



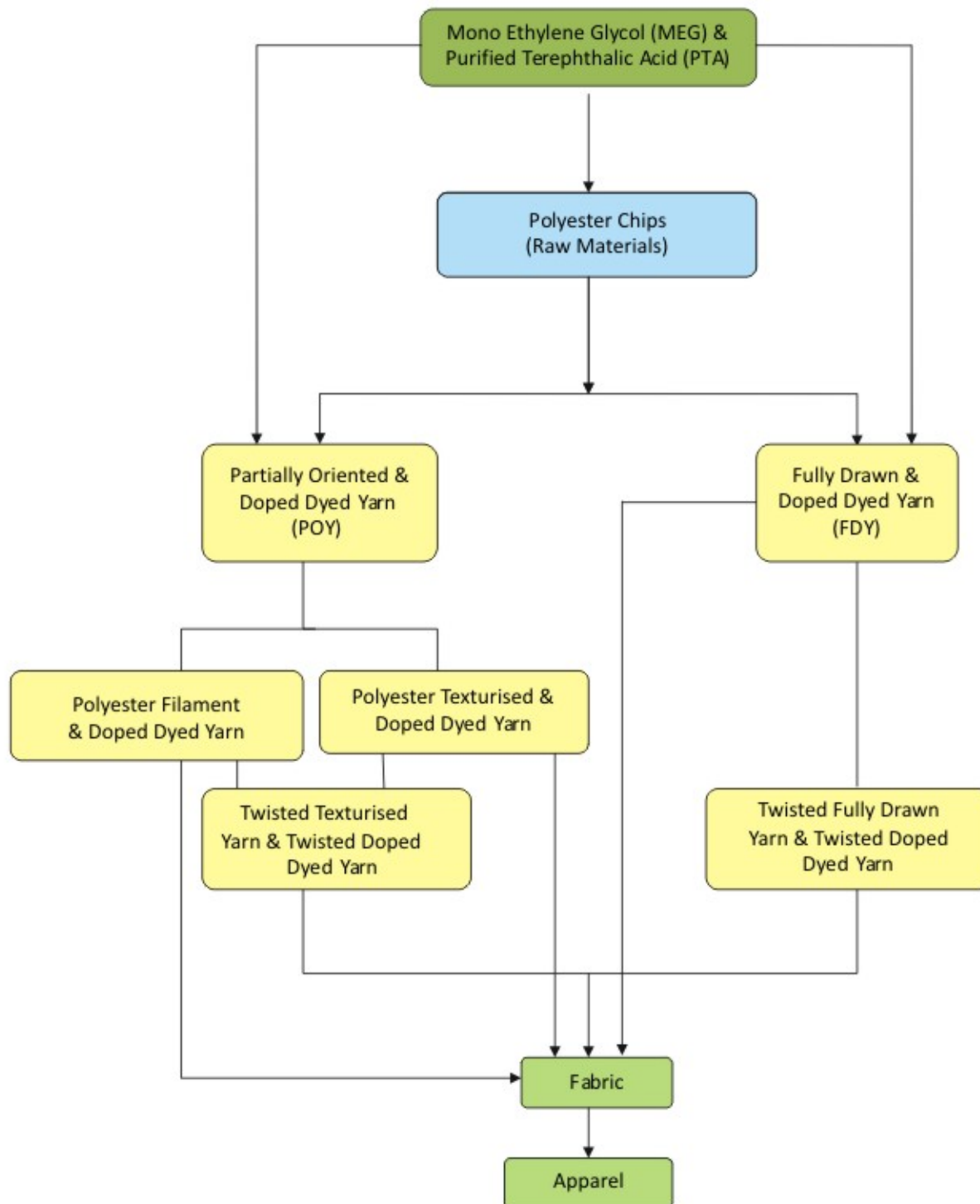
RAJ RAYON INDUSTRIES LIMITED

(Formerly known as Raj Rayon Ltd.)

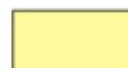
“Spinning the Quality of Perfection”

**19th Annual Report
2011 - 2012**

Product Flow Chart of Raj Rayon Industries Limited



Raw Materials Purchased
by Company from outside



Products Manufactured
by Company



Raw Material to be purchased
after completion of CP project
(project under implementation)

**COMPANY INFORMATION**

| | | |
|-------------------------------------|--|--|
| BOARD OF DIRECTORS | : MR. GOURISHANKAR PODDAR MRS. RAJKUMARI KANODIA MR. JAGDISH CHANDRA SOMANI MR. VINOD KUMAR JAIN | Chairman & Managing Director Director Director Director |
| COMPANY SECRETARY | : MS. GITA YADAV | |
| AUDITORS | : M/S. R.S. AGRAWAL & ASSOCIATES | |
| REGISTERED OFFICE | : Survey No. 177/1/3, 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, Sakinaka, 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 No. 177/1/3, 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 (West), 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 19th Annual General Meeting of the Members of RAJ RAYON INDUSTRIES LIMITED will be held on Saturday, 29th September, 2012 at the registered office of the Company situated at Survey No. 177/1/3, Village – Surangi, Dist –Silvassa, Dadra & Nagar Haveli (U.T.)– 396 230, at 10.00 a.m. to transact the following business:

Ordinary Business:

- To receive, consider and adopt the audited Balance Sheet as at 31st March, 2012, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
- To appoint a Director in place of Mrs. Rajkumari Kanodia who retires by rotation and being eligible offers herself for re-appointment.
- 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 (Registration No. 100156W) be and is hereby appointed as the Auditor 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 on such remuneration as shall be fixed by the Board of Directors.”

By order of the Board of Directors

Gita Yadav
Company Secretary

Place: Mumbai

Date: 06th July, 2012

Registered Office:

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

NOTES:

- 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.

- 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.
- 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.
- Members/Proxies/Representatives are requested to bring the enclosed Attendance Slip, duly filled in for attending the Annual General Meeting.
- 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.
- Register of Members and Share Transfer Books of the Company shall remain closed from Saturday, 22nd September, 2012 to Saturday, 29th September, 2012 (both days inclusive) for the 19th Annual General Meeting of the Company.
- 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).
- 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 |
|----------------------|---------------------------------|--|-------------------------------|
| 31-03-2005 | 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 | 06-09-2017 |
| 31-03-2011 | 15-09-2011 | 14-09-2018 | 14-10-2018 |

Members, who have not so far encashed the dividend warrant(s), are requested to seek issue of duplicate



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Warrant(s)/Demand Draft by writing to the Company or to the Company's R&TA immediately.

9. 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.
10. 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 (West), Mumbai – 400 078
Ph: 91-22-25946970-78 Fax: 91-22-25946969
Email: rnt.helpdesk@linkintime.co.in
Website: www.linkintime.co.in

11. 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.

12. Investors may address their queries/communication at investors@rajrayon.com.
13. 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.

By order of the Board of Directors

Gita Yadav
Company Secretary

Place: Mumbai
Date: 06th July, 2012

Registered Office:
Survey No. 177/1/3,
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. 2 of the Notice:

| | | |
|---------------------|---|-----------------------------------|
| Name | : | Mrs. Rajkumari Kanodia |
| Age | : | 53 years |
| Qualification | : | H.S.C. |
| Expertise | : | Textile Industry |
| Date of appointment | : | 28 th February, 2003 |
| Category | : | Non Executive & Promoter Director |
| No. of Shares held | : | 4,67,500 |

Mrs. Rajkumari Kanodia is neither a Director of the Board of any other Company nor Member of the Committees of the Board of any other Company.



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GO- GREEN INITIATIVE

The Ministry of Corporate Affairs has undertaken a “Green Initiative” in the field of Corporate Governance by permitting paperless compliances by Companies vide its Circular No. 17/2011 dated 21st April, 2011 and Circular No. 18/2011 dated 29th April, 2011 and has issued circulars stating that the service of notice/documents including Annual Report can be sent by e-mail to its members. In pursuance of the same, we take immense pleasure in informing you that your company, starting from this year, by initiating this Go- Green will send the soft copies of Annual Reports to the shareholders who have already registered their e-mail addresses with the **Company’s R&TA - Link Intime Private Limited**.

Further with a view to encourage the same, Members who have not registered their e-mail addresses so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. And Members who hold shares in physical form are requested to register their e-mail addresses with **Company’s R&TA - Link Intime Private Limited**.



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

General:

- Your Company enjoys a Star Export House status by the Director General of Foreign Trade & has certification of ISO 9001:2008 by Bureau Veritas (UKAS) and Bureau Veritas (NABCB).
- During the year your Company has been awarded a Certificate of Merit for 100% growth in export performance from The Synthetic & Rayon Textiles Export Promotion Council (SRTEPC).
- Your Company exports its product to countries in South America, Europe, Middle East, Africa, Far East, South East Asia etc.

Financial:

The Company has registered

- Revenue of ₹ 68282.87 Lacs as compared to ₹ 43074.34 Lacs of previous year.
- PBDIT of ₹ 5768.36 Lacs as compared to ₹ 4646.15 Lacs of previous year.
- PBT for the year was ₹ 467.03 Lacs.
- Cash profit has been increased to ₹ 2777.47 Lacs as compared ₹ 2457.17 Lacs of previous year.
- Net Profit of ₹ 381.98 Lacs & EPS of ₹ 1.99.
- Exports of the Company has increased to ₹ 5720.05 Lacs as compared to ₹ 3730.48 Lacs of previous year.

Industry outlook:

The Financial Year 2011-12 was a challenging year; the global economy witnessed lower economic growth, resulting primarily

from the Euro Zone debt crisis, high oil prices and uncertainties of supply. Also, there was unprecedented volatility in crude oil price due to rising unrest in the Middle East and North Africa.

The fiscal deficit balance deteriorated in Financial Year 2012 to 5.9% of GDP due to slippage in direct tax revenue target, lower disinvestment receipts and increased subsidies due to higher oil prices.

India's domestic textile consumption is third largest in the world. It is also one of the largest contributing sectors of India's exports worldwide.

India holds a crucial position in global textile industry, owing to its advantages of adequate availability of raw materials, relatively lower conversion costs, skilled man power and favorable demographics. Cotton & polyester accounted for around 92% of the total fibre requirements of Indian textile mills.

Increasing demand for textile namely general purpose textile, fashion wear, textile used for special purpose, along with the increasing price of textile made up of cotton is expected to drive the man-made fibre market in India.

Man-made fibres especially polyester fibre and yarn fared relatively better as volatility in prices of polyester is much lower as compared to cotton.

As per government estimates, the fibre consumption in India is in the ratio of 59:41 between cotton and man-made fibres as against 40:60 ratio worldwide.

The rupee vis-à-vis dollar movement does have an impact on export of the textile industry.

The Union Budget 2012-13 has left mixed bag of colors for the textile industry. The hike in excise duty on textile products other than cotton-based products from 10% to 12% is expected to increase the cost of production for non-cotton textile players. There would be marginal benefit to textile companies in the higher end of the value chain.

Government announced ₹ 900 crore incentives for the exporters in October, 2011. The Focus Product Scheme has been extended to include Polyester Texturised Yarn (PTY), Fully Drawn Yarn (FDY) and polyester textile grade chips.

A Special Focus Market Scheme was introduced which provided additional 1% duty credit for exports to specific countries. Government scrapped the Duty Entitlement Pass Book scheme (DEPB) and introduced Revised Duty Drawback Scheme with effect from 01st October, 2011.

As proposed by the Textile Ministry; Technology Upgradation Fund Scheme (TUFS) to be extended for the 12th Five Year Plan period. TUFS has helped in the transition from a quantitatively restricted textiles trade to a market driven global merchandise.



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As per the recent Fitch Ratings report, the outlook for Indian textile industry for Financial Year 2012-13 is expected to be stable for synthetic textile and negative to stable for cotton textiles, depending on the segment of the value chain.

Opportunities:

- The Union Budget for 2012-13 has provided an allocation of ₹ 29.1 billions for the Technology Upgradation Fund Scheme (TUFS), which is expected to boost the Textile industry.
- Man-made fibres has emerged as a major substitute for cotton.
- Globalisation has thrown open bigger opportunity for export of Company's products.

Threats:

- Raw material availability is highly volatile.
- Man-made fibre industry is also feeling pressure of rise in the crude oil prices.
- Excise duty on Man-made fibre is an area of concern.
- The high fluctuation in INR/USD rates puts additional pressure on margin of Textile Industry which is operating on thin margin.

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.



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, 2011 to 31st March, 2012

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

At Raj Rayon Industries Limited (formerly known as Raj Rayon Limited) we believe in adopting the best Corporate Governance practices and appropriate disclosure norms towards protecting rights and interest of stakeholders. The Company believes in transparency, professionalism and accountability, which are also the basic principles of Corporate Governance. The Company would constantly endeavor 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 decisions on the policy matters are taken after due deliberation and in consonance with the good Corporate Governance practices.

The Board of Directors along with its Committees provides leadership and guidance to the Company's management and directs, supervises and controls the performance of the Company.

During the year under review, the Board of Directors of the Company consisted of four Directors. Two of them, i.e. Mr. Jagdish Chandra Somani and Mr. Vinod Kumar Jain are Non-Executive and Independent Directors.

Mr. Gourishankar Poddar is Chairman & Managing Director. The other Non-Executive Director is Mrs. Rajkumari

Kanodia. Hence the composition of the Board of Directors is well within the norms of Corporate Governance.

As required by the Companies Act, 1956 & Clause 49 of the Listing Agreement, none of the Directors holds directorship in more than 15 Public Companies, membership of Board Committees (Audit/Investors Grievance Committees) in excess of 10 and chairmanship of Board Committees as aforesaid in excess of 5.

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

During the year ended 31st March, 2012, the Company had Seventeen (17) Board Meetings. These meetings were held on the following date(s):

02/04/2011, 27/04/2011, 26/05/2011, 15/06/2011,
17/06/2011, 21/06/2011, 24/06/2011, 02/07/2011,
01/08/2011, 11/08/2011, 27/08/2011, 02/11/2011,
14/11/2011, 10/12/2011, 14/02/2012, 09/03/2012,
15/03/2012

Further, Two (2) meetings of Allotment Committee of Directors were held on 10th January, 2012 and 31st March, 2012 for the allotment of Equity Shares, on conversion of warrants issued on preferential basis to selected persons (Promoter/Public/ Body Corporate).

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

| Sr. No. | Name of the Director | Category of Director | No. of Board Meetings Attended | Attendance at the Last AGM | No. of other Public Company Directorship* | No. of other Public Company Committee Memberships and Chairmanships# | |
|---------|---------------------------|--------------------------------------|--------------------------------|----------------------------|---|--|--------|
| | | | | | | Chairman | Member |
| 1. | Mr. Gourishankar Poddar | Chairman & Managing Director | 16 | YES | - | - | - |
| 2. | Mrs. Rajkumari Kanodia | Non Executive & Promoter Director | 14 | YES | - | - | - |
| 3. | Mr. Jagdishchandra Somani | Non Executive & Independent Director | 17 | YES | - | - | - |
| 4. | Mr. Vinod Kumar Jain | Non Executive & Independent Director | 17 | Not attended | - | - | - |

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

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



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(FORMERLY KNOWN AS RAJ RAYON LIMITED)

b) Directors Profile:

Brief resume of all the Directors, nature of their expertise in specific functional areas are provided below:

i) Mr. Gourishankar Poddar, Chairman & Managing Director:

Mr. Gourishankar Poddar, aged 51 years, is associated with textile business for more than 30 years. He is non-matriculate. In 1993, Mr. Poddar promoted Raj Rayon Industries Limited (formerly known as Raj Rayon Limited) and was appointed as Managing Director w.e.f. 01st April, 1994 for 5 years; the term has been renewed from time to time. His current appointment as Managing Director expires on 31st March, 2014. He was also designated as the Chairman of the Board with effect from 15th January, 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. The Company has witnessed laudable growth over the years under his leadership.

Mr. Poddar's Achievements include:

Conferred the "Gold Medal for Excellence" by National Integration & Economic Council Award named as Rajiv Gandhi Shiromani Award presented by H.E. Shri Syed Sibtey Razi, Governor of Jharkhand.

Further Mr. Poddar has been awarded the following awards:

- International Gold Star Millennium Award
- Indira Gandhi Sadbhavana Award

Mr. Gourishankar Poddar is not member of the committees of the Board of any other Company. He holds 44,800 shares in the Company as on 31st March, 2012.

ii) Mrs. Rajkumari Kanodia:

Mrs. Rajkumari Kanodia, aged 53 years, is one of the main promoters of Raj Rayon Industries Limited (formerly known as Raj Rayon Limited). Mrs. Kanodia, a H.S.C., has experience in the textile field for about 18 years. She was appointed as Director of the Company on 28th February, 2003. She is a member of the Audit Committee and Shareholders/Investors Grievances and Share Transfer Committee of our Board.

Mrs. Rajkumari Kanodia is neither Director nor member of the committees of the Board of any other Company. She holds 4,67,500 Equity Shares in the Company as on 31st March, 2012.

iii) Mr. Jagdish Chandra Somani:

Mr. Jagdish Chandra Somani, aged 66 years, is M.Com and he is working as Vice President - Marketing of Orient Syntex (APM Industries Limited). He is having experience of 38 years in the Textile Industry. He was appointed as Additional Director of the Company on 7th January, 1998 and confirmed as Director in AGM held on 30th September, 1998. He is Chairman of Audit Committee and Shareholders/Investors Grievances and Share Transfer Committee and Allotment Committee of our Board.

Mr. Somani is neither Director nor member of the committees of the Board of any other Company. He holds nil shares in the Company as on 31st March, 2012.

iv) Mr. Vinod Kumar Jain:

Mr. Vinod Kumar Jain, aged 45 years, is B.E. (Textiles). He was appointed as Additional Director of our Company on 30th October, 2004 and confirmed as Director in Annual General Meeting held on 16th August, 2005. He is a member of the Audit Committee and Shareholders/Investors Grievances and Share Transfer Committee of our Board.

Mr. Vinod Kumar Jain is neither Director nor member of the committees of the Board of any other Company. He holds nil shares in the Company as on 31st March, 2012.

c) Responsibilities:

The Board of Directors responsibilities include review of:

- Strategy and business plans
- Annual operating and capital expenditure budgets
- Investment and exposure limits
- Business risk analysis and control
- Senior executive appointment
- Compliance with statutory /regulatory requirements and review of major legal issues
- Adoption of quarterly results/annual results
- Transaction pertaining to purchase and disposal of property, major provisions and write offs

3 DIRECTORS INTEREST IN THE COMPANY:

For the sake of transparency, the Company is committed to make full disclosures regarding the interest of and payments to all Directors. During the year under review, the Company has not paid any sitting fees to the Directors. Further, it is not a policy of the Company to give loans and advances to its Directors.