



# **SOMA TEXTILES & INDUSTRIES LIMITED**

**68th  
Annual Report  
2005-2006**



**A SOMANY ENTERPRISE**  
Making technology pay



## **Annual Report 2005-2006**

### **BOARD OF DIRECTORS**

Shri S. K. Somany	(Chairman)
Shri A. K. Somany	(Managing Director)
Shri P. Bandyopadhyay	(Executive Director)
Shri Prafull Anubhai	
Shri Ashok C. Gandhi	
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 2005-2006****NOTICE**

NOTICE is hereby given that the Sixty-Eighth 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, Monday, the 28th day of August, 2006 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, 2006 and the Profit & Loss Account for the year ended on that date together with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Prafull Anubhai Shah, 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 deemed fit, to pass with or without modification(s), the following Resolutions:

**4(a) Employee Stock Option Scheme / Employee Stock Purchase Scheme****As a Special Resolution**

"RESOLVED THAT pursuant to the provisions of section 81(1A) and all other applicable provisions, of the Companies Act, 1956, (the 'Act'), the provisions contained in the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines 1999 (the 'Guidelines') (including any amendment thereto or re-enactment thereof for the time being in force) and the Articles of Association of the Company and subject to such approvals, consents, sanctions, and permissions of the appropriate authorities, as may be required and subject to such conditions and modifications as may be considered necessary or required by the Board of Directors of the Company (hereinafter referred to as the "Board" which terms shall be deemed to include any Committee including Employees Stock Option Scheme (ESOS)/ Employee Stock Purchase Scheme (ESPS) Compensation Committee of the Board) or as may be prescribed or imposed by any of them while granting such approvals, consents, sanctions, and permissions which may be agreed to and accepted by the Board in its sole discretion, approval/ consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot, in one or more tranches, under the proposed ESOS 2006/ESPS 2006 at any time to or for the benefit of employees and Directors of the Company such number of equity shares and/or equity linked instruments including options and/or any other instrument or securities which could give rise to the issue of equity shares (hereinafter collectively referred to as "Securities") of the Company, initially not exceeding 5% of the paid up equity shares capital of the Company as on 31st March 2006 i.e. 726650 options in aggregate at such price, in such manner and on such terms and conditions as may be fixed or determined by the Board, prior to the issue and offer thereof in accordance with the Guidelines or other applicable provisions of law as may be prevailing at that time."

"RESOLVED FURTHER THAT the Board be and is hereby authorized on behalf of the Company to formulate, evolve, decide upon and bring into effect any scheme (hereinafter referred to as "the ESOS 2006 / ESPS 2006") on such terms and conditions as contained in the relevant Explanatory Statement to this notice and to make any modification(s), alteration(s), variation(s), change(s), revision(s) or amendment(s) in the terms and conditions of the said Scheme from time to time including but not limited to amendment with respect to vesting period, exercise price, eligibility criteria vesting schedule or to suspend, withdraw or revive the ESOS 2006 / ESPS 2006, from time to time as may be specified by Statutory Authority and/or permissible under the relevant guidelines/regulations, in force."

"RESOLVED FURTHER THAT the said Securities may be allotted directly to such employees and Directors or in accordance with the ESOS 2006/ESPS 2006 framed and/or to be framed in that behalf through any appropriate mechanism including a trust or any other entity which may be set up in any permissible manner for that purpose and that such ESOS 2006/ESPS 2006 may also envisage for providing any financial assistance to the employees/trust/entity to enable the employees/trust/entity to acquire, purchase or subscribe to the Securities of the Company."

"RESOLVED FURTHER THAT subject to the terms stated herein the new equity shares to be issued and allotted by the Company from time to time, pursuant to this resolution shall rank pari-passu in all respects with the then existing fully paid-up equity shares of the Company."

"RESOLVED FURTHER THAT the Board be and are hereby authorized to take necessary steps for listing of securities allotted under the ESOS 2006 / ESPS 2006 on the Stock Exchange(s) where the securities of the Company are listed as per the provisions of the Listing Agreements with the concerned Stock Exchanges and other applicable guidelines, rules and regulations, prevailing at the relevant time."

"RESOLVED FURTHER that for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do and perform all such acts, deeds, matters and things as may be necessary or expedient and to settle any



questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of securities as it may, in its absolute discretions, deem fit without requiring the Board to secure any further consent or approval of the members of the Company to the end and intent that the Members shall be deemed to have given such consent/approval expressly by the authority of this Resolution."

"RESOLVED FURTHER that the Board of Directors be and are hereby authorized to delegate all or any of the powers vested in it under this resolution to any committee of directors, constituted or to be constituted hereafter by the Board and/or the Chairman and/or the Managing Director of the Company with the Authority to these entities to further delegate all or any such powers to any one or more entities of the Company in order to give effect to the aforesaid resolution."

**4(b) Employee Stock Option Scheme/Employee Stock Purchase Scheme to include Subsidiary Companies/Body Corporate/Other persons**

**As a Special Resolution**

"RESOLVED THAT pursuant to the provisions of section 81(A) and all other applicable provisions, of the Companies Act, 1956 (the 'Act') the provisions contained in the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines 1999 (the 'Guidelines') (including any amendment thereto or re-enactment thereof for the time being in force) and the Articles of Association of the Company and subject to such approvals, consents, sanctions, and permissions of the appropriate authorities as may be required and subject to such conditions and modifications as may be considered necessary or required by the Board of Directors of the Company (hereinafter referred to as the "Board" which terms shall be deemed to include any Committee including Employees Stock Option Scheme (ESOS)/ Employee Stock Purchase Scheme (ESPS) Compensation Committee of the Board) or as may be prescribed or imposed by any of them while granting such approvals, consents, sanctions, and permissions which may be agreed to and accepted by the Board in its sole discretion, approval/ consent of the Company be and is hereby accorded to the Board of Directors to extend the benefits of said ESOS 2006 / ESPS 2006 proposed and referred to in the Resolution under Item No. 4(a) in this notice and to be passed and/or duly passed at this meeting, to the employees and Directors of the Holding or Subsidiary Companies and / or to such other persons, as may from time to time be allowed under prevailing laws, rules and regulations, and / or amendments thereto from time to time on such terms and conditions as may be decided by the Board."

"RESOLVED FURTHER THAT the said Securities may be allotted directly to such employees and Directors or in accordance with the ESOS 2006/ESPS 2006 framed and/or to be framed in terms of the Resolution proposed to be passed under item No. 4(a) of this notice in that behalf through any appropriate mechanism including a trust or any other entity which may be set up in any permissible manner for that purpose and that such ESOS 2006/ESPS 2006 may also envisage for providing any financial assistance to the employees/trust/entity to enable the employees/trust/entity to acquire, purchase or subscribe to the Securities of the Company."

"RESOLVED FURTHER THAT subject to the terms and conditions stated herein the new equity shares to be issued and allotted by the Company from time to time pursuant to this resolution shall rank pari-passu in all respects with the then existing fully paid-up equity shares of the Company."

"RESOLVED FURTHER THAT the Board be and are hereby authorized to take necessary steps for listing of securities allotted under the ESOS 2006 / ESPS 2006 on the Stock Exchange(s) where the securities of the Company are listed as per the provisions of the Listing Agreements with the concerned Stock Exchanges and other applicable guidelines, rules and regulations, prevailing at the relevant time."

"RESOLVED FURTHER that for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do and perform all such acts, deeds, matters and things as may be necessary or expedient and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of securities as it may in its absolute discretion deem fit without requiring the Board to secure any further consent or approval of the members of the Company to the end and intent that the Members shall be deemed to have given such consent/approval expressly by the authority of this Resolution."

"RESOLVED FURTHER that the Board of Directors be and are hereby authorized to delegate all or any of the powers vested in it under this resolution to any committee of directors, constituted or to be constituted hereafter by the Board and/or the Chairman and/or the Managing Director of the Company with the authority to these entities to further delegate all or any such powers to any one or more executives of the Company in order to give effect to the aforesaid resolutions."

**5. Revision in remuneration of Managing Director**

**As an Ordinary Resolution**

"Resolved that in partial modification of Resolution passed at the 64th Annual General Meeting of the Company held on 11th September 2002 for the re-appointment and terms of remuneration of Shri A. K. Somany ("Shri Somany"), as

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Managing Director of the Company for a period of five (5) years with effect from 22nd January 2003 to 21st January 2008 and in accordance with the provisions of Section 198, 269, 309, 310, 311 read with amended Schedule XIII to the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act 1956, the Company hereby approves the revision in terms of Remuneration of Shri Somany by way of increase in his salary with effect from 1st April 2006, for the remainder of the tenure of his appointment to the extent as set out in the Draft Supplemental Agreement to be entered into between Shri Somany and the Company, a draft of which is submitted to this meeting and for the purpose of identification signed by the Chairman thereof, which Draft Supplemental Agreement is specifically approved and sanctioned with liberty to the Board of Directors (hereinafter referred to the Board which terms shall be deemed to include any Committee which the Board may constitute thereof to exercise its powers, including the powers conferred on the Board by this Resolution) to alter and vary the terms and conditions of the said remuneration and/or Agreement and/or re-appointment in such manner as may be agreed to between the Board and Shri Somany, and that all other existing terms, conditions and stipulations relating to his remuneration, including commission, perquisites and allowances and re-appointment as contained in the principal Agreement earlier entered into between Shri Somany and the Company and contained in the Explanatory Statement attached to the Notice dated 29th June 2002, convening the 64th Annual General Meeting held on 11th September 2002, remain unchanged."

"RESOLVED FURTHER THAT notwithstanding anything contained herein above wherein in any financial year during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company shall pay the Managing Director minimum remuneration per month by way of salary, perquisites and allowance subject to the maximum ceiling calculated in accordance with the scale laid down in Clause (A) of Para 1 of 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."

"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."

### Registered Office:

2, Red Cross Place,  
Kolkata - 700 001

Dated, the 29th June, 2006

By Order of the Board

R.S. Sharma

Company Secretary

### NOTES:

1. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to Item Nos. 4(a), 4(b) & 5 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, should be duly completed, stamped and signed and must 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 Monday, the 21st August, 2006 to Monday, the 28th August, 2006 (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 and/or Pinnacle Registry Private Limited, the Registrar & Transfer Agents (RTA) of 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, 31st March 1997 and 31st March 1998 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. No dividend was declared by the company for the financial year ended 31st March 1999 and thereafter.
- 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 Prafull Anubhai Shah, B.Com. B.Sc.(Econ.) (London) aged about 68 years, a resident of Ahmedabad, is a Management Consultant. He is advisor/Consultants to leading Indian Companies and also attached to different Educational and Research Institutions.

Shri Shah has been a Director of the Company since 24.01.2004. He is the Chairman of Audit Committee and a member of Remuneration Committee of the Company. Presently Shri Shah is on the Board of several Public Limited Companies and continues as the Chairman and Member of Committee of Board of these Companies, as under:-

Name of the Company in which he is Director	Audit Committee	Investors' Grievance Committee	Remuneration Committee
Unichem Laboratories Ltd.	Chairman	-	Member
Mahavir Spinning Mills Ltd.	Chairman	-	-
Gruh Finance Ltd.	Member	Member	-
Torrent Cables Ltd	Member	Member	-
H.K.Finechem Ltd.	Member	-	Member
The EMSAF - Mauritius,	-	-	-
Niche Generics Ltd.	-	-	-

He is also the Director of several Private Limited Companies namely Birla Sun Life Trustees Company Private Limited, Management Structure & Systems Private Limited and Baker Oil Tools (India) Private Limited. He is also the Chairman of Audit Committee of Birla Sun Life Trustees Company Private Limited. He is also Director of Centre for Science, Technology and Policy - a Company incorporated under Section 25 of the Companies Act.

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

**Explanatory Statement in terms of Section 173(2) of the Companies Act, 1956**

**Item Nos. 4 (a) & 4(b)**

**Employees Stock Option Scheme / Employee Stock Purchase Scheme**

Stock Options have been recognized internationally, as an effective instrument, to align the interest of employees with those of the company and its shareholders, providing an opportunity to employees to share the growth of the company, and to create long term wealth in the hands of employees.

Through the ESOS 2006 / ESPS 2006, the Company proposes to reward its employees for their continuous hard work, dedication and support. On one hand it would help in motivating the employees and on the other hand it would work as an effective tool to retain the prized manpower of the Company. The ESOS 2006 / ESPS 2006 has been drawn to give employees who are performing well, a certain minimum opportunity to gain from the Company's performance. The ESOS 2006 / ESPS 2006 shall also enable to attract the best talent available in the market.

Stock Options create a common sense of ownership between the Company and its employees, paving the way for a unified approach to the common objective of enhancing overall shareholders' value.

The Board therefore, proposes to evolve an Employee Stock Option Scheme (hereinafter referred to as "the ESOS 2006 / ESPS 2006") for the benefits of the permanent employees and Directors of the Company and its Holding or Subsidiary companies, and such other persons / entities as may be prescribed by the SEBI from time to time, and in accordance with the provisions of the prevailing regulations.



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The following Explanatory Statement sets out various disclosures as required by Clause 6 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (herein after referred to as "the Guidelines") as amended from time to time.

The salient features of the Employees Stock Option Scheme are given hereunder:-

**a) Total Number of Options to be granted**

The total number of Options to be granted pursuant to the ESOS 2006 / ESPS 2006 initially shall not exceed 5% of the paid up equity shares capital of the Company as on 31st March 2006 i.e. 726,650. The Board may with the approval of the shareholders increase the maximum number of Options under the ESOS 2006 / ESPS 2006 at any time in accordance with provisions of SEBI Regulations/ Guidelines in force. One Option entitles the holder of the options to apply for One Equity Share of the Company.

**b) Identification of classes of employees entitled to participate in the Scheme**

- (i) The Employees and Independent Directors of the Company, its Holding and Subsidiary Company(ies) in India or outside India, as may determined by the Compensation Committee of the Company.
- (ii) The employees and Directors who are either promoter or belong to the Promoter Group as defined in the Guidelines; or either holding directly or indirectly more than 10% of the outstanding Share Capital of the Company's equity Share Capital at any time after the commencement of the Scheme, shall not be eligible for grant of options under the scheme.
- (iii) The options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

**c) Requirement of vesting, period of vesting and maximum period of vesting**

- (i) There shall be a minimum period of one year between the grant of options and vesting of options.
- (ii) The vesting period may extend upto 4 years.
- (iii) The Vesting shall happen in one or more tranches as may be decided by the ESOS/ESPS Compensation Committee.

**d) Exercise Price or Pricing Formula**

The exercise price for the purposes of the grant of options will be decided by the ESOS/ ESPS Compensation Committee, provided that the Exercise Price per option shall not be less than the par value of the equity share of the Company and shall not be more than the price prescribed under chapter XIII of SEBI (Disclosure and Investor protection) Guidelines 2000 Relevant Date being the Date of grant.

**e) Exercise Period and the process of exercise**

- (i) Exercise period will commence from the vesting date and extend upto the expiry period of the options as decided by the ESOS/ESPS Compensation Committee. The expiry period may extend upto 7 years from the date of grant of options. The ESOS/ESPS Compensation Committee will decide on the expiry period of options for employees leaving the Company after the grant of options in their favour.
- (ii) The options will be exercisable by employees by a written application to the designated officer of the Company to exercise the Options, in such manner, and on execution of such documents, as may be prescribed by the ESOS/ ESPS Compensation Committee under the Scheme.
- (iii) The options will lapse if not exercised within the specific exercise period.

**f) Appraisal Process for determining the eligibility of employees to the ESOS/ESPS**

- (i) The Company has a Formal Performance Management System established wherein the performance of the employees is assessed each year on the basis of various functional behavioural and managerial parameters.
- (ii) Employees and Directors would be granted Stock Options based on performance-linked parameters such as work performance, technical knowledge, period of service, designation and such other parameters as may be decided by the ESOS/ESPS Compensation Committee from time to time.
- (iii) The ESOS Compensation Committee may at its sole discretion extend the benefits of the ESOS 2006 / ESPS 2006 to a new entrant or any existing employee on such other basis as it may deem fit.

**g) Maximum number of options to be issued per employee and in aggregate**

- (i) The maximum number of options to be granted to each employee will depend upon the rank/designation of the employee as on the date of grant of options.
- (ii) The maximum number of options, to be issued from time to time, per participant, per annum shall not exceed 1% (One per cent) of the aggregate number of issued Equity Shares of the Company.
- (iii) The aggregate number of options to be granted under this scheme shall not exceed initially 5% of the paid up equity shares capital of the Company as on 31st March 2006, i.e. 726,650 Options (5% of 14,533,000 Equity Shares consisting of subscribed capital of the Company).



(iv) The ESOS/ESPS Compensation Committee shall decide on the number of options to be granted to each employee within this limit.

**h) Accounting Method**

The Company and its holding and subsidiary companies shall conform to the accounting policies specified in Schedule I referred to in clause 13.1 of the Guidelines and / or such other guidelines as may be applicable, from time to time.

**i) Method of valuation of these options**

The Company shall use the fair value method for valuation of the options or otherwise as may be determined by the Compensation Committee.

Clause 6 of the ESOS/ESPS Guidelines requires that any ESOS for offering stock options to the employees of the company must be approved by the shareholders by way of a special resolution. Further more, as the scheme will entail further shares to be offered to person other than existing shareholders of the company, Consent of the members is required by way of a special resolution pursuant to the provision of section 81(1A) of the Companies Act 1956.

Accordingly the resolution set as item no. 4(a) is being placed for the approval of shareholders pursuant to the provisions of section 81 (1A) of the Companies Act and Clause 6 of the ESOS Guidelines and all other applicable provisions of law for the time being in force.

As per the ESOS Guidelines, a separate resolution is required to be passed if the benefits of ESOS are to be extended to employees of the holding or subsidiary companies. This separate resolution under item no. 4(b) is being proposed accordingly to cover those employees and / or such other persons as may be permitted from time to time, under prevailing laws, rules and regulations and / or amendments thereto from time to time.

The Board of Directors recommends the Special Resolutions set out in item no. 4(a) and 4(b) for the approval of the members.

None of the Directors of the Company is, in any way, concerned or interested in the resolution except to the extent of the shares that may be offered to them under the scheme.

**Item No. 5**

The Shareholders had in the 64th Annual General Meeting held on 11th September 2002, approved the re-appointment of Shri A. K. Somany, as Managing Director of the Company for a period of five (5) Years with effect from 22nd January 2003 on the terms and conditions and remuneration payable to him as set out in the Principle Agreement dated 8th October 2002, entered into between him and the Company and also contained in the explanatory statement attached to the said notice dated 29th June 2002 convening the 64th Annual General Meeting of the Company, held on 11th September 2002.

The Board of Directors at their meeting held on 29th June 2006 on recommendation of the Remuneration Committee of the Board at their meeting held on 26th June 2006, approved, subject to approval of the shareholders, the revised terms of his remuneration by enhancing his salary from Rs. 50,000/- per month to Rs. 1,00,000/- per month for the residual period of his re-appointment from 1st April 2006 to 21st January 2008 as given hereunder:-

**REVISED TERMS OF REMUNERATION:**

**Salary -** At the rate of Rs. 1,00,000/- per month with effect from 1st April 2006 with an annual increment of upto 20% of his last drawn salary, as earlier approved.

(The Board may in its sole discretion on the recommendation of the Remuneration Committee consider and grant an annual increment to the Managing Director, subject however to a ceiling on increment of 20% of last drawn salary.

All other existing terms and conditions of the re-appointment and remuneration of Shri Somany including commission, perquisites and allowances as were set out in the Explanatory Statement, attached to the Notice dated 29th June 2002, convening the 64th Annual General Meeting and contained in the Agreement dated 8th October 2002, entered into between the Company and Shri Somany will remain unchanged.

The Board of Directors recommends passing of the Resolution for your approval.

None of the Directors except Shri A.K. Somany and Shri S.K. Somany are interested in the Resolution.

The copy of the Draft Supplemental Agreement to be entered in to between the Company and Shri Somany is available for inspection of the Members of the Company at the Registered Office of the Company on any working day of the Company between 12-00 Noon to 2-00 P.M. until the date of the ensuing Annual General Meeting or any adjournment or adjournments thereof. The same will also be available at the meeting.

*The Explanatory Statement together with the accompanying Notice should be treated as an abstract of the Terms and Memorandum of Interest under Section 302 of the Act.*

**Registered Office:**

2, Red Cross Place,  
Kolkata - 700 001

Dated, the 29th June, 2006

**By Order of the Board**

**R.S. Sharma**  
Company Secretary



**ANNUAL REPORT 2005-2006****DIRECTORS' REPORT**

Dear Shareholders,

We have pleasure in presenting the 68th Annual Report of the Company, along with audited statements of Accounts for the year ended 31st March, 2006. The summarized financial results are given below:

**1. SUMMARISED FINANCIAL RESULTS :**

	2005-2006	(Rs. in lacs) 2004-2005
Turnover (Net of Excise)	18,273	16,705
Other Income	309	393
Profit Before Depreciation and Taxation	2,121	1,756
Less : Depreciation	1,046	788
Profit Before Taxation	1,075	968
Less : Provision for Taxation (MAT) & FBT	96	65
Less : Deferred Tax Liabilities / (Assets)	88	23
Less : Income Tax Paid for Earlier Years	7	—
Net Profit for the year	884	880
Transferred to Debenture Redemption Reserve	(26)	(26)
Leasehold Land brought into the books	1	—
Balance brought forward from previous year	872	18
Balance carried to Balance Sheet	1,731	872

**2. DIVIDEND**

The changed marketing requirements have necessitated further investments in plant & machinery. Hence, the Directors do not recommend dividend for the year 2005-06.

**3. REVIEW OF OPERATIONS**

Sales registered an increase of a little over 9% to Rs. 182.73 crores but profit before depreciation and taxation substantially increased by 20.78% to Rs. 21.21 crores.

After the dismantling of the Quota System, a vast export market has opened up but we now have to face global competition from established exporting countries such as China, Pakistan, Thailand and Indonesia, who have massive manufacturing capacities and operate at much lower costs. The modernisation cum expansion taken up by the Company with an investment of Rs. 87 crores is nearing completion and the full benefits would accrue from August 2006 onwards.

**Ahmedabad Unit**

The Continuous Bleaching and Dyeing machines along with ancillary equipments have been commissioned. The processed fabric of the Company is now at par with all Indian leading manufacturers.

With the installation of 22 Picanol Airjet Looms, the entire Weaving section has been equipped with the latest looms capable of producing quality fabrics.

Trial run has commenced of the new Denim plant having a capacity to annually produce 10 million metres and full production is expected towards the end of July 2006.

**Baramati Unit**

All the 13 LR6 Ring Frames, along with other balancing equipment are in full production resulting in increased output. Orders for replacement of the remaining 17 Ring Frames have been placed on Laxmi Machine Works Ltd., but delivery of the machines being protracted, is expected to commence from January 2008.

Due to the ever increasing cost of Furnace Oil, the Company decided to shut down its Generating Units and have switched over to using power from Maharashtra State Electricity Board. Even though the quality of power is not ideal, it works out much cheaper than our own generation. Along with this change the company has also debonded the unit and it is no more a 100% Export Oriented Unit from 24th February 2006.

**4. COTTON**

The production of cotton at 26 million bales in 2005-06 has surpassed the expectation of the Government of India. The increase in the yield per hectare due to the use of BT cottonseeds has financially helped the farmers. In the current year with the reduction in the price of BT cottonseed more land will be sown with this seed resulting in still higher output in the country. The availability of ample cotton will help the Textile Industry to increase production as well as Exports.

**5. EXPANSION AND MODERNISATION**

The company would need to purchase monthly 600 Tons of Cotton yarn for the manufacture of Denim fabrics. Whilst availability of "open end" cotton yarn is adequate, consistent supply of quality "Ring Spun" yarn is difficult. There has been a sudden change in the type of yarn required for Denim fabrics. Now 75% of Denim fabrics are produced with Ring Spun yarn. Your Company is seriously contemplating putting up a spinning unit at a new location for the manufacture of cotton yarn to meet its own requirement.

The importing countries now require ready-made garments, which are available from China, Pakistan, Thailand, Bangladesh, Indonesia & Turkey. It has become necessary for the Company to install a plant to manufacture garments. The Company is preparing plans to set up a garment unit by the end of 2007.

**6. INSURANCE**

Adequate insurance cover has been taken for the properties of the Company including Building, Plant & Machineries and Stocks.

**7. PUBLIC DEPOSITS**

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

**8. DIRECTORS**

Shri Prafull Anubhai, director 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 Prafull Anubhai is provided in the Notice calling the 68th Annual General Meeting of the Company.

**9. CORPORATE GOVERNANCE**

A separate report on Corporate Governance is enclosed as a part of this Annual Report. A certificate from the Auditors of the Company regarding compliance with Corporate Governance norms stipulated in Clause 49 of the Listing Agreement is annexed to the report on Corporate Governance.

**10. DIRECTORS' RESPONSIBILITY STATEMENT**

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, 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (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 ;