

# NOTICE

NOTICE is hereby given that the **TWENTY-FOURTH ANNUAL GENERAL MEETING** of the Members of M/s. RAINBOW PAPERS LIMITED will be held on Thursday, the 8<sup>th</sup> day of July, 2010, at **10.30** am, at 8<sup>th</sup> Floor, Avdhesh House, Opp. Shri Govind Gurudwara, Sarkhej - Gandhinagar Highway, Thaltej, Ahmedabad- 380 054, to transact the following business :

## Ordinary Business

- 1] To receive, consider and adopt the audited Balance Sheet of the Company as at 31<sup>st</sup> March, 2010 and Profit and Loss Account for the year ended on that date together with Directors' and the Auditors' Report thereon.
- 2] To declare a Dividend on the Equity Shares of the Company, for the financial year ended on 31<sup>st</sup> March, 2010.
- 3] To consider, and if thought fit, to pass with or without modification the following resolution as an ordinary resolution:-

**"RESOLVED THAT** a written certificate pursuant to Section 224(1B) of the Companies Act, 1956, having been received from M/s. Talati & Talati, Chartered Accountants, Ahmedabad, they be and are hereby appointed as the Statutory Auditors of the Company in place of M/s. Pravin M. Shah & Co., Chartered Accountants, Ahmedabad, the retiring Auditors, who have expressed their unwillingness for re-appointment at the ensuing Annual General Meeting of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration as may be mutually decided ."

## Special Business

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

**"RESOLVED THAT** Shri Rajendra V. Patawari, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 30th January, 2010, pursuant to the Articles of Association of the Company and who holds office up to date of this Annual General Meeting, in terms of the provisions of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member of the Company, in accordance with the provisions of

Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the company, whose office shall be liable to determination of retirement of directors by rotation".

- 5] To consider, and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** Shri Bhasker G. Bhatt, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 30th January, 2010, pursuant to the Articles of Association of the Company and who holds office up to date of this Annual General Meeting, in terms of the provisions of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member of the Company, in accordance with the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the company, whose office shall be liable to determination of retirement of directors by rotation"

- 6] To consider, and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** Shri Shashikant N. Thakar, who was appointed as an Additional Director of the Company by the Board of Directors with effect from 30th January, 2010, pursuant to the Articles of Association of the Company and who holds office up to date of this Annual General Meeting, in terms of the provisions of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a member of the Company, in accordance with the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as a Director of the company, whose office shall be liable to determination of retirement of directors by rotation".

- 7] To consider, and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** pursuant to the provisions of Section 94 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") and the provisions of Article 9 of the Articles of Association of the Company and subject to the approvals,

consents, permissions and sanctions, as may be necessary from the appropriate authorities or bodies, the each equity share of the nominal value of Rs. 10/- each, in the Capital of the Company be and is hereby sub divided into 5 equity shares of Rs. 2/- each and that the equity shares outstanding in the issued, subscribed and paid up share capital of the Company be also sub divided accordingly.”

“**RESOLVED FURTHER THAT** the Clause V of the Memorandum of Association of the Company be and is hereby substituted by the following new clause:

V. The Authorised Share Capital of the Company is Rs. 35,00,00,000/- (Rupees Thirty Five Crores only) divided into 17,50,00,000 (Seventeen Crores Fifty Lacs) equity shares of Rs. 2/-(Rupees Two only) each, which shall rank pari passu in all respects with the existing Equity Shares of the Company including dividend, voting rights etc. .”

“**RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorised to issue new share certificates representing the sub-divided equity shares with new distinctive numbers (with or without calling original share certificates for exchange with new share certificates, as may be agreed upon with the stock exchanges) consequent to the sub-division of shares as aforesaid and /or credit the shareholders’ accounts maintained with the Depositories, subject to the rules as laid down in the Companies (Issue of Share Certificates) Rules, 1960, and the Articles of Association of the Company and to inform the Depositories and the Registrar and Transfer Agents of the Company and execute all such documents, instruments and writings as may be required in this connection and to delegate all or any of the powers herein vested in the Board, to any Committee thereof or to any Director(s) or Company Secretary, to give effect to the aforesaid resolution.”

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

“**RESOLVED THAT** in partial modification of the Resolutions passed at the 22<sup>nd</sup> Annual General Meeting of the Company held on 22<sup>nd</sup> September, 2008 and pursuant to the provisions of the Sections 198, 309, 310 and other applicable provisions, if any, of the Act, approval of the Company be and is hereby accorded to the increase and variation in remuneration and perquisites payable to Shri Ajay Goenka, Chairman and Managing Director of the

Company, with effect from 1<sup>st</sup> June, 2010, for the remaining un-expired period of his present terms of appointment in accordance with Schedule XIII to the Act as indicated in the Explanatory Statement hereto annexed.”

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

“**RESOLVED THAT** pursuant to the provisions of section 314 (1)(b) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the appointment of Mrs. Niyati Agarwal, as Senior Vice President, a relative of Shri Ajay Goenka, Chairman & Managing Director of the Company, with effect from 1<sup>st</sup> April, 2010 at a remuneration of Rs. 48,000/- per month .”

“**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, things and matters as may be requisite to give effect to this resolution.”

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

“**RESOLVED THAT** pursuant to the provisions of section 314 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government under section 314 (1B) of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the payment of remuneration of Rs. 1,50,000/- per month, in the grade of 1,50,000-25,000-2,50,000, for a period of 5 years, to Ms. Niyati Agarwal, Senior Vice President, a relative of Shri Ajay Goenka, Chairman & Managing Director of the Company, with effect from 16<sup>th</sup> July, 2010.”

“**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to accept on behalf of the Company any modifications or variation in terms and conditions in the said increase and do all such acts, deeds, things and matters as may be requisite to give effect to this resolution.”

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

**“RESOLVED THAT** pursuant to the provisions of section 314 (1)(b) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the appointment of Mrs. Sangeeta Goenka, as Senior Vice President, a relative of Shri Ajay Goenka, Chairman & Managing Director of the Company, with effect from 29<sup>th</sup> May, 2010 at a remuneration of Rs. 35,000/-per month .”

**“RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, things and matters as may be requisite to give effect to this resolution.”

- 12] To consider and if deemed fit, to pass, with or without modification the following Resolution as a Special Resolution:

**“RESOLVED THAT** pursuant to the provisions of section 314 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government under section 314 (1B) of the Companies Act, 1956, the consent of the Company be and is hereby accorded for the increase in remuneration of Mrs. Sangeeta Goenka, Senior Vice President, to Rs. 1,00,000/- per month in the grade of 1,00,000-10,000-1,40,000, for a period of 5 years, with effect from 16<sup>th</sup> July, 2010.”

**“RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to accept on behalf of the Company any modifications or variation in terms and conditions in the said increase and do all such acts, deeds, things and matters as may be requisite to give effect to this resolution.”

- 13] To consider, and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution:

**“RESOLVED THAT** pursuant to the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 as also applicable laws, rules and regulations (including any amendment thereto or re-enactment thereof for the time being in force) and enabling provision in the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to such approvals, consents, permissions and sanctions of the Government of India, Reserve Bank

of India, Securities and Exchange Board of India (SEBI), Ministry of Finance, Ministry of Industry, Foreign Investment Promotion Board (FIPB), Secretariat of Industrial Assistance (SIA) and all other appropriate authorities, and subject to such conditions and modifications, as may be prescribed by any of them in granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred as Board / Committee to be constituted by the Board for this purpose) be and is hereby authorized to accept, if it thinks fit in the interest of the Company, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to issue, offer and allot Equity Shares/Warrants and/or any instruments convertible into Equity Shares whether optionally or otherwise, Global Depository Receipts (GDRs) / American Depository Receipts (ADRs) or Foreign Currency Convertible Bonds (FCCB) (hereinafter referred to as ‘Securities’) for an aggregate sum of Rs. 750 Crores (Rupees Seven Hundred Fifty Crores only) directly to Indian / Foreign / Resident / Non-resident investors (whether institutions, incorporated bodies, mutual funds Trusts/ Foreign Institutional Investors / Banks and /or individuals, or otherwise and whether or not such investors are members, promoters, directors or their relatives/ associates, of the Company) through Public Issue(s), Rights Issue(s), Private Placement(s), Preferential issue(s) or a combination thereof at such time or times in such trench or trenches, at a price which shall not be less than the price determined in accordance with Regulation 76 of Chapter VII of SEBI (Issue of Capital & Disclosure Requirement) Regulations, 2009 hereinafter referred to as SEBI (ICDR) Regulations or as amended from time to time”

**“RESOLVED FURTHER THAT** the relevant date for the purpose of arriving at the aforesaid minimum issue price of the Specified Securities shall be the date of the meeting in which the Board /Committee, decides to open the issue of the Specified Securities, subsequent to the receipt of Shareholders’ approval in terms of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 as also of other applicable laws, regulations and guidelines in relation to the proposed issue of the Specified Securities”

**“RESOLVED FURTHER THAT**

- (a) the Securities to be so created, offered, issued and allotted shall be subject to the provisions of the Memorandum and Articles of Association of the Company; and

- (b) the underlying Equity Shares shall rank pari passu with the existing Equity Shares of the Company.”

**“RESOLVED FURTHER THAT** the issue of Equity Shares underlying the Securities to the holders of the Securities shall, inter alia, be subject to the following terms and conditions:

- (a) in the event of the Company making a bonus issue by way of capitalization of its profits or reserves prior to the allotment of the Equity Shares, the number of shares to be allotted shall stand augmented in the same proportion in which the equity share capital increases as a consequence of such bonus issue and the premium, if any, shall stand reduced pro tanto;
- (b) in the event of the Company making a rights offer by issue of Equity Shares prior to the allotment of the Equity Shares, the entitlement to the Equity Shares shall stand increased in the same proportion as that of the rights offer and such additional Equity Shares shall be offered to the holders of the Securities at the same price at which the same are offered to the existing shareholders, and
- (c) in the event of any merger, amalgamation, takeover or any other re-organisation, the number of shares, the price and the time period as aforesaid shall be suitably adjusted.”

**“RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board / Committee be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/issue, allotment and utilization of the proceeds and further to do all such acts, deeds, matters and things and to finalise and execute all documents and writings as may be necessary, proper, desirable or expedient as it may deem fit and to give such directions and/or instructions as it may from time to time decide and to accept and give effect to such modifications, changes, variations, alterations, deletions, additions as regards the terms and conditions, including the premium to be charged on the Securities on Indian/ Foreign Stock Exchanges, to vary the size of the issue, listing of securities issued by the Company and/or equity shares arising out of such securities, lead managers, banks or other authorities or agencies concerned or as the Board / Committee may suo moto decide in its absolute discretion in the best interest of the Company without requiring

any further approval of the members and to do all such acts, deeds, matters to do things whatsoever, including settling any question, doubt or difficulty that may arise with regard to or in relation to raising of resources as authorised herein, and that all or any of the powers conferred on the Board vide this resolution may be exercised by the Board.”

**“RESOLVED FURTHER THAT** the Board / Committee be and is hereby authorised to issue and allot such number of Equity Shares as may be required to be issued and allotted upon conversion of any Securities or as may be necessary in accordance with the terms of the offering, all such Equity Shares ranking pari passu with the existing Equity Shares of the Company in all respects, except the right as to dividend which shall be as provided under the terms of the issue and in the offering documents.”

**“RESOLVED FURTHER THAT** the Board be and is hereby authorized to appoint such Consultants, Lead Managers, Underwriters, Guarantors, Depositories, Custodians, Registrars, Trustees, Bankers, Solicitors, Lawyers, Merchant Bankers and any such Agencies and Intermediaries as may be deemed fit to be associated with in such offering of Specified Securities and to remunerate all such agencies by way of commission, brokerage, fees or the like, and to enter into or execute Agreements/ Arrangements/MOUs with any such Agency or Intermediary and also to seek the listing of any or all of such Specified Securities or Securities representing the same in one or more Stock Exchanges in India / Abroad ”

**“RESOLVED FURTHER THAT** for the purpose of giving effect to the above, the Board be and is hereby authorised to determine the form, terms and timing of the Issue(s), including the class of investors to whom the Securities are to be allotted, number of Securities to be allotted in each tranche, issue price, face value, premium amount on issue / conversion of Securities / exercise of warrants / redemption of Securities, rate of interest, redemption period, listings on one or more stock exchanges in India and / or abroad as the Board in its absolute discretion deems fit and to make and accept any modifications in the proposal as may be required by the authorities involved in such issues in India and/or abroad, to do all acts, deeds, matters and things and to settle any questions or difficulties that may arise in regard to the Issue(s).”

**“RESOLVED FURTHER THAT** all the aforesaid powers and authorities be and are hereby further sub-delegated to the Securities Issue Committee of the Board and that the said Securities Issue



Committee be and is hereby authorized to sign and execute such letters, deeds, documents, writings, etc. and to do all such acts, deeds, matters and things as might be required in connection with the issue of the Securities which in the opinion of the said Securities Issue Committee ought to have been done, executed and performed in relation to issue of the Securities as aforesaid and the matters incidental and ancillary thereto as duly and effectually as the Board could have done without further reference to the Board."

- 14] To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

**"RESOLVED THAT** pursuant to the provisions of Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the company to commence all of the business activities specified in Sub-clause no. 7 of Clause III (C) under other object clause of the Memorandum of Association of the Company, viz:"

7. To carry on business as manufacturers of manure, paper, pulp, glass rubber, nylon, plastics. substitutes of any description and kind, bricks, tiles, pottery, ceramics and sanitary and disinfecting preparations, coke, cement, concrete stones and artificial stones.

**"RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to do all such acts and things as may be necessary, desirable or expedient for giving effect to this resolution "

**BY ORDER OF THE BOARD OF DIRECTORS**

PLACE : Ahmedabad  
DATE : 28<sup>TH</sup> May, 2010

RUNEL RATHI  
Company Secretary

**NOTES:**

- 1] A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE, INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM, IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- 2] Members/Proxies should bring the enclosed Attendance Slip duly filled in for attending the meeting along with a copy of the Annual Report. Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of Board Resolution authorizing their representatives to attend and vote on their behalf in the meeting.
- 3] Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold the shares in physical form are requested to write their Folio Number(s) in the Attendance Slip for attending the meeting.
- 4] The Explanatory Statement in respect of Items Nos. 4 to 14 pursuant to Section 173 [2] of the Companies Act, 1956 is annexed herewith.
- 5] The Register of Members and the Share Transfer Books of the Company will remain closed from 2<sup>nd</sup> July to 8<sup>th</sup> July, 2010 (both days inclusive).
- 6] Members holding shares in physical form are requested to notify the change in addresses, their Pin code numbers, email addresses and telephone numbers, if any to the Company at its Registered office or to M/s. Sharepro Services (India) Private Limited - Registrar & Share Transfer Agents by quoting their folio numbers. Members holding shares in electronic mode may update such details with their respective Depository Participants [DPs].
- 7] Members holding shares in physical form can avail of the nomination facility by filing Form 2B (in duplicate) with the Company or its Registrar & Share Transfer Agent which will be made available on request and in case of shares held in dematerialized form, the nomination has to be lodged with their DPs.

- 8] The unclaimed dividend for the financial years ended on 31st March 2003 and onwards are due for transfer to the IEPF, on the dates given in the table below:

Financial Year ended on	Date of Declaration of Dividend	Date of transfer of dividend
31st March, 2003	27 <sup>th</sup> September, 2003	29 <sup>th</sup> October, 2010
31st March, 2004	29 <sup>th</sup> September, 2004	30 <sup>th</sup> October, 2011
31st March, 2005	29 <sup>th</sup> September, 2005	14 <sup>th</sup> October, 2012
31st March, 2006	26 <sup>th</sup> September, 2006	13 <sup>th</sup> November, 2013
31st March, 2007	21 <sup>st</sup> September, 2007	5 <sup>th</sup> November, 2014
31st March, 2008	22 <sup>nd</sup> September, 2008	6 <sup>th</sup> November, 2015
31 <sup>st</sup> March, 2009	23 <sup>rd</sup> September, 2009	16 <sup>th</sup> October, 2016

Members who have so far not encashed the Dividend Warrants for the financial years ended 31st March 2003 and onwards are advised to submit their claims to the Company's Registered Office at 801, Avdhesh House, Opp. Guru Govind Gurudwara, S.G. Highway, Thaltej, Ahmedabad -380054 or to the Company's Registrar and Share Transfer Agents, **M/s. Sharepro Services (India) Pvt. Ltd.**

- 9] The dividend as recommended by the Board, if sanctioned at the meeting will be paid within 30 days from the date of Annual General Meeting to those members whose names stand registered on the Company's Register of Members:

[a] as Beneficial Owners as at the end of business on 1<sup>st</sup> July, 2010, as per the data to be furnished by **M/s. Sharepro Services (India) Pvt. Ltd.** in respect of the shares held in electronic form, and

[b] as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company on or before 1<sup>st</sup> July, 2010.

- 10] Members of the Company who have multiple accounts in identical names or joint accounts in the same order are requested to send all the share certificates to the Registrar & Share Transfer Agents **M/s. Sharepro Services (India) Pvt. Ltd.** or to the Registered Office of the Company for consolidation of all such shareholdings into one account to facilitate better service.

- 11] Members desirous of obtaining any information concerning the Accounts and Operations of the Company are requested to address their questions to the Secretary of the Company so as to reach at least seven days before the date of the meeting, so

that the information may be made available at the meeting, to the best extent possible.

- 12] In all correspondence with the Company or with its Share Transfer Agents, members are requested to quote their folio number and in case their shares are held in the dematerialized form, they must quote their Client ID and their DP ID Numbers.

- 13] The shares of the Company are in compulsory demat segment. Those members who still continue to hold shares in physical form, are requested to get their shares dematerialized at the earliest.

- 14] Securities and Exchange Board of India vide its circular has made it mandatory for every participant in the securities/capital market to furnish income tax Permanent Account Number (PAN). Accordingly, all the shareholders (including joint holders) holding shares in physical form are requested to submit copy of their PAN Card for the purpose of the transfer to our Registrar & Share Transfer Agents, **M/s. Sharepro Services (India) Pvt. Ltd.**

- 15] All documents referred to in the accompanying Notice are open for inspection at the Registered office of the Company during office hours on all working days, except Saturdays and holidays, between 10.00 Hrs. and 12.00 Hrs. up to the date of the Annual General Meeting.

- 16] Members are requested to bring their copies of the Annual Report to the meeting.

**EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS UNDER ITEM NO. 4 TO 14 PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**

## Item No. 4 to 6

Shri Rajendra V. Patawari, Shri Bhasker Bhatt and Shri Shashikant N. Thakar, were appointed as Additional Directors, by the Board of Directors on 30th January, 2010. In accordance with the provisions of Section 260 of the Companies Act, 1956, they hold office up to the date of Annual General Meeting. The Company has received notices pursuant to Section 257 of the Companies Act, 1956 from a member of the Company proposing their candidature for the office as Directors of the Company.

Shri Rajendra V. Patawari is a Bachelor of Commerce and having 8 years of experience in Insurance Sector.

Shri Bhasker G. Bhatt is a B.E. (Mechanical) and LL.B. with 27 years of experience in Engineering Field.

Shri Shashikant N. Thakar is LL.B. and FCS. He is having 25 years of experience in Legal and Company Law matters.

Your Directors consider that their appointment on the Board will be extremely beneficial to the Company.

None of the other Directors except the appointee himself in the respective resolution is, in any way, concerned or interested in the resolution.

## Item No. 7

Currently, the face value of the equity shares of the Company is Rs. 10/- per share. The shares of the Company in the recent past have quoted in the range of Rs. 200 to Rs. 245 per share of Rs. 10/- each. In order to bring down the unit market value of shares to make the shares more affordable to the investing public, it is proposed to bring down the face value of equity shares by sub-dividing the face value to Rs. 2/- per equity share by corresponding increase in the shareholding of shareholder. Several share holders of the Company have also been requesting the Company to split / subdivide the face value of its equity shares from Rs. 10/- per share to a lower value to make the share more affordable.

In view of this, it is proposed to sub-divide the nominal face value of the Company's shares from Rs. 10/- per share to Rs. 2/- per share. The resolution for altering the capital clause in the Memorandum of Association of the Company as set out at Item No. 7 of the notice convening this Annual General Meeting consequential changes in the capital clause of the Memorandum of Association of the Company.

After the resolution has been adopted by the members in the Annual General Meeting, the Company will fix a Record Date for splitting the share certificates. The Shareholders holding the shares in electronic form will be allotted split / subdivided shares in electronics form (Dematerialised form). However, shareholders holding shares in the form of physical share certificate will have the opportunity to either receive split / sub divided shares in dematerialised form or in the form of physical certificates. In view of the fact that the Company's share are now to be traded only in the dematerialised form and sale in physical form apart from causing delay / risks

associated with postal interception and potential fraud, often also leads to the realization of a significantly lower price, it will be in the interest of the members to opt for receiving split shares in lieu of their existing holding in the dematerialised form. Members may like to bear this aspect in mind while exercising their option. Full details of the procedural formalities will be communicated in due course.

None of the Directors of the Company is concerned or interested in the said resolution except to extent of their shareholding in the Company as would appear in the Register of Directors' shareholding.

The Board commends the passing of the resolutions at Item No. 7 of the Notice convening the meeting.

## Item No. 8

Shri Ajay Goenka was reappointed as Managing Director for a period of five years commencing from 21<sup>st</sup> August, 2008, at a remuneration of Rs. 50,000/- p.m. (including perquisites) for first two years, with maximum increment up to Rs. 75,000/- per month in any financial year thereafter and on such other terms and conditions as stated in the resolution passed at the 22<sup>nd</sup> Annual General Meeting of the Company held on 22<sup>nd</sup> September, 2008. In terms of provisions of Sections 198, 269, 309, 310 and 311 of the Companies Act, 1956 read with Schedule XIII of the said Act, 1956.

In view of the inflationary trend and substantial increase in the business activities of the Company, the Board of Directors of the Company deem fit to increase the salary of Shri Ajay Goenka, Managing Director of the Company to Rs. 7,50,000/- per month and a commission of 2% of Net Profit, subject to overall ceiling of 5% of Net Profit, with the detailed break up as stated below and as per his present terms of appointment for the remaining part of his present period of office expiring on 20<sup>th</sup> August, 2013:

Basic – Rs. 5, 00,000/-

HRA – Rs. 2, 00,000/-

Medical – Rs. 50,000/-

There is no change in any other terms and conditions of his appointment, as approved by the members at the 22<sup>nd</sup> Annual General Meeting, held on 22<sup>nd</sup> September, 2008, except increase in his remuneration to be paid on monthly basis.

The Company is having the benefits of his valuable services since the inception of the Company. He has played a vital role in the progress and the development of the Company. Under his leadership the Company has grown substantially and has achieved an EPS of Rs. 26.33 on face value of Rs. 10/- per share (including 1,02,35,455 underlying equity shares represented by GDRs issued on 28<sup>th</sup> January, 2010). The performance of the Company has also benefited all the investors to a great extent on account of higher enterprise valuation. In light of above, it is desirable that he should be paid the suitable remuneration, as proposed.

Approval of the share holders is sought for payment of the aforesaid remuneration to him as required under part III of the Schedule XIII and other applicable provisions, if any, of the Act.

The Managing Director, so long as he functions as such, shall not be paid any sitting fees for attending the meetings of the Board or Committees thereof.

In the event of inadequacy or absence of the profits of the Company in any financial year, the Managing Director shall be paid, the salary and perquisites as admissible under Schedule XIII of the Companies Act, 1956.

None of the Directors of the Company is in any way, interested or concerned in resolution set out at Item No. 8 of the accompanying notice, except Shri Ajay Goenka.

Your Directors, therefore, recommends the resolution for the approval of the members.

## Item No. 9

Mrs. Niyati Agarwal joined the Company in 2005 as Deputy General Manager – Commercial after completing her MBA from Narsee Monjee Institute of Management Studies, Mumbai. She has now been designated as Senior Vice President at a remuneration of Rs. 48,000/- p.m. with effect from 1<sup>st</sup> April, 2010.

Mrs. Niyati, aged around 26 years, is MBA from Narsee Monjee Institute of Management Studies, Mumbai; Master of Science from ICFAI, Hyderabad; and DIP.T.D. from Indian Society of Training and Development, New Delhi. She is a rank holder in HSC Board of Gujarat and a graduate of H.L. Commerce College, Ahmedabad.

She has played an important role in the development of business of the Company in domestic as well as in International market and is associated with the Company for last 5 years. She is actively involved in Marketing, Business Development and also looks after the Finance related activities of the Company.

The special resolution for appointment and payment of remuneration to Mrs. Niyati Agarwal w.e.f. 1<sup>st</sup> April, 2010 is placed before the members of the Company at the ensuing Annual General Meeting, to consider her appointment and payment of remuneration.

As Mrs. Agarwal is daughter of Shri Ajay Goenka, Chairman & Managing Director of the Company and her appointment in the Company shall be considered as holding of office of profit (as relative) under Section 314 of the Companies Act, 1956.

Your Directors recommend passing of this resolution as set out at item no. 9 of the accompanying notice.

No Director of the Company except Shri Ajay Goenka, Managing Director, being relative of Mrs. Niyati Agarwal, may be deemed to be concerned or interested in the resolution.

## Item No. 10

Mrs. Niyati Agarwal joined the Company in 2005 as Deputy General Manager – Commercial after completing her MBA from Narsee Monjee Institute of Management Studies, Mumbai. She has now been designated as Senior Vice President w.e.f. 1<sup>st</sup> April, 2010. She is drawing a remuneration of Rs. 48,000/- p.m. with effect from 1<sup>st</sup> April, 2010. Keeping in mind, her qualifications, experience in handling various management matters, increased responsibilities and the remuneration package prevalent in the industry for such qualified and experienced professionals, the remuneration being paid to her is now proposed to be increased to Rs. 1,50,000/- p.m., in the grade of 1,50,000-25,000-2,50,000 w.e.f. 16.07.2010.

Mrs. Niyati, aged around 26 years, is MBA from Narsee Monjee Institute of Management Studies, Mumbai; Master of Science from ICFAI, Hyderabad; and DIP.T.D. from Indian Society of Training and Development, New Delhi. She is a rank holder in HSC Board of Gujarat and a graduate of H.L. Commerce College, Ahmedabad.

She has played an important role in the development of business of the Company in domestic as well as in International market and is associated with the Company for last 5 years. She is actively involved in Marketing, Business Development and also looks after the Finance related activities of the Company.

The special resolution to increase the salary of Mrs. Niyati Agarwal w.e.f. 16<sup>th</sup> July, 2010, is placed before the members of the Company at the ensuing Annual General Meeting, to consider the increase in remuneration. Thereafter, an application to the Central Government would be made for obtaining necessary approvals.

As Mrs. Niyati Agarwal is daughter of Shri Ajay Goenka, Chairman & Managing Director of the Company and her appointment in the Company shall be considered as holding of office of profit (as relative) under Section 314 of the Companies Act, 1956. Section 314(1B) of the Companies Act, 1956, inter-alia, provides that no relative of a director shall hold any office or place of profit in the Company, which carries a total monthly remuneration of not less than such sum as may be prescribed, except with the prior consent of the Company by a Special Resolution and the approval of the Central Government. In exercise of the powers conferred under section 314(1B) of the Companies Act, 1956, Central Government has notified the Director's Relative (Office or place of Profit) Rules, 2003 vide GSR 89 (E) dated 5<sup>th</sup> February, 2003.

Rule 3 of the Director's Relative (Office or place of Profit) Rules, 2003, provides that no appointment for an office or place of profit in a company shall take effect unless approved by the Central Government on an application in respect of a relative of a Director, which carries a monthly remuneration exceeding Rs. 50,000/- per month.

The Remuneration & Compensation Committee in its earlier meeting has considered this matter and made the recommendation to the Board for the increase in the remuneration of Mrs. Niyati Agarwal.



Your Directors recommend passing of this resolution as set out at item no. 10 of the accompanying notice.

No Director of the Company except Shri Ajay Goenka, Managing Director, being relative of Mrs. Niyati Agarwal, may be deemed to be concerned or interested in the resolution.

## Item No. 11

Mrs. Sangeeta Goenka, aged around 49 years, was appointed as Director of the Company w.e.f. 21.08.1993. She is a graduate from Agra University. She is a gold medalist in English literature. She has been associated with crepe paper unit initially and gained ample experience. She is also looking after entire import activities involving import of raw materials from various countries and is responsible for the daily business activities of the Company. She has resigned as Director of the Company with effect from 28<sup>th</sup> May, 2010.

However, considering her support, contribution and relevant business experience, the Management has decided to appoint her in the employment of the Company, as Senior Vice President with effect from 29<sup>th</sup> May, 2010, at a monthly remuneration of Rs. 35,000/- .

The resolution for payment of remuneration to Mrs. Sangeeta Goenka is placed before the members of the Company at the ensuing Annual General Meeting.

As Mrs. Sangeeta Goenka is wife of Shri Ajay Goenka, Chairman & Managing Director of the Company and her appointment in the Company shall be considered as holding of office of profit (as relative) under Section 314 of the Companies Act, 1956.

Your Directors recommend passing of this resolution as set out at item no. 11 of the accompanying notice.

No Director of the Company except Shri Ajay Goenka, Managing Director, being relative of Mrs. Sangeeta Goenka, may be deemed to be concerned or interested in the resolution.

## Item No. 12

Mrs. Sangeeta Goenka, aged around 49 years, was appointed as Director of the Company w.e.f. 21.08.1993. She is a graduate from Agra University. She is a gold medalist in English literature. She has been associated with crepe paper unit initially and gained ample experience. She is also looking after entire import activities involving import of raw materials from various countries and is responsible for the daily business activities of the Company. She has resigned as Director of the Company with effect from 28<sup>th</sup> May, 2010. Thereafter she was appointed as Senior Vice President of the Company with effect from 29<sup>th</sup> May, 2010 at a monthly salary of Rs. 35,000/- .

However, considering her support, contribution and relevant business experience, the Management has decided to enhance her remuneration to Rs. 1,00,000/- in the grade of 1,00,000-10,000-1,40,000 with effect from 16<sup>th</sup> July, 2010, as per recommendation of the Remuneration & Compensation Committee and the Board of Directors.

The resolution for payment of remuneration to Mrs. Sangeeta Goenka is placed before the members of the Company at the ensuing Annual General Meeting. Thereafter, an application to the Central Government would be made for obtaining necessary approval.

As Mrs. Sangeeta Goenka is wife of Shri Ajay Goenka, Chairman & Managing Director of the Company and her appointment in the Company shall be considered as holding of office of profit (as relative) under Section 314 of the Companies Act, 1956. Section 314(1B) of the Companies Act, 1956, inter-alia, provides that no relative of a director shall hold any office or place of profit in the Company, which carries a total monthly remuneration of not less than such sum as may be prescribed, except with the prior consent of the Company by a Special Resolution and the approval of the Central Government. In exercise of the powers conferred under section 314(1B) of the Companies Act, 1956, Central Government has notified the Director's Relative (Office or place of Profit) Rules, 2003 vide GSR 89 (E) dated 5<sup>th</sup> February, 2003.

Rule 3 of the Director's Relative (Office or place of Profit) Rules, 2003 provides that no appointment for an office or place of profit in a company shall take effect unless approved by the Central Government on an application in respect of a relative of a Director which carries a monthly remuneration exceeding Rs. 50,000/- per month.

Your Directors recommend passing of this resolution as set out at item no. 12 of the accompanying notice.

No Director of the Company except Shri Ajay Goenka, Managing Director, being relative of Mrs. Sangeeta Goenka, may be deemed to be concerned or interested in the resolution.

## Item No. 13

Your Company is planning to take up the expansion project in the near future by way of strategic investments and acquisitions for installation of Folding Duplex Board Machine, Packaging Board machine. To carry out this expansion project, the Company proposes to raise the funds of approximately Rs. 750 Crore by issue of securities in India / Abroad. The salient features of the proposed offering are as under:

**In India/International Markets in one or more trenches:**

- Preferential Allotment to persons resident in India or outside India.
- By way of offerings of the securities to domestic and/ or foreign institutions, non-resident Indians, Indian Public Companies, Corporate Bodies, Approved Mutual Funds, Banks, Insurance Companies, Pension Funds, Individuals or otherwise, whether shareholders of the company or not, in terms of "SEBI (ICDR) Regulations, 2009"

It is proposed that the issue of securities, as above will be such that the total amount raised through the aforesaid securities shall not exceed Rupees 750 Crores or an equivalent amount in Indian rupees and at a price which is in the accordance with the relevant SEBI Regulations/ RBI Guidelines/Notifications, as may be applicable in this regard. The issue price of the securities to be issued in the proposed offerings, will be determined at the time of the offer based upon applicable Guidelines/Regulations and depending on the then prevailing market conditions and in consultation with the Merchant Bankers.

The offerings of the securities may require appointment of Merchant Bankers, Underwriters, Legal Advisors and Experts or such others Authority or Authorities to advice the company, especially in relation to the pricing of the securities. The detailed terms and the conditions of the issue as and when made, will be determined in consultation with the Merchant Bankers, Lead Managers, Advisors, Underwriters and Other Experts in accordance with the terms of approval of the Government of India, Reserve Bank of India, SEBI and such other authorities as may be required.

The proposed Special Resolution gives:

- (a) adequate flexibility and discretion to the Board to finalize the terms of the issue, in consultation with the Lead Managers, Underwriters, Legal Advisors and Experts or such other authority or authorities as required to be consulted including in relation to the pricing of the issue in accordance with the normal practice and
- (b) powers to issue and market any securities issued including the power to issue such securities in such trench or trenches.

Accordingly, the consent of the members is being sought, pursuant to the provisions of the Section 81 (1A) and other applicable provisions of the Companies Act, 1956, and "SEBI" (ICDR) Regulations 2009, and in the terms of the provisions of the Listing Agreements, to issue and allot the securities, as stated in the resolution as set out in item No. 13.

Your directors commend passing of the resolution as set out at Item No. 13 of the accompanying notice as special resolution.

None of the Directors of the Company is, in any way concerned or interested in the said resolution.

## Item No. 14

The Company is presently engaged in manufacturing of various kinds of papers. The Company has set up its own captive power plant of 15 MW and is in the process of installation of additional power plant of 30 MW. The fly ash generated from the power plant can be utilized for manufacturing of bricks and other related items. The Company is using waste paper as raw material. Certain amount of plastic contents is segregated from the said waste paper during processing, which can be utilized for manufacturing of plain and corrugated plastic sheets and other related items. In view of this, the Company may diversify its business activities by manufacturing bricks and plastic sheets, as mentioned in Clause 7 of Clause III (C) of the Memorandum of Association of the Company and same can be advantageously and conveniently combined with the existing business of the Company.

Pursuant to the provisions of Section 149(2A) of the Companies Act, 1956, approval of the members of the Company in a General Meeting is required before commencement of any new business/activity empowered by Other Objects of the Memorandum of Association. The said new business and activities would be commenced at such time or times as the Board may deem fit in the interest of the Company and subject to all applicable laws, rules, regulations and guidelines governing these activities.

Your directors commend passing of the resolution as set out at Item No. 14 of the accompanying notice as special resolution.

None of the Directors of the Company is, in any way concerned or interested in the said resolution.

**BY ORDER OF THE BOARD OF DIRECTORS**

**PLACE: AHMEDABAD  
DATE : 28<sup>TH</sup> MAY, 2010**

**RUNEL RATHI  
COMPANY SECRETARY**

# RAINBOW PAPERS LIMITED

**Registered Office:** 8th Floor, Avdhesh House, Opp. Shri Guru Govind Gurudwara,  
Sarkhej - Gandhinagar Highway, Thaltej, Ahmedabad- 380 054 (Gujarat)

## ATTENDANCE SLIP

Please fill in Attendance Slip and Hand it over at the Meeting hall  
Joint Shareholder may obtain slip on request.

DP ID*
Client Id*
Name of Shareholder

Folio No. :
No. of Share(s) held
Name of the Proxy

hereby record my presence at **24<sup>th</sup> ANNUAL GENERAL MEETING** of the Company at 8th Floor, Avdhesh House, Opp. Shri Guru Govind Gurudwara, Sarkhej - Gandhinagar Highway, Thaltej, Ahmedabad- 380 054 (Gujarat) on Thursday, 8th July, 2010 at 10.30 a.m.

Signature of the attending member / Proxy

-----

# RAINBOW PAPERS LIMITED

**Registered Office:** 8th Floor, Avdhesh House, Opp. Shri Guru Govind Gurudwara,  
Sarkhej - Gandhinagar Highway, Thaltej, Ahmedabad- 380 054 (Gujarat)

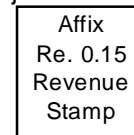
## PROXY FORM

DP ID*
Client Id*

Folio No. :
No. of Share(s) held

I/We \_\_\_\_\_ of \_\_\_\_\_ in the district  
of \_\_\_\_\_ Being a member / members of the above named Company, hereby  
appoint \_\_\_\_\_ of \_\_\_\_\_ in the district  
of \_\_\_\_\_ of failing him \_\_\_\_\_  
of \_\_\_\_\_ in the district of \_\_\_\_\_  
as my / our proxy to attend vote for me/us on my/our behalf at the 24<sup>th</sup> Annual General Meeting of the Company to be  
held at 8th Floor, Avdhesh House, Opp. Shri Guru Govind Gurudwara, Sarkhej - Gandhinagar Highway, Thaltej,  
Ahmedabad- 380 054 (Gujarat) on Thursday, 8th July, 2010 at 10.30 a.m. and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010.



Signature of the member  
across the stamp

\* Applicable for member holding shares in electronic form.

Note: The proxy in order to be effective should be duly stamped, completed and signed be deposited at the Registered office of the Company not Less than Forty Eight hours before the time of holding the aforesaid meeting. The Proxy need not be a member of the Company.





# RAINBOW

RAINBOW PAPERS LIMITED

24th ANNUAL REPORT  
2009-'10



*Join hands with us to create a better world,  
Save the Environment!!...Use Recycled Paper!!*

**An ISO 9001, 14001 & OHSAS 18001 Certified Company**

# Corporate Information

## BOARD OF DIRECTORS

<b>SHRI AJAY R. GOENKA</b>	:	CHAIRMAN & MANAGING DIRECTOR
<b>SHRI RAJENDRA V. PATAWARI</b>	:	ADDITIONAL DIRECTOR (appointed w.e.f. 30.01.2010)
<b>SHRI BHASKER G. BHATT</b>	:	ADDITIONAL DIRECTOR (appointed w.e.f. 30.01.2010)
<b>SHRI SHASHIKANT N. THAKAR</b>	:	ADDITIONAL DIRECTOR (appointed w.e.f. 30.01.2010)
<b>SHRI RADHESHYAM N.GOENKA</b>	:	EXECUTIVE DIRECTOR (ceased w.e.f. 28.05.2010)
<b>SMT. SANGEETA A. GOENKA</b>	:	EXECUTIVE DIRECTOR (ceased w.e.f. 28.05.2010)
<b>SHRI ASHWIN GOSWAMI</b>	:	WHOLE TIME DIRECTOR (ceased w.e.f. 30.06.2009)
<b>SHRI GOKULDAS P. KOTHARI</b>	:	WHOLE TIME DIRECTOR (appointed w.e.f. 30th June, 2009, ceased w.e.f. 26.02.2010)
<b>SHRI MAHENDRA A. JINDAL</b>	:	DIRECTOR (ceased w.e.f. 26.04.2010)
<b>SHRI CHAMPAKLAL M. SHAH</b>	:	DIRECTOR (ceased w.e.f. 28.05.10)
<b>SHRI KALPESH J. OSWAL</b>	:	DIRECTOR (ceased w.e.f. 26.02.2010)
<b>SHRI SHANKARLAL J. HEDA</b>	:	DIRECTOR (ceased w.e.f. 30.01.2010)

## COMPANY SECRETARY

SMT. RUNEL RATHI

## STATUTORY AUDITORS

M/S. PRAVIN M. SHAH & CO.  
CHARTERED ACCOUNTANTS, AHMEDABAD.

## COST AUDITORS

MR. V. H. SHAH  
COST ACCOUNTANTS, AHMEDABAD.

## INTERNAL AUDITORS

M/S. DHANESH B. KHATRI & CO.  
CHARTERED ACCOUNTANTS, AHMEDABAD.

## BANKERS

- INDIAN OVERSEAS BANK
- CORPORATION BANK
- UNION BANK OF INDIA
- ALLAHABAD BANK
- AXIS BANK
- DENA BANK
- BANK OF INDIA
- PUNJAB NATIONAL BANK

## REGISTRAR & SHARE TRANSFER AGENTS

SHAREPRO SERVICES (INDIA) PRIVATE LIMITED  
13AB, Samhita Warehousing Complex,  
Sakinaka Telephone Exchange Lane,  
Off. Andheri-kurla Road, Sakinaka  
Mumbai – 400 072.

## REGISTERED OFFICE

801, Avdhesh House,  
Opp. Shri GuruGovind Gurudwara,  
SG Highway, Thaltej,  
Ahmedabad-380054. Gujarat. INDIA  
[www.rainbowpapers.com](http://www.rainbowpapers.com)

## MARKETING OFFICE

### DELHI BRANCH

202, Krishna House, 4805/24, Bharat Ram Raod,  
Opp. State Bank Of India, Daryaganj,  
New Delhi – 110 002. INDIA

### MUMBAI BRANCH

101, 1st Floor, Gemini, Nehru Road,  
Vile Parle(E), Mumbai – 400 057. INDIA

## WORKS

### PAPER & BOARD DIVISION

1453, Village Rajpur, Tal: Kadi,  
Kalol-mehsana Highway:382715  
North Gujarat. INDIA

### COATING DIVISION

1423, Village Rajpur, Tal: Kadi,  
Kalol-mehsana Highway:382715  
North Gujarat. INDIA

## LISTINGS

1. BOMBAY STOCK EXCHANGE LIMITED (SCRIP CODE 523523)
2. AHMEDABAD STOCK EXCHANGE LIMITED (SCRIP CODE 47890)
3. LUXEMBOURG STOCK EXCHANGE (STOCK CODE US7508461073)
4. NATIONAL STOCK EXCHANGE OF INDIA LIMITED  
(STOCK SYMBOL RAINBOWPAP) (w.e.f. 2nd June, 2010)



# Contents

## forward looking statement

In this annual report, we have disclosed forward-looking information to help investors comprehend our prospects and take informed investment decisions. This report is based on certain forward-looking statements that we periodically make to anticipate results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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## Creating Wealth from Waste!!

We recycle your used Newspapers, Shredded papers, Cardboard, Phonebooks, Magazines, Computer paper, Envelopes, Junk mail, Construction paper and all other paper you throw away

&

give you paper which is used to manufacture Paper towels, Newspapers, Phonebooks, Paper bags, Notebooks, Stamps, Business cards, Calendars, Greeting Cards and packaging for all FMCG Products such as Food Cartons, Cosmetic Cases and packaging for pharmaceutical industry.

Our waters are polluted, our air is contaminated, and our landfills are so clogged that we have to send our waste downstream.

**Do your part, Buy recycled paper and Save the Environment!!**

***Compared to copy paper made from 100% virgin forest fiber, a copy paper made from 100% recycled content reduces:***

- total energy consumption by 40%
- net greenhouse gas emissions by 38%
- particulate emissions by 41%
- wastewater by 50%
- solid waste by 49%
- wood use by 100%





# IN A NUTSHELL

**Out of the same Paper..**

**you can make a book, a ticket, a boat or a plane!!**

**Your destiny is not what you get, but -**

**what you make out of what you have!!**



## Listings

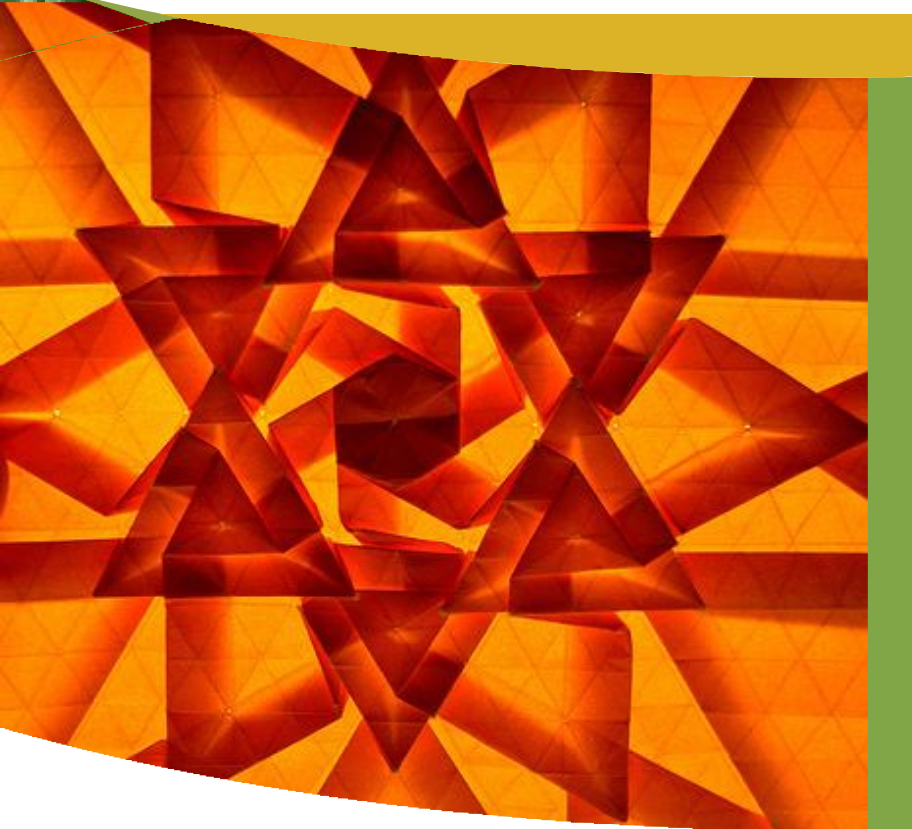
The Company's equity shares are listed on The Bombay Stock Exchange Ltd. & we have also got our equity shares listed on The National Stock Exchange of India Ltd. w.e.f. 02/06/2010.

Application has also been made for de-listing from the Ahmedabad Stock Exchange Ltd. as there are no trade activities taking place there.

The GDR's of the company are listed on the EURO MTF Market of Luxembourg Stock Exchange.

## Network

The company has a distribution network of 35 dealers across India. Besides that it has a strong dealer network outside India. Today Rainbow is having a global presence and is exporting to every continent across the globe. This network enables us to get first hand information about the demand trend in the various markets hence enabling us to effectively meet those demands.



## Product Range

The company has a production capacity of 198000 TPA and proposes to expand it to 305000 TPA. Our Product Range includes a diverse range of more than 186 varieties of paper and paper products enabling us to cater to a wide range of customers. Our product range includes :

- Writing & Printing Paper
- Newsprint Paper
- Duplex Boards
- Coated Paper & Board
- Colour Paper & Board
- Crepe Paper
- Poster Paper



## Raw Material

Raw Material availability and supply is one of the core challenges for the paper industry. However, we use waste paper as our primary raw material. This ensures us a three-fold benefit. First we save the forests by recycling paper. Secondly, we prevent the pollution the waste paper would have caused had it not been put to effective use and lastly, our raw material supply is ensured as there will be as much raw material as there will be consumption and by developing an effective logistics cycle we ensure easy availability of raw material.



## Initiatives in Health & Safety

Rainbow is an OHSAS 18001 Certified Company. We conduct regular training programmes and on-site training sessions for the workmen, to increase their awareness towards workplace safety. Safety accessories like helmets, safety belts, goggles, earplugs, gloves and gumboots are provided to the workmen. First aid facilities are provided at the workplace and additional medical facilities such as regular doctor visits to the plant for weekly check-ups and an inhouse ambulance are also provided.

## Initiatives in Environment

Rainbow is an ISO 14001 Certified Company. We are strongly committed to Green Environment Initiatives. More than 90% of our production is based on recycled fibre. Additionally, we recycle and reuse more than 80% of water. Rainbow also has integrated effluent treatment plants. The residue sludge is then converted into boards. We recycle whatever we feel can be reused or recycled. The fly ash - a residue of power generation is also used by us to manufacture bricks which can be used by the cement industry. Over the years we have worked towards better efficiency to reduce the energy and water consumption per unit of output. We are also working towards recycling the plastic contents obtained on segregation of waste paper and manufacture plain and corrugated plastic sheets.





## Locational Advantage

Gujarat ranks amongst the top states in terms of fresh investments attracted. Over 8.5% of total fresh investments are directed towards Gujarat. The State enjoys a 1600 kms long coastline which had major ports like Kandla and Mundra besides 18 minor ports. This gives us a locational advantage for both imports and exports. It ensures saving in time as well as cost. Also, Gujarat has consistently recorded the least number of man days lost due to labour unrest among's all states in India.

## Our People

At Rainbow, we aim at creating thought leaders. An organisation is as good as its people. We have a strong core team of experienced and qualified professionals who are the driving force behind our business operations and have created a knowledge based environment, with the highest standards of work ethics and transparency. We also provide residential accomodation to our workers and have undertaken many precautionary measures to ensure their health and safety.



MR. AJAY GOENKA  
Chairman & Managing Director

*Dear Fellow Shareholders,*

On behalf of the Directors of Rainbow Papers Ltd, I take the pleasure of presenting the annual results of the year and also express my heartfelt gratitude to all our stakeholders and friends from various circles, for their continuous support and faith shown in us.

I am delighted to share with you, your company's success in executing one of the fully automated Voith make paper plant of 254 TPD production capacity imported from Germany in the first phase of our expansion plans, which has gone into commercial production in September, 2009. This expansion project is our first foray into the field of writing & printing paper and newsprint which was well received by our customers and is a segment which holds great promise. With this we have added many leading newspapers to list of customers. The overwhelming response from our customers has given us great encouragement to go ahead with the second phase of our expansion plan which includes installation of the second paper machine with 330 TPD production capacity and a 30 MW Captive Power Plant.

**" We have successfully concluded GDR issue in January, 2010 and they are now traded on the Euro MTF Market of Luxembourg Stock Exchange."**

# From the CMD's Desk

Growing purchasing power and increasing emphasis on literacy is expected to further accelerate growth of paper boards and paper in India. The increase in our volumes by 21.84% is an indication of the industry potential.

Government schemes like 'Sarva Shiksha Abhiyan', 'National Literacy Mission' and emphasis on K-12 education have given a boost to the paper demand. As the economy gradually picked up, the demand for paper-based packaging in various industry sectors grew earnest, offering ample room for the Company to enjoy a quantum leap.

We have successfully concluded GDR issue in January, 2010 and they are now traded on the Euro MTF Market of Luxembourg Stock Exchange. It is with great joy I inform you that our equity shares are now listed on the National Stock Exchange of India Ltd. w.e.f. 2nd June, 2010.

Presently the shares are trading between Rs 200 - Rs 245 and have touched the height of Rs 245 in the past year.

The Board has proposed a dividend of 20% which would lead to an outlay of Rs 4 crores approximately. Subject to your approval at the AGM the Board of Directors proposed to split each share of Face Value Rs 10 into 5 shares of Face Value Rs 2 each in order to make the shares more affordable to the investors.

A series of measures were adopted in the Year to enhance the internal management which is a key to overall business solutions. The strategic measures include adjusting operating strategy, successful implementation of ERP, tightening cost control, improving the financial structure to maintain adequate cash flow, consistently emphasising environmental protection and further standardizing enterprise operations using international management disciplines. These forward looking initiatives consolidated our ongoing policies and will provide effective protection against volatile market situations.

**“ Our Equity Shares are now listed on the National Stock Exchange of India Ltd ”**

(w.e.f. 2nd June 2010)

The company has also been awarded the Special Export Award in recognition of our outstanding export performance in respect of Paper and Paper Board by CAPEXIL. Once again we have been awarded the Highest Imported at ICD by Container Corporation of India. The company has moved up from 461st rank to 246th rank in 'Industry 2.0 Top 500' for the year 2008-09 by SMB Awards. Your company continues to be recognized as 'Star Export House' by Director General of Foreign Trade, Delhi.

Over the past year, Rainbow has gained precious experience in addressing and developing under a less favourable international climate. The past year has seen signs of global recovery as well as government policy changes and stimulus which are expected to bring a steady growth to the domestic demand. Boasting the most advanced production equipment, high caliber management, diverse product

range and sound proactive development strategies, we are set to capture market opportunities.

On behalf of the Board, I would like to take this opportunity to extend my heartfelt gratitude to the management, all our staff, investors, banks and our business partners who have supported us at all times. We aim at maximising shareholder value, furthering our commitment to social responsibilities while working conscientiously to reap benefits from our strategic geographical layout to capture market opportunities.

AJAY GOENKA  
Chairman & Managing Director

**" Your company has moved up from 461st rank to 246th rank in 'Industry 2.0 Top 500' for the year 2008-09 by SMB Awards."**

# Financial Highlights

		2009-'10	2008-'09	2007-'08	2006-'07	2005-'06
<b>OPERATING RESULTS</b>						
PAID-UP SHARE CAPITAL	Rs. (lacs)	1744	721	721	547	547
GROSS TURNOVER	Rs. (lacs)	29281	24411	20003	18004	14374
EBIDTA	Rs. (lacs)	6806	5242	3564	2744	1832
DEPRECIATION	Rs. (lacs)	2403	2496	1185	1009	742
TAXATION	Rs. (lacs)	755	716	506	529	128
NET PROFIT	Rs. (lacs)	2359	2361	1284	827	579
<b>FINANCIAL POSITION</b>						
GROSS BLOCK (including CWIP)	Rs. (lacs)	53073	41935	27361	13980	10437
DEPRECIATION	Rs. (lacs)	10468	8071	5575	4393	3871
NET BLOCK	Rs. (lacs)	42604	33864	21786	9587	6566
PAID UP CAPITAL	Rs. (lacs)	1744	721	721	547	547
RESERVE & SURPLUS	Rs. (lacs)	20437	7578	5327	2519	1797
NET WORTH	Rs. (lacs)	22181	8299	6048	5166	2344
BORROWINGS	Rs. (lacs)	33351	26807	14117	6955	4377
CAPITAL EMPLOYED	Rs. (lacs)	55759	36582	21493	12234	6954
<b>FEW KEY RATIOS</b>						
EARNING PER SHARE (RS. 10)(BASIC/DILUTED)	Rs.	26	33	20	15	11
BOOK VALUE PER SHARE	Rs.	127	115	84	56	43
DIVIDEND (EQUITY SHARES)	%	20	16	16	16	16

Total revenues up by

**21.84%** to Rs. **284.28** crores

EBIDTA increased by

**29.85%** to Rs. **68.06** crores

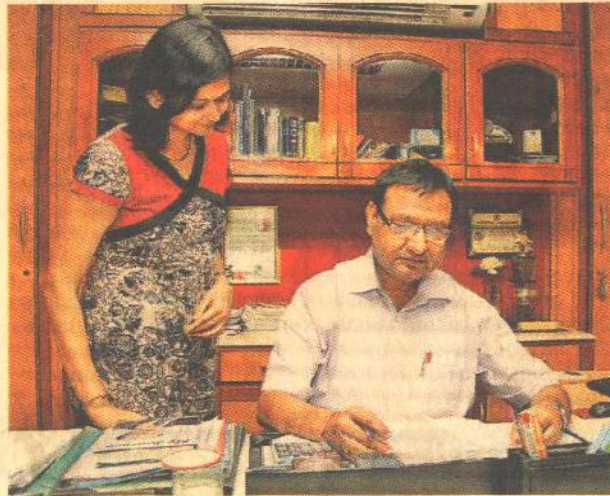


# Rainbow Papers eyes 150% growth

Rs327 cr capacity expansion will be completed next financial year

**Jitendra Dave & Himansh Dhomse, Ahmedabad**

After undertaking an investment of Rs327 crore to increase its capacity, the Ahmedabad-based paper manufacturer, Rainbow Papers Ltd, is eyeing a 150% growth in turnover in two years. During FY2010, the company is expecting a turnover of around Rs300 crore, which is likely to go up to Rs750 crore by in FY2012.



■ CMD of Rainbow Papers, Ajay Goenka with daughter and vice-president of company, Niyati Agarwal – Dhaival Bharwad

remaining amount of Rs202 crore will come from debt and internal accruals," he said.

The company expects 50% rise in its turnover in FY11. "In next one year, our turnover will increase from Rs300 crore to Rs450 crore," he said.

## BUSINESS STANDARD

### Rainbow Papers raises \$27 million

have our turn FY12," (Aske book, preside said. " orders Septem Talk cost of that 10 the nex the co around and we

Rainbow Papers has raised \$27 million (over Rs 125 crore) through a GDR issue to part-finance its ongoing Rs 327-crore expansion programme. The GDR will be listed on the Luxembourg Stock Exchange and will priced at \$2.64 (Rs 121 per GDR).

BS REPORTER

## ECONOMIC TIMES

# Rainbow Papers to invest Rs 327 cr

Co Eyes Rs 500-Cr Turnover; Ties Up With Financial Institutions To Raise Rs 200 Cr

R R Goswami  
AHMEDABAD

THE Rajpur (north Gujarat)-based Rainbow Papers, engaged in the manufacturing of paper and paper products including colour paper, board, coated paper and Manila/Bristol paper and board, is planning to pump in Rs 327 crore for its expansion programme at its existing unit in Gujarat. The company, which closed its financial year ended March 31, 2010 with a turnover of Rs 285 crore compared to Rs 230 crore in the previous year, is hopeful of a Rs 500-crore turnover, post-expansion, according to company CMD Ajay Goenka. With regard to resources to meet the cost of the project, Mr Goenka said that the company has already secured funds worth Rs 200 crore from financial institutions.



### A STEP FORWARD

The company also aims at enhancing its position in the industry amongst the few paper manufacturers that can produce more than 186 varieties of papers at a single location

augmenting its installed capacity to 3,05,000 tonnes per annum, the company also aims at enhancing its position in the industry amongst the few paper manufacturers.

board, Mr Goenka said.

The amount will be utilised for installation of German automated machine having capacity of 350 tonnes per day, funding of Rs 100 crore per annum.

to the tune of Rs 100 crore per annum which also include raw material for use in paper mills outsourced from China and Indonesia.

Rainbow Papers mainly uses imported and Indian recycled fibre and chemicals in different varieties as raw material.

Its products are mainly used for industrial and packing purposes. It also packages consumer products like toothpaste, butter, notebooks and other stationery items. The company's coating division under the brand name — Master Cote, has a production capacity of 12,000 tonnes per annum which mainly produces fluorescent, non fluorescent paper and board coated paper (chromo and art), coated paper offline.

The company's coated paper are used in various applications, annual reports, brochures, annual reports, greeting cards, etc.

In the past year, Rainbow has been covered by various television and print media such as Zee Business, CNBC, Economic Times, Indian Express, DNA Money, Business Standard, Myiris, Gujarat Samachar, Sandesh, Suryakal, Marvad Mitra, PaperMart to name a few. It has indeed been a year in limelight!!



# Rainbow in the Limelight..

## Success stories in paper

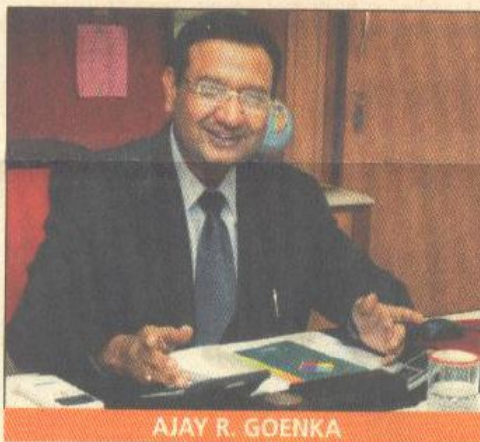
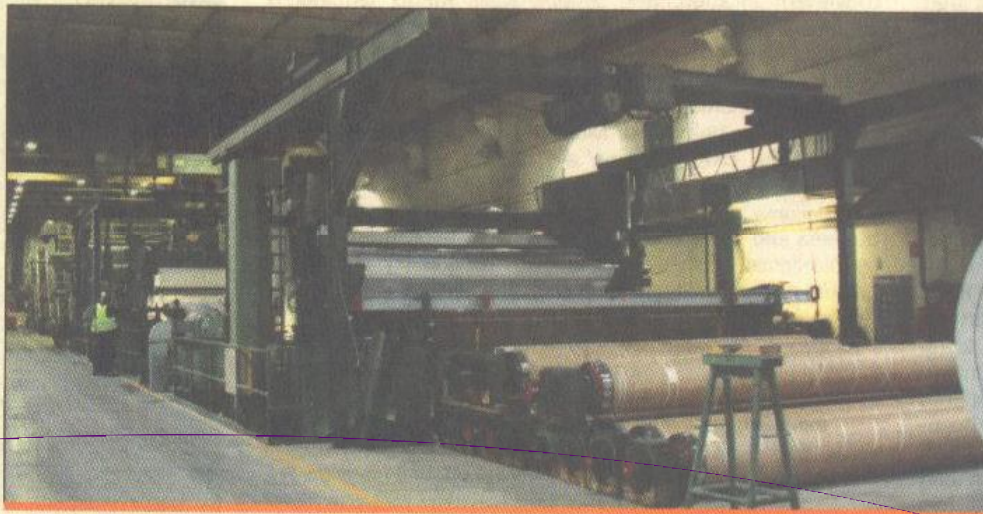
With quality as its benchmark, Rainbow Papers Ltd. has been scaling great heights in the paper manufacturing sector. With ambitious expansion plans up its sleeve, the company can only script success stories in the future

**RAINBOW** Papers Ltd., a paper manufacturing company with its manufacturing unit near Ahmedabad, manufactures various kinds of papers. Incorporated on 4th July, 1986 as a private limited company, it became a public limited company on 11th June, 1991.

The company, under the leadership of Ajay R. Goenka, has flourished from a small production unit to a large paper manufacturing company. He is ably-assisted by the services of qualified professionals with expertise in their respective fields.

The company has recently imported two paper plants of Voith-make from Germany. While one of them, with a production capacity of 200 MT per day, was installed in 2009, another one is in the process of installation. The total capex for the same is around Rs. 327 crore, includes the installation cost of the aforementioned automatic machines, as well as the cost of 30MW power plant, Deinking plant, technology upgradation of the machine and erection cost. The company has already raised funds to the tune of Rs. 123 crore through Global Depository Receipt (GDR) issue which was concluded in the month of January 2010. The GDRs of the company are listed at the Luxembourg Stock Exchange. The company has also tied up with a consortium of eight bankers, Indian Overseas Bank being the lead banker, for a term loan of Rs. 200 crore. The remaining cost of the project will be met through internal accruals. With the completion of this expansion project (expected to be completed by 2011), the production capacity of the company would be 305,000 MT per annum.

Rainbow, accredited with ISO 9001, 14001 and OHSAS 18001, is one among the very few paper companies in the country manufacturing 186 varieties



AJAY R. GOENKA

Rainbow, accredited with ISO 9001, 14001 and OHSAS 18001, is one among the very few paper companies in the country manufacturing 186 varieties

### Rainbow Papers' sales zooms to Rs. 67.98 cr<sup>n</sup>

**MUMBAI:** Rainbow Papers Ltd, a leading paper and paper products manufacturing company has posted a growth of 11.77% in revenues and 6.17% in net profits for the quarter ended December 31, 2009 over the corresponding figures of the previous year. The revenue for the quarter ended December 31, 2009 was Rs. 67.98 crore and the profit has stood at Rs. 4.35 crore. The company has also tied up with a consortium of eight bankers, Indian Overseas Bank being the lead banker, for a term loan of Rs. 200 crore. The remaining cost of the project will be met through internal accruals. With the completion of this expansion project (expected to be completed by 2011), the production capacity of the company would be 305,000 MT per annum.

board, crepe paper, cast coated paper, pos paper and Manila/Bristol paper, etc.

Rainbow shares are listed at the Bombay Stock Exchange and very soon they would be listed at the National Stock Exchange too.

While Rainbow is among the very few paper companies with the Star Export House recognition, it is declared as the First High Growth Importer at ICD-Sabarmati by Container Corporation of India for the year 2008-09 and 2009-10. Rainbow has also won a Special Award by CAPEXIL in recognition of its outstanding export performance for the year 2008-09.

Major customers of the company include Wal-Mart, Sakaal, DNA, Hindustan Unilever, Navneet Publications (India) Ltd., LIC of India, Nirma Limited, Wimco Boards Limited, Creative Polypack Limited and textile industries. It also supplies to the state education boards and other government bodies in India.

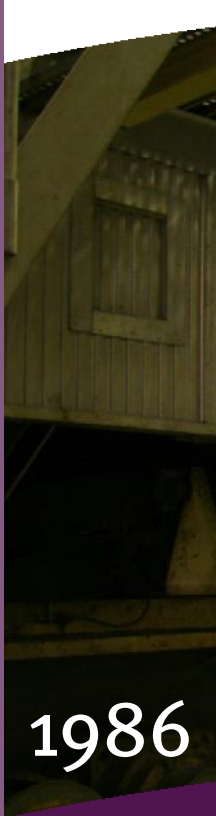
The products of the company, well accepted not only in India but abroad too, are exported to Iran, Malaysia, Bangladesh, Nairobi, Kenya, Dubai, Egypt, Sri Lanka, etc.

**ECONOMIC TIMES**

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1986

**1986**

- Incorporation of Company



1991

**1991**

- Production Capacity increased by 6000 TPA



1992

**1992**

- Production capacity enhanced to 10000 TPA
- Public Issue
- Amalgamation of Orient Crepe Paper Industries Ltd with Rainbow Papers Limited



1993

**1993**

- Production Capacity further enhanced to 25000 TPA



1997

**1997**

- Production capacity enhanced to 40000 TPA



1999

**1999**

- Installation of quality plus system from Honeywell Measurex Asia Inc. USA

TPA = Tons per annum, TPD = Tons per day, GDR = Global Depository Receipts

# Journey till Now...

**2004**

- Installation of 5 MW Captive Power Plant.
- Installation of Japanese Technology paper machine for enhancement of production capacity from 40000 TPA to 72000 TPA
- Installation of 2 De – inking lines of 60 TPD & 40 TPD

**2007**

- Installation of additional 10 MW captive power plant.
- Acquisition of consolidated paper plant with production capacity of 584 TPD from Germany.

**2008**

- Accreditation as ISO 9001, 14001 & OHSAS 18001
- Recognition as Star Export House by Director General of Foreign Trade, Delhi

**2009**

- Successful commissioning of paper machine 254 TPD capacity purchased from Dachau Germany.

**2010**

- Issue of 10235455 GDRs and listing at Luxembourg Stock Exchange.
- Rainbow announces CAPEX of Rs 327.00 crores for enhancement of installed capacity by 330 TPD by installation of 2nd paper machine imported from Germany.
- Equity shares listed on the National Stock Exchange of India Ltd w.e.f. 2nd June 2010

2004

2007

2008

2009

2010



## What lies Ahead..



The total Capital Expenditure for the second phase of expansion is approximately Rs.327 crores for which Rs 123 crores have been raised through GDRs, Rs 200 crores have been raised through Bank Borrowings and the balance through internal accrual. The plant has already been acquired and the above funds will be used for technology upgradation, De-Inking lines and ETP Plant.

The Second Phase of Expansion includes:

- Installation and erection of the second paper machine imported from Germany along with technology upgradation programme. This machine will manufacture Writing & Printing

Paper with online coating facility with production capacity of 330 TPD and is expected to commence production by the end of financial year 2010-'11.

- Installation of 30 MW Captive Power Plant. This will bring our total power generation capacity to 45 MW.

After completion of the second phase of expansion your company intends to raise Rs 750.00 crores through a combination of debt and equity for acquisition and installation of a Folding Duplex Board Machine and Packaging Board Machine.



# CREATING WEALTH FROM WASTE!!



Recycle



## Savings in Energy

Energy consumption is reduced by recycling, although there is debate concerning the actual energy savings realized. The US Energy Information Administration, EIA, claims a 40% reduction in energy when paper is recycled versus paper made with unrecycled pulp, whereas the Bureau of International Recycling, BIR, claims a 64% reduction.

### **RECYCLING 1 TON OF NEWSPAPER**

**saves about 4,000 kW-h of electricity.**

This is enough electricity to power a 3-bedroom European house for an entire year, or enough energy to heat and air-condition the average North American home for almost six months.

## Reduction in Landfills

India generates approximately 0.1 million tonnes of municipal solid waste everyday, or about 36.5 million tonnes annually! Of this waste, 40% is just paper. In other words, we produce 14.6 million tonnes of waste paper every year!

### **RECYCLING 1 TON OF NEWSPAPER**

**eliminates 3 cubic meters of landfill.**

Organic materials, including paper, decompose in landfills, albeit sometimes slowly, releasing methane, a potent greenhouse gas. Recycling paper saves space in landfills and reduces the problem of waste management.

# Benefits of Paper Recycling



## Saves the Forests

### RECYCLING 1 TON OF NEWSPRINT

**saves about 1 ton of wood**

while

### RECYCLING 1 TON OF WRITING & PRINTING OR COPIER PAPER

**saves slightly more than 2 tons of wood.**

Since all trees are of different sizes it is difficult to estimate the exact number of trees saved. However, recycling 1 ton of paper you can save approximately 17 trees!!

## Reduction in Pollution

The United States Environmental Protection Agency (EPA) has found that recycling causes 35% less water pollution and 74% less air pollution than making virgin paper. Pulp mills can be sources of both air and water pollution, especially if they are producing bleached pulp. Recycling paper decreases the demand for virgin pulp and thus reduces the overall amount of air and water pollution associated with paper manufacture.



# Innovation

## Creative Solutions

Indian Businesses have a way of making things differently and maximising output with the minimal inputs. It is also known as Innovation, or more popularly the 'Jugaad Advantage'. At Rainbow, we emphasize on creating wealth from waste. We constantly look for new ideas and approaches towards enhancing productivity in our main production process as well as productive use of our by-products. We have taken certain initiatives to treat our various by-products which not only gives us new finished products but also eliminates our problem to waste disposal.

## Manufacturing Bricks from Fly Ash

Fly Ash is a residue of our Captive Power Plant. We currently use this fly ash to manufacture bricks and blocks used for heavy construction. Fly Ash Bricks are an environment friendly cost saving building product. They are three times stronger than conventional bricks with consistent strength.



# Creative Solutions



## Manufacturing Laminate Sheets from Plastic Waste

The plastic contents obtained from waste paper during sorting are also polluting agents which lead to an additional process of disposal. We are looking at using this waste to manufacture laminate sheets both corrugated and plain and can be used for roofing purposes and can replace plywood in manufacturing chairs.

## Manufacturing Boards from Sludge

Sludge is a by-product which is obtained while manufacturing paper from recycled fibre. It causes pollution. At Rainbow, we treat this sludge and use it to manufacture boards which are used in various kinds of packaging. It can be sandwiched between paper or cloth and is used for manufacturing shoe boxes, saree boxes, sweet boxes et cetera.





MR. AJAY GOENKA  
Chairman & Managing Director

**Mr. Ajay Goenka**, CMD, aged 52 years is a commerce graduate. Having started his career at a very young age of 19 years as a paper trader, Mr. Goenka has an experience of 33 years in the paper industry. The transition from paper trading to manufacturing of crepe papers then coated papers and Duplex Boards and now finally woodfree and newsprint papers has been very smooth and gradual. Expansions in a planned and phased manner not only gave him the desired experience but also resilience to face the challenges presented by an ever changing and growing industry. His passion and singularity of purpose has resulted in Rainbow flourishing from a small unit to a large manufacturing company with a production capacity of 180000 TPA and about 186 varieties of paper under a single umbrella.

Mr. Goenka has been associated with various Non profit organisations, Paper associations and schools. He is the Founder Chairman of Indian Agro & Recycled Paper Mills Association, Gujarat Division.

**“Don't just float through life, create waves..!! ”**

## Brief Profile of Directors



MR. SHASHIKANT THAKAR  
Independent Director

**Mr. Shashikant Thakar**, aged 54 years, is Bachelor of Commerce, Bachelor of Law and a Fellow member of the Institute of Company Secretaries of India . He is an Independent Director on the Board of Directors of the Company. He has having Professional Experience of more than 25 years in Legal, Finance and Company law Matters. He is Chairman of the Audit committee of the Board of Directors of the Company.



MR. RAJENDRA PATAWARI  
Independent Director

**Mr. Rajendra Patawari**, aged 37 years, is a Bachelor of Business of Administration.. He is an Independent Director on the Board of Directors of the Company and is having more than 10 years of experience in the Insurance Sector. He is Chairman of the Remuneration & Compensation committee of the Board of Directors of the Company.



MR. BHASKER BHATT  
Independent Director

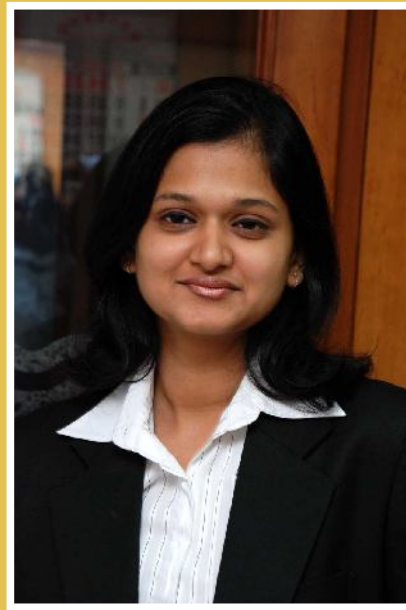
**Mr. Bhasker Bhatt**, aged 50 years, is Bachelor of Engineering (Mechanical) and LL.B. by qualification. He is an Independent Director on the Board of Directors of the Company and is having rich experience of more than 27 years in Engineering sector. He is Chairman of the Investors Grievances Committee of the Board of Directors of the Company.



SMT. SANGEETA GOENKA  
Senior Vice President

**Smt. Sangeeta Goenka**, aged 49 years, graduated from Agra University. Initially she was associated with the Crepe Paper unit and gained ample experience in the paper-making process.

She resigned as Executive Director w.e.f 28th May 2010. However considering her valuable contribution, support and experience in the industry she will be continuing as Senior Vice President. Currently she is also looking after the import portfolio of the company. Her dynamic and aggressive approach towards cost reduction has led to development of various sources of raw material across the globe.



MS. NIYATI AGARWAL  
Senior Vice President

**Ms. Niyati Agarwal**, aged 27 years, M.B.A. from Narsee Monjee Institute of Management Studies, Mumbai; MS Accounting from ICFAI, Hyderabad; and DIPT.D. from Indian Society of Training and Development, New Delhi.

She is associated with the Company since last 5 years and is responsible for the development of international market and domestic sales of the Company. It is largely due to her and her team's initiatives in developing the export market that Rainbow has been recognised as 'Star Export House' by Director General of Foreign Trade, Delhi.

# Brief Profile of Key Professionals



MS. RUNEL RATHI  
Company Secretary

**Ms. Runel Rathi**, aged 30 years, is B.Com., L.L.B. and Fellow Member of the Institute of the Company Secretaries of India. She has been associated with the company since past 8 years and is responsible for the overall Company Law compliances with SEBI, Registrar of Companies [ROC], Stock Exchanges and looks after all other secretarial matters. She is also handling the administrative, legal, and insurance related matters of the company.



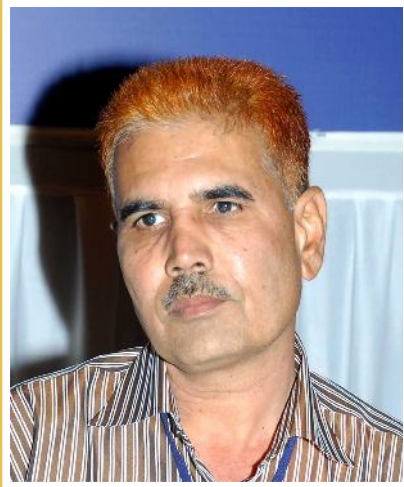
MR. RAHUL MAHESHWARI  
Vice President (Commercial)

**Mr. Rahul Maheshwari**, aged 33 years is B.Com. and Associate Member of the Institute of Cost and Works Accountants of India. He has been associated with the company since last 7 years and is responsible for the marketing of finished goods and procurement of raw materials. His focus area is predominantly exploring Indian and foreign markets for sourcing raw material and marketing finished goods.



MR. PRADEEPKUMAR VASHISHTHA  
Vice President (Production)

**Mr. Pradeep Kumar Vashishtha**, aged 49 years, is Bachelor of Engineering (Pulp & Paper) and IIT Roorkee. Mr. Vashishtha has past experience in Multi layer board & paper manufacturing. He looks after manufacturing of paper & board as per the requirement of the marketing team. He mainly concentrates in product development.



MR. J.B. SUHAG  
Vice President (Power Plant)

**Mr. J. B. Suhag**, aged 48 years, is a Mechanical Engineer, and a First Class Boiler Proficiency Certificate holder. He is having 29 years Industrial Experience in the field of Power Generation along with Managerial Exposures in Diverse Industries. He is also a key member of the 'Boiler Examination Board', Gujarat State.



MR. SUBHASH CHANDRA SAHA  
Vice President (Operations)

**Mr. Subhash Chandra Saha**, aged 55 years, is Bachelor of Engineering (Chemical). He is having experience of 30 years at senior positions in the Paper Industries. His prime area of work includes implementing preventive, predictive maintenance & energy saving measures and also import substitution.



MR. K.C. MAJUMDAR  
Vice President (Project Engineering & Development)

**Mr. K. C. Majumdar**, aged about 63 years, is Gold Medalist Bachelor of Engineering (Mechanical) and Chartered Engineer. He has an experience of 38 years in Paper Industry. At present, he is looking after detailed engineering, equipment selection, erection, commissioning, planning and monitoring of New Projects.



# **DIRECTORS' REPORT**

*Motivation is everything. You can do the work of two people, but you can't be two people. Instead, you have to inspired the next guy down the line and get him to inspire his people.*

- Lee Iacocca

# DIRECTORS' REPORT

To,  
The Members,  
RAINBOW PAPERS LIMITED,  
AHMEDABAD

Your Directors are pleased to present the 24<sup>th</sup> Annual Report together with the Audited financial statement for the financial year ended 31<sup>st</sup> March, 2010.

## Financial Highlights :

Your Company's performance for the financial year 2009-10 is summarized below:

(Rs. In Lacs)

FINANCIAL RESULTS	2009-10	2008-09
Gross Turnover	29280.79	24411.25
Profit before Depreciation, Interest & Tax	6806.41	5241.72
Depreciation	2402.97	2496.64
Profit before Interest & Tax	4403.44	2745.08
Interest	1289.64	1042.71
Profit before Tax	3113.80	1702.37
Taxation: Less/ (Add)		
Current Tax	527.57	190.80
Wealth Tax	0.03	0.14
MAT Credit Entitlement	(185.63)	(168.40)
Deferred Tax	413.17	(686.87)
Fringe Benefit Tax	-	6.00
NET PROFIT AFTER TAX	2358.66	2360.70
(Less)/Add: Provisions not required, hence written back	13.57	(5.28)
Less: Prior Period Adjustments (Net)	(9.30)	(6.99)
BALANCE PROFIT FOR THE YEAR	2362.93	2348.43
Add: Balance brought forward	4583.28	2569.77
NET SURPLUS AVAILABLE FOR APPROPRIATION	6946.21	4918.20
Proposed Dividend	348.87	115.33
Corporate Tax on Dividend	57.94	19.60
Transfer to General Reserve	200.00	200.00
Surplus carried forward to Balance Sheet	6339.40	4583.28

## Dividend:

Your Directors are pleased to recommend a Dividend @ Rs. 2/- per share on 1,74,43,460 Equity Shares of Rs.10/- each, which is inclusive of 1,02,35,455 underlying Equity share representing GDRs, (Previous Year Rs.1.60 per share on 72,08,005 Equity shares of Rs. 10/- each ) absorbing a sum of Rs. 348.87 Lacs and Corporate Dividend Tax of Rs. 57.94 Lacs) for the year ended 31<sup>st</sup> March 2010. The Dividend, when declared, at the Annual General Meeting of the Company, will be paid to those shareholders whose names appear on the Register of Members as on the date of Annual General Meeting.

## Review of Operations:

Your company has entered into one of the best phase of the growth cycle and aims to be one of the dominant players in the Industry alongwith fulfilling its obligations to the shareholders, customers, employees and society as a whole. The financial performance during the year under review reflects the consistent progress made by the company inspite of the daunting challenges posed by the Economy and the Market. Your Company has successfully completed the first phase of the expansion programme by installing one of the two Paper plants imported from Germany, having production capacity of 254 TPD. The commercial production on the said machine was started in September, 2009. The Company has recently introduced new products such as Printing and writing papers, Newsprint, Red Maplitho, Indigo Newsprint, Green Creamwove, Bristol Paper. The total product range of the Company includes as many as 186 different varieties of paper. The company was successfully able to raise Rs. 12385 Lacs through GDR during the year under review.

*New Machine Installed - At a Glance*



*Paper Processing from the New Machine*

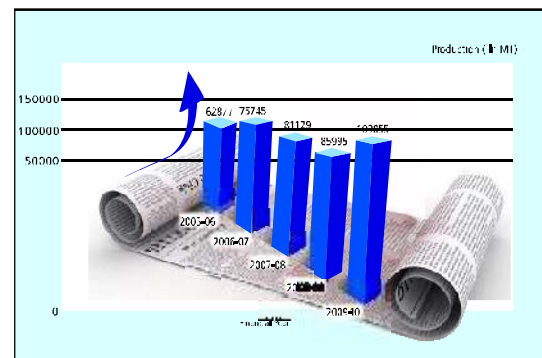


Your directors are pleased to inform that your company has achieved a total production of 1,09.055 M.T. as compared to 85,995 M.T. in previous year. Your Company has established a new benchmark in its performance recording historically the highest annual sales during the year under review. The total turnover made is Rs. 29,281 Lacs as compared to Rs. 24,411 Lacs in the previous year. The net profit earned by the Company during the current year is Rs.

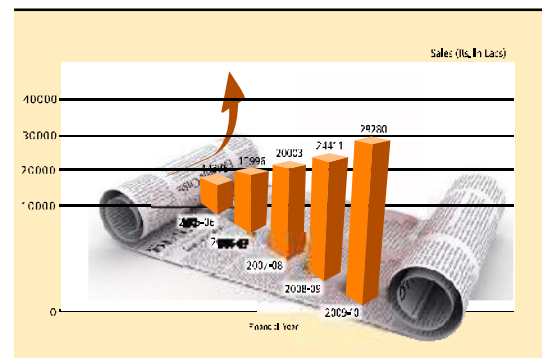
2363 Lacs as compared to Rs. 2348 Lacs in the previous year. A balance of Rs. 6339 Lacs has been carried forward to the Balance Sheet for the next year. Your Company has earned an EBIDTA of Rs. 6806 Lacs. The cash profit has also increased during the year to Rs. 5179 Lacs. All this has been possible through cost optimization adopted by the company which resulted in better realization of margins, improved efficiency and higher productions. This combination favoured well as demand for the products in the market have also been improved positively. With such strong achievements and bold results, the Board of directors are pleased to recommend a dividend of Rs. 2/- for the shareholders on the equity shares of face value Rs. 10/-.

The promoters always focus on strengthening the company further by adding capacities and better integration. All this have been possible, only on account of continuous support of the company's employees who have made remarkable contribution towards the progress of the company.

*Details showing Production for the last 5 years*



*Details showing Sales for the last 5 years*

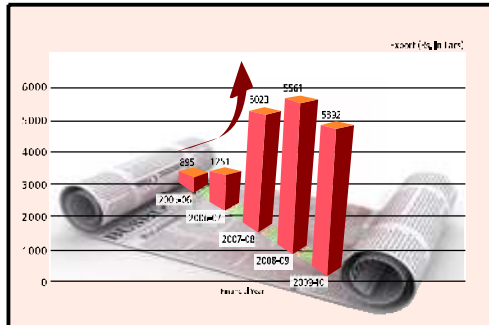


## Export and Imports :

Your company exported 22,032.59 M.T. of paper during the year under review as compared to 22,904.51 M.T. in the previous year. The exports accounted to 18.41 % of total sales. The exports proceeds amounted to Rs. 5391.82 Lacs as compared to Rs.5561.14 Lacs during the previous year. The Company's products are now being exported to

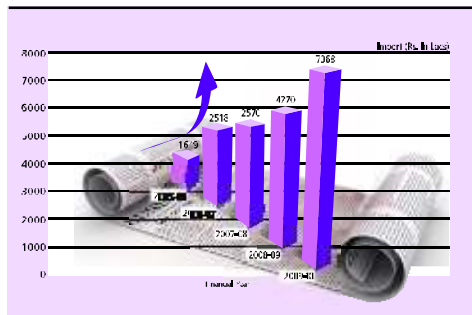
various countries such as Africa, Middle East, South East Asia, U.S.A., U.K., France, Indonesia, Sri Lanka and Bangladesh. Your Company is making efforts to cater more and more of foreign markets in the near future. During the year under review, your company has been awarded the Special Award in respect of Paper and Paper Board by CAPEXIL, by the Government of India, Ministry of Commerce, Director General of Foreign Trade, recognition of its export performance.

Details showing Exports for the last 5 years



Your Company imported 74,324.74 M.T. of waste paper and 522.40 M.T. of chemical during the year as compared to 31,303.72 M.T. and 188.80 M.T. respectively in the previous year. The imports amounted to Rs 7143.39 Lacs of waste paper and Rs. 224.16 Lacs of chemicals as compared to Rs. 4198.33 Lacs and Rs. 71.40 Lacs respectively in the previous year. Your Company has been awarded as 1<sup>st</sup> largest importer at ICD, Ahmedabad by "Container Corporation of India Ltd" for year 2009-10.

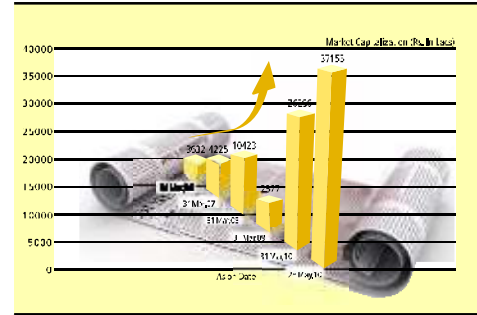
Details showing Imports of Waste Paper & Chemicals for the last 5 years



## Market Capitalization:

The market capitalization has increased substantially on account of better performance resulting into higher share prices and also due to increased Share Capital of the company. The same is indicated as below :

Details showing Market Capitalisation for the last 5 years



## Status of Expansion Programme:

During the year under review, your Company has taken up the expansion programme of installation of paper plant imported from Germany. The total project cost for the said expansion programme was Rs. 32700 Lacs. The entire project cost included the cost of installation of the plant already imported from Germany with production capacity of 330 MT per day, cost of 30MW power plant, deinking plant, pulp mill, technology upgradation of the imported plant. The project is expected to be completed by March, 2011. The company has raised the funds for the said project through GDR issue of Rs. 12385 Lacs and has also arranged a debt of Rs. 20000 Lacs through a consortium of banks. The balance project cost shall be met by internal accruals of the company. With the completion of this expansion programme, the total production capacity of the Company would be around 3,05,000 M.T. p.a. These enhanced capacities will enable increased production and sales, contributing to the improved performance of the company over the Financial year 2010-11.

Second Machine under Installation - at Glance

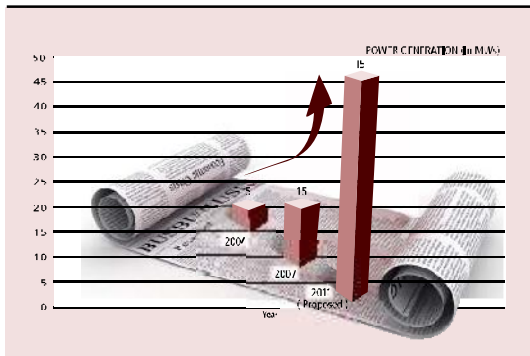


On account of expansion programmes taken up by the Company from time to time, there has been substantial increase in the production capacity of the Company, which has increased from 6000 TPA to 305000 TPA. Similarly,

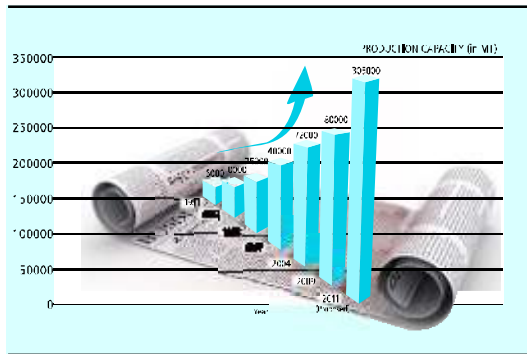


the power generated from the power plant has also increased from 5MW to 45MW. Below graph describes the enhancement of production capacity from time to time.

Enhancement in Power Generation from Captive Power Plant



Enhancement in Production Capacity of the Company since inception



## Future Outlook:

The Indian economy has rebounded strongly with renewed demand for paper and paper products. The emphasis on primary education, the rise in demand for newsprint and paper used for packaging will provide a strong momentum for the demand of paper and paper products. Sensing these opportunities, your company has future plans of strategic investments and acquisitions for the purpose of installation and setting up of Packaging Board Machine and Folding Duplex Board machine. The project is under active consideration at the management level and also the technical team is analyzing the feasibility of the same. To carry out this expansion programme, the Company proposes to raise the funds to the tune of Rs. 75000 Lacs by way of suitable instruments i.e. ADR/ GDR/ FCCB issue or through equity shares etc. Your Directors would announce the project with other relevant details as soon as the final decisions are taken.

Your directors are also exploring and working on the new business lines which includes manufacturing of bricks and plain and corrugated plastic sheets. The fly ash which is one of the by product generated out of the power plant can be utilized for manufacturing of bricks and other related items. The plastic contents segregated at the time of

processing, from the waste paper can be utilized for manufacturing of plain and corrugated plastic sheets and other related items. These new projects would not only increase the profitability of the company but also would contribute in keeping the environment clean as the discharge of the fly ash and unutilized plastic contents problem gets solved automatically.

## Directors:

During the year under review, Shri Rajendra Patawari, Shri Bhasker Bhatt and Shri Shashikant Thakar were appointed as additional directors on the Board of the Company with effect from 30<sup>th</sup> January, 2010. They hold office up to the ensuing Annual General Meeting of the company.

Shri Ashwin Goswami had resigned from the Board of the Company with effect from 30<sup>th</sup> June, 2009 and Shri Shankarlal Heda resigned with effect from 30<sup>th</sup> January, 2010. Shri Gokuldas Kothari and Shri Kalpesh Oswal have resigned with effect from 26<sup>th</sup> February, 2010 and Shri Mahendra Jindal has resigned on 26<sup>th</sup> April, 2010.

Shri Champaklal Shah, Shri Radheshyam Goenka and Smt. Sangeeta Goenka, directors of the Company have also resigned with effect from 28<sup>th</sup> May, 2010.

Your Company places on record its appreciation for the valuable services rendered by the above named directors during their directorship. Your directors also extend a warm welcome to the new Directors on the Board of the Company.

## Directors' Responsibility Statement:

Pursuant to the requirements under Sub section 2AA of Section 217 of the Companies Act, 1956, with respect to the Directors Responsibility Statement, it is hereby confirmed:-

- (1) that in the preparation of Annual Accounts, the applicable accounting standards have been followed along with the proper explanation relating to material departures, if any.
- (2) that the Directors have selected such accounting policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2010 and of the Profit for the year ended on that date.
- (3) that the Directors to the best of their knowledge and ability have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

- (4) that the directors have prepared the Annual Accounts on a “going concern basis”.

## Audit Committee:

The Audit Committee has also been reconstituted which now consists of following members:

1. Shri Shashikant Thakar : Chairman
2. Shri Rajendra Patawari : Independent Director
3. Shri Bhasker Bhatt : Independent Director

## Fixed Deposits:

Your Company has not invited or accepted any fixed deposits from public in terms of provisions of Section 58-A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975 and, as such, no amount of principal or interest was outstanding as of the balance sheet date.

## Insurance:

The Company's properties including Building, Plant and Machinery, Stocks, Stores, etc., have been adequately insured.

## Issue of Global Depository Receipts:

During the year under review, your Company has issued 1,02,35,455 Global Depository Receipts (GDRs), each representing one equity share of nominal value of Rs. 10/- each at a offer price of US\$ 2.64 aggregating to US\$ 2,70,21,601.20.

Your Company had issued GDRs in order to part finance, the total project cost of Rs. 32700 Lacs for the installation of machinery imported from Germany. The underlying equity shares were allotted by the Board of Directors in the Board Meeting held on 28<sup>th</sup> January, 2010.

The Global Depository Receipts issued by the Company have been listed on Euro MTF market of Luxembourg Stock Exchange.

Out of the total 1,02,35,455 GDRs issued, 97,85,455 number of GDRs are outstanding for conversion on 31<sup>st</sup> March, 2010.

## Change in Share Capital:

On account of the GDR issue, the issued and paid up capital of the Company has increased from Rs. 7,20,80,050/- consisting of 72,08,005 Equity Shares of Rs. 10/- to Rs. 17,44,34,600/- (consisting of 1,74,43,460 Equity shares including 1,02,35,455 underlying Equity Shares representing GDRs which were allotted on 28<sup>th</sup> January, 2010 .

The face value of each Equity Share of Rs. 10/- is proposed to be sub-divided into the face value of Rs. 2/- each by corresponding increase in the number of shares held by each shareholder on the record date.

## Awards and Accolades:



Your Company is a proud recipient of the following awards during the year:

- a) Your Company has been declared and awarded the Highest Importer at ICD, Ahmedabad by M/s. Container Corporation of India Ltd for the year 2009-10. The Company has received this award for the sixth consecutive year wherein for last four years it has received the award as the 2nd largest Importer.



- b) Your Company has also been awarded the Special Award in respect of Paper and Paper Board by CAPEXIL, by the Government of India, Ministry of Commerce, Director General of Foreign Trade, recognition of its export performance.



- c) Your Company has also received Certificate of Recognition for superior financial performance during 2008-09 and has been ranked as 246<sup>th</sup> in Industry 2.0 top 500 SMB's, which was ranked as 461<sup>st</sup> in financial year 2007-08.
- d) Your Company continues to enjoy the status of "Star Export House" by Director General of Foreign Trade, New Delhi.

### Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo:

The particulars as prescribed under section 217 [1] (e) of the Companies Act, 1956 read with Rule 2 of the Companies [Disclosure of particulars in the Report of Board of Directors) Rules, 1988, regarding conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure 'A' forming part of this Report.

### Particulars of Employees:

The information required as per sub-section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended and forming part of the Directors' Report for the year ended 31<sup>st</sup> March 2010 is NIL.

### Corporate Governance:

Our board with well qualified independent directors' guidance and team work and various committees constituted under corporate governance, the Company is in a position to excel in its activities with complete fair and transparent practices. The Board committees regularly scrutinize the policies and proposals made by the operating management and also provide an unbiased independent assessment of the business procedures.

Pursuant to Clause 49 of the Listing Agreement, Management Discussion and Analysis Report and a Report on Corporate Governance are given as Annexure to this Report.

A certificate from the Statutory Auditors of the Company regarding compliance by the Company of the conditions stipulated under Clause 49 of the Listing Agreement is attached to this Report.

The Company is in process of implementing the Corporate Governance Voluntary Guidelines 2009, issued by Ministry of Corporate Affairs, in December, 2009.

### Information Technology:

Your Company with its all IT initiatives is committed to ensure stable, operational and responsive- information, communication and ERP System for efficient and faster business growth.

We aim each year to enhance and associate information technology usage to simplify business processes, which in turn increases productivity and profitability.

### Health, Safety, Security and Environment:

Rainbow Papers Limited takes pride in providing a healthy and safe operating environment for its employees. It is a recycled based paper unit which uses the waste paper as raw material for manufacturing its finished product. Thus, saving the forests which is already in scarcity. Constant efforts are made to conserve natural resources. During the year, the Company was able to further reduce its energy and water consumption per unit by installing new energy meters. The Company deploys eco-friendly technology to provide a safe and clean environment in its neighbourhood. It has installed efficient Effluent Treatment Plants in order to protect the environment. Adequate measures are also taken for the safety of the workmen working at the plant by providing them helmets, safety belts etc.

Recycle Paper ---



Protect the Environment ---



### ISO Certifications:

#### ISO 9001 / ISO 14001 ACCREDITATION

Company's Quality Management Systems continue to be covered by the "ISO 9001" accreditation. Company's Environmental Management System continues to enjoy "ISO 14001" accreditation.

### OHSAS 18001 CERTIFICATION

The Company continues to enjoy certification under Occupational Health and Safety Assessment Series 18001

(OHSAS) which is an International Standard which facilitates management of Occupational Health and Safety risks associated with the business of the organization.

## Credit Rating:

The current Bank Loan rating as assigned by the CRISIL is as under:-

Sr. No.	Facility	Rated Amount (Rs. in Lacs)	Rating
1.	Cash Credit	4500.00	BBB-/Stable
2.	Term Loan	43465.00	BBB-/Stable
3.	LC & Bank Guarantee	5635.00	P3
	<b>Total</b>	<b>53600.00</b>	

'P3' indicates that the degree of safety regarding timely payment on the instrument is adequate.

'BBB' are judged to offer a moderate safety with regard to timely payment of financial obligations for the present.

## Cost Auditors:

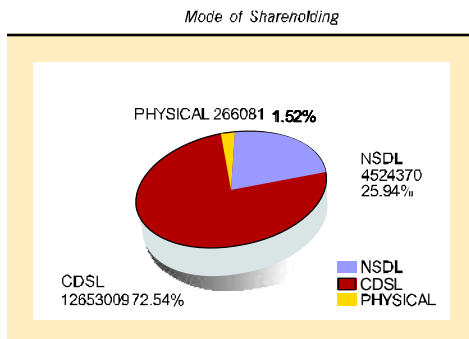
Pursuant to Section 233-B of the Companies Act, 1956, the Central Government has ordered that the Company carries out an audit of cost accounts relating to Paper, every year. Mr. V.H. Shah, Cost Accountant, was appointed as Cost Auditor for the year 2009-10. The Cost Audit Report for the year 2009-10 will be submitted to the Central Government on or before the due date.

## Listing of Shares:



## Dematerialisation:

The shares of the Company are in compulsory demat segment and are available for trading in the depository system of both National Securities Depository Ltd (NSDL) and the Central Depository Services India Ltd (CDSL). As on 31<sup>st</sup> March 2010, 1,71,77,379 nos. of equity shares forming 98.47% of the equity share capital of the Company stands dematerialized.



The equity shares of the Company are presently listed on the Bombay Stock Exchange Ltd (BSE) and Ahmedabad Stock Exchange Limited (ASEL). The Bombay Stock Exchange Ltd has nation wide terminal and therefore, shareholders/investors are not facing any difficulty in trading in the shares of the Company from any part of the Country.

The GDR of the Company are listed on Euro MTF Market of Luxembourg Stock Exchange.



As there is no trading activity carried out by Ahmedabad Stock Exchange Limited, your Company has already made an application to Ahmedabad Stock Exchange Limited, for getting its shares delisted from the said Exchange. All formalities pertaining to delisting have already been completed and the confirmation from Ahmedabad Stock Exchange Limited is awaited.

Your company has completed all the formalities for getting its shares listed on National Stock Exchange of India Limited (NSE) and the confirmation for getting listed at NSE is expected very soon. (The equity shares of the Company have since been listed with National Stock Exchange of India Limited w.e.f. 2<sup>nd</sup> June, 2010)

Your Company has paid annual listing fees for financial year 2009-2010 to Bombay Stock Exchange Limited, Mumbai, Ahmedabad Stock Exchange Limited, Ahmedabad, Luxembourg Stock Exchange, Luxembourg and custodial fees to National Securities Depository Ltd. and Central Depository Services (India) Ltd.

### Statutory Auditors:

M/s. Pravin M. Shah & Co., Statutory Auditors of the Company retire at the ensuing Annual General Meeting of the company and have expressed their unwillingness for reappointment as Statutory Auditors of the Company. M/s. Talati & Talati, Chartered Accountants, Ahmedabad, have given a written confirmation as per the provisions of Section 224(1B) of Companies Act, 1956, for being appointed as Auditors of your Company.

### Auditors' Report:

The notes to the Accounts referred to in the Auditors' Report of M/s. Pravin M. Shah & Co., Chartered Accountants, are self explanatory and therefore do not call for any further explanation under Section 217 (3) of the Companies Act, 1956.

### Change in Registrar and Share Transfer Agents:

Your Company has appointed M/s. Sharepro Services (India) Private Limited, as the Registrar and Share Transfer Agent w.e.f. 1<sup>st</sup> March, 2010 in place of M/s. Pinnacle Share Registry Pvt. Ltd.

### Industrial Relations:

Industrial Relations remained cordial throughout the year under review. Several Industrial Relation initiatives implemented by the Company have significantly helped in improving the work culture, enhancing productivity and enriching the quality of life of the workforce.

### Acknowledgement:

Rainbow's strong multi-cultural work force has been the bedrock of the Company's glorious past. Rainbow is confident that with the commitment and passion of our people, we will shape a bright future for the organization.

The Directors acknowledge the continued support and cooperation received from the Gujarat government, shareholders, participating banks, customers, suppliers and dealers. We look forward with confidence, as before, to their support in the years to come.

The Board also wishes to record its sincere appreciation of the total commitment, dedication and hard work, put in by every member of team Rainbow.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

(AJAY R. GOENKA)

PLACE : AHMEDABAD  
DATE : 28th May, 2010

CHAIRMAN &  
MANAGING DIRECTOR

### Declaration:

The Board of Directors of the Company have approved and adopted code of conduct for the Directors and Senior Management personnel. I hereby declare to the best of my knowledge and belief that, all the Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct for the current year.

Place : Ahmedabad  
Date : 28th May, 2010

Ajay R. Goenka  
Managing Director

## ANNEXURE – A

**ADDITIONAL INFORMATION AS REQUIRED UNDER SECTION 217(1) (e) OF THE COMPANIES ACT, 1956 AND THE COMPANIES (DISCLOSURES IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.**

**CONSERVATION OF ENERGY:**

<p>1. Energy Conservation Measures Taken</p>	<p>a. 2 numbers of De-Super Heater were installed in order to control &amp; regularize the steam, which resulted into steam saving and ultimately power generation in power plant.</p> <p>b. Web Coated System along with VFDs installed at various cutters resulted into energy saving.</p> <p>c. Preventive team is formed for periodical checking for electrical motors &amp; pumps.</p> <p>d. Appointed in-house committees to look into reduction of power and steam and wastage of water.</p>
<p>2. Additional Investment &amp; Proposal, if any, being implemented for reduction of consumption of energy</p>	<p>a. “Decander” are being procured to reutilize the fiber at very first stage.</p> <p>b. High efficiency motors &amp; pumps along with soft starters are installed at various places including pulp mill.</p>
<p>3. Impact of measures at (1) &amp; (2) above for the reduction of energy consumption and consequent impact on the cost of production of goods.</p>	<p>All the above measures have resulted in substantial savings in energy cost.</p>
<p>4. Total Energy Consumption and Energy Consumption per unit of Production.</p>	<p>Form – A (annexed herewith)</p>

## FORM A

(See Rule 2)

(Rs. in Lacs)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY		
	2009-10	2008-09
<b>A : Power &amp; Fuel Consumption :</b>		
<b>1. Electricity</b>		
<b>(a) Purchased</b>		
Total Units (kwh)	1794682	6028262
Total Amount	157.46	393.11
Rate / Unit (Rs.)	8.77	6.52
<b>(b) Own Generation</b>		
<b>(i) Through Diesel Generator</b>		
Total Units (kwh)	11984	183056
Units per ltr. of Diesel Oil	2.10	4.06
Cost/Unit (Rs.)	22.43	11.07
<b>(ii) Through Turbine</b>		
Total Units (kwh)	67263010	49582960
Units per tonne of Lignite/Coal	1025.97	1069.02
Cost/Unit (Rs.)	2.68	2.85
<b>2. Coal</b>		
<b>(i) For Power Generation</b>		
Total Quantity (Tons)	65560	46382
Total Cost	1803.68	1411.33
Average Rate (Rs.)	2751.17	3042.85
<b>(ii) For Steam Generation</b>		
Total Quantity (Tons)	68647	48275
Total Cost	1888.60	1468.94
Average Rate (Rs./ Tons)	2751.17	3042.85
<b>B : Consumption per Unit of Production:</b>		
Product Unit ( Tons)	109054.90	85995.10
Electricity (Kwh/Tons)	447.98	411.49
Steam Coal ( Kgs./Tons)	360.45	316.74

(Previous year's figures have been regrouped wherever necessary)

# FORM-B

## FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

### I. RESEARCH AND DEVELOPMENT (R&D)

<p>1. Specific areas in which R &amp; D carried out by the Company.</p>	<p>a. Fiber saving is the prime concern. The Company is putting up maximum efforts for re-use of fiber of one plant to other plant, by way of reducing the consumption of Raw Material.</p> <p>b. Effective steps are taken to maintain &amp; preserve the consumption of fuel by mixing method i.e. saw dust with lignite imported coal of various cfm values.</p> <p>c. Effective steps are taken to reduce the consumption of fresh water.</p>
<p>2. Benefits derived as a result of the above R&amp;D.</p>	<p>a. Yield has improved and less quantity of fiber is drained.</p> <p>b. Better efficiency of coal.</p> <p>c. Consumption of fresh water has reduced and effective use of treated back water has improved.</p>
<p>3. Further plan of action</p>	<p>Main thrust of the Company is to use fiber to the maximum possible extent and for which various steps as mentioned above are systematically implemented.</p>
<p>EXPENDITURE ON R &amp; D</p> <p>a) Capital</p> <p>b) Recurring</p> <p>c) Total</p> <p>d) Total R &amp; D expenditure</p> <p>e) As a percentage of total turnover.</p>	<p>No specific expenditure is incurred.</p>



## II. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

1.	Efforts, in brief made towards Technology absorption, Adoption and Innovation	Upgradation of various pulp mill and ETP systems for better fiber recovery with the help of ultramodern equipments is made by team of Rainbow.
2.	Benefits divided as a result of the above efforts e.g. Products Improvement, cost reduction, Product Development, Import Substitution etc.	Timers are placed to save maximum power. a. improved in yield. b. reduction in cost. c. lesser break down of machines. d. uniform quality of finished products.
3.	In case of Imported Technology (Imported during the last 5 years reckoned from the beginning of the Financial Year) following information may be furnished.	
	(a) Technology Imported	Voith make German Plant and De-inking plant from Kadant, Lamort, France.
	(b) Year of Import	2007-2008
	(c) Has technology been fully absorbed	YES
	(d) If not fully absorbed, areas where this has not been taken place, reasons therefore and future plans of action.	One paper plant imported from Germany is already installed and the De-inking plant is also installed. The 2 <sup>nd</sup> imported paper plant is in the process of installation.

## III. FOREIGN EXCHANGE EARNING AND OUTGO

(a)	Activities relating to Export initiatives taken to increase development of New Export market for Products and service and Export plants.	The company has exported its product to Africa, Middle East, South East Asia, USA, UK, France, Indonesia, Bangladesh & Sri Lanka during the year under review.
(b)	Total Foreign Exchange Earned and Outgo :	
	Foreign Exchange Earned	Rs. 4664.76 Lacs
	Foreign Exchange Outgo	Rs. 8643.42 Lacs

FOR AND ON BEHALF OF BOARD OF DIRECTORS

PLACE : AHMEDABAD  
DATE : 28th May, 2010

(AJAY R. GOENKA)  
CHAIRMAN & MANAGING DIRECTOR

**MANAGEMENT DISCUSSION AND  
ANALYSIS REPORT**

*Thinking is progress. Non-thinking is stagnation of the individual, organisation and the country. Thinking leads to action. Knowledge without action is useless and irrelevant. Knowledge with action, converts adversity into prosperity*

APJ ABDUL KALAM

# MANAGEMENT DISCUSSION AND ANALYSIS REPORT

## Indian Paper Industry – A Brief Overview



Indian Paper Industry is more than 140 years old with the first mill having been commissioned in 1867. Today almost every person uses paper in one form or the other. Paper manufacturers use a variety of raw materials like hardwoods, bamboo, recycled fibre, bagasse, wheat straw and rice straw.

Estimated annual turnover of the industry is Rs. 29,600 crore approximately and its contribution to the exchequer is around Rs. 2,900 crore. The industry provides employment to more than 1,20,000 people directly and to 3,40,000 indirectly.

Demand for paper and paperboard closely follow the economic growth of a country and have a positive correlation to the prevailing economic trends. In India, the demand drivers and growth triggers have come from a combination of factors:

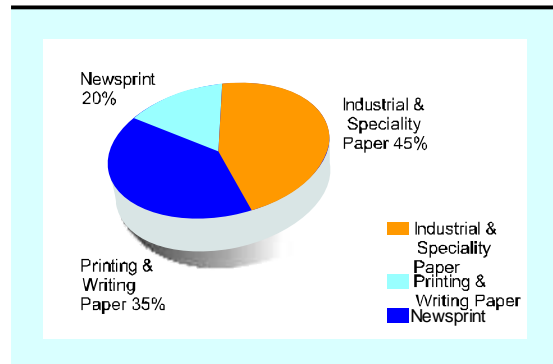
- ❖ the rising level of national income;
- ❖ the growing per capita income;
- ❖ rising aspiration levels of the people;
- ❖ increasing size of the population;
- ❖ increasing size of the service industry;
- ❖ spread of education and literacy throughout the country;
- ❖ government focus on education;
- ❖ introduction of computers in rural areas; and,
- ❖ higher level of industrial activity and corporate spending.

Globally India ranks 15<sup>th</sup> among the paper producing countries. The industry is highly fragmented with about 700 units spread across the country with capacity ranging from 3 tpd to over 700 tpd.

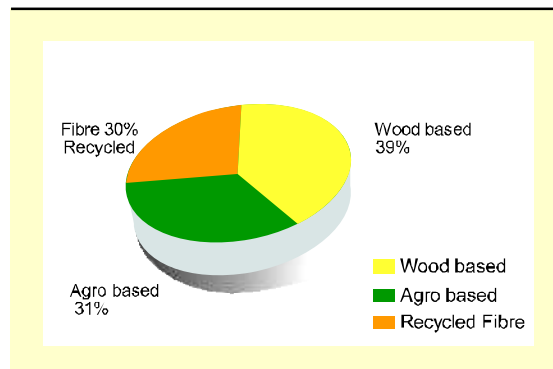
The product segments in the paper industry can be broadly classified as below: Newsprint, Printing & Writing Paper, Industrial Paper and other paper.

Of the total consumption in India, Printing and Writing paper accounts for about 35%, Newsprint 20% and Industrial and Speciality Papers 45%. Per capita annual consumption is 8.5 Kg, against the world average of 55 kg, and Asian average of 45 kg. of the total capacity, 39% is wood based, 31% Agro based and the balance 30% waste paper (recycled fibre) based. 35% of the capacity is in North, 30% in West, 30% in South and 5% in East.

Capacity Utilisation - Variety Based



Capacity Utilisation - Raw Material Based



With the continuous growth in the GDP and improvements in literacy rate and standard of living, the demand for paper and paper products is growing at the annual rate of 7-8%. The demand growth in the next three years is likely to be about 4-5% in newsprint, 6-7% in non-surface sized paper, 7-8% in surface sized paper, 15% in cut size copier paper and 5% in speciality paper. India is considered as the fastest growing paper market in the world.

(\*\*\* SOURCE IARPMIA)



## Overview About the Company:

Rainbow was incorporated in 1986, since then it has never looked back. It has been continuously marching ahead in order to establish its presence in the Indian Paper Industry. It started with a small production unit which has now turned out to a large sized manufacturing unit, manufacturing as many as 186 varieties of paper. The company works on the motto – “One Stop solution to all kinds of paper”. To name a few products – Duplex Board & Paper, Fluorescent Paper, Coated Paper, Art Paper, Crepe Paper, Printing and Writing Paper, Newsprint, Red Maplitho, Indio Newsprint, Green Creamwove, Bristol Paper etc. The products of the company have established their presence not only in the Indian markets but also in the foreign markets.

With growth of the organization being the aim of the promoters, they have never overlooked the quality of its products as well as taken care for the protection of the environment. For this, effective steps have been taken by the promoters and management from time to time.

## Business Strategy:

Rainbow Papers Limited believes in efficient utilization of its resources i.e. Manpower, Money, Machines, to the maximum possible extent, through proper planning and execution. The expansion projects taken up by the Company are implemented after thorough examination, proper research and analysis of the market conditions. The Company makes constant efforts to minimize the costs and avoid wastages at every stage of production. The production is planned in such a way that it suits to the requirement of the customers, as customer satisfaction has always been the prime concern of the Company.

## Environment friendly manufacturing process:

Rainbow is mostly using waste paper and such material is recycled to manufacture the finished product rather than using the wood pulp, which is in scarcity. On account of increasing thrust of education by implementing the “Sarva Siksha Abhiyan” by the Government of India, the per capita consumption of paper has increased and hence the waste paper is available more readily in comparison to wood pulp. Another major component used in manufacturing of paper is water. Rainbow has taken appropriate measures to curtail use of fresh water by using recycled water to the maximum possible extent. It has also installed the ETP system which helps in maintaining eco friendly environment. Further, in concurrence with the motto of the promoters, “To make best out of waste” Rainbow is also planning to use fly ash i.e by-product generated from the power plant to manufacture bricks and other related products and also

to use the plastic content from the waste paper for manufacturing of plastic sheets. This will benefit in two ways – Save environment from discharge of fly ash and plastic wastes by making productive utilization of the same.

Effluent Treatment Plant



## The Road ahead:

### (A) Installation of paper board project:

The forthcoming expansion programme of the Company includes strategic investments and acquisitions for the purpose of installation and setting up of Packaging Board Machine and Folding Duplex Board machine. The project is under active consideration at the Top management level and also the technical team is analyzing the feasibility of the same. Your Directors would announce the project with other relevant details as soon as the final decisions are taken. To carry out this expansion project, the Company proposes to raise the funds of approximately Rs. 750 Crore by way of suitable instruments i.e. ADR/ GDR/ FCCB issue or through equity shares etc.

### (B) Creating wealth out of waste:



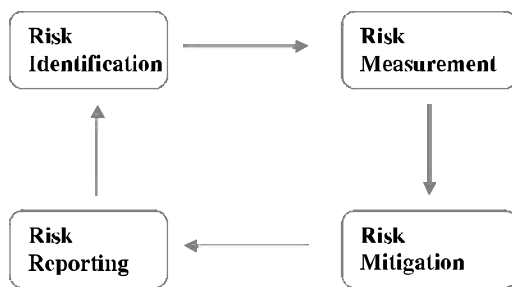
Your directors are also exploring and working on the new business lines which includes manufacturing of bricks and plain and corrugated plastic sheets. The fly ash, which is one of the by- product generated out of the power plant can be utilized for manufacturing of bricks and other related items. The plastic contents as segregated at the time of processing, from the waste paper which is used as raw material in manufacturing of paper, can be utilized for manufacturing of plain and corrugated plastic sheets and other related items. These new projects would increase

the turnover of the company. It would also be helpful in keeping the environment clean and the problem of discharge of the fly ash and unutilized plastic contents gets solved automatically.

## Risk and concerns:

Risk may be defined as the possibility that an event (anticipated or unanticipated) can adversely affect business objectives and goals. At Rainbow, risk governance reconciles estimation, control and quantification through an institutionalized approach, which includes consistent implementation and monitoring, supplemented by audits. The management conducts regular reviews to arrest abnormalities.

Institutionalized approach to risk management:



All the risks are discussed in the Senior Management meetings periodically to ensure that the risk mitigation plans are implemented and adverse impact of risks is avoided or kept within manageable proportions.

Currency exchange rates could undergo changes with the Indian rupee turning volatile for most part of the year. This could have a potential impact on the export earnings of the Company.

The Company is conscious of the impact of the volatile movements. Hedging is done wherever necessary and forward covers are taken to mitigate probable risks. The Company has adopted conservative policy in booking the unfavorable impact of exchange fluctuations. Prudential accounting norms are followed in line with the Accounting Standards.

## Environment Safety:



Rainbow Papers Limited (RPL) is totally committed to save the Environment, uphold Human Safety and Health, RPL has declared policies on Environment, Health and Safety, Quality and Energy. The main excerpts of the above policies are given hereunder:

- Compliance with all relevant legislative requirements.
- Reducing Pollution Load in terms of Liquid Discharge, Air Emission and Land Conservation.
- Saving Energy & Preserving natural resources like Water, Raw Material, Fuels.
- Generating Human Awareness in Environment, Safety and Health.
- Minimizing the Unsafe Acts & Unsafe working conditions.
- Promoting comprehensive programs to propagate Health and Environmental Safety.

## SWOT Analysis:

### (A) Strengths

#### (1) Establish presence in the market:

The Company has an established global presence in the market. Its products are being exported to various countries such as Africa, Middle East, South East Asia, U.S.A., U.K., France, Indonesia, Bangladesh and Sri Lanka. The Company is one among the largest exporters of duplex board and colour paper and board. The Company actively participates in various paper fairs and trade shows.

#### (2) Know How & Expertise:

This is an existing unit, who has been dealing in the same products (paper) and using the same type of plant & machinery, as is proposed to be acquired under its Expansion Project. The Company has developed a expertise in this field for technological up gradation & operation of large size paper plants. The Promoters are also actively involved in the day to day activities of the Company which has resulted to cost control to substantial level.

#### (3) Marketing setup:

The Company is already having a strong domestic as well as international market. The Company intends to work on similar product/market matrix by pushing higher volume of products. Further the demand of both domestic and international is going to be on the rise with 8% annual growth expected, thus creating a firm market for the Company's product.

#### (4) Locational Advantage:

Location at Kalol-Mehsana road (NG) due to nearness to Ahmedabad has its advantages from marketing & raw material import angle. Also the availability of trained labour & supervisory staff is an advantage. The Company is connected to the ports i.e Mundra Port, ICD Sabarmati, which controls the transportation cost for imports as well as exports.

**(B) Weaknesses:**

Paper industry is considered to be a commodity producing industry i.e. the consumer expects best quality & lowest price for the product. Price is always determined by the market. For maintaining profitability, much higher focus is needed on internal economics of operations. However, due to firming up of demand in sectors like FMCG, pharma, Printing and Packaging and growth in literacy rates, the prices of paper will remain steady there by proving advantageous for the Company.

Company will have to maintain expert technocrats for operation & maintenance of the second hand imported & upgraded plants to maintain quality standards & costing.

**(C) Opportunities and Threats:**

The competitive strengths and the opportunities that are available to the Indian Paper Industry are:

- ❖ Its large and growing domestic paper market and potential export market.
- ❖ Qualified technical manpower with capability to manage world scale pulp and paper mills.
- ❖ Relatively low employee cost.
- ❖ Well established Research and Development (R & D) facilities / activities encouraging innovation.
- ❖ Fast growing contemporary printing sector.
- ❖ Government's thrust for improving literacy in the Country.
- ❖ Potential for growth of forest plantation.

While so, the competitive weaknesses and threats that face the industry are:

- ❖ Inadequate availability of virgin fiber resulting in high cost of raw materials, including wood, non wood and waster paper.
- ❖ Delay in creation of sustainable raw material base through industrial plantations.
- ❖ Small and fragmented industry structure.
- ❖ Many non competitive mills.
- ❖ Inconsistent multi-tiered quality of products.
- ❖ Environmental problems of most of the small pulp mills and also some large mills.
- ❖ High energy consumption and costs.
- ❖ Poor infrastructure.
- ❖ Likely closures, owing to increasingly stringent environmental regulations.
- ❖ Numerous Regional Trade Agreements (RTAs) / Free Trade Agreements (FTAs) without adequate safeguards.

Paper Industry is capital intensive and yields poor returns on investments. The issues that require the urgent attention of the Government are creation of robust raw material base, fiscal incentives for assimilation of eco-friendly technologies etc.

The major players, alive to the fast emerging international threats, have been aggressively pursuing quality improvement programmes, coupled with cost management and capacity additions. Increasingly, more up-to-date technologies are sought to be implemented, with added focus on environmental regulations.

## Internal Control System and their adequacy:

The Company continuously updates its systems and procedures in order to keep it contemporary and to ensure that it is commensurate with size and nature of its business. The effectiveness of internal control is regularly verified by Internal Audit Department of the Company supplemented by independent outside Internal Auditors. They conduct regular audits based on annual internal audit programme agreed with Audit Committee of the Board covering all the offices, factories and key area of business. The Audit Committee closely monitors this process. Audit findings are reviewed by Audit Committee along with management response. The Committee also reviews the effectiveness of Company's internal control and their effectiveness in actual operation and regularly monitors implementation of audit recommendations. The system ensures efficient utilization of Company's resources and protection of assets from loss, theft, misappropriation and relevant risks.

## Human Resources Management:

The mission of the Human Resource function is to build and sustain a motivated leadership pipeline and to provide an empowering environment in which people can feel enthused to deliver their best for the progress of both the Company and themselves.

The Company considers its human resource as a valuable asset. The Company endeavours to harness this resource through structured training programmes. With the Company currently implementing the expansion programmes, training of its personnel assumes greater significance.

## Conclusion:

Your Company is dedicated to ensure that ongoing growing initiatives achieve profitability faster. Given the strategic thrust over achieving identified distinct vision in its business, your Company is set to emerge stronger in the long run.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

(AJAY R. GOENKA)

PLACE : AHMEDABAD  
DATE : 28th May, 2010

CHAIRMAN &  
MANAGING DIRECTOR

**REPORT ON  
CORPORATE GOVERNANCE**



*Men succeed when they realize that their failures are the preparation for their victories.*

- Ralph Waldo Emerson

# REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement entered into with Stock Exchanges, a report on Corporate Governance for the year under review is given below:-

## 1. Company's Philosophy on Corporate Governance:

Corporate Governance has several claimants viz. Shareholders and other stakeholders which include suppliers, customers, creditors, bankers, the employees of the Company, the Government and the society at large. The three key aspects of Corporate Governance are accountability, transparency and equality of treatment for all stakeholders. The fundamental objective of Corporate Governance is the "enhancement of Shareholder Value keeping in view the interest of other stakeholders." In the above context, the Company's Philosophy on Corporate Governance is:

- ❖ To have systems in place which will allow sufficient freedom to the Board of Directors and Management to take decision towards the progress of the Company and to innovate while remaining within a framework of effective accountability.
- ❖ To provide transparent corporate disclosures and adopt high quality accounting practices.
- ❖ Timely and proper dissemination of material price sensitive information and ensure insiders do not transact in securities of the Company till such information is made public.
- ❖ To adopt good Corporate Governance policies that will contribute to the efficiency of the enterprise, creation of wealth for the Shareholders and country's economy.

## 2. Board of Directors:

### (a) Composition of Board of Directors:

The composition of the Board of Directors of the Company as on 31<sup>st</sup> March, 2010, is as under:

Sr. No.	Name of the Director	Executive / Non-Executive	Category
1.	Shri Ajay R. Goenka	Executive	Promoter Director
2.	Shri Radheshyam N. Goenka	Executive	Promoter Director
3.	Smt. Sangeeta A. Goenka	Executive	Promoter Director
4.	Shri Champaklal M. Shah	Non-executive	Independent Director
5.	Shri Mahendra Jindal	Non-executive	Independent Director
6.	Shri Shashikant Thakar	Non-executive	Independent Director
7.	Shri Rajendra Patawari	Non-executive	Independent Director
8.	Shri Bhasker Bhatt	Non-executive	Independent Director

Shri Ajay Goenka is the Chairman and Managing Director of the Board.

The Independent Directors on the Board are experienced, competent and highly qualified persons from their respective fields. They take

active part in the Board and Committee meetings. None of the Directors on the Board is a Member on more than 10 Committees. Necessary disclosures have been made by the Directors in this regard.

**(b) Board's functioning and procedure:**

The Board plays a pivotal role in ensuring good governance. The Board's role, functions, responsibility and accountability are clearly defined. In addition to its primary role of setting corporate goals and monitoring corporate performance, it guides the Management in achieving the set goals and sets accountability to ensure that the corporate philosophy and mission viz. to create long term sustainable growth that translates itself into progress, prosperity and the fulfillment of stakeholders'

aspirations is accomplished. It also sets standards of corporate behaviour and ensures ethical behaviour at all times and strict compliance with laws and regulations.

**(c) Number of Board Meetings:**

The board meets at least once in a quarter to consider amongst other business, the quarterly performance of the company and financial results. Adequate information is circulated as part of Board papers and is also made available at the Board Meeting to enable the Board to take appropriate decisions.

During the year under review, the Board of Directors met 19 times on the following dates:

15.04.2009	25.05.2009	25.06.2009	30.06.2009	31.07.2009
31.08.2009	10.09.2009	23.09.2009	12.10.2009	24.10.2009
30.10.2009	27.11.2009	26.12.2009	31.12.2009	07.01.2010
28.01.2010	30.01.2010	26.02.2010	24.03.2010	

**(d) Attendance of Directors in the Board Meeting and General Meeting:**

Attendance of each Director at the Board Meetings held during the year 2009-2010 and the last Annual General Meeting held on 23<sup>rd</sup> September, 2009 is as follows:

Name of Director	No. of Board Meeting	No. of Board Meeting Attended	Attendance in General Meeting
Shri Ajay R. Goenka	19	19	Yes
Shri Radheshyam N. Goenka	19	19	Yes
Smt. Sangeeta A. Goenka	19	19	Yes
Shri Champaklal M. Shah	19	12	Yes
Shri Mahendra Jindal	19	14	Yes
Shri Ashwin Goswami	4	3	N.A.
Shri Gokuldas Kothari	15	13	Yes
Shri Kalpesh Oswal	18	12	Yes
Shri Shankarlal Heda	17	14	Yes
Shri Bhasker G. Bhatt	3	3	N.A.
Shri Rajendra V. Patawari	3	3	N.A.
Shri Shashikant N. Thakar	3	3	N.A.

(e) Details of other directorship and membership in committees:

The names and categories of the directors on the board along with the number of directorship and committee membership held by them are as under:-

Sr. No.	Name of Directors	Category of directorship	Number of other Directorship	Number of Committee Membership / Chairmanship
1	Shri Ajay R. Goenka	Chairman & Managing Director (Executive)	2	Member - Shareholder's / Investor's Grievance Committee.
2	Shri Radheyshyam N. Goenka	Executive Director	Nil	Nil
3	Smt.Sangeeta A. Goenka	Executive Director	Nil	Member - Shareholder's / Investor Grievance Committee
4	Shri Ashwin H. Goswami	Whole-time Director	Nil	Member - Audit Committee (upto 30.06.2009)
5	Shri Gokuldas P. Kothari	Whole-time Director	Nil	Member - Audit Committee (w.e.f. 30.06.2009 upto 26.02.2010)
6	Shri Champaklal M Shah	Independent	Nil	Chairman Remuneration committee & Member - Audit Committee
7	Shri Mahendra A. Jindal	Independent	5	Chairman - Audit Committee and Shareholders' / Investors' Grievance Committee
8	Shri Kalpesh J. Oswal	Independent	2	Member - Remuneration Committee (upto 26.02.2010)
9	Shri Shankarlal J. Heda	Independent	Nil	Member - Remuneration Committee
10	Shri Bhasker G. Bhatt	Independent	Nil	Member - Remuneration Committee
11	Shri Rajendra V. Patawari	Independent	1	Member - Remuneration Committee
12	Shri Shashikant N. Thakar	Independent	Nil	Member - Audit Committee (w.e.f. 26.02.2010)

- Notes : 1. None of the directors are directors in any Public Limited Company.  
2. Appointments and Resignations during the year 2009-10.

Appointments:	Shri Gokuldas P. Kothari	30.06.2009
	Shri Rajendra V. Patawari	30.01.2010
	Shri Bhasker G. Bhatt	30.01.2010
	Shri Shashikant N. Thakar	30.01.2010
Resignations:	Shri Ashwin H. Goswami	30.06.2009
	Shri Shankarlal Heda	30.01.2010
	Shri Gokuldas Kothari	26.02.2010
	Shri Kalpesh Oswal	26.02.2010



(f) Shareholding of Promoter / Directors as on 31<sup>st</sup> March, 2010:

Sr. No.	Name	No. of Shares held
1	Shri Ajay R. Goenka	1,38,900
2	Shri Radheshyam N. Goenka	1,35,750
3	Smt. Sangeeta A. Goenka	67,500

(g) Information supplied to the Board:

The Board has complete access to all the information of the Company. The following information is regularly provided to the Board:

1. Minutes of the meetings of the Board, the Audit Committee and Investors' Grievances Committee.
2. Quarterly, half yearly and annual financial results of the Company and its business Segments.
3. Annual operating plans and budgets and any updates thereon.
4. Capital budgets and any updates thereof.
5. Cost Audit report / Secretarial audit report.
6. Appointment of statutory auditor, secretarial auditor, cost auditor and internal auditor.
7. Materially important show cause, demand, prosecution and penalty notices.
8. Legal compliance report and certificate.
9. Review of foreign exchange exposures and exchange rate movement, if material.
10. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems, if any.
11. Any material default in financial obligations to and by the Company or substantial non-recoveries against sale, if any.
12. Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the Company, if any.
13. Significant labour problems and their proposed solutions. Any significant development in human resources / industrial relations front like signing of wage

agreement, implementation of voluntary retirement scheme etc.

14. Non-Compliance of any regulatory, statutory nature or listing requirements and shareholders' service such as non-payment of dividend, delay in share transfer etc.
15. Issues relating to shareholders such as ratification of transfers, demat status, pending grievances. issue of duplicate share certificates etc.
16. Contracts in which Director(s) are deemed to be interested.
17. Details of investment of surplus funds available with the Company.
18. General disclosure of interest.

(h) Code of conduct:

The Board of Directors has laid down a Code of Conduct for all Board Members and Senior Management personnel of the company. The code of conduct is placed on the website of the company.

All Board Members and Senior Management personnel have confirmed compliance of the code. A declaration signed by the Managing Director is attached and forms part of the Annual Report of the company.

3. Committees of the Board:

Rainbow has constituted the following committees:-

- (A) Audit Committee
- (B) Remuneration Committee
- (C) Shareholders/Investors Grievances Committee

All decisions pertaining to the constitution of the committees, appointment of members and fixing of terms of service for committee members is taken by the Board of Directors. Details on the role and composition of these committees, including the number of meetings held during the financial year and the related attendance, are provided below:-

## (A) Audit Committee:

### a) Terms of reference:

The terms of reference of this committee cover the matters specified for Audit Committee under Clause 49 of the Listing Agreements as well as in Section 292(A) of the Companies Act, 1956 and are as follows:

- ❖ Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ❖ Recommending to the Board the appointment, reappointment and if required, the replacement or removal of the statutory auditors and fixation of audit fees.
- ❖ Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- ❖ Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgement by management.
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Companies with listing and other legal requirements relating to financial statements.
  - f. Disclosure of any related party transactions.
  - g. Qualifications in the draft audit report.
- ❖ Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- ❖ Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- ❖ Reviewing the adequacy of internal audit functions, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- ❖ Discussions with internal auditors any significant finding and follow-up thereon.
- ❖ Reviewing the findings of any internal investigations by the internal auditors into matter where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- ❖ Discussions with statutory auditors before the audit commences, nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
- ❖ To look into the reasons for substantial default in the payment to depositors, debentureholders, shareholders (in case of non-payment of declared dividend) and creditors.
- ❖ Reviewing the Company's financial and risk management policies.
- ❖ The audit committee should have discussions with the auditors periodically about the internal control systems, the scope of audit including the observations of the auditors and review the half yearly and annual financial statements before submission to the Board and also ensure compliance of internal control systems.
- ❖ The audit committee shall have authority to investigate into any matter in relation to the items specified in this section or referred to it by the Board and for this purpose, shall have full access to information contained in the records of the Company and external professional advice, if necessary.
- ❖ To review internal audit programme, to ensure co-ordination between the internal and statutory auditors, to

ensure the internal audit function is adequately resourced and has appropriate standing within the company and to request internal audit to undertake specific audit projects, having informed management of their intentions.

- ❖ Review of Cost Audit Report.
- ❖ Reviewing any other areas which may be specified as role of the audit committee under amendments, if any, from time to time, to the Listing Agreement, Companies Act and other statutes.
- ❖ Considering such other matters as may be required by the Board.

The Audit Committee mandatorily reviews the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the audit committee), submitted by management.
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weakness; and
5. The appointment, removal and terms of remuneration of the Chief Internal auditor shall be subject to review by the Audit Committee.

The recommendations of the Audit Committee on any matter relating to financial management, including the audit report, shall be binding on the Board.

### b) Composition of the Committee:

The Audit Committee consists of the following Directors as on 31/03/2010:-

Sr. No.	Name of Director	Category of Directorship	Committee Position Held
1.	Shri Mahendra A. Jindal	Independent Director	Chairman
2.	Shri Champaklal M. Shah	Independent Director	Member
3.	Shri Shashikant N. Thakar (w.e.f. 26.02.2010)	Independent Director	Member

The members of the Audit Committee during the year are as under:-

Sr. No.	Name of Director	Category of Directorship	Committee Position Held
1.	Shri Mahendra A. Jindal	Independent Director	Chairman
2.	Shri Champaklal M. Shah	Independent Director	Member
3.	Shri Ashwin H. Goswami (upto 30.06.2009)	Whole Time Director	Member
4.	Shri Gokuldas P. Kothari (w.e.f. 30.06.2009 upto 26.02.2010)	Whole Time Director	Member
5.	Shri Shashikant N. Thakar (w.e.f. 26.02.2010)	Independent Director	Member

All the members of the Audit Committee have financial expertise and knowledge. The Company Secretary, Smt. Runei Rathi acts as the Secretary to the Committee. At the invitation of the committee, the Internal Auditors, Statutory Auditors, Managing Director, Head of Finance Department attend the Audit Committee Meetings to answer and clarify the queries raised by the Committee.

### c) Meetings and attendance of members in the meeting:

During the year under review, five meetings of Audit Committee were held on 15<sup>th</sup> April, 2009; 30<sup>th</sup> June, 2009; 31<sup>st</sup> July, 2009; 30<sup>th</sup> October, 2009 and 30<sup>th</sup> January, 2010, to consider, discuss and review the quarterly results, annual accounts and other financial matters to be placed before the Board for their approval.

The attendance of the members is as under:-

Sr. No.	Name	No. of Committee Meeting	No. of meeting Attended
1.	Shri Mahendra Jindal	5	5
2.	Shri Champaklal M. Shah	5	5
3.	Shri Ashwin H. Goswami (upto 30.06.2009)	2	1
4.	Shri Gokuldas P. Kothari (w.e.f. 30.06.2009 upto 26.02.2010)	4	4

## (B) Remuneration & Compensation Committee:

The Remuneration & Compensation Committee recommends the remuneration package for the Executive Director(s) and Senior Executives of the Company. In determining the remuneration, the Committee takes into consideration the performance and contribution, remuneration practices followed by Companies of similar size and stature and the industry Standards.

The Directors' compensation is based on the appraisal system, wherein the individual goals are linked to the Organizational goals. Executive Directors are paid, subject to the approval of the Board and the Members of the Company in the General Meeting and such other approvals, as may be necessary, compensation as per the agreements entered into between them and the Company.

### (i) Composition of the Remuneration & Compensation Committee:

The Remuneration & Compensation Committee consists of 3 independent Directors as on 31/03/2010:-

Sr. No.	Name of Director	Committee Position Held
1.	Shri Champaklal .M. Shah	Chairman
2.	Shri Bhasker G. Bhatt (w.e.f. 30.01.2010)	Member
3.	Shri Rajendra V. Patavari (w.c.f. 26.02.2010)	Member

During the year under review, 1 meeting was held on 30<sup>th</sup> June, 2010 to consider and review the remuneration to be paid to Shri Gokuldas Kothari, Executive Director of the company. Attendance of members in the Remuneration & Compensation Committee Meeting is as under:

Sr. No.	Name of the Member	Attendance (Yes / No)
1.	Shri Champaklal M. Shah	Yes
2.	Shri Kalpesh J. Oswal (up to 26.02.2010)	Yes
3.	Shri Shankarlal J. Heda (up to 30.01.2010)	Yes



(ii) Details of Remuneration paid to the Directors:

(Rs. in Lacs)

Name	Designation	Particulars					
		Salary	Contribution To Provident Fund	Perquisites	TOTAL	Service Contract	Period of Contract
Ajay R. Goenka	Chairman & Managing Director	6.00	0.09	0.87	6.96	5 years	21.08.2008 to 20.08.2013
Radheshyam N. Goenka	Executive Director	6.00	0.09	0.87	6.96	5 years	21.08.2008 to 20.08.2013
Sangeeta A. Goenka	Executive Director	4.20	0.09	-	4.29	5 years	15.11.2008 to 14.11.2013
Ashwin H. Goswami	Whole Time Director	0.40	0.01	-	0.41	3 years	18.10.2008 to 30.06.2009
Gokuldas Kothari **	Executive Director	8.26	0.09	-	8.36	3 years	30.06.2009 to 29.06.2012
<b>Total</b>	<b>-</b>	<b>24.86</b>	<b>0.37</b>	<b>1.74</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*\*Shri Gokuldas Kothari has resigned w.e.f. 26.02.2010.

No sitting fees is being paid to any of the directors for attending meetings of the Board of Directors and of Committee of Directors.

(C) Shareholders/Investors Grievance Committee:

(i) Composition of the Committee:

The committee consists of the following members as on 31/03/2010:-

Sr. No.	Name of Director	Committee Position Held
1.	Shri Mahendra A. Jindal	Chairman
2.	Shri Ajay R. Goenka	Member
3.	Smt. Sangeeta A. Goenka	Member

Smt. Runel Rathi is designated as the Compliance Officer, as required by SEBI/Listing Agreement.

During the year under review, 1 meeting of Committee was held on 7<sup>th</sup> August, 2009 and attendance of members at the Meeting is as under:

Sr. No.	Name of the Member	Attendance (Yes / No)
1.	Shri Mahendra A. Jindal	Yes
2.	Shri Ajay R. Goenka	Yes
3.	Smt. Sangeeta A. Goenka	Yes

(ii) Terms of Reference of the Committee:

The functioning and broad terms of reference of the Investors' Grievances Committee as adopted by the Board are as under:

a. To monitor work related to:

- Transfer and/or transmission of equity shares of the Company.
- Dematerialization / rematerialisation of the shares of the Company.

- Sub-division, consolidation and/or replacement of any share certificate(s) of the Company.

b. Approval of issue of duplicate share certificates against the original share certificates.

c. To look into the redressing of shareholders and investors complaints like Transfer of shares, non-receipt of balance sheet, non-

receipt of declared dividend, review of dematerialization, rematerialisation, shareholding pattern, distribution scheduled etc.

d. To do all other acts or deeds as may be necessary or incidental thereto.

The main object of the Committee is to strengthen investor relations.

The Company Secretary, being the Compliance Officer, is entrusted with the responsibility, to specifically, look into the redressal of the

shareholders and investors complaints and report the same to the Investors' Grievances Committee.

(iii) **Number of Complaints:**

During the year under review, the complaints received are as under:-

Opening Balance as on 01.04.2009	:	Nil
Complaints received during the year	:	10
<b>Total</b>	:	<b>10</b>
Complaints Redressed during the year	:	10
<b>Closing Balance as on 31.03.2010</b>	:	<b>Nil</b>

## 4. General Body Meetings:

### (i) Details of General Meetings:

The details about the Location and Time of the Annual General Meeting (AGM) and Extra Ordinary General Meeting (EOGM) in the last three years are as under:-

Year	AGM /EOGM	Location	Date	Time
2006-07	21 <sup>st</sup> AGM	8 <sup>th</sup> Floor, Avdhesh House, Thaltej, Ahmedabad – 380 054	21 <sup>st</sup> September, 2007	2.00 p.m.
2007-08	22 <sup>nd</sup> AGM	8 <sup>th</sup> Floor, Avdhesh House, Thaltej, Ahmedabad – 380 054	22 <sup>nd</sup> September, 2008	3.00 p.m.
2008-09	23 <sup>rd</sup> AGM	8 <sup>th</sup> Floor, Avdhesh House, Thaltej, Ahmedabad – 380 054	23 <sup>rd</sup> September, 2009	3.00 p.m.
2009-10	EOGM	8 <sup>th</sup> Floor, Avdhesh House, Thaltej, Ahmedabad – 380 054	23 <sup>rd</sup> November, 2009	3.00 p.m.

### (ii) Special Resolution passed in AGM/EOGM in the last three years:

All the following special resolutions, set out in the respective Notices for AGMs and EOGMs held in the last three years, were passed by the Shareholders with requisite majority:

Date of Meeting	AGM/EOGM	Section(s)	Particulars of Special Resolution
23/11/2009	EOGM	81 (1A)	Approving for further issue and allotment of Equity Shares/ Warrants and/or any instruments convertible into Equity Shares whether optionally or otherwise, Global Depository Receipts (GDRs) / American Depository Receipts (ADRs) or Foreign Currency Convertible Bonds (FCCB)
		149(2A)	Commencement of the business activities specified in Sub-clause no. (9) and (11) of Clause III (C) [Other objects] of the Memorandum of Association

### (iii) Postal Ballot:

During the year under review, no Special Resolution was passed through postal ballot.

## 5. Secretarial Audit Reports:

As stipulated by SEBI, a qualified Practising Company Secretary carries out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited and Central Depository Services (India) Limited and the total issued and listed capital. The Audit confirms that the total listed and paid up capital is in agreement with the aggregate of the total number of shares in dematerialized form (held by NSDL and CDSL) and total number of shares in physical form.

Quarterly Secretarial Audit Reports on reconciliation of the total admitted capital with NSDL / CDSL and the total issued and listed capital were furnished to the Stock Exchanges on the following dates:

For the quarter ended	Furnished on
30 <sup>th</sup> June, 2009	31 <sup>st</sup> July, 2009
30 <sup>th</sup> September, 2009	30 <sup>th</sup> October, 2009
31 <sup>st</sup> December, 2009	30 <sup>th</sup> January, 2010
31 <sup>st</sup> March, 2010	27 <sup>th</sup> April, 2010

### Quarterly Compliance Report

The Company has submitted for each of the 4 quarters during 2009-10 the Compliance Report on Corporate Governance to Stock Exchanges in the prescribed format within 15 days from the close of the quarter.

## 6. Disclosures:

- (a) There are no significant Related Party Transactions during the year of material nature, with its promoters, the directors or the management or their subsidiaries or relatives etc. potentially conflicting with Company's interest at large. Related Party transactions are disclosed in the notes to Accounts forming part of this Annual Report.
- (b) There were no instances of non-compliance on any matter relating to the capital market during the last three years.
- (c) The Company has complied with all mandatory requirements of the Clause 49 of the Listing Agreement. As regards the non-Mandatory requirements, the extent of compliance has been stated in Part B of this report.
- (d) A brief resume, nature of expertise in specific functional areas, names of companies in which the person already holds directorship and membership of committees of the Board forms part of the Annual Report.

(e) Presently, the Company does not have whistle blower policy.

### (f) Compliance on Accounting Standards

The Guidelines/Accounting Standards laid down by the Institute of Chartered Accounts of India (ICAI) are duly complied by the company in preparation of financial statements.

### (g) Risk Management:

The Company has established risk assessment and minimization procedures, which are reviewed by the Audit Committee and the Board periodically. There is a structure in place to identify and mitigate various identifiable risks faced by the company from time to time. After assessment, controls are put in place with specific responsibility of the concerned officer of the Company.

### (h) Capital Issues:

The company had come out with GDR issue, in the month of January, 2010, wherein it has issued Global Depository Receipts of 1,02,35,455 GDRs representing 1,02,35,455 Equity shares, par value of Rs. 10 each at an Offer Price of US\$ 2.64 per GDR ( equivalent to Rs. 121/- including premium of Rs. 111/-). Allotment of underlying Equity shares was made in the Board Meeting held on 28<sup>th</sup> January, 2010. The GDRs are traded at Euro MTF market of Luxembourg Stock Exchange. The proceeds were kept in separate Bank Account opened with European American Investment Bank AG (EURAM Bank).

### (i) Code for Prevention of Insider – Trading Practices:

In compliance with the SEBI regulation on prevention of insider trading, the company has instituted a comprehensive code of conduct for its management and staff. The code lays down procedures to be followed and disclosures to be made, while dealing with share of the company and cautioning them of the consequences of violation.

### (j) Subsidiary Company:

The company does not have any subsidiaries.

### (k) Details of Non-Compliance by the Company:

There has been neither any non-compliance, any penalty nor stricture imposed on the company by Stock Exchange(s) or SEBI or any Statutory Authority and nor for any other matter related to capital markets, during the last three years.

## 7. CEO Certification:

A certificate from the Chief Executive Officer (CEO) on financial statements is issued pursuant to the provisions of Clause 49 of the Listing agreement and is annexed to the Corporate Governance Report and forms part of the Annual Report.

## 8. Means of Communication:

- (a) The Board of Directors of the Company approves and takes on record the Un-Audited Quarterly

Result and Audited Annual Results in the Proforma prescribed by the Stock Exchange and announces forthwith the results to all the Stock Exchanges where the equity shares of the company are listed. The approved financial results are faxed immediately after the Board Meeting to the Stock Exchanges and are published normally in leading daily newspapers in English and local language i.e. Gujarati. The financial results are also placed on the company's website [www.rainbowpapers.com](http://www.rainbowpapers.com).

During the year under review, the quarterly and Audited results were approved and published as mentioned hereunder:

Date of Board Meeting	Particulars	Newspaper
30.06.2009	Audited Financial Results for the year ended on 31 <sup>st</sup> March, 2009	Business Standard English dated 02.07.2009, Financial Express Gujarati dated 02.07.2009 & Lok Satta-Jan Satta Gujarati dated 02.07.2009
31.07.2009	Unaudited Financial Results for the quarter ended on 30 <sup>th</sup> June, 2009	The Financial Express English & Gujarati dated 03.08.2009
30.10.2009	Unaudited Financial Results for the quarter ended on 30 <sup>th</sup> September, 2009	The Financial Express English & Gujarati dated 31.10.2009
30.01.2010	Unaudited Financial Results for the quarter ended on 31 <sup>st</sup> December, 2009	The Financial Express English & Gujarati dated 02.02.2010

- (b) Management Discussion and Analysis Report which forms part of the Directors' Report, which is also being posted to all the members of the Company.
- (c) As the results are published in newspapers having wide circulation and also displayed on the Company's website, half yearly results are not sent separately to each shareholder.
- (d) The Company also informs by way of intimation to the Stock Exchanges all price sensitive matters and such other matters which in its opinion are material and of relevance to the Shareholders and subsequently issues a Press Release on the said matters.
- (e) All data required to be filed electronically as EDIFAR document, till applicability of the Clause 51 of the Listing Agreement with the Stock Exchanges such as quarterly financial results, shareholding pattern, etc. are being regularly filed on the EDIFAR website, in addition to the filing of the same with the Stock Exchanges. The said system since has been discontinued.
- (f) Date of announcement of Quarterly Results:

Quarter	Date of Announcement in Board Meeting (F.Y.2009-2010)	Tentative Dates of Board Meeting for (F.Y.2010-2011)
1 <sup>st</sup> Quarter Results	31 <sup>st</sup> July, 2009	Mid of August, 2010
2 <sup>nd</sup> Quarter Results	30 <sup>th</sup> October, 2009	Mid of November, 2010
3 <sup>rd</sup> Quarter Results	30 <sup>th</sup> January, 2010	Mid of February, 2011
4 <sup>th</sup> Quarter Results	N.A.	Last week of May, 2011



## 9. Additional Information for Shareholders:

### 1] Annual General Meeting :

The details of the 24th Annual General Meeting to be held is as under:-

Date : 8<sup>th</sup> July, 2010

Day : Thursday

Time : 10.30 A.M.

Venue : 8<sup>th</sup> Floor, Avdshesh House,  
Opp: Guru Govind Gurudwara,  
Gandhinagar-Sarkhej Highway,  
Thaltej,  
Ahmedabad-54.

### 2] Financial Calendar :

Financial Year: Ending on 31<sup>st</sup> March

### 3] Book Closure Date :

The Shares Transfer books and Register of Members will remain closed from 2<sup>nd</sup> July, 2010 to 8<sup>th</sup> July, 2010 (both days inclusive).

### 4] Dividend Payment Date:

The Dividend for the year ended 31<sup>st</sup> March, 2010 will be paid to the members whose names will appear on the Register of Members of the Company on 8<sup>th</sup> July, 2010, after giving effect to all valid transfer of shares in physical form lodged with the Company on or before 1<sup>st</sup> July, 2010, at the end of business hours and in respect of shares held in demat form, the members whose names appear on the statement of beneficial ownership furnished by NSDL and CDSL at the end of business hours on 2<sup>nd</sup> July, 2010. Dividend will be paid within 30 days from the date of approval by the members at the Annual General Meeting i.e. 8<sup>th</sup> July, 2010.

### 5] Listing on Stock Exchanges:

#### (A) Equity Shares:

Bombay Stock Exchange Limited  
Phiroze Jeejeebhoy Tower,  
Dalal Street,  
Mumbai – 400 001.

Ahmedabad Stock Exchange Limited  
Kamdhenu Complex,  
Polytechnic Road,  
Ahmedabad – 380 015.

\* National Stock Exchange Limited,  
Exchange Plaza, Bandra Kurla Complex,  
Bandra (East), Mumbai – 400 051  
\*w.e.f. 2<sup>nd</sup> June, 2010.

#### (B) Global Depository Receipts (GDRs):

Luxembourg Stock Exchange  
Societe de la Bourse de Luxembourg,  
11, av de la Porte-Neuve  
L-2227Luxembourg.

Note:-

- As there is no trading activity carried out at Ahmedabad Stock Exchange Limited, your Company has already made an application to Ahmedabad Stock Exchange Limited, for getting its shares delisted from the said Exchange. All formalities pertaining to delisting have already been completed and the confirmation from Ahmedabad Stock Exchange Limited is awaited.
- The Equity shares of the company have been listed on National Stock Exchange of India Limited (NSE) with effect from 2<sup>nd</sup> June, 2010 vide its Circular No. NSE/LIST/C/2010/0513 dated 31<sup>st</sup> May, 2010.

#### 5a] Overseas Depository for GDRs:

The Bank of New York Mellon  
(Luxembourg), S.A.  
Vertigo Building – Polaris,  
2-4 rue Eugène Ruppert,  
L-2453 Luxembourg.  
Tel: (+352) 24 525 320

#### 5b] Domestic Custodian of GDRs :

DBS Bank Limited  
Securities Services, 5<sup>th</sup> Floor,  
Fort House, 221,  
Dr. D.N. Road,  
Mumbai – 400 001, India.  
Tel: (022) 66 388 888

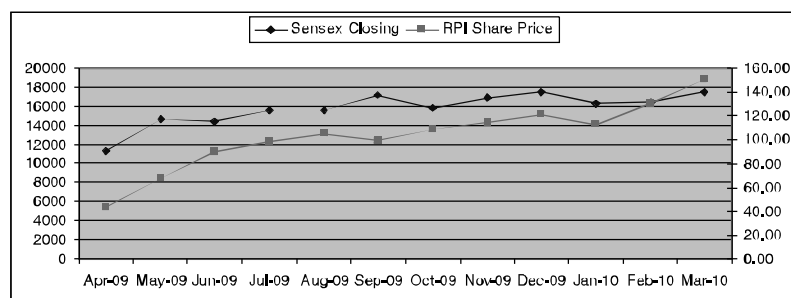
## 6] Stock Code

(A)	Equity Shares	
	Bombay Stock Exchange Limited – Stock Code	523523
	Ahmedabad Stock Exchange Limited - Stock Code	47890
	National Stock Exchange India Limited - Stock Symbol	RAINBOWPAP
	ISIN No. for Equity Shares	INE028D01017
(B)	Global Depository Receipts (GDRs)	
	Luxembourg Stock Exchange – Stock Code	US7508461073
	ISIN No. for GDRs	US7508461073

## 7] Share Prices Data:

Bombay Stock Exchange Limited (Equity Shares)				
Month	Price High (In Rs.)	Price Low (In Rs.)	Price Close (In Rs.)	Volume (No. of Shares)
Apr-09	53.40	34.00	44.00	4,12,796
May-09	76.50	38.15	68.20	81,588
Jun-09	94.40	68.10	90.00	84,025
Jul-09	99.80	70.00	98.30	2,07,206
Aug-09	109.00	95.25	105.30	3,94,804
Sep-09	107.00	96.25	99.00	4,53,348
Oct-09	128.00	89.90	109.15	2,32,021
Nov-09	124.90	100.05	114.35	1,85,341
Dec-09	125.00	115.00	121.00	2,13,375
Jan-10	130.50	101.20	112.95	2,76,659
Feb-10	137.00	106.00	131.05	8,42,783
Mar-10	153.00	121.50	150.75	9,36,454

\* the share price data is obtained from the BSE website.



SENSEX and RPL shares prices are based on month end closing rates.

## 8] Registrar and Share Transfer Agents:

Entire Share Transfer work and dematerialization/rematerialization work is handled by Registrar & Share Transfer Agents M/s. Sharepro Services (India) Private Limited, Mumbai.

During the year under review, the Registrar & Share Transfer Agents have been changed from M/s. Pinnacle Shares Registry Private Limited,

Ahmedabad to M/s. Sharepro Services (India) Private Limited, Mumbai with effect from 1<sup>st</sup> March, 2010.

## 9] Share Transfer System:

i. Share Transfers :

The shares of the Company, being in the compulsory demat list, are transferable through the depository system. Shares in physical form are processed and the share

certificates are generally returned within a period of 15 days from the date of receipt.

ii. Nomination facility for shareholding:

As per the provisions of the amended Companies Act, 1956, facility for making nomination is available for shareholders in respect of shares held by them. Nomination forms can be obtained from the share transfer agent.

iii. Payment of dividend through Electronic Clearing Services :

The Securities and Exchange Board of India (SEBI) has made it mandatory for all companies to use the bank account details furnished by the depositories for depositing dividends through Electronic Clearing Service (ECS) to the Investors wherever ECS and Bank details are available. In the absence of ECS facility the Company is required to print the Bank Account details if available on payment instruments for distribution of dividend etc. to the shareholders.

iv. Unclaimed dividends :

The Company is required to transfer dividends which have remained unpaid / unclaimed for a period of seven years to the Investor Education & Protection Fund established by the Government. The Company will accordingly be required to transfer in the year 2010 the dividend for the year ended March 31, 2003 which have remained unclaimed / unpaid.

v. Details of dividend pending to the Unpaid / Unclaimed Dividend Account as on March 31, 2010.

	Year	Amount(Rs.)
a.	For the year 2002-03	85,447.25
b.	For the year 2003-04	73,920.00
c.	For the year 2004-05	2,29,766.60
d.	For the year 2005-06	1,58,344.00
e.	For the year 2006-07	1,57,172.80
f.	For the year 2007-08	7,30,236.80
g.	For the year 2008-09	2,60,446.40

vi. Correspondence regarding change of address, etc. :

Shareholders are requested to ensure that any correspondence for Change of Address, change in Bank Mandates etc. should be signed by the first named shareholder. Shareholders who hold shares in dematerialized form should correspond with the Depository participant with whom they have opened Demat Account/s.

vii. Pending Investors' Grievances :

Any Shareholder, whose grievance has not been resolved to his / her satisfaction, may kindly write to the Company Secretary at the Registered Office with a copy of the earlier correspondence.

All transfers received are processed and approved by the Share Transfer Committee which normally meets twice in a month. Shares under objection are returned within two weeks.

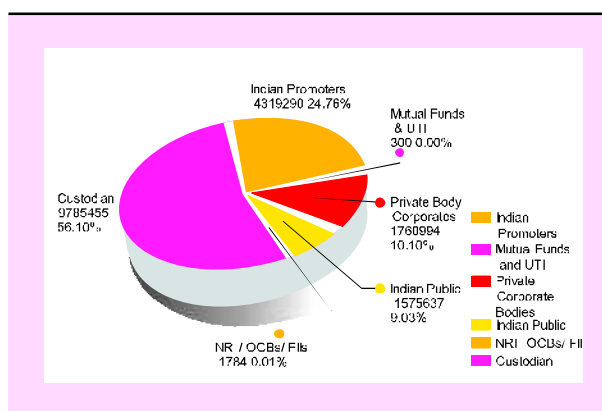
**10] Distribution of Holdings as on 31<sup>st</sup> March, 2010:**

No. of Equity Shares held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
1 - 500	3668	92.77	457154	2.62
501 - 1000	109	2.76	87831	0.50
1001 - 2000	55	1.39	89161	0.51
2001 - 3000	24	0.61	59954	0.34
3001 - 4000	10	0.25	38229	0.22
4001 - 5000	14	0.35	65983	0.38
5001 - 10000	31	0.78	222939	1.28
10001 - and above	43	1.09	16422209	94.15
<b>TOTAL</b>	<b>3954</b>	<b>100.00</b>	<b>17443460</b>	<b>100.00</b>

11] Shareholding Pattern of the Company as on 31st March, 2010:

Category	No of Shares held	% of Share Holding
1) <b>Promoters Holding:</b>		
i. Indian Promoters relatives & associates (including Body Corporates)	4319290	24.76
ii Foreign Promoters :	—	—
<b>Sub Total (A)</b>	<b>4319290</b>	<b>24.76</b>
2) <b>Non Promoters Holding:</b>		
i. Mutual Funds and UTI	300	0.00
ii. Banks & Financial Institutions	—	—
<b>Sub Total (B)</b>	<b>300</b>	<b>0.00</b>
3) <b>Others</b>		
i. Private Corporate Bodies	1760994	10.10
ii. Indian Public	1575637	9.03
iii. NRIs / OCBs / FIIs	1784	0.01
<b>Sub Total (C)</b>	<b>3338415</b>	<b>19.14</b>
4) Shares held by Custodians and against which Depository Receipts have been issued (GDRs)	9785455	56.10
<b>Sub Total (D)</b>	<b>9785455</b>	<b>56.10</b>
<b>Grand Total (A+B+C+D)</b>	<b>17443460</b>	<b>100.00</b>

Shareholding Pattern of the Company as on 31st March, 2010

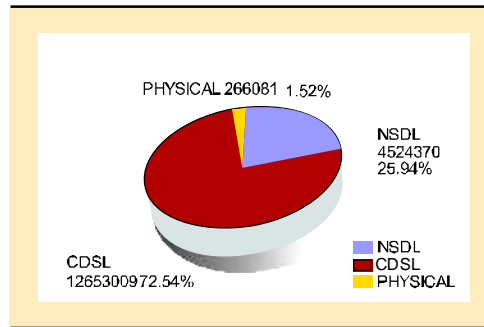


**12] Dematerializations of shares and liquidity**

As on 31<sup>st</sup> March, 2010, 98.48% of the total Equity Shares are held in dematerialized form with National Securities Depository Ltd (NSDL) and Central Depository Services ( India )Limited (CDSL). The details of which is as under:-

Mode of Holding	No. of Shares	% of Holding
NSDL	4524370	25.94
CDSL	12653009	72.54
PHYSICAL	266081	1.52
<b>TOTAL</b>	<b>17443460</b>	<b>100.00</b>

*Dematerialisations of Shares and Liquidity*



**13] Outstanding Global Depository Receipts (GDRs):**

Outstanding GDRs for conversion into Equity Shares as on 31<sup>st</sup> March, 2010 are 97,85,455 amounting to 56.10% of outstanding paid-up Capital of the Company. Each GDR represents one underlying Equity Share.

**14] Plant Locations:**

**Paper & Board Division**  
 1453, VILLAGE RAJPUR,  
 TAL: KADI, DIST. MEHSANA  
 NORTH GUJARAT

**Coating Division**  
 1423, VILLAGE RAJPUR,  
 TAL: KADI, DIST. MEHSANA  
 NORTH GUJARAT

**15] Address for Correspondence:**

- a) **Company**  
**Smt. Runel Rathi - Company Secretary**  
**Rainbow Papers Limited**  
 801, Avdhesh House, Opp. Shri Govind Gurudwara, Sarkhej-Gandhinagar Highway,  
 Thaltej, Ahmedabad-380 054  
 Phone Nos: [079] 26855714, 26855716,  
 Fax No.: [079] 26855712, email: [secretarial@rainbowpapers.com](mailto:secretarial@rainbowpapers.com)  
 Website: [www.rainbowpapers.com](http://www.rainbowpapers.com)
- b) **Registrar & Share Transfer Agents**  
**Sharepro Services (India) Private Limited**  
 13AB, Samhita Warehousing Complex,  
 Sakinaka Telephone Exchange Lane, Off. Andheri-Kurla Road, Sakinaka  
 Mumbai – 400 072  
 Telephone Nos.: (022) 67720300/67720400/28511872  
 Fax No.: (022) 28591568

FOR AND ON BEHALF OF BOARD OF DIRECTORS

PLACE : AHMEDABAD  
 DATE : 28th May, 2010

(AJAY R. GOENKA)  
 CHAIRMAN & MANAGING DIRECTOR



## Certificate by Chief Executive Officer (CEO)

We hereby certify that :

- (a) We have reviewed financial statements and the cash flow statement for the year ended 31<sup>st</sup> March, 2010 and that to the best of our knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) To the best of our knowledge and belief, no transactions entered into by the company during the year which is fraudulent, illegal or violative of the company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We further confirm that :
  - (i) there were no significant changes in internal control over financial reporting during the year;
  - (ii) there were no significant changes in accounting policies during the year and
  - (iii) there were no instances of significant fraud of which we are aware and the involvement therein, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

PLACE : AHMEDABAD  
DATE : 28th May, 2010

(AJAY R. GOENKA)  
MANAGING DIRECTOR (CEO)

## **Auditors' Certificate on compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement.**

To  
The members  
Rainbow Papers Ltd.

We have reviewed the compliance of Corporate Governance by Rainbow Papers Ltd. ("the Company") during the year ended 31<sup>st</sup> March, 2010, as stipulated in Clause 49 of the Listing Agreement of the Company with Stock Exchange.

The compliance of conditions on Corporate Governance is the responsibility of the Management. Our examination was limited to review of 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 and based on the representations made by the Directors and the Management, we certify that Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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, Pravin M. Shah & Co.  
Chartered Accountants

(PRAVIN M. SHAH)  
PROPRIETOR  
M. No F-14199  
F.R.No.108168 W

Place : AHMEDABAD,  
Date : 28<sup>th</sup> May , 2010

# **FINANCIAL SECTION**

*It doesn't matter how many times you fail. It doesn't matter how many times you almost get it right. No one is going to know or care about your failures, and neither should you. All you have to do is learn from them and those around you because... All that matters in business is that you get it right once. Then everyone can tell you how lucky you are.*

- Mark Cuban

# AUDITORS' REPORT

To,  
The Shareholders,  
**RAINBOW PAPERS LIMITED.**  
Ahmedabad

1. We have audited the attached Balance Sheet of **RAINBOW PAPERS LIMITED, AHMEDABAD** as at 31st March, 2010, the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. 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.
2. 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 from any material misstatement. An audit includes examining, on a test 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.
3. As required by the Companies (Auditors' Report) Order, 2003 as amended by Companies (Auditors Report) (amendment) Order 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956. we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. 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 law have been kept by the company so far as appears from our examination of books.
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts.
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - (e) On the basis of the written representations received from the Directors as on 31.03.2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31.03.2010 from being appointed as Director 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 explanations given to us, the aforesaid financial statements read with Significant Accounting Policies and Notes to accounts mentioned in Schedule 19 thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
    - 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, PRAVIN M. SHAH & CO.  
CHARTERED ACCOUNTANTS

(PRAVIN M. SHAH)  
PROPRIETOR  
M. No F-14199  
F.R.No.108168 W

Place : AHMEDABAD.  
Date : 28<sup>th</sup> May, 2010



## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (3) of our Report of even date)

- i) a. The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- b. The Company has a phased program of physical verification of its fixed assets, which in our opinion, is reasonable, having regard to the size of the Company and nature of its business. During the year, the company has physically verified some of the assets and no material discrepancies were noticed on such verification.
- c. In our opinion, the Company has not disposed of substantial part of fixed assets during the year and the going concern status of the Company is not affected.
- ii) a. As explained to us, the management has physically verified inventories (excluding those in transit) at reasonable intervals during the year.
- b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. The Company is maintaining proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventories as compared to the book records.
- iii) a. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to Companies, Firms & other parties listed in the register maintained u/s. 301 of the Companies Act, 1956. Accordingly, clause (iii) (b), (c) & (d) of the order are not applicable.
- b. According to the information & explanations given to us, the Company has taken interest free loan from a Company listed in the register maintained u/s. 301 of the Companies Act, 1956. As at the year-end the outstanding balance of such loan taken is Rs. Nil and the maximum amount involved during the year was Rs 1252.5 Lacs.
- c. In our opinion, terms and conditions on which loan has been taken from the Company listed in the register maintained u/s. 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
- d. As regards the loan taken as stated in para (b) above, has already been paid during the year.
- iv) In our opinion and according to the information and explanations given to us, there is adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods and services. During the course of our audit, we have not observed any major weakness in internal controls.
- v) In our opinion and according to the information and explanations given to us, there were no transactions exceeding Rs. 5 Lacs with any party covered under section 301 of the Companies Act, 1956 that need to be entered into the register maintained under the said section. Hence clause (V) (b) of the order is not applicable.
- vi) The Company has not accepted any deposit from the public.
- vii) In our opinion, the coverage of Internal Audit functions carried out by a firm of Chartered Accountants appointed by the management is commensurate with the size of the Company and nature of its business.
- viii) The Central Government has prescribed maintenance of Cost Records under Section 209 (1) (d) of the Companies Act, 1956 in respect of the product of the Company. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion, that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed verification of the records with a view to determine whether they are accurate or complete.
- ix) a. According to the information & explanations given to us, undisputed statutory dues including Provident Fund, Employee State Insurance, Income Tax, Sales tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other dues have been generally regularly deposited with the appropriate authorities. According to

the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31<sup>st</sup> March, 2010 for a period of more than six months from the date of becoming payable.

- b. According to the information and explanations given & the records of the Company examined by us, the details of disputed dues not paid are as follows:

Nature of the Statute	Nature of Dues	Forum where pending	Total Amount	Amount paid under protest	Period to which it relates
Revenue Dept, Gujarat State	Additional premium on Land	Gujarat Revenue Tribunal, Ahmedabad **	37.56 Lacs – Interest	18.78 lacs	2003

\*\* The Tribunal has cancelled the order regarding additional premium on Land and the matter is again referred to The Collectors, Mehsana for re-valuation of premium amount.

- x) The Company has no accumulated losses as on 31st March, 2010 and has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.
- xi) Based on our audit procedures and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks except marginal delays. The Company has no Debentures.
- xii) In our opinion and according to the information and explanations given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, clause 4(xiii) of the Companies (Auditors' Report) Order 2003 is not applicable to the Company.
- xiv) In our opinion, the Company is not dealing or trading in shares, securities, Debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others, from banks or financial institutions.
- xvi) In our opinion and according to the information and explanations given to us, the Term Loans availed by the Company during the year were prima facie applied for the purpose for which they were obtained.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that funds raised on short-term basis have prime facie not been used for long term investment.
- xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained u/s 301 of the Companies Act, 1956.
- xix) The Company has not issued any debentures and therefore the question of creating security in respect thereof does not arise.
- xx) No money has been raised by the Company through public issue during the year. However, we have verified the end use of money raised by GDR issue as disclosed in the notes to the Financial Statements (Refer note no. 14 of Schedule 19 B).
- xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

FOR, PRAVIN M. SHAH & CO.  
CHARTERED ACCOUNTANTS

(PRAVIN M. SHAH)  
PROPRIETOR  
M. No F-14199  
F.R.No.108168 W

Place : AHMEDABAD.  
Date : 28<sup>th</sup> May , 2010

## BALANCE SHEET AS AT 31ST MARCH, 2010

(Rs. In Lacs)

		SCHEDULE	AS AT 31-Mar-10	AS AT 31-Mar-09
<b>I. SOURCES OF FUNDS :</b>				
<b>1. SHAREHOLDERS' FUNDS</b>				
(a)	Share Capital	1	1,744.35	720.80
(b)	Reserves and Surplus	2	20,437.09	7,577.58
			<b>22,181.44</b>	<b>8,298.38</b>
<b>2. LOAN FUNDS</b>				
(a)	Secured Loans	3	28,305.16	26,807.20
(b)	Unsecured Loans	4	5,272.12	1,476.50
			<b>33,577.28</b>	<b>28,283.70</b>
<b>3. DEFERRED TAX LIABILITY ( NET )</b> (Refer Note No.18 of Schedule 19 B )				
			1,421.02	1,007.86
<b>TOTAL :</b>			<b>57,179.74</b>	<b>37,589.94</b>
<b>II. APPLICATION OF FUNDS :</b>				
<b>1. FIXED ASSETS</b>				
(a)	Gross Block	5	41,869.32	21,142.00
(b)	Less : Depreciation		10,468.19	8,071.00
(c)	Net Block		31,401.13	13,071.00
(d)	Capital Work-in-Progress (Refer Note No. 4 of Schedule 19 B )		11,203.36	20,792.98
			<b>42,604.49</b>	<b>33,863.98</b>
<b>2. INVESTMENTS</b>				
			2.14	227.04
<b>3. CURRENT ASSETS, LOANS AND ADVANCES</b>				
(a)	Inventories	7	3,366.41	2,909.71
(b)	Sundry Debtors	8	3,943.82	3,103.44
(c)	Cash and Bank Balances	9	12,155.95	1,283.15
(d)	Loans and Advances	10	3,324.77	1,524.06
			<b>22,790.95</b>	<b>8,820.36</b>
<b>Less : CURRENT LIABILITIES AND PROVISIONS</b>				
(a)	Current Liabilities	11	6,617.84	4,556.80
(b)	Provisions		1,600.00	819.20
			<b>8,217.84</b>	<b>5,376.00</b>
<b>NET CURRENT ASSETS</b>			<b>14,573.11</b>	<b>3,444.36</b>
<b>4. MISCELLANEOUS EXPENDITURE</b> (To the extent of not written off)				
			-	54.56
<b>TOTAL :</b>			<b>57,179.74</b>	<b>37,589.94</b>
<b>Notes to the Financial Statements</b>				
Schedules referred to above and notes attached there to form an integral part of the Balance Sheet				
19				

As per our separate report of even date,  
For PRAVIN M.SHAH & CO.

Chartered Accountants  
PRAVIN M.SHAH  
Proprietor  
M.No. F-14199  
F.R. No -108168W

Place : Ahmedabad  
Date : 28th May, 2010

For and on behalf of the Board of Directors

AJAY GOENKA - Chairman & Managing Director  
RAJENDRA PATAWARI - Director  
RUNEL RATHI - Company Secretary

Place : Ahmedabad  
Date : 28th May, 2010

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs. In Lacs)

	SCHEDULE	YEAR ENDED 31-Mar-10	YEAR ENDED 31-Mar-09
<b>I. INCOME :</b>			
Sales and Services	13	27,635.46	24,411.25
Less : Inter Division Transfer		1,020.42	136.73
Less : Excise Duty		853.12	1,080.06
		25,761.92	23,194.46
Sales (Trading)		1,645.33	-
Other Income	14	521.29	311.15
Increase/(Decrease) in Inventories	15	155.90	94.28
<b>TOTAL :</b>		28,084.44	23,599.89
<b>II. EXPENDITURE :</b>			
Purchase (Trading)		1,428.28	-
Raw Materials Consumed	16	12,818.74	11,870.76
Less : Inter Division Transfer		1,020.42	136.73
		11,798.32	11,734.03
Manufacturing , Administrative and Selling Expenses	17	8,051.42	6,624.14
Interest & Financial Charges ( Net )	18	1,289.64	1,042.71
Depreciation		2,402.97	2,496.64
<b>TOTAL :</b>		24,970.64	21,897.52
<b>III. PROFIT BEFORE TAX :</b>		3,113.80	1,702.37
Less/ (Add) : Provision for Taxation			
- Current Tax (MAT)		527.57	190.80
- Wealth Tax		0.03	0.14
- MAT Credit Entitlement		(185.63)	(168.40)
- Deferred Tax		413.17	(686.87)
- Fringe Benefit Tax		-	6.00
<b>IV. PROFIT AFTER TAX:</b>		2,358.66	2,360.70
Add/(Less): Excess/(Short) Provisions (Net)		13.57	(5.28)
Add/(Less): Prior Period Adjustments (Net)		(9.30)	(6.99)
<b>V. PROFIT FOR THE YEAR:</b>		2,362.94	2,348.43
Add: Brought Forward from Previous Year		4,583.28	2,569.78
<b>VI. NET PROFIT AVAILABLE FOR APPROPRIATION:</b>		6,946.21	4,918.21
Appropriations :			
- Proposed Dividend		348.87	115.33
- Corporate Dividend Tax		57.94	19.60
- Transfer to General Reserve		200.00	200.00
<b>Balance Carried to Balance sheet</b>		6,339.40	4,583.28
Earning per share - Basic and Diluted ( Rs ) (Face Value Rs. 10/- per share) (Refer note No. 19 of Schedule 19 B )			
<b>Notes to the Financial Statements</b>	19		

Schedules referred to above and notes attached there to form an integral part of the Balance Sheet

As per our separate report of even date.  
For PRAVIN M.SHAH & CO.

Chartered Accountants  
PRAVIN M.SHAH  
Proprietor  
M.No. F-14199  
F.R. No -108168W

Place : Ahmedabad  
Date : 28th May, 2010

For and on behalf of the Board of Directors

AJAY GOENKA - Chairman & Managing Director  
RAJENDRA PATAWARI - Director  
RUNEL RATHI - Company Secretary

Place : Ahmedabad  
Date : 28th May, 2010

## SCHEDULES FORMING PART OF BALANCE SHEET

(Rs. In Lacs)

	AS AT 31-Mar-10	AS AT 31-Mar-09
<b>SCHEDULE - 1 : SHARE CAPITAL</b>		
Authorised :		
2,50,00,000 Equity Shares of Rs.10/- each ( P.Y. 1,00,00,000 Equity Shares of Rs.10/- each)	2,500.00	1,000.00
Issued, Subscribed & paid up :		
1,74,43,460 Equity Shares of Rs. 10/- each fully paid up (Previous Year 72,08,005 Equity shares of Rs. 10/- each.)	1,744.35	720.80
Out of the above 1,02,35,455 ( P.Y. Nil ) Equity Shares of Rs. 10 each fully paid up represent Global Depository Receipts (GDRs) (Refer Note No.14 Of Schedule 19 B) (Outstanding GDRs for conversion into Equity Share are 97,85,455)		
	1,744.35	720.80
<b>SCHEDULE - 2 : RESERVES &amp; SURPLUS</b>		
Capital Reserve		
Balance as per last year.	30.19	30.19
Securities Premium		
Balance as per last year.	1,651.82	1,651.82
Add: Premium on GDRs	11,361.36	-
	13,013.17	1,651.82
Less: GDR Issue Expenses ( Refer Note No.9 Of Schedule 19 B )	(457.97)	-
	12,555.20	1,651.82
Forfeiture of Convertible Warrants		
Balance as per last year.	27.43	27.43
Subsidy Reserve		
Balance as per last year.	77.27	77.27
General Reserve		
Balance as per last year.	1,207.60	970.36
Add : Impact of Foreign Exchange Fluctuation	-	37.24
	1,207.60	1,007.60
Add : Appropriation during the year	200.00	200.00
	1,407.60	1,207.60
Profit & Loss Account		
	6,339.40	4,583.28
	20,437.09	7,577.58



## SCHEDULES annexed to and forming part of the Balance Sheet for the year ended 31st March, 2010 (Contd.)

	(Rs. In Lacs)	
	AS AT 31-Mar-10	AS AT 31-Mar-09
<b>SCHEDULE - 3 : SECURED LOANS</b>		
(A) Term Loans		
From Banks :		
- Rupee Loan	6,425.83	18,434.04
- Foreign Currency Loan	17,949.85	4,807.18
(Secured by way of 1st Pari passu charges on the entire fixed assets (both present and future to be acquired from the respective term loan). The loan is further secured by collateral security by way of hypothecation and equitable mortgage by deposit of title deeds of land, building, plant and machinery of Paper and Coating Division situated at village Rajpur, Taluka Kadi Dist. Mehsana and further secured by personal guarantee of three directors and three body corporates.)		
(Repayable within next One year-Rs.5224.64 Lacs,P.Y.-Rs.4165.67 Lacs)		
(B) Cash Credit Facilities		
From Banks :		
- Rupee Loan	2,763.27	3,102.70
- Foreign Currency Loan	1,153.55	452.69
(Secured by way of hypothecation of all current assets of the Company consisting stocks of raw material, finished goods, work in progress, consumables, stores, book debts, receivables and all fixed assets consisting of land, building, plant and machinery of Paper and Coating division situated at Village-Rajpur, Tal-Kadi, Dist.-Mehsana (Gujarat), both present and future and further secured by personal guarantee of three directors and three body corporates.)		
(C) Vehicle Loans		
From Banks / Finance Company:	12.66	10.59
(Secured by Hypothecation of Vehicles and further Personally Guaranteed by Managing Director and Executive director of the Company)		
(Repayable within next One year-Rs. 6.88 Lacs,P.Y.-Rs.8.26 Lacs)		
	<b>28,305.16</b>	<b>26,807.20</b>
<b>SCHEDULE - 4 : UNSECURED LOANS</b>		
Corporate Deposits	226.00	1,476.50
Corporate Loan from Bank (Refer Note No. 10 of Schedule 19 B)	5,046.12	-
	<b>5,272.12</b>	<b>1,476.50</b>

## SCHEDULES annexed to and forming part of the Balance Sheet for the year ended 31st March, 2010 (Contd.)

### SCHEDULE - 5 : FIXED ASSETS

(Rs in Lacs)

Sr. No.	Particulars	G R O S S B L O C K				D E P R E C I A T I O N F U N D				N E T B L O C K	
		As on 01.04.09	Additions	Deductions	As on 31.03.2010	Up to 31.03.09	Provided	Deductions	Up to 31.03.10	As on 31.03.10	As on 31.03.09
1	Land	196.14	254.11	1.15	449.10	-	-	-	-	449.10	196.14
2	Buildings	1,956.30	1,672.55	-	3,568.85	651.80	201.76	-	853.56	2,715.29	1,304.50
3	Plant & Machinery	8,294.52	18,821.82	-	37,116.34	6,909.25	2,158.45	-	9,067.71	28,048.63	1,385.25
4	Furniture, Fixtures & Equipments	415.63	8.42	-	424.05	284.51	19.45	-	303.96	120.09	131.12
5	Vehicles	87.34	19.36	6.80	96.91	48.84	11.93	5.79	54.98	41.93	35.50
6	Computers & Softwares	195.07	9.00	-	214.07	176.60	11.39	-	187.99	26.08	18.47
	<b>TOTAL</b>	<b>21,142.00</b>	<b>20,735.26</b>	<b>7.95</b>	<b>41,869.32</b>	<b>8,071.00</b>	<b>2,402.97</b>	<b>5.79</b>	<b>10,468.19</b>	<b>31,401.13</b>	<b>13,071.00</b>
7	Capital Work In Progress									11,203.36	20,792.98
	<b>GRAND TOTAL</b>	<b>21,142.00</b>	<b>20,735.26</b>	<b>7.95</b>	<b>41,869.32</b>	<b>8,071.00</b>	<b>2,402.97</b>	<b>5.79</b>	<b>10,468.19</b>	<b>42,604.49</b>	<b>33,863.98</b>
	Previous Years Figures	19,004.77	21,577.70	0.47	21,422.00	5,574.68	2,496.64	0.32	8,071.00	33,863.98	21,786.00

(Rs. In Lacs)

	AS AT 31-Mar-10	AS AT 31-Mar-09
<b>SCHEDULE - 6 : INVESTMENTS</b>		
<u>Long Term Investments : ( At Cost )</u>		
<u>Quoted and NonTrade , Fully Paid</u>		
Nil (P.Y. 500) Equity Shares of Jumbo Bag Ltd. of Rs. 10/- each fully paid	-	0.06
2499 (P.Y.2600) Equity Shares of Aravali Securities & Finance Ltd.of Rs.10/-each fully paid	0.50	0.52
200 Equity Shares of JSW Steel Ltd. of Rs. 10/- each fully paid	0.20	0.20
4000 Equity Shares of Madhusudan Industries Ltd. of Rs. 5/- each fully paid	1.10	1.10
1000 (P.Y. 4000) Equity Shares of Cera Sanitaryware Ltd. of Rs.10/- each fully paid	0.28	1.10
200 Equity Shares of Kitply Industries Ltd. of Rs. 10/- each fully paid	0.06	0.06
(Market Value of Quoted Investments Rs.5.53 Lacs,P.Y.Rs.3.15 Lacs)		
<u>Current Investments : ( At lower of Cost or Net Realisable Value )</u>		
<u>Unquoted and Trade , Fully Paid</u>		
Nil (P.Y.2240000) Equity Shares of Orient News Print Ltd.of Rs.10/- each fully paid	-	224.00
	2.14	227.04

## SCHEDULES annexed to and forming part of the Balance Sheet for the year ended 31st March, 2010 (Contd.)

	(Rs. In Lacs)	
	AS AT 31-Mar-10	AS AT 31-Mar-09
<b>SCHEDULE - 7 : INVENTORIES</b>		
Stores, Spares, Chemicals, Fuels, Packing Materials & Others	1,615.21	691.93
Raw Materials :		
- Papers	1,322.36	1,964.45
- Chemicals	42.12	22.51
Finished Goods	146.38	97.84
Work-in-Process	240.34	132.98
(Above inventories taken, valued & certified by the Management )		
	<b>3,366.41</b>	<b>2,909.71</b>
<b>SCHEDULE - 8 : SUNDRY DEBTORS</b>		
(Unsecured, considered good, unless otherwise stated)		
Exceeding six months	128.31	73.53
Other Debts	3,815.51	3,029.91
	<b>3,943.82</b>	<b>3,103.44</b>
<b>SCHEDULE - 9 : CASH AND BANK BALANCES</b>		
Cash on hand	2.90	3.60
Balance with Scheduled Banks :		
- In Collection Accounts	104.98	177.30
- In Current Accounts	44.37	838.67
- In EEFC Accounts	5.84	4.02
- In Dividend Accounts	16.95	14.43
- Fixed Deposits with Interest Accrued thereon	285.45	245.13
Deposit with Other Bank :		
- Euram Bank, Austria	11,695.46	-
- Maximum amount outstanding during the year-Rs.12384.90 Lacs (P.Y.-Rs.Nil)		
	<b>12,155.95</b>	<b>1,283.15</b>
<b>SCHEDULE - 10 : LOANS AND ADVANCES</b>		
(unsecured, considered good )		
Advances Recoverable in cash or in kind	772.10	210.88
Balance with Excise / Custom Department	950.65	354.60
Deposits with Government, Semi-Government and others	39.85	65.71
Advance Fringe Benefits Tax	16.30	14.90
Advance Income Tax & Tax Deducted at Source	1,545.87	877.97
	<b>3,324.77</b>	<b>1,524.06</b>

## SCHEDULES annexed to and forming part of the Balance Sheet for the year ended 31st March, 2010 (Contd.)

(Rs. In Lacs)

	AS AT 31-Mar-10	AS AT 31-Mar-09
<b>SCHEDULE -11 : CURRENT LIABILITIES AND PROVISIONS</b>		
<b><u>Current Liabilities :</u></b>		
(Including trade deposits)		
Acceptances	1,450.12	856.77
Sundry Creditors		
- Due to Micro Small & Medium Enterprises	128.73	13.27
- For Capital Goods	519.00	448.17
- For Goods & Expenses	4,503.04	3,224.16
Unclaimed Dividend *	16.95	14.43
* This figure does not include any amount, due and outstanding to be credited to Investor Education and Protection Fund.		
	6,617.84	4,556.80
<b><u>Provisions :</u></b>		
For Current Tax	1,080.56	552.99
For Fringe Benefit Tax	15.77	15.77
For Wealth Tax	0.52	0.49
Proposed Dividend	348.87	115.33
Corporate Dividend Tax	57.94	19.60
For Leave Encashment	14.06	17.50
For Bonus	34.03	38.74
For Gratuity	48.25	58.78
	1,600.00	819.20
	8,217.84	5,376.00
<b>SCHEDULE -12 : MISCELLANEOUS EXPENDITURE</b>		
( To the Extent Not Written off )		
<b>Foreign Currency Monetary Item Translation Difference Account</b>		
Opening Balance	54.56	-
Add : Transfer From General Reserve	-	17.31
Add : Current Year Foreign Exchange Difference	-	97.58
	54.56	114.89
Less : Written off during the year	54.56	60.33
	-	54.56

## SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

	(Rs. In Lacs)	
	2009-10	2008-09
<b>SCHEDULE - 13 : SALES AND SERVICES</b>		
Paper Sales (TDS Rs 4.29 Lacs, P.Y. Rs.Nil )	21,979.82	18,599.43
Paper Sales (Export) (including Deemed Exports)	5,391.82	5,561.14
Job Work ( TDS - Rs 0.46 Lacs, P.Y. Rs 0.23 Lacs)	23.91	15.92
Export Incentives	239.91	234.76
	<b>27,635.46</b>	<b>24,411.25</b>
<b>SCHEDULE - 14 : OTHER INCOME</b>		
Miscellaneous Other Sales	142.22	76.56
Interest - on Margin Money & Fixed Deposits (TDS Rs.2.89 Lacs, P.Y. Rs. 1.30 Lacs)	39.98	13.92
Bad Debts Recovered	1.75	-
Exchange Rate Fluctuation	281.49	219.11
Profit on Sale of Investments	52.37	-
Dividend Received	0.08	0.06
Profit on Sale of Fixed Assets	1.50	-
Sundry Balances Written Off	0.40	-
Rent Received	1.50	1.50
	<b>521.29</b>	<b>311.15</b>
<b>SCHEDULE -15 : INCREASE / (DECREASE) IN INVENTORIES</b>		
<b>Closing Stock</b>		
Finished Goods	146.38	97.84
Work In Process	240.34	132.98
	<b>386.72</b>	<b>230.82</b>
<b>Opening Stock</b>		
Finished Goods	97.84	77.17
Work In Process	132.98	59.37
	<b>230.82</b>	<b>136.54</b>
	<b>155.90</b>	<b>94.28</b>
<b>SCHEDULE - 16 : RAW MATERIALS CONSUMED</b>		
<b>Opening Stock</b>		
Papers	1,964.46	662.31
Chemicals	22.51	43.13
	<b>1,986.97</b>	<b>705.44</b>
<b>Add : Purchases (Net of VAT and CENVAT Credit)</b>		
Papers	11,847.88	12,637.31
Chemicals	348.38	514.97
	<b>14,183.23</b>	<b>13,857.72</b>
<b>Less : Closing Stock</b>		
Papers	1,322.36	1,964.45
Chemicals	42.12	22.51
	<b>12,818.74</b>	<b>11,870.76</b>



**SCHEDULES** annexed to and forming part of the Balance Sheet for the year ended 31st March, 2010 (Contd.)

(Rs. In Lacs)

	2009-10	2008-09
<b>SCHEDULE - 17 : MANUFACTURING, ADMINISTRATIVE &amp; SELLING EXPENSES</b>		
Payment to and for employees		
(i) Salary, Wages, Bonus and Gratuity	675.13	607.61
(ii) Contribution to P.F. & E.F.P.F.	49.89	44.81
(iii) Staff Welfare	52.91	23.42
	<b>777.93</b>	<b>675.84</b>
Stores & Spares Consumed	301.50	239.46
Chemical Consumed	1504.44	1593.35
Power & Fuel	2393.12	1683.17
Packing Materials Consumed	503.34	283.76
Paper Pulping, Cutting, Packing & Finishing Expenses	295.56	223.81
Repairs To		
(i) Machinery	81.98	65.26
(ii) Building	13.37	17.34
(iii) Others	21.98	30.54
	<b>117.33</b>	<b>113.14</b>
Directors' Remuneration	26.97	19.83
Payment to Auditors	5.61	3.15
Insurance	14.94	13.81
Rent, Rates and Taxes	11.25	5.04
Stationery, Postage, Telephone and Advertisement	44.91	38.87
Legal & Professional	60.52	23.98
Sales Tax	742.38	628.12
Sales Outward Expenses (TDS on Freight Rs.Nil, PY Rs. 0.05 Lacs)	681.96	738.05
Selling Expenses	377.26	193.56
Donation	1.57	1.03
Bad Debts Written Off	14.73	0.00
Travelling Expenses (Including Foreign Travel)	17.66	16.88
Miscellaneous Expenses	158.45	129.29
	<b>8051.42</b>	<b>6624.14</b>
<b>SCHEDULE - 18 : INTEREST &amp; FINANCIAL CHARGES</b>		
(1) Interest paid on		
(a) Term Loans	838.50	517.49
(b) Working Capital Facilities	314.06	255.90
(c) Others	8.14	13.34
	<b>1,160.70</b>	<b>786.73</b>
Less : Interest received from trade parties (TDS Rs.7.32 Lacs, P.Y. Rs. 5.39 Lacs)	81.68	56.14
	<b>1,079.02</b>	<b>730.59</b>
(2) Financial Charges	288.18	203.20
(3) Foreign Exchange Fluctuations	(77.56)	108.92
	<b>1,289.64</b>	<b>1,042.71</b>

SCHEDULE – 19:  
NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010:

A) SIGNIFICANT ACCOUNTING POLICIES:

1) BASIS OF ACCOUNTING:

The Financial Statements are prepared as per historical cost convention and in accordance with the Generally Accepted Accounting Principles in India, the provisions of the Companies Act 1956, and the applicable Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006. Incomes and Expenditures having material bearing on the Financial Statements are recognized on accrual basis.

2) USE OF ESTIMATES:

The presentation of the Financial Statements in conformity with the Generally Accepted Accounting policies require the management to make estimates and assumptions that affect the reported amount of Assets and Liabilities, Revenues and Expenses and disclosure of contingent liabilities. Such estimation and assumptions are based on management's evaluation of relevant facts and circumstances as on date of Financial Statements. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

3) REVENUE RECOGNITION:

Income & Expenditure are recognized and accounted on Accrual Basis except subsidy, un-assessed insurance claims and dividend income.

Revenue from sale of goods is recognized on delivery of goods, when all significant contractual obligations have been satisfied, the property in the goods is transferred for a price, significant risks & rewards of ownership are transferred to customers & no effective ownership is retained.

Power generation income is recognized on the basis of electrical units generated and eligible for captive consumption as shown in the power generation report issued by the concerned authorities. Power generation income is booked as per the unit electricity rate, being paid by the Company.

4) FIXED ASSETS:

Fixed Assets are stated at cost of acquisition or construction, net of accumulated depreciation, cenvat credit and adjustments arising from exchange rate variations relating to borrowings attributed to Fixed Assets. Cost includes incidental expenses capitalized from time to time on their due recognition, trial run expenses and interest attributable to the project till the date of commissioning.

Project under commissioning and other capital work-in-progress are carried at cost, comprising direct cost, related incidental pre-operative expenses, and attributed interest.

Advances paid towards the acquisition of Fixed Assets are included under the head capital work in progress.

5) DEPRECIATION:

The company has provided depreciation,

- (1) On the additions made on or after 1st April, 2009 to Plant & Machinery on "Straight Line Method" on Pro-rata basis in accordance with Section 205 (2)(b), at the rates specified in Schedule XIV of the Companies Act 1956.
- (2) On all its other Fixed Assets on "Written Down Value Method" on pro-rata basis in accordance with the Section 205 (2)(a), at the rates specified in Schedule XIV of the Companies Act 1956.

6) BORROWING COST:

Borrowing costs are recognized in the period to which they relate, regardless of how the funds have been utilized, except where it relates to the financing of construction or development of assets requiring a substantial period of time to prepare for their intended future use. Interest on borrowings if any is capitalized up to the date when the asset is ready for its intended use. The amount of interest capitalized for the period is determined by applying the interest rate applicable to appropriate borrowings.

**7) INVESTMENTS:**

Investments are classified as Long Term & Current Investments. Long Term Investments are valued at cost less provision for diminution other than temporary in value, if any. Current Investments are valued at Cost or Net Realizable Value whichever is lower.

**8) INVENTORIES:**

- i) Raw Materials, Finished Goods, Work-in-Process, Packing Materials, Coal and Furnace Oil are valued at lower of cost or net realizable value.
- ii) Stores & Spares are valued at cost.

**9) EXCISE DUTY AND CENVAT CREDIT:**

Excise Duty payable on finished goods is accounted for on clearance of goods. CENVAT Credit on Capital Goods and inputs is accounted for on the date of actual receipt of the same, respectively.

**10) SALES / TURNOVER:**

Sales / Turnover includes sales value of goods, inter divisional transfer, export incentives and excise duty thereon but excluding other recoveries such as insurance and freight. Sales net of excise duty and inter-divisional transfer is also disclosed separately.

**11) ALLOCATION OF EXPENSES:**

The interest on working capital loans has been apportioned in the ratio of turnover to different divisions.

**12) FOREIGN CURRENCY TRANSACTIONS:**i) **Initial Recognition:**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency of the transaction.

ii) **Conversion:**

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate of the date of transaction; and non-monetary items which are carried of fair value or other similar valuation denominated in foreign currency are reported using the exchange rates that existed when the values were denominated.

iii) **Exchange Difference:**

Exchange difference arising on the settlement of monetary items or on reporting Company's monetary items of rates different from those of which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or expense in the year in which they arise.

iv) **Forward Exchange Contracts not intended for trading:**

The premium or discount arising on the inception of forward exchange contracts is amortised as expense or income over the life of the contract. Exchange difference on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year.

**13) EXPORT BENEFITS:**

Export benefits representing Custom Duty Rebate entitlement against exports made under D.E.P.B., F.M.S and D.F.I.A. Scheme is accounted for on accrual basis.

#### 14) EMPLOYEES RETIREMENT BENEFITS:

(a) Short Term

Short Term employee benefits are recognized as an expense at the undiscounted amount expected to be paid over the period of services rendered by the employees to the company.

(b) Long Term

The Company has both the defined contribution and defined benefit plans, of which some have assets in approved funds. These plans are financed by the Company in the case of defined contribution plans.

(c) Defined Contribution Plans

These are plans in which the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contributions to Employees Provident Fund. The Company's Payments to the defined contributions plans are reported as expenses during the period in which the employee perform the services that the payment covers.

(d) Defined Benefit Plans

Expenses for defined benefit gratuity payment plans are calculated as at the balance sheet date by independent actuaries in the manner that distributes expense over the employees working life. These commitments are valued at the present value of the expected future payments, with consideration for calculated future salary increases, using a discounted rate corresponding to the interest rate estimated by the actuary having regard to the interest rate on Government Bonds with a remaining term i.e. almost equivalent to the average balance working period of employees.

(e) Other Employee Benefit

Compensated absences which accrue to employees and which can be carried to future periods but are expected to be encashed or availed in twelve months immediately following the year end are reported as expenses during the year in which the employees perform the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefits after deducting amounts already paid.

#### 15) IMPAIRMENT OF ASSETS

The carrying value of assets of the Company's cash generating units are reviewed for impairment annually or more often if there is an indication of decline in value. If any indication of such impairment exists, the recoverable amount of those assets are estimated and impairment loss is recognized, if the carrying amount of those assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the estimated future cash flows to their present value based on appropriate discount factor. Net selling price is the estimated selling price in the ordinary course of business, less estimated cost of completion and to make the sale.

#### 16) SEGMENT REPORTING:

The Company deals in only one reportable segment i.e. Paper Product and hence requirement of Accounting Standard 17 "Segment Reporting" issued by ICAI are not applicable.

#### 17) TAXATION:

A provision for Current Tax has been made at the current tax rate based on assessable income or on the basis of Sec. 115JB of the Income Tax Act, 1961 (Minimum Alternative Tax), whichever is higher.

A provision for Deferred Tax is made for all timing differences arising between taxable income and accounting income at current enacted tax rates.

Deferred Tax Assets are recognized only if there is reasonable certainty that they will be realised and are reviewed for the appropriateness of their respective carrying value at each balance sheet date.

#### 18) EARNING PER SHARE:

Basic earning per share is calculated by dividing the net profit after tax for the year attributable to Equity Shareholders of the Company by the weighted average number of Equity shares outstanding during the year. Diluted earning per Share is calculated by dividing net profit attributable to equity shareholders (after adjustment for diluted earnings) by average number of weighted equity shares outstanding during the year.

**19) CASH FLOW STATEMENT:**

The Cash Flow Statement is prepared by the “Indirect Method” set out in Accounting Standard 3 on “Cash Flow Statement” and presents the cash flows by operating, investing and financing activities of the Company.

Cash and Cash equivalents presented in Cash Flow Statement consist of cash on hand and demand deposits with banks.

**20) PROVISIONS AND CONTINGENT LIABILITIES:**

A provision is recognized when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding long term benefits) are not discounted to its present value and are determined based on best estimated required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognized but are disclosed in the notes to the Financial Statements. A contingent asset is neither recognized nor disclosed.

**B) NOTES TO THE FINANCIAL STATEMENTS:**

- 1) Contingent liabilities not provided for:

	(Rs in Lacs)	
	31.03.2010	31.03.2009
(a) Bank Guarantee	194.46	92.24
(b) Letter of Credit	-	571.39
(c) Income Tax Demand	-	0.56
(d) Additional Premium on Land **	18.78	18.78
(e) Liability in respect of additional Stamp Duty on purchase of Land	Not Ascertainable	Not Ascertainable
(f) Export Obligation in respect of Custom Duty on machinery imported under EPCG Scheme	2930.22	6092.15

\*\* The Tribunal has cancelled the order regarding additional premium on Land and the matter is again referred to The Collectors, Mehsana for re-valuation of premium amount.

- 2) Estimated amount of contracts, remaining to be executed on capital accounts and not provided for Rs 1536.71 Lacs net of advance (Previous Year Rs. 1439.05 Lacs).
- 3) The Company has received demands from Sales Tax Department for Rs. 1.47 Lacs, which are not acknowledged as debts and company has preferred an appeal to the appropriate authority. The Company has paid the same under protest and shown under the head “Loans & Advances”. Due adjustment will be made on finalisation of the appeal.
- 4) Capital Work In Progress comprises:

	(Rs in Lacs)	
	31.03.2010	31.03.2009
A. Building and Plant & Machinery	7793.74	15152.94
B. Advance for Capital works	681.82	946.52
C. Pre-operative Expenses (pending allocations)		
1. Power and Fuel	631.65	1712.78
2. Salary and Wages	169.48	289.86
3. Stores and spares	-	30.40
4. Professional Fees	95.24	9.95
5. Travelling Expenses	1.23	22.86
6. Interest and financial charges	1830.18	2627.65
<b>Total (A+B+C)</b>	<b>11203.36</b>	<b>20792.96</b>



Cost of Fixed Assets and pre-operative expenses, being technical matter, are capitalized or allocated to Capital work in progress on the basis of data certified by technical person & the management.

- 5) Deficit of Rs. 32.22 Lacs (Previous Year Surplus of Rs. 220 Lacs) being the impact of foreign exchange fluctuation on account of export sales and Surplus of Rs.359.04 Lacs (Previous Year Deficit of Rs. 108.91 Lacs) being the impact of foreign exchange fluctuation on account of borrowing for working capital and term loan facilities have been recognized in the Profit & Loss Account.
- 6) The company has opted to follow the option granted by notification no 225(E) dated March 31, 2009 issued by the Ministry of Corporate Affairs relating to limited relaxation in the provision of "Accounting Standard-11" in respect of Foreign Exchange differences on foreign currency loans:
  - (i) Exchange differences relating to long-term monetary items, arising during the year, in so far as they relate to the acquisition of a depreciable asset are added to / deducted from the cost of the asset and depreciated over the balance life of the asset.
  - (ii) In other cases such differences are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortized to the Profit and Loss account over the balance life of the long-term monetary item, however the period of amortization does not extend beyond; March 31, 2011.

Accordingly, Rs.190.48 Lacs has been deducted (P.Y.Rs 500.71 Lacs was added) from / to the cost of the fixed assets.

- 7) There was no impairment loss on Fixed Assets on the basis of review carried out by the management in accordance with Accounting Standard 28 issued by Institute of Chartered Accountants of India.
- 8) Interest expenses have been shown as net off interest received from trade parties.
- 9) In term of section 78(2) of the Companies Act 1956, the company has adjusted the GDR issue expenses of Rs 457.97 Lacs against the securities premium.
- 10) Unsecured Loans include a Short Term Corporate Loan of Rs 5000 Lacs sanctioned by Punjab National Bank – Large Corporate Branch, Ahmedabad, (with in proposed Term Loan of Rs 8500 Lacs ) for a period of Six months against personal guarantee of Three Directors namely, Shri Radheshyam Goenka, Shri Ajay Goenka and Smt Sangeeta Goenka, and same shall be adjusted / absorbed from disbursement of Term Loan.
- 11) Based on the information/documents/ parties identified by the company and to the extent information available/ gathered, information as required to be disclosed as per Micro, Small & Medium Enterprise Development Act, 2006 have been determined as follows:

	(Rs in Lacs)	
	2009-10	2008-09
Principal Amount Outstanding	70.86	8.01
Interest Due	1.29	-
Amount paid to suppliers beyond respective due dates	-	-
Amount of Interest due payable	-	-
Amount of Interest accrued and remaining unpaid at the end of the year	1.29	-

Whatever information the company could identify as above were possible at the year end only, and in view of this according to the company, it could not identify payments beyond due date during the year and to make interest provisions to that extent, due to numerous transactions concluded during the year as per the agreed terms with the suppliers. However the company has made due interest provisions over the requisite year end balances.

- 12) (i) Balances of Unsecured Loans, Creditors, Debtors, Loans & Advances and other parties are subject to their confirmations and reconciliation, due adjustment, if necessary, will be made on receipt thereof. However, the management does not expect any material difference affecting the current years' financial statements.
- (ii) The balance lying with Euram Bank, Austria of GDR issue account has taken on the basis of E- statement of account received through mail which is subject to Bank confirmation.

(iii) In the opinion of the Board, the current assets, loans and advances are approximately of the value stated in the Balance Sheet, except provision made, if realized in the ordinary course of the business. Provision for depreciation and for all known liabilities has been made in books of accounts.

- 13) Legal Expenses include Rs 15.85 Lacs incurred for stamp duty and fees paid for increased in Authorized Share Capital.
- 14) On 28<sup>th</sup> January 2010 the Company has issued and allotted 10235455 Global Depository Receipts (GDRs) each representing one Equity Share of nominal value of Rs 10 each at the offer price US \$ 2.64 aggregating to US \$ 27.02 millions equivalent to Rs 12384.90 Lacs. The said GDRs are listed on at Euro MTF Market of Luxemburg Stock Exchange and the funds raised have been and are being utilized to finance the Expansion Plan and balance funds pending utilization have been placed as deposit with the Bank.
- 15) Previous year's figures have been re-arranged and re-grouped, wherever necessary to make them comparable with those of current year.
- 16) i) Managerial Remuneration:

(Rs in Lacs)

	2009-10	2008-09
(a) Salary	24.86	18.33
(b) Cont. to Provident Fund	0.38	0.35
(c) Perquisites	1.73	1.15
<b>Total</b>	<b>26.97</b>	<b>19.83</b>

- (ii) The Remuneration to Managing Directors of the Company has been paid as agreed to, which is lower than the permissible minimum remuneration as provided in Schedule XIII of the Companies Act, 1956. As such, computation of net profits under Section 349 of the Companies Act, 1956 has not been given.
- (iii) The above excludes provision for gratuity and leave encashment, since these are based on actuarial valuation done on an overall company basis.

- 17) Auditor's Remuneration:

(Rs in Lacs)

	2009-10	2008-09
(a) As Auditor	3.50	2.50
(b) For Tax Audit	1.50	0.50
(c) For Other Services	0.60	0.15
<b>Total</b>	<b>5.60</b>	<b>3.15</b>

- 18) Deferred Tax Liability:

Major components of Deferred Tax Assets & Deferred Tax Liabilities:

(Rs. in Lacs)

Timing Difference on Account of	As at 31.03.2010		As at 31.03.2009	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Depreciation		1441.72		1017.05
Others	20.70		9.19	
<b>Total</b>	<b>20.70</b>	<b>1441.72</b>	<b>9.19</b>	<b>1017.05</b>
<b>Net Deferred Tax Liability</b>		<b>1421.02</b>		<b>1007.86</b>
<b>Net Incremental Liability charged to P &amp; L A/c</b>	<b>413.16</b>		<b>(686.87)</b>	

Deferred Tax Liability calculated as above is excluding the assets pertaining to Power Generating Units, the income of which being deductible u/s 80 IA of The Income Tax Act 1961. As prescribed in ASI 3 & ASI 5 regarding application of AS 22 in situation of "Tax Holiday" period under Section 80 IA and 80 IB, where the timing difference arising in a year is reversed during Tax Holiday period itself, no Deferred Tax should be recognized.

19) Disclosure pursuant to AS 15 (revised) "Employees Benefits":

(Rs in Lacs)

Defined Contribution Plan

Contribution to Defined Contribution Plan, recognised as expense for the year are as under:

	2009-10	2008-09
Employer's Contribution to Provident Fund	13.99	13.33
Employer's Contribution to Pension Scheme	31.69	31.52

Defined Benefit Plan

In the current year, the Company has adopted Accounting Standard 15 (AS-15) (Revised) "Employee Benefits" which is mandatory from accounting periods starting from Dec 7, 2006. Accordingly, the Company has provided for gratuity and leave encashment based on actuarial valuation done as per Projected Unit Credit Method.

I. Reconciliation of opening and closing balance of Defined Benefit Obligation

	Gratuity (Funded)		Leave Encashment (Unfunded)	
	2009-10	2008-09	2009-10	2008-09
Opening Defined Benefit Obligation	81.58	67.30	17.51	16.67
Excess / Short Provision	(0.50)	-	0.63	-
Service Cost	13.25	15.05	5.22	6.55
Interest Cost	6.77	5.35	1.74	1.33
Actuarial (Gain) / Loss	(3.24)	1.56	(2.26)	1.40
Benefits paid	(30.92)	(7.68)	(8.78)	(8.44)
Closing Defined Benefit Obligation	66.94	81.58	14.06	17.51

II. Reconciliation of opening and closing balance of fair value of plan assets

	Gratuity (Funded)	
	2009-10	2008-09
Opening fair value of plan assets	30.15	28.91
Expected return	2.19	2.36
Actuarial Gain / (Loss)	5.28	(1.12)
Employer Contribution	11.98	7.68
Benefits paid	(30.92)	(7.68)
Closing fair value of plan assets	18.69	30.15

III. Reconciliation of fair value of assets and obligation

	Gratuity (Funded)		Leave Encashment (Unfunded)	
	2009-10	2008-09	2009-10	2008-09
Fair value of plan assets	18.69	30.15	-	-
Present value of obligation	66.94	81.58	14.06	17.51
Amount recognised in Balance Sheet	48.25	51.43	14.06	17.51

IV. Expense recognised during the year (under the head "Payment to and for Employee" of Schedule '17')

	Gratuity (Funded)		Leave Encashment (Unfunded)	
	2009-10	2008-09	2009-10	2008-09
Service Cost	13.25	15.05	5.22	6.55
Interest Cost	6.77	5.35	1.74	1.33
Expected return on plan assets	(2.19)	(2.36)	-	-
Actuarial (Gain) / Loss	(8.52)	2.69	(2.25)	1.40
Net Cost included in 'Employee Benefit Expense'	9.31	20.73	4.70	9.27

V. Investment Details

	% invested	
	2009-10 (%)	2008-09 (%)
Public Sector Securities	56%	46%
Special Deposit Schemes	-	2%
State Govt. Securities	3%	2%
FDR with Banks	38%	49%
Balance with Banks	3%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>

VI. Actuarial Assumptions

	Gratuity (Funded)		Leave Encashment (Unfunded)	
	2009-10	2008-09	2009-10	2008-09
Discount Rate (per annum)	8.30%	7.95%	8.30%	7.95%
Expected Rate of return on plan assets (per annum)	9.00%	8.00%	-	-
Rate of escalation in salary (per annum)	6.00%	6.00%	6.00%	6.00%

The estimate of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

20) Related Party Disclosure:

(a) List of Related Parties and Relationships:

i. Concern where significant interest exists.

Name of the Concern	Nature of Relationship
Orient News Print Ltd	Control exists
Drupa Suppliers Pvt. Ltd	Control exists
Rainbow Industrial Park Pvt. Ltd (Formerly known as Karnavati Papers Pvt. Ltd)	Control exists

ii. Key Management Personnel and Relatives.

Shri Ajay R. Goenka	- Chairman & Managing Director
Shri Radheshyam N. Goenka	- Executive Director
Smt. Sangeeta A. Goenka	- Executive Director
Shri G.P. Kothari	- Whole Time Director
Shri A. H. Goswami	- Whole Time Director
Smt. Draupadidevi Goenka	- Relative
Smt. Niyati Agarwal	- Relative
Miss Nikita Goenka	- Relative

## (b) Disclosure of Related Party Transactions

(Rs in Lacs)

Particulars	Parties mentioned at a (i) above		Key management personnel		Total	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Purchase Discount Received	-	10.28	-	-	-	10.28
Unsecured Loan taken	0.5	1315.90	-	-	0.5	1315.90
Unsecured Loan Repaid	1252.50	236.08	-	-	1252.50	236.08
Office Rent	-	-	0.9	0.9	0.9	0.9
Directors' Remuneration	-	-	26.97	19.83	26.97	19.83
Dividend Paid	49.54	49.54	17.13	8.05	66.67	57.59
Outstanding Balance in Loan	-	1252.50	-	-	-	1252.50
Sale of Investment	499.40	-	-	-	499.40	-

## 21) Earning per share:

Particulars		31.03.2010	31.03.2009
Net profit for the year attributable to Equity Shareholders	Rs. Lacs	2362.94	2348.43
Weighted average number of Equity Shares outstanding	Numbers	8974673	7208005
Basic and diluted earnings per share (face value of Rs. 10 each)	Rs.	26.33	32.58

## 22) Segment Reporting:

As the Company is engaged in only one reportable segment, which is manufacturing and processing of Papers, there are no reportable segments as per Accounting Standard - 17.

## 23) Information pursuant to provisions of paragraph 3 &amp; 4 of part II, Schedule VI of the Companies Act, 1956.

## a) Information for each class of goods manufactured:

Product	Unit	Installed Capacity *		Actual Production	
		31.03.10	31.03.09	2009-10	2008-09
Paper	MT	183000	102000	109054.91	85995.10

\* This being technical matter taken as certified by management, and Licensed Capacity is not given as licensing is not applicable.

## b) Opening and Closing Stock of Finished Goods:

(Rs in Lacs)

Product	Opening Stock				Closing Stock			
	2009-10		2008-09		2009-10		2008-09	
	Qty. (MT)	Amount	Qty. (MT)	Qty. Amount	Qty. (MT)	Amount	Qty. (MT)	Amount
Papers	422.10	94.07	411.06	77.17	572.23	146.38	422.10	94.07



c) Consumption of Raw Materials:

(Rs in Lacs)

Product	2009-10		2008-09	
	Qty. MT	Amount	Qty. MT	Amount
Base & Waste Papers *, #	119213.12	12518.40	85826.86	11335.17
Chemicals (Coating Division)	1631.64	328.77	2480.48	535.59
<b>TOTAL</b>	<b>120844.76</b>	<b>12847.17</b>	<b>88307.34</b>	<b>11870.76</b>

\* Including 3129.77 M.T. valuing Rs. 1020.12 lacs being captive consumed for inter-division (P.Y. 1014.52 M.T. valuing Rs. 136.74 Lacs)

# Including 8.88 M.T. Sales return considered as Raw Materials. (P.Y. 115.62 M.T.)

d) Sales:

(Rs in Lacs)

Product	2009-10		2008-09	
	Qty. MT	Amount	Qty. MT	Amount
Paper *	108904.79	27635.43	85983.42	24411.25

\* Including 3129.77 M.T. valuing Rs. 1020.12 lacs being captive consumed for inter-division (P.Y. 1014.52 M.T. valuing Rs. 136.74 Lacs)

e) Details of Goods Traded:

(Rs in Lacs)

Product – Papers	2009-10		2008-09	
	Qty. MT	Amount	Qty. MT	Amount
Opening Stock	-	-	-	-
Purchases	4027.66	1469.38	-	-
Sales	4027.66	1645.33	-	-
Closing Stock	-	-	-	-

f) Value of imports calculated on C.I.F. basis during the financial year in respect of:

(Rs in Lacs)

	2009-10	2008-09
(i) Raw Materials	7143.39	4198.33
(ii) Components – spare parts	26.33	37.90
(iii) Chemical	224.16	71.40

g) Expenditure in Foreign Currency during the financial year:

(Rs in Lacs)

	2009-10	2008-09
(i) Interest on FCNR Loan	788.84	484.25
(ii) Foreign Traveling Exp	2.73	7.73
(iii) GDRs Issue Expenses	457.97	-

h) Value of Raw Materials, Stores, Chemical & Spare Consumed during the year:

(Rs in Lacs)

	Amount		% of total consumption	
	2009-10	2008-09	2009-10	2008-09
<b>Raw Materials:</b>				
i) Imported	6933.90	4271.76	53.97%	37.69%
ii) Indigenous	5913.27	7599.00	46.03%	62.31%
<b>Total</b>	<b>12847.17</b>	<b>11870.76</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Stores, Chemical &amp; Spares:</b>				
i) Imported	258.01	110.31	14.26%	6.02%
ii) Indigenous	1550.99	1722.49	85.74%	93.98%
<b>Total</b>	<b>1809.00</b>	<b>1832.80</b>	<b>100.00%</b>	<b>100.00%</b>

(Rs in Lacs)

	2009-10	2008-09
i) Earning in foreign exchange: (Export of goods on F.O.B. basis) ( Interest on Deposits )	4643.42 21.34	4888.66 Nil
j) The amount remitted during the year in foreign currency for dividend	Nil	Nil

24) Information pursuant of provisions of Part IV of Schedule VI to the Companies Act, 1956:

Balance Sheet Abstract and Company's General Business Profile:

**I Registration Details**

Registration No	8772	State Code	04
Balance Sheet Date	31.03.2010		

**II Capital Raised during the year (Amount in Thousands)**

Public Issue	102355	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

**III Position of Mobilisation and Deployment of Funds (Amount in Thousands)**

Total Liabilities	5717974	Total Assets	5717974
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**Sources of Funds:**

Paid up Capital	174435	Reserves & Surplus	2043709
Secured Loans	2830516	Convertible Warrants	NIL
Unsecured Loans	527211	Deferred Tax Liability	142102

**Application of Funds:**

Net Fixed Assets	4260449	Investments	214
Net Current Assets	1457311	Misc. Expenditure	NIL
Accumulated Losses	NIL		

IV Performance of Company (Amount in thousands)

Turnover (Gross Revenue)	2808444	Total Expenditure	2497064
Profit Before Tax	311380	Profit After Tax	235866
Earning per Share in Rs.	26.33	Dividend Rate %	20

V Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)	480400
Products Description	PAPER AND PAPER BOARD
Item Code No. (ITC Code)	481010
Products Description	COATED PAPER

As per our separate report of even date.  
For **PRAVIN M.SHAH & CO.**

Chartered Accountants  
**PRAVIN M.SHAH**  
Proprietor  
M.No. F-14199  
F.R. No -108168W

Place : Ahmedabad  
Date : 28th May, 2010

For and on behalf of the Board of Directors

**AJAY GOENKA** - Chairman & Managing Director  
**RAJENDRA PATAWARI** - Director  
**RUNEL RATHI** - Company Secretary

Place : Ahmedabad  
Date : 28th May, 2010

## CASH FLOW STATEMENT FOR THE YEAR ENDED ON 31st March, 2010

	(Rs. In Lacs)	
	31-03-2010	31-03-2009
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Extra Ordinary Items	3,113.80	1,702.37
Adjustment For:		
Depreciation	2,402.97	2,496.64
Interest Paid (Net)	1,289.64	1,042.72
Dividend Received	(0.08)	(0.06)
Interest Received on Margin Money & Fixed Deposits	(39.98)	(13.92)
Profit on Sale of Investment	(52.37)	-
Loss on Sale of Assets	-	0.00
Profit on Sale of Assets	(1.50)	-
<b>Operating Profit Before Working Capital Changes</b>	<b>6,712.48</b>	<b>5,227.75</b>
Adjustment For:		
(Increase) / Decrease In Inventories	(456.70)	(1,530.12)
(Increase) / Decrease In Sundry Debtors	(840.38)	(923.04)
(Increase) / Decrease In Loan & advances	(1,131.41)	1,526.18
Increase / (Decrease) In Sundry Creditors	2,039.83	(332.85)
<b>CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>6,323.83</b>	<b>3,967.92</b>
Direct Tax Paid	(483.67)	(176.79)
<b>CASH FLOW BEFORE EXTRA-ORDINARY ITEMS</b>	<b>5,840.16</b>	<b>3,791.13</b>
<b>Extra-ordinary Items:</b>		
Excess Provision Written Back	13.57	(5.28)
Prior Period Expenses	(9.30)	(6.99)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>5,844.43</b>	<b>3,778.86</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets (Including Capital Work in Progress)	(11,145.65)	(14,554.84)
Sales of Fixed Assets	3.66	0.15
Sale of Investment	277.26	-
Dividend Received	0.08	0.06
Interest Received	39.98	13.92
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(10,824.66)</b>	<b>(14,540.71)</b>

	(Rs. In Lacs)	
	31-03-2010	31-03-2009
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Term Loans	5,470.76	12,841.66
Proceeds from Working Capital Facilities	361.43	941.19
Proceeds from Corporate Unsecured Loans from Bank	5,046.11	-
Repayment of Unsecured Loans	(1,250.50)	(75.24)
Repayment of Term Loans	(4,334.23)	(1,092.22)
Issue of share Capital	1,023.55	-
Proceeds from Securities Premium	11,361.36	-
GDR Issue Expenses	(457.97)	-
Interest Paid	(1,235.07)	(1,079.97)
Dividend including Dividend Tax Paid	(132.41)	(127.88)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>15,853.03</b>	<b>11,407.54</b>
<b>NET CHANGE IN CASH &amp; CASH EQUIVALENTS(A+B+C)</b>	<b>10,872.80</b>	<b>645.68</b>
<b>OPENING BALANCE - CASH AND CASH EQUIVALENT</b>	<b>1,283.15</b>	<b>637.46</b>
<b>CLOSING BALANCE - CASH AND CASH EQUIVALENT</b> ( Refer Note 1 )	<b>12,155.95</b>	<b>1,283.15</b>

1. Cash & Cash Equivalents for the year ended March 31, 2010 includes unrealised Gain / (Loss) of (Rs 184.87 Lacs) on account of translation of Foreign Currency Bank Balance

As per our separate report of even date.  
For PRAVIN M.SHAH & CO.

Chartered Accountants  
PRAVIN M.SHAH  
Proprietor  
M.No. F-14199  
F.R. No -108168W

Place : Ahmedabad  
Date : 28th May, 2010

For and on behalf of the Board of Directors

AJAY GOENKA - Chairman & Managing Director  
RAJENDRA PATAWARI - Director  
RUNEL RATHI - Company Secretary

Place : Ahmedabad  
Date : 28th May, 2010

## AUDITORS' CERTIFICATE

We have examined the attached Cash Flow Statement of Rainbow Papers Limited for the year ended 31st March, 2010. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of listing agreements with the Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report of 28th May, 2010 to the members of the Company.

FOR, PRAVIN M. SHAH & CO.  
CHARTERED ACCOUNTANTS

(PRAVIN M. SHAH)  
PROPRIETOR  
M. No F-14199  
F.R.No.108168 W

Place : AHMEDABAD.  
Date : 28<sup>th</sup> May , 2010





