



## **CODE OF CONDUCT**

### **I. INTRODUCTION :**

This **Code of Business Conduct** (Code) has been adopted by **Rainbow Denim Limited** to comply with applicable laws and the rules and regulations of the Stock Exchanges on which the securities of the Company are listed.

The Code is applicable to the following persons, referred to as "Officers":

1. Members of the Board of Directors.
2. Managing Director/s, Executive Director/s including the Chief Executive Officer, if any.
3. All members of the Senior Management.

For the purpose of this code, the term "Senior Management" shall mean personnel of the company who are members of its core management team excluding the Board of Directors and shall include all members of management one level below the Executive Directors, including all functional heads.

All directors, officers and employees must become familiar with this Code and conduct themselves in accordance with the principles and policies contained herein. All Officers should sign the acknowledgment form annexed as Appendix I hereto and return the form to the Compliance Officer indicating that they have received, read, understood and agree to comply with the Code. All Officers shall be required to affirm compliance with this Code on an annual basis, within 30 days of close of every financial year to the Compliance Officer, in the form annexed hereto as Appendix II.

The Code shall come into force with effect from January 1, 2006 and future amendments / modifications shall take effect from the date stated therein.

### **II. GUIDELINES FOR CONDUCT OF DIRECTORS :**

The principal duty of the Board of Directors, along with senior management, is to ensure that the Company is well managed in the interest of its shareholders. The Board of Directors plays the central role in the Company's governance. The Board of Directors is the Company's decision-making authority on all matters except those specifically reserved to shareholders or delegated to the management. However, the Board of Directors is not expected to assume an active role in the day-to-day management of the Company.

Each director should seek to use due care in the performance of his/her duties, be loyal to the Company, act in good faith and in a manner such director reasonably believes to be not opposed to the best interests of the Company. A director should seek to also :

- (a) make reasonable efforts to attend Board and committee meetings;
- (b) dedicate time and attention to the Company; and
- (c) seek to comply with all applicable laws, regulations, confidentiality obligations and corporate policies of the Company.

The directors of the Company must not only comply with applicable laws, rules and regulations but should also promote honest and ethical conduct of the business. They must abide by the policies and procedures that govern the conduct of the Company's business. Their responsibilities include helping to create and maintain a culture of high ethical standards and commitment to compliance and to maintain a work environment that encourages the shareholders to raise concerns to the attention of the management.

The Non-Executive Directors of the company should always act in the interest of the company and ensure that any other business or personal association which they may have, does not involve any conflict of interest with the operations of the company and his/her role therein. The Non-Executive Directors shall comply with all applicable laws and regulations of all the relevant regulatory and other authorities as may be applicable to such Directors in their individual capacities. The Non-Executive Directors shall safeguard the confidentiality of all information received by them by virtue of their position.

### **III. HONESTY AND INTEGRITY :**

All Officers are expected to display professional skills and act in accordance with the highest standards of personal and professional integrity, honesty and ethical approach and conduct in all business dealings while working in any of the Company's premises or at any place where Officers are representing the Company.

### **IV. CORPORATE BUSINESS OPPORTUNITIES :**

In carrying out their duties and responsibilities, the Officers are prohibited from :

- (a) appropriating corporate business opportunities for themselves that are discovered through the use of Company resources or information or their position as directors or employees;
- (b) using Company resources or information, or their position as directors or employees, for personal gain; and
- (c) competing with the Company, directly or indirectly.

A corporate business opportunity is an opportunity (1) which is in the Company's line of business or proposed expansion or diversification, (2) which the Company is financially able to undertake and (3) which may be of interest to the Company. Every Officer who learns of such a corporate business opportunity and who wishes to avail of it should first disclose such opportunity to the Company's Board of Directors. If the Board of Directors determines that the Company does not have an actual or expected interest in such opportunity, then, and only then, may the Officer avail of it, provided that the Officer has not wrongfully utilized the Company's resources in order to acquire such opportunity.

### **V. CONFLICTS OF INTEREST :**

A "conflict of interest" occurs when the private interest of an Officer interferes in any way with the interests of the Company. A conflict situation can arise when an Officer takes actions or has interests that may make it difficult to perform his or her work objectively and effectively. Conflicts of interest also arise when an Officer or a member of his or her family, receives improper personal benefits as a result of his or her position in the Company. Each Officer should avoid having his or her private interests interfere

with (i) the interests of the Company or (ii) his or her ability to perform his or her duties and responsibilities objectively and effectively. Officer should avoid receiving, or permitting members of their immediate family to receive, improper personal benefits from the Company, including loans from or guarantees of obligations by the Company. An Officer should make a full disclosure to the Board of any transaction or relationship that could give rise to an actual conflict of interest with the Company and seek the Board's authorization to pursue such transactions or relationships. All relationships as a Director of other bodies corporate shall be reported to the Compliance Officer under the applicable provisions of the Companies Act.

#### **VI. PROTECTION OF ASSETS :**

Officers are responsible for the proper use, protection and conservation of Company assets and resources. This includes Company properties, assets, proprietary manufacturing processes, engineering designs, process technology, financial data, strategies, trade secrets, corporate information and other Company rights. Company assets are to be used solely to pursue and achieve Company goals and not for personal benefit, unless approved by the Board of Directors.

#### **VII. CONFIDENTIAL INFORMATION :**

All Officers should maintain the confidentiality of confidential information entrusted to them in carrying out their duties and responsibilities, except where disclosure is approved by the Company or legally mandated or if such information is already in the public domain. Confidential information includes all non public information that might be of use to competitors, or harmful to the Company or its customers, if disclosed. The Company's confidential information shall not be inappropriately disclosed or used for the personal gain or advantage of anyone other than the Company. These obligations shall apply during employment or while serving as a Director of the Company and also continue to apply even after the cessation of employment or Directorship.

#### **VIII. FAIR DEALING :**

In carrying out their duties and responsibilities, the Officers should endeavor to deal fairly and no Officer should seek to take unfair advantage of anyone (including the Company) through manipulation, concealment, or abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice.

#### **IX. COMPLIANCE WITH LAWS AND REGULATIONS :**

In carrying out their duties and responsibilities, directors and employees must comply with applicable laws, rules and regulations. In addition, if any director or employee becomes aware of any information that he or she believes constitutes evidence of a violation of any securities or other laws, rules or regulations applicable to the Company or the operation of its business, by the Company, any employee or director, then such employee or director should bring such information to the attention of the Chairman of the Board or such other person as designated in this regard.

#### **X. INSIDER TRADING :**

Employees and directors should observe all applicable laws and regulations including the Company's policies and codes as applicable to them with respect to the purchase and sale of the Company's securities.

All non-public information about the Company should be considered confidential information. To use non-public information for personal financial benefit or to "tip" others who might make an investment decision on the basis of this information is not only unethical but also illegal.

#### **XI. RECORD KEEPING AND REPORTING :**

The Company requires honest and accurate recording and reporting of information in order to make responsible business decisions. All of the Company's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect the Company's transactions and must conform both to applicable legal requirements and to the Company's system of internal controls.

The Company shall provide full, fair, accurate, timely, and understandable disclosure in all reports and documents that it files with, or submits to, any governmental agency or securities exchange, and in other public communications made by the registrant.

#### **XII. NO RIGHTS CREATED :**

This Code sets forth guidelines for conduct of the employees, officers and directors of the Company in dealing with some of the more common areas relating to the day to day management of the affairs of the Company. This code does not attempt to describe all potential problem areas that could develop in the course of the management of the Company's business.

This Code is not an expressed or implied contract of employment and does not create any contractual rights of any kind between the Company and its employees nor does it modify their existing employment relationships.

#### **XIII. VIOLATIONS :**

Officers should be alert to possible violations as it is part of their job and ethical responsibility, to help enforce the Code and also cooperate in any internal and external investigations in this matter. Reprisal, threat, retribution or retaliation against any person who has in good faith, reported a violation or a suspected violation of the Code, or against any person who is assisting in any investigation or process with respect to such violation is prohibited.

The Company shall take appropriate disciplinary action against any Officer whose actions are found to violate the Code or any other Company Policy. Actions may include immediate termination of employment at the Company's sole discretion. In case the Company has suffered losses, it may also pursue other remedies against the Officers.

#### **XIV. INTERPRETATION OF CODE :**

Any question or interpretation under this Code will be handled by the Board or any person /committee authorised by the Board of Directors. The Board of Directors or any designated person/committee has the authority to waive compliance with this Code of business conduct for any director, officer or employee of the Company subject, however to the applicable laws and regulations including the rules of any exchange on which the Company's securities are listed or traded.

**XV. AMENDMENTS :**

Any amendment to this Code must be approved by the Board of Directors and publicly disclosed as required by any applicable law or regulation.

**By Order of the Board**

**Dated : December 31, 2005**

**CODE OF CONDUCT**

**ACKNOWLEDGEMENT FORM**

I ....., have received and read the Company's "CODE OF CONDUCT ("the Code"). I have understood the provisions and policies contained in the Code and I agree to comply with the code.

Signature : .....

Name : .....

Designation : .....

Date : .....

Place : .....

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**ANNUAL COMPLIANCE REPORT**

I ..... do hereby solemnly affirm that to the best of my knowledge and belief, I have fully complied with the provisions of the CODE OF CONDUCT during the financial year ending 31st March 200\_\_.

Signature : .....

Name : .....

Designation : .....

Date : .....

Place : .....

(To be submitted by 30th April each year.)