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# RAINBOW DENIM LTD.

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## **MANAGEMENT DISCUSSION & ANALYSIS REPORT**

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

There has been a steady increase in the Denim capacity in India during the last 25 years. Today the total capacity of the Denim industry is about 550 million meters and it is growing at about 10% per annum. During the last few years several new players have entered the market due to growing demand. Out of the total production, about 40% is exported and the balance is consumed within the country.

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

Though there are good prospects for growth in the Denim Industry, the high cost of Cotton, which is the key raw material, and other inputs like labor, fuel and chemicals is affecting the performance of the sector. It effects the Company's ability to maintain its competitiveness and margins in the face of stiff competition from players in the organized and un organized sector. The Company continues to lay emphasis on technology innovation and value addition to improve its performance in the coming years.

### **3 SEGMENTWISE 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.

### **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, 2011, the Company has achieved production of 15.07 million meters of Denim fabric. The sales Turnover is Rs 15519.83 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 30, 2011

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