

Annual Report 2007 - 2008

BOARD OF DIRECTORS

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

CONTENTS	PAGE NOS.
Notice	2-7
Directors' Report	8-12
Management Discussion & Analysis	13
Corporate Governance Report	14-23
Auditors' Report	24-26
Balance Sheet	27
Profit and Loss Account	28
Schedules	29-33
Notes on Accounts	34-42
Balance Sheet Abstract	42
Cash Flow Statement	43
Consolidated Accounts	44-60
Subsidiary Accounts	61-68

SECRETARY

Shri R. S. Sharma

AUDITORS

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

BANKERS

Dena Bank Ltd.
State Bank of India Ltd.

REGISTERED OFFICE

2, Red Cross Place, Kolkata - 700 001.

WORKS

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

SUBSIDIARY

Soma Textile FZE, Hamriya Free Zone,
Sharjah, UAE

ANNUAL REPORT 2007-2008

NOTICE

NOTICE is hereby given that the 70th ANNUAL GENERAL MEETING of the Members of Soma Textiles & Industries Limited will be held, at Jhajharia Committee Room of Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata-700 001 on, Thursday, the 4th day of September, 2008 at 3.00 P.M. to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2008 and the Profit & Loss Account for the year ended on that date together with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri S. K. Somany, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS :

To consider, and if deemed fit, to pass with or without modification(s), the following Resolutions:

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

As an Ordinary Resolution

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

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

As an Ordinary Resolution

"RESOLVED THAT in accordance with the provisions of Sections 198,269 and 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) thereto or re-enactments thereof for the time being in force) and subject to all such approvals and/or sanctions as may be necessary, the consent and approval of the Company be and is hereby accorded to the appointment of Shri Shrikant Bhat, as a rotating Whole-time Director of the Company, designated as "Executive Director", who shall be subject to retirement by rotation in terms of Section 255 read with other relevant provisions including Section 257 of the Companies Act, 1956 for a period of 5 (five) years with effect from 18th January, 2008 on the remuneration by way of salary, bonus/exgratia, perquisites and allowances and on the terms, conditions and stipulations as specified and set out in the Agreement, entered into between the Company and Shri Shrikant Bhat "(Shri Bhat)", (Particulars of which are enumerated in the Explanatory Statement, attached to this Notice of 70th Annual General Meeting of the Company) placed before this meeting and for the purpose of identification, is subscribed by the Chairman which agreement is hereby specifically sanctioned and approved with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution) to alter and vary the terms and conditions of the said appointment and/or agreement as may be agreed to between the Board and Shri Bhat, provided however that the remuneration payable to Shri Bhat shall not exceed the maximum limits for payment of Managerial remuneration specified in Schedule XIII to the Companies Act, 1956 including any statutory modification(s) or re-enactment thereof, for the time being in force or any amendments and/or modification(s) that may hereafter be made thereto by the Central Government in that behalf from time to time or as may be agreed to between the Board of Directors and Shri Bhat."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby vested with the sole authority and discretion to consider, grant and/or sanction an annual increment of, upto 30% of the last drawn salary, as the Board may consider fit and proper for Shri Shrikant Bhat."

"RESOLVED FURTHER THAT the Executive Director shall not be entitled to any sitting fee for attending meeting of the Board and/or Committee(s) thereof."

"RESOLVED FURTHER THAT notwithstanding anything contained herein above wherein in any financial year during the currency of the tenure of the Executive Director, the Company has no profits or its profits are inadequate, the Company shall pay the Executive Director minimum remuneration per month by way of salary, bonus/exgratia, perquisites, dearness allowance and any other allowances subject to the maximum ceiling calculated in accordance with the scale laid down in Section II of Part II of Schedule XIII to the Companies Act, 1956 as applicable to the Company at the relevant time depending upon the effective capital of the Company."

"RESOLVED FURTHER THAT in the event of any statutory amendments, modifications, substitutions, relaxations or re-enactments by the Central Government to Schedule XIII to the said Act, the Board of Directors of the Company be

and is hereby authorised and empowered to vary, alter or increase the remuneration including salary, bonus/exgratia, perquisites and/or allowances within the maximum limits for payment of managerial remuneration specified in Schedule XIII to the said Act, in force for the time being or any statutory amendment or re-enactment thereto as may be made from time to time or the laws/guidelines in force for the time being and that the aforesaid Agreement between the Company and Shri Bhat be suitably amended to give effect to such amendments, modifications, relaxations or variation without any reference to the Company in General Meeting.”

“AND RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do and perform all such acts, deeds, matters and things, as may be considered necessary, desirable or expedient to give effect to this resolution.”

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

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

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

Registered Office:

2, Red Cross Place,
Kolkata - 700 001
Dated : the 30th June , 2008

By Order of the Board

R.S. Sharma
Company Secretary

NOTES :

1. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to item Nos. 4, 5 & 6 of the accompanying Notice is annexed hereto and forms part of this Notice.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON AS HIS PROXY TO ATTEND AND VOTE ON A POLL, INSTEAD OF HIMSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK PROXY FORM IS ATTACHED AND IF INTENDED TO BE USED, IT SHOULD BE DULY COMPLETED, STAMPED AND SIGNED AND MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE SCHEDULED TIME OF COMMENCEMENT OF THE MEETING.**
3. Corporate Members intending to send their authorised representatives for attending the Annual General Meeting are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote on their behalf at the Annual General Meeting.
4. In case of Joint Holders attending the Meeting only such Joint Holders who is higher in names will be entitled to vote.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, the 1st September 2008 to Thursday, the 4th September 2008 (both days inclusive).
6. Members are requested to notify change in their address in block letters, if any, quoting their folio number to the Company and/or Pinnacle Share Registry Private Limited, the Registrar & Transfer Agents (RTA) of the Company.
7. Members/Proxies are requested to bring their copies of the Annual Report to the Meeting.
8. Pursuant to the provisions of Section 205A of the Companies Act, 1956 and the Rules made thereunder, all unclaimed or unpaid dividends upto and including the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. Members, who have so far not claimed or collected their dividends for the said financial years, may claim the same from the Registrar of Companies, West Bengal, Nizam Palace, IInd MSO Building, 234/4 A.J.C. Bose Road, Kolkata -700 020 by submitting to them an application in Form II, prescribed under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978.
9. Pursuant to the provisions of Section 205A read with 205C of the Companies Act, 1956, all the unpaid and unclaimed Dividends for the financial year ended 31st March, 1996, 31st March 1997 and 31st March 1998 have been transferred to the Investor Education and Protection Fund (“IEPF”) established by the Central Government. The Company has not declared any dividend for the financial year ended 31st March 1999 and upto financial year ended 31st March 2008.

ANNUAL REPORT 2007-2008

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

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

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

Shri S.K. Somany, aged about 77 years, is an Industrialist and a promoter of the Company. He is a graduate in Commerce. He is currently a Director and Chairman of the Company. He is also a Director and Chairman of Somany Evergreen Knits Limited. Besides this, Shri Somany is holding directorship in (a) Jamshri Ranjitsinghji Spg. & Wvg. Mills Co.Ltd., (b) Nav Bharat Refrigeration and Inds. Ltd., (c) Simplex Reality Co. Ltd., (d) Shreelekha Global Finance Ltd. Shri Somany has enriched himself with a business experience of over 5 decades and has a rich and vast all-round knowledge and experience in business and in Ceramic, Glass and Textiles Industry. Shri Somany is a member of the Remuneration Committee and Audit Committee of the Company, constituted in line with requirements of 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement on Corporate Governance. Shri Somany is also the Chairman of the Audit Committee of Jamshri Ranjitsinghji Spg. & Wvg. Mills Co. Ltd. and also a member of the Remuneration Committee of the said Company. He is also Chairman of Share Transfer & Shareholders/Investors Grievance Committee of the Company besides member of Share Transfer Committee of Simplex Reality Company Ltd. and Nav Bharat Refrigeration and Inds. Ltd.

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

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

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

ITEM NO. 4

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

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

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

ITEM NO. 5

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

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

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

His appointment and Remuneration so fixed by the Board (upon recommendation of the Remuneration Committee) are in accordance with Schedule XIII to the Companies Act, 1956 ("the Act") and subject to the approval of Members of the Company at the ensuing 70th Annual General Meeting.

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

- 1) **Period of Appointment** : 5 years commencing from 18th January, 2008.
- 2) **Nature of Duties** :Subject to the superintendence, control and direction of the Board, Shri Bhat shall perform such duties and exercise such powers as may from time to time be entrusted to or vested in him by the Board and shall devote the whole of his time and attention to his service as the Executive Director of the Company.

Remuneration :

Shri Bhat, a Whole-time Director designated as 'Executive Director' shall in consideration of his service, be entitled to the following by way of remuneration.

(a) SALARY

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

(b) BONUS/EXGRATIA

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

(c) PERQUISITES

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

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

CATEGORY A

This will comprise of house rent allowance, leave travel concession, medical reimbursement, fees on clubs, personal accident insurance and such other benefits, facilities and allowances as may be available and allowed to Shri Bhat, as per rules of the Company. These may be provided for as under:-

Housing

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

Explanation:

The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be valued as per the Income Tax Rules, 1962. This shall, however, be subject to a ceiling of 10 (Ten) per cent of the salary of Shri Bhat.

Medical Reimbursement

Expenses incurred for Shri Bhat and his family subject to a ceiling of one month's salary in a year or three months' salary over a period of three years.

Leave Travel Concession

For Shri Bhat and his family once in a year, while on leave, incurred in accordance with the Rules of the Company.

Club Fees

Fees of Clubs subject to a maximum of two clubs as may be permissible by the Company. This will not include admission and life membership fees.

ANNUAL REPORT 2007-2008

Personal Accident Insurance

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

Other benefits and Allowances

Any other benefits, facilities and allowances as may be available and allowed to Shri Bhat, as per rules of the Company. The value of the perquisites for the purpose of calculating the above annual ceiling shall be evaluated as per Income Tax Rules wherever applicable, otherwise at actuals.

Explanation:

For the purpose of CATEGORY 'A', Family means, the spouse, the dependent children and dependent parents of Shri Bhat.

CATEGORY B

- i) Contributions to Provident Fund and Superannuation/ Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- ii) Gratuity payable should not exceed half a month's salary for each completed year of service, subject to such ceiling as may be fixed by the Government from time to time and will not be included in the computation of the ceiling on perquisites.
- iii) Encashment of Leave at the end of the tenure will be permitted as per the Rules of the Company and will not be included in the computation of the ceiling on perquisites.

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

CATEGORY C

Provision of Car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of Car for private purpose shall be billed by the Company to Shri Bhat.

Overall Remuneration

Subject to an overall limit of 5% of the net profits individually and 10% of the net profits collectively payable to the Managing Director and Executive Director(s) as calculated in accordance with Section 198 and 309 and other applicable provisions of the Companies Act, 1956 for each financial year, read with Schedule XIII to the said Act, as may for the time being in force.

Minimum Remuneration

In the event of loss or inadequacy of profits in any financial year during the currency of tenure of office of Shri Bhat, the Company shall pay him remuneration by way of consolidated salary, Bonus or Exgratia in lieu of Bonus, perquisites and allowances as specified under Clause 6 of the Agreement referred to therein above within the limits laid down under Para 1 of Section II of the Part II of Schedule XIII to the Companies Act, 1956, now in force and as may be amended from time to time.

The perquisites specified in paragraph 2 of Section II of Part II of Schedule XIII to the Act, however shall not be included in the computation of the ceiling on the minimum remuneration specified under Para 1 of Section II of Part II of Schedule XIII to the Act.

Sitting Fee

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

Other Terms

Shri Bhat shall not during the continuance of his employment hereunder or at any time thereafter, divulge or disclose to any person or make use whatever for his own or for any other purpose any confidential information or knowledge acquired by him during his employment under the Company as to the business or affairs of the Company or as to any trade secret or secrets processes of the Company and shall during the continuance of his employment hereunder use his best endeavours to prevent any other person from doing so.

Shri Bhat hereby undertakes that so long as he functions as the Executive Director of the Company he shall not become interested or otherwise concerned, directly or indirectly, or through his wife and/or minor children in any selling agency of the Company in future without the prior approval of the Central Government.

Nothing herein contained shall entrust or be deemed to entrust Shri Bhat with substantial powers of management of the affairs of the Company.

The Board of Directors may, in their discretion, revise or modify any of the terms of appointments and remuneration from time to time within the limits laid down in Schedule XIII to the Act.

Retirement by Rotation

Shri Bhat shall be liable to retire by rotation in accordance with the provision of Section 255 of the Companies Act, 1956. If at any time Shri Bhat ceases to be a Director of the Company for any cause whatsoever he shall cease to be a Whole-time Director of the Company hitherto designated as Executive Director.

Termination

Notwithstanding anything contained in this Agreement, either party, shall be entitled to determine this Agreement by giving two calendar months' notice in writing in that behalf to the other party and on the expiry of the period of such notice, this Agreement shall stand terminated. The Company shall also be entitled without assigning any reason whatsoever to terminate the Agreement on giving to Shri Bhat two month's salary as specified in Clause 6 (a) of the Agreement entered in to by the Company with Shri Bhat in lieu of two calendar months' notice required to be given under this Clause.

Service of Notice

Any notice to be given hereunder shall be sufficiently given or served in the case of Shri Bhat by being delivered either personally to him or left for him at his address last know to the Company or sent by Registered Post addressed to him at such address and in the case of the Company by being delivered at or sent by Registered Post addressed to its Registered Office; any such notice if so posted shall be deemed served on the day following that on which it was posted.

MEMORANDUM OF INTEREST

Save and except Shri Bhat, none of the Directors of the Company is in any way concerned or interested or deemed to be concerned or interested in passing of the said Resolution.

INSPECTION OF DOCUMENTS

The copy of the Service Agreement entered into between the Company and Shri Bhat in connection with his appointment as Whole-time Director is available for inspection of the Members at the Registered Office of the Company on any working day between 12-00 Noon and 2-00 P.M. upto and including the date of Annual General Meeting or any adjournment or adjournments thereof. The same will also be available at the meeting.

ABSTRACT OF TERMS AND CONDITIONS OF APPOINTMENT UNDER SECTION 302 OF THE COMPANIES ACT, 1956

The terms and conditions of appointment and remuneration payable to Shri Bhat as Whole-time Director, designated as 'Executive Director' of the Company, as set out in the Agreement referred to and Explanatory Statement, duly annexed to the accompanying Notice should be treated as an 'ABSTRACT' of the terms of his appointment and Memorandum of Interest under Section 302 of the Companies Act, 1956. However an abstract of the terms and conditions of Sri Bhat and Memorandum of interest under Section 302 of the Companies Act, 1956 was sent to the members of the Company in February 2008 when the appointment of Sri Bhat as a whole time director designated as the executive director was made by the Board at the meeting held on 18th January, 2008 subject to due approval of the members at the ensuing Annual General Meeting of the Company.

ITEM NO. 6

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

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

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

Registered Office:

2, Red Cross Place,
Kolkata -700 001

Dated : the 30th June , 2008

By Order of the Board

R.S. Sharma

Company Secretary

ANNUAL REPORT 2007-2008

DIRECTORS' REPORT

Dear Shareholders,

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

1. SUMMARISED FINANCIAL RESULTS :

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

2. DIVIDEND

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

3. RESULTS OF OPERATIONS

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

Ahmedabad Unit

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

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

Baramati Unit

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

4. GDR ISSUE

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

5. COTTON

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

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

6. EXPORT

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

7. EXPANSION AND MODERNISATION

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

8. SUBSIDIARY COMPANY

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

9. CONSOLIDATED ACCOUNTS

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

10. CASH FLOW STATEMENT

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

11. INSURANCE

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

12. PUBLIC DEPOSITS

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

13. DIRECTORS

Shri S. K. Somany, Director of the Company, retires by rotation and being eligible, offers himself for re-appointment in accordance with the provisions of Articles of Association of the Company.

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

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

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

14. CORPORATE GOVERNANCE

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

15. MANAGEMENT DISCUSSION AND ANALYSIS

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

ANNUAL REPORT 2007-2008

16. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed

- (i) that in the preparation of the accounts for the financial year ended 31st March, 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for the year under review ;
- (iii) that the Directors have taken proper and sufficient care 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) that the Directors have prepared the accounts for the financial year ended 31st March, 2008 on a 'going concern' basis.

17. AUDITORS

The Statutory Auditors of the Company, M/s Pipara & Company, Chartered Accountants, Ahmedabad, retire at the conclusion of the forthcoming Annual General Meeting of the Company and being eligible offer themselves for re-appointment. The Board of Directors recommend, the appointment of M/s. Pipara & Co., Chartered Accountants as Auditors of the Company upon recommendation of the Audit Committee.

18. AUDITORS' REPORT

The Statutory Auditors' of the Company have made certain comments in their Audit Report on the Accounts of the Company for the accounting year ended 31st March, 2008, concerning the derivative loss, during the year. In response to their observation, reference is made to Note No. 26 of Schedule 21(B) to the Accounts, which is self explanatory and therefore do not call for any further comments under Section 217(3) of the Companies Act, 1956. The Directors' Report should be read in conjunction with the Auditor's Report and Notes to Accounts annexed hereafter.

19. COST AUDITORS

M/s. N D Birla & Co., Cost Accountants, Ahmedabad, have been re-appointed as Cost Auditors of the Company to conduct an audit of cost accounting records maintained by the Company in respect manufacturing of textiles for the Financial Year ending 31st March, 2009. Necessary Government approval has been obtained by the Company to their appointment.

20. PARTICULARS OF EMPLOYEES

Particulars of employees as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, from time to time, forms part of this Report. However, as per the provisions of Section 219 (1) (b) (iv) of the Act, the Report and Accounts are being sent to all the members excluding the statement containing the particulars of employees to be provided under Section 217(2A) of the Act. Any member interested in obtaining such particulars may inspect the same at the Registered Office of the Company or write to the Company Secretary for a copy.

21. ADDITIONAL INFORMATION

Information required under section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, the particulars relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earning and Outgo is given in the annexure, forming part of this report.

22. ACKNOWLEDGEMENT

Your Director express their warm appreciation to all the employees for their contribution at all levels. Your Directors also convey there grateful thanks to the Government Authorities, Financial Institutions, Bankers, Other Business Associations and Shareholders for their Co-operation and support, extended to the Company.

On behalf of the Board

Place : Ahmedabad
Date : 30th June, 2008

(S. K. SOMANY)
Chairman

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

- Gas fired boiler and various gas fires process machinery will abate pollution and save energy.
- Installed electronic chokes and energy efficient light fittings.

Future Plan of Action

- Last year, the Company had outsourced consultant to prepare feasibility report for the Co-generation Power Plant. Their report has been received by the company which is under review by the management. By this Company is expecting to achieve significant saving on the power cost .

FORM-A

Form of disclosure with respect to Conservation of Energy

A. POWER & FUEL CONSUMPTION

	Current Year	Previous Year
1. a. Purchased		
Unit (in thousands)	52669 KWH	54642 KWH
Total Amount (Rs. in lakhs)	2064.93	2166.20
Rate / Unit (Rs.)	3.92	3.96
b. Own Generation		
- Through Diesel / FO Generator Unit (in thousands)	1101 KWH	486 KWH
- Unit per Ltr. Of Diesel	4.01	3.85
- Cost/Unit (Rs.)	5.35	4.42
- Through Steam Turbine /Generator	N.A.	N.A.
2. Coal-Lignite (Specify Quality & where used)		
Quantity (Tons)	3654	7325
Total Cost (Rs. in lakhs)	184.71	180.67
Average rate per ton (Rs.)	5054.72	2466.63
3. Furnace Oil		
Quantity (KL)	266	104
Total Cost (Rs. in lakhs)	56.52	15.53
Average rate per ltr. (Rs.)	21.23	14.95
4. Light Diesel Oil / High Speed Diesel		
Quantity (KL)	8	33
Total Cost (Rs. in lakhs)	2.36	9.88
Average rate per ltr. (Rs.)	28.07	30.08
5. CNG		
Quantity (SCM in thousands)	2839	2244
Total Cost (Rs. in lakhs)	427.90	373.17
Average rate per SCM (Rs.)	18.30	16.36
6. Others /Internal Generation	N.A.	N. A.

B. CONSUMPTION PER UNIT OF PRODUCTION

Products	Standard
Cotton, man-made & blended Fabrics & yarn	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.

ANNUAL REPORT 2007-2008

B. TECHNOLOGY ABSORPTION

Form B

Disclosure of particulars with respect to absorption

A. RESEARCH & DEVELOPMENT

1. SPECIFIC AREAS IN WHICH R&D IS CARRIED OUT :

- Introduction of seasonal collections for catering high end export market.
- Developed new dyeing styles by bottoming and topping with different dyestuffs.
- Introduced complete range for new patterns and design in fabrics.
- Introducing different coating styles for denim high end fabrics.
- Development of different finishes in Denim fabrics.
- Equipped the laboratory with latest testing facilities.

2. BENEFITS DERIVED AS A RESULT OF R&D

- Improved production efficiency, with consistency in quality products and better product mix.
- Met the requirement of international customers.

3. FUTURE PLAN OF ACTION

- To focus on niche segment of specialised fabrics.
- To introduce ring coarse spun yarn with latest state of art machinery for high end market.
- To further refine technology at all stages to match global requirements and end consumer satisfaction.

4. EXPENDITURE INCURRED ON R&D

	Rs. in lacs
	2007-08
a) Capital	21.27
b) Recurring	36.21
c) Total	57.48
d) Total R&D Expenditure as percentage of turnover	0.29

B. TECHNOLOGY ABSORPTION, ADOPTION & INNOVATION

- Installed Benninger Sizing Machine
- Installed Pad Steam Range

C. FOREIGN EXCHANGE EARNING & OUTGO

Used Rs. 1,526 lacs , Earned Rs. 4,137 lacs

On behalf of the Board

Place : Ahmedabad
Date : 30th June, 2008

(S. K. SOMANY)
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY STRUCTURE:

The Indian Textile industry has a significant presence in the Indian economy as well as in the international textile economy. Its contribution to the Indian economy is manifested in terms of its contribution to the industrial production, employment generation and foreign exchange earning.

It is perhaps the only industry in the Indian industrial arena which is self reliant and complete in value chain i.e. from raw material to the highest value added products i.e. garment / made-ups.

The Indian Textile industry's share in global trade accounts for 4 percent. It has collectively embarked on a long-term mission to increase its global share of world textile trade to attain 7 percent by 2012 and of stepping up the rate of growth from 9-10 percent to 16 percent during the currency of the 11th five year plan period.

Opportunities & Challenges

Though with the increase in production capacities all across the industry coupled with lowered realization, the industry's prospects after post quota are better. The export performance of the country expects to register further growth. The revolution in organized retailing would increase the consumption of apparel and made-ups.

Appreciation of the rupee, higher interest rates, high power cost and increased raw material prices pose threat to the Indian manufacturers.

Delay in processing and disbursements of TUF loan subsidies also hamper investment in the sector and drives up the cost of funds.

2. INDUSTRIAL RELATIONS AND HUMAN RESOURCE MANAGEMENT

Your Company continued to have cordial and harmonious relations with its employees.

3. INFORMATION TECHNOLOGY

Today, Information Technology plays a vital role in the field of textile industry. For this, company had implemented SAP ERP (Enterprise Resource Planning) last year. The system helps the company in timely decision making and better planning.

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.

ANNUAL REPORT 2007-2008

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Your Company firmly believes in the principle of good Corporate Governance and is committed in adopting the best global practice of Corporate Governance. The Company's Philosophy on Corporate Governance is to achieve business excellence by enhancing long term shareholders' value and interest of 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 Company also endeavours to attain its long term objective of enhancing over all shareholders wealth over a sustained period of time and strives to achieve business excellence by meeting its obligations towards its stakeholders.

2. BOARD OF DIRECTORS

(a) Composition of the Board

As on 31st March 2008 the Board comprises of 4 (Four) Non-Executive Directors including the Chairman who is Non-Executive Promoter Director, the nominee of ICICI Bank Ltd. and 2 (Two) Executive Directors aggregating to total of 6 (Six) members. Of this, 3 (Three) Directors are Independent (including one nominee of ICICI Bank Ltd.) which is in conformity with the requirement under revised clause 49 of Listing Agreement on Corporate Governance 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 has an appropriate mix of Executive and Non-Executive Directors, which ensures independent judgments in its deliberations and decisions. All the Non-Executive Directors are Professionals 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 (*)	No. of Committee Membership (**)	
				Chairman	Member
Shri S. K. Somany	Chairman	Promoter Non-Executive Non Independent	5	2	1
Shri A. K. Somany	Managing Director	Promoter Executive Non Independent	1	-	1
Shri P. Bandyopadhyay (#)	Executive Director	Executive Non Independent	-	-	2
Shri Shrikant Bhat (##)	Executive Director	Executive Non Independent	1	-	-
Shri Prafull Anubhai Shah	Director	Non-Executive Independent	6	4	5
Shri Ashok C. Gandhi	Director	Non-Executive Independent	9	-	10
Shri Anupam Verma	Director (Nominee of ICICI)	Non-Executive Independent	1	-	1

(*) 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.

(#) Resigned from the Office of Executive Director w.e.f. 22.12.2007.

(##) Appointed as an additional Director and Whole-time Director designated as Executive Director with effect from 18th January, 2008.

The Company declares that none of the Directors of Company are member of more than 10 Board Committees or Chairman of more than 5 Board Committees 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 2007-08, Five Board Meetings were held on 29.05.2007, 25.06.2007, 28.07.2007, 31.10.2007 and 18.01.2008. The last, 69th Annual General Meeting held on 17th September, 2007. 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	5	No
Shri P. Bandyopadhyay	4	No
Shri Prafull Anubhai Shah	3	Yes
Shri Ashok C. Gandhi	4	No
Shri Anupam Verma	1	No
Shri Shrikant Bhat	-	No

(c) Details of shares held by Non-Executive Directors as on 31st March, 2008

Name of Non-Executive Director	No. of Shares held	% of total share capital
Shri S. K. Somany	618,001	1.87

Except Shri S.K. Somany, no other Non-Executive Directors hold any shares of the Company as on 31st March, 2008. The Company does not have any convertible instruments and Employees Stock Option under the Scheme as at 31st March 2008 except 232500 GDRs which are still pending to convert into Equity shares.

(d) Code of Conduct

The Board has laid down a code of conduct for all its Board Members and senior Management Personnel, as approved by the Board and the same is being abided by all of them. 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 Code of Conduct is available on the Company's website www.somatextiles.com. A declaration to this effect signed by the Managing Director (CEO) is forming 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 S. K. Somany (Shri Somany), the Chairman of the Company retires by rotation at the ensuing 70th Annual General Meeting of the Company and is eligible for re-appointment.

Shri Shrikant Bhat (Shri Bhat), appointed as an Additional Director and a Whole-time Director designated as Executive Director has been proposed to be appointed as Director under Section 257 of the Companies Act, 1956 as Director liable to retire by rotation.

The brief profile of Shri Somany and Shri Bhat including relevant particulars relating to them are furnished in the Notice convening the 70th Annual General Meeting of the Company to be held on 4th September, 2008.

3. COMMITTEES OF THE BOARD

A) AUDIT COMMITTEE

The Powers, role and terms of reference of Audit Committee cover the areas as contemplated under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 besides other terms as may be referred by the Board of Directors.

a) Terms of reference

The brief description of the terms of reference of Audit Committee in line with the Listing Agreement is: To oversee the Company's financial reporting process and disclosure of its financial information, to

ANNUAL REPORT 2007-2008

recommend the appointment of Statutory Auditors and fixation of the audit fee, to review and discuss with the Auditors about internal control systems, scope of audit including observations of the auditors and adequacy of internal control systems, major accounting policies & practices, adopting accounting standards and complying various requirement concerning financial statements, if any, to review the Company's quarterly financial results and annual financial statements before submission to the Board of Directors.

The Company generally considers and reviews all items Listed in Clause 49(II)(D) of the Listing Agreement. The Committee also 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.

During the year five Audit Committee meetings were held on 29.05.2007, 25.06.2007, 28.07.2007, 31.10.2007 & 18.01.2008. 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.

b) Composition

The Board had constituted the Audit Committee in Compliance with requirement under Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. The Audit Committee presently consists of 4(Four) members, of this, 3(Three) members are Non-Executive Independent Director and One Non-Executive Promoter Director. Thus the Committee consists of majority of Non-Executive and Independent Directors as per the requirement of Corporate Governance. The Committee is chaired by Shri Prafull Anubhai Shah, 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 Statutory Auditors, Cost Auditors and Internal Auditors are invited to the Committee Meetings whenever required. The Chairman of the Audit Committee attended the 69th Annual General Meeting (AGM) held on 17th September, 2007 to answer Shareholders queries. Shri R. S. Sharma, Company Secretary acts as Secretary to the Committee. 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 Prafull Anubhai Shah	Non-Executive Director-Independent	Chairman	3
Shri S. K. Somany	Non-Executive Director-Promoter	Member	4
Shri Ashok C. Gandhi	Non-Executive Director-Independent	Member	4
Shri P. Bandpadhyay (#)	Executive Director-Non-Independent	Member	4
Shri Anupam Verma (##)	Non-Executive Director-Independent	Member	1

(*) Nominee-ICICI Bank Limited

(\$) Shri P. Bandyopadhyay resigned from the office of the Executive Director and thereby ceased to be member of Audit Committee with effect from 22.12.2007.

B) REMUNERATION COMMITTEE

There is no change in the composition of Remuneration Committee during the year under review Remuneration Committee consists of three Directors of which two directors viz Shri Prafull Anubhai Shah and Shri Anupam Verma (nominee ICICI Bank Ltd.) are independent Non-Executive Directors and Shri S. K. Somany, the Non-Executive Chairman & Promotor Director of the Company. The Committee is chaired by Shri Anupam Verma (nominee ICICI Bank Ltd.), a Non-executive Independent Director. Shri R. S. Sharma, Company Secretary acts as Secretary to the Remuneration Committee. During the year under review the Committee met once on 25th June,2007 to review and recommend annual increments to the whole time directors.

The Committee has been constituted inter-alia to review, fix and recommend the remuneration payable to the Whole-time/Managing/Executive Directors of the Company subject to over all limit duly approved by the Board and the Shareholders and/or to be approved by the Board and Shareholders as the case may be.

Remuneration Policy

Within the Overall limits fixed by the Shareholders in General Meeting the Board decides the remuneration payable to Whole-time/Managing/Executive Director. 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	Salary & Perquisites (Rs.)	Sitting Fees (Rs.)
Shri S. K. Somany	-	10,000
Shri A. K. Somany	1,381,180	-
Shri P. Bandyopadhyay (*)	1,261,467	-
Shri Shrikant Bhat (**)	142,913	-
Shri Prafull Anubhai Shah	-	7,500
Shri Ashok C Gandhi	-	10,000
Shri Anupam Verma	-	2,500

(*) for the period 01.04.07-22.12.07

(**) for the period 18.01.08-31.03.08

Besides the above, no other pecuniary relationship or transactions vis-a-vis the Company exists with the Non-Executive Directors. Executive Directors 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, 2008. 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.

Shri P. Bandyopadhyay resigned from the office of Executive Director with effect from 22nd December, 2007 which was subsequently communicated to the Stock Exchange in compliance with the requirement of Listing Agreement.

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

a) Terms of reference

The Company has constituted a Shareholders/Investors Grievance Committee to expeditiously redress the shareholders complaints and grievances, if any.

b) Composition

The Shareholders/Investors Grievance Committee at present comprises 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, 2007, 30th September, 2007, 15th December, 2007 and 31st March, 2008. The attendance of members was as follows:

Name of Member	Category of Directorship	Status	No of Meetings attended
Shri S. K. Somany	Non-Executive Non-Independent Promoter Director	Chairman	-
Shri A. K. Somany	Executive Non-Independent Promoter Director	Member	4
Shri P. Bandyopadhyay (#)	Executive Non-Independent Director	Member	4
Shri Ashok C Gandhi (*)	Non-Executive Independent Director	Member	-
Shri Prafull Anubhai Shah (*)	Non-Executive Independent Director	Member	-

(#) Ceased to be member of the Committee upon resignation from the office of Executive Director with effect from 22nd December, 2007.

ANNUAL REPORT 2007-2008

- (*) Nominated and appointed as members of the Committee with effect from 18th January, 2008. 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 received 1(One) complaints from shareholders, which were resolved to the satisfaction of shareholders.

D) SHARE TRANSFER COMMITTEE

a) Terms of reference

The Company has constituted a Share Transfer Committee to consider and process various requests for transfer of shares, Issue of Duplicate Shares, Split/Consolidation of shares and thereupon issue of Fresh Share Certificates, Transmissions or Transposition of shares.

b) Composition

The Share Transfer Committee presently comprises 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 15 Meetings for approval of transfer of shares lodged with the Company and the attendance of members was as follows:

Name of Member	Category of Directorship	Status	No. of Meetings attended
Shri S. K. Somany	Non-Executive Non-Independent Promoter Director	Chairman	-
Shri A. K. Somany	Executive Non-Independent Promoter Director	Member	15
Shri P. Bandyopadhyay (#)	Executive Non-Independent Director	Member	12
Shri Ashok C Gandhi (*)	Non-Executive Independent Director	Member	-
Shri Prafull Anubhai Shah (*)	Non-Executive Independent Director	Member	3

(#) Ceased to be member of the Committee upon resignation from the office of Executive Director with effect from 22nd December, 2007.

(*) Nominated and appointed as members of the Committee with effect from 18th January, 2008.

There were no valid share transfers pending for registration for more than 30 days as on 31.03.2008.

E) EXECUTIVE COMMITTEE

a) Terms of reference

During the year the Board, 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.

b) Composition

The Committee presently comprises of 3(Three) Directors namely Shri A. K. Somany (Managing Director) who is Non-Independent, Shri Ashok C. Gandhi and Shri Prafull Anubhai Shah, the Independent Directors. Any Two Directors, comprising of Managing Director shall form the quorum of the Meeting. Two Meetings of the Executive Committee were held on 29th November, 2007 and 22nd February, 2008.

4. SUBSIDIARY COMPANY

The Company has a wholly owned Subsidiary under the name of "Soma Textile FZE", incorporated and registered outside India and thus is out of scope of clause 49 (III) of the Listing Agreement.

5. GENERAL BODY MEETINGS

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

Financial Year	AGM	Date	Time	Location
2006-07	69th	17.09.2007	2-00 P.M.	Jhajharia Committee Room of Merchants' Chamber of Commerce, 15B, Hemant Basu Sarani, Kolkata - 700 001.
2005-06	68th	28.08.2006	3-00 P.M.	Jhajharia Committee Room of Merchants' Chamber of Commerce, 15B, Hemant Basu Sarani, Kolkata - 700 001.
2004-05	67th	08.09.2005	3-00 P.M.	Jhajharia Committee Room of Merchants' Chamber of Commerce, 15B, Hemant Basu Sarani, Kolkata - 700 001.

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

In the AGM held on	Subject matter of the resolution
17th September, 2007	(i) The appointment of Shri A. K. Somany as Managing Director for 3 (Three) years from 22nd January, 2008 (ii) Increase in limits of Investments by Foreign Investors in the Capital of the Company.
28th August, 2006	(i) Employee Stock Option Scheme/Employee Stock Purchase Scheme for Company. (ii) Employee Stock Option Scheme/Employee Stock Purchase Scheme for Company's Subsidiary(ies) Companie(s)/ Body Corporate/ other persons
8th September, 2005	(i) Revocation of Resolution for Transfer of Registered Office. (ii) Public Issue of Fully Convertible Debentures aggregating to Rs. 105 Crore subsequently rescinded by the Board at its meeting held on 09.06.2006

Special Resolution for amendment in main object clause of the Memorandum of Association by insertion of new Clause relating to business activities of Garments & Readymade and Commencement of the new business of Garments and Readymade was passed through postal ballots during the financial year ended 31st March, 2008 pursuant to the provisions of Section 192A of the Companies Act, 1956 read with Rules framed there under. The Postal Ballot was conducted by Shri P. K. Drolia, FCS, the Practicing Company Secretary as Scrutiniser.

On 17th September, 2007 at 1:45 P.M., just prior to start of Annual General Meeting of the Company, Shri S. K. Somany the Chairman declared the Results at the Jhajharia Committee Room of Merchants' Chamber of Commerce, 15B, Hemant Basu Sarani, Kolkata - 700 001, that the Resolution set out in Postal Ballot Notice dated 25th June, 2007 has been approved by the Shareholders with the requisite majority. The result of the voting conducted through Postal Ballot is as under :-

Number of valid Postal Ballot forms received	127
Votes in favour of the Resolution	23,459,281
Votes against the Resolution	1,025
Number of invalid Postal Ballot forms received	9
Percentage of votes cast in favour of the Resolution	99.988%

As of now there is no proposal for conducting any Special Resolution through Postal Ballot.

6. DISCLOSURES

- (i) 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. Related party transactions have been disclosed in the notes to the Accounts in the financial statements as at 31.03.2008.
- (ii) There were no instances of non-compliance on any matter related to the capital markets, during the last three years. Stock Exchange or SEBI has not imposed any fine, penalty or stricture for non-compliance of any matter related to capital markets during the last three years.
- (iii) All the mandatory requirements 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.

ANNUAL REPORT 2007-2008

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 Kalantar (Bengali), Kolkata |
| (iii) Any Web Site, where displayed | SEBI's Web Site. www.sebiedifar.nic.in
The Company has its own website www.somatextiles.com where information about the Company is displayed and regularly updated. |
| (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 70th Annual General Meeting is proposed to be held on Thursday, the 4th September, 2008 at 3.00 P.M. at Jhajharia Committee Room of Merchants' Chamber of Commerce, 15B, Hemant Basu Sarani, Kolkata - 700 001.

(ii) Financial year :

2008-2009

(1st April to 31st March)

First Quarterly results	Before end of July, 2008
Second Quarterly Results	Before end of October'2008
Third Quarterly Results	Before end of January'2009
Audited Financial Results for the year ended 31.03.2009	Before end of June'2009

(iii) Date of Book Closure:

Monday, the 1st September, 2008 to Thursday, the 4th September, 2008 (both days inclusive).

(iv) Dividend Payment Date:

No dividend has been declared by the Company for the financial year 2007-08.

(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,
Dalal Street, Mumbai - 400 001.
- (b) National Stock Exchange of India Limited (NSE)
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai - 400 051.
- (c) The Calcutta Stock Exchange Association Limited (CSE)*
7, Lyons Range, Kolkata - 700 001.
- (d) The Luxembourg Stock Exchange (LSE)
11, av de la Porte-Neuve, L-2227 Luxembourg (1,850,000/- GDRs are listed)

- NOTE:
- (i) Listing fees have been paid to the Stock Exchanges for the year 2007-08.
 - (ii) *The Calcutta Stock Exchange Association Ltd., 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, (iv) LSE US83444W1099 (For GDRs).
De-mat ISIN Number in NSDL & CDSL ISIN INE 314C01013.

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

Months	N S E		B S E	
	High	Low	High	Low
April 2007	34.90	30.60	34.75	30.40
May 2007	34.30	30.00	33.95	30.00
June 2007	33.30	30.00	34.30	29.50
July 2007	34.20	28.80	34.40	25.25
August 2007	34.00	27.75	33.85	28.05
September 2007	31.80	26.00	32.20	28.75
October 2007	32.85	26.80	34.00	27.10
November 2007	37.70	26.60	37.65	27.50
December 2007	46.70	31.50	47.00	31.50
January 2008	44.10	28.00	45.00	28.35
February 2008	34.75	27.75	35.20	27.10
March 2008	29.50	17.50	29.85	17.40

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

Months	B S E		B S E Index	
	High	Low	High	Low
April 2007	34.75	30.40	14,383.72	12,425.52
May 2007	33.95	30.00	14,576.37	13,554.34
June 2007	34.30	29.50	14,683.36	13,946.99
July 2007	34.40	25.25	15,868.85	14,638.88
August 2007	33.85	28.05	15,542.40	13,779.88
September 2007	32.20	28.75	17,361.47	15,323.05
October 2007	34.00	27.10	20,238.16	17,144.58
November 2007	37.65	27.50	20,204.21	18,182.83
December 2007	47.00	31.50	20,498.11	18,886.40
January 2008	45.00	28.35	21,206.77	15,332.42
February 2008	35.20	27.10	18,895.34	16,457.74
March 2008	29.85	17.40	17,227.56	14,677.24

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

Pinnacle Shares Registry Pvt. Ltd., Near Ashoka Mills, Naroda Road, Ahmedabad 380 025
Phone No.: 079-22200338, 22204226, 22200591, 22200582, Fax: 91-079-22202963

(x) Share Transfer System

Share transfers are registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects. Committee has been authorised to approve transfers of shares.

ANNUAL REPORT 2007-2008

(xi) Distribution of shareholding:

(a) The shareholding distribution of equity shares as at 31st March, 2008 is given below:

Shareholding No.		Shareholders		% of total shares	
From	To	Number	% of total	No. of Shares	% of total shares
1	500	8,773	87.28%	1,704,734	5.16%
501	1,000	671	6.68%	567,302	1.72%
1,001	2,000	291	2.89%	473,066	1.43%
2,001	3,000	91	0.91%	240,463	0.73%
3,001	4,000	36	0.36%	130,575	0.40%
4,001	5,000	47	0.47%	225,582	0.68%
5,001	10,000	72	0.72%	524,267	1.59%
10,001	Above	71	0.71%	29,167,011	88.30%
Total		10,052	100.00%	33,033,000	100.00%

(b) Shareholding pattern as at 31st March, 2008

Category	No. of shares held	% shares holding
Promoters	14,280,702	43.23%
Resident Individuals	5,914,747	17.91%
Private Corporate Bodies	1,006,376	3.05%
Financial Institution & Banks, Govt., Insurance Companies and Mutual Funds	12,388	0.04%
OCBs and NRIs	1,193,387	3.61%
Foreign Institutional Investors	8,300,400	25.12%
Shares underlying under GDRs	2,325,000	7.04%
Total	33,033,000	100.00%

(xii) Dematerialisation of Equity Shares

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

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

Pursuant to the offer of Global Depository Receipts (GDRs) made by the Company during the year ended 31st March, 2007. 232,500 GDRs representing 2,325,000 underlying Equity Shares of Rs. 10/- each of the Company i.e. 7.04% of the issued, subscribed and paid-up share capital were outstanding as on 31.03.2008.

(xiv) Plant Locations

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

(xv) 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 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, 2008.

Place: Ahmedabad
Date: 24th April, 2008

(Arvind Kumar Somany)
Managing Director (CEO)

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

To the members of, Soma Textiles & Industries Ltd. Kolkata.

We have examined the compliance of conditions of corporate governance by M/s. Soma Textiles & Industries Ltd., for the year ended on 31st March 2008, 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

Place : Ahmedabad

Date : 30th June, 2008

(GYAN PIPARA)
PARTNER
Membership No. 34289

ANNUAL REPORT 2007-2008

AUDITORS' REPORT

To,
The Members of
SOMA TEXTILES & INDUSTRIES LIMITED

We have audited the attached Balance Sheet of **SOMA TEXTILES & INDUSTRIES LIMITED**, as at 31st March, 2008 and also the Profit and Loss Account and cashflow 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 (Auditor's 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 give 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;
- (iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet and Profit and Loss Account 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, 2008**, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on **31st March, 2008** 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 paragraph (iv) above, the said accounts read together with notes thereon and particularly Note No.26 of schedule 21(B) relating to accounting of Derivative Transactions, the said accounts 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, 2008**;
 - (b) In the case of the Profit and Loss Account, of the **Loss** for the period ended on that date; and
 - (c) In the case of Cashflow Statement, of the Cashflows for the year ended on that date.

For PIPARA & COMPANY
CHARTERED ACCOUNTANTS

Place : Ahmedabad
Dated : 30th June, 2008

(GYAN PIPARA)
PARTNER
Membership No. 34289

Annexure referred to in paragraph 3 of our report of even date of the Auditor's to the Members of SOMA TEXTILES & INDUSTRIES LIMITED on the accounts for the year ended on 31st March, 2008.

- (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 certain fixed assets during the year and no serious discrepancies have been noticed on such verification.
- (c) During the year, the company has disposed off some plant and machinery. According to the information and explanation given to us, we are of opinion that the sales of the said part of plant and machinery has not affected the going concerns status of the company.
- (ii) (a) The inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its business.
- (b) In our opinion, the procedures of physical verification of inventories 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 has maintained proper record of inventory. The discrepancies noticed on verification between the physical stock and book records were not material.
- (iii) According to the information and explanation given to us, the company has granted unsecured interest free loan to its 100% subsidiary company namely Soma Textile F.Z.E., Sharjah, UAE, covered in the register maintained under section 301 of the Companies Act, 1956. However, the other terms and conditions of the loan given by the company, are prima facie not prejudicial to the interest of the company and there is no overdue amount. Further, the company has not taken any loan secured or unsecured from the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and therefore the question of reporting on clause 4(iii) (f) & 4(iii) (g) pertaining to loan taken does not arise.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. In our opinion and as explained to us, there are no major weaknesses in internal controls.
- (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 according to the information and explanations given 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 the value of rupees five lakhs 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. Thus, the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Companies Act, 1956 and the rules framed there under are not applicable.
- (vii) In our opinion, the internal audit system of the company needs to be strengthened, commensurate with its size and nature of its business.
- (viii) On the basis of records produced, we are of the opinion that prima-facie the cost records and accounts prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956, have been made and maintained by the company. However, we are not required to carry out and have not carried out any detailed examination of such account and records.
- (ix) (a) According to the information and explanations given to us, and on the basis of our examination of the books of accounts, the Company has generally been regular in depositing the undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty cess and other with the appropriate authorities. However, at the end of the year, there are undisputed dues payable for a period of more than six months from the date they became payable as follows :

Name of Statute	Nature of Dues	Amount (Rs.)	Period to whom amount relates
Income Tax Act, 1961	Collection of Tax at Source	121,930/-	April to August '07

- (b) As on 31st March, 2008 according to the records of the company, the following are the particulars of disputed dues on account of Excise duty and Service Tax that have not been deposited :

Name of Statute	Nature of Dues	Amount (Rs.)	Forum where dispute is pending
Central Excise Act, 1944	Demand of Duty	19,755,331/-	Asstt. Commissioner of Excise, Division III, Ahmedabad
Central Excise Act, 1944	Reversal of Cenvat Credit	25,428/-	CEGAT, Mumbai and the Hon'ble High Court of Gujarat, Ahmedabad.

ANNUAL REPORT 2007-2008

Central Excise Act, 1944	Recovery of additional TTA duty of Yarn captively consumed	8,134,046/-	Dy. Commissioner of Central Excise, Ahmedabad.
Central Excise Act, 1944	Recovery of Deemed Modvat Credit taken on input	158,973/-	Dy. Commissioner of Central Excise, Div-I Ahmedabad.
Central Excise Act, 1944	Recovery of Transitional Cenvat	294,912/-	The Asst. Commissioner of Central Excise, Ahmedabad.
Central Excise Act, 1944	Recovery of additional TTA duty of Yarn captively consumed	929,617/-	The Additional Commissioner of Central Excise, Ahmedabad.
Central Excise Act, 1944	Recovery of Transitional Cenvat	580,464/-	Joint Commissioner Central Excise - Ahmedabad
Service Tax Act,	Demand for Service Tax on Goods Transport	444,139/-	Dy. Commissioner tService Tax Devi – II
Central Excise Act, 1944	Recovery of Cenvat & Excise Duty	140,179/-	Asst. Commissioner Central Excise - Ahmedabad

- (x) The Company does not have any accumulated losses at the end of financial year and has not incurred cash losses during the financial year and in the financial year immediately preceding such financial year.
- (xi) In our opinion and according to the information & explanations given to us, the Company has not defaulted in repayment of dues to any financial institution, bank and debenture holders.
- (xii) According to the information and explanations given to us, the Company has not granted any loan or advance on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) According to the information and explanations given to us, the provisions of any special statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund and Societies are not applicable to the Company, as no such activity has been undertaken by the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions
- (xvi) In our opinion and according to the information & explanations given to us, the term loans procured during the year were applied only for the purpose for which they were obtained.
- (xvii) In our opinion and according to information and explanations given to us, funds raised on short-term basis have not been used for long-term investment and vice versa.
- (xviii) According to the information & explanations given to us, during the financial year covered by our audit, the Company has not allotted any shares on preferential basis to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures during the year and therefore, paragraph 4 (xix) of the said order is not applicable.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, the question of disclosure of the end use of such monies does not arise.
- (xxi) According to information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For PIPARA & COMPANY
CHARTERED ACCOUNTANTS

Place : Ahmedabad
Dated : 30th June, 2008

(GYAN PIPARA)
PARTNER
Membership No. 34289

 **SOMA TEXTILES & INDUSTRIES LIMITED**

BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedule	2008 Rupees	2007 Rupees
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	332,274,680	332,274,680
Reserves and surplus	2	935,076,828	1,112,203,919
		<u>1,267,351,508</u>	<u>1,444,478,599</u>
LOAN FUNDS			
Secured loans	3	1,470,205,118	1,346,734,224
Unsecured loans	4	103,446,928	103,459,771
		<u>1,573,652,046</u>	<u>1,450,193,995</u>
DEFERRED TAX LIABILITY			
TOTAL		<u>2,939,795,601</u>	<u>2,971,064,641</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	2,489,537,237	2,428,994,615
Accumulated Depreciation		(1,090,548,484)	(988,221,396)
Net Block		<u>1,398,988,753</u>	<u>1,440,773,219</u>
Capital work-in-progress		163,480,329	8,411,780
		<u>1,562,469,082</u>	<u>1,449,184,999</u>
INVESTMENTS			
	6	3,442,561	2,192,805
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	605,844,055	542,791,716
Sundry Debtors	8	212,715,309	177,935,519
Cash & Bank Balances	9	59,049,053	686,841,059
Loans, Advances & other current assets	10	791,287,583	285,532,966
		<u>1,668,896,000</u>	<u>1,693,101,260</u>
LESS: CURRENT LIABILITIES AND PROVISIONS			
Liabilities	11	281,670,786	158,877,221
Provisions	12	33,365,827	38,870,907
		<u>(315,036,613)</u>	<u>(197,748,128)</u>
Net Current Assets		1,353,859,387	1,495,353,132
MISCELLANEOUS EXPENDITURE			
(to the extent not written off or adjusted)	13	20,024,571	24,333,705
TOTAL		<u>2,939,795,601</u>	<u>2,971,064,641</u>
NOTES TO ACCOUNTS	21		

As per our report of even date
FOR PIPARA & COMPANY
CHARTERED ACCOUNTANTS

S. K. SOMANY Chairman

(GYAN PIPARA)

PARTNER
Membership No. 34289

A. K. SOMANY Managing Director

Place : Ahmedabad
Dated : 30th June, 2008

R. S. SHARMA
Secretary

Place : Ahmedabad
Dated : 30th June, 2008

ANNUAL REPORT 2007-2008

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008			
	Schedule	2008 Rupees	2007 Rupees
INCOME			
Sales		1,926,085,602	1,884,955,677
Interest	14	19,687,998	19,685,107
Other income	15	98,575,104	99,653,722
TOTAL		<u>2,044,348,704</u>	<u>2,004,294,506</u>
EXPENDITURE			
Manufacturing & Other Expenses	16	1,863,836,417	1,680,266,347
Interest	14	121,841,450	86,641,026
Depreciation	5	156,797,477	117,922,370
TOTAL		<u>2,142,475,344</u>	<u>1,884,829,743</u>
PROFIT / (LOSS) BEFORE EXTRAORDINARY ITEMS AND TAX		(98,126,640)	119,464,763
EXTRAORDINARY ITEMS		(54,650,757)	(27,328,718)
[Refer note 24 of Schedule 21(B)]			
PROFIT / (LOSS) AFTER EXTRAORDINARY ITEMS		(152,777,397)	92,136,045
Provision for Minimum Alternate Income Tax		—	(10,400,000)
Provision for Fringe Benefit Tax		(592,947)	(600,964)
Income Tax Paid For Earlier Years		(214,760)	(77,802)
Provision for Deferred Tax		(22,400,000)	(21,600,000)
NET PROFIT / (LOSS) AFTER TAXATION		(175,985,104)	59,457,279
Balance brought forward from previous year		230,081,905	173,191,293
BALANCE AVAILABLE FOR APPROPRIATION		54,096,801	232,648,572
Transferred to Debenture Redemption Reserve		—	(2,566,667)
BALANCE CARRIED TO BALANCE SHEET		54,096,801	230,081,905
Basic and Diluted Earnings per Share of Rs. 10 each (in Rupees)			
[Refer note 27 of schedule 21(B)]			
- Basic Earning Per Share		(5.33)	3.46
- Diluted Earning Per Share		(5.33)	1.96

NOTES TO ACCOUNTS

21

As per our report of even date
FOR **PIPARA & COMPANY**
CHARTERED ACCOUNTANTS

S. K. SOMANY Chairman

(**GYAN PIPARA**)

PARTNER

A. K. SOMANY Managing Director

Membership No. 34289

Place : Ahmedabad

R. S. SHARMA

Place : Ahmedabad

Dated : 30th June, 2008

Secretary

Dated : 30th June, 2008

SCHEDULES TO THE ACCOUNTS

	2008 Rupees	2007 Rupees
SCHEDULE 1 : SHARE CAPITAL		
AUTHORISED		
50,000,000 (50,000,000) Equity Shares of Rs. 10/- each	500,000,000	500,000,000
	500,000,000	500,000,000
ISSUED, SUBSCRIBED & PAID-UP		
33,033,000 (Previous Year 33,033,000) Equity Shares of Rs.10/- each fully paid-up including 31,85,000 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
	332,274,680	332,274,680
<p>Note : The company had issued on 20th October 2006, 1,85,00,000 Equity Shares of Rs.10/- each at premium of Rs.33/- (rounded off) per share aggregating to Rs.78,37,49,725/- represented by 18,50,000 Global Depository Receipts (GDRs) amounting to USD 17.2975 million, evidencing Master GDR Certificates at a price of USD 9.35 per GDR (including premium). GDRs outstanding, pending for conversion into Equity shares, at the close of the year are 232,500. The Company upto 31st March, 2008 has deployed USD 15.98 million, (equivalent to Rs.64.09 Crores) in its subsidiary Soma Textile FZE.</p>		
SCHEDULE 2 : RESERVES & SURPLUS		
GENERAL RESERVE		
As per last Balance Sheet	3,000,000	—
Transferred from State Subsidy	—	3,000,000
	3,000,000	3,000,000
CAPITAL RESERVE		
As per last Balance Sheet	57,144	57,144
SHARE PREMIUM ACCOUNT		
As per last Balance Sheet	871,364,869	272,615,144
Received During the year	—	598,749,725
	871,364,869	871,364,869
STATE SUBSIDY		
As per last Balance Sheet	—	3,000,000
Transferred to General Reserve	—	(3,000,000)
DEBENTURE REDEMPTION RESERVE		
As per last Balance Sheet	7,700,001	5,133,334
Created during the year	—	2,566,667
	7,700,001	7,700,001
PROFIT & LOSS ACCOUNT		
As per Annexed Account	54,096,801	230,081,905
Less: Adjustment on account of transitional provisions of Accounting Standard -15 on Employee Benefits	1,141,987	—
	52,954,814	230,081,905
	935,076,828	1,112,203,919

ANNUAL REPORT 2007-2008

	2008 Rupees	2007 Rupees
SCHEDULE 3 : SECURED LOANS		
DEBENTURES		
308,000 (Previous Year 308,000) 15% Secured Redeemable Non Convertible Debentures of Rs. 100/- each	20,530,000	30,800,000
TERM LOANS		
Rupee Loans	1,019,742,973	850,594,088
Foreign Currency Loans	33,083,447	48,852,123
WORKING CAPITAL LOANS		
Rupee Loans	199,290,115	316,951,454
Foreign Currency Loans	197,181,235	99,162,242
LEASEHOLD LIABILITY		
	377,348	374,317
	<u>1,470,205,118</u>	<u>1,346,734,224</u>

NOTES :

- Term Loans and Debentures 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 requirement. Debentures are redeemable in six equal half yearly instalments started from 7th August, 2007.
- All Term Loans are additionally secured by personal guarantee of Shri S. K. Somany -Chairman and Shri A. K. Somany - Managing Director of the Company.
- Term Loans shall rank pari-passu interse without any preference or priority of one or the other.
- Cash Credit Limits are secured by way of first charge 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. These limits are additionally secured by personal guarantee of Shri S. K. Somany -Chairman and Shri A. K. Somany - Managing Director.
- Working Capital Loans in Foreign Currency to the extent of Rs. 45,937,325/- are covered by forward exchange contracts.
- Instalments of Term Loans due within one year are Rs.142,686,229/-.
- Term Loans includes vehicle loans amounting to Rs. 1,469,628/-secured by hypothecation of respective cars.
- Leasehold Liability is secured by Leasehold Building.

SCHEDULE 4 : UNSECURED LOANS

External Commercial Borrowing	—	3,443,271
Short Term loans	100,000,000	100,000,000
Trade Deposits	16,500	16,500
Sales Tax Deferment Loan	3,430,428	—
	<u>103,446,928</u>	<u>103,459,771</u>

SCHEDULE 5 : FIXED ASSETS

	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	Balalnce beginning of the Year	Deletions / Additions	Adjustments	Balalnce end of the year	Balance beginning of the year	Charge for the Year	Deletions / Adjustments	Balalnce end of the Year	As at 31st March 2008	As at 31st March 2007
Land - Freehold	2,982,102	—	—	2,982,102	—	—	—	—	2,982,102	2,982,102
- Leasehold	108,000	—	—	108,000	—	—	—	—	108,000	108,000
Buildings - Freehold	215,706,162	10,010,806	—	225,716,968	52,180,375	6,785,141	—	58,965,516	166,751,452	163,525,788
- Leashold	930,809	—	—	930,809	3,741	15,172	—	18,913	911,896	927,068
Plant & machinery Furniture, Fixtures & other equipments	2,176,893,038	108,869,651	58,034,573	2,227,728,116	920,084,969	147,959,210	52,830,582	1,015,213,597	1,212,514,519	1,256,808,068
Vehicles	19,986,267	469,003	598,087	19,857,183	12,637,174	752,687	48,009	13,341,852	6,515,331	7,349,093
Total	2,428,994,615	122,125,933	61,583,311	2,489,537,237	988,221,396	156,797,477	54,470,389	1,090,548,484	1,398,988,753	1,440,773,219
Capital work in progress	8,411,780	161,334,640	6,266,091	163,480,329	—	—	—	—	163,480,329	8,411,780
Total	2,437,406,395	283,460,573	67,849,402	2,653,017,566	988,221,396	156,797,477	54,470,389	1,090,548,484	1,562,469,082	1,449,184,999
Previous year	2,255,595,290	640,024,100	458,212,995	2,437,406,395	913,356,502	117,922,370	43,057,476	988,221,396	1,449,184,999	

 **SOMA TEXTILES & INDUSTRIES LIMITED**

	2008 Rupees	2007 Rupees
SCHEDULE 6 : INVESTMENTS [Other than Trade]		
UNQUOTED		
OTHERS		
10 Equity Shares of Rs. 50/- each in Las Palmas Co-op. Hsg. So. Ltd.	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. Ltd.	20,000	20,000
IN PRECIOUS METALS		
Ginnies	82	82
IN 100% SUBSIDIARY		
Two Equity Shares of AED 150,000 each of Soma Textile FZE.	3,421,479	2,171,723
	<u>3,442,561</u>	<u>2,192,805</u>
SCHEDULE 7 : INVENTORIES (As taken, valued and certified by the Management)		
Stores and Spares including in transit	46,388,574	39,654,017
Raw Materials including in transit	128,850,093	127,458,391
Finished Goods	179,214,506	207,446,601
Goods in Process	239,394,732	165,829,304
Waste	11,996,150	2,403,403
	<u>605,844,055</u>	<u>542,791,716</u>
SCHEDULE 8 : SUNDRY DEBTORS (Considered good unless stated otherwise)		
Outstanding for a period exceeding six months:		
Unsecured	2,028,549	2,331,468
Other Debts:		
Secured by irrevocable letters of credit	5,938,648	23,448,010
Unsecured	204,748,112	152,156,041
	<u>212,715,309</u>	<u>177,935,519</u>
SCHEDULE 9 : CASH AND BANK BALANCES		
Cash on hand	628,325	296,815
With Scheduled Banks :		
- In Current Accounts	16,029,097	12,925,411
- In Margin Accounts	17,145,750	7,578,250
- In Fixed Deposit Accounts	25,064,235	665,840,797
- In Debenture Account (Refund)	149,560	149,560
With Foreign Bank	32,086	50,226
	<u>59,049,053</u>	<u>686,841,059</u>
SCHEDULE 10 : LOANS AND ADVANCES (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	74,139,100	58,817,300
Balance with Central Excise in Current Account	4,162,112	4,161,917
Income Tax Advance	10,695,778	16,098,422
Fringe Benefit Tax	595,000	409,964
Interest Receivable under TUF Scheme	56,361,271	30,466,595
Security & other Deposits	7,250,293	7,211,293
Interest Accrued	576,411	779,260
SOMA Textile FZE Loan Account	637,507,618	167,588,215
	<u>791,287,583</u>	<u>285,532,966</u>

ANNUAL REPORT 2007-2008

	2008 Rupees	2007 Rupees
SCHEDULE 11 : LIABILITIES		
Sundry Creditors	258,785,831	137,213,629
Other Liabilities	20,109,053	18,807,088
Interest accrued but not due	2,775,902	2,856,504
	<u>281,670,786</u>	<u>158,877,221</u>
SCHEDULE 12 : PROVISIONS		
Gratuity	30,553,823	25,919,114
Bonus	2,219,057	1,950,829
Income Tax	—	10,400,000
Fringe Benefit Tax	592,947	600,964
	<u>33,365,827</u>	<u>38,870,907</u>
SCHEDULE 13 : MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Deferred Revenue Expenditure	16,141,639	19,365,509
Preliminary Expenses	8,192,066	9,133,412
	<u>24,333,705</u>	<u>28,498,921</u>
Less: Expenses written off	4,309,134	4,165,216
	<u>20,024,571</u>	<u>24,333,705</u>
SCHEDULE 14 : INTEREST		
RECEIVED (GROSS)		
From Banks & Others	19,687,998	19,685,107
	<u>19,687,998</u>	<u>19,685,107</u>
PAID		
To Banks & Others	29,868,933	35,639,266
On Term Loans	91,972,517	51,001,760
	<u>121,841,450</u>	<u>86,641,026</u>
SCHEDULE 15 : OTHER INCOME		
Rent	189,000	189,000
Interest Incentive under TUF Scheme	46,396,048	42,243,249
Miscellaneous Receipts	40,177,150	30,700,079
Insurance & Other claims	871,538	2,844,867
Liabilities no longer required written back	401,811	1,147,933
Profit on Sale of Fixed Assets	10,539,557	3,777,687
Foreign Exchange Rate Fluctuation	—	18,750,907
	<u>98,575,104</u>	<u>99,653,722</u>


SOMA TEXTILES & INDUSTRIES LIMITED

	2008 Rupees	2007 Rupees
SCHEDULE 16: MANUFACTURING & OTHER EXPENSES		
Trading Purchases	137,863,406	127,917,941
Raw Materials consumed 17	1,019,134,897	965,272,337
Cloth Purchases	15,137,828	20,824,284
Garment material & Job work charges	3,900,855	2,306,416
Stores & Spares	223,974,267	233,934,042
Power & Fuel	274,370,683	269,965,692
Processing & Printing Charges	207,865	—
Cost of Employment 18	144,432,852	118,659,082
Rent	835,268	911,674
Rates & Taxes	5,189,778	985,076
Insurance	6,127,465	7,073,603
Excise Duty	—	47,350
Textile Cess	—	124,958
Miscellaneous Expenses	27,402,702	21,740,579
Repairs		
- Plant & Machinery	13,273,345	11,709,344
- Buildings	2,460,443	2,622,292
- Other Assets	525,061	398,546
Commission & Brokerage to Selling Agents	14,448,016	14,385,489
Forwarding & Delivery Expenses	13,986,716	9,059,552
Sales Tax / Turnover Tax	31,146	—
Service Tax	693,182	1,693,936
Payment to Auditors 19	1,276,678	620,721
Directors' Meeting Fee	30,000	32,500
Wealth Tax	40,162	28,197
Traveling Expenses	2,151,682	2,478,590
Miscellaneous Expenditure Written Off	4,309,134	4,165,216
Loss on Sale of Fixed Assets	130,059	321,962
Foreign Exchange Rate Fluctuation	6,829,007	—
	<u>1,918,762,497</u>	<u>1,817,279,379</u>
Less : Increase / (Decrease) in Stocks 20	<u>54,926,080</u>	<u>137,013,032</u>
	<u>1,863,836,417</u>	<u>1,680,266,347</u>
SCHEDULE 17 : RAW MATERIALS CONSUMED		
Opening Stock	127,458,391	198,099,466
Add: Purchases	1,028,394,097	894,631,262
	<u>1,155,852,488</u>	<u>1,092,730,728</u>
Less : Sales	7,867,498	—
Closing Stock	128,850,093	127,458,391
	<u>1,019,134,897</u>	<u>965,272,337</u>
SCHEDULE 18 : COST OF EMPLOYMENT		
Salaries, Wages & Gratuity	131,538,162	107,223,883
Contribution to Employees' Provident Fund	8,987,476	8,061,391
Contribution to Employees' Insurance Scheme	253,645	282,746
Workers and Staff Welfare Expenses Incl. cont.to E.S.I.	3,653,569	3,091,062
	<u>144,432,852</u>	<u>118,659,082</u>
SCHEDULE 19 : PAYMENT TO AUDITORS		
Audit Fees	266,294	241,316
Taxation Matters	643,764	275,046
Other matters	359,792	84,369
Reimbursement of expenses	6,828	19,990
	<u>1,276,678</u>	<u>620,721</u>
SCHEDULE 20 : INCREASE / (DECREASE) IN STOCKS		
Opening Stock	375,679,308	238,666,276
Less: Closing stock	430,605,388	375,679,308
	<u>54,926,080</u>	<u>137,013,032</u>

ANNUAL REPORT 2007-2008

SCHEDULE 21 : SIGNIFICANT ACCOUNTING POLICIES & NOTES FORMING PART OF FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008.

(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, accounting principles generally accepted in India and Accounting Standards issued by The Institute of Chartered Accountants of India (ICAI) 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, rate differences, rebate allowed to customers and Textile Committee Cess.
- (b) Export Sales are booked on an average rate and the resultant gain or loss on realisation or on translation is accounted as "Foreign Exchange Rate Fluctuation" and is dealt with in the statement of Profit and Loss Account.

3 A) FIXED ASSETS :

- (a) Fixed Assets are stated at cost, net of accumulated depreciation. Fixed Assets of Baramati Unit are further reduced by the amount of Sales Tax refund due. All costs, including financing costs till commencement of commercial production related to the acquisition and installation of the respective assets are 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 relevant year and adjusted from profit on sale of Fixed Assets.
- (e) Leasehold land of Ahmedabad factory premises, earlier not appearing in the books of Accounts of the Company, has been brought in books of accounts of the Company at a value of Rs. 108,000/- based on payment of annual lease rent, and accordingly the same has been shown in the block of Fixed Assets in the Financial Year 2005-06, by making adjustment in relevant financial year's Profit and Loss appropriation account.
- (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) 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 :

- (i) Depreciation on fixed assets is charged on Straight-Line Method, except on the fixed assets purchased during the period 1st April, 1988 to 31st March, 2005 on prorata basis. Depreciation on fixed assets is charged on Written Down Value Method, on the fixed assets purchased during the period 1st April, 1988 to 31st March, 2005, on prorata basis.
- (ii) The Leasehold Building at Kolkata office is amortised over the lease period of 75 years.

(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 is 'First-in-First-out' (FIFO) basis.

5 INVESTMENTS :

Investments are classified as Long Term 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.
- (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 year 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 year are converted in Indian currency at the appropriate rates of exchange prevailing on the date of Balance Sheet. Resulted 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 an item or 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 EXCISE DUTY :

The Company's Ahmedabad Unit and Baramati Unit had opted for Excise Duty exemption from 10.11.2004 and 24.02.2006 respectively.

10 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.

11 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.

12 TREATMENT OF CONTINGENT LIABILITIES :

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

13 AMORTISATION OF DEFERRED REVENUE 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.
- Borrowing costs are amortised over a period of ten years.
- Preliminary expenses including 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 Ltd. are amortised over a period of five years.
- Overhauling charges of DG Set is amortised over expected running hours of the DG Sets.

ANNUAL REPORT 2007-2008

14 EXPORT INCENTIVES :

Following the Accrual Concept of Accountancy, the Company has taken credits as income for Rs. 26,771,569/- (Previous Year Rs..13,052,717/-) being Duty Drawback available and DEPB License at the close of the year.

15 TAXATION :

Tax expense comprises current, deferred and fringe benefit tax. Current tax and fringe benefit 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 impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. 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 Accounts Standard are given below :

Ahmedabad Unit

a) Defined Contribution Plans

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

	<u>Rupees</u>
1. Contribution to Employees' Provident Fund	3,627,863
2. Contribution to Pension Fund	3,222,134
3. Contribution to Labour Welfare Fund	193,627
4. EDLI Charges	2,886
5. Administration Charges of Provident Fund	519,779
Total	<u><u>7,566,289</u></u>

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 :

	<u>Gratuity</u>
a) Present value of Defined Benefit Obligation as at 31st March, 2007	24,521,061
b) Interest Cost	2,022,988
c) Current Service Cost	1,566,833
d) Benefit paid	(3,478,470)
e) Net Actuarial (Gain) / Loss	3,886,055
f) Present value of Defined Value Obligation as on 31st March, 2008	<u><u>28,518,467</u></u>

2. Reconciliation of fair value of Plan Assets.

a) Fair value of Plan Assets as at 31st March, 2007	-
b) Expected return on Plan Asset	-
c) Net Actuarial (Gain) / Loss	-
d) Employer Contribution	-
e) Benefit paid	-
f) Fair value of Plan Assets as at 31st March, 2008	-

3. Actuarial Assumptions

Discount rate as on 31st March, 2008	8.25%
Annual Increase in salary cost.	5.50%

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

4. Leave encashment

Defined Benefit Obligation as on 31st March, 2008	<u><u>3,925,818</u></u>
---	-------------------------

The above information is certified by the Actuary. This being the first year of implementation, previous year figure has not been given.

Baramati Unit

a) Defined Contribution Plans

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

	Rupees
1. Contribution to Employees' Provident Fund	706,243
2. Contribution to Pension Fund	774,450
3. Contribution to Labour Welfare Fund	16,416
4. EDLI Charges	46,494
5. Administration Charges of P.F.	137,007
Total	1,680,610

b) Defined Benefit Plans

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

	Gratuity	Leave Encashment
Opening DBO as on April 1, 2007	1,446,726	600,656
Benefits paid during the year	652,085	159,312
Closing DBO as on March 31, 2008	2,035,356	556,979
Expenses recognized in the Profit & Loss Account (1-2-3)	1,240,715	115,653
Assets./Liabilities) recognized in the Balance Sheet as on March 31, 2008	(2,035,356)	(556,979)

2. Actuarial Assumptions

Discount Rate	8% p.a.
Salary Escalation Rate	6% p.a.
Mortality Table	LIC (1994-96) Ultimate
Attrition Rate	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 and not provided for Rs.133,850,532/- (Previous year Rs.143,659,485/-), advance paid Rs.27,414,115 /- (Previous year Rs.19,284,115/-)

3 Contingent Liabilities not Provided for in respect of -

	2008 Rupees	2007 Rupees
(a) Municipal Education Cess disputed by the Company	-	3,860,515
(b) Sales Tax Payment disputed by the Company	11,412	11,412
(c) Excise Duty demand disputed by the Company	30,560,800	30,265,888
(d) Claims against the Company not Acknowledged as debts	4,193,435	3,992,400
(e) Electrical Inspection Division, Pune	17,645,679	17,645,679
4 Unredeemed Bank Guarantees (FDR of Rs.1,954,250/-)	8,985,000	8,985,000
5 Bonds executed in favour of Central Excise Department (FDR of Rs. 40,000/- pledged)	-	160,000
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 since no commission has been paid to the Directors. However, fixed monthly remuneration has been paid to the whole-time Directors as per Schedule XIII to the Companies Act, 1956.		

ANNUAL REPORT 2007-2008

	2008	2007
	Rupees	Rupees
(b) Directors Remuneration :		
i) Salary	1,894,180	1,782,416
ii) Contribution to Provident Fund	216,968	209,652
iii) Perquisites	674,412	553,210
	<u>2,785,560</u>	<u>2,545,278</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	Profit and Loss Account includes Insurance Claim receivable Rs. Nil/-(Previous Year Rs. Nil/-)	
	2008	2007
	Rupees	Rupees
9 A) Fees paid to Auditors in Other Capacities for :		
i) Taxation matters	553,876	193,672
ii) Certification & Other matters	359,792	84,369
iii) Tax Audit Work	89,888	81,374
iv) Reimbursement of Expenses	6,828	19,990
B) Fees paid to Cost Auditors	52,809	56,120
10	Other Liabilities include FCD Application Money Refundable of Rs.127,480 (Previous Year Rs.127,480)	
11	Stores consumption also includes expenses for repairs and replacements.	
12	Profit/loss on the sale of Raw Material has been adjusted from the consumption.	
13	Sundry debit / credit balances and the accounts squared up during the year are subject to confirmation and reconciliation from the parties to the transactions.	
14	The Company has not yet started process of inviting information from its vendors regarding their status under "The Small, Medium and Micro Enterprises Development Act 2006". Therefore, bifurcation between Total Outstanding Dues of Micro Enterprises and Small Enterprises and Other Dues are not disclosed under the head "Current Liabilities and Provision".	
15	The receivables are shown net of amount received under bill discounted with bankers amounting to Rs.67,097,453/- (Previous Year Rs.32,005,049/-). 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.89,598,081/- (Previous Year Rs.13,998,982/-).	
16	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.	
17	No amounts are due for deposits as at the Balance Sheet date to the Investors Education and Protection Fund.	
18	Loan to Directors is Rs. Nil. (Previous year Nil.)	
19	In accordance with Accounting Standard 22 "Accounting for taxes on income" issued by The Institute of Chartered Accountants of India, the deferred tax liability of Rs 22,400,000/- for the year has been recognised in the profit and loss account.	
20	Rs.3,000,000/- Subsidy received from Maharashtra State Government for Company's Baramati Unit had been Transferred to General Reserve in the Previous Year 2006-2007, due to expiry of limitation period as per rules framed by the government in respect of the Project.	
21	Import purchases are booked on the basis of the amount actually paid.	

22 Related Party Disclosure

1.1	Holding Company	Not Applicable
1.2	Subsidiary Company	SOMA TEXTILE F.Z.E., Sharjah, UAE
1.3	Fellow Subsidiary	Not Applicable
1.4	Entities where significant influence is exercised by key management personnel and / or their relatives having transaction with the Company.	Krishnaa Glass Pvt. Ltd. Simplex Trading & Agencies Ltd. Somany Evergreen Knits Ltd. Sarvopari Investments Pvt Ltd.
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 Prabir Bandyopadhyay, Executive Director (Resigned w.e.f. 22.12.2007) Shri Shrikant Bhat, Executive Director (w.e.f. 18.01.2008) Shri Shrikant Bhat, Manager, Soma Textile FZE (w.e.f 06.11.2007) Shri Mukesh Chauradiya, Manager & Controller Soma Textile FZE (Resigned w.e.f. 06.11.2007)

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

Particulars	Subsidiaries		Key Management Personnel and their relatives		Other parties which significantly influence /are influenced by the Company (either individually or otherwise)	
	2008	2007	2008	2007	2008	2007
Interest Paid	-	-	-	-	-	4,617,666
Sales	-	-	-	-	34,287,042	19,240,924
Testing Changes	-	-	-	-	10,680	33,481
Packing Materials					280,204	
Loan Given	637,507,618	167,588,215	-			
Investment made	3,421,479	2,171,723				
Remuneration			2,785,560	2,545,278		
Sitting Fee			10,000	5,000		
Balance outstanding at the year end payable			71,197	81,110		
- receivable	637,507,618	167,588,215			4,982,767	11,764,696

1.7 The loan given and investment made shown hereinabove under the column "subsidiaries" is pertaining to Soma Textile FZE - Sharjah, U.A.E. This unit was previously operated in the Ajman Free Zone under License No. 3162 issued on 30.11.2006. However, Since November, 2007 the said subsidiary i.e. Soma Textile FZE has moved to Hamriya Free Zone and now operates under the same trade name but with a new license. The Company has maintained the books of account considering the same entity as a continuation of the old one and the same has also been certified accordingly by a AL SAIF Auditing & Accountants, Chartered Accountants, Sharjah, U.A.E.

23 Amount of exchange rate net fluctuation debited to Profit & Loss Account for the year is Rs.6,829,007/- (Previous year credited Rs. 18,750,907/-)

24 Extraordinary items :

Extraordinary items comprises of Exchange Rate Fluctuation on account of funds raised by GDR issue which was lying in foreign Bank Account in form of deposits; earmarked for the purpose of acquisition / joint venture and on account of transfer from Escrow account; it is considered as distinct from the ordinary activities of the Company.

25 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 by the Institute of Chartered Accountants of India is not applicable.

ANNUAL REPORT 2007-2008

26 Derivative Transaction

During the year ended 31st March, 2008, the ICAI has issued an announcement on 'Accounting for Derivative' inter alia requiring provisions for losses on all derivative contracts outstanding at the balance sheet date by marking them to market keeping in view of the principle of prudence other than for forward contract to which Accounting Standards-11 'The Effects of Change in Foreign Exchange Rates' is applicable. The Mark to Market (MTM) loss (which is notional) of derivative transactions entered into by the Company as on 31.03.2008 is Rs.114,525,524/- and the same is not provided by the Company in the Books of Accounts as the maturity date of these derivative transactions is beyond 31.03.2008. The loss is therefore understated by Rs.114,525,524/- in the Profit & Loss Account as on 31.03.2008. The Profit or Loss will be accounted at the date on which these derivative transactions are matured.

27 Earning per Share (EPS)

	2008 Rupees	2007 Rupees
a) <u>Basic</u>	(5.33)	3.46
Numerator : Net profit / (Loss) after taxation as disclosed in Profit / (Loss) Account (After Extra Ordinary Items)	(175,985,104)	59,457,279
Denominator :Weighted Average No. of Equity Shares outstanding during the year	33,033,000	17,201,014
b) <u>Diluted</u> :	(5.33)	1.96
Numerator : Net profit / (Loss) for Diluted EPS (After Extra Ordinary Items)	(175,985,104)	59,457,279
Denominator :Weighted Average No. of Equity Shares outstanding during the year	33,033,000	30,330,000
c) The nominal value per Equity Shares is Rs.10/-		

28 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	2008		2007	
		Registered	Installed	Registered	Installed
Ahmedabad Unit					
Ring Spindles	Nos.	25,200	21,168	25,200	25,200
Rotors	Nos.	552	552	552	552
Looms	Nos.	476	149	476	179
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.)	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Packed Cloth	Metres	17,296,699	18,506,813	18,054,921	17,536,200	1,092,966,995	1,048,421,436
Garments	Pieces	55,026	3,275	57,181	1,120	12,526,845	293,040
Yarn *	Kgs.	7,798,337	8,328,478	5,506,017	5,088,991	595,994,069	627,357,101
Own Waste	Kgs.	2,757,971	3,080,951	2,564,620	3,065,701	86,416,464	77,886,029

* Includes yarn spun for own consumption. Kgs. 1,549,781 (Previous year Kg 1,802,156) / **Exclusive of Trading Sales Rs.138,181,229/- (Previous year Rs.130,998,071/-)

III STOCKS

Class of Goods	Unit	Opening Stock				Closing Stock			
		Quantity		Value (Rs.)		Quantity		Value (Rs.)	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Cloth*	Metres	1,897,872	927,259	175,697,423	70,146,432	1,139,650	1,897,872	93,436,456	175,697,423
Garments	Pieces	2,155	-	448,140	-	-	2,155	-	448,140
Yarn**	Kgs.	354,669	273,533	37,832,652	31,295,690	985,941	354,669	131,602,273	37,832,652
Own Waste	Kgs.	39,951	78,701	2,403,403	1,935,467	287,302	93,951	11,996,150	2,403,403

* Exclusive of Loose Finish Stock Mtrs 938,128 and Garment pieces 29,555 amounting to Rs.80,273,366/-, Previous Year Mtrs 240,402 and Garment pieces 16,417 amounting to Rs.23,381,358/-

** Yarn stock includes WIP yarn Kgs. 935,205 amounting to Rs.126,097,589/- (previous year kgs. 286678 amounting to Rs.29,912,972/-)

IV RAW MATERIAL CONSUMED

Class of Goods	Unit	Current Year		Previous Year	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Cotton	Kgs.	9,809,698	532,753,846	10,124,681	521,190,986
Cotton Yarn	Kgs.	4,929,374	384,817,218	4,249,070	329,572,976
Man Made Fibre	Kgs.	688,464	48,606,556	806,992	62,494,467
Polyester Yarn	Kgs.	580,631	52,957,277	453,653	52,013,908

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

	Current Year				Previous Year			
	Raw Materials		Spare Parts & Components		Raw Materials		Spare Parts & Components	
	Rupees	%	Rupees	%	Rupees	%	Rupees	%
Indigenous	1,019,134,897	100.00%	188,781,380	84.12%	960,318,008	99.49%	209,415,904	89.43%
Imported	-	-	35,638,411	15.88%	4,954,329	0.51%	24,754,675	10.57%

VI MERCHANDISE :

Class of Goods	Unit	Purchases				Sales			
		Quantity		Value		Quantity		Value	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Cloth	Metres	1,901,421	1,142,793	137,863,406	127,917,941	1,901,421	1,142,793	138,181,229	130,998,071

ANNUAL REPORT 2007-2008

	2008 Rupees	2007 Rupees
VII VALUE OF IMPORTS (C.I.F.) ACCOUNTED FOR DURING THE YEAR		
Capital Goods	106,394,957	24,332,978
Components & Spare Parts	30,708,952	25,227,735
VIII EXPENDITURE IN FOREIGN CURRENCY		
Interest on Foreign Currency Loans	14,813,260	6,007,486
Traveling Expenses	507,642	889,476
GDR Issue Expenses	-	1,267,695
Others	208,708	1,498,596
IX EARNING IN FOREIGN CURRENCY DURING THE YEAR		
F.O.B.Value of Exports	413,706,273	285,589,762
X ADDITIONAL INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956.		
1 Registration Details		
Registration No. 10070 State Code		21
Balance Sheet Date : 31.03.2008		
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 : 2,939,796 Total Assets		2,939,796
Source of Funds		
Paid up Capital 332,275 Reserve & Surplus		935,077
Secured Loans : 1,470,205 Unsecured Loans		103,447
Deferred Tax Liability 98,792		
Application of Funds		
Net Fixed Assets : 1,562,469 Investments		3,443
Net Current Assets 1,353,859 Misc. Expenditure		20,025
4 Performance of Company (Rs. in thousands)		
Turnover & Other Income 2,044,349 Total Expenditure		2,197,126
Profit before tax (152,777) Profit after tax		(175,985)
Basic Earning per Share in Rs. : (5.33) Dividend Rate		Nil
5 Name of Three Principal Products/Services of Company		
Item Code No.(ITC Code) : 52.05 to 52.09		
Product Description : Cotton Yarn and Cotton Fabrics		
Item Code No. (ITC Code) : 55.09 to 55.14		
Product Description : Blended Yarn & Man-made fabrics		
29 Previous year's figures have been re-arranged, re-classified and/or re-grouped wherever considered necessary.		
30 Schedule 1 to 21 form an integral part of the Balance Sheet and Profit & Loss Account.		

As per our report of even date
FOR **PIPARA & COMPANY**
CHARTERED ACCOUNTANTS

(GYAN PIPARA)
PARTNER

Membership No. 34289

Place : Ahmedabad

Dated : 30th June, 2008

R. S. SHARMA
Secretary

S. K. SOMANY Chairman

A. K. SOMANY Managing Director

Place : Ahmedabad

Dated : 30th June, 2008

 **SOMA TEXTILES & INDUSTRIES LIMITED**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008
(Pursuant to the Listing Agreement with Stock Exchanges)

	Rs. In lacs		
	2008	2007	
A Cash Flow From Operating Activities			
Net Profit / (Loss) Before Tax & Extra Ordinary Items	(981)	1,195	
Adjustment for:			
- Depreciation	1,568	1,179	
- Profit on Sale of Fixed Assets	(104)	(34)	
- Interest (Net)	1,022	670	
	2,486	1,815	
Operating Profit Before Working Capital Changes	1,505	3,010	
Adjustment for :			
- Trade and other receivables	(5,407)	(2,260)	
- Inventories	(630)	(732)	
- Trade Payables	1,174	(89)	
- Expenditure	43	(33)	
	(4,820)	(3,114)	
Cash Generated From Operations	(3,315)	(104)	
- Interest paid	(1,219)	(850)	
- Direct Taxes paid	(8)	(111)	
	(1,227)	(961)	
Cash Flow Before Extraordinary Items	(4,542)	(1,065)	
- Extraordinary items	(547)	(273)	
Net Cash Flow From Operating Activities	(5,089)	(1,338)	
B Cash Flow From Investing Activities :			
- Purchase of Fixed Assets	(2,772)	(2,459)	
- Sale of Fixed Assets	175	245	
- Sale of Investments	(13)	(22)	
- Interest received	199	194	
	(2,411)	(2,042)	
C Cash Flow From Finance Activities :			
- Issue of Equity Share	—	7,838	
- Total proceeds from borrowings (Net of repayments)	1,235	969	
- Transitional provisions of AS-15-Employees Benefits	(12)	—	
- Payment of Unpaid Dividend	—	—	
	1,223	8,807	
Net Cash Used In Financing Activities	1,223	8,807	
Net Increase In Cash and Cash Equivalents (A+B+C)	(6,277)	5,427	
Cash and Cash Equivalent as on 01.04.2007 (Opening Balance)	6,868	1,441	
Cash and Cash Equivalent as on 31.03.2008 (Closing Balance)	591	6,868	
Place : Ahmedabad	R.S.SHARMA	S. K. SOMANY	Chairman
Date : 30th June, 2008	Secretary	A. K. SOMANY	Managing Director

AUDITORS' CERTIFICATE

We have verified the above Cash Flow Statement with the books and records maintained by Soma Textiles & Industries Ltd. and certify that in our opinion and according to the information and explanations given to us, the above statement is in accordance therewith.

FOR PIPARA & COMPANY
CHARTERED ACCOUNTANTS

Place : Ahmedabad
Dated : 30th June, 2008

(GYAN PIPARA)
PARTNER
Membership No. : 34289

ANNUAL REPORT 2007-2008

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENT

TO THE BOARD OF DIRECTORS OF SOMA TEXTILES & INDUSTRIES LTD.

We have audited the attached Consolidated Balance Sheet of **SOMA TEXTILES & INDUSTRIES LIMITED, ("the Company")** as at **31st March, 2008** and also Consolidated the Profit and Loss Account and the Consolidated 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.

The Financial statements of Subsidiary - Soma Textile FZE, Sharjah, U.A.E. are audited by AL SAIF Auditing & Accountants, Chartered Accountants, Sharjah, U.A.E. and the same has been incorporated in the consolidated Balance Sheet as well as consolidated Profit & Loss Account of the company, attached herewith. That the audit of the financial statement of the subsidiary is carried out under the laws of the respective country and we have placed reliance on the financial statement of the said subsidiary as audited and as made available to us by the company's management.

SOMA TEXTILE FZE previously operated in the Ajman Free Trade Zone under licence #3162 issued on 30th November 2006. Since November 2007, the Company has moved to the Hamriya Free Zone and operates under the same trade name with a new licence. The Company has maintained the books of accounts considering the entity as a continuation of the old one.

We Report that the Consolidated Financial Statement have been prepared by the Company's management in accordance with the requirement of accounting standard (AS) 21, 'Consolidated Financial Statement, issued by the Institute of Chartered Accountants of India and are based on individual financial statements of the Company and its subsidiaries.

In our opinion and to the best of our information and according to the explanations given to us, and subject to our observations, the said accounts read together with notes thereon and particularly Note No. 26 of schedule 21(B) relating to accounting of Derivative Transactions, the consolidated financial statement give a true and fair view in conformity with the accounting principles generally accepted in India.

- (a) In the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at **31st March, 2008**; and
- (b) In the case of the Consolidated Profit and Loss Account, of the **PROFIT** of the Group for the year ended on that date.
- (c) In the case of the Consolidated cash flow statement, of the cash flow of the Group for the year ended on that date.

FOR PIPARA & COMPANY
CHARTERED ACCOUNTANTS

Place : Ahmedabad
Dated : 30th June, 2008

(GYAN PIPARA)
PARTNER
Membership No. : 34289

 **SOMA TEXTILES & INDUSTRIES LIMITED**

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008

	Schedule	2008 Rupees	2007 Rupees
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	332,274,680	332,274,680
Reserves and surplus	2	<u>1,261,166,949</u>	<u>1,180,369,791</u>
		<u>1,593,441,629</u>	<u>1,512,644,471</u>
LOAN FUNDS			
Secured loans	3	1,470,205,118	1,346,734,224
Unsecured loans	4	<u>103,446,928</u>	<u>103,459,771</u>
		<u>1,573,652,046</u>	<u>1,450,193,995</u>
DEFERRED TAX LIABILITY			
		<u>98,792,047</u>	<u>76,392,047</u>
TOTAL		<u>3,265,885,722</u>	<u>3,039,230,513</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
	5		
Gross Block		2,489,537,237	2,428,994,615
Accumulated Depreciation		<u>(1,090,548,484)</u>	<u>(988,221,396)</u>
Net Block		<u>1,398,988,753</u>	<u>1,440,773,219</u>
Capital work-in-progress		<u>163,480,329</u>	<u>8,411,780</u>
		<u>1,562,469,082</u>	<u>1,449,184,999</u>
INVESTMENTS			
	6	21,082	21,082
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	605,844,055	542,791,716
Sundry Debtors	8	1,309,046,291	594,804,174
Cash & Bank Balances	9	59,408,387	687,022,087
Loans, Advances & other current assets	10	<u>153,779,965</u>	<u>117,944,751</u>
		<u>2,128,078,698</u>	<u>1,942,562,728</u>
LESS: CURRENT LIABILITIES AND PROVISIONS			
Liabilities	11	411,700,344	338,337,800
Provisions	12	<u>33,365,827</u>	<u>38,870,907</u>
		<u>(445,066,171)</u>	<u>(377,208,707)</u>
Net Current Assets		<u>1,683,012,527</u>	<u>1,565,354,021</u>
MISCELLANEOUS EXPENDITURE			
(to the extent not written off or adjusted)	13	20,383,031	24,670,411
TOTAL		<u>3,265,885,722</u>	<u>3,039,230,513</u>
NOTES TO ACCOUNTS			
	21		

As per our report of even date
FOR **PIPARA & COMPANY**
CHARTERED ACCOUNTANTS

S. K. SOMANY Chairman

(GYAN PIPARA)

PARTNER

A. K. SOMANY Managing Director

Membership No. 34289

Place : Ahmedabad

R. S. SHARMA

Place : Ahmedabad

Dated : 30th June, 2008

Secretary

Dated : 30th June, 2008

ANNUAL REPORT 2007-2008

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedule	2008 Rupees	2007 Rupees
INCOME			
Sales		4,420,279,347	2,703,267,310
Interest	14	19,687,998	19,685,107
Other income	15	98,575,104	99,653,722
TOTAL		<u>4,538,542,449</u>	<u>2,822,606,139</u>
EXPENDITURE			
Manufacturing & Other Expenses	16	4,094,720,619	2,427,701,600
Interest	14	121,841,450	86,641,026
Depreciation	5	156,797,477	117,922,370
TOTAL		<u>4,373,359,546</u>	<u>2,632,264,996</u>
PROFIT / (LOSS) BEFORE EXTRAORDINARY ITEMS AND TAX		165,182,903	190,341,143
EXTRAORDINARY ITEMS		(54,650,757)	(27,328,718)
[Refer note 24 of Schedule 21(B)]			
PROFIT / (LOSS) AFTER EXTRAORDINARY ITEMS		110,532,146	163,012,425
Provision for Minimum Alternate Income Tax		—	(10,400,000)
Provision for Fringe Benefit Tax		(592,947)	(600,964)
Income Tax Paid For Earlier Years		(214,760)	(77,802)
Provision for Deferred Tax		(22,400,000)	(21,600,000)
NET PROFIT / (LOSS) AFTER TAXATION		87,324,439	130,333,659
Balance brought forward from previous year		299,829,246	173,191,293
BALANCE AVAILABLE FOR APPROPRIATION		387,153,685	303,524,952
Transferred to Debenture Redemption Reserve		—	(2,566,667)
Transferred to Statutory Reserve		(636,381)	(1,129,039)
BALANCE CARRIED TO BALANCE SHEET		386,517,304	299,829,246
Basic and Diluted Earnings per Share of Rs. 10 each (in Rupees)			
[Refer note 27 of schedule 21(B)]			
- Basic Earning Per Share		2.64	7.58
- Diluted Earning Per Share		2.64	4.30

NOTES TO ACCOUNTS

21

As per our report of even date
FOR **PIPARA & COMPANY**
CHARTERED ACCOUNTANTS

S. K. SOMANY Chairman

(**GYAN PIPARA**)

A. K. SOMANY Managing Director

PARTNER

Membership No. 34289

Place : Ahmedabad

R. S. SHARMA

Place : Ahmedabad

Dated : 30th June, 2008

Secretary

Dated : 30th June, 2008

SCHEDULES TO THE ACCOUNTS

	2008 Rupees	2007 Rupees
SCHEDULE 1 : SHARE CAPITAL		
AUTHORISED		
50,000,000 (50,000,000) Equity Shares of Rs. 10/- each	500,000,000	500,000,000
	500,000,000	500,000,000
ISSUED, SUBSCRIBED & PAID-UP		
33,033,000 (Previous Year 33,033,000) Equity Shares of Rs.10/- each fully paid-up including 31,85,000 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
	332,274,680	332,274,680
<p>Note : The company had issued on 20th October 2006, 1,85,00,000 Equity Shares of Rs.10/- each at premium of Rs.33/- (rounded off) per share aggregating to Rs.783,749,725/- represented by 18,50,000 Global Depository Receipts (GDRs) amounting to USD 17.2975 million, evidencing Master GDR Certificates at a price of USD 9.35 per GDR (including premium). GDRs outstanding, pending for conversion into Equity shares, at the close of the year are 232,500. The Company upto 31st March, 2008 has deployed USD 15.98 million, (equivalent to Rs.64.09 Crores) in its subsidiary Soma Textile FZE.</p>		
SCHEDULE 2 : RESERVES & SURPLUS		
GENERAL RESERVE		
As per last Balance Sheet	3,000,000	—
Transferred from State Subsidy	—	3,000,000
	3,000,000	3,000,000
CAPITAL RESERVE		
As per last Balance Sheet	57,144	57,144
SHARE PREMIUM ACCOUNT		
As per last Balance Sheet	871,364,869	272,615,144
Received During the year	—	598,749,725
	871,364,869	871,364,869
STATE SUBSIDY		
As per last Balance Sheet	—	3,000,000
Transferred to General Reserve	—	(3,000,000)
	—	—
DEBENTURE REDEMPTION RESERVE		
As per last Balance Sheet	7,700,001	5,133,334
Created during the year	—	2,566,667
	7,700,001	7,700,001
STATUTORY RESERVE		
As per last Balance Sheet	1,129,039	—
Created during the year	636,381	1,129,039
	1,765,420	1,129,039
PROFIT & LOSS ACCOUNT		
As per Annexed Account	386,517,304	299,829,246
Less: Adjustment on account of transitional provisions of Accounting Standard -15 on Employee Benefits	1,141,987	—
	385,375,317	299,829,246
FOREIGN CURRENCY TRANSLATION RESERVE		
	(8,095,802)	(2,710,508)
	1,261,166,949	1,180,369,791

ANNUAL REPORT 2007-2008

	2008 Rupees	2007 Rupees
SCHEDULE 3 : SECURED LOANS		
DEBENTURES		
308,000 (Previous Year 308,000) 15% Secured Redeemable Non Convertible Debentures of Rs. 100/- each	20,530,000	30,800,000
TERM LOANS		
Rupee Loans	1,019,742,973	850,594,088
Foreign Currency Loans	33,083,447	48,852,123
WORKING CAPITAL LOANS		
Rupee Loans	199,290,115	316,951,454
Foreign Currency Loans	197,181,235	99,162,242
LEASEHOLD LIABILITY		
	377,348	374,317
	<u>1,470,205,118</u>	<u>1,346,734,224</u>

NOTES :

- Term Loans and Debentures 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 requirement. Debentures are redeemable in six equal half yearly instalments started from 7th August, 2007.
- All Term Loans are additionally secured by personal guarantee of Shri S. K. Somany -Chairman and Shri A. K. Somany - Managing Director of the Company.
- Term Loans shall rank pari-passu interse without any preference or priority of one or the other.
- Cash Credit Limits are secured by way of first charge 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. These limits are additionally secured by personal guarantee of Shri S. K. Somany -Chairman and Shri A. K. Somany - Managing Director.
- Working Capital Loans in Foreign Currency to the extent of Rs. 45,937,325/- are covered by forward exchange contracts.
- Instalments of Term Loans due within one year are Rs.142,686,229/-.
- Term Loans includes vehicle loans amounting to Rs. 1,469,628/-secured by hypothecation of respective cars.
- Leasehold Liability is secured by Leasehold Building.

SCHEDULE 4 : UNSECURED LOANS

External Commercial Borrowing	—	3,443,271
Short Term loans	100,000,000	100,000,000
Trade Deposits	16,500	16,500
Sales Tax Deferment Loan	3,430,428	—
	<u>103,446,928</u>	<u>103,459,771</u>

SCHEDULE 5 : FIXED ASSETS

	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	Balalnce beginning of the Year	Deletions / Additions	Balalnce end of the year	Balance beginning of the year	Charge for the Year	Deletions / Adjustments	Balalnce end of the Year	As at 31st March 2008
Land - Freehold	2,982,102	—	2,982,102	—	—	—	2,982,102	2,982,102
- Leasehold	108,000	—	108,000	—	—	—	108,000	108,000
Buildings - Freehold	215,706,162	10,010,806	225,716,968	52,180,375	6,785,141	—	58,965,516	166,751,452
- Leashold	930,809	—	930,809	3,741	15,172	—	18,913	911,896
Plant & machinery Furniture, Fixtures & other equipments	2,176,893,038	108,869,651	2,227,728,116	920,084,969	147,959,210	52,830,582	1,015,213,597	1,212,514,519
Vehicles	19,986,267	469,003	19,857,183	12,637,174	752,687	48,009	13,341,852	6,515,331
Total	12,388,237	2,776,473	12,214,059	3,315,137	1,285,267	1,591,798	3,008,606	9,205,453
Capital work in progress	2,428,994,615	122,125,933	61,583,311	2,489,537,237	988,221,396	156,797,477	54,470,389	1,090,548,484
Total	8,411,780	161,334,640	6,266,091	163,480,329	—	—	—	163,480,329
Previous year	2,437,406,395	283,460,573	67,849,402	2,653,017,566	988,221,396	156,797,477	54,470,389	1,090,548,484
	2,255,595,290	640,024,100	458,212,995	2,437,406,395	913,356,502	117,922,370	43,057,476	988,221,396

 **SOMA TEXTILES & INDUSTRIES LIMITED**

	2008 Rupees	2007 Rupees
SCHEDULE 6 : INVESTMENTS [Other than Trade]		
UNQUOTED		
OTHERS		
10 Equity Shares of Rs. 50/- each in Las Palmas Co-op. Hsg. So. Ltd.	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. Ltd.	20,000	20,000
IN PRECIOUS METALS		
Ginnies	82	82
	<u>21,082</u>	<u>21,082</u>
SCHEDULE 7 : INVENTORIES		
(As taken, valued and certified by the Management)		
Stores and Spares including in transit	46,388,574	39,654,017
Raw Materials including in transit	128,850,093	127,458,391
Finished Goods	179,214,506	207,446,601
Goods in Process	239,394,732	165,829,304
Waste	11,996,150	2,403,403
	<u>605,844,055</u>	<u>542,791,716</u>
SCHEDULE 8 : SUNDRY DEBTORS (Considered good unless stated otherwise)		
Outstanding for a period exceeding six months:		
Unsecured	2,028,549	2,331,468
Other Debts		
Secured by irrevocable letters of credit	5,938,648	23,448,010
Unsecured	1,301,079,094	569,024,696
	<u>1,309,046,291</u>	<u>594,804,174</u>
SCHEDULE 9 : CASH AND BANK BALANCES		
Cash on hand	639,250	420,905
With Scheduled Banks :		
- In Current Accounts	16,377,506	12,982,349
- In Margin Accounts	17,145,750	7,578,250
- In Fixed Deposit Accounts	25,064,235	665,840,797
- In Debenture Account (Refund)	149,560	149,560
With Foreign Bank	32,086	50,226
	<u>59,408,387</u>	<u>687,022,087</u>
SCHEDULE 10 : LOANS AND ADVANCES (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	74,139,100	58,817,300
Balance with Central Excise in Current Account	4,162,112	4,161,917
Income Tax Advance	10,695,778	16,098,422
Fringe Benefit Tax	595,000	409,964
Interest Receivable under TUF Scheme	56,361,271	30,466,595
Security & other Deposits	7,250,293	7,211,293
Interest Accrued	576,411	779,260
	<u>153,779,965</u>	<u>117,944,751</u>

ANNUAL REPORT 2007-2008

	2008 Rupees	2007 Rupees
SCHEDULE 11 : LIABILITIES		
Sundry Creditors	388,761,769	316,644,620
Other Liabilities	20,162,673	18,836,676
Interest accrued but not due	2,775,902	2,856,504
	<u>411,700,344</u>	<u>338,337,800</u>
SCHEDULE 12 : PROVISIONS		
Gratuity	30,553,823	25,919,114
Bonus	2,219,057	1,950,829
Income Tax	—	10,400,000
Fringe Benefit Tax	592,947	600,964
	<u>33,365,827</u>	<u>38,870,907</u>
SCHEDULE 13 : MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Deferred Revenue Expenditure	16,500,099	19,702,215
Preliminary Expenses	8,192,066	9,133,412
	<u>24,692,165</u>	<u>28,835,627</u>
Less: Expenses written off	4,309,134	4,165,216
	<u>20,383,031</u>	<u>24,670,411</u>
SCHEDULE 14 : INTEREST		
RECEIVED (GROSS)		
From Banks & Others	19,687,998	19,685,107
	<u>19,687,998</u>	<u>19,685,107</u>
PAID		
To Banks & Others	29,868,933	35,639,266
On Term Loans	91,972,517	51,001,760
	<u>121,841,450</u>	<u>86,641,026</u>
SCHEDULE 15 : OTHER INCOME		
Rent	189,000	189,000
Interest Incentive under TUF Scheme	46,396,048	42,243,249
Miscellaneous Receipts	40,177,150	30,700,079
Insurance & Other claims	871,538	2,844,867
Liabilities no longer required written back	401,811	1,147,933
Profit on Sale of Fixed Assets	10,539,557	3,777,687
Foreign Exchange Rate Fluctuation	—	18,750,907
	<u>98,575,104</u>	<u>99,653,722</u>
SCHEDULE 16 : MANUFACTURING & OTHER EXPENSES		
Trading Purchases	2,364,864,678	874,181,036
Raw Materials consumed	17 1,019,134,897	965,272,337
Cloth Purchases	15,137,828	20,824,284
Garment material & Job work charges	3,900,855	2,306,416
Stores & Spares	223,974,267	233,934,042
Power & Fuel	274,370,683	269,965,692
Processing & Printing Charges	207,865	—
Cost of Employment	18 146,809,520	119,463,893
Rent	835,268	911,674
Rates & Taxes	5,189,778	985,076
Insurance	6,127,465	7,073,603
Excise Duty	—	47,350

 **SOMA TEXTILES & INDUSTRIES LIMITED**

	2008 Rupees	2007 Rupees
Textile Cess	—	124,958
Miscellaneous Expenses	28,908,964	22,107,926
Repairs		
- Plant & Machinery	13,273,345	11,709,344
- Buildings	2,460,443	2,622,292
- Other Assets	525,061	398,546
Commission & Brokerage to Selling Agents	14,448,016	14,385,489
Forwarding & Delivery Expenses	13,986,716	9,059,552
Sales Tax / Turnover Tax	31,146	—
Service Tax	693,182	1,693,936
Payment to Auditors	19 1,276,678	620,721
Directors' Meeting Fee	30,000	32,500
Wealth Tax	40,162	28,197
Traveling Expenses	2,151,682	2,478,590
Miscellaneous Expenditure Written Off	4,309,134	4,165,216
Loss on Sale of Fixed Assets	130,059	321,962
Foreign Exchange Rate Fluctuation	6,829,007	—
	4,149,646,699	2,564,714,632
Less : Increase/(Decrease) in Stocks	20 54,926,080	137,013,032
	4,094,720,619	2,427,701,600
SCHEDULE 17 : RAW MATERIALS CONSUMED		
Opening Stock	127,458,391	198,099,466
Add: Purchases	1,028,394,097	894,631,262
	1,155,852,488	1,092,730,728
Less : Sales	7,867,498	—
Closing Stock	128,850,093	127,458,391
	1,019,134,897	965,272,337
SCHEDULE 18 : COST OF EMPLOYMENT		
Salaries, Wages & Gratuity	133,914,830	108,028,694
Contribution to Employees' Provident Fund	8,987,476	8,061,391
Contribution to Employees' Insurance Scheme	253,645	282,746
Workers and Staff Welfare Expenses Incl. cont.to E.S.I.	3,653,569	3,091,062
	146,809,520	119,463,893
SCHEDULE 19 : PAYMENT TO AUDITORS		
Audit Fees	266,294	241,316
Taxation Matters	643,764	275,046
Other matters	359,792	84,369
Reimbursement of expenses	6,828	19,990
	1,276,678	620,721
SCHEDULE 20 : INCREASE / (DECREASE) IN STOCKS		
Opening Stock	375,679,308	238,666,276
Less: Closing stock	430,605,388	375,679,308
	54,926,080	137,013,032

ANNUAL REPORT 2007-2008

SCHEDULE 21 : SIGNIFICANT ACCOUNTING POLICIES & NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

1 Background

Consolidated financial statements include the parent company, Soma Textiles & Industries Ltd. and the following Subsidiary Company.

<u>Name of Subsidiary</u>	<u>Proportion of Ownership Interest (%)</u>	<u>Year Ended</u>
Soma Textile F.Z.E.	100%	31st March

Legal Status and Business Activities

- a) SOMA TEXTILE FZE, a wholly owned subsidiary of M/s. Soma Textiles & Industries Ltd., India, is a company with limited liability registered in the Hamriya Free Zone, Sharjah, UAE under licence # 3146 issued on 07 November 2007. Mr. Shrikant B. Bhat, Indian national and Director of the holding Company is the designated Manager of the subsidiary company. Mr. Shrikant B. Bhat represents M/s. SOMA TEXTILES & INDUSTRIES LTD., INDIA.
 - b) SOMA TEXTILE FZE previously operated in the Ajman Free Trade Zone, UAE under licence # 3162 issued on 30 November, 2006. Since November 2007, the Company has moved to the Hamriya free zone and operates under the same trade name with a new licence.
 - c) The company is engaged in the business of textile trading, import and export.
- 2 Significant Accounting Policies and notes to these Consolidated Financial Statement are intended to serve as means of informative disclosures and a guide to better understanding of the consolidated position of the Company. Recognizing this purpose, the company has disclosed only such policies and notes from the individual financial statement, which fairly present the needed disclosures. Lack of homogeneity and other similar consideration made it desirable to exclude some of them, which, in the opinion of the Management, could be better viewed, when referred from the individual financial statements.
- 3 **Principles of Consolidation**
- i) This Consolidation Financial Statements are prepared using the Financial Statement of the parent company and the subsidiary company drawn upto the reporting date.
 - ii) The Consolidation of the financial statements of the parent company and its subsidiary is done on line by line basis by adding together like items of assets, liabilities, income and expenses. All intra group transaction, unrealized inter company profit and balances have been eliminated in the course of consolidation.
 - iii) The financial statement of parent company and its subsidiary have been consolidated using uniform accounting policies for like transaction and other events in similar circumstances.
 - iv) For the purpose of conversion of AED into Rupees, income and expenditure converted at average rate and Assets and liabilities are converted at year ended closing rate and foreign exchange fluctuation is transfer to foreign currency translation reserve account.

(A) SIGNIFICANT ACCOUNTING POLICIES

1 BASIS OF ACCOUNTING :

Parent Company

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, accounting principles generally accepted in India and Accounting Standards issued by The Institute of Chartered Accountants of India (ICAI) to the extent applicable.

Subsidiary Company

As certified by the Auditor of subsidiary, the Financial Statements are prepared under the historical cost convention and in accordance with International Accounting Standards and Interpretations issued or adopted by the International Accounting Standards Board. They conform to the International Financial Reporting Standards and are in compliance with the UAE Commercial Companies Law No. 8 of 1984. Accounting policies and practices applied are consistent from one period to another. It is presumed that the company will continue to operate normally in the foreseeable future. All policies and practices have been applied consistently in preparing these statements.

2 REVENUE RECOGNITION :

Parent Company

- (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, rate differences, rebate allowed to customers and Textile Committee Cess.
- (b) Export Sales are booked on an average rate and the resultant gain or loss on realisation or on translation is accounted as "Foreign Exchange Rate Fluctuation" and is dealt with in the statement of Profit and Loss Account.

Subsidiary Company (As separately certified by Auditor of the subsidiary)

- (a) Revenue represents the total invoiced value for goods delivered and / or services rendered during the year less returns and discounts.
- (b) Income is recognised when earned and not when received. Expenses are charged when incurred and not when paid except for leave salary and travel benefits which are charged as and when they are paid.

3 A) FIXED ASSETS :

Parent Company

- (a) Fixed Assets are stated at cost, net of accumulated depreciation. Fixed Assets of Baramati Unit are further reduced by the amount of Sales Tax refund due. All costs, including financing costs till commencement of commercial production related to the acquisition and installation of the respective assets are 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 relevant year and adjusted from profit on sale of Fixed Assets.
- (e) Leasehold land of Ahmedabad factory premises, earlier not appearing in the books of Accounts of the Company, has been brought in books of accounts of the Company at a value of Rs. 108,000/- based on payment of annual lease rent, and accordingly the same has been shown in the block of Fixed Assets in the Financial Year 2005-06, by making adjustment in relevant financial year's Profit and Loss appropriation account.
- (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) 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 :

- (i) Depreciation on fixed assets is charged on Straight-Line Method, except on the fixed assets purchased during the period 1st April, 1988 to 31st March, 2005 on prorata basis. Depreciation on fixed assets is charged on Written Down Value Method, on the fixed assets purchased during the period 1st April, 1988 to 31st March, 2005, on prorata basis.
- (ii) The Leasehold Building at Kolkata office is amortised over the lease period of 75 years.

(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 is 'First-in-First-out' (FIFO) basis.

5 INVESTMENTS:

Investments are classified as Long Term 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 :

Parent Company

- (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.

ANNUAL REPORT 2007-2008

- (c) Premium in respect of forward contracts is accounted over the period of the contract.
- (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 year 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 year are converted in Indian currency at the appropriate rates of exchange prevailing on the date of Balance Sheet. Resulted gain or loss is accounted as " Foreign Exchange Rate Fluctuation", during the year.

Subsidiary Company

Transactions in foreign currencies are translated into UAE Dirhams at the rates of exchange prevailing on the date of such transactions. Assets and liabilities in foreign currencies are translated into UAE Dirhams at the rates of exchange prevailing on the date of Balance sheet. The resultant gain or loss is taken into the profit and loss account.

7 USE OF ESTIMATES :

Parent Company

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 an item or information in the financial statement has been made relying on these estimates.

Subsidiary Company

A provision is recognized in the balance sheet when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligator.

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 EXCISE DUTY :

The Company's Ahmedabad Unit and Baramati Unit had opted for Excise Duty exemption from 10.11.2004 and 24.02.2006 respectively.

10 EMPLOYEE BENEFITS

Parent Company

- (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.

Subsidiary Company

No provision has been made for end of service benefits payable to the staff with respect to their period of service till date of Balance sheet in accordance with UAE Labour laws. These expenses are accounted as they are incurred.

11 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.

12 TREATMENT OF CONTINGENT LIABILITIES :

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

13 AMORTISATION OF DEFERRED REVENUE EXPENDITURE :

Parent Company

- 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.
- Borrowing costs are amortised over a period of ten years.
- Preliminary expenses including 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 Ltd. are amortised over a period of five years.
- Overhauling charges of DG Set is amortised over expected running hours of the DG Sets.

Subsidiary Company

- Expenses incurred in formation of the FZE will be amortized over the period of 5 years, but the Company has not provided the same.

14 EXPORT INCENTIVES :

Following the Accrual Concept of Accountancy, the Company has taken credits as income for Rs. 26,771,569/- (Previous Year Rs..13,052,717/-) being Duty Drawback available and DEPB License at the close of the year.

15 TAXATION :

Tax expense comprises current, deferred and fringe benefit tax. Current tax and fringe benefit 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 impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. 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 Accounts Standard are given below :

Ahmedabad Unit

a) Defined Contribution Plans

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

	Rupees
1. Contribution to Employees' Provident Fund	3,627,863
2. Contribution to Pension Fund	3,222,134
3. Contribution to Labour Welfare Fund	193,627
4. EDLI Charges	2,886
5. Administration Charges of Provident Fund	519,779
Total	7,566,289

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
a) Present value of Defined Benefit Obligation as at 31st March, 2007	24,521,061
b) Interest Cost	2,022,988
c) Current Service Cost	1,566,833
d) Benefit paid	(3,478,470)
e) Net Actuarial (Gain) / Loss	3,886,055
f) Present value of Defined Value Obligation as on 31st March, 2008	28,518,467

ANNUAL REPORT 2007-2008

2. Reconciliation of fair value of Plan Assets.	
a) Fair value of Plan Assets as at 31st March, 2007	-
b) Expected return on Plan Asset	-
c) Net Actuarial (Gain) / Loss	-
d) Employer Contribution	-
e) Benefit paid	-
f) Fair value of Plan Assets as at 31st March, 2008	-
3. Actuarial Assumptions	
Discount rate as on 31st March, 2008	8.25%
Annual Increase in salary cost.	5.50%
The estimates of future salary increase, considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.	

4. Leave encashment

Defined Benefit Obligation as on 31st March, 2008 3,925,818

The above information is certified by the Actuary. This being the first year of implementation, previous year figure has not been given.

Baramati Unit

a) Defined Contribution Plans

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

	Rupees
1. Contribution to Employees' Provident Fund.	706,243
2. Contribution to Pension Fund	774,450
3. Contribution to Labour Welfare Fund	16,416
4. EDLI Charges	46,494
5. Administration Charges of P.F.	137,007
Total	<u><u>1,680,610</u></u>

b) Defined Benefit Plans

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

	Gratuity	Rupees Leave Encashment
Opening DBO as on April 1, 2007	1,446,726	600,656
Benefits paid during the year	652,085	159,312
Closing DBO as on March 31, 2008	2,035,356	556,979
Expenses recognized in the Profit & Loss Account (1-2-3)	1,240,715	115,653
Assets/(Liabilities) recognized in the Balance Sheet as on March 31, 2008	<u><u>(2,035,356)</u></u>	<u><u>(556,979)</u></u>

2 Actuarial Assumptions

a) Discount Rate	8% p.a.
b) Salary Escalation Rate	6% p.a.
c) Mortality Table	LIC (1994-96) Ultimate
d) Attrition Rate	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 Parent Company

Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.133,850,532/- (Previous year Rs. 143,659,485/-), advance paid Rs.27,414,115 /- (Previous year Rs.19,284,115/-)

Subsidiary Company

There were no significant commitments, of capital nature of otherwise as on the date of this Balance Sheet

3 Contingent Liabilities not Provided for in respect of pertaining to Parent Company -

 **SOMA TEXTILES & INDUSTRIES LIMITED**

	2,008	2,007
	Rupees	Rupees
(a) Municipal Education Cess disputed by the Company	-	3,860,515
(b) Sales Tax Payment disputed by the Company	11,412	11,412
(c) Excise Duty demand disputed by the Company	30,560,800	30,265,888
(d) Claims against the Company not Acknowledged as debts	4,193,435	3,992,400
(e) Electrical Inspection Division, Pune	17,645,679	17,645,679
In the subsidiary company, there was no contingency and commitment as on 31.03.2008		
4 Unredeemed Bank Guarantees (FDR of Rs.1,954,250/-)	8,985,000	8,985,000
5 Bonds executed in favour of Central Excise Department (FDR of Rs. 40,000/- pledged)	-	160,000
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 since no commission has been paid to the Directors. However, fixed monthly remuneration has been paid to the whole-time Directors as per Schedule XIII to the Companies Act, 1956.		
	2008	2007
(b) Directors Remuneration :	Rupees	Rupees
i) Salary	1,894,180	1,782,416
ii) Contribution to Provident Fund	216,968	209,652
iii) Perquisites	674,412	553,210
	2,785,560	2,545,278
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.		
Subsidiary Company		
No provision has been made on account of bad debts. All debts are current and are deemed good. Bad debts, if any, are written off as they arise. The Company does most of its business with regular customers.		
8 Profit and Loss Account includes Insurance Claim receivable Rs. Nil/- (Previous Year Rs. Nil/-)		
9 A) Fees paid to Auditors in Other Capacities for :		
	2008	2007
	Rupees	Rupees
i) Taxation matters	553,876	193,672
ii) Certification & Other matters	359,792	84,369
iii) Tax Audit Work	89,888	81,374
iv) Reimbursement of Expenses	6,828	19,990
B) Fees paid to Cost Auditors	52,809	56,120
10 Other Liabilities include FCD Application Money Refundable of Rs.127,480 (Previous Year Rs.127,480)		
11 Stores consumption also includes expenses for repairs and replacements.		
12 Profit/loss on the sale of Raw Material has been adjusted from the consumption.		
13 Sundry debit / credit balances and the accounts squared up during the year are subject to confirmation and reconciliation from the parties to the transactions.		
14 The Company has not yet started process of inviting information from its vendors regarding their status under "The Small, Medium and Micro Enterprises Development Act 2006". Therefore, bifurcation between Total Outstanding Dues of Micro Enterprises and Small Enterprises and Other Dues are not disclosed under the head "Current Liabilities and Provision".		
15 The receivables are shown net of amount received under bill discounted with bankers amounting to Rs.67,097,453/- (Previous Year Rs.32,005,049/-). 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.89,598,081/- (Previous Year Rs.13,998,982/-).		
16 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.		
17 No amounts are due for deposits as at the Balance Sheet date to the Investors Education and Protection Fund.		
18 Loan to Directors is Rs. Nil. (Previous year Nil.)		
19 In accordance with Accounting Standard 22 "Accounting for taxes on income" issued by The Institute of Chartered Accountants of India, the deferred tax liability of Rs 22,400,000/- for the year has been recognised in the profit and loss account.		

ANNUAL REPORT 2007-2008

20 Rs.3,000,000/- Subsidy received from Maharashtra State Government for Company's Baramati Unit had been Transferred to General Reserve in the Previous Year 2006-2007, due to expiry of limitation period as per rules framed by the government in respect of the Project.

21 Import purchases are booked on the basis of the amount actually paid.

22 Related Party Disclosure

- 1.1 Entities where significant influence is exercised by key management personnel and / or their relatives having transaction with the Company.
- 1.2 Key Management Personnel and their relatives
- 1.3 Subsidiary Company
- 1.4 The following transactions were carried out with related parties in the ordinary course of business :

Krishnaa Glass Pvt. Ltd.
Simplex Trading & Agencies Ltd.
Somany Evergreen Knits Ltd.
Sarvopari Investments Pvt Ltd.
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 Prabir Bandyopadhyay, Executive Director
(Resigned w.e.f. 22.12.2007)
Shri Shrikant Bhat, Executive Director
(w.e.f. 18.01.2008)
Shri Shrikant Bhat, Manager,
Soma Textile FZE (w.e.f. 06.11.2007)
Shri Mukesh Chauradiya, Manager
& Controller Soma Textile FZE
(Resigned w.e.f. 06.11.2007)
Soma Textile, F.Z.E., Sharjah, UAE

Particulars	Subsidiaries		Key Management Personnel and their relatives		Other parties which significantly influence /are influenced by the Company (either individually or otherwise)	
	2008	2007	2008	2007	2008	2007
Interest Paid	-	-	-	-	-	4,617,666
Sales	-	-	-	-	34,287,042	19,240,924
Testing Charges	-	-	-	-	10,680	33,481
Packing Materials	-	-	-	-	280,204	-
Loan Given	637,507,618	167,588,215	-	-	-	-
Investment made	3,421,479	2,171,723	-	-	-	-
Remuneration	-	-	2,785,560	2,545,278	-	-
Sitting Fee	-	-	10,000	5,000	-	-
Balance outstanding at the year end	-	-	-	-	-	-
- payable	-	-	71,197	81,110	-	-
- receivable	637,507,618	167,588,215	-	-	4,982,767	11,764,696

1.5 The loan given and investment made shown hereinabove under the column "subsidiaries" is pertaining to Soma Textile FZE - Sharjah, U.A.E. This unit was previously operated in the Ajman Free Zone under License No. 3162 issued on 30.11.2006. However, Since November, 2007 the said subsidiary i.e. Soma Textile FZE has moved to Hamriya Free Zone and now operates under the same trade name but with a new license. The Company has maintained the books of account considering the same entity as a continuation of the old one and the same has also been certified accordingly by a AL SAIF Auditing & Accountants, Chartered Accountants, Sharjah, U.A.E.

23 Amount of exchange rate net fluctuation debited to Profit & Loss Account for the year is Rs.6,829,007/- (Previous year credited Rs.18,750,907/-)

24 Extraordinary Items :

Extraordinary items comprises of Exchange Rate Fluctuation on account of funds raised by GDR issue which was lying in foreign Bank Account in form of deposits; earmarked for the purpose of acquisition / joint venture and on account of transfer from Escrow account; it is considered as distinct from the ordinary activities of the Company.

25 Segment Information

Primary Business Segment

The company is primarily engaged in a single business segment i.e. 'Textile'. Accordingly this is the only primary reportable segment.

Geographical Segment

The geographical segments have been disclosed based on revenues outside India (sales to customers located outside India). Secondary segment assets and liabilities are based on the location of such asset/liability.

Information about Secondary Geographical Segments

(Rupees in crores)

Segment Information

Year ended 31st March, 2008

	India	Outside India	Total
Revenue (income from operation)	192.61	249.42	442.03
Carrying amount of segment assets	259.39	109.70	369.09
Carrying amount of segment liabilities	188.87	13.00	201.87
Addition to Fixed Assets	28.35	-	28.35

26 Derivative Transaction

During the year ended 31st March, 2008, the ICAI has issued an announcement on 'Accounting for Derivative' inter alia requiring provisions for losses on all derivative contracts outstanding at the balance sheet date by marking them to market keeping in view of the principle of prudence other than for forward contract to which Accounting Standards-11 'The Effects of Change in Foreign Exchange Rates' is applicable. The Mark to Market (MTM) loss (which is notional) of derivative transactions entered into by the Company as on 31.03.2008 is Rs.11,45,25,524/- and the same is not provided by the Company in the Books of Accounts as the maturity date of these derivative transactions is beyond 31.03.2008. The loss is therefore understated by Rs.114,525,524/- in the Profit & Loss Account as on 31.03.2008. The Profit or Loss will be accounted at the date on which these derivative transactions are matured.

27 Earning per Share (EPS)

	2008 Rupees	2007 Rupees
a) <u>Basic</u>	2.64	7.58
Numerator : Net profit after taxation as disclosed in Profit & Loss Account (After Extra Ordinary Items)	87,324,439	13,033,659
Denominator :Weighted Average No. of Equity Shares outstanding during the year	33,033,000	17,201,014
b) <u>Diluted</u> :	2.64	4.30
Numerator : Net Profit for Diluted EPS (After Extra Ordinary Items)	87,324,438	13,033,659
Denominator :Weighted Average No. of Equity Shares outstanding during the year	33,033,000	30,330,000
c) The nominal value per Equity Shares is Rs.10/-		

28 Previous year's figures have been re-arranged, re-classified and/or re-grouped wherever considered necessary

29 Schedule 1 to 21 form an integral part of the Consolidated Balance Sheet and Consolidated Profit & Loss Account.

As per our report of even date
FOR **PIPARA & COMPANY**
CHARTERED ACCOUNTANTS

(GYAN PIPARA)

PARTNER

Membership No. 34289

Place : Ahmedabad

Dated : 30th June, 2008

R. S. SHARMA

Secretary

S. K. SOMANY Chairman

A. K. SOMANY Managing Director

Place : Ahmedabad

Dated : 30th June, 2008

ANNUAL REPORT 2007-2008

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008 (Pursuant to the Listing Agreement with Stock Exchanges)

	Rs. In lacs	
	2008	2007
A Cash Flow From Operating Activities		
Net Profit Before Tax & Extra Ordinary Items	1,598	1,877
Adjustment for:		
- Depreciation	1,568	1,179
- Profit on Sale of Fixed Assets	(104)	(34)
- Interest (Net)	1,022	670
	<u>2,486</u>	1,815
Operating Profit Before Working Capital Changes	4,084	3,692
Adjustment for :		
- Trade and other receivables	(7,503)	(4,752)
- Inventories	(630)	(732)
- Trade Payables	679	1,705
- Expenditure	43	(37)
	<u>(7,411)</u>	(3,816)
Cash Generated From Operations	(3,327)	(124)
- Interest paid	(1,219)	(849)
- Direct Taxes paid	(8)	(111)
	<u>(1,227)</u>	(960)
Cash Flow Before Extraordinary Items	(4,554)	(1,084)
- Extraordinary items	(547)	(273)
Net Cash Flow From Operating Activities	<u>(5,100)</u>	<u>(1,357)</u>
B Cash Flow From Investing Activities :		
- Purchase of Fixed Assets	(2,772)	(2,459)
- Sale of Fixed Assets	175	245
- Sale of Investments	-	-
- Interest received	199	194
Net Cash Used In Investing Activities	<u>(2,398)</u>	<u>(2,020)</u>
C Cash Flow From Finance Activities :		
- Issue of Equity Share	-	7,838
- Total proceeds from borrowings (Net of repayments)	1,235	968
- Transitional provision of AS-15-Employees Benefits	(12)	-
- Payment of Unpaid Dividend	-	-
Net Cash Used In Financing Activities	<u>1,223</u>	<u>8,806</u>
Net Increase In Cash and Cash Equivalents (A+B+C)	<u>(6,276)</u>	5,429
Cash and Cash Equivalent as on 01.04.2007 (Opening Balance)	6,870	1,441
Cash and Cash Equivalent as on 31.03.2008 (Closing Balance)	594	6,870

Place : Ahmedabad

R.S.SHARMA

S. K. SOMANY Chairman

Dated : 30th June, 2008

Secretary

A. K. SOMANY Managing Director

AUDITORS' CERTIFICATE

We have verified the above Consolidated Cash Flow Statement with the books and records maintained by Soma Textiles & Industries Ltd. and certify that in our opinion and according to the information and explanations given to us, the above statement is in accordance therewith.

FOR PIPARA & COMPANY
CHARTERED ACCOUNTANTS

Place : Ahmedabad

(GYAN PIPARA)

Dated : 30th June, 2008

PARTNER

Membership No. 34289

**Information Pursuant to Section 212 of the Companies Act, 1956 relating to
Subsidiary Company**

Name of Subsidiary	Soma Textile FZE
Financial year of subsidiary ended on	31.03.2008
Shares of the subsidiary held by the company on the above date	100%
Nos.	2
Face value	AED 150,000
Extent of holding	100%
The net Aggregate of profits or losses for the current period of the Subsidiary Company so far as it concerns the members of the Holding Company.	
a. dealt with or provided for in the accounts of the Holding company.	Nil
b. not dealt with or provided for in the accounts of the Holding Company.	Rs.263,309,543(AED 24,101,560)
The net aggregate of profits or losses for previous financial years of the subsidiary so far as it concerns the members of the Holding company.	
a. dealt with or provided for in the accounts of the Holding company.	Nil
b. not dealt with or provided for in the accounts of the Holding Company.	Rs.70,876,380 (AED 5,759,685)

S. K. SOMANY Chairman

Place : Ahmedabad
Dated : 30th June, 2008

R. S. SHARMA
Secretary

A. K. SOMANY Managing Director

ANNUAL REPORT 2007-2008

AUDITORS' REPORT TO THE SHAREHOLDER OF SOMA TEXTILE FZE

We have audited the attached Balance sheet of Messrs. SOMA TEXTILE FZE, HAMRIYA FREE ZONE, SHARJAH, UNITED ARAB EMIRATES as at 31 March 2008, and the related income statement for the year ended on that date. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statements. 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 the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

SOMA TEXTILE FZE previously operated in the Ajman Free Trade Zone under licence # 3162 issued on 30 November 2006. Since November 2007, the company has moved to the Hamriya Free Zone and operated under the same trade name with a new licence. The company has maintained the books of account considering the entity as a continuation of the old one.

Subject to the above remarks, in our opinion, the financial statements referred to above, present a true and fair view, in all material aspects, of the financial position of Messrs. SOMA TEXTILE FZE, HAMRIYA FREE ZONE, SHARJAH, UNITED ARAB EMIRATES and the results of its operations and fund flows for the year ended on that date, in accordance with international Financial Reporting Standards. Also in our opinion, proper books of account have been maintained by the company and the contents of the report of the manager relating to these financial statements are in agreement with the books of account. To the best of our knowledge and belief, no violations of the UAE Commercial Companies Law have occurred during the year which would have had a material effect on the business of the company or on its financial position.

AL SAIF AUDITING & ACCOUNTANTS

Chartered Accountants

Sharjah, U.A.E.

22 May 2008

 **SOMA TEXTILES & INDUSTRIES LIMITED**

SOMA TEXTILE FZE
HAMRIYA FREE ZONE SHARJAH, UNITED ARAB EMIRATES
BALANCE SHEET AS ON 31 MARCH 2008

	Notes	2008 AED	2007 AED
Assets employed			
Current Assets			
Cash and bank	5	32,891	15,296
Accounts receivable	6	100,350,662	35,223,376
Other assets	7	32,811	28,450
		<u>100,416,364</u>	<u>35,267,122</u>
Current Liabilities			
Accounts payable	8	(11,897,111)	(15,161,047)
Due to Holding Company	9	(58,353,100)	(14,160,390)
Other liabilities	10	(4,908)	(2,500)
		<u>(70,255,119)</u>	<u>(29,323,937)</u>
Net Current Assets		30,161,245	5,943,185
		<u><u>30,161,245</u></u>	<u><u>5,943,185</u></u>
Owner's Funds			
Share capital		300,000	183,500
Statutory reserve		150,000	91,750
Retained earnings		29,711,245	5,667,935
		<u>30,161,245</u>	<u>5,943,185</u>

The attached notes and schedules form an integral part of these Financial Statements

ANNUAL REPORT 2007-2008

SOMA TEXTILE FZE
HAMRIYA FREE ZONE SHARJAH, UNITED ARAB EMIRATES
STATEMENT OF INCOME & APPROPRIATION OF PROFITS
FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2008 AED	2007 AED
Turnover	11	228,301,487	66,499,125
Cost of turnover	12	(203,844,510)	(60,644,186)
Gross Profit		24,456,977	5,854,939
Other expenses	13	(348,328)	(94,923)
Finance charges		(7,089)	(331)
Net Profit		24,101,560	5,759,685
Retained earnings b/f		5,667,935	-
Current period profit		24,101,560	5,759,685
Transfer to Statutory reserve		(58,250)	(91750)
Retained earnings		29,711,245	5,667,935

The attached notes and schedules form an integral part of these Financial Statements

 **SOMA TEXTILES & INDUSTRIES LIMITED**

SOMA TEXTILE FZE
HAMRIYA FREE ZONE SHARJAH, UNITED ARAB EMIRATES
STATEMENT OF SOURCE & APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 MARCH 2008

	2008
	AED
Cashflow from operating activities	
Net profit for the year	<u>24,101,560</u>
Changes in operating assets	
Change in trade receivables	(65,127,286)
Change in other assets	(4,361)
Change in accounts payables	(3,263,936)
Change in accruals & other liabilities	2,408
(A)	<u>(44,291,615)</u>
Cashflow from financing activities	
Share capital	116,500
Long term loans	44,192,710
(B)	<u>44,309,210</u>
Net increase in cash & cash equivalents	(A+B) 17,595
Cash & Cash equivalents at beginning of the year	<u>15,296</u>
Cash & Cash equivalents at end of the year	<u>32,891</u>

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2008

	Owner's Capital	Statutory reserve	Retained earnings	Total
Changes in capital	183,500	-	-	183,500
Profit for the year	-	-	5,759,685	5,759,685
Net movement during the year	-	91,750	(91,750)	-
Balance as on 31 March 2007	<u>183,500</u>	<u>91,750</u>	<u>5,666,935</u>	<u>5,943,185</u>
Changes in capital	116,500	-	-	116,500
Profit for the year	-	-	24,101,560	24,101,560
Net movement during the year	-	58,250	(58,250)	-
Balance as on 31 March 2008	<u>300,000</u>	<u>150,000</u>	<u>29,711,245</u>	<u>30,161,245</u>

The attached notes and schedules form an integral part of these Financial Statements

ANNUAL REPORT 2007-2008

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

1. LEGAL STATUS AND BUSINESS ACTIVITY

- a) SOMA TEXTILE FZE, a wholly owned subsidiary of M/s. Soma Textiles & Industries Ltd., India, is a company with limited liability registered in the Hamriya Free Zone under licence # 3146 issued on 07 November 2007. Mr. Shrikant B. Bhat, Indian national is the designated Manager of the company. Mr. Shrikant B. Bhat represents M/s. SOMA TEXTILE & INDUSTRIES LTD., INDIA.
- b) SOMA TEXTILE FZE previously operated in the Ajman Free Trade Zone under licence # 3162 issued on 30 November 2006. Since November 2007, the company has moved to the Hamriya free zone and operates under the same trade name with a new licence.
- c) The company is engaged in the business of textile trading, import and export.

2. SIGNIFICANT ACCOUNTING POLICIES

a) **Accounting convention**

These Financial statements are prepared under the historical cost convention and in accordance with International Accounting Standards and Interpretations issued or adopted by the International Accounting Standards Board. They conform to the International Financial Reporting Standards and are in compliance with the UAE Commercial Companies Law No. 8 of 1984. Accounting policies and practices applied are consistent from one period to another. It is presumed that the company will continue to operate normally in the foreseeable future. All policies and practices have been applied consistently in preparing these statements.

b) **Accounts receivables**

No provision has been made on account of bad debts. All debts are current and are deemed good. Bad debts, if any, are written off as they arise. The company does most of its business with regular customer.

c) **Cash & cash equivalents**

Cash and cash equivalents comprise cash, balances in bank current accounts, deposits free of any encumbrances and a maturity date less than three months from the date of deposit and highly liquid investments.

d) **Provisions**

A provision is recognized in the balance sheet when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligator.

e) **Staff end-of-service benefits**

No provision has been made for end of service benefits payable to the staff with respect to their period of service till date of Balance sheet in accordance with UAE Labour laws. These expenses are accounted as they are incurred.

f) **Revenue**

Revenue represents the total invoiced value for goods delivered and / or services rendered during the year less returns and discounts.

g) **Recognition of income & expense**

Income is recognised when earned and not when received. Expenses are charged when incurred and not when paid except for leave salary and travel benefits which are charged as and when they are paid.

h) **Foreign currency transactions**

Transactions in foreign currencies are translated into UAE Dirhams at the rates of exchange prevailing on the date of such transactions. Assets and liabilities in foreign currencies are translated into UAE Dirhams at the rates of exchange prevailing on the date of Balance sheet. The resultant gain or loss is taken into the profit and loss account.

3. FINANCIAL INSTRUMENTS : FAIR VALUES & RELATED RISKS

Credit risk

Financial assets which potentially expose the company to concentrations of credit risk comprise principally of bank accounts and trade receivables. The establishment's bank accounts are placed with financial institutions with very good credit ratings and hence very low risk.

Exchange rate risk

There are no significant exchange rate risks as substantially all financial assets and liabilities are denominated in UAE Dirhams, Euros or US Dollars to which the Dirham is pegged.

4. FINANCIAL COMMITMENTS

There were no significant commitments, of capital nature or otherwise as on the date of this Balance sheet.

	<u>2008</u>	<u>2007</u>
	<u>AED</u>	<u>AED</u>
5. CASH & BANK		
Cash in hand	1,000	10,485
Cash at bank	<u>31,891</u>	<u>4,811</u>
	32,891	15,296
6. ACCOUNTS RECEIVABLE		
Accounts receivable	<u>100,350,662</u>	<u>35,223,376</u>
	<u>100,350,662</u>	<u>35,223,376</u>
Ageing analysis		
Less than 30 days	28,580,681	10,031,902
Between 30 & 60 days	26,929,809	59,424,12
Between 60 & 90 days	25,537,758	8,963,828
Above 90 days	<u>19,302,414</u>	<u>10,285,234</u>
	<u>100,350,662</u>	<u>35,223,376</u>
7. OTHER ASSETS		
Sundry advances, etc	<u>32,811</u>	<u>28,450</u>
	<u>32,811</u>	<u>28,450</u>
8. ACCOUNTS PAYABLE		
Trade payables	<u>11,897,111</u>	<u>15,161,047</u>
	<u>11,897,111</u>	<u>15,161,047</u>
9. RELATED PARTY PAYABLES		
Related party payables	<u>58,353,100</u>	<u>14,160,390</u>
	<u>58,353,100</u>	<u>14,160,390</u>

The company enters into transactions with parties who fall within the ambit of the definition of a related party as contained in International Accounting Standard 24 Related Party Disclosures. Such transactions are carried out in the normal course of the business and are not significantly different from transactions with other parties. The related party transactions represent transfer of resources at book values to / from other companies to facilitate day to day business operations of the FZE.

ANNUAL REPORT 2007-2008

	<u>2008</u>	<u>2007</u>
	<u>AED</u>	<u>AED</u>
10. OTHER LIABILITIES		
Accrued expenses	4,908	2,500
	<u>4,908</u>	<u>2,500</u>
11. TURNOVER		
Total revenue from Sales	228,301,487	66,499,125
	<u>228,301,487</u>	<u>66,499,125</u>
12. COST OF TURNOVER		
Materials, labour & direct expenses	203,844,510	60,644,186
	<u>203,844,510</u>	<u>60,644,186</u>
13. OPERATING EXPENSES		
Salaries and benefits	217,544	65,402
Communication & utilities	23,493	5,876
Legal & professional fees	10,490	2,500
Printing and stationery	7,679	1,024
Other expenses	89,122	20,121
	<u>348,328</u>	<u>94,923</u>
14. CONTINGENT LIABILITIES		

The management has confirmed that no liabilities exist, contingent or otherwise, as on the date of Balance sheet other than those included in the Balance Sheet.

15. OTHERS

Figures have been rearranged and regrouped wherever necessary to confirm to the presentation adopted in these financial statements. All figures are rounded off to the nearest UAE Dirham.

The attached notes and schedules form an integral part of these Financial Statements



SOMA TEXTILES & INDUSTRIES LIMITED

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 70th Annual General Meeting of the above named Company at the Jhajharia Committee Room of Merchants' Chamber of Commerce, 15B Hemanta Basu Sarani, Kolkata - 700 001, on Thursday, 4th day of September, 2008 at 3.00 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 ENTERANCE OF THE HALL

* Applicable for investors holding shares in electric 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 _____

_____ as my / our proxy to vote for me/us and on my/our behalf at the 70th Annual General Meeting of the Company to be held on Thursday, 4th day of September, 2008 at 3.00 p.m. and at any adjournment thereof.

Signed this _____ day of _____ 2008

* Applicable for investors holding shares in electric 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.