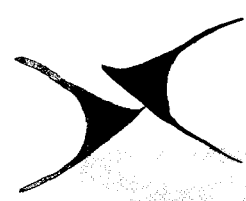
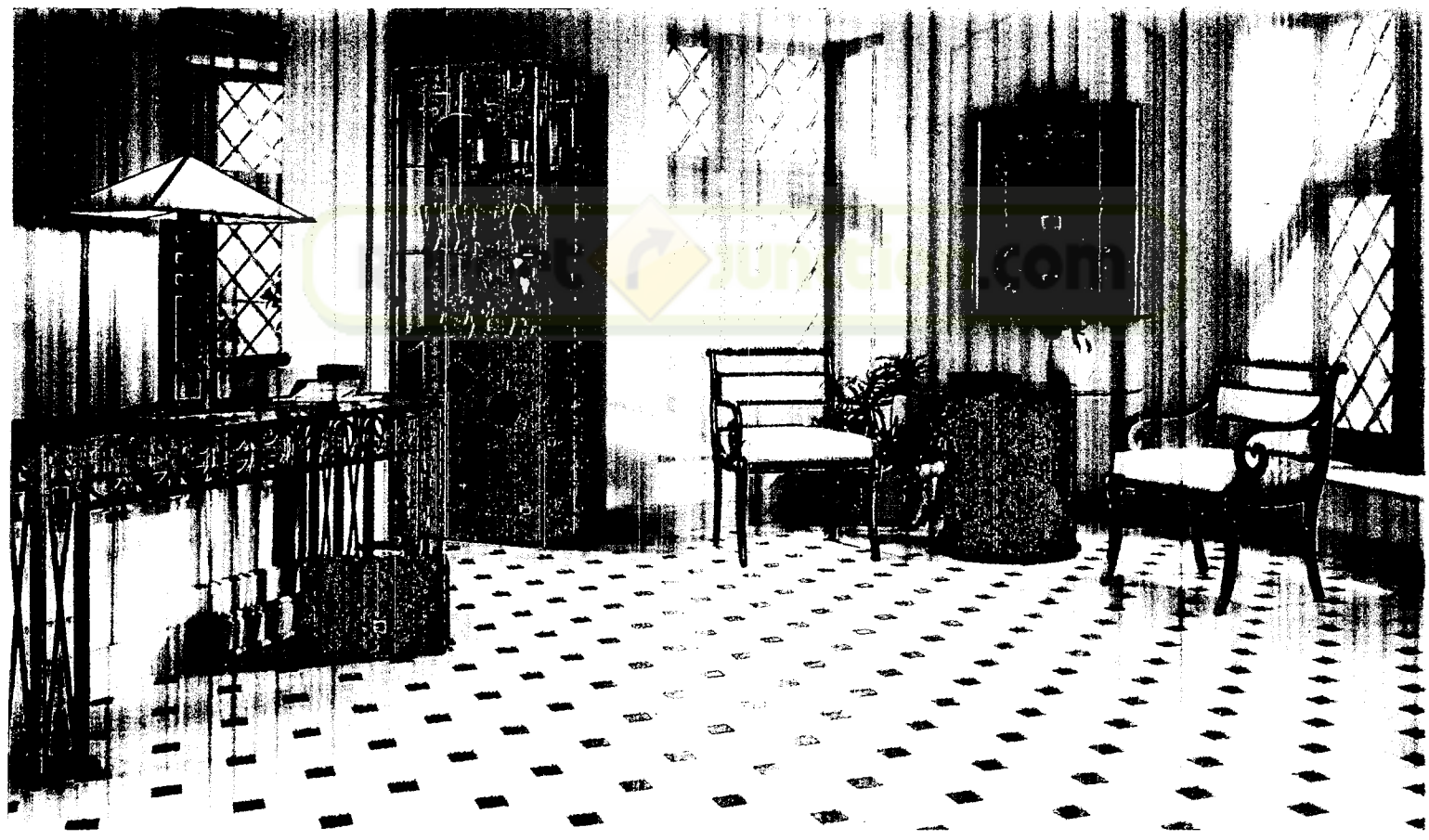




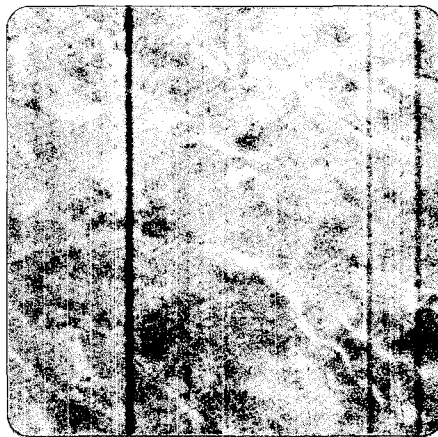
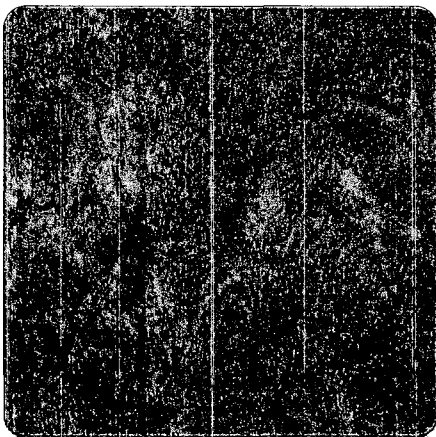
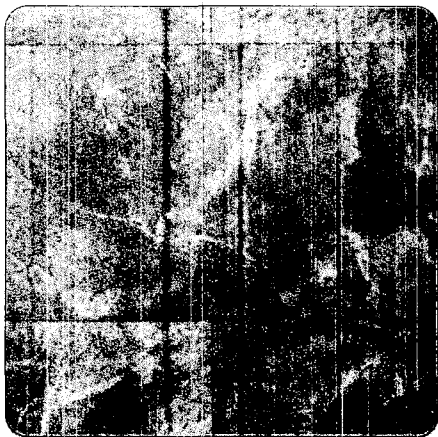
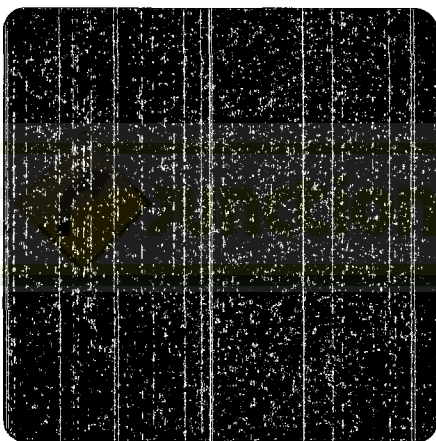
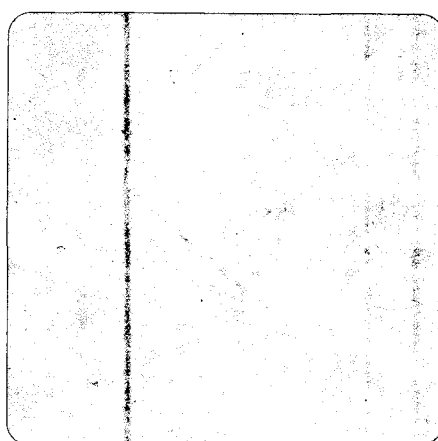
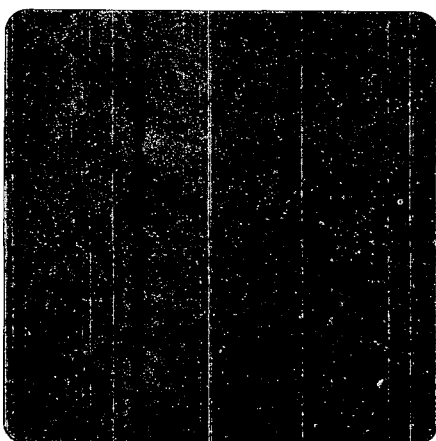
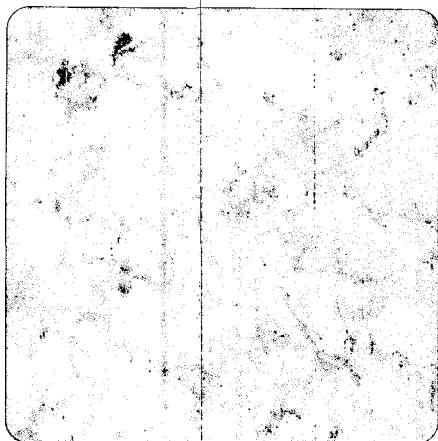
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ROYAL CUSHION VINYL PRODUCTS LTD.

ANNUAL REPORT 1996-97



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ANNUAL REPORT 1996-97**ROYAL CUSHION VINYL PRODUCTS LIMITED****BOARD OF DIRECTORS**

MR. D. M. POPAT	-	CHAIRMAN
MR. M. K. SHAH	-	MANAGING DIRECTOR
MR. V. K. SHAH	-	EXECUTIVE DIRECTOR
MR. M. A. MOTASHA	-	EXECUTIVE DIRECTOR
MR. A. V. MOTASHA		
MR. D. A. MOTASHA		
MR. J. A. MOTASHA		
DR. P. P. SHAH		
MR. P. N. DEVARRAJAN		
MR. R. P. CHHABRA	-	IDBI'S NOMINEE

AUDITORS

CHANDRAKANT & SEVANTILAL &
J. K. SHAH & COMPANY

BANKERS

UNION BANK OF INDIA
GLOBAL TRUST BANK LTD.
ANZ GRINDLAYS BANK
BANK OF INDIA
THE SARASWAT CO-OP. BANK LTD.
STATE BANK OF INDIA

REGISTERED OFFICE

Ramkrupa, 25, Parekh Street,
Prarthana Samaj, Mumbai - 400 004.

REGISTRAR & TRANSFER AGENT

MONDKAR COMPUTERS PVT. LTD.
Unit : Royal Cushion Vinyl Products Ltd.
21, Shakil Niwas, Mahakali Caves Road,
Andheri (East), Mumbai - 400 093.
Tel. : 822 1966 / 838 8035 / 838 5304
Fax : 836 9704

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ANNUAL REPORT 1996-97**NOTICE**

NOTICE is hereby given that the Annual General Meeting of the Members of **ROYAL CUSHION VINYL PRODUCTS LIMITED** will be held on Monday, 22nd September, 1997, at 10.00 a.m. at Babasaheb Dahanukar Sabhagriha of Maharashtra Chamber of Commerce Trust, Oricon House, 6th Floor, Rampart Row, 12 Kaikhushru Dubhash Marg, Mumbai - 400 001 to transact the following business :-

ORDINARY BUSINESS :

1. To receive and adopt the Profit & Loss Account for the year ended 31st March, 1997 and Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend for the financial year ended 31st March, 1997.
3. To appoint a Director in place of Mr. Deepak A. Motasha who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Jayesh A. Motasha who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass, with or without modifications, the following resolution as Ordinary resolution :

RESOLVED THAT Mr. P. N. Devarrajan, who was appointed as Additional Director of the Company by the Board of Directors at the Meeting held on 29th November, 1996, and who holds such office upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a Notice under Section 257 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company and that his period of office be liable to determination by retirement of Directors by rotation.

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

RESOLVED THAT in accordance with the provisions of Section 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be increased from Rs. 15,00,00,000/- (Rupees Fifteen Crores) to Rs. 30,00,00,000/- (Rupees Thirty

Crores) divided into 3,00,00,000 (Three Crores) equity shares of Rs. 10/- (Rupees Ten) Each.

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

RESOLVED THAT the existing Clause V of Memorandum of Association of the Company be and is hereby deleted and in its place and stead thereof, the following be and is hereby substituted as new Clause V relating to the Capital in the Memorandum of Association, namely,

V. The Authorised Share Capital of the Company shall be Rs. 30,00,00,000 (Rupees Thirty Crores) divided into 3,00,00,000 (Three crore) equity shares of Rs. 10/- each with powers to increase or reduce the same in shares of several classes permissible under the Act and to attach thereto respectively such preferential, qualified and special rights, privileges and conditions as may be determined under the provisions of law in force for time being and to vary, modify, abrogate and deal with any such rights, privileges and conditions in the manner provided in law, for the time being in force.

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

RESOLVED THAT in accordance with the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, existing Article No.4 of the Articles of Association of the Company be and is hereby deleted and in its place and stead thereof, the following be and is hereby substituted as new Article 4 in the Articles of Association, namely,

The Authorised Share Capital of the Company is Rs. 30,00,00,000/- (Rupees Thirty Crores) divided into 3,00,00,000 (Three Crore) Equity Shares of Rs.10/- (Rupees Ten) each.

BY ORDER OF THE BOARD

For ROYAL CUSHION VINYL PRODUCTS LTD.

VILAS P. UNAVANE
COMPANY SECRETARY

Place : Mumbai

Date : July 5, 1997.

Regd. Office :
Ramkrupa, 25 Parekh Street,
Prarthana Samaj,
MUMBAI - 400 004.

ROYAL CUSHION VINYL PRODUCTS LTD.**NOTES :**

a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. The instrument appointing a proxy and the power of attorney or other authority, if any under which it is signed or notarially certified copy of that power of attorney should be deposited at the Registered office of the Company not later than 48 hours before the time fixed for holding the Meeting.

b) The relative Explanatory Statement, pursuant to Section 173 of the Companies Act, 1956, in respect of the business under item No. 6,7,8 and 9 above, is annexed hereto.

c) The Register of Members and Transfer Books of the Company will be closed from 13th September, 1997 to 22nd September, 1997. (both days inclusive).

d) The dividend when sanctioned will be made payable on or after 22nd September, 1997 to those shareholders whose names appear on the Company's Register of Members on 22nd September, 1997.

e) Members are requested to notify immediately any change in their address to the Company's Registrar at Mondkar Computers Private Limited, 21, Shakil Niwas, Mahakali Caves Road, Andheri (East), Mumbai - 400 093, after quoting Ref. Folio No.

f) Member / Proxies should bring the attendance slip duly filled in for attending the Meeting.

ANNEXURE TO THE NOTICE

As required by section 173 of the Companies Act, 1956, the following Explanatory Statements set out material facts relating to the business mentioned under Item No. 6,7,8, and 9 of the accompanying Notice dated 5th July, 1997.

ITEM No 6.

Mr. P. N. Devarrajan was appointed as an Additional Director of the Company with effect from 29th November, 1996. Pursuant to Section 260 of the Companies Act, 1956, Mr. P. N. Devarrajan will hold office of Director upto the date of ensuing Annual General Meeting. The Company has received a Notice in writing from a Member proposing the candidature of Mr. P. N. Devarrajan for the office of Director under the provisions of Section 257 of the Companies Act, 1956.

In view of his considerable experience and expertise it will be in the interest of the Company that Mr. P. N. Devarrajan shall be appointed as the Director of the Company.

The Board recommend the above resolution for member's approval.

None of the Directors of the Company except Mr. P. N. Devarrajan is interested in this resolution.

ITEM NO 7,8 AND 9.

The present Authorised Share Capital of the Company is Rs. 15,00,00,000 (Rupees Fifteen Crores). It is proposed to increase the Authorised Share Capital to Rs. 30,00,00,000 (Rupees Thirty Crores). This increase is to provide for further issue of capital and / or securities and also to accomodate any further increase in the share capital that might be considered necessary. Consequent changes will be effected in the capital clause of the Memorandum of Association of the Company as also in the Articles of Association by alteration.

A copy of the Memorandum of Association of the Company together with the proposed amendments referred to above will be available for inspection by the Members of the Company at the Registered Office during normal business hours on any working day upto the date of this Annual General Meeting.

The Board recommends the above resolution for member's approval.

None of the Directors of the Company, is in any way, concerned or interested in the accompanying resolutions.

BY ORDER OF THE BOARD

For ROYAL CUSHION VINYL PRODUCTS LTD.

VILAS P. UNAVANE
COMPANY SECRETARY.

Place : Mumbai

Date : July 5, 1997.

Regd. Office :

Ramkrupa, 25 Parekh Street,
Prarthana Samaj,
Mumbai - 400 004.

ROYAL CUSHION VINYL PRODUCTS LTD.**OPERATIONS :**

The year 1996-97 posed challenges on account of investments in new units and certain changes in demand-pattern for CVF for Russia and CIS. Your Company recorded turnover of Rs. 5736.87 Lacs (Previous Year Rs. 6790.09 Lacs) earning Rs. 816.76 Lacs PBDIT (Previous Year Rs. 1354.21 Lacs). The Net Profit after tax earned during the year was Rs. 106.73 Lacs (Previous Year Rs. 980.25 Lacs).

During the year, the turnover of Rs. 5736.87 Lacs (Previous Year Rs. 6790.09 Lacs) and PBDIT of Rs. 816.74 Lacs (Previous Year Rs. 1354.21 Lacs) decreased due to changing demand pattern. The selling price of 2 mtr CVF was under pressure due to shift of consumers preference for 3-4 mtr. width CVF. European competitors also dumped their products in Russia and CIS. Moreover, during the year electricity tariff also witnessed hike by 20%. Frequent power cuts and low voltage supplies affected the continuous operations of PVC Calender Plants and the desired quality standard for international market. It also damaged Calender Rolls (very vital part for manufacturing PVC Film), due to malfunctioning of metal detector. Hence, operations from PVC Calender Unit reduced profitability during the year. The Net Profit of (after tax) Rs. 106.73 Lacs (Previous Year Rs.980.25 Lacs) was lower due to increase in depreciation and interest by about 144 % and 126 % respectively.

BUSINESS DEVELOPMENT & PROSPECTS :

Above difficulties are now history. Projects are now complete and have started production. Your Company, after successful implementation of new units, can now offer broader range of CVFs, Calender Floorings, PVC Films - both Rigid and Flexible. The performance of Q1 was quite encouraging enough to set ambitious target of Rs. 180 Crores turnover for the year 1997-98. Your Company has also taken corrective steps to avoid recurrence of frequent power cuts and low voltage supplies by deploying additional D. G. Sets. Research and Development process is also further strengthened to introduce value added products. Your Company is now rapidly spreading its marketing and distribution network in the Western continent and also revising strategy for Russia and CIS.

AMALGAMATION :

Amalgamation of Royal Vinyls Limited with your Company was accomplished on 29-02-96. The drawn up Order of Hon'ble High Court of Mumbai was filed with Registrar of Companies, Mumbai, Maharashtra, on 05.08.96. Your Company, pursuant to the amalgamation effective 01st April, 1994 has issued 7,212 equity shares of Rs. 10/- each to the shareholders of Royal Vinyls Limited.

CONVERSION OF DEBENTURES :

The Company had issued 4,02,000 Zero interest FCDs of Rs.100/- each for cash at par aggregating Rs. 4,02,00,000 in July 1995 which became due for conversion after 17 months from the date of allotment, i.e. on 28th December, 1996 and as such our share capital increased from Rs.804.00 lacs to Rs. 1206.00 lacs.

PROJECTIONS VERSUS PERFORMANCE :

The comparative statement against projections given in the Rights offer for FCDs dated 24th March, 1995 is as under :

	Projected Profitability Statement for <u>1996-97</u>	(Rs. in Lacs) Actual Profitability Statement for <u>1995-96</u>
Total Income	21801	6687
EBDIT	7429	817
PAT	4943	107
EPS	47.64	0.88

Reasons : - Delay in commissioning of new units.

- Changes in demand pattern in Russia and CIS.

ANNUAL REPORT 1996-97**SUBSIDIARY :**

Your Company acquired M/s. Euroroyal Flor Ltd., (ERF) UK, as its wholly owned subsidiary. This will boost the exports in the UK and neighbouring countries. Your Company will gain immensely from ERF's distribution network and warehousing facilities. The response time to dealers, retailers and direct customers shall also be substantially reduced. The accounts of ERF are also annexed herewith separately, as required U/S. 212 of the Companies Act, 1956.

DIRECTORS :

Mr. Deepak A. Motasha and Mr. Jayesh A. Motasha, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. P. N. Devrajan was appointed as Additional Director of the Company by the Board of Directors at the Meeting held on 29th November, 1996 and holds such office upto the date of this forthcoming Annual General Meeting. He is proposed to be appointed as a Director of the Company in the forthcoming Annual General Meeting and his period of office shall be liable to determination by retirement by rotation.

AUDITORS REPORT :

The Auditors in their report stated that we have not made provision for diminution in value of investment and have treated foreign office expenses as deferred revenue expenditure. The explanation for the same is as per note to accounts in Schedule "W".

STATUTORY INFORMATION :

The information required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of the Employees) Rules, 1975, as amended, is as per Annexure I attached to the report.

The particulars of energy conservation, technology absorption and foreign exchange earning and outgo, as applicable to the Company are as per Annexure II attached to this report.

INDUSTRIAL RELATIONS :

Cordial industrial relations continued to prevail during the year.

INSURANCE :

All the properties including building, plant and machineries, stocks etc., have been adequately insured.

AUDITORS :

M/s. Chandrakant & Sevantilal & J. K. Shah & Co., Statutory Auditors, retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

ACKNOWLEDGEMENT :

The Board express their appreciation to all the employees for their devoted efforts. Your Company also acknowledge with gratitude the continuous support extended by Consortium Banks, Industrial Development Bank of India, BHF Bank, Germany and business associates.

For and on behalf of the Board of Directors.

MAHESH K. SHAH
MANAGING DIRECTOR

JAYESH A. MOTASHA
DIRECTOR

Mumbai, the 5th July, 1997.

Regd. Office :
Ramkrupa, 25, Parekh Street,
Prarthana Samaj,
Mumbai - 400 004.

ROYAL CUSHION VINYL PRODUCTS LTD.**ANNEXURE - I TO THE DIRECTORS' REPORT**

Statement showing particulars of the employees of the company as required under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the report of the Board of Directors for the year ended 31st, March, 1997.

Employed through out the year and in receipt of remuneration not less than Rs. 3,00,000/- p.a.

Sr. No.	Name of the Employees	Age (Years)	Qualification	Experience	Designation	Date of Joining	Remuneration (Rs)	Particulars of Previous Employment
1.	Mr. Mahesh K. Shah	47	MSc.	24	Managing Director	21-11-83	734836.00	-
2.	Mr. Vinod K. Shah	45	B.E.(Elect)	22	Executive Director	21-11-83	746034.00	-
3.	Mr. Mukesh A. Motasha	42	D.M.T.C	19	Executive Director	21-11-83	646883.00	-

Employed for part of the year & in receipt of remuneration not less than Rs. 25000/- p.m.

4.	Mr. B. P. Bhoider	52	B.Sc (Hons) B.Tech	28	Sr. Vice President (Operation)	20-11-83	162776.00	Finolex Cables Ltd.
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1. Remuneration as shown above includes Salary, Company's contribution to P. F., Bonus and Other perquisites as per Income Tax Act, 1961. This does not include encashment of privileged leave and gratuity.
2. The nature of employment is contractual except in case of Sr. No. 4.
3. The persons mentioned at serial no. 1 & 2 are Directors and related as brothers.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

MAHESH K. SHAH
MANAGING DIRECTOR

JAYESH A. MOTASHA
DIRECTOR

Mumbai, the 5th July, 1997.

Regd. Office :
Ramkrupa, 25, Parekh Street,
Prarthana Samaj,
Mumbai - 400 004.

ANNUAL REPORT 1996-97**ANNEXURE - II TO THE DIRECTORS' REPORT****PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO.****1. CONSERVATION OF ENERGY.****a) ENERGY CONSERVATION MEASURES TAKEN :**

- i) Power factor of 2 mtr. width calender unit was 0.50 to 0.60 and by adding new capacitors it has gone upto 0.91 to 0.94.
- ii) Modulation of Boiler's unit was not working efficiently, which has been rectified.
- iii) Work of interconnecting thermic fluid heaters, to maximise utilisation, is in progress.
- iv) Detailed energy audit through ERDA is planned for the current year.
- v) We will be forming Energy Conservation Committee, shortly.

b) ADDITIONAL INVESTMENT AND PROPOSAL IF ANY BEING IMPLEMENTED FOR REDUCTION OF CONSUMPTION OF ENERGY :

- i) Incinerator is installed to incinerate volatile organic compounds emitted from the process and by way of combustion the energy generated, is used for Thermax Fluid heating.
- ii) Vapour Absorption Machines (VAM) for chilling consumers, lowers energy in comparison to conventional compressor system which is used for chilling. Further this is CFC free and hence environmentally friendly.

2) TECHNOLOGY ABSORPTION :**a) SPECIFIC AREAS IN WHICH R & D WAS CARRIED OUT BY THE COMPANY.**

- i) New, low weight and thickness, cushion vinyl flooring is developed.
- ii) Jute based products developed to substitute partially conventional plastic raw material.
- iii) Heavy duty compact calendered flooring developed for export market.
- iv) Import substitutes for raw material and pigments are developed.

b) BENEFITS DERIVED AS A RESULT OF ABOVE :

- i) Increased product mix of flooring.
- ii) Substantial cost reduction in some products groups.
- iii) Improved quality and productivity.
- iv) The Company has not imported any technology during the year under review.

c) FUTURE PLANS FOR ACTION :

- i) Developing substitutes for imported raw materials.
- ii) Cost reduction by way of development of lower thickness flooring.
- iii) Productivity enhancement by consolidation of various activities, i. e., process reengineering, value addition and automation to mechanisation in labour intensive areas.