



RAJ RAYON INDUSTRIES LIMITED

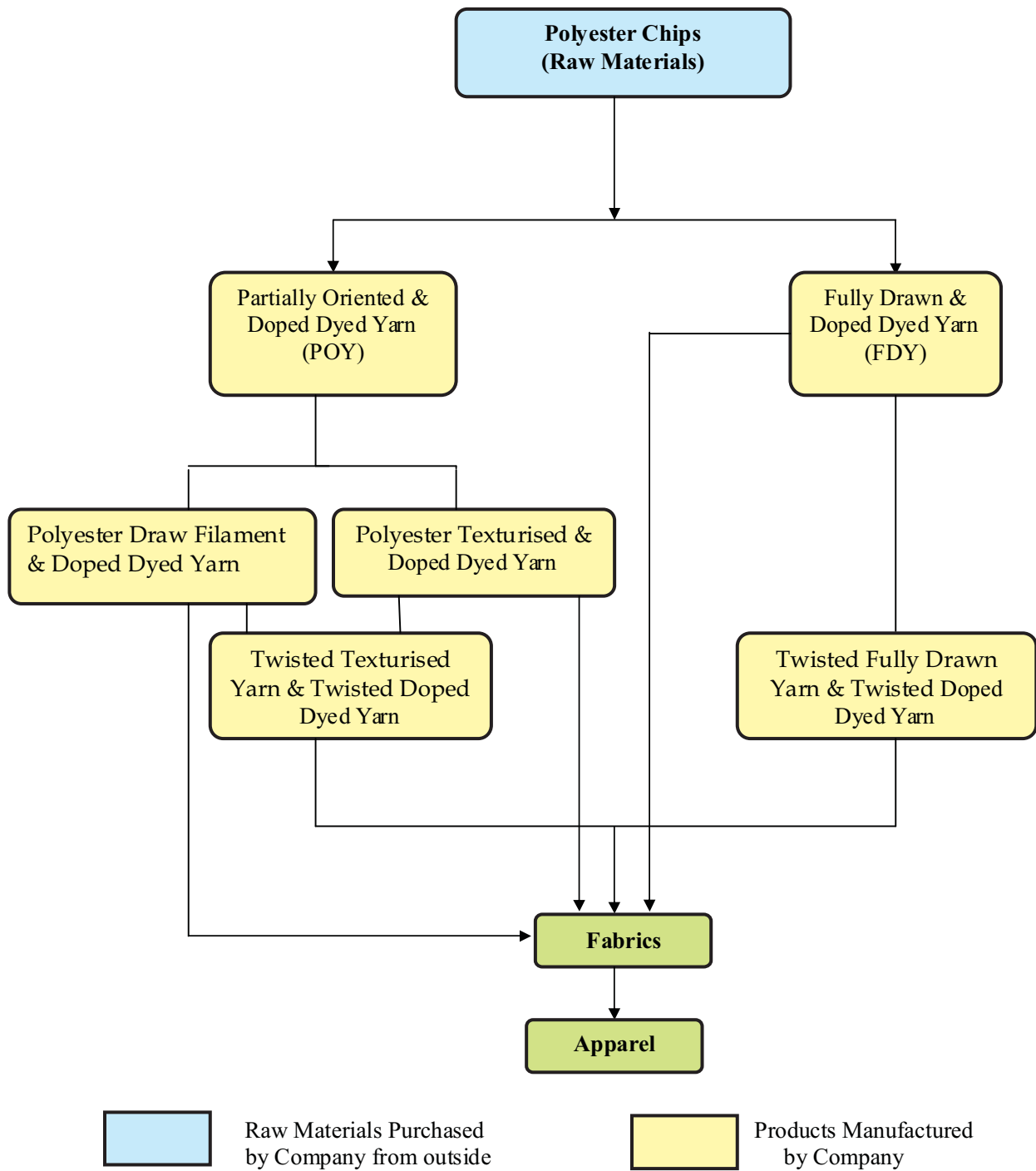
(Formerly known as Raj Rayon Ltd.)

“Spinning the Quality of Perfection”



**18th Annual Report
2010 - 2011**

Product Flow Chart of Raj Rayon Industries Limited





18TH ANNUAL REPORT 2010-2011

COMPANY INFORMATION

BOARD OF DIRECTORS	:	MR. GOURISHANKAR PODDAR MRS. RAJKUMARI KANODIA MR. JAGDISH CHANDRA SOMANI MR. VINOD KUMAR JAIN	<i>Chairman & Managing Director</i> <i>Director</i> <i>Director</i> <i>Director</i>
COMPANY SECRETARY	:	MS. GITA YADAV	
AUDITORS	:	M/S. R.S. AGRAWAL & ASSOCIATES	
REGISTERED OFFICE	:	Survey No. 177/1/3 & 177/1/4, Village - Surangi, Dist-Silvassa, Dadra and Nagar Haveli (U.T.)-396 230 (INDIA) Tel: 91- 09998802192 Fax:-91-0260-2699185 Website: www.rajrayon.com Email: mumbai@rajrayon.com	
CORPORATE OFFICE	:	5-C, 196 & 197, "AKSHAY", Mittal Industrial Estate, Saki Naka, Andheri (East), Mumbai- 400 059, Maharashtra (INDIA) Tel: 91-22- 4034 3434 Fax: 91-22- 4034 3400 Website: www.rajrayon.com Email: mumbai@rajrayon.com	
PLANT LOCATIONS	:	(i) Survey No. 272/1/1, Plot No. 1, Village Dadra, Dadra-Demani Road, Dist-Silvassa, Dadra & Nagar Haveli (U.T.) - 396 230 (INDIA) (ii) Survey No. 185/1/1, Plot No.17, Dokmandi, Village- Amla, Dist- Silvassa, Dadra & Nagar Haveli (U.T.) - 396 230 (INDIA) (iii) Survey Number 177/1/3 & 177/1/4, Village - Surangi, Dist-Silvassa, Dadra and Nagar Haveli (U.T.)-396 230 (INDIA)	
REGISTRAR & SHARE TRANSFER AGENT	:	Link Intime India Private Limited C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai - 400 078, Maharashtra (INDIA) Tel: 91-22-25946970-78, Fax: 91-22-25946969 Email:rnt.helpdesk@linkintime.co.in Website: www.linkintime.co.in	

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RAJ RAYON INDUSTRIES LIMITED

(FORMERLY KNOWN AS RAJ RAYON LIMITED)

NOTICE

Notice is hereby given that the 18th Annual General Meeting of the Members of RAJ RAYON INDUSTRIES LIMITED will be held on Thursday, 15th September, 2011 at the registered office of the Company situated at Survey No. 177/1/3 & 177/1/4, Village – Surangi, Dist – Silvassa, Dadra & Nagar Haveli (U.T.) – 396 230, at 11.30 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2011, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend for the year ended 31st March, 2011 on equity shares.
3. To appoint a Director in place of Mr. Jagdish Chandra Somani who retires by rotation and being eligible offers himself for re-appointment.
4. To re-appoint M/s R. S. Agrawal & Associates, Chartered Accountants (Registration No. 100156W) as the Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and authorise Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

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

“RESOLVED THAT pursuant to Section 16 and 94 and other applicable provisions, if any, of the Companies Act, 1956 and in accordance with Article 3 of the Articles of Association, the Authorised Share Capital of the Company be increased from ₹ 30,00,00,000 (Rupees Thirty Crores) divided into 3,00,00,000 (Three Crores) Equity Shares of ₹10 (Rupees Ten) each to ₹ 50,00,00,000 (Rupees Fifty Crores) divided into 5,00,00,000 (Five Crores) Equity Shares of ₹ 10 (Rupees Ten) each by creating additional 2,00,00,000 (Two Crores) Equity Shares of ₹ 10 (Rupees Ten) each ranking pari passu with existing equity shares of the Company in all respects.”

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

“RESOLVED THAT the Clause V of the Memorandum of Association of the Company be altered in words and figures as follows:

(V) The Authorised Share Capital of the Company is ₹50,00,00,000 (Rupees Fifty Crores) divided into 5,00,00,000 (Five Crores) Equity Shares of ₹ 10 (Rupees Ten) each.

Any share of the original or increased capital may from time to time be issued with guarantee or any rights or preference whether in respect of dividend or of repayment of capital or both or any other special privilege or advantage over any shares previously issued or then about to be issued or with deferred or qualified rights as compared with the shares

previously issued or subject to any provisions or conditions and with any special right or limited rights or without any rights or voting and generally on such terms as the Company may from time to time determine.

The rights of the holders of any class of shares, for the time being forming part of the capital of the Company, be modified, affected, varied, extended or surrendered either with the consent in writing of the holders of three – fourths of the issued shares of the class or with the sanction of a Special resolution passed at a separate meeting of the holders of those shares.

RESOLVED FURTHER THAT any Director and/or Company Secretary of the Company be and is hereby authorised to do, perform and execute all such acts, deeds and things and to settle all questions arising out of and incidental thereto, and to give such directions that may be necessary or arise in regard to or in connection with any such matter as they may in their absolute discretion, deem fit to give effect to the resolution.”

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

“RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the existing Article 3 of the of the Articles of Association of the Company be and is altered and substituted by following new Article 3:

3. The Authorised Share Capital of the Company is ₹50,00,00,000 (Rupees Fifty Crores) divided into 5,00,00,000 (Five Crores) Equity Shares of ₹ 10 (Rupees Ten) each.

The Company shall have power to increase consolidate, sub divide, reduce or otherwise outsets share capital, subject to the provision of the Companies Act, 1956.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, any Director and/or Company Secretary of the Company be and is hereby authorised to take all such steps and actions and give such directions as they may in their absolute discretion deem necessary and to settle any question that may arise in this regard.”

8. **To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.**

“RESOLVED THAT in additions of the resolution passed by the members of the Company under Section 293 (1) (d) of the Companies Act, 1956, pursuant to Section 192A (2) of the Companies Act, 1956 read with Companies (Passing of Resolutions by Postal Ballot) Rules, 2001 on 18th February, 2009, thereby limiting the borrowing powers of the Board of Directors of the Company upto ₹ 1000 crores (Rupees One Thousand Crores only), the consent of the members be and is hereby accorded pursuant to clause (d) of sub-section (1)



of Section 293 and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company for borrowing from time to time any sum or sums of monies, as it may consider fit for the business of the Company on such terms and conditions as it may deem fit and expedient in the interest of the Company, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers' in the ordinary course of business) may exceed the aggregate of the paid-up capital of the Company and its free reserves (that is to say, reserves not set apart for any specific purpose) provided that the maximum amount of monies so borrowed by the Company shall (apart from temporary loans obtained or to be obtained from the Company's bankers' in the ordinary course of business) and outstanding at any given point of time, not at any time exceed the sum of ₹ 2500 crores (Rupees Two Thousand Five Hundred Crores only).

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all documents or writings as may be necessary, proper or expedient for the purpose of giving effect to this resolution and for matters connected therewith or incidental thereto."

9. **To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.**

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1) (a) and other applicable provisions, if any of the Companies Act, 1956 to mortgage and/or charging by the Board of Directors of the Company of all movable and immovable properties of the Company where so ever situated, present or future, and the whole of the undertaking of the Company, in favour of Bankers and/or Financial Institutions or persons for securing the repayment of Term Loan, Cash Credit, advances or such other borrowing facilities for an aggregate nominal value not exceeding ₹ 2500 crores (Rupees Two Thousand Five Hundred Crores only) for the purpose of securing the said financial facilities granted/to be granted to the Company, together with interest, further interest, liquidated damages, costs, charges, expenses and other monies payable by the Company under the terms of the respective financial facilities.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all documents, writings etc as may be necessary, proper or expedient for the purpose of giving effect to this resolution and for matters connected therewith or including thereto."

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

"RESOLVED THAT subject to the approval of members and

in accordance with the provisions of Section 198, 269, 309 and 310 of the Companies Act, 1956 (hereinafter referred to as the "Act") read with schedule XIII of the aforesaid Act and subject to all such sanctions, as may be necessary the remuneration of Mr. Gourishankar Poddar, Chairman and Managing Director of the Company, be and is hereby increased from ₹ 1.50 Lacs per month (i.e. ₹ 18.00 Lacs per annum) to ₹ 3.00 Lacs per month (i.e. ₹ 36.00 Lacs per annum) w.e.f 01st June, 2011 to 31st March, 2014 and all other terms and conditions remaining the same as per the resolution passed by the members through Postal Ballot on 18th February, 2009.

RESOLVED FURTHER THAT in the event of there being loss or inadequacy of profit for any financial year during his tenure, the aforesaid remuneration payable to Mr. Gourishankar Poddar shall be the minimum remuneration payable by the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all documents or writings as may be necessary, proper or expedient for the purpose of giving effect to this resolution and for matters connected therewith or incidental thereto."

By order of the Board of Directors

GITA YADAV
Company Secretary

Place: Silvassa
Date: 15th June, 2011

Registered Office:
Survey No. 177/1/3 & 177/1/4,
Village – Surangi, Dist – Silvassa,
Dadra & Nagar Haveli (U.T.) – 396 230

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.**

Proxies, in order to be effective, must be duly filled, stamped, signed and must reach the Registered Office of the Company not less than 48 hours before the commencement of the meeting.

2. **Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Annual General Meeting, setting out material facts, is annexed hereto.**



RAJ RAYON INDUSTRIES LIMITED

(FORMERLY KNOWN AS RAJ RAYON LIMITED)

3. Profile of the Director seeking re-appointment, as required by Clause 49 of the Listing Agreement entered into with the Stock Exchanges, is annexed to this Notice.
4. Corporate Members intending to send their authorised representatives to attend the Annual General Meeting are requested to send a duly certified copy of their Board Resolution authorising their representative to attend and vote on their behalf at the Annual General Meeting.
5. Members/Proxies/Representatives are requested to bring the enclosed Attendance Slip, duly filled in, for attending the Annual General Meeting.
6. Relevant documents referred to in the accompanying Notice are available 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.
7. The Register of Members and Share Transfer Books of the Company shall remain closed from Thursday, 08th September, 2011 to Thursday, 15th September, 2011 (both days inclusive) for the purpose of payment of dividend, if declared at the meeting.
8. If the dividend on the equity shares, as recommended by the Board of Directors, is declared at the Annual General Meeting, payment thereof will be made (i) to those members whose names appear on the Register of Members of the Company as on 08th September, 2011 after giving effect to all valid share transfers in physical form lodged with the Company's Registrar and Share Transfer Agent (R&TA) Link Intime India Private Limited on or before 08th September, 2011; and (ii) in respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited (NSDL) and/or Central Depository Services (India) Limited (CDSL), as at the close of 08th September, 2011.
9. Members are advised to submit their National Electronic Clearing Services (NECS) mandates to the Company's R & TA at their address mentioned below to facilitate remittance by means of NECS.
10. 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 Companies Unpaid Dividend (Transfer to the General Revenue Account of the Central Government) Rules, 1978 (the Rules).
11. 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 remains 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 IEPF
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
31.03.2010	07-08-2010	06-08-2017	05-09-2017

Members, 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 Company's R & TA immediately.

12. 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 R & TA for consolidation into a single folio.
13. Further, Members are requested to inform immediately about any change in their address to Company's R&TA at the address mentioned below so as to enable the Company to dispatch dividend warrants and any further communication at their correct addresses:
LINK INTIME INDIA PRIVATE LIMITED
C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai – 400 078
Ph: 91-22-25946970-78 Fax: 91-22-25946969
Email: rnt.helpdesk@linkintime.co.in
Website: www.linkintime.co.in
14. 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 by the management at the meeting.
15. Investors may address their queries/communication at investors@rajrayon.com.
16. Copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to kindly bring their copies of the Annual Report to the meeting.

**ANNEXURE TO NOTICE****Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956:****Item No. 5, 6 & 7**

The present Authorised Share Capital of the Company is ₹ 30,00,00,000 (Rupees Thirty Crores) divided into 3,00,00,000 (Three Crores) Equity Shares of ₹ 10 (Rupees Ten) each. The Company, in order to meet its growth objectives and to strengthen its financial position, may be required to generate long term resources by issuing securities. The Board of Directors thought it fit to increase the Authorised Share Capital of the Company to ₹ 50,00,00,000 (Rupees Fifty Crores) divided into 5,00,00,000 (Five Crores) Equity Shares of ₹ 10 (Rupees Ten) each.

Increase in Authorised Share Capital would necessitate amendment to the Clause V of the Memorandum of Association of the Company, and Article 3 of the Article of Association of Company and would require members approval by passing a Special Resolutions.

The Special Resolutions at Item No. 5, 6 & 7 are therefore placed for approval of the members.

None of the Directors of the Company is in any way concerned or interested in these Resolutions.

Item No: 8

Section 293(1) (d) of the Companies Act, 1956, inter-alia, provides that the Board of Directors of a Public Company can borrow money in excess of the aggregate of the paid-up capital and free reserves of the Company only with the approval of members. The members had on 18th February, 2009 accorded their consent through Postal Ballot for a maximum limit of ₹ 1000 crores for borrowing in excess of the paid-up capital and free reserves of the Company. Keeping in view the long term requirements of the Company, this limit is sought to be increased to ₹ 2500 crores.

The Resolution at Item No. 8 is therefore placed for approval of the members pursuant to Section 293 (1) (d) of the Companies Act, 1956.

None of the Directors of the Company is considered as interested director in the proposed Resolution.

Item No: 9

As stated in the explanatory statement at Item No. 8 of this notice, the Company's activities and operations are increasing; thereby necessitating increase in its borrowing limits as stated in the resolution at Item No. 8.

Your Directors consider that it would be expedient to have approval of the members for creating securities in favour of Secured Lenders as mortgage/charge in the event of your Company availing financial facilities of a secured nature.

The Resolution at Item No. 9 is therefore placed for approval of the members pursuant to Section 293 (1) (a) of the Companies Act, 1956.

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

Item No. 10

Mr. Gourishankar Poddar is the founder of Raj Rayon Industries Limited (formerly known as Raj Rayon Limited) and the Company has witnessed tremendous growth under his leadership. He was re-appointed as Chairman and Managing Director of the Company for a period of 5 years w.e.f 1st April, 2009 to 31st March, 2014 at a remuneration of ₹ 1.50 Lacs p.m. by Board of Directors at its meeting held on 15th January, 2009 & approval of members for the same was received on 18th February, 2009 through Postal Ballot.

With the experience and in depth knowledge of Mr. Gourishankar Poddar in the textile industry, the Company has grown and developed its business manifold. The Board of Directors has appreciated his leadership, in its meeting held on 15th June, 2011 and subject to approval of members, has proposed to increase his remuneration to ₹ 3.00 Lacs p.m (i. e ₹ 36.00 Lacs p.a.) for the remaining period of his tenure i.e. from 1st June, 2011 to 31st March, 2014; all other terms and conditions remaining the same as per the resolution passed by the members through Postal Ballot on 18th February, 2009.

The Special Resolution at Item No.10 is therefore placed for approval of the members.

None of the Directors of the Company, except Mr. Gourishankar Poddar, is in any way concerned or interested in the Resolution.

By order of the Board of Directors

Place: Silvassa
Date: 15th June, 2011

GITA YADAV
Company Secretary

Registered Office:

Survey No. 177/1/3 & 177/1/4,
Village – Surangi, Dist – Silvassa,
Dadra & Nagar Haveli (U.T.) – 396 230



BRIEF PROFILE OF THE DIRECTOR SEEKING RE-APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING AS REQUIRED TO BE FURNISHED PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES IN INDIA

Item No. 3 of the Notice:

Name : Mr. Jagdish Chandra Somani

Age : 65 years

Qualification : M.Com

Expertise : Textile Industry

Date of appointment : 07th January, 1998 as an Additional Director and confirmed as Director in Annual General Meeting held on 30th September, 1998.

Category : Independent Director

No. of Shares held : None

Mr. Jagdish Chandra Somani is neither a Director of the Board of any other Company nor Member of the Committees of the Board of any other Company.



FINANCIAL HIGHLIGHTS

(Amt. in Lacs)

Particulars	Units	2010-2011	2009-2010	2008-2009
PROFIT & LOSS ACCOUNT				
Net Sales		42279.29	32731.04	31393.94
Other Income		1089.41	1031.74	554.32
TOTAL		43368.70	33762.78	31948.26
Less: Expenditure		38848.57	30180.98	30111.92
Profit before Interest, Depreciation & Tax (PBIDT)		4520.13	3581.80	1836.34
Less: Interest (on Term Loan)		474.03	461.02	532.62
Less: Other Interest & Financial Charges		1311.70	1086.28	1096.26
Profit Before Depreciation & Tax		2734.40	2034.50	207.46
Less: Depreciation		2051.24	1703.96	1702.40
Profit Before Tax (PBT)		683.16	330.54	-1494.94
Less/(Add): Provision for Current Tax		25.04	10.14	5.96
Profit after Current Tax		658.12	320.40	-1500.90
Less/(Add): Provision for Deferred Tax		251.74	7.96	-445.92
Profit after Tax (PAT)		406.38	312.44	-1054.98
Add/(Less): Prior Period items, Tax and other adjustments for earlier years		-0.45	-61.06	-85.02
Profit attributable to shareholders		405.93	251.38	-1140.00
Cash Profit (PAT+Dep.)		2457.62	2016.40	647.42
BALANCE SHEET				
Net Fixed Assets		17047.07	16110.70	13519.00
Investments		190.38	186.62	416.41
Net Current Assets		9990.15	6512.88	6830.72
Capital Employed		27227.60	22810.20	20766.13
Net Worth represented by-				
Share Capital		1894.47	1799.82	1709.92
Reserves & Surplus		7042.11	6705.34	6516.94
Share Application Money		441.58	9.47	18.46
Net Worth		9378.15	8514.63	8245.32
Loan Fund				
Long Term		10619.14	8840.82	6754.07
Others		6361.83	4838.02	5157.98
Total Loan Funds		16980.97	13678.84	11912.05
Deferred Tax (Net)		868.47	616.73	608.76
Capital Employed		27227.60	22810.20	20766.13
Term Loan Repayment		1603.71	1718.62	1530.53
RATIO & STATISTICS				
PBIDT/Net Sales	%	10.69	10.94	5.85
PAT/Net Sales	%	0.96	0.95	-
Cash Profit/Net Sales	%	5.81	6.16	2.06
Interest Cover (PBIDT/Interest)	X	2.53	2.31	1.13
DSCR	X	1.41	1.14	0.57
Long Term Debt Equity Ratio	X	1.13	1.04	0.82
Book Value	₹	47.17	47.26	48.11
EPS	₹	2.17	1.43	-6.70



MANAGEMENT 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, based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. 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's Export House status has been upgraded to Star Export House w.e.f 17th August, 2009 by the Director General of Foreign Trade. Further, the Company's ISO Certification has been upgraded to ISO 9001:2008 by Bureau Veritas (UKAS) and Bureau Veritas (NABCB).

The name of the Company has been changed from "Raj Rayon Limited" to "Raj Rayon Industries Limited" w.e.f 18th August, 2010, pursuant to the special resolution passed by members in the 17th Annual General Meeting held on 07th August, 2010 & approval by Registrar of Corporate Affairs.

The registered office of your Company has been shifted from "5C- 196/197, Akshay Mittal Industrial Estate, Sakinaka, Andheri(East), Mumbai-400 059" to "Survey No. 177/1/3 & 177/1/4, Village - Surangi, Dist - Silvassa, Dadra & Nagar Haveli (UT) - 396 230" w.e.f 31st March, 2011, pursuant to Company Law Board order passed on 29th March, 2011.

The Company exports its product to countries in South America, Europe, Middle East, Africa, Far East, South East Asia etc.

Industry outlook:

GDP growth continuing to be robust bodes well for our industry in the ensuing year. Industry outlook is positive owing to higher domestic demand and switch over from cotton.

In this connection, it is observed that textile and clothing exports witnessed a growth of 11.5% in the first half of 2010-2011, and are likely to remain healthy in the near future.

During last year, Chinese currency appreciated relative to the Indian Rupee which benefited Indian textile industry and its export became more competitive.

It is expected that the Indian textile and clothing market has the potential to reach \$ 220 billion by 2020 at a CARG of 10-11% from the current level of around \$ 70 billion. The Domestic Market has a potential to grow to \$ 140 billion and exports to \$ 80 billion by 2020.

It is believed that India has the potential to increase its export share in world trade from the current 4.5% to 8% and reach \$ 80 Billion level by 2020. This high growth in exports can become a reality amidst increased shift in sourcing from developed countries to Asia and India's strength as a suitable alternative to China for global buyers.

Polyester continues to feed the textile industry, accounting for 83% of increased fibre demand in 2010. Polyester usage for textile applications is expected to grow at over 4% and account for 80% of the incremental fibre demand in the next decade. Consequently, its share in all fibre demand would grow to 55% from the current 48%.

Garment manufacturers/ designers are likely to find ways to use more polyester yarn than cotton in their fabric usage. The International Cotton Advisory Committee (ICAC) forecasts that cotton share of the world textile fibre market could decline to 33% by 2015 as compared to 36.5% in 2009.

Technology Upgradation Fund Scheme (TUFS) scheme has been extended upto

31st March, 2012. TUFS has helped in the transition from a quantitatively restricted textiles trade to a market driven global merchandise.

Business Review:

The Company's domestic sales, as also exports, are looking up and the Company has also stepped up its efforts to enhance the share of value added items in its product mix for being better placed to meet crude oil and raw material prices volatility, if any, in future.

Opportunities & Threats:

- Globalisation has thrown open bigger opportunity for export of Company's products.
- Anticipated robust GDP growth to spur higher consumer spending, in turn, boosting demand for Company's products.
- Man made fibres has emerged as a major substitute for cotton.
- The Union Budget for 2011-12 has provided an allocation of ₹ 2,980 crores for the Technology Upgradation Fund Scheme (TUFS), which is expected to boost the Textile industry.
- Excise duty on man made fibre is an area of concern.

Internal Controls:

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

- RRIL has adequate system of internal control in place to ensure that assets are safeguarded against loss from unauthorised use or disposition, and that transactions are authorised, recorded, and reported correctly.
- RRIL'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.
- RRIL has an exhaustive budgetary control system. Actual performance is reviewed with reference to the budget by the management on an ongoing basis.
- RRIL'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:

The Company always strives to be innovative and cost competitive, aided by its fully equipped R & D facilities. Besides producing POY of Denier range fine to coarse, the Company's array of products includes yarn of various cross sections namely Round, Trilobal and Octalobal, as also Full Dull, Semi Dull, Bright Yarns, Cationic Yarn, Doped Dyed Yarn, Fire Retardant and Anti Microbial yarns.

Quality Management:

RRIL continues to take quality improvement measures to enhance quality of various polyester yarns. The Company's ISO certification in respect of its products and processes stands upgraded to ISO 9001:2008 by Bureau Veritas (UKAS) and Bureau Veritas (NABCB).

Environment and Safety:

Being conscious of the need for environmentally clean and safe operations, the Company conducts its operations ensuring 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:

The Company recognises that Human Resources are its most valuable assets that provide competitive edge to stay ahead. The Company's focus is on developing the most superior work force so that the Company and individual employees can accomplish their work goals in service to customers.

The Company's 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. Industrial relations remained cordial in all the plants.