'B'

Forms and Returns filed by the Company with the Registrar of Companies, Regional Director / Central Government / Company Law Board or other Authorities during the year ended on 31st March 2013.

A) To the Registrar of Companies.

Sr. No.	Form & particulars	For the year	Delay in filing	Form no.	ROC receipt / date
1.	Compliance certificate	31-03-2012	Yes	66	21/11/2012 [Q00463554]
2.	Annual return for 25/09/2012	--	Yes	20B	01/12/2012 [Q03763273]
3.	Balance Sheet	31-03-2012	No	23ACXBRL	13/01/2013 [Q05822234]
4.	Appointment of Managing Director	31/03/2012	--	25C	03/12/2012 [B63026496]
5.	Unclaimed and unpaid amount	31/03/2011 & 31/03/2012	--	5INV	09/08/2012 [S13139233] & 01/12/2012 [SI6658023]
6.	Cost Audit	31/03/2012	No	A-XBRL	19/02/2012 [S20307344]
7.	Particulars of Modification of charge	--	No	8	21/04/2012 [B37396033]
8.	Particulars of Board Resolution	--	No	23	03/12/2012 [B63026330]

B) To Central Government / Regional Director: NIL.

for **NITESH JAIN & CO.**
Company Secretaries

Nitesh Jain
Proprietor.

Place : MUMBAI
Date: 28th May, 2013.

F.C.S. No. : 6069
C. P. No. : 8582



ANNEXURE TO DIRECTORS' REPORT

CORPORATE GOVERNANCE

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

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

1. Corporate Governance

- a) Is the combination of voluntary practices and compliance with laws & regulations leading to effective control and management of the organization. Good Corporate Governance leads to a long term shareholder value and enhances interest of other stake holders. It brings into focus the fiduciary and the trusteeship role of the Board to align and direct the actions of the organization towards creating wealth and shareholder value.
- b) The Company is in full compliance with the requirements under Clause 49 of the Listing Agreement with the Stock Exchange. This chapter of the report, plus the information given under 'Management Discussion and Analysis' and shareholder Information constitutes the compliance report of the Company on Corporate Governance during the year 2012-13.

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, 2013, the strength of Board was six Directors, of which, two were Executive Directors and four were Non-Executive Independent Directors. The composition of Board of Directors as on 31st March 2013, attendance of Directors at the Board meetings and at the Annual General Meeting held during the year under review alongwith the number of outside Directorship and Committee position are given in the table below :

Name of Director	Category of Directorship	No. of Directorship held in other companies	No. of Committee positions in other Companies		Attendance At	
			Chairman	Member	Board meeting	Last Annual General Meeting [25-09-2012]
Umesh M. Katre <i>Chairman & Managing Director</i>	Executive	None	--	--	4	Yes
Ashok G. Daryanani	Non Executive Independent	None	--	--	4	Yes
C. G. Patankar	Non Executive Independent	7	--	2	3	No
Karl Dantas	Non Executive Independent	None	--	--	3	No
Rahul Mehta	Non Executive Independent	4	--	--	4	Yes
Seema Katre <i>Whole Time Director</i>	Executive	1	--	--	4	Yes



ANNEXURE TO DIRECTORS' REPORT

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

b) BOARD PROCEDURE :

Information Supplied to the Board

Among others, information supplied to the Board includes :

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

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

DIRECTORS WITH MATERIALLY PECUNIARY OR BUSINESS RELATIONSHIP WITH THE COMPANY:

There has been no materially relevant pecuniary transactions or relationship between the Company and its non-executive and / or independent Directors for the year 2012-13.

c) Board Meetings

Board meetings are held at least once in every quarter and the time gap between two meetings was not more than four months. During the financial year under review, four board meetings were held on 30th May 2012, 14th August 2012, 6th November 2012 and 12th February 2013.

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

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

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

Mr. RAHUL MEHTA

Mr. Mehta is a Bachelor of Technology from Indian Institute of Technology, Mumbai and is currently holding the position of Managing Director of M/s. Infreight Logistics Solutions Ltd. [a subsidiary of M/s. Sundaram Finance Ltd.] and has commercial experience of over 26 years, particularly in logistics Industry.

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

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

Name	Directorships	Committee Memberships
Mr. Rahul Mehta	1	2



ANNEXURE TO DIRECTORS' REPORT

Mr. UMESH KATRE

Mr. Umesh Katre is a graduate in Commerce and MBA. He has an experience of over 32 years in all aspect of textile production, marketing and exports. Mr. Katre was appointed as a Managing Director in the Board Meeting held on 6th November, 2012.

- e) Appointment of relative to the office or place of profit

Mr. ROHAN KATRE

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

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

3) AUDIT COMMITTEE

The Audit committee held four meetings on 30th May 2012, 14th August 2012, 6th November 2012 and 12th February 2013.

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

Name of the Director	Category of Director	No. of Committee Meetings attended
Karl Dantas	Non-Executive-Independent	3
C. G. Patankar	Non-Executive-Independent	3
Ashok Daryanani	Non-Executive-Independent	4
Rahul Mehta	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. T. D. Jain & D. I. Sakaria were invitees and participated at few meetings.

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

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

ANNEXURE TO DIRECTORS' REPORT

**4) SHAREHOLDERS / INVESTORS GRIEVANCE**

The shareholders/Investors Grievance Committee comprises of Mr. Umesh M. Katre, Chairman, Mr. Ashok Daryanani and Mr. Karl Dantas a Non-Executive Independent Director. The committee held one meeting on 6th November, 2012.

The committee was constituted to specifically look into the redress of shareholder and investor complaints like transfer of shares, non-receipt of dividends declared, non-receipt of Annual Reports etc. During the financial year 2012 – 2013, the Committee met on 6th November 2012.

No. of shareholders complaints received during the year	: 5
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 2012- 13, the Remuneration Committee met once, i.e. on 6th November 2012. The details of composition of the committee and attendance of Members are as follows:

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

6) SHARE TRANSFER COMMITTEE

The Committee deals with matters relating to Transfer of shares, Transmission of shares, Issue of duplicate share certificates, Review of dematerialised shares, at all other matters relating to shares. Members: Mr. U. M. Katre, Mr. Ashok Daryanani and Mr. Karl Dantas, two senior executives of the Company and one or two representatives of Registrar & Share transfer agent- M/s. Link Intime India Private Limited. The Share Transfer Committee meets at regular intervals. During the financial year 2012 – 2013 five 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, 2013.

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 2013.

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



ANNEXURE TO DIRECTORS' REPORT

REMUNERATION PAID TO EXECUTIVE DIRECTOR OF THE COMPANY.

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

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

<u>Name of the Director</u>	<u>Relationship with other Directors</u>	<u>Sitting Fees</u>	<u>Commission on Profits</u>	<u>Salary allowance incl Contribution to PF</u>	<u>Other</u>	<u>Perquisite</u>	<u>Total</u>
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Umesh M. Katre	Husband	NIL	NIL	24,00,000	9,80,000	39,600	34,19,600
Seema U. Katre	Wife	NIL	NIL	7,20,000	3,97,199	--	11,17,199

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 2013 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;

Payment to Mr. Umesh M. Katre, Managing Director towards

- a) Guest house lease rent Rs. 1,20,000
- b) Guest house maintenance (reimbursement) Rs. 4,80,000

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

8) DISCLOSURE BY MANAGEMENT

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

ANNEXURE TO DIRECTORS' REPORT

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

The Certificate from M/s. Nitesh Jain & Co., Practicing Company Secretary regarding compliance of conditions of Corporate Governance for the year ended on 31st March 2013 forms part of this report.

GENERAL SHAREHOLDERS INFORMATION**1. General Body Meeting**

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

Financial Year (ended)	Date	Time	Venue	Special Resolution Passed
31st March, 2012	25th September, 2012	10.30 a.m.	M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai - 400 001.	None
31st March, 2011	23rd August, 2011	10.00 a.m.	M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai - 400 001.	2*
31st March, 2010	26th July, 2010	10.30 a.m.	M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai - 400 001.	1**

* 23/08/2011 (i) Special resolution for appointment of Mrs. Seema Katre as a Whole-time Director (Schedule XIII – Part II – section II B (iii) of Companies Act, 1956.)

(ii) Insertion of clause 80 in the Memorandum of Association of the Company (Section 17 (c) of the Companies Act 1956.

** 26/07/2010 (i) Special resolution for appointment of Mr. Umesh M. Katre as Managing Director (Schedule XIII – Part II – section II B (iii) of Companies Act, 1956.)

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

- 2) Record Date for taking list of members : a) Last record date – 17th September, 2012.
- b) The Share Transfer Register will remain closed from Monday 19th August, 2013 to Monday, 2nd September, 2013 (Both days inclusive)



ANNEXURE TO DIRECTORS' REPORT

- 3) Financial Calender Period : Board meeting to approve quarterly / financial results
- Year ending March 31st, 2013 : End May 2013
- Quarter ending June 30th, 2013 : By 15th August 2013
- Quarter ending September 30th, 2013 : By 15th November 2013
- Quarter ending December 31st, 2013 : By 15th February 2014
- Year ending March 31st, 2014 : End May 2014
- Annual General Meeting for the year ending March 31st, 2013 : September, 2013
- 4) Dividend Payment date : Dividend, if approved by the members, will be paid within 30 days from the date of Annual General Meeting.
- 5) Listing of equity shares on Stock exchanges The shares of the company are listed at the following stock exchanges.
- 1) Bombay Stock Exchange Ltd.
 - 2) Ahmedabad Stock Exchange Ltd.
 - 3) Poona Stock Exchange Limited.
- 6) Listing Fees : The Company has paid listing fees to all the above stock exchanges for the year 2013 – 2014.
- 7) Stock Code
- a) Bombay Stock Exchange Ltd.(BSE) : 526827
 - b) ISIN Number : INE882D01017
 - c) Corporate Identity Number (CIN) : L17121MH1988PLC050197

8) Stock Price Data

Bombay Stock Exchange (BSE)
(in Rs.)

	High	Low
April 2012	13.01	12.70
May 2012	14.40	11.00
June 2012	14.00	11.38
July 2012	13.22	10.21
August 2012	12.50	10.90
September 2012	12.25	10.56
October 2012	11.84	10.71
November 2012	12.05	10.42
December 2012	11.54	10.33
January 2013	11.64	10.31
February 2013	12.20	10.17
March 2013	10.60	9.81

ANNEXURE TO DIRECTORS' REPORT

**9) Registrar & Share Transfer Agent****LINK INTIME INDIA PRIVATE LIMITED.**

Pannalal Silk Mill Compound,
C-13, Bhandup Industrial Estate, L.B.S. Marg,
Bhandup (W), Mumbai - 400 078.
Tel. : 022- 2596 3838 • Fax : 022- 2596 2691
Email : helpdesk@linkintime.co.in

10) Email ID for lodging Investor grievances

grievance_redressal@spiceislandsindia.com

11) Share Transfer System

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

12) Distribution of shareholding as on 31st March, 2013.

	Shareholders		Share Amount	
	No.	%	(in Rs.)	%
Upto - 2,500	1314	61.63	14,449,150	3.37 %
2,501 - 5,000	381	17.87	1,458,500	3.39 %
5,001 - 10,000	230	10.78	1,824,950	4.24 %
10,001 - 20,000	90	4.22	1,375,470	3.19 %
20,001 - 30,000	35	1.64	906,590	2.10 %
30,001 - 40,000	19	0.89	656,390	1.52 %
40,001 - 50,000	9	0.42	417,510	0.97 %
50,001 - 1,00,000	19	0.89	1,469,450	3.41 %
1,00,001 - Above	35	1.64	33,441,990	77.77 %
** Total **	2132	100.00	43,000,000	100.00



ANNEXURE TO DIRECTORS' REPORT

13) Categories of shareholding as on 31st March, 2013.

Category	No. of Shareholders	No. of Shares held	% Shareholding
1) Indian promoters	8	1,337,925	31.11 %
2) Directors	4	1,378,073	32.04 %
3) Indian Public	2032	1,216,680	28.31 %
4) Private corporate bodies	73	362,950	8.44 %
5) NRIs / OCBs	7	1,740	0.04 %
6) Clearing members	8	2,632	0.06 %
	2132	4,300,000	100.00%

14) Dematerialisation of shares and liquidity

93.98 % of total equity capital is held in dematerialised form with NSDL & CDSL as on 31st March 2013. Trading in equity shares of the company is permitted in dematerialised form as per notification issued by the Security and Exchange Board of India [SEBI]

15) Means of Communication

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

16) Registered office and address for correspondence

- a) Registered Office : Unit 43-48, Bhandup Industrial Estate,
Pannalal Silk Mills Compound, L. B. S. Marg,
Bhandup (W), Mumbai- 400 078.
Tel. : 6199 2900, Fax : 2596 3343
- b) Corporate Office : 125-A, Mittal Towers, 210, Nariman Point,
Mumbai - 400 021.
Tel.: 6740 0800
- Web. www.spiceislandsapparelslimited.in
- Email sales@spiceislandsindia.com

17) Plant Location

- : S. F. No. 287, Kuthampalayam,
(Near Switzer Prem School) Thirumurugan Poondi Post,
P. N. Road, Tirupur - 641652.
• Tel.: 0421 - 235 0492 / 235 0493
- Pannalal Silk Mills Compound, Unit 43-48,
Bhandup Industrial Estate, L.B.S. Marg,
Bhandup (W), Mumbai - 400 078.
• Tel.: 022 - 6199 2900
- c/o. Vinayak International
1349, 5th Cross, Muninagappa Layout,
Kavalbyrasandra, R. T. Nagar Post, Bangalore- 560 032

ANNEXURE TO DIRECTORS' REPORT



- 18) The Management Discussion and Analysis Report forms part of the Annual Report.
- 19) The Company is fully compliant with the applicable mandatory requirements of the Clause 49. It has not adopted any non-mandatory requirements
- 20) Certificate on Corporate Governance, from a Company Secretary in whole time practice, as required by clause 49 of the Listing Agreement, is given as an annexure to the Directors Report.

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

PLACE : MUMBAI
DATE : 28th May, 2013.

UMESH M. KATRE
(Chairman & Managing Director)



ANNEXURE I TO CORPORATE GOVERNANCE

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

The Shareholders,

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

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

PLACE : MUMBAI
DATE : 28th May, 2013.

UMESH M. KATRE
(Chairman & Managing Director)



NITESH JAIN & CO.

COMPANY SECRETARIES

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

CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members of Spice Islands Apparels Limited

We have examined the compliance of Corporate Governance by Spice Islands Apparels Limited (the “Company”) for the year ended March 31st, 2013, as stipulated in clause 49 of the Listing Agreement of the Company with Stock Exchanges.

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

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

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

for NITESH JAIN & CO.
Company Secretaries

PLACE : MUMBAI
DATE : 28th May, 2013.

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



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1) Industry structure & developments

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

2) Opportunities and threats

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

3) Segment wise or product wise performance

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

4) Outlook

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

5) Risk and concerns

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

6) Internal control systems and adequacy

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

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

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

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

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

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

PLACE : MUMBAI
DATE : 28th May, 2013.

UMESH M. KATRE
(Chairman & Managing Director)

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



Report on the financial statements

We have audited the accompanying financial statements of M/s **SPICE ISLANDS APPARELS LIMITED**, which comprise the balance sheet as at 31st March 2013, and the statement of profit and loss and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanation given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the company as at 31st March 2013;
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date; and
- (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches visited by us.
 - (c) The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account.
 - (d) In our opinion, the balance Sheet, statement of profit and loss and cash flow statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.



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

- (e) On the basis of written representation received from the directors, as on 31st March 2013 and taken on record by Board of Directors, we report that none of the directors is disqualified as on 31st March 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

Chartered Accountants

Firm registration no: 002491S

Place: Bangalore

Date : 28 May 2013

DHANPAL I SAKARIA

Partner

M NO: 213666

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



The annexure referred to in paragraph 1 under the heading “Report on other legal and regulatory requirements” of the auditor's report of even date SPICE ISLANDS APPARELS LIMITED

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
(b) As explained to us, all the fixed assets have been physically verified by the management at reasonable intervals during the year. No material discrepancies were noticed on such verification.
(c) Substantial part of fixed assets has not been disposed off during the year, which will affect its status as going concern.
2. (a) The management has conducted physical verification of inventory during the year. In our opinion the frequency of verification is reasonable.
(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The Company is maintaining proper records of inventory and the discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of account.
3. The Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, clauses 4(iii)(a) to 4(iii)(g) of the Order are not applicable to the company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weaknesses in internal controls.
5. (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of ₹.500,000 have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under are not applicable to the Company.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of accounts maintained by the company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956; and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have however not, made a detailed examination of these records with a view to determine whether they are accurate and complete.
9. (a) According to the information and explanations given to us and on the basis of our examination of books of account, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs duty, Excise duty, Cess and any other material statutory dues during the year with the appropriate authorities.
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Sales Tax, Income Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues were in arrears as at 31st March 2013 for a period of more than six months from the date they became payable.



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

- (c) According to the information and explanations given to us, there are no amounts in respect of Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise duty and Cess that have not been deposited with appropriate authorities on account of any dispute other than those mentioned in Annexure 1 to this report.
10. The Company has no accumulated losses. The Company has incurred cash losses in the financial year under report; however there were no cash losses in the immediately preceding financial year.
11. The Company has not defaulted in repayment of dues to its bankers or to any financial institution. The Company did not have any outstanding debentures during the year.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the Order is not applicable.
13. The Company is not a chit fund, nidhi or mutual benefit fund/society. Accordingly, clause 4(xiii) of the Order is not applicable.
14. In respect of dealing or trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records of the transactions and contracts have been maintained and timely entries have been made therein. The shares, securities, debentures and other investments are held by the Company in its own name.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, clause 4(xv) of the Order is not applicable.
16. The Company has not taken any term loan during the year. Accordingly, clause 4(xvi) of the Order is not applicable.
17. According to the information and explanations given to us, and on an overall examination of the Balance Sheet and Cash Flow statement of the Company, funds raised by the Company on short-term basis have not been used to finance Long Term Investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year. Accordingly, clause (xviii) of the Order is not applicable.
19. The Company has not issued any debentures. Hence the requirements of clause (xix) of paragraph 4 of the Order are not applicable to the Company.
20. The Company has not raised any money by way of public issue during the year.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

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

Chartered Accountants
Firm registration no: 002491S

DHANPAL I SAKARIA

Partner
M NO: 213666

Place: Bangalore
Date : 28 May 2013

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



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

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



BALANCE SHEET AS AT 31st MARCH 2013

	Notes	31st March 2013 ₹.	31st March 2012 ₹.
I. Equity and Liabilities			
Shareholders' fund			
Share capital	3	4,30,00,000	4,30,00,000
Reserves and surplus	4	9,31,02,041	10,31,87,951
		13,61,02,041	14,61,87,951
Non- current liabilities			
Long-term borrowings	5	30,00,428	17,62,466
Deferred tax liabilities (Net)	6	6,35,432	2,22,257
Other long term liabilities		-	-
Long-term provisions		-	-
		36,35,860	19,84,723
Current liabilities			
Short- term borrowings	7	-	2,88,89,545
Trade payables	8	17,67,979	8,11,836
Other current liabilities	9	1,00,89,243	84,65,101
Short- term provisions	10	25,52,743	48,23,044
		1,44,09,965	4,29,89,526
Total		15,41,47,866	19,11,62,200
II. Assets			
Non- current assets			
Fixed assets			
i) Tangible assets	11	2,78,55,920	2,65,66,138
ii) Intangible assets	12	54,526	64,473
iii) Capital work in progress		-	-
Non-current investments	13	1,26,54,300	1,14,04,300
Long term loans and advances	14	2,72,16,896	2,12,04,114
Other non-current assets	15	10,17,677	9,85,355
		6,87,99,319	6,02,24,380
Current assets			
Current investments	16	87,17,891	92,74,551
Inventories	17	88,20,045	56,00,798
Trade receivables	18	1,45,31,510	2,97,05,182
Cash and cash equivalents	19	4,42,45,525	5,44,34,420
Short-term loans and advances	14	89,13,245	3,18,36,801
Other current assets	15	1,20,331	86,068
		8,53,48,547	13,09,37,820
Total		15,41,47,866	19,11,62,200

Summary of significant accounting policies 2.1
The accompanying notes are an integral part of the financial statements
As per our attached report of even date.
For **M/s T D JAIN AND D I SAKARIA**
Chartered Accountants
firm registration no: 0024915

DHANPAL I SAKARIA

Partner
M.No: 213666
Place: Bangalore
Date : 28th May 2013

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

Directors
Place: Mumbai
Date: 28th May 2013

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH 2013



	Notes	31st March 2013 ₹.	31st March 2012 ₹.
Revenue			
Revenue from operations(net)	20	12,31,91,169	13,81,01,716
Other income	21	55,29,237	84,90,332
Total Revenue - (i)		12,87,20,406	14,65,92,048
Expenses			
Cost of materials consumed	22	4,62,40,652	4,83,90,734
Purchase of traded goods		-	-
(Increase)/decrease in inventories of finished goods and work in process	23	(9,04,440)	1,46,297
Employees benefits expenses	24	1,99,91,982	1,98,33,569
Other expenses	25	6,51,06,942	6,81,42,246
Total Expense - (ii)		13,04,35,136	13,65,12,846
Earnings before interest, tax, depreciation and amortisation - EBITDA - (i-ii)		(17,14,730)	1,00,79,202
Finance costs	26	27,29,095	34,94,172
Depreciation and amortization expenses	27	26,53,888	27,39,642
Profit/(loss) before tax - (iii)		(70,97,712)	38,45,388
Tax expenses			
Current tax		-	13,56,000
(Excess)/short provision for tax of earlier years		59,631	(70,269)
Deferred Tax		4,13,175	4,80,671
Total tax expense - (iv)		4,72,806	17,66,402
Profit/(loss) for the year (iii-iv)		(75,70,518)	20,78,986
Earning per equity share: (Nominal value per share: ₹.10 (31st March 2012: ₹.10))			
Basic		(1.76)	0.48
Diluted		(1.76)	0.48
Summary of significant accounting policies		2.1	On behalf of the Board of directors of
The accompanying notes are an integral part of the financial statements			Spice Islands Apparels Limited
As per our attached report of even date.			Umesh Katre
For M/s T D JAIN AND D I SAKARIA			Rahul Mehta
Chartered Accountants			Ashok Daryanani
firm registration no: 0024915			
DHANPAL I SAKARIA			Directors
Partner			Place: Mumbai
M.No: 213666			Date: 28th May 2013
Place: Bangalore			
Date : 28th May 2013			



CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2013

	31st March 2013 ₹.	31st March 2012 ₹.
Cash flows from operating activities:		
Profit before tax	(70,97,712)	38,45,388
Add/(Less): Non cash adjustments to reconcile profit before tax to net cash flows		
- Depreciation and Amortisation	26,53,888	27,39,642
- Wealth tax (included in Rates and taxes)	37,350	33,000
- (Gain)/Loss on sale of fixed assets	(82,550)	1,83,829
- Adjustment to the carrying amount of investment	5,56,660	(48,661)
- Finance cost	27,29,095	34,94,172
- Loss on sale of current investments	-	24,53,682
- Loss from speculative commodity trading	-	1,85,475
- Bad debts	69,52,198	73,03,064
- Interest income	(50,66,460)	(50,23,301)
- Dividend income	(1,70,321)	(2,89,849)
Operating profit/(loss) before working capital changes	5,12,146	1,48,76,442
Add/(Less): Working capital changes		
- Decrease/(Increase) in inventories	(32,19,247)	36,43,911
- Decrease/(Increase) in trade receivables	82,21,474	65,33,550
- Decrease/(Increase) in loans and advances	1,86,06,729	(1,89,99,612)
- Decrease/(Increase) in other assets	53,746	3,32,911
- Increase/(Decrease) in trade payables	9,56,143	(19,81,109)
- Increase/(Decrease) in other liabilities	14,48,363	(54,34,895)
- Increase/(Decrease) in provisions	(1,48,758)	(18,52,341)
Cash generated from/(used in) operations	2,64,30,596	(28,81,143)
Direct taxes paid	26,81,455	25,43,146
Net cash flow from/(used in) operating activities (A)	2,37,49,141	(54,24,289)
Cash flows from investing activities:		
Purchase of fixed assets including intangible assets	(51,51,172)	(17,61,803)
Proceeds from sale of investments	-	21,90,717
Purchase of investments	(12,50,000)	(34,34,898)
Proceeds from sale of fixed assets	13,00,000	12,56,552
Interest income	49,46,129	49,69,555
Dividend income	1,70,321	2,89,849
Net cash flow from/(used in) investing activities (B)	15,278	35,09,972
Cash flows from financing activities:		
(Repayment)/borrowal of long-term borrowings	14,13,741	1,60,98,679
(Repayment)/borrowal of short-term borrowings	(2,88,89,545)	
Dividends paid on equity shares	(32,25,000)	(32,25,000)
Tax on equity dividend paid	(5,23,417)	(5,23,417)
Finance cost	(27,29,095)	(34,94,172)
Net cash flow from/(used in) financing activities (C)	(3,39,53,316)	88,56,090

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2013



Notes	31st March 2013 ₹.	31st March 2012 ₹.
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(1,01,88,896)	69,41,773
Cash and cash equivalents at the beginning of the year	5,44,34,420	4,74,92,647
Cash and cash equivalents at the end of the year	4,42,45,524	5,44,34,420
Components of cash and cash equivalents		
Cash in hand	2,23,239	3,23,898
Balance with banks- on current accounts	4,32,95,976	5,33,84,212
Balance with banks- on deposit accounts	7,26,310	7,26,310
Total Cash and cash equivalents	4,42,45,525	5,44,34,420

Summary of significant accounting policies
As per our attached report of even date.
For **M/s T D JAIN AND D I SAKARIA**
Chartered Accountants
firm registration no: 002491S

2.1

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

DHANPAL I SAKARIA

Partner
M.No: 213666
Place: Bangalore
Date : 28th May 2013

Directors

Place: Mumbai
Date: 28th May 2013



Notes to financial statements for the year ended 31st March 2013

1. Corporate Information

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

2. Basis of preparation

The financial statements of the company have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles ('GAAP') under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under the Companies (Accounting Standards) Rules, 2006, (as amended), other pronouncements of Institute of Chartered Accountants of India and the relevant provisions of Companies Act, 1956.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The Management evaluates and adopts all recently issued or revised accounting standards on an ongoing basis.

2.1. Summary of significant accounting policies

a) Use of Estimates

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

b) Tangible fixed assets

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

c) Intangible fixed assets

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

d) Depreciation and amortization

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

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

e) Impairment of tangible and intangible assets

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



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

f) Investments

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

g) Valuation of inventories

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

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

Raw Materials and accessories : First in first out (FIFO)

Work-in-progress and finished goods (Manufactured) : FIFO and including an appropriate share of Production overheads.

h) Revenue recognition

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

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

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

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

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

i) Employee Benefits

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

A. Gratuity:

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

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



Notes to financial statements for the year ended 31st March 2013

B. Short Term Employees Benefits:

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

j) Income tax expense

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

Current tax:

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

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

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

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

Deferred tax:

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

k) Foreign currency transactions and balances

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

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

l) Leases

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

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

Notes to financial statements for the year ended 31st March 2013



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

m) Borrowing costs

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

n) Provisions and contingent liabilities

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

o) Earnings per share

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

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



Notes to financial statements for the year ended 31st March 2013

3 Share Capital

Authorised shares:

5,000,000 (31st March 2012: 5,000,000) equity shares of ₹.10 each

Issued, subscribed and fully paid-up shares:

4,300,000 (31st March 2012: 4,300,000) equity shares of ₹.10 each

Total

	31st March 2013 ₹.	31st March 2012 ₹.
Authorised shares:		
5,000,000 (31st March 2012: 5,000,000) equity shares of ₹.10 each	5,00,00,000	5,00,00,000
	<u>5,00,00,000</u>	<u>5,00,00,000</u>
Issued, subscribed and fully paid-up shares:		
4,300,000 (31st March 2012: 4,300,000) equity shares of ₹.10 each	4,30,00,000	4,30,00,000
Total	<u>4,30,00,000</u>	<u>4,30,00,000</u>

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

Particulars	31st March 2013		31st March 2012	
	Nos	₹.	Nos	₹.
At the beginning of the period	43,00,000	4,30,00,000	43,00,000	4,30,00,000
Issued during the period	-	-	-	-
Outstanding at the end of the period	43,00,000	4,30,00,000	43,00,000	4,30,00,000

B. Terms/Rights attached to Equity shares

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

During the year ended 31st March 2013, the amount of per share dividend recognised as distributions to equity shareholders was ₹. 0.50 (31st March 2012: ₹.0.75)

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

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

Name of shareholder	31st March 2013		31st March 2012	
	Numbers	% holding	Numbers	% holding
Equity Shares of ₹. 10 each fully paid				
Umesh Katre	9,35,087	21.75	9,33,987	21.72
Seema Katre	4,07,400	9.47	4,07,400	9.47
Rohan Katre	2,39,250	5.56	2,39,250	5.56
Shweta Katre	2,39,250	5.56	2,39,250	5.56
Umesh M. Katre (HUF)	3,15,100	7.33	3,15,100	7.33
Nalini M. Katre	2,57,200	5.98	2,57,200	5.98
Mohan G. Katre (HUF)	2,55,125	5.93	2,55,125	5.93

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

D. Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date: Nil (31st March 2012: Nil)

E. Share reserved for issue under options and contracts/commitments are: Nil (31st March 2012: Nil)

Notes to financial statements for the year ended 31st March 2013



4 Reserves and surplus

Securities premium

Balance as at beginning of the reporting period

Add/Less: Adjustments during the year

Closing balance

General reserve

Balance as at beginning of the reporting period

Add: Amount transferred from surplus balance in the statement of profit and loss

Closing balance

Surplus/(deficit) in the statement of profit and loss

Balance as at beginning of the reporting period

Add: Profit/(loss) for the year

Less: Appropriations

Proposed final equity dividend (amount per share ₹. 0.50)
(31st March 2012: ₹.0.75)

Tax on proposed equity dividend

Transfer to General reserves

Net surplus/(deficit) in the statement of profit and loss

Total

31st March 2013
₹.

31st March 2012
₹.

3,49,14,240

3,49,14,240

-

-

3,49,14,240

3,49,14,240

1,69,76,795

1,68,76,795

1,00,000

1,00,000

1,70,76,795

1,69,76,795

5,12,96,916

5,30,66,347

(75,70,518)

20,78,986

4,37,26,399

5,51,45,333

21,50,000

32,25,000

3,65,393

5,23,417

1,00,000

1,00,000

4,11,11,006

5,12,96,916

9,31,02,041

10,31,87,951

5 Long-term borrowings

Non-current portion

Current maturities

31st March 2013 ₹.	31st March 2012 ₹.	31st March 2013 ₹.	31st March 2012 ₹.
Other Loans and Advances			
Vehicle Loans (Secured)	30,00,428	17,62,466	8,57,307
	30,00,428	17,62,466	8,57,307
The above amount includes			
Secured borrowings	30,00,428	17,62,466	8,57,307
Unsecured borrowings	-	-	-
Amount disclosed under the head "other current liabilities"- note 9	-	-	(8,57,307)
	30,00,428	17,62,466	-
Total	30,00,428	17,62,466	-

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



Notes to financial statements for the year ended 31st March 2013

6 Net deferred tax liability/(asset)

Deferred tax liability

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

Gross deferred tax assets

Deferred tax assets

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

Impact of provision made for diminution in the value of current investment

Gross deferred tax liability

Net deferred tax liability/(asset)

31st March 2013	31st March 2012
₹.	₹.
8,47,269	5,19,532
8,47,269	5,19,532
1,97,932	2,82,327
13,905	14,948
2,11,837	2,97,275
6,35,432	2,22,257

7 Short-term borrowings

Cash credit from banks- Secured (Post shipment credit)

Total

The above amount includes

Secured borrowings

Unsecured borrowings

Total

31st March 2013	31st March 2012
₹.	₹.
-	2,88,89,545
-	2,88,89,545
-	2,88,89,545
-	-
-	2,88,89,545

Cash credit from banks are secured by 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.

8 Trade payables

Trade payables (refer note 39 for details of dues to micro and small enterprises)

Total

31st March 2013	31st March 2012
₹.	₹.
17,67,979	8,11,836
17,67,979	8,11,836

9 Other current liabilities

Current maturities of long-term borrowings (note 5)

Creditors for expenses

Advance from customers

Unclaimed dividends

Statutory liabilities

Total

31st March 2013	31st March 2012
₹.	₹.
8,57,307	6,81,528
73,22,830	70,05,437
9,35,153	1,65,487
4,64,570	3,90,598
5,09,383	2,22,051
1,00,89,243	84,65,101

Notes to financial statements for the year ended 31st March 2013

**10 Short-term provisions****Provision for employee benefits**

Provision for Gratuity (refer note 35)

Other provisions

Provision for Income tax (net of advance tax and TDS)

Provision for Wealth tax

Proposed equity dividend

Provision for tax on proposed equity dividend

Total

31st March 2013	31st March 2012
₹.	₹.
-	1,48,758
-	8,92,869
37,350	33,000
21,50,000	32,25,000
3,65,393	5,23,417
25,52,743	48,23,044



Notes to financial statements for the year ended 31st March 2013

11. Tangible assets

	Gross carrying value			Depreciation			Net carrying value	
	As at beginning of the reporting period	Additions	Disposal	As at end of the reporting period	Upto last year	for the year	Withdrawal	Total
	₹.	₹.	₹.	₹.	₹.	₹.	₹.	₹.
Building	27,18,402	-	-	27,18,402	3,90,189	44,310	-	4,34,499
Factory building	26,71,491	-	-	26,71,491	14,89,261	89,228	-	15,78,489
Plant and machinery	91,69,603	1,65,976	-	93,35,579	37,56,142	4,07,991	-	41,64,133
Electrical installation	38,17,810	-	-	38,17,810	19,02,701	1,60,647	-	20,63,348
Furniture and Fixtures	1,06,97,296	48,581	-	1,07,45,877	62,20,598	5,61,709	-	67,82,307
Office Equipments	42,36,567	2,58,523	-	44,95,090	16,92,429	1,85,145	-	18,77,574
Vehicles	1,05,91,024	46,54,806	21,70,796	1,30,75,034	23,69,894	10,65,728	9,53,346	24,82,276
Computers	42,46,082	23,286	-	42,69,368	37,60,923	1,29,183	-	38,90,106
Total	4,81,48,275	51,51,172	21,70,796	5,11,28,651	2,15,82,137	26,43,941	9,53,346	2,32,72,732
31st March 2012	4,89,83,085	16,87,803	25,22,613	4,81,48,275	1,99,36,482	27,27,887	10,82,232	2,15,82,137

12. Intangible assets

	Gross carrying value			Amortisation			Net carrying value	
	As at beginning of the reporting period	Additions	Disposal	As at end of the reporting period	Upto last year	for the year	Withdrawal	Total
	₹.	₹.	₹.	₹.	₹.	₹.	₹.	₹.
Computer software	1,23,482	-	-	1,23,482	59,009	9,947	-	68,956
Total	1,23,482	-	-	1,23,482	59,009	9,947	-	68,956
31st March 2012	49,482	74,000	-	1,23,482	47,254	11,755	-	59,009



Notes to financial statements for the year ended 31st March 2013

14 Loans and advances

	Non-current		Current	
	31st March 2013	31st March 2012	31st March 2013	31st March 2012
	₹.	₹.	₹.	₹.
Security deposit				
Unsecured considered good	1,32,58,329	1,32,53,329	-	-
Advances recoverable in cash or kind				
Unsecured considered good	3,92,000	-	27,34,449	35,91,917
Other loans and advances				
Unsecured, Considered Good				
Advance tax (net of provision)	16,95,955	-	-	-
Inter corporate deposits (ICDs)	54,34,500	30,34,500	-	2,30,00,000
Loans/advances to employees	15,77,975	20,71,217	4,64,192	6,26,500
Gratuity asset (refer note 35)	-	-	18,469	-
Prepaid expenses	10,894	2,33,843	7,20,021	4,25,914
Balance with statutory/government authorities	48,47,243	26,11,225	49,76,114	41,92,470
Unsecured, considered doubtful				
Inter corporate deposits (ICDs)	40,00,000	40,00,000	-	-
	1,75,66,567	1,19,50,785	61,78,796	2,82,44,884
Provision for doubtful loans and advances				
Inter corporate deposits (ICDs)	(40,00,000)	(40,00,000)	-	-
	1,35,66,567	79,50,785	61,78,796	2,82,44,884
Total	2,72,16,896	2,12,04,114	89,13,245	3,18,36,801

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

	Non-current		Current	
	31st March 2013	31st March 2012	31st March 2013	31st March 2012
	₹.	₹.	₹.	₹.
Due from Managing director- included in security deposits	20,00,000	20,00,000	-	-
Due from Managing director- included in Advances recoverable in cash or kind	-	-	4,800	-
Due from Whole time director- included in Advances recoverable in cash or kind	-	-	5,000	-
Total	20,00,000	20,00,000	9,800	-

Notes to financial statements for the year ended 31st March 2013

**15 Other assets**

	Non-current		Current	
	31st March 2013	31st March 2012	31st March 2013	31st March 2012
	₹.	₹.	₹.	₹.
Unsecured Considered Good unless stated otherwise				
Non current bank balances (note 19)	25,000	25,000	-	-
Interest accrued on fixed deposits with bank	-	-	1,20,331	53,746
Interest accrued on ICDs:	9,92,677	9,60,355	-	32,322
Unsecured, considered doubtful				
Interest accrued on ICDs:	3,97,902	3,97,902	-	-
Provision for doubtful other assets				
Interest accrued on ICDs:	(3,97,902)	(3,97,902)	-	-
Total	10,17,677	9,85,355	1,20,331	86,068

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

	31st March 2013	31st March 2012
	₹.	₹.
Non-Trade Investments		
Investment in equity shares (quoted)		
14,000 (31st March 2012: 14,000) Equity Shares of ₹. 2 each of Anant Raj Industries Ltd.	8,95,115	8,19,000
16,000 (31st March 2012: 16,000) Equity Shares of ₹.10 each of Aptech Ltd.	6,76,800	12,40,000
3,000 (31st March 2012: 3,000) Equity Shares of ₹.10 each of Aurionpro Solutions Ltd.	2,30,400	3,42,450
15,000 (31st March 2012: 15,000) Equity Shares of ₹.1 each of Ferro Alloys Corporation Ltd.	83,100	1,50,300
10,000 (31st March 2012: 10,000) Equity Shares of ₹.1 each of Usha Martin Ltd.	2,34,000	3,07,000
5,000 (31st March 2012: 5,000) Equity Shares of ₹.2 each of Gulf Oil Corporation Ltd.	3,29,000	3,75,000
15,000 (31st March 2012: 15,000) Equity Shares of ₹.1 each of JM Financial Ltd.	2,52,000	2,34,750
10,000 (31st March 2012: 10,000) Equity Shares of ₹.10 each of JSW Energy Ltd.	5,52,500	6,12,500
7,500 (31st March 2012: 7,500) Equity Shares of ₹.10 each of Nitesh Estate Ltd.	93,525	1,07,250
4,000 (31st March 2012: 4,000) Equity Shares of ₹.10 each of Saregama India Ltd.	2,41,200	4,01,200
5,000 (31st March 2012: 5,000) Equity Shares of ₹.10 each of Technocraft Industries (India) Ltd.	3,28,500	1,75,250
1,250 (31st March 2012: 1,250) Equity Shares of ₹.5 each of VA Tech Wabag Ltd.	6,37,438	5,35,500
Investment in mutual funds (quoted)		
134061.569 (31st March 2012: 134061.569) Units of L&T Mutual Fund Growth Plan	25,61,916	23,78,252
60000 (31st March 2012: 60000) Units of B292G Axis Triple Advantage Fund Option Growth	6,00,000	6,00,000
35264.484 (31st March 2012: 35264.484) Units of L & T Opportunities Mutual Fund	5,67,052	5,45,189
23946.360 (31st March 2012: 23946.360) Units of L & T Mid-Cap Mutual Fund	4,35,345	4,50,910
Total	87,17,891	92,74,551
Aggregate amount of quoted investments (Market value ₹. 8,857,091 (31st March 2012: ₹. 9,274,551))	87,17,891	92,74,551
Aggregate amount of unquoted investments	-	-
Aggregate provision for diminution in value of investments	57,84,214	52,27,554



Notes to financial statements for the year ended 31st March 2013

17 Inventories (valued at lower of cost and net realisable value)

	31st March 2013 ₹.	31st March 2012 ₹.
Raw material (refer note 22)	72,12,752	50,45,074
Accessories (refer note 22)	5,34,493	3,87,364
Work in process (refer note 23)	4,19,250	-
Finished goods (refer note 23)	6,53,550	1,68,360
Total	88,20,045	56,00,798

18 Trade receivables

	31st March 2013 ₹.	31st March 2012 ₹.
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	-	38,36,473
Other receivables		
Unsecured, considered good	1,45,31,510	2,58,68,709
Total	1,45,31,510	2,97,05,182

19 Cash and cash equivalents

	Non-current		Current	
	31st March 2013 ₹.	31st March 2012 ₹.	31st March 2013 ₹.	31st March 2012 ₹.
Cash on hand	-	-	2,23,239	3,23,898
Balance with Bank				
On current Account	-	-	4,28,31,326	5,29,93,534
On unpaid dividend account	-	-	4,64,650	3,90,678
Other bank balance				
Deposits with original maturity for more than 12 months	25,000	25,000	-	-
Margin money deposits	-	-	7,26,310	7,26,310
Amount disclosed under non current assets (note 15)	(25,000)	(25,000)	-	-
Total	-	-	4,42,45,525	5,44,34,420

20 Revenue from Operations

	31st March 2013 ₹.	31st March 2012 ₹.
Sale of products		
- Finished goods	11,27,33,831	12,48,09,962
- Traded goods	-	-
Other operating Revenue		
- Sale of scrap	1,10,446	5,08,373
- Export incentives	1,00,90,042	1,26,11,772
- Others	2,56,850	1,71,609
Total	12,31,91,169	13,81,01,716
Details of products sold		
Finished goods		
Garments	11,27,33,831	12,48,09,962
Total	11,27,33,831	12,48,09,962

Notes to financial statements for the year ended 31st March 2013

**21 Other Income**

	31st March 2013 ₹.	31st March 2012 ₹.
Interest income on		
- Bank deposits	4,20,882	52,188
- Intercompany deposits	46,45,578	49,71,113
Dividend income	1,70,321	2,89,849
Foreign exchange differences (net)	2,09,906	33,61,011
Profit on sale of fixed assets (net)	82,550	(1,83,829)
Total	55,29,237	84,90,332

22 Cost of materials consumed

	31st March 2013 ₹.	31st March 2012 ₹.
Raw materials - Fabric and yarn		
Opening stock	50,45,074	86,90,560
Add: Purchases	4,25,92,698	3,71,93,759
	4,76,37,772	4,58,84,319
Less: Closing stock	72,12,752	50,45,074
A	4,04,25,020	4,08,39,245
Accessories		
Opening stock	3,87,364	2,39,492
Add: Purchases	59,62,761	76,99,361
	63,50,125	79,38,853
Less: Closing stock	5,34,493	3,87,364
B	58,15,632	75,51,489
Total	A+B 4,62,40,652	4,83,90,734

23 (Increase)/decrease in Inventories of finished goods and work-in-process

	31st March 2013 ₹.	31st March 2012 ₹.	" (Increase)/ decrease " ₹.
Inventories at the end of the year			
Finished goods- Garments	6,53,550	1,68,360	(4,85,190)
Work in process	4,19,250	-	(4,19,250)
	10,72,800	1,68,360	(9,04,440)
Inventories at the beginning of the year			
Finished goods- Garments	1,68,360	1,32,587	(35,773)
Work in process	-	1,82,070	1,82,070
	1,68,360	3,14,657	1,46,297
Total (increase)/decrease	(9,04,440)	1,46,297	



Notes to financial statements for the year ended 31st March 2013

24 Employee Benefit Expense

	31st March 2013	31st March 2012
	₹.	₹.
Salaries, wages and bonus	1,68,90,980	1,73,37,633
Leave salary and LTA	13,68,963	10,43,372
Contribution to provident and other fund	9,86,258	10,62,647
Gratuity expense (refer note 35)	2,39,614	40,448
Staff welfare expense	5,06,167	3,49,469
Total	1,99,91,982	1,98,33,569

25 Other Expenses

	31st March 2013	31st March 2012
	₹.	₹.
Power and fuel	12,03,432	10,22,558
Repairs and maintenance:		
Building	1,71,956	12,26,561
Plant & Machinery	2,58,995	1,32,627
Others	17,51,160	32,40,859
Jobwork charges	2,92,53,283	2,60,38,933
Embroidery charges	17,36,161	36,91,536
Testing expense	4,64,343	1,55,824
Commission	43,54,135	46,53,171
Conveyance expense	23,09,464	17,72,112
Service charges	19,52,849	17,26,966
Rates and taxes	4,55,807	2,75,100
Freight	15,50,320	26,63,576
Adjustment to the carrying amount of investment	5,56,660	(48,661)
Clearing and forwarding charges	21,17,419	21,72,073
Communication costs	17,13,591	14,40,313
Travelling charges	18,28,395	17,09,899
Printing and stationery	7,09,739	5,45,875
Legal and professional charges	18,27,882	17,09,653
Sales promotion expense	9,87,586	7,67,318
Insurance	7,49,397	8,16,817
Rent	12,31,966	15,10,377
Directors' sitting fees	1,05,000	1,15,000
Loss on sale of investments (net)	-	24,53,682
Loss from speculation business	-	1,85,475
Bad debts/balances written off	69,52,198	73,03,064
Payment to Auditors		
As Auditor		
Audit fee	2,80,900	2,24,720
Tax Audit fee	56,180	56,180
In other capacity		
Other services (certification fees)	39,326	81,622
Others	4,88,799	4,99,017
Total	6,51,06,942	6,81,42,246

Notes to financial statements for the year ended 31st March 2013

**26 Finance costs****Interest**

- Banks
- Others

Bank charges

Total

31st March 2013	31st March 2012
₹.	₹.
16,09,541	23,66,323
2,81,125	2,52,723
8,38,429	8,75,126
27,29,095	34,94,172

27 Depreciation and amortisation

Depreciation on tangible assets

Depreciation on intangible assets

Total

31st March 2013	31st March 2012
₹.	₹.
26,43,941	27,27,887
9,947	11,755
26,53,888	27,39,642

28. Contingent liabilities not provided for:

As per the order of Hon'ble Bombay High Court, the claim of Apparel Export Council has been guaranteed by furnishing bank guarantee of equivalent amount: ₹.7,26,310 (31st March 2012: ₹.7,26,310)

Disputed claims/levies (excluding interest, if any), in respect of Income tax ₹. 84,17,572 (31st March 2012: ₹. Nil)

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

29. Value of imports calculated on CIF basis: ₹.2,19,736 (31st March 2012: ₹.47,593)

30. A) Expenditure in foreign currency:

Nature of expenses	31st March 2013	31st March 2012
	₹.	₹.
Travelling expenses	3,71,883	2,58,251
Commission	24,75,033	43,84,222

B) Earnings in foreign currency – FOB value of export sales: ₹.109,639,226 (31st March 2012: ₹.121,553,614)

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

32. In the opinion of the Board of directors adequate provision has been made in the accounts for all known liabilities and the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the value stated in the balance sheet.

33. The Company's significant leasing arrangements are in respect of operating leases for Guest houses and office premises. These are cancelable operating leases and these lease agreements are normally renewed on expiry. The aggregate lease rentals payable are charged as rent under note 25.

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

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

Minimum Lease Payment	31st March 2013	31st March 2012
	₹.	₹.
Due within one year	6,12,078	8,58,574
Due later than one year and not later than five years	1,87,662	7,99,740
Due later than five years	--	--



Notes to financial statements for the year ended 31st March 2013

Lease payments recognized in the statement of profit & loss as rent under note 25.

Rent paid	31st March 2013 ₹	31st March 2012 ₹
On account of Non-cancellable lease	8,58,574	8,51,297
On account of Cancellable Lease	3,73,392	6,59,080

34. During the financial year 2010-2011, the company sold all the shares of M/s. Bhupco Alloys Limited., its erstwhile subsidiary Company, to M/s. Emer Hotels & Suites Pvt Ltd., pursuant to approval for the same by the board of directors of the Company vide its resolution dated 04/02/2011 for an amount ₹. 1,16,20,843, against which an amount of ₹.70,00,000 was received from M/s. Emer Hotels & Suites Pvt Ltd., during the year 2011-2012.

The management is of the opinion that an amount of ₹. 20,00,000 shall be received during the year 2013-14. The remaining balance of ₹. 26,20,843 is to be received from them only on receipt of rental deposit from landlord in Bhupco Alloys Ltd. Since, the consideration of ₹.26,20,843 is contingent on happening of an event in future, the outcome of which cannot be ascertained accurately as at balance sheet date, the same has not been recognized in the books of accounts as at 31 March 2013.

35. Gratuity Plan

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

Change in defined benefit obligation	31st March 2013 ₹.	31st March 2012 ₹.
Opening defined benefit obligation	22,51,483	21,21,145
Interest cost	1,91,376	1,74,994
Current Service cost	1,15,340	1,93,099
Benefits paid	(54,834)	(85,910)
Actuarial losses/(gain)	1,40,747	(1,51,845)
Past Service Cost (Vested Benefit) incurred during the year	-----	-----
Closing defined benefit obligation	26,44,112	22,51,483

Change in plan assets		
Plan Assets at beginning of the year, at fair value	21,02,725	13,85,816
Expected Return on plan Assets (estimated)	1,80,834	1,10,865
Contributions	4,06,841	6,27,019
Benefits settled	(54,834)	(85,910)
Actuarial gain/(loss) on plan assets	27,015	64,935
Plan Assets at end of the year, at fair value	26,62,581	21,02,725

Reconciliation of present value of the obligation and the fair value of the plan assets		
Fair value of plan assets at the end of the year	26,62,581	21,02,725
Present value of the defined benefit obligation at the end of the year	26,44,112	22,51,483
Assets/(Liability) recognized in the balance sheet	18,469	(1,48,758)

Gratuity cost for the period		
Current Service Cost	1,15,340	1,93,099
Past Service Cost (Vested Benefit) incurred during the year	-----	-----
Interest cost	1,91,376	1,74,994
Expected Return on plan Asset	(1,80,834)	(1,10,865)
Net Actuarial (Gain)/Loss recognized for the year	1,13,732	(2,16,780)
Expenses recognised in the statement of profit and loss	2,39,614	40,448

Notes to financial statements for the year ended 31st March 2013



Movements in the liability recognized in Balance sheet		
Opening Liability	1,48,758	7,35,329
Expenses recognized	2,39,614	40,448
Contribution paid	(4,06,841)	(6,27,019)
Closing Liability	(18,469)	1,48,758

Assumptions at the valuation date		
Discount factor	8.50%	8.50%
Salary Escalation rate	4.00%	4.00%
Rate of Return (Expected) on plan Asset	8.00%	8.00%
Retirement age	58 years	58 years

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

36. Details of Imported & Indigenous Raw Materials and Stores and Spare parts consumed:-

Particulars	31st March 2013	% of Total	31st March 2012	% of Total
Raw Materials				
Imported	-----	-----	-----	-----
Indigenous	4,04,25,020	100.00%	4,08,39,245	100.00%
Total	4,04,25,020	100.00%	4,08,39,245	100.00%
Accessories				
Imported	2,19,736	3.78%	47,593	0.63%
Indigenous	55,95,896	100.00%	75,03,896	99.37%
Total	58,15,632	100.00%	75,51,489	100.00%

37. Related party disclosures:

A. Name of the related parties and related party relationship

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

- Key managerial Personnel represented on the board:

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

- Relatives of key managerial personnel:

- Mr. Rohan U Katre - Managing director's son



Notes to financial statements for the year ended 31st March 2013

B. Particulars of Related Party Transactions

Particulars	31st March 2013 Amount ₹.	31st March 2012 Amount ₹.
Managerial remuneration:		
Managing director (including bonus)	33,80,000	28,29,950
Whole time directors (including bonus)	11,17,199	8,72,565
Director's sitting fees:		
Mr Ashok Daryanani	30,000	35,000
Mr Karl Dantas	22,500	22,500
Mr C G Patankar	22,500	30,000
Mr R L Mehta	30,000	27,500
Salary: (Including contribution to PF)		
Rohan U Katre	206,347	-----
Lease rent:		
Managing director	1,20,000	1,20,000
Purchase of services:		
Managing director	4,80,000	4,80,000

C. Details of remuneration to key managerial personnel

Particulars	31st March 2013 Amount ₹.	31st March 2012 Amount ₹.
Salary including bonus and leave salary	33,59,599	25,64,915
Contribution to provident fund	2,37,600	2,37,600
House rent allowance	9,00,000	9,00,000
Perquisites	39,600	1,64,579
Total	45,36,799	38,67,094

D. The Board of Directors had, pursuant to the applicable provisions of Schedule XIII, Part II, Section II(B) of the Companies Act, 1956, approved and paid a monthly remuneration of ₹. 2,00,000 to Mr. Umesh M Katre, Managing Director for the period 01.11.2012 to 31.03.2013. However, the said remuneration to managing director is subject to shareholders' approval by way of special resolution in the ensuing Annual General Meeting pursuant to the applicable provisions of Schedule XIII to the Companies Act, 1956.

E. The Board of Directors had appointed Mr. Rohan U Katre son of Managing Director as a Management trainee and had approved and paid monthly salary of ₹. 40000 for the period 05.11.2012 to 31.03.2013. However, the said salary payment is subject to shareholders' approval by way of special resolution, for holding a place of profit, in the ensuing Annual General Meeting, pursuant to the applicable provisions of Section 314 of the Companies Act, 1956.

F. The Company has the following amounts due from/to related parties as on 31st March 2013

Particulars	31st March 2013 Amount ₹.	31st March 2012 Amount ₹.
Due from Managing director (included in long term loans and advances)	20,00,000	20,00,000
Due from Whole time director (included in short term loans and advances)	5,000	--
Due from Managing director (included in short term loans and advances)	4,800	--

Notes to financial statements for the year ended 31st March 2013



38. Unclaimed Dividends on Equity Shares:

Year	Amount in ₹. as at 31st March 2013	Amount in ₹. as at 31st March 2012
2008-2009	1,13,125	1,13,125
2009-2010	1,88,141	1,88,141
2010-2011	78,032	89,332
2011-2012	85,272	--

39. Based on the information available with the company, principal amount due to micro and small enterprises as defined under MSMED Act, 2006 is ₹. Nil (31st March 2012: ₹. Nil). Further interest paid during the year and interest due at the end of the year to micro and small enterprises is ₹. Nil (31 March 2012: ₹. Nil).

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

Particulars	31st March 2013			31st March 2012		
	Garments	Finance	Total	Garments	Finance	Total
Segment revenue	12,34,83,625	48,15,899	12,82,99,523	14,14,62,727	51,25,794	14,65,88,520
Inter segment revenue	-----	-----	-----	-----	-----	-----
Net segment revenue	12,34,83,625	48,15,899	12,82,99,523	14,14,62,727	51,25,794	14,65,88,520
Segment results	34,11,656	42,59,239	76,70,895	1,57,43,544	26,72,112	1,84,15,656
Extraordinary items	-----	-----	-----	-----	-----	-----
Unallocable corporate office expenses (net)	-----	-----	93,85,624	-----	-----	83,36,454
Financial expenses	-----	-----	27,29,095	-----	-----	34,94,172
Depreciation	26,53,888	-----	26,53,888	27,39,642	-----	27,39,642
Profit before tax	-----	-----	(70,97,712)	-----	-----	38,78,388
Current tax	-----	-----	-----	-----	-----	1,356,000
(Excess)/short provision for tax of earlier years	-----	-----	59,361	-----	-----	(70,269)
Deferred Tax	-----	-----	4,13,175	-----	-----	4,80,671
Profit after tax	-----	-----	(75,70,518)	-----	-----	20,78,986
Segment assets	10,95,72,274	4,11,17,554	15,06,89,828	13,25,25,596	5,68,74,521	18,94,00,117
Unallocable assets	-----	-----	34,58,038	-----	-----	17,62,083
Total assets			15,41,47,866			19,11,62,200
Segment liabilities	1,48,57,650	-----	1,48,57,650	3,99,28,948		3,99,28,948
Unallocable liabilities	-----	-----	25,52,743	-----	-----	48,23,044
Total liabilities			1,74,10,393			4,47,51,992
Other information						
Capital expenditure	51,51,172		51,51,172	17,61,803		17,61,803
Depreciation	26,53,888		26,53,888	27,39,642		27,39,642
Profit/(loss) on sale of fixed assets	82,550		82,550	(1,83,829)		(1,83,829)



Notes to financial statements for the year ended 31st March 2013

41. Calculation of EPS (Basic and Diluted)

S. No.	Particulars	31st March 2013	31st March 2012
1	Opening No. of Shares	43,00,000	43,00,000
2	Total Shares Outstanding	43,00,000	43,00,000
3	Weighted average number of shares	43,00,000	43,00,000
4	Net Profit attributable to equity share holders	₹.(75,70,518)	₹.20,78,986
5	Basic and Diluted EPS	₹.(1.76)	₹.0.48

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

As per our attached report of even date.
For **M/s T D JAIN AND D I SAKARIA**
Chartered Accountants
firm registration no: 0024915

DHANPAL I SAKARIA

Partner
M.No: 213666
Place: Bangalore
Date : 28th May 2013

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

Directors

Place: Mumbai
Date: 28th May 2013



SPICE ISLANDS APPARELS LIMITED

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

ATTENDANCE SLIP

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

Name of the attending Member
(in block letters)

Member's Registered
(Folio Number)

No. of Shares held

I hereby record my presence at the 25th 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 2nd September, 2013, at 10.30 A.M.

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

SPICE ISLANDS APPARELS LIMITED

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

FOLIO NO

PROXY FORM

I/We _____
of _____

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

_____ of _____ or failing him

_____ of _____ or failing him

_____ of _____ as my / own

proxy to vote for me/us on my/our behalf at the 25th Annual General Meeting of the Company to be held on 2nd September, 2013.

Signed this _____ day of _____ 2013



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.

