

8th Annual Report 2006-2007

**RAINBOW**  
**DENIM LTD**

## **BOARD OF DIRECTORS**

**CHAIRMAN & MANAGING DIRECTOR**  
H D RAMSINGHANI

**WHOLETIME DIRECTOR**  
S S ARORA

### **DIRECTORS**

D N SINGH  
MAHENDRA LODHA  
UMESH JAIN - Nominee Director of IDBI  
J PREMKUMAR – Nominee Director of IIBI

**COMPANY SECRETARY**  
R.D. JOG

**AUDITORS**  
M/s DAYAL & LOHIA  
CHARTERED ACCOUNTANTS  
MUMBAI

**BANKERS**  
BANK OF INDIA  
DENA BANK  
ARAB BANGLADESH BANK

**REGISTERED OFFICE & WORKS**  
VILLAGE CHAUNDHERI,  
P O DAPPAR, TEHSIL DERABASSI,  
DIST MOHALI, PUNJAB 140506  
Email: rainbow@rainbowdenim.com

**CORPORATE OFFICE**  
51/52, FREE PRESS HOUSE  
FREE PRESS JOURNAL MARG  
NARIMAN POINT  
MUMBAI 400 021  
Email : raindenim@vsnl.com

**REGISTRARS & TRANSFER AGENTS**  
INTIME SPECTRUM REGISTRY LTD.  
C-13, PANNALAL SILK MILLS  
COMPOUND,  
L B S MARG, BHANDUP (WEST),  
MUMBAI 400 078  
TEL : 25963838. FAX : 25946969  
EMAIL: isrl@intimespectrum.com

## NOTICE

NOTICE is hereby given that the Eighth Annual General Meeting of the Members of Rainbow Denim Limited will be held on Saturday the 29<sup>th</sup> day of September 2007 at 10.00 a. m. at the Registered Office of the Company at Village Chaundheri, P O Dappar, Tehsil Derabassi, District Mohali, Punjab 140506 to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the year ended March 31, 2007 and the Balance Sheet as on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr Mahendra Lodha who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

### NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTYEIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday the 22<sup>nd</sup> day of September, 2007 to Saturday the 29<sup>th</sup> day of September 2007 (both days inclusive).
3. Members desirous of seeking any information concerning the Accounts are requested to address their queries, in writing, to the Company at the Corporate Office at least seven days before the date of the Meeting so that the requested information can be made available at the time of the meeting.
4. Members/Proxies should bring their copies of the Annual Report to the meeting since copies of the Annual Report will not be distributed at the meeting.

By Order of the Board  
For RAINBOW DENIM LTD.  
**R. D JOG**  
COMPANY SECRETARY

Place : Mumbai  
Dated : July 31, 2007

### INFORMATION PURSUANT TO CLAUSE 49 (VI) OF THE LISTING AGREEMENT

As required under the Listing Agreement, the particulars of Director who is proposed to be reappointed at the forthcoming Annual General Meeting are given below :

Mr Mahendra Lodha has been a Director of the Company since October 12, 2001. Mr Mahendra Lodha is an eminent Chartered Accountant and has over 24 years of rich and varied experience in the field of Finance and Corporate Advisory services.

He is a Director of the following Companies :

Rama Petrochemicals Ltd., Amfin Finser (I) Pvt. Ltd., Rajdhani Textiles Pvt. Ltd., Deepak Woodcraft & Seasoning Pvt. Ltd., Rasna Processors Pvt. Ltd., Tulip Star Hotels Ltd., Banas Marbles Pvt. Ltd., Dishainfin Advisor Pvt. Ltd., Anagram Stock Broking Ltd., Dishainfin Consultants Pvt. Ltd., Shyam Cotsin India Ltd., Steelco Gujarat Ltd., Shivalik Golf and Forest Resort Ltd., Arvind Products Ltd., Kalyanpur Cement Ltd. and Bihar Hotels Ltd.

He is a Committee Member / Chairman in the following Companies :

**Rama Petrochemicals Limited** – Audit Committee – Chairman, Remuneration Committee- Chairman and Shareholders Committee – Chairman

**Kalyanpur Cement Limited** – Audit Committee – Chairman

**Anagram Stockbroking Limited** – Audit Committee – Member

**Steelco Gujarat Limited** – Audit Committee - Member, Remuneration Committee – Member and Shareholders Committee - Member

**Arvind Products Limited** – Audit Committee – Member

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Eighth Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2007.

<b>FINANCIAL RESULTS</b>	<b>YEAR ENDED 31.03.2007 (Rs. in lacs)</b>	<b>YEAR ENDED 31.03.2006 (Rs. in lacs)</b>
Profit/(Loss) before Depreciation	<b>(404.73)</b>	193.26
Depreciation	<b>847.44</b>	793.54
Profit/(Loss) after Depreciation	<b>(1252.17)</b>	(600.28)
Prior period (Expenditure)/Income	<b>(1.06)</b>	(0.86)
Net Profit/(Loss) for the Year	<b>(1253.23)</b>	(601.14)
Loss as per last Balance Sheet	<b>(1825.86)</b>	(1224.72)
Transferred from General Reserve	<b>3079.09</b>	—
Balance carried to Balance Sheet	—	(1825.86)

### DIVIDEND

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

### REVIEW OF OPERATIONS

The total production of Denim fabric during the year under review was 15.83 million meters as compared to 16.72 million meters during the previous year. The Company has achieved a sales turnover of Rs. 10618 lacs during the year under review as compared to a turnover of Rs. 12561 lacs during the previous year. The exports during the year stood at Rs 1097 lacs as compared to Rs. 1459 lacs during the previous year.

During the year under review, the Company continued its policy of placing greater emphasis on domestic sales rather than exports due to a better realisation in domestic market.

### DELISTING OF SHARES

During the year under review the Equity Shares of the Company were delisted from Ahmedabad Stock Exchange Limited and The Ludhiana Stock Exchange Limited. However the Equity Shares of the Company will continue to be listed on the Bombay Stock Exchange Limited.

### FUTURE PROSPECTS

During the year under review margins were under pressure due to increase in cotton prices and the downturn witnessed in the Denim market. The depressed market condition, which is mainly due to large scale capacity build up by almost all the players, is expected to continue during the current year also. The growth in supply has out paced the growth in demand as a result of which manufacturers have been forced to look for alternative options such as ready to wear Denim products etc.

Your Company is laying greater emphasis on development of new products to meet the challenges posed by the current difficult situation and it is expected that with the introduction of value added items and strict control on raw material costs and other overheads, the Company will be able to register a better performance during the current year.

### CORPORATE GOVERNANCE

The Report on Corporate Governance along with the Auditor's Certificate regarding Compliance of the conditions of Corporate Governance as also a Management Discussion and Analysis Report pursuant to clause 49 of the Listing Agreement are annexed hereto.

### DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors confirm that:

1. In the preparation of the Annual Accounts, the applicable accounting standards have been followed;

2. Appropriate Policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2007 and the loss of the Company for the year ended March 31, 2007;
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. The Annual Accounts have been prepared on a going concern basis.

**AUDIT COMMITTEE**

In accordance with the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement, the Company has constituted an Audit Committee which presently comprises of the following Directors viz. Mr Mahendra Lodha – Chairman, Mr. D N Singh, Mr. Umesh Jain and Mr. J. Premkumar.

**SAFETY, ENVIRONMENTAL CONTROL & PROTECTION**

The Company has taken all the necessary steps for Safety and Environmental Control and Protection at its plant at Lalru.

**DISCLOSURE OF PARTICULARS**

Information as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 relating to the Conservation of Energy, Technology Absorption, Foreign Exchange Earning and Outgo is annexed hereto and forms a part of this Report.

**PERSONNEL**

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended to date is annexed hereto and forms a part of the Report.

**DIRECTORS**

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

**AUDITORS REPORT**

Your Directors refer to the observations made by the Auditors in their Report and wish to inform as under :

1. Regarding Loans & Advances due from Companies, the Management is of the opinion that these amounts are recoverable and hence do not require any provision.
2. As regards the default in repayment of dues to Financial Institutions / Banks, your Directors wish to inform you that the default was due to the difficult financial position faced by the Company during the year under review.

**AUDITORS**

M/s. Dayal & Lohia, Chartered Accountants, the Auditors of the Company retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for reappointment. The Company has received a certificate from them certifying that their appointment, if made, would be within the limits specified under Section 224(1-B) of the Companies Act, 1956.

**INDUSTRIAL RELATIONS**

The Industrial Relations remained cordial during the year under review.

**ACKNOWLEDGEMENT**

Your Directors sincerely record their appreciation with gratitude for the continued support and assistance extended to the Company by the Financial Institutions, Banks and various Government Departments and Agencies.

For and on behalf of the Board

Place : Mumbai  
Date : July 31, 2007

**H D RAMSINGHANI**  
**CHAIRMAN & MANAGING DIRECTOR**

**ANNEXURE TO DIRECTORS' REPORT**

**PARTICULARS PURSUANT TO SECTION 217(1) (e) OF THE COMPANIES ACT, 1956, READ WITH COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988 AND FORMING A PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED MARCH 31, 2007**

**A) CONSERVATION OF ENERGY :**

- a) Energy conservation measures taken :  
The conservation of energy resources is an ongoing process at the Plant and the Company is constantly striving to improve the production process so as to reduce energy consumption. Some of the energy conservation measures taken are :
1. Automation of Boiler to get fuel and power saving.
  2. Changed the filter system which was running in series with imported filter system at Blow Room to get power saving.
  3. Changed the filter system which was running in series with imported filter system at Carding to get power saving.
  4. Recycling of treated sewage water.
- b) Additional investment proposals, if any, being implemented for reduction of consumption of energy :
1. Provision of smaller size nozzles in place of existing nozzles to reduce air Quantity used for cleaning to get power saving. Provision of air guns at all cleaning points to reduce air consumption while cleaning to avoid pressure drop and to get power saving.
  2. Conversion of v-belts into flat belts at various places.
- c) Impact of measures at (a) and (b) above for reduction of Energy Consumption and consequent impact on the cost of production of goods :  
As a result of the continuous efforts, the Company has been able to achieve substantial saving in energy costs.
- d) Particulars with respect to conservation of energy :

	2006-07	2005-06
<b>A. POWER AND FUEL CONSUMPTION :</b>		
<b>1. ELECTRICITY :</b>		
a. Purchased :		
Units (in thousand)	25683	22538
Total cost (Rs. in Lacs)	1081.33	951.23
Rate per Unit (Rs.)	4.21	4.22
b. Own Generation :		
Through Diesel Generation		
Units (in thousand)	15.23	10.35
Units/KL of Diesel	3.09	3.14
Cost/Unit (Rs.)	10.08	9.03
Through Steam Turbine/Generator	Nil	Nil
Units (in thousand)	Nil	Nil
Units/Ltr. of Fuel Oil, Gas	Nil	Nil
Cost/unit	NA	NA
<b>2. FURNACE OIL :</b>		
Quantity (in Kltrs)	Nil	2.00
Total Amount (Rs in Lacs)	Nil	0.28
Average Rate	Nil	13.98
<b>3. OTHER INTERNAL GENERATION</b>	Nil	Nil
<b>B. CONSUMPTION PER UNIT OF PRODUCTION :</b>		
Production of Denim Fabric (in Lacs Mtrs.)	158.33	167.16
Electricity (kw)	1.62	1.35
Furnace Oil	Nil	Nil
Coal	Nil	Nil

**B) PARTICULARS WITH RESPECT TO ABSORPTION, ADAPTATION AND INNOVATION :**

**I. Research and Development (R & D) :**

**1 Specific areas in which R & D is carried out by the Company :**

The Specific areas in which R & D activities are carried out by the Company are relating to improvement in quality of the existing products and development of new products to meet market demands.

**2 Benefits derived as a result of R & D :**

As a result of the R & D activities, the Company has been able to develop several new products to meet the ever changing demands of the domestic and international markets.

**3 Future Plan of Action :**

The Company lays a great emphasis on R & D activities and proposes to carry out R & D work in various areas so as to achieve cost reduction and increased productivity.

**4 Expenditure on R & D :**

Expenditure on R & D has been shown under the respective heads of expenditure in the Profit and Loss Account as no separate Account is maintained.

**II. Technology absorption adaptation and innovation :**

**1. Efforts in brief made towards technology absorption, adaptation and innovation :**

Plant and Machinery of latest technology have been installed and the Company is making continuous efforts to carry out innovation wherever possible.

**2. Benefits derived as a result of above efforts :**

As a result of the above efforts the Company has been able to achieve cost reduction and production levels have improved.

**3. Information of Imported Technology :**

Not Applicable

**C) Foreign Exchange Earnings and Outgo :**

**(Rs. in Lacs)**

Foreign Exchange used	555.04
Foreign Exchange earned	1084.31

For and on behalf of the Board

Place : Mumbai

Date : July 31, 2007

**H D RAMSINGHANI  
CHAIRMAN & MANAGING DIRECTOR**

**ANNEXURE TO DIRECTORS' REPORT**

**STATEMENT PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND FORMING PART OF DIRECTOR'S REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007.**

Name of the Employee	Age in Years	Designation	Gross Remuneration (in Rupees)	Qualification	Experience (in Years)	Date of Commencement of Employment	Previous employment and position held	Date of Cessation
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**(A) PARTICULARS OF EMPLOYEES EMPLOYED THROUGHOUT THE YEAR AND WERE IN RECEIPT OF REMUNERATION OF NOT LESS THAN RS. 24,00,000/- PER ANNUM.**

NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
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**(B) PARTICULARS OF EMPLOYEES EMPLOYED DURING A PART OF THE YEAR AND WERE IN RECEIPT OF REMUNERATION OF NOT LESS THAN RS. 2,00,000/- PER MONTH.**

Mr. M. J. Purandare	67	Chief Mentor	2,999,128	B. Text	45	01.01.1997	—	10.07.2006
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**Note :** Remuneration as above includes Salary, Company's Contribution to Provident Fund and other perquisites valued in accordance with Income Tax Rules, 1962.

## REPORT ON CORPORATE GOVERNANCE

### 1. Company's Philosophy on Corporate Governance

As required by the Listing Agreement with various Stock Exchanges, the Company has implemented the code of Corporate Governance and it is committed to the philosophy of good Corporate Governance in letter and in spirit.

### 2. Board of Directors

- a. As on the date of this Report, the Board consists of Six Directors (Two Executive and Four Non Executive all of whom are Independent).
- b. The attendance at Board Meetings and last Annual General Meeting of each of the Directors during the year was as under :

Name of Director	Category Executive Non-executive/ Independent	Attendance at		Membership of other Board (including alternate Directorships and Private Companies)	Membership/ Chairmanship of other Board Committees		Share- holding (No. of Shares)
		Board Meetings	Last Annual Gen. Meeting		Chairman	Member	
Mr. H.D. Ramsinghani Chairman & Managing Director	Executive	Four	No	Three	Nil	One	20
Mr. S.S. Arora Wholetime Director	Executive	Four	Yes	Three	Nil	Two	47270
Mr. Deonath Singh Director	Non-Executive Independent	Four	Yes	Four	Nil	Two	900
Mr. Mahendra Lodha Director	Non-Executive Independent	Three	Yes	Seventeen	Three	Five	Nil
Mr. Umesh Jain Nominee Director of IDBI	Non- Executive Independent	Three	No	Nil	Nil	Nil	Nil
Mr. J. Premkumar Nominee Director of IIBI	Non-Executive Independent	Three	No	Nil	Nil	Nil	Nil

- (c) During the year four Board Meetings were held on June 02, 2006, July 28, 2006, October 31, 2006 and January 31, 2007.



**3. Code of Conduct**

The Company has framed a Code of Conduct for the members of the Board of Directors and Senior Management personnel of the company. The declaration by the Chairman regarding compliance by the members of the Board and the Senior Management personnel with the said code of conduct is annexed hereto.

**4. Audit Committee**

Role of the Audit Committee and its terms of reference include reviewing the financial statements, overseeing the Company's Annual Report process and discussions with Auditors.

The Committee presently comprises of Mr Mahendra Lodha – Chairman, Mr D. N. Singh, Mr. Umesh Jain and Mr J. Premkumar.

During the year four meetings of the Audit Committee were held on June 02, 2006, July 28, 2006, October 31, 2006 and January 31, 2007. The attendance at Audit committee meetings of each of the Directors is as under:

Name of the Director	Attendance at Audit Committee meetings
Mr. Mahendra Lodha	Three
Mr. Deonath Singh	Four
Mr. Umesh Jain	Three
Mr. J Premkumar	Three

**5 Share Transfer Committee**

The Board has delegated the power of approving share transfers to a Committee of Directors comprising of Mr. H. D. Ramsinghani (Chairman), Mr S. S. Arora and Mr. D.N. Singh. The Share Transfer Committee also approves transmission of shares, issue of duplicate certificates and issue of certificates on split/ consolidation/ renewal. In addition the Board has delegated the power to approve transfers of upto 5000 shares per Transfer Deed to Senior Executives of the Company. The Share transfers approved by the Committee / Executives are also noted at every meeting of the Board.

Barring certain cases pending in Courts relating to disputes over the title of shares in which the Company has been made a party, no investor complaint was pending as on March 31, 2007.

**6 Remuneration Committee**

The Remuneration Committee determines the managerial remuneration including perquisites payable to Directors and makes recommendations to the Board of Directors. One meeting of the Remuneration Committee was held during the year.

The Committee presently comprises of Mr Mahendra Lodha – Chairman, Mr D. N. Singh, Mr Umesh Jain and Mr J. Premkumar.

**7 Shareholders/Investors Grievances Committee**

The Shareholders/Investors Grievances Committee specifically looks into the redressing of Shareholders and Investors complaints relating to Share transfers, non receipt of Balance Sheet and Dividend etc. In terms of Clause 47 of the Listing Agreement the Company has appointed Mr R. D. Jog – Company Secretary as the Compliance Officer and the investors are requested to register their complaints, if any, on the exclusive email ID : rdjog@ramagroup.co.in

The committee presently comprises of Mr. D. N. Singh (Chairman), Mr. H. D. Ramsinghani and Mr. S. S. Arora.

A summary of complaints received and resolved by the Company during the year is given below :

	<b>Received</b>	<b>Resolved</b>
Non-Receipt of Share Certificates	18	18
Non-Receipt of Dividend Warrants	2	2
Non-Receipt of Demat Credit/Remat Cert	6	6
Non-Receipt of Rejected DRF	5	5
Miscellaneous	9	9
Letters from Stock Exchanges, SEBI and Ministry of Company Affairs	1	1

**8. Remuneration of Directors**

**(a) Managing/Executive Director**

The remuneration paid to the Managing/Executive Director during the year was as follows :

<b>Name of Director</b>	<b>Designation</b>	<b>Remuneration (Rs. in lacs)</b>	<b>Sitting Fees (Rs.)</b>
Mr. H D Ramsinghani	Managing Director	28.81	Nil
Mr. S.S. Arora	Wholetime Director	17.43	Nil

**(b) Non-Executive Directors :**

The Non-Executive Directors are not paid any remuneration except fees for attending meetings of the Board or committees thereof.

Details of Sitting Fees paid to the Non-Executive Directors for attending meetings of the Board and Committees thereof during the year are as follows :

<b>Name of the Director</b>	<b>Sitting Fees (Rs.)</b>
Mr. Mahendra Lodha	14000/-
Mr. D.N. Singh	18000/-
Mr. Umesh Jain **	12000/-
Mr. J Premkumar ***	14000/-
<b>TOTAL</b>	<b>58000/-</b>

\*\* Sitting fees paid to IDBI for the meetings attended by its Nominee Director Mr. Umesh Jain.

\*\*\* Sitting fees paid to IIBI for the meetings attended by its Nominee Director Mr. J Premkumar.

**9. General Body Meetings**

<b>Financial Year</b>	<b>Date</b>	<b>Time</b>	<b>Location</b>
2003-2004	30/09/2004	10.00 A.M	Village Chaundheri, P.O Dappar, Dist. Patiala, Punjab 140506
2004-2005	29/07/2005	10.00 A.M	Village Chaundheri, P.O Dappar, Dist. Patiala, Punjab 140506
2005-2006	22/09/2006	10.00 A.M	Village Chaundheri, P.O Dappar, Dist. Mohali, Punjab 140506

#### 10 Postal Ballot/Special Resolutions

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

Special Resolutions passed in the previous Three Annual General Meetings.

Date	Particulars
30.09.2004	Amendment to Articles of Association
30.09.2004	Authority to Board to issue and allot Equity Shares to persons other than Existing Members/ shareholders
30.09.2004	Authority to Board to issue and allot Optionally Convertible Cumulative Preference Shares to persons other than existing Members/shareholders
29.07.2005	Appointment of Auditors
29.07.2005	Approval for payment of sitting fees to Non – Executive Directors
29.07.2005	Amendment to Articles of Association
29.07.2005	Authority to Board of Directors to issue and allot Equity Shares at premium to Promoters/ Persons acting in concert (Postal Ballot)
30.08.2005	Authority to Board of Directors to issue and allot Equity Shares at premium to Promoters/ Persons acting in concert (Postal Ballot)
22.09.2006	Reappointment of Mr. H D Ramsinghani as the Managing Director of the Company.
22.09.2006	Reappointment of Mr. S.S. Arora as the Whole time Director of the Company.
22.09.2006	Delisting of Equity Shares of the Company from The Ludhiana Stock Exchange Assoc. Ltd. and Ahmedabad Stock Exchange Limited

#### 11 Disclosures

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

#### 12. Means of communication

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

#### 13. General Shareholder Information :

Annual General Meeting	: September 29, 2007 at 10.00 a.m. At Village Chaundheri, P O Dappar, Tehsil Derabassi, Dist Mohali, Punjab 140 506.
Dates of Book Closure	: September 22, 2007 to September 29, 2007 (both days inclusive)
Dividend payment date	: Not Applicable
Listing on Stock Exchange	: Mumbai
Stock Code	: 532441 (BSE)
International Securities Identification Number allotted By NSDL	: INE820D01017

**14 Market Price Data (High/Low in Rs. during each month) :**

Month	High	Low
April 2006	13.50	9.51
May 2006	22.50	9.89
June 2006	12.80	7.36
July 2006	7.82	6.16
August 2006	7.35	5.86
September 2006	6.98	5.17
October 2006	6.97	5.31
November 2006	7.65	5.30
December 2006	9.15	6.08
January 2007	10.45	7.06
February 2007	9.00	6.32
March 2007	7.93	5.10

**15 Registrars & Share Transfer Agents**

Intime Spectrum Registry Limited  
 C-13, Pannalal Silk Mills Compound, L. B. S. Marg,  
 Bhandup (West), Mumbai 400078  
 Tel : 25963838; Fax : 25946969 Email : isrl@intimespectrum.com

**16 Distribution of Equity Shareholding as of March 31, 2007:**

Number of Equity Share Holdings	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Shareholding
<b>1 – 500</b>	15562	93.69	2479856	13.62
<b>501 – 1000</b>	610	3.67	513894	2.82
<b>1001 – 2000</b>	237	1.43	369061	2.03
<b>2001 – 3000</b>	72	0.43	185563	1.02
<b>3001 – 4000</b>	28	0.17	100406	0.55
<b>4001 – 5000</b>	22	0.13	103443	0.57
<b>5001 – 10000</b>	33	0.20	226467	1.24
<b>10001 &amp; above</b>	46	0.28	14230669	78.15
<b>Total</b>	<b>16610</b>	<b>100.00</b>	<b>18209359</b>	<b>100.00</b>

**17 Shareholders' Profile as on March 31, 2007 :**

Category of Shareholders	No. of Shares held	% to Total Capital
<b>Promoters Shareholding</b>	8082409	44.39
<b>Non Promoter Shareholding</b>		
Foreign Collaborators	NIL	NIL
Banks	4051318	22.25
Financial Institutions	410700	2.26
Foreign Institutional Investors	NIL	NIL
Mutual Funds	308550	1.69
Domestic Companies	420546	2.31
Non-Domestic Companies	NIL	NIL
Non-Resident Indians	54834	0.30
General Public	4881002	26.80
<b>Total</b>	<b>18209359</b>	<b>100.00</b>

**18 Dematerialization of shares as on March 31, 2007 :**

89.19% of the Company's total share capital representing 16240758 shares are held in dematerialized form.

**19 Plant Location :**

Village Chaundheri, P.O. Dappar,  
Chandigarh Ambala National Highway,  
Tehsil Derabassi, Dist. Mohali,  
Punjab 140506

**20. Address for Correspondence :**

Shareholders should address all correspondence to the Corporate office of the Company at 51/52, Free Press House, Nariman Point, Mumbai 400 021 or to the Registrar and Transfer Agents – Intime Spectrum Registry Limited at C – 13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai 400 078.

**21. Non Mandatory Items :**

- a) At present there is no policy for fixing the tenure of independent Directors.
- b) The Company has constituted a Remuneration Committee.
- c) Since the Financial results are published in leading news papers as well as displayed on Company's website, half yearly financial results including summary of significant events in the past six months are presently not being sent to the Shareholders.
- d) There is no formal policy at present for training of the Board members as all the Board members are eminent and experienced professionals.
- e) There is no formal mechanism at present for evaluation of non-executive Directors.
- f) The Company has not established at present any formal Whistle Blower Policy
- g) The replies to the Qualifications in Auditors Report on the financial statement are given in the Directors Report.

**22. Appointment /Reappointment of Directors:**

Mr Mahendra Lodha is proposed to be reappointed at the forthcoming Annual General Meeting. The relevant information about Mr. Mahendra Lodha is given in the Notice convening the Annual General Meeting.

**For and on behalf of the Board**

Place : Mumbai  
Dated : July 31, 2007

**H. D. RAMSINGHANI  
CHAIRMAN & MANAGING DIRECTOR**

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**DECLARATION REGARDING COMPLIANCE WITH THE COMPANY'S CODE OF CONDUCT**

The Company has framed a specific Code of Conduct for the members of the Board of Directors and the Senior Management Personnel of the Company pursuant to Clause 49 of the Listing Agreement.

The Company has, in respect of the financial year ended March 31,2007, received from the members of the Board of Directors and the Senior Management Personnel a declaration of compliance with the Code of Conduct as applicable to them.

**For and on behalf of the Board**

Place : Mumbai  
Dated : July 31, 2007

**H. D. RAMSINGHANI  
CHAIRMAN & MANAGING DIRECTOR**

**CERTIFICATE**

To the Members of  
**RAINBOW DENIM LIMITED**

We have examined the compliance of conditions of corporate governance by **RAINBOW DENIM LIMITED**, for the year ended on 31<sup>st</sup> March 2007, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchange.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and Management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

for **Dayal and Lohia**  
Chartered Accountants

Place : Mumbai.  
Date : 31<sup>st</sup> July, 2007

(**Anil Lohia**)  
Partner

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### 1 INDUSTRY STRUCTURE AND DEVELOPMENTS

Ever since the 1960s, when jeans became a fashion item, the denim style has reigned supreme. Denim has become synonymous with comfort and casual wear all over the world. Today the consumer is fond of unfussy, comfortable, contemporary yet sophisticated clothing. Denim Fabric is tough enough to stand up to the rigors of daily routine while still being style appealing and fashionable to acquiesce with latest trends. Known for its versatility and durability, Denim keeps up pace with consumer's requirements, and has evolved out from mere work wear look to hot fashion commodity.

The scope for denim wear has increased unpredictably in the last decade. Consumers' needs and wants are fine-tuned towards the latest developments and new styles; they are also aware of special finishes and process treatments given to the garment to make them eco-friendly and user friendly. As a result Denim manufacturers are constantly striving to add newer value added products to meet the ever growing demands of the consumers.

World scenario of denim has taken different shapes and sizes. Asia now accounts over 50% of world denim capacity. The current global denim consumption is around 4.0 billion meters and is growing at about 4% per annum.

### 2 OPPORTUNITIES, THREATS AND OUTLOOK

Indian Denim manufacturers continue to face the worst crisis in more than ten years. Prices are depressed due to increased competition from Turkey on the export front and from China on the domestic front. As a result it is a Buyers market and the Denim manufacturers have no choice but to fall in line as inventory levels are high. Many Denim producers have cut production by up to 50% while others are shifting to Denim clothing production.

A similar crisis was witnessed in 1994-95 though at that time there were very few players in the market and hence the impact was not as severe as it is today. The current depression is mainly due to the fact that supply is far in excess of demand with capacities being continuously added resulting in glut in the market place and subdued prices.

The outlook for the industry is not very encouraging in the near future due to entry of several medium/large players and the increasing competition from the un organized sector. The Companies will have to make all efforts to develop value added varieties to cater to the niche market to tide over the current recessionary trends in the Denim market.

### 3 SEGMENTWISE PERFORMANCE

The Company has only Single activity of manufacturing Denim fabric and hence no Segment wise information is required to be given.

### 4 RISKS AND CONCERNS

The major Risks and concerns facing the Company are competition from organized as well as un organized sectors, large scale imports, lower realization due to excess capacities in the country and fluctuations in cotton prices which is the major raw material.

### 5 INTERNAL CONTROL SYSTEMS

The Company has an adequate system of Internal Controls that ensures that all assets are protected against loss from un authorized use or disposition and all transactions are recorded and reported in conformity with

generally accepted accounting principles.

**6 FINANCIAL PERFORMANCE**

During the year ended March 31, 2007, the Company has achieved production of 15.83 million meters of Denim fabric. The sales Turnover is Rs 10618 lacs .

**7 HUMAN RESOURCES AND INDUSTRIAL RELATIONS**

The Human Resources and Industrial relations remained cordial during the year under review.

**8. CAUTIONARY STATEMENT**

Statements in this Report on Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions are based on certain assumptions and expectations of future events. Actual results could differ materially from those expressed or implied. The Company assumes no responsibility to amend, modify or revise any of the statements on the basis of subsequent developments, information or events.

**For and on behalf of the Board**

Place : Mumbai

Dated : July 31, 2007

**H. D. RAMSINGHANI**  
**CHAIRMAN & MANAGING DIRECTOR**



## AUDITORS' REPORT

To The Members of  
RAINBOW DENIM LIMITED,

We have audited the attached Balance Sheet of Rainbow Denim Limited as at 31<sup>st</sup> March, 2007 and the Profit and Loss Account for the year ended on that date, and also the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test check basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in the Annexure referred to above, we report that:
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) In our opinion, proper books of accounts as required by the law have been kept by the Company so far as it appears from our examination of the books;
  - c) The Balance Sheet, the Profit and Loss Account and the Cash Flow statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Profit and Loss Account and Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - e) In our opinion and based on the information and explanations given to us, none of the directors are disqualified as on 31<sup>st</sup> March, 2007 from being appointed as directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon and *subject to note 6 in Schedule 17 regarding recoverability of certain advance*, give the information required by the Companies Act, 1956, in the manner so required give a true and fair view:
    - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2007; and
    - ii. in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and
    - iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **DAYAL & LOHIA**  
**Chartered Accountants**

Place: Mumbai  
Date: 30<sup>th</sup> May, 2007

**ANIL LOHIA**  
Partner  
M.No.: 31626

## **ANNEXURE TO THE AUDITOR'S REPORT**

(Referred to in paragraph 2 of our Report of even date on the accounts of Rainbow Denim Limited for the year ended 31<sup>st</sup> March 2007).

1. In respect of its Fixed assets:
  - a) The Company has maintained proper records showing particulars, including quantitative details and situations of fixed assets;
  - b) The fixed assets have been physically verified by the management during the year and no material discrepancies have been noticed on such verification.
  - c) The Company has not disposed off any substantial part of fixed assets so as to affect its going concern.
2. In respect of its inventories:
  - a) The inventories have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
  - b) In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c) No material discrepancies have been noticed on physical verification of stocks as compared to book records in so far as it appears from our examination of the books.
3. In respect of loans, secured or unsecured, granted or taken by the Company to/from companies, firm or other parties covered in the register maintained under section 301 of the Companies Act, 1956:
  - a) According to the information and explanation given to us, the Company has not granted any loan, secured or unsecured to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956;
  - b) According to the information and explanation given to us, the Company has not taken any loan, secured or unsecured, from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of inventory, fixed assets and for sale of goods. During the course of our audit, no major weakness has been noticed in the internal control.
5. In respect of transactions covered under Section 301 of the Companies Act, 1956:
  - a) According to the information and explanations given to us, we are of the opinion that there are no contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956. Therefore, the provision of sub-clause (b) of clause 4 (v) of the Order is not applicable to the Company.
6. In our Opinion and according to the information and explanation given to us, the Company has complied with the provisions of Section 58A of the Companies Act, and its rules, and also the directives of Reserve Bank of India with regard to acceptance of deposits from the public. Since the Company has not defaulted in repayment of deposits, compliance of Section 58A or obtaining any order from the National Company Law Tribunal, does not arise.
7. In our opinion, the Company has an internal audit system commensurate with the size and the nature of the business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act,

1956 in respect of the Company's products to which the said rules are made applicable, and are of the opinion that prima facie, the prescribed accounts have been maintained. We have, however not made a detailed examination of the records with a view to determine whether they are accurate.

9. a) According to the records of the Company, there were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employee's State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues outstanding as on 31<sup>st</sup> March, 2007, for a period of more than six months from the date they became payable.
- b) According to the records of the Company and information and explanations given to us there are no dues of sales tax, income tax, wealth tax, service tax, custom duty, excise duty on account of any disputes.
10. In our opinion, the accumulated losses of the Company are not more than fifty percent of its net worth. The Company has incurred cash losses during the financial year covered by our audit but not in the immediately preceding financial year.
11. On the basis of our examination of the books and according to the information and explanations given to us, *the Company has defaulted in repayment of dues to financial institution or banks aggregating to Rs.1434.34 Lacs for the repayment due between 1<sup>st</sup> April 2006 and 31<sup>st</sup> March 2007.*
12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or any other securities.
13. In our opinion, the Company is not a Chit Fund, Nidhi or Mutual Fund/Society.
14. In our opinion, the Company is maintaining proper record of the transactions and contracts of dealing in shares and securities and timely entries have been made in the records. All the investments are held by the Company in its own name.
15. According to the information and explanations given to us, and the representations made by the management, the Company has not given any guarantee for loans taken by others from any bank or financial institution.
16. In our opinion and on the basis of information and explanations given to us, term loans availed by the Company were, prima facie, applied by the Company during the year for the purpose for which the loans were obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, during the year no funds raised on short-term basis have been used for long-term investment by the Company.
18. The Company has not made preferential allotment of shares to Company covered in the register maintained under section 301 of the Companies Act, 1956.
19. The Company has not issued debentures during the year.
20. The Company has not raised any money by public issue during the year.
21. According to the information and explanations given to us, and to the best of our knowledge and belief no fraud on or by the Company, has been noticed or reported during the year.

**For DAYAL & LOHIA**  
**Chartered Accountants**

Place: Mumbai  
Date: 30<sup>th</sup> May, 2007

**ANIL LOHIA**  
Partner  
M.No.: 31626

**BALANCE SHEET AS AT MARCH 31, 2007**

	Schedule	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
<b>SOURCES OF FUNDS :</b>			
<b>Shareholders' Fund :</b>			
Share Capital	1	182,093,590	182,093,590
Reserves and Surplus	2	123,350,452	253,417,573
		<b>305,444,042</b>	435,511,163
<b>Loan Funds :</b>			
Secured Loans	3	1,213,828,524	1,268,849,482
Unsecured Loans	4	—	220,000
		<b>1,213,828,524</b>	1,269,069,482
	<b>TOTAL</b>	<b>1,519,272,566</b>	1,704,580,645
<b>APPLICATION OF FUNDS :</b>			
<b>Fixed Assets :</b>			
Gross Block	5	1,877,308,813	1,744,158,410
Less : Depreciation		439,894,294	351,415,620
Net Block		<b>1,437,414,519</b>	1,392,742,790
<b>Capital Work-in-Progress</b> [ Including capital advances ]		<b>500,000</b>	116,362,736
<b>Investments</b>	6	<b>456,304</b>	156,304
<b>Current Assets, Loans and Advances :</b>			
Inventories		160,778,563	251,410,777
Sundry Debtors		159,901,601	163,207,703
Cash and Bank Balances		18,698,447	17,329,990
Loans and Advances		124,942,221	156,690,619
		<b>464,320,832</b>	588,639,089
<b>Less : Current Liabilities and Provisions</b>	8		
Current Liabilities		381,176,188	391,962,064
Provisions		2,883,153	2,133,252
		<b>384,059,341</b>	394,095,316
<b>Net Current Assets</b>		<b>80,261,491</b>	194,543,773
<b>Miscellaneous Expenditure</b> [to the extent not written off or adjusted]	9	<b>640,252</b>	775,042
	<b>TOTAL</b>	<b>1,519,272,566</b>	1,704,580,645
<b>Significant Accounting Policies &amp; Practices and Notes on Accounts</b>	17		

As per our attached report of even date

For and on behalf of the Board,

for Dayal & Lohia  
Chartered Accountants

**Anil Lohia**  
Partner

**R. D. Jog**  
Company Secretary

**S. S. Arora**  
Whole Time Director

**H. D. Ramsinghani**  
Chairman and  
Managing Director

Place: Mumbai  
Date : May 30, 2007

Place : Mumbai  
Date : May 30, 2007

**ANNUAL REPORT 2006-2007**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

		<b>For the Year ended March 31, 2007 Rupees</b>	<b>For the year ended March 31, 2006 Rupees</b>
<b>INCOME</b>			
Sales and Other Income	<b>10</b>	<b>1,069,725,741</b>	1,265,879,256
Increase/(Decrease) in Stocks	<b>11</b>	<b>(5,826,265)</b>	74,659,209
	<b>TOTAL</b>	<b><u>1,063,899,476</u></b>	<u>1,340,538,465</u>
<b>EXPENDITURE</b>			
Manufacturing Expenses	<b>12</b>	<b>873,931,359</b>	976,689,969
Administrative, Selling and Other Expenses	<b>13</b>	<b>66,711,629</b>	175,920,662
Employees Cost	<b>14</b>	<b>75,397,879</b>	60,758,154
Financial Expenses	<b>15</b>	<b>88,196,702</b>	107,709,348
Preliminary & Deferred Revenue Expenses Written Off	<b>9</b>	<b>134,790</b>	134,790
	<b>TOTAL</b>	<b><u>1,104,372,359</u></b>	<u>1,321,212,923</u>
<b>Profit/(Loss) Before Depreciation</b>		<b>(40,472,883)</b>	19,325,542
Depreciation		<b>84,744,478</b>	79,354,100
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b><u>(125,217,361)</u></b>	<u>(60,028,558)</u>
<b>Add/(Less) Prior Period Income/(Expenditure)</b>	<b>16</b>	<b>(106,249)</b>	(85,507)
<b>Transferred From General Reserve</b>		<b>307,909,812</b>	—
<b>Loss as per last Balance Sheet</b>		<b>(182,586,202)</b>	(122,472,137)
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>—</b>	(182,586,202)
<b>Basic and Diluted Earning per Share ( Refer Note No. B 2 )</b>		<b><u>(6.88)</u></b>	<u>(3.30)</u>
<b>Significant Accounting Policies &amp; Practices and Notes on Accounts</b>	<b>17</b>		

As per our attached report of even date  
for **Dayal & Lohia**  
Chartered Accountants

For and on behalf of the Board,

**Anil Lohia**  
Partner

**R. D. Jog**  
Company Secretary

**S. S. Arora**  
Whole Time Director

**H. D. Ramsinghani**  
Chairman and  
Managing Director

Place: Mumbai  
Date : May 30, 2007

Place : Mumbai  
Date : May 30, 2007

**SCHEDULES FORMING PART OF THE ACCOUNTS**

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL :</b>		
<b>AUTHORISED:</b>		
[20,000,000 (20,000,000) Equity Shares of Rs. 10.00 each]	<b>200,000,000</b>	200,000,000
[7,000,000 (7,000,000) Preference Shares of Rs. 10.00 each]	<b>70,000,000</b>	70,000,000
	<b><u>270,000,000</u></b>	<u>270,000,000</u>
 <b>ISSUED, SUBSCRIBED AND PAID-UP :</b>		
[18,209,359 (18,209,359) Equity Shares of Rs.10.00 each fully paid-up out of this :	<b>182,093,590</b>	182,093,590
1,04,02,470 Equity Shares were issued pursuant to the Scheme of arrangement U/S 391/394 of The Companies Act, 1956 approved by Bombay High Court and Punjab & Haryana High Court.		
<b>TOTAL</b>	<b><u>182,093,590</u></b>	<u>182,093,590</u>
 <b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS :</b>		
<b>Capital Reserve :</b>		
As per last Balance Sheet	<b>60,603,708</b>	64,675,600
Less : Adjustment for Depreciation	<b>4,071,892</b>	4,071,892
	<b><u>56,531,816</u></b>	<u>60,603,708</u>
 <b>Share Premium Account :</b>		
As per last Balance Sheet	<b>49,364,092</b>	—
Add : Share Premium Received during the year	<b>—</b>	49,364,092
	<b><u>49,364,092</u></b>	<u>49,364,092</u>
 <b>General Reserve :</b>		
As per last Balance Sheet	<b>316,169,842</b>	316,169,842
Less : Transferred to Profit and Loss Account	<b>307,909,812</b>	—
	<b><u>8,260,030</u></b>	<u>316,169,842</u>
 <b>Interest Subsidy :</b>		
As per last Balance Sheet	<b>9,866,133</b>	10,537,752
Less : Adjustment for Depreciation	<b>671,619</b>	671,619
	<b><u>9,194,514</u></b>	<u>9,866,133</u>
<b>Debit Balance in Profit and Loss Account</b>	<b>—</b>	(182,586,202)
<b>TOTAL</b>	<b><u>123,350,452</u></b>	<u>253,417,573</u>

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**SCHEDULES FORMING PART OF THE ACCOUNTS**

	<b>As at March 31, 2007 Rupees</b>	<b>As at March 31, 2006 Rupees</b>
<b>SCHEDULE 3</b>		
<b>SECURED LOANS :</b>		
Term Loans from Financial Institutions and Banks	<b>941,281,363</b>	977,331,254
Interest Accrued and Due on Term Loans	<b>68,711,477</b>	72,881,439
Working Capital Loans from Banks	<b>170,972,158</b>	169,446,355
Other Loan	<b>29,000,000</b>	46,500,000
Against Hire Purchase of Vehicles	<b>3,863,526</b>	2,690,434
<b>TOTAL</b>	<b>1,213,828,524</b>	1,268,849,482

**Notes :**

- Term Loans from Financial Institutions and Bank are secured by First Charge ranking parri-passu on all movable and immovable assets, present and future (Subject to charge on specified movables created / to be created in favour of Company's Bankers to secure Working Capital) and personal guarantee of Managing Director of the Company and erstwhile Directors of the Company. Further, Term Loans are also secured by First Charge on immovable properties of Rama Petrochemicals Limited.
- Working Capital Loans are secured by hypothecation of Raw Materials, Semi Finished Goods, Finished Goods, Stores and Spares and Book Debts and second parri-passu charge on immovable properties of the Company. Further, Working Capital Loans are secured by personal guarantee of Managing Director of the Company and erstwhile Director of the Company and Corporate guarantee of Rama Petrochemicals Limited.
- The Other Loan is secured by First Charge on the office premises and personal guarantee of Managing Director of the Company and erstwhile Directors of the Company.
- Loans against Hire Purchase of Vehicles are secured by way of hypothecation of the said vehicles.

**SCHEDULE 4**

**UNSECURED LOANS :**

Fixed Deposits	—	220,000
<b>TOTAL</b>	—	220,000

**SCHEDULE 5**

**FIXED ASSETS :**

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at March 31, 2006 Rs.	Additions during the Year Rs.	Ded./Adj. during the Year Rs.	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.	For the Year Rs.	Ded./Adj. during the Year Rs.	As at March 31, 2007 Rs.	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
Freehold Land (including site development)	29,773,710	—	(111,300)	29,662,410	—	—	—	—	29,662,410	29,773,710
Buildings	339,605,245	13,894,769	@ (2,089,478)	351,410,536	44,092,889	10,358,097	—	54,450,986	296,959,550	295,512,356
Plant and Machinery	1,334,617,301	123,423,832	@ (8,047,820)	1,449,993,313	289,328,832	75,072,456	—	364,401,288	1,085,592,025	1,045,288,469
Computers and Office Equipments	17,157,908	384,666	(125,375)	17,417,199	9,529,814	1,753,326	(115,770)	11,167,370	6,249,829	7,628,094
Furnitures, Fixtures and Other Equipments	7,033,302	5,367,899	(210,210)	12,190,991	2,613,500	843,281	(68,116)	3,388,665	8,802,326	4,419,802
Vehicles *	15,970,944	2,358,770	(1,695,350)	16,634,364	5,850,585	1,460,829	(825,429)	6,485,985	10,148,379	10,120,359
<b>TOTAL</b>	<b>1,744,158,410</b>	<b>145,429,936</b>	<b>(12,279,533)</b>	<b>1,877,308,813</b>	<b>351,415,620</b>	<b>89,487,989</b>	<b>(1,009,315)</b>	<b>439,894,294</b>	<b>1,437,414,519</b>	<b>1,392,742,790</b>
Previous Year	1,730,489,523	16,676,913	(3,008,026)	1,744,158,410	267,537,328	84,097,611	(219,319)	351,415,620	1,392,742,790	1,462,952,195

\* Includes cost of vehicle amounting to Rs. 5,055,234 ( Rs. 5,005,968 ) acquired on Hire Purchase basis.

@ Represents amount of Interest and Electricity Duty waived by Financial Institutions/Banks and Punjab State Electricity Board, respectively, relating to the period prior to commencement of commercial production which was allocated as "Pre-operative Expenses".

**SCHEDULE FORMING PART OF THE ACCOUNTS**

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
<b>SCHEDULE 6</b>		
<b>INVESTMENTS (At Cost) :</b>		
<b>Long Term Investment (other than trade) :</b>		
<b>Quoted :</b>		
5752 ( 5752 ) Equity Shares of Rs. 10.00 each in Dena Bank fully paid up. Market Value Rs. 201,320 (Rs. 209,373)	<b>155,304</b>	155,304
<b>Unquoted :</b>		
(a) 108600 (108600) Equity Shares of Rs. 10.00 each in Rama Industries Limited fully paid up Less : Provision for diminution in value of Investments	<b>1,086,000</b> <b>1,085,000</b>	1,086,000 1,085,000
(b) 30000 (Nil) Equity Shares of Rs. 10.00 each in Nimbua Greenfield (Punjab) Limited	<b>300,000</b> <b>301,000</b>	— 1,000
<b>TOTAL</b>	<b>456,304</b>	156,304
<b>Aggregate value of quoted Investments :</b>		
At Cost price	155,304	155,304
At Market price	201,320	209,373
<b>Aggregate value of unquoted Investments :</b>		
At Cost price	1,386,000	1,086,000
<b>SCHEDULE 7</b>		
<b>CURRENT ASSETS, LOANS AND ADVANCES :</b>		
<b>CURRENT ASSETS :</b>		
<b>Inventories :</b>		
[As taken, valued and certified by the management]		
Finished Goods	72,862,394	74,590,008
Semi Finished Goods	27,361,296	31,264,970
Raw Materials	31,083,064	122,485,431
Stores, Packing Materials and Consumables	28,201,791	21,272,884
Wastage and Scrap	185,641	380,618
Material in transit	1,084,377	1,416,866
<b>TOTAL</b>	<b>160,778,563</b>	251,410,777
<b>Sundry Debtors :</b>		
[Unsecured, considered good]		
Exceeding six months	669,374	261,103
Other Debts	159,232,227	162,946,600
<b>TOTAL</b>	<b>159,901,601</b>	163,207,703
<b>Cash and Bank Balances :</b>		
Cash on Hand	1,413,636	1,361,892
Balances with Scheduled Banks		
- in Current Accounts	6,667,879	2,753,179
- in Deposit Accounts	10,616,932	13,214,919
<b>TOTAL</b>	<b>18,698,447</b>	17,329,990
<b>LOANS AND ADVANCES :</b>		
[Unsecured, considered good]		
Advances recoverable in cash or in kind or for value to be received	113,419,001	145,234,799
Security Deposits	11,523,220	11,455,820
<b>TOTAL</b>	<b>124,942,221</b>	156,690,619



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**SCHEDULE FORMING PART OF THE ACCOUNTS**

	As at March 31, 2007 Rupees	As at March 31, 2006 Rupees
<b>SCHEDULE 8</b>		
<b>CURRENT LIABILITIES AND PROVISIONS :</b>		
<b>CURRENT LIABILITIES :</b>		
Sundry Creditors	195,188,037	198,332,304
Sundry Creditors - Capital Goods	133,046,745	139,642,192
Advances from Customers	901,391	4,432,184
Other Liabilities	37,554,496	37,043,814
Book Overdraft with Bank	9,958,209	9,937,024
Interest accrued but not due	4,527,310	2,574,546
	<b>381,176,188</b>	<b>391,962,064</b>
<b>PROVISIONS :</b>		
Gratuity	1,353,281	1,021,833
Leave Encashment	1,529,872	1,111,419
	<b>2,883,153</b>	<b>2,133,252</b>
<b>TOTAL</b>	<b>384,059,341</b>	<b>394,095,316</b>

**SCHEDULE 9**

**MISCELLANEOUS EXPENDITURE :**

[to the extent not written off or adjusted]

**Preliminary Expenses :**

As per last Balance Sheet	775,042	909,832
Less : Written off During the year	134,790	134,790
	<b>640,252</b>	<b>775,042</b>

**Deferred Revenue Expenditure ( Interest )**

As per last Balance Sheet	—	3,855,400
Less : Adjusted during the year	—	3,855,400
	—	—
<b>TOTAL</b>	<b>640,252</b>	<b>775,042</b>

SCHEDULE FORMING PART OF THE ACCOUNTS	For the Year ended March 31, 2007 Rupees	For the period ended March 31, 2006 Rupees
<b>SCHEDULE 10</b>		
<b>SALES AND OTHER INCOME :</b>		
<b>SALES :</b>		
Sale	1,061,782,508	1,256,094,408
Less : Excise Duty	—	—
	<b>1,061,782,508</b>	<b>1,256,094,408</b>
<b>OTHER INCOME :</b>		
Export Incentives	5,381,161	4,995,520
Rental Income	—	3,985,800
Miscellaneous Income	2,562,072	803,528
	<b>7,943,233</b>	<b>9,784,848</b>
<b>TOTAL</b>	<b>1,069,725,741</b>	<b>1,265,879,256</b>
<b>SCHEDULE 11</b>		
<b>INCREASE/(DECREASE) IN STOCKS :</b>		
<b>Opening Stocks :</b>		
Finished Goods	74,590,008	16,836,656
Semi Finished Goods	31,264,970	14,077,367
Waste	380,618	662,364
	<b>106,235,596</b>	<b>31,576,387</b>
<b>Closing Stocks :</b>		
Finished Goods	72,862,394	74,590,008
Semi Finished Goods	27,361,296	31,264,970
Waste	185,641	380,618
	<b>100,409,331</b>	<b>106,235,596</b>
<b>Increase / (Decrease) in Stock</b>	<b>(5,826,265)</b>	<b>74,659,209</b>
<b>SCHEDULE 12</b>		
<b>MANUFACTURING EXPENSES :</b>		
Raw Materials Consumed	606,300,815	705,411,042
Colours, Dyes and Chemicals Consumed	103,474,512	114,954,993
Packing Materials Consumed	7,209,751	7,443,081
Stores and Consumables Consumed	29,569,944	27,489,208
Power and Fuel Expenses	119,222,416	113,558,325
Insurance Expenses	4,474,780	4,519,587
<b>Repairs and Maintenance :</b>		
- Buildings	1,574,912	1,313,266
- Plant and Machinery	2,104,229	2,000,467
<b>TOTAL</b>	<b>873,931,359</b>	<b>976,689,969</b>

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<b>SCHEDULE FORMING PART OF THE ACCOUNTS</b>	<b>For the Year ended March 31, 2007 Rupees</b>	<b>For the period ended March 31, 2006 Rupees</b>
<b>SCHEDULE 13</b>		
<b>ADMINISTRATIVE, SELLING AND OTHER EXPENSES :</b>		
Travelling and Conveyance Expenses	8,829,187	10,234,129
Rental and Hiring Charges	3,978,056	4,910,995
Postage and Courier Expenses	413,130	962,679
Printing and Stationery	1,258,869	1,737,557
Rates, Fee and Taxes	337,639	496,241
Fringe Benefit Tax	1,280,500	2,030,000
Loss on Sale of Fixed Assets	504,845	203,889
Professional and Legal Expenses	4,566,066	5,332,863
Telecommunication Expenses	2,157,997	2,462,831
Directors' Sitting Fee	58,000	62,000
Auditors' Remuneration	238,246	510,963
Advertisement and Publicity Expenses	166,188	206,337
Repairs and Maintenance to Others	1,604,589	1,423,424
Running and Maintenance to Vehicles	3,593,726	3,356,424
Wealth Tax	40,323	47,203
Bad Debts and Advances Written Off	-	61,776,045
Provision for diminution in value of Investments	-	1,085,000
Other Expenses	7,092,039	9,840,202
Freight and Forwarding Expenses	6,940,354	9,303,578
Sales Commission	6,664,292	16,677,032
Rebate, Discounts and Claims	11,324,027	37,973,149
Other Selling and Distribution Expenses	5,663,556	5,288,121
<b>TOTAL</b>	<b>66,711,629</b>	<b>175,920,662</b>
<b>SCHEDULE 14</b>		
<b>EMPLOYEES COST :</b>		
Salary and Wages	37,523,658	30,075,725
Allowances to Employees	16,192,391	13,560,813
Contribution to ESI and Provident Fund	5,519,558	4,121,260
Other Employees Cost	16,162,272	13,000,356
<b>TOTAL</b>	<b>75,397,879</b>	<b>60,758,154</b>
<b>SCHEDULE 15</b>		
<b>FINANCIAL EXPENSES :</b>		
Interest on Fixed Term Loans	46,914,877	70,450,455
Interest on Others Loans and Financial Charges	41,281,825	37,258,893
<b>TOTAL</b>	<b>88,196,702</b>	<b>107,709,348</b>
<b>SCHEDULE 16</b>		
<b>PRIOR PERIOD INCOME / (EXPENDITURE) :</b>		
Administrative Expenses	(66,799)	(85,507)
Selling and Distribution Expenses	(39,419)	—
Employee Cost	(31)	—
<b>TOTAL</b>	<b>(106,249)</b>	<b>(85,507)</b>

**SCHEDULE 17**

**SIGNIFICANT ACCOUNTING POLICIES & PRACTICES AND NOTES ON ACCOUNTS :**

**A. SIGNIFICANT ACCOUNTING POLICIES :**

**1. General :**

Accounts are maintained on accrual basis and on the basis of historical cost convention and materialy comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India.

**2. Revenue Recognition :**

- a. The company follows practice of accounting for all Income and Expenditure on accrual basis.
- b. Export incentives under the DEPB scheme have been recognized in the year of export.
- c. Liability on account of customs duty on imported materials in transit or in bonded warehouse is accounted only in the year in which the goods are cleared from the customs.
- d. Claims and damages are accounted as and when they are finalized.

**3. Fixed Assets :**

- a. Fixed Assets are stated at cost of acquisition, inclusive of freight, duties, taxes and incidental expenses related to acquisition. Cenvat Credit availed on capital goods and Interest Subsidy under TUF Scheme pertaining to pre-operative period have been credited to respective Capital Reserve Accounts. Depreciation attributable to theses reserves have been adjusted there from.
- b. Adjustments arising from foreign exchange variation, attributable to fixed assets, are capitalized.

**4. Depreciation :**

Depreciation is provided on the Straight Line Method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Depreciation on additions/deletion is provided pro-rate basis with the reference to the date of addition/deletion as the case may be, except in case of fixed assets costing less than Rs. 5,000 per item which are written off in the year of addition.

**5. Excise Duty :**

Excise duty, if applicable, has been accounted on the basis of payment made in respect of finished goods cleared. No provision is made for the finished good lying in bonded warehouse.

**6. Foreign Exchange Transactions :**

- a. Foreign currency transactions which are not covered by forward contracts are accounted for at the exchange rates prevailing on the date of such transactions.
- b. Balances in the form of Current Assets and Current Liabilities in foreign currency, outstanding at the close of the year are converted into Indian currency at appropriate rate of exchange prevailing on the date of Balance Sheet. Resultant gain or loss is accounted during the year.

**7. Investments :**

Long Term Investments are stated at cost after deducting provision, if any, made for permanent diminution in the value of investment.

**8. Retirement Benefits :**

Retirement Benefits of the employees include Gratuity, Provident Fund and Leave Encashment. The Gratuity is funded through the group insurance scheme of Life Insurance Corporation of India. Contribution to the Provident Fund is provided on accrual basis and the Leave Encashment is provided on the basis of actuarial valuation of the employees' entitlement in accordance with company's rules.

**9. Valuation of Inventories :**

- a. Raw Materials are valued at cost on FIFO basis.
- b. Stores, spares and packing material etc, are valued at cost on FIFO basis.
- c. Finished goods are valued at cost or net realizable value, whichever is lower.
- d. Stock-in-process is valued at cost or net realizable value, whichever is lower.
- e. Goods in transit are valued at cost.
- f. Waste stock is valued at estimated realizable value.

**10. Borrowing Cost :**

Borrowing cost that is attributable to the acquisition or construction of the qualifying assets is capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of the time to get ready for intended use. All other borrowing costs are charged to revenue.

**11. Provision for current and deferred tax :**

- a. Provision for the current tax is made after taking into consideration benefits admissible under the provisions of Income Tax Act, 1961.
- b. Deferred Tax resulting from the "Timing Difference" between book profit and taxable profit is accounted for using the tax rate and laws that have been enacted or substantively enacted as on the Balance Sheet date, if the same is likely to accrue in the foreseeable future.

**12. Impairment of Assets :**

At each Balance Sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account to the extent the carrying amount exceeds recoverable amount.

**13. Deferred Revenue Expenses and Preliminary Expenses :**

Deferred Revenue Expenses and Preliminary Expenses are amortized proportionately over a period of 10 years from the year in which these are incurred unless otherwise specified / justified.

**B. NOTES ON ACCOUNTS :**

**1. Contingent Liabilities not provided for :**

Particulars	As on March 31, 2007	As on March 31, 2006
i. Bills discounted with the Banks	13,509,153	21,716,867
ii. Bank Guarantees issued by the Banks	30,000	30,000
iii. Custom duty on capital goods and raw material imported under advance Licencing/EPCG Scheme, against which export obligation is to be fulfilled.	* 270,000,000	270,000,000
iv. Export Bonds executed with Customs/Excise Authorities	12,500,000	12,500,000

\* Bond for Rs. 270,000,000 was issued against total export obligation of US\$ 77,598,359 to be fulfilled by January 12, 2009 or such further extension as may be granted, out of which the Company has fulfilled export obligation of US\$ 49,466,679 upto March 31, 2007.

**2. Earning Per Share (EPS) :**

	Unit	Year Ended March 31, 2007	Year Ended March 31, 2006
Net Profit/(Loss) after tax available for Equity Share holder	Rupees	(125,323,610)	(60,114,065)
Number of Equity Shares	Nos.	18,209,359	18,209,359
Nominal value of Equity Shares	Rupees	10.00	10.00
<b>Earning per Share Basic / Diluted (not annualized)</b>	<b>Rupees</b>	<b>(6.88)</b>	<b>(3.30)</b>

**3. Managerial Remuneration under Section 198 of the Companies Act, 1956 paid or payable during the financial year to the Directors are as under :**

	Year Ended March 31, 2007	Year Ended March 31, 2006
Salary	2,830,000	1,942,000
Contribution to Provident Fund	158,160	63,840
Other Benefits	1,636,405	1,203,538
<b>Total</b>	<b>4,624,565</b>	<b>3,209,378</b>

Due to inadequacy of profits, no commission is payable to Directors. Hence computation of Net Profit U/S 349 of the Companies Act, 1956 is not applicable.

**4. Details of Auditor's Remuneration :**

	Year Ended March 31, 2007	Year Ended March 31, 2006
Audit Fees	168,540	168,360
Tax Audit Fee	39,326	39,284
Certification Work	—	136,283
Other Capacity	30,380	167,036
<b>Total</b>	<b>238,246</b>	<b>510,963</b>

**5. Related Parties Disclosure :**

As per the Accounting Standard on "Related Party Disclosures" (AS 18) issued by the Institute of Chartered Accountants of India, the related parties of the Company are as follows :

**a. List of Related Parties and Relationships :**

Parties	Relationship
<b>i) Domestic :</b>	
Rama Phosphates Ltd.	} Exercise of Significant Influence
Rama Petrochemicals Ltd.	
Rama Industries Ltd.	
Rainbow Agri Industries Ltd.	
Rama Capital & Fiscal Services Pvt. Ltd.	
Bluelagoon Investments Pvt. Ltd.	
<b>ii) Overseas :</b>	
Indo-Us Investment Inc.	Holding more than 20% equity in Rainbow Denim Limited
<b>iii) Key Management Personnel :</b>	
Mr. H. D. Ramsinghani	Chairman and Managing Director
Mr. S. S. Arora	Whole Time Director

Note : Related party relationship is as identified by the Company and relied upon by the Auditors.

**b. Transactions with Related Parties :**

Nature of Transactions	Year Ended March 31, 2007		Year Ended March 31, 2006	
	Companies	Key Management Personnel	Companies	Key Management Personnel
<b>Expenses :</b>				
Lease Rent	1,896,077		3,095,126	
Managerial Remuneration		4,624,565		3,209,378
<b>Finance :</b>				
Loan Taken / Received Back	8,050,000		14,305,570	
Loan Given / Returned Back	8,050,000		911,559	
<b>Outstandings :</b>				
<b>Receivables :</b>				
On account of Sales				
On account of Loans and Advances	15,054,752		15,054,752	

**c. Balances written off during the year in respect of related parties : Nil (Rs. 58,536,895)**

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6.	Loans and Advances Rs. 15,054,752 referred to in Note 5 (b) above and Rs. 15,215,000 due from other Companies, the recoverability of which depends upon their capacity to raise sufficient resources. The management is of the opinion that these amounts are recoverable and do not require any provision.			
7.	Loans and Advances further include Rs. 54,399,643 recoverable from a party which had purchased commercial premises being constructed by Rama Petrochemicals Limited prior to demerger. The recoverability of this amount depends upon the completion of the project by the said Company.			
8.	Additional information pursuant to the Provisions of paragraphs 3 and 4A to 4D of Part II of Schedule VI to the Companies Act 1956 (to the extent applicable)	<b>Year ended March 31, 2007</b>		Year ended March 31, 2006
a.	<b>Licensed Capacity</b> [ Number of Looms ]	<b>Not Applicable</b>		Not Applicable
b.	<b>Installed Capacity</b> [ Number of Looms ]	<b>101</b>		101
c.	<b>Production, Sales and Stocks :</b> [ <b>Quantity in Meters</b> ] <b>Denim Fabric :</b>			
	Opening Stock	1,160,662		259,914
	Production	15,832,918		16,716,363
	Sales	15,962,932		15,815,615
	Closing Stock	1,030,648		1,160,662
	Sale Value (Rupees)	1,048,193,369		1,246,859,526
d.	<b>Materials Consumed :</b>	<b>Quantity (M.T.)</b>	<b>Value (Rupees)</b>	<b>Quantity (M.T.)</b>
	Cotton	9,706.045	469,192,656	7,610.662
	Yarn	1,578.622	137,108,159	3,741.023
	Others		140,254,207	149,887,282
e.	<b>CIF Value of Imports :</b>			
	i) Raw Materials		—	—
	ii) Stores, Spares and Components		37,708,641	29,570,599
	iii) Capital Goods		13,202,490	97,050,709
f.	<b>Expenditure in Foreign Currency on account of :</b>			
	i) Professional and Consultation Fee		—	—
	ii) Commission		2,877,902	7,155,469
	iii) Travelling and Business Promotion		1,536,866	913,302
	iv) Others		178,722	125,301
g.	<b>Earning in Foreign Currency :</b>			
	F O B value of Exports		108,431,472	142,368,972
h.	<b>Value of Imported / Indigenous Raw Materials, Spares Parts, Components and Stores consumed :</b>	<b>Year ended March 31, 2007</b>		Year ended March 31, 2006
		<b>% age</b>	<b>Value</b>	<b>% age</b>
1.	<b>Raw Materials :</b>			
	Imported	0.00	—	0.00
	Indigenous	100.00	606,300,815	100.00
	<b>Total</b>	<b>100.00</b>	<b>606,300,815</b>	<b>100.00</b>
2.	<b>Colours, Dyes and Chemicals :</b>			
	Imported	30.98	32,056,255	30.74
	Indigenous	69.02	71,418,257	69.26
	<b>Total</b>	<b>100.00</b>	<b>103,474,512</b>	<b>100.00</b>
				705,411,042
				705,411,042
				35,334,434
				79,620,559
				114,954,993

**3. Stores, Spares and Components :**

Imported	<b>41.59</b>	<b>15,296,259</b>	19.27	6,731,518
Indigenous	<b>58.41</b>	<b>21,483,436</b>	80.73	28,200,771
<b>Total</b>	<b>100.00</b>	<b>36,779,695</b>	100.00	34,932,289

9. In the absence of information from suppliers of their status being small scale/ancillary undertakings, amount overdue and interest payable thereon, if any, cannot be quantified. However, as all the payments are being made by the company to small scale industrial units on mutually agreed terms, the liability for payment of any interest under Small Scale and Ancillary Industry Undertaking Ordinance 1993 does not arise.
10. The Company has not recognized Interest Subsidy receivable under the Technology Up-gradation Fund Scheme (TUFS) to the extent of Rs. 14,885,921 in view of default in repayment of dues to Financial Institutions and Banks. The amount will be recognised in the year of receipt.
11. Segment wise details, as required by AS-17 Segment Reporting, are not furnished as the management is of the opinion that it does not have any geographical segment that is subject to different kind of risk, return or opportunities.
12. No provision has been made for Deferred Tax Asset, as required by AS-22, in absence of virtual certainty regarding taxable income in future.
13. Figures have been rounded off to the nearest rupee.
14. Previous Years figures have been re-grouped/re-arranged wherever necessary to make them comparable.

Signature to Schedule 1 to 17

Place: Mumbai  
Date : May 30, 2007

**R. D. Jog**  
Company Secretary

**S. S. Arora**  
Whole Time Director

**H. D. Ramsinghani**  
Chairman and  
Managing Director



**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007**

	<b>For the Year ended March 31, 2007 Rupees</b>	<b>For the Year ended March 31, 2006 Rupees</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net Profit / (Loss) Before Tax	(125,323,610)	(60,114,065)
<b>Add :</b>		
Depreciation	84,744,478	79,354,100
Loss on Sale of Assets	504,845	203,889
Financial Expenses	88,196,702	107,709,348
Preliminary Expenses Written Off	134,790	134,790
	<b>173,580,815</b>	<b>187,402,127</b>
<b>Operating Profit Before Working Capital Changes</b>	<b>48,257,205</b>	<b>127,288,062</b>
<b>Adjustment for :</b>		
Decrease / (Increase) in Inventories	90,632,214	(70,897,577)
Decrease / (Increase) in Trade and Other Receivables	35,054,500	(13,762,442)
Decrease / (Increase) in Deferred Revenue Expenditure	—	3,855,400
Increase / (Decrease) in Trade Payables	(10,035,975)	194,322,130
	<b>115,650,739</b>	<b>113,517,511</b>
<b>Net Cash from Operating Activities</b>	<b>163,907,944</b>	<b>240,805,573</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of Fixed Assets	(29,567,200)	(132,807,149)
Sale/Adjustments of Fixed Assets	10,765,373	2,584,818
Sale/(Purchase) of Investments	(300,000)	1,085,000
	<b>(19,101,827)</b>	<b>(129,137,331)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Proceeds from Share Capital	—	32,935,890
Proceeds from Share Premium	—	49,364,092
Proceeds / (Payments) from / for Term Borrowings	(57,719,853)	(87,806,165)
Proceeds / (Payments) from / for Bank Borrowings	1,525,803	11,460,012
Proceeds / (Payments) from / for Unsecured Borrowings	(220,000)	(1,350,000)
Proceeds / (Payments) from / for Hire Purchase Borrowings	1,173,092	265,786
Financial Expenses	(88,196,702)	(107,709,348)
<b>Net Cash from Financing Activities</b>	<b>(143,437,660)</b>	<b>(102,839,733)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>1,368,457</b>	<b>8,828,509</b>
<b>Opening Balance of Cash and Cash Equivalents</b>	<b>17,329,990</b>	<b>8,501,481</b>
<b>Closing Balance of Cash and Cash Equivalents</b>	<b>18,698,447</b>	<b>17,329,990</b>

As per our attached report of even date

For and on behalf of the Board

for Dayal & Lohia  
Chartered Accountants

**Anil Lohia**  
Partner

**R. D. Jog**  
Company Secretary

**S. S. Arora**  
Whole Time Director

**H. D. Ramsinghani**  
Chairman and  
Managing Director

Place: Mumbai  
Date : May 30, 2007

Place : Mumbai  
Date : May 30, 2007

**ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I Registration Details :**

Registration Number	22452	State Code	16
Balance Sheet Date	31.03.2007		

**II Capital Raised during the year (Amount in Rupees Thousands) :**

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	NIL

**III Position of Mobilisation and Deployment of Funds (Amount in Rupees Thousands) :**

Total Liabilities	1,519,273	Total Assets	1,519,273
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**Sources of Funds :**

Paid-up Capital	182,094
Reserves and Surplus	123,350
Secured Loans	1,213,829

**Application of Funds :**

Net Fixed Assets	1,437,415
Capital Work-in-progress	500
Investments	456
Net Current Assets	80,261
Miscellaneous Expenditure	641

**IV Performance of the Company (Amount in Rupees Thousands) :**

Turnover	1,063,899	Total Expenditure	1,189,223
Loss Before Tax	(125,324)	Loss After Tax	(125,324)
Earning per Share in Rupees	(6.88)	Dividend %	Nil

**V Generic Names of The Principal Products of the Company (As per Monetary Terms)**

Item Code No. (ITC Code)	52094200
Product Description	Denim Fabric

For and on behalf of the Board

Place: Mumbai  
Date : May 30, 2007

**R. D. Jog**  
Company Secretary

**S. S. Arora**  
Whole Time Director

**H. D. Ramsinghani**  
Chairman and  
Managing Director

**RAINBOW DENIM LIMITED**

Regd. Office : Village Chaundheri, Tehsil Derabassi, Post Office Dappar, Dist. Mohali, Punjab 140 506

**PROXY FORM**

For Dematted Shares

DP ID	
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CLIENT ID	
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For Physical Shares

REGD. FOLIO NO.	
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NO. OF SHARES HELD	
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I/We \_\_\_\_\_ s/o, w/o, d/o \_\_\_\_\_ residing at \_\_\_\_\_ being

member/member(s) of the above named company hereby appoint Mr./Ms. \_\_\_\_\_ residing at \_\_\_\_\_ or failing him/her

Mr./Ms. \_\_\_\_\_ residing at \_\_\_\_\_ as my/our proxy to vote for me/us and on my/our behalf at the Eighth Annual General Meeting of the Company to be held on Saturday the 29th day of September, 2007 at 10.00 a.m. at Village Chaundheri, Tehsil Derabassi, Post Office Dappar, Dist. Mohali, Punjab 140 506 and at any adjournment thereof.

Signed this \_\_\_\_ day of \_\_\_\_\_, 2007

Affix  
Revenue  
Stamp of  
Rs. 0.15

Signature

(Please sign across the Stamp)

Note : This form in order to be valid should be duly stamped, completed and signed and must reach the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.

**RAINBOW DENIM LIMITED**

Regd. Office : Village Chaundheri, Tehsil Derabassi, Post Office Dappar, Dist. Mohali, Punjab 140 506

**ATTENDANCE SLIP**

For Dematted Shares

DP ID	
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CLIENT ID	
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For Physical Shares

REGD. FOLIO NO.	
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NO. OF SHARES HELD	
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I certify that I am a registered shareholder/proxy for the registered shareholder of the Company. I hereby record my presence at the Eighth Annual General Meeting of the Company held on Saturday the 29th day of September, 2007 at 10.00 a.m. at Village Chaundheri, Tehsil Derabassi, Post Office Dappar, Dist. Mohali, Punjab 140 506.

Member's/Proxy's name in BLOCK letters

Member's/Proxy's Signature

(Shareholders attending the meeting in person or by proxy are requested to complete the attendance slip and hand over the same at the entrance of the meeting Hall.)