

RAINBOW
DENIM LTD.



Fourth Annual Report 2002-2003



ANNUAL REPORT 2002 - 2003

BOARD OF DIRECTORS

CHAIRMAN

R L RAMSINGHANI

MANAGING DIRECTOR

H D RAMSINGHANI

RESIDENT DIRECTOR

S S ARORA

DIRECTORS

D J RAMSINGHANI

D N SINGH

M P TEJWANI

MAHENDRA LODHA

P N K RAO – Nominee Director of IDBI

J PREMKUMAR – Nominee Director of IBI

COMPANY SECRETARY

R D JOG

AUDITORS

M/s DAYAL & LOHIA

KAMANWALA CHAMBERS,

OFFICE NOS. 6 & 7, 1ST FLOOR

PHEROZE SHAH MEHTA ROAD

FORT, MUMBAI 400 001

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 : rainbow@rainbowdenim.com

CORPORATE OFFICE

812, RAHEJA CHAMBERS,

NARIMAN POINT,

MUMBAI 400 021

Email : raindenim@vsnl.com

REGISTRARS & TRANSFER AGENT

INTIME SPECTRUM REGISTRY LTD.

C-13, PANNALAL SILK MILLS

COMPOUND,

L B S MARG, BHANDUP (WEST)

MUMBAI 400 078

TEL : 25923837. FAX : 25672693

Email : isrl@intimespectrum.com

RAINBOW DENIM LIMITED

NOTICE

NOTICE is hereby given that the Fourth Annual General Meeting of the Members of Rainbow Denim Limited will be held on Monday the 29th day of December, 2003 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 year ended September 30, 2003 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 D N Singh who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr Mahendra Lodha who retires by rotation and being eligible offers himself for reappointment.
4. 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

5. To consider and if thought fit to pass with or without modification the following as an Ordinary Resolution:

“RESOLVED THAT the consent of the Members be and it is hereby accorded pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company (which term shall include a Committee thereof) for creating such Mortgage of and/or Charging on such terms and conditions and in such form or manner as it may deem fit the whole or substantially the whole of the Company's undertaking including the present and future properties whether movable or immovable as the case may be together with the power to take over the management of the business and concern of such undertaking of the Company in certain events to or in favour of :

- (1) Industrial Development Bank of India to secure the additional Term Loan of an amount not exceeding Rs.1000 lacs.
- (2) Industrial Investment Bank of India to secure the additional Term Loan of an amount not exceeding Rs. 200 lacs.
- (3) Dena Bank to secure the additional Term Loan of an amount not exceeding Rs. 450 lacs.
- (4) Bank of India to secure the additional Term Loan of an amount not exceeding Rs. 650 lacs.

together with interest thereon at the agreed rates, compound interest, additional interest, commitment charges, liquidated damages, premia on prepayment, costs, charges, expenses and other monies payable by the Company in terms of the respective Loan Agreements entered into/to be entered into by the Company.”

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“FURTHER RESOLVED THAT the Board of Directors of the Company be and it is hereby authorised to finalize and execute all such deeds, documents, agreements and writings as may be necessary for creating the aforesaid mortgage and/or charge and to agree to any modifications or variations thereto on such terms and conditions that they may deem fit, proper or appropriate in their absolute discretion and to do all such acts, deeds and things as may be necessary, expedient or desirable 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 Saturday the 27th day of December, 2003 to Monday the 29th day of December, 2003 (both days inclusive).
4. Members desirous of seeking any information concerning the Accounts 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.**

R. D JOG

COMPANY SECRETARY

Place : Mumbai

Dated : November 25, 2003

RAINBOW DENIM LIMITED

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

ITEM NO 5

The Company has been sanctioned funded interest Term Loans by Industrial Development Bank of India, Industrial Investment Bank of India, Bank of India and by Dena Bank. The aforesaid funded interest Term Loans are to be secured, inter alia, by a first mortgage on the immovable properties of the Company.

Section 293(1)(a) of the Companies Act, 1956 provides that the Board of Directors of a Public Limited Company shall not, without the consent of the Company in General Meeting, sell, lease or dispose off the whole or substantially the whole of the undertaking of the Company. Since the mortgaging of the immovable properties may be regarded as disposal of the Company's property and as the mortgage to be executed in favour of the Term Lenders by the Company will contain the power to take over the management of the mortgaged undertaking in certain events, it is necessary for the members to pass the resolution under Section 293(1)(a) of the Companies Act, 1956 as set out at Item No. 5 of the Notice.

None of the Directors of the Company are, in any way, concerned or interested in the above resolution.

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By Order of the Board

For **RAINBOW DENIM LTD.**

Place : Mumbai

Dated : November 25, 2003

R. D JOG

COMPANY SECRETARY

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INFORMATION PURSUANT TO CLAUSE 49 (VI) OF THE LISTING AGREEMENT

As required under the Listing Agreement the particulars of Directors who are proposed to be re appointed at the forthcoming Annual General Meeting are given below :

A) Mr D N Singh

Mr D N Singh has been a Director of the Company since April 12, 1999.

Mr D N Singh is a Chemical Engineer from Banaras Hindu University and has over 39 years experience in the field of Chemicals and Petrochemicals. He has held senior positions in several companies viz. Synthetics and Chemicals Ltd., Cynamides and Chemicals Co., Alkyl Amines Chemicals Ltd. etc.

He is a Director of the following companies :

(1) Rama Petrochemicals Limited (2) Rama Phosphates Limited (3) Rama Industries Limited

He is a Committee Member / Chairman in the following companies :

Rama Petrochemicals Limited
Shareholders Committee
Share Transfer Committee – Chairman

B) Mr Mahendra Lodha

Mr Mahendra Lodha has been a Director of the Company since October 12, 2001.

Mr Mahendra Lodha is an eminent Chartered Accountant and has over 20 years of rich and varied experience in the field of Finance and Corporate Advisory services.

He is a Director of the following Companies :

Rama Petrochemicals Ltd	Amfin Services Pvt. Ltd.
Rajdhani Textiles Pvt. Ltd.	Deepak Woodcraft & Seasoning Pvt. Ltd.
Rasna Processors Pvt. Ltd.	Tulip Star Hotels Ltd.
Banas Marbles Pvt. Ltd.	Shyam Cotsin India Ltd.
Anagram Stock Broking Ltd.	Uma Oildhara Pvt. Ltd.
Anagram Wellington Asset Mgmt. Co. Ltd.	Dishainfin Consultants Pvt. Ltd.
	Steel Co. Gujarat Ltd.

He is a Committee Member / Chairman in the following Companies :

Rama Petrochemicals Limited	Tulip Star Hotels Ltd.
Audit Committee – Chairman	Audit Committee – Chairman
Remuneration Committee – Chairman	
Shareholders Committee – Chairman	

RAINBOW DENIM LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Fourth Annual Report together with the Audited Statement of Accounts for the year ended September 30, 2003.

FINANCIAL RESULTS

	Year Ended 30.09.2003 (Rs. In lacs)	9 Months Period Ended 30.09.2002 (Rs in lacs)
Profit/(Loss) before Depreciation	301.41	(255.84)
Depreciation	785.72	593.11
Profit/(Loss) after Depreciation	(484.31)	(848.95)
Prior Period (Expenditure)/Income	31.76	NIL
Balance carried to Balance Sheet	(452.55)	(848.95)

DIVIDEND

In view of loss for the year under review, your Directors regret their inability to recommend any dividend.

REVIEW OF OPERATIONS

As the members are aware, your Company has set-up a most modern and state of art Denim fabric manufacturing plant at Village Chaundheri in Patiala District, Punjab. During the year the Company has increased the capacity from 13 million meters per annum to 17 million meters per annum which will help the Company in achieving economies of scale. Your Directors are pleased to inform you that the Company's product is Oeko – Tex Standard certified which means that the Denim fabric manufactured by the Company is tested and found not to contain any harmful substances.

The total production of Denim fabric during the year under review was 14.43 million meters as compared to 9.68 million meters during the nine months period ended September 30, 2002. The Company has achieved a sales turnover of Rs. 11153 lacs during the year under review as compared to a sales turnover of Rs. 7104 lacs during the nine months period ended September 30, 2002. The Exports during the year stood at Rs. 4418 lacs as compared to Rs. 4272 lacs during the nine months period ended September 30, 2002.

FUTURE PROSPECTS

Your Directors view the future prospects with cautious optimism. The margins during the current year are likely to be under pressure mainly due to very high prices of cotton, cheaper imports and increasing competition in domestic as well as international markets. The appreciation of rupee against the dollar has also put export margins under pressure. Another factor that will greatly determine the future prospects of the Company is the high interest burden. Interest alone accounts for about 16.5% of the net sales of the Company and the Directors are considering various options to bring about a reduction in the interest burden.

CORPORATE GOVERNANCE

The Report on Corporate Governance along with the Auditor's Certificate regarding Compliance of the conditions of Corporate Governance as also a Management Discussion and Analysis Report pursuant to

clause 49 of the Listing Agreement are annexed hereto.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors confirm that:

1. In the preparation of the Annual Accounts, the applicable accounting standards have been followed;
2. Appropriate Policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at September 30, 2003 and the loss of the Company for the year ended September 30, 2003;
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The Annual Accounts have been prepared on a going concern basis.

AUDIT COMMITTEE

In accordance with the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement, the Company has constituted an Audit Committee which presently comprises of the following Directors viz. Mr. M. P. Tejwani – Chairman, Mr. Mahendra Lodha, Mr. P N K Rao and Mr. J. Premkumar.

SAFETY, ENVIRONMENTAL CONTROL & PROTECTION

The Company has taken all the necessary steps for Safety and Environmental Control and protection at its plant at Lalru. The Directors are pleased to inform you that the Environmental Management Systems of the Company have been assessed and found to comply with the requirements of ISO 14001:1996 and certified by NQA Quality Systems Registrar Ltd.

DISCLOSURE OF PARTICULARS

Information as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 relating to the Conservation of Energy, Technology Absorption, Foreign Exchange Earning and Outgo is annexed hereto and forms a part of this Report.

PERSONNEL

There were no employees who were employed during the year under review or part thereof and were drawing remuneration in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended to date.

DIRECTORS

During the year under review, the Industrial Investment Bank of India Limited nominated Mr. J Premkumar as its Nominee Director.

Mr. D N Singh and Mr. Mahendra Lodha retire from the Board of Directors by rotation and are eligible for reappointment.

AUDITORS REPORT

Your Directors refer to the observations made by the Auditors in their Report and wish to state as under :

1. The Company has informed all the parties concerned to confirm the balances and whilst majority of the parties have confirmed the balances, the Company is yet to receive confirmation from some of them.
2. The Company is in the process of compiling information relating to the status of the parties.
3. In view of the strong asset base of the sick Companies, the amounts are considered to be fully recoverable and hence no provision has been made for the same.

AUDITORS

M/s. Dayal & Lohia, Chartered Accountants, the Auditors of the Company retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for reappointment. The Company has received a certificate from them certifying that their appointment, if made, would be within the limits specified under Section 224(1-B) of the Companies Act, 1956.

INDUSTRIAL RELATIONS

The Industrial Relations remained cordial during the year under review.

ACKNOWLEDGEMENT

Your Directors sincerely record their appreciation with gratitude for the continued support and assistance extended to the Company by the Financial Institutions, Banks and various Government Departments and Agencies.

For and on behalf of the Board

R L RAMSINGHANI
CHAIRMAN

Place : Mumbai

Date : November 25, 2003