



**SOMA TEXTILES &
INDUSTRIES LTD.**

70th ANNUAL REPORT
2007-2008



A SOMANY ENTERPRISE

Making technology pay



Annual Report 2007 - 2008

BOARD OF DIRECTORS

Shri S. K. Somany (Chairman)
 Shri A. K. Somany (Managing Director)
 Shri Shrikant Bhat (Executive Director)
 Shri Prafull Anubhai
 Shri Ashok C. Gandhi
 Shri Anupam Verma (Nominee Director-ICICI Bank Ltd.)

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SECRETARY

Shri R. S. Sharma

AUDITORS

Pipara & Company
 Chartered Accountants
 104, N.R. House, Ashram Road,
 Ahmedabad - 380009.

BANKERS

Dena Bank Ltd.
 State Bank of India Ltd.

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

SUBSIDIARY

Soma Textile FZE, Hamriya Free Zone,
 Sharjah, UAE

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NOTICE

NOTICE is hereby given that the 70th 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 4th day of September, 2008 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, 2008 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 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 deemed fit, to pass with or without modification(s), the following Resolutions:

4. **Appointment of Shri Shrikant Bhat as a Director of the Company**

As an Ordinary Resolution

"RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provisions of the Companies Act, 1956 Shri Shrikant Bhat, who was appointed an Additional Director of the Company and who, pursuant to the provisions of Section 260 of the Companies Act, 1956, holds office as Director upto the date of the ensuing Annual General Meeting and in respect of whom the Company has received a Notice, in writing from a member, pursuant to and in accordance with the provisions of Section 257 of the Companies Act, 1956, proposing the candidature of Shri Shrikant Bhat for the office of director, be and is hereby appointed a Director of the Company, liable to retire by rotation"

5. **Appointment of Shri Shrikant Bhat as Whole-time Director**

As an Ordinary Resolution

"RESOLVED THAT in accordance with the provisions of Sections 198, 269 and 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) thereto or re-enactments thereof for the time being in force) and subject to all such approvals and/or sanctions as may be necessary, the consent and approval of the Company be and is hereby accorded to the appointment of Shri Shrikant Bhat, as a rotating Whole-time Director of the Company, designated as "Executive Director", who shall 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 18th January, 2008 on the remuneration by way of salary, bonus/exgratia, perquisites and allowances and on the terms, conditions and stipulations as specified and set out in the Agreement, entered into between the Company and Shri Shrikant Bhat ("Shri Bhat"), (Particulars of which are enumerated in the Explanatory Statement, attached to this Notice of 70th Annual General Meeting of the Company) placed before this meeting and for the purpose of identification, is subscribed by the Chairman which agreement is hereby specifically sanctioned and approved 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 appointment and/or agreement as may be agreed to between the Board and Shri Bhat, provided however that the remuneration payable to Shri Bhat 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 or as may be agreed to between the Board of Directors and Shri Bhat."

"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 Shrikant Bhat."

"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 that the aforesaid Agreement between the Company and Shri Bhat be suitably amended to give effect to such amendments, modifications, relaxations or variation without any reference to the Company in General Meeting."

"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."

**6. Commission to Directors (Other than the Managing and Whole-time Directors).
As a Special Resolution**

"RESOLVED THAT in accordance with and subject to the provision of Section 309 (4) read with Section 309 (7) of the Companies Act, 1956, the Company do hereby authorise the payment to the Directors of the Company (Other than the Managing and Whole-time Directors, if any) of a commission (to be divided amongst them, in such amounts or in proportions and in such manner as may be determined by the Board of Directors of the Company from time to time and in default of such determination equally) of 1% (One percent) per annum of the net profits of the Company, to be computed in the manner prescribed in Sub-section (1) of Section 198, referred to in Sub-section (5) of Section 309 of the Companies Act, 1956 in any financial year of the Company, for a further period of 5 years, commencing from 1st April 2008 and upto 31st March 2013."

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

Registered Office:

2, Red Cross Place,
Kolkata - 700 001

Dated : the 30th June , 2008

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, 5 & 6 of the accompanying Notice is annexed hereto and forms part of this Notice.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON AS HIS PROXY TO ATTEND AND VOTE ON A POLL, INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK PROXY FORM IS ATTACHED AND IF INTENDED TO BE USED, IT SHOULD BE DULY COMPLETED, STAMPED AND SIGNED AND MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE SCHEDULED TIME OF COMMENCEMENT OF THE MEETING.**
3. Corporate Members intending to send their authorised representatives for attending the Annual General Meeting are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote on their behalf at the Annual General Meeting.
4. In case of Joint Holders attending the Meeting only such Joint Holders who is higher in names will be entitled to vote.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, the 1st September 2008 to Thursday, the 4th September 2008 (both days inclusive).
6. Members are requested to notify change in their address in block letters, if any, quoting their folio number to the Company and/or Pinnacle Share Registry Private Limited, the Registrar & Transfer Agents (RTA) of the Company.
7. Members/Proxies are requested to bring their copies of the Annual Report to the Meeting.
8. Pursuant to the provisions of Section 205A of the Companies Act, 1956 and the Rules made thereunder, all unclaimed or unpaid dividends upto and including the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Members, who have so far not claimed or collected their dividends for the said financial years, may claim the same from the Registrar of Companies, West Bengal, Nizam Palace, IInd MSO Building, 234/4 A.J.C. Bose Road, Kolkata -700 020 by submitting to them an application in Form II, prescribed under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978.
9. Pursuant to the provisions of Section 205A read with 205C of the Companies Act, 1956, all the unpaid and unclaimed Dividends for the financial year ended 31st March, 1996, 31st March 1997 and 31st March 1998 have been transferred to the Investor Education and Protection Fund ("IEPF") established by the Central Government. The Company has not declared any dividend for the financial year ended 31st March 1999 and upto financial year ended 31st March 2008.

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Shareholders may note that no claim shall lie against the Company or the said Fund in respect of any individual amounts which were unclaimed and unpaid for a period of 7 (Seven) years from the date(s), they first became due for payment, once transferred to the said fund and no payment shall be made in respect of any such claim.

10. As per the provision of Section 109A of the Companies Act, 1956, the Shareholders may avail of the nomination facility in respect of Equity Share held by them by submitting form 2B (in duplicate) prescribed by the Act, duly completed and signed to the Company's Registrar and Share Transfer Agents.
11. Members who hold shares in physical form in multiple folios in identical order of names or joint accounts in the same order and names, are requested to send details of such folios together with Share Certificates to the Company's Registrar and Share Transfer Agents for consolidation in to a single folio.
12. Members who wish to obtain any information, on the Company or its Accounts and operation may send their queries to the Company at least 10 days before the Meeting to keep the information ready at the meeting.
13. Members who hold shares in dematerialised form are requested to bring their Depository ID and Client ID Numbers for easier identification of attendance at the Annual General Meeting.

Brief Resume and other information in respect of the Director, retiring by rotation seeking re-appointment and appointment of a Director at the Annual General Meeting as required under Clause 49 (IV) (G) of the Listing Agreement:-

Shri S.K. Somany, aged about 77 years, is an Industrialist and a promoter of the Company. He is a graduate in Commerce. He is currently a Director and Chairman of the Company. He is also a 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) Simplex Reality Co. Ltd., (d) Shreelekha Global Finance 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 Chairman of Share Transfer & Shareholders/Investors Grievance Committee of the Company besides member of Share Transfer Committee of Simplex Reality Company Ltd. and Nav Bharat Refrigeration and Inds. Ltd.

Shri Somany retires from the Board by rotation at this meeting and being eligible, offers himself for re-appointment as Director of the Company.

A Brief profile of Sri Shrikant Bhat, the additional director whose name has been proposed to be appointed as a regular director on the Board of the Company is given under item no.4 of the Explanatory Statement forming part of this notice as required under Clause 49 (IV) (G) of the Listing Agreement.

EXPLANATORY STATEMENT IN TERMS OF SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 4

The Board of Directors of the Company at its meeting held on 18th January, 2008 had appointed Shri Shrikant Bhat as an Additional Director of the Company with effect from 18th January, 2008. As such, he holds office upto the date of this Annual General Meeting under the provisions of Section 260 of the Companies Act, 1956 read with Article 91 of the Articles of Association of the Company. A notice in writing from a Member under Section 257 of the Companies Act 1956 has been received by the Company, proposing the appointment of Shri Shrikant Bhat, as a Director of the Company. Shri Shrikant Bhat, aged about 43 years is a Graduate in Commerce and Chartered Accountant by qualification. He has over 20 years of experience in Corporate Finance and Taxation. He is a Director in Somany Evergreen Knits Ltd. His long standing experience and knowledge will be useful to the Company. The Board recommends this Resolution for his appointment as a Director of the Company for approval of the Members of the Company. Shri Bhat does not hold any Shares in Soma Textiles & Industries Ltd. as on 31st March, 2008.

Except Shri Bhat, no other Director is concerned or interested in the said Resolution as set out in item no. 4 of the accompanying Notice.

This explanatory statement may also be regarded as a disclosure under Clause 49 (IV) (G) of the Listing Agreement entered in to by the Company with the Stock Exchange(s).

ITEM NO. 5

Shri Shrikant Bhat (Shri Bhat) has been associated with the Company for several years as General Manager (Finance) of the Company. The Board of Directors have felt that it would be in the interest of the Company to appoint Shri Bhat hitherto the General Manager (Finance) of the Company as the whole-time Director of the Company, consequently the Board, at its meeting held on 18th January, 2008, appointed Shri Bhat as Whole-time Director designated as "Executive Director" for a period of 5 (five) years with effect from 18th January, 2008, subject however to the approval of the shareholders in the



ensuing Annual General Meeting and the Financial Institutions, who have granted financial assistance to the Company, if required, and subject further to such other approvals and/or sanctions as may be required, on the terms and conditions and the remuneration permissible under Schedule XIII to the Companies Act 1956, as embodied in the Agreement, entered into by the Company with Shri Bhat.

Shri Bhat, aged about 43 years, is a Commerce Graduate and Chartered Accountant from the Institute of Chartered Accountants of India (ICAI). He has acquired a good knowledge and experience of, over 20 years with Corporates including our Company. Shri Bhat shall be a retiring Director, who shall retire by rotation, in terms of Section 257 of the Act, including other provisions of the Act.

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 70th Annual General Meeting.

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

- 1) **Period of Appointment** : 5 years commencing from 18th January, 2008.
- 2) **Nature of Duties** : Subject to the superintendence, control and direction of the Board, Shri Bhat 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 Bhat, a Whole-time Director designated as 'Executive Director' shall in consideration of his service, be entitled to the following by way of remuneration.

(a) SALARY

At the rate of Rs. 43,250/- per month (including Basic & DA) or such amount as may be decided by the Board with Annual increment, first time in April 2008 and thereafter from April, 01, each year. The Board may, at its sole discretion on the recommendation of Remuneration Committee, consider and grant an annual increment as per the Graded scale specified by the Company for such senior Executives, subject however to a ceiling on increment of 30% of the existing Salary per annum.

(b) BONUS/EXGRATIA

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

(c) PERQUISITES

Shri Bhat will be entitled to the following perquisites & allowances in addition to salary and bonus or exgratia restricted to an amount equal to the annual salary of Shri Bhat.

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, personal accident insurance and such other benefits, facilities and allowances as may be available and allowed to Shri Bhat, as per rules of the Company. These may be provided for as under:-

Housing

- i) The expenditure incurred by the Company on hiring furnished accommodation for Shri Bhat will be subject to the ceiling 60(Sixty) percent of the Salary, over and above 10(Ten) per cent payable by Shri Bhat.
- ii) In case the accommodation is owned by the Company, 10 (Ten) per cent of the salary of Shri Bhat shall be deducted by the Company.
- iii) In case no accommodation is provided by the Company, Shri Bhat shall be entitled to House Rent Allowance subject to the ceiling laid down under Clause (i) above.

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) per cent of the salary of Shri Bhat.

Medical Reimbursement

Expenses incurred for Shri Bhat 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 Shri Bhat 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.

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Personal Accident Insurance

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

Other benefits and Allowances

Any other benefits, facilities and allowances as may be available and allowed to Shri Bhat, 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 Shri Bhat.

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.

For the purpose of Provident Fund, Gratuity and Leave benefit, the service of Shri Bhat, Executive Director, will be considered as continuous service from the date of his joining the Company without considering any break in the service.

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 Shri Bhat.

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 for each financial year, 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 Shri Bhat, the Company shall pay him remuneration by way of consolidated salary, Bonus or Exgratia in lieu of Bonus, perquisites and allowances as specified under Clause 6 of the Agreement referred to therein above within the limits laid down under Para 1 of Section II of the 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 the minimum remuneration specified under Para 1 of Section II of Part II of Schedule XIII to the Act.

Sitting Fee

Shri Bhat 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

Shri Bhat 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.

Shri Bhat 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 Shri Bhat 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 appointments and remuneration from time to time within the limits laid down in Schedule XIII to the Act.

**SOMA TEXTILES & INDUSTRIES LIMITED****Retirement by Rotation**

Shri Bhat shall be liable to retire by rotation in accordance with the provision of Section 255 of the Companies Act, 1956. If at any time Shri Bhat 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 Shri Bhat two month's salary as specified in Clause 6 (a) of the Agreement entered in to by the Company with Shri Bhat in lieu of two calendar months' 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 Shri Bhat by being delivered either personally to him or left for him at his address last know 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.

MEMORANDUM OF INTEREST

Save and except Shri Bhat, 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 into between the Company and Shri Bhat in connection with his appointment as Whole-time Director is available for inspection of the Members 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 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 Bhat as Whole-time Director, designated as 'Executive Director' of the Company, as set out in the Agreement referred to 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. However an abstract of the terms and conditions of Sri Bhat and Memorandum of interest under Section 302 of the Companies Act, 1956 was sent to the members of the Company in February 2008 when the appointment of Sri Bhat as a whole time director designated as the executive director was made by the Board at the meeting held on 18th January, 2008 subject to due approval of the members at the ensuing Annual General Meeting of the Company.

ITEM NO. 6

The Company by a Special Resolution passed at its 65th Annual General Meeting held on Monday, the 18th day of September 2003, was authorised by the Members of the Company to make payments to its Directors (other than the Managing and Wholetime Directors of the Company) of a commission of 1% (One percent) of the net profits of the Company for each of the Financial year for a period of Five (5) years commencing from the 1st day of April 2003 and ending on the 31st day of March 2008.

In terms of the provision of Section 309(7) of the Companies Act, 1956, which provides that a Special Resolution passed under Section 309(4) of the act shall not remain in force for more than Five (5) years at a Stretch, the previous resolution as stated to have passed hereinabove remained valid upto the end of Company's Financial year ended on 31st March, 2008. Accordingly it is proposed to pass a fresh Resolution by way of Special Resolution for the purpose of continuity of payment of such commission for each Financial Year in pursuance of Section 309(4) read with Section 309(7) of the Companies Act, 1956 for a further period of Five (5) years commencing from 1st day of April, 2008 and ending on the 31st day of March, 2013. The Resolution set out in Item No.6 of the convening Notice is intended for seeking member's approval and your Directors accordingly recommend the same.

All the Directors except Shri A. K. Somany and Shrikant Bhat may deem to be interested or concerned in the said Resolution.

Registered Office:

2, Red Cross Place,

Kolkata -700 001

Dated : the 30th June , 2008

By Order of the Board

R.S. Sharma

Company Secretary

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Dear Shareholders,

We have pleasure in presenting the 70th Annual Report of the Company, along with audited statements of Accounts for the year ended 31st March, 2008. The summarized financial results are given below:

1. SUMMARISED FINANCIAL RESULTS :

	2007-08	(Rs. in lacs) 2006-07
Turnover	19,261	18,850
Other Income	1,183	1,193
Total Income	20,444	20,043
Profit Before Depreciation, Tax and Extra Ordinary items	587	2374
Less: Depreciation	1,568	1,179
Profit /(Loss) Before Taxation	(981)	1,195
Extraordinary Items	(547)	(273)
Profit / (Loss) after Extraordinary items	(1528)	922
Less: Taxes	8	111
Less: Deferred Tax Liabilities / (Assets)	224	216
Net Profit / (Loss) for the year	(1760)	595
Transferred to Debenture Redemption Reserve	-	(26)
Balance brought forward from previous year	2,301	1,732
Balance carried to Balance Sheet	541	2,301

2. DIVIDEND

Your Directors do not recommend any dividend for the year 2007-08, in view of net loss during the year.

3. RESULTS OF OPERATIONS

During the year, the turnover was higher by 2% at Rs.19,261 lacs as compared to Rs.18,850 lacs in the previous year. The Company had incurred net loss of Rs.1,760 lacs against the previous year net profit of Rs.595 lacs.

Ahmedabad Unit

The Company has fully integrated production facilities with high tech machines. It has innovative capabilities to deliver the kinds of weaves and designs that are demanded by the present market. With the robust growth of the organised retail in India, the requirement of readymade garments has increased manifold both for local and export.

Your Company is in the process of setting up of a garment manufacturing unit with initial capacity to produce 5000 pcs. of garments per day which will be in operation within the current year.

Baramati Unit

The company is in the process of upgradation of the existing Ring Frames, which will improve the productivity level.

4. GDR ISSUE

In the year 2006-2007, your Company had raised fund amounting to Rs.78.37 crores through 1,850,000 Global Depository Receipts (GDRs) representing 18,500,000 equity shares of face value of Rs. 10/- each @ USD 9.35 per GDR. The GDRs have been listed on the Luxembourg Stock Exchange. Out of 1,850,000 GDRs issued and allotted 1,617,500 GDR investors have opted for conversion into equity shares upto 31st March 2008, 232,500 GDRs remain pending for conversion into equity shares. Out of GDRs proceeds, the Company upto 31st March 2008 has deployed USD 15.98 million (equivalent to Rs.64.09 Crores) in its subsidiary SOMA TEXTILE FZE.

5. COTTON

In the last three years due to introduction of BT cotton seeds the yield per hectare has substantially increased and the production has reached an all time high of 315 lac bales. This is expected to further rise by atleast 5% inspite of lesser sowing in Punjab and Rajasthan. Unfortunately the yield per hectare in Maharashtra has only increased from 207 kg to 320 kg per hectare against production in Gujarat of 743 kgs per hectare. Vidharbha in Maharashtra having the highest area under cotton cultivation is entirely dependant on rain as there is practically no irrigation facility, Urgent steps are required to be taken by our Government for proper availability of water to avoid suicides by the farmers.



Unfortunately the forward trading in cotton, now allowed by our Government helped foreigners to purchase cotton which has created an artificial scarcity. On the other hand our Government has levied an import duty of 10% on import of cotton into our country. The cumulative effect has been a sharp increase in cotton prices by over 33%. This has not helped our farmers as the increased profit has been shared by the traders and the foreign buyers which has resulted in an irreparable loss to the Indian Textile Industry in terms of production, employment and foreign exchange earning. Urgent measures are now required to be taken by the Government of India to help the Indian Textile Industry to avoid possible closure of marginal mills.

6. EXPORT

In-spite of Rupee appreciation, exports for the year under review were Rs. 4066 lacs, a growth of 41%

7. EXPANSION AND MODERNISATION

Your company is upgrading existing machineries to increase productivity level and is in the process of setting up of a garment manufacturing unit within its factory premises at Ahmedabad unit.

8. SUBSIDIARY COMPANY

As required by Section 212 of the Companies Act, 1956 the Annual Report along with the Audited Statement of Accounts of a wholly owned Subsidiary named Soma Textile "FZE" incorporated and registered in Hamriya Free Zone, Sharjah, UAE is attached to this report.

9. CONSOLIDATED ACCOUNTS

The Directors present the consolidated Financial Statements duly incorporating the accounts of Soma Textile FZE, Sharjah, UAE, a wholly owned Subsidiary of the Company for the year ended 31st March, 2008. As stipulated by Clause 32 of the Listing Agreement(s), Consolidated Financial Statements have been prepared in accordance with Accounting Standard AS-21 and the same has been annexed to this Annual Report.

10. CASH FLOW STATEMENT

As required under Clause 32 of the Listing Agreement with the Stock Exchange(s), in India, a Cash Flow Statement, as prepared in accordance with the Accounting Standard on Cash Flow Statement (AS 3) issued by the Institute of Chartered Accountants of India (ICAI), is given along with Balance Sheet and Profit and Loss Account.

11. INSURANCE

All the properties of our Company have been adequately insured against fire, flood, earthquake, and explosive risks.

12. PUBLIC DEPOSITS

Your Company did not invite, accept or received any Fixed Deposits pursuant to the provisions of Section 58A of the Companies Act, 1956, during the year.

13. DIRECTORS

Shri S. K. Somany, 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.

During the year Shri Shrikant B. Bhat was appointed an Additional Director and also the Whole-time Director designated as the Executive Director with effect from 18th January 2008. Shri Shrikant Bhat holds office upto the conclusion of the ensuing Annual General Meeting of the Company in accordance with the provisions of Section 260 of the Companies Act, 1956. The Company has received a notice in writing from a Shareholder of the Company signifying his intention to appoint Shri Bhat as a Director of the Company.

The brief profiles of Shri S. K. Somany and Shri Shrikant Bhat are provided in the Notice calling the 70th Annual General Meeting of the Company. Requisite approvals in this regard are being sought at the forthcoming Annual General Meeting of the Company.

Shri P. Bandyopadhyay resigned as the Executive Director of the Company with effect from 22nd December 2007.

14. CORPORATE GOVERNANCE

A separate Report on Corporate Governance, along with a certificate from the Auditors of the Company, M/s Pipara & Company, Ahmedabad confirming compliance with Corporate Governance norms as stipulated under Clause 49 of the Listing Agreement entered in to Stock Exchange(s) is annexed hereto and forms part of this report.

15. MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis report is presented separately forming part of this Annual Report.