



Eleventh Annual Report 2009-2010

BOARD OF DIRECTORS

CHAIRMAN & MANAGING DIRECTOR

H D RAMSINGHANI

REGISTERED OFFICE & WORKS

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

WHOLETIME DIRECTOR

S S ARORA

CORPORATE OFFICE

51/52, FREE PRESS HOUSE,
FREE PRESS JOURNAL MARG,
NARIMAN POINT,
MUMBAI 400021,
Email : raindenim@vsnl.com

DIRECTORS

D N SINGH

MAHENDRA LODHA

UMESH JAIN – Nominee Director –IDBI Bank Ltd.

COMPANY SECRETARY

R.D. JOG

AUDITORS

DAYAL & LOHIA
CHARTERED ACCOUNTANTS

BANKERS

BANK OF INDIA
DENA BANK
AB BANK LTD

REGISTRARS & TRANSFER AGENT

LINK INTIME INDIA PVT.LTD.
C-13, PANNALAL SILK MILLS
COMPOUND, L B S MARG, BHANDUP(WEST),
MUMBAI 400 078
TEL : 25946969 / 25946970
FAX : 25946969
EMAIL: rnt.helpdesk@linktime.co.in
Website : www.linktime.com

NOTICE

NOTICE is hereby given that the Eleventh Annual General Meeting of the Members of RAINBOW DENIM LIMITED will be held on Friday the 24th day of September 2010 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, 2010 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 consider, and if thought fit, to pass with or without modification, the following Resolution, as an Ordinary Resolution :

“RESOLVED THAT the retiring Statutory Auditors M/s Dayal and Lohia (Registration No 102200W) be and they are hereby reappointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting on remuneration to be fixed by the Board of Directors.”

SPECIAL BUSINESS

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

4. “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 Mortgage and/or charge on such terms and conditions and in such form and manner as it may deem fit over the whole or substantially the whole of the Company's undertaking(s) 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(s) in certain events to and in favor of the following :
- (i) By way of first pari passu charge in favour of :
 1. IDBI Bank Limited to secure the additional Term Loans up to an aggregate amount not exceeding Rs 1500 lacs;
 2. Industrial Investment Bank of India Ltd. to secure the additional Term Loans up to an aggregate amount not exceeding Rs 500 lacs;
 3. Export Import Bank of India to secure the additional Term Loans up to an aggregate amount not exceeding Rs 200 lacs;
 4. Bank of India to secure the additional Term Loans up to an aggregate amount not exceeding Rs 2000 lacs;
 5. Dena Bank to secure the additional Term Loans up to an aggregate amount not exceeding Rs 1000 lacs and
 6. AB Bank Ltd. to secure the additional Term Loan up to an aggregate amount not exceeding Rs 300 lacs.
 - (ii) By way of second pari passu Charge in favour of :
 1. IDBI Bank Limited to secure the additional Working Capital limits up to an aggregate amount not exceeding Rs 800 lacs;
 2. Bank of India to secure the additional Working Capital limits up to an aggregate amount not exceeding Rs 500 lacs;

3. Dena Bank to secure the additional Working Capital limits up to an aggregate amount not exceeding Rs 1500 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.”

“FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to finalise 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 resolutions.”

NOTES

1. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the Special business 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 17th day of September, 2010 to Friday the 24th day of September 2010 (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 : July 26, 2010

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 ELEVENTH ANNUAL GENERAL MEETING OF THE COMPANY.

The IDBI Bank Ltd 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.

As a part of the Debt Restructuring Proposal, it is proposed to convert outstanding/unpaid interest, irregularities in working capital and devolved letters of credit into Term loans and also additional working capital limits are to be released on such terms and conditions as may be agreed upon between the Company and the Institutions/Banks .

Resolution proposed vide Item No. 4 is for seeking the approval of the members for creation of mortgage/charge on the whole or substantially the whole the Company's undertaking(s) including the present and future properties whether movable or immovable for securing the said term loans as detailed in the resolution.

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

By Order of the Board
For RAINBOW DENIM LTD.

Place : Mumbai
Dated : July 26, 2010

R. D JOG
COMPANY SECRETARY

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. 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 44 years of 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. Mr. D N Singh holds 1285 Equity Shares of the Company.

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

Audit Committee – Member
Shareholders Committee - Member

Rama Phosphates Limited

Audit Committee – Member
Remuneration Committee - Member
Shareholders Committee - Chairman

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Eleventh Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2010.

FINANCIAL RESULTS

	YEAR ENDED 31.03.2010 (Rs. in lacs)	YEAR ENDED 31.03.2009 (Rs. in lacs)
Profit/(Loss) before Depreciation	(750.57)	(709.89)
Depreciation	890.89	876.36
Profit/(Loss) after Depreciation	(1641.46)	(1586.25)
Prior period Expenditure	-	1.16
Profit/(Loss) before Tax	(1641.46)	(1587.41)
Fringe benefit Tax	0.61	16.83
Net Profit/(Loss) for the Year	(1642.07)	(1604.24)
Loss as per last Balance Sheet	(3220.04)	(1615.80)
Balance carried to Balance Sheet	(4862.11)	(3220.04)

DIVIDEND

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

BIFR REFERENCE

The Net worth of the company is fully eroded. Accordingly the Directors have filed a reference with the Board for Industrial and Financial Reconstruction (BIFR) as required by the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985.

REVIEW OF OPERATIONS

The total production of Denim fabric during the year under review was 15.34 million meters as compared to 16.21 million meters during the previous year. The Company has achieved a sales turnover of Rs.12830.79 lacs during the year under review as compared to a turnover of Rs. 13440.30 lacs during the previous year.

FUTURE PROSPECTS

The future prospects for the Denim business continue to be subdued due to increase in costs of raw materials and other inputs which are growing steadily over the years. In view of the stiff competition, the Company is unable to pass on the burden to the consumers. The present trend is expected to continue in the near future during which the Company is likely to face difficult times.

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, 2010 and the loss of the Company for the year ended March 31, 2010;

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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. Deonath Singh and Mr. Umesh Jain.

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

There were no employees 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 during the year under review or part thereof.

DIRECTORS

Mr. D N Singh 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. The Company is in the process of obtaining confirmation from Banks and Financial Institutions.
3. The net worth of the Company has been fully eroded and the Company has filed the reference with BIFR.
4. The Company had to use the funds raised on short term basis for long term investment due to the losses incurred during the year under review.

AUDITORS

M/s. Dayal & Lohia, Chartered Accountants, (Membership No 102200W) 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 26, 2010

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, 2010

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. Replacement of ACC sheets with the transparent FRP Sheets.
2. Raw water supply given in some machines in place of costly Soft water.
3. Replacement of Aluminum Fan by FRP fan in 2 Nos. of Cooling Tower.
4. Alternate fuel used in place of Rice Husk in some months when rice husk was expensive.
5. Roof Extractors are installed in production hall where processing machines are working.

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

1. Replacement of aluminum fans with energy efficient FRP fans in H. Plants.
2. More Roof extractors to be installed in Rope Dyeing section to improve ventilation.

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 :

	<u>2009-10</u>	<u>2008-09</u>
A. POWER AND FUEL CONSUMPTION :		
1. ELECTRICITY :		
a. Purchased (PSEB) :		
Units (in thousand)	25315	25730
Total cost (Rs. in Lacs)	1203.15	1110.10
Rate per Unit (Rs.)	4.75	4.31
b. Own Generation :		
Through Diesel Generation :		
Units (in thousand)	1011	11
Units per Litre of Diesel	3.48	3.01
Cost per Unit (Rs.)	9.11	10.86
Through Steam Turbine/Generator :		
Units (in thousand)	Nil	Nil
Units per Litre of Fuel, Oil, Gas	Nil	Nil
Cost per unit	NA	NA

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2. FURNACE OIL :

Quantity (in Kltrs)	98	Nil
Total Amount (Rs in Lacs)	18.34	Nil
Average Rate	18.80	Nil

3. OTHER INTERNAL GENERATION

Nil Nil

B. CONSUMPTION PER UNIT OF PRODUCTION :

Production of Denim Fabric (in Lacs Mtrs.)	153.37	162.11
Electricity (kwh per Meter)	1.72	1.59
Furnace Oil	Nil	Nil
Coal	Nil	Nil

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	358.10
Foreign Exchange earned	1696.29

For and on behalf of the Board

Place : Mumbai

Date : July 26, 2010

H. D. RAMSINGHANI
CHAIRMAN & MANAGING DIRECTOR

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

As required by the Listing Agreement with Bombay Stock Exchange Limited, 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 Five Directors (Two Executive and Three 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 General Meeting		Chairman	Member	
Mr. H.D. Ramsinghani Chairman & Managing Director	Executive	Four	Yes	Five	Nil	Two	20
Mr. S. S. Arora Wholetime Director	Executive	Four	Yes	Three	Nil	One	163373
Mr. Deonath Singh Director	Non Executive Independent	Four	No	Three	One	Three	1285
Mr. Mahendra Lodha Director	Non Executive Independent	Three	Yes	Seventeen	Three	Three	Nil
Mr. Umesh Jain Nominee Director of IDBI Bank Ltd.	Non Executive Independent	Four	No	Nil	Nil	Nil	Nil

- (c) During the year four Board Meetings were held on May 27, 2009, July 31, 2009, October 29, 2009 and January 29, 2010.

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.