

73rd Annual Report 2010 - 2011

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SOMA TEXTILES & INDUSTRIES LIMITED



73rd Annual Report 2010-2011

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

Dena Bank
State Bank of India

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. Limited
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 - 2682381/82/83/84

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NOTICE OF THE 73rd ANNUAL GENERAL MEETING TO THE SHAREHOLDERS

NOTICE is hereby given that the Seventy Third (73rd) Annual General Meeting of the Members of Soma Textiles & Industries Limited will be held at Jhaharia Committee Room of Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata – 700 001 on, Friday, the 2nd day of September, 2011 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, 2011 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 B. K. Hurkat, 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. Revision in remuneration of Managing Director

(As a Special Resolution)

“RESOLVED THAT in partial modification of Resolution passed at the 72nd Annual General Meeting (“AGM”) of the Company held on 13th September, 2010 for the re-appointment and terms of remuneration of Shri A. K. Somany (“Shri Somany”), as Managing Director of the Company for a period of 3 (three) years with effect from 22nd January, 2011 to 21st January, 2014 and in accordance with the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII to the Companies Act, 1956, and other applicable provisions, if any, of the Companies Act, 1956 (the Act), the Company hereby approves the revision and variation in terms of remuneration of Shri Somany payable to him by way of salary, commission on net profits, perquisites and allowances within and upto the maximum limit as determined and fixed by the Board and approved herein by the Shareholders by virtue of this Resolution, subject to the condition that the remuneration payable to Shri Somany shall not exceed the maximum permissible limit prescribed under Sections 198 and 309 of the Companies Act, 1956, read with Schedule XIII to the Act with effect from 1st April, 2011, for the remainder of the tenure of his appointment for the period from 1st April, 2011 to 21st January, 2014 and to the extent as have been approved by the Board of Directors and as set out in the Explanatory Statement annexed to the Notice convening the 73rd AGM forming part of this resolution and contained in the Draft Supplemental Agreement to be entered into between Shri Somany and the Company, a draft of which is submitted to this meeting and for the purpose of identification signed by the Chairman thereof, which Draft Supplemental Agreement is hereby approved and sanctioned.”

“RESOLVED FURTHER THAT the present ceiling on annual increment of Shri Somany, upto 20% of his last drawn/ existing salary, due and payable to him with effect from 1st April, each year, and the present ceiling on commission on net profits payable to Shri Somany @ 1% (One percent) of the net profits of the Company for each financial year computed in the manner laid down in Sections 198 and 309 of the Companies Act, 1956, subject however to a ceiling of his annual salary upon his re-appointment as Managing Director of the Company for a period of 3 (Three) years commence from 22nd January, 2011 and ending on 21st January, 2014, vide a Special Resolution passed by the Company at its 72nd AGM held on 13th September, 2010, be and are hereby removed and deleted with effect from 1st April, 2011, till the expiry of his tenure ending on 21st January, 2014.”

“RESOLVED FURTHER THAT the ceiling on perquisites and allowances, payable to Shri Somany restricted to an amount equal to his annual salary or Rs. 4,50,000/- per annum, whichever is less, be and is hereby revised to the extent hereinbelow :-

‘The words “or Rs. 4,50,000/- per annum, whichever is less” appearing in the concluding part of first para under the head ‘PERQUISITES’, as specified in the Explanatory Statement attached to the Notice of 72nd AGM in regard to Special Resolution passed at the said AGM held on 13th September, 2010, relating to re-appointment of Shri Somany as Managing Director of the Company for the period from 22nd January, 2011 to 21st January, 2014 be and the same is hereby removed and deleted with effect from 1st April, 2011, till the expiry of his tenure ending on 21st January, 2014.’

“RESOLVED FURTHER THAT, save and except to the extent remuneration herein revised, all other existing terms, conditions and stipulations relating to his re-appointment and the terms of remuneration, as contained in the principal Agreement dated 1st February, 2011, entered into between Shri Somany and the Company and contained in the Explanatory Statement attached to the Notice dated 29th May, 2010, convening the 72nd AGM of the Company, which had been approved by the Shareholders at the said 72nd AGM, held on 13th September, 2010, shall remain in full force and unchanged.”

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"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to determine, fix and revise the remuneration comprising of salary, commission on net profits, perquisites and allowances at its discretion from time to time by way of increment(s)/ accelerated increment(s) or by way of revision of the remuneration package or otherwise, within and upto the maximum limit as set out in the Explanatory Statement annexed to this Notice of 73rd AGM and contained in the Draft Supplementary Agreement referred to hereinabove and as approved herein by the Members under this resolution to the extent, as recommended by the Remuneration Committee of the Board and/or the Board, may deem fit and proper, subject to the same not exceeding the overall limit prescribed under Sections 198 and 309 of the Act, including Schedule XIII to the Act or other statutory modification(s) or re-enactment thereof 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 Somany 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 the Managing Director, the Company has no profits or its profits are inadequate, the Company shall pay the Managing Director the existing remuneration as "Minimum Remuneration" per month by way of salary, perquisites and allowance subject to and within the maximum permissible limit laid down in Clause (A) and (B) of Para 1 of Section II of Part II of Schedule XIII to the Companies Act, 1956 as applicable to the Company at the relevant time depending upon the effective capital of the Company or such other limits as may be prescribed by the Central Government from time to time as to Minimum Remuneration."

"RESOLVED FURTHER THAT notwithstanding anything contained hereinabove in the event of loss or absence or inadequacy of profits in any financial year during the tenure of Shri Somany the Company may pay the existing remuneration to Shri Somany as "Minimum Remuneration", the total of which may exceed the ceiling limit as specified in Clause (C) of Para 1 of Section II of Part II of Schedule XIII to the Companies Act, 1956 or any amendment, modification, variation or reenactment thereof subject, however, upon obtaining the prior approval of Central Government."

"RESOLVED FURTHER THAT the remuneration payable to Shri Somany as set out in Draft Supplementary Agreement and also in the Explanatory Statement annexed to the Notice of 73rd AGM and referred to herein above 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 authorized to accept on behalf of the Company and as may be acceptable to Shri Somany."

"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."

"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."

5. Revision in remuneration of Whole-time Director

(As a Special Resolution)

"RESOLVED THAT in partial modification of Resolution passed at the 70th Annual General Meeting ("AGM") of the Company held on 4th September, 2008 concerning the appointment and terms of remuneration of Shri Shrikant Bhat (Shri Bhat), upon his appointment as Whole-time Director of the Company designated as Executive Director for a term of 5(five) years, commencing from 18th January, 2008 and ending on 17th January, 2013 and in conformity with the provisions of Sections 198, 269, 309, 310 and all other applicable provisions if any, of the Companies Act, 1956 ("the Act") read with Schedule XIII to the Act, the Company hereby approves of the revision in the amount of remuneration inclusive of salary, bonus/ex-gratia in lieu of bonus, perquisites and allowances within and upto the limit as determined and fixed by the Board and approved herein by the Shareholders by virtue of this Resolution, subject to the condition that the remuneration payable to Shri Bhat, shall not exceed the maximum permissible limit prescribed under Sections 198 and 309 of the Companies Act, 1956, read with Schedule XIII to the Act with effect from 1st April, 2011 for the remainder of the tenure of his office from 1st April, 2011 to 17th January, 2013, to the extent as have been approved by the Board of Directors and as set out in the Explanatory Statement annexed to this Notice convening this 73rd AGM forming part of this Resolution and contained in the Draft Supplemental Agreement to be entered into the Company and Shri Bhat, a draft of which is placed before this meeting and initialed by the Chairman for the purpose of identification, which Draft Supplemental Agreement is hereby approved and sanctioned."



“RESOLVE FURTHER THAT the present ceiling on annual increment of Shri Bhat, upto 30% of his last drawn/existing salary, due and payable to him with effect from 1st April each year, upon his appointment as Whole-time Director designated as Executive Director for a period of 5(five) years for the period from 18th January, 2008 till 17th January, 2013, vide an Ordinary Resolution passed by the Company at its 70th AGM held on 4th September, 2008, be and the same shall stand removed with effect from 1st April, 2011 for remaining tenure of his office from 1st April, 2011 to 17th January, 2013.”

“RESOLVED FURTHER THAT, save and except to the extent remuneration herein revised, all other existing terms, conditions and stipulations relating to his appointment and the terms of remuneration, as contained in the principal Agreement dated 23rd February, 2008, entered into between Shri Bhat and the Company and contained in the Explanatory Statement attached to the Notice dated 30th June, 2008, convening the 70th AGM of the Company, which had been approved by the Shareholders at the said 70th AGM, held on 4th September, 2008, shall remain in full force and unchanged.”

“RESOLVED FURTHER THAT, within the terms of remuneration as set out in the Explanatory Statement and draft supplemental 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 Supplemental 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 Supplemental Agreement, 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 the remuneration payable to Shri Bhat as set out in Draft Supplementary Agreement and also in the Explanatory Statement annexed to the Notice of 73rd AGM and referred to herein above 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 18th May, 2011

By Order of the Board

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

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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 Tuesday, the 23rd August, 2011 to Friday, the 2nd September, 2011 (both days inclusive).
5. 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 Registrar & Transfer Agents (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, 11nd 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.
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 Registrar & Share Transfer Agents (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 Registrar & Share Transfer Agents 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. Limited, 416/420, Devnandan Mall, Opp: Sanyas Ashram, Ellisbridge, Ahmedabad – 380 006 or alternatively at M/s. Sharepro Services (India) Pvt. Limited, 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

The desired **E-mail Communication Registration Form** is enclosed alongwith this notice, members are requested to fill up the same and send it.



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 Brij Kishor Hurkat, aged about 69 years, is a businessman and holds a Bachelor degree in Commerce. He has a rich and all-round knowledge and experience in textile and yarn business armed with strength in strategic thinking and business skills.

Shri Hurkat was appointed a director of the Company, liable to retire by rotation, at the Annual General Meeting (AGM) held on 24th August, 2009. He holds directorship in Savak Investment & Finance Private Limited.

Shri Hurkat is 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.

The Board considers that it would be in the interest of the Company to re-appoint Shri Hurkat as director of the Company. No director other than Shri Hurkat 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. The Board 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.

Registered Office:
2, Red Cross Place,
Kolkata - 700 001
Dated, the 18th May, 2011

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 72nd Annual General Meeting ("AGM") of the Company held on 13th September, 2010, the Members of the Company had re-appointed Shri A. K. Somany as the Managing Director of the Company for a period of three (3) years commencing on and from 22nd January, 2011, and ending on 21st January, 2014, on the terms and conditions and at the remuneration payable to him as set out in the Explanatory Statement attached to the Notice of 72nd AGM dated 29th May, 2010, and contained in the Agreement dated 1st February, 2011, entered into by the Company with Shri Somany.

The Board of Directors ('the Board') have at its meeting held on 18th May, 2011, on due recommendation of the Remuneration Committee, determined and fixed the maximum limit for remuneration comprising of salary, commission on net profits, perquisites and allowances payable to Shri Somany for the remainder of the tenure of his office from 1st April, 2011 to 21st January, 2014, subject to the limits contained in Sections 198, 309, 310, 311 and all other applicable provisions of the Companies Act, 1956 ("The Act") including Schedule XIII to the Act.

The maximum limit of remuneration comprising of salary, commission, perquisites and allowances as determined and fixed by the Board for Shri Somany, as recommended by the Remuneration Committee at its meeting held on 18th May, 2011 is as under :-

Remuneration

Remuneration payable to Shri Somany by way of salary, commission on net profits, perquisites and allowances shall be determined by the Board from time to time at their absolute discretion within the maximum managerial limits as have been determined, fixed and proposed by the Board of Directors of the Company on due recommendation made by the Remuneration Committee at its meeting held on 18th May, 2011, subject to overall limit specified under Sections 198, 309 and other applicable provisions, if any, of the Companies Act, 1956, and Schedule XIII to the Companies Act, 1956, or any amendments thereto as may be made from time to time or the limits as may be prescribed in the Companies Act, 1956, as may be recodified or the laws, policies, rules and regulations and guidelines in force from time to time.

A. Salary

(Basic & DA) - upto a maximum of Rs. 7.50 lacs per month

- with such increments and/or accelerated increments as may be decided by the Board of the Company, 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.
- Subject to the overall limit as 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)

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- Salary may include basic salary, additional salary, special allowances and any other allowances as may be determined by the Board from time to time, within and upto the Salary of Rs. 7.50 lacs per month or Rs. 90 lacs per annum.

B. Commission

Such commission on net profits as may be agreed upon by the Board of Directors and Shri Somany for each financial year or part thereof,

- Subject, however, upto and within the overall limit as specified in Schedule XIII to the Companies Act, 1956 ('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).
- The net profits for the purpose of commission shall be calculated in accordance with Sections 198 and 309 of the Companies Act, 1956.
- At the discretion of the Board, the payment of commission may be made on a pro-rata basis every month or on annual basis or partly monthly and partly on annual basis as may be decided by the Board or Remuneration Committee of the Board of Directors of the Company at the end of each such Financial Year, subject to the overall ceiling stipulated in Sections 198 and 309 of the Act, read with Schedule XIII to the Act.

C. Perquisites

In addition to the aforesaid salary and commission on net profits, Shri Somany, Managing Director, is also entitled to perquisites and allowances like furnished/unfurnished accommodations or house rent allowance in lieu thereof, gas, electricity, water and furnishings, medical reimbursement for self and family, leave and leave travel concession for self and family, club fees, personal accident insurance, use of car and telephone at residence or reimbursement of expenses in lieu thereof, provident fund, superannuation fund, gratuity and other retirement benefits in conformity with scheme(s) and rule(s) of the Company, applicable to the senior managerial staff for the aforesaid benefits from time to time

- in lieu of rent free accommodation, the Company can give to the Managing Director -

House rent allowance upto such percentage of the Basic Salary as set out at Salary Clause 'A' above or such sum as may be decided by the Board at its discretion from time to time subject to overall ceiling of 5% of net profits in case of One Whole-time Director and 10% of net profits in case of more than One Whole-time Director together as calculated in accordance with Sections 198 and 309 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII to the said Act as may be applicable at the relevant time.

Provided the aggregate of salary, commission and perquisites as contemplated in Clause (A), (B) and (C) 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 the Schedule XIII of the Companies Act, 1956 ('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 and 309 of the Act).

At the same meeting held on 18th May, 2011, the Board has approved the revision in remuneration payable to Shri Somany by way of salary, commission on net profits, perquisites and allowances subject to approval of the Shareholders at this Annual General Meeting ("AGM") with authority to the Board to determine, fix and revise remuneration payable to Shri Somany within and upto the maximum limit as proposed and set out in the Explanatory Statement attached to this Notice forming part of the proposed Resolution and as contained in the Draft Supplementary Agreement to be entered into between the Company and Shri Somany subject however to overall permissible limit specified under Sections 198, 309 and all other applicable provisions of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, or any amendment thereto as may be made from time to time or under the Companies Act as may be recodified.

While deciding the remuneration of Shri Somany, the Committee took into consideration the appointee's deep knowledge and experience he gathered during his long association with the Company, trend in Textile Industry and other relevant factors and came to a consensus in bring about objectivity in determining the remuneration package.

The terms and conditions of remuneration to the extent as revised and payable to Shri Somany, Managing Director of the Company for the remaining tenure of his appointment are as follows:

Shri A. K. Somany, Managing Director, shall be entitled to the following remuneration with effect from 1st April, 2011 for the remainder period of his office from 1st April, 2011 to 21st January, 2014 or as may be determined and revised by the Board at its discretion from time to time within the aforesaid maximum permissible limit.

- Salary (Basic + D.A.) • At Rs. 1.50 lacs per month, w.e.f. 1st April, 2011 with such increments and/or accelerated increments as may be decided by the Board of Directors of the Company, 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.



-
- Commission
 - In addition to Salary, in the event of adequate profits Shri Somany shall also be entitled to such remuneration by way of such percentage of Commission as may be decided by the Board or: the recommendation of Remuneration Committee at its discretion from time to time or at the end of such financial year.
 - Perquisites
 - In addition to Salary and Commission, Shri Somany shall be entitled to the perquisites as spelt out hereinabove and more fully specified in the Explanatory Statement annexed to the Notice of 72nd AGM in regard to Special Resolution passed at the said AGM relating to re-appointment of Shri Somany as Managing Director, subject however to a ceiling restricted to 100% of his Annual Salary.

All other terms and conditions, save and except to the extent specified above, as to perquisites and allowances as approved by the Shareholders in its 72nd Annual General Meeting (AGM) shall remain unaltered and unchanged and shall remain in full force from 1st April, 2011, till expiry of Shri Somany's tenure ending on 21st January, 2014.

As a measure of simplification of the process for making changes in the remuneration of Managing Director, the Board has proposed on the recommendation of Remuneration Committee at its Meeting held on 18th May, 2011, to seek Members' approval to this Resolution subject to provisions of Sections 198, 309, 310 and 311 and other applicable provisions of the Companies Act, 1956, and modification(s) thereto, which fixes the ceiling or the maximum limit for remuneration payable to Managing Director and delegates authority to decide on the specifics of changes in Remuneration for Shri Somany, Managing Director for a given year/period by way of salary, commission on net profits and perquisites to the Board from time to time, within the maximum limits as specified in the Draft Supplemental Agreement and as set out in Explanatory Statement, relating to this Resolution, attached to this Notice of the Annual General Meeting.

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 as specified under the relevant provisions of Companies Act, 1956, and as approved by the Members hereinunder this Resolution, which ever is lower, during the tenure of Shri Somany.

The limits specified in the Explanatory Statement attached to this Notice of 73rd 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 to the Managing Director, a lower remuneration and may revise the same from time to time within the maximum limits stipulated in the Explanatory Statement attached to this notice forming part of the Resolution.

However, in the absence, or inadequacy of profits in any financial year, during the tenure of Shri Somany, Managing Director of the Company, the remuneration payable to him by way of salary and perquisites (excluding commission) shall not exceed the maximum limit prescribed under Schedule XIII of the Act, unless otherwise approved by the Central Government, as envisaged under the said Schedule XIII of the Act.

All other existing terms of remuneration, save and except as have been proposed to be revised in the manner as set out in the Explanatory Statement forming part of this Resolution attached to this Notice of AGM and also contained the Draft Supplementary Agreement of Shri Somany shall remain unchanged and unaltered and shall remain in force with effect from 1st April, 2011 till the expiry of his tenure ending on 21st January, 2014.

Shri Somany, the appointee, and Shri S. K. Somany, Chairman of the Company, being close relative to each other may be deemed to be concerned or interested in this Resolution covering revision of his Remuneration Package. No other Directors are interested in this Resolution.

Accordingly this Resolution is proposed to seek approval of the Members for the purpose of revision in Remuneration of Shri Somany, Managing Director of the Company within the overall limits as specified and laid down by the Company and the Board therefore recommends passing of this Resolution by the Members.

The Draft Supplementary Agreement to be executed between the Company and Shri Somany, is available for inspection by the Members of the Company at the Registered Office of the Company on any working day, except holidays, observed by the Company during business hours between 3:00 P.M. and 4:30 P.M. and will also be available at the meeting.

The terms of revision of remuneration payable to Shri Somany as Managing Director of the Company as set out in Explanatory Statement duly attached to the accompanying Notice of the AGM, should be treated as an abstract of the terms of revision in his remuneration and memorandum of interest under Section 302 of the Companies Act, 1956.

Item No. 5

It may be recalled that Shri Shrikant Bhat (Shri Bhat) was appointed as the Whole-time Director designated as Executive Director of the Company for a period of 5 (five) years from 18th January, 2008 and up to 17th January, 2013 with due approval from the shareholders obtained at 70th Annual General Meeting ("AGM") of the Company held on 4th September, 2008.

The Board of Directors of the Company ("the Board"), have at its meeting held on 18th May, 2011, on due recommendation of the Remuneration Committee, determined and fixed the ceiling or the maximum limit for remuneration payable to Shri

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Bhat, Executive Director with the authority to the Board to decide the remuneration payable to Shri Bhat for a given year/period by way of salary, bonus/ex-gratia in lieu of bonus, perquisites and other allowances from time to time within the overall limit and stipulated in Sections 198, 309, 310 & 311 and other applicable provisions of the Companies Act, 1956, ("the Act") read with Schedule XIII to the Act.

The maximum limit of remuneration comprising of salary, bonus/ex-gratia in lieu of bonus, perquisites and allowances as determined and fixed by the Board for Shri Bhat, as recommended by the Remuneration Committee at its meeting held on 18th May, 2011 is as under :-

Remuneration

Remuneration payable to Shri Bhat by way of salary, bonus/ex-gratia in lieu of bonus, perquisites and allowances shall be determined by the Board from time to time at their absolute discretion within the maximum managerial limits as have been determined, fixed and proposed by the Board of Directors of the Company on due recommendation made by the Remuneration Committee at its meeting held on 18th May, 2011, subject to overall limit specified under Sections 198, 309 and other applicable provisions, if any, of the Companies Act, 1956, and Schedule XIII to the Companies Act, 1956, or any amendments thereto as may be made from time to time or the limits as may be prescribed in the Companies Act, 1956, as may be recodified or the laws, policies, rules, regulations and guidelines in force from time to time.

A. Salary

(Basic+DA) - upto a maximum of Rs. 5 lacs per month

- With such increments and/or accelerated increments as may be decided by the Board of the Company, 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.
- Subject to the overall limit as 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).
- Salary may include basic salary, additional salary, special allowances and any other allowances as may be determined by the Board from time to time, within and upto the Salary of Rs. 5 lacs per month or Rs. 60 lacs per annum.

B. Bonus/Ex-gratia

Such amount of bonus/ex-gratia in lieu of bonus, in addition to salary, perquisites and allowances for each financial year as may be decided by the Board/Remuneration Committee of the Company at its discretion,

- Subject, however, upto and within the overall limit as specified in Schedule XIII to the Companies Act, 1956 ('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).

C. Perquisites

In addition to the aforesaid salary and bonus/ex-gratia in lieu of bonus, Shri Bhat, Executive Director, is also entitled to perquisites and allowances like furnished/unfurnished accommodations or house rent allowances in lieu thereof, gas, electricity, water and furnishings, medical reimbursement for self and family, leave and leave travel concession for self and family, club fees, personal accident insurance, use of car and telephone at residence or reimbursement of expenses in lieu thereof, provident fund, superannuation fund, gratuity and other retirement benefits in conformity with scheme(s) and rule(s) of the Company, applicable to the senior managerial staff for the aforesaid benefits from time to time

- in lieu of rent free accommodation, the Company can give to the Executive Director-

House rent allowance upto such percentage of the Basic Salary as set out at Salary Clause 'A' above or such sum as may be decided by the Board at its discretion from time to time subject to overall ceiling of 5% of net profits in case of One Whole-time Director and 10% of net profits in case of more than One Whole-time Director together as calculated in accordance with Sections 198 and 309 and other applicable provisions of the Act read with Schedule XIII to the said Act as may be applicable at the relevant time.

Provided the aggregate of salary, bonus/ex-gratia in lieu of bonus and perquisites as contemplated in Clause (A), (B) and (C) 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 and 309 of the Act).

At the same meeting held on 18th May, 2011, the Board has approved the revision in remuneration payable to Shri Bhat by way of salary, bonus/ex-gratia in lieu of bonus, perquisites and other allowances subject to approval of the Shareholders at this Annual General Meeting ("AGM") with authority to the Board to determine, fix and revise remuneration payable to Shri Bhat within and upto the maximum limit as proposed and set out in the Explanatory Statement attached to this Notice forming part of the proposed Resolution and as contained in the Draft Supplementary Agreement to be entered into between



the Company and Shri Bhat subject however to overall permissible limit specified under Sections 198, 309 and all other applicable provisions of the Companies Act, 1956, read with Schedule XIII to the Companies Act, 1956, or any amendment thereto as may be made from time to time or under the Companies Act as may be recodified .

The terms and conditions of remuneration to the extent as revised and payable to Shri Bhat, Whole-time Director designated as Executive Director of the Company for the remaining tenure of his appointment are as follows:

Shri Bhat, Executive Director, shall be entitled to the following remuneration with effect from 1st April, 2011 for the remainder period of his office from 1st April, 2011 to 17th January, 2013 or as may be determined and revised by the Board at its discretion from time to time within the aforesaid maximum permissible limit.

- Salary (Basic + D.A.) • At Rs. 82,820/- per month, w.e.f. 1st April, 2011 with such increments and/or accelerated increments as may be decided by the Board of Directors of the Company, 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.
- Bonus/Ex-gratia • 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 or as may be fixed and determined by the Board of Directors of the Company at its absolute discretion.
- Perquisites • In addition to Salary and Bonus/Ex-gratia in lieu of Bonus, Shri Bhat shall also be entitled to the perquisites as spelt out hereinabove and more fully specified in the Explanatory Statement annexed to the Notice of 70th AGM in regard to Ordinary Resolution passed at the said AGM relating to appointment of Shri Bhat as Whole-time Director designated as Executive Director, subject however to a ceiling restricted to 100% of his annual salary.

All other terms and conditions, save and except to the extent specified above, as to bonus/ex-gratia in lieu of bonus, perquisites and allowances as approved by the Shareholders in its 70th (AGM) shall remain unaltered and unchanged and shall remain in full force from 1st April, 2011, till expiry of Shri Bhat's tenure ending on 17th January, 2013.

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 as specified under the relevant provisions of Companies Act, 1956 and as approved by the Members hereinunder this Resolution, which ever is lower.

The limits specified in the Explanatory Statement attached to this Notice of 73rd AGM in regard to Resolution set out at item no. 5 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 remuneration payable to him by way of salary, bonus/ex-gratia in lieu of bonus and perquisites shall not exceed the maximum limit prescribed under Schedule XIII of the Act, unless otherwise approved by the Central Government, as envisaged under the said Schedule XIII of the Act.

All other existing terms of remuneration, save and except as have been proposed to be revised in the manner as set out in the Explanatory Statement forming part of this Resolution attached to this Notice of AGM and also contained the Draft Supplementary Agreement of Shri Bhat shall remain unchanged and unaltered and shall remain in force with effect from 1st April, 2011 till the expiry of his tenure ending on 17th January, 2013.

Save and except Shri Bhat himself, none of the Directors of the Company are in any way concerned or interested or deemed to be concerned or interested in passing of the said Resolution relating to revision in his remuneration.

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 and 311 and other applicable provisions of the Companies Act, 1956, and modification(s) thereto, and also for the purpose of seeking approval to the revision in Remuneration of Shri Bhat, within the overall limits as specified and laid down by the Company and the Board therefore recommends passing of this Resolution by the Members.

The Draft Supplementary Agreement to be entered into between the Company and Shri Bhat, as to the revision in his remuneration will be available for inspection of the members at the Registered Office of the Company on any working day between 3:00 P.M. to 4:30 P.M. upto and including the date of the AGM or and adjournment or adjournments thereof. The same will also be available at the AGM.

The terms of revision of remuneration payable to Shri Bhat as Whole-time Director designated as Executive Director of the Company as set out in Explanatory Statement duly attached to the accompanying Notice of the AGM, should be treated as an abstract of the terms of revision in his remuneration 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 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 :

Year ending 31st March	Sales	Operating Profit/(Loss)	Profit/(Loss) before Tax	Net Profit/(Loss) after Tax
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)
2011	27,613	940	(582)	(475)

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

Despite a substantial increase in the cost of production and facing stiff competition, the Company was able to almost double its export to Rs. 3,219 lacs as against the export of Rs. 1,685 lacs achieved in the previous year and have ventured into the upper segment by selling desized and mercerized Denim fabrics in different shades.

Foreign exchange earned and used during the financial year 2010-11 and 2009-10 :-

	2010-11	2009-10
Foreign Exchange earned	3,219	1,685
Foreign Exchange used	583	355

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

Holdings of FIIs/NRIs and other non-residents is 20.25% (out of which 20% is held by Mavi Investment Fund Limited) in the Company as at 31st March, 2011. The Company has no foreign Collaborator.

II. Information about the appointee :-

- (1) Background details : Shri Shrikant Bhat (Shri Bhat), aged about 46 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 holds Directorship in Somany Evergreen Knits Limited. He has over 23 years of experience in Corporate Finance and Taxation. Shri Bhat does not hold any shares in Soma Textiles & Industries Limited as on 31st March, 2011.
- (2) Past remuneration : 2007-2008 : Rs. 142,913/-*
2008-2009 : Rs. 937,391/-
2009-2010 : Rs. 1,047,238/-
2010-2011 : Rs. 1,373,361/-

* For the period from 18th January, 2008 (date of his appointment as Whole-time Director) to 31st March, 2008.



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- (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 carry out 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.
-
- (4) Remuneration proposed : (a) Salary (Basic + DA) up to a maximum of Rs. 82,820/- per month with authority to the Board to fix the salary and to consider an annual increment/ accelerated increment at its discretion upto and within the said maximum amount of salary, upon recommendation of the Remuneration Committee,
(b) Such Amount of bonus/ex-gratia in lieu of bonus as may be determined by the Board from time to time and
(c) Perquisites and other allowances as spelt out in the Explanatory Statement annexed to the Notice convening the 73rd Annual General Meeting of the Company to the extent and upto the amount as may be determined by the Board from time to time subject to the condition that the aggregate of salary, bonus/ ex-gratia in lieu of bonus, perquisites and other allowances shall not exceed the overall limits prescribed under Sections 198, 309 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII of the said Act as may for the time being in force.
-
- (5) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person : Considering the size of the Company, the profile of Shri Shrikant Bhat and the responsibilities shouldered by him, the remuneration package is commensurate with the remuneration package paid to managerial position in other similar Companies.
-
- (6) Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any : The Whole-time 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 Whole-time Director of the Company.
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III. Other Information :-

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- (1) Reasons for loss or inadequate profits : Substantial increase in 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 had severe adverse impact on the workings of the Company for the year 2008 and onwards. Hence there is continuous loss in the Company.
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|---|--|
| (2) Steps taken or proposed to be taken for improvement | 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. The Management is also taking necessary and adequate steps to improve workings and profitability of the Company and will continue in its endeavor to improve Company's performance. |
| <hr/> | |
| (3) Expected increase in productivity and profits in measurable terms | The Recent 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 of the Company for the year under review where losses have reduced. The Company has been able to reduce its net loss to Rs. 475 lacs, which is less than 1/4th of the loss of Rs. 1,868 lacs sustained in the previous year. Turnover of the Company has increased by 33% at Rs. 27,613 lacs as compared to Rs. 20,756 lacs in the previous year. |
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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 to special resolution set out at item no. 5 of the Notice relating to revision in remuneration of the Whole-time Director duly annexed to the Notice convening the 73rd Annual General Meeting of the Company in which proposal for revision in remuneration of Shri Shrikant Bhat, Whole-time Director within the maximum limits determined and fixed by the Board subject to overall ceiling laid down in Section 198, 309 & other applicable provisions of the Companies Act, 1956, including Schedule XIII to the Act, is given to seek members' approval. |
| <hr/> | |
| (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. |
| <hr/> | |
| (3) Details of fixed components and performance linked incentives along with performance criteria | |
| <hr/> | |
| (4) Service contracts, notice period, severance fees etc | : Service Agreement was originally for 5 (Five) years from 18th January, 2008 to 17th January, 2013. The Supplementary Service Agreement is for the remaining period of his term of office from 1st April, 2011 to 17th January, 2013. Notice period is 2 (Two) months. No severance fee is payable on termination. |
| <hr/> | |
| (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. |
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Registered Office:

2, Red Cross Place,
Kolkata - 700 001

Dated, the 18th May, 2011

By Order of the Board

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



SOMA TEXTILES & INDUSTRIES LIMITED

REGD. OFFICE: 2, RED CROSS PLACE, KOLKATA – 700 001

18th May, 2011

Sub: **Green Initiative in Corporate Governance for Paperless Communication**

To
The Shareholders

The Ministry of Corporate Affairs (MCA) has recently, vide its Circulars Nos. 17/2011 dated 21/04/2011 and 18/2011 dated 29/04/2011, taken a "Green Initiative" in the Corporate Governance by allowing paperless compliances by the Companies for the service of the requisite documents such as notices of General Meetings, Audited Financial Statements, Auditor's Reports, Director's Reports to its Members through electronic mode in compliance with the provisions of Section 53 of the Companies Act, 1956. Our Company appreciates the initiative taken by MCA.

We therefore propose to send such documents henceforth to the Members in Electronic form. Accordingly, we are in the process of updating the database of the Company's Members, who are holding their shares in physical mode by incorporating their designated e-mail id in our records to enable the Company for sending Annual Reports and such other requisite documents for compliance with the provisions of Section 219 (1) of the Act and to ensure its legal validity. You are therefore requested to register your e-mail address(es) and changes therein from time to time by sending back the format given duly filled in and signed to our Registrar or Transfer Agent at the address mentioned below:

Sharepro Services (India) Pvt. Limited
Unit: **Soma Textiles & Industries Limited**
416/420, Devnandan Mall, Opp: Sanyas Ashram, Ellisbridge, Ahmedabad – 380 006

or alternatively scanned copy of the form be kindly forwarded to the email id of Sharepro Services (India) Pvt. Limited i.e. sharepro@shareproservices.com.

In respect of the shares held by the Members in demat mode, they are also requested to provide their DP ID/Client ID and register the same with their respective Depository Participants.

Upon registration of the email address(es) the Company proposes to start sending the requisite documents to the Members of the Company via electronic mode /email.

Please take a note that your email address shall be updated after due verification of your signature.

This is an advance intimation and opportunity for you to register your e-mail id without any fail. We would appreciate, if you could provide us the desired information at the earliest.

However, in addition to getting the documents through your registered e-mail, you can also have access to such documents through our Company's website i.e. www.somatextiles.com. These documents will also be available for inspection at the Registered Office of the Company during office hours.

Needless to mention, you are entitled as a Member of the Company, to be furnished with a copy of above referred documents as required under the provisions of the Companies Act, 1956, free of cost upon receipt of a requisition from you.

We solicit your valuable cooperation and support in our endeavour to contribute bit to the environment.

Assuring you of our best services.

Thanking you
For **Soma Textiles & Industries Limited**

R. S. SHARMA
Company Secretary & Compliance Officer

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SOMA TEXTILES & INDUSTRIES LIMITED

REGD. OFFICE: 2, RED CROSS PLACE, KOLKATA – 700 001

EMAIL COMMUNICATION REGISTRATION FORM

(In terms of circular issued by the Ministry of Corporate Affairs, dated 21st April, 2011)

Date: _____

Sharepro Services (India) Pvt. Limited

Unit: Soma Textiles & Industries Limited
416/420, Devnandan Mall,
Opp: Sanyas Ashram, Ellisbridge
Ahmedabad – 380 006

SUB: CONSENT CUM E-MAIL REGISTRATION FOR PAPERLESS COMMUNICATION

MEMBERS ARE REQUESTED TO FILL THE DETAILS BELOW, SO THAT WE CAN FORWARD THE ABOVE REFERRED COMMUNICATION/DOCUMENTS THROUGH EMAIL

Name of Sole/1st Holder _____

Name of the Joint Holder _____

Folio No. _____ No. of Shares held. _____

DP Id No. _____ Certificate No.(s) _____

Client Id No. _____ Distinctive No.(s) _____

E-mail Id _____
(to be registered)

PAN _____

I / We _____ resident of _____ being
a member / members of Soma Textiles & Industries Limited, hereby agree to receive the communication / documents at
_____ (please mention email Id)

Thanking you
Yours faithfully

Signature of sole/1st holder (as in company's records)

Name : _____

Present/Correspondence Address:

Permanent Address:

**DIRECTORS' REPORT**

To

The Members,

Your Directors have pleasure in presenting their 73rd Annual Report of the Company, along with the audited Accounts for the year ended 31st March, 2011.

1. FINANCIAL RESULTS:

The financial results are summarized below:

	2010-11	(Rs. In Lacs) 2009-10
Turnover	27,613	20,756
Other Income	818	802
Total Income	28,431	21,558
Profit/(Loss) before Depreciation, Prior Period Items, Exceptional Items and Tax	940	(296)
Less : Depreciation	1,653	1,655
Profit/(Loss) before Prior Period Item, Exceptional Items and Tax	(713)	(1,951)
Add : Prior Period Items- income/(loss)	186	12
Less : Exceptional Items	(55)	(893)
Profit/(Loss) before Taxation	(582)	(2,832)
Add : Provision for Deferred Tax Income	107	964
Net Profit/(Loss) for the year	(475)	(1,868)
Add : Balance being Profit/(loss) brought forward from previous year	(4,164)	(2,296)
Balance being Profit/(loss) carried to Balance Sheet	(4,639)	(4,164)

2. DIVIDEND

Your Directors do not recommend any dividend for the year 2010-11, in view of net loss during the year.

3. OPERATIONS

Mobile connectivity has brought about a major revolution. The farmers in the remotest area in our country are able to sell their produce at a much better price thus improving their standard of living. This has resulted in a great boost to the local demand of fabrics and the turnover of the Company has increased by 33% to Rs.27,613 lacs.

The Company has been able to reduce its net loss to Rs. 475 lacs, compared to loss of Rs. 1,868 lacs in the previous year, which is around 1/4th of the loss sustained in the previous year. Shortage of adequate working capital was a major impediment which affected the performance of the Company alongwith higher input cost of raw materials, specially cotton. Non availability of skilled manpower in the spinning unit at Baramati Maharashtra is a cause of worry. Training is now being imparted to female workers so as to overcome the problem of labour shortage.

4. COTTON

With more remunerative prices, farmers increased the area in cotton cultivation. In anticipation of a record production of cotton, the Government of India allowed the export of 55 lac bales. The unseasonal rain in December last year not only reduced the size of the crop but also the quality was inferior. This resulted in an increase in cotton prices from Rs.11,000/- per bale to as high as Rs. 32,000/- per bale. After the ban on the export of cotton, prices have fallen to Rs.22,000/- per bale, but this is twice in valuation when compared to the previous year.

5. EXPORT

Despite a substantial increase in the cost of production and facing stiff competition, the Company was able to almost double its export to Rs. 3,219 lacs FOB and have ventured into the upper segment by selling desized and mercerized Denim fabrics in different shades.

6. PROSPECT

Our Country is now considered as the most favourite destination by foreign investors. The rapid industrialization and massive expenditure in infrastructure development by our Government has created a situation where trained manpower has become very difficult to get. This situation will further worsen and Textile, being a labour intensive industry will need a major investment in automation to maintain the tempo of production. This is only possible if the Government of India would help the industry by making available adequate finance at reasonable rate of interest alongwith a loan having long term maturity to give an impetus to the industry to go in for automation in a very big way.

7. EXPANSION AND MODERNISATION

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

Out of sanctioned capital expenditure, the Company incurred a sum of Rs. 399 lacs (bare minimum CAPEX required to be incurred) and financed mainly out of the promoters' contribution required to be brought in under CDR scheme.

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The Company has not availed of the sanctioned term loan of Rs 900 lacs from the lenders during the year under review and upto the date of this Report.

The financials of the Company for the year under review improved mainly due to better off-take of Denim fabrics. The future prospects of Denim industry looks bright due to better domestic and international demands. The higher demand for Denim fabrics will lead to higher demand for open end yarn and the availability of open end yarn in India is limited due to lesser number of manufacturers.

The Company submitted its revised CAPEX plan to the monitoring committee in the meeting held in the month of November, 2010 at Mumbai. On receipt of our revised CAPEX, the monitoring committee had appointed Bombay Textile Research Association (BTRA) to conduct Techno-Economic Viability (TEV) study of the Company. BTRA conducted its study and held detailed discussions with management personnel at various level and suggested changes in the CAPEX programme of the Company. Accordingly, Company has revised its CAPEX programme with an outlay of Rs.25.96 crores which will result in an increase in the Denim manufacturing capacity from 14 mmpa to 23 mmpa. The Company will shortly approach lenders and the CDR to take their approval for the revised CAPEX programme.

8. RIGHTS ISSUE

The Board has approved, in principle, issue of equity share of Rs.10/- each on Rights basis at par for an amount not exceeding Rs.10 crore as per the stipulation made under the Capital Debt Restructuring (CDR) Scheme, sanctioned to the Company by Corporate Debt Restructuring (CDR) Cell. Shareholders have subsequently approved the same. The Company has filed its Draft letter of offer with the Securities and Exchange Board of India (SEBI), Kolkata, for their approval.

9. SUBSIDIARY COMPANY

As reported in our last year's report, that Soma Textile FZE, an overseas wholly owned subsidiary ceased to be a subsidiary of the Company at the close of the year ended on 31st March, 2010 upon dilution of Company's holding to 40%, from 100% in the paid up capital of the said subsidiary and consequently it has become an "Associate" of the Company.

10. CASH FLOW STATEMENT

The Cash Flow Statement, for the year under reference, 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 included in the Annual Accounts in conformity with the provisions of Clause 32 of the Listing Agreement with the Stock Exchanges.

11. INSURANCE

Adequate insurance cover has been taken for all properties of the Company against fire, flood, earthquake, explosive and any such other risks as considered necessary.

12. INTERNAL CONTROL SYSTEMS

Your Company has adequate internal control system commensurate with its nature and size of business. The Audit Committee examines and evaluates the adequacy and effectiveness of the internal control systems and takes necessary steps wherever found necessary, to further strengthen the internal control systems and procedures. Significant findings are brought to the notice of the Audit Committee of the Board and corrective measures are recommended for implementation.

13. FIXED DEPOSITS

Your Company has not accepted any fixed deposits under the provisions of Section 58A of the Companies Act, 1956 during the year and upto the date of this Report.

14. DIRECTORS

Shri Brij Kishore Hurkat, Director retires by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment in accordance with the provisions of the Companies Act, 1956, and Articles of Association of the Company. The Board recommends his re-appointment.

None of the Directors are disqualified from being appointed or holding office as Directors as stipulated under Section 274 (1) (g) of the Companies Act, 1956.

15. CORPORATE GOVERNANCE

Your Company has complied with all the requirements of the Code of Corporate Governance as specified under Clause 49 of the Listing Agreements with the Stock Exchanges.

A separate Section titled 'Corporate Governance' as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges is annexed hereto and forms part of this Report. A Certificate from Statutory Auditors of the Company confirming compliance with the clauses of Corporate Governance laid down under the said Clause 49 of the Listing Agreement is also annexed hereto and forms a part of this Report.

16. CORPORATE GOVERNANCE – VOLUNTARY GUIDELINES 2009

The Ministry of Corporate Affairs has announced the Corporate Governance – Voluntary Guidelines 2009. The preamble sets the tone for a set of good practices for voluntary adoption by the Corporate Sector and which may be adopted voluntarily by the Corporates in addition to the existing laws for further improvement of Corporate Standards and practices, but recommendatory in nature. It is being reviewed by the management to ensure the adherence of the same voluntarily in line with the requirements best suited to your Company gradually in phases.

**17. MANAGEMENT DISCUSSION AND ANALYSIS**

Management Discussion and Analysis Report is appended to this Report as required by the provisions of the Code of Corporate Governance, under Clause 49 of the Listing Agreement forming a part of Annual Report.

18. DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, your Directors to the best of their knowledge and belief and on the basis of information and explanation obtained by them from the operating management, state and confirm that: –

- (i) In the preparation of the annual accounts for the financial year ended 31st March, 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures, wherever, applicable;
- (ii) The Company has selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the loss of the Company for the year under review ;
- (iii) Proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ; and
- (iv) The attached Annual accounts for the financial year ended 31st March, 2011 have been prepared on a 'going concern' basis.

19. AUDITORS

M/s Pipara & Company, Chartered Accounts, Ahmedabad, Statutory Auditors of the Company bearing ICAI registration No.107929W, retire at the ensuing Annual General Meeting of the Company and, being eligible, offer themselves for re-appointment. Your Company has received a certificate from them confirming that their appointment, if made, will be in accordance with the provisions of Section 224 (1B) of the Companies Act, 1956 and that they are not disqualified from re-appointment within the meaning of Section 226 of the Companies Act, 1956.

The Audit Committee recommends re-appointment of M/s. Pipara & Co. as Statutory Auditors of the Company for the Financial Year ending on 31st March, 2012, subject to necessary approval from the shareholders of the Company at the ensuing, 73rd Annual General Meeting.

20. AUDITORS' REPORT

With regard to the observation made under para (VI) of the Auditors' Report on the claim of deemed duty drawback for prior periods recognized as revenue by the Company, your Directors state that the management is reasonably confident of recovery of the claim as the claim has been made and filed with the Development Commissioner SEEPZ, Mumbai pursuant to the circular issued by Director General of Foreign Trade (DGFT) which is the governing body and the same is legally tenable and binding on the Development Commissioner.

And the Auditors' observation on the Investment and the amount advanced to Soma Textile FZC, an overseas Associate (the Erstwhile 100% Subsidiary) of the Company read with note no.24 of Schedule 22(B) on Notes of Account of the Annual Report is self explanatory and do not require further explanation.

21. INDUSTRIAL RELATIONS

Industrial relations remained by and large cordial during the year.

22. COST AUDITORS

Pursuant to the directives of the Central Government under the provisions of Section 233 (B) of the Companies Act, 1956, M/s. N. D. Birla & Co., have been appointed as Cost Auditors of the Company for the financial year ending 31st March, 2012 to conduct an audit of Cost Accounting records of the Company with due approval received from Government of India, Ministry of Corporate Affairs, Cost Audit Branch vide their Sanction Letter NO. 52/129/CAB/1988 dated 3rd May, 2011.

23. PARTICULARS OF EMPLOYEES

The Company has no employee drawing a remuneration as prescribed under Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, during the year under review.

24. ADDITIONAL INFORMATION

A statement giving details of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo pursuant to Clause (e) of Sub-Section (1) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988, is annexed hereto and forms part of this report.

25. ACKNOWLEDGEMENT

Your Directors thank all the shareholders, all employees of the Company, customers, suppliers, Government Authorities, Financial Institutions and bankers for their continued support. Your Directors look forward to this continued support in future as well.

On behalf of the Board

Place : Ahmedabad
Date : 18th May, 2011 •

(S. K. SOMANY)
Chairman

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ANNEXURE TO THE DIRECTORS' REPORT

Additional information as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988

A. CONSERVATION OF ENERGY

- a) Energy Conservation measures taken:
- Conversion from DC to AC Variable Frequency Drive in various machines resulted in saving of power as well as production gain due to lesser downtime & increase in Speed.
 - Energy efficient Light Fixtures installed at various areas resulted in saving of Power.
 - Installation of AC Variable Frequency Drive in Water Supply Pump in Utility Section along with Pressure Transducer resulted in saving of Power as well as consistent required Pressure.
 - Utilisation of drain hot water of Drying Range Cooling Cylinders in washing compartments of Pad Steam Range machine resulted in saving of steam and power.
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:
- The Company continues to focus on its efforts for further improvement in energy saving in the coming years.
- c) Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :
- The above measures of energy conservation have resulted in savings of power & fuel during the year under review.
- d) Total energy consumption and energy consumption per unit of production:
- As per prescribe Form A:

FORM-A

Form of disclosure with respect to Conservation of Energy

A. POWER & FUEL CONSUMPTION

	<u>Current Year</u>	<u>Previous Year</u>
1. a. Purchased		
Unit (in thousands KWH)	52,149	49,316
Total Amount (Rs. in lakhs)	2,812.56	2,629.47
Rate / Unit (Rs.)	5.39	5.33
b. Own Generation		
• Through Diesel / FO Generator Unit (in thousands KWH)	—	—
• Unit per Ltr. Of Diesel	—	—
• Cost/Unit (Rs.)	—	—
• Through Steam Turbine /Generator	—	—
2. Coal-Lignite (Specify Quality & where used)		
Quantity (Tons)	15,798	11,761
Total Cost (Rs. in lakhs)	590.19	462.06
Average rate per ton (Rs.)	3,735.96	3,928.66
3. Furnace Oil		
Quantity (KL)	—	—
Total Cost (Rs. in lakhs)	—	—
Average rate per ltr. (Rs.)	—	—
4. Light Diesel Oil / High Speed Diesel		
Quantity (KL)	—	—
Total Cost (Rs. in lakhs)	—	—
Average rate per ltr. (Rs.)	—	—
5. CNG		
Quantity (SCM in thousands)	415	353
Total Cost (Rs. in lakhs)	91.68	70.84
Average rate per SCM (Rs.)	22.07	20.04
6. Others /Internal Generation	N.A.	N.A.

**B. CONSUMPTION PER UNIT OF PRODUCTION**

Products	Standard
Cotton, man-made & blended Fabrics, Yarn, Jeans, Trousers & Shirts	There is no prescribed standard. It is not possible to work out such details from the records maintained by the Company in accordance with the Companies Act, 1956 in view of the different types of the products and varied processes.

Form B**Disclosure of particulars with respect to absorption****A. RESEARCH & DEVELOPMENT (R&D)**

Research and Development activities are carried out to improve the product quality and with the aim of developing products which are superior in performance and competitive in cost. These efforts are ongoing and efforts are given on innovations.

1. SPECIFIC AREAS IN WHICH R&D IS CARRIED OUT BY THE COMPANY

- Introduction of new processing routes to improve the production efficiency with quality, and reduction in cost.
- Introduction of new finishes like water repellent, stain resistant, Easy care etc finishes.
- Introduction of coating range which enhance the feel and look of the fabric by altering the various chemical combination. This will be an important sales tool in coming future as it gives higher realization then conventional fabrics.
- Seasonal collections to various domestic as well international markets in order to continue with the old buyers and exploring new as well.

2. BENEFITS DERIVED AS A RESULT OF R&D

- Product basket with some new concept attracts new buyers and value addition to fabric.
- Meeting the requirement of international customers and getting regular export orders from the reputed international buyers.
- Improved production efficiency, with consistency in quality products and better product mix.

3. FUTURE PLAN OF ACTION

- To reduce the time of presenting new fabric to existing as well as new buyer
- To focus on niche segment of specialized fabrics
- To further refine technology at all the stages to match global requirements and end customer satisfaction
- To concentrate for the developments of specialized coating and finishes for further penetration in domestic as well as international market.

4. EXPENDITURE INCURRED ON R&D

	2010-11	(Rs. in lacs) 2009-10
a) Capital	—	—
b) Recurring	71.82	63.75
c) Total	71.82	63.75
d) Total R&D Expenditure as percentage of turnover	0.26	0.31

B. TECHNOLOGY ABSORPTION, ADOPTION & INNOVATION

Installed five High speed Toyota Airjet looms.

C. FOREIGN EXCHANGE EARNING & OUTGO

Used Rs. 583 lacs (Previous Year Rs. 355 lacs), Earned Rs. 3,219 lacs (Previous Year Rs. 1,685 lacs)

On behalf of the Board

Place : Ahmedabad
Date : 18th May, 2011

(S. K. SOMANY)
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY STRUCTURE

Indian Textile Industry is one of the leading textile industries in the world. A few years back it was predominantly in the un-organized sector. The opening-up of the economy since the year 1991 gave much-needed thrust to the Indian textile industry and the scenario of the industry has changed. The current domestic market of textile in India is around US\$ 34.6 billion.

The Indian Textile Industry largely depends upon the exports as well as the domestic demand which is also a very huge market. It also plays a major role in the economy of the country. India earns about 27% of its total foreign exchange from textile exports and contributes to around 14% in the total industrial production and around 3% to the GDP of the country. Textile industry is also the largest in the country with respect to the employment generation, which currently provides employment to more than 35 million people. It is estimated that the textile industry will generate around 12 million new jobs in the coming years. The Indian textile industry can be divided in the following segments.

- Cotton Textiles
- Manmade Textiles
- Woolen Textiles
- Silk Textiles
- Readymade Garments
- Khadi & Handicraft Textiles
- Jute and Coir

Cotton is one of the principal crops of the country and it plays a vital role in the Indian economy. It engages around 6 million farmers and another about 40-50 million people depend on activities related to cotton cultivation, cotton trade and its processing for their livelihood. It is the principal raw material for Indian textile industry comprising of 1608 spinning mills and 200 composite mills, with an installed capacity of 35.61 million spindles, 448,000 Open End Rotors and 69,000 looms in the organized sector plus another 1,219 small scale spinning units with 4 million spindles and about 157,226 rotors in the decentralized small scale sector. India ranks first in cotton-cultivation area and second in cotton production in the world. There is substantial increase in cotton production with the improvement in yield due to modern farming practices and B.T. cotton and India has emerged as the second highest cotton producer in the world next to China.

Prospects of Indian Denim Industry

The denim fabric is considered to be durable and strong compared to the other fabric sorts. It is very suitable to Indian climate and hence it is gaining popularity in India and denim craze is eminent. The Indian denim market is growing at 10-15% per annum and it is likely to grow further in coming years. The present market potential is very good and almost all the brands of denim manufacturers have witnessed multiple fold increase in their demand. Most of the international brands of denim garments have presence in India like Levi's, Lee, and Wrangler etc. The domestic brands of denim garments also have come out with exclusive jeans range.

Some of the points that indicate the domestic market for denim jeans to remain buoyant in the near future are as follows.

- The popularity of denim products has increased tremendously especially in the young boys and girls also.
- The denim fabric and garment producers have been able to make very attractive designs of denim fabric & garments.
- The denim garments are very versatile, comfortable and easy to maintain.
- The rural market in India for denim garments is also growing very rapidly.
- The brand network is growing very rapidly in India, which allows customers to easily access brands and products of their choice.
- Many multinational brands are now coming to India to source denim garments for their Indian retail business and also for their global requirements.
- The per capita consumption of denim fabric in India is less than 0.30 m per annum. In the US, the per capita consumptions of denim is around eight pairs of jeans for males and seven pairs of jeans for females.

The strength and weaknesses of Indian textile industry are as under.

Strengths

- Vast textile production capacity
- Availability of raw material
- Entrepreneurial skills
- Efficient multi-fiber raw material manufacturing capacity
- Large domestic market
- Enormous export potential
- Very low import content
- Flexible textile manufacturing systems

Weaknesses

- Increased global competition in the post 2005 trade regime under WTO
- Imports of cheap textiles from neighboring countries
- Use of outdated manufacturing technology
- Poor supply chain management
- Huge unorganized and decentralized sector
- High production cost with respect to other Asian competitors

Currently, the outlook for Indian textile industry is very positive. The investments in textile industry are encouraging and there is a revival in demand for Indian textiles.

The recession in the global market and the currency volatility in the last few years are showing the signs of improvements now. The revival in demand is clearly visible from the increase in production observed during the period April 2009 and January 2010. The credit profiles of the textile companies are expected to improve with revival in the domestic demand and signs of improvement in the global markets. However, appreciation of rupee and the significant rise in cotton prices recently are the causes of concerns which may affect the profitability.

2. INDUSTRIAL RELATIONS AND HUMAN RESOURCE MANAGEMENT

The Company continued to have cordial and harmonious relations with its employees. It considers manpower as its asset and that people had been the driving force for growth and expansion of the Company. The Company has taken a number of new initiatives, to improve efficiency, reduce cost and has also laid down special emphasis on the training and development of its employees.

3. INFORMATION TECHNOLOGY

Today, Information Technology System plays a vital role in the highly competitive business scenario. Understanding this, the Company has implemented fully integrated ERP system including textiles industry specific requirements & challenges. The system improves overall productivity & helps tremendously in analysis, decision making and better planning.

As a backbone to the centralized ERP system, Company has implemented state-of-the-art latest, centrally managed, fully secured, highly available & future scalable - a complete IT infrastructure.

4. CAUTIONARY STATEMENT

Certain statements in the "Management Discussion and Analysis" Section may be forward looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Directors' envisage in terms of future performance and outlook.

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Your Company firmly believes in the principal of good Corporate Governance and is committed in adopting the best global practice of Corporate Governance. The Company fully realises the rights of its shareholders to information on the performance of the Company and considers itself a trustee of its shareholders. The Company provides detailed information on various issues concerning the Company's business and financial performance, to its shareholders.

The Company continues to commit itself to maintain the standards of integrity, transparency, accountability and equity in all facets of its operations and all its interactions with its stakeholders including the shareholders, employees and government. The basic philosophy of Corporate Governance in the Company is to achieve business excellence and dedicate itself for increasing long-term shareholders value, keeping in view the needs and interests of all its stakeholders. The Company is committed to transparency in all its dealings and places emphasis on business ethics.

2. BOARD OF DIRECTORS

(a) Composition of the Board :

As on 31st March, 2011 the Company's Board of Directors comprised of a judicious mix of Six (6) Directors consisting of Four (4) Non-Executive Directors (including the Chairman who is Non-Executive Promoter Director) and Two (2) Executive Directors of whom one is Managing Director and the other one is Whole-time Director, of this Three (3) Directors are Independent constituting half of the Boards total strength of Six (6), which is in conformity with the stipulation laid on the code of Corporate Governance recommended by Securities & Exchange Board of India (SEBI) through Clause 49 of the Listing Agreement of Stock Exchanges in India, which stipulates for at least one-half of the Board of the Company should consist of independent directors, where the non-executive Chairman is a promoter or is related to promoters or persons occupying management positions at the board level or at one level below the board. The Company's Board is thus managed and guided by an appropriate mix of Executive and Non-Executive Directors, which ensures independent judgments in its deliberations and decisions. All the Non-Executive Directors are eminent persons armed with professional expertise and experience except Shri S. K. Somany, who is an Industrialist. The maximum gap between any two meetings of the Board was less than four months which is in conformity with the requirement of Clause 49 of the Listing Agreements entered into with the Stock Exchange(s) where the Company's Shares/Securities are listed. The Composition of the Board of Directors are as follows:-

Name of Director	Designation	Category of Directorship	No. of other Directorship held other than STIL (*)	No. of Membership/ Chairmanship on other Board Committees other than STIL (**)
Shri S. K. Somany	Chairman	Promoter Non-Executive Non Independent	5	4 (including 3 as Chairman)
Shri A. K. Somany	Managing Director	Promoter Executive Non Independent	1	Nil
Shri Shrikant Bhat	Executive Director	Executive Non Independent	1	Nil
Shri B .K. Hurkat	Director	Non-Executive Independent	Nil	Nil
Shri B. L. Dhoot	Director	Non-Executive Independent	Nil	Nil
Shri Anoop Sharma (@)	Director (Nominee of IDBI)	Non-Executive Independent	Nil	Nil

(*) Exclude Directorship in Private Limited Companies, Memberships of Managing Committees of various Chambers/Bodies and Alternate Directorships.

(**) Only the two committees viz. the Audit Committee and the Shareholders'/ Investors' Grievance Committee have been considered for this purpose, in terms of Clause 49 of the Listing Agreement.

(@) Upon withdrawal of nomination of Shri B. H. Parghi by IDBI Bank Limited, Sri Anoop Sharma, had been simultaneously nominated as nominee Director by IDBI Bank Limited on the Board w.e.f. 19.04.2010, upon withdrawal of nomination of Shri B. H. Parghi.

As mandated by Clause 49 of the Listing Agreement, the Company declares that none of the Directors of Company are member of more than 10 Board level Committees nor are they Chairman of more than 5 Board Committees of which they are members across all Companies in which they are Directors as per the declarations received from them.



No Director is related to any other Director on the Board in terms of provisions of Companies Act, 1956, except for Shri S. K. Somany, the Chairman and Shri A. K. Somany, the Managing Director of the Company who are related to each other. Shri S. K. Somany is the father of Shri A. K. Somany.

(b) Board Meetings and Annual General Meeting :

During the financial year 2010-11, Four Board Meetings were held on 29th May, 2010, 7th August, 2010, 11th November, 2010, and 5th February, 2011. The last, 72nd Annual General Meeting held on 13th September, 2010. The details of attendance of Directors in Board Meetings and the last Annual General Meeting are as follows:

Name of Director	No. of Board Meetings attended	Attendance at last AGM
Shri S. K. Somany	4	Yes
Shri A. K. Somany	3	No
Shri Shrikant Bhat	1	No
Shri B. K. Hurkat	4	No
Shri B. L. Dhoot	4	Yes
Shri Anoop Sharma	3	No

(c) Details of shares and convertible instruments held by Non-Executive Directors as on 31st March, 2011 :

As on 31st March, 2011, none of the Non-Executive Directors except Shri S. K. Somany as disclosed hereunder held any shares of the Company. The Company does not have any convertible instruments and Employees Stock Option under the Scheme as at 31st March, 2011.

Name of Non-Executive Director	No. of Shares held	% of total share capital
Shri S. K. Somany	1,008,274	3.05

(d) Code of Conduct

The Board has adopted a Code of Conduct for its Board Members and Senior Management Personnel, and has posted it on the website of the Company in terms of Clause 49(D)(I) of the Listing Agreement. The Company has obtained the confirmation of the compliance with the Code from all its Board Members and Senior Management Personnel for the year under review. The Managing Director in terms of Clause 49(D)(II) affirms the compliance with the Code of Conduct by the Board Members and Senior Management for the year under review. The Code of Conduct is available on the Company's website www.somatextiles.com. A declaration to this effect signed by the Managing Director (CEO) forms part of this report.

(e) Information about Directors Seeking Appointment / Re-appointment at the ensuing Annual General Meeting as required under Clause 49(IV)(G) of the Listing Agreement :-

Shri B. K. Hurkat (Shri Hurkat), Director of the Company retires by rotation at the ensuing 73rd Annual General Meeting of the Company and is eligible for re-appointment.

The brief profile of Shri Hurkat and his other relevant particulars are furnished in the Notice convening the 73rd Annual General Meeting of the Company to be held on Friday the 2nd September, 2011.

3. BOARD COMMITTEES

The Company has constituted Board level Committees to delegate particular matters that require greater and more focused attention in the affairs of the Company. All the decisions pertaining to the constitution of Committees are taken by the Board of Directors of the Company.

As on 31st March, 2011, the Company has five (5) Board level Committees namely the Audit Committee, Remuneration Committee, Shareholders/Investors' Grievance Committee, Share Transfer Committee and the Executive Committee.

A) AUDIT COMMITTEE

The Board had, at its meeting held on 25th January, 2001, constituted the Audit Committee in compliance with the requirement under Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

The present terms of reference of the Audit Committee includes the powers as laid out in Clause 49(II)(C) and role as stipulated in Clause 49(II)(D) of the Listing Agreement with the Stock Exchange.

The role, powers and terms of reference of this Committee also covers the areas as contemplated under Section 292A of the Companies Act, 1956 and the Committee also complies with the relevant provisions of the Companies Act, 1956.

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a) Terms of reference

The terms of reference of this committee are wide enough to cover the matters specified for Audit Committee under Clause 49 of the Listing Agreement as well as in Section 292(2A) of the Companies Act, 1956.

The gist of the terms of reference as stipulated by the Board to the Audit Committee is given hereunder :-

To oversee the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible, to recommend to the Board, the appointment or re-appointment of Statutory Auditors and fixation of the audit fee and approval of payment for any other services, to review and discuss with the auditors about adequacy and effectiveness of internal audit functions and internal control systems, scope of audit including observations of the auditors, major accounting policies & practices, adopting accounting standards and complying various requirement concerning financial statements, to review with the management Company's quarterly and annual financial statements before submission to the Board, to review with the management performance of statutory and internal auditors, to discuss with internal auditors on any significant findings and follow up thereon including reviewing the findings of internal investigation, if any, to discuss with statutory auditors before the audit commences about the nature and scope of audit as well as post audit discussion to ascertain any area of concern and to review any other areas which may be specified as a role of audit committee under amendments, if any, from time to time to the Listing Agreement, Companies Act, and other Statutes.

The Company generally considers and reviews all items listed in Clause 49(II)(D) of the Listing Agreement. The Committee mandatorily reviews information as per the requirement of Clause 49(II)(E) of the Listing Agreement and such other matters as considered appropriate by it or referred to it by Board.

b) Composition

As on 31st March, 2011, the Audit Committee consisted of 4(Four) members, of this, 3 (Three) Non-Executive Independent Directors and 1 (One) Non-Executive Promoter Director were members of the Committee. Thus the composition of the Committee consisted of majority of Non-Executive and Independent Directors is in conformity with requirements of Clause 49(II)(A) of the Listing Agreement. The Committee was chaired by Shri B. K. Hurkat, the Non-Executive Independent Director. All the Members of the Audit Committee are financially literate including the Chairman of the Audit Committee who has financial management expertise. The Managing Director and Head of finance & accounts are permanent invitees of the Committee Meetings. The Statutory Auditors, Cost Auditors and Internal Auditors are also invited to the Committee Meetings. Shri B. L. Dhoot, who was appointed as the Chairman of the Audit Committee at the Board Meeting held on 7th August, 2010, for the limited purpose for attending the 72nd Annual General Meeting (AGM) due to non availability of Shri B. K. Hurkat, the Chairman of the Audit Committee because of his pre occupation, attended the 72nd AGM held on 13th September, 2010 to answer Shareholders queries and immediately after the conclusion of AGM Shri Dhoot ceased to be the Chairman of the Audit Committee. Shri R. S. Sharma, Company Secretary acts as Secretary to the Committee.

c) Meetings

During the year four Audit Committee meetings were held on 29th May, 2010, 7th August, 2010, 11th November, 2010, and 5th February, 2011. The maximum gap between any two meetings was less than four months. The Minutes of the Audit Committee are circulated to the Board, discussed and taken note of.

The Composition of the Audit Committee and attendance of each directors are given below:-

Name of the Member	Category of Directorship	Status	No. of Meetings attended
Shri B. K. Hurkat	Non-Executive Director – Independent	Chairman	4
Shri S. K. Somany	Non-Executive Director – Promoter	Member	4
Shri B. L. Dhoot	Non-Executive Director – Independent	Member	4
Shri Anoop Sharma (*)	Non-Executive Director – Independent	Member	3

(*) Upon withdrawal of nomination of Shri B. H. Parghi by IDBI Bank Limited, Sri Anoop Sharma has been nominated as a nominee Director on the Board w.e.f. 19.04.2010 and the Board of Directors appointed Shri Anoop Sharma as a Member of Audit Committee w.e.f. 19.04.2010.

B) REMUNERATION COMMITTEE

The Board of Directors of the Company had, at its meeting held on 31st January, 2002, constituted the Remuneration Committee in conformity with and keeping a good balancing with the requirements under Schedule XIII to the Companies Act, 1956 and Clause 49 of the Listing Agreements to determine and review the remuneration package of Managing/Whole-time/Executive Directors and to deal with other matters related to Managerial Remuneration.

**a) Terms of reference**

Gist of terms of reference of the Remuneration Committee is as follows:-

- Review and recommend to the Board the remuneration of Managing/Whole-time/Executive directors, including periodic revision of remuneration.
- Review and recommend to the Board annual increments of Managing/Whole-time/Executive directors based on performance.
- Review and advise the Board over the remuneration policy followed by the Company generally.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Remuneration Committee.

b) Composition

As on 31st March 2011, the Remuneration Committee consisted of 4 (Four) Non-Executive Directors, three of whom, including the Chairman Shri B. L. Dhoot, Shri B. K. Hurkat and Shri Anoop Sharma (appointed on 19.04.2010) were Independent Non-Executive Directors and Shri S. K. Somany, was the Non-Executive Chairman & Promotor Director of the Company. Shri R. S. Sharma, Company Secretary acts as Secretary to the Remuneration Committee. During the year under review the Committee met once on 29th May, 2010 to review and recommend annual increments to the Whole-time directors. All the members attended the said Meeting. Shri B. H. Parghi automatically ceased to be a Member of this Committee w.e.f. 19th April, 2010 upon withdrawal of his nomination by IDBI Bank Limited from the Board of the Company and instead the Board of Directors has nominated Shri Anoop Sharma, Nominee Director, appointed by IDBI Bank Limited on the Board of the Company, as member of this committee w.e.f. 19th April, 2010.

c) Remuneration Policy

Within the overall limits fixed by the Shareholders in General Meeting the Board decides the remuneration payable to Whole-time/Managing/Executive Directors. Remuneration of Whole-time/Managing/Executive Directors largely consists of base remuneration, perquisites, gratuity, bonus and other allowances. The remuneration packages are governed by industry pattern and guidelines. The Non-Executive Directors are entitled to sitting fee for attending the meetings of the Board and Commission in case of adequacy of profits under the provisions of the Companies Act, 1956.

The details of Remuneration paid / payable during the year to Directors are as under :-

Name of Director	Basic Salary & Allowances (Rs.)	Perquisites (Rs.)	Contribution to Provident Fund (Rs.)	Sitting Fees (Rs.)	Total (Rs.)
Shri S. K. Somany	—	—	—	10,000	10,000
Shri A. K. Somany	1,620,000	—	144,000	—	1,764,000
Shri Shrikant Bhat	1,104,723	186,606	82,032	—	1,373,361
Shri B. L. Dhoot	—	—	—	10,000	10,000
Shri B. K. Hurkat	—	—	—	10,000	10,000
Shri Anoop Sharma	—	—	—	7,500	7,500

Besides the above, no other pecuniary relationship or transactions vis-a-vis the Company exists with the Non-Executive Directors. Shri A. K. Somany and Shri Shrikant Bhat, Executive Directors of the Company are not entitled to any sitting fees.

The appointment of Shri A. K. Somany, Managing Director is contractual for a period of 3(Three) years commencing from 22nd January, 2011. The service of Shri A. K. Somany may be terminated by giving 6(six) months notice or alternatively 6(six) months' salary in lieu of such notice period. No stock option was issued to Shri Somany.

The appointment of Shri Shrikant Bhat, Executive Director is contractual for a period of 5(Five) years commencing from 18th January, 2008. The service of Shri Shrikant Bhat may be terminated by giving 2(Two) months notice or alternatively 2(Two) months' salary in lieu of such notice period. No stock option was issued to Shri Bhat.

There is no separate provision for payment of Severance fee to the Managing and Executive Directors of the Company in their Service Agreement entered into by the Company with them. Except gratuity, earned leave at the end of tenure and notice period as stated above no other severance fee is paid/or payable to such Directors.

C) SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

The Board of Directors of the Company had, at its meeting held on 28th June, 2001, constituted the Shareholders'/ Investors' Grievance Committee, in terms of Clause 49 of the Listing Agreement.

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The Company attaches highest importance to the Investor relations. The Board of Directors of the Company have constituted the Shareholders'/Investors' Grievance Committee to focus on the prompt and effective redressal of the shareholders complaints and grievances and strengthening of the Investor relations.

a) Terms of reference

The committee acts in accordance with the terms of reference specified by the Board from time to time as per the guidelines set out in the Listing Agreement of the Stock Exchanges, which inter-alia include overseeing and reviewing all matters connected with investors' complaints and redressal mechanism as per applicable statutory and regulatory provisions.

The gist of terms of reference is as under :-

- Redressing complaints and grievances of shareholders pertaining to transfer of shares, non receipt of annual reports, non receipt of dividends declared, dematerialisation/rematerialisation of shares etc.
- Overseeing the performance of Registrar and Share Transfer Agents.
- Reviewing all matters connected with Servicing of Investors.
- Recommending measures for overall quality improvement for Investors Services.

b) Composition

As on 31.03.2011, the Shareholders'/Investors' Grievance Committee comprised of 4 (Four) members, of this, 2 (Two) members are Non-Executive Independent Directors, 1 (One) is Non-Executive Non-Independent Promoter Director who is Chairman of the Committee and 1 (One) is Executive Non-Independent Promoter Director. The Committee met four times during the year on 30th June, 2010, 30th September, 2010, 31st December, 2010 and 31st March, 2011. The attendance of members was as follows:

Name of the Member	Category of Directorship	Status	No. of Meetings attended
Shri S. K. Somany	Non-Executive Non-Independent Promoter Director	Chairman	Nil
Shri A. K. Somany	Executive Non-Independent Promoter Director	Member	4
Shri B. K. Hurkat	Non-Executive Independent Director	Member	4
Shri B. L. Dhoot	Non-Executive Independent Director	Member	Nil

The Company has designated the E-mail id: investors@somatextiles.com exclusively for the purpose of registering complaints by investors electronically in terms of the requirement of Listing Agreement. This E-mail ID is displayed on the Company's Website, i.e. : www.somatextiles.com

Shri R. S. Sharma, Company Secretary, is the Compliance Officer of the Company. During the year under review, the Company had not received any complaint from shareholders, which was resolved to the satisfaction of shareholders.

D) SHARE TRANSFER COMMITTEE

Share Transfer Committee of Directors was constituted by the Board of Directors at the meeting of the Board held on 27th May, 1999. The Board has delegated the powers of share transfer, transmission and transposition to the Committee comprising of Executive and Non-executive Directors. The Committee attends the share transfer formalities once a month. The business transacted at the meeting is placed before the Board regularly.

a) Terms of reference

Terms of Reference of the Committee are as per the guidelines set out in the Listing Agreement with the Stock Exchanges in India and pursuant to the provisions of the Articles of Association of the Company. The Committee has been delegated authority and power to administer share transfer activities, formalities and mechanism.

Gist of terms of reference

- To approve and effect transfer of shares.
- To approve transmission of shares.
- To approve transposition of names.
- To issue duplicate share certificates, as and when, required and also to issue certificates in respect thereof under the Common Seal of the Company.
- To confirm demat/remat requests.
- To do all such acts and deed as may be necessary and/or incidental to the above.

b) Composition

As on 31st March, 2011 the Share Transfer Committee comprised of one Non-Executive Non-Independent Promoter Director as Chairman, Two Non-Executive Independent Directors and One Executive Non-



Independent Promoter Director as members of the Committee. During the year, the Committee had 12 (Twelve) Meetings for approval of transfer of shares lodged with the Company and the attendance of members was as under:-

Name of the Member	Category of Directorship	Status	No. of Meetings attended
Shri S. K. Somany	Non-Executive Non-Independent Promoter Director	Chairman	1
Shri A. K. Somany	Executive Non-Independent Promoter Director	Member	11
Shri B. K. Hurkat	Non-Executive Independent Director	Member	12
Shri B. L. Dhoot	Non-Executive Independent Director	Member	1

There were no valid share transfers pending for registration for more than 30 days as on 31.03.2011

E) EXECUTIVE COMMITTEE

a) Terms of reference

The Board, had at its Meeting held on 31st October, 2007, constituted an Executive Committee of Directors as required by sub-clause II(b) of Clause 41 of the Listing Agreement. The Committee meets as and when necessary to consider and approve Quarterly Financial Results of the Company under sub-clause (1) of Clause 41 of the Revised Listing Agreement, in the event the results are not considered at the Meeting of the Board of Directors and to consider and approve Limited Review Report of the Statutory Auditors of the Company, if any, in regard to Limited Review carried out by the Statutory Auditors relating to the quarterly financial results and to consider all such other matters and businesses as may be delegated by the Board from time to time.

b) Composition

As on 31st March, 2011, the Committee comprised of 3(Three) Directors namely Shri A. K. Somany (Managing Director) who is Non-Independent, Shri B. K. Hurkat and Shri B. L. Dhoot, the Independent Directors. Any two Directors, comprising of Managing Director shall form the quorum of the Meeting. There was no occasion to convene meeting of the Executive Committee during the year ended 31st March, 2011 to consider and review the Limited Review Report of the Statutory Auditors of the Company.

4. SUBSIDIARY COMPANY

Soma Textile FZC, Sharjah, U.A.E. (formerly Soma Textile FZE, Sharjah, U.A.E.), as reported last year, ceased to be an overseas wholly owned subsidiary of Soma Textiles & Industries Limited, India with effect from 31st March, 2010 upon dilution of its holding to 40% from 100% in the Paid-up Capital of the said subsidiary. Further the Company has no material unlisted Indian Subsidiary Company within the meaning and scope of Clause 49(III) of the Listing Agreement with the Stock Exchanges.

5. GENERAL BODY MEETINGS

(i) Details of last three Annual General meetings held:-

Financial Year	AGM	Date	Time	Location
2009-10	72nd	13.09.2010	2-00 P.M.	Jhajharia Committee Room of Merchants' Chamber of Commerce, 15B, Hemant Basu Sarani, Kolkata - 700 001.
2008-09	71st	24.08.2009	2-30 P.M.	-same as above-
2007-08	70th	04.09.2008	3-00 P.M.	-same as above-

(ii) Special Resolution passed in the previous three AGMs:-

In the AGM held on	Subject matter of the resolution
13th September, 2010	(i) The appointment of Shri A. K. Somany as Managing Director for 3 (Three) years from 22nd January, 2011.
24th August, 2009	None.
4th September, 2008	(i) Commission to Directors (Other than the Managing and Whole-time Directors).

No Special Resolution was passed through Postal Ballot during the financial year ended on 31st March, 2011 and no Special Resolution is proposed to be conducted through Postal Ballot in the ensuing AGM.

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6. DISCLOSURES

(i) Related Party Transactions

During the year there are no transactions of material nature with the directors or the management or their relatives which may have potential conflict with the interest of the Company at large. Transaction with related parties in normal course of business were placed before the Audit Committee. Details of related parties transactions have been disclosed in the Notes to the Accounts, in the Financial Statements of the Company as at 31st March, 2011.

(ii) Compliance

There were no instances of non-compliance on any matter related to the capital markets, during the last three years. No penalties, fines or strictures were imposed on the Company by Stock Exchanges or SEBI or any Statutory Authority on any matter related to capital markets during the last three years.

(iii) Compliance with Mandatory/Non-Mandatory requirements of Clause 49 of the Listing Agreement

All the mandatory requirement have been appropriately complied with. The Company has not adopted any non-mandatory requirements of Corporate Governance given in Annexure 1D of Clause 49 of the Listing Agreement except relating to Remuneration Committee.

(iv) Risk Management

The Company has laid down the risk assessment and minimization procedures and it is reviewed by the Audit Committee periodically. Further the Company has adequate internal control system to identify the risk at appropriate time and to ensure that the executive management controls the risk through means of a properly defined framework.

(v) Whistle Blower Policy

The Company does not have any whistle blower policy as of now but no personnel is being denied any access to the Audit Committee.

(vi) Disclosure on Accounting Treatment

The financial statements have been prepared following the prescribed Accounting Standards prescribed by the Institute of Chartered Accountants of India (ICAI) in case where a treatment different from that prescribed in Accounting Standard is followed the same has been appropriately disclosed and explained.

7. MEANS OF COMMUNICATION

(i) Quarterly Results

Quarterly Results after being reviewed by the Audit Committee are considered and approved by the Board of Directors and submitted to the Stock Exchanges as per Listing Agreements.

(ii) Newspaper wherein results normally published

Financial Express (English), Kolkata and Kalantar (Bengali), Kolkata.

(iii) Any Web Site, where displayed

The Company has its own website www.somatextiles.com where information about the Company is displayed and regularly updated. Shareholders/Investors can view the Company's Quarterly Un-audited and Annual Audited Financial Results on the Company's website.

(iv) Whether it also displays official News releases

No

(v) The representations made to Institutional Investors or to the Analysts

No

(vi) Management Discussion and Analysis Report (MD&A)

The Management Discussion and Analysis Report is a part of the Annual Report.

8. GENERAL SHAREHOLDERS' INFORMATION

(I) Annual General Meeting:

The 73rd Annual General Meeting is proposed to be held on Friday, the 2nd September, 2011 at 2:30 P.M. at Jhajharia Committee Room of Merchants' Chamber of Commerce, 15B, Hemant Basu Sarani, Kolkata - 700 001.

(ii) Financial year :

2011-2012 (1st April to 31st March)

First Quarterly Results

Within 45 days of end of June quarter 2011

Second Quarterly Results

Within 45 days of end of September quarter 2011

Third Quarterly Results

Within 45 days of end of December quarter 2011

Audited Financial Results for the year ended 31.03.2012

Within 60 days of end of Financial Year March, 2012

**(iii) Date of Book Closure:**

Tuesday, the 23rd August, 2011 to Friday, the 2nd September, 2011 (both days inclusive).

(iv) Dividend Payment Date:

No dividend has been declared by the Company for the financial year 2010-11.

(v) Listing on Stock Exchanges

The Equity Shares of the Company are listed at the following Stock Exchanges:-

- (a) Bombay Stock Exchange Limited (BSE)
Phiroze Jeejeebhoy Towers, Dalai Street, Mumbai – 400 001.
- (b) National Stock Exchange of India Limited (NSE)
Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.

NOTE:

- (i) Listing fees have been paid to the Stock Exchanges for the year 2011-12.
- (ii) The Calcutta Stock Exchange Association Limited, has vide its Letter No. CSEA/ID/223/2008 dated 16th April, 2008, confirmed the delisting of Company's Shares from the official List of their exchange. However Equity Shares have been allowed to be traded under the "Permitted Category" on the Exchange considering the interest of General Investors in the Company.

(vi) Stock Code

- (i) NSE - SOMATEX, (ii) BSE - 521034, (iii) CSE - 29067.
- De-mat ISIN Number in NSDL & CDSL – ISIN – INE 314C01013.

(vii) Market Price Data for each calendar month during the last financial year:

Months	NSE		BSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2010	11.90	9.95	11.80	9.56
May 2010	10.85	8.80	10.99	8.88
June 2010	10.95	8.80	10.85	8.61
July 2010	11.00	9.45	11.80	9.45
August 2010	11.70	9.60	11.80	9.60
September 2010	10.65	9.65	10.69	9.71
October 2010	14.65	9.50	15.99	9.65
November 2010	14.65	9.10	14.75	9.01
December 2010	10.95	8.80	11.00	8.80
January 2011	10.65	8.65	10.87	8.65
February 2011	9.20	7.15	9.00	7.20
March 2011	8.35	7.15	8.34	6.77

(viii) Market Price Data in comparison to the BSE Index:

Months	BSE		BSE Index	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2010	11.80	9.56	18,047.86	17,276.80
May 2010	10.99	8.88	17,536.86	15,960.15
June 2010	10.85	8.61	17,919.62	16,318.39
July 2010	11.80	9.45	18,237.56	17,395.58
August 2010	11.80	9.60	18,475.27	17,819.99
September 2010	10.69	9.71	20,267.98	18,027.12
October 2010	15.99	9.65	20,854.55	19,768.96
November 2010	14.75	9.01	21,108.64	18,954.82
December 2010	11.00	8.80	20,552.03	19,074.57
January 2011	10.87	8.65	20,664.80	18,038.48
February 2011	9.00	7.20	18,690.97	17,295.62
March 2011	8.34	6.77	19,575.16	17,792.17

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(ix) Registrar & Share Transfer Agent: (for Physical & Demat)

Sharepro Services (India) Pvt. Limited
Unit: Soma Textiles & Industries Limited
13 AB, Samitha Warehousing Complex, Sakinaka Telephone Lane, Sakinaka, Andheri East, Mumbai-400 072
Phone No.: 022-67720300/67720400, Fax: 022-28591568 E-mail : sharepro@shareproservices.com

and/ or

Branch office at :

Devnandan Mega Mall, Office No. 416-420, 4th Floor, Opp. Sanyas Ashram, Ashram Road, Ahmedabad-380 006
Phone No. : 079 – 2682381/82/83/84, Fax : 079 - 2658385 E-mail : sharepro.ahmedabad@shareproservices.com

(x) Share Transfer System

The Company has appointed a Common Registrar for the physical transfer and dematerialisation of shares. Presently the shares transfers which are received in physical form are processed by the Registrar and Share Transfer Agent and approved by the Share Transfer Committee. Shares certificates are registered and returned within the stipulated time of 30 days from the date of receipt, subject to transfer instruments being valid and complete in all respects. Physical Shares recorded for dematerialisation are processed and completed within the stipulated time if the documents are complete in all respects.

The Company obtains from a Company Secretary in practice half yearly certificates of Compliance with the Share transfer facilities as required under Clause 47(C) of the Listing Agreement with the Stock Exchanges and files a copy of certificate with the Stock Exchanges.

(xi) Secretarial Audit for Reconciliation of Share Capital

A qualified practicing Company Secretary carried out the Secretarial Audit pursuant to SEBI (Depositories and Participants) Regulations, 1996, on quarterly basis to reconcile the total admitted equity capital with National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) and the total issued/paid-up listed equity capital of the Company.

The Secretarial Audit Report confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the dematerialisation form.

(xii) Permanent Account Number “PAN” for Transfer of Shares in Physical Form

SEBI vide its circular dated May 20, 2009, has stated that for securities market transactions and off market transactions involving transfer of shares in physical form of Listed Companies, it shall be mandatory for the transferee(s) to furnish copy of PAN Card to the Company or Company's RTA for registration of such transfer of shares in physical form. Accordingly shareholders are requested to furnish copy of PAN Card to the Company or its RTA for registration of transfer of shares in their name.

(xiii) Distribution of shareholding:

(a) The shareholding distribution of equity shares as at 31st March,2011 is given below:

Shareholding No.		Shareholders		Shareholding	
From	To	Number	% of total	Number	% of total
1	500	9,323	78.43	1,861,632	5.64
501	1000	1,222	10.28	1,072,554	3.25
1001	2000	589	4.95	971,261	2.94
2001	3000	252	2.12	666,202	2.02
3001	4000	88	0.74	318,697	0.96
4001	5000	112	0.94	538,518	1.63
5001	10000	153	1.29	1,145,086	3.46
10001	Above	148	1.25	26,459,050	80.10
Total		11,887	100.00	33,033,000	100.00

**(b) Shareholding pattern as at 31st March, 2011**

Category	No. of shares held	% shares holding
Promoters	14,657,241	44.37%
Resident Individuals	8,615,937	26.08%
Private Corporate Bodies	3,057,802	9.26%
Financial Institution & Banks, Govt., Insurance Companies and Mutual Funds	12,388	0.04%
OCBs and NRIs	82,632	0.25%
Foreign Institutional Investors	6,607,000	20.00%
Total	33,033,000	100.00%

(xiv) Dematerialisation of Equity Shares

About 97% of total Paid-up Equity Share Capital is held in dematerialised form with NSDL and CDSL.

(xv) Outstanding GDR's/ADR's/Warrants or any convertible instruments, conversion date and any likely impact on the equity

As on 31st March, 2011, the Company had no outstanding GDRs/ADRs/warrants or any convertible instruments.

(xvi) Plant Locations

- (1) Rakhial Road, Ahmedabad – 380 023
- (2) Plot No. D-49, MIDC, Baramati, Pune – 413 102

(xvii) Address for Investors' correspondence

Soma Textiles & Industries Limited
Rakhial Road, Ahmedabad – 380 023
Phone: 079-22743285 FAX: 079-22745653 E-Mail id: investors@somatextiles.com

DECLARATION OF CODE OF CONDUCT

To

The Members of
Soma Textiles & Industries Limited

Sub : Declaration by the Managing Director (CEO) under Clause 49(I)(D)(ii) of the Listing Agreement.

I, Arvind Kumar Somany, Managing Director of Soma Textiles & Industries Limited, to the best of my knowledge and belief, declare that all the members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct of the Company for the year ended 31st March, 2011.

Place : Ahmedabad
Date : 30th April, 2011

(Arvind Kumar Somany)
Managing Director (CEO)

AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT(S)

To the Members of,
Soma Textiles & Industries Limited

We have examined the compliance of conditions of corporate governance by **M/s. Soma Textiles & Industries Limited**, for the year ended on **31st March 2011**, as stipulated in Clause 49 of the Listing Agreement of the Company with the stock exchange.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in Clause 49 of the abovementioned listing agreement. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For PIPARA & COMPANY
Chartered Accountants

GYAN PIPARA
(Partner)

Place : Ahmedabad
Date : 18th May, 2011

Membership No.034289
Firm Registration No. 107929W

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AUDITORS' REPORT

The Members of
SOMA TEXTILES & INDUSTRIES LIMITED

We have audited the attached Balance Sheet of **SOMA TEXTILES & INDUSTRIES LIMITED**, as at **31st March, 2011** and also the Profit and Loss Account and Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government of India in terms of sub-Section (4A) of Section 227 of the Companies Act, 1956 of India and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper report adequate for the purposes of our audit have been received from the branch not audited by us. **The financial records of Baramati branch of Company have been audited by Shankarlal Jain & Associates, Chartered Accountants, Mumbai, (Firm Registration No. 109901W) a copy of whose report has been forwarded to us.** We have relied on that report and have appropriately dealt with the same in our report.
- (iii) The Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the books of account and with the audited reports from the branch;
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-Section(3C) of Section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors, as on 31st March, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of clause(g) of sub-Section(1) of Section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, and subject to our observations in Note No. 23 of Schedule 22(B) - Notes on Accounts, relating to income of Rs. 26,724,438/- shown by the Company under the head "Prior Period" in the Profit and Loss Account, pertaining to its claims for Deemed Duty Drawback for the period 1st April, 1994 to 31st March, 2003; and further Note No. 24 of Schedule 22(B) - Notes on Accounts, pertaining to amount of investment as well as amount advanced by the Company to Soma Textile FZC, the said accounts read together with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
 - (b) In the case of the Profit and Loss Account, of the **LOSS** for the year ended on that date; and
 - (c) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For PIPARA & COMPANY
Chartered Accountants

GYAN PIPARA
(Partner)

Place : Ahmedabad
Date : 18th May, 2011

Membership No.034289
Firm Registration No. 107929W



Annexure referred to in paragraph 3 of our report of even date to the members of SOMA TEXTILES & INDUSTRIES LIMITED on the accounts for the year ended on 31st March 2011.

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a phased programme of physical verification of fixed assets which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. In accordance with this programme, the management has verified fixed assets during the year and no material discrepancies have been noticed on such verification.
- (c) In our opinion, the Company has not disposed off a substantial part of its fixed assets during the year and the going concerns status of the Company is not affected.
- (ii) (a) The management conducts regular physical verification of inventory at reasonable intervals.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. Some immaterial discrepancies were noticed on physical verification which have been properly dealt with in the books of account.
- (iii) (a) The Company has granted interest free loan to its Associate, Soma Textile FZC. Total amount outstanding on 31st March 2011 was Rs.703,101,360/-.
- (b) There are no terms and conditions set out by the Company as on date for the loans given to Soma Textile FZC and therefore, we are unable to comment on terms and conditions of the said loan.
- (c) As there is no stipulation made for repayment of loan by Associate, we are unable to report on regularity of receipt of principal amount.
- (d) As there is no stipulation of repayment of loan by Associate, we are unable to report on overdue amount.
- (e) According to the information and explanations given to us the Company has taken unsecured loans from companies, firm or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and the same are as under.

No. of Parties involved	Three Parties
Loan Taken	Rs. 35,500,000
Balance Outstanding at the end of year	Rs. 35,500,000

- (f) Interest free unsecured loan taken from promoters to fulfill stipulation of Financial Institution so there is no rate of interest specified. Terms and conditions of loans taken are prima facie not prejudicial to the interest of the Company;
- (g) No stipulation has been specified for the repayment of these loan.
- (iv) There is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and service.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and as explained to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act 1956 and exceeding value of Rupees Five Lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public. Therefore the provisions of Sections 58A, 58AA or any other relevant provisions of the Act and the rules framed thereunder or any order passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal do not apply to Company.
- (vii) In our opinion and according to information and explanations given to us, the Company has an internal audit system commensurate with its size and nature of its business, which may be further strengthened.
- (viii) In our opinion, the Company has maintained proper cost records prescribed by the Central Government under clause (d) of sub-Section (1) of Section 209 of the Act. However, we are not required to carry out and have not carried out any detailed examination of such accounts and records.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of books of account, we are of the opinion that the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities. At the end of the year, there were no undisputed dues payable for a period of more than six months from the date they became payable.

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- (b) As on 31st March 2011, according to records of the Company, some statutory dues were disputed and not deposited as given below:

Name of Statute	Nature of Dues	Amount (Rs.)	Period to which its relates	Forum where dispute is pending
Central Excise Act, 1944	Penalty for filing wrong declaration	25,428	1996-97 1997-98	CEGAT, Mumbai and the Hon'ble High Court of Gujarat, Ahmedabad.
Central Excise Act, 1944	Recovery of CENVAT	158,973	2004-05	The Dy. Commissioner of C. Excise, Div-I, Ahmedabad.
Central Excise Act, 1944	Recovery of additional TTA duty of Yarn captively consumed	2,485,486	2002-03	The Dy. Commissioner of C. Excise, Div-III, Ahmedabad.
Central Excise Act, 1944	Refund claim for amount short received against refund claim of yarn duty after adjusting the old recovery	97,711	2005-06	Commissioner of Central Excise, (Appeals), Ahmedabad
Central Excise Act, 1944	Demand for old duty	50,179	2008-09	CEGAT, West Zone, Ahmedabad
The Income Tax Act-1961	Demand of Income Tax	976,730	A.Y. 2006-07	Asst. Commissioner of Income Tax, Cir.-8, Ahmedabad
The Income Tax Act-1961	Demand of Income Tax	26,076,000	A.Y. 2008-09	Asst. Commissioner of Income Tax, Cir.-8, Ahmedabad
The Income Tax Act-1961	Demand for Penalty U/s. 271(1)(C)	1,742,070	A.Y. 2006-07	Commissioner of Income Tax (Appeal), Ahmedabad
The Income Tax Act-1961	Demand of Income Tax	2,213,276	A.Y. 2007-08	Commissioner of Income Tax (Appeal), Ahmedabad
Gujarat Sales Tax Act, 1969	Additional Sales Tax	617,257	1997-98 1998-99 &2000-01	Gujarat Value Added Tax Tribunal

- (x) The Company has accumulated losses at the end of the financial year not exceeding 50% of its net worth. It has not incurred cash losses in the financial year but incurred cash losses in the immediately preceding financial year.
- (xi) Company is under Corporate Debt Restructuring (CDR) package under scheme of RBI which was duly approved and implemented. Company has not defaulted in repayment of dues to any financial institution or bank as per reschedulement under CDR package.
- (xii) In our opinion and according to explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly this clause does not apply.
- (xiii) The Company is not a chit fund / nidhi Company / mutual benefit fund or society which would be governed by any special statute. Accordingly this clause along with sub clauses does not apply.
- (xiv) In our opinion and according to explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly this clause does not apply.
- (xv) In our opinion and according to explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly this clause does not apply.
- (xvi) In our opinion and according to explanations given to us, the term loans were applied only for the purpose for which they were obtained.
- (xvii) In our opinion and according to explanations given to us, the funds raised on short-term basis have not been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Act during the year and accordingly this clause does not apply.
- (xix) The Company has not issued debentures during the year. Accordingly this clause does not apply.
- (xx) The Company has not raised any money from public issue during the financial year. Accordingly this clause does not apply.
- (xxi) In our opinion and according to explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For PIPARA & COMPANY
Chartered Accountants

GYAN PIPARA
(Partner)

Membership No.034289

Firm Registration No. 107929W

Place : Ahmedabad

Date : 18th May, 2011

**SOMA TEXTILES & INDUSTRIES LIMITED****BALANCE SHEET AS AT 31ST MARCH, 2011**

	Schedule	2011 Rupees	2010 Rupees
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	332,274,680	332,274,680
Share Application Money	1	97,500,000	97,500,000
Reserves and surplus	2	417,109,725	464,575,397
		<u>846,884,405</u>	<u>894,350,077</u>
LOAN FUNDS			
Secured loans	3	1,815,180,033	1,837,525,509
Unsecured loans	4	40,244,931	4,740,668
		<u>2,702,309,369</u>	<u>2,736,616,254</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	2,708,599,983	2,703,483,684
Accumulated Depreciation		(1,482,713,757)	(1,344,213,543)
Net Block		1,225,886,226	1,359,270,141
Capital work-in-progress		6,650,928	786,480
		<u>1,232,537,154</u>	<u>1,360,056,621</u>
INVESTMENTS	6	3,442,561	3,442,561
DEFERRED TAX ASSETS		32,107,953	21,407,953
[Refer note 15 of Schedule 22 (B)]			
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	716,312,359	619,782,831
Sundry Debtors	8	292,355,087	225,091,784
Cash and Bank Balances	9	25,126,882	42,365,351
Other Current Assets	10	95,463,131	83,415,665
Loans and Advances	11	740,552,827	742,339,153
		<u>1,869,810,286</u>	<u>1,712,994,784</u>
LESS: CURRENT LIABILITIES AND PROVISIONS			
Liabilities	12	396,960,152	337,399,241
Provisions	13	38,628,433	34,045,651
		<u>(435,588,585)</u>	<u>(371,444,892)</u>
Net Current Assets		1,434,221,701	1,341,549,892
MISCELLANEOUS EXPENDITURE	14		
(to the extent not written off or adjusted)		—	10,159,227
TOTAL		<u>2,702,309,369</u>	<u>2,736,616,254</u>
NOTES ON ACCOUNTS	22		

As per our report of even date
For **PIPARA & COMPANY**
CHARTERED ACCOUNTANTS
Firm Registration No. 107929W

GYAN PIPARA
PARTNER

Membership No. : 034289
Place : Ahmedabad
Date : 18th May, 2011

R. S. SHARMA
Company Secretary

S. K. SOMANY Chairman

A. K. SOMANY Managing Director

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PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	Schedule	2011 Rupees	2010 Rupees
INCOME			
Sales (Gross)		2,763,114,043	2,075,558,565
Less: Excise Duty		1,834,150	—
Sales (Net)		2,761,279,893	2,075,558,565
Other income	15	81,793,773	80,186,174
TOTAL		<u>2,843,073,666</u>	<u>2,155,744,739</u>
EXPENDITURE			
Manufacturing & Other Expenses	16	2,551,503,387	2,027,741,920
Financial Cost	17	197,532,887	157,610,532
Depreciation	5	165,257,925	165,502,481
TOTAL		<u>2,914,294,199</u>	<u>2,350,854,933</u>
LOSS BEFORE PRIOR PERIOD ITEM / EXCEPTIONAL ITEMS AND TAX		71,220,533	195,110,194
PRIOR PERIOD ITEMS-INCOME		(18,573,951)	(1,180,602)
[Refer note 18 of Schedule 22 (B)]			
EXCEPTIONAL ITEMS		5,519,090	89,236,102
[Refer note 19 of Schedule 22 (B)]			
LOSS BEFORE TAXATION		<u>58,165,672</u>	<u>283,165,694</u>
Income Tax Paid For Earlier Years		—	19,429
Provision for Deferred Tax		(10,700,000)	(96,400,000)
NET LOSS AFTER TAXATION		<u>47,465,672</u>	<u>186,785,123</u>
Balance brought forward from previous year		416,404,630	229,619,507
BALANCE BEING LOSS CARRIED TO BALANCE SHEET		<u>463,870,302</u>	<u>416,404,630</u>
Basic and Diluted Earnings per Share of Rs. 10 each (in Rupees)			
[Refer note 22 of schedule 22(B)]			
- Basic Earning Per Share		(1.44)	(5.65)
- Diluted Earning Per Share		(1.44)	(5.65)
NOTES TO ACCOUNTS	22		

As per our report of even date
For **PIPARA & COMPANY**
CHARTERED ACCOUNTANTS
Firm Registration No. 107929W

GYAN PIPARA
PARTNER
Membership No. : 034289
Place : Ahmedabad
Date : 18th May, 2011

R. S. SHARMA
Company Secretary

S. K. SOMANY Chairman

A. K. SOMANY Managing Director

**SCHEDULES TO THE ACCOUNTS**

	2011 Rupees	2010 Rupees
SCHEDULE 1 : SHARE CAPITAL		
AUTHORISED		
50,000,000 (50,000,000) Equity Shares of Rs. 10/- each	500,000,000	500,000,000
	<u>500,000,000</u>	<u>500,000,000</u>
ISSUED, SUBSCRIBED & PAID-UP		
33,033,000 (Previous Year 33,033,000) Equity Shares of Rs.10/- each fully paid-up including 3,185,000 Equity Shares allotted as fully paid up Bonus Shares by capitalisation of General Reserve.	330,330,000	330,330,000
Add : Share forfeiture account (385,300 Equity Shares)	1,944,680	1,944,680
	<u>332,274,680</u>	<u>332,274,680</u>
SHARE APPLICATION MONEY	97,500,000	97,500,000
NOTE :		
Share Application Money represents, contribution received from the promoters of the Company for funding the cost of the Restructuring Scheme as stipulated under Corporate Debt Restructuring (CDR) Scheme sanctioned to the Company by way of Right Issue.		
	<u>429,774,680</u>	<u>429,774,680</u>
SCHEDULE 2 : RESERVES & SURPLUS		
GENERAL RESERVE		
As per last Balance Sheet	1,858,013	1,858,013
CAPITAL RESERVE		
As per last Balance Sheet	57,144	57,144
SHARE PREMIUM ACCOUNT		
As per last Balance Sheet	871,364,869	871,364,869
DEBENTURE REDEMPTION RESERVE		
As per last Balance Sheet	7,700,001	7,700,001
PROFIT & LOSS ACCOUNT		
As per Annexed Account (Being Loss)	(463,870,302)	(416,404,630)
	<u>417,109,725</u>	<u>464,575,397</u>

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	2011 Rupees	2010 Rupees
SCHEDULE 3 : SECURED LOANS		
DEBENTURES		
308,000 (Previous Year 308,000) 15% Secured Redeemable Non Convertible Debentures of Rs. 100/- each	20,468,810	21,110,614
TERM LOANS		
Rupee Loans	1,071,652,485	1,129,848,387
Derivative Rupee Term Loan	81,296,032	84,712,668
WORKING CAPITAL LOANS		
Rupee Loans	641,762,706	601,853,840
	1,815,180,033	1,837,525,509

NOTES :

- All the Term Loans, Working Capital Loans and Debentures duly restructured under Corporate Debt Restructuring (CDR).
- Funded Interest on Term Loans, Funded Interest on Debentures and Funded Interest on Working Capital are secured by way of first mortgage / charge over the immovable properties and first charge by way of hypothecation over the movable (save and except certain items of Plant & Machinery purchased and/or to be purchased under the equipment finance/credit scheme and book debts) both present and future, subject to prior charges created and/or to be created in favour of Company's bankers on stocks of raw materials, finished and semi-finished goods, consumable stores and book debts for securing working capital facilities.
- Term Loan shall rank pari-passu inter se without any preference or priority of one or the other.
- All Term Loans, Funded Interest Term Loans and Working Capital loans are additionally secured by personal guarantees of Shri S. K. Somany-Chairman and Shri A. K. Somany-Managing Director of the Company.
- Derivative Rupee Term Loan along with Funded Interest on Derivative Term Loan under CDR Scheme are secured by way of pari passu third charge on the fixed assets and immovable properties of the Company ranking third and subservient in point of priority to the charges created or to be created in favour of the existing lenders. The said loan is additionally secured by personal guarantee of Shri A K Somany - Managing Director of the Company. Repayment of this Term Loan is subjected to availability of cash flow on subservient basis as per stipulation given under Corporate Debt Restructuring (CDR) scheme.
- Working Capital Loans are secured by first charge by way of hypothecation of finished and semi finished stock, stock of raw materials, stores, stock in transit and book debts and by second charge over movable and immovable properties both present and future.
- Installments of Term Loans due within one year are Rs.144,114,522/- (Previous Year Rs. 99,054,250/-)

SCHEDULE 4 : UNSECURED LOANS

Trade Deposits	16,500	16,500
Unsecured Loans from Promoters	35,500,000	—
Leasehold Liability	388,672	384,409
Sales Tax Deferment Loan	4,339,759	4,339,759
	40,244,931	4,740,668

**SCHEDULE 5 : FIXED ASSETS**

(Rupees)

	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	Balance as on 01.04.2010	Additions	Deletions / Adjustments	Balance as on 31.03.2011	Balance as on 01.04.2010	Charge for the Year	Deletions / Adjustments	Balance as on 31.03.2011	As at 31st March 2011	As at 31st March 2010
Land - Freehold	2,982,102	—	—	2,982,102	—	—	—	—	2,982,102	2,982,103
- Leasehold	108,000	—	—	108,000	—	—	—	—	108,000	108,000
Buildings - Freehold	315,716,922	3,344,727	—	319,061,649	75,682,943	9,702,395	—	85,385,338	233,676,311	240,033,980
- Leasehold	930,809	—	—	930,809	49,257	15,172	—	64,429	866,380	881,551
Plant & machinery	2,348,029,452	45,288,221	46,598,649	2,346,719,024	1,249,016,958	153,547,003	26,593,311	1,375,970,650	970,748,374	1,099,012,491
Furniture, Fixtures & other equipments	24,244,068	1,479,111	—	25,723,179	14,854,524	856,349	—	15,710,873	10,012,306	9,389,546
Vehicles	11,472,331	2,034,832	431,943	13,075,220	4,609,861	1,137,006	164,400	5,582,467	7,492,754	6,862,470
Total	2,703,483,684	52,146,891	47,030,592	2,708,599,983	1,344,213,543	165,257,925	26,757,711	1,482,713,757	1,225,886,226	1,359,270,141
Capital work in progress	786,480	6,650,928	786,480	6,650,928	—	—	—	—	6,650,928	786,480
Total	2,704,270,164	58,797,819	47,817,072	2,715,250,911	1,344,213,543	165,257,925	26,757,711	1,482,713,757	1,232,537,154	1,360,056,621
Previous year	2,667,230,396	63,529,572	26,489,804	2,704,270,164	1,184,808,285	165,502,481	6,097,223	1,344,213,543	1,360,056,621	

2011
Rupees

2010
Rupees

SCHEDULE 6 : INVESTMENTS [Other than Trade]**LONG TERM INVESTMENTS****UNQUOTED****OTHERS**

10 Equity Shares of Rs. 50/- each in Las Palmas Co-op. Hsg. So. Limited	500	500
5 Shares of Rs. 100/- each in Poonam Apt. Association	500	500
2000 Equity shares of Rs. 10/- each of Kechak Credit & Finvest Pvt. Limited	20,000	20,000

IN PRECIOUS METALS

Ginnies	82	82
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IN ASSOCIATE

300 Equity Share of AED 1000 each of Soma Textile FZC. [Refer note 20 of schedule 22(B)]	3,421,479	3,421,479
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3,442,561

3,442,561

SCHEDULE 7 : INVENTORIES (As taken, valued and certified by the Management)

Stores and Spares including in transit	65,573,739	84,403,799
Raw Materials including in transit	161,001,412	154,777,842
Finished Goods	219,472,889	152,537,651
Goods in Process	267,253,302	220,859,790
Waste	3,011,017	7,203,749
	716,312,359	619,782,831

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	2011 Rupees	2010 Rupees
SCHEDULE 8 : SUNDRY DEBTORS (Considered good unless stated otherwise)		
Outstanding for a period exceeding six months:		
Unsecured	1,641,555	3,862,132
Other Debts:		
Secured	105,330,656	38,981,777
Unsecured	185,382,876	182,247,875
	292,355,087	225,091,784
SCHEDULE 9 : CASH AND BANK BALANCES		
Cash on hand	486,484	269,583
With Scheduled Banks :		
- In Current Accounts	2,639,497	9,200,794
- In Margin Accounts	21,261,260	24,236,326
- In Fixed Deposit Accounts	590,080	8,509,087
- In Debenture Account (Refund)	149,561	149,561
	25,126,882	42,365,351
SCHEDULE 10 : OTHER CURRENT ASSETS		
Export Incentive Receivable	37,045,743	7,570,182
Duties, Claims & Other Receivables	19,682,909	17,113,023
Interest Receivable under TUF Scheme	37,805,007	57,663,193
Interest Accrued	929,472	1,069,267
	95,463,131	83,415,665
SCHEDULE 11 : LOANS AND ADVANCES (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	4,313,320	3,884,760
Balance with Central Excise in Current Account	3,942,875	3,789,455
Income Tax Advance	11,494,331	10,549,094
Fringe Benefit Tax	—	85,378
Security & other Deposits	17,700,941	16,152,012
Soma Textile FZC Loan Account [Refer note 20 of schedule 22(B)]	703,101,360	707,878,454
	740,552,827	742,339,153
SCHEDULE 12 : LIABILITIES		
Sundry Creditors	366,185,339	314,470,611
Other Liabilities	26,841,933	19,487,422
Interest accrued but not due	3,932,880	3,441,208
	396,960,152	337,399,241



	2011 Rupees	2010 Rupees
SCHEDULE 13 : PROVISIONS		
Gratuity	36,998,283	32,269,937
Bonus	1,630,150	1,775,714
	<u>38,628,433</u>	<u>34,045,651</u>
SCHEDULE 14 : MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		
Deferred Revenue Expenditure	4,791,200	10,791,946
Preliminary Expenses	5,368,027	6,309,374
	<u>10,159,227</u>	<u>17,101,320</u>
Less: Expenses written off	10,159,227	6,942,093
	<u>—</u>	<u>10,159,227</u>
SCHEDULE 15 : OTHER INCOME		
Rent	69,000	69,000
Interest Incentive under TUF Scheme	49,168,597	50,721,729
Miscellaneous Receipts	24,292,806	26,116,523
Insurance & Other claims	8,228,746	2,058,005
Profit on Sale of Fixed Assets (Net)	34,624	1,220,917
	<u>81,793,773</u>	<u>80,186,174</u>
SCHEDULE 16 : MANUFACTURING & OTHER EXPENSES		
Trading Purchases	10,410,120	—
Raw Materials consumed	18 1,695,440,819	1,173,671,155
Cloth Purchases	36,760,220	59,288,929
Garment material & Job work charges	21,480,205	15,711,365
Stores & Spares	265,992,902	233,149,512
Power & Fuel	350,735,624	316,205,605
Processing & Printing Charges	116,306	378,650
Cost of Employment	19 182,043,153	152,850,695
Rent	489,970	423,949
Rates & Taxes	1,888,069	2,322,233
Insurance	3,597,337	3,869,196
Miscellaneous Expenses	27,680,269	26,111,696
Repairs		
- Plant & Machinery	19,386,827	15,564,187
- Buildings	2,277,857	1,020,087
- Other Assets	1,006,558	348,093
Commission & Brokerage to Selling Agents	25,651,038	14,956,266
Forwarding & Delivery Expenses	7,612,695	6,297,672
Service Tax	881,783	718,490
Payment to Auditors	20 1,140,094	994,680
Directors' Meeting Fee	37,500	45,000
Wealth Tax	39,338	62,057
Traveling Expenses	3,537,478	4,861,897
Miscellaneous Expenditure Written Off	2,433,253	6,942,093
	<u>2,660,639,415</u>	<u>2,035,793,507</u>
Less : Increase/(Decrease) in Stocks	21 109,136,028	8,051,587
	<u>2,551,503,387</u>	<u>2,027,741,920</u>

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	2011 Rupees	2010 Rupees
SCHEDULE 17 : FINANCIAL COST		
INTEREST RECEIVED (GROSS)		
From Banks & Others	6,216,305	5,519,827
	<u>6,216,305</u>	<u>5,519,827</u>
INTEREST PAID		
To Banks & Others	78,757,560	63,310,683
On Term Loans	110,884,392	94,809,212
	<u>189,641,952</u>	<u>158,119,895</u>
OTHER FINANCE COST		
	14,107,240	5,010,464
	<u>203,749,192</u>	<u>163,130,359</u>
	<u>197,532,887</u>	<u>157,610,532</u>
SCHEDULE 18 : RAW MATERIALS CONSUMED		
Opening Stock	154,777,842	68,986,391
Add: Purchases	1,704,886,169	1,259,462,606
	<u>1,859,664,011</u>	<u>1,328,448,997</u>
Less : Sales	3,221,780	—
Closing Stock	161,001,412	154,777,842
	<u>1,695,440,819</u>	<u>1,173,671,155</u>
SCHEDULE 19 : COST OF EMPLOYMENT		
Salaries, Wages & Gratuity	160,903,569	134,446,845
Contribution to Employees' Provident Fund	9,894,728	9,330,925
Contribution to Employees' Insurance Scheme	443,351	276,758
Workers and Staff Welfare Expenses Incl. cont.to E.S.I.	10,801,505	8,796,167
	<u>182,043,153</u>	<u>152,850,695</u>
SCHEDULE 20 : PAYMENT TO AUDITORS		
Audit Fees	558,623	594,530
Taxation Matters	434,270	139,270
Other matters	125,401	226,664
Reimbursement of expenses	21,800	34,216
	<u>1,140,094</u>	<u>994,680</u>
SCHEDULE 21 : INCREASE / (DECREASE) IN STOCKS		
Opening Stock	380,601,189	372,549,602
Less: Closing stock	489,737,217	380,601,189
	<u>109,136,028</u>	<u>8,051,587</u>



SCHEDULE 22 : SIGNIFICANT ACCOUNTING POLICIES & NOTES FORMING PART OF FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011.

(A) SIGNIFICANT ACCOUNTING POLICIES

1 BASIS OF ACCOUNTING :

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and comply with the provisions of Companies Act, 1956, generally accepted accounting principles in India and Companies (Accounting Standards) Rules 2006 as amended from time to time to the extent applicable.

2 REVENUE RECOGNITION :

- (a) Sales including export sales and trading sales are recognised when goods are dispatched from the factory and are recorded at net of shortages, claims settled, discounts, rate differences, rebate allowed to customers.
- (b) Export Sales are booked on the rate prevailing on the date of transaction and the resultant gain or loss on realisation is accounted as "Foreign Exchange Rate Fluctuation" and is dealt in the Profit and Loss Account.

3 A) FIXED ASSETS :

- (a) Fixed Assets are stated at cost, net of accumulated depreciation. However, in the case of Baramati Unit, fixed assets are further reduced by the amount of Sales Tax refund due. All costs including financing costs till the commencement of commercial production related to the acquisition and installation of the respective assets have been capitalised.
- (b) Cost of leasehold land is not amortised over the period of lease, as the same is exempted as per Accounting Standards 19 (1) (c).
- (c) Amount incurred towards capital work-in-progress will be suitably apportioned to the respective Fixed Assets on commissioning of assets.
- (d) Assets, identified and evaluated technically as obsolete and held for disposal have been written off in relevant year and adjusted from profit on sale of Fixed Assets.
- (e) The 10% Capital Subsidy under TUFS from Ministry of Textiles on specified processing machinery has been deducted from the respective Fixed Assets.

B) DEPRECIATION :

(a) Ahmedabad Unit :

Depreciation on fixed assets is charged on Straight-Line method on prorata basis, except on the fixed assets purchased during the period 1st April, 1988 to 31st March, 2005 on which depreciation has been charged on Written Down Value Method on prorata basis.

(b) Baramati Unit :

Depreciation on fixed assets is charged on Straight-Line Method on pro-rata basis, by applying the rates as specified in Schedule XIV to the Companies Act, 1956. However, the Plant & Machineries have been considered as Continuous Process Plant based on technical assessment and are depreciated accordingly.

4 INVENTORIES :

Inventories of Raw Materials, Goods in Process, Stores and Spares and Finished Goods are stated at cost or net realisable value whichever is lower except saleable waste which is valued at contracted selling price. Goods in Transit are stated at cost. Cost comprises of cost of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Cost formulae used are 'First-in-First-out' (FIFO) or 'Weighted Average Cost', as applicable.

5 INVESTMENTS :

Investments are classified as Long Term Investments and Current Investments as per AS -13 "Accounting for Investments". Long term investments are stated at Cost. Provision is made for diminution in the value of Long term Investments to recognise a decline, if any other than temporary in nature.

6 FOREIGN EXCHANGE TRANSACTIONS :

- (a) Foreign currency transactions are recorded at the exchange rates at the date of transaction.
- (b) Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the Profit and Loss Account.
- (c) Premium in respect of forward contracts is accounted over the period of the contract.

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- (d) Forward Exchange contracts entered for trading purposes are valued and marked to its current market value and the resultant gain or loss is dealt with in Profit and Loss Account.
- (e) All foreign currency loans outstanding at the close of the balance period are expressed in Indian currency at the exchange rate prevailing on the date of Balance Sheet.
- (f) Foreign exchange rate variations relating to acquisition of Fixed Assets are transferred to Profit & Loss Account as per the revised Accounting Standard 11 "The Effects Of Changes In Foreign Exchange Rates".
- (g) Current assets & current liabilities in foreign currency, other than those covered by forward exchange contracts, outstanding at the close of the balance sheet date are converted in Indian currency at the appropriate rates of exchange prevailing on the date of Balance Sheet. Resultant gain or loss is accounted as " Foreign Exchange Rate Fluctuation", during the year.

7 USE OF ESTIMATES :

The preparation of financial statement requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses and disclosure of contingent liabilities on the date of financial statement. The recognition, measurement, classification or disclosure of the information in the financial statement has been made relying on these estimates.

8 IMPAIRMENT OF ASSETS :

Consideration is given at each Balance Sheet date to determine whether there is any indication of impairment of the carrying amounts of the Company's Assets. If any indication exists, an Asset's recoverable amount is estimated. An impairment loss is recognized wherever the carrying amount of an assets exceeds its recoverable amount. The recoverable amount is the greater of the net selling price and value in use.

9 EMPLOYEE BENEFITS :

- (a) Short term employee benefits are recognized as an expense at undiscounted amount in the Profit & Loss Account of the year in which the related service is rendered.
- (b) Post employment and other long term employee benefits are recognized as an expense in the Profit & Loss Account for the year in which the employee has rendered services. The expense is recognized at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gain / loss in respect of post employment and other long term benefits are charged to Profit & Loss Account.

10 RESEARCH AND DEVELOPMENT EXPENSES :

Research and development expenditure of revenue nature is recognised as an expense in the year in which it is incurred and the expenditure of capital nature are depreciated over the useful lives of the assets.

11 TREATMENT OF CONTINGENT LIABILITIES :

Contingent Liabilities not provided for are disclosed by way of Notes on Accounts.

12 AMORTISATION OF MISCELLANEOUS EXPENDITURE :

- Upfront processing charges and expenses related to loans from IDBI, Dena Bank and Exim Bank are being amortised over a period of loan i.e. ten years.
- Preliminary expenses being cost of increasing authorised capital & GDR issue expenses are amortised over a period of ten years.
- Upfront fee and loan processing charges paid to ICICI Bank Limited are amortised over a period of five years.
- In view of AS-26 "Intangible Assets", balance which remained in "Deferred Revenue Expenditure Account" as on 31st March, 2011 of Rs 7,725,974/- has been written off by charging the same to the Profit & Loss Account under the head "Prior Period Item".

13 EXPORT INCENTIVES :

Following the Accrual Concept of Accountancy, the Company has taken credits as income for Rs.16,461,806/- (Previous Year Rs. 12,312,267/-) being Duty Drawback available and DEPB License at the close of the year, and the same has been shown as Miscellaneous Receipts under the head "Other Income"- Schedule 15.

14 TAXATION :

Tax expense comprises current and deferred tax. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961. Deferred tax reflects the tax effect of the timing differences between accounting income and taxable income originating and reversing during the year. Deferred tax is measured based on the tax rate and tax laws enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.



(B) NOTES ON ACCOUNTS

- 1 As per Accounting Standard 15 "Employee Benefits" the disclosure of employee benefits as defined in the Accounting Standard are given below :

Ahmedabad Unit

a) Defined Contribution Plans

The Company has recognised following amounts in Profit & Loss Account for the year :

	2011 Rupees	2010 Rupees
1 Contribution to Employees' Provident Fund.	4,575,890	4,227,489
2 Contribution to Pension Fund	3,444,516	3,235,825
3 Contribution to Labour Welfare Fund	346,024	279,050
4 EDLI Charges	3,353	3,059
5 Administration Charges of Provident Fund	624,867	561,206
Total	8,994,650	8,306,629

b) Defined Benefit Plans:

The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method.

1) Reconciliation of opening and closing balance of Defined Benefit obligation :

Gratuity	2011 Rupees	2010 Rupees
a) Present value of Defined Benefit Obligation as at 31st March, 2010	30,485,442	29,757,503
b) Interest Cost	2,515,049	2,454,994
c) Current Service Cost	2,110,042	1,910,339
d) Benefit paid	(3,414,046)	(3,131,124)
e) Net Actuarial (Gain) / Loss	3,143,763	(506,270)
f) Present value of Defined Value Obligation as on 31st March, 2011	34,840,250	30,485,442

2) Reconciliation of fair value of Plan Assets.

a) Fair value of Plan Assets as at 31st March, 2010	NIL	NIL
b) Expected return on Plan Asset	NIL	NIL
c) Net Actuarial (Gain) / Loss	NIL	NIL
d) Employer Contribution	NIL	NIL
e) Benefit paid	NIL	NIL
f) Fair value of Plan Assets as at 31st March, 2011	NIL	NIL

3) Actuarial Assumptions

Discount rate as on 31st March, 2011	8.25%	8.25%
Annual Increase in salary cost.	5.00%	5.00%

The estimates of future salary increase, considered in actuarial valuation take into account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

4) Leave encashment

a) Defined Benefit Obligation as on 31st March, 2011	2,341,307	1,949,316
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The above information is certified by the Actuary.

Baramati Unit

a) Defined Contribution Plans

The Company has recognized following amounts in the Profit & Loss Account for the year :-

	2011 Rupees	2010 Rupees
1 Contribution to Employees' Provident Fund.	555,090	538,502
2 Contribution to Pension Fund	558,251	623,292
3 Contribution to Labour Welfare Fund	37,334	10,494
4 EDLI Charges	33,459	37,372
5 Administration Charges of P.F.	102,655	107,239
Total	1,286,789	1,316,899

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b) Defined Benefit Plans

1) Reconciliation of opening and closing balances of the present value of the Defined Benefit Obligation (DBO)

	(Rupees)			
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	2011	2011	2010	2010
Opening DBO as on April 1, 2010	1,784,496	581,441	1,944,970	616,083
Benefits paid during the year	157,732	72,088	413,893	157,413
Closing DBO as on March 31, 2011	2,158,033	560,987	1,784,496	581,441
Expenses recognized in the Profit & Loss Account	531,269	51,634	253,419	122,771
Assets/(Liabilities) recognized in the Balance Sheet as on March 31, 2011	2,158,033	560,987	1,784,496	581,441

2) Actuarial Assumptions :

	2011	2010
Discount Rate	8.25% p.a.	8.25% p.a.
Salary Escalation Rate	9% p.a.	6% p.a.
Mortality Table	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
Attrition Rate	6% p.a.	2% p.a.

Future salary increases considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

2 Estimated amount of contracts remaining to be executed on capital account & not provided for Rs. 127,007,572/- (Previous year Rs. 16,173,496/-), advance paid Rs. 15,919,276/- (Previous year Rs. 282,052/-)

3 The Company had been sanctioned 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 outstanding as on 30th September, 2008, availed of from the Institutional Lenders and Working Capital from Banks, and sanctioning additional financial assistance extended/to be extended to the Company in the manner and to the extent set out in the LOA. The salient features of the scheme were injection of fresh working capital and concession in the bank charges, reduction in margins, fresh term loan for completion of pending capital projects, funding of interest, reduction in interest rate, moratorium and deferment of principal amount repayments.

4 Contingent Liabilities not Provided for in respect of -

	2011 Rupees	2010 Rupees
(a) Bills discounted by the Company	58,799,255	24,805,638
(b) Sales Tax Payment disputed by the Company	617,257	617,257
(c) Excise Duty demand disputed by the Company	2,817,777	3,512,963
(d) Claims against the Company not Acknowledged as debts	2,428,330	2,454,330
(e) Tandulwadi Grampanchayat Tax	—	542,025
(f) Income Tax Payment disputed by the Company	3,955,346	—
5 Unredeemed Bank Guarantees (Margin in form of FDR Rs.679,745/-(Previous year Rs. 604,250) provided against Bank Guarantees)	4,550,991	4,491,000

6 (a) The Company has been advised that the computation of net profits for the purpose of Directors remuneration under Section 349 of the Companies Act, 1956 need not be enumerated in view of loss in the Company. Therefore, the question of payment of commission doesn't arise. However, fixed monthly remuneration has been paid to the whole-time Directors as per Schedule XIII to the Companies Act, 1956.



	2011 Rupees	2010 Rupees
(b) Directors Remuneration :		
i) Salary & Allowances	2,724,723	2,378,519
ii) Contribution to Provident Fund	226,032	226,031
iii) Perquisites	186,606	206,688
	<u>3,137,361</u>	<u>2,811,238</u>

7 In the opinion of the Board and to the best of their knowledge and belief, the valuation on realisation of current assets, loans and advances in the Ordinary Course of business would not be less than the amount at which they are stated in the Balance Sheet.

8 A) Auditors' Remuneration :

	2011 Rupees	2010 Rupees
i) As Auditor	504,623	544,530
ii) As Advisor, in respect of		
- Taxation Matters	434,270	139,270
- Management Services		—
- Company Law Matters		—
iii) In any other manner	147,201	260,880
B) Fees Cost Auditors	54,000	50,000

9 Other Liabilities include FCD Application Money Refundable of Rs. 127,480/- (Previous Year Rs.127,480/-)

10 Sundry debit / credit balances and the accounts squared up during the year are subject to confirmation and reconciliation from the parties to the transactions.

11 The Company has been making efforts for obtaining informations from its vendors regarding their status under "Micro, Small and Medium Enterprises Development Act, 2006". However, the required information has not been received from the vendors and therefore bifurcation between Total Outstanding Dues of Micro Enterprises and Small Enterprises and Other Dues are not disclosed under the heading "Current Liabilities & Provisions".

12 The receivables includes bill discounted with bankers amounting to Rs. 58,799,255/- (Previous Year Rs. 24,805,640/-). The Bills are backed & secured against confirmed L/Cs and hypothecation of present and future receivables. The sundry creditors includes creditors against Letters of Credit outstanding amounting to Rs. 198,167,834/- (Previous Year Rs. 163,163,326/-).

13 In absence of any indication of there being potential impairment of any assets , as prescribed in AS-28 "Impairment of Fixed Assets", as at Balance Sheet date, no recoverable amount has been estimated.

14 No amounts are due for deposits as at the Balance Sheet date to the Investors Protection and Education Fund.

15 In accordance with Accounting Standard 22 "Accounting for taxes on income" under the Companies (Accounting Standards) Rules 2006, for the year under consideration there is Deferred Tax Asset of Rs.10,700,000/- (Previous Year Rs. 96,400,000/-) has been recognised in the profit and loss account. The net Deferred Tax Asset Rs. 32,107,953/- (Previous year net Deferred Tax Asset Rs. 21,407,953/-) comprises of deferred tax liability related to fixed assets Rs. 156,324,591/- less deferred tax assets as per carried forward unabsorbed depreciation and business losses available as per Income Tax Act 1961 Rs. 188,432,544/-.

16 Related Party Transaction

1.1 Holding Company	Not Applicable
1.2 Associate Company	SOMA TEXTILE F.Z.C., Sharjah, UAE
1.3 Fellow Subsidiary	Not Applicable
1.4 Other related parties where control exists.	Somany Evergreen Knits Limited Kechak Credit & Finvest Limited
1.5 Key Management Personnel and their relatives	Shri S. K. Somany, Chairman (Shri A. K. Somany, Managing Director is son of Shri S. K. Somany) Shri A. K. Somany, Managing Director (Shri S. K. Somany, Chairman is father of Shri A. K. Somany) Shri Shrikant Bhat, Executive Director Shri Shrikant Bhat, Director, Soma Textile FZC.

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1.6 The following transactions were carried out with related parties in the ordinary course of business :

Particulars	Associate		Key Management personnel and their relatives		Other parties which significantly influence / are influenced by the Company (either individually or otherwise)	
	2011	2010	2011	2010	2011	2010
Rent Paid	-	-	-	-	180,000	176,000
Water & Electricity Charges	-	-	-	-	82,177	92,132
Sales	-	-	-	-	3,200,377	-
Testing Charges	-	-	-	-	3,068	7,923
Repair & Maintenance	-	-	-	-	14,058	43,116
Rates & Taxes	-	-	-	-	748	747
Remuneration	-	-	3,137,361	2,811,238	-	-
Sitting Fee	-	-	10,000	12,500	-	-
Balance outstanding at date of Balance sheet						
- Receivable	703,101,360	707,878,454	-	-	(53,245)	6,290

17 Amount of exchange rate net fluctuation debited to Profit & Loss Account for the year is Rs. 2,833,515/- (Previous year credited Rs.86,024,509/-)

18 **Prior Period Income Represent :**

Particulars	2011 Rupees	2010 Rupees
Credit Relating to Earlier Years	27,192,483	2,502,661
Debit Relating to Earlier Years	(8,618,532)	(1,322,059)
	<u>18,573,951</u>	<u>1,180,602</u>

Credit relating to earlier years as above of Rs. 27,192,483/- includes Deemed Duty Draw-back claim made by the Company pertaining to Baramati unit of Rs. 26,724,438/- for the period 1st April, 1994 to 31st March, 2003. The said claim is included in the audited account of Baramati Unit as audited by M/s. Shankarlal Jain & Associates, Chartered Accountants, Mumbai.

19 **Exceptional items :**

Exceptional items includes foreign fluctuations and retrenchment compensation.

20 **Use of GDR Proceeds and Investment in Soma Textile FZC :**

(a) The Company came out with the GDR Issue on 20th October, 2006 for Rs.783, 749,725/-. Out of the said GDR's an amount of Rs.703,101,360/- upto 31st March, 2011 (Previous year Rs. 707,878,454/-) had been invested in Soma Textile FZC, Sharjah, U.A.E. (Formerly Soma Textile FZE, Sharjah, U.A.E., a wholly owned subsidiary), of the Company, an establishment with limited liabilities as per Certificate of Incorporation bearing Registration No 6339 dated 31st March, 2010 issued by the Registrar, Free Zone Companies, Hamriyah Free Zone Authority, Sharjah, U.A.E. to augment its long term resources.

During the financial year, the said associate has earned Profit of AED 17,466 (Previous Year Loss of AED 460,498).The total loss incurred by the said associate upto 31st March,2011 is AED 681,690 as per audited accounts, as certified by AL SAIF AUDITING & ACCOUNTANTS, independent Auditors.

(b) As on 31st March 2011, the Company has total investment of Rs.706,522,839/-(Previous Year Rs. 711,299,933/-) in its associate, Soma Textile FZC, Sharjah, UAE. (Formerly Soma Textile FZE, Sharjah, U.A.E., a wholly owned subsidiary), out of which Rs.3,421,479/-(Previous Year Rs.3,421,479/-) is in the form of equity share capital (shown under Schedule 6 - Investments) and balance Rs.703,101,360/- (Previous Year Rs. 707,878,454/-) is in the form of loans (shown under Schedule 11 - Loans and Advances).

21 As the Company's business activity falls within a single primary and geographical segment viz. 'textile', the disclosure requirements of Accounting Standard (AS-17) "Segment Reporting", issued under Companies (Accounting Standards) Rules 2006 is not applicable.

22 Earning per Share (EPS) :

	2011 Rupees	2010 Rupees
a) Basic :	(1.44)	(5.65)
Numerator : Net profit/(Loss) after taxation as disclosed in Profit & Loss Account (After Extra Ordinary Items)	(47,465,672)	(186,785,123)
Denominator :Weighted Average No. of Equity Shares outstanding during the year	33,033,000	33,033,000
b) Diluted :	(1.44)	(5.65)
Numerator : Net Profit/(Loss) for Diluted EPS (After Extra Ordinary Items)	(47,465,672)	(186,785,123)
Denominator :Weighted Average No. of Equity	33,033,000	33,033,000
c) The nominal value per Equity Shares is Rs.10/-		

23 Baramati Branch of the Company has shown income of Rs. 26,724,438/- under the head "Prior Period" in the Profit & Loss Account, pertaining to its claim for Deemed Duty Drawback for the period 1st April 1994 to 31st March, 2003, as separately certified by Branch Auditor, M/s. Shankarlal Jain & Associates, Chartered Accountants, Mumbai, (Firm Registration No.109901W). The said income is based on the claim made by the Company to the Development Commissioner, SEEPZ Special Economic Zone, Mumbai. The said claim is subject to scrutiny and examination by the said Development Commissioner and the finality of the said claim is yet to be ascertained.

24 Company has made an investment into 300 equity shares of Soma Textile FZC of Rs. 3,421,479/- and also advanced a loan of Rs. 703,101,360/- to the said Soma Textile FZC. The accounts of Soma Textile FZC has been separately certified by AL SAIF AUDITING & ACCOUNTANTS, independant Auditors and it has been reported that all the Accounts Receivables have been deemed to be good and further it has been reported that due to slow down and financial crisis in UAE, there are some delay in the receivables and some of them have asked for cooling period to make payment and the same is agreed by the Company. However, debts are considered good. In our opinion, the inveseement made by the Company in equity shares as well as the amount advanced to the said Soma Textile FZC has direct bearing on the health of the Accounts Receivables of Soma Textiles FZC.

25 Additional Information pursuant to the provisions of paragraphs 3 and 4 of Part II of Schedule VI to the Companies Act, 1956.

I. CAPACITY

	Unit	2011		2010	
		Registered	Installed	Registered	Installed
Ahmedabad Unit					
Ring Spindles	Nos.	25,200	23,568	25,200	23,568
Rotors	Nos.	552	384	552	384
Looms	Nos.	476	144	476	149
Garment stitching Machines	Nos.	NA	288	NA	269
Baramati Unit					
Ring Spindles	Nos.	60,480	30,240	60,480	30,240

The registered and installed capacities are as per Certificates given by the Management on which the Auditors have relied.

II. PRODUCTION & SALES

Class of Goods	Unit	Production				Sales**	
		Quantity		Quantity		Value (Rs.)	
		2011	2010	2011	2010	2011	2010
Packed Cloth	Metres	18,119,033	17,149,133	18,170,083	17,238,748	1,795,005,649	1,318,458,813
Garments	Pieces	457,041	260,683	457,041	260,683	134,878,440	84,961,481
Yarn*	Kgs.	4,733,996	4,684,912	4,301,933	4,676,932	768,926,025	596,214,151
Own Waste	Kgs.	2,141,085	2,415,303	2,004,536	2,309,509	62,469,779	75,924,119

* Excludes yarn spun for own consumption Kgs. 2,573,529 (Previous year Kgs. 2,236,620)

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III STOCKS

Class of Goods	Unit	Opening Stock				Closing Stock			
		Quantity		Value (Rs.)		Quantity		Value (Rs.)	
		2011	2010	2011	2010	2011	2010	2011	2010
Cloth*	Metres	1,022,088	1,111,703	87,015,892	89,316,038	971,038	1,022,088	114,675,689	87,015,892
Garments	Pieces	—	—	—	—	—	—	—	—
Yarn**	Kgs.	48,363	40,383	7,606,401	4,347,144	316,723	48,363	71,041,376	7,606,401
Own Waste	Kgs.	175,735	69,941	7,203,749	1,860,971	82,077	175,735	3,011,017	7,203,749

* Exclusive of loose stock Rs. 33,755,824/- (Previous Year Rs. 57,915,358/-)

** Exclusive of Yarn in Process

IV RAW MATERIAL CONSUMED

Class of Goods	Unit	2011		2010	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Cotton	Kgs.	7,578,597	757,259,612	8,359,105	561,139,254
Cotton Yarn	Kgs.	5,027,521	697,203,860	4,332,735	438,518,005
Man Made Fibre	Kgs.	760,768	72,297,774	691,857	48,041,334
Polyester Yarn	Kgs.	1,534,804	168,679,572	1,422,852	125,972,562

V VALUE OF IMPORTED & INDIGENOUS RAW MATERIALS, SPARE PARTS AND COMPONENTS CONSUMED

	2011				2010			
	Raw Materials		Spare Parts & Components		Raw Materials		Spare Parts & Components	
	Rupees	%	Rupees	%	Rupees	%	Rupees	%
Indigenous	1,695,440,819	100%	214,872,952	80.78%	1,173,671,155	100.00%	199,433,771	85.54%
Imported	—	—	51,119,950	19.22%	—	—	33,715,741	14.46%

VI MERCHANDISE :

Class of Goods	Unit	Purchases				Sales			
		Quantity		Value (Rs.)		Quantity		Value (Rs.)	
		2011	2010	2011	2010	2011	2010	2011	2010
Yarn	Kgs.	40,824	—	10,410,120	—	40,824	—	10,778,557	—

VII VALUE OF IMPORTS (C.I.F.) ACCOUNTED FOR DURING THE YEAR

	2011 Rupees	2010 Rupees
Capital Goods	19,519,648	1,237,452
Components & Spare Parts	37,608,779	32,257,434

VIII EXPENDITURE IN FOREIGN CURRENCY

Traveling Expenses	1,220,708	2,024,630
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IX EARNING IN FOREIGN CURRENCY DURING THE YEAR

F.O.B. Value of Exports	321,912,387	168,485,420
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26 Previous year's figures have been re-arranged, re-classified and/or re-grouped wherever considered necessary.

27 Schedule 1 to 22 form an integral part of the Balance Sheet and Profit & Loss Account.

As per our report of even date
For **PIPARA & COMPANY**
CHARTERED ACCOUNTANTS
Firm Registration No. 107929W

GYAN PIPARA

PARTNER

Membership No. : 034289

Place : Ahmedabad

Date : 18th May, 2011

S. K. SOMANY

Chairman

R. S. SHARMA

Company Secretary

A. K. SOMANY

Managing Director

**ADDITIONAL INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956.**

1	Registration Details			
	Registration No.	L51909WB1940PLC010070	State Code	21
	Balance Sheet Date	31.03.2011		
2	Capital raised during the year (amount in Rs. thousands)			
	Public Issue	Nil	Right Issue	Nil
	Bonus Issue	Nil	Private Placement	Nil
3	Position of Mobilisation and Development of Funds (Rs. in thousands)			
	Total Liabilities	2,702,309	Total Assets	2,702,309
	Source of Funds			
	Paid up Capital	332,275	Reserve & Surplus	417,110
	Share Application Money	97,500	Secured Loans	1,815,180
	Unsecured Loans	40,244		
	Application of Funds			
	Net Fixed Assets	1,232,537	Investments	3,442
	Net Current Assets	1,434,222	Misc. Expenditure	-
	Deferred Tax Assets	32,108		
4	Performance of Company (Rs. in thousands)			
	Turnover & Other Income	2,843,074	Total Expenditure	2,901,240
	Loss before tax	58,166	Loss after tax	47,466
	Basic Earning per Share in Rs.	(1.44)	Dividend Rate	Nil
5	Name of Three Principal Products/Services of Company			
	Item Code No.(ITC Code)	: 5205 to 5209		
	Product Description	: Cotton Yarn and Cotton Fabrics		
	Item Code No. (ITC Code)	: 5509 to 5514		
	Product Description	: Blended Yarn & Man-made fabrics.		
	Item Code No.(ITC Code)	: 6202 to 6205		
	Product Description	: Jeans, Trousers & Shirts		

Place : Ahmedabad
Date : 18th May, 2011

R. S. SHARMA
Company Secretary

S. K. SOMANY

Chairman

A. K. SOMANY

Managing Director

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

(Pursuant to the Listing Agreement with Stock Exchanges)

	Rs. In lacs	
	2011	2010
A Cash Flow From Operating Activities		
Loss Before Prior Period items/exceptional items & Tax	712	1,951
Adjustment for:		
- Depreciation	1,653	1,655
- Profit on Sale of Fixed Assets	—	(12)
- Interest (Net)	1,975	1,576
	<u>3,628</u>	<u>3,219</u>
Operating Profit Before Working Capital Changes	2,916	1,268
Adjustment for :		
- Trade Receivables	(673)	(644)
- Other receivables	(104)	895
- Inventories	(965)	(1,085)
- Trade Payables	637	1,716
- Miscellaneous Expenditure written off	102	69
	<u>(1,003)</u>	<u>951</u>
Cash Generated From Operations	1,914	2,219
- Interest paid	(2,033)	(1,597)
	<u>(2,033)</u>	<u>(1,597)</u>
Cash Flow Before Prior Period Items/exceptional items	(119)	622
- Prior Period items	186	12
- Exceptional items	(55)	(893)
	<u>12</u>	<u>(258)</u>
Net Cash Flow From Operating Activities	<u>12</u>	<u>(258)</u>
B Cash Flow From Investing Activities :		
- Purchase of Fixed Assets	(580)	(444)
- Sale of Fixed Assets	203	26
- Interest received	64	52
	<u>(313)</u>	<u>(366)</u>
Net Cash Used In Investing Activities	<u>(313)</u>	<u>(366)</u>
C Cash Flow From Finance Activities :		
- Proceeds from Shares application money	—	275
- Total proceeds from borrowings (Net of repayments)	(228)	(84)
- Unsecured Loan from Promoters	355	—
	<u>127</u>	<u>191</u>
Net Cash Used In Financing Activities	<u>127</u>	<u>191</u>
Net Increase In Cash and Cash Equivalents (A+B+C)	<u>(173)</u>	<u>(434)</u>
Cash and Cash Equivalent as on 01.04.2010 (Opening Balance)	424	858
Cash and Cash Equivalent as on 31.03.2011 (Closing Balance)	251	424

As per our report of even date
For **PIPARA & COMPANY**
CHARTERED ACCOUNTANTS
Firm Registration No. 107929W

GYAN PIPARA
PARTNER
Membership No. : 034289
Place : Ahmedabad
Date : 18th May, 2011

R. S. SHARMA
Company Secretary

S. K. SOMANY Chairman

A. K. SOMANY Managing Director



SOMA TEXTILES & INDUSTRIES LIMITED

Registered office : 2, Red Cross Place, Kolkata - 700 001

ATTENDANCE SLIP

(To be signed and handed over at the Entrance of the Meeting Venue)

Member's Folio No : _____

No. of Shares held _____

D.P. ID*

Client ID*

I certify that I am a registered Shareholder / Proxy for the registered Shareholder of the Company.

I/We hereby record my/our presence at the 73rd Annual General Meeting of the above named Company at Jhajharia Committee Room of Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata - 700 001, On Friday, 2nd day of September, 2011 at 2:30 P.M.

Member's / Proxy Name in BLOCK LETTERS

Member's/Proxy's signature

Note : Please fill in this attendance slip and hand it over at the ENTRANCE OF THE HALL

*Applicable for investors holding shares in electronic form.

TEAR HERE

SOMA TEXTILES & INDUSTRIES LIMITED

Registered office : 2, Red Cross Place, Kolkata - 700 001

FORM OF PROXY

Member's Folio No : _____

No. of Shares held _____

D.P. ID*

Client ID*

I/We _____ of _____

_____ being a member/members of the above named Company hereby appoint

of _____ or failing him _____

of _____ as my / our proxy

to vote for me/us and on my/our behalf at the 73rd Annual General Meeting of the Company to be held on Friday, 2nd day of September, 2011 at 2:30 P.M. and at any adjournment thereof.

Signed this _____ day of _____ 2011.

*Applicable for investors holding shares in electronic form.

Affix
Re. 1/-
Revenue
Stamp

Note : The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the time of commencement of the meeting. The Proxy need not be a member of the Company.

SOMA TEXTILES & INDUSTRIES LIMITED
Rakhial Road, Ahmedabad - 380 023.