

72nd
Annual Report
2009-2010



**SOMA TEXTILES &
INDUSTRIES LIMITED**



A SOMANY ENTERPRISE
Making technology pay

Annual Report 2009-2010

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Shri R. S. Sharma

AUDITORS

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

BANKERS

Dena Bank
State Bank of India

REGISTERED OFFICE

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

WORKS

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

REGISTRAR & TRANSFER AGENT

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

CONTENTS	PAGE NOS.
Notice	1-8
Directors' Report	9-13
Management Discussion & Analysis	14
Corporate Governance Report	15-24
Auditors' Report	25-27
Balance Sheet	28
Profit and Loss Account	29
Schedules	30-35
Notes on Accounts	36-44
Balance Sheet Abstract	45
Cash Flow Statement	46
Consolidated Accounts	47-66
Subsidiary Accounts	67-72



NOTICE

NOTICE is hereby given that the 72nd Annual General Meeting of the Members of Soma Textiles & Industries Limited will be held at Jhajharia Committee Room of Merchants' Chamber of Commerce, 15B, Hemanta Basu Sarani, Kolkata – 700 001 on, Monday, the 13th day of September, 2010 at 2.00 P.M. to transact the following business :-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 and the Profit & Loss Account for the year ended on that date together with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Shrikant Bhat, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

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

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

(As a Special Resolution)

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") read with Schedule XIII of the said Act (including any statutory modification(s) or re-enactment(s) thereof for the time being in force) and pursuant to the approval of Board of Directors of the Company ("the Board") at the meeting held on 29th May, 2010 and subject further to all such approvals and/or sanctions as may be necessary, the consent of the Company be and is hereby accorded to the re-appointment of Shri A. K. Somany, as a Non-rotating Managing Director of the Company, who shall not be subject to retirement by rotation in terms of Section 255 read with other relevant provisions including Section 257 of the Companies Act, 1956 for a period of 3 (Three) years with effect from 22nd January, 2011 to 21st January, 2014, on the existing remuneration by way of salary, commission, perquisites and allowances as recommended by Remuneration Committee and on the existing terms, conditions and stipulations as contained in the "Draft Agreement" to be entered into between the Company of the ONE PART and Shri A. K. Somany of the OTHER PART, extract of which is also set out in the Explanatory Statement, attached to the Notice of 72nd Annual General Meeting of the Company, and a draft of the AGREEMENT is placed before this meeting and initialed by the Chairman of the Company for the purpose of identification, which agreement is hereby specifically approved and sanctioned with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include Remuneration Committee or any committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution) to alter, vary and modify the terms, conditions and stipulations of the re-appointment of Shri Somany and/or remuneration payable to him and/or agreement as may be agreed to between the Board and Shri Somany, provided however that the remuneration payable to Shri Somany shall not exceed the maximum limits for payment of Managerial remuneration specified in Schedule XIII to the Companies Act, 1956 or any amendments and/or modification(s) thereto or the laws and guidelines as may for time being be in force."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby vested with the sole authority and discretion to consider, grant and/or sanction an annual increment of, upto 20% of the last drawn salary, as the Board may consider fit and proper for Shri Somany."

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

"RESOLVED FURTHER THAT notwithstanding anything contained hereinabove where in any financial year during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, unless otherwise approved by the Central Government, the Company shall pay the Managing Director minimum remuneration per month by way of salary, perquisites, dearness allowance and any other allowances subject to the maximum ceiling calculated in accordance with the scale laid down in Section II of Part II of Schedule XIII to the Companies Act, 1956 as applicable to the Company at the relevant time depending upon the effective capital of the Company or such other limits as may be prescribed by the Central Government from time to time as to minimum remuneration."

"RESOLVED FURTHER THAT in the event of any statutory amendments, modifications, substitutions, relaxations or re-enactments by the Central Government to Schedule XIII to the said Act, the Board of Directors of the Company be and is hereby authorised and empowered to vary, alter, increase, enhance or widen the scope of remuneration including salary, commission, perquisites and/or allowances to the extent but within the maximum permissible limits for payment of managerial remuneration specified in Schedule XIII to the said Act and other applicable provisions, if any, of the Companies Act, 1956 as amended from time to time, without any further reference to the Members of the Company in General Meeting."

ANNUAL REPORT 2009-2010

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

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

By Order of the Board

R.S. SHARMA
Company Secretary

Notes :

1. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to item No. 4 of the accompanying Notice is annexed hereto and forms part of this Notice.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ANOTHER PERSON AS HIS/HER PROXY TO ATTEND AND VOTE ON A POLL, INSTEAD OF HIMSELF/HERSELF. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A BLANK PROXY FORM IS ATTACHED AND IF INTENDED TO BE USED, IT SHOULD BE DULY COMPLETED, STAMPED AND SIGNED AND MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE SCHEDULED TIME OF COMMENCEMENT OF THE MEETING.**
3. Corporate Members/Trust/Society intending to send their authorized representatives for attending the Annual General Meeting are requested to send a duly certified copy of the Board/Managing Committee Resolution authorising their representatives to attend and vote on their behalf at the Annual General Meeting.
4. In case of Joint Holders attending the Meeting only such Joint Holder who is higher in names will be entitled to vote.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, the 6th September, 2010 to Monday, the 13th September, 2010 (both days inclusive).
6. Members are requested to notify change in their address in block letters, if any, quoting their folio number to the Company and/or Sharepro Services (India) Private Limited, the newly appointed Registrar & Transfer Agents (RTA) of the Company.
7. Members/Proxies are requested to bring their copies of the Annual Report to the Meeting.
8. Pursuant to the provisions of Section 205A of the Companies Act, 1956 and the Rules made thereunder, all unclaimed or unpaid dividends upto and including the financial year ended 31st March, 1995 have already been transferred to the General Revenue Account of the Central Government. Members, who have, so far, not claimed or collected their dividends for the said financial years, may claim the same from the Registrar of Companies, West Bengal, Nizam Palace, IInd MSO Building, 234/4 A.J.C. Bose Road, Kolkata – 700 020 by submitting to them an application in Form II, prescribed under the Companies unpaid Dividend (Transfer to General Revenue Account of the Central Government), Rules 1978.
9. Pursuant to the provisions of Section 205A read with Section 205C of the Companies Act, 1956, all the unpaid and/or unclaimed Dividends upto the financial year ended 31st March, 1998 have been transferred to the Investor Education and Protection Fund (“IEPF”) established by the Central Government. The Company has not declared any dividend since financial year ended 31st March 1999.
Shareholders may note that no claim shall lie against the Company or the said Fund in respect of any individual amounts which were unclaimed and unpaid for a period of 7 (Seven) years from the date(s), they first became due for payment, once transferred to the said fund and no payment shall be made in respect of any such claim.
10. As per the provision of Section 109A of the Companies Act, 1956, the Shareholders may avail of the nomination facility in respect of Equity Share held by them by submitting Form 2B (in duplicate) prescribed by the Act, duly completed and signed to the Company’s Registrar & Share Transfer Agents.
11. Members who hold shares in physical form in multiple folios in identical order of names or joint accounts in the same order and names, are requested to send details of such folios together with Share Certificates to the Company’s Registrar & Share Transfer Agents for consolidation into a single folio.
12. Members who wish to obtain any information, on the Company or its Accounts and operation may send their queries to the Company at least 10 days before the Meeting to keep the information ready at the Meeting.
13. Members who hold shares in dematerialised form are requested to bring their Depository ID and Client ID Numbers for easier identification of attendance at the Annual General Meeting.

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

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



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

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

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

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

Item No. 4

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

The Board, at its meeting held on 29th May, 2010, has approved the re-appointment of Shri Somany as a Whole-time Director designated as "Managing Director" for a period of 3(Three) years with effect from 22nd January, 2011, subject however to the approval of the shareholders in the ensuing Annual General Meeting and the Financial Institutions, if required, who have granted financial assistance to the Company and subject further to such other approvals and/or sanctions, as may be required, on the terms and the remuneration permissible under Schedule XIII to the Act as embodied in the Agreement, entered/to be entered into with Shri Somany. Shri Somany shall be a non-retiring Director, who shall not be liable to retire by rotation, in terms of Section 257 of the Act, including other provisions of the Act.

The Board considers that his service will be useful to the Company and that it is in interest of the Company that he be re-appointed as a Whole-time Director, designated as 'Managing Director' of the Company. His appointment and remuneration so fixed by the Board upon recommendation of the Remuneration Committee are in accordance with Schedule XIII to the Companies Act, 1956 ("the Act") and subject to the approval of Members of the Company at the ensuing 72nd Annual General Meeting.

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

a) **Period of Appointment:**

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

b) **Nature of Duties:**

Subject to the superintendence, control and direction of the Board, Shri Somany shall perform such duties and exercise such powers as may from time to time be entrusted to or vested in him by the Board and shall devote the whole of his time and attention to his service as the Managing Director of the Company.

Remuneration :

Shri A. K. Somany (Shri Somany), a Whole-time Director designated as 'Managing Director' (hereinafter referred to as 'the appointee') shall in consideration of his service, be entitled to the following by way of remuneration.

(a) **SALARY:**

At the rate of Rs. 1,00,000/- per month (including Basic & DA) or such amount as may be decided by the Board with the yearly increment effective from the date, as may be considered by the Board. The Board may in its sole discretion, at the recommendation of the Remuneration Committee, consider and grant an annual increment to the Managing Director, subject however to a ceiling on increment of 20% of last drawn salary.

(b) **COMMISSION:**

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

(c) **PERQUISITES:**

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

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

ANNUAL REPORT 2009-2010

CATEGORY – A

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

HOUSING

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

Explanation:

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

MEDICAL REIMBURSEMENT

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

LEAVE TRAVEL CONCESSION

For the appointee and his family once in a year, while on leave, incurred in accordance with the rules of the Company.

CLUB FEES

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

PERSONAL ACCIDENT INSURANCE

Of an amount, the annual premium of which does not exceed Rs.10,000/- per annum.

OTHER BENEFITS AND ALLOWANCES

Any other benefits, facilities and allowances as may be available and allowed to the appointee, as per rules of the Company.

The value of the perquisites for the purpose of calculating the above annual ceiling shall be evaluated as per Income Tax Rules wherever applicable, otherwise at actuals.

Explanation:

For the purpose of Category –'A', family means, the spouse, the dependent children and dependent parents of the appointee.

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

CATEGORY – B

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

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

CATEGORY – C

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

OVERALL REMUNERATION

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

MINIMUM REMUNERATION

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



salary, perquisites and allowances as specified above under the Remuneration Clause, unless otherwise approved by the Central Government. The minimum remuneration proposed to be paid is within the limits laid down under Para I (B) of Section II of Part II of Schedule XIII to the Companies Act, 1956, now in force and as may be amended from time to time. Any payment of remuneration to the appointee in excess of the minimum permissible limit specified under Para I (B) of Section II of Part II of Schedule XIII to the Companies Act, 1956 would require the approval of the Central Government.

SITTING FEE

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

RETIREMENT BY ROTATION

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

OTHER TERMS

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

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

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

TERMINATION

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

SERVICE OF NOTICE

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

In compliance with the provisions of Section 198, 269, 309 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, a Special Resolution as set out in item No. 4 of the accompanying Notice is now being placed before the Members for their approval. The Board recommends passing of the Resolutions set out in item No.4 of the accompanying Notice.

MEMORANDUM OF INTEREST

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

INSPECTION OF DOCUMENTS

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

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

The terms and conditions of appointment and remuneration payable to Shri Somany as Managing Director of the Company, as set out in the Agreement and Explanatory Statement, duly annexed to the accompanying Notice should be treated as an "ABSTRACT" of the terms of his re-appointment and Memorandum of Interest under Section 302 of the Companies Act, 1956.

ANNUAL REPORT 2009-2010

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

I. General Information :-

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

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

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

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

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

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

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

II. Information about the appointee :-

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



SOMA TEXTILES & INDUSTRIES LIMITED

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

III. Other Information :-

-
- | | |
|--|---|
| (1) Reasons for loss or inadequate profits | There is continuous loss in the Company. The operations of the Company were severally affected due to increase in the input cost of major raw materials like cotton, dyes & chemicals, power & fuel and high volatility in foreign exchange market coupled with global recession which lead to lack of demand and drop in consumer sentiments. The Company had to resort to reduce its production. All these factors adversely affected the Company's operations to a greater extent. |
|--|---|
-

ANNUAL REPORT 2009-2010

- (2) Steps taken or proposed to be taken for improvement : The Management is taking necessary and adequate steps to improve workings and profitability of the Company and will continue in its endeavor to improve Company's performance. The Company had been granted, at the request of the Company, a Restructuring Package by Corporate Debt Restructuring (CDR) Cell under the CDR Mechanism of RBI vide Letter of Approval (LOA) No. BY.CDR/AG No. 1110/2008-2009 dated 26th February, 2009 for restructuring the Company's existing financial assistance availed of from the Institutional Lenders and Working Capital Banks, and sanctioning additional financial assistance to the Company to ease out financial distress and constraints to some extent, the Company had been facing in view of continuous loss.
- (3) Expected increase in productivity and profits in measurable terms : The Current Economic Scenario across the Globe has badly affected the Indian Textile Industry, the Company has taken several initiatives to improve upon the Company's profitability. There is an improvement in financial performance in the Company for the year under review where losses have reduced. The Company has incurred a net loss of Rs. 1,868 lacs as against the net loss of Rs. 2,837 lacs in the previous year. Sales of the Company have increased by 32% at Rs. 20,756 lacs as compared to Rs. 15,707 lacs in the previous year.

IV. Disclosures :-

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

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

By Order of the Board

R.S. SHARMA
Company Secretary

**DIRECTORS' REPORT**

Dear Shareholders,

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

1. SUMMARISED FINANCIAL RESULTS:

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

2. DIVIDEND

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

3. RESULTS OF OPERATIONS

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

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

4. COTTON

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

5. EXPORT

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

6. PROSPECT

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

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

ANNUAL REPORT 2009-2010

7. EXPANSION AND MODERNISATION

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

8. SUBSIDIARY COMPANY

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

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

9. CONSOLIDATED FINANCIAL STATEMENT

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

10. CASH FLOW STATEMENT

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

11. INSURANCE

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

12. INTERNAL CONTROL SYSTEMS

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

13. FIXED DEPOSITS

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

14. DIRECTORS

Appointment

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

Cessation

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

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

Rotation

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

15. CORPORATE GOVERNANCE

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



A separate Report on Corporate Governance pursuant to Clause 49 of the Listing Agreement with Stock Exchanges is attached as a separate annexure and forms a part of this Report. A Certificate from Statutory Auditors of the Company regarding compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement is also attached to this 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 Section 217 (2AA) of the Companies Act, 1956 and on the basis of the information received by them, your Directors confirm: –

- (i) That in the preparation of the annual accounts for the financial year ended 31st March, 2010, the applicable accounting standards have been followed along with proper explanation relating to material departures wherever applicable ;
- (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 annual accounts for the financial year ended 31st March, 2010 on a 'going concern' basis.

18. AUDITORS

The Statutory Auditors, M/s Pipara & Company, retire at the 72nd Annual General Meeting of the Company and, being eligible, offer themselves for re-appointment.

The Board of Directors recommends re-appointment of M/s. Pipara & Co. as Statutory Auditors of the Company, subject to necessary approval from the shareholders of the Company at the 72nd AGM.

19. AUDITORS' REPORT

The Auditors' Report to the Shareholders does not contain any qualification. Note no.23 of Schedule 22(B) to the 'Notes on Accounts' referred to by the Statutory Auditors in their Auditors' Report is self-explanatory and therefore do not call for any further elucidation. The Directors' Report should be read in conjunction with the Auditors' Report and Notes to Accounts annexed hereafter.

20. COST AUDITORS

M/s. N. D. Birla & Co., a Cost Accountant firm have been appointed as Cost Auditors of the Company for the financial year ending 31st March, 2011 to conduct an audit of Cost Accounting records of the Company with due sanction of the Central Government.

21. PARTICULARS OF EMPLOYEES

Information on the particulars of employees' remuneration as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Report and Accounts are being sent to all shareholder of the Company excluding the statement of Particulars of Employees' remuneration. Any shareholder, interested in such particulars may write to the Company Secretary at the Registered Office of the Company for a copy of the Statement.

22. ADDITIONAL INFORMATION

Information pursuant to Clause (e) of Sub-Section (1) of Section 217 of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo and forming part of the Directors' Report are given as annexure attached hereto.

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 : 29th May, 2010

(S. K. SOMANY)
Chairman

ANNUAL REPORT 2009-2010

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:
 - Achieved better power factor to get maximum power factor rebate & reduction in Demand Charges by installing power capacitors.
 - Energy efficient light fixtures installed at various production area.
 - Conversion from DC to AC Variable frequency Drives, resulted in saving of Power as well as Production gain due to lesser downtime & increase in speed.
 - Installation of On line Niptex Speed control system on Ringframe machines resulted in increased productivity with same energy consumption.
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:
 - The Company continues to focus on its efforts for further improvement in energy saving in the coming years.
- c) Impact of measures (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :
 - The above measures of energy conservation have resulted in savings of power & fuel during the year under review.
- d) Total energy consumption and energy consumption per unit of production :
 - As per prescribe Form A :

FORM - A

Form of disclosure with respect to Conservation of Energy

A. POWER & FUEL CONSUMPTION

	<u>Current Year</u>	<u>Previous year</u>
1. a. Purchased		
Unit (in thousands KWH)	49,316	40,995
Total Amount (Rs. in lakhs)	2,629.47	1,891.99
Rate / Unit (Rs.)	5.33	4.62
b. Own Generation		
- Through Diesel / FO Generator Unit (in thousands KWH)	—	—
- Unit per Ltr. Of Diesel	—	—
- Cost/Unit (Rs.)	—	—
- Through Steam Turbine /Generator	—	—
2. Coal-Lignite (Specify Quality & where used)		
Quantity (Tons)	11,761	8,381
Total Cost (Rs. in lakhs)	462.06	361.93
Average rate per ton (Rs.)	3,928.66	4,318.39
3. Furnace Oil		
Quantity (KL)	—	—
Total Cost (Rs. in lakhs)	—	—
Average rate per ltr. (Rs.)	—	—
4. Light Diesel Oil / High Speed Diesel		
Quantity (KL)	—	—
Total Cost (Rs. in lakhs)	—	—
Average rate per ltr. (Rs.)	—	—
5. CNG		
Quantity (SCM in thousands)	353	972
Total Cost (Rs. in lakhs)	70.84	254.76
Average rate per SCM (Rs.)	20.04	26.20
6. Others /Internal Generation	N.A.	N.A.

**B. CONSUMPTION PER UNIT OF PRODUCTION**

Products

Standard

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

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

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

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

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

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

2. BENEFITS DERIVED AS A RESULT OF 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 concentrate for the developments of specialized coating fabrics for further penetration in domestic as well as 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

	<u>2009-10</u>	<u>(Rs. in lacs)</u> 2008-09
a) Capital	—	—
b) Recurring	63.75	36.29
c) Total	63.75	36.29
d) Total R&D Expenditure as percentage of turnover	0.31	0.23

B. TECHNOLOGY ABSORPTION, ADOPTION & INNOVATION

- Installed Coating Machine for manufacturing of high end fabrics.
- Installed Online Niptex control system on Ringframe Machines .

C. FOREIGN EXCHANGE EARNING & OUTGO

Used Rs. 355 lacs (Previous year Rs. 615 lacs), Earned Rs.1,685 lacs (Previous year Rs. 3,584 lacs)

On behalf of the Board

Place : Ahmedabad
Date : 29th May, 2010

(S. K. SOMANY)
Chairman

ANNUAL REPORT 2009-2010

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY STRUCTURE

The Indian Textiles Industry has an overwhelming presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textiles industry also play 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 17 percent to the country's export earning. It provides direct employment to over 35 million people, which includes a substantial number of SC/ST, and women. The Textiles sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the economy of the nation.

Opportunities

India's strong performance and growth in the textile sector is aided by several key advantages that the country enjoys, in terms of availability of adequate raw material, large market demand, presence of supporting industries and supporting policy initiatives from the government.

There is also lot of opportunities in the domestic apparel market. The Indian apparel market is moving away from the traditional segmentation to a much deeper and wider segmentation based on customer needs. Some of the segments that are potential opportunities to watch out for are; Women's wear, Casual wears, Kids wear, School Uniforms, Inner Wear, Plus Size Clothing, Active Wear / Exercise wear, Swimwear, and Youth fashion / College fashion. Rural, mass and ethnic wear are huge opportunities that the popularly overlooked in favor of urban, premium and western wear.

Challenges

The Textile sector is largely fragmented. It is also hampered by a shortage of trained and specialized human capital, weak labour laws, and frail logistics and supply chain system. Besides that, the volatility in the raw material prices, foreign exchange fluctuation, higher interest cost, high labour 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 RESOURCES MANAGEMENT

The Company continued to have cordial and harmonious relations with its employees. It consider manpower as its asset and that people had been the driving force for growth and expansion of the Company.

3. INFORMATION TECHNOLOGY

Today, Information Technology plays a vital role in the highly competitive business scenario. Understanding this, the company had implemented fully integrated SAP ERP system. The system saves time in decision making and helps in 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, 2010, 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 eminent persons with professional expertise and experience except Shri S. K. Somany, who is an Industrialist. The maximum gap between any two meetings of the Board was less than four months which is in conformity with the requirement of Clause 49 of the Listing Agreements entered into with the Stock Exchange(s) where the Company's Shares/Securities are listed. The composition of the Board of Directors are as follows:-

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

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

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

(#) Appointed as a Director in the casual vacancy caused by resignation of Shri Ashok C. Gandhi w.e.f. 30.01.2009 and subsequently appointed as regular Director at the AGM held on 24.08.2009.

(##) Appointed as an additional Director w.e.f. 30.05.2009 and subsequently appointed as regular Director at the AGM held on 24.08.2009.

(\$) Appointment as Nominee Director on the Board by IDBI Bank Ltd. w.e.f. 26.05.2009 and nomination withdrawn by IDBI Bank Ltd. w.e.f. 19.04.2010.

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

ANNUAL REPORT 2009-2010

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 2009-10, Five Board Meetings were held on 30.05.2009, 30.06.2009, 31.07.2009, 31.10.2009 and 30.01.2010. The last, 71st Annual General Meeting held on 24.08.2009. 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	5	Yes
Shri A. K. Somany	4	No
Shri Prafull Anubhai Shah (*)	1	No
Shri Shrikant Bhat	1	No
Shri B. K. Hurkat	5	No
Shri B. L. Dhoot	3	Yes
Shri B. H. Parghi	4	No

(*) Attended the Board Meeting held on 30th May, 2009 and resigned at the same meeting.

(c) Details of shares held by Non-Executive Directors as on 31st March, 2010 :

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, 2010. The Company does not have any convertible instruments and Employees Stock Option under the Scheme as at 31st March 2010.

(d) Code of Conduct

The Board has laid down a Code of Conduct for all its Board Members and senior Management Personnel, as approved by the Board and the same is being abided by all of them. The Company has obtained the confirmation of the compliance with the Code from all its Board Members and Senior Management Personnel for the year under review. The Code of Conduct is available on the Company's website www.somatextiles.com. A declaration to this effect signed by the Managing Director (CEO) is forming part of this report.

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

Shri Shrikant Bhat (Shri Bhat), an Executive Director of the Company retires by rotation at the ensuing 72nd Annual General Meeting of the Company and is eligible for re-appointment.

The tenure of Shri A. K. Somany (Shri Somany), the Managing Director will expire by efflux of time on 21st January, 2011. The Board of Directors of the Company have recommended his re-appointment as the Managing Director for the next 3 years commencing from 22nd January, 2011, on the existing terms and conditions including remuneration payable to him and accordingly a Special Resolution has been recommended to the members of the Company to seek their approval to his appointment.

The brief profile of Shri Bhat and Shri Somany and their other relevant particulars are furnished in the Notice convening the 72nd Annual General Meeting of the Company to be held on 13th September, 2010.

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.

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, 2010, the Audit Committee consisted of 4(Four) members, of this, 3 (Three) Non-Executive Independent Directors and 1 (One) Non-Executive Promoter Director were members of the Committee. Thus the Committee consisted of majority of Non-Executive and Independent Directors as per the requirement of Corporate Governance. The Committee was chaired by Shri B. K. Hurkat, the Non-Executive Independent Director. All the Members of the Audit Committee are financially literate including the Chairman of the Audit Committee who has financial management expertise. The Managing Director and Head of finance & accounts are permanent invitees of the Committee Meetings. The Statutory Auditors, Cost Auditors and Internal Auditors are also invited to the Committee Meetings. Shri B. L. Dhoot, who was appointed as the Chairman of the Audit Committee at the Board Meeting held on 31st July, 2009, for the limited purpose for attending the 71st Annual General Meeting (AGM) due to non availability of Shri B. K. Hurkat, the Chairman of the Audit Committee because of his pre occupation, attended the 71st AGM held on 24th August, 2009 to answer Shareholders queries and immediately after the conclusion of AGM Shri Dhoot ceased to Chairman of the Audit Committee. Shri R. S. Sharma, Company Secretary acts as Secretary to the Committee.

c) Meetings

During the year five Audit Committee meetings were held on 30.05.2009, 30.06.2009, 31.07.2009, 31.10.2009 & 30.01.2010. The maximum gap between any two meetings was less than four months. The Minutes of the Audit Committee are circulated to the Board, discussed and taken note of.

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

Name of the Member	Category of Directorship	Status	No. of Meetings attended
Shri B. K. Hurkat (*)	Non-Executive Director-Independent	Chairman	5
Shri S. K. Somany	Non-Executive Director-Promoter	Member	5
Shri B. L. Dhoot (**)	Non-Executive Director-Independent	Member	3
Shri B. H. Parghi (***)	Non-Executive Director-Independent	Member	4
Shri Shrikant Bhat (#)	Executive Director-Non-Independent	Member	1
Shri Anoop Sharma (##)	Non-Executive Director-Independent	Member	NA
Shri Prafull Anubhai Shah(\$)	Non-Executive Director-Independent	Chairman	1

(*) Appointed as Chairman of Audit Committee upon resignation of Shri Prafull Anubhai Shah as a member of Committee w.e.f. 30.05.2009.

(**) Appointed as a Member of Audit Committee w.e.f. 30.05.2009.

(***) Appointed as Member, w.e.f. 30.05.2009 and withdrawn of nomination of Shri B. H. Parghi from the Board by IDBI Bank Ltd. w.e.f. 19.04.2010 and thereby ceased to be a member of Audit Committee w.e.f. 19.04.2010.

(#) Ceased as a Member of Audit Committee w.e.f. 30.06.2009.

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

(\$) Resigned as a Member of Audit Committee w.e.f. 30.05.2009

ANNUAL REPORT 2009-2010

(B) REMUNERATION COMMITTEE

As on 31st March 2010, the Remuneration Committee consisted of 4 (Four) Non-Executive Directors, three of whom, including the Chairman Shri B. L. Dhoot (appointed w.e.f. 30.05.2009), Shri B. K. Hurkat (appointed on 30.01.2009) and Shri B. H. Parghi (appointed on 30.05.2009 and resigned w.e.f. 19.04.2010) were independent Non-Executive Directors and Shri S. K. Somany, was the Non-Executive Chairman & Promotor Director of the Company. Shri B. L. Dhoot was appointed as Chairman of this Committee in place of Shri Prafull Anubhai Shah who had 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, 2009 to review and recommend annual increments to the Whole-time directors. All the members attended the said Meeting. Shri B. H. Parghi, ceased to be a Member of this Committee w.e.f. 19th April, 2010 upon withdrawal of his nomination by IDBI Bank Limited and instead the Board of Directors has appointed Shri Anoop Sharma, Nominee Director appointed by IDBI Bank Ltd. on the Board of the Company w.e.f. 19th April, 2010.

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

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

Name of Director	Basic Salary & Allowances (Rs.)	Perquisites (Rs.)	Contribution to Provident Fund (Rs.)	Sitting Fees (Rs.)	Total (Rs.)
Shri S. K. Somany	—	—	—	12,500	12,500
Shri A. K. Somany	16,20,000	—	1,44,000	—	17,64,000
Shri Shrikant Bhat	7,58,519	2,06,688	82,031	—	10,47,238
Shri Prafull Anubhai Shah	—	—	—	2,500	2,500
Shri B. H. Parghi	—	—	—	10,000	10,000
Shri B. L. Dhoot	—	—	—	7,500	7,500
Shri B. K. Hurkat	—	—	—	12,500	12,500

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

The appointment of Shri A. K. Somany, Managing Director is contractual for a period of 3(Three) years commencing from 22nd January, 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 present tenure of Shri Somany ends on 21st January, 2011. The Board of Directors have approved the re-appointment of Shri Somany for a next term of 3(Three) years, on the existing remuneration consisting of salary, commission, perquisite and their allowances & benefits and on the existing terms, conditions and stipulation as contained in the Draft agreement proposed to be entered into between the Company and Shri Somany.

The requisite resolution has accordingly been recommend by the Board to the Member of the Company at the forthcoming Annual General Meeting scheduled to be held on 13th September, 2010.

The brief profile of Shri Somany and other relevant particulars relating to him are furnished in the Notice convening the 72nd Annual General Meeting of the Company to be held on 13th September, 2010.

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 31.03.2010, the Shareholders'/Investors' Grievance Committee comprised of 4 (Four) members, of this, 2 (Two) members are Non-Executive Independent Directors, 1 (One) is Non-Executive Non-Independent Promoter Director who is Chairman of the Committee and 1 (One) is Executive Non-Independent Promoter Director. The Committee met four times during the year on 30.06.2009, 30.09.2009, 31.12.2009 and 31.03.2010. 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	3
Shri B. K. Hurkat	Non-Executive Independent Director	Member	4
Shri B. L. Dhoot (#)	Non-Executive Independent Director	Member	1

(#) Nominated and appointed as member of the Committee with effect from 30.05.2009.

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 1 (One) complaint from shareholders, which was resolved to the satisfaction of shareholders.

(D) SHARE TRANSFER COMMITTEE**a) Terms of reference**

The Company has constituted a Share Transfer Committee to consider and process various requests for transfer of shares, issue of duplicate Shares, split/consolidation of shares and thereupon issue of fresh share certificates, transmissions or transposition of shares.

b) Composition

As on 31st March, 2010 the Share Transfer Committee comprised of one Non-Executive Non-Independent Promoter Director as Chairman, Two Non-Executive Independent Directors and One Executive Non-Independent Promoter Director as members of the Committee. During the year, the Committee had 12 (Twelve) Meetings for approval of transfer of shares lodged with the Company and the attendance of members was as follows:

Name of the Member	Category of Directorship	Status	No. of Meetings attended
Shri S. K. Somany	Non-Executive Non-Independent Promoter Director	Chairman	6
Shri A. K. Somany	Executive Non-Independent Promoter Director	Member	11
Shri B. K. Hurkat	Non-Executive Independent Director	Member	12
Shri B. L. Dhoot (#)	Non-Executive Independent Director	Member	3

(#) Nominated and appointed as member of the Committee with effect from 30.05.2009.

There were no valid share transfers pending for registration for more than 30 days as on 31.03.2010

(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

ANNUAL REPORT 2009-2010

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, 2010, the Committee comprised of 3(Three) Directors namely Shri A. K. Somany (Managing Director) who is Non-Independent, Shri B. K. Hurkat and Shri B. L. Dhoot (appointed w.e.f. 30.05.2009), the Independent Directors. Any two Directors, comprising of Managing Director shall form the quorum of the Meeting. There was no occasion to convene meeting of the Executive Committee during the year ended 31st March, 2010 to consider and review the Limited Review Report of the Statutory Auditors of the Company.

4. SUBSIDIARY COMPANY

Soma Textile FZC, Sharjah, U.A.E. (formerly Soma Textile FZE, Sharjah, U.A.E.) has ceased to be an overseas wholly owned subsidiary of Soma Textiles & Industries Ltd., India with effect from 31st March, 2010 upon dilution of its holding to 40% from 100% in the Paid-up Capital of the overseas subsidiary upon receipt of application money, from two applicants in UAE, of AED 225000 per applicant aggregating to AED 450000 and subsequent allotment and issue of additional 225 shares of AED 1000 per share to each of them aggregating to 450 shares of an aggregate value of AED 450000 after the closure of business hours as on 31st March 2010. The Company has not subscribed to the additional shares offered to the Company on first priority basis. This subsidiary is 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
2008-09	71st	24.08.2009	2-30 P.M.	Jhajharia Committee Room of Merchants' Chamber of Commerce, 15B, Hemant Basu Sarani, Kolkata - 700 001.
2007-08	70th	04.09.2008	3-00 P.M.	-same as above-
2006-07	69th	17.09.2007	2-00 P.M.	-same as above-

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

In the AGM held on

Subject matter of the resolution

24th August, 2009

None

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.

No Special Resolution was passed through Postal Ballot during the financial year ended on 31st March, 2010 and no Special Resolution is proposed to be conducted through Postal Ballot in the ensuing AGM.

6. DISCLOSURES

- 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 31.03.2010.
- 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.
- 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

- 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.



SOMA TEXTILES & INDUSTRIES LIMITED

(ii) Newspaper wherein results normally published	Financial Express (English), Kolkata Kalantar (Bengali), Kolkata
(iii) Any Web Site, where displayed	In terms of the provisions of Clause 51 of the Listing Agreement pertaining to Electronic Data Information Filing and Retrieval (EDIFAR) System, the requisite Quarterly Financial Results, Annual Financial Results, Corporate Governance Reports and Shareholding Pattern are posted regularly on the Web Site viz. www.sebiedifar.nic.in . However SEBI, vide its circular no. CIR/CFD/DCR/3/2010 dated April 16, 2010 has discontinued EDIFAR System w.e.f. April 1, 2010 and instead put in place a new portal viz. Corporate Filing and Dissemination System (CFDS) jointly owned and maintained by NSE and BSE to view information filed by the listed Companies. The Company has its own website www.somatextiles.com where information about the Company is displayed and regularly updated.
(iv) Whether it also displays official News releases	No
(v) The representations made to Institutional Investors or to the Analysts	No
(vi) Management Discussion and Analysis Report (MD&A)	The Management Discussion and Analysis Report is a part of the Annual Report.

8. GENERAL SHAREHOLDERS' INFORMATION

(i) Annual General Meeting:

The 72nd Annual General Meeting is proposed to be held on Monday, the 13th September, 2010 at 2:00 P.M. at Jhajharia Committee Room of Merchants' Chamber of Commerce, 15B, Hemant Basu Sarani, Kolkata - 700 001.

(ii) Financial year :

2010-2011 (1st April to 31st March)

First Quarterly results	Within 45 days of end of June quarter 2010
Second Quarterly Results	Within 45 days of end of September quarter 2010
Third Quarterly Results	Within 45 days of end of December quarter 2010
Audited Financial Results for the year ended 31.03.2011	Before end of May'2011

(iii) Date of Book Closure:

Monday, the 6th September, 2010 to Monday, the 13th September, 2010 (both days inclusive).

(iv) Dividend Payment Date:

No dividend has been declared by the Company for the financial year 2009-10.

(v) Listing on Stock Exchanges

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

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

NOTE:

- Listing fees have been paid to the Stock Exchanges for the year 2010-11.
- The Calcutta Stock Exchange Association Ltd., has vide its Letter No. CSEA/ID/223/2008 dated 16th April, 2008, confirmed the delisting of Company's Shares from the official List of their exchange. However Equity Shares have been allowed to be traded under the "Permitted Category" on the Exchange considering the interest of General Investors in the Company.

ANNUAL REPORT 2009-2010

(vi) Stock Code

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

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

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

Months	NSE		BSE	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2009	10.20	8.70	10.26	8.63
May 2009	13.50	8.55	13.25	8.63
June 2009	16.10	10.20	16.10	10.20
July 2009	12.40	9.00	12.30	9.03
August 2009	12.60	11.00	12.65	11.00
September 2009	14.15	11.40	14.10	11.40
October 2009	14.25	9.70	14.18	9.60
November 2009	10.85	8.75	10.90	9.07
December 2009	13.70	10.00	13.80	10.01
January 2010	14.10	10.75	14.15	10.91
February 2010	12.35	10.00	12.29	10.00
March 2010	11.25	8.90	10.85	9.05

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

Months	BSE		BSE Index	
	High (Rs.)	Low (Rs.)	High	Low
April 2009	10.26	8.63	11492.10	9546.29
May 2009	13.25	8.63	14930.54	11621.30
June 2009	16.10	10.20	15600.30	14016.95
July 2009	12.30	9.03	15732.81	13219.99
August 2009	12.65	11.00	16002.46	14684.45
September 2009	14.10	11.40	17142.52	15356.72
October 2009	14.18	9.60	17493.17	15805.20
November 2009	10.90	9.07	17290.48	15330.56
December 2009	13.80	10.01	17530.94	16577.78
January 2010	14.15	10.91	17790.33	15982.08
February 2010	12.29	10.00	16669.25	15651.99
March 2010	10.85	9.05	17793.01	16438.45

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

Sharepro Services (India) Pvt. Ltd.

Unit: Soma Textiles & Industries Limited

13 AB, Samitha Warehousing Complex, Sakinaka Telephone Lane, Sakinaka, Andheri East, Mumbai-400 072

Phone No.: 022-67720300/67720400, Fax: 022-28591568 E-mail : sharepro@shareproservices.com

and/ or

Branch office at :

Devnandan Mall, Office No. 416-420, 4th Floor, Opp. Sanyas Ashram, Ashram Road, Ellis Bridge, A'bad-380 006

Phone No.: 079 26582381 to 84, Fax: 079 26582385

(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. Share Transfer Committee of the Board has been authorised to approve transfers of shares.

**(xi) Distribution of shareholding:**

(a) The shareholding distribution of equity shares as at 31st March,2010 is given below:

Shareholding No.		Shareholders		Shareholding	
From	To	Number	% of total	Number	% of total
1	500	9,325	79.84	18,36,991	5.56
501	1000	1,068	9.14	9,40,485	2.85
1001	2000	570	4.88	9,48,177	2.87
2001	3000	221	1.89	5,83,416	1.77
3001	4000	92	0.79	3,35,745	1.02
4001	5000	105	0.90	5,07,041	1.53
5001	10000	142	1.22	10,75,574	3.25
10001	Above	157	1.34	2,68,05,571	81.15
Total		11,680	100.00	3,30,33,000	100.00

(b) Shareholding pattern as at 31st March, 2010

Category	No. of shares held	% shares holding
Promoters	1,46,57,241	44.37%
Resident Individuals	76,72,984	23.23%
Private Corporate Bodies	39,89,595	12.08%
Financial Institution & Banks, Govt., Insurance Companies and Mutual Funds	12,388	0.04%
OCBs and NRIs	93,792	0.28%
Foreign Institutional Investors	6,607,000	20.00%
Total	3,30,33,000	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, 2010,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 2009-2010

DECLARATION OF CODE OF CONDUCT

To
The Members of
Soma Textiles & Industries Limited

Sub : Declaration by the Managing Director (CEO) under Clause 49(l)(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, 2010.

Place : Ahmedabad
Date : 30th April, 2010

(Arvind Kumar Somany)
Managing Director (CEO)

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

To the Members of
Soma Textiles & Industries Ltd.

We have examined the compliance of conditions of corporate governance by **M/s. Soma Textiles & Industries Ltd.**, for the year ended on **31st March 2010**, 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
Firm Registration No. 107929W

Place : Ahmedabad
Date : 29th May, 2010

GYAN PIPARA
PARTNER
Membership No.034289



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, 2010** and also the Profit and Loss Account and Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper report adequate for the purposes of our audit have been received from the branches not audited by us. **The financial records of Baramati branch of company have been audited by Shankarlal Jain & Associates, Chartered Accountants, Mumbai, a copy of whose report has been forwarded to us.** We have relied on that report and have appropriately dealt with the same in our report;
- (iii) The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account and with the audited reports from the 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, 2010, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March, 2010 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, **and particularly Note No. 23 of Schedule 22(B) of Notes on Accounts**, the said accounts read together with notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
 - (b) In the case of the Profit and Loss Account, of the **LOSS** for the year ended on that date; and
 - (c) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For PIPARA & COMPANY
CHARTERED ACCOUNTANTS
Firm Registration No. 107929W

Place : Ahmedabad
Date : 29th May, 2010

GYAN PIPARA
PARTNER
Membership No.034289

ANNUAL REPORT 2009-2010

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 2010.

- (i) (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a phased programme of physical verification of fixed assets which, in our opinion, is reasonable having regard to the size of the company and nature of its assets. In accordance with this programme, the management has verified fixed assets during the year and no material discrepancies have been noticed on such verification.
- (c) In our opinion, the Company has not disposed off a substantial part of its fixed assets during the year and the going concerns status of the company is not affected.
- (ii) (a) The management conducts regular physical verification of inventory at reasonable intervals.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory. Some immaterial discrepancies were noticed on physical verification which have been properly dealt with in the books of account.
- (iii) (a) The company has granted interest free loan to its 100% subsidiary, Soma Textiles FZE. Total amount outstanding on 31st March 2010 was Rs.707,878,454/-.
- (b) The terms and conditions of loans given by the company are prima facie not prejudicial to the interest of the company.
- (c) As there is no stipulation made for repayment of loan by subsidiary, we are unable to report on regularity of receipt of principal amount.
- (d) As there is no stipulation of repayment of loan by subsidiary, we are unable to report on 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.
- (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 internal audit system commensurate with its size and nature of its business, which may be further strengthened.
- (viii) In our opinion, the company has maintained proper cost records prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act. However, we are not required to carry out and have not carried out any detailed examination of such accounts and records.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of books of account, we are of the opinion that the company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities. At the end of the year, there were no undisputed dues payable for a period of more than six months from the date they became payable.



SOMA TEXTILES & INDUSTRIES LIMITED

- (b) As on 31st March 2010, according to records of the company, some statutory dues were disputed and not deposited as given below:

Name of Statute	Nature of Dues	Amount (Rs.)	Period to which its relates	Forum where dispute is pending
Central Excise Act, 1944	Penalty for filing wrong declaration	25,428	1996-97 1997-98	CEGAT, Mumbai and the Hon'ble High Court of Gujarat, Ahmedabad.
Central Excise Act, 1944	Recovery of CENVAT	158,973	2004-05	The Dy. Commissioner of C. Excise, Div-I, Ahmedabad.
Central Excise Act, 1944	Recovery of additional TTA duty of Yarn captively consumed	2,485,486	2002-03	The Dy. Commissioner of C. Excise, Div-III, Ahmedabad.
Central Excise Act, 1944	Refund claim for amount short received against refund claim of yarn duty after adjusting the old recovery	97,711	2005-06	Commissioner of Central Excise, (Appeals), Ahmedabad
Central Excise Act, 1944	Demand for service tax on goods transport	444,139	2005-06	Dy. Commissioner Service Tax Div - II
Central Excise Act, 1944	Demand for excise on scrap sale	251,047	2006-07	Asst. Commissioner of Central Excise.
Central Excise Act, 1944	Demand for old duty	50,179	2008-09	CESAT, West Zone, Ahmedabad
Gujarat Sales Tax Act, 1969	Additional Sales Tax	617,257	1997-98 1998-99 &2000-01	Gujarat Value Added Tax Tribunal

- (x) The company has accumulated losses at the end of the financial year but the same are less than 50% of its net worth. It has incurred cash losses in the financial year as well as in the immediately preceding financial year.
- (xi) Company is under Corporate Debt Restructuring (CDR) package under scheme of RBI which was duly approved and implemented. Company has not defaulted in repayment of dues to any financial institution or bank as per reschedule under CDR package.
- (xii) In our opinion and according to explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly this clause does not apply.
- (xiii) The company is not a chit fund / nidhi company / mutual benefit 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.
- (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
Firm Registration No. 107929W

Place : Ahmedabad
Date : 29th May, 2010

GYAN PIPARA
PARTNER
Membership No.034289

ANNUAL REPORT 2009-2010

BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedule	2010 Rupees	2009 Rupees
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	332,274,680	332,274,680
Share Application Money	1	97,500,000	70,000,000
Reserves and Surplus	2	464,575,397	651,360,520
		894,350,077	1,053,635,200
LOAN FUNDS			
Secured Loans	3	1,837,909,918	1,846,318,196
Unsecured Loans	4	4,356,259	4,356,259
		1,842,266,177	1,850,674,455
DEFERRED TAX LIABILITY			
[Refer note 17 of Schedule 22 (B)]		—	74,992,047
TOTAL		2,736,616,254	2,979,301,702
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	2,703,483,684	2,648,226,943
Accumulated Depreciation		(1,344,213,543)	(1,184,808,285)
Net Block		1,359,270,141	1,463,418,658
Capital work-in-progress		786,480	19,003,453
		1,360,056,621	1,482,422,111
INVESTMENTS			
DEFERRED TAX ASSETS	6	3,442,561	3,442,561
[Refer note 17 of Schedule 22 (B)]		21,407,953	—
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	619,782,831	511,303,378
Sundry Debtors	8	225,091,784	160,642,630
Cash and Bank Balances	9	42,365,351	85,844,366
Other Current Assets	10	83,415,665	73,404,236
Loans and Advances	11	752,783,026	841,510,588
		1,723,438,657	1,672,705,198
LESS: CURRENT LIABILITIES AND PROVISIONS			
Liabilities	12	347,843,114	161,997,348
Provisions	13	34,045,651	34,372,140
		(381,888,765)	(196,369,488)
Net Current Assets		1,341,549,892	1,476,335,710
MISCELLANEOUS EXPENDITURE			
(to the extent not written off or adjusted)	14	10,159,227	17,101,320
TOTAL		2,736,616,254	2,979,301,702
NOTES ON ACCOUNTS			
22			

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

S. K. SOMANY Chairman

GYAN PIPARA
PARTNER
Membership No. : 034289
Place : Ahmedabad
Date : 29th May, 2010

A. K. SOMANY Managing Director

R. S. SHARMA
Company Secretary

Place : Ahmedabad
Date : 29th May, 2010

**SOMA TEXTILES & INDUSTRIES LIMITED****PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010**

	Schedule	2010 Rupees	2009 Rupees
INCOME			
Sales		2,075,558,565	1,570,737,723
Other income	16	80,186,174	95,293,619
TOTAL		2,155,744,739	1,666,031,342
EXPENDITURE			
Manufacturing & Other Expenses	17	2,027,741,920	1,693,751,638
Financial Cost	15	157,610,532	157,306,070
Depreciation	5	165,502,481	165,059,452
TOTAL		2,350,854,933	2,016,117,160
LOSS BEFORE PRIOR PERIOD ITEM / EXCEPTIONAL ITEMS AND TAX		195,110,194	350,085,818
PRIOR PERIOD ITEMS-INCOME [Refer note 21 of Schedule 22 (B)]		(1,180,602)	—
EXCEPTIONAL ITEMS [Refer note 22 of Schedule 22 (B)]		89,236,102	(44,150,523)
LOSS BEFORE TAXATION		283,165,694	305,935,295
Provision for Income Tax		—	—
Provision for Fringe Benefit Tax		—	468,000
Income Tax paid for earlier years		19,429	1,113,013
Provision for Deferred Tax		(96,400,000)	(23,800,000)
NET LOSS AFTER TAXATION		186,785,123	283,716,308
Balance brought forward from Previous year		229,619,507	(54,096,801)
BALANCE BEING LOSS CARRIED TO BALANCE SHEET		416,404,630	229,619,507
Basic and Diluted Earnings per Share of Rs. 10 each (in Rupees) [Refer note 25 of schedule 22(B)]			
- Basic Earning Per Share		(5.65)	(8.59)
- Diluted Earning Per Share		(5.65)	(8.59)

NOTES ON ACCOUNTS

22

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

S. K. SOMANY Chairman

GYAN PIPARA
PARTNER
Membership No. : 034289
Place : Ahmedabad
Date : 29th May, 2010

A. K. SOMANY Managing Director

R. S. SHARMA
Company Secretary

Place : Ahmedabad
Date : 29th May, 2010

ANNUAL REPORT 2009-2010

SCHEDULES TO THE ACCOUNTS

	2010 Rupees	2009 Rupees
SCHEDULE 1 : SHARE CAPITAL		
AUTHORISED		
50,000,000 (50,000,000) Equity Shares of Rs. 10/- each	500,000,000	500,000,000
	500,000,000	500,000,000
ISSUED, SUBSCRIBED & PAID-UP		
33,033,000 (Previous year 33,033,000) Equity Shares of Rs.10/- each fully paid-up including 3,185,000 Equity Shares allotted as fully paid up Bonus Shares by capitalisation of General Reserve.	330,330,000	330,330,000
Add : Share forfeiture account (385,300 Equity Shares)	1,944,680	1,944,680
	332,274,680	332,274,680
SHARE APPLICATION MONEY		
	97,500,000	70,000,000
NOTE :		
Share Application Money represents, contribution received from the promoters of the Company for funding the cost of the Restructuring Scheme as stipulated under Corporate Debt Restructuring (CDR) Scheme sanctioned to the Company by way of Right Issue of Shares.		
	429,774,680	402,274,680
SCHEDULE 2 : RESERVES & SURPLUS		
GENERAL RESERVE		
As per last Balance Sheet	1,858,013	1,858,013
CAPITAL RESERVE		
As per last Balance Sheet	57,144	57,144
SHARE PREMIUM ACCOUNT		
As per last Balance Sheet	871,364,869	871,364,869
DEBENTURE REDEMPTION RESERVE		
As per last Balance Sheet	7,700,001	7,700,001
PROFIT & LOSS ACCOUNT		
As per Annexed Account (Being Loss)	(416,404,630)	(229,619,507)
	464,575,397	651,360,520

**SOMA TEXTILES & INDUSTRIES LIMITED**

	2010 Rupees	2009 Rupees
SCHEDULE 3 : SECURED LOANS		
DEBENTURES		
308,000 (Previous year 308,000) 15% Secured Redeemable Non Convertible Debentures of Rs. 100/- each	21,110,614	19,124,556
TERM LOANS		
Rupee Loans	1,129,848,387	1,097,779,984
Derivative Rupee Term Loan	84,712,668	80,204,841
WORKING CAPITAL LOANS		
Rupee Loans	601,853,840	591,514,560
Foreign Currency Loans	—	57,313,600
LEASEHOLD LIABILITY		
	384,409	380,655
	<u>1,837,909,918</u>	<u>1,846,318,196</u>

NOTES :

- a) Term Loans of Rs.10549 Lacs and Debentures of Rs. 183 Lacs of the company were restructured under Corporate Debt Restructuring (CDR) scheme during the Previous year 2008-09.
- b) All the Term Loans and Debentures duly restructured and 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 Funded Interest on Term Loans and Debentures are 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) Funded Interest on Term Loans, Debentures, Derivative Rupee Term Loan and 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 are secured by way of pari passu third charge on the fixed assets and immovable properties of the company ranking third and subservient in point of priority to the charges created or to be created in favour of the existing lenders. The said loan is additionally secured by personal guarantee of Shri A K Somany - Managing Director of the Company. Repayment of this Term Loan is subjected to availability of cash flow on subservient basis as per stipulation given under Corporate Debt Restructuring (CDR) scheme. The ICICI bank has filed its consent terms to Debt Recovery Tribunal (DRT) as per Corporate Debt Restructuring (CDR) scheme with regard to provision of Derivative loss in restructuring scheme as a secured debt by way of Derivate Rupee Term Loan.
- 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 first charge by way of hypothecation of finished and semi finished stock, stock of raw materials, stores, stock in transit and book debts and by second charge over movable and immovable properties both present and future. These limits are additionally secured by personal guarantees of Shri S. K. Somany -Chairman and Shri A. K. Somany - Managing Director.
- j) Installments of Term Loans due within one year are Rs. 99,054,250/- (Previous year Rs. 32,617,041/-)
- k) Term Loans include vehicle loans amounting to Rs. Nil (Previous year 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

Trade Deposits	16,500	16,500
Sales Tax Deferment Loan	4,339,759	4,339,759
	<u>4,356,259</u>	<u>4,356,259</u>

ANNUAL REPORT 2009-2010

SCHEDULE 5 : FIXED ASSETS

(Rupees)

	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	Balance as on 01.04.2009	Additions	Deletions / Adjustments	Balance as on 31.03.2010	Balance as on 01.04.2009	Charge for the Year	Deletions / Adjustments	Balance as on 31.03.2010	As at 31st March 2010	As at 31st March 2009
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	292,620,155	23,096,767	—	315,716,922	66,534,969	9,147,974	—	75,682,943	240,033,979	226,085,186
- Leasehold	930,809	—	—	930,809	34,085	15,172	—	49,257	881,552	896,724
Plant & machinery	2,318,924,639	35,796,047	6,691,234	2,348,029,452	1,100,007,716	154,487,262	5,478,020	1,249,016,958	1,099,012,494	1,218,916,923
Furniture, Fixtures & other equipments	20,447,179	3,796,889	—	24,244,068	14,066,632	787,892	—	14,854,524	9,389,544	6,380,547
Vehicles	12,214,059	53,389	795,117	11,472,331	4,164,883	1,064,181	619,203	4,609,861	6,862,470	8,049,176
Total	2,648,226,943	62,743,092	7,486,351	2,703,483,684	1,184,808,285	165,502,481	6,097,223	1,344,213,543	1,359,270,141	1,463,418,658
Capital work in progress	19,003,453	786,480	19,003,453	786,480	—	—	—	—	786,480	19,003,453
Total	2,667,230,396	63,529,572	26,489,804	2,704,270,164	1,184,808,285	165,502,481	6,097,223	1,344,213,543	1,360,056,621	1,482,422,111
Previous year	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	

2010
Rupees

2009
Rupees

SCHEDULE 6 : INVESTMENTS [Other than Trade]

LONG TERM INVESTMENTS

UNQUOTED

OTHERS

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

IN PRECIOUS METALS

Ginnies	82	82
---------	----	----

IN 100% SUBSIDIARY

Two Equity Share of AED 150,000 each of Soma Textile FZE.	3,421,479	3,421,479
---	-----------	-----------

(Ceased to be a wholly owned subsidiary of the company and its Legal status stood changed from Free Zone Establishment to Free Zone Company, with effect from closure of business hours as on 31st March, 2010.)

3,442,561

3,442,561

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

Stores and Spares including in transit	84,403,799	69,767,385
Raw Materials including in transit	154,777,842	68,986,391
Finished Goods	152,537,651	167,059,009
Goods in Process	220,859,790	203,628,981
Waste	7,203,749	1,861,612
	619,782,831	511,303,378

**SOMA TEXTILES & INDUSTRIES LIMITED**

	2010 Rupees	2009 Rupees
SCHEDULE 8 : SUNDRY DEBTORS (Considered good unless stated otherwise)		
Outstanding for a period exceeding six months:		
Unsecured	3,862,132	2,808,596
Other Debts:		
Secured	38,981,777	44,352,387
Unsecured	182,247,875	113,481,647
	<u>225,091,784</u>	<u>160,642,630</u>
SCHEDULE 9 : CASH AND BANK BALANCES		
Cash on hand	269,583	618,669
With Scheduled Banks :		
- In Current Accounts	9,200,794	79,117,223
- In Margin Accounts	24,236,326	5,353,907
- In Fixed Deposit Accounts	8,509,087	605,007
- In Debenture Account (Refund)	149,561	149,560
	<u>42,365,351</u>	<u>85,844,366</u>
SCHEDULE 10 : OTHER CURRENT ASSETS		
Export Incentive Receivable	7,570,182	12,443,562
Duties, Claims & Other Receivables	17,113,023	17,701,638
Interest Receivable under TUF Scheme	57,663,193	42,514,460
Interest Accrued	1,069,267	744,576
	<u>83,415,665</u>	<u>73,404,236</u>
SCHEDULE 11 : LOANS AND ADVANCES (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	14,328,633	10,235,401
Balance with Central Excise in Current Account	3,789,455	4,113,659
Income Tax Advance	10,549,094	9,366,895
Fringe Benefit Tax	85,378	575,000
Security & other Deposits	16,152,012	17,563,073
SOMA Textile FZE Loan Account [Refer note 23 of schedule 22(B)]	707,878,454	799,656,560
	<u>752,783,026</u>	<u>841,510,588</u>
SCHEDULE 12 : LIABILITIES		
Sundry Creditors	324,914,484	133,022,162
Other Liabilities	19,487,422	28,975,186
Interest accrued but not due	3,441,208	—
	<u>347,843,114</u>	<u>161,997,348</u>

ANNUAL REPORT 2009-2010

	2010 Rupees	2009 Rupees
SCHEDULE 13 : PROVISIONS		
Gratuity	32,269,937	31,702,473
Bonus	1,775,714	2,201,667
Fringe Benefit Tax	—	468,000
	<u>34,045,651</u>	<u>34,372,140</u>
SCHEDULE 14 : MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		
Deferred Revenue Expenditure	10,791,946	12,773,851
Preliminary Expenses	6,309,374	7,250,720
	<u>17,101,320</u>	<u>20,024,571</u>
Less: Expenses written off	6,942,093	2,923,251
	<u>10,159,227</u>	<u>17,101,320</u>
SCHEDULE 15 : FINANCIAL COST		
INTEREST RECEIVED (GROSS)		
From Banks & Others	5,519,827	5,176,616
	<u>5,519,827</u>	<u>5,176,616</u>
INTEREST PAID		
To Banks & Others	63,310,683	61,032,880
On Term Loans	94,809,212	89,213,903
	<u>158,119,895</u>	<u>150,246,783</u>
OTHER FINANCE COST	5,010,464	12,235,903
	<u>163,130,359</u>	<u>162,482,686</u>
	<u>157,610,532</u>	<u>157,306,070</u>
SCHEDULE 16 : OTHER INCOME		
Rent	69,000	85,452
Interest Incentive under TUF Scheme	50,721,729	45,178,605
Miscellaneous Receipts	26,116,523	33,742,374
Insurance & Other claims	2,058,005	3,321,719
Liabilities no longer required written back	—	3,955
Profit on Sale of Fixed Assets (Net)	1,220,917	12,961,514
	<u>80,186,174</u>	<u>95,293,619</u>

**SOMA TEXTILES & INDUSTRIES LIMITED**

		2010 Rupees	2009 Rupees
SCHEDULE 17 : MANUFACTURING & OTHER EXPENSES			
Raw Materials consumed	18	1,173,671,155	954,170,782
Cloth Purchases		59,288,929	9,298,673
Garment material & Job work charges		15,711,365	4,001,312
Stores & Spares		233,149,512	207,116,035
Power & Fuel		316,205,605	251,349,712
Processing & Printing Charges		378,650	720,637
Cost of Employment	19	152,850,695	139,426,360
Rent		423,949	291,187
Rates & Taxes		2,322,233	2,581,284
Insurance		3,869,196	3,748,375
Miscellaneous Expenses		26,111,696	19,799,570
Repairs			
- Plant & Machinery		15,564,187	11,565,134
- Buildings		1,020,087	1,043,443
- Other Assets		348,093	202,300
Commission & Brokerage to Selling Agents		14,956,266	11,682,348
Forwarding & Delivery Expenses		6,297,672	12,126,623
Service Tax		718,490	726,895
Payment to Auditors	20	994,680	1,081,522
Directors' Meeting Fee		45,000	35,000
Wealth Tax		62,057	62,011
Travelling Expenses		4,861,897	1,743,398
Miscellaneous Expenditure Written Off		6,942,093	2,923,251
		<u>2,035,793,507</u>	<u>1,635,695,852</u>
Less : Increase/(Decrease) in Stocks	21	8,051,587	(58,055,786)
		<u>2,027,741,920</u>	<u>1,693,751,638</u>
SCHEDULE 18 : RAW MATERIALS CONSUMED			
Opening Stock		68,986,391	128,850,093
Add: Purchases		1,259,462,606	897,378,663
		<u>1,328,448,997</u>	<u>1,026,228,756</u>
Less : Sales		—	3,071,583
Closing Stock		154,777,842	68,986,391
		<u>1,173,671,155</u>	<u>954,170,782</u>
SCHEDULE 19 : COST OF EMPLOYMENT			
Salaries, Wages & Gratuity		134,446,845	124,939,251
Contribution to Employees' Provident Fund		9,330,925	9,042,585
Contribution to Employees' Insurance Scheme		276,758	152,047
Workers and Staff Welfare Expenses Incl. cont. to E.S.I.		8,796,167	5,292,477
		<u>152,850,695</u>	<u>139,426,360</u>
SCHEDULE 20 : PAYMENT TO AUDITORS			
Audit Fees		594,530	480,170
Taxation Matters		139,270	459,270
Other matters		226,664	91,461
Reimbursement of expenses		34,216	50,621
		<u>994,680</u>	<u>1,081,522</u>
SCHEDULE 21 : INCREASE / (DECREASE) IN STOCKS			
Opening Stock		372,549,602	430,605,388
Less: Closing stock		380,601,189	372,549,602
		<u>8,051,587</u>	<u>(58,055,786)</u>

ANNUAL REPORT 2009-2010

SCHEDULE 22 : SIGNIFICANT ACCOUNTING POLICIES & NOTES FORMING PART OF FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010.

(A) SIGNIFICANT ACCOUNTING POLICIES

1 BASIS OF ACCOUNTING :

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

2 REVENUE RECOGNITION :

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

3 A) FIXED ASSETS :

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

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

(b) Baramati Unit :

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

4 INVENTORIES :

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

Cost formulae used 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 balance period are expressed in Indian currency at the exchange rate prevailing on the date of Balance Sheet.
- (f) Foreign exchange rate variations relating to acquisition of Fixed Assets are transferred to Profit & Loss Account as per the revised Accounting Standard 11 "The Effects Of Changes In Foreign Exchange Rates".
- (g) Current assets & current liabilities in foreign currency, other than those covered by forward exchange contracts, outstanding at the close of the balance sheet date are converted in Indian currency at the appropriate rates of exchange prevailing on the date of Balance Sheet. Resultant gain or loss is accounted as " Foreign Exchange Rate Fluctuation", during the year.

7 USE OF ESTIMATES :

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

8 IMPAIRMENT OF ASSETS :

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

9 EXCISE DUTY :

The Company has obtained exemption for excise duty with effect from 10.11.2004 with respect to Ahmedabad Unit and with effect from 24.02.2006 with respect to Baramati Unit.

10 EMPLOYEE BENEFITS :

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

11 RESEARCH AND DEVELOPMENT EXPENSES :

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

12 TREATMENT OF CONTINGENT LIABILITIES :

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

13 AMORTISATION OF DEFERRED REVENUE EXPENDITURE :

- Upfront processing charges and expenses related to loans from IDBI, Dena Bank and Exim Bank are being amortised over a period of loan i.e. ten years.
- Preliminary expenses including cost of increasing authorised capital & GDR issue expenses are amortised over a period of ten years.

ANNUAL REPORT 2009-2010

- Upfront fee and loan processing charges paid to ICICI Bank Ltd. are amortised over a period of five years.
- Overhauling charges of DG Set are to amortised over expected running hours of the DG Set. However, the management has decided to write off 100% expenditure during the year, as the Company will not use the DG set because the MSEB rate is cheaper than generating electricity from DG set.

14 EXPORT INCENTIVES :

Following the Accrual Concept of Accountancy, the Company has taken credits as income for Rs.12,312,267/- (Previous year Rs. 22,239,294/-) being Duty Drawback available and DEPB License at the close of the year.

15 TAXATION :

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

B) NOTES ON ACCOUNTS

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

Ahmedabad Unit

a) Defined Contribution Plans :

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

	2010 Rupees	2009 Rupees
1 Contribution to Employees' Provident Fund.	4,227,489	3,831,814
2 Contribution to Pension Fund	3,235,825	3,205,205
3 Contribution to Labour Welfare Fund	279,050	55,670
4 EDLI Charges	3,059	2,881
5 Administration Charges of Provident Fund	561,206	524,114
Total	8,306,629	7,619,684

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 :

	2010 Rupees	2009 Rupees
Gratuity		
a) Present value of Defined Benefit Obligation as at 31st March, 2009	29,757,503	28,518,467
b) Interest Cost	2,454,994	1,996,293
c) Current Service Cost	1,910,339	1,959,168
d) Benefit paid	(3,131,124)	(5,118,155)
e) Net Actuarial (Gain) / Loss	(506,270)	2,401,730
f) Present value of Defined Value Obligation as on 31st March, 2010	30,485,442	29,757,503

**SOMA TEXTILES & INDUSTRIES LIMITED**

	2010 Rupees	2009 Rupees
2) Reconciliation of fair value of Plan Assets.		
a) Fair value of Plan Assets as at 31st March, 2009	NIL	NIL
b) Expected return on Plan Asset	NIL	NIL
c) Net Actuarial (Gain) / Loss	NIL	NIL
d) Employer Contribution	NIL	NIL
e) Benefit paid	NIL	NIL
f) Fair value of Plan Assets as at 31st March, 2010	NIL	NIL

3) Actuarial Assumptions

Discount rate as on 31st March, 2010	8.25%	7.00%
Annual Increase in salary cost.	5.00%	5.00%

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

4) Leave encashment

a) Defined Benefit Obligation as on 31st March, 2010	1,949,316	2,035,683
--	-----------	-----------

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 :-

1 Contribution to Employees' Provident Fund.	538,502	637,547
2 Contribution to Pension Fund	623,292	681,527
3 Contribution to Labour Welfare Fund	10,494	13,032
4 EDLI Charges	37,372	40,652
5 Administration Charges of P.F.	107,239	121,724
Total	1,316,899	1,494,482

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

(Rupees)

	Gratuity 2010	Leave Encashment 2010	Gratuity 2009	Leave Encashment 2009
Opening DBO as on April 1, 2009	1,944,970	616,083	2,035,356	556,979
Benefits paid during the year	413,893	157,413	382,574	245,981
Closing DBO as on March 31, 2010	1,784,496	581,441	1,944,970	616,083
Expenses recognized in the Profit & Loss Account	253,419	122,771	292,188	305,085
Assets/(Liabilities) recognized in the Balance Sheet as on March 31, 2010	1,784,496	581,441	(1,944,970)	(616,083)

ANNUAL REPORT 2009-2010

2) Actuarial Assumptions :

	<u>2010</u>	<u>2009</u>
Discount Rate	8.25% 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.16,173,496/- (Previous year Rs. 40,717,684/-), advance paid Rs. 282,052/- (Previous year Rs. 32,868,051/-)

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

4 Contingent Liabilities not Provided for in respect of -	<u>2010</u> <u>Rupees</u>	<u>2009</u> <u>Rupees</u>
(a) Bills discounted by the company	24,805,638	41,361,821
(b) Sales Tax Payment disputed by the Company	617,257	—
(c) Excise Duty demand disputed by the Company	3,512,963	3,512,963
(d) Claims against the Company not Acknowledged as debts	2,454,330	3,890,130
(e) Tandulwadi Grampanchaat Tax	542,025	—
(f) Electrical Inspection Division, Pune	—	17,645,679
5 Unredeemed Bank Guarantees (margin in form of FDR Rs. 604,250/- provided against Bank Guarantees)	4,491,000	6,377,000

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

(b) Directors Remuneration :	<u>2010</u> <u>Rupees</u>	<u>2009</u> <u>Rupees</u>
i) Salary & Allowances	2,378,519	1,918,708
ii) Contribution to Provident Fund	226,031	208,683
iii) Perquisites	206,688	162,273
	2,811,238	2,289,664

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



8 A) Auditors' Remuneration :

	2010	2009
	Rupees	Rupees
i) As Auditor	544,530	430,170
ii) As Advisor, in respect of		
- Taxation Matters	139,270	459,270
- Management Services	—	—
- Company Law Matters	—	—
iii) In any other manner	260,880	142,082
B) Fees to Cost Auditors	50,000	50,000

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

10 Stores consumption includes partly for repairs and replacements.

11 Profit/loss on the sale of Raw Material has been adjusted from the consumption.

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

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

14 The receivables includes bill discounted with bankers amounting to Rs. 24,805,640/- (Previous year Rs. 41,361,821/-). 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. 163,163,326/- (Previous year Rs. 63,742,804/-).

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

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

17 In accordance with Accounting Standard 22 "Accounting for taxes on income" under the Companies (Accounting Standards) Rules 2006, for the year under consideration there is Deferred Tax Asset of Rs. 96,400,000/- (Previous year Rs. 23,800,000/-) has been recognised in the profit and loss account. The net Deferred Tax Asset Rs. 21,407,953/- (Previous year net Deferred Tax Liability Rs. 74,992,047/-) comprises of deferred tax liability related to fixed assets Rs. 169,688,765/- less deferred tax assets as per carried forward unabsorbed depreciation and business losses available as per Income Tax Act, 1961 Rs. 191,096,718/-.

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

19 Related Party Transaction

1.1 Holding Company	Not Applicable
1.2 Subsidiary Company	SOMA TEXTILE F.Z.E., Sharjah, UAE (Ceased to be a wholly owned subsidiary of the company and its Legal status stood changed from Free Zone Establishment to Free Zone Company, with effect from closure of business hours as on 31st March, 2010.)
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.

ANNUAL REPORT 2009-2010

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)	
	2010	2009	2010	2009	2010	2009
Rent Paid	-	-	-	-	176,000	156,000
Water & Electricity Charges	-	-	-	-	92,132	116,868
Sales	-	-	-	-	-	1,528,073
Testing Charges	-	-	-	-	7,923	15,776
Packing Materials	-	-	-	-	-	-
Repair & Maintenance	-	-	-	-	43,116	-
Rates & Taxes	-	-	-	-	747	-
Loan Given	-	-	-	-	-	-
Investment made	-	-	-	-	-	-
Remuneration	-	-	2,811,238	2,289,664	-	-
Sitting Fee	-	-	12,500	7,500	-	-
Balance outstanding at date of Balance sheet						
- payable	-	-	-	-	-	-
- receivable	707,878,454	799,656,560	-	-	6,290	64,030

20 Amount of exchange rate net fluctuation debited to Profit & Loss Account for the year is Rs. 86,024,509/- (Previous year credited Rs. 48,053,525/-)

21 Prior Period Income Represent :

Particulars	2010 Rupees	2009 Rupees
Credit Relating to Earlier Years	2502661	—
Debit Relating to Earlier Years	(1322059)	—
	<u>1,180,602</u>	<u>—</u>

22 Exceptional items :

Exceptional items for the current Year includes foreign exchange fluctuations and Retrenchment compensation. The Previous year figures also includes derivative loss .

23 Use of GDR Proceeds and Investment in Soma Textile FZE :

(a) The company came out with the GDR Issue on 20th October, 2006 for Rs.783,749,725/-. Out of the said GDR's an amount of Rs.707,878,454/- upto 31st March,2010 (Previous year Rs. 799,656,560/-) has been invested in Soma Textile FZE, Sharjah, U.A.E. a wholly owned subsidiary of the company, an establishment with limited liabilities registered in Hamriya Free Zone, Sharjah, U.A.E. to augment its long term resources. However, as per the report on Financial Statement as on 31st March, 2010 as certified by AL SAIF AUDITING & ACCOUNTANTS, independent Auditors pertaining to Soma Textile FZE , its legal status stood changed from FZE (Free Zone Establishment) to FZC(Free Zone Company) with effect from closure of business hours as on 31st March, 2010, as Soma Textile FZE ceased to be a wholly owned Subsidiary of the company with effect from closure of business hours as on 31st March,2010.

During the financial year, the said subsidiary has incurred loss of AED 460,498 equivalent to Rs. 6,056,177/- (Previous year AED 29,949,903 equivalent to Rs. 379,502,708/-). The total loss incurred by the said subsidiary upto 31st March,2010 is AED 699,156 as per audited accounts, as certified by AL SAIF AUDITING & ACCOUNTANTS, independent Auditors.The said AED 699,156 in INR terms is Rupees 53,138,382/- on the basis of report under Section 212 of Companies Act,1956, as certified by Shankarlal Jain & Associates, Chartered Accountants, Mumbai.



SOMA TEXTILES & INDUSTRIES LIMITED

(b) As on 31st March 2010, the company has total investment of Rs. 711,299,933/- (Previous year Rs. 803,078,039/-) in its 100% subsidiary, Soma Textile FZE, Sharjah, UAE, out of which Rs. 3,421,479/- (Previous year Rs. 3,421,479/-) is in the form of equity share capital (shown under Schedule 6 - Investments) and balance Rs. 707,878,454/- (Previous year Rs. 799,656,560/-) is in the form of loans (shown under Schedule 11 - Loans and Advances).

24 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.

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

	2010	2009
	Rupees	Rupees
a) Basic :	(5.65)	(8.59)
Numerator : Net profit/(Loss) after taxation as disclosed in Profit & Loss Account (After Extra Ordinary Items)	(186,785,123)	(283,716,308)
Denominator :Weighted Average No. of Equity Shares outstanding during the year	33,033,000	33,033,000
b) Diluted :	(5.65)	(8.59)
Numerator : Net Profit/(Loss) for Diluted EPS (After Extra Ordinary Items)	(186,785,123)	(283,716,308)
Denominator :Weighted Average No. of Equity Shares	33,033,000	33,033,000
c) The nominal value per Equity Shares is Rs.10/-		

26 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	2010		2009	
		Registered	Installed	Registered	Installed
Ahmedabad Unit					
Ring Spindles	Nos.	25,200	23,568	25,200	23,568
Rotors	Nos.	552	384	552	384
Looms	Nos.	476	149	476	149
Garment stitching Machines	Nos.	NA	269	NA	190
Baramati Unit					
Ring Spindles	Nos.	60,480	30,240	60,480	30,240

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

II. **PRODUCTION & SALES**

Class of Goods	Unit	Production				Sales	
		Quantity		Quantity		Value (Rs.)	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Packed Cloth	Meters	17,149,133	15,261,902	17,238,748	15,289,849	1,318,458,813	1,030,789,390
Garments	Pieces	260,683	114,829	260,683	114,829	84,961,481	30,347,113
Yarn*	Kgs.	4,684,912	3,835,099	4,676,932	3,845,452	596,214,151	439,374,228
Own Waste	Kgs.	2,415,303	2,072,671	2,309,509	2,290,032	75,924,119	70,226,992

* Excludes yarn spun for own consumption Kgs. 2236620 (Previous year Kgs. 1830664)

ANNUAL REPORT 2009-2010

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	1,111,703	1,139,650	89,316,038	93,436,456	1,022,088	1,111,703	87,015,892	89,316,038
Garments	Pieces	—	—	—	—	—	—	—	—
Yarn**	Kgs.	40,383	50,736	4,347,144	5,504,684	48,363	40,383	7,606,401	4,347,144
Own Waste	Kgs.	69,941	287,302	1,860,971	11,996,150	175,735	69,941	7,203,749	1,860,971

* Exclusive of loose stock Rs. 57,915,358/- (Previous year Rs. 73,395,827/-)

** Exclusive of yarn in process.

IV RAW MATERIAL CONSUMED

Class of Goods	Unit	2010		2009	
		Quantity	Value (Rs.)	Quantity	Value (Rs.)
Cotton	Kgs.	8,359,105	561,139,254	6,643,728	453,079,066
Cotton Yarn	Kgs.	4,332,735	438,518,005	4,413,876	394,085,762
Man Made Fibre	Kgs.	1,422,852	125,972,562	631,386	43,500,529
Polyester Yarn	Kgs.	691,857	48,041,334	697,769	63,505,425

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

	2010				2009			
	Raw Materials		Spare Parts & Components		Raw Materials		Spare Parts & Components	
	Rupees	%	Rupees	%	Rupees	%	Rupees	%
Indigenous	1,173,671,155	100.00%	199,433,771	85.54%	937,914,435	98.30%	181,487,582	87.63%
Imported	—	—	33,715,741	14.46%	16,256,347	1.70%	25,628,453	12.37%

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	—	—	—	—	—	—	—	—

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

	2010 Rupees	2009 Rupees
Capital Goods	1,237,452	6,816,220
Components & Spare Parts	32,257,434	25,628,453
Raw Material	—	16,256,347

VIII EXPENDITURE IN FOREIGN CURRENCY

Interest on Foreign Currency Loans	—	12,532,755
Traveling Expenses	2,024,630	240,061

IX EARNING IN FOREIGN CURRENCY DURING THE YEAR

F.O.B. Value of Exports	168,485,420	358,379,198
-------------------------	-------------	-------------

**SOMA TEXTILES & INDUSTRIES LIMITED****X ADDITIONAL INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956.****1 Registration Details**

Registration No.	L51909WB1940PLC010070	State Code	21
Balance Sheet Date	31.03.2010		

2 Capital raised during the year (amount in Rs. thousands)

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

3 Position of Mobilisation and Development of Funds (Rs. in thousands)

Total Liabilities	2,736,616	Total Assets	2,736,616
-------------------	-----------	--------------	-----------

Source of Funds

Paid up Capital	332,275	Reserve & Surplus	464,575
Share Application Money	97,500	Secured Loans	1,837,910
Unsecured Loans	4,356	Deferred Tax Liability	-

Application of Funds

Net Fixed Assets	1,360,057	Investments	3,442
Net Current Assets	1,341,550	Misc. Expenditure	10,159
Deferred Tax Assets	21,408		

4 Performance of Company (Rs. in thousands)

Turnover & Other Income	2,155,745	Total Expenditure	2,438,911
Loss before tax	283,166	Loss after tax	186,785
Basic Earning per Share in Rs.	(5.65)	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

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

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

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

S. K. SOMANY Chairman

GYAN PIPARA
PARTNER
Membership No. : 034289
Place : Ahmedabad
Date : 29th May, 2010

A. K. SOMANY Managing Director

R. S. SHARMA
Company Secretary

Place : Ahmedabad
Date : 29th May, 2010

ANNUAL REPORT 2009-2010

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

(Pursuant to the Listing Agreement with Stock Exchanges)

	Rs. In lacs	
	2010	2009
A Cash Flow From Operating Activities		
Loss Before Prior Period items/Exceptional items & Tax	1,951	3,501
Adjustment for:		
- Depreciation	1,655	1,651
- Profit on Sale of Fixed Assets	(12)	(130)
- Interest (Net)	1,576	1,561
	<u>3,219</u>	<u>3,082</u>
Operating Profit Before Working Capital Changes	1,268	(419)
Adjustment for :		
- Trade Receivables	(645)	520
- Other Receivables	791	(1,234)
- Inventories	(1,085)	946
- Trade Payables	1,820	(1,159)
- Miscellaneous Expenditure written off	69	29
	<u>950</u>	<u>(898)</u>
Cash Generated From Operations	2,218	(1,317)
- Interest paid	(1,597)	(1,641)
- Direct Taxes paid	(0)	(16)
	<u>(1,597)</u>	<u>(1,657)</u>
Cash Flow Before Prior Period Items/Exceptional items	621	(2,974)
- Prior Period items	12	—
- Exceptional items	(892)	441
	<u>(259)</u>	<u>(2,533)</u>
Net Cash Flow From Operating Activities		
B Cash Flow From Investing Activities :		
- Purchase of Fixed Assets	(444)	(1,021)
- Sale of Fixed Assets	26	300
- Interest Received	52	50
	<u>(366)</u>	<u>(671)</u>
Net Cash Used In Investing Activities		
C Cash Flow From Finance Activities :		
- Proceeds from Share Application Money	275	700
- Total proceeds from borrowings (Net of repayments)	(84)	2,771
	<u>191</u>	<u>3,471</u>
Net Cash Used In Financing Activities		
Net Increase In Cash and Cash Equivalents (A+B+C)	(434)	267
Cash and Cash Equivalent as on 01.04.2009 (Opening Balance)	858	591
Cash and Cash Equivalent as on 31.03.2010 (Closing Balance)	424	858
Place : Ahmedabad	R. S. SHARMA	S. K. SOMANY Chairman
Date : 29th May, 2010	Company Secretary	A. K. SOMANY Managing Director

AUDITORS' CERTIFICATE

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

For PIPARA & COMPANY
CHARTERED ACCOUNTANTS
Firm Registration No. 107929W

Place : Ahmedabad
Date : 29th May, 2010

GYAN PIPARA
PARTNER
Membership No.034289



CONSOLIDATED AUDITORS' REPORT

**TO THE BOARD OF DIRECTORS OF
SOMA TEXTILES & INDUSTRIES LIMITED ON
THE CONSOLIDATED FINANCIAL STATEMENTS OF SOMA TEXTILE & INDUSTRIES LIMITED
AND ITS SUBSIDIARY SOMA TEXTILE FZE, SHARJAH.**

1. We have audited the attached Consolidated Balance Sheet of Soma Textiles & Industries Limited and its Subsidiary Soma Textile FZE, Sharjah (hereinafter referred as the 'Soma Textiles & Industries Group') as at March 31, 2010, 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 Soma Textiles & Industries Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding its subsidiary. Our responsibility is to express an opinion on the consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the 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.
3. We did not audit the financial statements of subsidiary Soma Textile FZE, Sharjah, whose financial statements reflect total assets of Rs. 8,419 lacs as at March 31, 2010 (Rs.9,825 lacs as at March 31, 2009) and total revenues of Rs. 2,535 lacs for the year ended March 31, 2010 (Rs.15,590 lacs for the year ended March 31, 2009) and cash flows amounting to Rs. 87 lacs for the year ended March 31, 2010 (Rs. 2 lacs for the year ended March 31, 2009) have been considered for the purpose of preparation of these consolidated financial statements.
4. **The financial statements and other financial information of the above subsidiary Soma Textile FZE, Sharjah have been audited by other auditor, Al Saif Auditing and Accountants, Chartered Accountants, Sharjah.** whose report have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary is based solely on the report of the Al Saif Auditing and Accountants, Chartered Accountants, Sharjah.
5. We report that the consolidated financial statements have been prepared by Soma Textiles & Industries Limited's management in accordance with the requirements of Accounting Standard (AS) 21, 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Soma Textiles & Industries Limited, its subsidiary Soma Textile FZE, Sharjah included in the consolidated financial statements.
6. In our opinion, and on the basis of the information and explanations given to us and based on the consolidation of separate audit reports on individual financial statements of Soma Textiles & Industries Limited and its subsidiary Soma Textile FZE, Sharjah, the consolidated financial statements of Soma Textiles & Industries Limited and its subsidiary Soma Textile FZE, Sharjah subject to our observation **and particularly Note No. 24 of Schedule 22(B) of Notes on Accounts**, the said accounts read together with notes thereon give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet of the consolidated state of affairs of Soma Textiles & Industries Group as at March 31, 2010;
 - (ii) in the case of the Consolidated Profit and Loss Account, of **the Loss** of the Soma Textiles & Industries Group for the year ended on that date; and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the Cash Flows of the Soma Textiles & Industries Group for the year ended on that date.

For PIPARA & COMPANY
CHARTERED ACCOUNTANTS
Firm Registration No. 107929W

GYAN PIPARA
PARTNER
Membership No.034289

Place : Ahmedabad
Date : 29th May, 2010

ANNUAL REPORT 2009-2010

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedule	2010 Rupees	2009 Rupees
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	332,274,680	332,274,680
Share Application Money	1	103,001,250	70,000,000
Reserves and Surplus	2	458,107,985	650,857,675
		893,383,915	1,053,132,355
LOAN FUNDS			
Secured Loans	3	1,837,909,918	1,846,318,196
Unsecured Loans	4	4,356,259	4,356,259
		1,842,266,177	1,850,674,455
DEFERRED TAX LIABILITY			
[Refer note 17 of Schedule 22 (B)]		—	74,992,047
TOTAL		2,735,650,092	2,978,798,857
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	2,703,483,684	2,648,226,943
Accumulated Depreciation		(1,344,213,543)	(1,184,808,285)
Net Block		1,359,270,141	1,463,418,658
Capital work-in-progress		786,480	19,003,453
		1,360,056,621	1,482,422,111
INVESTMENTS			
DEFERRED TAX ASSETS	6	21,082	21,082
[Refer note 17 of Schedule 22 (B)]		21,407,953	—
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	619,782,831	511,303,378
Sundry Debtors	8	1,057,302,192	1,142,228,622
Cash and Bank Balances	9	51,618,783	86,299,213
Other Current Assets	10	83,415,665	73,404,236
Loans and Advances	11	45,305,686	42,307,148
		1,857,425,157	1,855,542,597
LESS: CURRENT LIABILITIES AND PROVISIONS			
Liabilities	12	479,374,297	341,916,113
Provisions	13	34,045,651	34,372,140
		(513,419,948)	(376,288,253)
Net Current Assets		1,344,005,209	1,479,254,344
MISCELLANEOUS EXPENDITURE			
(to the extent not written off or adjusted)	14	10,159,227	17,101,320
TOTAL		2,735,650,092	2,978,798,857
NOTES ON ACCOUNTS			
22			

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

S. K. SOMANY Chairman

GYAN PIPARA
PARTNER
Membership No. : 034289
Place : Ahmedabad
Date : 29th May, 2010

A. K. SOMANY Managing Director

R. S. SHARMA
Company Secretary

Place : Ahmedabad
Date : 29th May, 2010

**SOMA TEXTILES & INDUSTRIES LIMITED****CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010**

	Schedule	2010 Rupees	2009 Rupees
INCOME			
Sales		2,329,050,858	3,129,689,036
Other income	16	80,186,174	95,293,619
TOTAL		2,409,237,032	3,224,982,655
EXPENDITURE			
Manufacturing & Other Expenses	17	2,287,210,022	3,447,093,015
Financial Cost	15	157,690,900	157,334,834
Depreciation	5	165,502,481	165,059,452
TOTAL		2,610,403,403	3,769,487,301
LOSS BEFORE PRIOR PERIOD ITEM / EXCEPTIONAL/ EXTRAORDINARY ITEMS AND TAX		201,166,371	544,504,646
PRIOR PERIOD ITEMS-INCOME		(1,180,602)	—
[Refer note 21 of Schedule 22 (B)]			
EXCEPTIONAL ITEMS		89,236,102	(44,150,523)
[Refer note 22 of Schedule 22 (B)]			
EXTRAORDINARY ITEMS		—	185,083,880
[Refer note 23 of Schedule 22 (B)]			
LOSS BEFORE TAXATION		289,221,871	685,438,003
Provision for income Tax		—	—
Provision for Fringe Benefit Tax		—	468,000
Income Tax paid for earlier years		19,429	1,113,013
Provision for Deferred Tax		(96,400,000)	(23,800,000)
NET LOSS AFTER TAXATION		192,841,300	663,219,016
Balance brought forward from previous year		276,701,712	(386,517,304)
BALANCE BEING LOSS CARRIED TO BALANCE SHEET		469,543,012	276,701,712
Basic and Diluted Earnings per Share of Rs. 10 each (in Rupees)			
[Refer note 26 of schedule 22(B)]			
- Basic Earning Per Share		(5.84)	(20.08)
- Diluted Earning Per Share		(5.84)	(20.08)
NOTES ON ACCOUNTS			
22			
As per our report of even date For PIPARA & COMPANY CHARTERED ACCOUNTANTS Firm Registration No. 107929W		S. K. SOMANY	Chairman
GYAN PIPARA PARTNER Membership No. : 034289 Place : Ahmedabad Date : 29th May, 2010		A. K. SOMANY	Managing Director
R. S. SHARMA Company Secretary		Place : Ahmedabad Date : 29th May, 2010	

ANNUAL REPORT 2009-2010

CONSOLIDATED SCHEDULES TO THE ACCOUNTS

	2010 Rupees	2009 Rupees
SCHEDULE 1 : SHARE CAPITAL		
AUTHORISED		
50,000,000 (50,000,000) Equity Shares of Rs. 10/- each	500,000,000	500,000,000
	<u>500,000,000</u>	<u>500,000,000</u>
ISSUED, SUBSCRIBED & PAID-UP		
33,033,000 (Previous year 33,033,000) Equity Shares of Rs.10/- each fully paid-up including 3,185,000 Equity Shares allotted as fully paid up Bonus Shares by capitalisation of General Reserve.	330,330,000	330,330,000
Add : Share forfeiture account (385,300 Equity Shares)	1,944,680	1,944,680
	<u>332,274,680</u>	<u>332,274,680</u>
SHARE APPLICATION MONEY	103,001,250	70,000,000
NOTE :		
Share Application Money represents, contribution received from the promoters of the Company for funding the cost of the Restructuring Scheme as stipulated under Corporate Debt Restructuring (CDR) Scheme sanctioned to the Company by way of Right Issue of Shares.		
	<u>435,275,930</u>	<u>402,274,680</u>
SCHEDULE 2 : RESERVES & SURPLUS		
GENERAL RESERVE		
As per last Balance Sheet	1,858,013	1,858,013
CAPITAL RESERVE		
As per last Balance Sheet	57,144	57,144
SHARE PREMIUM ACCOUNT		
As per last Balance Sheet	871,364,869	871,364,869
DEBENTURE REDEMPTION RESERVE		
As per last Balance Sheet	7,700,001	7,700,001
STATUTORY RESERVE		
As per last Balance Sheet	1,765,420	1,765,420
PROFIT & LOSS ACCOUNT		
As per Annexed Account (Being Loss)	(469,543,012)	(276,701,712)
FOREIGN CURRENCY TRANSLATION RESERVE		
	44,905,550	44,813,940
	<u>458,107,985</u>	<u>650,857,675</u>

**SOMA TEXTILES & INDUSTRIES LIMITED**

	2010 Rupees	2009 Rupees
SCHEDULE 3 : SECURED LOANS		
DEBENTURES		
308,000 (Previous year 308,000) 15% Secured Redeemable Non Convertible Debentures of Rs. 100/- each	21,110,614	19,124,556
TERM LOANS		
Rupee Loans	1,129,848,387	1,097,779,984
Derivative Rupee Term Loan	84,712,668	80,204,841
WORKING CAPITAL LOANS		
Rupee Loans	601,853,840	591,514,560
Foreign Currency Loans	—	57,313,600
LEASEHOLD LIABILITY		
	384,409	380,655
	1,837,909,918	1,846,318,196

NOTES :

- a) Term Loans Rs. 10,549 Lacs and Debentures Rs. 183 Lacs of the company were restructured under Corporate Debt Restructuring (CDR) scheme during the previous year 2008-09.
- b) All the Term Loans and Debentures duly restructured and 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 Funded Interest on Term Loans and Debentures are 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) Funded Interest on Term Loans, Debentures, Derivative Rupee Term Loan and 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 are secured by way of pari passu third charge on the fixed assets and immovable properties of the company ranking third and subservient in point of priority to the charges created or to be created in favour of the existing lenders. The said loan is additionally secured by personal guarantee of Shri A K Somany - Managing Director of the Company. Repayment of this Term Loan is subjected to availability of cash flow on subservient basis as per stipulation given under Corporate Debt Restructuring (CDR) scheme. The ICICI bank has filed its consent terms to Debt Recovery Tribunal (DRT) as per Corporate Debt Restructuring (CDR) scheme with regard to provision of Derivative loss in restructuring scheme as a secured debt by way of Derivate Rupee Term Loan.
- h) Term Loans shall rank pari-passu inter se without any preference or priority of one or the other.
- i) Working Capital Loans are secured by first charge by way of hypothecation of finished and semi finished stock, stock of raw materials, stores, stock in transit and book debts and by second charge over movable and immovable properties both present and future. These limits are additionally secured by personal guarantees of Shri S. K. Somany -Chairman and Shri A. K. Somany - Managing Director.
- j) Installments of Term Loans due within one year are Rs. 99,054,250/- (Previous year Rs. 32,617,041/-)
- k) Term Loans include vehicle loans amounting to Rs. Nil (Previous year 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

Trade Deposits	16,500	16,500
Sales Tax Deferment Loan	4,339,759	4,339,759
	4,356,259	4,356,259

ANNUAL REPORT 2009-2010

SCHEDULE 5 : FIXED ASSETS

(Rupees)

	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	Balance as on 01.04.2009	Additions	Deletions / Adjustments	Balance as on 31.03.2010	Balance as on 01.04.2009	Charge for the Year	Deletions / Adjustments	Balance as on 31.03.2010	As at 31st March 2010	As at 31st March 2009
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	292,620,155	23,096,767	—	315,716,922	66,534,969	9,147,974	—	75,682,943	240,033,979	226,085,186
- Leasehold	930,809	—	—	930,809	34,085	15,172	—	49,257	881,552	896,724
Plant & machinery	2,318,924,639	35,796,047	6,691,234	2,348,029,452	1,100,007,716	154,487,262	5,478,020	1,249,016,958	1,099,012,494	1,218,916,923
Furniture, Fixtures & other equipments	20,447,179	3,796,889	—	24,244,068	14,066,632	787,892	—	14,854,524	9,389,544	6,380,547
Vehicles	12,214,059	53,389	795,117	11,472,331	4,164,883	1,064,181	619,203	4,609,861	6,862,470	8,049,176
Total	2,648,226,943	62,743,092	7,486,351	2,703,483,684	1,184,808,285	165,502,481	6,097,223	1,344,213,543	1,359,270,141	1,463,418,658
Capital work in progress	19,003,453	786,480	19,003,453	786,480	—	—	—	—	786,480	19,003,453
Total	2,667,230,396	63,529,572	26,489,804	2,704,270,164	1,184,808,285	165,502,481	6,097,223	1,344,213,543	1,360,056,621	1,482,422,111
Previous year	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	
								2010 Rupees		2009 Rupees

SCHEDULE 6 : INVESTMENTS [Other than Trade]

LONG TERM INVESTMENTS

UNQUOTED

OTHERS

10 Equity Shares of Rs. 50/- each in Las Palmas Co-op. Hsg. So. 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
	21,082	21,082

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

Stores and Spares including in transit	84,403,799	69,767,385
Raw Materials including in transit	154,777,842	68,986,391
Finished Goods	152,537,651	167,059,009
Goods in Process	220,859,790	203,628,981
Waste	7,203,749	1,861,612
	619,782,831	511,303,378

**SOMA TEXTILES & INDUSTRIES LIMITED**

	2010 Rupees	2009 Rupees
SCHEDULE 8 : SUNDRY DEBTORS (Considered good unless stated otherwise)		
Outstanding for a period exceeding six months:		
Unsecured	3,862,132	2,808,596
Other Debts:		
Secured	38,981,777	44,352,387
Unsecured	1,014,458,283	1,095,067,639
	<u>1,057,302,192</u>	<u>1,142,228,622</u>
SCHEDULE 9 : CASH AND BANK BALANCES		
Cash on hand	311,661	946,947
With Scheduled Banks :		
- In Current Accounts	18,412,148	79,243,792
- In Margin Accounts	24,236,326	5,353,907
- In Fixed Deposit Accounts	8,509,087	605,007
- In Debenture Account (Refund)	149,561	149,560
	<u>51,618,783</u>	<u>86,299,213</u>
SCHEDULE 10 : OTHER CURRENT ASSETS		
Export Incentive Receivable	7,570,182	12,443,562
Duties, Claims & Other Receivables	17,113,023	17,701,638
Interest Receivable under TUF Scheme	57,663,193	42,514,460
Interest Accrued	1,069,267	744,576
	<u>83,415,665</u>	<u>73,404,236</u>
SCHEDULE 11 : LOANS AND ADVANCES (Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	14,729,747	10,688,521
Balance with Central Excise in Current Account	3,789,455	4,113,659
Income Tax Advance	10,549,094	9,366,895
Fringe Benefit Tax	85,378	575,000
Security & other Deposits	16,152,012	17,563,073
	<u>45,305,686</u>	<u>42,307,148</u>
SCHEDULE 12 : LIABILITIES		
Sundry Creditors	456,144,810	312,619,582
Other Liabilities	19,788,279	29,296,531
Interest accrued but not due	3,441,208	—
	<u>479,374,297</u>	<u>341,916,113</u>

ANNUAL REPORT 2009-2010

	2010 Rupees	2009 Rupees
SCHEDULE 13 : PROVISIONS		
Gratuity	32,269,937	31,702,473
Bonus	1,775,714	2,201,667
Fringe Benefit Tax	—	468,000
	<u>34,045,651</u>	<u>34,372,140</u>
SCHEDULE 14 : MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Deferred Revenue Expenditure	10,791,946	12,773,851
Preliminary Expenses	6,309,374	7,250,720
	<u>17,101,320</u>	<u>20,024,571</u>
Less: Expenses written off	6,942,093	2,923,251
	<u>10,159,227</u>	<u>17,101,320</u>
SCHEDULE 15 : FINANCIAL COST		
INTEREST RECEIVED (GROSS)		
From Banks & Others	5,519,827	5,176,616
	<u>5,519,827</u>	<u>5,176,616</u>
INTEREST PAID		
To Banks & Others	63,310,683	61,032,880
On Term Loans	94,809,212	89,213,903
	<u>158,119,895</u>	<u>150,246,783</u>
OTHER FINANCE COST	5,090,832	12,264,667
	<u>163,210,727</u>	<u>162,511,450</u>
	<u>157,690,900</u>	<u>157,334,834</u>
SCHEDULE 16 : OTHER INCOME		
Rent	69,000	85,452
Interest Incentive under TUF Scheme	50,721,729	45,178,605
Miscellaneous Receipts	26,116,523	33,742,374
Insurance & Other claims	2,058,005	3,321,719
Liabilities no longer required written back	—	3,955
Profit on Sale of Fixed Assets (Net)	1,220,917	12,961,514
	<u>80,186,174</u>	<u>95,293,619</u>

**SOMA TEXTILES & INDUSTRIES LIMITED**

		2010 Rupees	2009 Rupees
SCHEDULE 17 : MANUFACTURING & OTHER EXPENSES			
Trading Purchases		255,205,587	1,747,523,271
Raw Materials consumed	18	1,173,671,155	954,170,782
Cloth Purchases		59,288,929	9,298,673
Garment material & Job work charges		15,711,365	4,001,312
Stores & Spares		233,149,512	207,116,035
Power & Fuel		316,205,605	251,349,712
Processing & Printing Charges		378,650	720,637
Cost of Employment	19	154,996,902	142,984,992
Rent		423,949	291,187
Rates & Taxes		2,322,233	2,581,284
Insurance		3,869,196	3,748,375
Miscellaneous Expenses		28,228,004	22,059,044
Repairs			
- Plant & Machinery		15,564,187	11,565,134
- Buildings		1,020,087	1,043,443
- Other Assets		348,093	202,300
Commission & Brokerage to Selling Agents		14,956,266	11,682,348
Forwarding & Delivery Expenses		6,297,672	12,126,623
Service Tax		718,490	726,895
Payment to Auditors	20	994,680	1,081,522
Directors' Meeting Fee		45,000	35,000
Wealth Tax		62,057	62,011
Travelling Expenses		4,861,897	1,743,398
Miscellaneous Expenditure Written Off		6,942,093	2,923,251
		<u>2,295,261,609</u>	<u>3,389,037,229</u>
Less : Increase/(Decrease) in Stocks	21	8,051,587	(58,055,786)
		<u>2,287,210,022</u>	<u>3,447,093,015</u>
SCHEDULE 18 : RAW MATERIALS CONSUMED			
Opening Stock		68,986,391	128,850,093
Add: Purchases		1,259,462,606	897,378,663
		<u>1,328,448,997</u>	<u>1,026,228,756</u>
Less : Sales		—	3,071,583
Closing Stock		154,777,842	68,986,391
		<u>1,173,671,155</u>	<u>954,170,782</u>
SCHEDULE 19 : COST OF EMPLOYMENT			
Salaries, Wages & Gratuity		136,593,052	128,497,883
Contribution to Employees' Provident Fund		9,330,925	9,042,585
Contribution to Employees' Insurance Scheme		276,758	152,047
Workers and Staff Welfare Expenses Incl. cont.to E.S.I.		8,796,167	5,292,477
		<u>154,996,902</u>	<u>142,984,992</u>
SCHEDULE 20 : PAYMENT TO AUDITORS			
Audit Fees		594,530	480,170
Taxation Matters		139,270	459,270
Other matters		226,664	91,461
Reimbursement of expenses		34,216	50,621
		<u>994,680</u>	<u>1,081,522</u>
SCHEDULE 21 : INCREASE / (DECREASE) IN STOCKS			
Opening Stock		372,549,602	430,605,388
Less: Closing stock		380,601,189	372,549,602
		<u>8,051,587</u>	<u>(58,055,786)</u>

ANNUAL REPORT 2009-2010

SCHEDULE 22 : SIGNIFICANT ACCOUNTING POLICIES & NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

1 Background

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

<u>Name of Subsidiary</u>	<u>Extent 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 an establishment with limited liability registered in the Hamriya Free Zone in UAE under license # 3146 issued by Government of Sharjah, UAE on 07 November 2007 and valid up to 6th November 2010. Mr. Shrikant B Bhat and Mr. Hiren Trivedi Indian nationals are the designated Managers of the Company.

Soma Textile FZE had received share application money from two new shareholders viz **Bader Ali Easa Mehboob Alali**, **Abdalla Ahmed Hassan Ahmad Amberman Barman** for AED 2,25,000 each aggregating to AED 4,50,000 and it was disclosed as share application money in the books of accounts and subsequently 225 shares of AED 1000 each were allotted to each applicant at and after the closure of business hours as on 31st March, 2010. The status of the establishment stood changed from Free Zone Establishment (F.Z.E.) with limited liability to Free Zone Company (F.Z.C.) with limited liability as per certificate of incorporation bearing Registration No. 6339 dtd. 31st March, 2010 issued by Registrar, Free Zone Companies, Hamriyah Free Zone Authority, Sharjah, UAE. The shares of the company are held as follows :

<u>Shareholders</u>	<u>Shares</u>	<u>Amount(AED)</u>
Soma Textiles & Industries Ltd. India	300	300000
Bader Ali Easa Mehboob Alali	225	225000
Abdalla Ahmed Hassan Ahmad Amberman Barman	225	225000

- b) The Company is engaged in the Business of general trading and merchandise.

- 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) Consolidation of Financial Statements are prepared using the Financial Statement of the parent company and its subsidiary company drawn upto the reporting date.
- ii) The Consolidation of the financial statements of the parent company and its subsidiary is done on a line by line basis by adding together like items of assets, liabilities, income and expenses. All intra group transactions and the resulting unrealized inter company profit/losses and balances have been eliminated in the course of consolidation.
- iii) The financial statement of parent company and its subsidiary have been consolidated using uniform accounting policies for like transaction and other events in similar circumstances.
- iv) For the purpose of conversion of AED into Rupees, income and expenditure converted at an average rate and Assets and liabilities are converted at year ended closing rate and foreign exchange fluctuation is transferred 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, generally accepted accounting principles 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 the rate prevailing on the date of transaction and the resultant gain or loss on realisation is accounted as "Foreign Exchange Rate Fluctuation" and is dealt in the Profit and Loss Account.

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. However, in the case of Baramati Unit, fixed assets are further reduced by the amount of Sales Tax refund due. All costs including financing costs till the commencement of commercial production related to the acquisition and installation of the respective assets have been capitalised.
- (b) Cost of leasehold land is not amortised over the period of lease, as the same is exempted as per Accounting Standards 19 (1)(c).
- (c) Amount incurred towards capital work-in-progress will be suitably apportioned to the respective Fixed Assets on commissioning of assets.
- (d) Assets, identified and evaluated technically as obsolete and held for disposal have been written off in relevant period 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 :

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

(b) Baramati Unit :

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

4 INVENTORIES :

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

Cost formulae used 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.

ANNUAL REPORT 2009-2010

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

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 has obtained exemption for excise duty with effect from 10.11.2004 with respect to Ahmedabad Unit and with effect from 24.02.2006 with respect to Baramati Unit.

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.
- 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 are to amortised over expected running hours of the DG Set. However, the management has decided to write off 100% expenditure during the year, as the Company will not use the DG set because the MSEB rate is cheaper than generating electricity from DG set.

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.12,312,267/- (Previous year Rs. 22,239,294/-) being Duty Drawback available and DEPB License at the close of the year.

15 TAXATION :

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

B) NOTES ON ACCOUNTS

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

Ahmedabad Unit

a) Defined Contribution Plans :

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

	2010	2009
	Rupees	Rupees
1 Contribution to Employees' Provident Fund.	4,227,489	3,831,814
2 Contribution to Pension Fund	3,235,825	3,205,205
3 Contribution to Labour Welfare Fund	279,050	55,670
4 EDLI Charges	3,059	2,881
5 Administration Charges of Provident Fund	561,206	524,114
Total	<u>8,306,629</u>	<u>7,619,684</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 :

	2010	2009
	Rupees	Rupees
Gratuity		
a) Present value of Defined Benefit Obligation as at 31st March, 2009	29,757,503	28,518,467
b) Interest Cost	2,454,994	1,996,293
c) Current Service Cost	1,910,339	1,959,168
d) Benefit paid	(3,131,124)	(5,118,155)
e) Net Actuarial (Gain) / Loss	(506,270)	2,401,730
f) Present value of Defined Value Obligation as on 31st March, 2010	30,485,442	29,757,503

ANNUAL REPORT 2009-2010

	2010 Rupees	2009 Rupees
2) Reconciliation of fair value of Plan Assets :		
a) Fair value of Plan Assets as at 31st March, 2009	NIL	NIL
b) Expected return on Plan Asset	NIL	NIL
c) Net Actuarial (Gain) / Loss	NIL	NIL
d) Employer Contribution	NIL	NIL
e) Benefit paid	NIL	NIL
f) Fair value of Plan Assets as at 31st March, 2010	NIL	NIL
3) Actuarial Assumptions :		
Discount rate as on 31st March, 2010	8.25%	7.00%
Annual Increase in salary cost.	5.00%	5.00%
The estimates of future salary increase, considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.		
4) Leave encashment :		
Defined Benefit Obligation as on 31st March, 2010	1,949,316	2,035,683
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 :-

1 Contribution to Employees' Provident Fund.	538,502	637,547
2 Contribution to Pension Fund	623,292	681,527
3 Contribution to Labour Welfare Fund	10,494	13,032
4 EDLI Charges	37,372	40,652
5 Administration Charges of P.F.	107,239	121,724
Total	<u>1,316,899</u>	<u>1,494,482</u>

b) Defined Benefit Plans :

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

	(Rupees)			
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	2010	2010	2009	2009
Opening DBO as on April 1, 2009	1,944,970	616,083	2,035,356	556,979
Benefits paid during the year	413,893	157,413	382,574	245,981
Closing DBO as on March 31, 2010	1,784,496	581,441	1,944,970	616,083
Expenses recognized in the Profit & Loss Account	253,419	122,771	292,188	305,085
Assets./(Liabilities) recognized in the Balance Sheet as on March 31, 2010	1,784,496	581,441	(1,944,970)	(616,083)

**2) Actuarial Assumptions :**

	<u>2010</u>	<u>2009</u>
Discount Rate	8.25% 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 Parent Company

Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 16,173,496/- (Previous year Rs. 40,717,684/-), advance paid Rs. 282,052/- (Previous year Rs. 32,868,051/-)

Subsidiary Company

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

- 3** The Company had been sanctioned a Restructuring Package by Corporate Debt Restructuring (CDR) Cell under the CDR Mechanism of RBI vide Letter of Approval (LOA) No. BY.CDR/AG No. 1110/2008-2009 dated 26th February, 2009 for restructuring the Company's existing financial assistance outstanding as on 30th September, 2008, availed of from the Institutional Lenders and Working Capital from Banks, and sanctioning additional financial assistance extended/to be extended to the Company in the manner and to the extent set out in the LOA. The salient features of the scheme were injection of fresh working capital and concession in the bank charges, reduction in margins, fresh term loan for completion of pending capital projects, funding of interest, reduction in interest rate, moratorium and deferment of principal amount repayments.
- 4** Contingent Liabilities not Provided for in respect of -

	<u>2010</u> <u>Rupees</u>	<u>2009</u> <u>Rupees</u>
(a) Bills discounted by the company	24,805,638	41,361,821
(b) Sales Tax Payment disputed by the Company	617,257	—
(c) Excise Duty demand disputed by the Company	3,512,963	3,512,963
(d) Claims against the Company not Acknowledged as debts	2,454,330	3,890,130
(e) Tandulwadi Grampanchaat Tax	542,025	—
(f) Electrical Inspection Division, Pune	—	17,645,679
5 Unredeemed Bank Guarantees (margin in form of FDR Rs. 604,250/-provided against Bank Guarantees)	4,491,000	6,377,000

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

	<u>2010</u> <u>Rupees</u>	<u>2009</u> <u>Rupees</u>
(b) Directors Remuneration		
i) Salary	2,378,519	1,783,948
ii) Contribution to Provident Fund	226,031	208,683
iii) Perquisites	206,688	297,033
	2,811,238	2,289,664

- 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.

ANNUAL REPORT 2009-2010

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.

	2010 Rupees	2009 Rupees
8 A) Auditors' Remuneration :		
i) As Auditor	544,530	430,170
ii) As Advisor, in respect of		
- Taxation Matters	139,270	459,270
- Management Services	—	—
- Company Law Matters	—	—
iii) In any other manner	260,880	142,082
B) Fees to Cost Auditors	50,000	50,000
9 Other Liabilities include FCD Application Money Refundable of Rs. 127,480/- (Previous year Rs.127,480/-)		
10 Stores consumption includes partly for repairs and replacements.		
11 Profit/loss on the sale of Raw Material has been adjusted from the consumption.		
12 Sundry debit / credit balances and the accounts squared up during the balance sheet period are subject to confirmation and reconciliation from the parties to the transactions.		
13 The company has been making efforts for obtaining informations from its vendors regarding their status under "Micro, Small and Medium Enterprises Development Act, 2006". However, the required information has not been received from the vendors and therefore bifurcation between Total Outstanding Dues of Micro Enterprises and Small Enterprises and Other Dues are not disclosed under the heading "Current Liabilities & Provisions".		
14 The receivables includes bill discounted with bankers amounting to Rs. 24,805,640/- (Previous year Rs. 41,361,821/-). 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. 163,163,326/- (Previous year Rs. 63,742,804/-).		
15 In absence of any indication of there being potential impairment of any assets, as prescribed in AS-28 "Impairment of Fixed Assets", as at Balance Sheet date, no recoverable amount has been estimated.		
16 No amounts are due for deposits as at the Balance Sheet date to the Investors Protection and Education Fund.		
17 In accordance with Accounting Standard 22 "Accounting for taxes on income" under the Companies (Accounting Standards) Rules 2006, for the year under consideration there is Deferred Tax Asset of Rs. 96,400,000/- (Previous year Rs. 23,800,000/-) has been recognised in the profit and loss account. The net Deferred Tax Asset Rs. 21,407,953/- (Previous year net Deferred Tax Liability Rs. 74,992,047/-) comprises of deferred tax liability related to fixed assets Rs. 169,688,765/- less deferred tax assets as per carried forward unabsorbed depreciation and business losses available as per Income Tax Act, 1961 Rs. 191,096,718/-.		
18 Import purchases are booked on the basis of the amount actually paid.		
19 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	



SOMA TEXTILES & INDUSTRIES LIMITED

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)	
	2010	2009	2010	2009
Rent Paid	-	-	176,000	156,000
Water & Electricity Charges	-	-	92,132	116,868
Sales	-	-	-	1,528,073
Testing Charges	-	-	7,923	15,776
Packing Materials	-	-	-	-
Repair & Maintenance	-	-	43,116	-
Rates & Taxes	-	-	747	-
Loan Given	-	-	-	-
Investment made	-	-	-	-
Remuneration	2,811,238	2,289,664	-	-
Sitting Fee	12,500	7,500	-	-
Balance outstanding at the year end				
- payable	-	-	-	-
- receivable	-	-	6,290	64,030

20 Amount of exchange rate net fluctuation debited to Profit & Loss Account for the year is Rs. 86,024,509/- (Previous year credited Rs. 48,053,525/-)

21 **Prior Period Income Represent :**

Particulars	2010 Rupees	2009 Rupees
Credit Relating to Earlier Years	2502661	—
Debit Relating to Earlier Years	(1322059)	—
	1,180,602	—

22 **Exceptional Items:**

Exceptional items for the current Year includes foreign exchange fluctuations and Retrenchment compensation. The Previous year figures also includes derivative loss .

23 **Extraordinary Items:**

Subsidiary Company :

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

24 **Use of GDR Proceeds and Investment in Soma Textile FZE :**

(a) The company came out with the GDR Issue on 20th October,2006 for Rs. 783,749,725/-. Out of the said GDR's an amount of Rs. 707,878,454/- upto 31st March,2010 (Previous year Rs. 799,656,560/-) has been invested in Soma Textile FZE, Sharjah, U.A.E. a wholly owned subsidiary of the company, an establishment with limited liabilities registered in Hamriya Free Zone, Sharjah, U.A.E. to augment its long term resources. However, as per the report on Financial Statement as on 31st March, 2010 as certified by AL SAIF AUDITING & ACCOUNTANTS, independent Auditors pertaining to Soma Textile FZE , its legal status stood changed from FZE (Free Zone Establishment) to FZC(Free Zone Company) with effect from closure of business hours as on 31st March, 2010, as Soma Textile FZE ceased to be a wholly owned Subsidiary of the company with effect from closure of business hours as on 31st March,2010.

During the financial year, the said subsidiary has incurred loss of AED 460,498 equivalent to Rs. 6,056,177/- (Previous year AED 29,949,903 equivalent to Rs. 379,502,708/-). The total loss incurred by the said subsidiary upto 31st March,2010 is AED 699,156 as per audited accounts, as certified by AL SAIF AUDITING & ACCOUNTANTS, independent Auditors.The said AED 699,156 in INR terms is Rupees

ANNUAL REPORT 2009-2010

53,138,382/- on the basis of report under Section 212 of Companies Act,1956, as certified by Shankarlal Jain & Associates, Chartered Accountants, Mumbai.

- (b) As on 31st March 2010, the company has total investment of Rs. 711,299,933/-(Previous Year Rs. 803,078,039/-) in its 100% subsidiary, Soma Textile FZE, Sharjah, UAE, out of which Rs. 3,421,479/- (Previous year Rs. 3,421,479/-) is in the form of equity share capital Rs.707,878,454/- (Previous year Rs. 799,656,560/-) is in the form of loans.

25 Segment Reporting:

(A) Primary Segment (Business segment)

Particulars	(Rs. in Lacs)	
	2010	2009
1 Segment Revenue		
a) Textiles Manufacturing	20,756	15,707
b) Trading	2,535	15,590
Total Sales	23,291	31,297
Less: Inter Segment Revenue	-	-
Net Sales	23,291	31,297
2 Segment Loss		
Segment Result before Interest & Finance Cost		
a) Textiles Manufacturing	364	1,928
b) Trading	59	1,944
Total Segment Loss	423	3,872
Add:		
1) Interest & Finance Cost	1,577	1,573
2) Other un-allocable expenditure net off un-allocable income	-	-
Loss before Exceptional Items, Tax & Extraordinary Items	2,000	5,445
Add: Exceptional Item	892	(442)
Add: Extra Ordinary Item	-	1,851
Loss before Tax	2,892	6,854
Other Information		
3 Segment Assets		
a) Textiles Manufacturing	23,970	23,555
b) Trading	8,419	9,825
Total Assets	32,389	33,380
4 Segment Liabilities		
a) Textiles Manufacturing	3,819	2,714
b) Trading	1,315	1,799
Total Liabilities	5,134	4,513
5 Segment Depreciation		
a) Textiles Manufacturing	1,655	1,651
b) Trading	-	-
Total Depreciation	1,655	1,651
6 Capital Expenditure		
a) Textiles Manufacturing	635	2,655
b) Trading	-	-
Total Capital Expenditure	635	2,655
7 Non cash expenses other than Depreciation		
a) Textiles Manufacturing	69	29
b) Trading	-	-
Total Non cash expenses other than Depreciation	69	29

**SOMA TEXTILES & INDUSTRIES LIMITED**

Particulars	(Rs. in Lacs)	
	2010	2009
(B) Secondary Segment (Geographical by Customers)		
1 Segment Revenue		
a) In India	19,067	12,101
b) Outside India	4,224	19,196
Total Sales	23,291	31,297
2 Carrying Cost of Segment Assets		
a) In India	23,581	23,141
b) Outside India	8,808	10,239
Total Assets	32,389	33,380
3 Addition to Fixed Assets		
a) In India	635	2,655
b) Outside India	-	-
Total Addition to Fixed Assets	635	2,655

Notes:

- 1 Segments have been identified in line with the Accounting Standard on Segment reporting (AS- 17) taking into account the Organisation Structure as well as the differential risks and returns of the Segments.
- 2 The company has disclosed Business Segment as the Primary Segment.
- 3 Type of Products and Services in each Business Segment:

<u>Business Segment</u>	<u>Type of Products & Services</u>
a) Textiles Manufacturing	Fabric, Yarn and Garments
b) Trading	General Trading and Merchandise

26 Earning per Share (EPS) :

Particulars	2010	2009
	Rupees	Rupees
a) Basic :	(5.84)	(20.08)
Numerator : Net profit after taxation as disclosed in Profit & Loss Account (After Extra Ordinary Items)	(192,841,300)	(663,219,016)
Denominator :Weighted Average No. of Equity Shares outstanding during the year	33,033,000	33,033,000
b) Diluted :	(5.84)	(20.08)
Numerator : Net Profit for Diluted EPS (After Extra Ordinary Items)	(192,841,300)	(663,219,016)
Denominator :Weighted Average No. of Equity	33,033,000	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 22 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
Firm Registration No. 107929W

S. K. SOMANY Chairman

GYAN PIPARA
PARTNER
Membership No. : 034289
Place : Ahmedabad
Date : 29th May, 2010

A. K. SOMANY Managing Director

R. S. SHARMA
Company Secretary

Place : Ahmedabad
Date : 29th May, 2010

ANNUAL REPORT 2009-2010

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

(Pursuant to the Listing Agreement with Stock Exchanges)

	Rs. In lacs	
	2010	2009
A Cash Flow From Operating Activities		
Loss Before Prior Period items/Exceptional items/Extraordinary item & Tax Adjustment for:	2,011	4,916
- Depreciation	1,655	1,651
- Profit on Sale of Fixed Assets	(12)	(130)
- Interest (Net)	1,576	1,561
	<u>3,219</u>	<u>3,082</u>
Operating Profit Before Working Capital Changes	1,208	(1,834)
Adjustment for :		
- Trade Receivables	849	1,668
- Other Receivables	(126)	387
- Inventories	(1,085)	945
- Trade Payables	1,335	(660)
- Miscellaneous Expenditure written off	69	29
	<u>1,043</u>	<u>2,369</u>
Cash Generated From Operations	2,251	535
- Interest paid	(1,598)	(1,641)
- Direct Taxes paid	(0)	(16)
	<u>(1,598)</u>	<u>(1,657)</u>
Cash Flow Before Prior Period Items/Exceptional items & Extraordinary items	653	(1,122)
- Prior Period items	12	-
- Exceptional items	(892)	442
- Extraordinary items	-	(1,851)
	<u>(227)</u>	<u>(2,531)</u>
Net Cash Flow From Operating Activities	(227)	(2,531)
B Cash Flow From Investing Activities :		
- Purchase of Fixed Assets	(444)	(1,021)
- Sale of Fixed Assets	26	300
- Interest Received	52	50
	<u>(366)</u>	<u>(671)</u>
Net Cash Used In Investing Activities	(366)	(671)
C Cash Flow From Finance Activities :		
- Proceeds from Share Application Money	330	700
- Total proceeds from borrowings (Net of repayments)	(84)	2,771
	<u>246</u>	<u>3,471</u>
Net Cash Used In Financing Activities	246	3,471
Net Increase In Cash and Cash Equivalents (A+B+C)	(347)	269
Cash and Cash Equivalent as on 01.04.2009 (Opening Balance)	863	594
Cash and Cash Equivalent as on 31.03.2010 (Closing Balance)	516	863

Place : Ahmedabad
Date : 29th May, 2010

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
Firm Registration No. 107929W

Place : Ahmedabad
Date : 29th May, 2010

GYAN PIPARA
PARTNER
Membership No.034289

**SOMA TEXTILES & INDUSTRIES LIMITED****STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANY :**

Name of Subsidiary	Soma Textile FZE
Financial year of subsidiary ended on	31.03.2010
Shares of the subsidiary held by the company on the above date	100%
Nos.	2
Face value per share	AED 150,000
Extent of holding	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. -6,056,177 (AED -460,498)
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
b. not dealt with or provided for in the accounts of the Holding Company.	Rs. -379,502,708 (AED -29,949,903)

Note

- 1) The company continued to be a wholly owned subsidiary of Soma Textiles and Industries Ltd., India, incorporated and registered under Indian Companies Act, 1956, upto the close of the business hours as on 31st March, 2010 for all practical purposes.
- 2) The status of the company's wholly owned subsidiary, Soma Textile, Free Zone Establishment (FZE) registered in Hamriya Free Zone, Sharjah, U.A.E., stood changed to Free Zone Company (FZC) as per certificate of incorporation bearing Registration No. 6339 dtd. 31st March, 2010 issued by Registrar, Free Zone Companies, Hamriyah Free Zone Authority, Sharjah, UAE, virtually it is effected from closure of business hours as on 31st March, 2010.

Place : Ahmedabad
Date : 29th May, 2010

R. S. SHARMA
Company Secretary

S. K. SOMANY Chairman

A. K. SOMANY Managing Director

ANNUAL REPORT 2009-2010

SOMA TEXTILE FZE

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF SOMA TEXTILE & INDUSTRIES LIMITED

In accordance with our engagement letter of 10th May,2010, we have verified the accompanying financial statements of Soma Textile FZE, expressed in INR, which comprises of Balance Sheet as at 31.03.2010 and the Profit and Loss account for the year ended at that date duly converted into Indian GAAP as per requirement of Companies Act,1956 and in compliance with the Companies (Accounting Standard) Rules 2006 and we have signed under reference to this certificate.

The conversion has been done by the management of Some Textiles & Industries Ltd. ("the Company"), being the holding company of the Soma Textile FZE ("the Subsidiary"), in accordance with generally accepted accounting practice in India and other recognized accounting practices and policies followed by the Company to enable their incorporation in the consolidated financial statements of the Company pursuant to Accounting Standards 21 – Consolidation Financial Statements – prescribed by the Central Government of India in the Companies (Accounting Standards) Rules 2006.

The conversion of these financial statements into the relevant formats is the responsibility of the management of the Company. Our responsibility is to certify whether these financial statements and relevant formats prepared for the purpose outlined above and verified by us are in accordance with the generally accepted auditing standards in India.

The management of the Company has considered the operation of its subsidiary as "Non Integral Foreign Operation" and accounting treatment for the conversion of subsidiary's financial statements has been done as set out in the Accounting Standard -11 "The effects of changes in the Foreign Exchange Rates" prescribed by the Central Government of India in the Companies (Accounting Standards) Rules 2006.

Based on our verification and on the basis of information and explanations given to us, the accompanying converted financial statements and relevant formats of the Subsidiary read with Schedule-1 and notes thereon and attached thereto have been converted as per the requirements of Accounting Standard-11 and are in conformity with generally accounting principles and other recognized accounting practices and policies in India.

This certificate is intended solely for the information and use of the Company and its statutory auditors in connection with their audit of consolidation financial statements of Company. We do not accept or assume any liability or duty of care for any other purposes or to any third parties to whom this certificate is shown, or into whose hands it may come, save where expressly agreed by our prior consent in writing.

For **SHANKARLAL JAIN & ASSOCIATES**
CHARTERED ACCOUNTANTS
Firm Registration No.109901W

Place : Mumbai
Date : 27.05.2010

S. L. AGRAWAL
PARTNER
Membership No. 072184

**SOMA TEXTILES & INDUSTRIES LIMITED****SOMA TEXTILE FZE
HAMRIYA FREE ZONE, SHARJAH, UNITED ARAB EMIRATES
BALANCE SHEET AS ON 31ST MARCH, 2010**

	2010 Rupees	2009 Rupees
SOURCES OF FUNDS		
SHAREHOLDERS' FUNDS		
Share Capital	3,421,479	3,421,479
Share Application Money	5,501,250	—
Statutory Reserve	1,765,420	1,765,420
Foreign Currency Translation Reserve	44,905,550	44,813,940
	<u>55,593,699</u>	<u>50,000,839</u>
LOAN FUNDS		
Unsecured Loans [Advance from Holding Company]	707,878,454	799,656,560
TOTAL	<u>763,472,153</u>	<u>849,657,399</u>
APPLICATION OF FUNDS		
CURRENT ASSETS, LOANS AND ADVANCES		
Sundry Debtors	832,210,408	981,585,992
Cash and Bank Balances		
Cash in Hand	42,078	328,278
Cash at Bank	9,211,354	126,569
Loans and Advances	401,114	453,120
	<u>841,864,954</u>	<u>982,493,959</u>
LESS: CURRENT LIABILITIES AND PROVISIONS		
Sundry Creditors	(131,230,326)	(179,597,420)
Other Liabilities	(300,857)	(321,345)
	<u>(131,531,183)</u>	<u>(179,918,765)</u>
Net Current Assets	710,333,771	802,575,194
PROFIT & LOSS ACCOUNT		
	53,138,382	47,082,205
TOTAL	<u>763,472,153</u>	<u>849,657,399</u>

NOTES ON ACCOUNTS- Schedule 1

As per our report of even date

FOR SHANKARLAL JAIN & ASSOCIATES

CHARTERED ACCOUNTANTS

Firm Registration No.109901W

S. L. AGARWAL

PARTNER

Membership No. 072184

Place : Mumbai

Date : 27th May, 2010

FOR SOMA TEXTILE FZE**SHRIKANT BHAT**

DIRECTOR

Place : Mumbai

Date : 27th May, 2010

ANNUAL REPORT 2009-2010

SOMA TEXTILE FZE HAMRIYA FREE ZONE, SHARJAH, UNITED ARAB EMIRATES PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	2010 Rupees	2009 Rupees
INCOME		
Sales	253,492,293	1,558,951,313
TOTAL	253,492,293	1,558,951,313
EXPENDITURE		
(a) Manufacturing & Other Expenses		
Material, Labour and Direct Expenses	255,205,587	1,747,523,271
Salaries & Benefit	2,146,207	3,558,632
Communication & Utility	226,753	386,765
Legal & Professional Fees	1,160,639	543,571
Printing & Stationery	83,992	123,519
Other Expenses	644,924	1,205,619
(b) Financial Cost	80,368	28,764
TOTAL	259,548,470	1,753,370,141
LOSS BEFORE EXTRAORDINARY ITEMS AND TAX	6,056,177	194,418,828
EXTRAORDINARY ITEMS	—	185,083,880
LOSS BEFORE TAXATION	6,056,177	379,502,708
Provision for Income Tax	—	—
NET LOSS AFTER TAXATION	6,056,177	379,502,708
Balance brought forward from previous year	47,082,205	(332,420,503)
BALANCE BEING LOSS CARRIED TO BALANCE SHEET	53,138,382	47,082,205

NOTES ON ACCOUNTS- Schedule 1

As per our report of even date
FOR SHANKARLAL JAIN & ASSOCIATES
CHARTERED ACCOUNTANTS
Firm Registration No.109901W

S. L. AGARWAL
PARTNER
Membership No. 072184
Place : Mumbai
Date : 27th May, 2010

FOR SOMA TEXTILE FZE

SHRIKANT BHAT
DIRECTOR

Place : Mumbai
Date : 27th May, 2010

**SCHEDULE 1 : SIGNIFICANT ACCOUNTING POLICIES & NOTES FORMING PART OF FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010****(A) Legal Status and Business Activities**

- a) SOMA TEXTILE FZE , a wholly owned subsidiary of Soma Textiles & Industries Ltd. is an establishment with limited liability registered in the Hamriya Free Zone in UAE under license # 3146 issued by Government of Sharjah, UAE on 07 November 2007 and valid up to 6th November 2010. Mr. Shrikant B Bhat and Mr. Hiren Trivedi Indian nationals are the designated Managers of the Company. Mr. Shrikant B Bhat is also a Director of the Company.

Soma Textile FZE had received share application money from two new shareholders viz **Bader Ali Easa Mehboob Alali , Abdalla Ahmed Hassan Ahmad Amberman Barman** for Rs. 2,750,625 each aggregating to Rs. 5,501,250 and it was disclosed as share application money in the books of accounts and subsequently 225 shares of Rs. 12,225 each were allotted to each applicant at and after the closure of business hours as on 31st March, 2010. The status of the establishment stood changed from Free Zone Establishment (F.Z.E.) with limited liability to Free Zone Company (F.Z.C.) with limited liability as per certificate of incorporation bearing Registration No. 6339 dtd. 31st March, 2010 issued by Registrar, Free Zone Companies, Hamriyah Free Zone Authority, Sharjah, UAE. The shares of the company are held as follows :

<u>Shareholders</u>	<u>Shares</u>	<u>Amount(Rs.)</u>
Soma Textiles & Industries Ltd. India	300	3,421,479
Bader Ali Easa Mehboob Alali	225	2,750,625
Abdalla Ahmed Hassan Ahmad Amberman Barman	225	2,750,625

- b) The Company is engaged in the Business of general trading and merchandise.

(B) SIGNIFICANT ACCOUNTING POLICIES**1 BASIS OF ACCOUNTING :**

These Financial Statements are prepared under the historical cost convention and in accordance with the applicable Accounting Standards. 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 :

- (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 FOREIGN EXCHANGE TRANSACTIONS :

- (a) 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.
- (b) For the purpose of conversion of AED into Rupees, income and expenditure converted at an average rate and Assets and liabilities are converted at year ended closing rate and foreign exchange fluctuation is transferred to foreign currency translation reserve account.

4 PROVISIONS :

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

ANNUAL REPORT 2009-2010

5 EMPLOYEE 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.

6 TAXATION

Income tax expenses represents the sum of the tax currently payable as per United Arab Emirates Laws.

(C) NOTES ON ACCOUNTS

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

2 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.

3 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.

4 OTHERS

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

As per our report of even date

FOR SHANKARLAL JAIN & ASSOCIATES

CHARTERED ACCOUNTANTS

Firm Registration No.109901W

S. L. AGARWAL

PARTNER

Membership No. 072184

Place : Mumbai

Date : 27th May, 2010

FOR SOMA TEXTILE FZE

SHRIKANT BHAT

DIRECTOR

Place : Mumbai

Date : 27th May, 2010



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 72nd Annual General Meeting of the above named Company at Jhaharia Committee Room of Merchants' Chamber of Commerce, 15B Hemanta Basu Sarani, Kolkata - 700 001, On Monday, 13th day of September, 2010 at 2-00 P.M.

Member's / Proxy Name in BLOCK LETTERS

Member's/Proxy's signature

Note : Please fill in this attendance slip and hand it over at the 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 72nd Annual General Meeting of the Company to be held on Monday, 13th day of September, 2010 at 2-00 P.M. and at any adjournment thereof.

Signed this _____ day of _____ 2010.

*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.