



# **Annual Report 2008-2009**

## **BOARD OF DIRECTORS**

Shri S. K. Somany	(Chairman)
Shri A. K. Somany	(Managing Director)
Shri Shrikant Bhat	(Executive Director)
Shri B. L. Dhoot	
Shri B. K. Hurkat	
Shri B. H. Parghi	(Nominee Director - IDBI Bank Ltd.)

## **COMPANY 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, Maharashtra

## **SUBSIDIARY**

Soma Textile FZE, Hamriya Free Zone,  
Sharjah, UAE

## **REGISTRAR & TRANSFER AGENT**

Pinnacle Share Registry Pvt. Ltd.  
Near Ashoka Mills, Naroda Road,  
Ahmedabad - 380 025.

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## NOTICE

NOTICE is hereby given that the 71st Annual General Meeting of the Members of Soma Textiles & Industries Limited will be held at Jhajharia Committee Room of Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata – 700 001 on, Monday, the 24th day of August, 2009 at 2.30 P.M. to transact the following business :-

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2009 and the Profit & Loss Account for the year ended on that date together with the Reports of Directors and Auditors thereto.
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 thought fit, to pass with or without modification(s), the following resolutions:-

4. **Appointment of Shri Bajrang Lal Dhoot as a Director of the Company.**

#### As an Ordinary Resolution

"RESOLVE THAT pursuant to the provisions of Section 257 and all other applicable provisions of the Companies Act, 1956 Shri Bajrang Lal Dhoot, who was appointed as an Additional Director of the Company and who, pursuant to the provisions of Section 260 of the Companies Act, 1956, and Article 91 of the Articles of Association of the Company holds office as Director upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice, in writing from a member along with a deposit of Rs. 500/-, pursuant to and in accordance with the provisions of Section 257 of the Companies Act, 1956, proposing the candidature of Shri Bajrang Lal Dhoot for the office of Director, be and is hereby appointed a Director of the Company, liable to retire by rotation."

5. **Appointment of Shri Brij Kishore Hurkat as a Director of the Company.**

#### As an Ordinary Resolution

"RESOLVE THAT pursuant to the provisions of Section 257 and other applicable provisions, if any of the Companies Act, 1956 Shri B. K. Hurkat, who was appointed as a Director of the Company with effect from 30th January, 2009 in the casual vacancy caused by the resignation of Shri Ashok C. Gandhi and who holds office in terms of the provisions of Section 262 of the Companies Act, 1956 and Article 92 of the Articles of Association of the Company up to the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing alongwith a deposit of Rs. 500/- from a members intimating his intention to proposed Shri B. K. Hurkat as a candidate for the office of a Director of the Company be and is hereby appointed a Director, liable to retire by rotation."

### Registered Office:

2, Red Cross Place,  
Kolkata - 700 001  
Dated, the 30th June, 2009

### 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 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/Trust/Society intending to send their authorized representatives for attending the Annual General Meeting are requested to send a duly certified copy of the Board/Managing Committee Resolution authorising their representatives to attend and vote on their behalf at the Annual General Meeting.
4. In case of Joint Holders attending the Meeting only such Joint 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 Wednesday, the 19th August, 2009 to Monday, the 24th August, 2009 (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/or unclaimed Dividends upto the financial year ended 31st March 1998 have been transferred to the Investor Education and Protection Fund ("IEPF") established by the Central Government. The Company has not declared any dividend for the financial year ended 31st March 1999 and upto financial year ended 31st March 2009.

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 78 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. Besides this, Shri Somany is holding directorship in (a) Jamshri Ranjitsinghji Spinning & Weaving Mills Company Limited, (b) Nav Bharat Refrigeration & Industries Limited (c) Simplex Reality Limited, (d) Shreelekha Global Finance Limited and (e) Somany Evergreen Knits Limited. He is also Chairman of Somany Evergreen Knits Limited. 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 Spinning & Weaving Mills Company Limited and also a member of the Remuneration Committee of the said Company. He is also Chairman of Share Transfer Committee & Shareholders'/ Investors' Grievance Committee of the Company besides member of Share Transfer Committee of Simplex Reality Limited and Nav Bharat Refrigeration & Industries Limited.

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 Bajrang Lal Dhoot, the additional director and Shri B. K. Hurkat, appointed in the casual vacancy caused by the resignation of Ashok C. Gandhi, are given under item nos. 4 and 5 of the Explanatory Statement forming part of this notice as required under Clause 49 (IV) (G) of the Listing Agreement.

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## EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

### ITEM NO. 4

The Board of Directors of the Company at its meeting held on 30th May, 2009 had appointed Shri Bajrang Lal Dhoot (Shri Dhoot) as an Additional Director of the Company with effect from 30th May, 2009. 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 along with a deposit of Rs. 500/- under Section 257 of the Companies Act 1956 has been received by the Company, proposing the appointment of Shri Dhoot, as a Director of the Company. Shri Dhoot, aged about 77 years is a Intermediate in Art's by qualification. He has vast business experience. 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 Dhoot does not hold any Shares in Soma Textiles & Industries Limited as of date.

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

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

### ITEM NO. 5

Shri B. K. Hurkat was appointed as a Director of the Company with effect from 30th January, 2009 pursuant to Section 262 of the Companies Act, 1956 and Article 92 of the Articles of Association of the Company to fill up the casual vacancy caused by the resignation of Shri Ashok C. Gandhi. Pursuant to the provisions of Section 262(2) of the Companies Act, 1956, Shri B. K. Hurkat holds office as a Director of the Company only up to the date of the ensuing Annual General Meeting of the Company, being the date up to which Shri Ashok C. Gandhi would have held office if it had not been vacated.

A notice in writing has been received from a Member of the Company under Section 257 of the Companies Act, 1956, signifying his intention to propose Shri B. K. Hurkat as a candidate for the office of the Director of the Company. The requisite sum of Rs. 500/- has been duly received from such manner.

Shri B. K. Hurkat aged about 67 years, has a graduate degree in Commerce. He has vast business experience. The Board believes that it would, therefore, be in the interest of the Company to continue to have the benefit of his experience and expertise in the deliberations of the Board. The Board recommends this Resolution for his appointment as a Director of the Company for approval of the Members of the Company. Shri Hurkat does not hold any Shares in Soma Textiles & Industries Ltd. as of date.

Except Shri Hurkat, no other Director is concerned or interested in the said Resolution as set out in item no. 5 of the accompanying Notice.

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

**Registered Office:**  
2, Red Cross Place,  
Kolkata - 700 001  
Dated, the 30th June, 2009

**By Order of the Board**  
  
**R.S. SHARMA**  
Company Secretary

**DIRECTORS' REPORT**

Dear Shareholders,

We have pleasure in presenting the 71st Annual Report of the Company, along with audited statements of Accounts for the year ended 31st March, 2009. The summarized financial results are given below:

**1. SUMMARISED FINANCIAL RESULTS:**

	2008-09	(Rs. in lacs) 2007-08
Turnover	15,707	19,261
Other Income	953	984
Total Income	16,660	20,245
Profit/(Loss) Before Depreciation, Exceptional Items, Extra Ordinary items and Tax	(1850)	662
Less : Depreciation	1,651	1,568
Profit/(Loss) Before Exceptional Items, Extra Ordinary items and Tax	(3,501)	(906)
Less : Exceptional Items	(442)	75
Less : Extraordinary Items	—	547
Profit / (Loss) before Tax	(3,059)	(1,528)
Less : Taxes	16	8
Less : Deferred Tax Liabilities / (Assets)	(238)	224
Net Profit / (Loss) for the year	(2,837)	(1,760)
Balance brought forward from previous year	541	2,301
Balance carried to Balance Sheet	(2,296)	541

**2. DIVIDEND**

Your Directors do not recommend any dividend for the year 2008-09, in view of net loss during the year.

**3. RESULTS OF OPERATIONS**

During the year under review, the operations of the Company were severally affected due to increase in the input cost of major raw materials like cotton, dyes & chemicals, power & fuel and high volatility in foreign exchange market which coupled with global recession lead to lack of demand and drop in consumer sentiments. The Company had to exercise caution in giving material due to non availability of finance in trade circle. The Company had to resort to reduce its production. All these factors affected the Company's operations and to overcome this distressed situation, the Company has requested the lenders to refer the matter to Corporate Debt Restructuring (CDR) Cell and accordingly IDBI Bank Limited, the lead financial institution referred the matter to Corporate Debt Restructuring (CDR) Cell and the same was approved.

During the year, due to the reasons mentioned above, the turnover of the Company was lower by 18.45% at Rs. 15,707 lacs as compared to Rs. 19,261 lacs in the previous year.

The Company has incurred a net loss of Rs. 2,837 lacs against the previous year net loss of Rs. 1,760 lacs.

**4. CORPORATE DEBT RESTRUCTURING**

Your Company has been granted a Restructuring Package by Corporate Debt Restructuring (CDR) Cell under the CDR Mechanism of RBI vide Letter of Approval (LOA) No. BY.CDR/AG No. 1110/2008-2009 dated 26th February, 2009 for restructuring the Company's existing financial assistance availed of from the Institutional Lenders and Working Capital Banks, and sanctioning additional financial assistance to the Company in the manner and to the extent set out in the LOA. Once the scheme is implemented, the financial distress on the Company will be eased out to some extent. The salient features of the scheme are injection of fresh working capital with concession in the bank charges, reduction in margins, fresh term loan for completion of pending capital projects, funding of interest, reduction in interest rate, moratorium and deferment of principal repayments. The cut off date for the restructuring was 30th September, 2008.

**5. COTTON**

It is quite natural for our Government to increase the minimum support price to enable the farmers to earn by selling their produce at a higher value. This would result in increased cultivation of cotton in terms of acreage and by using better quality seed to obtain higher yield. On the eve of the general election, the Government steeply increased the minimum support price by 40% which resulted in a sharp increase in prices which gradually would have to be passed on to the consumer.

However, cotton is now available at a reasonable price from the CCI and NAFED, both Government organizations, and positive signs of revival of the textile industry are visible.

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## 6. EXPORT

Indian textile products are incompetent in the world market due to additional support being provided to competing countries by their respective Governments. The Indian Textile Industry has a good potential for further increasing export but only with the support from our Government by way of soft Bank loans, reduced margin money, and timely payment of export incentives.

Exports in terms of FOB for the year under review were Rs. 3,584 lacs, a decrease of 13.37%.

## 7. EXPANSION AND MODERNISATION

The Company shall incur capital expenditure as sanctioned by the lenders under Corporate Debt Restructuring mechanism for completing the Garment project and essential capital expenditure in existing fabric process house.

## 8. SUBSIDIARY COMPANY

As required under Section 212 of the Companies Act, 1956 the Audited Statement of Accounts and the Auditors' Report for the year ended 31st March, 2009 of the Company's wholly owned subsidiary Soma Textile "FZE" Sharjah, UAE is attached to this report. The statement required under Section 212 of the Companies Act, 1956 in respect of the Subsidiary Company is also appended 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, 2009. 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

The Company has not accepted any deposit nor has it any outstanding deposit as defined under Section 58A of the Companies Act, 1956.

## 13. DELISTING OF GLOBAL DEPOSITORY RECEIPTS (GDRs)

GDRs issued by the Company during the year 2006-07 were listed on the Luxembourg Stock Exchange (LSE). The Luxembourg Stock Exchange (LSE) has, vide its letter dated 30th December, 2008, confirmed delisting of the said GDRs from their Exchange w.e.f. 2nd January, 2009 as per the application made by the Company upon extinguishment of the entire GDRs by way of conversion into equity shares of the Company during the year under review.

## 14. DIRECTORS

### Appointment

Shri B. H. Parghi, has been nominated by IDBI Bank Ltd. as its Nominee Director on the Board of the Company effective from 26th May, 2009. Shri B. K. Hurkat (Shri Hurkat) has been appointed as a Director with effect from 30th January, 2009 to fill in the casual vacancy caused by the resignation of Shri Ashok C. Gandhi, effective from 28th October, 2008. Shri Bajrang Lal Dhoot (Shri Dhoot), has been appointed as an Additional Director on the Board of the Company effective from 30th May, 2009. Shri Hurkat and Shri Dhoot hold office as directors upto the date of this Annual General Meeting and being eligible offer themselves for re-appointment.

### Cessation

ICICI Bank Ltd. has withdrawn Shri Anupam Verma, as its Nominee Director from the Board of Directors of the Company with effect from 30th October, 2008. Shri Ashok C. Gandhi and Shri Prafull Anubhai Shah Directors of the Company have resigned from the Board with effect from 28th October, 2008 and 30th May, 2009 respectively. Shri D. K. Thirani, who was inducted on the Board as an additional Director, effective from 30th January, 2009, has also resigned from the office of Director with effect from 1st June, 2009.

The Board Members took on record their deep appreciation and gratitude for the appreciation of their valuable services rendered by Shri Gandhi, Shri Shah and Shri Verma during their association with the Company. The Board also recorded its appreciation for the services rendered by Shri D. K. Thirani during short span, as Director on the Board.

### Rotation

Shri S. K. Somany, Director of the Company retires at the forthcoming Annual General Meeting, and being eligible, offers himself for re-appointment.

The Board recommends the appointment of Sarvashree S. K. Somany, Shri B.K. Hurkat and Shri B.L. Dhoot.

**15. CORPORATE GOVERNANCE**

Your Company is committed to the principles of good Corporate Governance and the Board lays strong emphasis on transparency, accountability and integrity. Your Company has taken adequate steps to comply with all the requirements of the code of Corporate Governance as per Clause 49 of the Listing Agreement and pursuant thereto a separate Report on Corporate Governance alongwith Auditors' Certificate on its compliance is annexed as a part of this Annual Report.

**16. MANAGEMENT DISCUSSION AND ANALYSIS**

A Report on Management Discussion and Analysis is presented separately pursuant to the provisions of the Corporate Governance, under Clause 49 of the Listing Agreement forming part of this Annual Report.

**17. 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, 2009, 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, 2009 on a 'going concern' basis.

**18. AUDITORS**

M/s Pipara & Company, Chartered Accountants, Ahmedabad, who are the Statutory Auditors of the Company, continue to hold office until the conclusion of the 71st Annual General Meeting of the Company and being eligible offer themselves for re-appointment. The Board recommends the re-appointment of M/s. Pipara & Co., Chartered Accountants, as the Statutory Auditors of the Company.

**19. 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, 2009. In response to their observation, reference is made to Note No. 25 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 Auditors' Report and Notes to Accounts annexed hereafter.

**20. COST AUDITORS**

Subject to the approval of the Central Government, the Board has appointed M/s. N D Birla & Co., Cost Accountants, Ahmedabad, as Cost Auditors of the Company for the financial year ending 31st March, 2010. Necessary application has been submitted to the Central Government within the stipulated time.

**21. 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.

**22. ADDITIONAL INFORMATION**

As required under Section 217(1)(e) of the Companies Act, 1956 and the Rules made thereunder, the concerned particulars relating to Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo are given in Annexure, which is attached hereto and forms a part of the Directors' Report.

**23. ACKNOWLEDGEMENT**

The Directors thank all its employees for their contribution and the shareholders, customers, Government Authorities, Financial Institutions and bankers for their continued support.

On behalf of the Board

Place : Ahmedabad  
Date : 30th June, 2009

**S. K. SOMANY**  
Chairman

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## ANNEXURE TO THE DIRECTORS' REPORT

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

### A. CONSERVATION OF ENERGY :

- a) Energy Conservation measures taken :
- Used transparent poly carbonate sheet at various production areas & warehouse for utilising daylight.
  - Achieved unity power factor to get maximum power factor rebate by installing power capacitors.
  - Installed self driven turbo ventilators at denim & process house instead of motorized exhaust fans.
  - Energy efficient light fixtures installed at Garment manufacturing unit.
  - Condensate recovery pump installed at Garment manufacturing unit.
  - Installation of solid fuel fired FBC Boiler, to save on fuel cost.
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :
- The Company continues to focus on its efforts for further improvement in energy saving in the coming years.
- c) Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :
- The above measures of energy conservation have resulted in savings of power & fuel during the year under review
- d) Total energy consumption and energy consumption per unit of production:
- As per prescribe Form A :

#### FORM – A

Form of disclosure with respect to Conservation of Energy

### A. POWER & FUEL CONSUMPTION

	<u>Current Year</u>	<u>Previous Year</u>
<b>1. a. Purchased</b>		
Unit (in thousands KWH)	<b>40995</b>	52669
Total Amount (Rs. in lakhs)	<b>1891.99</b>	2064.93
Rate / Unit (Rs.)	<b>4.62</b>	3.92
<b>b. Own Generation</b>		
- Through Diesel / FO Generator Unit (in thousands KWH)	—	1101
- Unit per Ltr. Of Diesel	—	4.01
- Cost/Unit (Rs.)	—	5.35
- Through Steam Turbine /Generator	—	N.A.
<b>2. Coal-Lignite (Specify Quality &amp; where used)</b>		
Quantity (Tons)	<b>8381</b>	3654
Total Cost (Rs. in lakhs)	<b>361.93</b>	184.71
Average rate per ton (Rs.)	<b>4318.39</b>	5054.72
<b>3. Furnace Oil</b>		
Quantity (KL)	—	266
Total Cost (Rs. in lakhs)	—	56.52
Average rate per Ltr. (Rs.)	—	21.23
<b>4. Light Diesel Oil / High Speed Diesel</b>		
Quantity (KL)	—	8
Total Cost (Rs. in lakhs)	—	2.36
Average rate per Ltr. (Rs.)	—	28.07
<b>5. CNG</b>		
Quantity (SCM in thousands)	<b>972</b>	2839
Total Cost (Rs. in lakhs)	<b>254.76</b>	427.90
Average rate per SCM (Rs.)	<b>26.20</b>	18.30
<b>6. Others /Internal Generation</b>	<b>N.A.</b>	N.A.



**B. CONSUMPTION PER UNIT OF PRODUCTION**

Products

Standard

Cotton, man-made &amp; blended Fabrics, Yarn, Jeans, Trousers &amp; Shirts

There is no prescribed standard. It is not possible to work out such details from the records maintained by the Company in accordance with the Companies Act, 1956 in view of the different types of the products and varied processes.

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

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

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

- ◆ Introduction of ring spun yarn with latest state of art machinery for catering to high-end export market.
- ◆ Development of various finishes on denim, shirting and bottom weight fabrics.
- ◆ Introduction of various structure and dobby designs in fabric range.
- ◆ Introduction of various dyeing styles by combination in bottoming and topping with indigo on denim fabrics.
- ◆ Introduction of two tone fabrics for bottom weight fabrics.
- ◆ Seasonal collections as per market trends.

**2. BENEFITS DERIVED AS A RESULT OF THE ABOVE R&D**

- ◆ Improved production efficiency, with consistency in quality products and better product mix.
- ◆ Meeting the requirement of international customers and getting regular export orders from the reputed international buyers.

**3. FUTURE PLAN OF ACTION**

- ◆ To introduce pigment coating and other specialized coating fabrics for further penetration in international market.
- ◆ To further refine technology at all the stages to match global requirements and end customer satisfaction.
- ◆ To focus on niche segment of specialized fabrics.

**4. EXPENDITURE INCURRED ON R&D**

	<b>2008-09</b>	(Rs. in lacs) 2007-08
a) Capital	—	21.27
b) Recurring	<b>36.29</b>	36.21
c) Total	<b>36.29</b>	57.48
d) Total R&D Expenditure as percentage of turnover	<b>0.23</b>	0.29

**B. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION**

- ◆ Zinser Ring Frames with Auto Doffing system along with high production Cards.

**C. FOREIGN EXCHANGE EARNING & OUTGO**

Used Rs. 615 lacs (Previous Year Rs. 1,526 lacs), Earned Rs.3,584 lacs (Previous Year Rs. 4,137 lacs)

On behalf of the Board

Place : Ahmedabad  
Date : 30th June, 2009

**S. K. SOMANY**  
Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. INDUSTRY STRUCTURE

The Indian Textiles Industry has an overwhelming presence in the economic life of the country. It plays a pivotal role through its contribution to industrial output, employment generation and the export earnings of the country. Currently it contributes about 14 percent to industrial production, 4 percent to the GDP and 13.50 percent to the country's export earnings. It provides direct employment to over 35 million people. The textile sector is the second largest provider of employment after agriculture.

This sector currently faces a huge slump, caused most recently by a global recession in demand. Half a million jobs are officially lost.

The industry is expecting the situation to improve after the second half in the current financial year 2009-10.

#### Opportunity and Challenges

In the liberalized post-quota period, India has emerged as a major sourcing destination. As a measure of growing interest in the Indian textile and cloth sector, a number of buyers opened their sourcing/liaison offices in India. Favourable conditions provide India with strong comparative advantage over other competing countries in the Textile industry included availability of adequate raw material and low labour cost, etc. The revolution in organized retailing would increase the consumption of apparel and made-ups.

The volatility in the raw material prices foreign Exchange fluctuation higher interest-cost, high power cost and delay in disbursement of TUF loans subsidies are some of the major challenges the textile industry is facing.

### 2. INDUSTRIAL RELATIONS AND HUMAN RESOURCE MANAGEMENT

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

### 3. INFORMATION TECHNOLOGY

Today, Information Technology plays a vital role in the field of textile industry. For this, the Company had implemented SAP ERP (Enterprise Resource Planning) in the year 2006. 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.

**COMPLIANCE REPORT ON CORPORATE GOVERNANCE****1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

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

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

**2. BOARD OF DIRECTORS****(a) Composition of the Board**

The Board, as on 31st March, 2009, comprised of 4 (Four) Non-Executive Directors including the Chairman who is Non-Executive Promoter Director and 2 (Two) Executive Directors aggregating to total of 6 (Six) members. Of this, 3 (Three) Directors are Independent, 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 Shrikant Bhat	Executive Director	Executive Non Independent	1	-	1
Shri Prafull Anubhai Shah(#)	Director	Non-Executive Independent	5	5	4
Shri Ashok C. Gandhi(##)	Director	Non-Executive Independent	NA	NA	NA
Shri Anupam Verma(###)	Director (Nominee of ICICI)	Non-Executive Independent	NA	NA	NA
Shri Daleep Thirani(\$)	Director	Non-Executive Independent	-	-	2
Shri Brij Kishore Hurkat(\$\$)	Director	Non-Executive Independent	-	-	2

(\*) 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 directorship w.e.f. 30.05.2009

(##) Resigned from the directorship w.e.f. 28.10.2008.

(###) Withdrawal of nomination of Shri Anupam Verma by ICICI Bank Ltd. w.e.f. 30.10.2008.

(\$)

Appointed as an additional Director w.e.f. 30.01.2009 and resigned from the directorship w.e.f. 01.06.2009

(\$\$)

Appointed as a Director in the casual vacancy caused by resignation of Shri Ashok C. Gandhi w.e.f. 30.01.2009.

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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 2008-09, Five Board Meetings were held on 24.04.2008, 30.06.2008, 30.07.2008, 27.10.2008 and 30.01.2009. The last, 70th Annual General Meeting held on 04.09.2008. 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	3	Yes
Shri A. K. Somany	5	No
Shri Prafull Anubhai Shah	5	Yes
Shri Ashok C. Gandhi	4	No
Shri Anupam Verma	1	No
Shri Shrikant Bhat	2	No
Shri Daleep Thirani	-	N.A.
Shri Brij Kishor Hurkat	-	N.A.

### (c) Details of shares held by Non-Executive Directors as on 31st March, 2009

Name of Non-Executive Director	No. of Shares held	% of total share capital
Shri S. K. Somany	10,08,274	3.05

Except Shri S.K. Somany, no other Non-Executive Directors hold any shares of the Company as on 31st March, 2009. The Company does not have any convertible instruments and Employees Stock Option under the Scheme as at 31st March 2009.

### (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](http://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 71st Annual General Meeting of the Company and is eligible for re-appointment.

Shri Brijkishore Hurkat (Shri Hurkat), appointed as a Director of the Company in the casual vacancy caused by resignation of Shri Ashok C. Gandhi has been proposed to be appointed as Director under Section 257 of the Companies Act, 1956 liable to retire by rotation.

Shri Bajrang Lal Dhoot (Shri Dhoot), appointed as an Additional Director effective, 30th May, 2009, 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, Shri Hurkat and Shri Dhoot including relevant particulars relating to them are furnished in the Notice convening the 71st Annual General Meeting of the Company to be held on 24th August, 2009.

**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 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, 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 24.04.2008, 30.06.2008, 30.07.2008, 27.10.2008 & 30.01.2009. 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 at its meeting held on 25th January, 2001, constituted the Audit Committee in Compliance with requirement under Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. As on 31st March, 2009, the Audit Committee consisted of 5(Five) members, of this, 3 (Three) Non-Executive Independent Directors and 1 (One) Non-Executive Promoter Director and 1 (One) Executive Directors were member of the Committee. Thus the Committee consisted of majority of Non-Executive and Independent Directors as per the requirement of Corporate Governance. The Committee was 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 Managing Director and Head of finance & accounts are permanent invitees of the Committee Meetings. The Statutory Auditors, Cost Auditors and Internal Auditors are also invited to the Committee Meetings. The Chairman of the Audit Committee attended the 70th Annual General Meeting (AGM) held on 4th September, 2008 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:-

<b>Name of the Member</b>	<b>Category of Directorship</b>	<b>Status</b>	<b>No. of Meetings attended</b>
Shri Prafull Anubhai Shah(*)	Non-Executive Director-Independent	Chairman	5
Shri S. K. Somany	Non-Executive Director-Promoter	Member	3
Shri Ashok C. Gandhi (**)	Non-Executive Director-Independent	Member	4
Shri Anupam Verma (***)	Non-Executive Director-Independent	Member	1
Shri Shrikant Bhat (\$)	Executive Director-Non-Independent	Member	1
Shri Daleep Thirani (\$\$)	Non-Executive Director-Independent	Member	—
Shri B. K. Hurkat (\$\$\$)	Non-Executive Director-Independent	Member	—

(\*) Resigned from the Directorship w.e.f. 30.05.2009 and thereby ceased to be member of Audit Committee w.e.f. 30.05.2009.

(\*\*) Resigned from the Directorship w.e.f. 28.10.2008 and thereby ceased to be member of Audit Committee w.e.f. 28.10.2008.

(\*\*\*) Withdrawal of nomination of Shri Anupam Verma from the Board by ICICI Bank Ltd. w.e.f. 30.10.2008 and thereby ceased to be member of Audit Committee w.e.f. 30.10.2008.

(\$)

Appointed as a Member of Audit Committee w.e.f. 27.10.2008.

(\$\$)

Appointed as a Member of Audit committee w.e.f. 30.01.2009 and resigned from the Directorship w.e.f. 01.06.2009 and thereby ceased to be member of Audit Committee w.e.f. 01.06.2009.

(\$\$\$) Appointed as a Member of Audit Committee w.e.f. 30.01.2009.

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## B) REMUNERATION COMMITTEE

As on 31st March 2009, the Remuneration Committee consisted of four Non-Executive Directors, three of whom, including the Chairman Shri Prafull Anubhai Shah (Resigned w.e.f. 30.05.2009), Shri B. K. Hurkat (appointed on 30.01.2009) and Shri D Thirani (appointed on 30.01.2009 and resigned w.e.f. 01.06.2009) were independent Non-Executive Directors and Shri S. K. Somany, was the Non-Executive Chairman & Promotor Director of the Company. Shri B. L. Dhoot has been appointed as Chairman of this Committee in place of Shri Prafull Annubhai Shah who has since resigned. Shri R. S. Sharma, Company Secretary acts as Secretary to the Remuneration Committee. During the year under review the Committee met once on 30th June, 2008 to review and recommend annual increments to the Whole-time Directors. Except Shri Anupam Verma, Shri Prafull Annubhai Shah and Shri S. K. Somany attended the said Meeting. Shri Anupam Verma, ceased to be Member and Chairman of this Committee w.e.f. 30th October, 2008 since his nomination was withdrawn by ICICI Bank Limited.

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	Basic Salary & Allowances (Rs.)	Perquisites (Rs.)	Contribution to Provident Fund (Rs.)	Sitting Fees (Rs.)	Total
Shri S. K. Somany	—	—	—	7,500	7,500
Shri A. K. Somany	1,200,000	8,273	144,000	—	1,352,273
Shri Shrikant Bhat	583,948	288,760	64,683	—	937,391
Shri Prafull Anubhai Shah	—	—	—	12,500	12,500
Shri Ashok C Gandhi	—	—	—	10,000	10,000
Shri Anupam Verma	—	—	—	2,500	2,500
Shri B. K. Hurkat	—	—	—	2,500	2,500
Shri D. Thirani	—	—	—	—	—

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.

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

As on 31.03.2009, the Shareholders/Investors Grievance Committee comprised of 5 (Five) members, of this, 3 (Three) 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, 2008, 30th September, 2008, 31st December, 2008 and 31st March, 2009. The attendance of members was as follows:

Name of the Member	Category of Directorship	Status	No. of Meetings attended
Shri S. K. Somany	Non-Executive Non-Independent Promoter Director	Chairman	3
Shri A. K. Somany	Executive Non-Independent Promoter Director	Member	4
Shri Ashok C Gandhi (*)	Non-Executive Independent Director	Member	2
Shri Prafull Anubhai Shah (**)	Non-Executive Independent Director	Member	2
Shri B. K. Hurkat(\$)	Non-Executive Independent Director	Member	—
Shri D. Thirani(\$\$)	Non-Executive Independent Director	Member	—

(\*) Ceased to be member of the Committee upon resignation from the office of Directorship w.e.f. 28.10.2008.

(\*\*) Ceased to be member of the Committee upon resignation from the office of Directorship w.e.f. 30.05.2009.

(\$)

(\$\$) Nominated and appointed as member of the Committee with effect from 30.01.2009 and ceased to be member of the Committee upon resignation from the office of Directorship w.e.f. 01.06.2009.

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 One (1) complaint from a shareholder, which was resolved to the satisfaction of such shareholder.

#### 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

As on 31st March, 2009 the Share Transfer Committee comprised of one Non- Executive Non - Independent Promoter Director as Chairman, Three Non-Executive Independent Directors and One Executive Non-Independent Promoter Director as members of the Committee. During the year, the Committee had 13 Meetings for approval of transfer of shares lodged with the Company and the attendance of members was as follows:

Name of the Member	Category of Directorship	Status	No. of Meetings attended
Shri S. K. Somany	Non-Executive Non-Independent Promoter Director	Chairman	1
Shri A. K. Somany	Executive Non-Independent Promoter Director	Member	13
Shri Ashok C Gandhi (*)	Non-Executive Independent Director	Member	7
Shri Prafull Anubhai Shah (**)	Non-Executive Independent Director	Member	6
Shri B. K. Hurkat(\$)	Non-Executive Independent Director	Member	-
Shri D. Thirani(\$\$)	Non-Executive Independent Director	Member	-

(\*) Ceased to be member of the Committee upon resignation from the office of Directorship w.e.f. 28.10.2008.

(\*\*) Ceased to be member of the Committee upon resignation from the office of Directorship w.e.f. 30.05.2009.

(\$)

(\$\$) Nominated and appointed as member of the Committee with effect from 30.01.2009 and ceased to be member of the Committee upon resignation from the office of Directorship w.e.f. 01.06.2009.

There were no valid share transfers pending for registration for more than 30 days as on 31.03.2009.

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## E) EXECUTIVE COMMITTEE

### a) Terms of reference

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

### b) Composition

As on 31st March, 2009, the Committee comprised of 4(Four) Directors namely Shri A. K. Somany (Managing Director) who is Non-Independent, Shri Prafull Anubhai Shah (resigned w.e.f. 30.05.2009), Shri B. K. Hurkat and Shri D. K. Thirani (resigned w.e.f. 01.06.2009), the Independent Directors. Any two Directors, comprising of Managing Director shall form the quorum of the Meeting. A Meeting of the Executive Committee was held on 30th August, 2008 to consider and review the Limited Review Report of the Statutory Auditors of the Company.

## 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
2007-08	70th	04.09.2008	3-00 P.M.	Jhajharia Committee Room of Merchants' Chamber of Commerce, 15B, Hemant Basu Sarani, Kolkata - 700 001.
2006-07	69th	17.09.2007	2-00 P.M.	-same as above-
2005-06	68th	28.08.2006	3-00 P.M.	-same as above-

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

In the AGM held on	Subject matter of the resolution
4th September, 2008	(i) Commission to Directors (Other than the Managing and Whole-time Directors).
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

No Special Resolution was passed through Postal Ballot during the financial year ended on 31st March, 2009 and no Special Resolution is proposed to be conducted through Postal Ballot in the ensuing AGM.

## 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 31.03.2009.
- (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 requirement have been appropriately complied with. The Company has not adopted any non-mandatory requirements of Corporate Governance given in Annexure 1D of clause 49 of the Listing Agreement except relating to Remuneration Committee.



**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. <a href="http://www.sebiedifar.nic.in">www.sebiedifar.nic.in</a><br><br>The Company has its own website <a href="http://www.somatextiles.com">www.somatextiles.com</a> 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 71st Annual General Meeting is proposed to be held on Monday, the 24th August, 2009 at 2:30 P.M. at Jhajharia Committee Room of Merchants' Chamber of Commerce, 15B, Hemant Basu Sarani, Kolkata - 700 001.

**(ii) Financial year :**

2009-2010 (1st April to 31st March)

First Quarterly results

Before end of July, 2009

Second Quarterly Results

Before end of October, 2009

Third Quarterly Results

Before end of January, 2010

Audited Financial Results for the year ended 31.03.2010

Before end of June, 2010

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

Wednesday the 19th August, 2009 to Monday, the 24th August, 2009 (both days inclusive).

**(iv) Dividend Payment Date:**

No dividend has been declared by the Company for the financial year 2008-09.

**(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.

**NOTE:**

- (i) Listing fees have been paid to the Stock Exchanges for the year 2009-10.
- (ii) The Calcutta Stock Exchange Association Ltd. (CSE), 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.
- (iii) All the GDRs listed with the Luxembourg Stock Exchange stood converted into Equity Shares during the year. Necessary application was made for delisting with the Luxembourg Stock Exchange (LSE), which has been approved and confirmed by the Stock Exchange w.e.f. 2nd January, 2009 vide their letter dated 30th December, 2008.

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## (vi) Stock Code

(i) NSE - SOMATEX, (ii) BSE - 521034, (iii) CSE - 29067

De-mat ISIN Number in NSDL & CDSL – ISIN – INE 314C01013.

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

Months	NSE		BSE	
	High	Low	High	Low
April 2008	36.45	21.20	35.85	21.10
May 2008	32.80	26.00	31.80	25.50
June 2008	27.75	21.30	27.90	20.50
July 2008	26.25	18.75	26.30	18.15
August 2008	30.85	21.35	30.90	21.50
September 2008	26.95	20.85	27.10	20.45
October 2008	30.80	24.85	31.20	24.80
November 2008	31.20	25.50	31.00	26.00
December 2008	35.15	28.80	35.30	28.50
January 2009	34.90	17.85	33.50	17.90
February 2009	17.00	10.70	17.05	10.65
March 2009	11.00	08.65	11.22	08.58

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

Months	BSE		BSE Index	
	High	Low	High	Low
April 2008	35.85	21.10	17,480.74	15,297.96
May 2008	31.80	25.50	17,735.70	16,196.02
June 2008	27.90	20.50	16,632.72	13,405.54
July 2008	26.30	18.15	15,130.09	12,514.02
August 2008	30.90	21.50	15,579.78	14,002.43
September 2008	27.10	20.45	15,107.01	12,153.55
October 2008	31.20	24.80	13,203.86	7,697.39
November 2008	31.00	26.00	10,945.41	8,316.39
December 2008	35.30	28.50	10,188.54	8,467.43
January 2009	33.50	17.90	10,469.72	8,631.60
February 2009	17.05	10.65	9,724.87	8,619.22
March 2009	11.22	08.58	10,127.09	8,047.17

## (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.

**(xi) Distribution of shareholding:**

(a) The shareholding distribution of equity shares as at 31st March, 2009 is given below:

Shareholding No.		Shareholders		Shareholding	
From	To	Number	% of total	Number	% of total
1	500	8,222	90.00	1,504,210	4.55
501	1000	515	5.64	423,873	1.28
1001	2000	207	2.27	325,425	0.98
2001	3000	61	0.67	155,601	0.47
3001	4000	26	0.28	93,235	0.28
4001	5000	19	0.21	89,214	0.28
5001	10000	35	0.38	250,101	0.76
10001	Above	50	0.55	30,191,341	91.40
Total		9,135	100.00	33,033,000	100.00

(b) Shareholding pattern as at 31st March, 2009

Category	No. of shares held	% shares holding
Promoters	14,656,241	44.37
Resident Individuals	3,292,697	9.97
Private Corporate Bodies	9,275,500	28.08
Financial Institution & Banks, Govt., Insurance Companies and Mutual Funds	12,388	0.04
OCBs and NRIs	10,925	0.03
Foreign Institutional Investors	5,785,249	17.51
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.**

As on 31st March, 2009, the Company had no outstanding GDRs/ADRs/warrant or any convertible instruments

**(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

# ANNUAL REPORT 2008-2009

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## DECLARATION OF CODE OF CONDUCT

To  
The Members of  
Soma Textiles & Industries Limited

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

I, Arvind Kumar Somany, Managing Director of Soma Textiles & Industries Limited, to the best of my knowledge and belief, declare that all the members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct of the Company for the year ended 31st March, 2009.

Place : Ahmedabad  
Date : 24th April, 2009

**ARVIND KUMAR SOMANY**  
Managing Director (CEO)

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

To the members of,  
Soma Textiles & Industries 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 2009, 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, 2009

**GYAN PIPARA**  
PARTNER  
Membership No.: 34289

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**AUDITORS' REPORT**

The Members of  
**SOMA TEXTILES & INDUSTRIES LIMITED**

We have audited the attached Balance Sheet of **SOMA TEXTILES & INDUSTRIES LIMITED** as at **31st March 2009** and also the Profit and Loss Account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (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 enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us. The records of Baramati branch of company have been audited by Kirtane and Pandit, Chartered Accountants, Pune, a copy of whose report has been forwarded to us. We have relied on and have appropriately dealt with the same in our report;
- (iii) The Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the books of account and with the audited returns from the branches;
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors, as on 31st March 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2009 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 as aforesaid, the said accounts read together with notes thereon particularly **Note No. 25** of Schedule 21 (B), 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 2009;
  - (b) in the case of the Profit and Loss Account, of the **Loss** for the year ended on that date; and
  - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **PIPARA & COMPANY**  
CHARTERED ACCOUNTANTS

**GYAN PIPARA**  
PARTNER

Membership No.: 34289

Place : Ahmedabad  
Date : 30th June, 2009

## ANNUAL REPORT 2008-2009

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### Annexure referred to in paragraph 3 of our report of even date to the members of SOMA TEXTILES & INDUSTRIES LIMITED on the accounts for the year ended on 31st March 2009.

- (i) (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a phased programme of physical verification of fixed assets which, in our opinion, is reasonable having regard to the size of the company and nature of its assets. In accordance with this programme, the management has verified fixed assets during the year and no 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 the 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 management conducts regular physical verification of inventory at reasonable intervals.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. Some immaterial discrepancies were noticed on physical verification which have been properly dealt with in the books of account.
- (iii) (a) The company has granted interest free loan to its 100% subsidiary, Soma Textiles FZE. Total amount outstanding on 31st March 2009 was Rs.799,656,560/-.
- (b) The terms and conditions of loans given by the company are prima facie not prejudicial to the interest of the company.
- (c) Receipt of the principal amount is also regular.
- (d) There is no overdue amount.
- (e) The company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly sub-clauses (f) and (g) are not applicable.
- (iv) There is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and service. In our opinion and as explained to us, there is no major weakness in the said internal control system.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and as explained to us, the transactions made in pursuance of contracts or arrangements entered into the register maintained under section 301 of the Companies Act 1956 and exceeding value of Rupees Five Lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The company has not accepted any deposits from the public. Therefore the provisions of sections 58A, 58AA or any other relevant provisions of the Act and the rules framed thereunder or any order passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal do not apply to company.
- (vii) In our opinion and according to information and explanations given to us, the company has a formal internal audit system but the same needs to be strengthened to match with its size and nature of its business.
- (viii) In our opinion, the company has maintained proper cost records prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act. However, we are not required to carry out and have not carried out any detailed examination of such accounts and records.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of books of account, we are of the opinion that the company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and any other statutory dues with the appropriate authorities. At the end of the year, there were no undisputed dues payable for a period of more than six months from the date they became payable.



- (b) As on 31st March 2009, according to records of the company, some statutory dues were disputed and not deposited as given below:

Name of Statute	Nature of Dues	Amount (Rs.)	Forum where dispute is pending
Central Excise Act, 1944	Penalty for filing wrong declaration	25,428	CEGAT, Mumbai and the Hon'ble High Court of Gujarat, Ahmedabad.
Central Excise Act, 1944	Recovery of CENVAT	158,973	The Dy. Commissioner of C. Excise, Div-I, Ahmedabad.
Central Excise Act, 1944	Recovery of additional TTA duty of Yarn captively consumed	2,485,486	The Dy. Commissioner of C. Excise, Div-III, Ahmedabad.
Central Excise Act, 1944	Refund claim for amount short received against refund claim of yarn duty after adjusting the old recovery.	97,711	Commissioner of Central Excise, (Appeals), Ahmedabad
Central Excise Act, 1944	Demand for service tax on goods transport	444,139	Dy. Commissioner Service Tax Div - II
Central Excise Act, 1944	Demand for excise on scrap sale	251,047	Asst. Commissioner of Central Excise.
Central Excise Act, 1944	Demand for old duty.	50,179	CESAT, West Zone, Ahmedabad

- (x) The company has accumulated losses at the end of the financial year but the same are less than 50% of its net worth. It has also incurred cash losses in the financial year but not in the immediately preceding financial year.
- (xi) Due to financial crisis, the company had defaulted in repayment of dues to banks, financial institutions and debenture holders. The company had requested all its lenders to consider a Corporate Debt Restructuring (CDR) package under scheme of RBI which was duly approved and implemented.
- (xii) In our opinion and according to explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly this clause does not apply.
- (xiii) The company is not a chit fund / nidhi company / mutual benefit entity or society which would be governed by any special statute. Accordingly this clause along with sub clauses does not apply.
- (xiv) In our opinion and according to explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly this clause does not apply.
- (xv) In our opinion and according to explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly this clause does not apply.
- (xvi) In our opinion and according to explanations given to us, the term loans were applied only for the purpose for which they were obtained.
- (xvii) In our opinion and according to explanations given to us, the funds raised on short-term basis have not been used for long-term investment.
- (xviii) The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act during the year and accordingly this clause does not apply. However, to comply with the terms of CDR package sanctioned, the promoters of the company have contributed towards equity capital of the company for an amount of Rs.7 Crores by 31st March 2009.
- (xix) The company has not issued debentures during the year. Accordingly this clause does not apply.
- (xx) The company has not raised any money from public during the financial year. Accordingly this clause does not apply.
- (xxi) In our opinion and according to explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For **PIPARA & COMPANY**  
CHARTERED ACCOUNTANTS

**GYAN PIPARA**  
PARTNER  
Membership No.: 34289

Place : Ahmedabad  
Date : 30th June, 2009

# ANNUAL REPORT 2008-2009

## BALANCE SHEET AS AT 31ST MARCH, 2009

	Schedule	2009 Rupees	2008 Rupees
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	332,274,680	332,274,680
Share Application Money	1	70,000,000	—
Reserves and Surplus	2	651,360,520	935,076,828
		<b>1,053,635,200</b>	<b>1,267,351,508</b>
<b>LOAN FUNDS</b>			
Secured Loans	3	1,804,957,075	1,470,205,118
Unsecured Loans	4	4,356,259	103,446,928
		<b>1,809,313,334</b>	<b>1,573,652,046</b>
<b>DEFERRED TAX LIABILITY</b>			
		<b>74,992,047</b>	<b>98,792,047</b>
<b>TOTAL</b>		<b>2,937,940,581</b>	<b>2,939,795,601</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	5	2,648,226,943	2,489,537,237
Accumulated Depreciation		(1,184,808,285)	(1,090,548,484)
Net Block		1,463,418,658	1,398,988,753
Capital Work-In-Progress		19,003,453	163,480,329
		<b>1,482,422,111</b>	<b>1,562,469,082</b>
<b>INVESTMENTS</b>			
	6	3,442,561	3,442,561
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	7	511,303,378	605,844,055
Sundry Debtors	8	119,281,509	212,715,309
Cash & Bank Balances	9	85,844,366	59,049,053
Loans, Advances & Other Current Assets	10	914,914,824	791,287,583
		<b>1,631,344,077</b>	<b>1,668,896,000</b>
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
Liabilities	11	161,997,348	281,670,786
Provisions	12	34,372,140	33,365,827
		<b>(196,369,488)</b>	<b>(315,036,613)</b>
Net Current Assets		1,434,974,589	1,353,859,387
<b>MISCELLANEOUS EXPENDITURE</b>			
(to the extent not written off or adjusted)	13	17,101,320	20,024,571
<b>TOTAL</b>		<b>2,937,940,581</b>	<b>2,939,795,601</b>
<b>NOTES TO ACCOUNTS</b>			
	21		

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

**GYAN PIPARA**

PARTNER

Membership No. : 34289

Place : Ahmedabad

Date : 30th June, 2009

**R. S. SHARMA**  
Company Secretary

**S. K. SOMANY** Chairman

**A. K. SOMANY** Managing Director

Place : Ahmedabad  
Date : 30th June, 2009



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009**

	Schedule	2009 Rupees	2008 Rupees
<b>INCOME</b>			
Sales		<b>1,570,737,723</b>	1,926,085,602
Other income	15	<b>95,293,619</b>	98,445,045
TOTAL		<b>1,666,031,342</b>	2,024,530,647
<b>EXPENDITURE</b>			
Manufacturing & Other Expenses	16	<b>1,694,939,327</b>	1,848,912,749
Financial Cost	14	<b>156,118,381</b>	109,388,625
Depreciation	5	<b>165,059,452</b>	156,797,477
TOTAL		<b>2,016,117,160</b>	2,115,098,851
<b>PROFIT / (LOSS) BEFORE EXCEPTIONAL/ EXTRAORDINARY ITEMS AND TAX</b>		<b>(350,085,818)</b>	(90,568,204)
<b>EXCEPTIONAL ITEMS</b>		<b>44,150,523</b>	(7,558,436)
[Refer note 23 of Schedule 21 (B)]			
<b>EXTRAORDINARY ITEMS</b>		—	(54,650,757)
[Refer note 24 of Schedule 21 (B)]			
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		<b>(305,935,295)</b>	(152,777,397)
Provision for Fringe Benefit Tax		<b>(468,000)</b>	(592,947)
Income Tax Paid For Earlier Years		<b>(1,113,013)</b>	(214,760)
Provision for Deferred Tax		<b>23,800,000</b>	(22,400,000)
<b>NET PROFIT / (LOSS) AFTER TAXATION</b>		<b>(283,716,308)</b>	(175,985,104)
Balance brought forward from previous year		<b>54,096,801</b>	230,081,905
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>(229,619,507)</b>	54,096,801
<b>Basic and Diluted Earnings per Share of Rs. 10 each (in Rupees)</b>			
[Refer note 28 of schedule 21(B)]			
- Basic Earning Per Share		<b>(8.59)</b>	(5.33)
- Diluted Earning Per Share		<b>(8.59)</b>	(5.33)

**NOTES TO ACCOUNTS**

21

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

**GYAN PIPARA**

PARTNER

Membership No. : 34289

Place : Ahmedabad

Date : 30th June, 2009

**S. K. SOMANY**

Chairman

**A. K. SOMANY**

Managing Director

**R. S. SHARMA**  
Company Secretary

Place : Ahmedabad

Date : 30th June, 2009

# ANNUAL REPORT 2008-2009

## SCHEDULES TO THE ACCOUNTS

	2009 Rupees	2008 Rupees
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
50,000,000 (50,000,000) Equity Shares of Rs. 10/- each	<b>500,000,000</b>	500,000,000
	<b>500,000,000</b>	500,000,000
<b>ISSUED, SUBSCRIBED &amp; PAID-UP</b>		
33,033,000 (Previous Year 33,033,000) Equity Shares of Rs.10/- each fully paid-up including 3,185,000 Shares allotted as fully paid up Bonus Shares by capitalisation of General Reserve.	<b>330,330,000</b>	330,330,000
Add : Share forfeiture account (385,300 Equity Shares)	<b>1,944,680</b>	1,944,680
	<b>332,274,680</b>	332,274,680
<b>SHARE APPLICATION MONEY</b>	<b>70,000,000</b>	—
<b>NOTE :</b>		
Share Application Money represents, contribution received from the promoters of the Company in part against total contribution of Rs. 9.75 crores to be brought in by way of issue of Equity Shares, for funding the cost of the Restructuring Scheme as stipulated under Corporate Debt Restructuring (CDR) Scheme sanctioned to the Company. Balance of the contribution is to be brought in by the promoters by September, 2009.		
	<b>402,274,680</b>	332,274,680
<b>SCHEDULE 2 : RESERVES &amp; SURPLUS</b>		
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	<b>1,858,013</b>	3,000,000
Less:Adjustment on account of transitional provisions of Accounting Standard -15 on Employee Benefits	—	1,141,987
	<b>1,858,013</b>	1,858,013
<b>CAPITAL RESERVE</b>		
As per last Balance Sheet	<b>57,144</b>	57,144
<b>SHARE PREMIUM ACCOUNT</b>		
As per last Balance Sheet	<b>871,364,869</b>	871,364,869
<b>DEBENTURE REDEMPTION RESERVE</b>		
As per last Balance Sheet	<b>7,700,001</b>	7,700,001
<b>PROFIT &amp; LOSS ACCOUNT</b>		
As per Annexed Account	<b>(229,619,507)</b>	54,096,801
	<b>651,360,520</b>	935,076,828



	2009 Rupees	2008 Rupees
<b>SCHEDULE 3 : SECURED LOANS</b>		
<b>DEBENTURES</b>		
308,000 (Previous Year 308,000 ) 15% Secured Redeemable Non Convertible Debentures of Rs. 100/- each	<b>19,124,556</b>	20,530,000
<b>TERM LOANS</b>		
Rupee Loans	<b>1,089,230,664</b>	1,019,742,973
Foreign Currency Loan	—	33,083,447
Derivative Rupee Term Loan	<b>80,204,841</b>	—
<b>WORKING CAPITAL LOANS</b>		
Rupee Loans	<b>558,702,759</b>	199,290,115
Foreign Currency Loans	<b>57,313,600</b>	197,181,235
<b>LEASEHOLD LIABILITY</b>		
	<b>380,655</b>	377,348
	<b>1,804,957,075</b>	1,470,205,118

**NOTES :**

- a) During the year, the Term Loans and Debentures of the company are restructured under Corporate Debt Restructuring (CDR) scheme.
- b) All the Term Loans duly restructured 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.
- c) Security in respect of Funding of Interest on Term Loans and Debentures will be secured by way of first charge ranking pari passu 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.
- d) Funding of Interest on Term Loans, Debentures, Derivative Rupee Term Loan and on working capital is included in the secured loans.
- e) Rupee Term Loans are inclusive of Foreign Currency Term Loan of IDBI Bank Ltd. (erstwhile IDBI), duly converted into Rupee Tied Foreign Currency Loan.
- f) All Term Loans are additionally secured by personal guarantees of Shri S. K. Somany-Chairman and Shri A. K. Somany-Managing Director of the Company.
- g) Derivative Loss converted into Derivative Rupee Term Loan under CDR Scheme will be secured by way of third charge on the fixed assets of the company. The said loan will also be secured by personal guarantee of Shri A K Somany - Managing Director of the Company. Repayment of this Term Loan is subjected to availability of cash flow on subservient basis. The ICICI bank has been directed to file consent terms in Debt Recovery Tribunal (DRT) as per Corporate Debt Restructuring (CDR) scheme with regard to suit filed by them for recovery of Derivative Losses.
- h) Term Loans shall rank pari-passu interse without any preference or priority of one or the other.
- i) Working Capital Loans 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 guarantees of Shri S. K. Somany -Chairman and Shri A. K. Somany - Managing Director.
- j) Instalments of Term Loans due within one year are Rs.32,617,041/-
- k) Term Loans includes vehicle loans amounting to Rs. 434,387/- secured by hypothecation of Vehicles financed in favour of respective lenders.
- l) Leasehold Liability is secured by Leasehold Building.

**SCHEDULE 4 : UNSECURED LOANS**

Short Term loans	—	100,000,000
Trade Deposits	<b>16,500</b>	16,500
Sales Tax Deferment Loan	<b>4,339,759</b>	3,430,428
	<b>4,356,259</b>	103,446,928

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## SCHEDULE 5 : FIXED ASSETS

	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	Balance beginning of the Year	Additions	Deletions / Adjustments	Balance end of the Year	Balance beginning of the Year	Charge for the Year	Deletions / Adjustments	Balance end of the Year	As at 31st March 2009	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	225,716,968	67,738,401	835,214	292,620,155	58,965,516	7,959,843	390,390	66,534,969	226,085,186	166,751,452
- Leasehold	930,809	—	—	930,809	18,913	15,172	—	34,085	896,724	911,896
Plant & machinery	2,227,728,116	178,049,445	86,852,922	2,318,924,639	1,015,213,597	155,203,380	70,409,261	1,100,007,716	1,218,916,923	1,212,514,519
Furniture, Fixtures & other equipments	19,857,183	757,996	168,000	20,447,179	13,341,852	724,780	—	14,066,632	6,380,547	6,515,331
Vehicles	12,214,059	—	—	12,214,059	3,008,606	1,156,277	—	4,164,883	8,049,176	9,205,453
<b>Total</b>	<b>2,489,537,237</b>	<b>246,545,842</b>	<b>87,856,136</b>	<b>2,648,226,943</b>	<b>1,090,548,484</b>	<b>165,059,452</b>	<b>70,799,651</b>	<b>1,184,808,285</b>	<b>1,463,418,658</b>	<b>1,398,988,753</b>
Capital work in progress	163,480,329	19,003,454	163,480,330	19,003,453	—	—	—	—	19,003,453	163,480,329
<b>Total</b>	<b>2,653,017,566</b>	<b>265,549,296</b>	<b>251,336,466</b>	<b>2,667,230,396</b>	<b>1,090,548,484</b>	<b>165,059,452</b>	<b>70,799,651</b>	<b>1,184,808,285</b>	<b>1,482,422,111</b>	<b>1,562,469,082</b>
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	1,562,469,082	
								<b>2009</b>		<b>2008</b>
								<b>Rupees</b>		<b>Rupees</b>

## SCHEDULE 6 : INVESTMENTS [Other than Trade]

### LONG TERM INVESTMENTS

#### UNQUOTED

#### OTHERS

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

#### IN PRECIOUS METALS

Ginnies	<b>82</b>	82
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#### IN 100% SUBSIDIARY

Two Equity Share of AED 150,000 each of Soma Textile FZE.	<b>3,421,479</b>	3,421,479
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#### SHORT TERM INVESTMENTS

	<b>3,442,561</b>	3,442,561
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## SCHEDULE 7 : INVENTORIES (As taken, valued and certified by the Management)

Stores and Spares including in transit	<b>69,767,385</b>	46,388,574
Raw Materials including in transit	<b>68,986,391</b>	128,850,093
Finished Goods	<b>167,059,009</b>	179,214,506
Goods in Process	<b>203,628,981</b>	239,394,732
Waste	<b>1,861,612</b>	11,996,150
	<b>511,303,378</b>	605,844,055



	2009 Rupees	2008 Rupees
<b>SCHEDULE 8 : SUNDRY DEBTORS</b> (Considered good unless stated otherwise)		
Outstanding for a period exceeding six months:		
Unsecured	2,808,596	2,028,549
Other Debts:		
Secured by irrevocable letters of credit	2,991,266	5,938,648
Unsecured	113,481,647	204,748,112
	<u>119,281,509</u>	<u>212,715,309</u>
<b>SCHEDULE 9 : CASH AND BANK BALANCES</b>		
Cash on hand	618,669	628,325
With Scheduled Banks :		
- In Current Accounts	79,117,223	16,029,097
- In Margin Accounts	5,353,907	17,145,750
- In Fixed Deposit Accounts	605,007	25,064,235
- In Debenture Account (Refund)	149,560	149,560
With Foreign Bank	—	32,086
	<u>85,844,366</u>	<u>59,049,053</u>
<b>SCHEDULE 10 : LOANS AND ADVANCES</b> (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	40,380,601	74,139,100
Balance with Central Excise in Current Account	4,113,659	4,162,112
Income Tax Advance	9,366,895	10,695,778
Fringe Benefit Tax	575,000	595,000
Interest Receivable under TUF Scheme	42,514,460	56,361,271
Security & other Deposits	17,563,073	7,250,293
Interest Accrued	744,576	576,411
SOMA Textile FZE Loan Account	799,656,560	637,507,618
	<u>914,914,824</u>	<u>791,287,583</u>
<b>SCHEDULE 11 : LIABILITIES</b>		
Sundry Creditors	133,022,162	258,785,831
Other Liabilities	28,975,186	20,109,053
Interest accrued but not due	—	2,775,902
	<u>161,997,348</u>	<u>281,670,786</u>

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	2009 Rupees	2008 Rupees
<b>SCHEDULE 12 : PROVISIONS</b>		
Gratuity	31,702,473	30,553,823
Bonus	2,201,667	2,219,057
Fringe Benefit Tax	468,000	592,947
	<u>34,372,140</u>	<u>33,365,827</u>
<b>SCHEDULE 13 : MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)		
Deferred Revenue Expenditure	12,773,851	16,141,639
Preliminary Expenses	7,250,720	8,192,066
	<u>20,024,571</u>	<u>24,333,705</u>
Less: Expenses written off	2,923,251	4,309,134
	<u>17,101,320</u>	<u>20,024,571</u>
<b>SCHEDULE 14 : FINANCIAL COST</b>		
INTEREST RECEIVED (GROSS)		
From Banks & Others	5,176,616	19,687,998
	<u>5,176,616</u>	<u>19,687,998</u>
INTEREST PAID		
To Banks & Others	61,032,880	29,868,933
On Term Loans	89,213,903	91,972,517
	<u>150,246,783</u>	<u>121,841,450</u>
OTHER FINANCE COST	11,048,214	7,235,173
	<u>161,294,997</u>	<u>129,076,623</u>
	<u>156,118,381</u>	<u>109,388,625</u>
<b>SCHEDULE 15 : OTHER INCOME</b>		
Rent	85,452	189,000
Interest Incentive under TUF Scheme	45,178,605	46,396,048
Miscellaneous Receipts	33,742,374	40,177,150
Insurance & Other claims	3,321,719	871,538
Liabilities no longer required written back	3,955	401,811
Profit on Sale of Fixed Assets (Net)	12,961,514	10,409,498
	<u>95,293,619</u>	<u>98,445,045</u>



		2009 Rupees	2008 Rupees
<b>SCHEDULE 16 : MANUFACTURING &amp; OTHER EXPENSES</b>			
Trading Purchases		—	137,863,406
Raw Materials consumed	17	<b>954,170,782</b>	1,019,134,897
Cloth Purchases		<b>9,298,673</b>	15,137,828
Garment material & Job work charges		<b>4,001,312</b>	3,900,855
Stores & Spares		<b>207,116,035</b>	223,974,267
Power & Fuel		<b>251,349,712</b>	274,370,683
Processing & Printing Charges		<b>720,637</b>	207,865
Cost of Employment	18	<b>139,051,923</b>	143,703,423
Rent		<b>291,187</b>	835,268
Rates & Taxes		<b>2,581,284</b>	5,189,778
Insurance		<b>3,748,375</b>	6,127,465
Miscellaneous Expenses		<b>21,411,696</b>	20,167,529
Repairs			
- Plant & Machinery		<b>11,565,134</b>	13,273,345
- Buildings		<b>1,043,443</b>	2,460,443
- Other Assets		<b>202,300</b>	525,061
Commission & Brokerage to Selling Agents		<b>11,682,348</b>	14,448,016
Forwarding & Delivery Expenses		<b>12,126,623</b>	13,986,716
Sales Tax / Turnover Tax		—	31,146
Service Tax		<b>726,895</b>	693,182
Payment to Auditors	19	<b>1,031,522</b>	1,276,678
Directors' Meeting Fee		<b>35,000</b>	30,000
Wealth Tax		<b>62,011</b>	40,162
Traveling Expenses		<b>1,743,398</b>	2,151,682
Miscellaneous Expenditure Written Off		<b>2,923,251</b>	4,309,134
		<b>1,636,883,541</b>	1,903,838,829
Less : Increase/(Decrease) in Stocks	20	<b>(58,055,786)</b>	54,926,080
		<b>1,694,939,327</b>	1,848,912,749
<b>SCHEDULE 17 : RAW MATERIALS CONSUMED</b>			
Opening Stock		<b>128,850,093</b>	127,458,391
Add: Purchases		<b>897,378,663</b>	1,028,394,097
		<b>1,026,228,756</b>	1,155,852,488
Less: Sales		<b>3,071,583</b>	7,867,498
Closing Stock		<b>68,986,391</b>	128,850,093
		<b>954,170,782</b>	1,019,134,897
<b>SCHEDULE 18 : COST OF EMPLOYMENT</b>			
Salaries, Wages & Gratuity		<b>124,564,814</b>	130,808,733
Contribution to Employees' Provident Fund		<b>9,042,585</b>	8,987,476
Contribution to Employees' Insurance Scheme		<b>152,047</b>	253,645
Workers and Staff Welfare Expenses Incl. cont.to E.S.I.		<b>5,292,477</b>	3,653,569
		<b>139,051,923</b>	143,703,423
<b>SCHEDULE 19 : PAYMENT TO AUDITORS</b>			
Audit Fees		<b>312,061</b>	266,294
Taxation Matters		<b>602,660</b>	643,764
Other matters		<b>66,180</b>	359,792
Reimbursement of expenses		<b>50,621</b>	6,828
		<b>1,031,522</b>	1,276,678
<b>SCHEDULE 20 : INCREASE / (DECREASE) IN STOCKS</b>			
Opening Stock		<b>430,605,388</b>	375,679,308
Less: Closing stock		<b>372,549,602</b>	430,605,388
		<b>(58,055,786)</b>	54,926,080

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## SCHEDULE 21 : SIGNIFICANT ACCOUNTING POLICIES & NOTES FORMING PART OF FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009.

### (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 Companies (Accounting Standards) Rules 2006 as amended from time to time to the extent applicable.

#### 2 REVENUE RECOGNITION :

- (a) Sales including export sales and trading sales are recognised when goods are dispatched from the factory and are recorded at net of shortages, claims settled, discounts, rate differences, rebate allowed to customers.
- (b) Export Sales are booked on 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 in relevant year and adjusted from profit on sale of Fixed Assets.
- (e) 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".
- (f) 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 and Current Investments as per AS -13 "Accounting for Investments". Long term investments are stated at Cost. Provision is made for diminution in the value of Long term Investments to recognise a decline, if any other than temporary in nature.

**6 FOREIGN EXCHANGE TRANSACTIONS :**

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

**8 IMPAIRMENT OF ASSETS :**

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

**9 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.

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## 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.

## 14 EXPORT INCENTIVES :

Following the Accrual Concept of Accountancy, the Company has taken credits as income for Rs. 22,239,294/- (Previous Year Rs. 26,771,569/-) 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 tax effect of the timing differences between accounting income and taxable income originating and reversing during the year. Deferred tax is measured based on the tax rate and tax laws enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

## B) NOTES ON ACCOUNTS

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

### Ahmedabad Unit

#### a) Defined Contribution Plans

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

	<b>2009</b> <b>Rupees</b>	2008 Rupees
1 Contribution to Employees' Provident Fund.	<b>3,831,814</b>	3,627,863
2 Contribution to Pension Fund	<b>3,205,205</b>	3,222,134
3 Contribution to Labour Welfare Fund	<b>55,670</b>	193,627
4 EDLI Charges	<b>2,881</b>	2,886
5 Administration Charges of Provident Fund	<b>524,114</b>	519,779
Total	<b>7,619,684</b>	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 :**

	<b>2009</b>	2008
	<b>Rupees</b>	Rupees
<b>Gratuity</b>		
a) Present value of Defined Benefit Obligation as at 31st March, 2008	<b>28,518,467</b>	24,521,061
b) Interest Cost	<b>1,996,293</b>	2,022,988
c) Current Service Cost	<b>1,959,168</b>	1,566,833
d) Benefit paid	<b>(5,118,155)</b>	(3,478,470)
e) Net Actuarial (Gain) / Loss	<b>2,401,730</b>	3,886,055
f) Present value of Defined Value Obligation as on 31st March, 2009	<b>29,757,503</b>	28,518,467

**2) Reconciliation of fair value of Plan Assets.**

a) Fair value of Plan Assets as at 31st March, 2008	<b>NIL</b>	NIL
b) Expected return on Plan Asset	<b>NIL</b>	NIL
c) Net Actuarial (Gain) / Loss	<b>NIL</b>	NIL
d) Employer Contribution	<b>NIL</b>	NIL
e) Benefit paid	<b>NIL</b>	NIL
f) Fair value of Plan Assets as at 31st March, 2009	<b>NIL</b>	NIL

**3) Actuarial Assumptions**

Discount rate as on 31st March, 2009	<b>7.00%</b>	8.25%
Annual Increase in salary cost.	<b>5.00%</b>	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**

a) Defined Benefit Obligation as on 31st March, 2009	<b>2,035,683</b>	3,925,818
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The above information is certified by the Actuary.

**Baramati Unit****a) Defined Contribution Plans**

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

	<b>2009</b>	2008
	<b>Rupees</b>	Rupees
1 Contribution to Employees' Provident Fund.	<b>637,547</b>	706,243
2 Contribution to Pension Fund	<b>681,527</b>	774,450
3 Contribution to Labour Welfare Fund	<b>13,032</b>	16,416
4 EDLI Charges	<b>40,652</b>	46,494
5 Administration Charges of P.F.	<b>121,724</b>	137,007
Total	<b>1,494,482</b>	1,680,610

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## b) Defined Benefit Plans

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

	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	2009	2009	2008	2008
Opening DBO as on April 1, 2008	2,035,356	556,979	1,446,726	600,656
Benefits paid during the year	382,574	245,981	652,085	159,312
Closing DBO as on March 31, 2009	1,944,970	616,083	2,035,356	556,979
Expenses recognized in the Profit & Loss Account	292,188	305,085	1,240,715	115,653
Assets / (Liabilities) recognized in the Balance Sheet as on March 31, 2009	(1,944,970)	(616,083)	(2,035,356)	(556,979)

### 2) Actuarial Assumptions :

	2009	2008
Discount Rate	8% p.a.	8% p.a.
Salary Escalation Rate	6% p.a.	6% p.a.
Mortality Table	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
Attrition Rate	2% p.a.	2% p.a.

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

- 2 Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 40,717,684/- (Previous year Rs. 133,850,532/-), advance paid Rs. 32,868,051/- (Previous year Rs. 27,414,115/-)
- 3 The Company has been granted a Restructuring Package by Corporate Debt Restructuring (CDR) Cell under the CDR Mechanism of RBI vide Letter of Approval (LOA) No. BY.CDR/AG No. 1110/2008-2009 dated 26th February, 2009 for restructuring the Company's existing financial assistance outstanding as on 30th September, 2008, availed of from the Institutional Lenders and Working Capital Banks, and sanctioning additional financial assistance to be extended to the Company in the manner and to the extent set out in the LOA. The salient features of the scheme are injection of fresh working capital with concession in the bank charges, reduction in margins, fresh term loan for completion of pending capital projects, funding of interest, reduction in interest rate, moratorium and deferment of principal repayments.
- 4 Contingent Liabilities not Provided for in respect of -
- |  | 2009<br>Rupees | 2008<br>Rupees |
|--|----------------|----------------|
| (a) Bills discounted by the company                      | 41,361,821     | 67,097,453     |
| (b) Sales Tax Payment disputed by the Company            | -              | 11,412         |
| (c) Excise Duty demand disputed by the Company           | 3,512,963      | 30,560,800     |
| (d) Claims against the Company not Acknowledged as debts | 2,950,800      | 4,193,435      |
| (e) Electrical Inspection Division, Pune                 | 17,645,679     | 17,645,679     |
| (f) Employee compensation                                | 939,330        | -              |
| 5 Unredeemed Bank Guarantees (FDR of Rs.1,302,250/-)     | 6,377,000      | 8,985,000      |
- 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.



	<b>2009</b>	2008
	<b>Rupees</b>	Rupees
(b) Directors Remuneration :		
i) Salary	<b>1,783,948</b>	1,894,180
ii) Contribution to Provident Fund	<b>208,683</b>	216,968
iii) Perquisites	<b>297,033</b>	674,412
	<b>2,289,664</b>	2,785,560
<b>7</b> 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.		
<b>8</b> Profit and Loss Account includes Insurance Claim receivable Rs. Nil (Previous Year Rs. Nil)		
	<b>2009</b>	2008
	<b>Rupees</b>	Rupees
<b>9</b> A) Auditors' Remuneration :		
i) As Auditor	<b>430,170</b>	356,182
ii) As Advisor, in respect of		
- Taxation Matters	<b>459,270</b>	553,876
- Management Services	-	-
- Company Law Matters	-	-
iii) In any other matter	<b>142,082</b>	366,620
B) Fees paid to Cost Auditors	<b>50,000</b>	52,809
<b>10</b> Other Liabilities include FCD Application Money Refundable of Rs. 127,480 (Previous Year Rs.127,480)		
<b>11</b> Stores consumption includes partly for repairs and replacements.		
<b>12</b> Profit/loss on the sale of Raw Material has been adjusted from the consumption.		
<b>13</b> Sundry debit / credit balances and the accounts squared up during the year are subject to confirmation and reconciliation from the parties to the transactions.		
<b>14</b> The company has started the process of inviting informations from its vendors regarding their status under "Micro, Small and Medium Enterprises Development Act, 2006". As the required information has not been received from the vendors, bifurcation between Total Outstanding Dues of Micro Enterprises and Small Enterprises and Other Dues are not disclosed under the heading "Current Liabilities & Provisions".		
<b>15</b> The receivables are shown net of amount received under bill discounted with bankers amounting to Rs. 41,361,821/- (Previous Year Rs. 67,097,453/-). 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. 63,742,804/- (Previous Year Rs. 89,598,081/-).		
<b>16</b> In absence of any indication of there being potential impairment of any assets , as prescribed in AS-28 "Impairment of Assets", as at Balance Sheet date, no recoverable amount has been estimated.		
<b>17</b> No amounts are due for deposits as at the Balance Sheet date to the Investors Protection and Education Fund.		
<b>18</b> Loan to Directors is Rs. Nil (Previous year Nil)		
<b>19</b> In accordance with Accounting Standard 22 "Accounting for taxes on income" under the Companies (Accounting Standards) Rules 2006, the deferred tax asset of Rs. 23,800,000/- for the year has been recognised in the profit and loss account.		
<b>20</b> Import purchases are booked on the basis of the amount actually paid.		

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### 21 Related Party Transaction

- 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 Other related parties where control exists. Somany Evergreen Knits Ltd.  
Kechak Credit & Finvest 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 Shrikant Bhat, Executive Director  
Shri Shrikant Bhat, Manager, Soma Textile FZE.

### 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)	
	2009	2008	2009	2008	2009	2008
Rent Paid	-	-	-	-	156,000	-
Water & Electricity Charges	-	-	-	-	116,868	-
Sales	-	-	-	-	1,528,073	34,287,042
Testing Charges	-	-	-	-	15,776	10,680
Packing Materials	-	-	-	-	-	280,204
Loan Given	-	637,507,618	-	-	-	-
Investment made	-	3,421,479	-	-	-	-
Remuneration	-	-	2,289,664	2,785,560	-	-
Sitting Fee	-	-	7,500	10,000	-	-
Balance outstanding at the year end						
- payable	-	-	-	71,197	-	-
- receivable	799,656,560	637,507,618	-	-	64,030	4,982,767

22 Amount of exchange rate net fluctuation credited to Profit & Loss Account for the year is Rs. 48,053,525/- (Previous year debited Rs. 6,829,007/-)

### 23 Exceptional items :

Exceptional items represents foreign exchange fluctuations, retirement compensation and derivative loss.

### 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 Use of GDR Proceeds :

As on 31st March 2009, the loans and advances include loans of Rs.799,656,560/- given to 100% subsidiary, Soma Textile FZE, Sharjah, UAE. The same has been deployed out of the proceeds of GDR issue made for the purpose of setting up this subsidiary. This advance is given by the parent company to augment long term resources of the subsidiary. During the financial year the said subsidiary has incurred loss of AED 29,949,903 (equivalent to Rs.379,502,708/-), as certified by its auditor, Al Saif Auditing and Accountants. As a result of loss, the initial investment of AED 300,000 in equity capital by the company has reduced to AED 211,342.



26 As on 31st March 2009, the company has total investment of Rs.803,078,039/- into its 100% subsidiary, Soma Textile FZE, Sharjah, UAE, out of which Rs.3,421,479/- is in the form of equity share capital (shown under Schedule 6 - Investments) and balance Rs.799,656,560/- is in the form of loans (shown under Schedule 10 - Loans and Advances) as required by Schedule VI of Companies Act, 1956.

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

**28 Earning per Share (EPS) :**

	<b>2009</b>	2008
	<b>Rupees</b>	Rupees
a) <u>Basic :</u>	<b>(8.59)</b>	(5.33)
Numerator : Net profit/(Loss) after taxation as disclosed in Profit & Loss Account (After Extra Ordinary Items)	<b>(283,716,308)</b>	(175,985,104)
Denominator :Weighted Average No. of Equity Shares outstanding during the year	<b>33,033,000</b>	33,033,000
b) <u>Diluted :</u>	<b>(8.59)</b>	(5.33)
Numerator : Net Profit/(Loss) for Diluted EPS (After Extra Ordinary Items)	<b>(283,716,308)</b>	(175,985,104)
Denominator :Weighted Average No. of Equity	<b>33,033,000</b>	33,033,000

c) The nominal value per Equity Shares is Rs.10/-

29 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	2009		2008	
		Registered	Installed	Registered	Installed
<b>Ahmedabad Unit</b>					
Ring Spindles	Nos.	<b>25,200</b>	<b>23,568</b>	25,200	21,168
Rotors	Nos.	<b>552</b>	<b>384</b>	552	552
Looms	Nos.	<b>476</b>	<b>149</b>	476	149
Garment stitching Machines	Nos.	<b>NA</b>	<b>190</b>	—	—
<b>Baramati Unit</b>					
Ring Spindles	Nos.	<b>60,480</b>	<b>30,240</b>	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	Meters	<b>15,261,902</b>	17,296,699	<b>15,289,849</b>	18,054,921	<b>1,030,789,390</b>	1,092,966,995
Garments	Pieces	<b>114,829</b>	55,026	<b>114,829</b>	57,181	<b>30,347,113</b>	12,526,845
Yarn *	Kgs.	<b>5,665,763</b>	7,798,337	<b>3,845,452</b>	5,506,017	<b>439,374,228</b>	595,994,069
Own Waste	Kgs.	<b>2,072,671</b>	2,757,971	<b>2,290,032</b>	2,564,620	<b>70,226,992</b>	86,416,464

\* Includes yarn spun for own consumption. Kgs. 1,376,234 (Previous year Kgs. 1,549,781)

\*\* Exclusive of Trading Sales Rs. Nil, Previous year Rs. 138,181,229/-

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## 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	1,139,650	1,897,872	93,436,456	175,697,423	1,111,703	1,139,650	89,316,038	93,436,456
Garments	Pieces	—	2,155	—	448,140	—	—	—	—
Yarn	Kgs.	985,941	354,669	131,602,273	37,832,652	671,322	985,941	93,694,865	131,602,273
Own Waste	Kgs.	287,302	93,951	11,996,150	2,403,403	69,941	287,302	1,860,971	11,996,150

## IV. RAW MATERIAL CONSUMED

Class of Goods	Unit	Current Year		Previous Year	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Cotton	Kgs.	6,643,728	453,079,066	9,809,698	532,753,846
Cotton Yarn	Kgs.	4,413,876	394,085,762	4,929,374	384,817,218
Man Made Fibre	Kgs.	631,386	43,500,529	688,464	48,606,556
Polyester Yarn	Kgs.	697,769	63,505,425	580,631	52,957,277

## 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	937,914,435	98.30	181,487,582	87.63	1,019,134,897	100.00	188,781,380	84.12
Imported	16,256,347	1.70	25,628,453	12.37	-	-	35,638,411	15.88

## VI. MERCHANDISE :

Class of Goods	Unit	Purchases				Sales			
		Quantity		Value (Rs.)		Quantity		Value (Rs.)	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Cloth	Metres	-	1,901,421	-	137,863,406	-	1,901,421	-	138,181,229

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

	2009 Rupees	2008 Rupees
Capital Goods	6,816,220	106,394,957
Components & Spare Parts	25,628,453	30,708,952
Raw Material	16,256,347	-

## VIII. EXPENDITURE IN FOREIGN CURRENCY

Interest on Foreign Currency Loans	12,532,755	14,813,260
Traveling Expenses	240,061	507,642
Others	-	208,708

## IX. EARNING IN FOREIGN CURRENCY DURING THE YEAR

F.O.B. Value of Exports	358,379,198	413,706,273
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**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	31.03.2009		

**2 Capital raised during the year (Rs. in 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	2,937,941	Total Assets	2,937,941
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**Source of Funds**

Paid up Capital	402,275	Reserve & Surplus	651,361
Secured Loans	1,804,957	Unsecured Loans	4,356
Deferred Tax Liability	74,992		

**Application of Funds**

Net Fixed Assets	1,482,422	Investments	3,443
Net Current Assets	1,434,975	Misc. Expenditure	17,101

**4 Performance of Company (Rs. in thousands)**

Turnover & Other Income	1,666,031	Total Expenditure	1,971,966
Profit before tax	(305,935)	Profit after tax	(283,716)
Basic Earning per Share in Rs.	(8.59)	Dividend Rate	Nil

**5 Name of Three Principal Products/Services of Company**

Item Code No.(ITC Code)	: 5205 to 5209
Product Description	: Cotton Yarn and Cotton Fabrics
Item Code No. (ITC Code)	: 5509 to 5514
Product Description	: Blended Yarn & Man-made fabrics.
Item Code No.(ITC Code)	: 6202 to 6205
Product Description	: Jeans, Trousers & Shirts

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

**31** 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

Date : 30th June, 2009

**S. K. SOMANY**

Chairman

**A. K. SOMANY**

Managing Director

**R. S. SHARMA**  
Company Secretary

Place : Ahmedabad

Date : 30th June, 2009

# ANNUAL REPORT 2008-2009

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

(Pursuant to the Listing Agreement with Stock Exchanges)

	Rs. In lacs	
	2009	2008
<b>A Cash Flow From Operating Activities</b>		
Net Profit / (Loss) Before Tax & Extra Ordinary Items	(3,501)	(906)
Adjustment for:		
- Depreciation	1,651	1,568
- Profit on Sale of Fixed Assets	(130)	(104)
- Interest (Net)	1,561	1,022
	<u>3,082</u>	<u>2,486</u>
Operating Profit Before Working Capital Changes	(419)	1,580
Adjustment for :		
- Trade and other receivables	(300)	(5,407)
- Inventories	946	(630)
- Trade Payables	(1,159)	1,174
- Expenditure	29	43
	<u>(484)</u>	<u>(4,820)</u>
Cash Generated From Operations	(903)	(3,240)
- Interest paid	(1,641)	(1,219)
- Direct Taxes paid	(16)	(8)
	<u>(1,657)</u>	<u>(1,227)</u>
Cash Flow Before Extraordinary Items	(2,560)	(4,467)
- Extraordinary items	441	(622)
	<u>(2,119)</u>	<u>(5,089)</u>
Net Cash Flow From Operating Activities	<u>(2,119)</u>	<u>(5,089)</u>
<b>B Cash Flow From Investing Activities :</b>		
- Purchase of Fixed Assets	(1,021)	(2,772)
- Sale of Fixed Assets	300	175
- Sale of Investments	(0)	(13)
- Interest received	50	199
	<u>(671)</u>	<u>(2,411)</u>
Net Cash Used In Investing Activities	<u>(671)</u>	<u>(2,411)</u>
<b>C Cash Flow From Finance Activities :</b>		
- Share Application Money	700	-
- Total proceeds from borrowings (Net of repayments)	2,357	1,235
- Transitional provision AS-15- Employees benefit	-	(12)
	<u>3,057</u>	<u>1,223</u>
Net Cash Used In Financing Activities	<u>3,057</u>	<u>1,223</u>
Net Increase In Cash and Cash Equivalents (A+B+C)	<u>267</u>	<u>(6,277)</u>
Cash and Cash Equivalent as on 01.04.2008 (Opening Balance)	591	6,868
Cash and Cash Equivalent as on 31.03.2009 (Closing Balance)	858	591

Place : Ahmedabad  
Date : 30th June, 2009

**R. S. SHARMA**  
Company Secretary

**S. K. SOMANY** Chairman  
**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  
Date : 30th June, 2009

**GYAN PIPARA**  
PARTNER  
Membership No. : 34289



**AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENT**

TO THE BOARD OF DIRECTORS OF  
**SOMA TEXTILES & INDUSTRIES LIMITED**

We have audited the attached Consolidated Balance Sheet of **SOMA TEXTILES & INDUSTRIES LIMITED** ("the Company") and its subsidiary (Collectively referred to as "Group") as at **31st March 2009** and also the Consolidated 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, UAE are audited by Al Saif Auditing and Accountants, Chartered Accountants, Sharjah, UAE and the same have been incorporated in the consolidated financial statements of the Group as attached. The audit of financial statements of subsidiary is carried out under the laws of the respective country and we have placed full reliance on the financial statements of the said subsidiary as audited and as made available to us by the company's management as we had no reason to believe and have not come across anything to indicate that we should not have so relied, except for our specific comment given below.

Without qualifying our opinion, we would like to draw attention to the fact that during the year, the financial statements of Soma Textile FZE, Sharjah, UAE, a 100% subsidiary of the Soma Textiles and Industries Ltd. report **Loss** of AED 14,606,600 (equivalent to Rs.185,083,880/-) under the head "**Extra-ordinary Items**". It has been explained to us that the said Loss has resulted from Company's activities of Futures and Options contracts in Gold and Silver. With the said "**Extra-ordinary Items**" (**loss**), the profit and loss account of the subsidiary shows loss of AED 29,949,903 (equivalent to Rs.379,502,708/-). As on 31st March 2009 due to such losses, all its reserves have been wiped off and even initial equity capital of AED 300,000 has reduced to AED 211,342.

We report that the consolidated financial statements have been prepared by the company's management in accordance with the requirements of AS 21 "Consolidated Financial Statements" issued under the Companies (Accounting Standards) Rules 2006 and are based on separate financial statements of the parent company and its subsidiary.

In our opinion and to the best of our information and according to the explanations given to us and except for our observation as aforesaid, the said financial statements read together with notes thereon, show 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 2009;
- (b) in the case of Consolidated Profit and Loss Account, of the **Loss** for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For **PIPARA & COMPANY**  
CHARTERED ACCOUNTANTS

**GYAN PIPARA**  
PARTNER

Membership No.: 34289

Place : Ahmedabad  
Date : 30th June, 2009

# ANNUAL REPORT 2008-2009

## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009

	Schedule	2009 Rupees	2008 Rupees
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	332,274,680	332,274,680
Share Application Money	1	70,000,000	—
Reserves and Surplus	2	650,857,675	1,261,166,949
		<b>1,053,132,355</b>	<b>1,593,441,629</b>
<b>LOAN FUNDS</b>			
Secured Loans	3	1,804,957,075	1,470,205,118
Unsecured Loans	4	4,356,259	103,446,928
		<b>1,809,313,334</b>	<b>1,573,652,046</b>
<b>DEFERRED TAX LIABILITY</b>			
		<b>74,992,047</b>	<b>98,792,047</b>
<b>TOTAL</b>		<b>2,937,437,736</b>	<b>3,265,885,722</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	5	2,648,226,943	2,489,537,237
Accumulated Depreciation		(1,184,808,285)	(1,090,548,484)
Net Block		1,463,418,658	1,398,988,753
Capital Work-In-Progress		19,003,453	163,480,329
		<b>1,482,422,111</b>	<b>1,562,469,082</b>
<b>INVESTMENTS</b>			
	6	<b>21,082</b>	<b>21,082</b>
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	7	511,303,378	605,844,055
Sundry Debtors	8	1,100,867,501	1,309,046,291
Cash & Bank Balances	9	86,299,213	59,408,387
Loans, Advances & Other Current Assets	10	115,258,264	153,779,965
		<b>1,813,728,356</b>	<b>2,128,078,698</b>
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
Liabilities	11	341,916,113	411,700,344
Provisions	12	34,372,140	33,365,827
		<b>(376,288,253)</b>	<b>(445,066,171)</b>
Net Current Assets		1,437,440,103	1,683,012,527
<b>MISCELLANEOUS EXPENDITURE</b>			
(to the extent not written off or adjusted)	13	17,554,440	20,383,031
<b>TOTAL</b>		<b>2,937,437,736</b>	<b>3,265,885,722</b>
<b>NOTES TO ACCOUNTS</b>			
	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  
Date : 30th June, 2009

**R. S. SHARMA**  
Company Secretary

Place : Ahmedabad  
Date : 30th June, 2009

**CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009**

	Schedule	2009 Rupees	2008 Rupees
<b>INCOME</b>			
Sales		<b>3,129,689,036</b>	4,420,279,347
Other income	15	<b>95,293,619</b>	98,445,045
<b>TOTAL</b>		<b>3,224,982,655</b>	4,518,724,392
<b>EXPENDITURE</b>			
Manufacturing & Other Expenses	16	<b>3,448,280,704</b>	4,079,719,503
Financial Cost	14	<b>156,147,145</b>	109,466,073
Depreciation	5	<b>165,059,452</b>	156,797,477
<b>TOTAL</b>		<b>3,769,487,301</b>	4,345,983,053
<b>PROFIT / (LOSS) BEFORE EXCEPTIONAL/ EXTRAORDINARY ITEMS AND TAX</b>		<b>(544,504,646)</b>	172,741,339
<b>EXCEPTIONAL ITEMS</b>		<b>44,150,523</b>	(7,558,436)
[Refer note 23 of Schedule 21 (B)]			
<b>EXTRAORDINARY ITEMS</b>		<b>(185,083,880)</b>	(54,650,757)
[Refer note 24 of Schedule 21 (B)]			
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		<b>(685,438,003)</b>	110,532,146
Provision for Fringe Benefit Tax		<b>(468,000)</b>	(592,947)
Income Tax Paid For Earlier Years		<b>(1,113,013)</b>	(214,760)
Provision for Deferred Tax		<b>23,800,000</b>	(22,400,000)
<b>NET PROFIT / (LOSS) AFTER TAXATION</b>		<b>(663,219,016)</b>	87,324,439
Balance brought forward from previous year		<b>386,517,304</b>	299,829,246
<b>BALANCE AVAILABLE FOR APPROPRIATION</b>		<b>(276,701,711)</b>	387,153,685
Transferred to Statutory Reserve		—	(636,381)
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>(276,701,711)</b>	386,517,304
<b>Basic and Diluted Earnings per Share of Rs. 10 each (in Rupees)</b>			
[Refer note 26 of schedule 21(B)]			
- Basic Earning Per Share		<b>(20.08)</b>	2.64
- Diluted Earning Per Share		<b>(20.08)</b>	2.64

**NOTES TO ACCOUNTS**

21

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

**GYAN PIPARA**

PARTNER

Membership No. : 34289

Place : Ahmedabad

Date : 30th June, 2009

**S. K. SOMANY**

Chairman

**A. K. SOMANY**

Managing Director

**R. S. SHARMA**  
Company Secretary

Place : Ahmedabad  
Date : 30th June, 2009

# ANNUAL REPORT 2008-2009

## CONSOLIDATED SCHEDULES TO THE ACCOUNTS

	2009 Rupees	2008 Rupees
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
50,000,000 (50,000,000) Equity Shares of Rs. 10/- each	<b>500,000,000</b>	500,000,000
	<b>500,000,000</b>	500,000,000
<b>ISSUED, SUBSCRIBED &amp; PAID-UP</b>		
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.	<b>330,330,000</b>	330,330,000
Add : Share forfeiture account (385,300 Equity Shares)	<b>1,944,680</b>	1,944,680
	<b>332,274,680</b>	332,274,680
<b>SHARE APPLICATION MONEY</b>	<b>70,000,000</b>	—
<b>NOTE :</b>		
Share Application Money represents, contribution received from the promoters of the Company in part against total contribution of Rs. 9.75 crores to be brought in by way of issue of Equity Shares, for funding the cost of the Restructuring Scheme as stipulated under Corporate Debt Restructuring (CDR) Scheme sanctioned to the Company. Balance of the contribution is to be brought in by the promoters by September, 2009.		
	<b>402,274,680</b>	332,274,680
<b>SCHEDULE 2 : RESERVES &amp; SURPLUS</b>		
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	<b>1,858,013</b>	3,000,000
Less: Adjustment on account of transitional provisions of Accounting Standard -15 on Employee Benefits	—	1,141,987
	<b>1,858,013</b>	1,858,013
<b>CAPITAL RESERVE</b>		
As per last Balance Sheet	<b>57,144</b>	57,144
<b>SHARE PREMIUM ACCOUNT</b>		
As per last Balance Sheet	<b>871,364,869</b>	871,364,869
<b>DEBENTURE REDEMPTION RESERVE</b>		
As per last Balance Sheet	<b>7,700,001</b>	7,700,001
<b>STATUTORY RESERVE</b>		
As per last Balance Sheet	<b>1,765,420</b>	1,129,039
Created during the year	—	636,381
	<b>1,765,420</b>	1,765,420
<b>PROFIT &amp; LOSS ACCOUNT</b>		
As per Annexed Account	<b>(276,701,711)</b>	386,517,304
<b>FOREIGN CURRENCY TRANSLATION RESERVE</b>		
	<b>44,813,939</b>	(8,095,802)
	<b>650,857,675</b>	1,261,166,949



	2009 Rupees	2008 Rupees
<b>SCHEDULE 3 : SECURED LOANS</b>		
<b>DEBENTURES</b>		
308,000 (Previous Year 308,000 ) 15% Secured Redeemable Non Convertible Debentures of Rs. 100/- each	<b>19,124,556</b>	20,530,000
<b>TERM LOANS</b>		
Rupee Loans	<b>1,089,230,664</b>	1,019,742,973
Foreign Currency Loan	—	33,083,447
Derivative Rupee Term Loan	<b>80,204,841</b>	—
<b>WORKING CAPITAL LOANS</b>		
Rupee Loans	<b>558,702,759</b>	199,290,115
Foreign Currency Loans	<b>57,313,600</b>	197,181,235
<b>LEASEHOLD LIABILITY</b>		
	<b>380,655</b>	377,348
	<b>1,804,957,075</b>	1,470,205,118

**NOTES :**

- a) During the year, the Term Loans and Debentures of the company are restructured under Corporate Debt Restructuring (CDR) scheme.
- b) All the Term Loans duly restructured 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.
- c) Security in respect of Funding of Interest on Term Loans and Debentures will be secured by way of first charge ranking pari passu 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.
- d) Funding of Interest on Term Loans, Debentures, Derivative Rupee Term Loan and on working capital is included in the secured loans.
- e) Rupee Term Loans are inclusive of Foreign Currency Term Loan of IDBI Bank Ltd. (erstwhile IDBI), duly converted into Rupee Tied Foreign Currency Loan.
- f) All Term Loans are additionally secured by personal guarantees of Shri S. K. Somany-Chairman and Shri A. K. Somany-Managing Director of the Company.
- g) Derivative Loss converted into Derivative Rupee Term Loan under CDR Scheme will be secured by way of third charge on the fixed assets of the company. The said loan will also be secured by personal guarantee of Shri A K Somany - Managing Director of the Company. Repayment of this Term Loan is subjected to availability of cash flow on subservient basis. The ICICI bank has been directed to file consent terms in Debt Recovery Tribunal (DRT) as per Corporate Debt Restructuring (CDR) scheme with regard to suit filed by them for recovery of Derivative Losses.
- h) Term Loans shall rank pari-passu interse without any preference or priority of one or the other.
- i) Working Capital Loans 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 guarantees of Shri S. K. Somany -Chairman and Shri A. K. Somany - Managing Director.
- j) Instalments of Term Loans due within one year are Rs.32,617,041/-
- k) Term Loans includes vehicle loans amounting to Rs. 434,387/- secured by hypothecation of Vehicles financed in favour of respective lenders.
- l) Leasehold Liability is secured by Leasehold Building.

**SCHEDULE 4 : UNSECURED LOANS**

Short Term loans	—	100,000,000
Trade Deposits	<b>16,500</b>	16,500
Sales Tax Deferment Loan	<b>4,339,759</b>	3,430,428
	<b>4,356,259</b>	103,446,928

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## SCHEDULE 5 : FIXED ASSETS

	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	Balance beginning of the Year	Additions	Deletions / Adjustments	Balance end of the Year	Balance beginning of the Year	Charge for the Year	Deletions / Adjustments	Balance end of the Year	As at 31st March 2009	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	225,716,968	67,738,401	835,214	292,620,155	58,965,516	7,959,843	390,390	66,534,969	226,085,186	166,751,452
- Leasehold	930,809	—	—	930,809	18,913	15,172	—	34,085	896,724	911,896
Plant & machinery	2,227,728,116	178,049,445	86,852,922	2,318,924,639	1,015,213,597	155,203,380	70,409,261	1,100,007,716	1,218,916,923	1,212,514,519
Furniture, Fixtures & other equipments	19,857,183	757,996	168,000	20,447,179	13,341,852	724,780	—	14,066,632	6,380,547	6,515,331
Vehicles	12,214,059	—	—	12,214,059	3,008,606	1,156,277	—	4,164,883	8,049,176	9,205,453
Total	2,489,537,237	246,545,842	87,856,136	2,648,226,943	1,090,548,484	165,059,452	70,799,651	1,184,808,285	1,463,418,658	1,398,988,753
Capital work in progress	163,480,329	19,003,454	163,480,330	19,003,453	—	—	—	—	19,003,453	163,480,329
Total	2,653,017,566	265,549,296	251,336,466	2,667,230,396	1,090,548,484	165,059,452	70,799,651	1,184,808,285	1,482,422,111	1,562,469,082
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	1,562,469,082	
								<b>2009</b>		<b>2008</b>
								<b>Rupees</b>		<b>Rupees</b>

## SCHEDULE 6 : INVESTMENTS [Other than Trade]

### LONG TERM INVESTMENTS

#### UNQUOTED

#### OTHERS

10	Equity Shares of Rs. 50/- each in Las Palmas Co-op. Hsg. So. 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
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#### SHORT TERM INVESTMENTS

	—	—
	<b>21,082</b>	<b>21,082</b>

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

Stores and Spares including in transit	69,767,385	46,388,574
Raw Materials including in transit	68,986,391	128,850,093
Finished Goods	167,059,009	179,214,506
Goods in Process	203,628,981	239,394,732
Waste	1,861,612	11,996,150
	<b>511,303,378</b>	<b>605,844,055</b>





	2009 Rupees	2008 Rupees
<b>SCHEDULE 8 : SUNDRY DEBTORS</b> (Considered good unless stated otherwise)		
Outstanding for a period exceeding six months:		
Unsecured	2,808,596	2,028,549
Other Debts:		
Secured by irrevocable letters of credit	2,991,266	5,938,648
Unsecured	1,095,067,639	1,301,079,094
	<u>1,100,867,501</u>	<u>1,309,046,291</u>
<b>SCHEDULE 9 : CASH AND BANK BALANCES</b>		
Cash on hand	946,947	639,250
With Scheduled Banks :		
- In Current Accounts	79,243,792	16,377,506
- In Margin Accounts	5,353,907	17,145,750
- In Fixed Deposit Accounts	605,007	25,064,235
- In Debenture Account (Refund)	149,560	149,560
With Foreign Bank	—	32,086
	<u>86,299,213</u>	<u>59,408,387</u>
<b>SCHEDULE 10 : LOANS AND ADVANCES</b> (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	40,380,601	74,139,100
Balance with Central Excise in Current Account	4,113,659	4,162,112
Income Tax Advance	9,366,895	10,695,778
Fringe Benefit Tax	575,000	595,000
Interest Receivable under TUF Scheme	42,514,460	56,361,271
Security & other Deposits	17,563,073	7,250,293
Interest Accrued	744,576	576,411
	<u>115,258,264</u>	<u>153,779,965</u>
<b>SCHEDULE 11 : LIABILITIES</b>		
Sundry Creditors	312,619,582	388,761,769
Other Liabilities	29,296,531	20,162,673
Interest accrued but not due	—	2,775,902
	<u>341,916,113</u>	<u>411,700,344</u>

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	2009 Rupees	2008 Rupees
<b>SCHEDULE 12 : PROVISIONS</b>		
Gratuity	31,702,473	30,553,823
Bonus	2,201,667	2,219,057
Fringe Benefit Tax	468,000	592,947
	<b>34,372,140</b>	<b>33,365,827</b>
<b>SCHEDULE 13 : MISCELLANEOUS EXPENDITURE</b> (To the extent not written off or adjusted)		
Deferred Revenue Expenditure	13,226,971	16,500,099
Preliminary Expenses	7,250,720	8,192,066
	<b>20,477,691</b>	<b>24,692,165</b>
Less: Expenses written off	2,923,251	4,309,134
	<b>17,554,440</b>	<b>20,383,031</b>
<b>SCHEDULE 14 : FINANCIAL COST</b>		
INTEREST RECEIVED (GROSS)		
From Banks & Others	5,176,616	19,687,998
	<b>5,176,616</b>	<b>19,687,998</b>
INTEREST PAID		
To Banks & Others	61,032,880	29,868,933
On Term Loans	89,213,903	91,972,517
	<b>150,246,783</b>	<b>121,841,450</b>
OTHER FINANCE COST	11,076,978	7,312,621
	<b>161,323,761</b>	<b>129,154,071</b>
	<b>156,147,145</b>	<b>109,466,073</b>
<b>SCHEDULE 15 : OTHER INCOME</b>		
Rent	85,452	189,000
Interest Incentive under TUF Scheme	45,178,605	46,396,048
Miscellaneous Receipts	33,742,374	40,177,150
Insurance & Other claims	3,321,719	871,538
Liabilities no longer required written back	3,955	401,811
Profit on Sale of Fixed Assets (Net)	12,961,514	10,409,498
	<b>95,293,619</b>	<b>98,445,045</b>



		2009 Rupees	2008 Rupees
<b>SCHEDULE 16 : MANUFACTURING &amp; OTHER EXPENSES</b>			
Trading Purchases		1,747,523,271	2,364,864,678
Raw Materials consumed	17	954,170,782	1,019,134,897
Cloth Purchases		9,298,673	15,137,828
Garment material & Job work charges		4,001,312	3,900,855
Stores & Spares		207,116,035	223,974,267
Power & Fuel		251,349,712	274,370,683
Processing & Printing Charges		720,637	207,865
Cost of Employment	18	142,610,555	146,080,091
Rent		291,187	835,268
Rates & Taxes		2,581,284	5,189,778
Insurance		3,748,375	6,127,465
Miscellaneous Expenses		23,671,170	21,596,343
Repairs			
- Plant & Machinery		11,565,134	13,273,345
- Buildings		1,043,443	2,460,443
- Other Assets		202,300	525,061
Commission & Brokerage to Selling Agents		11,682,348	14,448,016
Forwarding & Delivery Expenses		12,126,623	13,986,716
Sales Tax / Turnover Tax		—	31,146
Service Tax		726,895	693,182
Payment to Auditors	19	1,031,522	1,276,678
Directors' Meeting Fee		35,000	30,000
Wealth Tax		62,011	40,162
Traveling Expenses		1,743,398	2,151,682
Miscellaneous Expenditure Written Off		2,923,251	4,309,134
		<b>3,390,224,918</b>	<b>4,134,645,583</b>
Less : Increase/(Decrease) in Stocks	20	<b>(58,055,786)</b>	<b>54,926,080</b>
		<b>3,448,280,704</b>	<b>4,079,719,503</b>
<b>SCHEDULE 17 : RAW MATERIALS CONSUMED</b>			
Opening Stock		128,850,093	127,458,391
Add: Purchases		897,378,663	1,028,394,097
		<b>1,026,228,756</b>	<b>1,155,852,488</b>
Less : Sales		3,071,583	7,867,498
Closing Stock		68,986,391	128,850,093
		<b>954,170,782</b>	<b>1,019,134,897</b>
<b>SCHEDULE 18 : COST OF EMPLOYMENT</b>			
Salaries, Wages & Gratuity		128,123,446	133,185,401
Contribution to Employees' Provident Fund		9,042,585	8,987,476
Contribution to Employees' Insurance Scheme		152,047	253,645
Workers and Staff Welfare Expenses Incl. cont.to E.S.I.		5,292,477	3,653,569
		<b>142,610,555</b>	<b>146,080,091</b>
<b>SCHEDULE 19 : PAYMENT TO AUDITORS</b>			
Audit Fees		312,061	266,294
Taxation Matters		602,660	643,764
Other matters		66,180	359,792
Reimbursement of expenses		50,621	6,828
		<b>1,031,522</b>	<b>1,276,678</b>
<b>SCHEDULE 20 : INCREASE / (DECREASE) IN STOCKS</b>			
Opening Stock		430,605,388	375,679,308
Less: Closing stock		372,549,602	430,605,388
		<b>(58,055,786)</b>	<b>54,926,080</b>

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## SCHEDULE 21 : SIGNIFICANT ACCOUNTING POLICIES & NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

### 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 is a company with limited liability registered in the Hamriya Free Zone under licence # 3146 issued on 07 November 2007 and renewed up to November 2009. Mr. Shrikant B Bhat, Indian national is the designated Manager of the Company.
  - b) The Company is engaged in the Business of general 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.
- v) 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 Companies (Accounting Standards) Rules 2006 as amended from time to time to the extent applicable.

#### **Subsidiary Company**

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 Standard Board. They conform to the International Financial Reporting Standards and are in compliance with the U.A.E. 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, discounts, rate differences, rebate allowed to customers.
- (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 in relevant year and adjusted from profit on sale of Fixed Assets.
- (e) 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".
- (f) 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 and Current Investments as per AS -13 "Accounting for Investments". Long term investments are stated at Cost. Provision is made for diminution in the value of Long term Investments to recognise a decline, if any other than temporary in nature.

**6 FOREIGN EXCHANGE TRANSACTIONS :**

**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.
- (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".

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- (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 the 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. 22,239,294/- (Previous Year Rs. 26,771,569/-) 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 tax effect of the timing differences between accounting income and taxable income originating and reversing during the year. Deferred tax is measured based on the tax rate and tax laws enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

**B) NOTES ON ACCOUNTS**

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

**Ahmedabad Unit****a) Defined Contribution Plans:**

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

	<b>2009</b>	2008
	<b>Rupees</b>	Rupees
1 Contribution to Employees' Provident Fund.	<b>3,831,814</b>	3,627,863
2 Contribution to Pension Fund	<b>3,205,205</b>	3,222,134
3 Contribution to Labour Welfare Fund	<b>55,670</b>	193,627
4 EDLI Charges	<b>2,881</b>	2,886
5 Administration Charges of Provident Fund	<b>524,114</b>	519,779
Total	<b><u>7,619,684</u></b>	<u>7,566,289</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 :**

	<b>2009</b>	2008
	<b>Rupees</b>	Rupees
<b>Gratuity</b>		
a) Present value of Defined Benefit Obligation as at 31st March, 2008	<b>28,518,467</b>	24,521,061
b) Interest Cost	<b>1,996,293</b>	2,022,988
c) Current Service Cost	<b>1,959,168</b>	1,566,833
d) Benefit paid	<b>(5,118,155)</b>	(3,478,470)
e) Net Actuarial (Gain) / Loss	<b>2,401,730</b>	3,886,055
f) Present value of Defined Value Obligation as on 31st March, 2009	<b>29,757,503</b>	28,518,467

**2) Reconciliation of fair value of Plan Assets.**

a) Fair value of Plan Assets as at 31st March, 2008	<b>NIL</b>	NIL
b) Expected return on Plan Asset	<b>NIL</b>	NIL
c) Net Actuarial (Gain) / Loss	<b>NIL</b>	NIL
d) Employer Contribution	<b>NIL</b>	NIL
e) Benefit paid	<b>NIL</b>	NIL
f) Fair value of Plan Assets as at 31st March, 2009	<b>NIL</b>	NIL

**3) Actuarial Assumptions**

Discount rate as on 31st March, 2009	<b>7.00%</b>	8.25%
Annual Increase in salary cost.	<b>5.00%</b>	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.

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	<b>2009</b> <b>Rupees</b>	2008 Rupees
<b>4) Leave encashment</b>		
a) Defined Benefit Obligation as on 31st March, 2009	<b>2,035,683</b>	3,925,818

The above information is certified by the Actuary.

## Baramati Unit

### a) Defined Contribution Plans

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

	<b>2009</b> <b>Rupees</b>	2008 Rupees
1 Contribution to Employees' Provident Fund.	<b>637,547</b>	706,243
2 Contribution to Pension Fund	<b>681,527</b>	774,450
3 Contribution to Labour Welfare Fund	<b>13,032</b>	16,416
4 EDLI Charges	<b>40,652</b>	46,494
5 Administration Charges of P.F.	<b>121,724</b>	137,007
Total	<b>1,494,482</b>	1,680,610

### b) Defined Benefit Plans

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

	<b>Gratuity</b>	<b>Leave</b>	Gratuity	Leave
	<b>2009</b>	<b>Encashment</b>	2008	Encashment
	<b>2009</b>	<b>2009</b>	2008	2008
Opening DBO as on April 1, 2008	<b>2,035,356</b>	<b>556,979</b>	1,446,726	600,656
Benefits paid during the year	<b>382,574</b>	<b>245,981</b>	652,085	159,312
Closing DBO as on March 31, 2009	<b>1,944,970</b>	<b>616,083</b>	2,035,356	556,979
Expenses recognized in the Profit & Loss Account	<b>292,188</b>	<b>305,085</b>	1,240,715	115,653
Assets / (Liabilities) recognized in the Balance Sheet as on March 31, 2009	<b>(1,944,970)</b>	<b>(616,083)</b>	(2,035,356)	(556,979)

#### 2) Actuarial Assumptions :

	<b>2009</b>	2008
Discount Rate	<b>8% p.a.</b>	8% p.a.
Salary Escalation Rate	<b>6% p.a.</b>	6% p.a.
Mortality Table	<b>LIC (1994-96) Ultimate</b>	LIC (1994-96) Ultimate
Attrition Rate	<b>2% p.a.</b>	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. 40,717,684/- (Previous year Rs. 133,850,532/-), advance paid Rs. 32,868,051/- (Previous year Rs. 27,414,115/-)

### Subsidiary Company

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

- 3 The Company has been granted a Restructuring Package by Corporate Debt Restructuring (CDR) Cell under the CDR Mechanism of RBI vide Letter of Approval (LOA) No. BY.CDR/AG No. 1110/2008-2009 dated 26th February, 2009 for restructuring the Company's existing financial assistance outstanding as on 30th September, 2008, availed of from the Institutional Lenders and Working Capital Banks, and sanctioning additional financial assistance to be extended to the Company in the manner and to the extent set out in the LOA. The salient features of the scheme are injection of fresh working capital with concession in the bank charges, reduction in margins, fresh term loan for completion of pending capital projects, funding of interest, reduction in interest rate, moratorium and deferment of principal repayments.





4	Contingent Liabilities not Provided for in respect of -	<b>2009</b>	2008
		<b>Rupees</b>	Rupees
(a)	Bills discounted by the company	<b>41,361,821</b>	67,097,453
(b)	Sales Tax Payment disputed by the Company	—	11,412
(c)	Excise Duty demand disputed by the Company	<b>3,512,963</b>	30,560,800
(d)	Claims against the Company not Acknowledged as debts	<b>2,950,800</b>	4,193,435
(e)	Electrical Inspection Division, Pune	<b>17,645,679</b>	17,645,679
(f)	Employee compensation	<b>939,330</b>	—
<b>5</b>	<b>Unredeemed Bank Guarantees (FDR of Rs.1,302,250/-)</b>	<b>6,377,000</b>	8,985,000
<b>6</b>	(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.		
		<b>2009</b>	2008
		<b>Rupees</b>	Rupees
(b)	Directors Remuneration :		
i)	Salary	<b>1,783,948</b>	1,894,180
ii)	Contribution to Provident Fund	<b>208,683</b>	216,968
iii)	Perquisites	<b>297,033</b>	674,412
		<b>2,289,664</b>	2,785,560

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.

<b>8</b>	Profit and Loss Account includes Insurance Claim receivable Rs. Nil (Previous Year Rs. Nil)		
		<b>2009</b>	2008
		<b>Rupees</b>	Rupees
<b>9</b>	A) Auditors' Remuneration :		
i)	As Auditor	<b>430,170</b>	356,182
ii)	As Advisor, in respect of		
-	Taxation Matters	<b>459,270</b>	553,876
-	Management Services	-	-
-	Company Law Matters	-	-
iii)	In any other matter	<b>142,082</b>	366,620
B)	Fees paid to Cost Auditors	<b>50,000</b>	52,809
<b>10</b>	Other Liabilities include FCD Application Money Refundable of Rs. 127,480/- (Previous Year Rs.127,480/-)		
<b>11</b>	Stores consumption includes partly for repairs and replacements.		
<b>12</b>	Profit/loss on the sale of Raw Material has been adjusted from the consumption.		
<b>13</b>	Sundry debit / credit balances and the accounts squared up during the year are subject to confirmation and reconciliation from the parties to the transactions.		
<b>14</b>	The company has started the process of inviting informations from its vendors regarding their status under "Micro, Small and Medium Enterprises Development Act, 2006". As the required information has not been received from the vendors, bifurcation between Total Outstanding Dues of Micro Enterprises and Small Enterprises and Other Dues are not disclosed under the heading "Current Liabilities & Provisions".		
<b>15</b>	The receivables are shown net of amount received under bill discounted with bankers amounting to Rs. 41,361,821/- (Previous Year Rs. 67,097,453/-). 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. 63,742,804/- (Previous Year Rs. 89,598,081/-).		

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- 16 In absence of any indication of there being potential impairment of any assets, as prescribed in AS-28 "Impairment of 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 Protection and Education Fund.
- 18 Loan to Directors is Rs. Nil (Previous year Nil)
- 19 In accordance with Accounting Standard 22 "Accounting for taxes on income" under the Companies (Accounting Standards) Rules 2006, the deferred tax asset of Rs. 23,800,000/- for the year has been recognised in the profit and loss account.
- 20 Import purchases are booked on the basis of the amount actually paid.

### 21 Related Party Transaction

- 1.1 Other related parties where control exists. Somany Evergreen Knits Ltd.  
Kechak Credit & Finvest Ltd.
- 1.2 Key Management Personnel and their relatives  
Shri S. K. Somany, Chairman  
(Shri A. K. Somany, Managing Director is son of Shri S. K. Somany)  
Shri A. K. Somany, Managing Director  
(Shri S. K. Somany, Chairman is father of Shri A. K. Somany)  
Shri Shrikant Bhat, Executive Director  
Shri Shrikant Bhat, Manager, Soma Textile FZE.
- 1.3 The following transactions were carried out with related parties in the ordinary course of business :

Particulars	Key Management personnel and their relatives		Other parties which significantly influence / are influenced by the Company (either individually or otherwise)	
	2009	2008	2009	2008
Rent Paid	-	-	<b>156,000</b>	-
Water & Electricity Charges	-	-	<b>116,868</b>	-
Sales	-	-	<b>1,528,073</b>	34,287,042
Testing Charges	-	-	<b>15,776</b>	10,680
Packing Materials	-	-	-	280,204
Loan Given	-	-	-	-
Investment made	-	-	-	-
Remuneration	<b>2,289,664</b>	2,785,560	-	-
Sitting Fee	<b>7,500</b>	10,000	-	-
Balance outstanding at the year end				
- payable	-	71,197	-	-
- receivable	-	-	<b>64,030</b>	4,982,767

- 22 Amount of exchange rate net fluctuation credited to Profit & Loss Account for the year is Rs. 48,053,525/- (Previous year debited Rs. 6,829,007/-)

### 23 Exceptional Items:

Exceptional items represents foreign exchange fluctuations, retirement compensation and derivative loss.

### 24 Extraordinary Items:

#### Parent Company

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.

#### Subsidiary Company

The company has reported extraordinary item (loss) of AED 14,606,600/- (equivalent of Rs. 185,083,880/-) under the "Extra-ordinary Items" (loss) during the financial year as certified by the auditor of subsidiary company.

**25 Segment Information**

The company has identified more than one reportable primary segment in terms of Accounting Standard 17 (AS 17 - Segment Reporting), pertaining to geographical segment as under.

	(Rs. in Lacs)	
Particulars	2009	2008
<b>1 Segment Revenue</b>		
a) India	15,707	19,260
b) Outside India	15,590	24,942
<b>Total</b>	<b>31,297</b>	44,202
Less: Inter Segment Revenue	-	-
Net sales/income from operation	<b>31,297</b>	44,202
<b>2 Segment Result [Profit (+)/Loss (-) before tax and interest from each segment]</b>		
a) India	(1,940)	115
b) Outside India	(1,944)	2,633
<b>Total</b>	<b>(3,884)</b>	2,748
Less: 1) Interest	1,561	1,095
2) Other un-allocable expenditure net off un-allocable income		
<b>Total Profit before Exceptional Items, Tax &amp; Extraordinary Items</b>	<b>(5,445)</b>	1,727
<b>3 Capital Employed [Segment Assets - Segment Liabilities]</b>		
a) India	10,536	12,674
b) Outside India	29	3,571
<b>Total</b>	<b>10,565</b>	16,245
<b>26 Earning per Share (EPS) :</b>	<b>2009</b>	2008
	<b>Rupees</b>	Rupees
a) <u>Basic :</u>	<b>(20.08)</b>	2.64
Numerator : Net profit after taxation as disclosed in Profit & Loss Account (After Extra Ordinary Items)	<b>(663,219,016)</b>	87,324,439
Denominator :Weighted Average No. of Equity Shares outstanding during the year	<b>33,033,000</b>	33,033,000
b) <u>Diluted :</u>	<b>(20.08)</b>	2.64
Numerator : Net Profit for Diluted EPS (After Extra Ordinary Items)	<b>(663,219,016)</b>	87,324,438
Denominator :Weighted Average No. of Equity	<b>33,033,000</b>	33,033,000
c) The nominal value per Equity Shares is Rs.10/-		

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

**28** 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

Date : 30th June, 2009

**S. K. SOMANY**

Chairman

**A. K. SOMANY**

Managing Director

**R. S. SHARMA**  
Company Secretary

Place : Ahmedabad

Date : 30th June, 2009

# ANNUAL REPORT 2008-2009

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

(Pursuant to the Listing Agreement with Stock Exchanges)

	Rs. In lacs	
	2009	2008
<b>A Cash Flow From Operating Activities</b>		
Net Profit Before Tax & Extra Ordinary Items	(4,916)	1,673
Adjustment for:		
- Depreciation	1,651	1,568
- Profit on Sale of Fixed Assets	(130)	(104)
- Interest (Net)	1,561	1,022
	<u>3,082</u>	<u>2,486</u>
Operating Profit Before Working Capital Changes	<u>(1,834)</u>	<u>4,159</u>
Adjustment for :		
- Trade and other receivables	2,469	(7,503)
- Inventories	945	(630)
- Trade Payables	(660)	679
- Expenditure	29	43
	<u>2,783</u>	<u>(7,411)</u>
Cash Generated From Operations	949	(3,252)
- Interest paid	(1,641)	(1,219)
- Direct Taxes paid	(16)	(8)
	<u>(1,657)</u>	<u>(1,227)</u>
Cash Flow Before Extraordinary Items	<u>(708)</u>	<u>(4,479)</u>
- Extraordinary items	(1,409)	(622)
Net Cash Flow From Operating Activities	<u>(2,117)</u>	<u>(5,101)</u>
<b>B Cash Flow From Investing Activities :</b>		
- Purchase of Fixed Assets	(1,021)	(2,772)
- Sale of Fixed Assets	300	175
- Sale of Investments	-	-
- Interest received	50	199
Net Cash Used In Investing Activities	<u>(671)</u>	<u>(2,398)</u>
<b>C Cash Flow From Finance Activities :</b>		
- Share Application Money	700	-
- Total proceeds from borrowings (Net of repayments)	2,357	1,235
- Transitional provision AS-15- Employees benefit	-	(12)
Net Cash Used In Financing Activities	<u>3,057</u>	<u>1,223</u>
Net Increase In Cash and Cash Equivalent (A+B+C)	269	(6,276)
Cash and Cash Equivalent as on 01.04.2008 (Opening Balance)	594	6,870
Cash and Cash Equivalent as on 31.03.2009 (Closing Balance)	863	594

Place : Ahmedabad  
Date : 30th June, 2009

**R. S. SHARMA**  
Company Secretary

**S. K. SOMANY** Chairman  
**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  
Date : 30th June, 2009

**GYAN PIPARA**  
PARTNER  
Membership No. : 34289

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956  
RELATING TO SUBSIDIARY COMPANY :**

<b>Name of Subsidiary</b>	Soma Textile FZE
<b>Financial year of subsidiary ended on</b>	31.03.2009
<b>Shares of the subsidiary held by the company on the above date</b>	100%
<b>Nos.</b>	2
<b>Face value per share</b>	AED 150,000
<b>Extent of holding</b>	100%
The net aggregate amount of profits or losses for the financial year 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. -379,502,708 (AED -29,949,903)
The net aggregate amount of profits or losses for previous financial years of the subsidiary so far as it concerns the members of the holding company since it became subsidiary of the holding company.	
a. dealt with or provided for in the accounts of the holding company. Nil	NIL
b. not dealt with or provided for in the accounts of the Holding Company.	Rs. 332,420,503 (AED 29,711,245)

Place : Ahmedabad  
Date : 30th June, 2009

**R. S. SHARMA**  
Company Secretary

**S. K. SOMANY** Chairman

**A. K. SOMANY** Managing Director

# ANNUAL REPORT 2008-2009

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## AUDITOR'S 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 2009, 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.

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 UAF 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.  
19 June, 2009

**SOMA TEXTILE FZE  
HAMRIYA FREE ZONE SHARJAH, UNITED ARAB EMIRATES  
BALANCE SHEET AS ON 31ST MARCH, 2009**

	Notes	2009 AED	2008 AED
<b>Assets employed</b>			
<b>Current Assets</b>			
Cash and Bank	5	32,936	32,891
Accounts Receivable	6	71,077,914	100,350,662
Other Assets	7	32,811	32,811
		<u>71,143,661</u>	<u>100,416,364</u>
<b>Current Liabilities</b>			
Accounts Payable	8	(13,004,882)	(11,897,111)
Due to Holding Company	9	(57,904,168)	(58,353,100)
Other Liabilities	10	(23,269)	(4,908)
		<u>(70,932,319)</u>	<u>(70,255,119)</u>
<b>Net Current Assets</b>		<u>211,342</u>	<u>30,161,245</u>
		<u>211,342</u>	<u>30,161,245</u>
<b>Owner's Funds</b>			
Share Capital		300,000	300,000
Statutory Reserve		150,000	150,000
Retained Earnings		(238,658)	29,711,245
		<u>211,342</u>	<u>30,161,245</u>

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

## ANNUAL REPORT 2008-2009

### SOMA TEXTILE FZE HAMRIYA FREE ZONE SHARJAH, UNITED ARAB EMIRATES STATEMENT OF INCOME & APPROPRIATION OF PROFITS FOR THE YEAR ENDED 31ST MARCH, 2009

	Notes	2009 AED	2008 AED
Turnover	11	123,030,586	228,301,487
Cost of turnover	12	(137,912,461)	(203,844,510)
<b>Gross Profit/(Loss)</b>		<b>(14,881,875)</b>	24,456,977
Other expenses	13	(459,158)	(348,328)
Finance charges		(2,270)	(7,089)
		<b>(15,343,303)</b>	24,101,560
Extra ordinary item		(14,606,600)	-
<b>Net Profit/(Loss)</b>		<b>(29,949,903)</b>	24,101,560
Retained Earnings b/f		29,711,245	5,667,935
Current Year Profit		(29,949,903)	24,101,560
Transfer to Statutory Reserve		—	(58,250)
<b>Retained Earnings</b>		<b>(238,658)</b>	29,711,245

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





**SOMA TEXTILE FZE  
HAMRIYA FREE ZONE SHARJAH, UNITED ARAB EMIRATES  
STATEMENT OF SOURCE & APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31ST MARCH, 2009**

	2009 AED
<b>Cash flow from operating activities</b>	
Net profit for the year	(29,949,903)
<b>Changes in operating assets</b>	
Change in trade receivables	29,272,748
Change in accounts payable	1,107,771
Change in accruals & other liabilities.	18,361
	<u>448,977</u>
	(A)
<b>Cash flow from financing activities</b>	
Long term loans	(448,932)
	<u>(448,932)</u>
	(B)
Net increase in cash and cash equivalents	(A+B) 45
Cash and cash equivalents at the beginning of the year	32,891
Cash and cash equivalents at the end of the year	<u>32,936</u>

**SOMA TEXTILE FZE  
HAMRIYA FREE ZONE SHARJAH, UNITED ARAB EMIRATES  
STATEMENT OF CHANGE IN EQUITY  
FOR THE YEAR ENDED 31ST MARCH, 2009**

	Owner's Capital AED	Statutory reserve AED	Retained earnings AED	Total AED
Changes in capital	183,500	91,750	5,667,935	5,943,185
Additional 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 31st March 2008	300,000	150,000	29,711,245	30,161,245
Profit for the year	—	—	(29,949,903)	(29,949,903)
Balance as on 31st March 2009	300,000	150,000	(238,658)	211,342

# ANNUAL REPORT 2008-2009

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## NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2009

### 1 LEGAL STATUS AND BUSINESS ACTIVITY

- a) SOMA TEXTILE FZE is a company with limited liability registered in the Hamriya Free Zone under licence # 3146 issued on 07 November 2007 and renewed up to November 2009. Mr. Shrikant B Bhat, Indian national is the designated Manager of the Company.
- b) The Company is engaged in the Business of general 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 Standard Board. They conform to the International Financial Reporting Standards and are in compliance with the U.A.E. 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 customers.

#### 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 benefit 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 recognized 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 VALUE & 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>2009</u> <u>AED</u>	<u>2008</u> <u>AED</u>
<b>5 CASH &amp; BANK</b>		
Cash in hand	23,771	1,000
Cash at bank	9,165	31,891
	<u>32,936</u>	<u>32,891</u>
<b>6 ACCOUNTS RECEIVABLE</b>		
Accounts receivable	71,077,914	100,350,662
	<u>71,077,914</u>	<u>100,350,662</u>
<b>Ageing analysis</b>		
Less than 30 days	4,653,846	28,580,681
Between 30 & 60 days	9,975,266	26,929,809
Between 60 & 90 days	18,319,619	25,537,758
Above 90 days	38,129,183	19,302,414
	<u>71,077,914</u>	<u>100,350,662</u>
<b>7 OTHER ASSETS</b>		
Sundry Advances, etc.	32,811	32,811
	<u>32,811</u>	<u>32,811</u>
<b>8 ACCOUNTS PAYABLE</b>		
Trade Payables	13,004,882	11,897,111
	<u>13,004,882</u>	<u>11,897,111</u>
<b>9 RELATED PARTY PAYABLES</b>		
Related Party Payables	57,904,168	58,353,100
	<u>57,904,168</u>	<u>58,353,100</u>

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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.

	<u>2009</u> <u>AED</u>	<u>2008</u> <u>AED</u>
<b>10 OTHER LIABILITIES</b>		
Accrued expenses	23,269	4,908
	<u>23,269</u>	<u>4,908</u>
<b>11 TURNOVER</b>		
Total revenue from sales	123,030,586	228,301,487
	<u>123,030,586</u>	<u>228,301,487</u>
<b>12 COST OF TURNOVER</b>		
Materials, labour & direct expenses	137,912,461	203,844,510
	<u>137,912,461</u>	<u>203,844,510</u>
<b>13 OPERATING EXPENSES</b>		
Salaries and benefits	280,843	217,544
Communication & Utilities	30,523	23,493
Legal & professional fees	42,898	10,490
Printing and stationery	9,748	7,679
Other expenses	95,146	89,122
	<u>459,158</u>	<u>348,328</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 71st Annual General Meeting of the above named Company at Jhajharia Committee Room of Merchants' Chamber of Commerce, 15B Hemanta Basu Sarani, Kolkata - 700 001, On Monday, 24th day of August, 2009 at 2-30 P.M.

\_\_\_\_\_  
Member's / Proxy Name in BLOCK LETTERS

\_\_\_\_\_  
Member's/Proxy's signature

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

\*Applicable for investors holding shares in electric form.

----- TEAR HEAR -----

**SOMA TEXTILES & INDUSTRIES LIMITED**

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

**FORM OF PROXY**

Member's Folio No : \_\_\_\_\_

No. of Shares held \_\_\_\_\_

D.P. ID\*

Client ID\*

I/We \_\_\_\_\_ of \_\_\_\_\_

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

of \_\_\_\_\_ or failing him \_\_\_\_\_

of \_\_\_\_\_ as my / our proxy

to vote for me/us and on my/our behalf at the 71st Annual General Meeting of the Company to be held on Monday, 24th day of August, 2009 at 2-30 p.m. and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2009.

\*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.

BOOK-POST

To

*If undelivered, please return to :*  
**SOMA TEXTILES & INDUSTRIES LIMITED**  
Rakhial Road, Ahmedabad - 380 023.