

8th Annual Report 2006-2007

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RAINBOW
DENIM LTD

BOARD OF DIRECTORS

CHAIRMAN & MANAGING DIRECTOR
H D RAMSINGHANI

WHOLETIME DIRECTOR
S S ARORA

DIRECTORS
D N SINGH
MAHENDRA LODHA
UMESH JAIN - Nominee Director of IDBI
J PREMKUMAR – Nominee Director of IIBI

COMPANY SECRETARY
R.D. JOG

AUDITORS
M/s DAYAL & LOHIA
CHARTERED ACCOUNTANTS
MUMBAI

BANKERS
BANK OF INDIA
DENA BANK
ARAB BANGLADESH BANK

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

CORPORATE OFFICE
51/52, FREE PRESS HOUSE
FREE PRESS JOURNAL MARG
NARIMAN POINT
MUMBAI 400 021
Email : raindenim@vsnl.com

REGISTRARS & TRANSFER AGENTS
INTIME SPECTRUM REGISTRY LTD.
C-13, PANNALAL SILK MILLS
COMPOUND,
L B S MARG, BHANDUP (WEST),
MUMBAI 400 078
TEL : 25963838. FAX : 25946969
EMAIL: isrl@intimespectrum.com

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NOTICE

NOTICE is hereby given that the Eighth Annual General Meeting of the Members of Rainbow Denim Limited will be held on Saturday the 29th day of September 2007 at 10.00 a. m. at the Registered Office of the Company at Village Chaundheri, P O Dappar, Tehsil Derabassi, District Mohali, 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, 2007 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 Mahendra Lodha 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.

NOTES

1. 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.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday the 22nd day of September, 2007 to Saturday the 29th day of September 2007 (both days inclusive).
3. 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.
4. 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 : July 31, 2007

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

As required under the Listing Agreement, the particulars of Director who is proposed to be reappointed at the forthcoming Annual General Meeting are given below :

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 24 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 Finser (I) Pvt. Ltd., Rajdhani Textiles Pvt. Ltd., Deepak Woodcraft & Seasoning Pvt. Ltd., Rasna Processors Pvt. Ltd., Tulip Star Hotels Ltd., Banas Marbles Pvt. Ltd., Dishainfin Advisor Pvt. Ltd., Anagram Stock Broking Ltd., Dishainfin Consultants Pvt. Ltd., Shyam Cotsin India Ltd., Steelco Gujarat Ltd., Shivalik Golf and Forest Resort Ltd., Arvind Products Ltd., Kalyanpur Cement Ltd. and Bihar Hotels Ltd.

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

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

Kalyanpur Cement Limited – Audit Committee – Chairman

Anagram Stockbroking Limited – Audit Committee – Member

Steelco Gujarat Limited – Audit Committee - Member, Remuneration Committee – Member and Shareholders Committee - Member

Arvind Products Limited – Audit Committee – Member

RAINBOW DENIM LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Eighth Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2007.

FINANCIAL RESULTS	YEAR ENDED 31.03.2007 (Rs. in lacs)	YEAR ENDED 31.03.2006 (Rs. in lacs)
Profit/(Loss) before Depreciation	(404.73)	193.26
Depreciation	847.44	793.54
Profit/(Loss) after Depreciation	(1252.17)	(600.28)
Prior period (Expenditure)/Income	(1.06)	(0.86)
Net Profit/(Loss) for the Year	(1253.23)	(601.14)
Loss as per last Balance Sheet	(1825.86)	(1224.72)
Transferred from General Reserve	3079.09	—
Balance carried to Balance Sheet	—	(1825.86)

DIVIDEND

In view of the loss for the year under review, 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 15.83 million meters as compared to 16.72 million meters during the previous year. The Company has achieved a sales turnover of Rs. 10618 lacs during the year under review as compared to a turnover of Rs. 12561 lacs during the previous year. The exports during the year stood at Rs 1097 lacs as compared to Rs. 1459 lacs during the previous year.

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.

DELISTING OF SHARES

During the year under review the Equity Shares of the Company were delisted from Ahmedabad Stock Exchange Limited and The Ludhiana Stock Exchange Limited. However the Equity Shares of the Company will continue to be listed on the Bombay Stock Exchange Limited.

FUTURE PROSPECTS

During the year under review margins were under pressure due to increase in cotton prices and the downturn witnessed in the Denim market. The depressed market condition, which is mainly due to large scale capacity build up by almost all the players, is expected to continue during the current year also. The growth in supply has out paced the growth in demand as a result of which manufacturers have been forced to look for alternative options such as ready to wear Denim products etc.

Your Company is laying greater emphasis on development of new products to meet the challenges posed by the current difficult situation and it is expected that with the introduction of value added items and strict control on raw material costs and other over heads, the Company will be able to register a better performance during the current year.

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;

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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, 2007 and the loss of the Company for the year ended March 31, 2007;
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; and
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 Mahendra Lodha – Chairman, Mr. D N Singh, Mr. Umesh Jain 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

Mr. Mahendra Lodha retires by rotation at the forthcoming Annual General Meeting and is eligible for reappointment.

AUDITORS REPORT

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

1. Regarding Loans & Advances due from Companies, the Management is of the opinion that these amounts are recoverable and hence do not require any provision.
2. As regards the default in repayment of dues to Financial Institutions / Banks, your Directors wish to inform you that the default was due to the difficult financial position faced by the Company during the year under review.

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

Place : Mumbai
Date: July 31, 2007

H D RAMSINGHANI
CHAIRMAN & 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 MARCH 31, 2007

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. Automation of Boiler to get fuel and power saving.
2. Changed the filter system which was running in series with imported filter system at Blow Room to get power saving.
3. Changed the filter system which was running in series with imported filter system at Carding to get power saving.
4. Recycling of treated sewage water.

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

1. Provision of smaller size nozzles in place of existing nozzles to reduce air Quantity used for cleaning to get power saving. Provision of air guns at all cleaning points to reduce air consumption while cleaning to avoid pressure drop and to get power saving.
2. Conversion of v-belts into flat belts at various places.

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 :

1. ELECTRICITY :

a. Purchased :

Units (in thousand)	25683	22538
Total cost (Rs. in Lacs)	1081.33	951.23
Rate per Unit (Rs.)	4.21	4.22

b. Own Generation :

Through Diesel Generation		
Units (in thousand)	15.23	10.35
Units/KL of Diesel	3.09	3.14
Cost/Unit (Rs.)	10.08	9.03
Through Steam Turbine/Generator	Nil	Nil
Units (in thousand)	Nil	Nil
Units/Ltr. of Fuel Oil, Gas	Nil	Nil
Cost/unit	NA	NA

2. FURNACE OIL :

Quantity (in Kltrs)	Nil	2.00
Total Amount (Rs in Lacs)	Nil	0.28
Average Rate	Nil	13.98

3. OTHER INTERNAL GENERATION

	Nil	Nil
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B. CONSUMPTION PER UNIT OF PRODUCTION :

Production of Denim Fabric (in Lacs Mtrs.)	158.33	167.16
Electricity (kw)	1.62	1.35
Furnace Oil	Nil	Nil
Coal	Nil	Nil

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B) PARTICULARS WITH RESPECT TO ABSORPTION, ADAPTATION AND INNOVATION :**I. Research and Development (R & D) :****1 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.

2 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.

3 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.

4 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 :**1. 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.

2. 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.

3. Information of Imported Technology :

Not Applicable

C) Foreign Exchange Earnings and Outgo :**(Rs. in Lacs)**

Foreign Exchange used

555.04

Foreign Exchange earned

1084.31

For and on behalf of the Board

Place : Mumbai

Date : July 31, 2007

H D RAMSINGHANI
CHAIRMAN & MANAGING DIRECTOR**ANNEXURE TO DIRECTORS' REPORT**

STATEMENT PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND FORMING PART OF DIRECTOR'S REPORT FOR THE YEAR ENDED 31ST MARCH 2007.

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	Date of Cessation
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(A) PARTICULARS OF EMPLOYEES EMPLOYED THROUGHOUT THE YEAR AND WERE IN RECEIPT OF REMUNERATION OF NOT LESS THAN RS. 24,00,000/- PER ANNUM.

NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	
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(B) PARTICULARS OF EMPLOYEES EMPLOYED DURING A PART OF THE YEAR AND WERE IN RECEIPT OF REMUNERATION OF NOT LESS THAN RS. 2,00,000/- PER MONTH.

Mr. M. J. Purandare	67	Chief Mentor	2,999,128	B. Text	45	01.01.1997	—	10.07.2006
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Note : Remuneration as above includes Salary. Company's Contribution to Provident Fund and other perquisites valued in accordance with Income Tax Rules, 1962.

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

As required by the Listing Agreement with various Stock Exchanges, the Company has 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

- a. As on the date of this Report, the Board consists of Six Directors (Two Executive and Four Non Executive all of whom are Independent).
- b. 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		Membership of other Board (including alternate Directorships and Private Companies)	Membership/ Chairmanship of other Board Committees		Share- holding (No. of Shares)
		Board Meetings	Last Annual Gen. Meeting		Chairman	Member	
Mr. H.D. Ramsinghani Chairman & Managing Director	Executive	Four	No	Three	Nil	One	20
Mr. S.S. Arora Wholetime Director	Executive	Four	Yes	Three	Nil	Two	47270
Mr. Deonath Singh Director	Non-Executive Independent	Four	Yes	Four	Nil	Two	900
Mr. Mahendra Lodha Director	Non-Executive Independent	Three	Yes	Seventeen	Three	Five	Nil
Mr. Umesh Jain Nominee Director of IDBI	Non- Executive Independent	Three	No	Nil	Nil	Nil	Nil
Mr. J. Premkumar Nominee Director of IIBI	Non-Executive Independent	Three	No	Nil	Nil	Nil	Nil

- c) During the year four Board Meetings were held on June 02, 2006, July 28, 2006, October 31, 2006 and January 31, 2007.

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3. Code of Conduct

The Company has framed a Code of Conduct for the members of the Board of Directors and Senior Management personnel of the company. The declaration by the Chairman regarding compliance by the members of the Board and the Senior Management personnel with the said code of conduct is annexed hereto.

4. Audit Committee

Role of the Audit Committee and its terms of reference include reviewing the financial statements, overseeing the Company's Annual Report process and discussions with Auditors.

The Committee presently comprises of Mr Mahendra Lodha – Chairman, Mr D. N. Singh, Mr. Umesh Jain and Mr J. Premkumar.

During the year four meetings of the Audit Committee were held on June 02, 2006, July 28, 2006, October 31, 2006 and January 31, 2007. The attendance at Audit committee meetings of each of the Directors is as under:

Name of the Director	Attendance at Audit Committee meetings
Mr. Mahendra Lodha	Three
Mr. Deonath Singh	Four
Mr. Umesh Jain	Three
Mr. J Premkumar	Three

5 Share Transfer Committee

The Board has delegated the power of approving share transfers to a Committee of Directors comprising of Mr. H. D. Ramsinghani (Chairman), Mr S. S. Arora and Mr. D.N. Singh. The Share Transfer Committee also approves transmission of shares, issue of duplicate certificates and issue of certificates on split/ consolidation/ renewal. In addition the Board has delegated the power to approve transfers of upto 5000 shares per Transfer Deed to Senior Executives of the Company. The Share transfers approved by the Committee / Executives are also noted at every meeting of the Board.

Barring certain cases pending in Courts relating to disputes over the title of shares in which the Company has been made a party, no investor complaint was pending as on March 31, 2007.

6 Remuneration Committee

The Remuneration Committee determines the managerial remuneration including perquisites payable to Directors and makes recommendations to the Board of Directors. One meeting of the Remuneration Committee was held during the year.

The Committee presently comprises of Mr Mahendra Lodha – Chairman, Mr D. N. Singh, Mr Umesh Jain and Mr J. Premkumar.

7 Shareholders/Investors Grievances Committee

The Shareholders/Investors Grievances Committee specifically looks into the redressing of Shareholders and Investors complaints relating to Share transfers, non receipt of Balance Sheet and Dividend etc. In terms of Clause 47 of the Listing Agreement the Company has appointed Mr R. D. Jog – Company Secretary as the Compliance Officer and the investors are requested to register their complaints, if any, on the exclusive email ID : rdjog@ramagroup.co.in

The committee presently comprises of Mr. D. N. Singh (Chairman), Mr. H. D. Ramsinghani and Mr. S. S. Arora.

RAINBOW DENIM LIMITED

A summary of complaints received and resolved by the Company during the year is given below :

	Received	Resolved
Non-Receipt of Share Certificates	18	18
Non-Receipt of Dividend Warrants	2	2
Non-Receipt of Demat Credit/Remat Cert	6	6
Non-Receipt of Rejected DRF	5	5
Miscellaneous	9	9
Letters from Stock Exchanges, SEBI and Ministry of Company Affairs	1	1

8. Remuneration of Directors

(a) Managing/Executive Director

The remuneration paid to the Managing/Executive Director during the year was as follows :

Name of Director	Designation	Remuneration (Rs. in lacs)	Sitting Fees (Rs.)
Mr. H D Ramsinghani	Managing Director	28.81	Nil
Mr. S.S. Arora	Wholtime Director	17.43	Nil

(b) Non-Executive Directors :

The Non-Executive Directors are not paid any remuneration except fees for attending meetings of the Board or committees thereof.

Details of Sitting Fees paid to the Non-Executive Directors for attending meetings of the Board and Committees thereof during the year are as follows :

Name of the Director	Sitting Fees (Rs.)
Mr. Mahendra Lodha	14000/-
Mr. D.N. Singh	18000/-
Mr. Umesh Jain **	12000/-
Mr. J Premkumar ***	14000/-
TOTAL	58000/-

** Sitting fees paid to IDBI for the meetings attended by its Nominee Director Mr. Umesh Jain.

*** Sitting fees paid to IIBI for the meetings attended by its Nominee Director Mr. J Premkumar.

9. General Body Meetings

Financial Year	Date	Time	Location
2003-2004	30/09/2004	10.00 A.M	Village Chaundheri, P.O Dappar, Dist. Patiala, Punjab 140506
2004-2005	29/07/2005	10.00 A.M	Village Chaundheri, P.O Dappar, Dist. Patiala, Punjab 140506
2005-2006	22/09/2006	10.00 A.M	Village Chaundheri, P.O Dappar, Dist. Mohali, Punjab 140506