



A SOMANY ENTERPRISES
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67th

Annual Report
2004-2005



**SOMA TEXTILES &
INDUSTRIES LIMITED**



Annual Report 2004-2005

BOARD OF DIRECTORS

Shri S. K. Somany	(Chairman)
Shri A. K. Somany	(Managing Director)
Shri Prafull Anubhai	
Shri Ashok C. Gandhi	
Shri P. Bandyopadhyay	(Executive Director)
Shri R. S. Verma	(Executive Director)
Shri M. S. Shekar	(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

BRANCH

4-K, Connaught Circus, New Delhi - 110 001.

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ANNUAL REPORT 2004-2005**NOTICE**

NOTICE is hereby given that the Sixty-Seventh **ANNUAL GENERAL MEETING** of the Members of Soma Textiles & Industries Limited will be held at Jhajharia Committee Room of Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata - 700 001 on, Thursday, the 8th day of September, 2005 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, 2005 and the Profit & Loss Account for the year ended on that date together with the Report of Directors and Auditors thereon.
2. To appoint a Director in place of Shri S. K. Somany, 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

Re-appointment of Shri P. Bandyopadhyay as Whole-time Director:

"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII and all other applicable provisions, of the Companies Act, 1956 (including any statutory modification(s) or re-enactments thereof), subject to all such approvals and/or sanctions as may be necessary, the consent of the Company be and is hereby accorded to the re-appointment of Shri P. Bandyopadhyay, as a Non-rotating Whole-time Director of the Company, designated as "Executive Director", who shall not be subject to retirement by rotation in terms of Section 255 read with other relevant provisions including Section 257 of the Companies Act, 1956 for a period of 5 (five) years with effect from 25th January, 2006 on the remuneration by way of salary, bonus/exgratia, perquisites and allowances and on the terms, conditions and stipulations as are set out in the draft agreement to be entered into between the Company and Shri P. Bandyopadhyay, extract of which is also set out in the Explanatory Statement, attached to the Notice of 67th Annual General Meeting, and a draft whereof is placed before this meeting and for the purpose of identification, is subscribed by the Chairman which agreement is hereby specifically sanctioned with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution) to alter and vary the terms and conditions of the said re-appointment and/or remuneration and/or agreement as may be agreed to between the Board and Shri Bandyopadhyay, provided however that the remuneration payable to Shri Bandyopadhyay shall not exceed the maximum limits for payment of Managerial remuneration specified in Schedule XIII to the Companies Act, 1956 including any statutory modification(s) or re-enactment thereof, for the time being in force or any amendments and/or modification(s) that may

hereafter be made thereto by the Central Government in that behalf from time to time."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby vested with the sole authority and discretion to consider, grant and/or sanction an annual increment of, upto 30% of the last drawn salary, as the Board may consider fit and proper for Shri Bandyopadhyay."

"RESOLVED FURTHER THAT the Executive Director shall not be entitled to any sitting fee for attending meeting of the Board and/or Committee(s) thereof."

"RESOLVED FURTHER THAT notwithstanding anything contained herein above wherein in any financial year during the currency of the tenure of the Executive Director, the Company has no profits or its profits are inadequate, the Company shall pay the Executive Director minimum remuneration per month by way of salary, bonus/exgratia, perquisites, dearness allowance and any other allowances subject to the maximum ceiling calculated in accordance with the scale laid down in Section II of Part II of Schedule XIII to the Companies Act, 1956 as applicable to the Company at the relevant time depending upon the effective capital of the Company."

"RESOLVED FURTHER THAT in the event of any statutory amendments, modifications, substitutions, relaxations or re-enactments by the Central Government to Schedule XIII to the said Act, the Board of Directors of the Company be and is hereby authorised and empowered to vary, alter or increase the remuneration including salary, bonus/exgratia, perquisites and/or allowances within the maximum limits for payment of managerial remuneration specified in Schedule XIII to the said Act, in force for the time being or any statutory amendment or re-enactment thereto as may be made from time to time or the laws/guidelines in force for the time being."

"AND RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do and perform all such acts, deeds, matters and things, as may be considered necessary, desirable or expedient to give effect to this resolution."

5. As a Special Resolution

Revocation of Special Resolution passed for Transfer of Registered Office from West Bengal to Gujarat :

"RESOLVED THAT a Special Resolution passed at the 66th Annual General Meeting of the Company held on Monday, the 20th day of September 2004, proposing to shift the Registered office of the Company from Kolkata in the State of West Bengal to Ahmedabad in the State of Gujarat and to amend and alter the existing Clause 2 of the Memorandum of Association of the Company by substituting the words "Bengal" by the words Gujarat be and is hereby withdrawn and revoked."

"RESOLVED FURTHER THAT the Board of Directors of the Company including a committee thereof be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary or expedient in order to give effect to the above Resolution."



6. As a Special Resolution

Issue of Fully Convertible Debentures :

"RESOLVED THAT pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approvals, consents, permissions and/or sanctions as may be necessary from Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), the Stock Exchanges and any other appropriate authorities, Institutions or bodies and subject to such conditions as may be prescribed by any of them in granting any such approval, consent, permission or sanction, the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any committee of the Board exercising the powers conferred by the Board) be and is hereby authorized on behalf of the Company to offer, issue and allot 1,00,00,000 Unsecured Fully Convertible Debentures of Rs. 105/- each convertible into 3 Equity Shares of Rs. 10/- each at a premium of Rs. 25/- per share (hereinafter referred to as "Securities") for an aggregate amount not exceeding Rs. 105 Crores to Indian or Foreign Investors (whether Institutions, incorporated bodies, mutual funds and/or individual or otherwise and whether or not such investors are members of the Company) through Offer documents at such time or times in such tranch or tranches, at such prices, in such manner(s) and on such terms and conditions as the board may decide from time to time."

"RESOLVED FURTHER THAT the Board be and is hereby also authorised to enter into and execute all such arrangements/agreements as the case may be with any Lead Managers/ Underwriters and all such Agencies as may be involved of concerned in such offering of securities and to remunerate all such agencies including by way of payment of commission, brokerage, fees, expenses incurred in relation to the issue of securities and other expenses, if any or the like."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of any securities referred to in paragraph(s) above as may be necessary in accordance with the terms of the offering and such shares shall rank pari passu with the existing equity shares of the Company in all respects, as may be provided under the terms of the issue and in the Offer Document."

"RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board be and is hereby authorised on behalf of the Company to accept and make, in the interests of the Company all such modifications, and alterations to the terms and conditions concerning any aspect of the issue including increase or decrease in the quantum and aggregate value of the issue, rate of premium, period of validity of the Debentures and/or conversion thereof into Equity Shares or any other matter as may be considered necessary or expedient and/or as may be specified in the requisite approvals and to take all such actions as may be necessary or desirable to effect such modifications and alterations; and to do all such acts, deeds, matters and things as it may at its discretion deem necessary or desirable for such purpose, with power on

behalf of the Company to settle any questions, difficulties or doubts that may arise in regard to the offer, issue and allotment of the Debentures/Equity Shares as it may in its absolute discretion deem fit."

7. As an Ordinary Resolution

Increase in Authorised Share Capital :

"RESOLVED THAT pursuant to the provisions of Section 94 and all other applicable provisions of the Companies Act, 1956 read with Article 48 of the Articles of Association of the Company, the Authorised Share Capital of the Company be increased from Rs. 18,00,00,000/- (Rupees Eighteen Crore) divided into 1,80,00,000 (One Crore Eighty Lac) Equity Shares of Rs. 10/- each to Rs. 50,00,00,000/- (Rupees Fifty Crore) divided into 5,00,00,000 (Five Crore) Equity Shares of Rs. 10/- each by creation of additional 3,20,00,000 Equity Shares of Rs. 10/- each ranking pari-passu with the existing Equity Shares of the Company."

"RESOLVED FURTHER THAT the existing Clause 5 of the Memorandum of Association of the Company be and is hereby altered by deleting the existing Clause 5 of the Memorandum of Association relating to share capital of the Company by substituting in its place and stead, the following as new Clause 5 :-

5 The Authorised Share Capital of the Company is Rs. 50,00,00,000/- (Rupees Fifty Crore only) divided into 5,00,00,000 Equity Shares of Rs. 10/- each with power to increase and reduce the Capital and to divide the Shares in the Capital for the time being into several classes and to attach thereto respectively any preferential, deferred, qualified, or special rights or conditions."

8. As an Ordinary Resolution

Increase in borrowing limits from Rs. 200 Crore to Rs. 300 Crore :

"RESOLVED THAT in supersession of the Ordinary Resolution passed by the Shareholders at the Sixty-sixth Annual General Meeting held on 20th September 2004, the consent of the Company be and is hereby accorded, pursuant to the Provisions of Section 293(1)(d) of the Companies Act, 1956, to the Board of Directors of the Company to borrow any sum or sums of money from time to time, on such terms and conditions and with or without security as the Board of Directors may in its discretion thinks fit notwithstanding that the money or monies to be borrowed, together with monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the Paid-up Share Capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purposes, provided however, that the total amount so borrowed and remaining outstanding at any particular time shall not exceed Rs. 300 Crore (Rupees Three Hundred Crore only)."

Registered Office:

2, Red Cross Place,
Kolkata - 700 001

Dated, the 1st August, 2005

By Order of the Board

R.S. Sharma

Company Secretary

ANNUAL REPORT 2004-2005**NOTES:**

1. Relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to Item Nos. 4 to 8 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 valid, must be duly complied, stamped and signed be received at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, the 1st September, 2005 to Thursday, the 8th September, 2005 (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 and 31st March, 1997 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 to the Investor Education and Protection Fund established by the Central Government. The amount of dividends for the financial year 31st March 1998, (no dividend was declared by the company after the financial year ended 31st March 1998 and upto 31st March 2005) 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 1998	16th September 1998	27th October 2005

Members who have not yet claimed their dividend for the year ended 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.
 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 S.K. Somany, aged about 74 years, is an Industrialist. He is a Director and Chairman of the Company. He is currently the Director and Chairman of Somany Evergreen Knits Limited. Besides this, Shri Somany is holding directorship in (a) Jamshri Ranjitsinghji Spg. & Wvg. Mills Co.Ltd., (b) Nav Bharat Refrigeration and Inds. Ltd., (c) Galaxy Garments Pvt. Ltd. (d) Simplex Mills Co. Ltd., (e) Simplex Trading & Agencies Ltd., (f) Shreelekha Global Finance Ltd. and (g) Simplex Paper & Pulp Ltd. Shri Somany has enriched himself with a business experience of over 5 decades and has a rich and vast all-round knowledge and experience in business and in Ceramic, Glass and Textiles Industry. Shri Somany is a member of the Remuneration Committee and Audit Committee of the Company, constituted in line with requirements of 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement on Corporate Governance. Shri Somany is also the Chairman of the Audit Committee of Jamshri Ranjitsinghji Spg. & Wvg. Mills Co. Ltd. and also a member of the Remuneration Committee of the said company. He is also member of Share Transfer & Shareholders/Investors Grievance Committee of the company besides member of Share Transfer Committee of Simplex Mills Company Limited and Nav Bharat Refrigeration and Inds. Ltd.

Shri Somany retires by rotation at this meeting and being eligible, seeks re-appointment as Director of the Company.

Explanatory Statement in respect of the Special Business pursuant to Section 173(2) of the Companies Act, 1956

Item No. 4

The present term of Shri P. Bandyopadhyay as non-rotating Executive Director will expire by efflux of time on 24th January 2006.



The Board, at its meeting held on 30th April 2005, appointed Shri P. Bandyopadhyay as Whole-time Director designated as "Executive Director" for a period of 5 (five) years with effect from 25th January 2006, subject however to the approval of the shareholders in the ensuing Annual General Meeting and the Financial Institutions, if required, who have granted financial assistance to the Company and subject further to such other approvals and/or sanctions, as may be required, on the terms and the remuneration permissible under Schedule XIII to the Act as embodied in the Agreement, entered/to be entered into with Shri Bandyopadhyay.

Shri Bandyopadhyay, aged about 50 years, is a B.Sc. (Tech.) and M. Text. (Engg.) and has also undertaken a Post Graduate Course in Industrial Management. He has acquired a good knowledge and experience of over 26 years with Textile manufacturing Companies. Shri Bandyopadhyay is a member of Audit Committee, Share Transfer Committee & Shareholders'/Investors' Grievance Committee of the Company. Shri Bandyopadhyay shall be a non-retiring Director, who shall not be liable to retire by rotation, in terms of Section 257 of the Act, including other provisions of the Act.

The Board consider that his service will be useful to the Company and that it is in interest of the Company that he be re-appointed as Whole-time Director, designated as 'Executive Director' of the Company. His appointment and Remuneration so fixed by the board upon recommendation of the Remuneration Committee are in accordance with Schedule (XIII) to the Companies Act, 1956 ("the Act") and subject to the approval of Members of the Company at the ensuing 67th Annual General Meeting.

The material terms and conditions of the Agreement entered/to be entered into by Shri Bandyopadhyay with the Company, for his appointment and remuneration payable to Shri Bandyopadhyay are as follows:

- a) **Period of Appointment:** 5 years commencing from 25th January, 2006.
- b) **Nature of Duties:** Subject to the superintendence, control and direction of the Board, Shri Bandyopadhyay shall perform such duties and exercise such powers as may from time to time be entrusted to or vested in him by the Board and shall devote the whole of his time and attention to his service as the Executive Director of the Company.

Remuneration :

Shri P. Bandyopadhyay (Shri Bandyopadhyay), a Whole-time Director designated as 'Executive Director' (hereinafter referred to as 'the appointee') shall in consideration of his service, be entitled to the following by way of remuneration.

(a) SALARY

At the rate of Rs.35,350/- p.m. (including Basic & DA) or such amount as may be decided by the Board with the yearly increment effective from the date, as may be considered by the Board.

The Board may its sole discretion, at the recommendation of the Remuneration Committee, consider and grant an annual increment as per the graded scale specified by the Company for such Senior Executive, subject however to a ceiling on increment of 30% of the last drawn salary, per annum.

(b) BONUS/EXGRATIA

Payment of Bonus or Exgratia, in lieu of Bonus, subject to a ceiling of one month's salary or as may be fixed and determined by the Board of Directors of the Company.

(c) PERQUISITES

The appointee shall be entitled to the following perquisites in addition to salary and bonus or exgratia restricted to an amount equal to appointee annual salary.

Unless the context otherwise requires, perquisites are classified into three categories A, B and C as follows:

CATEGORY -A

This will comprise of house rent allowance, leave travel concession, medical reimbursement, fees on clubs and personal accident insurance. These may be provided for as under:

HOUSING

- (i) The expenditure incurred by the Company on hiring furnished accommodation for the appointee will be subject to the ceiling - 60 (sixty) percent of the salary, over and above 10 (ten) percent payable by the appointee.
- (ii) In case the accommodation is owned by the Company, 10 (ten) percent of the salary of the appointee shall be deducted by the Company.
- (iii) In case no accommodation is provided by the Company, the appointee shall be entitled to House Rent Allowance subject to the ceiling laid down in Housing-i.

Explanation:

The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be valued as per the Income Tax Rules, 1962. This shall, however, be subject to a ceiling of 10 (ten) percent of the salary of the appointees.

MEDICAL REIMBURSEMENT

Expenses incurred for the appointee and his family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

LEAVE TRAVEL CONCESSION

For the appointee and his family once in a year, while on leave, incurred in accordance with the Rules of the Company.

CLUB FEES

Fees of Clubs subject to a maximum of two clubs as may be permissible by the Company. This will not include admission and life membership fees.

PERSONAL ACCIDENT INSURANCE

Of an amount, the annual premium of which shall be paid as per Rules of the Company.

OTHER BENEFITS & ALLOWANCES

Any other benefits, facilities and allowances as may be available and allowed to the appointee as per Rules of the Company.

The value of the perquisites for the purpose of calculating the above annual ceiling shall be evaluated as per Income Tax Rules wherever applicable otherwise at actuals.

Explanation:

For the purpose of Category 'A', family means, the spouse, the dependent children and dependent parents of the appointee.

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CATEGORY - B

- i) Contributions to Provident Fund and Superannuation/ Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- ii) Gratuity payable should not exceed half a month's salary for each completed year of service, subject to such ceiling as may be fixed by the Government from time to time and will not be included in the computation of the ceiling on perquisites.
- iii) Encashment of Leave at the end of the tenure will be permitted as per the Rules of the Company and will not be included in the computation of the ceiling on perquisites.

CATEGORY - C

Provision of Car for use on 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 appointee.

OVERALL REMUNERATION

Subject to an overall limit of 5% of the net profits individually and 10% of the net profits collectively payable to the Managing Director and Executive Director(s) as calculated in accordance with Section 198 and 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act, as may for the time being in force.

MINIMUM REMUNERATION

In the event of loss or inadequacy of profits in any financial year during the currency of tenure of office of the appointee, the Company may pay his remuneration by way of salary, Bonus or Exgratia in lieu of Bonus and perquisites as specified under the Remuneration Clause above within the limits laid down under para I of Section II of Part II of Schedule XIII to the Companies Act, 1956 now in force and as may be amended from time to time.

The perquisites specified in paragraph 2 of Section II of Part II of Schedule XIII to the Act, however shall not be included in the computation of the ceiling on remuneration specified under Para I of Section II of Part II of Schedule XIII to the Act.

SITTING FEE

The appointee shall not so long as he acts as the Executive Director of the Company be paid any sitting fees for attending any meetings of the Board or any Committee thereof.

OTHER TERMS

The appointee shall not during the continuance of his employment hereunder or at any time thereafter, divulge or disclose to any person or make use whatever for his own or for any other purpose any confidential information or knowledge acquired by him during his employment under the Company as to the business or affairs of the Company or as to any trade secret or secrets, processes of the Company and shall during the continuance of his employment hereunder use his best endeavours to prevent any other person from doing so.

The appointee hereby undertakes that so long as he functions as the Executive Director of the Company he shall not become

interested or otherwise concerned directly or indirectly, or through his wife and/or minor children in any selling agency of the Company in future without the prior approval of the Central Government.

Nothing herein contained shall entrust or be deemed to entrust the appointee with substantial powers of management of the affairs of the Company.

The Board of Directors may, in their discretion, revise or modify any of the terms of appointment and remuneration from time to time within the limits laid down in Schedule XIII to the Act.

RETIREMENT BY ROTATION

Shri Bandyopadhyay shall not be liable to retire by rotation. If at any time Shri Bandyopadhyay ceases to be a Director of the Company for any cause whatsoever he shall cease to be a Whole-time Director of the Company hitherto designated as Executive Director.

TERMINATION

Notwithstanding anything contained in this Agreement, either party, shall be entitled to determine this Agreement by giving two calendar months' notice in writing in that behalf to the other party and on the expiry of the period of such notice, this Agreement shall stand terminated. The Company shall also be entitled without assigning any reason whatsoever to terminate the Agreement on giving to the appointee two month's salary as specified under the Remuneration Clause above in lieu of two calendar month's notice required to be given under this clause.

SERVICE OF NOTICE

Any notice to be given hereunder shall be sufficiently given or served in the case of the appointee by being delivered either personally to him or left for him at his address last known to the Company or sent by registered post addressed to him at such address and in the case of the Company by being delivered at or sent by registered post addressed to its registered office; any such notice if so posted shall be deemed served on the day following that on which it was posted.

In compliance with the provisions of Section 198, 269, 309 and other applicable provisions of the Companies Act, 1956 an Ordinary Resolution in terms as set out in item No. 4 is being placed before the Members for their approval. The Board recommends the passing of the Resolution set out in the accompanying Notice.

MEMORANDUM OF INTEREST

Save and except Shri Bandyopadhyay, none of the Directors of the Company is in any way concerned or interested or deemed to be concerned or interested in passing of the said Resolution.

INSPECTION OF DOCUMENTS

The copy of the Service Agreement entered/to be entered into between the Company and the appointee in connection with appointment as Whole-time Director available for inspection of the Members at the Registered Office of the Company on any working day between 12-00 A.M. and 2-00 P.M. upto and including the date of Annual General Meeting or any adjournment or adjournments thereof. The same will also be available at the meeting.



ABSTRACT OF TERMS AND CONDITIONS OF APPOINTMENT UNDER SECTION 302 OF THE COMPANIES ACT, 1956

The terms and conditions of appointment and remuneration payable to Shri Bandyopadhyay as Whole-time Director, designated as 'Executive Director' of the Company, as set out in the Agreement and Explanatory Statement, duly annexed to the accompanying Notice should be treated as an 'ABSTRACT' of the terms of his appointment and Memorandum of Interest under Section 302 of the Companies Act, 1956.

Item No. 5

Members are aware that the Company had, at its 66th Annual General Meeting held on 20th September, 2004, passed a special resolution for shifting its Registered Office from its present location at Kolkata in the state of West Bengal to Ahmedabad in the state of Gujarat subject to confirmation of Company Law Board or any other appropriate authority pursuant to Section 17 of the Companies Act, 1956, to consolidate its operations at Ahmedabad where the company's Textiles unit and Head Office are situated. However owing to some technical reasons and practical difficulties the Board of Directors do not wish to proceed further in the matter for the time being..

The Board, therefore proposes that the Special Resolution so passed the company as stated above be withdrawn and revoked.

The Board thus recommends passing of the Resolution set out in item No.5 of the convening notice of the Annual General Meeting. None of the directors of the Company may be deemed to be concerned or interested in the resolution.

Item No. 6

Your Company has planned for further expansion of its business operations. The Company finds there are significant opportunities in India and abroad and to tap these growth potentials, the company seeks your approval for the further issue of securities through fully convertible debentures.

The details of financing plans and also utilization plans of the Company will be worked out in consultation with the Advisors, Lead Managers and/or other agencies wherever applicable subject to the approval of authorities concerned, wherever applicable. This proposed resolution is to authorize the Board of Directors to mobilize adequate resources in case of necessity to meet or to enhance the infrastructure for marketing capabilities to augment the resources for the new business, or acquisition of business in India and abroad, retirement of debt and other corporate growing needs including the working capital requirement of the Company. This resolution also gives adequate flexibility in respect of working out the modalities of issue including size, pricing and such time as the Board may in its absolute discretion deem fit.

Your Directors recommend the resolution for approval of the members.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

Item No. 7

The Authorised Share Capital of the Company presently stands at Rs. 18,00,00,000 divided into 1,80,00,000 (One Crore Eighty Lac) Equity Shares of Rs.10/- each and Issued, Subscribed and Paid up Share Capital is Rs.14,53,30,000 divided into 1,45,33,000 (One Crore Forty Five Lac Thirty Three Thousand)

Equity Shares of Rs.10/- each. In view of Company's proposal to issue 1,00,00,000 Unsecured Fully Convertible Debentures of Rs.105/- each for an aggregate nominal value of Rs.105 Crore, convertible into 3 Equity shares of Rs.10/- each at a premium of Rs. 25/- per share of the Company, the existing Authorised Share Capital will be insufficient to effectuate the proposed conversion. It has thus become necessary to adequately augment the authorised share capital of the Company to accommodate the additional Equity Shares that would be issued by the Company upon conversion of the Debentures.

It is therefore proposed to increase the authorised share capital of the Company from Rs.18 Crore to Rs.50 Crore by creation of additional Equity Shares to the extent and in the manner as set out in the Resolution under item No.7 of the accompanied notice of the Annual General Meeting, in accordance with the provisions of Section 94 of the Companies Act, 1956. The alteration in the Capital Clause 5 of the Memorandum of Association of the Company is consequential upon increase in Authorised Share Capital of the Company and is therefore proposed to be amended in accordance with the provisions of Section 16 of the Companies Act, 1956.

Your Directors recommend the resolution for approval of the members.

None of the Directors of the Company is, in any way, concerned or interested in the Resolution.

A copy of the Memorandum and Articles of Association of the Company and the proposed amendment shall be available for inspection at the Registered Office of the Company on any working day between 12-00 Noon and 2-00 P.M. upto and including the date of Annual General Meeting or any adjournment or adjournments thereof. The same shall also be available for inspection at the meeting.

Item No. 8

At the 66th Annual General Meeting of the Members of the Company held on 20th September 2004, the Board of Directors was authorised to borrow monies in excess of the paid-up share capital and free reserves of the Company, not exceeding Rs.200 Crore, apart from the temporary loans obtained from the Company's bankers in the ordinary course of business.

Considering the proposed issue of Unsecured Fully Convertible Debentures of an aggregate sum not exceeding Rs.105.00 Crore and in view of growing need of the Company for additional funds for further expansion of its business operations, it is felt necessary to enhance the existing ceiling of borrowings from Rs.200 Crore to Rs.300 Crore.

Consent of the members is, therefore, sought in terms of the provisions of Section 293(1)(d) of the Companies Act, 1956 to increase the borrowing limit adequately and upto an aggregate sum of Rs.300 Crore (Rupees Three hundred Crore) as stated in the Resolution.

The Board recommends this Resolution for acceptance by the Members.

None of the Directors are, in any way, concerned or interested in the said Resolution.

Registered Office:

2, Red Cross Place,
Kolkata - 700 001

Dated, the 1st August, 2005

By Order of the Board

R.S. Sharma
Company Secretary

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 67th Annual Report and the Audited Accounts of the Company for the year ended 31st March 2005.

FINANCIAL RESULTS

	2004-2005	(Rs. in lacs) 2003-2004
Turnover (Net of Excise)	16,705	15,131
Other Income	393	276
Profit Before Depreciation, Tax and Extra Ordinary Items	1,756	1,779
Less: Depreciation	788	701
Extra Ordinary Items	-	241
Profit Before Taxation	968	837
Less: Minimum Alternate Tax	65	30
Less: Deferred Tax Liabilities / (Assets)	23	(30)
Net Profit for the year	880	837
Transferred to Debenture Redemption Reserve	(26)	-
Balance brought forward from previous year	18	(352)
Net Deferred Tax Liability Accumulated upto 31.03.2003	-	(467)
Balance carried to Balance Sheet	872	18

DIVIDEND

The Company still requires a considerable amount of investment to change its product mix and manufacture products, which are now in demand, and desires to retain the earnings for this purpose. Hence, the Directors do not recommend any dividend for the year 2004-05.

REVIEW OF OPERATIONS

The year has been very successful for your Company. Sales have registered a growth of 10% but export sales are lower by 18%.

The quotas under the WTO have been completely withdrawn and the textile industry can now export freely to any country. However, China with its aggressive export policy has increased manifold its exports to USA during the Jan.- March'05 quarter, by substantially reducing its export prices. Imports of cheap fabrics from China into our country is also increasing. Our country can substantially increase exports by producing high priced quality products, which will not compete with the Chinese products. The Government of India is very keen to more than double our exports of textiles and to help quicker modernization is refunding 5% interest on the new machinery installed, thus, bringing the cost of interest down to almost 4-5% per annum. Further, a rebate of 10% is being available on the cost of some specific processing machinery for upgrading the finish of our processed materials to international standards. This scheme of modernization shall end in 2007.

AHMEDABAD UNIT

A major modernization cum expansion has been planned and is under execution. 13 Ring Frames are being shifted from our Baramati Unit to Ahmedabad, which will replace the old NMM Ring Frames installed in 1978. Just as the production of Dhori is almost negligible, the production of saree is also on its way out. The younger generation now prefers ready-made garments made from 150 cm wide fabric of long length and uniform shade, which is a prerequisite of good ready-made garment manufacturers. Accordingly, all the old airjet looms are being replaced with the latest generation machinery. A Continuous Open-width Bleaching plant and also a Continuous Fabric Dyeing plant have been ordered and are expected to be commissioned by the end of 2005.

Denim fabric is not only back in demand but there is a very good export potential for denim garments and in order to take advantage of this position your Company is installing a complete new Denim plant for manufacturing 10 million metres /



annum. This plant is expected to be in production in January'06 and our total denim production would then increase to 16 million metres/annum.

BARAMATI UNIT

13 new LR6 Ring Frames manufactured by Lakshmi Machinery Works Ltd. along with few imported machinery are been installed to further improve the quality of yarn and to obtain increased production due to these high speed machines.

PROSPECTS

The Textile Industry is now entering an era where more free trade along with better quality would result in improved profitability. With this in mind your Company is investing almost Rs. 870 million in 2005 and the full benefit of this should be visible in the accounting year 2006-07.

COTTON

The production of cotton in our country had varied between 14-18 million bales per annum. With the introduction of Genetically Modified Hybrid seeds, the production during 2004-05 is expected to be 24 million bales. The Government of India is fully seized of this issue and is extending a helping hand to the farmers. It is expected that production of cotton within the next 5 years would increase to more than 30 million bales per annum and our country would then become the second largest producer of cotton in the world. The ample availability of good quality cotton will greatly help in producing quality products at competitive prices to substantially increase our exports.

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

Shri S K Somany, the present Chairman of the Company retires by rotation and being eligible, offers himself for re-appointment in accordance with the provisions of Articles of Association of the Company. A brief profile of Shri S K Somany is provided in the Notice calling the 67th Annual General Meeting of the Company.

Shri M S Shekar has been nominated as nominee of ICICI Bank Ltd on the Board of the Company with effect from 7th May, 2004 in place of Shri Mayank Agarwal.

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, 2005, 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
- (iv) that the directors have prepared the accounts for the financial year ended 31st March, 2005 on a 'going concern' basis.