

6th Annual Report 2004-2005

Report  Junction.com

RAINBOW
DENIM LTD

BOARD OF DIRECTORS

CHAIRMAN & MANAGING DIRECTOR
H D RAMSINGHANI

REGISTERED OFFICE & WORKS
VILLAGE CHAUNDHERI,
P O DAPPAR, TEHSIL DERABASSI,
DIST PATIALA, PUNJAB 140506
Email: rainbow@rainbowdenim.com

WHOLETIME DIRECTOR
S S ARORA

CORPORATE OFFICE
812, RAHEJA CHAMBERS,
NARIMAN POINT,
MUMBAI 400 021
Email : raindenim@vsnl.com

DIRECTORS
D N SINGH
M P TEJWANI
MAHENDRA LODHA
P N K RAO - Nominee Director of IDBI
J PREM KUMAR – Nominee Director of IIBI

REGISTRARS & TRANSFER AGENTS
INTIME SPECTRUM REGISTRY LTD.
C-13, PANNALAL SILK MILLS
COMPOUND,
L B S MARG, BHANDUP (WEST),
MUMBAI 400 078
TEL : 55555454. FAX : 55555353
EMAIL: isrl@intimespectrum.com

COMPANY SECRETARY
R.D. JOG

AUDITORS
M/s DAYAL & LOHIA
CHARTERED ACCOUNTANTS
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

NOTICE

NOTICE is hereby given that the Sixth Annual General Meeting of the Members of Rainbow Denim Limited will be held on Friday the 29th day of July 2005 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 March 31, 2005 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.

SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modification the following as a Special Resolution :
"RESOLVED THAT M/s Dayal and Lohia, Chartered Accountants be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General meeting until the conclusion of the next Annual General meeting on a remuneration to be decided by the Board of Directors."
5. 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 Clause 49 of the Listing Agreement with the Stock Exchanges, the consent of the members be and it is hereby accorded for payment of Rs. 2000/- (Rupees Two Thousand Only) or such other amount as may be approved by the Board of Directors from time to time subject to the ceiling prescribed under the Companies Act, 1956 or Rules framed there under, as amended from time to time, as sitting fees for each meeting of the Board of Directors or Committee(s) thereof attended by the non-executive Directors of the Company."
6. To consider and if thought fit to pass with or without modification the following as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Section 16, 94 and other applicable provisions, if any, of the Companies Act, 1956 the Authorised Share Capital of the Company be increased from Rs. 25,00,00,000/- (Rupees Twenty five Crore Only) divided into 1,80,00,000 (One Crore Eighty Lacs) Equity Shares of Rs 10/- (Rupees Ten Only) each and 70,00,000 (Seventy Lacs) Preference Shares of Rs 10/- (Rupee Ten Only) each to Rs 27,00,00,000/- (Rupees Twenty seven Crores Only) divided into 2,00,00,000 (Two Crore) Equity Shares of Rs 10/- (Rupees Ten Only) each and 70,00,000 (Seventy Lacs) Preference Shares of Rs 10/- (Rupee Ten Only) each."
"FURTHER RESOLVED THAT consequent upon increase as above the Authorised Share Capital of the Company shall stand altered and accordingly the Memorandum of Association of the Company be and is hereby altered by deleting therefrom the existing Clause V and substituting in its place and stead the following as new Clause V :
V. The Authorised Share Capital of the Company is Rs 27,00,00,000/- (Rupees Twenty seven Crore Only) divided into 2,00,00,000 (Two Crore) Equity Shares of Rs 10/- each (Rupees Ten Only) and 70,00,000 (Seventy Lacs) Preference Shares of Rs 10/- (Rupees Ten Only) each with the rights, privileges and conditions attaching thereto as may be provided by the Articles of Association of the Company for the time being, with power to increase and reduce the Capital of the Company and to divide and/or subdivide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, guaranteed, qualified or special rights, privileges and conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company but subject always to the provisions of the Companies Act, 1956, (1 of 1956) including amendments thereto from time to time.
"FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary and expedient for giving effect to the above resolution."
7. To consider and if thought fit, to pass with or without modification, as a Special Resolution the following:
"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered by deleting therefrom the existing Article 2A and substituting in its place and stead the following as new Article 2A:
2A. The Authorised Share Capital of the Company is Rs. 27,00,00,000/- (Rupees Twenty seven Crore Only) divided into 2,00,00,000 (Two Crore) Equity shares of Rs. 10/- (Rupees Ten only) each and 70,00,000 (Seventy Lacs) Preference Shares of Rs. 10/- (Rupees Ten Only) each.

NOTES

1. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of item No. 4 to 7 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 ON A POLL TO 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 22nd day of July, 2005 to Friday the 29th day of July, 2005 (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.**

Place : Mumbai
Dated : June 17, 2005

R. D JOG
COMPANY SECRETARY

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

ITEM NO 4

Section 224A of the Companies Act, 1956 requires that in case of such companies where the shareholding of Financial Institutions/Banks is more than 25% of the paid up share capital of the company, the appointment of Auditors should be made by a Special Resolution. As the shareholding of Financial Institutions and Banks exceeds the aforesaid limit, Special Resolution is proposed for the appointment of M/s Dayal and Lohia, Chartered Accountants as the Auditors of the Company.

None of the Directors are in any way concerned or interested in the said Resolution.

ITEM NO 5

The Securities & Exchange Board of India has amended Clause 49 of the Listing Agreement relating to the Corporate Governance requirements which will be effective from December 31, 2005. One of the requirements stipulated under the revised Clause 49 is that all the fees / compensation payable to Non Executive Directors including the Independent Directors shall be fixed by the Board of Directors and shall require previous approval of the members.

Accordingly the approval of the members is being sought pursuant to the revised Clause 49 of the Listing Agreement for payment of sitting fees to Non executive Directors of the Company.

Except Mr. H D Ramsinghani, Chairman & Managing Director and Mr. S S Arora, Wholetime Director all the other Directors may be deemed to be concerned or interested in the resolution.

ITEM NO 6 AND 7

As the Members are aware, The Industrial Development Bank of India (IDBI) had referred the proposal for restructuring of the Company's debts under the Corporate Debt Restructuring (CDR) Mechanism. Accordingly, the CDR Empowered Group has approved the restructuring of the debts of the Company subject to fulfillment of certain conditions by the Company/Promoters.

As a part of the Debt Restructuring Proposal, it is proposed to issue Equity Shares to the Promoters on such terms and conditions as may be agreed upon between the Company and the Institutions/Banks.

The Resolutions vide Item Nos. 6 and 7 relate to changes in the Authorised Share Capital of the Company by way of increase in the Authorised Capital with a view to accommodate the fresh issue of Equity Shares and the consequential amendments to the Capital Clause (Clause V) of the Memorandum of Association and relevant article of the Articles of Association of the Company.

None of the Directors are in any way concerned or interested in the said Resolution.

By Order of the Board
For **RAINBOW DENIM LTD.**

Place : Mumbai
Dated : June 17, 2005

R. D JOG
COMPANY SECRETARY

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 reappointed 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 40 years experience in the field of Chemicals and Petrochemicals. He has held senior positions in several companies viz. Synthetics and Chemicals Ltd., Cyanides 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 (4) Rama Capital and Fiscal Services Pvt Ltd.

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

Rama Petrochemicals Limited
Audit Committee
Shareholders Committee
Share Transfer Committee - Chairman

Rama Industries Limited
Share Transfer Committee

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 22 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.
Rajdhani Textiles Pvt. Ltd.
Rasna Processors Pvt. Ltd.
Banas Marbles Pvt. Ltd.
Anagram Stock Broking Ltd.
Shyam Cotsin India Ltd.
Shaneck Processors (I) Ltd.

Amfin Finser (I) Pvt. Ltd.
Deepak Woodcraft & Seasoning Pvt. Ltd.
Tulip Star Hotels Ltd.
Dishainfin Advisor Pvt. Ltd.
Dishainfin Consultants Pvt. Ltd.
Steelco Gujarat Ltd.
Shivalik Golf and Forest Resort Ltd.

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

Rama Petrochemicals Limited
Audit Committee – Chairman
Remuneration Committee- Chairman
Shareholders Committee - Chairman

Tulip Star Hotels Limited
Audit Committee – Chairman

Anagram Stockbroking Limited
Audit Committee – Chairman

Steelco Gujarat Limited
Audit Committee
Remuneration Committee
Shareholders Committee

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Sixth Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2005.

FINANCIAL RESULTS	YEAR ENDED 31.03.2005 (Rs. in lacs)	SIX MONTHS PERIOD ENDED 31.03.2004 (Rs. in lacs)
Profit/(Loss) before Depreciation	954.64	30.15
Depreciation	788.72	395.33
Profit/(Loss) after Depreciation	165.92	(365.18)
Prior period (Expenditure)/Income	(2.16)	278.20
Balance carried to Balance Sheet	163.76	(86.98)

DIVIDEND

In view of the accumulated losses and the need to conserve the resources of the Company, your Directors regret their inability to recommend any Dividend for the year under review.

REVIEW OF OPERATIONS

The total production of Denim fabric during the year under review was 16.16 million meters as compared to 8.04 million meters during the previous period. The Company has achieved a sales turnover of Rs. 13755 lacs during the year under review as compared to a turnover of Rs. 6073 lacs during the previous period thus registering an increase of about 13% on an annualized basis. The exports during the year stood at Rs 2354 lacs as compared to Rs. 1860 lacs during the previous period.

During the year under review, the Company continued its policy of placing greater emphasis on domestic sales rather than exports due to a better realisation in domestic market.

FUTURE PROSPECTS

As was reported earlier the restructuring of Company's Debts under the Corporate Debt Restructuring (CDR) mechanism has been approved by the CDR Cell w.e.f October 1,2003 The Company is in the process of complying with the various conditions of sanction. As a part of the CDR proposal, the Company has allotted 45,13,300 Equity Shares of Rs. 10/- each at par to the respective Financial Institutions/Banks during the year under review. Some Institutions/Banks have given partial effect of reliefs and concessions envisaged under the said approval for part of the year. Effect of the remaining reliefs and concessions have neither been accounted nor quantified pending compliance and confirmations from some of the Institutions/Banks.

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 March 31, 2005 and the profit of the Company for the year ended March 31, 2005;
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.

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

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended to date is annexed hereto and forms a part of the Report.

DIRECTORS

During the year under review, Mr D J Ramsinghani and Mr R L Ramsinghani have ceased to be Directors of the Company. The Board places on record its appreciation of the contribution made by Mr D J Ramsinghani and Mr R L Ramsinghani during their association with the Company. Mr H D Ramsinghani has been appointed as the Chairman of the Board of Directors in place of Mr R L Ramsinghani.

Mr. D N Singh and Mr Mahendra Lodha retire by rotation at the forthcoming Annual General Meeting and are eligible for reappointment.

AUDITORS REPORT

Your Directors refer to the observations made by the Auditors in their Report and wish to state that the Auditors observations read with notes forming part of the Accounts are self explanatory and need no further comments.

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(I-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

Place : Mumbai

Date : June 17, 2005

H D RAMSINGHANI
CHAIRMAN AND MANAGING DIRECTOR

ANNEXURE TO DIRECTORS' REPORT

PARTICULARS PURSUANT TO SECTION 217(1) (e) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988 AND FORMING A PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH 2005

A) CONSERVATION OF ENERGY :**a) Energy conservation measures taken :**

The conservation of energy resources is an ongoing process at the Plant and the Company is constantly striving to improve the production process so as to reduce energy consumption. Some of the energy conservation measures taken are :

1. VFD's installed at I.D & F.D fans at Boiler.
2. Modification in the working procedures at E.T.P so as to reduce the power consumption.
3. Replacement of some dosing chemicals at ETP by other chemicals which resulted in saving of chemical consumption and reduction of hazardous sludge quantity.

b) Additional investment proposals, if any, being implemented for reduction of consumption of energy :

1. Husk saving in Boiler.
2. Automation of operation of pumps for OH Tanks.
3. Viability to use treated Sewage water.

c) Impact of measures at (a) and (b) above for reduction of Energy Consumption and consequent impact on the cost of production of goods :

As a result of the continuous efforts, the Company has been able to achieve substantial saving in energy costs.

d) Particulars with respect to conservation of energy :

A) POWER AND FUEL CONSUMPTION	2004-2005 (12 months)	2003-2004 (6 months)
--------------------------------------	----------------------------------	---------------------------------

1) ELECTRICITY :**A) Purchased**

Units (in Thousand)	22705	10995
Total cost (Rs. In lacs)	873.01	440.74
Rate per Unit (Rs.)	3.85	4.01

B) Own Generation :**Through Diesel Generation**

Units (in Thousand)	10.80	7.72
Units/KL of Diesel	3.24	3.21
Cost/Unit (Rs.)	7.06	5.85

Through Steam Turbine/Generator

Units (in thousand)	NIL	NIL
Units/Lt Of Fuel Oil, Gas	NIL	NIL
Cost/unit	N A	N.A.

2) FURNACE OIL

Quantity (in Kltrs)	9.0	0
Total Amount (Rs in lacs)	1.25	0
Average Rate	13.87	0

ANNUAL REPORT 2004-2005

3) OTHER INTERNAL GENERATION	NIL	NIL
B) CONSUMPTION PER UNIT OF PRODUCTION		
Production of Denim Fabric (lac Mtrs)	161.60	80.40
Electricity (kw)	1.41	1.37
Furnace Oil	NIL	NIL
Coal	NIL	NIL

B) PARTICULARS WITH RESPECT TO ABSORPTION ADAPTATION AND INNOVATION**I Research and Development (R & D)**

- Specific areas in which R & D is carried out by the Company :
The Specific areas in which R & D activities are carried out by the Company are relating to improvement in quality of the existing products and development of new products to meet market demands.
- Benefits derived as a result of R & D :
As a result of the R & D activities, the Company has been able to develop several new products to meet the ever changing demands of the domestic and international markets.
- Future Plan of Action :
The Company lays a great emphasis on R & D activities and proposes to carry out R & D work in various areas so as to achieve cost reduction and increased productivity.
- Expenditure on R & D :
Expenditure on R & D has been shown under the respective heads of expenditure in the Profit and Loss Account as no separate Account is maintained.

II Technology absorption adaptation and innovation :

- Efforts in brief made towards technology absorption, adaptation and innovation :
Plant and Machinery of latest technology have been installed and the Company is making continuous efforts to carry out innovation wherever possible
- Benefits derived as a result of above efforts :
As a result of the above efforts the Company has been able to achieve cost reduction and production levels have improved.
- Information of Imported Technology :
Not Applicable

C) FOREIGN EXCHANGE EARNINGS AND OUTGO :

(Rs. in lacs)

Foreign Exchange used	347.18
Foreign Exchange earned	2248.87

ANNEXURE TO DIRECTORS' REPORT

Statement pursuant to Section 217 (2A) of the Companies Act, 1956.

Name of the Employee	Age in Years	Designation	Gross Remuneration (in Rupees)	Qualification	Experience (in Years)	Date of Commencement of Employment	Previous employment and position held
Mr. M. J. Purandare	65	Chief Mentor	31,98,952	B. Text	43	01.01.1997	—

Note : Remuneration as above includes Salary, Company's Contribution to Provident Fund and other perquisites valued in accordance with Income Tax Act, 1961.

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

As required by the Listing Agreement with various Stock Exchanges, the Company has fully implemented the code of Corporate Governance and it is committed to the philosophy of good Corporate Governance in letter and in spirit.

2. Board of Directors

- As on the date of this Report, the Board consists of Seven Directors (Two Executive and Five Non Executive) out of which four Directors are Independent.
- The attendance at Board Meetings and last Annual General Meeting of each of the Directors during the year was as under :

Name of Director	Category Executive Non-executive/ Independent	Attendance at		Other Directorships	Membership/ Chairmanship of other Board Committees	
		Board Meetings	Last Annual Gen. Meeting		Chairman	Member
Mr. R.L. Ramsinghani Chairman (up to 23/02/05)	Non-Executive	Three	Yes	Five	Nil	Three
Mr. H.D. Ramsinghani Chairman & Managing Director*	Executive	Four	No	One	Nil	One
Mr. S.S. Arora Wholetime Director	Executive	Four	Yes	Three	Nil	Two
Mr. Deonath Singh	Non-Executive	Four	No	Four	One	Three
Mr. D.J. Ramsinghani (up to 30/09/2004)	Non-Executive	Two	No	Four	Two	One
Mr. Mahendra Lodha	Non Executive Independent	Four	No	Fourteen	Five	Three
Mr. M.P. Tejwani	Non Executive Independent	Four	Yes	Five	Three	Nil
Mr. P.N. K. Rao Nominee Director of IDBI	Non Executive Independent	Two	No	One	Nil	One
Mr. J. Premkumar Nominee Director of IDBI	Non Executive Independent	Four	No	Nil	Nil	Nil

* Appointed as Chairman w.e.f. March 29, 2005.

- (c) During the year four Board Meetings were held on June 30, 2004, July 30, 2004, October 29, 2004 and March 29, 2005.