



NOTICE

NOTICE is hereby given that the 72nd 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 13th day of September, 2010 at 2.00 P.M. to transact the following business :-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 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 Shrikant Bhat, 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 resolution:-

4. **Re-appointment of Shri A. K. Somany as Managing Director:**

(As a Special Resolution)

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") read with Schedule XIII of the said Act (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and pursuant to the approval of Board of Directors of the Company ("the Board") at the meeting held on 29th May, 2010 and subject further 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 A. K. Somany, as a Non-rotating Managing Director of the Company, 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 3 (Three) years with effect from 22nd January, 2011 to 21st January, 2014, on the existing remuneration by way of salary, commission, perquisites and allowances as recommended by Remuneration Committee and on the existing terms, conditions and stipulations as contained in the "Draft Agreement" to be entered into between the Company of the ONE PART and Shri A. K. Somany of the OTHER PART, extract of which is also set out in the Explanatory Statement, attached to the Notice of 72nd Annual General Meeting of the Company, and a draft of the AGREEMENT is placed before this meeting and initialed by the Chairman of the Company for the purpose of identification, which agreement is hereby specifically approved and sanctioned with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include Remuneration Committee or any committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution) to alter, vary and modify the terms, conditions and stipulations of the re-appointment of Shri Somany and/or remuneration payable to him and/or agreement as may be agreed to between the Board and Shri Somany, provided however that the remuneration payable to Shri Somany shall not exceed the maximum limits for payment of Managerial remuneration specified in Schedule XIII to the Companies Act, 1956 or any amendments and/or modification(s) thereto or the laws and guidelines as may for time being be in force."

"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 20% of the last drawn salary, as the Board may consider fit and proper for Shri Somany."

"RESOLVED FURTHER THAT the Managing 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 hereinabove where in any financial year during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, unless otherwise approved by the Central Government, the Company shall pay the Managing Director minimum remuneration per month by way of salary, 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 or such other limits as may be prescribed by the Central Government from time to time as to minimum remuneration."

"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, increase, enhance or widen the scope of remuneration including salary, commission, perquisites and/or allowances to the extent but within the maximum permissible limits for payment of managerial remuneration specified in Schedule XIII to the said Act and other applicable provisions, if any, of the Companies Act, 1956 as amended from time to time, without any further reference to the Members of the Company in General Meeting."

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"AND RESOLVED FURTHER THAT the Chairman or any one of the Directors of the Company, be and is hereby authorised to approve, finalise, sign and execute the agreement and such other documents, papers and writings as may be required in this regard and to do and perform all such acts, deeds, matters and things, as may be considered necessary, desirable or expedient for giving effect to this resolution."

Registered Office:

2, Red Cross Place,
Kolkata - 700 001
Dated, the 29th May, 2010

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 No. 4 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/HER PROXY TO ATTEND AND VOTE ON A POLL, INSTEAD OF HIMSELF/HERSELF. 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/Trust/Society intending to send their authorized representatives for attending the Annual General Meeting are requested to send a duly certified copy of the Board/Managing Committee 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 Holder 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 6th September, 2010 to Monday, the 13th September, 2010 (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 Sharepro Services (India) Private Limited, the newly appointed 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 already 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 Section 205C of the Companies Act, 1956, all the unpaid and/or unclaimed Dividends upto the financial year ended 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 since financial year ended 31st March 1999.
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 & 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 & Share Transfer Agents for consolidation into 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 the Director re-appointed as the Managing Director of the Company at the Annual General Meeting as required under Clause 49 (IV) (G) of the Listing Agreement:-

Shri Shrikant Bhat, aged about 45 years, is a Commerce Graduate and a Member of Institute of Chartered Accountants of India. He has experience and expertise in a wide range of fields like Corporate Finance, Tax Laws and Company Law



spanning over 20 years. Shri Bhat was appointed as an Additional Director and a Whole time Director designated as an Executive Director of the Company, liable to retire by rotation, with effect from 18th January, 2008. Shri Bhat holds office of Director in Somany Evergreen Knits Limited. Shri Bhat does not hold any shares in the Company

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

Shri A. K. Somany, is an industrialist and a part of existing promoters of the Company, aged about 55 years, is a science graduate (B.Sc.) and holds Membership of All India Management Association (MIMA), who looks after the affairs of the Company. He combines comprehensive mix of academic qualification and professional experience. He has acquired working experience of more than 30 years in Textile and Ceramic Industry, of which more than 20 years, belong to Textile Industry as the Managing Director. He traveled around the world and accumulated a good understanding of Global business issues. He was the Chairman of the Ahmedabad Mills Owners' Association for 2003-2004 and has been a member of the Indian Cotton Mills' Federation and several other committees constituted by Government boards. He is also on the Board of Pudumjee Industries Limited, NND Investment Private Limited and KGPL Industries & Finvest Private Limited. He is a relative of Shri S. K. Somany, Chairman of the Company. Shri A. K. Somany is a member of shareholders'/Investors' Grievance Committee and Share Transfer Committee of the Company. Shri Somany holds 8,54,848 equity shares in the Equity Share Capital of the Company.

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

Item No. 4

The present tenure of Shri A. K. Somany ("Shri Somany") as non-rotating Managing Director of the Company not liable to retire by rotation, ends on 21st January, 2011.

The Board, at its meeting held on 29th May, 2010, has approved the re-appointment of Shri Somany as a Whole-time Director designated as "Managing Director" for a period of 3(Three) years with effect from 22nd January, 2011, 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 Somany. Shri Somany 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 considers that his service will be useful to the Company and that it is in interest of the Company that he be re-appointed as a Whole-time Director, designated as 'Managing 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 72nd Annual General Meeting.

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

a) **Period of Appointment:**

3 (Three) years commencing from 22nd January, 2011.

b) **Nature of Duties:**

Subject to the superintendence, control and direction of the Board, Shri Somany 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 Managing Director of the Company.

Remuneration :

Shri A. K. Somany (Shri Somany), a Whole-time Director designated as 'Managing 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. 1,00,000/- per month (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 in its sole discretion, at 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.

(b) **COMMISSION:**

At the rate of 1% (One percent) of net profits of the Company for each financial year computed in the manner laid down in Section 198 and 309 of the Companies Act, 1956 subject however to a ceiling of Annual Salary.

(c) **PERQUISITES:**

The appointee shall be entitled to the following perquisites in addition to salary and commission restricted to an amount equal to the annual salary of appointee or Rs. 4,50,000/- per annum, whichever is less.

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

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CATEGORY – A

This will comprise of house rent allowance, leave travel concession, medical reimbursement, fees on clubs and personal accident insurance and such other benefits, facilities and allowances as may be available and allowed to appointee, 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 appointee will be subject to the ceiling – 60 (Sixty) percent of the Salary over and above 10 (Ten) per cent payable by the appointee.
- ii) In case the accommodation is owned by the Company, 10 (Ten) per cent of the salary of appointee shall be deducted by the Company.
- iii) In case no accommodation is provided by the Company, 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) per cent of the salary of the appointee.

MEDICAL REIMBURSEMENT

Expenses incurred for the appointee and his family subject to a ceiling of one month's salary in a year or three month's 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 does not exceed Rs.10,000/- per annum.

OTHER BENEFITS AND 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.

Note: All the perquisites will be interchangeable i.e. any excess in a particular perquisite may be permissible by a corresponding reduction in one or more of the other perquisites.

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.

These perquisites shall not, however 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.

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, as contemplated under Schedule XIII to the Companies Act, 1956, in any financial year during the currency of tenure of office of the appointee, the Company shall pay his remuneration by way of



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salary, perquisites and allowances as specified above under the Remuneration Clause, unless otherwise approved by the Central Government. The minimum remuneration proposed to be paid is within the limits laid down under Para I (B) 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.

Any payment of remuneration to the appointee in excess of the minimum permissible limit specified under Para I (B) of Section II of Part II of Schedule XIII to the Companies Act, 1956 would require the approval of the Central Government.

SITTING FEE

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

RETIREMENT BY ROTATION

The appointee shall not be liable to retire by rotation. If at any time the appointee ceases to be a Director of the Company for any cause whatsoever he shall cease to be a Managing Director of the Company.

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 Managing 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.

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.

TERMINATION

Notwithstanding anything contained in the Agreement, either party, shall be entitled to determine the Agreement by giving six 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 six month's salary as specified in Remuneration Clause (a) hereinabove in lieu of six 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 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 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, a Special Resolution as set out in item No. 4 of the accompanying Notice is now being placed before the Members for their approval. The Board recommends passing of the Resolutions set out in item No.4 of the accompanying Notice.

MEMORANDUM OF INTEREST

Save and except Shri S. K. Somany and Shri A. K. Somany, being close relative to each other, none of the Directors of the Company are, in any way concerned or interested or deemed to be concerned and interested in this Resolution.

INSPECTION OF DOCUMENTS

The draft copy of the service Agreement proposed to be entered into between the Company and Shri Somany in connection with his appointment as Managing 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 Somany as Managing 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 re-appointment and Memorandum of Interest under Section 302 of the Companies Act, 1956.

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The requisite information required to be provided to the Shareholders of the Company in the Notice convening the Annual General Meeting of the Company in terms of Part-II, Section II-1(B) of Schedule XIII to the Companies Act, 1956 is set out below :-

I. General Information :-

- (1) Nature of Industry : Manufacturer of Textile and Cotton Yarn.
- (2) Date or expected date of commencement of Commercial production : 1969.
- (3) Financial Performance on given indicators :

(Rs. in Lacs)				
Year ending 31st March	Sales	Operating Profit/(Loss)	Profit/(Loss) before Tax	Net Profit/(Loss) after Tax
2006	18,273	2,121	1,075	884
2007	18,850	2,374	1,195	595
2008	19,261	662	(905)	(1,760)
2009	15,707	(1,850)	(3,501)	(2,837)
2010	20,756	(296)	(1,951)	(1,868)

- (4) Export Performance and net foreign exchange earnings :

Export revenue for the year 2009-10 was at Rs. 1,685 Lacs, lower than the export of Rs. 3,584 Lacs achieved in the previous year. Foreign exchange earned and used during the financial year 2009-10 and 2008-09 :-

Rs. in lacs		
	2009-10	2008-09
Foreign Exchange earned	1,685	3,584
Foreign Exchange used	355	615

- (5) Foreign Investments or Collaborators, if any :

Holdings of FIIs/NRIs and other non-residents is 20.28% (out of which 20% is held by Mavi Investment Fund Ltd.) in the Company as at 31st March, 2010. The Company has no foreign Collaborator.

II. Information about the appointee :-

- (1) Background details : Shri A. K. Somany (Shri Somany), aged about 55 years, is an Industrialist and presently the Managing Director of the Company. Shri Somany looks after the overall management and operations of the Company. He is a Science Graduate (B.Sc.) and holds Membership of All India Management Association (MIMA). He has acquired working experience of more than 30 years in Textile and Ceramic Industry, of which more than 20 years, belong to Textile Industry as the Managing Director, appointed since 22nd January, 1988. Shri Somany has taken several initiatives to focus on growth, value addition and cost effectiveness besides overseeing the Company's business. Shri Somany has successfully and in a sustained way, contributed significantly towards improvement and growth of the Company. Shri Somany is son of Shri S. K. Somany, the Chairman of the Company, hence related to him and he holds 8,54,848 Equity Shares, constituting 2.49% of the Equity Share Capital of the Company.
- (2) Past Remuneration : 2006-2007 : Rs. 13,88,709/-
2007-2008 : Rs. 13,81,180/-
2008-2009 : Rs. 13,52,273/-
2009-2010 : Rs. 17,64,000/-



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(3) Recognition or Awards	: He is the past Chairman of Ahmedabad Mill Owners' Association and has been a member of The Indian Cotton Mills' Federation and several other committees constituted by governmental bodies.
(4) Job profile and his suitability	: Shri A. K. Somany acting as the Managing Director of the Company, shall devote his whole-time and attention to the business and affairs of the Company and carryout such duties, which are entrusted to him from time to time by the Board of Directors of the Company ("the Board") and exercise such powers as assigned to him by the Board subject to the superintendence, control and directions of the Board in connection with and in the best interest of the Company and the business of its associated and/or subsidiary Company(ies), as the case may be. The Board is of the opinion that Shri Somany has the requisite qualifications, expertise and experience for the job, he is appointed.
(5) Remuneration proposed	: Salary @ Rs. 1,00,000/- per month with discretion to the Board to consider an annual increment of, maximum upto 20% of the last drawn salary, upon recommendation of the Remuneration Committee, along with commission @1% on net profits of the Company for each financial year computed in the manner laid down in Section 198 and 309 of the Companies Act, 1956 and other perquisites as spelt out in the explanatory statement annexed to the notice convening the 72nd Annual General Meeting of the Company.
(6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person	: Compared to the remuneration with respect to the Industry, Companies of similar size as that of the Company and persons holding similar position, the remuneration proposed to be paid to Shri Somany as the Managing Director is low.
(7) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any	: The Managing Director has no other pecuniary relationship directly or indirectly with the Company or with any of the managerial personnel of the Company, except to the extent of remuneration and other employment benefits being paid to him as the Managing Director of the Company and the holdings in the Company held by him and his relatives and associates or held by the Company(ies), Firm(s) and Trust(s), in which he is interested as a director, member, partner and trustee and further to the extent of dividend, if any, declared and paid by the Company on their respective holdings and such other benefits arising out of such Shareholdings.

III. Other Information :-

(1) Reasons for loss or inadequate profits	There is continuous loss in the Company. The operations of the Company were severally affected due to increase in the input cost of major raw materials like cotton, dyes & chemicals, power & fuel and high volatility in foreign exchange market coupled with global recession which lead to lack of demand and drop in consumer sentiments. The Company had to resort to reduce its production. All these factors adversely affected the Company's operations to a greater extent.
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| (2) Steps taken or proposed to be taken for improvement | The Management is taking necessary and adequate steps to improve workings and profitability of the Company and will continue in its endeavor to improve Company's performance. The Company had been granted, at the request of the Company, a Restructuring Package by Corporate Debt Restructuring (CDR) Cell under the CDR Mechanism of RBI vide Letter of Approval (LOA) No. BY.CDR/AG No. 1110/2008-2009 dated 26th February, 2009 for restructuring the Company's existing financial assistance availed of from the Institutional Lenders and Working Capital Banks, and sanctioning additional financial assistance to the Company to ease out financial distress and constraints to some extent, the Company had been facing in view of continuous loss. |
| (3) Expected increase in productivity and profits in measurable terms | The Current Economic Scenario across the Globe has badly affected the Indian Textile Industry, the Company has taken several initiatives to improve upon the Company's profitability. There is an improvement in financial performance in the Company for the year under review where losses have reduced. The Company has incurred a net loss of Rs. 1,868 lacs as against the net loss of Rs. 2,837 lacs in the previous year. Sales of the Company have increased by 32% at Rs. 20,756 lacs as compared to Rs. 15,707 lacs in the previous year. |

IV. Disclosures :-

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| (1) The Shareholders shall be informed of the remuneration package of the managerial person | : Yes, the Remuneration package has been fully disclosed under the explanatory statement, in regard special resolution approving at item no. 4 of the Notice relating to the appointment of the Managing director duly annexed to the Notice convening the 72nd Annual General Meeting of the Company in which proposal for re-appointment of Shri A. K. Somany as the Managing Director is given to seek members approval. |
| (2) All elements of remuneration package such as salary benefits, bonuses, stock option, perquisites of all the Directors | The Remuneration package and other terms applicable to the Directors have been disclosed in the Corporate Governance Report forming part of the Annual Report for the year. |
| (3) Details of fixed components and performance linked incentives along with performance criteria. | |
| (4) Service contracts, notice period, severance fees etc | : Service Contract is for a period of 3 (Three) years from 22nd January, 2011 to 21st January, 2014. Notice period is 6 (Six) months. No severance fee is payable on termination. |
| (5) Stock option details, if any and whether the same has been insured at a discount as well as the period over which accrued and over which exercisable | : The Company has not issued any stock options to any of its Directors or Managerial Personnel. |

Registered Office:
2, Red Cross Place,
Kolkata - 700 001
Dated, the 29th May, 2010

By Order of the Board

R.S. SHARMA
Company Secretary



SOMA TEXTILES & INDUSTRIES LIMITED

DIRECTORS' REPORT

Dear Shareholders,

We have pleasure in presenting the 72nd Annual Report of the Company, along with audited statements of Accounts for the year ended 31st March, 2010. The summarized financial results are given below:

1. SUMMARISED FINANCIAL RESULTS:

	2009-10	(Rs. In Lacs) 2008-09
Turnover	20,756	15,707
Other Income	802	953
Total Income	21,558	16,660
Loss before Depreciation, Prior Period Item, Exceptional Items and Tax	296	1,850
Add : Depreciation	1,655	1,651
Loss before Prior Period Item, Exceptional Items and Tax	1,951	3,501
Add : Prior Period Items- income	(12)	—
Add : Exceptional Items	893	(442)
Loss before Taxation	2,832	3,059
Add : Taxes	—	16
Add : Provision for Deferred Tax	(964)	(238)
Net Loss for the year	1,868	2,837
Add : Balance brought forward from Previous year	2,296	(541)
Balance being loss carried to Balance Sheet	4,164	2,296

2. DIVIDEND

Your Directors do not recommend any dividend for the year 2009-10, in view of net loss during the year.

3. RESULTS OF OPERATIONS

During the year under review, the operations of the Company improved due to good domestic demand. Due to the increase in the activity, the sale turnover of the Company has increased by 32% at Rs.20,756 lacs as compared to Rs.15,707 lacs in the Previous year.

The Company has incurred a net loss of Rs.1,868 lacs against the Previous year's net loss of Rs. 2,837 lacs. This was mainly due to volatility in the input cost of the major raw materials, cotton and yarn as well as the high power cost and labour shortage during the period under review.

4. COTTON

Cotton production during the year was a little lower than the previous year, but due to remunerative export prices the average input cost of cotton to the industry was higher. The farmers have been able to get better prices for their produce and this will encourage them to increase more acreage in cotton production.

5. EXPORT

FOB value of export turnover at Rs.1,685 lacs was 53% lower than export of Rs.3,584 lacs achieved in the previous year mainly due to slow down in the world economy.

6. PROSPECT

Foreign investment in our country is steadily increasing and this has brought about a situation where we are not able to get adequate trained manpower to maintain the level of production. In the summer months and during festival season, your company has been compelled to keep production machinery stopped due to non availability of proper manpower. This situation will increase rapidly in the years to come and in the textile industry where manpower requirement is very high this industry will find it very difficult to maintain the tempo of production. The Government of India should consider inducing the textile manufacturers to go in for modern equipment to reduce the requirement of manpower to maintain the production. This would be feasible only with the Government extending adequate finance at reasonable rates to the industry to go in for automation.

The action taken by the Government in giving remunerative prices to the farmers has resulted in increased expenditure on essential requirements. Sales of fabric and garments are expected to increase in the home market giving a much needed helping hand to the textile industry.

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7. EXPANSION AND MODERNISATION

The Company shall incur capital expenditure as sanctioned by the lenders under Corporate Debt Restructuring Scheme approved vide Letter of Approval (LOA) No. BY.CDR/AG No. 1110/2008-2009 dated 26th February, 2009 for completing the Garment project and essential capital expenditure in existing fabric process house.

8. SUBSIDIARY COMPANY

The Audited Statement of Accounts for the year ended 31st March, 2010 of Soma Textile FZE, Sharjah, UAE, the Company's wholly owned subsidiary together with statement in respect of subsidiary as required pursuant to the provisions of Section 212 of the Companies Act, 1956 are attached.

During the year under report, Soma Textile FZE, an overseas wholly owned subsidiary of the Company has raised its Share Capital from AED 300000 to AED 750000. The Company has not subscribed to the additional capital offered to the Company on first priority basis. The subsidiary Company has, therefore, allotted additional 450 shares of AED 1000 each to two other foreign shareholders i.e. 225 shares each of an aggregate value of AED 450000 and that resulted in dilution of Company's holding in its subsidiary to 40%, from 100% in the paid up capital of its subsidiary. Consequent upon Soma Textile FZE ceased to be a subsidiary of the Company after the close of business hours as on 31st March, 2010.

9. CONSOLIDATED FINANCIAL STATEMENT

Your Directors have pleasure in attaching the Consolidated Financial Statements pursuant to Clause 32 of the Listing Agreement entered into with the Stock Exchanges and prepared the Financial Statements in accordance with Accounting Standards prescribed by the Institute of Chartered Accountants of India.

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. INTERNAL CONTROL SYSTEMS

The Company has in place proper and effective control system commensurate with size of its operations, to ensure that all systems are properly functioning and policies are being complied with as required. The Audit Committee reviews and evaluates the adequacy, relevance and effectiveness of the internal control systems and makes recommendation, wherever found necessary.

13. FIXED DEPOSITS

Your Company has not invited/accepted any deposits from the public in terms of Section 58A of the Companies Act, 1956 during the year and up to the date of this Report.

14. DIRECTORS

Appointment

Shri Anoop Sharma, has been nominated by IDBI Bank Ltd. as its Nominee Director on the Board of the Company effective from 19th April, 2010 in place of Shri B. H. Parghi, IDBI's existing nominee on the Board of the Company.

Cessation

IDBI Bank Ltd. (IDBI) has withdrawn Shri B. H. Parghi, as its Nominee Director from the Board of Directors of the Company with effect from 19th April, 2010 by simultaneously appointing Shri Anoop Sharma as its nominee on the Board of the Company.

The Board recorded its appreciation for the services rendered by Shri B. H. Parghi during his association with the Company, as a nominee Director on the Board for and on behalf of IDBI.

Rotation

Shri Shrikant Bhat, Director and the Executive Director of the Company retires at the forthcoming Annual General Meeting, and being eligible, offers himself for re-appointment. The Board recommends the appointment of Shri Shrikant Bhat.

15. CORPORATE GOVERNANCE

Your Directors are happy to report that your Company is compliant with the Corporate Governance requirements as per Clause 49 of the Listing Agreement with Stock Exchanges. Your Company has been committed to the highest standard of Corporate Governance practices in the entire gamut of its business policy.