



Thirteenth Annual Report 2011-2012

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

CORPORATE OFFICE

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

DIRECTORS

D. N. SINGH

S. S. ARORA

MAHENDRA LODHA

DEEPAK GUPTA – Nominee Director –IDBI Bank Ltd.

COMPANY SECRETARY

R. D. JOG

AUDITORS

DAYAL & LOHIA

CHARTERED ACCOUNTANTS

BANKERS

BANK OF INDIA

DENA BANK

AB BANK LTD.

IDBI BANK LIMITED

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 Thirteenth Annual General Meeting of the Members of RAINBOW DENIM LIMITED will be held on Saturday the 29th day of September 2012 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 Audited Statement of Profit and Loss for the year ended March 31, 2012 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

4. To consider, and if thought fit, to pass with or without modifications, the following Resolution, as a Special Resolution :

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or enactment thereof for the time being in force) and subject to such approvals, consents and sanctions as may be necessary and further subject to such terms, conditions, stipulations and restrictions as may be imposed by the authorities while granting such approvals, consents and sanctions, the consent of the Members be and it is hereby accorded for the reappointment of Mr. H D Ramsinghani as the Managing Director of the Company for a further period of Three Years from June 01, 2012 on the terms and conditions as set out in the draft agreement between the Company and Mr. H D Ramsinghani placed before the meeting and for the purpose of identification initialed by the Chairman hereof."

"FURTHER RESOLVED THAT the Directors be and they are hereby authorised to execute the Agreement, in terms of the said draft with such alterations, changes and/or variations as may be agreed between the Directors and Mr. H D Ramsinghani."

"FURTHER RESOLVED THAT the Board of Directors be and it is hereby authorised to take such steps as may be necessary to give effect to the above Resolutions."

5. To consider, and if thought fit, to pass with or without modifications, the following Resolution, as a special Resolution :

"RESOLVED THAT pursuant to the provisions of Section 314(1) and other applicable provisions, if any, of the Companies Act, 1956, (including any amendment thereto or enactment thereof for the time being in force) and subject to such approvals, consents and sanctions as may be necessary, the consent of the Company be and it is hereby accorded to the appointment of Mr. S S Arora, a Director of the Company, as an Advisor - Raw Material Purchase for a period of one year from June 01, 2012 on the terms and conditions as set out in the draft agreement submitted to the meeting and initialed for the purpose of identification by the Chairman hereof."

"FURTHER RESOLVED THAT the Board of Directors be and they are hereby authorized to execute the Agreement in terms of the said draft with such alterations, changes and modifications as may be agreed between the Directors and Mr S S Arora as shall be permissible and in conformity with applicable provisions of the Companies Act, 1956 and the consents, sanctions and approvals as may be applicable."

RAINBOW DENIM LTD.

"FURTHER RESOLVED THAT the Board of Directors be and it is hereby authorized to take all such steps as may be necessary 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 Saturday the 22nd day of September, 2012 to Saturday the 29th day of September 2012 (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 : August 10, 2012

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 THIRTEENTH ANNUAL GENERAL MEETING OF THE COMPANY.

ITEM NO 4

Resolution under Item No. 4 of the Notice relates to the reappointment of Mr. H D Ramsinghani as the Managing Director of the Company for a further period of three years from June 01, 2012. The reappointment as aforesaid has been approved by the Board of Directors and the Remuneration Committee at their meetings held on May 30, 2012.

The terms of reappointment including remuneration are as follows :

Effective Date of Reappointment : June 01, 2012
Period of Reappointment : Three years from June 01, 2012

REMUNERATION:

Mr H D Ramsinghani shall not be entitled to any remuneration as the Managing Director of the Company. He shall, however, be entitled to reimbursement of all expenses incurred for the business of the Company.

Other Terms

- a) The appointee shall not be entitled to sitting fees for attending the meetings of the Board and/or committees thereof.
- b) The appointee shall not as long as he continues to be the Managing Director of the Company become interested or otherwise concerned directly or indirectly in any selling agency without the approval of the Central Government.

The draft agreement between the Company and Mr. H D Ramsinghani is open for inspection of the Members at the Registered Office on all working days between 10.00 a.m and 1.00 p.m.

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Mr. H D Ramsinghani may be deemed to be concerned or interested in the Resolution as it relates to his own appointment. None of the other Directors are in any way concerned or interested in the Resolution.

This Explanatory Statement along with the accompanying Notice is and shall be deemed to be an abstract under Section 302 of the Companies Act, 1956.

ITEM NO 5

Mr S S Arora had been appointed as the Whole Time Director for a period of three years with effect from June 01, 2009 and accordingly his term of appointment has come to an end on May 31, 2012. The Board of Directors have resolved not to renew his appointment as the Whole Time Director of the Company. However, with a view to benefit from the vast experience of Mr Arora in the field of raw material purchase, the Board of Directors and the Remuneration Committee, at their meetings held on May 30, 2012, have appointed Mr Arora as an Advisor - Raw Material Purchase. The appointment shall be initially for a period of one year from June 01, 2012.

The terms of Appointment including remuneration are as follows :

Effective Date of Appointment : June 01, 2012
Period of Appointment : One year from June 01, 2012

REMUNERATION:

Mr S S Arora shall not be entitled to any remuneration as the Advisor - Raw Material Purchase of the Company. He shall, however, be entitled to reimbursement of all expenses at actual relating to Business promotion, out station travelling, lodging and boarding expenses, local conveyance and communication facilities at his residence.

The draft agreement between the Company and Mr. S S Arora is open for inspection of the Members at the Registered Office on all working days between 10.00 a.m and 1.00 p.m.

Mr. S S Arora may be deemed to be concerned or interested in the Resolution as it relates to his own appointment. None of the other Directors are in any way concerned or interested in the Resolution.

This Explanatory Statement along with the accompanying Notice is and shall be deemed to be an abstract under Section 302 of the Companies Act, 1956.

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

Place : Mumbai
Dated : August 10, 2012

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 46 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 3310 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
Shareholders Committee - Chairman

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Thirteenth Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2012.

FINANCIAL RESULTS

	YEAR ENDED 31.03.2012 (Rs. in lacs)	YEAR ENDED 31.03.2011 (Rs. in lacs)
Profit/(Loss) before Depreciation	(1014.19)	693.24
Depreciation	896.31	894.32
Profit/(Loss) after Depreciation	(1910.50)	(201.08)
Profit/(Loss) before Tax	(1910.50)	(201.08)
Tax expenses	Nil	Nil
Profit/(Loss) after tax	(1910.50)	(201.08)
Reliefs and Refunds	126.01	2532.00
Net Profit/(Loss) for the year	(1784.49)	2330.92

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 and the Draft Rehabilitation Scheme (DRS) is under finalization.

REVIEW OF OPERATIONS

The total production of Denim fabric during the year under review was 14.29 million meters as compared to 15.07 million meters during the previous year. The Company has achieved a sales turnover of Rs. 18092.73 lacs during the year under review as compared to a turnover of Rs. 15394.71 lacs during the previous year.

FUTURE PROSPECTS

The Indian Denim market is expected to continue to grow at about 10-15% per annum in the coming years but with new players entering the market, the competition has become tighter. As a result the margins are likely to continue to be under pressure for the current year also as the Company will be unable to pass on the increased cost burden to the consumers in view of stiff competition.

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, 2012 and the loss of the Company for the year ended March 31, 2012;
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. Deepak Gupta.

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

During the year under review IDBI Bank Limited has withdrawn the nomination of Mr. Umesh Jain and nominated Mr. Deepak Gupta as its Nominee Director in his place. The Board places on record its sincere appreciation of the valuable contribution made by Mr. Umesh Jain during his association with the Company.

Mr S S Arora has ceased to be a Whole Time Director of the Company w e f May 31, 2012. However, with a view to benefit from the vast experience of Mr Arora in the field of raw material purchase, the Board of Directors have appointed Mr Arora as an Advisor - Raw Material Purchase for a period of one year from June 01,2012.

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. The Company has not disclosed information regarding dues to Micro, Small and Medium Enterprises since no information is available regarding their status.
2. The Company had to use the funds raised on short term basis for long term investment in view of the difficult financial position 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.

COST AUDIT

In accordance with the provisions of Section 233B of the Companies Act,1956 read with the Companies (Cost Accounting Records) Rules, 2011 and the various circulars issued by the Ministry of Corporate Affairs, the Company is required to file Compliance Report for the year 2011- 12 and to undertake an Audit of the Cost Records from the financial year 2012-13 onwards. The Company has appointed M/s J Verma and Associates, Cost Accountants, Jalandhar as the Cost Auditors for filing of the Compliance Report for 2011-12 and for Audit of Cost records for the year 2012-13. The Compliance Report for the year 2011-12 will be filed on or before December 31, 2012.

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.

For and on behalf of the Board

Place : Mumbai

Dated : August 10, 2012

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, 2012

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. Started using Fuel Additive in Boiler to increase steam to fuel ratio.
2. Replacement of Halogens on Lighting poles with New LED/small tube, which reduces the Energy consumption.
3. Replacement of old conventional tube light with new electronic blast, which reduces the unit consumption.
4. Replaced aluminum fans with energy efficient FRP fans in Humidification Plants.
5. Roof Extractors are installed in production hall where processing machines are working.
6. The Conversion of heating system from electricity to steam of Yarn conditioning machine is carried out.

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

1. Humidification plant need changes with high forced pump with less power consumption.
2. Need to plan the supply and return fans to be run with VFD.

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>2011-12</u>	<u>2010-11</u>
A. POWER AND FUEL CONSUMPTION :		
1. ELECTRICITY :		
a. Purchased (PSEB) :		
Units (in thousand)	26897	27402
Total cost (Rs. in Lacs)	1471.56	1217.19
Rate per Unit (Rs.)	5.47	4.44
b. Own Generation :		
Through Diesel Generation :		
Units (in thousand)	19	72
Units per Litre of Diesel	2.94	3.08
Cost per Unit (Rs.)	13.70	11.48
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)	Nil	Nil
Total Amount (Rs in Lacs)	Nil	Nil
Average Rate	Nil	Nil

3. OTHER INTERNAL GENERATION

Nil	Nil
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B. CONSUMPTION PER UNIT OF PRODUCTION :

Production of Denim Fabric (in Lacs Mtrs.)	142.87	150.77
Electricity (kwh per Meter)	1.88	1.82
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 Statement of Profit and Loss 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	1039.01
Foreign Exchange earned	1465.26

For and on behalf of the Board

Place : Mumbai

Dated : August 10, 2012

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 (One Executive and Four Non Executive out of whom three are Independent Directors).
- 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 Director- ships 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 Director	Non Executive Non Independent	One	Yes	Nil	Nil	Nil	163373
Mr. Deonath Singh Director	Non Executive Independent	Three	No	Three	One	Three	3310
Mr. Mahendra Lodha Director	Non Executive Independent	Three	Yes	Eighteen	Three	Five	Nil
Mr. Umesh Jain Nominee Director of IDBI Bank Ltd. (Upto 10/08/2011)	Non Executive Independent	One	No	One	Nil	One	Nil
Mr. Deepak Gupta Nominee Director of IDBI Bank Ltd. (w.e.f. 10/08/2011)	Non Executive Independent	Two	No	Nil	Nil	Nil	Nil

- (c) During the year four Board Meetings were held on May 27, 2011, July 30, 2011, November 04, 2011 and February 10, 2012.