

9th Annual Report 2007-2008

The logo for Rainbow Denim Ltd features a stylized blue 'R' followed by the word 'RAINBOW' in a bold, black, serif font. A horizontal line is drawn under 'RAINBOW', and the word 'DENIM LTD' is positioned below it in the same serif font.

**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

**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 : rainbowdenim@vsnl.com

**COMPANY SECRETARY**

R. D. JOG

**REGISTRARS & TRANSFER AGENT**

INTIME SPECTRUM REGISTRY LTD.

C-13, PANNALAL SILK MILLS

COMPOUND,

L. B. S. MARG, BHANDUP (WEST),

MUMBAI 400 078

TEL.: 2596 3838 FAX : 2594 6969

EMAIL : isrl@intimespectrum.com

**AUDITORS**

DAYAL & LOHIA

CHARTERED ACCOUNTANTS

MUMBAI

**BANKERS**

BANK OF INDIA

DENA BANK

ARAB BANGLADESH BANK

## **NOTICE**

NOTICE is hereby given that the Ninth Annual General Meeting of the Members of Rainbow Denim Limited will be held on Saturday the 20<sup>th</sup> day of September 2008 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, 2008 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. D N Singh 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.

### **SPECIAL BUSINESS**

4. To consider, and if thought fit, to pass with or without modifications, the following Resolution, as a Special Resolution :

“RESOLVED THAT subject to the provisions of Sections 16(1), 94 and other applicable provisions, if any, of the Companies Act, 1956 and in terms of the Articles of Association of the Company and subject to such approvals, consents and sanctions as may be required, 70,00,000 (Seventy lacs) Preference Shares of Rs 10/- each forming part of the existing un issued Authorised Share Capital of the Company be and are hereby reclassified into 70,00,000 (Seventy Lacs) Equity Shares of Rs 10/- each and on such reclassification, the Authorised Share Capital of the Company be and is hereby reclassified as Rs. 27,00,00,000/- (Rupees Twenty seven Crore Only) divided into 2,70,00,000 (Two Crore Seventy Lacs) Equity Shares of Rs 10/- each.”

“FURTHER RESOLVED THAT consequent upon reclassification as above the Authorised Share Capital of the Company shall stand altered and accordingly the Memorandum of Association of the Company be and is hereby altered by deleting there from the existing Clause V and substituting in its place and stead the following as new Clause V :

V. The Authorised Share Capital of the Company is Rs 27,00,00,000/- (Rupees Twenty seven Crore Only) divided into 2,70,00,000 (Two Crore Seventy Lacs ) Equity Shares of Rs 10/- (Rupees Ten Only) each with the rights, privileges and conditions attaching thereto as may be provided by the Articles of Association of the Company for the time being, with power to increase and reduce the Capital of the Company and to divide and/or subdivide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, guaranteed, qualified or special rights, privileges and conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company but subject always to the provisions of the Companies Act, 1956 (1 of 1956) including amendments thereto from time to time.

“FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary and expedient for giving effect to the above resolution.”

5. To consider, and if thought fit, to pass with or without modifications, the following Resolution, as a Special Resolution :

“RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered by deleting there from the existing Article 2A and substituting in its place and stead the following as new Article 2A :

2A. The Authorised Share Capital of the Company is Rs. 27,00,00,000/- (Rupees Twenty seven Crore Only) divided into 2,70,00,000 (Two Crore Seventy Lacs) Equity shares of Rs. 10/- (Rupees Ten only) each.

**NOTES**

1. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of item No. 4 and 5 is annexed hereto.
2. 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.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday the 13<sup>th</sup> day of September, 2008 to Saturday the 20<sup>th</sup> day of September 2008 (both days inclusive).
4. 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.
5. 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, 2008

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**EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956 WITH REFERENCE TO THE SPECIAL BUSINESS SPECIFIED IN THE NOTICE CONVENING THE NINTH ANNUAL GENERAL MEETING OF THE COMPANY.**

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The Resolutions vide Item Nos. 4 and 5 relate to changes in the Authorised Share Capital of the Company by way of reclassification of the existing un issued Preference share Capital into Equity share Capital with a view to accommodate fresh issue of Equity Shares, as and when required, and the consequential amendments to the Capital Clause (Clause V) of the Memorandum of Association and relevant article (Article 2A) of the Articles of Association of the Company.

A copy of the Memorandum and Articles of Association together with the proposed changes is open for inspection of the Members at the Registered Office of the Company on all working days except Saturdays, Sundays and Public Holidays between 10.00 a.m. to 1.00 p.m.

None of the Directors are in any way concerned or interested in the said Resolutions.

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

Place : Mumbai  
Dated : July 31, 2008

**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. D N Singh has been a Director of the Company since April 12,1999.

Mr. D N Singh is a Chemical Engineer from Banaras Hindu University and has over 42 years experience in the field of Chemicals and Petrochemicals. He has held senior positions in several companies viz. Synthetics and Chemicals Ltd., Cyanides and Chemicals Co., Alkyl Amines Chemicals Ltd. etc. Mr. D N Singh holds 900 Equity Shares of the Company.

He is a Director of the following companies :

- |                                 |   |
|---------------------------------|---|
| (1) Rama Petrochemicals Limited | (2) Rama Phosphates Limited                   |
| (3) Rama Industries Limited     | (4) Rama Capital and Fiscal Services Pvt Ltd. |

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

**Rama Petrochemicals Limited**

Audit Committee - Member

Shareholders Committee - Member

**Rama Phosphates Limited**

Share Transfer Committee - Member

**Rama Industries Limited**

Share Transfer Committee - Member

**DIRECTORS' REPORT**

Your Directors have pleasure in presenting the Ninth Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2008.

**FINANCIAL RESULTS**

	<b>YEARENDED 31.03.2008 (Rs. in lacs)</b>	<b>YEARENDED 31.03.2007 (Rs. in lacs)</b>
Profit/(Loss) before Depreciation	<b>(835.43)</b>	(404.73)
Depreciation	<b>861.60</b>	847.44
Profit/(Loss) after Depreciation	<b>(1697.03)</b>	(1252.17)
Prior period (Expenditure)/Income	<b>(1.37)</b>	(1.06)
Net Profit/(Loss) for the Year	<b>(1698.40)</b>	(1253.23)
Loss as per last Balance Sheet	-	(1825.86)
Transferred from General Reserve	<b>82.60</b>	3079.09
Balance carried to Balance Sheet	<b>(1615.80)</b>	—

**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 15.97 million meters as compared to 15.83 million meters during the previous year. The Company has achieved a sales turnover of Rs. 12167 lacs during the year under review as compared to a turnover of Rs. 10618 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.

**FUTURE PROSPECTS**

The future prospects for the Denim business continue to be subdued. The margins are expected to be under pressure mainly due to rise in input costs. The price of cotton, which is the main raw material for the Company, has increased by over 40% during the year under review and the trend is expected to continue during the current year also. In addition to cotton the costs of other inputs have also increased substantially and the Company may not be able to pass on the burden to the consumers in view of the fact that the supply continues to be far in excess of the demand in domestic market. The export market was greatly affected due to competition from China and other neighboring countries and the slowing retail demand in the U S.

Your Directors are pleased to inform you that the restructuring of Company's Debts under the Corporate Debt Restructuring (CDR) mechanism has been approved by the CDR Cell subject to fulfillment of certain conditions by the Company/Promoters. Under the restructuring, the Company has received various reliefs / concessions viz. reduction in the rate of interest, rescheduling of loans etc. This is expected to bring down the interest burden of the Company and improve its operations. The implementation of the CDR package is subject to individual sanction from each of the Institutions and Banks.

**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, 2008 and the loss of the Company for the year ended March 31, 2008;
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. Deonath Singh and Mr. Umesh Jain.

#### **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**

The Industrial Investment Bank of India Limited withdrew the nomination of Mr. J. Premkumar from the Board of Directors of the Company w.e.f. September 26, 2007. The Board places on record its appreciation of the valuable contribution made by Mr J. Premkumar during his long association with the Company. Mr. Deonath Singh 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**

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, 2008

**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, 2008**

**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. Transferred the cooked size through gravity and hence eliminated the transfer pump.
2. During the winter season change in angle of RA & SA fans to get the energy saving.
3. Recovery of the steam condensate of mercerizing machine without using any pump.
4. Installed Roof exhauster in Finishing department replacing motor driven exhaust fans.

**b) Additional investment proposals, if any, being implemented for reduction of consumption of energy :**

1. Additional pipeline is being laid for separating out the low T.D.S. water from high T.D.S. water for recycling purpose.
2. For 2<sup>nd</sup> Sizing machine, additional pipe line is being laid for transferring the size through gravity and to eliminate the pump.

**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 :**

	<u>2007-08</u>	<u>2006-07</u>
<b>A. POWER AND FUEL CONSUMPTION :</b>		
<b>1. ELECTRICITY :</b>		
<b>a. Purchased :</b>		
Units (in thousand)	26432	25683
Total cost (Rs. in Lacs)	1147.32	1081.33
Rate per Unit (Rs.)	4.34	4.21
<b>b. Own Generation :</b>		
Through Diesel Generation		
Units (in thousand)	10.40	15.23
Units/KL of Diesel	3.05	3.09
Cost/Unit (Rs.)	9.87	10.08
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	Nil
Total Amount (Rs in Lacs)	Nil	Nil
Average Rate	Nil	Nil
<b>3. OTHER INTERNAL GENERATION</b>	<b>Nil</b>	<b>Nil</b>
<b>B. CONSUMPTION PER UNIT OF PRODUCTION :</b>		
Production of Denim Fabric (in Lac Mtrs.)	159.67	158.33
Electricity (kw)	1.66	1.62
Furnace Oil	Nil	Nil
Coal	Nil	Nil
<b>B) PARTICULARS WITH RESPECT TO ABSORPTION, ADAPTATION AND INNOVATION :</b>		
<b>I. Research and Development (R &amp; D) :</b>		
<b>1. Specific areas in which R &amp; D is carried out by the Company :</b>		
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.		
<b>2. Benefits derived as a result of R &amp; D :</b>		
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.		
<b>3. Future Plan of Action :</b>		
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.		
<b>4. Expenditure on R &amp; D :</b>		
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.		

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**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

<b>C) Foreign Exchange Earnings and Outgo :</b>		<b>(Rs. in Lacs)</b>
	Foreign Exchange used	433.03
	Foreign Exchange earned	767.15

For and on behalf of the Board

Place : Mumbai  
Date : July 31, 2008

**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 2008.**

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.**

H D RAMSINGHANI	46	Chairman & Managing Director	27,89,776	B.Com. M.B.A. (U.S.A.)	27	01/06/2001	Self Employed	
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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.**

NIL								
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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 Bombay Stock Exchange Limited, 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 Five Directors (Two Executive and Three 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	Yes	Three	Nil	Nil	20
Mr. S. S. Arora Wholetime Director	Executive	Four	Yes	Three	Nil	One	163373
Mr. Deonath Singh Director	Non Executive Independent	Four	No	Four	Nil	Two	900
Mr. Mahendra Lodha Director	Non Executive Independent	Three	Yes	Fourteen	Three	Four	Nil
Mr. Umesh Jain Nominee Director of IDBI	Non Executive Independent	Four	No	Nil	Nil	Nil	Nil
Mr.J.Premkumar Nominee Director of IIBI (upto 26/09/2007)	Non Executive Independent	Two	No	Nil	Nil	Nil	Nil

- (c) During the year four Board Meetings were held on May 30, 2007, July 31, 2007, October 31, 2007 and January 31, 2008.

### 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 Deonath Singh and Mr. Umesh Jain.

During the year four meetings of the Audit Committee were held on May 30, 2007, July 31, 2007, October 31, 2007 and January 31, 2008. The attendance at Audit committee meetings of each of the Directors is as under:

<b>Name of the Director</b>	<b>Attendance at Audit Committee meetings</b>
Mr. Mahendra Lodha	Three
Mr. Deonath Singh	Four
Mr. Umesh Jain	Four
Mr. J. Premkumar (upto 26/09/2007)	Two

**5 Share Transfer Committee**

The Board has delegated the power of share transfers to a Committee of Directors comprising of Mr. H. D. Ramsinghani (Chairman), Mr. S. S. Arora and Mr. Deonath Singh as also to the Registrars and Transfer Agent of the Company who attend to the Share Transfer formalities, transmission of shares, issue of duplicate certificates, issue of certificates on split/consolidation/renewal and demat/remat of share certificates etc. at least once in a fortnight. The transfers etc. approved by the Registrars and Transfer Agent and the Share Transfer Committee are also noted at every meeting of the Board of Directors. The Board has designated Mr. R. D. Jog – Company Secretary as the Compliance Officer.

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 is pending for a period exceeding one month.

**6 Remuneration Committee**

The Remuneration Committee determines the managerial remuneration including perquisites payable to Directors and makes recommendations to the Board of Directors. No meeting of Remuneration Committee was held during the year.

The Committee presently comprises of Mr Mahendra Lodha – Chairman, Mr. Deonath Singh and Mr. Umesh Jain.

**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. Deonath 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	11	11
Non - Receipt of Dividend Warrants	1	1
Non - Receipt of Demat Credit/Remat Cert	3	3
Non - Receipt of Rejected DRF	1	1
Non - Receipt of Annual Reports	5	5
Miscellaneous	1	1
Letters from Stock Exchanges, SEBI and Ministry of Corporate Affairs	NIL	N.A.

**8. Remuneration of Directors**

**(a) Managing/Executive Director**

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

Name of Director	Designation	Remuneration (Rs. in lacs)	Sitting Fees (Rs.)
Mr. H. D. Ramsinghani	Managing Director	27.90	Nil
Mr. S. S. Arora	Wholetime Director	17.02	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 :

Name of the Director	Sitting Fees (Rs.)
Mr. Mahendra Lodha	12000/-
Mr. D.N. Singh	16000/-
Mr. Umesh Jain *	16000/-
Mr. J Premkumar **	8000/-
<b>TOTAL</b>	<b>52000/-</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 upto 26/09/2007.

**9. General Body Meetings**

Financial Year	Date	Time	Location
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
2006-2007	29/09/2007	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.

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Special Resolution passed in the previous Three Annual General Meetings.

<b>Date</b>	<b>Particulars</b>
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 / Person acting in concert (Postal Ballot)
30.08.2005	Authority to Board of Directors to issue and allot Equity Shares at premium to Promoters / Person 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 20, 2008 at 10.00 a.m. At Village Chaundheri, P O Dappar, Tehsil Derabassi, Dist Mohali, Punjab 140 506.
Dates of Book Closure	:	September 13, 2008 to September 20, 2008 (both days inclusive)
Dividend payment date	:	Not Applicable
Listing on Stock Exchange	:	Bombay Stock Exchange Ltd.
Stock Code	:	532441 (BSE)
International Securities Identification Number allotted By NSDL	:	INE820D01017

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

<b>Month</b>	<b>High</b>	<b>Low</b>
April 2007	6.72	4.77
May 2007	6.89	4.40
June 2007	6.69	5.06
July 2007	7.49	5.26
August 2007	7.40	4.89
September 2007	6.99	5.89
October 2007	8.04	5.50
November 2007	6.74	5.40
December 2007	9.01	5.45
January 2008	10.52	5.70
February 2008	6.61	5.66
March 2008	6.60	3.98

**15. Registrars & Transfer Agent**

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, 2008:**

<b>Number of Equity Share Holdings</b>	<b>Number of Shareholders</b>	<b>Percentage of Shareholders</b>	<b>Number of Shares</b>	<b>Percentage of Shareholding</b>
1 – 500	15122	93.51	2398273	13.17
501 – 1000	604	3.74	508559	2.79
1001 – 2000	227	1.40	354341	1.95
2001 – 3000	75	0.46	197378	1.08
3001 – 4000	31	0.19	109218	0.60
4001 – 5000	24	0.15	113479	0.62
5001 – 10000	41	0.26	289305	1.59
10001 & above	47	0.29	14238806	78.20
<b>Total</b>	<b>16171</b>	<b>100.00</b>	<b>18209359</b>	<b>100.00</b>

**17. Shareholders' Profile as on March 31, 2008 :**

Category of Shareholders	No. of Shares held	% to Total Capital
Promoters Shareholding	8198612	45.02
<b>Non Promoter Shareholding</b>		
Foreign Collaborators	NIL	NIL
Banks	4051318	22.25
Financial Institutions	274625	1.51
Foreign Institutional Investors	NIL	NIL
Mutual Funds	700	0.01
Domestic Companies	420956	2.31
Non-Domestic Companies	NIL	NIL
Non-Resident Indians	59260	0.32
General Public	5203888	28.58
<b>Total</b>	<b>18209359</b>	<b>100.00</b>

**18. Dematerialization of shares as on March 31, 2008 :**

89.73% of the Company's total share capital representing 16339558 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 Registrars and Transfer Agent – 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. Deonath Singh is proposed to be reappointed at the forthcoming Annual General Meeting. The relevant information about Mr. Deonath Singh is given in the Notice convening the Annual General Meeting.

For and on behalf of the Board

Place : Mumbai  
Dated : July 31, 2008

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

**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, 2008, 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.

Place : Mumbai  
Dated : July 31, 2008

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

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**CERTIFICATE**

To the Members of  
**RAINBOWDENIMLIMITED**

We have examined the compliance of conditions of corporate governance by **RAINBOW DENIM LIMITED**, for the year ended on 31<sup>st</sup> March 2008, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchange(s).

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, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

Based on the representation received from the Company's Share Transfer Agents, we state that complaint letters received from shareholders during the period 01/04/2007 to 31/03/2008, have been attended.

We further state that 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 2008

(**Anil Lohia**)  
Partner

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

1 **INDUSTRY STRUCTURE AND DEVELOPMENTS**

The over supply position in the Denim sector continues and is expected to deteriorate further after more projects which are presently under implementation are commissioned. The Global Denim industry is valued at about \$50 billion. In terms of quantity the demand is for about 5.5 billion meters and the production is in excess of 7 billion meters. China is the dominant supplier of Denim with a market share of about 30%. Bulk of the demand comes from USA and Europe.

2 **OPPORTUNITIES, THREATS AND OUTLOOK**

Due to slowdown in the Global Markets and the inability of the domestic market to absorb the entire production, the Denim manufacturers are facing a glut and are forced to cut production. Most of the players in the Denim Industry are operating at less than 80% capacity. The prospects for the Denim industry look less encouraging in the near term due to the over supply in the domestic markets.

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 for the Company continue to be the rising costs of major inputs, intense competition resulting from over capacity in the Denim industry and the fall in demand in the US and European markets.

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, 2008, the Company has achieved production of 159.67 million meters of Denim fabric. The sales Turnover is Rs 12167 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, 2008

**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, 2008 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, 2008 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 B-6 in Schedule 17 regarding recoverability of certain advance*, give the information required by the Companies Act, 1956, in the manner so required and 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 2008; 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 , 2008.

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

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**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 2008.)

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.

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**ANNUAL REPORT 2007-2008**

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- 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. According to the information and explanations given to us, the company has not accepted the deposit u/s. 58A, 58AA or any other relevant provisions of the Companies Act, 1956 during the year.
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, 2008, 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 more than fifty percent of its net worth. During the year company has incurred cash loss of Rs. 835.42 lacs and in the immediately preceding financial year, it has incurred cash loss of Rs. 404.73 lacs.*
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.3,507.78 Lacs for the repayments as on 31st March 2008.*
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, 2008.

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

## RAINBOW DENIM LIMITED

### BALANCE SHEET AS AT MARCH 31, 2008

	Schedule	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
<b>SOURCES OF FUNDS :</b>			
<b>Shareholders' Fund :</b>			
Share Capital	1	182,093,590	182,093,590
Reserves and Surplus	2	<u>110,333,914</u>	<u>123,350,452</u>
		<u>292,427,504</u>	<u>305,444,042</u>
<b>Loan Funds:</b>			
Secured Loans	3	1,256,321,188	1,213,828,524
Unsecured Loans	4	<u>31,500,000</u>	<u>-</u>
		<u>1,287,821,188</u>	<u>1,213,828,524</u>
	<b>TOTAL</b>	<u><u>1,580,248,692</u></u>	<u><u>1,519,272,566</u></u>
<b>APPLICATION OF FUNDS :</b>			
<b>Fixed Assets:</b>			
Gross Block	5	1,892,057,021	1,877,308,813
Less: Depreciation		<u>526,501,476</u>	<u>439,894,294</u>
Net Block		1,365,555,545	1,437,414,519
<b>Capital Work-in-Progress</b> [ Including capital advances ]		21,298,642	500,000
<b>Investments</b>	6	656,304	456,304
<b>Current Assets, Loans and Advances :</b>			
Inventories	7	209,640,926	160,778,563
Sundry Debtors		138,261,385	159,901,601
Cash and Bank Balances		19,811,728	18,698,447
Loans and Advances		<u>127,537,078</u>	<u>124,942,221</u>
		<u>495,251,117</u>	<u>464,320,832</u>
<b>Less : Current Liabilities and Provisions :</b>	8		
Current Liabilities		460,881,701	381,176,188
Provisions		<u>3,716,292</u>	<u>2,883,153</u>
		<u>464,597,993</u>	<u>384,059,341</u>
<b>Net Current Assets</b>		30,653,124	80,261,491
<b>Miscellaneous Expenditure</b> [to the extent not written off or adjusted]	9	505,462	640,252
<b>Profit and Loss Account</b>		161,579,615	-
	<b>TOTAL</b>	<u><u>1,580,248,692</u></u>	<u><u>1,519,272,566</u></u>
<b>Significant Accounting Policies &amp; Practices and Notes on Accounts</b>	17		

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 &  
Managing Director

PLACE : Mumbai  
DATE : May 30, 2008

PLACE : Mumbai  
DATE : May 30, 2008

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**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008**

	Schedule	For the year ended March 31, 2008 Rupees	For the year ended March 31, 2007 Rupees
<b>INCOME</b>			
Sales and Other Income	10	1,230,327,746	1,069,725,741
Increase/(Decrease) in Stocks	11	(25,951,392)	(5,826,265)
	<b>TOTAL</b>	<b>1,204,376,354</b>	<b>1,063,899,476</b>
<b>EXPENDITURE</b>			
Manufacturing Expenses	12	986,824,337	873,931,359
Administrative, Selling and Other Expenses	13	78,632,518	66,711,629
Employees Cost	14	83,382,936	75,397,879
Financial Expenses	15	138,944,265	88,196,702
Preliminary Expenses Written Off	9	134,790	134,790
	<b>TOTAL</b>	<b>1,287,918,846</b>	<b>1,104,372,359</b>
<b>Loss Before Depreciation</b>		<b>(83,542,492)</b>	<b>(40,472,883)</b>
Depreciation		86,160,094	84,744,478
<b>LOSS FOR THE YEAR</b>		<b>(169,702,586)</b>	<b>(125,217,361)</b>
<b>Add/(Less) Prior Period Income/(Expenditure)</b>		<b>(137,059)</b>	<b>(106,249)</b>
<b>Transferred From General Reserve</b>		<b>8,260,030</b>	<b>307,909,812</b>
<b>Loss as per last Balance Sheet</b>		<b>-</b>	<b>(182,586,202)</b>
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>(161,579,615)</b>	<b>-</b>
<b>Basic and Diluted Earning per Share ( Refer Note No. B 2 )</b>		<b>(9.33)</b>	<b>(6.88)</b>
<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 &**  
**Managing Director**

PLACE : Mumbai  
DATE : May 30, 2008

PLACE : Mumbai  
DATE : May 30, 2008

## RAINBOW DENIM LIMITED

### SCHEDULES FORMING PART OF THE ACCOUNTS

	As at March 31, 2008 Rupees	As at March 31, 2007 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>270,000,000</b>	270,000,000
<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>182,093,590</b>	182,093,590
<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS:</b>		
<b>Capital Reserve :</b>		
As per last Balance Sheet	<b>56,531,816</b>	60,603,708
Less: Adjustment for Depreciation	<b>4,083,049</b>	4,071,892
	<b>52,448,767</b>	56,531,816
<b>Share Premium Account:</b>		
As per last Balance Sheet	<b>49,364,092</b>	49,364,092
Add : Share Premium Received during the year	-	-
	<b>49,364,092</b>	49,364,092
<b>General Reserve :</b>		
As per last Balance Sheet	<b>8,260,030</b>	316,169,842
Less: Transferred to Profit and Loss Account	<b>8,260,030</b>	307,909,812
	-	8,260,030
<b>Interest Subsidy:</b>		
As per last Balance Sheet	<b>9,194,514</b>	9,866,133
Less: Adjustment for Depreciation	<b>673,459</b>	671,619
	<b>8,521,055</b>	9,194,514
<b>TOTAL</b>	<b>110,333,914</b>	123,350,452

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**SCHEDULES FORMING PART OF THE ACCOUNTS**

	<b>As at March 31, 2008 Rupees</b>	<b>As at March 31, 2007 Rupees</b>
<b>SCHEDULE 3</b>		
<b>SECURED LOANS:</b>		
Term Loans from Financial Institutions and Banks	<b>940,281,363</b>	941,281,363
Interest Accrued and Due on Term Loans	<b>108,401,445</b>	68,711,477
Working Capital Loans from Banks	<b>171,001,850</b>	170,972,158
Other Loan	<b>31,384,596</b>	29,000,000
Against Hire Purchase of Vehicles	<b>5,251,934</b>	3,863,526
<b>TOTAL</b>	<b><u>1,256,321,188</u></b>	<u>1,213,828,524</u>

**Notes:**

1. Term Loans from Financial Institutions and Bank are secured by First Charge ranking pari-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.
2. Working Capital Loans are secured by hypothecation of Raw Materials, Semi Finished Goods, Finished Goods, Stores and Spares and Book Debts and second pari-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.
3. 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.
4. Loans against Hire Purchase of Vehicles are secured by way of hypothecation of the said vehicles.

**SCHEDULE 4**

**UNSECURED LOANS:**

From Corporate Bodies	<b>31,500,000</b>	-
<b>TOTAL</b>	<b><u>31,500,000</u></b>	<u>-</u>

**SCHEDULES FORMING PART OF THE ACCOUNTS**  
**SCHEDULE 5**  
**FIXED ASSETS :**

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at March 31, 2007 Rs.	Additions during the year Rs.	Ded./Adj. during the year Rs.	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.	For the year Rs.	Ded./Adj. during the year Rs.	As at March 31, 2008 Rs.	As at March 31, 2007 Rs.	As at March 31, 2008 Rs.
Freehold Land (including site development)	29,662,410	54,630	—	29,717,040	—	—	—	29,717,040	29,662,410	
Buildings	351,410,536	—	—	351,410,536	54,450,986	10,470,279	—	64,921,265	286,489,271	296,959,550
Plant and Machinery	1,449,993,313	20,975,255	—	1,470,968,568	364,401,288	76,884,061	—	441,285,349	1,029,683,219	1,085,592,025
Computers and Office Equipments	17,417,199	493,022	(4,435,606)	13,474,615	11,167,370	1,246,559	(1,757,119)	10,656,810	2,817,805	6,249,829
Furnitures, Fixtures and Other Equipments	12,190,991	403,025	(3,320,993)	9,273,023	3,388,665	807,111	(1,388,821)	2,806,955	6,466,068	8,802,326
Vehicles *	1,6634,364	3,339,798	(2,760,923)	17,213,239	6,485,985	1,508,592	(1,163,480)	6,831,097	10,382,142	10,148,379
<b>TOTAL</b>	<b>1,877,308,813</b>	<b>25,265,730</b>	<b>(10,517,522)</b>	<b>1,892,057,021</b>	<b>439,894,294</b>	<b>90,916,602</b>	<b>(4,309,420)</b>	<b>526,501,476</b>	<b>1,365,555,545</b>	<b>1,437,414,519</b>
<b>Previous Year</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>

• Includes cost of vehicle amounting to Rs. 9,450,302 ( Rs. 5,055,234 ) acquired on Hire Purchase basis.

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**SCHEDULES FORMING PART OF THE ACCOUNTS**

	As at March 31, 2008 Rupees	As at March 31, 2007 Rupees
<b>SCHEDULE 6</b>		
<b>INVESTMENTS (At Cost) :</b>		
<b>Long Term Investment (Trade) :</b>		
<b>Unquoted :</b>		
50000 ( 30000 ) Equity Shares of Rs. 10.00 each in Nimbua Greenfield (Punjab) Limited	500,000	300,000
<b>Sub-total</b>	<u>500,000</u>	<u>300,000</u>
<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. 292,489 (Previous Year Rs. 201,320)	155,304	155,304
<b>Unquoted :</b>		
108600 ( 108600 ) Equity Shares of Rs. 10.00 each in Rama Industries Limited fully paid up Less: Provision for diminution in value of Investments	1,086,000	1,086,000
	<u>1,085,000</u>	<u>1,085,000</u>
	<u>1,000</u>	<u>1,000</u>
<b>Sub-total</b>	<u>156,304</u>	<u>156,304</u>
<b>TOTAL</b>	<u>656,304</u>	<u>456,304</u>
<b>Aggregate value of quoted Investments :</b>		
At Cost price	155,304	155,304
At Market price	292,489	201,320
<b>Aggregate value of unquoted Investments :</b>		
At Cost price	1,586,000	1,386,000

**SCHEDULE 7**

**CURRENT ASSETS, LOANS AND ADVANCES :**

**CURRENT ASSETS :**

**Inventories:**

[As taken, valued and certified by the management]

Finished Goods	49,133,241	72,862,394
Semi Finished Goods	25,097,929	27,361,296
Raw Materials	101,782,101	31,083,064
Stores, Packing Materials and Consumables	28,139,330	28,201,791
Wastage and Scrap	226,769	185,641
Material in transit	5,261,556	1,084,377
<b>TOTAL</b>	<u>209,640,926</u>	<u>160,778,563</u>

**Sundry Debtors:**

[Unsecured, considered good]

Exceeding six months	202,539	669,374
Other Debts	138,058,846	159,232,227
<b>TOTAL</b>	<u>138,261,385</u>	<u>159,901,601</u>

**Cash and Bank Balances :**

Cash on Hand	691,208	1,413,636
Balances with Scheduled Banks		
- in Current Accounts	4,046,542	6,667,879
- in Deposit Accounts	15,073,978	10,616,932
<b>TOTAL</b>	<u>19,811,728</u>	<u>18,698,447</u>

**LOANS AND ADVANCES :**

[Unsecured, considered good]

Advances recoverable in cash or in kind or for value to be received	116,177,858	113,419,001
Security Deposits	11,359,220	11,523,220
<b>TOTAL</b>	<u>127,537,078</u>	<u>124,942,221</u>

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**RAINBOW DENIM LIMITED**

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**SCHEDULES FORMING PART OF THE ACCOUNTS**

	<b>As at March 31, 2008 Rupees</b>	<b>As at March 31, 2007 Rupees</b>
<b>SCHEDULE 8</b>		
<b>CURRENT LIABILITIES AND PROVISIONS :</b>		
<b>CURRENT LIABILITIES :</b>		
Sundry Creditors	<b>195,955,603</b>	195,188,037
Sundry Creditors - Capital Goods	<b>143,982,171</b>	133,046,745
Advances from Customers	<b>481,782</b>	901,391
Other Liabilities	<b>39,360,445</b>	37,554,496
Book Overdraft with Bank	-	9,958,209
Interest accrued but not due	<b>81,101,700</b>	4,527,310
	<b><u>460,881,701</u></b>	<u>381,176,188</u>
<b>PROVISIONS :</b>		
For Gratuity	<b>1,514,608</b>	1,353,281
For Leave Encashment	<b>2,201,684</b>	1,529,872
	<b><u>3,716,292</u></b>	<u>2,883,153</u>
<b>TOTAL</b>	<b><u>464,597,993</u></b>	<u>384,059,341</u>

**SCHEDULE 9**

**MISCELLANEOUS EXPENDITURE :**

[to the extent not written off or adjusted]

**Preliminary Expenses:**

As per last Balance Sheet	<b>640,252</b>	775,042
Less : Written off During the year	<b>134,790</b>	134,790
<b>TOTAL</b>	<b><u>505,462</u></b>	<u>640,252</u>

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**SCHEDULES FORMING PART OF THE ACCOUNTS**

	<b>For the year ended March 31, 2008 Rupees</b>	<b>For the year ended March 31, 2007 Rupees</b>
<b>SCHEDULE 10</b>		
<b>SALES AND OTHER INCOME:</b>		
<b>SALES:</b>		
Sale	1,216,738,198	1,061,782,508
Less : Excise Duty	-	-
	<b>1,216,738,198</b>	<b>1,061,782,508</b>
<b>OTHER INCOME:</b>		
Export Incentives	5,987,339	5,381,161
Miscellaneous Income	7,602,209	2,562,072
	<b>13,589,548</b>	<b>7,943,233</b>
<b>TOTAL</b>	<b>1,230,327,746</b>	<b>1,069,725,741</b>
<b>SCHEDULE 11</b>		
<b>INCREASE/(DECREASE) IN STOCKS :</b>		
<b>Opening 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>Closing Stocks:</b>		
Finished Goods	49,133,241	72,862,394
Semi Finished Goods	25,097,929	27,361,296
Waste	226,769	185,641
	<b>74,457,939</b>	<b>100,409,331</b>
<b>Increase / (Decrease) in Stock</b>	<b>(25,951,392)</b>	<b>(5,826,265)</b>
<b>SCHEDULE 12</b>		
<b>MANUFACTURING EXPENSES</b>		
Raw Materials Consumed	675,680,239	606,300,815
Colours, Dyes and Chemicals Consumed	122,483,185	103,474,512
Packing Materials Consumed	6,278,557	7,209,751
Stores and Consumables Consumed	32,423,434	29,569,944
Power and Fuel Expenses	143,194,212	119,222,416
Insurance Expenses	2,917,045	4,474,780
<b>Repairs and Maintenance:</b>		
- Buildings	1,451,659	1,574,912
- Plant and Machinery	2,396,006	2,104,229
<b>TOTAL</b>	<b>986,824,337</b>	<b>873,931,359</b>

# RAINBOW DENIM LIMITED

## SCHEDULES FORMING PART OF THE ACCOUNTS

	For the year ended March 31, 2008 Rupees	For the year ended March 31, 2007 Rupees
<b>SCHEDULE 13</b>		
<b>ADMINISTRATIVE, SELLING AND OTHER EXPENSES :</b>		
Travelling and Conveyance Expenses	8,389,249	8,829,187
Rental and Hiring Charges	4,738,950	3,978,056
Postage and Courier Expenses	342,992	413,130
Printing and Stationery	837,573	1,258,869
Rates, Fee and Taxes	485,964	337,639
Fringe Benefit Tax	1,814,135	1,280,500
Loss on Sale/Disposal of Fixed Assets	5,201,412	504,845
Professional and Legal Expenses	4,430,232	4,566,066
Telecommunication Expenses	2,328,030	2,157,997
Directors' Sitting Fee	52,000	58,000
Auditors' Remuneration	268,957	238,246
Advertisement and Publicity Expenses	189,172	166,188
Repairs and Maintenance to Others	1,113,260	1,604,589
Running and Maintenance to Vehicles	3,526,459	3,593,726
Wealth Tax	34,962	40,323
Bad Debts and Advances Written Off	229,031	-
Other Expenses	8,355,365	7,092,039
Freight and Forwarding Expenses	5,470,077	6,940,354
Sales Commission	3,588,230	6,664,292
Rebate, Discounts and Claims	22,168,387	11,324,027
Other Selling and Distribution Expenses	5,068,081	5,663,556
<b>TOTAL</b>	<b>78,632,518</b>	<b>66,711,629</b>
<b>SCHEDULE 14</b>		
<b>EMPLOYEES COST:</b>		
Salary and Wages	40,551,871	37,523,658
Allowances to Employees	1 8,295,392	16,192,391
Contribution to ESI and Provident Fund	6,241,593	5,519,558
Other Employees Cost	1 8,294,080	16,162,272
<b>TOTAL</b>	<b>83,382,936</b>	<b>75,397,879</b>
<b>SCHEDULE 15</b>		
<b>FINANCIAL EXPENSES:</b>		
Interest on Fixed Term Loans	97,533,989	46,914,877
Interest on Others Loans and Financial Charges	41,410,276	41,281,825
<b>TOTAL</b>	<b>1 38,944,265</b>	<b>88,196,702</b>
<b>SCHEDULE 16</b>		
<b>PRIOR PERIOD INCOME / (EXPENDITURE):</b>		
Manufacturing Expenses	(5,612)	-
Administrative Expenses	(145,975)	(66,799)
Selling and Distribution Expenses	11,898	(39,419)
Employee Cost	-	(31)
Interest and Financial Cost	2,630	-
<b>TOTAL</b>	<b>(137,059)</b>	<b>(106,249)</b>

**SCHEDULE NO.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 31,2008	As on March 31,2007
i. Bills discounted with the Banks	-	13,509,153
ii. Bank Guarantees issued by the Banks	-	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\$ 51,330,465 upto March 31, 2008.

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

	Unit	Year Ended March 31,2008	Year Ended March 31,2007
Net Profit/(Loss) after tax available for Equity Share holder	Rupees	(169,839,645)	(125,323,610)
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>(9.33)</b>	<b>(6.88)</b>

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

	Year Ended March 31,2008	Year Ended March 31,2007
Salary	3,000,000	2,830,000
Contribution to Provident Fund	144,000	158,160
Other Benefits	1,348,147	1,636,405
<b>Total</b>	<b>4,492,147</b>	<b>4,624,565</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 31,2008	Year Ended March 31,2007
Audit Fees	168,540	168,540
Tax Audit Fee	39,326	39,326
Certification Work	-	-
Other Capacity	61,091	30,380
<b>Total</b>	<b>268,957</b>	<b>238,246</b>

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**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 Phosphate Ltd. Rama Petrochemicals Ltd. Rama Industries Ltd. Rainbow Agri Industries Ltd. Rama Capital & Fiscal Services Pvt. Ltd. Bluelagoon Investments Pvt. Ltd.	} Exercise of Significant Influence	
<b>ii) Overseas:</b> Indo-U.S Investment Inc.		Holding more than 20% equity in Rainbow Denim Limited
<b>iii) Key Management Personnel:</b> Mr. H. D. Ramsinghani Mr. S. S. Arora		Chairman and Managing Director 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 31,2008		Year Ended March 31,2007	
	Companies	Key Management Personnel	Companies	Key Management Personnel
<b>Expenses :</b>				
Lease Rent	1,940,501		1,896,077	
Managerial Remuneration		4,492,147		4,624,565
<b>Finance:</b>				
Loan Taken / Received Back	17,300,000		8,050,000	
Loan Given / Returned Back	800,000		8,050,000	
<b>Outstandings :</b>				
<b>Receivables :</b>				
On account of Sales				
On account of Loans and Advances	15,054,752		15,054,752	
<b>Payables :</b>				
On account of Purchase				
On account of Loans and Advances	16,500,000			

- c. Balances written off during the year in respect of related parties : Nil (Previous Year - Rs. Nil)
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 management is of the opinion that this amount will be recovered shortly.

## RAINBOW DENIM LIMITED

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)	Year ended March 31,2008	Year ended March 31,2007		
a. Licensed Capacity [ Number of Looms ]	Not Applicable	Not Applicable		
b. Installed Capacity [ Number of Looms ]	101	101		
<b>c. Production, Sales and Stocks : [ Quantity in Meters ]</b>				
<b>Denim Fabric :</b>				
Opening Stock	1,030,648	1,160,662		
Production	15,966,797	15,832,918		
Sales	16,317,711	15,962,932		
Closing Stock	679,734	1,030,648		
Sale Value (Rupees)	1,202,765,418	1,048,193,369		
<b>d. Materials Consumed :</b>				
	<b>Quantity (M.T.)</b>	<b>Value (Rupees)</b>	<b>Quantity (M.T.)</b>	<b>Value (Rupees)</b>
Cotton	10,075.402	550,825,450	9,706.045	469,192,656
Yarn	1,473.268	124,854,789	1,578.622	137,108,159
Others		161,185,176		140,254,207
<b>e. CIF Value of Imports :</b>				
i) Raw Materials		-		-
ii) Stores, Spares and Components		32,839,582		3,77,08,641
iii) Capital Goods		8,148,750		13,202,490
<b>f. Expenditure in Foreign Currency on account of:</b>				
i) Professional and Consultation Fee		-		-
ii) Commission		1,437,740		2,877,902
iii) Travelling and Business Promotion		792,441		1,536,866
iv) Others		84,655		178,722
<b>g. Earning in Foreign Currency :</b>				
FOB value of Exports		76,714,519		108,431,472
<b>h. Value of Imported / Indigenous Raw Materials, Spare Parts, Components and Stores consumed :</b>				
	<b>% age</b>	<b>Value</b>	<b>% age</b>	<b>Value</b>
<b>1. Raw Materials :</b>				
Imported	0.05	350,981	0.00	-
Indigenous	99.95	675,329,258	100.00	606,300,815
<b>Total</b>	<b>100.00</b>	<b>675,680,239</b>	<b>100.00</b>	<b>606,300,815</b>
<b>2. Colours, Dyes and Chemicals :</b>				
Imported	26.06	31,915,027	30.98	32,056,255
Indigenous	73.94	90,568,158	69.02	71,418,257
<b>Total</b>	<b>100.00</b>	<b>122,483,185</b>	<b>100.00</b>	<b>103,474,512</b>
<b>3. Stores, Spares and Components :</b>				
Imported	37.82	14,636,514	41.59	15,296,259
Indigenous	62.18	24,065,477	58.41	21,483,436
<b>Total</b>	<b>100.00</b>	<b>38,701,991</b>	<b>100.00</b>	<b>36,779,695</b>
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) 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, 2008

R. D. Jog  
Company Secretary

S. S. Arora  
Whole Time Director

H. D. Ramsinghani  
Chairman and  
Managing Director

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**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008**

	<b>For the year ended March 31, 2008 Rupees</b>	<b>For the year ended March 31, 2007 Rupees</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net Profit / (Loss) Before Tax	(169,839,645)	(125,323,610)
<b>Add:</b>		
Depreciation	<b>86,160,094</b>	84,744,478
Loss on Sale/Disposal of Assets	<b>5,201,412</b>	504,845
Financial Expenses	<b>138,944,265</b>	88,196,702
Preliminary Expenses Written Off	<b>134,790</b>	134,790
	<b><u>230,440,561</u></b>	<u>173,580,815</u>
<b>Operating Profit Before Working Capital Changes</b>	<b>60,600,916</b>	48,257,205
<b>Adjustment for:</b>		
Decrease / (Increase) in Inventories	<b>(48,862,363)</b>	90,632,214
Decrease / (Increase) in Trade and Other Receivables	<b>19,045,359</b>	35,054,500
Increase / (Decrease) in Trade Payables	<b>80,538,652</b>	(10,035,975)
	<b><u>50,721,648</u></b>	<u>115,650,739</u>
<b>Net Cash from Operating Activities</b>	<b>111,322,564</b>	163,907,944
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of Fixed Assets	<b>(46,064,372)</b>	(29,567,200)
Sale/Adjustments of Fixed Assets	<b>1,006,690</b>	10,765,373
Sale/(Purchase) of Investments	<b>(200,000)</b>	(300,000)
<b>Net Cash from Investing Activities</b>	<b>(45,257,682)</b>	(19,101,827)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Proceeds / (Payments) from / for Term Borrowings	<b>41,074,564</b>	(57,719,853)
Proceeds / (Payments) from / for Bank Borrowings	<b>29,692</b>	1,525,803
Proceeds / (Payments) from / for Unsecured Borrowings	<b>31,500,000</b>	(220,000)
Proceeds / (Payments) from / for Hire Purchase Borrowings	<b>1,388,408</b>	1,173,092
Financial Expenses	<b>(138,944,265)</b>	(88,196,702)
<b>Net Cash from Financing Activities</b>	<b>(64,951,601)</b>	(143,437,660)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>1,113,281</b>	1,368,457
<b>Opening Balance of Cash and Cash Equivalents</b>	<b>18,698,447</b>	17,329,990
<b>Closing Balance of Cash and Cash Equivalents</b>	<b>19,811,728</b>	18,698,447

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 &  
Managing Director

PLACE : Mumbai  
DATE : May 30, 2008

PLACE : Mumbai  
DATE : May 30, 2008

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**RAINBOW DENIM LIMITED**

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**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	March 31, 2008		

**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	<b>1,580,249</b>	Total Assets	<b>1,580,249</b>
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**SOURCES OF FUNDS:**

**APPLICATION OF FUNDS:**

Paid-up Capital	182,094	Net Fixed Assets	1,365,556
Reserves and Surplus	110,334	Capital Work-in-progress	21,299
Secured Loans	1,256,321	Investments	656
Unsecured Loans	31,500	Net Current Assets	30,653
		Miscellaneous Expenditure	1 62,085

**IV PERFORMANCE OF THE COMPANY (AMOUNT IN RUPEES THOUSANDS) :**

Turnover	1,204,376	Total Expenditure	1,374,216
Loss Before Tax	(169,840)	Loss After Tax	(169,840)
Earning per Share in Rupees	(9.33)	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

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For and on behalf of the Board

PLACE : Mumbai  
DATE : May 30, 2008

**R.D. Jog**  
Company Secretary

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

**H.D. Ramsinghani**  
Chairman &  
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. FOLIONO.	
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NO. 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 Ninth Annual General Meeting of the Company to be held on Saturday the 20th day of September, 2008 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 \_\_\_\_\_, 2008

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. FOLIONO.	
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NO. 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 Ninth Annual General Meeting of the Company held on Saturday the 20th day of September, 2008 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.)