



74th Annual Report 2011-2012

BOARD OF DIRECTORS

Shri S. K. Somany	(Chairman)
Shri A. K. Somany	(Managing Director)
Shri Shrikant Bhat	(Executive Director)
Shri B. L. Dhoot	
Shri B. K. Hurkat	
Shri Anoop Sharma	(Nominee Director - IDBI Bank Limited)

COMPANY SECRETARY

Shri R. S. Sharma

AUDITORS

Pipara & Company
Chartered Accountants
"Pipara Corporate House",
Near Gruh Finance,
Netaji Marg, Law Garden,
Ahmedabad-380006.

BANKERS

IDBI Bank Limited
Dena Bank
State Bank of India
AXIS Bank Limited
Export Import Bank of India
ICICI Bank Limited

REGISTERED OFFICE

2, Red Cross Place, Kolkata - 700 001
Ph. No. : 033-22487406/07

WORKS

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

REGISTRAR & TRANSFER AGENT

Sharepro Services (India) Pvt. Ltd.
13 AB, Samitha Warehousing Complex,
Sakinaka Telephone Lane, Sakinaka,
Andheri East, Mumbai-400 072
Ph. No. : 022-67720300/67720400

BRANCH OFFICE AT :

Devnandan Mega Mall, Office No. 416-420,
4th Floor, Opp. Sanyas Ashram,
Ashram Road, Ahmedabad-380 006
Phone No. : 079 – 26582381/82/83/84

CONTENTS	PAGE NOS.
Notice	2-12
Notice of Green Initiative along with E-mail Communication Registration Form	13-14
Directors' Report	15-20
Management Discussion & Analysis	21
Corporate Governance Report	22-31
Auditors' Report	32-34
Balance Sheet	35
Statement of Profit and Loss	36
Cash Flow Statement	37
Significant Accounting Policies	38-39
Notes on Financial Statements	40-54

ANNUAL REPORT 2011-2012

NOTICE OF THE 74th ANNUAL GENERAL MEETING TO THE SHAREHOLDERS

NOTICE is hereby given that the Seventy Fourth (74th) Annual General Meeting of the Members of Soma Textiles & Industries Limited will be held at Jhajharia Committee Room of MCC Chamber of Commerce & Industry, 15B, Hemanta Basu Sarani, Kolkata – 700 001 on, Wednesday, the 19th day of September, 2012 at 2-30 P.M. to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2012 and the Statement of Profit and Loss 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 B. L. Dhoot, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

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

4. Re-appointment of Shri Shrikant Bhat as Whole-time Director:

(As a Special Resolution)

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (“the Act”) and rules made there under and any amendments thereto (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and subject to the approval of Central Government, if required, and such other approvals, permissions and sanctions as may be required and subject to such conditions and modifications as may be imposed and/or prescribed by any of the authorities while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the re-appointment of Shri Shrikant Bhat, as a Rotational 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 3 (Three) years with effect from 18th January, 2013 to 17th January, 2016, on such remuneration comprising of salary, bonus/ex-gratia in lieu of bonus, perquisites, allowances and/or benefit(s), as have been approved by the Board of Directors of the Company, within the maximum limits determined and fixed herein by the Board subject to overall limit, stipulated in Sections 198 and 309 of the Companies Act, 1956 and subject further to obtaining Members’ approval by virtue of this Special Resolution, proposed to be passed at this meeting and on such other terms, conditions and stipulations as contained in the “Draft Agreement” to be entered into between the Company of the ONE PART and Shri Shrikant Bhat of the OTHER PART, extract of which is also set out in the Explanatory Statement, attached to the Notice of 74th Annual General Meeting of the Company (“AGM Notice”), 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.

“RESOLVED FURTHER THAT Board may in its absolute discretion pay to Shri Bhat, a Whole-time Director designated as Executive Director lower remuneration within the said maximum limits as stipulated in the Draft Agreement and the Explanatory Statement hereinabove referred to.”

“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 within the terms of remuneration as set out in the Explanatory Statement and the ‘Draft Agreement’ referred to hereinabove and as approved herein by the shareholders, the Board of Directors of the Company be and is hereby authorized to revise, vary or increase the remuneration (salary, bonus/ex-gratia in lieu of bonus, perquisites and allowances) from time to time, to the extent the Remuneration Committee of the Board of Directors and/or the Board of Directors may consider appropriate and as may be permitted or authorized in accordance with any provisions under the Act, for the time being in force, provided however, that the remuneration payable to Shri Bhat shall be within the limits set out in the Act including Schedule XIII to the Act or any amendments thereto or any modifications or statutory enactment thereof and/or rules or regulations framed thereunder without any further reference to the Members of the Company in the General Meeting and accordingly the terms of the aforesaid ‘Draft Agreement’ between the Company and Shri Bhat shall be suitably modified to give effect to such variation or increase as the case may be.”

“RESOLVED FURTHER THAT notwithstanding anything contained hereinabove where in any financial year during the currency of the tenure of Shri Bhat, the Company has no profits or its profits are inadequate, the Company do pay to Shri Bhat, the existing remuneration as, a “Minimum Remuneration” per month by way of salary, bonus/ ex-gratia in lieu



of bonus, perquisites and allowances as specified in the 'Draft Agreement' and also in the Explanatory Statement annexed to the AGM Notice, subject to and within the maximum ceiling limits laid down under para 1 of Section II of Part II of Schedule XIII to the Act 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 or any amendments thereto or any modifications or statutory re-enactment thereof and/or any rules or regulations framed thereunder unless otherwise prior approval of the Central Government is obtained if and to the extent necessary."

"RESOLVED FURTHER THAT in the event Central Government approval is sought for, the remuneration payable to Shri Bhat as set out in 'Draft Agreement' and also in the Explanatory Statement annexed to the Notice of 74th AGM and referred to hereinabove will be subject to such modifications/amendments/ changes as the Central Government may suggest or require or direct and which the Board of Directors/Remuneration Committee is authorised to accept on behalf of the Company and as may be acceptable to Shri Bhat."

"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, bonus/ex-gratia in lieu of bonus, 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."

"RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution the Board of Directors of the Company be and is hereby authorised to execute and sign the agreement and other documents and take such steps and do all such act, deeds, matters and things, as it may, in its absolute discretion, deem necessary, proper or desirable and to settle any questions, difficulties or doubts that may arise in this regard in order to implement and give effect to the foregoing resolution."

Registered Office:

2, Red Cross Place,
Kolkata - 700 001
Dated, the 1st August, 2012

By Order of the Board

R. S. Sharma
(Company Secretary & Compliance Officer)

Notes :

- 1. 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.**
2. 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.
3. In case of Joint Holders attending the Meeting only such Joint Holder who is higher in names will be entitled to vote.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, the 10th September, 2012 to Wednesday, the 19th September, 2012 (both days inclusive).
5. Members are requested to notify change in their address, if any, quoting their folio number to the Company and/or Sharepro Services (India) Private Limited, the Registrar & Transfer Agent (RTA) of the Company.
6. Members/Proxies are requested to bring their copies of the Annual Report to the Meeting.
7. Pursuant to the provisions of Section 205A of the Companies Act, 1956 and the Rules made thereunder, all unclaimed or unpaid dividends declared upto and including the financial year ended 31st March, 1995 have already been 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. Those Shareholders, who have, so far, not claimed or collected the dividends up to the aforesaid financial years, may claim their dividend from the Registrar of Companies, West Bengal, Nizam Palace, IInd MSO Building, 234/4, A.J.C. Bose Road, Kolkata – 700 020 by submitting

ANNUAL REPORT 2011-2012

to them an application in Form II, prescribed under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978.

8. Pursuant to the provisions of Section 205A(5) read with Section 205C of the Companies Act, 1956, as amended the Company has transferred all the unpaid and/or unclaimed dividends up to the financial year ended 31st March, 1998, to the Investor Education and Protection Fund ("IEPF") established by the Central Government. The Company has however not declared any dividend thereafter since the 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.

9. Members holding Shares in physical form appoint a nominee by filing Form 2B (in duplicate) prescribed by the Companies Act, 1956, duly completed and signed to the Company or its RTA in their own interest. Members holding shares in demat may get their nomination recorded with their respective Depository Participant (DP).
10. 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 RTA for consolidation into a single folio.
11. 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 so as to enable the management to keep the information ready at the Meeting.
12. 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.

13. Important Communication to Members

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to inform their e-mail address to the Registrar and Transfer Agent of the Company M/s. Sharepro Services (India) Pvt. Ltd., 13 AB, Samitha Warehousing Complex, Sakinaka Telephone Lane, Sakinaka, Andheri East, Mumbai – 400 072, quoting their folio nos at E-mail ID – sharepro@shareproservices.com

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

Shri Bajranglal Dhoot, aged about 81 years, is a businessman and holds an Intermediate degree in Arts. He has a rich and long business experience armed with strength in strategic thinking and over 50 years business skills.

Shri Dhoot was appointed a director of the Company, liable to retire by rotation, at the Annual General Meeting (AGM) held on 24th August, 2009. He is the Sole Proprietor of Dhoot Traders and holds partnership in Sumangal, a partnership firm.

Shri Dhoot is currently the Chairman of the Audit Committee of the Company set up in line with the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement dealing with the code on Corporate Governance. He is also member of Remuneration, Share Transfer, Shareholders'/Investors' and Executive Committees constituted by the Board of Directors of the Company. He does not hold any share in this Company as of date. He does not hold directorship and Committee Membership in any other Company.

The Board considers that re-appointment of Shri Dhoot as a Director would be in the interest of the Company. No director other than Shri Dhoot is in any way concerned or interested in the proposed Resolution as set out in item no. 2 of the accompanying Notice of the Annual General Meeting. Shri Dhoot is interested in the resolution since it relates to his re-appointment.



Shri Dhoot is not disqualified from being re-appointed as Director under Section 274(1)(g) of the Companies Act, 1956. The Company has received the requisite Form-DDA from Shri Dhoot in terms of Companies (Disqualification of Director under Section 274(1)(g) of the Companies Act, 1956) Rules, 2003, confirming his eligibility for such re-appointment.

The Board therefore recommends this resolution for the approval of the Shareholders.

The explanatory statement may also be regarded as a disclosure in compliance with the requirement under Clause 49(IV)(G) of the Listing Agreement with the Stock Exchange(s).

Registered Office:

2, Red Cross Place,
Kolkata - 700 001
Dated, the 1st August, 2012

By Order of the Board

R. S. Sharma
(Company Secretary & Compliance Officer)

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956**Item No. 4**

At the 70th Annual General Meeting (AGM) of the Company held on 4th September 2008, the Members had approved of the appointment and terms of remuneration of Shri Shrikant Bhat (Shri Bhat) as Whole-time Director designated as Executive Director of the Company for a period of 5 (Five) years from 18th January, 2008 to 17th January, 2013, as specified in the Explanatory Statement annexed to the Notice of the 70th AGM.

The present tenure of Shri Shrikant Bhat ("Shri Bhat") as rotational Whole-time Director designated as Executive Director of the Company liable to retire by rotation, will expire by an efflux of time on 17th January, 2013.

The Board of Directors of the Company ('the Board') at its meeting held on 24th May, 2012, have re-appointed Shri Bhat as Whole-time Director, designated as Executive Director for a period of 3 (Three) years, effective from 18th January, 2013.

Shri Bhat, aged about 47 years, is a Commerce Graduate and Chartered Accountant from the Institute of Chartered Accountants of India (ICAI) and has over 20 years of working experience with Corporates including about 10 years with our Company. He has rich experience of managing Corporate Finance, Financial Planning and Analysis, Taxation and Financial Restructuring.

At its meeting held on 24th May, 2012, the Board, has, subject to approval of the Shareholders in the ensuing 74th Annual General Meeting (AGM) at the recommendation of Remuneration Committee, approved the remuneration payable to Shri Bhat, upon his re-appointment as Whole-time Director, designated as Executive Director, within and upto the ceiling or maximum limit for the remuneration of the whole-time Director, as have been determined, fixed subject to overall ceiling contained in Sections 198, 309 read with Schedule XIII to the Companies Act, 1956 ('the Act') and other applicable provisions, if any of the Act and herein proposed by the Board with absolute authority to the Board to decide, fix and thereafter revise the remuneration of Shri Bhat, from time to time for a given year/period within and upto the maximum limit for remuneration of whole-time Director as herein proposed and contained in the Draft Agreement to be entered into between the Company and Shri Bhat, subject to overall permissible limit laid down under Sections 198, 309 and all other applicable provisions of the Companies Act, 1956 or any amendments thereto as may be made from time to time or under the Companies Act, as may be recodified.

An abstract of the main terms and conditions as laid down in Draft Agreement relating to re-appointment of Shri Bhat as the Whole-time Director, designated as Executive Director of the Company together with the Memorandum of Interest is set out below:-

- 1) Period of Appointment :** 3 (Three) years, effective from 18th January, 2013.
- 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.
- 3) Remuneration (including maximum limit)**

Shri Bhat, Executive Director, shall be entitled to the following remuneration with effect from 18th January, 2013 for the period of his office from 18th January, 2013 to 17th January, 2016 or as may be determined and revised by the Board at its discretion from time to time within the maximum permissible limit.

ANNUAL REPORT 2011-2012

A) Salary (Basic + D.A)

At ₹ 82,820/- per month, with such increments and/or accelerated increments as may be decided by the Board of Directors of the Company, first increment from 1st April, 2013 and thereafter from 1st April each year, upon due recommendation of the Remuneration Committee, at its absolute discretion from time to time and with proportionate increase in all perquisites or allowances related to and depending upon the quantum of salary, within and upto a maximum of ₹ 5,00,000/- (Rupees Five Lac) per month.

Salary may include basic salary, additional salary, special allowances and any other allowances as may be determined by the Board from time to time subject to within and upto a maximum Salary of ₹ 5 Lacs per month or ₹ 60 Lacs per annum.

B) Bonus/Ex-gratia, in lieu of Bonus

In addition to Salary, Shri Bhat shall also be entitled to bonus/ex-gratia in lieu of bonus, subject to ceiling of one month's salary for each financial year or as may be fixed and determined by the Board of Directors of the Company from time to time at its absolute discretion, within and upto such amount or percentage of Bonus/Ex-gratia, as may be decided by the Board/Remuneration Committee of the Company at its discretion from time to time, subject however upto and within an overall ceiling prescribed in Schedule XIII to the Companies Act, 1956.(5% of the net profits in case of one whole-time Director and 10% of the net profits for more than one whole-time Director)

C) Perquisites Allowances & Benefits

In addition to Salary & Bonus/Ex-gratia, in lieu of Bonus, Shri Bhat shall also be entitled to all the following perquisites, allowances & benefits, subject however to a ceiling restricted to 100% of his annual Salary :

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

CATEGORY – A

This will comprise of house rent allowance, medical reimbursement, leave travel concession, 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) percent payable by Shri Bhat.
- ii) In case the accommodation is owned by the Company, 10 (Ten) percent 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) percent 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.

**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 or as the Board of Directors, may from time to time decide.

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.

NOTE:

All the perquisites/allowances/benefits will be inter-changeable i.e., any excess in a particular perquisites may be permissible by corresponding reduction in or more of the perquisites/allowances/benefits.

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 as 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.

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.

Provided the aggregate of remuneration payable by way of salary, bonus/ex-gratia in lieu of bonus and perquisites, allowances and benefits to Shri Bhat, as contemplated under Clauses (A), (B) and (C) of the Remuneration clause 3 above shall not, in any financial year exceed the overall ceiling stipulated in Sections 198, 309 and other applicable provisions of the Act read with Schedule XIII of the Act (5% of the net profits in case of one Whole-time Director and 10% of the net profits for more than one Whole-time Director as calculated in accordance with Sections 198, 309 of the Act).

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 Sections 198, 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 under Section 349, 350 of the Companies Act, 1956, in any financial year(s) during the currency of tenure of office of Shri Bhat, the Company shall pay him in respect of such financial year(s) remuneration by way of consolidated salary, Bonus or Ex-gratia in lieu of Bonus, perquisites and allowances as minimum remuneration as he may be then drawing as specified in Clauses (A), (B) & (C) of the Remuneration Clause 3 above, subject to an overall limits laid down under Para 1 of Section II of the Part II of Schedule XIII to the Companies Act, 1956, as applicable to the

ANNUAL REPORT 2011-2012

Company at the relevant time depending upon the effective capital of the Company or such other limits, as may be provided by the Central Government from time to time as to minimum remuneration.

The perquisites specified under category 'B' of Remuneration Clause 3, above in terms of 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 appointment and remuneration from time to time within the limits laid down in Schedule XIII to the Act.

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 (A) of the Remuneration Clause 3 above and/or the Agreement entered/to be 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 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.

With the approval of the Members to the proposed Resolution, the Board will have the discretion and delegated authority of the Members of the Company to fix and revise the salary within overall ceiling (I) as specified under the relevant provisions of Companies Act, 1956 and (II) as approved by the Members hereinunder this Resolution, whichever is lower.

The limits specified in the Explanatory Statement attached to this Notice of 74th AGM in regard to Resolution set out at item No. 4 are only the maximum limits and the Board may in exercise of the delegated authority pay Shri Bhat, a lower remuneration and may revise the same from time to time within the maximum limits stipulated in the Explanatory Statement attached to the notice forming part of the Resolution.

However, in the absence, or inadequacy of profits in any financial year, during the tenure of Shri Bhat, Executive Director of the Company, the minimum remuneration payable by the Company to him by way of salary, bonus/ex-gratia in lieu of bonus and perquisites shall not exceed the maximum limit of ₹ 48 Lacs prescribed under Section II(B) of Part II of Schedule XIII of the Act, unless otherwise approved by the Central Government, as envisaged under the said Schedule XIII of the Act.



Therefore, any payment of remuneration to Shri Bhat in excess of ₹ 48 Lac, which is the maximum permissible under Section II(B) of Part II of Schedule XIII to the Act, would require the approval of the Central Government, as prescribed under the Act.

Pursuant to Section II(B) of Part II of Schedule XIII of the Act, a Statement in the prescribed format is required to be sent to all shareholders, containing the information specified therein along with the Notice calling the Annual General Meeting of the Company.

Accordingly this Resolution is intended for seeking Members' approval to this Resolution which fixes the ceiling or the maximum limit for remuneration payable to Shri Bhat, Whole-time Director designated as Executive Director, and delegates authority to the Board to decide on the specifics of changes in Remuneration for Shri Bhat, under the provisions of Sections 198, 309, 310, 311 and other applicable provisions of the Companies Act, 1956, and modification(s) thereto, and also for the purpose of seeking approval to the appointment of and Remuneration payable to Shri Bhat, within the overall limits as specified and laid down by the Company. The Board therefore recommends passing of this Resolution by Members of the Company.

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 relating to appointment and payment of remuneration.

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 re-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 re-appointment and Memorandum of Interest under Section 302 of the Companies Act, 1956.

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 :

(₹ in Lacs)				
Year ending 31st March	Sales	Operating Profit/(Loss)	Profit/(Loss) before Tax	Net Profit/(Loss) after Tax
2008	19,261	662	(905)	(1,760)
2009	15,707	(1,850)	(3,501)	(2,837)
2010	20,756	(296)	(1,951)	(1,868)
2011	27,833*	960*	(582)	(475)
2012	26,614	(64)	(787)	(746)

*Revised and regrouped

ANNUAL REPORT 2011-2012

(4) Export performance and net foreign exchange earnings :

Due to facing stiff competition and lower demand, the Company was able to export for ₹ 1,939 lakhs as against the export of ₹ 3,219 lakhs achieved in the previous year.

Foreign exchange earned and used during the financial year 2011-12 and 2010-11 :-

	(₹ in Lakhs)	
	2011-12	2010-11
Foreign Exchange earned	1,939	3,219
Foreign Exchange used	395	583

(5) Foreign Investments or Collaborators, if any :

Holdings of FIIs/NRIs and other non-residents is 20.15% (out of which 20% is held by Mavi Investment Fund Limited) in the Company as at 31st March, 2012. The Company has no foreign Collaborator.

II. Information about the appointee :-

- (1) Background details : Shri Shrikant Bhat (Shri Bhat), aged about 47 years, is a Graduate in Commerce and Chartered Accountant by qualification and presently the Whole-time Director designated as Executive Director of the Company. His long standing experience and knowledge is useful to the Company. Shri Bhat has successfully and in a sustained way, contributed significantly towards improvement and growth of the Company. He has over 20 years of experience in Corporate Finance and Taxation. Shri Bhat does not hold any shares in Soma Textiles & Industries Limited as on 31st March, 2012.

- (2) Past remuneration : 2007-2008 : ₹ 1,42,913/-*
- 2008-2009 : ₹ 9,37,391/-
- 2009-2010 : ₹ 10,47,238/-
- 2010-2011 : ₹ 13,73,361/-
- 2011-2012 : ₹ 18,19,733/-
- * For the period from 18th January, 2008 (date of his appointment as Whole-time Director) to 31st March, 2008.

- (3) Job profile and his suitability : Shri Shrikant Bhat the Whole-time Director of the Company, shall devote his whole-time and attention to the business and affairs of the Company and carryout such duties, as may be entrusted to him from time to time by the Board of Directors of the Company ("the Board") and exercise such powers as may be 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 Bhat has the requisite qualifications, expertise and experience for the job, he is presently holding.