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RAINBOW
DENIM LTD.

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Third Annual Report 2001-2002

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ANNUAL REPORT 2001-2002

BOARD OF DIRECTORS

CHAIRMAN
R. L. RAMSINGHANI

MANAGING DIRECTOR
H. D. RAMSINGHANI

RESIDENT DIRECTOR
S. S. ARORA

DIRECTORS
D. J. RAMSINGHANI - Additional Director
D. N. SINGH
M. P. TEJWANI - Additional Director
MAHENDRA LODHA - Additional Director
P. N. K. RAO - Nominee Director of IDBI

**CHIEF FINANCIAL OFFICER
AND SECRETARY**
A. N. MANUDHANE

AUDITORS
M/s DAYAL AND LOHIA
Chartered Accountants
SAWANT CHAMBERS
134, MODY STREET
FORT, MUMBAI 400023

BANKERS
BANK OF INDIA
DENA BANK
ARAB BANGLADESH BANK LTD.

REGISTERED OFFICE & WORKS
VILLAGE CHAUNDHERI,
P. O. DAPPAR, TEHSIL DERABASSI,
DIST. PATIALA, PUNJAB 140506.
Email : rd.lalru@rme.sril.in

**CORPORATE OFFICE AND
SHARE DEPARTMENT**
812, RAHEJA CHAMBERS,
NARIMAN POINT,
MUMBAI 400 021

REGISTRARS
(FOR ELECTRONIC MODE ONLY)
INTIME SPECTRUM REGISTRY
PVT. LTD.
260, SHANTI INDL. ESTATE,
SAROJINI NAIDU ROAD,
MULUND (WEST),
MUMBAI 400 080

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RAINBOW DENIM LIMITED
NOTICE

NOTICE is hereby given that the Third Annual General Meeting of the Members of RAINBOW DENIM LIMITED will be held on Monday the 30th day of December, 2002 at 10.00 A.M. at the Registered Office of the Company at Village Chaundheri, P O Dappar, Tehsil Derabassi, District Patiala, Punjab 140506 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the period from January 1, 2002 to September 30, 2002 and the Balance Sheet as on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr R L Ramsinghani who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modification the following as an Ordinary Resolution:
"RESOLVED THAT Mr D J Ramsinghani be and he is hereby appointed as a Director of the Company whose office shall be liable to determination by retirement of Directors by rotation."
5. To consider and if thought fit to pass with or without modification the following as an Ordinary Resolution:
"RESOLVED THAT Mr Mahendra Lodha be and he is hereby appointed as a Director of the Company whose office shall be liable to determination by retirement of Directors by rotation."
6. To consider and if thought fit to pass with or without modification the following as an Ordinary Resolution:
"RESOLVED THAT Mr M P Tejwani be and he is hereby appointed as a Director of the Company whose office shall be liable to determination by retirement of Directors by rotation."
7. To consider and if thought fit to pass with or without modification the following as a Special Resolution:
"RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the following manner :

- (A) Add the following as new Article 5A :

SHARES WITH DIFFERENTIAL RIGHTS

The Company shall have the power to issue Shares with differential rights as to dividend, voting or otherwise to the extent permissible under the provisions of the Companies Act, 1956 or any rules framed thereunder.

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- (B) Add the following as new Article 10A

BUY BACK OF SHARES

The Company may from time to time and by a Special Resolution if so required, Buy Back its Equity Shares to the extent permissible under the provisions of Section 77A of the Companies Act, 1956 or any rules framed thereunder.

- (C) Substitute the existing Article 12 with the following

SHARES AT THE DISPOSAL OF THE DIRECTORS :

Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the company in the General Meeting give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may be so allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call for shares shall not be given to any person or persons without the sanction of the company in the General Meeting.

- (D) Add the following as new Article 14A

FUTURE ISSUE OF SHARES :

1. Where at any time after the expiry of two years from the formation of the company or any time after the expiry of one year from the allotment of shares in the company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the company by allotment of further shares either out of the unissued capital or out of the increased share capital then :

- (a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the company, in proportion, as near as circumstances admit, to the capital paid up on those shares on that date.
- (b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.
- (c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right. PROVIDED THAT the Directors may decline, without assigning

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any person to allot any shares to any person in whose favour any member may renounce the shares offered to him.

- (d) After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose them off in such manner and to such person(s) as they may think, in their sole discretion, fit.
2. Notwithstanding anything contained in sub-clause (1) hereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.
 - (a) If a special resolution to that effect is passed by the company in General Meeting, or
 - (b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the company.
3. Nothing in sub-clause (c) of (1) hereof shall be deemed ;
 - (a) To extend the time within which the offer should be accepted; or
 - (b) To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
4. Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued or loans raised by the company ;
 - (i) To convert such debentures or loans into shares in the company; or
 - (ii) To subscribe for shares in the company (whether such option is conferred in these Articles or otherwise).

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- (a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and
- (b) In the case of debentures or loans other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the company in General Meeting before the issue of the debentures or raising of the loans.

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any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with consent of the Company in the General Meeting by a Special Resolution.

- (H) Substitute the existing Article 27 with the following

COMPANY'S LIEN ON SHARES/DEBENTURES :

The Company shall have a first and paramount lien upon all the shares/debentures (other than fully paid-up shares/ debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/ debentures. Unless otherwise agreed the registration of a transfer of shares/debentures shall operate as a waiver of the Company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/ debentures wholly or in part to be exempt from the provisions of this clause.

- (I) Substitute the existing Article 39 with the following :

PAYMENT IN ANTICIPATION OF CALL MAY CARRY INTEREST :

The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate, as the member paying such sum in advance and Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.

- (J) Substitute the existing Article 57 with the following :

INSTRUMENT OF TRANSFER :

The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

(K) Add the following as new Article 58(4) :

NO FEE ON TRANSFER OR TRANSMISSION :

No fee shall be charged for registration of transfer, transmission, Probate, Succession Certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.

(L) Substitute the existing Article 61A with the following :

DIRECTORS MAY REFUSE TO REGISTER TRANSFER :

Subject to the provisions of Section 111 of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the company has a lien on the shares. Transfer of shares/debentures in what ever lot shall not be refused.

(M) Substitute the existing Article 185 with the following

DIVIDEND TO BE PAID WITHIN THIRTY DAYS :

The Company shall pay the Dividend or send the warrant in respect thereof to the shareholders entitled to the payment of dividend within thirty days from the date of declaration unless :

- (a) where the dividend could not be paid by reason of the operation of any law;
- (b) where a shareholder has given directions regarding the payment of dividend and those directions cannot be complied with;
- (c) where there is a dispute regarding the right to receive the dividend;
- (d) where the dividend has been lawfully adjusted by the Company against any sum due to it from shareholder, or
- (e) where for any reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.

Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend of RAINBOW DENIM LIMITED" and

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transfer to the said account, the total amount of dividend which remains unpaid or unclaimed to which no dividend warrant has been posted.

Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Investor Education and Protection Fund ('the Fund') of the Central Government. A claim to any money so transferred to the Fund may be preferred to the Central Government by the shareholders to whom the money is due.

No unclaimed or unpaid dividend shall be forfeited by the Board.

"FURTHER RESOLVED THAT the Board of Directors of the company be and is hereby authorised to do and perform all such acts, deeds, matters and things as may be deemed necessary to give effect to the above Resolution."

NOTES

1. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTYEIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday the 20th day of December, 2002 to Monday the 30th day of December, 2002 (both days inclusive).
4. Members desirous of seeking any information concerning the Accounts of the Company are requested to address their queries, in writing, to the Company at the corporate office at least seven days before the date of the Meeting so that the requested information can be made available at the time of the meeting.
5. Members/Proxies should bring their copies of the Annual Report to the meeting since copies of the Annual Report will not be distributed at the meeting.

By Order of the Board
For RAINBOW DENIM LTD.

A N MANUDHANE
CHIEF FINANCIAL OFFICER AND SECRETARY

Place : Mumbai
Dated : November 27, 2002

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EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956 WITH REFERENCE TO THE SPECIAL BUSINESS SPECIFIED IN THE NOTICE CONVENING THE THIRD ANNUAL GENERAL MEETING OF THE COMPANY.

ITEM NO 4

In accordance with the provisions of Section 260 of the Companies Act, 1956 and the applicable provisions of the Articles of Association, Mr D J Ramsinghani was appointed as an Additional Director by the Board of Directors at their meeting held on October 12, 2001. Mr Ramsinghani will hold the office of Additional Director upto the date of the forthcoming Annual General Meeting. The Company has received notice in writing from a member, together with a deposit of Rs 500/-, as required under the provisions of Section 257 of the Companies Act, 1956 signifying the intention to propose the name of Mr Ramsinghani as a Director. Mr Ramsinghani has filed with the Company his consent to act as a Director pursuant to the provisions of Section 264(1) of the Companies Act, 1956. Mr Ramsinghani has over 40 years of rich and varied experience in the field of business and industry. It is therefore considered that it will be in the best interest of the Company to appoint Mr Ramsinghani as a Director.

Mr Ramsinghani may be deemed to be concerned or interested in the Resolution as it relates to his own appointment. Mr H D Ramsinghani and Mr R L Ramsinghani may also be deemed to be concerned or interested in the Resolution being related to Mr D J Ramsinghani.

ITEM NO 5

In accordance with the provisions of Section 260 of the Companies Act, 1956 and the applicable provisions of the Articles of Association, Mr Mahendra Lodha was appointed as an Additional Director by the Board of Directors at their meeting held on October 12, 2001. Mr Lodha will hold the office of Additional Director upto the date of the forthcoming Annual General Meeting. The Company has received notice in writing from a member, together with a deposit of Rs 500/-, as required under the provisions of Section 257 of the Companies Act, 1956 signifying the intention to propose the name of Mr Lodha as a Director. Mr Lodha has filed with the Company his consent to act as a Director pursuant to the provisions of Section 264(1) of the Companies Act, 1956. Mr Lodha is an eminent Chartered Accountant and a Management Consultant. It is therefore considered that it will be in the best interest of the Company to appoint Mr Lodha as a Director.

Mr Lodha may be deemed to be concerned or interested in the Resolution as it relates to his own appointment.

ITEM NO 6

In accordance with the provisions of Section 260 of the Companies Act, 1956 and the applicable provisions of the Articles of Association, Mr M P Tejwani was appointed as an Additional Director by the Board of Directors at their meeting held on September 23, 2002. Mr Tejwani will hold the office of Additional Director upto the date of the forthcoming Annual General Meeting. The Company has received notice in writing from a member, together with a deposit of Rs 500/-, as required under the provisions of Section 257 of the Companies Act, 1956 signifying the intention to propose the name of