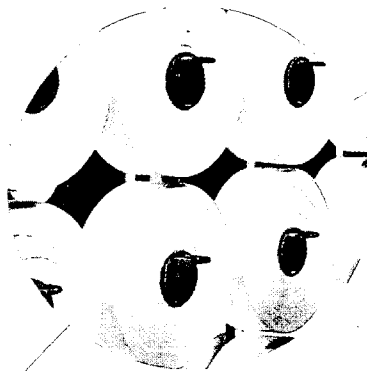


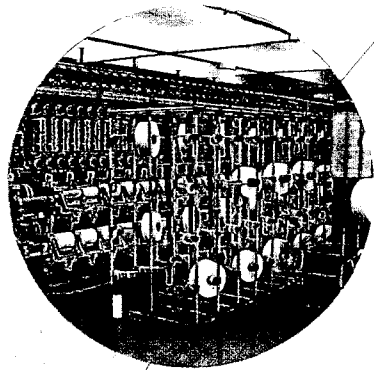
Report Junction.com

RAJ RAYON LIMITED

15th ANNUAL REPORT 2007-2008



Fully Drawn Yarn



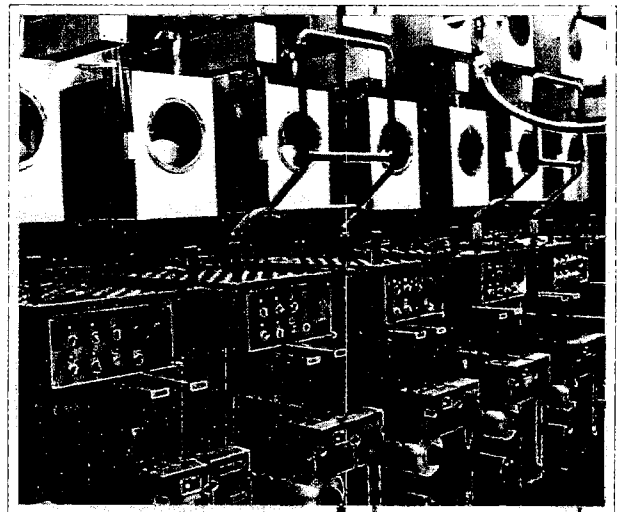
Draw Winders



Polyester Textured Yarn



Dope Dyed Yarn



FDY Machines



15TH ANNUAL REPORT 2007-2008

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. GOURISHANKAR PODDAR	Chairman & Managing Director
Mrs. RAJKUMARI KANODIA	Director
Mr. ASHOK TREHAN	Director- Technical - up to 12-11-2007
Mr. JAGDISH CHANDRA SOMANI	Director
Mr. VINOD KUMAR JAIN	Director
Miss. ANJALI AGRAWAL	Director - up to 12-11-2007

CHIEF FINANCIAL OFFICER

: Mr. AJAI SINGH

COMPANY SECRETARY

: Mr. N.V.AGANDESWARAN

REGISTERED OFFICE

: 5-C, 196 & 197, "AKSHAY",
Mittal Ind. Estate, Sakinaka,
Andheri (East), Mumbai- 400 059
Tel: 91-22- 4034 3434
Fax: 91-22- 4034 3400
Website: www.rajrayon.com
Email: mumbai@rajrayon.com

PLANT LOCATIONS

:

POLYESTER TEXTURISED YARN (PTY) DIVISION

- (i) Survey No.272 /1/1,
Plot No: 1, Village Dadra, Dadra- Demani Road,
Dist.: Silvassa, Dadra & Nagar Haveli (UT)- 396 230*
- (ii) Survey No: 185/1/1, Plot No: 17, Dokmandi, Village: Amli,
Dist.: Silvassa, Dadra & Nagar Haveli (UT)-396 230
- (iii) Survey No: 259/12, Parshwanath Industrial Estate,
Village: Dadra, Dist.: Silvassa, Dadra & Nagar Haveli(UT)-396 230.

(* The two texturising machines installed in the unit have been shifted to unit no. 4 to reduce the operating cost. At present, there is no manufacturing activity in this unit.)

PARTIALLY ORIENTED YARN (POY) / POLYESTER TEXTURISED YARN (PTY) & FULLY DRAWN YARN (FDY) DIVISION

- (iv) Survey No: 177/1/3 & 177/1/4,
Village: Surangi, Dist.: Silvassa,
Dadra & Nagar Haveli (UT) – 396 230

CONTENTS	PAGE NO.
Notice	2
Financial Highlights	5
Management's Discussion & Analysis	6
Report on Corporate Governance	8
Auditors' Certificate on Corporate Governance	16
Directors' Report	17
Auditors' Report on Financial Statements	19
Balance Sheet	22
Profit & Loss Account	23
Cash Flow Statement	24
Schedules forming part of Balance Sheet and Profit and Loss Account	25
Significant Accounting Policies and Notes on Accounts	33
Attendance Slip & Proxy Form	



RAJ RAYON LIMITED

NOTICE

Notice is hereby given that the 15th Annual General Meeting of the members of RAJ RAYON LIMITED will be held on Tuesday, 30th September 2008 at 1.30 p.m. at CHAKRA HOTEL, A.K. Road, Sakinaka, Andheri (East), Mumbai – 400 072, to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the audited Balance Sheet as at March 31, 2008, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri Jagdish Chandra Somani who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit to pass with or without modification(s), the following resolution as an **ordinary resolution**:

“RESOLVED THAT M/s R.S. Agrawal & Associates, Chartered Accountants, Mumbai be and are hereby appointed as the Auditors of the Company, to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting of the Company on such remuneration as may be fixed by the Board of Directors of the Company.”

SPECIAL BUSINESS:

4. -To consider and if thought fit to pass with or without modification(s), the following Resolution as a **Special Resolution**:

“RESOLVED THAT pursuant to the provisions of Sections 31,192A and other applicable provisions, if any, of the Companies Act 1956 (including any statutory modifications or re-enactments thereof for the time being in force), the following be inserted as Article 80A under the heading “Passing of Resolution by Postal Ballot” as set out herein below:

Article: 80A “Passing of Resolution by Postal Ballot:”

The Company do adopt the mode of passing resolutions by means of postal ballots and /or other ways as may be prescribed by the Central Government with respect to any business that can be transacted by the Company in the General Meeting and particularly resolutions relating to such business as the Central Government may by notification declare to be conducted only by postal ballot.”

5. To consider and if thought fit to pass with or without modification(s), the following Resolution as a **Special Resolution**:

Article: 109A “Board / Committee meetings through Video / Tele conferencing:”

“RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act 1956, the following Article shall be inserted in the Articles of Association of the Company as Article No: 109A

109A The Company shall have the power to hold the Board or Committee meetings through the means of Video conferencing and/or Tele conferencing subject to the applicable provisions, if any, of the Act and other regulatory provisions, if any, and all relevant Articles dealing with Board or Committee meetings shall be read *mutatis mutandis*”

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. The Instrument appointing Proxy should, however, be deposited at the Registered Office of the company not less than forty-eight hours before the commencement of the Annual General Meeting.
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956 relating to the Special Business to be transacted at the Meeting is annexed hereto.
3. Members are requested to bring their Attendance Slip along with their copy of Annual Report to the meeting.
4. Relevant documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days except Saturdays, between 11.00 a.m. and 1.00 p.m. up to the date of the meeting.
5. Register of Members and Share Transfer Books of the Company shall remain closed from 23-09-2008 to 30-09-2008 for the 15th A.G.M. of the Company.
6. There was no unclaimed dividends declared up to the financial year ended 31st March, 1995 as such Company has not transferred any fund to the General Revenue Account of the Central Government as required by the



15TH ANNUAL REPORT 2007-2008

Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978 (the Rules).

7. Pursuant to the provisions of Section 205A (5) and 205C of the Companies Act, 1956, dividend for the financial year ended 31st March, 1996 and thereafter, which remain unclaimed for a period of 7 years, will be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

Information in respect of such unclaimed dividend when due for transfer to the said fund is given below.

Financial Year ended	Date of declaration of Dividend	Last Date for claiming unpaid Dividend	Due date for transfer to IEP Fund
31.03.2003	29-08-2003	28-08-2010	28-09-2010
31.03.2004	30-09-2004	29-09-2011	29-10-2011
31.03.2005	16-08-2005	15-08-2012	15-09-2012
31.03.2006	30-09-2006	29-09-2013	29-10-2013
31.03.2007	28-09-2007	27-09-2014	27-10-2014

Shareholders who have not so far encashed the dividend warrant(s) are requested to seek issue of duplicate Warrant(s)/Demand Draft by writing to the Company or to the Registrar & Transfer Agent immediately.

8. Members, who hold shares in physical form in multiple folios in identical names or joint accounts in the same order of names are requested to send the share certificates to the Company's Registrar & Transfer Agent, M/s. Intime Spectrum Registry Limited, for consolidation into a single folio.
9. A member desirous of getting any information on the accounts or operations of the Company is required to forward his/ her queries to the Company at least seven days prior to the meeting so that the required information can be made available at the meeting.
10. As required under clause 49 of the Listing Agreement, the brief Resume of the Directors who are either retiring by rotation or seeking fresh appointment as Director is to be given. However, we have furnished the details of all the directors including the details of directors retiring by rotation or seeking fresh appointment in the Section Report on Corporate Governance

By order of the Board of Directors

N.V.AGANDESWARAN
Company Secretary

Registered Office:

5-C, 196/197, "Akshay",
Mittal Ind. Estate,
Sakinaka, Andheri (East),
Mumbai- 400 059.

Place : Mumbai,
Date : 31st July, 2008



RAJ RAYON LIMITED

EXPLANATORY STATEMENT U/S 173(2) OF THE COMPANIES ACT 1956

Item No: 5

Section 192A of the Companies Act 1956, read with the Companies (Passing of Resolution by Postal Ballot) Rules, requires a listed company to pass resolutions through postal ballot in case of such business as the Central Government may by notification prescribe and in the case of other business, the company may get any resolution passed by means of postal ballot, instead of transacting the business in the General Meeting of the company.

Presently, the Articles of Association of the Company do not have the provision relating to voting through postal ballot and in order to avail this facility a new Article as Article No 80A is proposed to be inserted in the Articles of Association of the Company.

Item No: 6

The Information Technology (IT) Act 2000 recognizes communications in digital or electronic means as permissible under the I T Act. It is felt desirable to add a new Article 109A in the Articles of Association of the Company to facilitate the conduct of Board/Committee meetings through Video and /or Tele conferencing, so that when the necessary amendments etc. to the Companies Act 1956 take place, the Company could hold its Board / Committee meetings through Video and /or Tele conferencing.

The Board commends the Special Resolution for favourable consideration by the Members.

None of the Directors of the Company is concerned or interested in the said Resolution.

A copy of the existing Articles of Association of the Company together with a copy of the proposed amendment will be open for inspection by Members at the Registered Office of the Company between 11 a.m. and 1.00 p.m. on all days, except Saturdays, Sundays and holidays until the date of the Annual General Meeting or any adjournment thereof.

By order of the Board of Directors

N.V.AGANDESWARAN
Company Secretary

Registered Office:

5-C, 196/197, " Akshay",
Mittal Ind. Estate,
Sakinaka, Andheri (East),
Mumbai- 400 059.

Place : Mumbai,
Date : 31st July, 2008



15TH ANNUAL REPORT 2007-2008

FINANCIAL HIGHLIGHTS

		(Rs.in Lacs)		
	Units	2007-08	2006-07	2005-06
PROFIT & LOSS ACCOUNT				
Net Sales		28017.32	26513.46	16552.05
Other Income		274.07	120.50	159.13
TOTAL		28291.39	26633.96	16711.18
Less: Expenditure		24999.75	23864.33	14638.88
Profit before Interest, Depreciation & TAX(PBIDT)		3291.64	2769.63	2072.30
Less: Interest (on Term Loan)		557.71	393.98	131.21
Less: Interest (Others)		593.45	314.52	224.60
Profit Before Depreciation & Tax		2140.48	2061.13	1716.49
Less: Depreciation		1521.51	1137.41	612.26
Profit BeforeTax (PBT)		618.97	923.72	1104.23
Less: Provision for Current Tax		11.08	20.78	98.02
Profit after Current Tax		607.89	902.94	1006.21
Less: Provision for Deferred Tax		181.55	300.94	35.18
Profit after Tax(PAT)		426.34	602.00	971.03
Add / (Less) Prior Period Items, Tax and other adjustments for earlier years		81.00	(124.42)	(0.80)
Profit attributable to shareholders		507.34	477.58	970.23
Cash Profit(PAT+Dep.)		1947.85	1739.41	1583.29
BALANCE SHEET				
Net Fixed Assets		14689.95	13936.12	9905.54
Investments		347.66	388.09	654.75
Net Current Assets		7011.20	5655.26	4575.63
Misc.Expenditure		0.00	0.00	360.99
Capital Employed		22048.81	19979.47	15496.91
Net Worth represented by-				
Share Capital		1701.77	1701.77	1701.77
Reserves & Surplus		7656.94	7149.60	7144.89
Net Worth		9358.71	8851.37	8846.66
Loan Fund				
Long Term		6584.60	6466.66	5000.42
Others		5050.81	3788.30	1193.70
Total Loan Funds		11635.41	10254.96	6194.12
Deferred Tax		1054.69	873.14	456.13
Capital Employed		22048.81	19979.47	15496.91
Term Loan Repayment		1125.24	741.37	410.09
RATIO & STATISTICS				
PBIDT/Net Sales	%	11.75	10.45	12.52
PAT/Net Sales	%	1.52	2.27	5.87
Cash Profit/Net Sales	%	6.95	6.56	9.57
Interest Cover (PBIDT/Interest)	x	2.86	3.91	5.82
DSCR	x	1.49	1.88	3.17
Debt Equity Ratio	x	0.70	0.73	0.57
Book Value	Rs.	54.99	52.01	51.99
EPS	Rs.	2.98	2.81	9.77



RAJ RAYON LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS

Forward-Looking Statements

This report contains forward-looking statements, which may be identified by their use of words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the Company's strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized. The Company's actual results, performance or achievements could thus differ materially from those projected in any such forward-looking statements. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events.

Overview

Landmark Events

The Company has completed the expansion plan for augmenting production of PTY, and to this end further four (4) number of texturising machines have been installed during the current year in addition to eight (8) such machines installed in the previous year.

The Company successfully established a foothold in the foreign markets by exporting its products to countries like Brazil, Peru, Mexico, Egypt, Poland etc.

The Company is making necessary efforts for being recognised as an approved Export House with The Joint Director General of Foreign Trade, Mumbai.

Industry outlook:

The industry outlook in general is good and the continuation of the TUF Scheme with increased budgetary support at Rs 10.90 billion in 2008-09 from Rs 9.1 billion in 2007-08 and increased budgetary support for promoting integrated textile parks would boost investments.

The demand for textile polyester increased to 30.40 million tonnes at the end of 2007, an increase of 7.5% over the previous year. In the current global scenario, polyester consumption growth is being driven by Asia in general and China and India in particular.

Polyester witnessed exciting demand growth in the domestic market at 17% over the previous year. POY demand grew by 18% whereas PSF demand grew by 12% in the same period.

Business Review

For financial reporting, the Company has defined three segments such as Polyester Yarn, Trading activities, & Others. However, the key business segment of the Company is Manufacturing of Polyester Yarns: POY, PTY, FDY & Flat Yarn having same risk & return and as such the same have been classified under single segment "Polyester Yarn".

Opportunities & Threats:

The Indian Government reduced the import duty on polyester from 10% to 7.5% and again to 5% mid year in November 2007. The Government, in an effort to give a stimulus to investments in downstream textile industry has extended Textile Up-gradation Fund in the 11th Five year Plan.

The main challenges the industry is facing are volatility in raw material prices, cheaper imports from China and inter fiber competition.

In the export front which is highly competitive, the appreciation of Indian Rupee against the US dollar has an adverse impact.

Risks and Concerns

While the volatile raw material prices and cheaper imports from China are the main areas of concern, the other areas of concern are higher interest rates and the slower utilization of accumulated Cenvat credit.

At RRL, all key functions and divisions are independently responsible to monitor risk associated within their respective areas of operations such as production, treasury, insurance, legal and other issues like health, safety and environment.

RRL's high levels of integration, competitive operations have helped the Company in mitigating the adverse impact of generic industry risk factors.

RRL also follows an efficient inventory management system. RRL undertakes liability management transactions and other structure such as interest rate and currency swap on an ongoing basis.

Internal Controls

RRL's well defined organization structure, policy guidelines, predefined authority levels, and an extensive system of internal controls ensure optimal utilization and protection of resources, IT security, accurate reporting of financial transactions and compliance with applicable laws and regulations.



15TH ANNUAL REPORT 2007-2008

- RRL has adequate systems of internal control in place. This is to ensure that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are authorized, recorded, and reported correctly.
- RRL's internal audit function is empowered to examine the adequacy, relevance and effectiveness of control systems, compliance with laws, regulations & policies, plans and statutory requirements.
- RRL has an exhaustive budgetary control system. Actual performance is reviewed with reference to the budget by the management on an ongoing basis.
- RRL's Audit Committee of the Board reviews the findings and recommendations of the internal auditor.

The system is improved and modified continuously to meet changes in business conditions, statutory and accounting requirements.

Research & Development

RRL focuses on R&D activities towards new products and application, improvement in operating efficiencies and reduction in manufacturing costs. To this end the Company has two well equipped mechanical & chemical laboratories.

Further, with commissioning of new production facilities we are able to produce POY of Denier range fine to coarse. Very few plants in the country have production facilities for producing such a wide denier range. Plant is designed to produce following types of specialty yarns.

- Full Dull
- Bright Yarns
- Cationic Yarn
- Coloured Yarns
- Yarns of various cross-sections viz, Triobal, Octalobal etc.,
- Fire retardant and anti microbial yarns through chips spinning or master batch. Use of such yarns is mandatory for specific fabrics in developed countries and it is now becoming popular in India.

The product lines of plant are designed to change product with minimum changeover losses and thus meet customer requirement even for small quantities. The Company's operations are cost effective due to its size and location as well as capability to offer customized products.

The philosophy of Company is to be innovative and cost competitive. To this end, the Company has fully equipped R&D facilities to address emerging demands in spinning and texturising. The R&D facilities include pilot melt spinning along with equipments for testing of yarn. Very few plants in the country are equipped with such types of facilities.

Quality Management

RRL continues to take quality improvement measures and to strengthen quality management systems at all manufacturing locations.

The Company is in the process of obtaining of ISO 9001:2000 Certification for its products and processes.

Environment and Safety

RRL is conscious of the need for environmentally clean and safe operations. The Company policy requires the conduct of all operations in such manner so as to ensure safety of all concerned, compliance of statutory and industrial requirements for environment protection and conservation of natural resources to the extent possible.

Human Resources and Industrial Relations

As we begin to compete in the challenging business environment of the new millennium we realize that Human Resources are the most valuable assets for our organisation and it's our people who provide the competitive edge to stay ahead.

Our strategy for development of Human Resources is through providing a motivating work environment, recruiting the best talents, providing challenging goals, and by creating a culture for learning and growth.

Our aims of employee development are not just about acquiring skills to solve specific problems but also expanding minds to address problems and opportunities which have not become apparent with full understanding of cross functional linkages.

Continuing personal development is the constant obligation of all employees and constant responsibility of all Executives, Managers and Supervisors.

The development and use of human potential and a learning organization is our bridge to continued success in the future.

Industrial relations remained generally cordial in all the plants.



RAJ RAYON LIMITED

REPORT ON CORPORATE GOVERNANCE

(As required under clause 49 of the Listing Agreement of the Stock Exchange)

The Corporate Governance Report for the year under Review from 1st April 2007 to 31st March. 2008.

1. Company's Philosophy on Code of Corporate Governance:

The Company believes in transparency, professionalism and accountability, which are the basic principles of Corporate Governance. The Company would constantly endeavour to improve on these aspects.

2. Board of Directors- Constitution and Composition:

The Board of Directors of the Company has appropriate composition of Executive and Non- Executive Directors including Independent Directors. The Board of Directors through their active participation ensures that the discussions and decisions on the policy matters are taken after due deliberation and in consonance with the good corporate governance practices.

During the year under review, the Board of Directors of the Company consisted of six Directors up to 12th November 2007 and thereafter four Directors. Three of them are Non- Executive Directors including two Independent Directors. Mr. Gourishankar Poddar is the Chairman & Managing Director. The other three Non-Executive Directors are Mrs. Rajkumari Kanodia, Mr. Jagdish Chandra Somani and Mr. Vinod Kumar Jain,

and except Mrs. Rajkumari Kanodia, the other two Directors are Independent Directors. Hence the composition of the Board of Directors is well within the norms of Corporate Governance.

None of the Directors on the Board is member in more than ten committees and none acts as Chairman of more than five committees across all companies in which they are directors.

a) Number of Board Meetings and Attendance Record of the Directors:

During the year ended 31st March 2008 the Company had eleven (11) Board meetings. These were on: 30-04-2007, 07-06-2007, 30-06-2007, 31-07-2007, 14-08-2007, 28-09-2007, 31-10-2007, 12-11-2007, 17-12-2007, 31-01-2008 and 19-03-2008.

The composition of Directors during the year under review and the attendance at the Board Meetings during the year under review and the last Annual General Meeting as also number of other Directorships and Committee Memberships are given below:

Sr. No.	Name of the Director	Position	No. of Board Meetings Attended	Attendance At the Last AGM	No. of other Public company Directorships*	No. of other Committee Memberships and Chairmanships#	
						Chairman	Member
1.	Mr. Gourishankar Poddar	Chairman & M.D.	11	Yes	1	-	-
2.	Mrs. Rajkumari Kanodia	Director	11	Yes	-	-	2
3.	Mr. Ashok Trehan (up to 12-11-2007)	Director Technical	8	No	-	-	-
4.	Mr. Jagdish Chandra Somani	Director	11	Yes	-	2	2
5.	Mr. Vinod Kumar Jain	Director	11	No	-	-	2
6.	Ms. Anjali Agrawal (up to 12-11-2007)	Director	8	No	-	-	-

* Directorships in private and Foreign Companies, if any, are excluded.

Memberships of only Audit Committee and Shareholders' / Investors' Grievance Committee

Directors' Profile:

Brief resume of all the Directors, nature of their expertise in specific functional areas and names of companies in which they hold directorships and memberships / chairmanships of Board Committees are provided below:

a) Mr. Gourishankar Poddar, Chairman & Managing Director

Mr. Gourishankar Poddar, aged 47 years, is in the textile business for more than 27 years. He is non-matriculate.

In 1993, Mr. Poddar promoted Raj Rayon Limited and he was appointed as Managing Director w.e.f. April 1, 1994 for 5 years; the term has been renewed from time to time. His current appointment expires on March 31, 2009. He was also designated as the Chairman of the Board with effect from January 15, 2001. Mr. Poddar has overall control over management of the Company, subject to supervision, control and direction of the Board of Directors of the Company.

RRL, set up in 1993, has witnessed commendable growth over the years under the able leadership of Mr. Poddar,