

66th
ANNUAL REPORT
2003-2004



**SOMA TEXTILES &
INDUSTRIES LIMITED**



A SOMANY ENTERPRISE
Making technology pay





Annual Report 2003-2004

BOARD OF DIRECTORS

Shri S. K. Somany	(Chairman)
Shri A. K. Somany	(Managing Director)
Shri Prafull Anubhai Shah	
Shri Ashok C. Gandhi	
Shri P. Bandyopadhyay	(Executive Director)
Shri R. S. Verma	(Executive Director)
Shri Mayank Agarwal	(Nominee Director - ICICI Bank Ltd.)

SECRETARY

Shri R. S. Sharma

AUDITORS

Pipara & Company, Ahmedabad

BANKERS

Dena Bank
State Bank of India

REGISTERED OFFICE

2, Red Cross Place, Kolkata - 700 001.

WORKS

- 1) Rakhial Road, Ahmedabad - 380 023.
- 2) Plot No. D-49, MIDC, Baramati - 413 133 Dist. Pune

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ANNUAL REPORT 2003-2004**NOTICE**

NOTICE is hereby given that the 66TH ANNUAL GENERAL MEETING of the Members of Soma Textiles & Industries Limited will be held at Jhaharia Committee Room of Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata - 700 001 on Monday, the 20th day of September, 2004 at 3-00 P.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri R. S. Verma, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modification(s) the following Resolutions:

4. **AS AN ORDINARY RESOLUTION**

"RESOLVED THAT Shri Prafull Anubhai Shah, who was appointed as an Additional Director of the Company and who holds office as Director upto the date of the ensuing Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice, as required by Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company, liable to retire by rotation.

5. **AS AN ORDINARY RESOLUTION**

"RESOLVED THAT Shri Ashok C. Gandhi, who was appointed as an Additional Director of the Company and who holds office as Director upto the date of the ensuing Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice, as required by Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company, liable to retire by rotation.

6. **AS AN ORDINARY RESOLUTION**

"RESOLVED THAT in supersession of the Resolution passed at the Annual General Meeting held on 21st September 1990, subject to the approval, wherever necessary, of the Financial Institutions from which the Company has obtained financial assistance, consent of the Company be and is hereby accorded under Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors to borrow from time to time all such sums of money, as they may deem requisite, necessary or expedient for the purpose of the business of the Company, upon such terms and conditions and with or without Security, as the Board of Directors may with absolute discretion think fit, notwithstanding that the money or moneys to be borrowed together with the moneys already borrowed by the Company (apart from such temporary loans obtained or to be obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is, reserves not set part for any specific purpose) provided, however that the total amount, upto which moneys may be borrowed by the Board of Directors shall not exceed the aggregate of the paid-up capital and free reserve of the Company by more than Rs. 200 Crores (Rupees Two Hundred Crores only) at any time.

7. **AS A SPECIAL RESOLUTION**

"Resolved that pursuant to provisions of Section 17 of the Companies Act, 1956 or any modification or re-enactment thereof and subject to confirmation of Company Law Board or any other appropriate Authority as may be notified for the purpose, the Registered Office of the Company be shifted from its present location at Kolkata in the State of West Bengal to Ahmedabad, in the state of Gujarat and that the existing Clause 2 of the Memorandum of Association of the Company be and is hereby altered by substituting the words 'Bengal' by the words "Gujarat" and be read as under:-

"The Registered Office of the Company will be situated in the State of Gujarat."

"RESOLVED FURTHER THAT the aforesaid resolution becoming effective, the Registered Office of the Company be removed from Kolkata, West Bengal to Ahmedabad, Gujarat."


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"Resolved further that the Board of Directors of the Company including a Committee thereof be and is hereby authorised to obtain requisite approvals and permissions and to accept such modifications/alteration in the above resolution, if any, specified by the aforesaid authority(ies) while confirming Company's petition for change of Registered Office and to do all acts, deeds and things in connection therewith and incidental thereto."

By Order of the Board

Place : Kolkata
Dated : 30th April, 2004

(R. S. Sharma)
Company Secretary

NOTES :

1. Relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to Item Nos. 4 to 7 of the accompanying Notice is annexed hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll, instead of himself. Such proxy need not be a member of the Company. Proxies, in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday the 16th September, 2004 to Monday, the 20th September, 2004 (both days inclusive).
4. Members are requested to notify change in their address in block letters, if any, quoting their folio number to the Company.
5. Members/Proxies are requested to bring their copies of the Annual Report at the Meeting.
6. Pursuant to Section 205A of the Companies Act, 1956 and the Rules made thereunder, all unclaimed or unpaid dividends for and upto the financial year ended 31st March, 1995 have already been transferred to the General Revenue Account of the Central Government. Members, who have not yet claimed or collected their dividend for the said financial years, are requested to lodge their claim with the Registrar of Companies West Bengal, Nizam Palace, IInd MSO Building, 234/4 A.J.C. Bose Road, Kolkata - 700 020 by submitting an application in Form II, prescribed under the Companies unpaid Dividend (Transfer to General Revenue Account of the Central Government), Rules 1978 as amended upto date.
7. Consequent upon amendment in Section 205A of the Companies Act, 1956 and introduction of Section 205C, by the Companies (Amendment) Ordinance, 1999, the amount of Dividends for the financial year ended 31st March, 1996 which remained unclaimed for a period of seven years from the date of payment or transfer of dividend to the unpaid dividend Account of the Company have already been transferred during the year to the Investor Education and Protection Fund established by the Central Government. The amount of dividends for the financial year 31st March, 1997 and 31st March 1998, (no dividend was declared by the Company after the financial year ended 31st March 1998 and upto 31st March 2004) remaining unclaimed for a period of Seven (7) years from the date of payment or transfer of dividend to the unpaid dividend account of the Company will be transferred to the Investor Education and Protection Fund established by the Central Government on its due dates for transfer, as given below:-

Dividend for the year	Date of Declaration	Due for transfer
31st March 1997	26th September 1997	5th November 2004
31st March 1998	16th September 1998	27th October 2005

Members, who have not yet claimed their dividend for the year ended 31st March, 1997 and 31st March 1998, are requested to make their claims to the Company.

It may be noted that no claim shall lie against the Company or the said fund in respect of individual amounts which were unclaimed and unpaid for a period of 7 (Seven) years from the date of payment and transfer to the said fund and no payment shall be made in respect of any such claim.

8. This Notice may also be treated as separate Notice, informing all the members concerned individually of particulars of dividends transferred to the General Revenue Account of the Central Government as required by the Companies unpaid Dividend (transfer to General Revenue Account of the Central Government) Rules 1978 as amended.

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9. Members, holding shares in identical order of names in more than one folio, are requested to send details of such folios together with Share Certificates for consolidating their holdings in ONE FOLIO. Share Certificates will be returned to the members after making requisite change thereon.
10. Members are requested to intimate to the Company, query (ies), if any, on the Accounts and operation at least 10 days before the Meeting to keep the information ready at the meeting.
11. Members who hold shares in dematerialised form are requested to bring their depository ID Number and Client ID Number for easier identification of attendance at the Annual General Meeting.

Brief Resume and other information in respect of the Director seeking re-appointment at the Annual General Meeting as required under Clause 49 of the Listing Agreement :-

Shri R.S. Verma is due to retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offers himself for re-appointment. Shri Verma, aged about 42 years, is a Textile Graduate from Kanpur University and has about 22 years of working experience with Textile Companies engaged in manufacture of yarn, fabric-cotton P/V and worsted qualities. He has been associated with our Company as an Executive Director w.e.f. 25.01.2001. Shri Verma is not a Director of any other company and not a member of any committee of the Board. Shri Verma shall be a Director, liable to retire by rotation in pursuance of Section 256 of the Companies Act, 1956. The Board recommends his re-appointment.

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item Nos. 4 & 5

The Board of Directors, at its meeting held on 24th January, 2004, appointed Shri Prafull Anubhai Shah and Shri Ashok C Gandhi, as Additional Directors of the Company in accordance with the provisions of Article 91 of the Articles of Association, read with Section 260 of the Companies Act, 1956. Shri Shah & Shri Gandhi, hold office as directors, only upto the date of the forthcoming Annual General Meeting according to the provisions of Section 260 of the Companies Act, 1956. The Company has received notices from Members of the Company under Section 257 of the Companies Act, 1956 proposing candidature of Shri Prafull Anubhai Shah & Shri Ashok C. Gandhi for office of Directors at the ensuing General Meeting along with requisite deposit of Rs.500/-, as required, for each of them.

Shri Prafull Anubhai Shah, B.Com. B.Sc.(Econ.) (London) aged about 66 years, a resident of Ahmedabad, is a Management Consultant. He is associated with Arohi Consultants Pvt Ltd., Ahmedabad, as Chief Executive (Management Consultant) and the visiting faculty at Indian Institute of Management, Ahmedabad. Besides, he is currently Director of several Public Ltd. Companies, engaged in Textiles, Pharmaceuticals, Electronics, Housing Finance and Oil-Field Equipment Industry, namely; Unichem Laboratories Ltd., Mahabir Spinning Mills Ltd. Gruh Finance Ltd, Torrent Cables Ltd., Hi-Rel Electronics Ltd., Dinesh Polyber Ltd., The H.K. Finechem Ltd., The Emerging Markets South Asian Fund, Cayman Islands, British West Indies., The EMSAF- Mauritius. Apart from he holds directorship in several Private Limited Companies. He is advisor/ Consultants to leading Indian Companies and also attached to different Educational and Research Institutions. He is Chairman of Audit Committee of Unichem Laboratories Ltd. and Birla Sunlife Trustees Co. Private Ltd. and Member of Audit Committee of Gruh Finance Ltd., Torrent Cables Ltd. H.K. Finechem Ltd. He is also member of Remuneration Committee of H.K. Finchem Ltd and Shareholders/Investors Grievance Committee of Gruh Finance Ltd., and Torrent Cables Ltd. He is also the Chairman of Audit Committee and Member of Remuneration Committee of this Company.

Shri Ashok Chandrakant Gandhi, B.Com. L.L.B., aged about 65 years, resident of Ahmedabad, is a Leading Advocate and a partner of M/s. C. C. Gandhi & Co., Advocates, Ahmedabad, a Leading Law Firm in Ahmedabad. He is presently on the board of several Public Limited Companies, besides Private Ltd. companies viz. Amol Dicalite Ltd, Bloom Dekor Limited, Jayatma Spinners Limited, Ahmedabad Steelcraft Ltd. Aarvee Denims & Exports Limited., Gujarat Ambuja Exports Limited. He holds membership of Audit Committee of Bloom Dekor Ltd, Aarvee Denims & Exports Ltd., Ahmedabad Steel Craft Ltd. Gujarat Ambuja Exports Ltd. He also continues to hold membership of Remuneration Committee of Amol Dicalite Ltd. He is also the member of Audit and Remuneration Committee of the Board of this Company.

Having regard to their varied extensive knowledge and experience, the Board considers it desirable. that the Company should continue itself to avail of services of Shri Shah and Shri Gandhi in the benefit and interest of the Company.

Except Shri Shah and Shri Gandhi, no other directors of the Company are interested or concerned in the Resolution.

Item No. 6

Under Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of a Company, cannot, except with the consent of the Company in general meeting, borrow moneys, apart from temporary loans obtained from the Company's bankers in

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the ordinary course of business in excess of the aggregate of the paid-up Capital and free reserves of the Company that is to say, reserves not set apart for any specific purpose. The aggregate of the paid up capital & free reserves of the Company as on 31st March, 2004 is approximately Rs.42.47 Cores. By a resolution passed at the Annual General Meeting held on 21st September, 1990, the members of the Company had authorised the Board of Directors to borrow moneys, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, upto a limit of Rs. 100 Crores. Considering the anticipated growth in the activities of the Company and its proposals for Capital expenditure as well as for working capital are likely to go up in future. In the circumstances, an Ordinary Resolution in terms as set out in Item (6) of the accompanying Notice is put up for the members' consideration for their consent to increase the limit from Rs. 100 crores to Rs. 200 crores. The Board recommends the same for seeking the approval of the Members.

None of the Directors of the Company is concerned or interested in this Resolution.

Item No. 7

As per clause 2 of the Memorandum of Association, the Registered Office of the Company is situated in the State of West Bengal

At present, the Registered Office of the Company is situated at Kolkata in the State of West Bengal. The Company is primarily a Textile Company with its manufacturing unit at Ahmedabad in the State of Gujarat and 100%-EOU Unit at Baramati Pune, in the State of Maharashtra.

The Company has virtually no business activities and operations in Kolkata, West Bengal. Therefore to consolidate its operation at one place i.e., Ahmedabad, Gujarat and to reduce all its administrative expenses, your Directors are of the view that the Registered Office of the Company from its present location at Kolkata in the State of West Bengal is required to be shifted to Ahmedabad in the State of Gujarat where Company's Textile manufacturing unit is located

Pursuant to Section 17 of the Companies Act, 1956, shifting of the Registered Office from one state to another state requires Special Resolution to be passed by the Shareholders and thereafter also requires confirmation from the Company Law Board or any other authority(ies), as may be notified for the purpose.

The Resolution is accordingly recommended for seeking Members' approval to this change. The Memorandum of Association of the Company will be open for inspection at the Registered office of the Company between 11-30 A.M. to 12.30 P.M. on any working day upto and including the date of the Meeting or any adjournment or adjournments thereof.

None of the Directors may be deemed to be interested or concerned in the proposed resolution set out herein.

By Order of the Board

Place : Kolkata
Dated : 30th April, 2004

(R. S. Sharma)
Company Secretary

ANNUAL REPORT 2003-2004**DIRECTORS' REPORT**

Your Directors have pleasure in presenting the 66th Annual Report and the Audited Accounts of the Company for the year ended 31st March 2004.

FINANCIAL RESULTS

	2003-2004	(Rs. in lacs) 2002-2003
Turnover	16,490	15,065
Profit Before Depreciation, Tax and Extra Ordinary Items	1,779	1,299
Less : Depreciation	701	639
Extra Ordinary Items	241	463
Profit Before Taxation	837	197
Less : Minimum Alternate Tax	(30)	—
Add : Deferred Tax Assets	30	—
Net Profit for the year	837	197
Balance brought forward from previous year	(352)	(549)
Net Deferred Tax Liability Accumulated upto 31.03.2003	(467)	—
Balance carried to Balance Sheet	18	(352)

DIVIDEND

In view of the need to strengthen the financial resources for timely repayment to the Financial Institutions, the Directors do not recommend any dividend for the year 2003 - 04.

REVIEW OF OPERATIONS

As was anticipated, cotton prices have been ruling very high and this is likely to adversely affect the profitability in the new financial year.

AHMEDABAD UNIT

The fabric demands for denim and high value shirting have been very subdued. The Company has taken up diversification in its present production plant and added two new products during the month of March'2004 viz woollen fabrics and knitted fabrics for which the Company has set up new facilities.

BARAMATI UNIT (EOU)

The production and quality of this Unit have remained quite steady. However, due to the high prices of cotton, the profit margins are under severe pressure. The Company is planning to expand the capacity of this Unit in two stages by adding 10080 spindles of compact spinning technology.

PROSPECTS

From 1st January, 2005, under the WTO agreement, quota restrictions imposed by importing countries shall be removed. In order to be in a position to manufacture fabrics to cater to the demand and to face the world competition, your Company has already replaced 12 Airjet Looms to weave denser fabrics by replacing them with Airjet Looms of the old generation and a further 18 looms will be replaced and commissioned in May 2004. 46 Airjet Looms shall remain to be replaced with 42 suitable Airjet Looms, which is expected to be completed in 2005. After completion the present output of non denim fabric will be increased by over 46% resulting in reduction in the cost of manufacture.

COTTON

The demand for cotton fabric is steadily increasing, but the production of cotton in India is not only stagnant but the output per hectare is not even half that of world average. A lasting solution to this is only possible if the return to the farmers is



substantially increased by making available to them high yielding pest-resistant seeds in adequate quantity to increase the cotton output in our country from an annual average of 15 million bales to at least 25 million bales. The sowing of BT cotton has been permitted by many states and this should bring about higher yields. This will result in making our country not only self sufficient in the production of cotton but also competitive to stand against the onslaught of likely import of cotton fabrics from other countries, especially from China. To maintain the quality of yarn and fabrics, your Company has covered cotton for consumption upto September, 2004.

INSURANCE

All the properties of your Company have been adequately insured against fire, floods, strike, riots, earthquake, malicious damage and explosion risks.

PUBLIC DEPOSIT

The Company did not accept any Fixed Deposit during the year.

AUDITOR'S REPORT

All the items on which comments have been made by the auditors in their Report to the Shareholders are self explanatory as explained by way of Notes to the Accounts under Schedule 21 to the Balance Sheet and Profit & Loss Accounts and therefore do not call for any further comments.

DIRECTORS

The Company lost one of the old & valuable guiding Member Shri G. S. Mantry, on 17th November, 2003. He was a Director of the Company since 29th September, 1962. The Company appreciates the invaluable contribution, guidance and inspiration given by Shri Mantry in directing the destiny of the Company.

Shri Prafull Anubhai Shah and Shri Ashok C. Gandhi have been appointed as Additional Directors, effective from 24th January 2004 and they hold office up to the date of the ensuing Annual General Meeting under Section 260 of the Companies Act, 1956 and Article of the Articles of Association. Notices, have been received from Members, pursuant to Section 257 of the Companies Act, 1956, intending to propose Shri Prafull Anubhai Shah and Shri Ashok C. Gandhi for appointment as regular directors of the Company.

Shri Shreekant Somany resigned as a Director of the Company from the Board with effect from 24th January 2004. The Board places on record its appreciation for the services rendered during his tenure of directorship.

ICICI Bank Ltd. had nominated Shri Mayank Agarwal, as a nominee on the Board with effect from 25th September 2003, in place of Shri Piyush Bhatia.

The Board places on record its appreciation for his services during the period he was on the Board.

At the ensuing Annual General Meeting of the Company, Shri R. S. Verma retires by rotation from the Board of Directors of the Company, in terms of the provisions of the Companies Act, 1956 and the Company's Articles of Association and being eligible, offers himself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT AS PER SECTION 217 (2AA) OF THE COMPANIES ACT, 1956.

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed -

- (i) that in the preparation of the accounts for the financial year ended 31st March, 2004, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review ;
- (iii) that the directors have taken proper and sufficient care 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 ; and

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(iv) that the directors have prepared the accounts for the financial year ended 31st March, 2004 on a 'going concern' basis.

CORPORATE GOVERNANCE - CLAUSE 49 OF THE LISTING AGREEMENT

Your Company is committed to achieving the best standards of corporate governance. To achieve this, your Company is thriving to adopt best practices in corporate governance. Your Company has implemented and complied with the recommendation of the code of Corporate Governance. The compliance report on various recommendation made by the committee is provided elsewhere in this Annual Report.

AUDITORS

M/s Pipara & Company, Chartered Accountants, Ahmedabad, the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Directors recommend that M/s. Pipara & Co., Chartered Accountants be re-appointed as the Company's Auditors, as recommended by the Audit Committee.

COST AUDIT

The Board, pursuant to the Government's directive under section 233 B of the Companies Act, 1956, have appointed M/s. N D Birla & Co., Cost Accountants, Ahmedabad, as Cost Auditors of the Company subject to the approval of the Central Government for audit of cost records of the Company relating to manufacturing of textiles for the Financial Year 2004-2005.

PARTICULARS OF EMPLOYEES

The Company has no employee drawing a remuneration as prescribed under Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, during the year under review.

ADDITIONAL INFORMATION

As required under Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, the particulars relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earning and Outgo in Form A and B are annexed hereto.

LISTING OF SHARES

The Equity Shares of the Company are listed on the following Stock Exchanges:

Name	Address
1 The Stock Exchange, Mumbai	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai
2 The Calcutta Stock Exchange Association Ltd.	7, Lyons Range, Kolkata - 700 001
3 National Stock Exchange of India Ltd.	Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai

The Company has paid Annual Listing Fees for the year 2003-2004 to the above mentioned Stock Exchanges.

During the year under review, pursuant to Special Resolution passed at the 65th AGM held on 1st September 2003, the Company has applied for delisting of its shares from The Calcutta Stock Exchange Association Ltd.

ACKNOWLEDGEMENT

Your Directors take this opportunity to place on record their deep sense of gratitude to the banks, financial institutions, Central and State Government Departments for their assistance and support. Your Directors express their deep sense of appreciation for the total commitment, dedication and hard work put in by the employees of the Company. Lastly, your Directors are deeply grateful for the confidence and faith shown by the members of the Company in them.

On behalf of the Board

Place : Ahmedabad
Date : 30th April, 2004

(S. K. Somany)
Chairman