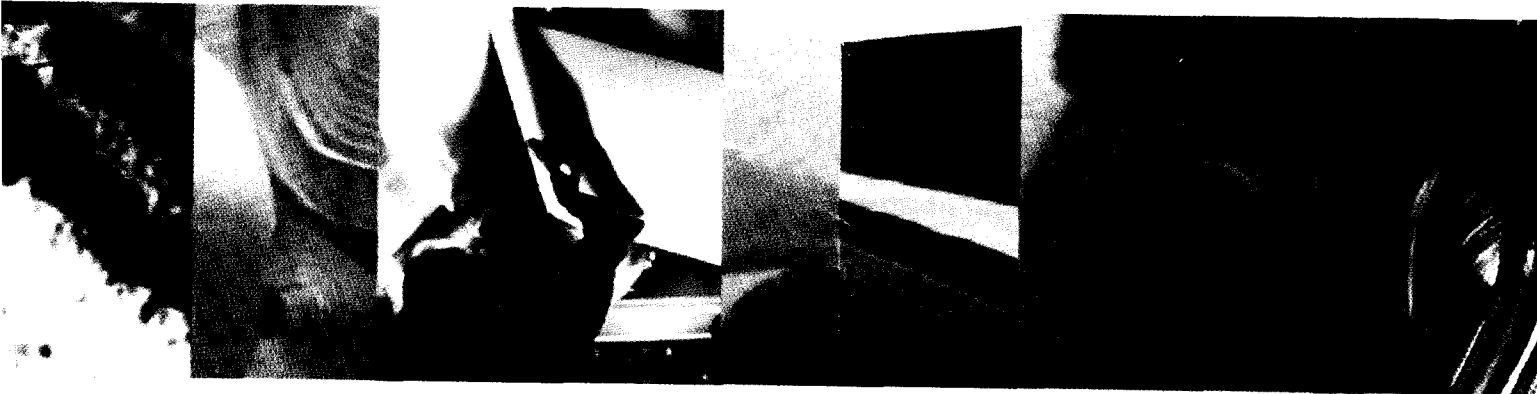


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20th Annual Report 2005-2006



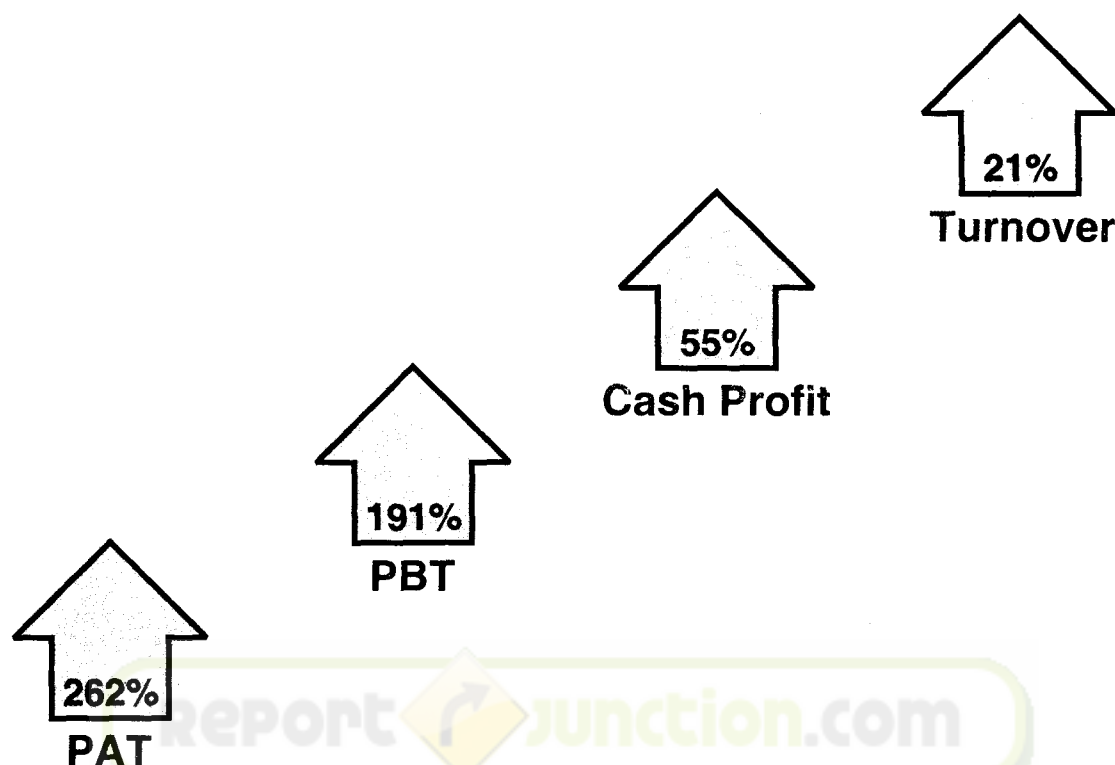
Driving productivity through business transformation and operational excellence...

...Obsessed towards setting a pattern of growth, distinct and unique, by being proactive on both the supply and demand side of global trade...

....Synchronizing the energy of men and machines for optimizing the use of shareholders funds towards delivering world-class quality products to boost our stake holders with positive rewards.

**RAINBOW PAPERS LIMITED**

.....Vibrant, Robust, Lively.....


**Rainbow Papers Limited**
*Surging ahead.....*


Financial Performance of F.Y. 2005-06 as compared to F.Y. 2004-05

**Energised by Expansion, Modernisation and upgradation**

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## Company Information

### **BOARD OF DIRECTORS**

SHRI RADHESHYAM GOENKA	: CHAIRMAN & MANAGING DIRECTOR
SHRI AJAY R. GOENKA	: MANAGING DIRECTOR
SMT. SANGEETA A. GOENKA	: EXECUTIVE DIRECTOR
SHRI O.P. GOYAL	: WHOLE TIME DIRECTOR
SHRI MAHENDRA JINDAL	: DIRECTOR
SHRI C. M. SHAH	: DIRECTOR
SHRI KALPESH OSWAL	: DIRECTOR
SHRI SHANKARLAL HEDA	: ADDITIONAL DIRECTOR

### **COMPANY SECRETARY**

MS. VARSHA PANDA

### **AUDITORS**

M/s. PRAVIN M SHAH & COMPANY,  
CHARTERED ACCOUNTANTS  
LAW GARDEN, AHMEDABAD.

### **BANKERS**

INDIAN OVERSEAS BANK, KALUPUR CIRCLE, KALUPUR, AHMEDABAD.	CORPORATION BANK, INDUSTRIAL FINANCE BRANCH RANGOLI COMPLEX, AHMEDABAD.
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### **REGISTERED OFFICE**

801, AVDHESH HOUSE, OPP. SHRI GOVIND GURUDWARA,  
SARKHEJ-GANDHINAGAR HIGHWAY, THALTEJ, AHMEDABAD-380 054  
Phone Nos: [079] 26855714, 26855716, 55324741 Fax No.: [079] 26855712  
Email : mcote@icenet.co.in Website : www.rainbowpapers.com

### **WORKS**

#### **Paper Division :**

1453, VILLAGE RAJPUR,  
TAL: KADI,  
DIST. MEHSANA  
NORTH GUJARAT

#### **Coating Division :**

1423, VILLAGE RAJPUR,  
TAL: KADI,  
DIST. MEHSANA  
NORTH GUJARAT

#### **Wind Power Division :**

- |   |   |
|---|---|
| (1) 250, VILLAGE LAMBA,<br>DIST. JAMNAGAR | (2) 769/770/771,<br>VILLAGE DHANK,<br>DIST. RAJKOT. |
|---|---|

### **REGISTRAR & SHARE TRANSFER AGENTS**

PINNACLE SHARES REGISTRY PRIVATE LIMITED,  
NEAR ASHOKA MILLS, NARODA ROAD, AHMEDABAD 380 025  
Phone No. [079] 2220466, 22200591 Fax No. [079] 22202963



## Rainbow Papers Limited

Annual Report : 2005-06



### Chairman's message to Shareholders

Dear Shareholders,

Indian economy is on an upswing. The GDP grew by impressive 8.4%. Good monsoon, planned reforms, healthy foreign exchange reserves, a bullish stock market, increase in domestic demand, growth in exports helped in bringing the required fervor in the economy. From your Company's point of view, 2005-06 has also been an excellent year-the best witnessed in recent times. Turnover grew by over 21 percent. Profits before tax have increased by over 191 percent and profits after tax have risen by over 262 percent. These are commendable achievements which, I feel confident, will further improve in the coming years.

Let me take this opportunity of sharing your Company's vision which is to be 'A leading company in the paper industry'. We are putting our best efforts to increase productivity, bring down operational cost, improving quality and technology, increasing capacity utilisation, with due care for environment and society.

In the greater interest of stakeholder and to standardize our processes this year company is going for integrated ISO implementation covering quality management system (ISO 9001, environment management system (ISO 14001) and operational health and safety assessment series (ISO 18001).

The Board of Directors of your Company has approved capital outlay to the tune of Rs.92 crores. This amount will be used over the next 2 years for expansion. This year we are completing the modernization programme which will, significantly increase the production capacity and we also plan to systematically substitute older machinery by more productive newer ones. A key challenge for your Company will be in executing this capacity expansion plan in systematic manner.

The Paper prices look to be firm; the gains from our higher value added products are improving; and we will have considerably larger capacities to achieve higher sales and profits. I take this opportunity to recognize the contribution of our employees who have through their dedication brought the Company to these heights.

And above all I thank all of you for the faith and confidence that you have reposed in Rainbow Papers limited.

With Best Wishes

**Radheshyam Goenka**

Chairman & Managing Director

Ahmedabad

26th August, 2006



## DIRECTORS REPORT

To  
The Members  
Rainbow Papers Limited

Your Directors have pleasure in presenting the 20th Annual Report together with the Audited Accounts for the Year ended 31st March, 2006.

### 1. PERFORMANCE OF THE COMPANY

Your company's performance for the financial year 2005-06 is summarized below :

FINANCIAL RESULTS :	2005-2006 (Rs.)	2004-2005 (Rs.)
<b>Profit before Depreciation, Interest &amp; Tax</b>	<b>18,32,47,588</b>	11,48,31,790
Depreciation	7,41,55,548	6,73,17,150
<b>Profit before Interest &amp; Tax</b>	<b>10,90,92,040</b>	4,75,14,640
Interest	3,54,16,330	2,22,41,363
Profit before Tax	7,36,75,710	2,52,73,277
TAXATION : Current Tax	62,00,000	20,00,000
Deferred Tax	93,21,862	73,17,988
Fringe Benefit Tax	2,60,000	0
<b>NET PROFIT AFTER TAXATION</b>	<b>5,78,93,848</b>	1,59,55,289
ADD : Provision not required, hence Written back (Net)	12,30,798	2,47,015
LESS: Prior Period Adjustments (Net)	22,248	16,200
ADD : Excess Depreciation Written Back	0	12,701
<b>BALANCE PROFIT FOR THE YEAR</b>	<b>5,91,02,398</b>	1,61,98,805
ADD : Balance brought forward	6,28,18,505	5,73,50,537
<b>NET SURPLUS AVAILABLE FOR APPROPRIATION</b>	<b>12,19,20,903</b>	7,35,49,342
Proposed Dividend	87,50,800	76,56,950
Tax on Proposed Dividend	12,27,300	10,73,887
Transfer to General Reserve	2,00,00,000	20,00,000
Surplus carried forward to Balance Sheet	9,19,42,803	6,28,18,505

### 2. DIVIDEND

Your Directors are pleased to recommend a Dividend @ 16% (Previous Year 14%) on the Paid-up Equity Share Capital of the Company of or the year ended 31st March, 2006. The Dividend, if approved at the Annual General Meeting of the Company, will be paid to those shareholders whose name appears on the Register of Members as on the date of book closure.

### 3. REVIEW OF OPERATIONS

Your Directors have great pleasure in presenting the financial performance of the company for the year under review. During the year under review the Company has achieved Turnover of Rs.143.75 Crores whereas turnover for the previous year was Rs. 118.69 Crores and net profit of Rs.5.79 Crores (Previous Year Rs. 1.60 Crores). During the current quarter ended on 30th June, 2006 the Company has recorded a turnover of Rs. 41.34 Crores (Previous year corresponding quarter Rs.32.49 Crores) and Net Profit of Rs.2.72 Crores (previous year corresponding quarter Rs. 1.33 Crores) which shows a considerable growth in comparison to corresponding quarter of the last year. The turnover and net profit are likely to improve substantially in the subsequent quarters of the current year.

### 4. MODERNIZATION AND EXPANSION

The company has undertaken modernization programme in the last year wherein capacity is proposed to be increased by 100 TPD. The said modernization will be completed by September 2006. The Company has taken expansion project during the current year under which it will be installing new capacity of 250 TPD of printing and writing paper and newsprint paper along with captive power plant of 10 MW. The company has already finalized the orders for most of the equipment and the expansion will be completed by August 2007. This will make the Company competent enough to manufacture almost all the varieties of paper and would make its position stronger in the industry



## Rainbow Papers Limited

### 5. RAISING OF LONG TERM FUNDS BY PREFERENTIAL ALLOTMENT :

The Company has been examining various growth opportunities from time to time. It aims to pursue expansion and up gradation programme so as to meet the increasing demand for Company's products. The Company proposes to raise long term funds by issuing Convertible Warrants (convertible into Equity Shares) aggregating upto Rs. 21 crores to fund their expansion plans. Accordingly a special resolution is being proposed for your consideration.

### 6. FOREIGN INSTITUTIONAL INVESTORS HOLDING :

The Foreign Institutional Investors have assumed a crucial role in the Indian capital market. The company proposes to set the limit of investment by Foreign Institutional Investors/SEBI approved accounts of FIIs/NRIs/OCBs upto 40% of the paid up capital of the Company. Accordingly, a special resolution for setting the limit for Foreign Institutional Investors (FIIs) investment for the Company is being proposed for your consideration, to facilitate greater FIIs investment in the company which may result in greater liquidity to company's shares.

### 7. DIRECTORS :

Shri Shankarlal Heda, was appointed as additional director of the Company on 28th April, 2006 and he holds the office up to the date of this Annual General Meeting. He is a Graduate having expertise in insurance and risk management and his regular appointment as Director on the Board will be extremely beneficial to the Company. Your Board, hence recommends his appointment at the ensuing Annual General Meeting.

Shri C.M. Shah and Smt. Sangeeta Goenka retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for the reappointment.

Mr. Mitesh Shah has tendered his resignation from the Board of the Company with effect from 28th April, 2006. Your Directors place on record appreciation for his valuable services rendered to the Company during his tenure as Director of the Company.

### 8. AWARDS AND RECOGNITION

We are glad to report that our Company has been declared as 2nd largest importer at ICD Sabarmati for the year 2005-06 for the second consecutive year by The Container Corporation of India Limited. During the year under review, the Company has imported substantial quantity of waste paper from various countries such as UAE, U.S.A, Europe, France, Netherlands, Sri Lanka, Holland etc.

### 9. PUBLIC DEPOSITS

During the year under review, the Company has not accepted any Deposits from public within the meaning of Section 58 A of the Companies Act, 1956 and rules made there under.

### 10. INSURANCE

Your Company has taken adequate insurance of all the existing properties of the Company including Plant & Machinery, Building, Stocks etc. of the Company

### 11. PARTICULARS OF EMPLOYEES

The information required as per sub- section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1988 as amended and forming part of the Directors' Report for the year ended 31st March 2006 is NIL

### 12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as prescribed under section 217 [I] (e) of the Companies Act, 1956 read with Rule 2 of the Companies [Disclosure of particulars in the Report of Board of Directors] Rules, 1988 regarding conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure 'A' forming part of this Report.

### 13. CORPORATE GOVERNANCE

Good Corporate Governance is the core philosophy of the management. Your company has complied with the revised code of corporate governance stipulated under clause 49 of the Listing Agreement. A report on corporate governance along with a certificate from the auditors confirming the compliance forms part of the Annual Report.

### 14. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Sub section 2AA of Section 217 of the Companies Act, 1956, with regard to the Directors Responsibility Statement, the Directors hereby confirm :-

- [1] That in the preparation of Annual Accounts, the applicable accounting standards have been followed along with the proper explanation relating to material departures, if any.
- [2] That the Directors have selected such accounting policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the Financial Year and of the Profits of the Company for that period.





- [3] That the Directors to the best of their knowledge and ability have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- [4] That the Annual Accounts have been prepared on a "going concern basis".

#### 15. ENVIRONMENT PROTECTION

The Management believes in sustainable development. Technical devices, wherever required, are placed in the plants to prevent/eliminate the adverse impact of industrial effluents/discharges. It has also been the constant endeavor to improve the surroundings in the factory by improving greenery, planting more trees year after year and create awareness about clean water, air and vegetation. Environment related laws are being complied with.

More over the company has already started the process of implementation of ISO 14001 Environment Management System.

#### 16. LISTING AND DEMATERIALISATION OF SHARES

The equity shares are listed on The Stock Exchange, Mumbai, (BSE) and the Ahmedabad Stock Exchange (ASE). The Company has paid annual listing fee for F.Y. 2005-2006 to the respective stock exchanges. The shares of the company are in compulsory demat segment and are available for trading in the depository systems of both National Securities Depository Ltd (NSDL) and the Central Depository Services India Ltd (CDSL). As on 31st March, 2006, 27,74,060 equity shares forming 50.73% of the total Equity share capital of the Company stands dematerialized.

#### 17. AUDITORS AND AUDITOR'S REPORT

M/s. Pravin M. Shah & Co., Statutory Auditors of the Company retire at the end of the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment. The Audit committee and Board of Directors recommend their reappointment at the ensuing Annual General Meeting. The company has received written confirmation that their appointment will be within the limits specified in Section 224 (1) (B) of the Companies Act, 1956. The notes to the Accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further explanation under Section 217 (3) of the Companies Act, 1956.

#### 18. COST AUDITORS

The Board of Directors appointed M/s V. H. Shah & Co., Cost Accountants, to conduct the cost audit for the year 2005-2006, and received the approval of the Central Government.

#### 19. INDUSTRIAL RELATIONS

The relations between the Company and its employees continued to be cordial and harmonious throughout the year under review. Your company has taken adequate steps for the health and safety of its employees.

#### 20. ACKNOWLEDGEMENT

The Board of Directors appreciate the devoted services of the workers, staff, executives who have contributed to the efficient management of the affairs of the Company. Your directors place on record their gratitude to the Company's Bankers, Customers, Suppliers and Shareholders for their continued co-operation and support.

For and on behalf of the Board of Directors

Place : Ahmedabad  
Date : 26th August, 2006

(AJAY GOENKA)  
Managing Director

#### Declaration:

The Board of Directors of the Company have approved and adopted code of conduct for the Directors and Senior Management Personnel. I hereby declare to the best of my knowledge and belief that, the all the Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct for the current Year.

(AJAY GOENKA)  
Managing Director

Place : Ahmedabad  
Date : 26th August, 2006





# Rainbow Papers Limited

## ANNEXURE - A

ADDITIONAL INFORMATION AS REQUIRED UNDER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956 AND THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

### CONSERVATION OF ENERGY :

1. Energy Conservation Measures Taken	1. The Company is running smoothly its own 5MW Co-generation Captive Power Plant. 2. Intensive, energy, conservation measures were taken such as incorporation of VFDs and use of High Efficiency Electric Motors, Invertors and other Energy saving Equipments. 3. The Company has arranged motivation and training programme in association with various manufacturers and vendors of bearings, motor, VFD for intensive energy and conservation awareness to the staff and workers. The Company has undertaken measures for balancing mechanical parts for smooth functioning.
2. Additional Investment & Proposal, if any, being implemented for reduction of consumption of energy.	The Company proposes to install 10 MW Captive power plant.
3. Impact of measures at (1) & (2) above for the reduction of energy consumption and consequent impact on the cost of production of goods.	The proposed Installation of 10 MW Co-generation Captive Power Plant will result in substantial reduction in the Energy Cost. The high efficiency electric motors have reduced the wear and tear of motors hence bringing down the operational cost.
4. Total Energy Consumption and Energy Consumption per unit of Production.	Please see Form-A annexed herewith.

### FORM - A

(SEE RULE 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY.

	2005-06	2004-05
<b>POWER &amp; FUEL CONSUMPTION</b>		
1. Electricity		
(a) PURCHASED		
Purchased Units (Kwh)	2475322	4613855
Total Amount (Rs.)	12747496	25213258
Rate/Unit (Rs.)	5.15	5.46
(B) OWN GENERATION		
(i) THROUGH DIESEL GENERATOR		
Units	70608	329024
Units Per Ltr. of Diesel Oil	2.94	2.30
Cost/Unit (Rs.)	9.45	8.25
(ii) THROUGH TURBINE		
Units	33968870	31370310
Units Per Tonne of Lignite / Coal	1023.31	1129.08
Cost/Unit (Rs.)	1.57	1.30
2. COAL		
(i) For Power Generation		
Quantity (Tons)	33195	27784
Total Cost (Rs.)	53210255	40823193
Average Rate (Rs.)	1602.96	1469.31
(ii) For Steam Generation		
Quantity (Tons)	37676	33120
Total Cost (Rs.)	59118739	47762018
Average Rate (Rs.)	1569.14	1442.10
<b>CONSUMPTION PER UNIT OF PRODUCTION :</b>		
PRODUCTION (MT)	61930.89	50143.18
ELECTRICITY (Kwh/Ton)	556.94	683.85
STEAM COAL (Kgs./Ton)	664.46	791.52

(Previous Year's figures have been modified, rearranged and regrouped wherever necessary)

**FORM - B****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION****I. RESEARCH AND DEVELOPMENT (R&D)**

1. Specific areas in which R&D carried out by the Company.	a) The Company has developed an in house system for recovery of fibre which was earlier going in the ETP Plant by installing a separate system of Vibro Screens. b) The Company has also taken precautionary measures for energy conservation and removal of electric motors and equipments with poor efficiency.
2. Benefits derived as a result of the above R & D.	a) Increase in percentage of yield. b) Saving in Electricity consumption c) Reduction of break-down of Electric Motors and Equipments. d) Conservation of Water.
3. Further plan of action	The company is planning for identifying more areas for recovery of Fibre in the Pulp Mill and curtailing down the consumption of fresh water. The Company is also planning for installation of various types of NRV to control stream leakages.
EXPENDITURE ON R & D	Nil
a) Capital	
b) Recurring	
c) Total	
d) Total R & D expenditure	
e) As a percentage of total turnover	

**II. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION**

1. Efforts, in brief made towards Technology Absorption, Adoption and Innovation	The company is conducting an in house study with institutions such as CEPRI, Saharanpur, IPPTA Saharanpur etc, for finding out grey areas of Plant & Machinery where energy can be saved.
2. Benefits derived as a result of the above efforts e.g. Products Improvement. Cost Reduction, Product Development, Import Substitution Etc.	Reduction in break-down in Electric motors and equipments. Improvement of runability of machines. Quality parameters have improved drastically. Acceptability of the products in comparison with the big giants.
3. In case of Imported Technology (Imported during the last 5 years reckoned from the beginning of the Financial Year) following information may be Furnished.	
a) Technology Imported	DE-INKING PLANT - Kadant-Lemort, France
b) Year of Import	2003-2004
c) Has technology been fully absorbed	YES
d) If not fully absorbed, areas where this has not been taken place, reasons therefore and future plans of action.	Nil

**III. FOREIGN EXCHANGE EARNINGS AND OUTGO**

a) Activities relating to Export initiatives taken to increase development of New Export market for Products and service and Export plants.	The Company has exported its product to Bangladesh, Iran, Nairobi, Malaysia etc. during the year under review.
b) Total Foreign Exchange Earned and Outgo:- Foreign Exchange Earned Foreign Exchange Outgo	Rs. 106,52,652.00 Rs. 418,69,365.00

Place : Ahmedabad  
Date : 26th August, 2006

For and on behalf of the Board of Directors  
**AJAY GOENKA**  
Managing Director