



**Twelfth Annual Report 2010-2011**

**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.  
(upto 10/08/2011)

DEEPAK GUPTA – Nominee Director –IDBI Bank Ltd.  
(from 10/08/2011)

**COMPANY SECRETARY**

R.D. JOG

**AUDITORS**

DAYAL & LOHIA  
CHARTERED ACCOUNTANTS  
MUMBAI

**REGISTRARS & TRANSFER AGENT**

LINK INTIME INDIA PVT.LTD.  
C-13, PANNALAL SILK MILLS  
COMPOUND, L B S MARG, BHANDUP(WEST),  
MUMBAI 400 078  
TEL : 25963838  
FAX : 25946969

**BANKERS**

BANK OF INDIA  
DENA BANK  
AB BANK LTD

EMAIL: rnt.helpdesk@linkintime.co.in  
Website : www.linkintime.com

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## ANNUAL REPORT 2010-2011

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### NOTICE

NOTICE is hereby given that the Twelfth Annual General Meeting of the Members of RAINBOW DENIM LIMITED will be held on Friday the 23<sup>rd</sup> day of September 2011 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, 2011 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 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.”

#### 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 16<sup>th</sup> day of September, 2011 to Friday the 23<sup>rd</sup> day of September 2011 (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.
6. The Ministry of Corporate Affairs (vide circular nos. 17/2011 and 18/2011 dated April 21 and April 29, 2011 respectively), has undertaken a ‘Green Initiative in Corporate Governance’ and allowed companies to share documents with its shareholders through an electronic mode. Members are requested to support this green initiative by registering / updating their e-mail addresses, in respect of shares held in dematerialized form with their respective Depository Participants and in respect of shares held in physical form with Link Intime India Private Limited.

By Order of the Board  
For RAINBOW DENIM LTD.

Place : Mumbai  
Dated : July 30, 2011

**R. D JOG**  
COMPANY SECRETARY

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## RAINBOW DENIM LTD.

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### 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 as follows ;

Mr. Mahendra Lodha, 55 years, is B.Com. (Hons.), LL.B., FCA. He is a senior partner of Mehta Lodha & Co., He is engaged in corporate advisory services and possess expertise in the field of Corporate Financing and Corporate restructuring. He does not hold any shares of the Company.

He is a Director of the following Public Limited Companies :

Rama Petrochemicals Ltd.	Arvind Products Ltd.
Nitrex Chemicals India Ltd.	Shivalik Golf and Forest Resort Ltd.
Kalyanpur Cements Ltd.	Steelco Gujarat Ltd.
Tulips Star Hotels Ltd.	Bihar Hotels Ltd.
Metrochem Industries Ltd.	

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

Name of the Company	Name of the Committee	Designation
Rama Petrochemicals Ltd.	Audit Committee	Chairman
	Shareholders Committee	Chairman
Steelco Gujarat Ltd	Audit Committee	Member
	Shareholders Committee	Member
Tulip Star Hotels Ltd.	Audit Committee	Chairman

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### DIRECTORS' REPORT

Your Directors have pleasure in presenting the Twelfth Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2011.

### FINANCIAL RESULTS

	YEAR ENDED 31.03.2011 (Rs. in lacs)	YEAR ENDED 31.03.2010 (Rs. in lacs)
Profit/(Loss) before Depreciation	691.89	(750.57)
Depreciation	892.97	890.89
Profit/(Loss) after Depreciation	(201.08)	(1641.46)
Profit/(Loss) before Tax	(201.08)	(1641.46)
Fringe benefit Tax	Nil	0.61
Net Profit/(Loss) for the Year	(201.08)	(1642.07)
Reliefs and Refunds of Interest	2532.00	Nil
Loss as per last Balance Sheet	(4862.10)	(3220.04)
Balance carried to Balance Sheet	(2531.18)	(4862.11)

### 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 15.07 million meters as compared to 15.34 million meters during the previous year. The Company has achieved a sales turnover of Rs. 15519.83 lacs during the year under review as compared to a turnover of Rs. 12830.79 lacs during the previous year.

### FUTURE PROSPECTS

The Indian Denim market is expected to register a growth of about 10% in the coming years but the increase in costs of raw materials and other inputs, which are growing steadily over the years, is a cause for concern. There is a large scale capacity build up in the country as a result of which the Company faces stiff competition and is unable to pass on the increased cost burden to the consumers.

### 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, 2011 and the loss of the Company for the year ended March 31, 2011;
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with

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## RAINBOW DENIM LTD.

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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. 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. The Company has not disclosed information regarding dues to Micro, Small and Medium Enterprises since no information is available regarding their status.
2. The net worth of the Company has been fully eroded and the Company has filed the reference with BIFR.

### 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.

### FIXED DEPOSITS

The Company has not accepted any public deposits and as such no amount on account of principal or interest on public deposits was outstanding as on the date of the Balance Sheet.

### 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.

By Order of the Board

Place : Mumbai  
Dated : July 30, 2011

**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, 2011**

**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. Alternate fuel used in place of Rice Husk in some months when rice husk was expensive.
2. Roof Extractors are installed in production hall where processing machines are working.
3. During daily peak hours restrictions, we reduce loads in H. Plants without effecting their performance. This amounts to saving of electricity.
4. We have stopped using small Air Compressor for cleaning purposes in the Departments and the cleaning air was provided through main IR Compressor by providing separate air line without affecting the air pressure in the service department.

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

1. More Roof extractors to be installed in Rope Dyeing section to improve ventilation.
2. Energy auditing will be carried out shortly and the short-comings will be attended accordingly

**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>2010-11</u>	<u>2009-10</u>
<b>A. POWER AND FUEL CONSUMPTION :</b>		
<b>1. ELECTRICITY :</b>		
<b>a. Purchased (PSEB) :</b>		
Units (in thousand)	<b>27402</b>	25315
Total cost (Rs. in Lacs)	<b>1217.19</b>	1203.15
Rate per Unit (Rs.)	<b>4.44</b>	4.75
<b>b. Own Generation :</b>		
<b>Through Diesel Generation :</b>		
Units (in thousands)	<b>72</b>	1011
Units per Litre of Diesel	<b>3.08</b>	3.48
Cost per Unit (Rs.)	<b>11.48</b>	9.11
<b>Through Steam Turbine/Generator:</b>		
Units (in thousand)	<b>Nil</b>	Nil
Units per Litre of Fuel, Oil, Gas	<b>Nil</b>	Nil
Cost per unit	<b>NA</b>	NA
<b>2. FURNACE OIL :</b>		
Quantity (in Kltrs)	Nil	98

## RAINBOW DENIM LTD.

Total Amount (Rs in Lacs)	Nil	18.34
Average Rate	Nil	18.80
<b>3. OTHER INTERNAL GENERATION</b>	<b>Nil</b>	<b>Nil</b>
<b>B. CONSUMPTION PER UNIT OF PRODUCTION :</b>		
Production of Denim Fabric (in Lacs Mtrs.)	<b>150.77</b>	153.37
Electricity (kwh per Meter)	<b>1.82</b>	1.72
Furnace Oil	Nil	Nil
Coal	Nil	Nil
<b>B) PARTICULARS WITH RESPECT TO ABSORPTION, ADAPTATION AND INNOVATION :</b>		
<b>I. RESEARCH AND DEVELOPMENT (R &amp; D) :</b>		
<b>1. Specific areas in which R &amp; D is carried out by the Company :</b>		
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.		
<b>2. Benefits derived as a result of R &amp; D :</b>		
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.		
<b>3. Future Plan of Action :</b>		
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.		
<b>4. Expenditure on R &amp; D :</b>		
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.		
<b>II. TECHNOLOGY ABSORPTION ADAPTATION AND INNOVATION:</b>		
<b>1. Efforts in brief made towards technology absorption, adaptation and innovation :</b>		
Plant and Machinery of latest technology have been installed and the Company is making continuous efforts to carry out innovation wherever possible.		
<b>2. Benefits derived as a result of above efforts :</b>		
As a result of the above efforts the Company has been able to achieve cost reduction and production levels have improved.		
<b>3. Information of Imported Technology :</b>		
Not Applicable		
<b>C) FOREIGN EXCHANGE EARNINGS AND OUTGO:</b>		<b>(Rs. in Lacs)</b>
Foreign Exchange used		496.24
Foreign Exchange earned		2412.62

By Order of the Board

Place : Mumbai  
Dated : July 30, 2011

**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	One	Two	20
Mr. S. S. Arora Whole time Director	Executive	Two	Yes	Nil	Nil	Nil	163373
Mr. Deonath Singh Director	Non Executive Independent	Four	No	Three	One	Three	3010
Mr. Mahendra Lodha Director	Non Executive Independent	Four	Yes	Eighteen	Three	Two	Nil
Mr. Umesh Jain Nominee Director of IDBI Bank Ltd.	Non Executive Independent	One	No	One	Nil	One	Nil

- c. During the year four Board Meetings were held on May 28, 2010, July 26, 2010, October 29, 2010 and January 31, 2011.

**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 Deonath Singh and Mr. Umesh Jain.

During the year four meetings of the Audit Committee were held on May 28, 2010, July 26, 2010, October 29, 2010 and January 31, 2011. The attendance at Audit committee meetings of each of the Directors is as under:

<b>Name of the Director</b>	<b>Attendance at Audit Committee meetings</b>
Mr. Mahendra Lodha	Four
Mr. Deonath Singh	Four
Mr. Umesh Jain	One

#### **5 Share Transfer Committee**

The Board has delegated the power of share transfers to a Committee of Directors comprising of Mr. H. D. Ramsinghani (Chairman), Mr. S. S. Arora and Mr. Deonath Singh as also to the Registrars and Transfer Agents of the Company who attend to the Share Transfer formalities, transmission of shares, issue of duplicate certificates and issue of certificates on split/ consolidation/ renewal etc. at least once in a fortnight. The transfers etc. approved by the Registrars and Transfer Agents and the Share Transfer Committee are also noted at every meeting of the Board of Directors. The Board has designated Mr. R. D. Jog – Company Secretary as the Compliance Officer.

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 is pending for a period exceeding one month.

#### **6 Remuneration Committee**

The Remuneration Committee determines the managerial remuneration including perquisites payable to Directors and makes recommendations to the Board of Directors. No meeting of the Remuneration Committee was held during the year as there was no revision in remuneration.

The Committee presently comprises of Mr Mahendra Lodha – Chairman, Mr. Deonath Singh and Mr. Umesh Jain.

#### **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. Deonath Singh (Chairman), Mr. H. D. Ramsinghani and Mr. S. S. Arora.

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

	<b>Received</b>	<b>Resolved</b>
Non - Receipt of Share Certificates	1	1
Non - Receipt of Dividend Warrants	1	1
Non - Receipt of Demat Credit/Remat Cert	—	—
Non - Receipt of Annual Reports	2	2
Miscellaneous	—	—
Letters from Stock Exchanges, SEBI and Ministry of Corporate Affairs	3	3