RAINBOW DENIM LTD.

Twelfth Annual Report 2010-2011

BOARD OF DIRECTORS

CHAIRMAN & MANAGING DIRECTOR
H D RAMSINGHANI

WHOLETIME DIRECTOR
S S ARORA

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

DIRECTORS

D N SINGH

MAHENDRA LODHA

UMESH JAIN – Nominee Director –IDBI Bank Ltd.
(upto 10/08/2011)

DEEPAK GUPTA – Nominee Director –IDBI Bank Ltd.
(from 10/08/2011)

COMPANY SECRETARY
R.D. JOG

AUDITORS
DAYAL & LOHIA
CHARTERED ACCOUNTANTS
MUMBAI

BANKERS
BANK OF INDIA
DENA BANK
AB BANK LTD

REGISTRARS & TRANSFER AGENT
LINK INTIME INDIA PVT.LTD.
C-13, PANNALAL SILK MILLS
COMPOUND, L B S MARG, BHANDUP(WEST),
MUMBAI 400 078
TEL : 25963838
FAX : 25946969
EMAIL: rnt.helpdesk@linkintime.co.in
Website : www.linkintime.com

NOTICE

NOTICE is hereby given that the Twelfth Annual General Meeting of the Members of RAINBOW DENIM LIMITED will be held on Friday the 23rd day of September 2011 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, 2011 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 consider, and if thought fit, to pass with or without modification, the following Resolution, as an Ordinary Resolution :

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

NOTES

1. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the Special business is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTYEIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday the 16th day of September, 2011 to Friday the 23rd day of September 2011 (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.
6. The Ministry of Corporate Affairs (vide circular nos. 17/2011 and 18/2011 dated April 21 and April 29, 2011 respectively), has undertaken a 'Green Initiative in Corporate Governance' and allowed companies to share documents with its shareholders through an electronic mode. Members are requested to support this green initiative by registering / updating their e-mail addresses, in respect of shares held in dematerialized form with their respective Depository Participants and in respect of shares held in physical form with Link Intime India Private Limited.

By Order of the Board
For RAINBOW DENIM LTD.

Place : Mumbai
Dated : July 30, 2011

R. D JOG
COMPANY SECRETARY

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, 55 years, is B.Com. (Hons.), LL.B., FCA. He is a senior partner of Mehta Lodha & Co., He is engaged in corporate advisory services and possess expertise in the field of Corporate Financing and Corporate restructuring. He does not hold any 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.
Tulips Star Hotels Ltd.	Bihar Hotels Ltd.
Metrochem Industries Ltd.	

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

Name of the Company	Name of the Committee	Designation
Rama Petrochemicals Ltd.	Audit Committee	Chairman
	Shareholders Committee	Chairman
Steelco Gujarat Ltd	Audit Committee	Member
	Shareholders Committee	Member
Tulip Star Hotels Ltd.	Audit Committee	Chairman

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Twelfth Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2011.

FINANCIAL RESULTS

	YEAR ENDED 31.03.2011 (Rs. in lacs)	YEAR ENDED 31.03.2010 (Rs. in lacs)
Profit/(Loss) before Depreciation	**691.89**	(750.57)
Depreciation	**892.97**	890.89
Profit/(Loss) after Depreciation	**(201.08)**	(1641.46)
Profit/(Loss) before Tax	**(201.08)**	(1641.46)
Fringe benefit Tax	**Nil**	0.61
Net Profit/(Loss) for the Year	**(201.08)**	(1642.07)
Reliefs and Refunds of Interest	**2532.00**	Nil
Loss as per last Balance Sheet	**(4862.10)**	(3220.04)
Balance carried to Balance Sheet	**(2531.18)**	(4862.11)

DIVIDEND

In view of the loss, 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. 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 15.07 million meters as compared to 15.34 million meters during the previous year. The Company has achieved a sales turnover of Rs. 15519.83 lacs during the year under review as compared to a turnover of Rs. 12830.79 lacs during the previous year.

FUTURE PROSPECTS

The Indian Denim market is expected to register a growth of about 10% in the coming years but the increase in costs of raw materials and other inputs, which are growing steadily over the years, is a cause for concern. There is a large scale capacity build up in the country as a result of which the Company faces stiff competition and is unable to pass on the increased cost burden to the consumers.

CORPORATE GOVERNANCE

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

DIRECTORS RESPONSIBILITY STATEMENT

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

1. In the preparation of the Annual Accounts, the applicable accounting standards have been followed;
2. Appropriate Policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2011 and the loss of the Company for the year ended March 31, 2011;
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

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

DIRECTORS

Mr. 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. The Company has not disclosed information regarding dues to Micro, Small and Medium Enterprises since no information is available regarding their status.
2. The net worth of the Company has been fully eroded and the Company has filed the reference with BIFR.

AUDITORS

M/s. Dayal & Lohia, Chartered Accountants, (Membership No 102200W) the Auditors of the Company retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for reappointment. The Company has received a certificate from them certifying that their appointment, if made, would be within the limits specified under Section 224 (1-B) of the Companies Act, 1956.

FIXED DEPOSITS

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

INDUSTRIAL RELATIONS

The Industrial Relations remained cordial during the year under review.

ACKNOWLEDGEMENT

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

By Order of the Board

Place : Mumbai
Dated : July 30, 2011

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, 2011

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. Alternate fuel used in place of Rice Husk in some months when rice husk was expensive.
2. Roof Extractors are installed in production hall where processing machines are working.
3. During daily peak hours restrictions, we reduce loads in H. Plants without effecting their performance. This amounts to saving of electricity.
4. We have stopped using small Air Compressor for cleaning purposes in the Departments and the cleaning air was provided through main IR Compressor by providing separate air line without affecting the air pressure in the service department.

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

1. More Roof extractors to be installed in Rope Dyeing section to improve ventilation.
2. Energy auditing will be carried out shortly and the short-comings will be attended accordingly

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 :

	2010-11	**2009-10**
A. POWER AND FUEL CONSUMPTION :		
1. ELECTRICITY :		
a. Purchased (PSEB) :		
Units (in thousand)	**27402**	25315
Total cost (Rs. in Lacs)	**1217.19**	1203.15
Rate per Unit (Rs.)	**4.44**	4.75
b. Own Generation :		
Through Diesel Generation :		
Units (in thousands)	**72**	1011
Units per Litre of Diesel	**3.08**	3.48
Cost per Unit (Rs.)	**11.48**	9.11
Through Steam Turbine/Generator:		
Units (in thousand)	**Nil**	Nil
Units per Litre of Fuel, Oil, Gas	**Nil**	Nil
Cost per unit	**NA**	NA
2. FURNACE OIL :		
Quantity (in Kltrs)	Nil	98

	Total Amount (Rs in Lacs)	Nil	18.34
	Average Rate	Nil	18.80
3.	**OTHER INTERNAL GENERATION**	**Nil**	Nil
B.	**CONSUMPTION PER UNIT OF PRODUCTION :**		
	Production of Denim Fabric (in Lacs Mtrs.)	**150.77**	153.37
	Electricity (kwh per Meter)	**1.82**	1.72
	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	496.24
Foreign Exchange earned	2412.62

By Order of the Board

Place : Mumbai
Dated : July 30, 2011

H. D. RAMSINGHANI
CHAIRMAN & MANAGING DIRECTOR

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

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

2. Board of Directors

a. As on the date of this Report, the Board consists of Five Directors (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 Director-ships and Private Companies)	Membership/ Chairmanship of other Board Committees		Share-holding (No. of Shares)
		Board Meetings	Last Annual General Meeting		Chairman	Member	
Mr. H.D. Ramsinghani Chairman & Managing Director	Executive	Four	Yes	Five	One	Two	20
Mr. S. S. Arora Whole time Director	Executive	Two	Yes	Nil	Nil	Nil	163373
Mr. Deonath Singh Director	Non Executive Independent	Four	No	Three	One	Three	3010
Mr. Mahendra Lodha Director	Non Executive Independent	Four	Yes	Eighteen	Three	Two	Nil
Mr. Umesh Jain Nominee Director of IDBI Bank Ltd.	Non Executive Independent	One	No	One	Nil	One	Nil

c. During the year four Board Meetings were held on May 28, 2010, July 26, 2010, October 29, 2010 and January 31, 2011.

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 28, 2010, July 26, 2010, October 29, 2010 and January 31, 2011. 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	One

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 the Remuneration Committee was held during the year as there was no revision in remuneration.

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

7 Shareholders/Investors Grievances Committee

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

The committee presently comprises of Mr. Deonath Singh (Chairman), Mr. H. D. Ramsinghani and Mr. S. S. Arora.

A summary of complaints received and resolved by the Company during the year is given below:

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

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	38.56	Nil
Mr. S. S. Arora	Wholetime Director	23.88	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 *	4000/-
TOTAL	**36000/-**

***** 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
2007-2008	20/09/2008	10.00 A.M	Village Chaundheri, P.O Dappar, Dist. Mohali, Punjab 140506
2008-2009	25/09/2009	10.00 A.M	Village Chaundheri, P.O Dappar, Dist. Mohali, Punjab 140506
2009-2010	24/09/2010	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
20.09.2008	Reclassification of Authorised Share Capital
20.09.2008	Alteration of the Capital Clause of the Articles of Association.
25.09.2009	Reappointment of Mr. H. D. Ramsinghani as the Managing Director of the Company.
25.09.2009	Reappointment of Mr. S. S. Arora as the Whole time Director of the Company.
24.09.2010	No Special Resolutions were passed.

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 :

Financial Year : 31st March, 2011

Annual General Meeting	:	September 23, 2011 at 10.00 a.m. At Village Chaundheri, P O Dappar, Tehsil Derabassi, Dist Mohali, Punjab 140 506.
Dates of Book Closure	:	September 16, 2011 to September 23, 2011 (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 2010	4.00	3.27
May 2010	4.00	3.32
June 2010	4.12	3.32
July 2010	4.09	3.45
August 2010	5.10	3.50
September 2010	4.48	3.55
October 2010	5.82	3.65
November 2010	6.79	4.76
December 2010	5.00	3.71
January 2011	4.43	3.66
February 2011	4.04	3.47
March 2011	7.05	3.90

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, 2011:

Number of Equity Share Holdings	Number of Shareholders	Percentage of Shareholders	Number of Shares	Percentage of Shareholding
1 – 500	14502	93.05	2273186	12.48
501 – 1000	584	3.75	494077	2.71
1001 – 2000	229	1.47	358850	1.97
2001 – 3000	84	0.54	215659	1.18
3001 – 4000	35	0.22	125046	0.69
4001 – 5000	35	0.22	163732	0.90
5001 – 10000	55	0.35	396312	2.18
10001 & above	62	0.40	14182497	77.89
Total	**15586**	**100.00**	**18209359**	**100.00**

17. Shareholders' Profile as on March 31, 2011 :

Category of Shareholders	No. of Shares held	% to Total Capital
Promoters Shareholding	8422667	46.25
Non Promoter Shareholding		
Foreign Collaborators	NIL	NIL
Banks	2749554	15.10
Financial Institutions	274625	1.51
Foreign Institutional Investors	NIL	NIL
Mutual Funds	700	0.00
Domestic Companies	1292996	7.10
Non-Domestic Companies	NIL	NIL
Non-Resident Indians	52220	0.29
General Public	5416597	29.75
Total	**18209359**	**100.00**

18. Dematerialization of shares as on March 31, 2011 :

90.42% of the Company's total share capital representing 16465208 Equity 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.

By Order of the Board

Place : Mumbai
Dated : July 30, 2011

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, 2011, 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 30, 2011

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 2011, 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 01/04/2010 to 31/03/2011 have been attended.

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

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

(Sunil Khandelwal)
Partner
Membership No.101388

Place : Mumbai.
Date : July 30, 2011

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

AUDITORS REPORT

To The Members of
RAINBOW DENIM LIMITED,

We have audited the attached Balance Sheet of Rainbow Denim Limited as at 31st March, 2011 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, 2011 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 note B-10 in Schedule 16 regarding non-disclosure of amounts overdue to micro, small and medium enterprise,* give a true and fair view
      i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2011;

      and

      ii. in the case of the Profit and Loss Account, of the profit 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
Firm Regn. No. 102200W

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

Place : Mumbai
Date : 27th May 2011

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 2 of our Report of even date on the accounts of Rainbow Denim Limited for the year ended 31st March 2011.)

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 if 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, firm or other parties covered in the register maintained under section 301 of the Companies Act, 1956:
   a) According to the information and explanation given to us, the Company has not granted any loan, secured or unsecured to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956;
   b) According to the information and explanation given to us, the Company has not taken any loan, secured or unsecured, from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956;
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of inventory, fixed assets and for sale of goods. During the course of our audit, no major weakness has been noticed in the internal control.
5. In respect of transactions covered under Section 301 of the Companies Act, 1956, according to the information and explanations given to us, we are of the opinion that there are no contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956. Therefore, the provision of sub-clause (b) of clause 4 (v) of the Order is not applicable to the Company.
6. According to the information and explanations given to us, the company has not accepted the deposit u/s. 58A, 58AA or any other relevant provisions of the Companies Act, 1956 during the year.
7. In our opinion, the Company has an internal audit system commensurate with the size and the nature of the business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of the Company's products to which the said rules are made applicable, and are of the opinion that prima facie, the prescribed accounts have been maintained. We have, however not made a detailed examination of the records with a view to determine whether they are accurate.
9. a) According to the records of the Company, there were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employee's State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues outstanding as on 31st March, 2011, for a period of more than six months from the date they became payable.

b) According to the records of the Company and information and explanations given to us there are no dues of sales tax, income tax, wealth tax, service tax, custom duty, excise duty on account of any disputes.

10. In our opinion, *the accumulated losses of the Company are more than fifty percent of its net worth.* During the year company has not incurred cash loss and in the immediately preceding financial year, it has incurred cash loss of Rs. 751.18 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, including interest, to financial institution and banks aggregating to Rs. 455.38 Lacs as on 31st March 2011.
12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures or any other securities.
13. In our opinion, the Company is not a Chit Fund, Nidhi or Mutual Fund/Society.
14. In our opinion, the Company is maintaining proper record of the transactions and contracts of dealing in shares and securities and timely entries have been made in the records. All the investments are held by the Company in its own name.
15. According to the information and explanations given to us, and the representations made by the management, the Company has not given any guarantee for loans taken by others from any bank or financial institution.
16. In our opinion and on the basis of information and explanations given to us, term loans availed by the Company were, prima facie, applied by the Company during the year for the purpose for which the loans were obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
18. The Company has not made preferential allotment of shares to Company covered in the register maintained under section 301 of the Companies Act, 1956.
19. The Company has not issued debentures during the year.
20. The Company has not raised any money by public issue during the year.
21. According to the information and explanations given to us, and to the best of our knowledge and belief no fraud on or by the Company, has been noticed or reported during the year.

for DAYAL & LOHIA
Chartered Accountants
Firm Regn. No. 102200W

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

Place : Mumbai
Date : 27th May 2011

BALANCE SHEET AS AT MARCH 31, 2011

	Schedule	As at March 31, 2011 Rupees	As at March 31, 2010 Rupees
SOURCES OF FUNDS :			
Shareholders' Fund :			
Share Capital	**1**	**182,093,590**	182,093,590
Reserves and Surplus	**2**	**96,103,381**	100,846,892
		278,196,971	282,940,482
Loan Funds :			
Secured Loans	**3**	**1,557,413,234**	1,363,287,896
Unsecured Loans	**4**	**58,100,000**	58,100,000
		1,615,513,234	1,421,387,896
	TOTAL	**1,893,710,205**	1,704,328,378
APPLICATION OF FUNDS :			
Fixed Assets :	**5**		
Gross Block		**1,953,994,712**	1,952,060,680
Less : Depreciation		**798,250,494**	705,457,561
Net Block		**1,155,744,218**	1,246,603,119
Capital Work-in-Progress		**4,516,730**	-
[Including capital advances]			
Investments	**6**	**531,304**	656,304
Current Assets, Loans and Advances :	**7**		
Inventories		**400,002,267**	185,826,991
Sundry Debtors		**191,792,360**	212,044,732
Cash and Bank Balances		**27,986,074**	15,849,179
Loans and Advances		**46,010,521**	36,957,866
		665,791,222	450,678,768
Less : Current Liabilities and Provisions :	**8**		
Current Liabilities		**181,368,359**	476,916,999
Provisions		**4,724,407**	3,139,523
		186,092,766	480,056,522
Net Current Assets		**479,698,456**	(29,377,754)
Miscellaneous Expenditure	**9**	**101,092**	235,882
[to the extent not written off or adjusted]			
Profit and Loss Account		**253,118,405**	486,210,827
	TOTAL	**1,893,710,205**	1,704,328,378
Significant Accounting Policies & Practices and Notes on Accounts	**16**		

As per our attached report of even date,

for Dayal and Lohia,
Chartered Accountants
Firm Regn. No. 102200W

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

PLACE : Mumbai
DATE : May 27, 2011

For and on behalf of the Board of Directors,

R.D. Jog
Company Secretary

S. S. Arora
Whole Time Director

H.D. Ramsinghani
Chairman & Managing Director

PLACE : Mumbai
DATE : May 27, 2011

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

	Schedule	For the year ended March 31, 2011 Rupees	For the year ended March 31, 2010 Rupees
INCOME			
Gross Sales		**1,551,982,504**	1,283,078,560
Less : Excise Duty		**-**	-
Net Sales		**1,551,982,504**	1,283,078,560
Other Income	**10**	**21,708,706**	13,838,127
Increase/(Decrease) in Stocks	**11**	**156,599,894**	22,809,765
	TOTAL	**1,730,291,104**	1,319,726,452
EXPENDITURE			
Manufacturing Expenses	**12**	**1,317,907,504**	1,049,581,556
Administrative, Selling and Other Expenses	**13**	**89,378,089**	95,140,688
Employees Cost	**14**	**116,631,830**	99,390,595
Financial Expenses	**15**	**137,050,374**	150,535,478
Preliminary Expenses Written Off	**9**	**134,790**	134,790
	TOTAL	**1,661,102,587**	1,394,783,107
Profit / (Loss) Before Depreciation		**69,188,517**	(75,056,655)
Depreciation		**89,296,925**	89,089,199
Profit / (Loss) Before Income-tax		**(20,108,408)**	(164,145,854)
Provision for Taxation :			
Fringe Benefit Tax		**-**	61,352
PROFIT / (LOSS) FOR THE YEAR		**(20,108,408)**	(164,207,206)
Reliefs and Refunds of Interest (Refer Note B 12 of Schedule 16)		**253,200,830**	-
Loss as per last Balance Sheet		**(486,210,827)**	(322,003,621)
BALANCE CARRIED TO BALANCE SHEET		**(253,118,405)**	(486,210,827)
Basic and Diluted Earning per Share (Refer Note B 2 of Schedule 16)			
Basic and Diluted Earning per Share (Before Extraordinary items)		**(1.10)**	(9.02)
Basic and Diluted Earning per Share (After Extraordinary items)		**12.80**	(9.02)
Significant Accounting Policies & Practices and Notes on Accounts	**16**		

As per our attached report of even date,

for Dayal and Lohia,
Chartered Accountants
Firm Regn. No. 102200W

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

PLACE : Mumbai
DATE : May 27, 2011

For and on behalf of the Board of Directors,

R.D. Jog
Company Secretary

S. S. Arora
Whole Time Director

H.D. Ramsinghani
Chairman & Managing Director

PLACE : Mumbai
DATE : May 27, 2011

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at March 31, 2011 Rupees	As at March 31, 2010 Rupees
SCHEDULE 1		
SHARE CAPITAL :		
AUTHORISED :		
[27,000,000 (27,000,000) Equity Shares of Rs. 10.00 each]	**270,000,000**	270,000,000
	270,000,000	**270,000,000**
ISSUED, SUBSCRIBED AND PAID-UP :		
[18,209,359 (18,209,359) Equity Shares of Rs. 10.00 each fully paid-up out of this : 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.	**182,093,590**	182,093,590
TOTAL	**182,093,590**	**182,093,590**
SCHEDULE 2		
RESERVES AND SURPLUS :		
Capital Reserve :		
As per last Balance Sheet	**44,304,983**	48,376,875
Less : Adjustment for Depreciation	**4,071,892**	4,071,892
	40,233,091	**44,304,983**
Share Premium Account :		
As per last Balance Sheet	**49,364,092**	49,364,092
Add : Share Premium Received during the year	**-**	-
	49,364,092	**49,364,092**
Interest Subsidy :		
As per last Balance Sheet	**7,177,817**	7,849,436
Less : Adjustment for Depreciation	**671,619**	671,619
	6,506,198	**7,177,817**
TOTAL	**96,103,381**	**100,846,892**

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at March 31, 2011 Rupees	As at March 31, 2010 Rupees
SCHEDULE 3		
SECURED LOANS :		
Term Loans from Financial Institutions and Banks	**1,292,582,490**	1,044,927,934
Interest Accrued and Due on Term Loans	**38,632,956**	121,931,727
Working Capital Loans from Banks	**195,613,192**	163,995,612
Other Loan	**30,584,596**	31,384,596
Against Hire Purchase of Vehicles	**-**	1,048,027
TOTAL	**1,557,413,234**	**1,363,287,896**

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 Director 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 guarantees of erstwhile Directors of the Company.
4. Loans against Hire Purchase of Vehicles are secured by way of hypothecation of the said vehicles.

SCHEDULE 4		
UNSECURED LOANS :		
From Corporate Bodies	**58,100,000**	58,100,000
TOTAL	**58,100,000**	**58,100,000**

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 5

FIXED ASSETS :

	GROSSBLOCK				DEPRECIATION				NETBLOCK	
PARTICULARS	**As at March 31, 2010 Rupees**	**Additions during the year Rupees**	**(Deductions)/ Adjustments during the year Rupees**	**As at March 31, 2011 Rupees**	**As at March 31, 2010 Rupees**	**For the year Rupees**	**(Deductions)/ Adjustments during the year Rupees**	**As at March 31, 2011 Rupees**	**As at March 31, 2011 Rupees**	**As at March 31, 2010 Rupees**
Freehold Land [including site development)	30,511,462	243,680	-	**30,755,142**	-	-	-	**-**	**30,755,142**	30,511,462
Buildings	351,410,536	-	-	**351,410,536**	85,804,593	10,441,664	-	**96,246,257**	**255,164,279**	265,605,943
Plant and Machinery	1,534,295,975	1,570,129	-	**1,535,866,104**	601,095,453	81,049,878	-	**682,145,331**	**853,720,773**	933,200,522
Computers and Office Equipments	8,333,644	690,668	(199,580)	**8,824,732**	5,584,547	502,076	(146,175)	**5,940,448**	**2,884,284**	2,749,097
Furnitures, Fixtures and Other Equipments	10,079,529	348,778	-	**10,428,307**	4,107,132	684,915	-	**4,792,047**	**5,636,260**	5,972,397
Vehicles *	17,429,534	831,774	(1,551,417)	**16,709,891**	8,865,836	1,361,903	(1,101,328)	**9,126,411**	**7,583,480**	8,563,698
TOTAL	**1,952,060,680**	**3,685,029**	**(1,750,997)**	**1,953,994,712**	**705,457,561**	**94,040,436**	**(1,247,503)**	**798,250,494**	**1,155,744,218**	**1,246,603,119**
Previous Year	**1,938,509,705**	**13,550,975**	**-**	**1,952,060,680**	**611,624,851**	**93,832,710**	**-**	**705,457,561**	**1,246,603,119**	**1,326,884,854**

* Includes cost of vehicle amounting to Rs. Nil (Rs. 6,382,222) acquired on Hire Purchase basis.

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at March 31, 2011 Rupees	As at March 31, 2010 Rupees
SCHEDULE 6		
INVESTMENTS (At Cost) :		
Investments (Trade) :		
Unquoted :		
37500 (50000) Equity Shares of Rs. 10.00 each in	**375,000**	500,000
Nimbua Greenfield (Punjab) Limited fully paid up.		
Sub-total	**375,000**	**500,000**
Investments (other than trade) :		
Quoted :		
5752 (5752) Equity Shares of Rs. 10.00 each in	**155,304**	155,304
Dena Bank fully paid up.		
Market Value Rs. 599,646 (Previous Year Rs. 452,107)		
Unquoted :		
108600 (108600) Equity Shares of Rs. 10.00 each in	**1,086,000**	1,086,000
Rama Industries Limited fully paid up		
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	**531,304**	**656,304**
Aggregate value of quoted Investments :		
At Cost price	**155,304**	155,304
At Market price	**599,646**	452,107
Aggregate value of unquoted Investments :		
At Cost price	**1,461,000**	1,586,000

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at March 31, 2011 Rupees	As at March 31, 2010 Rupees
SCHEDULE 7		
CURRENT ASSETS, LOANS AND ADVANCES :		
CURRENT ASSETS :		
Inventories :		
(As taken, valued and certified by the Management)		
Finished Goods	**166,343,732**	49,104,172
Semi Finished Goods	**88,580,291**	49,195,520
Raw Materials	**111,511,652**	48,087,505
Stores, Packing Materials and Consumables	**33,284,870**	39,133,635
Wastage and Scrap	**281,722**	306,159
TOTAL	**400,002,267**	**185,826,991**
Sundry Debtors :		
[Unsecured, considered good unless otherwise stated]		
Exceeding six months	**3,841,974**	4,971,858
Other Debts	**191,792,360**	207,072,874
	195,634,334	212,044,732
Less : Provision for Doubtful Debts	**3,841,974**	-
TOTAL	**191,792,360**	**212,044,732**
Cash and Bank Balances :		
Cash on Hand	**1,252,093**	382,256
Balances with Scheduled Banks		
- in Current Accounts	**11,314,163**	8,482,988
- in Deposit Accounts	**15,419,818**	6,983,935
TOTAL	**27,986,074**	**15,849,179**
LOANS AND ADVANCES :		
[Unsecured, considered good]		
Advances recoverable in cash or in kind		
or for value to be received	**33,473,459**	25,583,547
Balance with Excise Authorities	**2,365**	2,365
Security Deposits	**12,534,697**	11,371,954
TOTAL	**46,010,521**	**36,957,866**

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at March 31, 2011 Rupees	As at March 31, 2010 Rupees
SCHEDULE 8		
CURRENT LIABILITIES AND PROVISIONS :		
CURRENT LIABILITIES :		
Sundry Creditors	**152,779,472**	114,090,866
Advances from Customers	**4,645,536**	4,301,426
Interest accrued but not due	**5,957,726**	336,209,132
Other Liabilities	**17,985,625**	22,315,575
	181,368,359	**476,916,999**
PROVISIONS :		
For Gratuity	**2,558,013**	1,464,335
For Leave Encashment	**2,166,394**	1,675,188
	4,724,407	**3,139,523**
TOTAL	**186,092,766**	**480,056,522**
SCHEDULE 9		
MISCELLANEOUS EXPENDITURE :		
[to the extent not written off or adjusted]		
Preliminary Expenses :		
As per last Balance Sheet	**235,882**	370,672
Less : Written off During the year	**134,790**	134,790
TOTAL	**101,092**	**235,882**

SCHEDULES FORMING PART OF THE ACCOUNTS

	For the year ended March 31, 2011 Rupees	For the year ended March 31, 2010 Rupees
SCHEDULE 10		
OTHER INCOME :		
Export Incentives	**18,809,736**	13,031,579
Interest Income (*)	**1,229,200**	455,670
Dividend Income	**11,504**	6,902
Gain on Foreign Exchange Fluctuations	**319,296**	-
Miscellaneous Income	**1,338,970**	343,976
TOTAL	**21,708,706**	**13,838,127**
(*) Includes Rs. 410,460 (Previous Year Rs. 427,599) from Banks on Deposits.		
SCHEDULE 11		
INCREASE/(DECREASE) IN STOCKS :		
Opening Stocks :		
Finished Goods	**49,104,172**	31,987,794
Semi Finished Goods	**49,195,520**	42,826,838
Waste	**306,159**	981,454
	98,605,851	**75,796,086**
Closing Stocks :		
Finished Goods	**166,343,732**	49,104,172
Semi Finished Goods	**88,580,291**	49,195,520
Waste	**281,722**	306,159
	255,205,745	**98,605,851**
Increase / (Decrease) in Stock	**156,599,894**	**22,809,765**
SCHEDULE 12		
MANUFACTURING EXPENSES :		
Raw Materials Consumed	**950,289,348**	726,788,809
Colours, Dyes and Chemicals Consumed	**147,523,022**	114,486,145
Packing Materials Consumed	**5,261,741**	5,159,019
Stores and Consumables Consumed	**43,359,830**	34,004,671
Power and Fuel Expenses	**163,469,949**	161,518,603
Insurance Expenses	**1,741,880**	1,773,350
Repairs and Maintenance :		
- Buildings	**1,500,518**	1,722,701
- Plant and Machinery	**4,761,216**	4,128,258
TOTAL	**1,317,907,504**	**1,049,581,556**

SCHEDULES FORMING PART OF THE ACCOUNTS

	For the year ended March 31, 2011 Rupees	For the year ended March 31, 2010 Rupees
SCHEDULE 13		
ADMINISTRATIVE, SELLING AND OTHER EXPENSES :		
Travelling and Conveyance Expenses	**8,102,384**	7,672,472
Rental and Hiring Charges	**3,968,689**	6,514,476
Postage and Courier Expenses	**258,218**	309,973
Printing and Stationery	**633,969**	704,189
Rates, Fee and Taxes	**803,829**	383,469
Loss on Sale/Disposal of Fixed Assets (Net)	**223,762**	-
Professional and Legal Expenses	**2,761,217**	5,299,998
Telecommunication Expenses	**1,642,090**	1,867,064
Directors' Sitting Fee	**36,000**	50,000
Auditors' Remuneration	**449,473**	356,821
Advertisement and Publicity Expenses	**163,862**	140,296
Repairs and Maintenance to Others	**1,618,584**	1,343,297
Running and Maintenance to Vehicles	**3,308,747**	2,805,670
Wealth Tax	**47,010**	40,877
Loss on Foreign Exchange Fluctuations	**-**	5,793,519
Other Expenses	**8,101,301**	7,580,374
Freight and Forwarding Expenses	**11,142,705**	11,178,749
Sales Commission	**9,473,395**	7,130,285
Rebate, Discounts and Claims	**26,595,015**	28,287,210
Provision for Doubtful Debts	**3,841,974**	-
Other Selling and Distribution Expenses	**6,205,865**	7,681,949
TOTAL	**89,378,089**	**95,140,688**
SCHEDULE 14		
EMPLOYEES COST :		
Salary and Wages	**56,245,366**	48,905,937
Allowances to Employees	**23,418,052**	21,131,904
Contribution to ESI and Provident Fund	**8,295,870**	7,166,096
Other Employees Cost	**28,672,542**	22,186,658
TOTAL	**116,631,830**	**99,390,595**
SCHEDULE 15		
FINANCIAL EXPENSES :		
Interest on Fixed Term Loans	**107,762,924**	118,405,416
Interest on Others Loans and Financial Charges	**29,287,450**	32,130,062
TOTAL	**137,050,374**	**150,535,478**

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 16

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 materially 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 for to the extent they are reasonably certain and determinable.

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 has been credited to respective Capital Reserve Accounts. Depreciation attributable to these reserves has 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 as applicable to the continuous process plant. Depreciation on additions/ deletion is provided pro-rata basis with the reference to the date of addition/deletion as the case may be, except in case of fixed assets costing less than 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, is accounted on the basis of both, payments made in respect of goods cleared as also provision made for goods lying in bonded warehouse.

b. Liability on account of customs duty on imported materials is accounted in the year in which the goods are cleared from the customs.

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.

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

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.

SCHEDULES FORMING PART OF THE ACCOUNTS

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

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

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

12. Impairment of Assets :

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

13. Provisions and Contingent Liabilities :

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

14. 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.

B. NOTES ON ACCOUNTS :

1. Contingent Liabilities not provided for :

Particulars	As on March 31, 2011	As on March 31, 2010
i. 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
ii. Export Bonds executed with Customs/Excise Authorities	**12,500,000**	12,500,000
iii. Capital Commitments (Net of advances)	**41,353,200**	-

SCHEDULES FORMING PART OF THE ACCOUNTS

* 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$ 57,866,385 upto March 31, 2011. Against the balance obligation of US$ 19,731,974, the Company has submitted third party export proofs of US$ 23,814,200 to the DGFT, upon approval of which, no liability on this account is expected.

2. Earnings Per Share (EPS) :

	Unit	Year Ended March 31, 2011	Year Ended March 31, 2010
Net Profit/(Loss) after tax available for Equity Share holder (Before Extraordinary Items)	Rupees	**(20,108,408)**	(164,207,206)
Net Profit/(Loss) after tax available for Equity Share holder (After Extraordinary Items)	Rupees	**233,092,422**	(164,207,206)
Number of Equity Shares	Nos.	**18,209,359**	18,209,359
Face Value per Equity Share	Rupees	**10.00**	10.00
Basic and Diluted Earnings Per Share (Before Extraordinary Items)	**Rupees**	**(1.10)**	(9.02)
Basic and Diluted Earnings Per Share (After Extraordinary Items)	**Rupees**	**12.80**	(9.02)

Basic and Diluted Earning Per Share are the same since there is no change in effective Equity Share Capital.

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, 2011	Year Ended March 31, 2010
Salary	**4,200,000**	2,960,000
Contribution to Provident Fund	**216,000**	204,000
Other Benefits	**1,828,406**	370,933
Total	**6,244,406**	3,534,933

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

4. Details of Auditor's Remuneration :

	Year Ended March 31, 2011	Year Ended March 31, 2010
Audit Fees	**270,000**	225,000
Tax Audit Fee	**60,000**	50,000
Other Capacity	**77,500**	48,500
Service-tax	**41,973**	33,321
Total	**449,473**	356,821

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. Blue Lagoon 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	Chairman and Managing Director
Mr. S. S. Arora	Whole Time Director

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

SCHEDULES FORMING PART OF THE ACCOUNTS

b. Transactions with Related Parties :

Nature of Transactions	Year Ended March 31, 2011 Companies	Year Ended March 31, 2011 Key Management Personnel	Year Ended March 31, 2010 Companies	Year Ended March 31, 2010 Key Management Personnel
Expenses :				
Lease Rent	**108,286**		1,907,214	
Managerial Remuneration		**6,244,406**		3,534,933
Finance :				
Loan Taken	**58,100,000**		5,000,000	
Loan Returned Back	**-**		46,100,000	
Outstandings :				
Receivables :				
On account of Loans and Advances	**2,280,752**		2,280,752	
Payables :				
On account of Loans and Advances	**58,100,000**		-	

6. No Debts or Loans and Advances are due from Directors or Officers of the Company or from Firms or Private Companies in which any Director is a Partner, Director or Member. There are no Companies under the same management within the meaning of section 370 (1-B) of the Companies Act, 1956.

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, 2011		Year ended March 31, 2010	
a.	**Licensed Capacity** [Number of Looms]		**Not Applicable**		Not Applicable
b.	**Installed Capacity** [Number of Looms]		**101**		101
c.	**Production, Sales and Stocks :**	**Quantity (Meters)**	**Value (Rupees)**	**Quantity (Meters)**	**Value (Rupees)**
	i) Opening Stock :				
	Denim Fabrics	**607,769**	**49,104,172**	485,350	31,987,794
	ii) Production :				
	Denim Fabrics	**15,077,004**		15,337,436	
	iii) Sales :				
	Denim Fabrics	**14,396,523**	**1,539,470,696**	15,215,017	1,263,193,243
	Others		**12,511,808**		19,885,317
	iv) Closing Stock :				
	Denim Fabrics	**1,288,250**	**166,343,732**	607,769	49,104,172
d.	**Materials Consumed :**	**Quantity (Kgs.)**	**Value (Rupees)**	**Quantity (Kgs.)**	**Value (Rupees)**
	Cotton	**7,912,979**	**705,631,376**	7,948,159	509,350,990
	Yarn	**2,028,139**	**244,657,972**	2,259,132	217,437,819
	Others		**196,144,593**		153,649,835
e.	**CIF Value of Imports :**				
	i) Raw Materials		**-**		-
	ii) Colours, Dyes and Chemicals		**24,111,209**		19,927,104
	iii) Stores, Spares and Components		**20,927,000**		5,110,041
	iv) Capital Goods		**-**		-

SCHEDULES FORMING PART OF THE ACCOUNTS

f. Expenditure in Foreign Currency on account of :

i)	Professional and Consultation Fee	**661,662**	2,712,640
ii)	Commission	**775,977**	4,906,032
iii)	Travelling and Business Promotion	**2,160,923**	1,627,348
iv)	Others	**987,040**	1,526,702

g. Earning in Foreign Currency :

F O B value of Exports	**241,261,587**	169,629,181

h. Value of Imported / Indigenous Raw Materials, Spare Parts, Components and Stores consumed :

	Year ended March 31, 2011		Year ended March 31, 2010	
	% age	**Value**	**% age**	**Value**
1. Raw Materials :				
Imported	**0.00**	**-**	0.00	-
Indigenous	**100.00**	**950,289,348**	100.00	726,788,809
Total	**100.00**	**950,289,348**	100.00	726,788,809
2. Colours, Dyes and Chemicals :				
Imported	**20.49**	**30,233,510**	23.29	26,662,429
Indigenous	**79.51**	**117,289,512**	76.71	87,823,716
Total	**100.00**	**147,523,022**	100.00	114,486,145
3. Stores, Spares and Components :				
Imported	**34.00**	**16,530,980**	25.42	9,953,531
Indigenous	**66.00**	**32,090,591**	74.58	29,210,159
Total	**100.00**	**48,621,571**	100.00	39,163,690

8. Employee Benefits :

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

a. Short Term Employee Benefits :

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

b. Post-Employment Benefits :

Defined Contribution Plans : The Company has recognised the following amounts in the Profit and Loss Account for Defined Contribution Plans :

	Year ended March 31, 2011 Rupees	Year ended March 31, 2010 Rupees
Provident Fund	**5,465,855**	4,988,107
Employees' State Insurance	**2,593,795**	2,177,989

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

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

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at March 31, 2011	As at March 31, 2010	As at March 31, 2011	As at March 31, 2010
	Gratuity		Leave encashment	
Principal Actuarial Assumptions				
Discount rate	**8.00%**	8.00%	**8.00%**	8.00%
Salary escalation rate	**7.00%**	7.00%	**7.00%**	7.00%
Change in present value of the obligation				
Present value of the obligation as at 1 April	**6,117,058**	6,862,085	**6,532,252**	2,416,048
Interest Cost	**633,124**	548,967	**491,800**	193,284
Current Service Cost	**1,666,943**	1,373,286	**1,391,842**	1,626,121
Benefits Paid	**1,185,970**	690,295	**663,044**	333,270
Actuarial (Gain)/Loss on Obligation	**657,158**	(1,976,985)	**785,222**	2,630,069
Present value of obligation as at 31 March	**7,888,313**	6,117,058	**8,538,072**	6,532,252
Changes in the fair value of Plan Assets				
Fair value of plan assets as at 1 April	**4,743,772**	3,731,220	**4,906,131**	2,637,117
Expected return on plan assets	**505,548**	419,623	**551,513**	186,236
Contribution	**1,373,286**	1,283,224	**1,626,121**	2,416,048
Benefits paid	**1,185,970**	690,295	**663,044**	333,270
Acturial (gain) / Loss on obligation	**-**	-	**-**	-
Fair value of plan assets as at 31 March	**5,436,636**	4,743,772	**6,420,721**	4,906,131
Fair value of Plan Assets				
Fair value of plan assets as at 1 April	**4,743,772**	3,731,220	**4,906,131**	2,637,117
Actual return on plan assets	**505,548**	419,623	**551,513**	186,236
Contribution	**1,373,286**	1,283,224	**1,626,121**	2,416,048
Benefits paid	**1,185,970**	690,295	**663,044**	333,270
Fair value of plan assets as at 31 March	**5,436,636**	4,743,772	**6,420,721**	4,906,131
Funded status	**(2,451,677)**	(1,373,286)	**(2,117,351)**	(1,626,121)
Excess of actual over estimated return on plan assets	**-**	-	**-**	-
Actuarial Gain / (Loss) recognized				
Actuarial gain / (loss) for the year				
- Obligation	**(657,158)**	1,976,985	**(785,222)**	(2,630,069)
- Plan assets	**-**	-	**-**	-
Total gain / (loss) for the year	**(657,158)**	1,976,985	**(785,222)**	(2,630,069)
Actual gain / (loss) recognized in the year	**(657,158)**	1,976,985	**(785,222)**	(2,630,069)
Amount to be recognized in the Balance Sheet				
Present value of obligation as at 31 March	**7,888,313**	6,117,058	**8,538,072**	6,532,252
Fair value of plan assets as at 31 March	**5,436,636**	4,743,772	**6,420,721**	4,906,131
Funded status	**(2,451,677)**	(1,373,286)	**(2,117,351)**	(1,626,121)
Net Asset/(Liability) recognized in the Balance Sheet	**(2,451,677)**	(1,373,286)	**(2,117,351)**	(1,626,121)
Expenses recognized in the Profit and Loss Account				
Current service cost	**1,666,943**	1,373,286	**1,391,842**	1,626,121
Interest cost	**633,124**	548,967	**491,800**	193,284
Expected return on plan assets	**505,548**	419,623	**551,513**	186,236
Actuarial gain / (loss) recognized in the year	**(657,158)**	1,976,985	**(785,222)**	(2,630,069)
Expenses recognized in the Profit and Loss Account	**2,451,677**	(474,355)	**2,117,351**	4,263,238

SCHEDULES FORMING PART OF THE ACCOUNTS

9. Deferred Taxation :

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

(Rupees in Lacs)

Particulars	As at March 31, 2011	As at March 31, 2010
Deferred Tax Liability :		
Depreciation	**(2,292.84)**	(2,214.37)
Deferred Tax Assets :		
Disallowances u/s 43B of Income-tax Act	**1,035.91**	1,531.35
Unabsorbed Depreciation and Business Loss	**2,609.61**	2,764.04
Provision for doubtful Debts	**12.76**	-
Net Deferred Tax Assets	**1,365.44**	2,081.02

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

10. 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. All the payments are being made by the company on mutually agreed terms. The Company has written letters to get the confirmations from the suppliers as regards their status under the Small Scale and Ancillary Industry Undertaking Ordinance 1993. However, no response has been received.

11. The Company is a Sick Industrial Company within the meaning of section 3 (1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985 and the Company has filed a reference with the Board for Industrial and Financial Reconstruction (BIFR) which has been dismissed as non-maintainable by the BIFR. The Company has filed an appeal against the order of BIFR before Appellate Authority for Industrial and Financial Reconstruction (AAIFR), which is pending.

12. The Company's liabilities to Financial Institutions and Banks towards past interest have been restructured under the Corporate Debt Restructure Package (CDR) approved by the Corporate Debt Restructuring (CDR) Cell, subject to fulfillment of certain terms and conditions. Accordingly, the Company has converted its interest liability into interest free Funded Loans of Rs. 226,165,246 and balance is reversed in the Profit and Loss Account as reliefs, concessions and refunds of Rs. 253,200,830.

13. 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 recognized in the year of receipt.

14. Segment wise details, as required by AS 17 Segment Reporting, are not furnished as the management is of the opinion that it does not have any geographical/business segment that is subject to different kind of risk, return or opportunities.

15. Figures have been rounded off to the nearest rupee.

16. Previous Years figures have been re-grouped/re-arranged wherever necessary to make them comparable.

Signature to Schedule 1 to 16

As per our attached report of even date,

for Dayal and Lohia,
Chartered Accountants
Firm Regn. No. 102200W

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

PLACE : Mumbai
DATE : May 27, 2011

For and on behalf of the Board of Directors,

R.D. Jog
Company Secretary

S. S. Arora
Whole Time Director

H.D. Ramsinghani
Chairman & Managing Director

PLACE : Mumbai
DATE : May 27, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

			For the year ended March 31, 2011 Rupees		For the year ended March 31, 2010 Rupees
A.	**CASH FLOW FROM OPERATING ACTIVITIES :**				
	Net Profit / (Loss) Before Tax		**233,092,422**		(164,145,854)
	Add / (Less) :				
	Depreciation	**89,296,925**		89,089,199	
	Preliminary Expenses Written Off	**134,790**		134,790	
	Loss/(Profit) on Sale/Disposal of Assets	**223,762**		-	
	Interest Accrued	**125,423,634**		138,844,589	
	Reliefs and Concessions of Interest	**(253,200,830)**		**-**	
	Interest Income	**(1,229,200)**		(455,670)	
	Dividend Income	**(11,504)**		(6,902)	
	Fringe Benefit Tax	**-**		(61,352)	
	Wealth Tax	**47,010**		40,877	
	Provision for Doubtful Debts	**3,841,974**		-	
	Loss/(Gain) on Foreign Exchange Fluctuations	**(319,296)**		5,793,519	
			(35,792,735)		233,379,050
	Operating Profit Before Working Capital Changes		**197,299,687**		**69,233,196**
	Adjustment for :				
	Decrease / (Increase) in Inventories	**(214,175,276)**		(27,811,561)	
	Decrease / (Increase) in Trade and Other Receivables	**7,677,039**		18,005,931	
	Increase / (Decrease) in Trade Payables	**36,240,640**		(74,090,334)	
			(170,257,597)		(83,895,964)
	Net Cash from Operating Activities		**27,042,090**		**(14,662,768)**
B.	**CASH FLOW FROM INVESTING ACTIVITIES :**				
	Purchase of Fixed Assets	**(8,201,759)**		(6,594,486)	
	Sale/Adjustments of Fixed Assets	**279,732**		-	
	Interest Income	**1,229,200**		455,670	
	Sale of Investments	**125,000**		-	
	Dividend Income	**11,504**		6,902	
	Net Cash from Investing Activities		**(6,556,323)**		**(6,131,914)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES :**				
	Proceeds / (Payments) from / for Term Borrowings (Net)	**20,690,310**		8,461,304	
	Proceeds / (Payments) from / for Bank Borrowings	**31,617,580**		(10,113)	
	Proceeds / (Payments) from / for Unsecured Borrowings	**-**		17,000,000	
	Proceeds / (Payments) from / for Hire Purchase Borrowings	**(1,048,027)**		(2,640,150)	
	Interest (Payments) - Net of Refunds	**(59,608,735)**		(2,636,764)	
	Net Cash from Financing Activities		**(8,348,872)**		**20,174,277**
	Net Increase in Cash and Cash Equivalents		**12,136,895**		**(620,405)**
	Opening Balance of Cash and Cash Equivalents		**15,849,179**		**16,469,584**
	Closing Balance of Cash and Cash Equivalents		**27,986,074**		**15,849,179**

As per our attached report of even date,

for Dayal and Lohia,
Chartered Accountants
Firm Regn. No. 102200W

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

PLACE : Mumbai
DATE : May 27, 2011

For and on behalf of the Board of Directors,

R.D. Jog
Company Secretary

S. S. Arora
Whole Time Director

H.D. Ramsinghani
Chairman & Managing Director

PLACE : Mumbai
DATE : May 27, 2011

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	16 - 22452	State Code	16
Balance Sheet Date	March 31, 2011		

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	**1,893,710**	**Total Assets**	**1893710**
SOURCES OF FUNDS :		**APPLICATION OF FUNDS :**	
Paid-up Capital	182,094	Net Fixed Assets	1155744
Reserves and Surplus	96,103	Capital Work-in-progress	4517
Secured Loans	1,557,413	Investments	531
Unsecured Loans	58,100	Net Current Assets	479,698
		Miscellaneous Expenditure	101
		Profit and Loss Account	253,119

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

Turnover	1,730,291	Total Expenditure	1,497,199
Profit Before Tax	233,092	Profit After Tax	233,092
Earning per Share in Rupees	12.80	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 of Directors,

R.D. Jog	**S. S. Arora**	**H.D. Ramsinghani**
Company Secretary	**Whole Time Director**	**Chairman & Managing Director**

PLACE : Mumbai
DATE : May 27, 2011

RAINBOW DENIM LIMITED

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

PROXY FORM

For Demat Shares		For Physical Shares	
DP ID		REGD. FOLIO NO.	
CLIENT ID		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 Twelfth Annual General Meeting of the Company to be held on Friday the 23rd day of September 2011 at Village Chaundheri, P O Dappar, Tehsil Derabassi, Dist. Mohali, Punjab 140 506 and at any adjournment thereof.

Affix Revenue Stamp of Rs. 0.15

Signed this _____ day of _____, 2011

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 Demat Shares		For Physical Shares	
DP ID		REGD. FOLIO NO.	
CLIENT ID		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 Twelfth Annual General Meeting of the Company to be held on Friday the 23rd day of September 2011 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.)

RAINBOW DENIM LTD.

BOOK – POST

If undelivered please return to :

Link Intime India Private Limited
Unit : Rainbow Denim Limited
C-13, Pannalal Silk Mills Compound,
L.B. S. Marg, Bhandup (W),
Mumbai 400 078.

CRYSTAL (022) - 6614 0900
crl_mum@crystalforms.com