



Fourteenth Annual Report 2012-2013

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
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 Fourteenth Annual General Meeting of the Members of RAINBOW DENIM LIMITED will be held on Friday the 13th day of September 2013 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, 2013 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. S S Arora 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. 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 Friday the 6th day of September, 2013 to Friday the 13th day of September 2013 (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.
5. 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 13, 2013

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 as follows ;

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

Mr. S. S. Arora is a Commerce Graduate and has over 29 years of rich and varied experience in the field of Textiles, Fertilizers and Petrochemicals. Mr S.S. Arora has been a Director of the Company since March 2001 and holds 65349 Equity Shares of the Company.

RAINBOW DENIM LTD.

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Fourteenth Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2013.

FINANCIAL RESULTS

	YEAR ENDED 31.03.2013 (Rs. in lacs)	YEAR ENDED 31.03.2012 (Rs. in lacs)
Profit/(Loss) before Depreciation	(138.96)	(1014.19)
Depreciation	915.98	896.31
Profit/(Loss) after Depreciation	(1054.94)	(1910.50)
Profit/(Loss) before Tax	(1054.94)	(1910.50)
Tax expenses	Nil	Nil
Profit/(Loss) after tax	(1054.94)	(1910.50)
Reliefs and Refunds	Nil	126.01
Net Profit/(Loss) for the year	(1054.94)	(1784.49)

DIVIDEND

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

REDUCTION OF CAPITAL

The Company is a sick company registered with the Board for Industrial and Financial Reconstruction (BIFR) as required by the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985. The Hon BIFR has sanctioned the Draft Rehabilitation Scheme (DRS) which, inter alia, envisages reduction in the Paid up capital of the Company by 60%, infusion of funds by the Promoters and other reliefs and concessions. The reduction in the paid up capital was affected during the year under review and consequently the Issued, Subscribed and Paid up capital of the Company stands reduced from Rs 18,20,93,590/- divided in to 1,82,09,359 equity shares of Rs 10/- each to Rs 7,28,37,430/- divided in to 72,83,743 equity shares of Rs 10/- each.

REVIEW OF OPERATIONS

The total production of Denim fabric during the year under review was 14.69 million meters as compared to 14.29 million meters during the previous year. The Company has achieved a sales turnover of Rs. 15836.70 lacs during the year under review as compared to a turnover of Rs. 18092.73 lacs during the previous 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;
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, 2013 and the loss of the Company for the year ended March 31, 2013;
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

Mr. S S Arora 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 defaulted in repayment of dues including interest to financial institutions and banks due to the difficult financial position faced by the Company during the year under review.
2. The Company has utilized funds raised on short term basis for long term investments due to the difficult financial position faced by the Company due to 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

The Company has appointed M/s. J. Verma & Associates, qualified Cost Auditors for conducting the Audit of cost records for the financial year 2013-14. The Company has received a Certificate from Cost Auditors certifying their independence and arm's length relationship with the Company.

The Cost Audit Compliance Report for the financial year ended 31st March, 2012 was filed on 30th September, 2012 with Ministry of Corporate Affairs, New Delhi. The Cost Audit Report for the financial year ended 31st March, 2013 will be filed within the stipulated time.

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
Date : August 13, 2013

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, 2013

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

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.
3. Over all power factor of plant is increased up to 0.98 to save energy.
4. Air end of IR compressor has to be changed to save electricity.

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>2012-13</u>	<u>2011-12</u>
A. POWER AND FUEL CONSUMPTION :		
1. ELECTRICITY :		
a. Purchased (PSEB) :		
Units (in thousand)	25850	26897
Total cost (Rs. in Lacs)	1687.92	1471.56
Rate per Unit (Rs.)	6.53	5.47
b. Own Generation :		
Through Diesel Generation :		
Units (in thousand)	35	19
Units per Litre of Diesel	3.20	2.94
Cost per Unit (Rs.)	13.14	13.70
Through Steam Turbine/Generator :		
Units (in thousand)	Nil	Nil
Units per Litre of Fuel, Oil, Gas	Nil	Nil
Cost per unit	NA	NA

ANNUAL REPORT 2012-2013

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
-----	-----

B. CONSUMPTION PER UNIT OF PRODUCTION :

Production of Denim Fabric (in Lacs Mtrs.)	146.93	142.87
Electricity (kwh per Meter)	1.76	1.88
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	478.92
Foreign Exchange earned	1377.86

For and on behalf of the Board

Place : Mumbai
Date : August 13, 2013

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	One	Three	8
Mr. S. S. Arora Director	Non Executive Non Independent	Nil	Yes	Nil	Nil	Nil	65349
Mr. Deonath Singh Director	Non Executive Independent	Three	No	Four	Two	Five	1324
Mr. Mahendra Lodha Director	Non Executive Independent	Four	Yes	Eighteen	Two	Five	Nil
Mr. Deepak Gupta Nominee Director of IDBI Bank Ltd.	Non Executive Independent	Four	No	Two	Nil	Two	Nil

- (c) During the year four Board Meetings were held on May 30, 2012, August 10, 2012, November 08, 2012 and February 13, 2013.

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

ANNUAL REPORT 2012-2013

the Company's Annual Report process and discussions with Auditors.

The Committee presently comprises of Mr. Mahendra Lodha - Chairman, Mr. Deonath Singh and Mr. Deepak Gupta.

During the year four meetings of the Audit Committee were held on May 30, 2012, August 10, 2012, November 08, 2012 and February 13, 2013. 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	Four
Mr. Deonath Singh	Three
Mr. Deepak Gupta	Four

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. One meeting of the Remuneration Committee was held during the year.

The Committee presently comprises of Mr Mahendra Lodha - Chairman, Mr. Deonath Singh and Mr. Deepak Gupta.

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 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

	Received	Resolved
Non - Receipt of Share Certificates	17	17
Non - Receipt of Dividend Warrants	5	5
Non - Receipt of Demat Credit/Remat Cert	NIL	NIL
Non - Receipt of Annual Reports	6	6
Miscellaneous	NIL	NIL
Letters from Stock Exchanges, SEBI and Ministry of Corporate Affairs	NIL	NIL

8. Remuneration of Directors

(a) Managing/Executive Director

The remuneration paid to the Whole time Directors during the year was as follows:

Name of Director	Designation	Remuneration (Rs. in lacs)	Sitting Fees (Rs.)
Mr. H. D. Ramsinghani (up to 31.05.2012)	Managing Director	6.44	Nil
Mr S S Arora (up to 31.05.2012)	Wholetime Director	4.26	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. S S Arora (from 01.06.2012)	Nil
Mr. Mahendra Lodha	18000/-
Mr. Deonath Singh	16000/-
Mr. Deepak Gupta *	18000/-
TOTAL	52000/-

* Sitting fees paid to IDBI Bank Ltd. for the meetings attended by its Nominee Director Mr. Deepak Gupta.

9. General Body Meetings

Financial Year	Date	Time	Location
2009-2010	24/09/2010	10.00 A.M	Village Chaundheri, P.O Dappar, Dist. Mohali, Punjab 140506
2010-2011	23/09/2011	10.00 A.M	Village Chaundheri, P.O Dappar, Dist. Mohali, Punjab 140506
2011-2012	29/09/2012	10.00 A.M	Village Chaundheri, P.O Dappar, Dist. Mohali, Punjab 140506

10 Postal Ballot/Special Resolutions

No Resolutions were required to be approved through Postal Ballot at the last Annual General Meeting nor is any resolution proposed for passing through Postal Ballot at the ensuing Annual General Meeting.

Special Resolutions passed in the previous Three Annual General Meetings.

Date	Particulars
24.09.2010	No Special Resolutions were passed.
23.09.2011	No Special Resolutions were passed.
29.09.2012	Reappointment of Mr. H. D. Ramsinghani as the Managing Director of the Company.
	Appointment of Mr. S. S. Arora as Advisor - Raw Material Purchase of the Company.

11 Disclosures

- There were no transactions of material nature with the Directors or the management or relatives of the Directors during the financial year which could have potential conflict with the interests of the Company at large.
- Transactions with related parties as per requirements of Accounting Standard - 18 are disclosed elsewhere in the Annual Report. None of these transactions have potential conflict with interest of the Company at large.
- No penalties or strictures have been imposed on the Company by the Stock Exchanges, SEBI or any other statutory authority on any matter related to the capital markets during the last three years.

12. Means of communication

The Company has not made any presentation to Institutional Investors or Analysts during the year.