



**Fifteenth Annual Report 2013-2014**

**BOARD OF DIRECTORS**

**CHAIRMAN & MANAGING DIRECTOR**

H. D. RAMSINGHANI

**REGISTERED OFFICE & WORKS**

VILLAGE CHAUNDHERI,  
P O DAPPAR, TEHSIL DERABASSI,  
DIST MOHALI, PUNJAB 140506  
CIN: L18101PB1999PLC022452  
Email: rainbow@rainbowdenim.com  
Website : www.rainbowdenim.com  
Tel: 01762- 248810/11/12;  
Fax : 01762-248761/248809

**CORPORATE OFFICE**

51/52, FREE PRESS HOUSE,  
FREE PRESS JOURNAL MARG,  
NARIMAN POINT,  
MUMBAI 400021,  
Email : cs@rainbowdenim.com  
Tel.No. (91-22) 2283 3355 / 2283 4182  
Fax : (91-22) 2204 9946

**DIRECTORS**

D. N. SINGH  
S. S. ARORA  
MAHENDRA LODHA  
DEEPAK GUPTA – Nominee Director –IDBI Bank Ltd.

**COMPANY SECRETARY**

R.D. JOG

**AUDITORS**

DAYAL & LOHIA  
CHARTERED ACCOUNTANTS

**BANKERS**

BANK OF INDIA  
DENA BANK  
AB BANK LTD.  
IDBI BANK LTD.

**REGISTRARS & TRANSFER AGENT**

LINK INTIME INDIA PVT.LTD.  
C-13, PANNALAL SILK MILLS  
COMPOUND,  
L.B.S MARG, BHANDUP (WEST),  
MUMBAI 400 078  
TEL : 25946969 /25946970  
FAX : 25946969  
EMAIL: rnt.helpdesk@linktime.co.in  
Website : www.linkintime.com

## **NOTICE**

NOTICE is hereby given that the Fifteenth Annual General Meeting of the Members of RAINBOW DENIM LIMITED will be held on Friday the 19<sup>th</sup> day of September 2014 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 Audited Statement of Profit and Loss for the year ended March 31, 2014 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. S. S. Arora (DIN 00033825) who retires by rotation and being eligible, offers himself for reappointment.
3. To consider, and if thought fit, to pass with or without modification, the following Resolution, as an Ordinary Resolution :

“RESOLVED THAT the retiring Statutory Auditors M/s Dayal and Lohia (Registration No 102200W), Chartered Accountants, be and they are hereby reappointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting on remuneration to be fixed by the Board of Directors.”

### **SPECIAL BUSINESS**

4. To consider and if thought fit, to pass, with or without modification, as an Ordinary Resolution the following :

“RESOLVED THAT pursuant to provisions of Section 148 and other applicable provisions of the Companies Act, 2013, if any, read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re enactments thereof for the time being in force) M/S J Verma and Associates (Registration No. 100769) appointed as Cost Auditor of the Company for audit of cost accounting records for the financial year 2014-15 be paid a remuneration of ₹ 30,000/- plus applicable taxes and reimbursement of out of pocket expenses.”

“FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary or expedient to give effect to the above resolution.”

5. To consider and if thought fit, to pass with or without modification(s) if any, the following as an Ordinary Resolution :

“RESOLVED THAT pursuant to the provisions of Sections 149 and 152 and other applicable provisions of the Companies Act, 2013, if any, and the rules made there under (including any statutory modifications or re-enactment thereof for the time being in force) read with Schedule IV of the Act and Clause 49 of the Listing Agreement, Mr. Mahendra Lodha (DIN 00012920) a Director of the Company in respect of whom the Company has received a notice in writing under Section 160 of the Act from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company who shall not be liable to retire by rotation and shall hold office for five consecutive years for a term up to the conclusion of the 20<sup>th</sup> Annual General Meeting of the Company in the calendar year 2019.”

6. To consider and if thought fit, to pass with or without modification(s) if any, the following as an Ordinary Resolution :

“RESOLVED THAT pursuant to the provisions of Sections 149 and 152 and other applicable provisions of the Companies Act, 2013, if any, and the rules made there under (including any statutory modifications or re-enactment thereof for the time being in force) read with Schedule IV of the Act and Clause 49 of the Listing Agreement, Mr. D N Singh (DIN 00021741) a Director of the Company in respect of whom the Company has

received a notice in writing under Section 160 of the Act from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company who shall not be liable to retire by rotation and shall hold office for five consecutive years for a term up to the conclusion of the 20<sup>th</sup> Annual General Meeting of the Company in the calendar year 2019.”

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

“RESOLVED THAT in supersession of the Resolution passed by the members at the Extraordinary General Meeting held on January 25,2001 and pursuant to the provisions of Section 180(1)( c ) and other applicable provisions, if any, of the Companies Act,2013 and the rules made there under ( including any statutory modification(s) or re enactments thereof for the time being in force and circulars, notifications, clarifications, rules made/passed there under from time to time) and in accordance with the provisions of the Articles of Association of the Company, the consent of the Company be and it is hereby accorded to the Board of Directors of the Company to borrow from time to time such sum or sums of money as it may deem fit for the purpose of the business of the Company notwithstanding that the moneys already borrowed by the Company (apart from the temporary loans obtained/to be obtained from the Company bankers in the ordinary course of business) will exceed the aggregate of the paid up share capital of the Company and its free reserves provided that the total amount up to which money may be borrowed by the Board of Directors shall not exceed the sum of ₹ 300 crores at any one time.”

“FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary or expedient to give effect to the above resolution.”

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

“RESOLVED THAT pursuant to the provisions of Section 180(1)(a) and all other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification thereof and circulars, notifications, clarifications, rules made/passed there under from time to time), consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company or Committee thereof to mortgage and/or create, modify charge on all or anyone or more of the movable / immovable properties or such other assets of the Company, where so ever situated, both present and future, together with power to take over the management in certain events of default on such terms and conditions and at such time or times and in such form or manner as it may deem fit, to or in favour of the Financial Institutions / Banks/ or such persons / institutions / Companies, etc. hereinafter referred as “the Lenders” to secure any Term Loans / Cash Credit Facilities / Debentures / Bonds or the like, obtained / to be obtained from any of the aforesaid Lenders together with interest thereon at the respective agreed rate(s), compound interest, additional interest, liquidated damage(s), commitment charge(s), premia on prepayment or on redemption, cost, charge(s), expenses and all other monies payable by the Company to such Lenders under the respective loan / other agreement(s) entered / to be entered into between the Company and the Lender(s) in respect of the said borrowing(s), such security to rank in such manner as may be agreed to between the concerned Lenders / parties and as may be considered expedient by the Board of Directors or Committee thereof.

“FURTHER RESOLVED THAT the Board of Directors or Committee thereof be and is hereby authorised and it shall always be deemed to have been so authorized to finalize and execute with the Lenders / Trustees the requisite agreements, documents, deeds and writings for creating the aforesaid mortgage(s) and/or charge(s) on such terms and conditions as may be necessary to give effect to the above resolution.”

“FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary or expedient to give effect to the above resolution.”

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

“RESOLVED THAT pursuant to section 14 and all other applicable provisions of the companies Act,2013, if any, and the Rules made there under , the consent of the Company be and it is hereby accorded to include the following text in Article 149 of the Articles of Association of the Company –

“The Managing Director of the Company can also hold the position of the Chairman at the same time”

“RESOLVED FURTHER THAT Directors of the Company be and are hereby severally authorised to do all such acts, matters, deeds and things necessary or desirable in connection with or incidental to giving effect to the aforementioned resolution, including but not limited to the filing of necessary forms with the Ministry of Corporate Affairs and to comply with all other requirements in this regard.”

## **NOTES**

1. **A member entitled to attend and vote at the Annual General meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. The instrument appointing the proxy should, however, be deposited at the registered office of the Company not less than forty-eight hours before the commencement of the Meeting.**

**A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.**

2. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday the 5<sup>th</sup> day of September, 2014 to Friday the 19<sup>th</sup> day of September, 2014 (both days inclusive).

3. Relevant documents referred to in the accompanying Notice and the Statement are open for inspection by the members at the Registered Office of the Company on all working days, except Saturdays, Sundays and Public Holidays from 11.00 am to 1.00 pm up to the date of the meeting.

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.

6. The Ministry of Corporate Affairs (vide circular nos. 17/2011 and 18/2011 dated April 21 and April 29, 2011 respectively), has undertaken a ‘Green Initiative in Corporate Governance’ and allowed companies to share documents with its shareholders through an electronic mode. Members are requested to support this green initiative by registering / updating their e-mail addresses, in respect of shares held in dematerialized form with their respective Depository Participants and in respect of shares held in physical form with Link Intime India Private Limited.

7. The Company is pleased to provide e-voting facility through Central Depository Services (India) Limited (CDSL) to enable all the Members to cast their votes electronically on the resolutions mentioned in the Notice dated July 31,2014 for the 15<sup>th</sup> Annual General Meeting of the Company.

### **e-Voting instructions**

The instructions for members for voting electronically are as under ;

(I) In case of members receiving Notice of AGM by e-mail or physical copy (for members whose E-mail IDs are not registered with the Company / Depository Participants or have requested for a physical copy) :

- 1) Log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com)
- 2) Click on ‘Shareholders’ tab to cast your votes.
- 3) Now, Select the Electronic Voting Sequence Number – “EVSN” along with “COMPANY NAME” from the drop down menu and click on “SUBMIT”

If you are holding shares in Demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and had cast your vote earlier for EVSN of any Company, then your existing login id and password are to be used.

In case you do not have an existing login id and password as referred to above, the following procedure is to be followed :

- 4) Fill up the following details in the appropriate boxes :

	<b>For Members holding shares in Demat Form</b>	<b>For Members holding shares in Physical Form</b>
User ID	For NSDL : 8 Character DP ID followed by 8 Digits Client ID For CDSL : 16 digits beneficiary ID	Folio Number registered with the Company
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department when prompted by the system while e-voting (applicable for both demat shareholders as well as physical shareholders)	
DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.	
Dividend Bank Details	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.	

- 5) After entering these details appropriately, click on “SUBMIT” tab.
- 6) Members holding shares in physical form will then reach directly the EVSN selection screen. However, members holding shares in demat form will now reach ‘Password Creation’ menu wherein they are required to mandatorily enter their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@ # \$ % & \* ). Kindly note that this password is to be also used by the demat holders for voting for resolutions of the company or any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended that you do not share your password with any other person and take utmost care to keep your password confidential.
- 7) Click on the relevant EVSN along with the Company name on which you choose to vote.
- 8) On the voting page, you will see Resolution Description and against the same the option “YES/NO” for voting. Select the option YES or No as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- 9) Click on the “Resolutions File Link” if you wish to view the entire Resolutions.
- 10) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- 11) Once you ‘CONFIRM’ your vote on the resolution, you will not be allowed to modify your vote.
- 12) You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.

13) If Demat account holder has forgotten the changed password then Enter the User ID and Captcha Code, click on Forgot Password and enter the details as prompted by the system.

Institutional shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to log on to <http://www.evotingindia.co.in> and register themselves, link their account which they wish to vote on and then cast their vote. They should upload a scanned copy of the Board Resolution in PDF format in the system for the scrutinizer to verify the vote.

(II) The voting period begins on 10.09.2014 at 9.00 am and ends on 12.09.2014 at 5.00 pm. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of September 5,2014, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.

(III) The Company has appointed Mr Ajay K Arora, Practicing Company Secretary ( Membership Number FCS 2191) as the Scrutinizer to scrutinize the e voting process in a fair and transparent manner.

(IV) The results shall be declared on or after the Annual General Meeting. The results along with the Scrutinizer's report shall be placed on the website of the Company and on the website of CDSL within two working days and also communicated to the stock Exchange.

(V) In case you have any queries or issues regarding e-voting, you may refer the "Frequently Asked Questions" (FAQs) and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com) under help section or send an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

By Order of the Board  
**For RAINBOW DENIM LTD.**

**R. D. JOG**  
**COMPANY SECRETARY**

Place : Mumbai

Dated : July 31, 2014

Regd Office : Village Chaundheri

PO Dappar, Tehsil Derabassi,

District Mohali, Punjab 140506

Tel : 91-1762-248810

Fax : 91-1762-248809

CIN : L18101PB1999PLC022452

Email:rainbow@rainbowdenim.com

Website:www.rainbowdenim.com

**EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 WITH REFERENCE TO THE SPECIAL BUSINESS SPECIFIED IN THE NOTICE CONVENING THE FIFTEENTH ANNUAL GENERAL MEETING OF THE COMPANY.**

**ITEM NO. 4**

The Board on the recommendation of the Audit Committee, has approved the appointment and remuneration of M/S J Verma and Associates (Registration No. 100769) as the Cost Auditor to conduct the audit of the cost records of the Company for the financial year ending March 31, 2015.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company.

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No. 4 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending March 31, 2015.

None of the Directors / Key managerial Personnel of the Company / their relatives are, in any way, concerned or interested financially or otherwise, in the resolution set out at Item No. 4 of the Notice.

**ITEM NO. 5**

Mr Mahendra Lodha is a Non Executive Director of the Company. Mr Mahendra Lodha is an eminent Chartered Accountant and has over 32 years of rich and varied experience in the field of Finance and Corporate Advisory services.

It is proposed to appoint Mr Mahendra Lodha as an Independent Director not liable to retire by rotation for a term of five years. The Company has received a notice in writing from a member along with deposit of the requisite amount under the provisions of Section 160 of the Act, proposing the candidature of Mr Mahendra Lodha for the office of Director.

Mr. Mahendra Lodha is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director of the Company.

In the opinion of the Board, Mr. Mahendra Lodha fulfils the conditions specified in Section 152 of the Act and rules made there under for his appointment as Independent Director of the Company.

The Company has also received declaration from Mr Mahendra Lodha that he meets the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

The draft letter of appointment of Mr. Mahendra Lodha as an Independent Director setting out terms and conditions is open for inspection at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on all days except Saturdays, Sundays and holidays, until the date of the Annual General meeting or any adjournment thereof

Mr Mahendra Lodha does not hold by himself or for any other person on a beneficial basis, any shares in the Company.

Except Mr. Mahendra Lodha being the appointee, none of the Directors or Key Managerial Personnel (KMP) of the Company or their relatives are concerned or interested, financially or otherwise, in this Resolution. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchange.

**ITEM NO. 6**

Mr D. N. Singh is a Non Executive Director of the Company. Mr D. N. Singh is a Chemical Engineer and has over 48 years of rich and varied experience in the field of Chemicals, Petrochemicals and Textiles. Mr D. N. Singh holds 1324 Shares of the Company.

It is proposed to appoint Mr D. N. Singh as an Independent Director not liable to retire by rotation for a term of five years. The Company has received a notice in writing from a member along with deposit of the requisite amount under the provisions of Section 160 of the Act, proposing the candidature of Mr D. N. Singh for the office of Director.

Mr. D. N. Singh is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director of the Company.

In the opinion of the Board, Mr. D. N. Singh fulfils the conditions specified in Section 152 of the Act and rules made there under for his appointment as Independent Director of the Company.



The Company has also received declaration from Mr D. N. Singh that he meets the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

The draft letter of appointment of Mr. D. N. Singh as an Independent Director setting out terms and conditions is open for inspection at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on all days except Saturdays, Sundays and holidays, until the date of the Annual General meeting or any adjournment thereof

Except Mr. D. N. Singh being the appointee, none of the Directors or Key Managerial Personnel (KMP) of the Company or their relatives are concerned or interested, financially or otherwise, in this Resolution. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing Agreement with the Stock Exchange.

**ITEM NO. 7**

The Members of the Company, at the Extraordinary General Meeting held on January 25, 2001 had authorised the Board of Directors to borrow up to a limit of ₹ 300 crores under the provisions of the Companies Act,1956. In view of the notification of the Companies Act, 2013 fresh approval of the members is proposed to be obtained pursuant to the various provisions of the Companies Act, 2013 and the rules made there under to borrow moneys up to the said limit of ₹ 300 crore.

None of the Directors / Key managerial Personnel of the Company / their relatives are, in any way, concerned or interested financially or otherwise, in the resolution set out at Item No. 7 of the Notice.

**ITEM NO. 8**

The members of the Company have, from time to time, approved the creation of security by way of mortgage and/ or charge on movable / immovable properties of the Company under the provisions of the Companies Act,1956. In view of the notification of the Companies Act,2013 fresh approval of the members is proposed to be obtained pursuant to the various provisions of the Companies Act, 2013 and the rules made there under to create security by way of mortgage and/or charge on movable / immovable properties of the Company against the borrowings, under Section 180(1)(a) of the Companies Act, 2013.

None of the Directors and Key Managerial Personnel of the Company or their respective relatives are concerned or interested, either financially or otherwise, in the resolutions.

**ITEM NO. 9**

As per section 203 of the Companies Act,2013 an individual shall not be appointed as the Chairperson of the Company as well as the Managing Director or Chief Executive Officer of the Company at the same time unless, inter alia, the Articles of the Company provide otherwise. As Mr H. D. Ramsinghani is the Chairman and Managing Director of the Company , it is proposed to amend the Articles of Association of the Company to comply with the provisions of Section 203 of the Companies Act,2013.

Except for Mr H. D. Ramsinghani and his relatives, no other Directors and Key Managerial Personnel of the Company or their respective relatives are concerned or interested, either financially or otherwise, in the resolution.

A copy of the amended Articles of Association along with the proposed change is open for inspection at the registered Office of the Company on all working days, except Saturdays, Sundays and Public Holidays between 11.00 am and 1.00 pm up to the date of the meeting. A copy of the amended articles of Association is also being uploaded on the website of the Company for the perusal of the Members.

By Order of the Board  
**For RAINBOW DENIM LTD.**

**R. D. JOG**  
**COMPANY SECRETARY**

Place : Mumbai

Dated : July 31, 2014

Regd Office : Village Chaundheri

PO Dappar, Tehsil Derabassi,

District Mohali Punjab 140506

Tel : 91-1762-248810; Fax : 91-1762-248809

CIN : L18101PB1999PLC022452

Email:rainbow@rainbowdenim.com

Website:www.rainbowdenim.com

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

As required under the Listing Agreement the particulars of Directors who are proposed to be appointed/reappointed at the forthcoming Annual General Meeting are as follows;

**Appointment**

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

Mr. S. S. Arora is a Commerce Graduate and has over 30 years of rich and varied experience in the field of Textiles, Fertilizers and Petrochemicals. Mr. S.S. Arora has been a Director of the Company since March 2001 and holds 65349 Equity Shares of the Company.

**Reappointment**

1. Mr Mahendra Lodha is an eminent Chartered Accountant and has over 32 years of rich and varied experience in the field of Finance and Corporate Advisory services. Mr Mahendra Lodha does not hold any Shares of the Company.

He is a Director of the following Public Limited Companies :

Rama Petrochemicals Ltd.	Parixit Industries Ltd
Nitrex Chemicals India Ltd.	Amul Exim Ltd.
Kalyanpur Cements Ltd.	Steelco Gujarat Ltd.
Tulip Star Hotels Ltd.	

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

<b>Rama Petrochemicals Ltd</b>	<b>Steelco Gujarat Ltd</b>	<b>Tulip Star Hotels Ltd</b>
Audit Committee – Chairman	Audit Committee –Chairman Stakeholders Relationship Committee – Chairman	Audit Committee - Chairman

**Kalyanpur Cements Ltd.**

Audit Committee – Member

2. Mr. D. N. Singh is a Chemical Engineer from Banaras Hindu University and has over 48 years of 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 1324 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.

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

<b>Rama Petrochemicals Limited</b>	<b>Rama Phosphates Limited</b>
Audit Committee – Member Stakeholders Relationship Committee - Member	Audit Committee – Member Stakeholders Relationship Committee - Chairman

**Rama Industries Limited**

Audit Committee – Chairman

**DIRECTORS' REPORT**

Your Directors have pleasure in presenting the Fifteenth Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2014.

**FINANCIAL RESULTS****(₹ in lacs)**

	<b>YEAR ENDED</b> <b>31.03.2014</b>	<b>YEAR ENDED</b> <b>31.03.2013</b>
Profit/(Loss) before Depreciation	<b>(1922.23)</b>	(138.96)
Depreciation	<b>915.33</b>	915.98
Profit/(Loss) after Depreciation	<b>(2837.56)</b>	(1054.94)
Profit/(Loss) before Tax	<b>(2837.56)</b>	(1054.94)
Tax expenses	<b>Nil</b>	Nil
Net Profit/(Loss) for the year	<b>(2837.56)</b>	(1054.94)

**DIVIDEND**

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

**INCREASE IN SHARE CAPITAL**

The Company is a sick company registered with the Board for Industrial and Financial Reconstruction (BIFR) as required by the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985. The Hon'ble BIFR has sanctioned the Draft Rehabilitation Scheme (DRS) which, inter alia, envisages infusion of funds by the Promoters and other reliefs and concessions. Pursuant to the said DRS approved by the BIFR, the Company has allotted 60,00,000 equity shares of ₹ 10/- each for cash at par to the promoters of the Company during the year under review and consequently the Issued, Subscribed and Paid up Capital stands increased from ₹ 7,28,37,430/- divided in to 72,83,743 equity shares of ₹ 10/- each to ₹ 13,28,37,430/- divided in to 1,32,83,743 equity shares of ₹ 10/- each.

**REVIEW OF OPERATIONS**

The total production of Denim fabric during the year under review was 9.48 million meters as compared to 14.69 million meters during the previous year. The Company has achieved a sales turnover of ₹ 11,859.96 lacs during the year under review as compared to a turnover of ₹ 15,836.70 lacs during the previous year.

**CORPORATE GOVERNANCE**

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

**DIRECTORS RESPONSIBILITY STATEMENT**

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

1. In the preparation of the Annual Accounts, the applicable accounting standards have been followed;
2. Appropriate Policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2014 and the loss of the Company for the year ended March 31, 2014;
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. Deepak Gupta.

### **OTHER COMMITTEES**

The Company has constituted the Stakeholders Relationship Committee which presently consists of Mr D. N. Singh (Chairman), Mr H. D. Ramsinghani and Mr S. S. Arora.

The Company has also constituted the Risk Management Committee which presently consists of Mr Mr D. N. Singh (Chairman), H. D. Ramsinghani, Mr Mahendra Lodha and Mr Deepak Gupta.

### **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**

There were no employees drawing remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 during the year under review or part thereof.

### **DIRECTORS**

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

In accordance with the provisions of sections 149 and 152 of the Companies Act, 2013 and the rules made there under, it is proposed to appoint Mr Mahendra Lodha and Mr D. N. Singh as non executive Independent Directors for a period of five years from the date of the forthcoming Annual General Meeting.

### **AUDITORS REPORT**

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

1. The Company has defaulted in repayment of dues including interest to financial institutions and banks due to the difficult financial position faced by the Company as a result of losses incurred during the year under review .
2. The Company has used short term funds for funding the accumulated losses.

### **AUDITORS**

M/s. Dayal & Lohia, Chartered Accountants, (Membership No 102200W) 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 141(3)(g) of the Companies Act, 2013.

### **COST AUDIT**

The Company has appointed M/s. J. Verma & Associates, qualified Cost Auditors for conducting the Audit of cost records for the financial year 2014-15. The Company has received a Certificate from Cost Auditors certifying their independence and arm's length relationship with the Company.

The Cost Audit Report for the financial year ended 31<sup>st</sup> March, 2013 was filed on September 3, 2013 with Ministry of Corporate Affairs, New Delhi. The Cost Audit Report for the financial year ended 31<sup>st</sup> March, 2014 will be filed within the stipulated time.

**FIXED DEPOSITS**

The Company has not accepted any public deposits and as such no amount on account of principal or interest on public deposits was outstanding as on the date of the Balance Sheet.

**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, 2014

**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, 2014**

**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. Replacement of Halogens on Lighting poles with New LED/small tube, which reduces the Energy consumption.
2. Replacement of old conventional tube light with new electronic blast, which reduces the unit consumption.
3. Replaced aluminum fans with energy efficient FRP fans in Humidification Plants.
4. Roof Extractors are installed in production hall where processing machines are working.
5. The Conversion of heating system from electricity to steam of Yarn conditioning machine is carried out.
6. Energy efficient pump is installed at cooling tower for same flow to save energy.

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

1. Humidification plant need changes with high forced pump with less power consumption.
2. Need to plan the supply and return fans to be run with VFD.
3. Over all power factor of plant is increased up to 0.98 to save energy.
4. Air end of IR compressor has to be changed to save electricity.

**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 :**

	2013-14	2012-13
<b>A. POWER AND FUEL CONSUMPTION :</b>		
<b>1. ELECTRICITY :</b>		
<b>a. Purchased (PSEB) :</b>		
Units (in thousand)	<b>19220</b>	25850
Total cost (₹ in Lacs)	<b>1380.99</b>	1687.92
Rate per Unit (₹)	<b>7.19</b>	6.53
<b>b. Own Generation :</b>		
<b>Through Diesel Generation :</b>		
Units (in thousand)	<b>11</b>	35
Units per Litre of Diesel	<b>3.16</b>	3.20
Cost per Unit (₹)	<b>16.01</b>	13.14
<b>Through Steam Turbine/Generator :</b>		
Units (in thousand)	<b>Nil</b>	Nil
Units per Litre of Fuel, Oil, Gas	<b>Nil</b>	Nil
Cost per unit	<b>NA</b>	NA

	2013-14	2012-13
<b>2. FURNACE OIL :</b>		
Quantity (in Kltrs)	Nil	Nil
Total Amount (₹ in Lacs)	Nil	Nil
Average Rate	Nil	Nil
<b>3. OTHER INTERNAL GENERATION</b>	Nil	Nil
<b>B. CONSUMPTION PER UNIT OF PRODUCTION :</b>		
Production of Denim Fabric (in Lacs Mtrs.)	94.84	146.93
Electricity (kwh per Meter)	2.03	1.76
Furnace Oil	Nil	Nil
Coal	Nil	Nil

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

**I. RESEARCH AND DEVELOPMENT (R & D) :**

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

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

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

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

**3. Future Plan of Action :**

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

**4. Expenditure on R & D :**

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

**II. TECHNOLOGY ABSORPTION ADAPTATION AND INNOVATION :**

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

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

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

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

**3. Information of Imported Technology :**

Not Applicable

**C) FOREIGN EXCHANGE EARNINGS AND OUTGO :**

	(₹ in Lacs)
Foreign Exchange used	403.02
Foreign Exchange earned	872.63

For and on behalf of the Board

Place : Mumbai  
Date : July 31, 2014

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

**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 (One Executive and Four Non Executive Directors).
- 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 (excluding alternate Directorships and Private Companies)	Membership/ Chairmanship of other Board Committees		Share-holding (No. of Shares)
		Board Meetings	Last Annual General Meeting		Chairman	Member	
Mr. H.D. Ramsinghani Chairman & Managing Director	Promoter Executive	Four	Yes	Four	Nil	Two	8
Mr. S. S. Arora Director	Non Executive	Nil	Yes	Nil	Nil	Nil	65349
Mr. Deonath Singh Director	Non Executive Independent	Four	No	Three	Three	Two	1324
Mr. Mahendra Lodha Director	Non Executive Independent	Four	Yes	Seven	Four	Two	Nil
Mr. Deepak Gupta Nominee Director of IDBI Bank Ltd.	Non Executive	Four	No	Two	Nil	Two	Nil

None of the Directors are related to each other

- c. During the year four Board Meetings were held on May 30, 2013, August 13, 2013, November 08, 2013 and February 11, 2014.

**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. Deepak Gupta.



During the year four meetings of the Audit Committee were held on May 30, 2013, August 13, 2013, November 08, 2013 and February 11, 2014. 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	Four
Mr. Deonath Singh	Four
Mr. Deepak Gupta	Four

#### **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 Agents of the Company who attend to the Share Transfer formalities, transmission of shares, issue of duplicate certificates and issue of certificates on split/ consolidation/ renewal etc. at least once in a fortnight. The transfers etc. approved by the Registrars and Transfer Agents 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 Nomination and Remuneration Committee**

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

The Committee presently comprises of Mr. Mahendra Lodha – Chairman, Mr. Deonath Singh and Mr. Deepak Gupta.

#### **7 Risk Management**

The Company has constituted a Risk Management Committee to review the Risk Management framework and the Risk mitigation plans which are presented to the Audit Committee and the Board of Directors on a periodical basis. The Committee presently consists of Mr. Deonath Singh, Mr. H. D. Ramsinghani, Mr. Mahendra Lodha and Mr. Deepak Gupta.

#### **8 Stakeholders Relationship Committee**

The Stakeholders Relationship Committee specifically looks into the redressing of Shareholders and Investors complaints relating to Share transfers, non-receipt of Balance Sheet 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	2	2
Non - Receipt of Dividend Warrants	2	2
Non - Receipt of Demat Credit/Remat Cert	Nil	Nil
Non - Receipt of Annual Reports	1	1
Miscellaneous	Nil	Nil
Letters from Stock Exchanges, SEBI and Ministry of Corporate Affairs	Nil	Nil

**9. Remuneration of Directors**

**(a) Managing Director**

No remuneration was paid to the Managing Director during the year under review.

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

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

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

<b><u>Name of the Director</u></b>	<b><u>Sitting Fees (₹)</u></b>
Mr. S S Arora	NIL
Mr. Mahendra Lodha	18000/-
Mr. Deonath Singh	20000/-
Mr. Deepak Gupta *	18000/-
<b>TOTAL</b>	<b>56000/-</b>

\* Sitting fees paid to IDBI Bank Ltd. for the meetings attended by its Nominee Director Mr. Deepak Gupta.

**10. General Body Meetings**

<b>Financial Year</b>	<b>Date</b>	<b>Time</b>	<b>Location</b>
2010-2011	23/09/2011	10.00 A.M	Village Chaundheri,P.O Dappar, Dist. Mohali, Punjab 140506
2011-2012	29/09/2012	10.00 A.M	Village Chaundheri,P.O Dappar, Dist. Mohali, Punjab 140506
2012-2013	13/09/2013	10.00 A.M	Village Chaundheri,P.O Dappar, Dist. Mohali, Punjab 140506

**11. Postal Ballot/Special Resolutions**

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

Special Resolutions passed in the previous Three Annual General Meetings.

<b>Date</b>	<b>Particulars</b>
23.09.2011	No Special Resolutions were passed.
29.09.2012	Reappointment of Mr. H. D. Ramsinghani as the Managing Director of the Company.
	Appointment of Mr. S. S. Arora as Advisor – Raw Material Purchase of the Company.
13.09.2013	No Special Resolutions were passed.

**12. Disclosures**

- 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.
- 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.
- 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.

**13. Means of communication**

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

**14. General Shareholder Information:**

Financial Year	: 31 <sup>st</sup> March, 2014
Annual General Meeting	: September 19, 2014 at 10.00 a.m. At Village Chaundheri, P O Dappar, Tehsil Derabassi, Dist Mohali, Punjab 140 506.
Dates of Book Closure	: September 5, 2014 to September 19, 2014 (both days inclusive)
Dividend payment date	: Not Applicable
Listing on Stock Exchange	: Bombay Stock Exchange Ltd.
Stock Code	: 532441 (BSE)
International Securities	: INE820D01025
Identification Number allotted By NSDL	:

**15. Market Price Data (High/Low in ₹ during each month) :**

<b>Month</b>	<b>High</b>	<b>Low</b>
April 2013	--	--
May 2013	--	--
June 2013	--	--
July 2013	15.00	11.05
August 2013	8.85	3.94
September 2013	4.33	2.76
October 2013	2.89	2.12
November 2013	2.96	2.01
December 2013	3.39	2.76
January 2014	3.05	2.68
February 2014	2.80	1.97
March 2014	2.22	1.84

**16. Registrars & Transfer Agent**

Link Intime India Private Limited  
 C - 13, Pannalal Silk Mills Compound,  
 L. B. S. Marg, Bhandup (West)  
 Mumbai 400078  
 Tel : 25963838; Fax : 25946969  
 Email : [mnt.helpdesk@linkintime.co.in](mailto:mnt.helpdesk@linkintime.co.in)

**17. Distribution of Equity Shareholding as of March 31, 2014:**

<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	14728	97.10	1101161	8.29
501 – 1000	214	1.41	156780	1.18
1001 – 2000	103	0.68	152003	1.14
2001 – 3000	29	0.19	69746	0.53
3001 – 4000	22	0.15	77410	0.58
4001 – 5000	19	0.13	89769	0.68
5001 – 10000	19	0.12	138109	1.04
10001 & above	34	0.22	11498765	86.56
<b>Total</b>	<b>15168</b>	<b>100.00</b>	<b>13283743</b>	<b>100.00</b>

**18. Shareholders' Profile as on March 31, 2014:**

Category of Shareholders	No. of Shares held	% to Total Capital
Promoters	9478752	71.36
<b>Non Promoter Shareholding</b>		
Foreign Collaborators	NIL	NIL
Banks	984035	7.41
Financial Institutions	240	0.00
Foreign Institutional Investors	NIL	NIL
Mutual Funds	280	0.00
Domestic Companies	231746	1.74
Non-Domestic Companies	NIL	NIL
Non-Resident Indians	22527	0.17
General Public	2566163	19.32
<b>Total</b>	<b>13283743</b>	<b>100.00</b>

**19. Dematerialization of shares as on March 31, 2014:**

94.96% of the Company's total share capital representing 1,26,14,869 Equity shares are held in dematerialized form.

**20. Plant Location :**

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

**21. Address for Correspondence :**

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

**22 Other matters :**

- a) The Company has constituted a Nomination and Remuneration Committee.
- b) 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.
- c) There is no formal policy at present for training of the Board members as all the Board members are eminent and experienced professionals.
- d) There is no formal mechanism at present for evaluation of non-executive Directors.
- e) The Company is in the process of establishing a formal Whistle Blower Policy.
- f) The replies to the Qualifications in Auditors Report on the financial statement are given in the Directors Report.

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

Mr. S. S. Arora is proposed to be reappointed at the forthcoming Annual General Meeting. Mr. Mahendra Lodha and Mr. D. N. Singh are proposed to be appointed as Independent Directors. The relevant information about the said Directors is given in the Notice convening the Annual General Meeting.

For and on behalf of the Board

Place : Mumbai  
Dated : July 31, 2014

**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, 2014, 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, 2014

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

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**CERTIFICATE**

To the Members of  
**RAINBOW DENIM LIMITED**

We have examined the compliance of conditions of corporate governance by **RAINBOW DENIM LIMITED**, for the year ended on 31<sup>st</sup> March 2014, 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 above mentioned 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 01/04/2013 to 31/03/2014 have been attended.

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

Yours faithfully,  
For **Dayal and Lohia**  
Chartered Accountants  
(Firm Registration No.102200W)

**(Sunil Khandelwal)**  
Partner  
Membership No.101388

Place: Mumbai.  
Date : July 31, 2014

## **MANAGEMENT DISCUSSION & ANALYSIS REPORT**

### **1 INDUSTRY STRUCTURE AND DEVELOPMENTS**

As against industry capacity of about 1300 million meters the domestic demand is about 600 million meters and export demand is about 300 million meters. There has been a 30% capacity addition during the last one year as a result of which there is a severe pressure on prices and also under utilization of capacities by all the Denim manufacturers. Denim prices have fallen by about 10% in the previous year and some manufacturers are shifting to non Denim products.

### **2 OPPORTUNITIES, THREATS AND OUTLOOK**

The outlook for the industry is not very encouraging in the near future due to entry of several medium/large players and the increasing competition from the un organized sector. Fluctuation in the prices of Cotton, frequent changes in Government policies, devaluation of rupee, severe power cuts and non availability of skilled labor are some of the challenges being faced by the denim Industry. As a result the Companies will have to make all efforts to develop value added varieties to cater to the niche market to tide over the current recessionary trends in the Denim market.

### **3 SEGMENT WISE PERFORMANCE**

The Company has only single activity of manufacturing Denim fabric and hence no segment wise information is given.

### **4 RISKS AND CONCERNS**

The risks and concerns for the company continue to be high cost of major input viz. cotton and intense competition in domestic and export markets due to large scale over capacity.

### **5 INTERNAL CONTROL SYSTEMS**

The Company has an adequate system of Internal Controls that ensures that all assets are protected against loss from unauthorized 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, 2014, the Company has achieved production of 9.48 million meters of Denim fabric. The sales Turnover is ₹ 11,859.96 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, 2014

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

## **INDEPENDENT AUDITOR'S REPORT**

**To the Members of Rainbow Denim Limited**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Rainbow Denim Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, subject to :

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, 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 account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;

- e. on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For **Dayal and Lohia**  
Chartered Accountants  
Firm's Registration No. 102200W

(S.L. Khandelwal)  
Partner  
M.No. 101388

Place : Mumbai  
Date : May 28, 2014.

**ANNEXURE TO THE AUDITOR'S REPORT**

(Referred to in our Report of even date to the members of **Rainbow Denim Limited**  
on the financial statements for the year ended 31<sup>st</sup> March 2014.)

1. In respect of its Fixed assets:
  - a) The Company has maintained proper records showing full particulars including quantitative details and situations of fixed assets on the basis of available information;
  - b) Management has certified that they have carried out physical verification of fixed assets and no material discrepancy noticed on such verification.
  - c) The Company has not disposed off any substantial part of fixed assets so as to affect its going concern.
2. In respect of its inventories:
  - a) The inventories have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
  - b) In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c) No material discrepancies have been noticed on physical verification of stocks as compared to book records in so far as it appears from our examination of the books.
3. a) According to the information and explanations given to us, the company has not granted any loans, secured or unsecured to the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.  
Accordingly sub clause (b), (c) and (d) are not applicable.
  - e) According to the information and explanations given to us, during the year, the company has not taken any loans from the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 during the year. During the year, it has repaid previous interest free loan of ₹ 3,81,00,000/- to one party.
  - f) In our opinion and according to the information and explanation given to us, the rate of interest and other terms and conditions are prima facie not prejudicial to the interest of the Company.
  - g) Terms of re-payments of Principal amount are not stipulated.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems 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 and services. During the course of our audit, no major weakness has been noticed in the internal controls.
5. In respect of transactions covered under section 301 of the Companies Act, 1956, according to information and explanation 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 explanation given to us, the company has not accepted any deposits 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 made and 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 31st March, 2014, 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 ₹ 19,22,23,318/- and in the immediately preceding financial year it has incurred cash loss of ₹ 1,38,95,602/-.
11. ***On the basis of our examination of the books and according to the information and explanation given to us, we are of the opinion that the company has defaulted in repayment of dues including interest, amounting to ₹ 22,39,29,953/-, to financial institutions and banks.***
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 and therefore the provisions of clause 4 (xiii) of the order are not applicable.
14. The Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the order are not applicable. 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 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, we report that as on the date of Balance Sheet short term funds to the extent of ₹ 47,71,47,154/- have gone into funding the accumulated losses of the Company.***
18. The Company has not made any preferential allotment of shares to parties and companies 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 and Lohia**  
Chartered Accountants  
(Firm Registration No.102200W)

Place : Mumbai  
Date : May 28, 2014.

**(S.L. Khandelwal)**  
Partner  
M.No.: 101388



**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014**

Particulars	Note No.	For the year ended March 31, 2014 ₹	For the year ended March 31, 2013 ₹
<b>REVENUE :</b>			
<b>Revenue from Operations :</b>			
Sale of Products	18	1,185,996,150	1,583,669,833
Less : Excise Duty		-	-
<b>Net Sale of Products</b>		<b>1,185,996,150</b>	<b>1,583,669,833</b>
Other Operating Revenues	19	<u>18,700,018</u>	<u>38,123,407</u>
<b>Net Revenue from Operations</b>		<b>1,204,696,168</b>	<b>1,621,793,240</b>
Other Income	20	<u>3,576,696</u>	<u>6,965,266</u>
<b>TOTAL REVENUE</b>		<b><u>1,208,272,864</u></b>	<b><u>1,628,758,506</u></b>
<b>EXPENSES :</b>			
Cost of Material Consumed	21	737,982,294	948,685,931
Changes in Inventories of Finished Goods and Work-in-progress - Decrease / (Increase)	22	73,734,986	(46,925,983)
Employee Benefits Expense	23	125,057,238	138,525,267
Finance Costs	24	97,929,913	104,569,943
Depreciation	10 & 3	91,532,633	91,598,538
Other Expenses	25	<u>365,791,751</u>	<u>497,798,950</u>
<b>TOTAL EXPENSES</b>		<b><u>1,492,028,815</u></b>	<b><u>1,734,252,646</u></b>
<b>Profit / (Loss) Before Tax</b>		<b>(283,755,951)</b>	<b>(105,494,140)</b>
Tax Expense		-	-
<b>PROFIT / (LOSS) FOR THE YEAR</b>		<b><u>(283,755,951)</u></b>	<b><u>(105,494,140)</u></b>
<b>Earning per Equity Share of Face Value of ₹ 10.00 each</b>	26		
<b>Before Extraordinary items :</b>			
- Basic		(21.36)	(7.94)
- Diluted		(21.36)	(4.45)
<b>After Extraordinary items :</b>			
- Basic		(21.36)	(7.94)
- Diluted		(21.36)	(4.45)

**Significant Accounting Policies**

1

The accompanying notes 1 to 34 are an integral part of the Financial Statements.

As per our attached report of even date,  
for Dyal and Lohia,  
Chartered Accountants  
Firm Regn. No. 102200W

For and on behalf of the Board of Directors,

(S. L. Khandelwal)  
Partner  
Membership No. : 101388

R. D. Jog  
Company Secretary

D. N. Singh  
Director

H. D. Ramsinghani  
Chairman &  
Managing Director

Place : Mumbai  
Date : May 28, 2014

Place : Mumbai  
Date : May 28, 2014

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014**

Particulars	For the year ended March 31, 2014		For the year ended March 31, 2013	
	₹	₹	₹	₹
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>				
Net Profit / (Loss) Before Tax		(283,755,951)		(105,494,140)
<b>Adjustments for :</b>				
Depreciation	91,532,633		91,598,538	
Loss / (Profit) on Sale/Disposal of Assets	-		726,822	
Interest Accrued	97,929,913		104,569,943	
Interest Income	(2,653,532)		(3,847,574)	
Dividend Income	(6,327)		(27,034)	
Wealth Tax	3,970		7,851	
Loss/(Gain) on Foreign Exchange Fluctuations	<u>3,881,958</u>		<u>(2,143,680)</u>	
		<b>190,688,615</b>		<b>190,884,866</b>
<b>Operating Loss Before Working Capital Changes</b>		<b>(93,067,336)</b>		<b>85,390,726</b>
<b>Adjustments for :</b>				
(Increase) / Decrease in Inventories	72,309,376		(14,863,488)	
(Increase) / Decrease in Trade and Other Receivables	37,634,463		(23,887,083)	
Increase / (Decrease) in Trade and Other Payables	<u>(14,060,968)</u>		<u>(21,066,420)</u>	
		<b>95,882,871</b>		<b>(59,816,991)</b>
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		<b><u>2,815,535</u></b>		<b><u>25,573,735</u></b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>				
Purchase of Fixed Assets (Including Capital Advances)		(1,192,987)		(3,663,351)
Sale of Fixed Assets		-		1,915,613
Interest Income		2,653,532		3,847,574
(Increase) / Decrease in Non Current Assets		24,358,209		(7,090,350)
Dividend Income		6,327		27,034
<b>NET CASH FROM / (USED IN) INVESTING ACTIVITIES</b>		<b><u>25,825,081</u></b>		<b><u>(4,963,480)</u></b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>				
Increase / (Decrease) in Share Capital		60,000,000		-
Increase / (Decrease) in Share Application Money		(60,000,000)		-
Increase / (Decrease) in Long Term Borrowings (Net)		(32,296,771)		(133,081,061)
Increase / (Decrease) in Short Term Borrowings (Net)		(20,982,144)		135,119,962
Increase / (Decrease) in Current Maturities of Long Term Debts (Net)		47,835,542		58,265,863
Interest Paid		(22,027,598)		(86,561,780)
<b>NET CASH FROM / (USED IN) FINANCING ACTIVITIES</b>		<b><u>(27,470,971)</u></b>		<b><u>(26,257,016)</u></b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS ( A + B + C )</b>		<b>1,169,645</b>		<b>(5,646,761)</b>
<b>OPENING BALANCE OF CASH AND CASH EQUIVALENTS</b>		<b>13,701,437</b>		<b>19,348,198</b>
<b>CLOSING BALANCE OF CASH AND CASH EQUIVALENTS</b>		<b>14,871,082</b>		<b>13,701,437</b>

**Note :**

- All figures in bracket are outflow.
- The above Cash Flow Statement has been prepared under 'Indirect Method' as set out in the Accounting Standard (AS) 3 on 'Cash Flow Statement' notified by Companies (Accounting Standards) Rules, 2006.

As per our attached report of even date,  
for Dayal and Lohia,  
Chartered Accountants  
Firm Regn. No. 102200W

For and on behalf of the Board of Directors,

(S. L. Khandelwal)  
Partner  
Membership No. : 101388

R. D. Jog  
Company Secretary

D. N. Singh  
Director

H. D. Ramsinghani  
Chairman &  
Managing Director

Place : Mumbai  
Date : May 28, 2014

Place : Mumbai  
Date : May 28, 2014

## **Notes to Financial Statements for the year ended March 31, 2014**

### **1. SIGNIFICANT ACCOUNTING POLICIES :**

#### **A. General :**

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

#### **B. Revenue Recognition :**

- a. The company follows practice of accounting for all Income and Expenditure on accrual basis.
- b. Export incentives have been recognized in the year of export.
- c. Claims and damages are accounted for to the extent they are reasonably certain and determinable.

#### **C. 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 has been credited to respective Capital Reserve Accounts. Depreciation attributable to these reserves has been adjusted there from.
- b. Pre-operative Expenditure comprising of revenue expenditure incurred in connection with project implementation during the period upto commencement of commercial production are treated as part of project cost and are capitalized.
- c. Adjustments arising from foreign exchange variation, attributable to Fixed Assets, are capitalized.

#### **D. 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 as applicable to the continuous process plant. Depreciation on additions/deletion is provided pro-rata basis with the reference to the date of addition/deletion as the case may be, except in case of fixed assets costing less than ₹ 5,000 per item which are written off in the year of addition.

#### **E. Excise and Custom Duty :**

- a. Excise duty, if applicable, is accounted on the basis of both, payments made in respect of goods cleared as also provision made for goods lying in bonded warehouse.
- b. Liability on account of customs duty on imported materials is accounted in the year in which the goods are cleared from the customs.

#### **F. 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.
- c. Exchange difference in the carrying amount of the Fixed Assets due to change in the rate of exchange of Fixed Assets linked liability denominated in foreign exchange has been adjusted to the book value of the relevant asset.

#### **G. Investments :**

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

#### **H. Employee Benefits :**

##### **a. Short Term Employee Benefits :**

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The benefits like salaries, wages, short term compensated absences etc. and the expected cost of bonus, ex-gratia are recognized in the period in which the employee renders the related service.

## Notes to Financial Statements for the year ended March 31, 2014

### **b. Post Employment Benefits :**

Defined Benefit Plans : The Employee Gratuity Fund Scheme and Government Provident Fund Scheme are funded defined benefit schemes. Employee Gratuity Fund Scheme is covered by Group Insurance Scheme of Life Insurance Corporation of India and Provident Fund Scheme is provided on accrual basis.

### **c. Long Term Employee Benefits :**

The obligation for long term employee benefit such as long term compensated absence is funded benefit which is covered by Group Insurance Scheme of Life Insurance Corporation of India.

## **I. Valuation of Inventories :**

**a.** Work-in-progress are valued at the lower of cost or net realizable value. The cost is computed on weighted average method and includes cost of materials, cost of conversion and other costs incurred in acquiring the inventory and bringing them to their present location and condition.

**b.** Finished Goods are valued at the lower of cost or net realizable value. The cost is computed on weighted average method and includes cost of materials, cost of conversion and other costs incurred in acquiring the inventory and bringing them to their present location and condition.

**c.** Raw Materials and other inventories of Colours, Dyes, Chemicals, Stores, Spares and Packing Materials etc. are valued at the lower of cost or net realizable value. Raw materials and other supplies held for use in production of inventories are not written down below cost except in cases where material prices have declined, and it is estimated that the cost of the finished products will exceed their net realizable value. The cost of Raw Materials is computed on specific identification basis and other inventories of Colours, Dyes, Chemicals, Stores, Spares and Packing Materials etc. is computed on FIFO basis.

**d.** Stock of Waste and Scrap is valued at estimated net realizable value.

## **J. 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.

## **K. 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 charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future. Deferred tax assets are reviewed at each Balance Sheet date and is written-down or written up to reflect the amount that is reasonably or virtually certain, as the case may be, to be realized.

## **L. Impairment of Assets :**

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount of the assets or the recoverable amount of the cash generating unit to which the assets belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Statement of Profit and Loss. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

## **M. Provisions and Contingent Liabilities :**

The company creates a provision when there is a present obligation as a result of past events that probably requires an outflow of resources and reliable estimates can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is possible obligation or a present obligation that may require an outflow of resources. Contingent assets are neither recognized nor disclosed.

**Notes to Financial Statements for the year ended March 31, 2014**

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of Shares	₹	Number of Shares	₹
<b>2. SHARE CAPITAL :</b>				
<b>AUTHORISED :</b>				
Equity Shares of ₹ 10.00 each	<u>27,000,000</u>	<u>270,000,000</u>	27,000,000	270,000,000
	<u>27,000,000</u>	<u>270,000,000</u>	27,000,000	270,000,000
<b>ISSUED, SUBSCRIBED AND FULLY PAID-UP :</b>				
Equity Shares of ₹ 10.00 each fully paid-up	<u>13,283,743</u>	<u>132,837,430</u>	7,283,743	72,837,430
<b>TOTAL</b>	<u>13,283,743</u>	<u>132,837,430</u>	<u>7,283,743</u>	<u>72,837,430</u>

**2.1 Details of Shareholders holding more than 5% Shares :**

	Number of Shares	% of holding	Number of Shares	% of holding
a. Indo-US Investments INC.	2,517,435	18.95	2,517,435	34.56
b. Bank of India	620,040	4.67	620,040	8.51
c. IDBI Bank Limited	362,035	2.73	475,942	6.53
d. Rainbow Agri Industries Limited	6,000,000	45.17	-	-

**2.2 Reconciliation of number of shares outstanding is set out below :**

	As at March 31, 2014 ₹	As at March 31, 2013 ₹
Equity Shares outstanding at the beginning of the year	7,283,743	18,209,359
Add : Shares issued during the year	6,000,000	-
Less : Shares cancelled during the year	-	10,925,616
Equity Shares outstanding at the end of the year	<u>13,283,743</u>	<u>7,283,743</u>

**2.3** *The Board for Industrial and Financial Reconstruction (BIFR) has, vide its order dated December 27, 2012, sanctioned a Rehabilitation Scheme, which inter alia, provides for reduction of Paid up Equity Share Capital of the Company by 60%. Accordingly, the Paid up Equity Share Capital of the Company, in the previous year, stands reduced from ₹ 18,20,93,590 divided into 1,82,09,359 Equity Shares of ₹ 10 each to ₹ 7,28,37,430 divided into 72,83,743 Equity Shares of ₹ 10 each and consequent to this, accumulated losses had been reduced to the extent of ₹ 10,92,56,160.*

Particulars	As at March 31, 2014 ₹	As at March 31, 2013 ₹
<b>3. RESERVES AND SURPLUS :</b>		
<b>Capital Reserve :</b>		
Balance as per last financial statements	119,329,672	123,401,564
Less : Adjustment for Depreciation	4,071,892	4,071,892
Balance at the end of the year	<u>115,257,780</u>	<u>119,329,672</u>
<b>Share Premium Account :</b>		
Balance as per last financial statements	49,364,092	49,364,092
<b>Interest Subsidy :</b>		
Balance as per last financial statements	5,162,960	5,834,579
Less : Adjustment for Depreciation	671,619	671,619
Balance at the end of the year	<u>4,491,341</u>	<u>5,162,960</u>
<b>Surplus / (Deficit) in Statement of Profit and Loss :</b>		
Balance as per last financial statements	(427,805,807)	(431,567,827)
Add : Net Profit/(Net Loss) for the year	(283,755,951)	(105,494,140)
Add : Reduction in Share Capital (Refer Note 2.3)	-	109,256,160
Balance at the end of the year	<u>(711,561,758)</u>	<u>(427,805,807)</u>
<b>TOTAL</b>	<u>(542,448,545)</u>	<u>(253,949,083)</u>

**Notes to Financial Statements for the year ended March 31, 2014**

Particulars	As at March 31, 2014 ₹	As at March 31, 2013 ₹
<b>4. LONG TERM BORROWINGS :</b>		
<b>Secured :</b>		
Term Loans from Financial Institutions and Banks	779,871,215	913,281,119
Other Loans	101,677,940	-
Against Hire Purchase of Vehicles	316,304	881,111
<b>Total Secured Long Term Borrowings</b>	<b>881,865,459</b>	<b>914,162,230</b>
<b>TOTAL LONG TERM BORROWINGS</b>	<b>881,865,459</b>	<b>914,162,230</b>

**4.1 Details of Secured Long Term Borrowings :**

**Term Loans from Financial Institutions and Banks :**

IDBI Bank Limited	391,971,392	425,152,924
Export Import Bank of India	-	44,200,092
Bank of India	191,503,041	236,003,353
Dena Bank	190,608,822	202,044,590
AB Bank Limited	5,787,960	5,880,160

**Other Loans :**

Edelweiss Asset Reconstruction Company Limited	38,677,940	-
Assets Care & Reconstruction Enterprises Limited	-	-
Dhawalgiri Properties Private Limited	63,000,000	-

**Against Hire Purchase of Vehicles :**

HDFC Bank Limited	316,304	881,111
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**Total**

<b>881,865,459</b>	<b>914,162,230</b>
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**4.2** Term Loans from Financial Institutions and Banks are secured by First Charge ranking parri-passu on all movable and immovable assets, present and future (Subject to charge on specified movables created/to be created in favour of Company's Bankers to secure Working Capital) and personal guarantee of Managing Director and erstwhile Director of the Company. Further, Term Loans are also secured by Corporate guarantee and First Charge on immovable properties of Rama Petrochemicals Limited. Maturity profile and Rate of interest of Term Loans are as set out below :

Year / Rate of Interest per annum	0.00%	4.00%	9.00%	11.00%	13.50%
2015-16	37,179,592	-	2,919,337	39,841,100	6,836,565
2016-17	-	-	-	88,263,362	-
2017-18	-	31,637,076	-	61,293,598	-
2018-19	-	94,186,652	-	-	-
2019-20	-	91,771,576	-	-	-
2020-21	64,959,542	23,909,659	-	-	-
2021-22	83,231,161	-	-	-	-
2022-23	77,140,615	-	-	-	-
2023-24	63,256,325	-	-	-	-
2024-25	13,445,055	-	-	-	-

The Company has defaulted in payment of Principal and Interest of ₹ 18,43,05,462 (Previous Year - ₹ 4,53,17,413)

**4.3** Loan taken from Export Import Bank of India assigned to Edelweiss Asset Reconstruction Company Limited (EARC) is secured by First Charge ranking parri-passu on all movable and immovable assets, present and future (Subject to charge on specified movables created/to be created in favour of Company's Bankers to secure Working Capital) and personal guarantee of Managing Director and erstwhile Director of the Company. Further, the loan is also secured by Corporate guarantee and First Charge on immovable properties of Rama Petrochemicals Limited. Maturity profile and Rate of interest of Term Loan are as set out below :



**Notes to Financial Statements for the year ended March 31, 2014**

Year / Rate of Interest per annum	0.00%	4.00%	11.00%	13.50%
2015-16	1,890,775	-	2,921,440	535,589
2016-17	-	-	6,472,116	-
2017-18	-	1,570,088	4,494,522	-
2018-19	-	4,674,308	-	-
2019-20	-	4,554,452	-	-
2020-21	2,179,400	1,186,552	-	-
2021-22	2,802,084	-	-	-
2022-23	2,594,526	-	-	-
2023-24	2,283,180	-	-	-
2024-25	518,908	-	-	-

The Company has defaulted in payment of Principal and Interest of ₹ 1,06,39,372 (Previous Year - ₹ 15,12,044)

- 4.4** Loan taken from Industrial Investment Bank of India assigned to Assets Care & Reconstruction Enterprises Limited (ACRE) is secured by First Charge ranking parri-passu on all movable and immovable assets, present and future (Subject to charge on specified movables created/to be created in favour of Company's Bankers to secure Working Capital) and personal guarantee of Managing Director and erstwhile Director of the Company. Further, the loan is also secured by Corporate guarantee and First Charge on immovable properties of Rama Petrochemicals Limited. The loan carries interest @ 20% p.a.

The Company has defaulted in payment of Principal and Interest of ₹ 15,43,547 (Previous Year - ₹ Nil) with reference to Current Maturities rederred in Note 8.

- 4.5** Loans taken from Financial Institutions, Banks and liabilities assigned to Edelweiss Asset Reconstruction Company Limited (EARC) and Assets Care & Reconstruction Enterprises Limited (ACRE), are further secured by pledge of investments by other companies.
- 4.6** Loan from Dhawalgiri Properties Private Limited is repayable in single installment on September 30, 2016 and carries interest @ 9% p.a. (Previous Year @ 9% p.a.). The loan is secured by equitable mortgage over Office Premises of the Company and personal guarantees of erstwhile Directors of the Company.
- 4.7** Loans from HDFC Bank Limited are payable in the year 2015-16 and carry interest @ 11.50% p.a. The loans are secured by hypothecation of motor vehicles purchased there against.

Particulars	As at March 31, 2014 ₹	As at March 31, 2013 ₹
<b>5. OTHER LONG TERM LIABILITIES :</b>		
Security Deposits	485,219	388,336
<b>TOTAL OTHER LONG TERM LIABILITIES</b>	<b>485,219</b>	<b>388,336</b>
<b>6. SHORT TERM BORROWINGS :</b>		
<b>Secured :</b>		
<b>Working Capital Loans from Banks</b>	<b>326,253,266</b>	279,491,094
<i>(Secured by hypothecation of Raw Materials, Semi Finished Goods, Finished Goods, Stores and Spares and Book Debts and second parri-passu charge on movable Plant and Machinery and immovable properties of the Company. Further, Working Capital Loans are secured by personal guarantee of Managing Director and erstwhile Director of the Company and Corporate guarantee of Rama Petrochemicals Limited)</i>		
<b>External Commercial Borrowings from Banks</b>	-	45,244,316
<i>(Secured by exclusive First Charge on specific assets and second parri-passu charge on immovable properties of the Company. Further, Borrowings are secured by personal guarantee of Managing Director of the Company)</i>		
<b>Total Secured Short Term Borrowings</b>	<b>326,253,266</b>	324,735,410
<b>Unsecured :</b>		
Loans and Advances from Related Parties [Refer Note 27.1]	15,600,000	38,100,000
<b>Total Unsecured Short Term Borrowings</b>	<b>15,600,000</b>	38,100,000
<b>TOTAL SHORT TERM BORROWINGS</b>	<b>341,853,266</b>	362,835,410

**Notes to Financial Statements for the year ended March 31, 2014**

Particulars	As at March 31, 2014 ₹	As at March 31, 2013 ₹
<b>6.1</b> Working Capital Loans from Banks include Devolved Letters of Credits issued by them. Interest is accounted as per banking norms.	<b>39,624,491</b>	96,067,321
<b>6.2</b> Rate of interest on Working Capital Loans from Banks, except Devolved Letters of Credits, are set out below :		
- Rate of Interest per annum	<b>9.00%</b>	9.50%
- Amount Outstanding	<b>278,217,323</b>	8,411,452
<b>7. TRADE PAYABLES :</b>		
Trade Payables	<b>204,248,890</b>	216,724,829
<b>7.1</b> On the basis of information available with the Company of vendors' status being Micro, Small and Medium Enterprises, as defined under The Micro, Small and Medium Enterprises Development Act, 2006, no amount of principal and interest is overdue.		
<b>8. OTHER CURRENT LIABILITIES :</b>		
Current Maturities of Long Term Debts [Refer Note 4]	<b>207,818,048</b>	159,982,506
Interest Accrued But Not Due on Borrowings	<b>20,433,203</b>	5,354,337
Interest Accrued and Due on Borrowings	<b>83,944,057</b>	23,120,608
Advances from Customers	<b>120,644</b>	149,373
Accrued Salary and Employee Benefits Payable	<b>9,282,739</b>	8,596,728
Statutory Dues	<b>2,342,545</b>	2,763,743
Other Liabilities	<b>17,904,399</b>	18,180,417
<b>TOTAL OTHER CURRENT LIABILITIES</b>	<b>341,845,635</b>	218,147,712
<b>8.1 Details of Current Maturities of Long Term Debts</b>		
<b>Term Loans from Financial Institutions and Banks :</b>		
IDBI Bank Limited	<b>75,962,178</b>	42,780,646
Export Import Bank of India	-	6,170,849
Bank of India	<b>97,009,979</b>	52,509,667
Dena Bank	<b>21,020,472</b>	9,584,704
AB Bank Limited	<b>69,150</b>	48,405
<b>Other Loans :</b>		
Edelweiss Asset Reconstruction Company Limited	<b>11,693,001</b>	-
Assets Care & Reconstruction Enterprises Limited	<b>1,498,458</b>	17,000,000
Dhawalgiri Properties Private Limited	-	31,384,596
<b>Against Hire Purchase of Vehicles :</b>		
HDFC Bank Limited	<b>564,810</b>	503,639
<b>Total</b>	<b>207,818,048</b>	159,982,506
<b>9. SHORT TERM PROVISIONS :</b>		
Provision for Gratuity and Leave Encashment	<b>1,972,446</b>	3,610,454
<b>TOTAL SHORT TERM PROVISIONS</b>	<b>1,972,446</b>	3,610,454

Notes to Financial Statements for the year ended March 31, 2014

10. FIXED ASSETS :

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at April 01, 2013	Additions during the year	(Deductions)/ Adjustments during the year	As at March 31, 2014	As at April 01, 2013	For the year	(Deductions)/ Adjustments during the year	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
<b>a. Tangible Assets :</b>										
Freehold Land [including site development]	30,755,142	-	-	30,755,142	-	-	-	-	30,755,142	30,755,142
Buildings	351,410,536	-	-	351,410,536	117,129,585	10,441,664	-	127,571,249	223,839,287	234,280,951
Plant and Machinery	1,591,711,023	121,249	-	1,591,832,272	847,512,956	84,048,471	-	931,561,427	660,270,845	744,198,067
Furniture and Fixtures	9,964,394	26,747	-	9,991,141	5,761,359	536,582	-	6,297,941	3,693,200	4,203,035
Vehicles	8,265,343	-	-	8,265,343	4,319,330	613,157	-	4,932,487	3,332,856	3,946,013
Computers and Office Equipments	8,204,361	953,491	-	9,157,852	6,452,468	486,066	-	6,938,534	2,219,318	1,751,893
Other Equipments	1,723,339	91,500	-	1,814,839	594,013	92,992	-	687,005	1,127,834	1,129,326
<b>TOTAL</b>	<b>2,002,034,138</b>	<b>1,192,987</b>	<b>-</b>	<b>2,003,227,125</b>	<b>981,697,711</b>	<b>96,218,932</b>	<b>-</b>	<b>1,077,988,643</b>	<b>925,238,482</b>	<b>1,020,264,427</b>
<b>b. Intangible Assets :</b>										
Computer Software	442,589	-	-	442,589	296,904	57,212	-	354,116	88,473	145,685
<b>TOTAL</b>	<b>442,589</b>	<b>-</b>	<b>-</b>	<b>442,589</b>	<b>296,904</b>	<b>57,212</b>	<b>-</b>	<b>354,116</b>	<b>88,473</b>	<b>145,685</b>
<b>Current Year</b>	<b>2,002,476,727</b>	<b>1,192,987</b>	<b>-</b>	<b>2,003,669,714</b>	<b>982,066,615</b>	<b>96,276,144</b>	<b>-</b>	<b>1,078,342,759</b>	<b>925,326,955</b>	<b>1,020,410,112</b>
<b>Previous Year</b>	<b>2,004,751,536</b>	<b>3,663,351</b>	<b>(5,938,160)</b>	<b>2,002,476,727</b>	<b>889,020,291</b>	<b>96,342,049</b>	<b>(3,295,725)</b>	<b>982,066,615</b>	<b>1,020,410,112</b>	<b>1,115,731,245</b>
<b>Capital Work-in-progress</b>										
<b>10.1</b> Gross Block of Vehicles include cost of vehicle acquired on Hire Purchase basis.										
									<b>1,772,050</b>	<b>1,772,050</b>

**Notes to Financial Statements for the year ended March 31, 2014**

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of Shares	₹	Number of Shares	₹
<b>11. NON-CURRENT INVESTMENTS (At Cost) :</b>				
<b>Investments in Equity Shares (Trade) :</b>				
<b>Unquoted :</b>				
Equity Shares of ₹ 10.00 each in Nimbua Greenfield (Punjab) Limited fully paid up.	28,125	281,250	28,125	281,250
<b>Sub-total</b>		<u>281,250</u>		<u>281,250</u>
<b>Investments in Equity Shares (other than trade) :</b>				
<b>Quoted :</b>				
Equity Shares of ₹ 10.00 each in Dena Bank fully paid up.	5,752	155,304	5,752	155,304
<b>Unquoted (Related Party) :</b>				
Equity Shares of ₹ 10.00 each in Rama Industries Limited fully paid up.	43,440	434,400	108,600	1,086,000
Less : Provision for diminution in value of Investments		<u>433,400</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 NON-CURRENT INVESTMENTS</b>		<u>437,554</u>		<u>437,554</u>
<b>Aggregate value of quoted Investments :</b>				
At Cost price		155,304		155,304
At Market price		348,284		514,804
<b>Aggregate value of unquoted Investments :</b>				
At Cost price		715,650		1,367,250
			As at	As at
			March 31, 2014	March 31, 2013
			₹	₹
<b>12. LONG TERM LOANS AND ADVANCES :</b>				
[Unsecured, considered good unless otherwise stated]				
Prepaid Expenses		81,406		93,852
Security Deposits		22,894,466		19,692,473
<b>TOTAL LONG TERM LOANS AND ADVANCES</b>		<u>22,975,872</u>		<u>19,786,325</u>
<b>13. OTHER NON-CURRENT ASSETS :</b>				
<b>Balances with Banks :</b>				
In deposit Accounts against Margin Money with more than 12 months maturity. [Refer Note 16]		1,100,000		23,100,000
Interest Receivable		46,335		2,404,544
<b>TOTAL OTHER NON-CURRENT ASSETS</b>		<u>1,146,335</u>		<u>25,504,544</u>

**Notes to Financial Statements for the year ended March 31, 2014**

Particulars	As at March 31, 2014 ₹	As at March 31, 2013 ₹
<b>14. INVENTORIES :</b>		
Raw Materials	17,523,269	15,763,740
Work-in-progress	48,434,553	45,088,782
Finished Goods	59,207,537	136,240,362
Colours, Dyes and Chemicals	13,211,287	8,758,829
Stores, Packing Materials and Consumables	21,159,197	25,945,574
Waste and Scrap	139,558	187,490
<b>TOTAL INVENTORIES</b>	<b>159,675,401</b>	<b>231,984,777</b>
<b>14.1</b> <i>Work-in-progress are valued at the lower of cost or net realizable value. The cost is computed on weighted average method and includes cost of materials, cost of conversion and other costs incurred in acquiring the inventory and bringing them to their present location and condition.</i>		
<b>14.2</b> <i>Finished Goods are valued at the lower of cost or net realizable value. The cost is computed on weighted average method and includes cost of materials, cost of conversion and other costs incurred in acquiring the inventory and bringing them to their present location and condition.</i>		
<b>14.3</b> <i>Raw Materials and other inventories of Colours, Dyes, Chemicals, Stores, Spares and Packing Materials etc. are valued at the lower of cost or net realizable value. Raw materials and other supplies held for use in production of inventories are not written down below cost except in cases where material prices have declined, and it is estimated that the cost of the finished products will exceed their net realizable value. The cost of Raw Materials is computed on specific identification basis and other inventories of Colours, Dyes, Chemicals, Stores, Spares and Packing Materials etc. is computed on FIFO basis.</i>		
<b>14.4</b> <i>Stock of Waste and Scrap is valued at estimated net realizable value.</i>		
<b>15. TRADE RECEIVABLES :</b>		
[Unsecured]		
<b>Considered good :</b>		
Outstanding for a period less than six months	220,670,973	263,003,117
Outstanding for a period exceeding six months	5,222,708	2,647,153
<b>Considered doubtful :</b>		
Outstanding for a period exceeding six months	3,770,724	3,770,724
	<b>229,664,405</b>	269,420,994
Less : Provision for Doubtful Debts	3,770,724	3,770,724
<b>TOTAL TRADE RECEIVABLES</b>	<b>225,893,681</b>	<b>265,650,270</b>
<b>16. CASH AND CASH EQUIVALENTS :</b>		
<b>Balances with Banks :</b>		
in Current Accounts	9,041,444	2,341,646
in Deposit Accounts against Margin Money		
- Maturity upto 12 months	3,480,000	9,760,000
- Maturity above 12 months	1,100,000	23,100,000
	<b>4,580,000</b>	32,860,000
Less : Amount disclosed under other Non-current Assets [Refer Note 13]	1,100,000	23,100,000
	<b>3,480,000</b>	9,760,000
<b>Cash Balance on Hand</b>	<b>2,349,638</b>	1,599,791
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>14,871,082</b>	<b>13,701,437</b>

**Notes to Financial Statements for the year ended March 31, 2014**

Particulars	As at March 31, 2014 ₹	As at March 31, 2013 ₹
<b>17. SHORT TERM LOANS AND ADVANCES :</b>		
[Unsecured, considered good]		
Advances recoverable in cash or in kind or for value to be received :		
Advances for Supply of Goods and Services	561,276	1,476,184
Export Incentives Receivables	8,749,051	10,591,114
Prepaid Expenses	1,096,309	817,970
Balance with Government Authorities	675,234	733,518
Other Loans and Advances	<u>1,251,050</u>	<u>3,663,513</u>
<b>TOTAL SHORT TERM LOANS AND ADVANCES</b>	<u><u>12,332,920</u></u>	<u><u>17,282,299</u></u>
<b>17.1</b> <i>Other Loans and Advances includes Loans and Advances given to a Related Party. [Refer Note 27.1]</i>	-	2,280,752
Particulars	For the year ended March 31, 2014 ₹	For the year ended March 31, 2013 ₹
<b>18. SALE OF PRODUCTS :</b>		
Sale of Denim Fabric	<u>1,185,996,150</u>	<u>1,583,669,833</u>
<b>TOTAL SALE OF PRODUCTS</b>	<u><u>1,185,996,150</u></u>	<u><u>1,583,669,833</u></u>
<b>18.1 EARNING IN FOREIGN CURRENCY :</b>		
FOB Value of Exports	87,262,840	137,786,317
<b>19. OTHER OPERATING REVENUES :</b>		
Sale of Waste and Other Materials	11,417,709	25,086,283
Export Incentives	7,282,309	13,037,124
<b>TOTAL OTHER OPERATING REVENUES</b>	<u><u>18,700,018</u></u>	<u><u>38,123,407</u></u>
<b>20. OTHER INCOME :</b>		
Gain on Foreign Exchange Fluctuations (Net)	-	2,143,680
Interest Income	2,653,532	3,847,574
Dividend Income	6,327	27,034
Miscellaneous Income	916,837	946,978
<b>TOTAL OTHER INCOME</b>	<u><u>3,576,696</u></u>	<u><u>6,965,266</u></u>
<b>20.1</b> Miscellaneous Income includes reversal of Provision for diminution in value of Investment no more required.	651,600	-

**Notes to Financial Statements for the year ended March 31, 2014**

Particulars	For the year ended March 31, 2014		For the year ended March 31, 2013	
	% of Consumption	₹	% of Consumption	₹
<b>21. COST OF MATERIAL CONSUMED :</b>				
<b>Raw Materials :</b>				
Imported	Nil	Nil	Nil	Nil
Indigenous	<u>100.00</u>	<u>737,982,294</u>	<u>100.00</u>	<u>948,685,931</u>
<b>TOTAL MATERIALS CONSUMED</b>	<b>100.00</b>	<b>737,982,294</b>	<b>100.00</b>	<b>948,685,931</b>
<b>21.1 Particulars of Raw Materials Consumed :</b>				
Cotton		<u>486,742,407</u>		<u>623,821,471</u>
Yarn		<u>251,239,887</u>		<u>324,864,460</u>
<b>Total</b>		<b><u>737,982,294</u></b>		<b><u>948,685,931</u></b>
<b>21.2 Value of Imports on CIF basis in respect of :</b>				
Raw Materials		Nil		Nil
<b>22. CHANGE IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS - DECREASE / (INCREASE) :</b>				
Particulars	For the year ended March 31, 2014		For the year ended March 31, 2013	
		₹		₹
<b>Finished Goods :</b>				
Closing Stocks		<u>59,207,537</u>		136,240,362
Opening Stocks		<u>136,240,362</u>		<u>35,926,045</u>
<b>Decrease / (Increase) in Finished Goods</b>		<b><u>77,032,825</u></b>		<b><u>(100,314,317)</u></b>
<b>Work-in-progress :</b>				
Closing Stocks		<u>48,434,553</u>		45,088,782
Opening Stocks		<u>45,088,782</u>		<u>98,186,100</u>
<b>Decrease / (Increase) in Work-in-progress</b>		<b><u>(3,345,771)</u></b>		<b><u>53,097,318</u></b>
<b>Waste :</b>				
Closing Stocks		<u>139,558</u>		187,490
Opening Stocks		<u>187,490</u>		<u>478,506</u>
<b>Decrease / (Increase) in Waste</b>		<b><u>47,932</u></b>		<b><u>291,016</u></b>
<b>DECREASE / (INCREASE) IN INVENTORIES</b>		<b><u>73,734,986</u></b>		<b><u>(46,925,983)</u></b>
<b>23. EMPLOYEE BENEFITS EXPENSE :</b>				
Salary and Wages (Including Contractual Labours)		<u>110,953,529</u>		123,525,812
Contribution to Provident Fund and Other Funds		<u>13,894,339</u>		<u>14,648,560</u>
Staff Welfare Expenses		<u>209,370</u>		<u>350,895</u>
<b>TOTAL EMPLOYEE BENEFITS EXPENSE</b>		<b><u>125,057,238</u></b>		<b><u>138,525,267</u></b>

23.1 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 required.

## Notes to Financial Statements for the year ended March 31, 2014

23.2 Consequent to the adoption of Accounting Standard 15 on Employee Benefits issued by the Institute of Chartered Accountants of India, the following disclosures have been made as required by the standards :

**a. Short Term Employee Benefits :**

All employee benefits falling due wholly within twelve months of rendering the service like salaries, wages, short term compensated absences etc. and the expected cost of bonus are recognized on accrual basis.

**b. Post-Employment Benefits :**

**Defined Contribution Plans :**

The Company has recognized the following amounts in the Statement of Profit and Loss for Defined Contribution Plans :

Particulars	For the year ended March 31, 2014 ₹	For the year ended March 31, 2013 ₹
- Provident Fund	8,981,361	7,864,293
- Employees' State Insurance	2,907,752	3,190,593

The Company's Provident Fund and Employee's State Insurance Plan are administered under The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and The Employees' State Insurance Act, 1948 respectively.

The details of Company's Gratuity Fund and Long Term Leave Encashment/Compensated Absences Fund are given below, which are managed by Life Insurance Corporation of India :

Particulars	For the year ended March 31, 2014		For the year ended March 31, 2013	
	Gratuity ₹	Leave Encashment ₹	Gratuity ₹	Leave Encashment ₹

**Principal Actuarial Assumptions :**

Discount rate	8.00%	8.00%	8.00%	8.00%
Salary escalation rate	7.00%	7.00%	7.00%	7.00%

**Change in present value of the obligation :**

Present value of the Obligation at the beginning of the year	14,388,650	4,414,881	12,130,491	4,620,496
Interest Cost	1,149,790	353,190	970,439	90,386
Current Service Cost	2,658,872	1,477,734	3,025,184	1,479,435
Benefits Paid	(3,673,424)	(1,966,040)	(2,058,652)	(1,560,018)
Actuarial (Gain) / Loss on Obligation	(733,120)	(1,605,995)	321,188	(215,418)
Present value of Obligation at year end	13,790,768	2,673,770	14,388,650	4,414,881

**Actuarial Gain / (Loss) recognized :**

Actuarial Gain / (Loss) for the year				
- Obligation	733,120	1,605,995	(321,188)	215,418
- Plan Assets	-	-	-	-
Total Gain / (Loss) for the year	733,120	1,605,995	(321,188)	215,418
Actual Gain / (Loss) recognized in the year	733,120	1,605,995	(321,188)	215,418

**Amount to be recognized in the Balance Sheet :**

Present value of Obligation at year end	13,790,768	2,673,770	14,388,650	4,414,881
Fair value of Plan Assets at year end	11,818,322	4,806,514	11,037,993	6,277,260
Funded status	(1,972,446)	2,132,744	(3,350,657)	1,862,379
Net Asset / (Liability) recognized in the Balance Sheet	(1,972,446)	2,132,744	(3,350,657)	1,862,379



**Notes to Financial Statements for the year ended March 31, 2014**

Particulars	For the year ended March 31, 2014		For the year ended March 31, 2013	
	Gratuity	Leave Encashment	Gratuity	Leave Encashment
	₹	₹	₹	₹
<b>Expenses recognized in the Statement of Profit and Loss :</b>				
Current Service Cost	2,658,872	1,477,734	3,025,184	1,479,435
Interest Cost	1,149,790	353,190	970,439	90,386
Expected return on Plan Assets	(1,103,096)	(224,929)	(965,667)	(580,121)
Actuarial (Gain) / Loss recognized in the year	(733,120)	(1,605,995)	321,188	(215,418)
Expenses recognized in the Statement of Profit and Loss	1,972,446	-	3,351,144	774,282

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
	₹	₹
<b>24. FINANCE COSTS :</b>		
Interest Expenses	97,929,913	104,569,943
<b>TOTAL FINANCE COSTS</b>	<b>97,929,913</b>	<b>104,569,943</b>
<b>25. OTHER EXPENSES :</b>		
<b>Manufacturing Expenses :</b>		
Colours, Dyes and Chemicals Consumed	106,812,598	155,062,527
Stores, Spares, Packing and Consumables Consumed	36,134,492	39,691,205
Power and Fuel Expenses	156,650,877	216,695,937
Insurance Expenses	2,214,652	2,114,078
Repairs and Maintenance :		
- Buildings	695,956	802,654
- Plant and Machinery	4,697,677	6,614,266
<b>Total Manufacturing Expenses</b>	<b>307,206,252</b>	<b>420,980,667</b>
<b>Administrative Expenses :</b>		
Travelling and Conveyance Expenses	3,759,247	6,498,662
Rental and Hiring Charges	3,835,165	5,939,120
Postage and Courier Expenses	244,979	284,349
Printing and Stationery	579,017	618,529
Rates, Fee and Taxes	1,183,533	729,291
Loss on Sale/Disposal of Fixed Assets (Net)	-	726,822
Professional and Legal Expenses	2,618,441	1,857,973
Telecommunication Expenses	1,187,768	1,294,012
Directors' Sitting Fee	56,000	52,000
Auditors' Remuneration :		
- for Audit Fee	376,406	381,968
- for Taxation Matters	84,270	86,411
- for Company Law Matters	11,236	56,180
- for Other Services	155,057	101,040
- for Re-imbursement of Expenses	20,810	23,131

**Notes to Financial Statements for the year ended March 31, 2014**

Particulars	For the year ended March 31, 2014 ₹	For the year ended March 31, 2013 ₹
Advertisement and Publicity Expenses	223,388	176,176
Repairs and Maintenance to Others	1,170,680	1,769,265
Running and Maintenance to Vehicles	1,644,646	2,088,111
Wealth Tax	3,970	7,851
Loss on Foreign Exchange Fluctuations	3,881,958	-
Financial Charges	2,281,574	9,126,571
Other Expenses	4,600,415	7,067,765
<b>Total Administrative Expenses</b>	<b>27,918,560</b>	<b>38,885,227</b>
<b>Selling and Distribution Expenses :</b>		
Freight and Forwarding Expenses	10,289,632	10,862,644
Sales Commission	3,627,125	3,803,442
Rebate, Discounts and Claims	11,424,908	18,910,800
Other Selling and Distribution Expenses	5,325,274	4,356,170
<b>Total Selling and Distribution Expenses</b>	<b>30,666,939</b>	<b>37,933,056</b>
<b>TOTAL OTHER EXPENSES</b>	<b>365,791,751</b>	<b>497,798,950</b>

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
<b>25.1 Value of Colours, Dyes and Chemicals Consumed :</b>	<b>% of Consumption</b>	<b>% of Consumption</b>
Imported	33.05    35,297,024	29.02    45,000,214
Indigenous	66.95    71,515,574	70.98    110,062,313
<b>TOTAL</b>	<b>100.00    106,812,598</b>	<b>100.00    155,062,527</b>
<b>25.2 Value of Stores, Spares, Packing and Consumables Consumed :</b>	<b>% of Consumption</b>	<b>% of Consumption</b>
Imported	30.87    11,153,141	28.86    11,455,823
Indigenous	69.13    24,981,351	71.14    28,235,382
<b>TOTAL</b>	<b>100.00    36,134,492</b>	<b>100.00    39,691,205</b>
<b>25.3 Value of Imports on CIF basis in respect of :</b>		
Colours, Dyes and Chemicals	32,128,897	38,432,583
Stores, Spares, Packing and Consumables	6,866,006	8,406,628
<b>25.4 Expenditure in Foreign Currency :</b>		
Commission	1,053,049	518,734
Travelling and Business Promotion	254,430	534,155
<b>25.5 Other Expenses includes Diminution in value of Investment.</b>	<b>651,600</b>	<b>-</b>

**Notes to Financial Statements for the year ended March 31, 2014**

Particulars	For the year ended March 31, 2014 ₹	For the year ended March 31, 2013 ₹
<b>26. EARNING PER EQUITY SHARE :</b>		
a. Net Profit / (Loss) after tax as per Statement of Profit and Loss attributable to Equity Shareholders (Before Extraordinary items)	(283,755,951)	(105,494,140)
b. Net Profit / (Loss) after tax as per Statement of Profit and Loss attributable to Equity Shareholders (After Extraordinary items)	(283,755,951)	(105,494,140)
c. Number of Equity Shares outstanding	13,283,743	13,283,743
d. Weighted Average Number of Equity Shares outstanding during the year	13,283,743	23,700,495
e. Face Value per Equity Share	10.00	10.00
f. Basic Earning per Equity Share (Before Extraordinary items)	(21.36)	(7.94)
g. Diluted Earning per Equity Share (Before Extraordinary items)	(21.36)	(4.45)
h. Basic Earning per Equity Share (After Extraordinary items)	(21.36)	(7.94)
i. Diluted Earning per Equity Share (After Extraordinary items)	(21.36)	(4.45)

**26.1** *Number of Equity Shares includes shares to be allotted at par against Share Application Money pending allotment.*

**27. 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. Names of Related Parties and Related Party Relationship :**

Sr. No.	Relationship	Related Parties
i)	Enterprise that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise. (Holding, Subsidiaries and Fellow subsidiaries).	None
ii)	Associate and joint ventures of reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture.	None
iii)	Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual.	Indo-US Investment Inc.
iv)	Key management personnel and relative of such personnel.	Mr. H. D. Ramsinghani - Chairman and Managing Director
v)	Enterprises over which any person decribed in (iii) or (iv) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.	Rama Phosphate Limited Rama Petrochemicals Limited Rama Industries Limited Rainbow Agri Industries Limited Rama Capital & Fiscal Services Private Limited Blue Lagoon Investments Private Limited Nova Gelicon Private Limited
<b>Related party relationship is as identified by the Company and relied upon by the Auditors.</b>		

**Notes to Financial Statements for the year ended March 31, 2014**

**b. Transactions with Related Parties :**

Nature of Transactions (Excluding reimbursements)	For the year ended March 31, 2014 ₹	For the year ended March 31, 2013 ₹
<b>Purchases :</b>		
Goods and Material	20,796,342	11,486,122
<b>Expenses :</b>		
Lease Rent	111,565	110,460
Managerial Remuneration	-	1,070,700
<b>Finance :</b>		
Loan Taken / Returned	40,680,752	38,100,000
Loan Given / Returned	60,900,000	60,000,000
Issue of Equity Share	60,000,000	-
<b>Outstandings on account of :</b>		
Loans and Advances	-	2,280,752
Unsecured Loans	15,600,000	38,100,000
Investments (Net of provisions)	1,000	1,000

**27.1 Disclosure in respect of Related Party transactions :**

	For the year ended March 31, 2014 ₹	For the year ended March 31, 2013 ₹
<b>Goods and Material :</b>		
Rama Industries Limited	-	110,071
Rainbow Agri Industries Limited	20,796,342	11,376,051
<b>Lease Rent :</b>		
Rama Industries Limited	111,565	110,460
<b>Managerial Remuneration :</b>		
Mr. H. D. Ramsinghani	-	644,700
Mr. S. S. Arora	-	426,000
<b>Loan Taken / Returned :</b>		
Rama Industries Limited	40,680,752	-
Blue Lagoon Investments Private Limited	-	38,100,000
<b>Loan Given / Returned :</b>		
Rama Industries Limited	22,800,000	-
Rainbow Agri Industries Limited	-	60,000,000
Blue Lagoon Investments Private Limited	38,100,000	-
<b>Issue of Equity Shares :</b>		
Rainbow Agri Industries Limited	60,000,000	-
<b>Outstandings on account of :</b>		
<b>Loans and Advances :</b>		
Rama Industries Limited	-	2,280,752
<b>Unsecured Loans :</b>		
Rama Industries Limited	15,600,000	-
Blue Lagoon Investments Private Limited	-	38,100,000
<b>Investments (Net of provisions) :</b>		
Rama Industries Limited	1,000	1,000

**Notes to Financial Statements for the year ended March 31, 2014**

**28. DEFERRED TAXATION :**

The Major components of Deferred Tax Assets / (Liability), based upon tax returns filed and assessment orders received, arising on account of timing difference are as under :

Particulars	As at March 31, 2014 ₹	As at March 31, 2013 ₹
<b>Deferred Tax Liability :</b>		
Depreciation / Fixed Assets	(176,828,934)	(205,137,614)
<b>Deferred Tax Assets :</b>		
Disallowance u/s 43B of Income-tax Act	105,544,767	86,646,482
Unabsorbed Depreciation and Business Loss	377,202,093	352,091,811
Provision for Doubtful Debts	1,165,154	1,252,540
<b>Net Deferred Tax Assets</b>	<b>307,083,080</b>	234,853,219

Net Deferred Tax Assets are not recognized in absence of virtual certainty that sufficient future taxable income will be available to realize the same, as per Accounting Standard 22 issued by The Institute of Chartered Accountants of India.

29. Bond for ₹ 27,00,00,000 was issued against export obligation of US\$ 7,75,98,359 which is to be fulfilled by January 12, 2019 or such further extension as may be granted. The company has fulfilled export obligation of US\$ 6,42,24,478 upto March 31, 2014.
30. No Debts or Loans and Advances are due from Directors or Officers of the Company or from Firms or Private Companies in which any Director is a Partner, Director or Member. There are no Companies under the same management within the meaning of section 370 (1-B) of the Companies Act, 1956.
31. The Company is a Sick Industrial Company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985. BIFR has approved Rehabilitation Scheme vide order dated December 27, 2012.
32. 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/business segment that is subject to different kind of risk, return or opportunities.
33. Figures have been rounded off to the nearest rupee.
34. Previous Year figures have been re-grouped/re-arranged, wherever necessary, to make them comparable.

As per our attached report of even date,  
for Dayal and Lohia,  
Chartered Accountants  
Firm Regn. No. 102200W

(S. L. Khandelwal)  
Partner  
Membership No. : 101388

Place : Mumbai  
Date : May 28, 2014

For and on behalf of the Board of Directors,

R. D. Jog  
Company Secretary

D. N. Singh  
Director

H. D. Ramsinghani  
Chairman &  
Managing Director

Place : Mumbai  
Date : May 28, 2014

**RAINBOW DENIM LIMITED**

Corporate Identification Number (CIN) : L18101PB1999PLC022452

**Regd. Office :** Village Chaundheri, Post Office Dappar, Ambala-Chandigarh Highway, Dist. Mohali, Punjab 140 506.

Tel: 01762 248810/11/12; Fax : 01762-248761/248809; Email : rainbow@rainbowdenim.com ; Website : www.rainbowdenim.com

**ATTENDANCE SLIP**

For Demat Shares

DP ID	
-------	--

CLIENT ID	
-----------	--

For Physical Shares

REGD. FOLIO NO.	
-----------------	--

NO. OF SHARES HELD	
--------------------	--

I certify that I am a Member/Proxy for the Member of the Company

I hereby record my presence at the Fifteenth Annual General Meeting of the Company held on Friday, September 19, 2014 at 10.00 a.m. at Village Chaundheri, P.O. Dappar, Ambala-Chandigarh Highway, Dist. Mohali, Punjab 140506.

\_\_\_\_\_  
Name of the Member / Proxy  
(in BLOCK letters)

\_\_\_\_\_  
Signature of the Member/Proxy

- Applicable for Members holding shares in an electronic form

**RAINBOW DENIM LIMITED**

Corporate Identification Number (CIN) : L18101PB1999PLC022452

**Regd. Office :** Village Chaundheri, Post Office Dappar, Ambala-Chandigarh Highway, Dist. Mohali, Punjab 140 506.

Tel: 01762 248810/11/12; Fax : 01762-248761/248809; Email : rainbow@rainbowdenim.com ; Website : www.rainbowdenim.com

**PROXY FORM**

[pursuant to section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member (s) : \_\_\_\_\_

Registered address : \_\_\_\_\_

Folio No/Client Id\* \_\_\_\_\_ DP ID\* \_\_\_\_\_ E-mail Id : \_\_\_\_\_

- Applicable for Members holding shares in electronic form

I/We, being the Member(s) of \_\_\_\_\_ shares of above named Company, hereby appoint :

1. Name : \_\_\_\_\_ Address : \_\_\_\_\_  
E-mail ID : \_\_\_\_\_ Signature \_\_\_\_\_ or failing him/her
2. Name : \_\_\_\_\_ Address : \_\_\_\_\_  
E-mail ID : \_\_\_\_\_ Signature \_\_\_\_\_ or failing him/her
3. Name : \_\_\_\_\_ Address : \_\_\_\_\_  
E-mail ID : \_\_\_\_\_ Signature \_\_\_\_\_ or failing him/her

as my/our proxy to attend and vote (on a poll) for me / us and on my/our behalf at the Fifteenth Annual General Meeting of the Company, to be held on Friday, September 19, 2014 at 10.00 a.m. at Village Chaundheri P.O. Dappar, Ambala-Chandigarh Highway, Dist. Mohali, Punjab 140506 and at any adjournment thereof in respect of such resolutions as indicated overleaf:

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014

Signature of Member

Signature of Proxy Holder(s)

Affix 0.15 paise Revenue Stamp
---

This form of Proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.

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Resolution No.	Resolutions	For	Against
	<b>Ordinary Business</b>		
1.	Adoption of Statement of Profit & Loss, Balance Sheet, Report of Directors and Auditors for the year ended March 31, 2014.		
2.	Reappointment of Mr. S.S.Arora (DIN 00033825) Director who retires by rotation.		
3.	Appointment of Statutory Auditors M/s Dayal and Lohia.		
	<b>Special Business</b>		
4.	Ratification of the remuneration of the Cost Auditors for the Financial Year 2014-15.		
5.	Appointment of Mr. Mahendra Lodha (DIN 00012920) as an Independent Director.		
6.	Appointment of Mr. D. N. Singh (DIN 00021741) as an Independent Director.		
7.	Authority to the Board pursuant to section 180 (1) (c) of the Companies Act, 2013.		
8.	Authority to the Board pursuant to section 180 (1) (a) of the Companies Act, 2013.		
9.	Amendment of the Articles of Association of the Company.		

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*If undelivered please return to :*

**Link Intime India Private Limited**

**Unit : Rainbow Denim Limited**

C-13, Pannalal Silk Mills Compound,

L.B. S. Marg, Bhandup (W),

Mumbai 400 078.