

10th Annual Report 2008-2009

***R*AINBOW**
DENIM LTD

RAINBOW DENIM LIMITED

BOARD OF DIRECTORS

CHAIRMAN & MANAGING DIRECTOR
H. D. RAMSINGHANI

WHOLETIME DIRECTOR
S. S. ARORA

DIRECTORS
D. N. SINGH
MAHENDRA LODHA
UMESH JAIN – Nominee Director –IDBI Bank Ltd.

COMPANY SECRETARY
R. D. JOG

AUDITORS
DAYAL & LOHIA
CHARTERED ACCOUNTANTS

BANKERS
BANK OF INDIA
DENA BANK
ARAB BANGLADESH BANK

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

CORPORATE OFFICE
51/52, FREE PRESS HOUSE,
FREE PRESS JOURNAL MARG,
NARIMAN POINT,
MUMBAI 400021.
Email : raindenim@vsnl.com

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.linktime.com

NOTICE

NOTICE is hereby given that the Tenth Annual General Meeting of the Members of Rainbow Denim Limited will be held on Friday the 25th day of September 2009 at 10.00 a.m. at the Registered Office of the Company at Village Chaundheri, P. O. Dappar, Tehsil Derabassi, District Mohali, Punjab 140506 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the year ended March 31, 2009 and the Balance Sheet as on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Mahendra Lodha who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (including any amendment thereto or enactment thereof for the time being in force) and subject to such approvals, consents and sanctions as may be necessary, the consent of the Company be and it is hereby accorded to the reappointment of Mr. H D Ramsinghani as the Managing Director of the Company for a further period of three years from June 01, 2009 on the terms and conditions as set out in the draft agreement submitted to the meeting and initialed by the Chairman for the purpose of identification and that he be paid remuneration by way of salary, perquisites, allowances and commission as approved by the Board of Directors of the Company and the Remuneration Committee and as set out in the Explanatory Statement annexed hereto.”

“FURTHER RESOLVED THAT the Board of Directors be and they are hereby authorized to execute the Agreement in terms of the said draft with such alterations, changes and modifications as may be agreed between the Directors and Mr. H. D. Ramsinghani as shall be permissible and in conformity with applicable provisions of the Companies Act, 1956 and the consents, sanctions and approvals as may be applicable.”

“FURTHER RESOLVED THAT the Board of Directors be and it is hereby authorized to take all such steps as may be necessary to give effect to the above Resolutions.”
5. To consider, and if thought fit, to pass with or without modifications, the following Resolution, as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, (including any amendment thereto or enactment thereof for the time being in force) and subject to such approvals, consents and sanctions as may be necessary, the consent of the Company be and it is hereby accorded to the reappointment of Mr. S. S. Arora as the Whole Time Director of the Company for a further period of three years from June 01, 2009 on the terms and conditions as set out in the draft agreement submitted to the meeting and initialed by the Chairman for the purpose of identification and that he be paid remuneration by way of salary, perquisites, allowances and commission as approved by the Board of Directors of the Company and the Remuneration Committee and as set out in the Explanatory Statement annexed hereto.”

“FURTHER RESOLVED THAT the Board of Directors be and they are hereby authorized to execute the Agreement in terms of the said draft with such alterations, changes and modifications as may be agreed between the Directors and Mr. S. S. Arora as shall be permissible and in conformity with applicable provisions of the Companies Act, 1956 and the consents, sanctions and approvals as may be applicable.”

“FURTHER RESOLVED THAT the Board of Directors be and it is hereby authorized to take all such steps as may be necessary to give effect to the above Resolutions.”

RAINBOW DENIM LIMITED

NOTES

1. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of item No. 4 and 5 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday the 18th day of September, 2009 to Friday the 25th day of September 2009 (both days inclusive).
4. Members desirous of seeking any information concerning the Accounts are requested to address their queries, in writing, to the Company at the Corporate Office at least seven days before the date of the Meeting so that the requested information can be made available at the time of the meeting.
5. Members/Proxies should bring their copies of the Annual Report to the meeting since copies of the Annual Report will not be distributed at the meeting.

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

Place: Mumbai
Dated: July 31, 2009

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

ITEM NO 4

Resolution under Item No. 4 of the Notice relates to the reappointment of Mr. H D Ramsinghani as the Managing Director of the Company for a further period of three years from June 01, 2009. The Board of Directors and the Remuneration Committee, at their meetings held on May 27, 2009 have approved the same.

The terms of reappointment including remuneration are as follows:

Date of Reappointment : June 01,2009
Period of Reappointment : Three years from June 01,2009

Remuneration

- (a) **Basic Salary:**
Rs. 2,00,000/- (Rupees Two Lacs Only).
- (b) **Perquisites and Allowances:**
In addition to salary, the following perquisites / allowances shall be allowed to the Managing Director:

CATEGORY – A

- (i) **Housing:**
The Company shall provide furnished accommodation to the Managing Director with the Company paying all rents, rates and taxes, all expenses towards provision of equipment and appliances, furniture, fixtures and furnishings etc. and reimbursement of expenses relating to maintenance, gas, electricity, servants, etc. or House Rent Allowance in lieu thereof subject to a maximum of 60% of the basic Salary.
- (ii) **Leave Travel Concession:**
The Company shall provide leave travel fare for the Managing Director and his family while on privilege leave together with lodging and boarding expenses once in a year as per the rules of the Company subject to a maximum of one month's Basic Salary.
- (iii) **Personal Accident Insurance:**
The Company shall pay/reimburse Personal Accident Insurance Premium up to Rs. 4,000/- per annum.

(iv) Club Fees:

The Company shall reimburse annual fees for a maximum of two clubs together with all expenses incurred thereat towards the business of the Company.

(v) Medical Reimbursement:

Medical expenses for self and family as per the rules of the Company subject to a maximum of one month's Basic Salary.

The aggregate value of perquisites for (i) to (v) above for each year shall be computed as per the provisions of The Income Tax Act, 1961. In case of benefits for which no specific rule of valuation is provided under The Income Tax Act, 1961, the perquisite value of such benefit shall be taken at actual cost.

CATEGORY – B

(i) The Company shall contribute towards Provident Fund/ Superannuation Fund / Annuity Fund etc. as per rules of the Company.

(ii) The Company shall pay Gratuity as per rules of the Company.

(iii) Privilege Leave on full pay and allowances, as per rules of the Company but not more than one month's leave for every eleven months of service. However, the leave accumulated but not availed of will be allowed to be encashed at the end of the term.

(iv) Benefit of Sick Leave in accordance with the rules of the Company.

(v) Children's Education Allowance for maximum of two children limited to Rs. 5,000/- per month per child or actual expenses incurred whichever is less.

(vi) Return Holiday passage once in a year by economy class or once in two years by first class to children and to members of the family from the place of their stay or study abroad to India if they are not studying or staying in India.

The above shall not be included in the computation of ceiling on remuneration or perquisites as aforesaid.

CATEGORY – C

(i) The Company shall provide car with driver at the entire cost of the Company for use on Company's business and the same will not be considered as perquisites.

(ii) The Company shall provide telephone(s) and other communication facilities at the residence of the Managing Director at the entire cost of the Company.

CATEGORY - D

The Managing Director shall be entitled to commission at a rate not exceeding 1% of net profits of the Company subject to a maximum of annual basic salary.

Other Terms

(a) The appointee shall not be entitled to sitting fees for attending the meetings of the Board and/or committees thereof.

(b) The appointee shall be entitled to reimbursement of all actual expenses including entertainment and travelling expenses incurred in the course of Company's business.

(c) The appointee shall not as long as he continues to be the Managing Director of the Company become interested or otherwise concerned directly or indirectly in any selling agency without the approval of the Central Government.

(d) The appointee shall be entitled to compensation for loss of office in the event, manner and to the extent provided under Section 318 of the Companies Act, 1956.

The aforesaid remuneration in any one financial year shall not exceed without the approval of the Central Government, the limits prescribed under sections 198, 269, 309 and other applicable provisions of the Companies Act, 1956 read with schedule XIII to the said act as may, for the time being, be in force.

RAINBOW DENIM LIMITED

The remuneration as above including perquisites but save and except commission shall nevertheless be paid as minimum remuneration in the event of absence or inadequacy of profits in any financial year subject to the condition that the remuneration shall not without the prior approval of the Central Government, if required, exceed the limits specified in Section II of Schedule XIII computed on the basis of the Effective Capital of the Company as defined in the explanation under Para 3 of Section II of Part II to Schedule XIII of the Companies Act, 1956 as in force for the time being or as may be amended from time to time.

The draft agreement between the Company and Mr. H. D. Ramsinghani is open for inspection of the Members at the Registered Office on all working days between 10.00 a.m and 1.00 p.m.

Mr. H. D. Ramsinghani may be deemed to be concerned or interested in the Resolution as it relates to his own appointment. None of the other Directors are in any way concerned or interested in the Resolution.

This Explanatory Statement along with the accompanying Notice is and shall be deemed to be an abstract under Section 302 of the Companies Act, 1956

ITEM NO 5

Resolution under Item No. 5 of the Notice relates to the reappointment of Mr. S. S. Arora as Whole Time Director of the Company for a further period of three years from June 01, 2009. The Board of Directors and the Remuneration Committee, at their meetings held on May 27, 2009 have approved the same.

Date of Reappointment : June 01, 2009

Period of Reappointment : Three years from June 01, 2009

Remuneration

(a) **Basic Salary:**

Rs. 1,50,000/- (Rupees One Lac Fifty Thousand Only).

(b) **Perquisites and Allowances:**

In addition to salary, the following perquisites / allowances shall be allowed to the Whole Time Director:

CATEGORY – A

(i) **Housing:**

The Company shall provide furnished accommodation to the Whole Time Director with the Company paying all rents, rates and taxes, all expenses towards provision of equipment and appliances, furniture, fixtures and furnishings etc. and reimbursement of expenses relating to maintenance, gas, electricity, servants, etc. or House Rent Allowance in lieu thereof subject to a maximum of 60% of the basic Salary.

(ii) **Leave Travel Concession:**

The Company shall provide leave travel fare for the Whole Time Director and his family while on privilege leave together with lodging and boarding expenses once in a year as per the rules of the Company subject to a maximum of one month's Basic Salary.

(iii) **Personal Accident Insurance:**

The Company shall pay/reimburse Personal Accident Insurance Premium up to Rs. 4,000/- per annum.

(iv) **Club Fees:**

The Company shall reimburse annual fees for a maximum of two clubs together with all expenses incurred thereat towards the business of the Company.

(v) **Medical Reimbursement:**

Medical expenses for self and family as per the rules of the Company subject to a maximum of one month's Basic Salary.

The aggregate value of perquisites for (i) to (v) above for each year shall be computed as per the provisions of The Income Tax Act, 1961. In case of benefits for which no specific rule of valuation is provided under The Income Tax Act, 1961, the perquisite value of such benefit shall be taken at actual cost.

CATEGORY – B

- (i) The Company shall contribute towards Provident Fund/ Superannuation Fund / Annuity Fund etc. as per rules of the Company.
- (ii) The Company shall pay Gratuity as per rules of the Company.
- (iii) Privilege Leave on full pay and allowances, as per rules of the Company but not more than one month's leave for every eleven months of service. However, the leave accumulated but not availed of will be allowed to be en cashed at the end of the term.
- (iv) Benefit of Sick Leave in accordance with the rules of the Company.

The above shall not be included in the computation of ceiling on remuneration or perquisites as aforesaid.

CATEGORY – C

- (i) The Company shall provide car with driver at the entire cost of the Company for use on Company's business and the same will not be considered as perquisites.
- (ii) The Company shall provide telephone(s) and other communication facilities at the residence of the Whole Time Director at the entire cost of the Company.

CATEGORY – D

The Whole Time Director shall be entitled to commission at a rate not exceeding 1% of net profits of the Company subject to a maximum of annual basic salary.

Other Terms

- (a) The appointee shall not be entitled to sitting fees for attending the meetings of the Board and/or committees thereof.
- (b) The appointee shall be entitled to reimbursement of all actual expenses including entertainment and travelling expenses incurred in the course of Company's business.
- (c) The appointee shall not as long as he continues to be the Whole Time Director of the Company become interested or otherwise concerned directly or indirectly in any selling agency without the approval of the Central Government.
- (d) The appointee shall be entitled to compensation for loss of office in the event, manner and to the extent provided under Section 318 of the Companies Act, 1956.

The aforesaid remuneration in any one financial year shall not exceed without the approval of the Central Government, the limits prescribed under sections 198, 269, 309 and other applicable provisions of the Companies Act, 1956 read with schedule XIII to the said act as may, for the time being, be in force.

The remuneration as above including perquisites but save and except commission shall nevertheless be paid as minimum remuneration in the event of absence or inadequacy of profits in any financial year subject to the condition that the remuneration shall not without the prior approval of the Central Government, if required, exceed the limits specified in Section II of Schedule XIII computed on the basis of the Effective Capital of the Company as defined in the explanation under Para 3 of Section II of Part II to Schedule XIII of the Companies Act, 1956 as in force for the time being or as may be amended from time to time.

The draft agreement between the Company and Mr. S. S. Arora is open for inspection of the Members at the Registered Office on all working days between 10.00 a.m and 1.00 p.m.

Mr. S. S. Arora may be deemed to be concerned or interested in the Resolution as it relates to his own appointment. None of the other Directors are in any way concerned or interested in the Resolution.

This Explanatory Statement along with the accompanying Notice is and shall be deemed to be an abstract under Section 302 of the Companies Act, 1956.

As required under Schedule XIII to the Companies Act, 1956 the relevant details for Item No 4 and 5 of the Notice are as under:

RAINBOW DENIM LIMITED

I. General Information

1. Nature of Industry : Textiles
2. Date or expected date of commencement of commercial production:
The Company was incorporated on April 8, 1999 and commenced commercial production on January 1, 2002.
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:
Not applicable.
4. Financial performance based on given indicators (As per audited financial statements for the year ended 31/03/09)

Particulars	Rs. in Crores
Sales & Other Income	137.04
EBIDTA	7.68
Net Profit/(Loss)	(16.04)

5. Export performance and net foreign exchange collaborations (as per audited financial statements for the year ended 31/03/09)
Earnings in foreign exchange by exports: Rs. 18.89 Crores.
6. Foreign investments or collaborators, if any: Not Applicable.

II. Information about the appointees

1. Background details:
Mr. H. D. Ramsinghani, aged 47 years, has done his MBA from USA . He has been associated with the Company since inception and has been its Managing Director since the last eight years. Prior to his appointment in the Company he was associated with various group companies for over 18 years.
Mr. S. S. Arora , aged 48 years, is a commerce graduate and has been in employment with the Company since inception and prior to his employment with the Company he was associated with various group companies for over 13 years.
2. Past remuneration:
Mr. H. D. Ramsinghani

Particulars	F.Y. 2008-09	F.Y. 2007-08
Salary	16,50,000	18,00,000
Perquisites / allowances	9,90,000	9,89,776
Commission / Bonus	Nil	Nil
Total	26,40,000	27,89,776

Mr. S. S. Arora

Particulars	F.Y. 2008-09	F.Y. 2007-08
Salary	12,00,000	12,00,000
Perquisites / allowances	6,22,954	5,02,371
Commission / Bonus	Nil	Nil
Total	18,22,954	17,02,371

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3. Job profile and their suitability:
- Mr. H. D. Ramsinghani has been reappointed as the Managing Director of the Company and he will be in charge of overall management subject to the direction, supervision and control of the Board of Directors of the company.
 - Mr. S. S. Arora has been reappointed as the Whole Time Director of the Company and he will carry out such duties as may be entrusted to him by the Board and the Managing Director but subject to supervision and control of Board of Directors, of the Company.

Taking into consideration their qualifications and expertise in the relevant fields and their active participation in setting up the most modern and state of the art Denim Project of the Company, they are suited for the responsibilities assigned to them by the Board of Directors.

4. Remuneration proposed: Since the same has been already explained in detail hereinabove, the same is not repeated.
5. Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin):
Considering the size of the Company, the profiles of Mr. H. D. Ramsinghani and Mr. S. S. Arora, the responsibilities shouldered by them and the industry benchmarks, the remuneration proposed to be paid to them is commensurate with the remuneration packages paid to similar appointees in other companies in India and abroad.
6. Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:
Besides the remuneration proposed, Mr. H. D. Ramsinghani and Mr. S. S. Arora do not have any pecuniary relationship with the Company and its managerial personnel.

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

Place: Mumbai
Dated: July 31, 2009

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

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

Mr. Mahendra Lodha who has been a Director of the Company since 1998, is an eminent Chartered Accountant and has over 26 years of rich and varied experience in the field of Finance and Corporate Advisory services. Mr. Mahendra Lodha does not hold any Equity Shares of the Company.

He is a Director of the following Public Limited Companies:

Rama Petrochemicals Ltd.	Arvind Products Ltd.	Nitrex Chemicals India Ltd.
Shivalik Golf and Forest Resort Ltd.	Kalyanpur Cements Ltd.	Steelco Gujarat Ltd.
Tulip Star Hotels Ltd.	Bihar Hotels Ltd.	

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

Rama Petrochemicals Limited	Steelco Gujarat Limited	Tulip Star Hotels Limited
Audit Committee – Chairman Shareholders’ Committee – Chairman	Audit Committee – Member	Audit Committee – Chairman
Arvind Products Limited	Shareholders’ Committee – Member	Kalyanpur Cements Limited
Audit Committee – Member		Audit Committee – Member

RAINBOW DENIM LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Tenth Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2009.

FINANCIAL RESULTS

	YEAR ENDED 31.03.2009 (Rs. in lacs)	YEAR ENDED 31.03.2008 (Rs. in lacs)
Profit/(Loss) before Depreciation	(726.72)	(835.43)
Depreciation	876.36	861.60
Profit/(Loss) after Depreciation	(1603.08)	(1697.03)
Prior period (Expenditure)/Income	(1.16)	(1.37)
Net Profit/(Loss) for the Year	(1604.24)	(1698.40)
Loss as per last Balance Sheet	(1615.80)	—
Transferred from General Reserve	—	82.60
Balance carried to Balance Sheet	(3220.04)	(1615.80)

DIVIDEND

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

BIFR REFERENCE

The Net worth of the company is fully eroded as at the end of the Financial Year under review. Accordingly the Directors have filed a reference with the Board for Industrial and Financial Reconstruction (BIFR) as required by the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985.

REVIEW OF OPERATIONS

The total production of Denim fabric during the year under review was 16.21 million meters as compared to 15.97 million meters during the previous year. The Company has achieved a sales turnover of Rs. 13440.30 lacs during the year under review as compared to a turnover of Rs. 12167.38 lacs during the previous year.

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

FUTURE PROSPECTS

The future prospects for the Denim business continue to be subdued and the margins are expected to continue to be under pressure. The costs of raw materials and other inputs are growing steadily over the years but the Company is unable to pass on the burden to the consumers in view of stiff competition from other manufacturers. There is a large scale over capacity in the Industry and hence the present trend is expected to continue for a year or so during which the Company is likely to face difficult times.

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;

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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, 2009 and the loss of the Company for the year ended March 31, 2009;
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. The Annual Accounts have been prepared on a going concern basis.

AUDIT COMMITTEE

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

SAFETY, ENVIRONMENTAL CONTROL & PROTECTION

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

DISCLOSURE OF PARTICULARS

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

PERSONNEL

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

DIRECTORS

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

AUDITORS' REPORT

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

1. Regarding Loans & Advances due from Companies, the Management is of the opinion that these amounts are recoverable and hence do not require any provision.
2. The Company is in the process of obtaining confirmation from Banks and Financial Institutions.

AUDITORS

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

INDUSTRIAL RELATIONS

The Industrial Relations remained cordial during the year under review.

ACKNOWLEDGEMENT

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

For and on behalf of the Board

Place: Mumbai
Date: July 31, 2009

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, 2009

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. Laid down pipeline of Cooling Tower effluent to STP for recycling.
2. Usage of recycled STP water in Place of soft water at some places, hence saving of energy for making soft water and salt.
3. During the winter season we changed angle of RA and SA fans to get the energy saving and 1 No. of H - Plant is stopped completely.
4. Replacement of ACC sheets with the transparent FRP Sheets.
5. For 2nd Sizing machine, additional pipe line is being laid for transferring the size through gravity and to eliminate the pump.

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

1. Replacement of aluminium fans with energy efficient FRP fans in H. Plant as well as in 2 Nos. of Cooling Towers.
2. More Roof extractors to be installed in processing to improve ventilation.

(c) Impact of measures at (a) and (b) above for reduction of Energy Consumption and consequent impact on the cost of production of goods:

As a result of the continuous efforts, the Company has been able to achieve substantial saving in energy costs.

(d) Particulars with respect to conservation of energy:

	<u>2008-09</u>	<u>2007-08</u>
A. POWER AND FUEL CONSUMPTION:		
1. ELECTRICITY:		
a. Purchased:		
Units (in thousand)	25730	26432
Total cost (Rs. in Lacs)	1110.10	1147.32
Rate per Unit (Rs.)	4.31	4.34
b. Own Generation:		
Through Diesel Generation		
Units (in thousand)	11.05	10.40
Units/KL of Diesel	3.01	3.05
Cost/Unit (Rs.)	10.86	9.87
Through Steam Turbine/Generator	Nil	Nil
Units (in thousand)	Nil	Nil
Units/Ltr. of Fuel Oil, Gas	Nil	Nil
Cost/unit	NA	NA

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(d) **Particulars with respect to conservation of energy:** (contd.)

	<u>2008-09</u>	<u>2007-08</u>
2. FURNACE OIL:		
Quantity (in Kltrs)	Nil	Nil
Total Amount (Rs in Lacs)	Nil	Nil
Average Rate	Nil	Nil
3. OTHER INTERNAL GENERATION	Nil	Nil
B. CONSUMPTION PER UNIT OF PRODUCTION:		
Production of Denim Fabric (in Lacs Mtrs.)	162.11	159.67
Electricity (kw)	1.59	1.66
Furnace Oil	Nil	Nil
Coal	Nil	Nil

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

I. Research and Development (R & D):

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

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

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

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

3. Future Plan of Action:

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

4. Expenditure on R & D:

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

II. Technology absorption adaptation and innovation:

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

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

2. Benefits derived as a result of above efforts:

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

3. Information of Imported Technology:

Not Applicable

C) Foreign Exchange Earnings and Outgo:

(Rs. in Lacs)

Foreign Exchange used	634.90
Foreign Exchange earned	1889.03

For and on behalf of the Board

Place: Mumbai
Date: July 31, 2009

H. D. RAMSINGHANI
CHAIRMAN & MANAGING DIRECTOR

RAINBOW DENIM LIMITED

STATEMENT PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND FORMING PART OF DIRECTOR'S REPORT FOR THE YEAR ENDED 31ST MARCH 2009.

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

H. D. Ramsinghani	47	Chairman and Managing Director	26,40,000	B.Com. M.B.A. (U.S.A.)	28	01/06/2001	Self-Employed	
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(B) PARTICULARS OF EMPLOYEES EMPLOYED DURING A PART OF THE YEAR AND WERE IN RECEIPT OF REMUNERATION OF NOT LESS THAN RS. 2,00,000/- PER MONTH.

NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	
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Note: Remuneration as above includes Salary, Company's Contribution to Provident Fund and other perquisites valued in accordance with Income Tax Rules, 1962.

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

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

2. Board of Directors

(a) As on the date of this Report, the Board consists of Five Directors (Two Executive and Three Non Executive all of whom are Independent).

(b) The attendance at Board Meetings and last Annual General Meeting of each of the Directors during the year was as under:

Name of Director	Category Executive, Non-Executive/Independent	Attendance at		Membership of other Board (including alternate Directorships and Private Companies)	Membership/Chairmanship of other Board Committees		Shareholding (No. of Shares)
		Board Meetings	Last Annual General Meeting		Chairman	Member	
Mr. H. D. Ramsinghani Chairman & Managing Director	Executive	Four	Yes	Five	Nil	Two	20
Mr. S. S. Arora Wholetime Director	Executive	Three	Yes	Three	Nil	One	163373
Mr. Deonath Singh Director	Non-Executive Independent	Four	No	Three	Nil	Three	900
Mr. Mahendra Lodha Director	Non-Executive Independent	Four	Yes	Seventeen	Three	Four	Nil
Mr. Umesh Jain Nominee Director of IDBI Bank Ltd.	Non-Executive Independent	Three	No	Nil	Nil	Nil	Nil

(c) During the year four Board Meetings were held on May 30, 2008, July 31, 2008, October 31, 2008 and January 28, 2009.

3. Code of Conduct

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

4. Audit Committee

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

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

During the year four meetings of the Audit Committee were held on May 30, 2008, July 31, 2008, October 31, 2008 and January 28, 2009. The attendance at Audit committee meetings of each of the Directors is as under:

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

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. Remuneration Committee

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

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

7. Shareholders/Investors Grievances Committee

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

	Received	Resolved
Non-Receipt of Share Certificates	11	11
Non-Receipt of Dividend Warrants	2	2
Non-Receipt of Demat Credit/Remat Cert	3	3
Non-Receipt of Annual Reports	3	3
Miscellaneous	1	1
Letters from Stock Exchanges, SEBI and Ministry of Corporate Affairs	NIL	NIL

8. Remuneration of Directors

(a) Managing/Executive Director

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

Name of Director	Designation	Remuneration (Rs. in lacs)	Sitting Fees (Rs.)
Mr. H. D. Ramsinghani	Managing Director	26.40	Nil
Mr. S. S. Arora	Wholetime Director	18.23	Nil

(b) Non-Executive Directors:

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

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

Name of the Director	Sitting Fees (Rs.)
Mr. Mahendra Lodha	16000/-
Mr. D. N. Singh	16000/-
Mr. Umesh Jain *	12000/-
TOTAL	44000/-

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

9. General Body Meetings

Financial Year	Date	Time	Location
2005-2006	22/09/2006	10.00 A.M.	Village Chaundheri, P. O. Dappar, Dist. Mohali, Punjab 140506.
2006-2007	29/09/2007	10.00 A.M	Village Chaundheri, P. O. Dappar, Dist. Mohali, Punjab 140506.
2007-2008	20/09/2008	10.00 A.M	Village Chaundheri, P. O. Dappar, Dist. Mohali, Punjab 140506.

10. Postal Ballot/Special Resolutions

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

Special Resolutions passed in the previous Three Annual General Meetings.

Date	Particulars
22.09.2006	Reappointment of Mr. H. D. Ramsinghani as the Managing Director of the Company.
22.09.2006	Reappointment of Mr. S. S. Arora as the Whole time Director of the Company.
22.09.2006	Delisting of Equity Shares of the Company from The Ludhiana Stock Exchange Assoc. Ltd. and Ahmedabad Stock Exchange Limited.
20.09.2008	Reclassification of Authorised Share Capital.
20.09.2008	Alteration of the Capital Clause of the Articles of Association.

RAINBOW DENIM LIMITED

11. Disclosures

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

12. Means of communication

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

13. General Shareholder Information:

Annual General Meeting	:	September 25, 2009 at 10.00 a.m. At Village Chaundheri, P O Dappar, Tehsil Derabassi, Dist. Mohali, Punjab 140 506.
Dates of Book Closure	:	September 18, 2009 to September 25, 2009 (both days inclusive)
Dividend payment date	:	Not Applicable
Listing on Stock Exchange	:	Bombay Stock Exchange Ltd.
Stock Code	:	532441 (BSE)
International Securities Identification Number allotted By NSDL	:	INE820D01017

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

Month	High	Low
April 2008	6.10	4.60
May 2008	6.91	4.76
June 2008	7.25	5.61
July 2008	5.89	4.25
August 2008	5.00	4.31
September 2008	5.44	4.50
October 2008	5.35	4.85
November 2008	4.90	3.62
December 2008	4.94	4.52
January 2009	4.85	4.19
February 2009	4.05	3.62
March 2009	3.93	3.57

15. 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: rnt.helpdesk@linkintime.co.in

16. Distribution of Equity Shareholding as of March 31, 2009:

Number of Equity Shareholdings	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Shareholding
1 – 500	15012	93.58	2373462	13.03
501 – 1000	605	3.77	509602	2.80
1001 – 2000	217	1.35	342362	1.88
2001 – 3000	70	0.44	179344	0.99
3001 – 4000	33	0.21	118150	0.65
4001 – 5000	21	0.13	99156	0.55
5001 – 10000	35	0.22	244777	1.34
10001 & above	49	0.30	14342506	78.76
Total	16042	100.00	18209359	100.00

17. Shareholders' Profile as on March 31, 2009:

Category of Shareholders	No. of Shares held	% to Total Capital
Promoters Shareholding	8198412	45.02
Non Promoter Shareholding		
Foreign Collaborators	Nil	N.A.
Banks	3995116	21.94
Financial Institutions	274625	1.51
Foreign Institutional Investors	Nil	N.A.
Mutual Funds	700	0.01
Domestic Companies	599874	3.29
Non-Domestic Companies	Nil	N.A.
Non-Resident Indians	57460	0.32
General Public	5083172	27.91
Total	18209359	100.00

RAINBOW DENIM LIMITED

18. Dematerialization of shares as on March 31, 2009:

89.97% of the Company's total share capital representing 16382458 shares are held in dematerialized form.

19. Plant Location:

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

20. Address for Correspondence:

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

21. Non Mandatory Items:

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

22. Appointment /Reappointment of Directors:

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

For and on behalf of the Board

Place: Mumbai
Dated: July 31, 2009

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, 2009, 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, 2009

H. D. RAMSINGHANI
CHAIRMAN & MANAGING DIRECTOR

CERTIFICATE

To the Members of
RAINBOW DENIM LIMITED

We have examined the compliance of conditions of corporate governance by **RAINBOW DENIM LIMITED**, for the year ended on 31st March 2009, 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 01/04/2008 to 31/03/2009, 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.

for **Dayal and Lohia**
Chartered Accountants

(Anil Lohia)
Partner
M. No. 31626

Place : Mumbai.
Date : July 31, 2009

MANAGEMENT DISCUSSION & ANALYSIS REPORT

1. INDUSTRY STRUCTURE AND DEVELOPMENTS

The Textile Industry all over the world is passing through a period of deep recession and severe financial crisis as a result of weak demand and high input costs. There is large scale over capacity in the Denim industry as a result of which there is a mismatch between supply and demand resulting in lower realization.

2. OPPORTUNITIES, THREATS AND OUTLOOK

The denim industry as a whole is passing through very difficult times. Apart from high cost of Cotton, which is the key raw material, costs of other inputs like labour, fuel and chemicals have also gone up considerably. As a result it is becoming increasingly difficult for the Company to maintain its competitiveness in the face of stiff competition. The Company is concentrating on technology innovation and value addition to tide over the current difficult situation.

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, large scale imports of cheap varieties of denim, 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, 2009, the Company has achieved production of 16.21 million meters of Denim fabric. The sales Turnover is Rs 13440.30 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, 2009

H. D. RAMSINGHANI
CHAIRMAN & MANAGING DIRECTOR

AUDITORS' REPORT

To The Members of
RAINBOW DENIM LIMITED,

We have audited the attached Balance Sheet of Rainbow Denim Limited as at 31st March, 2009 and the Profit and Loss Account for the year ended on that date, and also the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test check basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in the Annexure referred to above, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of accounts as required by the law have been kept by the Company so far as it appears from our examination of the books;
 - (c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Profit and Loss Account and Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (e) In our opinion and based on the information and explanations given to us, none of the directors are disqualified as on 31st March, 2009, from being appointed as directors in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and *subject to (i) Note B-6 in Schedule 17 regarding recoverability of certain advance; and (ii) the balances of Secured Loans and Contingent Liabilities in respect of Letters of Credit being confirmed by the banks and financial institutions*, give a true and fair view:
 - i) in the case of the Balance Sheet, of the state of affairs of the Companies as at 31st March, 2009;
and
 - ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date;
and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **DAYAL & LOHIA**
Chartered Accountants

ANIL LOHIA
Partner
M.No. 31626

Place: Mumbai
Date: 27th May, 2009

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 2 of our Report of even date on the accounts of Rainbow Denim Limited for the year ended 31st March, 2009.)

1. In respect of its Fixed assets:
 - (a) The Company has maintained proper records showing particulars, including quantitative details and situations of fixed assets;
 - (b) The fixed assets have been physically verified by the management during the year and no material discrepancies have been noticed on such verification.
 - (c) The Company has not disposed off any substantial part of fixed assets so as to affect its going concern.
2. In respect of its inventories:
 - (a) The inventories have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
 - (b) In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) No material discrepancies have been noticed on physical verification of stocks as compared to book records in so far as it appears from our examination of the books.
3. In respect of loans, secured or unsecured, granted or taken by the Company to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956:
 - (a) According to the information and explanations given to us, the Company has not granted any loan, secured or unsecured to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956;
 - (b) According to the information and explanations given to us, the Company has not taken any loan, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956;
4. In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of inventory, fixed assets and for sale of goods. During the course of our audit, no major weakness has been noticed in the internal control.
5. In respect of transactions covered under Section 301 of the Companies Act, 1956:
 - (a) According to the information and explanations give to us, we are of the opinion that there are no contracts or arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provision of sub-clause (b) of Clause 4(v) of the Order is not applicable to the Company.
6. According to the information and explanations given to us, the Company has not accepted the deposit u/s. 58A, 58AA or any other relevant provisions of the Companies Act, 1956, during the year.
7. In our opinion, the Company has an internal audit system commensurate with the size and the nature of the business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, in respect of the Company's products to which the said rules are made applicable, and are of the opinion that *prima facie*, the prescribed accounts have been maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate.

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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, 2009, 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 per cent of its net worth. During the year, the Company has incurred cash loss of Rs. 726.71 lacs and in the immediately preceding financial year, it has incurred cash loss of Rs. 835.42 lacs.*
11. On the basis of our examination of the books and according to the information and explanations given to us, the Company has defaulted in repayment of dues to financial institution or banks aggregating to Rs. 3,099.98 lacs for the repayments as on 31st March, 2009, subject to adjustment of rate of interest/waivers/funding of interest, if any, as per the Corporate Debt Restructuring package sanctioned to the Company by the Corporate Debt Restructuring Group constituted by the Reserve Bank of India.
12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or any other securities.
13. In our opinion, the Company is not a Chit Fund, Nidhi or Mutual Fund/Society.
14. In our opinion, the Company is maintaining proper record of the transactions and contracts of dealing in shares and securities and timely entries have been made in the records. All the investments are held by the Company in its own name.
15. According to the information and explanations given to us, and the representations made by the management, the Company has not given any guarantee for loans taken by others from any bank of financial institution.
16. In our opinion and on the basis of information and explanations given to us, term loans availed by the Company were, *prima facie*, applied by the Company during the year for the purpose for which the loans were obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, during the year no funds raised on short-term basis have been used for long-term investment by the Company.
18. The Company has not made preferential allotment of shares to the Company covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The Company has not issued debentures during the year.
20. The Company has not raised any money by public issue during the year.
21. According to the information and explanations given to us, and to the best of our knowledge and belief no fraud on or by the Company, has been noticed or reported during the year.

For DAYAL & LOHIA
Chartered Accountants

ANIL LOHIA
Partner
M.No. 31626

Place: Mumbai
Date: 27th May, 2009

RAINBOW DENIM LIMITED

BALANCE SHEET AS AT MARCH 31, 2009

	Schedule	As at March 31, 2009 Rupees	As at March 31, 2008 Rupees
SOURCES OF FUNDS:			
Shareholders' Fund:			
Share Capital	1	182,093,590	182,093,590
Reserves and Surplus	2	105,590,403	110,333,914
		287,683,993	292,427,504
Loan Funds:			
Secured Loans	3	1,356,011,007	1,256,321,188
Unsecured Loans	4	41,100,000	31,500,000
		1,397,111,007	1,287,821,188
	TOTAL	1,684,795,000	1,580,248,692
APPLICATION OF FUNDS:			
Fixed Assets:			
Gross Block	5	1,938,509,705	1,892,057,021
Less: Depreciation		611,624,851	526,501,476
Net Block		1,326,884,854	1,365,555,545
Capital Work-in-Progress [Including capital advances]			
		6,956,489	21,298,642
Investments			
	6	656,304	656,304
Current Assets, Loans and Advances:			
Inventories	7	158,015,430	209,640,926
Sundry Debtors		225,034,442	138,261,385
Cash and Bank Balances		16,469,584	19,811,728
Loans and Advances		47,767,606	127,537,078
		447,287,062	495,251,117
Less: Current Liabilities and Provisions:			
Current Liabilities	8	415,530,421	460,881,701
Provisions		3,833,581	3,716,292
		419,364,002	464,597,993
Net Current Assets			
		27,923,060	30,653,124
Miscellaneous Expenditure [to the extent not written off or adjusted]			
	9	370,672	505,462
Profit and Loss Account			
		322,003,621	161,579,615
	TOTAL	1,684,795,000	1,580,248,692
Significant Accounting Policies & Practices and Notes on Accounts	17		

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

For and on behalf of the Board,

Anil Lohia
Partner

R. D. Jog
Company Secretary

S. S. Arora
Whole Time Director

H. D. Ramsinghani
Chairman &
Managing Director

Place: Mumbai
Date : May 27, 2009

Place : Mumbai
Date : May 27, 2009

Annual Report 2008- 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

		For the Year ended March 31, 2009 Rupees	For the year ended March 31, 2008 Rupees
INCOME			
Sales and Other Income	10	1,370,369,126	1,230,327,746
Increase/(Decrease) in Stocks	11	1,338,147	(25,951,392)
TOTAL		<u><u>1,371,707,273</u></u>	<u><u>1,204,376,354</u></u>
EXPENDITURE			
Manufacturing Expenses	12	1,110,730,633	986,824,337
Administrative, Selling and Other Expenses	13	93,187,256	78,632,518
Employees Cost	14	90,862,051	83,382,936
Financial Expenses	15	149,464,323	138,944,265
Preliminary Expenses Written Off	9	134,790	134,790
TOTAL		<u><u>1,444,379,053</u></u>	<u><u>1,287,918,846</u></u>
Loss Before Depreciation		<u>(72,671,780)</u>	<u>(83,542,492)</u>
Depreciation		87,636,378	86,160,094
LOSS FOR THE YEAR		<u>(160,308,158)</u>	<u>(169,702,586)</u>
Add/(Less) Prior Period Income/(Expenditure)	16	(115,848)	(137,059)
Transferred From General Reserve		—	8,260,030
Loss as per last Balance Sheet		<u>(161,579,615)</u>	—
BALANCE CARRIED TO BALANCE SHEET		<u><u>(322,003,621)</u></u>	<u><u>(161,579,615)</u></u>
Basic and Diluted Earning per Share (Refer Note No. B 2)		(8.81)	(9.33)
Significant Accounting Policies & Practices and Notes on Accounts	17		

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

For and on behalf of the Board,

Anil Lohia
Partner

R. D. Jog
Company Secretary

S. S. Arora
Whole Time Director

H. D. Ramsinghani
Chairman &
Managing Director

Place: Mumbai
Date : May 27, 2009

Place : Mumbai
Date : May 27, 2009

RAINBOW DENIM LIMITED

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at March 31, 2009 Rupees	As at March 31, 2008 Rupees
SCHEDULE 1		
SHARE CAPITAL :		
AUTHORISED:		
[27,000,000 (20,000,000) Equity Shares of Rs. 10.00 each]	270,000,000	200,000,000
[Nil (7,000,000) Preference Shares of Rs. 10.00 each]	—	70,000,000
	<u>270,000,000</u>	<u>270,000,000</u>
ISSUED, SUBSCRIBED AND PAID-UP:		
[18,209,359 (18,209,359) Equity Shares of Rs.10.00 each fully paid-up out of this:	182,093,590	182,093,590
1,04,02,470 Equity Shares were issued pursuant to the Scheme of arrangement U/S 391/394 of The Companies Act, 1956 approved by Bombay High Court and Punjab & Haryana High Court.		
TOTAL	<u>182,093,590</u>	<u>182,093,590</u>
 SCHEDULE 2		
RESERVES AND SURPLUS:		
Capital Reserve:		
As per last Balance Sheet	52,448,767	56,531,816
Less: Adjustment for Depreciation	4,071,892	4,083,049
	<u>48,376,875</u>	<u>52,448,767</u>
Share Premium Account:		
As per last Balance Sheet	49,364,092	49,364,092
Add: Share Premium Received during the year	—	—
	<u>49,364,092</u>	<u>49,364,092</u>
General Reserve:		
As per last Balance Sheet	—	8,260,030
Less: Transferred to Profit and Loss Account	—	8,260,030
	—	—
Interest Subsidy:		
As per last Balance Sheet	8,521,055	9,194,514
Less: Adjustment for Depreciation	671,619	673,459
	<u>7,849,436</u>	<u>8,521,055</u>
TOTAL	<u>105,590,403</u>	<u>110,333,914</u>

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SCHEDULES FORMING PART OF THE ACCOUNTS

	As at March 31, 2009 Rupees	As at March 31, 2008 Rupees
SCHEDULE 3		
SECURED LOANS:		
Term Loans from Financial Institutions and Banks	1,036,466,630	940,281,363
Interest Accrued and Due on Term Loans	120,465,879	108,401,445
Working Capital Loans from Banks	164,005,725	171,001,850
Other Loan	31,384,596	31,384,596
Against Hire Purchase of Vehicles	3,688,177	5,251,934
TOTAL	<u>1,356,011,007</u>	<u>1,256,321,188</u>

Notes:

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

	As at March 31, 2009 Rupees	As at March 31, 2008 Rupees
SCHEDULE 4		
UNSECURED LOANS:		
From Corporate Bodies	41,100,000	31,500,000
TOTAL	<u>41,100,000</u>	<u>31,500,000</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

**SCHEDULE 5
FIXED ASSETS:**

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at March 31, 2008 Rs.	Additions during the year Rs.	(Ded.)/Adj. during the year Rs.	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.	From the year Rs.	(Ded.)/Adj. during the year Rs.	As at March 31, 2009 Rs.	As at March 31, 2009 Rs.	As at March 31, 2008 Rs.
Freehold Land (including site development)	29,717,040	310,122	—	30,027,162	—	—	—	30,027,162	30,027,162	29,717,040
Buildings	351,410,536	—	—	351,410,536	64,921,265	10,441,664	—	75,362,929	276,047,607	286,489,271
Plant and Machinery	1,470,968,568	52,215,834	(431,436)	1,522,752,966	441,285,349	79,169,144	(159,793)	520,294,700	1,002,458,266	1,029,683,219
Computers and Office Equipments	13,474,615	756,331	(6,436,324)	7,794,622	10,656,810	515,517	(6,115,102)	5,057,225	2,737,397	2,817,805
Furnitures, Fixtures and Other Equipments	9,273,023	376,567	—	9,649,590	2,806,955	681,000	—	3,487,955	6,161,635	6,466,068
Vehicles *	17,213,239	1,052,670	(1,391,080)	16,874,829	6,831,097	1,572,564	(981,619)	7,422,042	9,452,787	10,382,142
TOTAL	1,892,057,021	54,711,524	(8,258,840)	1,938,509,705	526,501,476	92,379,889	(7,256,514)	611,624,851	1,326,884,854	1,365,555,545
Previous Year	1,877,308,813	25,265,730	(10,517,522)	1,892,057,021	439,894,294	90,916,602	(4,309,420)	526,501,476	1,365,555,545	1,437,414,519

* Includes cost of vehicle amounting to Rs. 10,502,972 (Rs. 9,450,302) acquired on Hire Purchase basis.

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SCHEDULES FORMING PART OF THE ACCOUNTS

	As at March 31, 2009 Rupees	As at March 31, 2008 Rupees
SCHEDULE 6		
INVESTMENTS (At Cost):		
Long Term Investment (Trade):		
Unquoted:		
50000 (50000) Equity Shares of Rs. 10.00 each in Nimbua Greenfield (Punjab) Limited	500,000	500,000
Sub-total	500,000	500,000
Long Term Investment (other than trade):		
Quoted:		
5752 (5752) Equity Shares of Rs. 10.00 each in Dena Bank fully paid up. Market Value Rs. 185,329 (Previous Year Rs. 292,489)	155,304	155,304
Unquoted:		
108600 (108600) Equity Shares of Rs. 10.00 each in Rama Industries Limited fully paid up	1,086,000	1,086,000
Less: Provision for diminution in value of Investments	1,085,000	1,085,000
	1,000	1,000
Sub-total	156,304	156,304
TOTAL	656,304	656,304
Aggregate value of quoted Investments:		
At Cost price	155,304	155,304
At Market price	185,329	292,489
Aggregate value of unquoted Investments:		
At Cost price	1,586,000	1,586,000

RAINBOW DENIM LIMITED

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at March 31, 2009 Rupees	As at March 31, 2008 Rupees
SCHEDULE 7		
CURRENT ASSETS, LOANS AND ADVANCES:		
CURRENT ASSETS:		
Inventories:		
[As taken, valued and certified by the management]		
Finished Goods	31,987,794	49,133,241
Semi Finished Goods	42,826,838	25,097,929
Raw Materials	47,116,206	101,782,101
Stores, Packing Materials and Consumables	30,022,042	28,139,330
Wastage and Scrap	981,454	226,769
Material in transit	5,081,096	5,261,556
TOTAL	158,015,430	209,640,926
Sundry Debtors:		
[Unsecured, considered good]		
Exceeding six months	2,119,642	202,539
Other Debts	222,914,800	138,058,846
TOTAL	225,034,442	138,261,385
Cash and Bank Balances:		
Cash on Hand	689,322	691,208
Balances with Scheduled Banks		
— in Current Accounts	8,997,094	4,046,542
— in Deposit Accounts	6,783,168	15,073,978
TOTAL	16,469,584	19,811,728
LOANS AND ADVANCES:		
[Unsecured, considered good]		
Advances recoverable in cash or in kind or for value to be received	36,395,336	116,177,858
Security Deposits	11,372,270	11,359,220
TOTAL	47,767,606	127,537,078

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SCHEDULES FORMING PART OF THE ACCOUNTS

	As at March 31, 2009 Rupees	As at March 31, 2008 Rupees
SCHEDULE 8		
CURRENT LIABILITIES AND PROVISIONS:		
CURRENT LIABILITIES:		
Sundry Creditors	170,321,393	195,955,603
Sundry Creditors - Capital Goods	17,891,466	143,982,171
Advances from Customers	4,178,837	481,782
Other Liabilities	21,671,570	39,360,445
Interest accrued but not due	201,467,155	81,101,700
	415,530,421	460,881,701
PROVISIONS:		
For Gratuity	1,370,439	1,514,608
For Leave Encashment	2,463,142	2,201,684
	3,833,581	3,716,292
TOTAL	419,364,002	464,597,993
 SCHEDULE 9		
MISCELLANEOUS EXPENDITURE:		
[to the extent not written off or adjusted]		
Preliminary Expenses:		
As per last Balance Sheet	505,462	640,252
Less: Written off During the year	134,790	134,790
TOTAL	370,672	505,462

RAINBOW DENIM LIMITED

SCHEDULES FORMING PART OF THE ACCOUNTS

	For the year ended March 31, 2009 Rupees	For the year ended March 31, 2008 Rupees
SCHEDULE 10		
SALES AND OTHER INCOME:		
SALES:		
Sale	1,344,030,010	1,216,738,198
Less: Excise Duty	—	—
	1,344,030,010	1,216,738,198
OTHER INCOME:		
Export Incentives	14,932,597	5,987,339
Miscellaneous Income	11,406,519	7,602,209
	26,339,116	13,589,548
TOTAL	1,370,369,126	1,230,327,746
 SCHEDULE 11		
INCREASE/(DECREASE) IN STOCKS:		
Opening Stocks:		
Finished Goods	49,133,241	72,862,394
Semi Finished Goods	25,097,929	27,361,296
Waste	226,769	185,641
	74,457,939	100,409,331
Closing Stocks:		
Finished Goods	31,987,794	49,133,241
Semi Finished Goods	42,826,838	25,097,929
Waste	981,454	226,769
	75,796,086	74,457,939
Increase / (Decrease) in Stock	1,338,147	(25,951,392)
 SCHEDULE 12		
MANUFACTURING EXPENSES:		
Raw Materials Consumed	785,701,384	675,680,239
Colours, Dyes and Chemicals Consumed	123,938,199	122,483,185
Packing Materials Consumed	6,524,290	6,278,557
Stores and Consumables Consumed	37,580,576	32,423,434
Power and Fuel Expenses	149,706,702	143,194,212
Insurance Expenses	2,192,508	2,917,045
Repairs and Maintenance:		
— Buildings	2,091,121	1,451,659
— Plant and Machinery	2,995,853	2,396,006
TOTAL	1,110,730,633	986,824,337

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SCHEDULES FORMING PART OF THE ACCOUNTS

	For the year ended March 31, 2009 Rupees	For the year ended March 31, 2008 Rupees
SCHEDULE 13		
ADMINISTRATIVE, SELLING AND OTHER EXPENSES:		
Travelling and Conveyance Expenses	6,238,839	8,389,249
Rental and Hiring Charges	5,178,288	4,738,950
Postage and Courier Expenses	318,891	342,992
Printing and Stationery	683,913	837,573
Rates, Fee and Taxes	932,371	485,964
Fringe Benefit Tax	1,683,092	1,814,135
Loss on Sale/Disposal of Fixed Assets	572,056	5,201,412
Professional and Legal Expenses	3,709,051	4,430,232
Telecommunication Expenses	1,702,226	2,328,030
Directors' Sitting Fee	44,000	52,000
Auditors' Remuneration	399,826	268,957
Advertisement and Publicity Expenses	195,396	189,172
Repairs and Maintenance to Others	988,825	1,113,260
Running and Maintenance to Vehicles	3,148,043	3,526,459
Wealth Tax	41,475	34,962
Bad Debts and Advances Written Off	28,010	229,031
Other Expenses	8,621,498	8,355,365
Freight and Forwarding Expenses	8,835,413	5,470,077
Sales Commission	6,441,423	3,588,230
Rebate, Discounts and Claims	37,726,284	22,168,387
Other Selling and Distribution Expenses	5,698,336	5,068,081
TOTAL	93,187,256	78,632,518
SCHEDULE 14		
EMPLOYEES COST:		
Salary and Wages	44,714,625	40,551,871
Allowances to Employees	20,596,423	18,295,392
Contribution to ESI and Provident Fund	6,821,591	6,241,593
Other Employees Cost	18,729,412	18,294,080
TOTAL	90,862,051	83,382,936
SCHEDULE 15		
FINANCIAL EXPENSES:		
Interest on Fixed Term Loans	107,318,267	97,533,989
Interest on Others Loans and Financial Charges	42,146,056	41,410,276
TOTAL	149,464,323	138,944,265
SCHEDULE 16		
PRIOR PERIOD INCOME / (EXPENDITURE):		
Manufacturing Expenses	—	(5,612)
Administrative Expenses	(13,711)	(145,975)
Selling and Distribution Expenses	(103,430)	11,898
Employee Cost	1,293	—
Interest and Financial Cost	—	2,630
TOTAL	(115,848)	(137,059)

SCHEDULE NO. 17

SIGNIFICANT ACCOUNTING POLICIES & PRACTICES AND NOTES ON ACCOUNTS:

A. SIGNIFICANT ACCOUNTING POLICIES:

1. General:

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

2. Revenue Recognition:

- a. The company follows practice of accounting for all Income and Expenditure on accrual basis.
- b. Export incentives under the DEPB scheme have been recognized in the year of export.
- c. Claims and damages are accounted as and when they are finalized.

3. Fixed Assets:

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

4. Depreciation:

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

5. Excise Duty and Custom Duty:

- a. Excise duty, if applicable, has been accounted on the basis of payment made in respect of finished goods cleared. No provision is made for the finished good lying in bonded warehouse.
- b. Liability on account of customs duty on imported materials in transit or in bonded warehouse is accounted only in the year in which the goods are cleared from the customs.

6. Foreign Exchange Transactions:

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

7. Investments:

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

8. 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.

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.

9. Valuation of Inventories:

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

10. Borrowing Cost:

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

11. Provision for current and deferred tax:

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

12. Impairment of Assets:

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

13. Deferred Revenue Expenses and Preliminary Expenses:

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

B. NOTES ON ACCOUNTS:

1. Contingent Liabilities not provided for:

Particulars	As on March 31, 2009	As on March 31, 2008
i. Service Tax	649,035	—
ii. Custom duty on capital goods and raw material imported under advance Licencing/EPCG Scheme, against which export obligation is to be fulfilled.	* 270,000,000	270,000,000
iii. Export Bonds executed with Customs/Excise Authorities	12,500,000	12,500,000

* Bond for Rs. 270,000,000 was issued against total export obligation of US\$ 77,598,359 was to be fulfilled by January 12, 2009 or such further extension as may be granted, out of which the Company has fulfilled export obligation of US\$ 56,073,601 upto March 31, 2009.

RAINBOW DENIM LIMITED

2. Earning Per Share (EPS):

	Unit	Year Ended March 31, 2009	Year Ended March 31, 2008
Net Profit/(Loss) after tax available for Equity Share holder	Rupees	(160,424,006)	(169,839,645)
Number of Equity Shares	Nos.	18,209,359	18,209,359
Nominal value of Equity Shares	Rupees	10.00	10.00
Earning per Share Basic / Diluted (not annualized)	Rupees	(8.81)	(9.33)

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

	Year Ended March 31, 2009	Year Ended March 31, 2008
Salary	2,850,000	3,000,000
Contribution to Provident Fund	180,000	144,000
Other Benefits	1,432,954	1,348,147
Total	4,462,954	4,492,147

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

4. Details of Auditor's Remuneration:

	Year Ended March 31, 2009	Year Ended March 31, 2008
Audit Fees	248,175	168,540
Tax Audit Fee	55,150	39,326
Certification Work	33,399	—
Other Capacity	63,102	61,091
Total	399,826	268,957

5. Related Parties Disclosure:

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

a. List of Related Parties and Relationships:

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

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

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b. Transactions with Related Parties:

Nature of Transactions	Year Ended March 31, 2009		Year Ended March 31, 2008	
	Companies	Key Management Personnel	Companies	Key Management Personnel
Expenses :				
Lease Rent	2,125,542		1,940,501	
Managerial Remuneration		4,462,954		4,492,147
Finance:				
Loan Taken / Received Back	37,374,000		17,300,000	
Loan Given / Returned Back	—		800,000	
Outstandings:				
Receivables:				
On account of Sales	—		—	
On account of Loans and Advances	2,280,752		15,054,752	
Payables:				
On account of Purchase	—		—	
On account of Loans and Advances	41,100,000		16,500,000	

c. Balances written off during the year in respect of related parties: Nil (Previous Year - Rs. Nil)

6. The recoverability of Loans and Advances of Rs. 2,280,752 referred to in Note 5 (b) above, depends upon the concerned party's capacity to raise sufficient resources. The management is of the opinion that these amounts are recoverable and do not require any provision.

7. Additional information pursuant to the Provisions of paragraphs 3 and 4A to 4D of Part II of Schedule VI to the Companies Act, 1956 (to the extent applicable)

	Year ended March 31, 2009	Year ended March 31, 2008
a. Licensed Capacity [Number of Looms]	Not Applicable	Not Applicable
b. Installed Capacity [Number of Looms]	101	101
c. Production, Sales and Stocks: [Quantity in Meters]		
Denim Fabric:		
Opening Stock	679,734	1,030,648
Production	16,211,210	15,966,797
Sales	16,405,594	16,317,711
Closing Stock	485,350	679,734
Sale Value (Rupees)	1,330,095,790	1,202,765,418

RAINBOW DENIM LIMITED

d. Materials Consumed:	Quantity (M.T.)	Value (Rupees)	Quantity (M.T.)	Value (Rupees)
Cotton	9,361.855	595,754,908	10,075.402	550,825,450
Yarn	2,121.780	189,946,476	1,473.268	124,854,789
Others		168,043,065		161,185,176
e. CIF Value of Imports:				
i) Raw Materials		—		—
ii) Stores, Spares and Components		36,918,009		32,839,582
iii) Capital Goods		21,520,135		8,148,750
f. Expenditure in Foreign Currency on account of:				
i) Professional and Consultation Fee		603,640		—
ii) Commission		3,555,207		1,437,740
iii) Travelling and Business Promotion		258,878		792,441
iv) Others		634,162		84,655
g. Earning in Foreign Currency:				
F O B value of Exports		188,903,266		76,714,519
h. Value of Imported / Indigenous Raw Materials, Spare Parts, Components and Stores consumed:		Year ended March 31, 2009		Year ended March 31, 2008
	% age	Value	% age	Value
1. Raw Materials:				
Imported	0.00	—	0.05	350,981
Indigenous	100.00	785,701,384	99.95	675,329,258
Total	100.00	785,701,384	100.00	675,680,239
2. Colours, Dyes and Chemicals:				
Imported	27.24	33,759,307	26.06	31,915,027
Indigenous	72.76	90,178,892	73.94	90,568,158
Total	100.00	123,938,199	100.00	122,483,185
3. Stores, Spares and Components:				
Imported	39.85	17,573,809	37.82	14,636,514
Indigenous	60.15	26,531,057	62.18	24,065,477
Total	100.00	44,104,866	100.00	38,701,991

8. In the absence of information from suppliers of their status being small scale/ancillary undertakings, amount overdue and interest payable thereon, if any, cannot be quantified. However, as all the payments are being made by the company to small scale industrial units on mutually agreed terms, the liability for payment of any interest under Small Scale and Ancillary Industry Undertaking Ordinance 1993 does not arise.
9. The Company has received approval of the Corporate Debt Restructuring (CDR) Cell for the restructuring of its debts under the CDR Mechanism w.e.f. April 01, 2006. None of the Institution/Bank has given effect of reliefs and concessions envisaged under the said approval. Effect of the same has neither been accounted nor quantified pending compliances and confirmations from the Institutions/Banks.
10. The Company has provided for interest on Term Loans and Working Capital based on its own workings, where no advice has been received from Institutions/Banks and has shown the same as Interest Accrued but Not Due.
11. The Company has not recognized Interest Subsidy receivable under the Technology Up-gradation Fund Scheme (TUFS) in view of default in repayment of dues to Financial Institutions and Banks. The amount will be recognised in the year of receipt.
12. Segment wise details, as required by AS-17 Segment Reporting, are not furnished as the management is of the opinion that it does not have any geographical segment that is subject to different kind of risk, return or opportunities.
13. No provision has been made for Deferred Tax Asset, as required by AS-22, in absence of virtual certainty regarding taxable income in future.
14. Figures have been rounded off to the nearest rupee.
15. Previous Years figures have been re-grouped/re-arranged wherever necessary to make them comparable.

Signature to Schedule 1 to 17

For and on behalf of the Board

Place: Mumbai
Date : May 27, 2009

R. D. Jog
Company Secretary

S. S. Arora
Whole Time Director

H. D. Ramsinghani
Chairman &
Managing Director

Annual Report 2008- 2009

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

	For the Year ended March 31, 2009	For the Year ended March 31, 2008
	Rupees	Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit / (Loss) Before Tax	(160,424,006)	(169,839,645)
Add:		
Depreciation	87,636,378	86,160,094
Loss on Sale/Disposal of Assets	572,056	5,201,412
Financial Expenses	149,464,323	138,944,265
Preliminary Expenses Written Off	134,790	134,790
	237,807,547	230,440,561
Operating Profit Before Working Capital Changes	77,383,541	60,600,916
Adjustment for:		
Decrease / (Increase) in Inventories	51,625,496	(48,862,363)
Decrease / (Increase) in Trade and Other Receivables	(7,003,585)	19,045,359
Increase / (Decrease) in Trade Payables	(45,233,991)	80,538,652
	(612,080)	50,721,648
Net Cash from Operating Activities	76,771,461	111,322,564
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(40,369,371)	(46,064,372)
Sale/Adjustments of Fixed Assets	430,270	1,006,690
Sale/(Purchase) of Investments	—	(200,000)
Net Cash from Investing Activities	(39,939,101)	(45,257,682)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds/(Payments) from /for Term Borrowings	108,249,701	41,074,564
Proceeds/(Payments) from /for Bank Borrowings	(6,996,125)	29,692
Proceeds/(Payments) from /for Unsecured Borrowings	9,600,000	31,500,000
Proceeds/(Payments) from /for Hire Purchase Borrowings	(1,563,757)	1,388,408
Financial Expenses	(149,464,323)	(138,944,265)
Net Cash from Financing Activities	(40,174,504)	(64,951,601)
Net Decrease in Cash and Cash Equivalents	(3,342,144)	1,113,281
Opening Balance of Cash and Cash Equivalents	19,811,728	18,698,447
Closing Balance of Cash and Cash Equivalents	16,469,584	19,811,728

As per our attached report of even date

For and on behalf of the Board,

for **Dayal & Lohia**
Chartered Accountants

Anil Lohia
Partner

R. D. Jog
Company Secretary

S. S. Arora
Whole Time Director

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

Place: Mumbai
Date : May 27, 2009

Place : Mumbai
Date : May 27, 2009

RAINBOW DENIM LIMITED

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

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS:

Registration Number	22452	State Code	16
Balance Sheet Date	March 31, 2009		

II CAPITAL RAISED DURING THE YEAR (AMOUNT IN RUPEES THOUSANDS):

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

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RUPEES THOUSANDS):

Total Liabilities	1,684,795	Total Assets	1,684,795
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SOURCES OF FUNDS:

Paid-up Capital	182,094
Reserves and Surplus	105,590
Secured Loans	1,356,011
Unsecured Loans	41,100

APPLICATION OF FUNDS:

Net Fixed Assets	1,326,885
Capital Work-in-progress	6,956
Investments	656
Net Current Assets	27,923
Miscellaneous Expenditure	371
Accumulated losses	322,004

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

Turnover	1,371,707	Total Expenditure	1,532,131
Loss Before Tax	(160,424)	Loss After Tax	(160,424)
Earning per Share in Rupees	(8.81)	Dividend %	Nil

V GENERIC NAMES OF THE PRINCIPAL PRODUCTS OF THE COMPANY (AS PER MONETARY TERMS):

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

For and on behalf of the Board

Place: Mumbai
Date : May 27, 2009

R. D. Jog
Company Secretary

S. S. Arora
Whole Time Director

H. D. Ramsinghani
Chairman &
Managing Director

Annual Report 2008- 2009

RAINBOW DENIM LIMITED

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

PROXY FORM

For Dematted Shares

DP ID	
-------	--

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

For Physical Shares

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

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

I/We _____ s/o, w/o, d/o _____ residing at _____ being

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

_____ as my/our proxy to vote for me/us and on my/our behalf at the Tenth Annual General Meeting of the Company to be held on Friday the 25th day of September, 2009 at 10.00 a.m. at Village Chaundheri, P. O. Dappar, Tehsil Derabassi, Dist. Mohali, Punjab 140 506 and at any adjournment thereof.

Signed this _____ day of _____, 2009

Affix
Revenue
Stamp of
Rs. 0.15

Signature

(Please sign across the Stamp)

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

RAINBOW DENIM LIMITED

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

ATTENDANCE SLIP

For Dematted Shares

DP ID	
-------	--

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

For Physical Shares

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

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

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company. I hereby record my presence at the Tenth Annual General Meeting of the Company held on Friday the 25th day of September, 2009 at 10.00 a.m. at Village Chaundheri, P. O. Dappar, Tehsil Derabassi, Dist. Mohali, Punjab 140 506.

Member's/Proxy's name in BLOCK letters

Member's/Proxy's Signature

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