



ROYAL CUSHION VINYL PRODUCTS LTD.

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ANNUAL REPORT 1998-99

ANNUAL REPORT 1998-99**ROYAL CUSHION VINYL PRODUCTS LTD.****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
DR. P. P. SHAH		
MR. A. V. MOTASHA		
MR. D. A. MOTASHA		
MR. J. A. MOTASHA		
MR. P. N. DEVARAJAN		

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.

REGISTERED OFFICE

503-A, Sai Chhaya Building
5th Floor, Akurli Road,
Kandivli (East),
Mumbai - 400 101.

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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ROYAL CUSHION VINYL PRODUCTS LTD.**NOTICE**

NOTICE is hereby given that the Annual General Meeting of the Members of **ROYAL CUSHION VINYL PRODUCTS LIMITED** will be held on Saturday, 25th September, 1999 at Babasaheb Dahanukar Sabhagriha of Maharashtra Chamber of Commerce Trust, 6th Floor, Orion House, 12 K. Dubhash Marg, Mumbai - 400 023 at 11.00 a.m., to transact the following business :-

ORDINARY BUSINESS :

1. To receive and adopt the Profit & Loss Account for the year ended 31st March, 1999 and Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Deepak A. Motasha who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. Jayesh A. Motasha who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. P. N. Devarajan who retires by rotation and is eligible 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 at such remuneration plus out of pocket expenses as may be agreed between the Board of Directors and the Auditors.

SPECIAL BUSINESS :

6. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT in accordance with the provisions of Sections 198, 269 and 309, 310, 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 ("the act"), the Company hereby approves the re-appointment of Mr. Mahesh K. Shah as Managing Director of the Company for a period of 5 (Five) Years commencing from 1st April, 2000 as per the terms and conditions including remuneration as set out in the draft agreement submitted to this Meeting and signed by the Chairman for the purpose of identification, which Agreement is hereby specifically sanctioned with liberty to the Board to alter and vary the terms and conditions of the said appointment and / or Agreement, as may be agreed between the Board and Mr. Mahesh K. Shah or as may be agreed to by the General Meeting, but so as not to exceed the limits, if any, specified in Schedule XIII to the Companies Act, 1956, or any amendments thereto.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to make suitable alterations / modifications and / or upward revision in the above remuneration and terms of the agreement, in the event of any modifications / amendments, if any that may be effected in Schedule XIII or such other schedule / guidelines / provisions as may be applicable of the Act, subject to the modifications so made or amended, equate and / or fall within the limits as may be prescribed under Schedule XIII or such other applicable schedule / guidelines / provisions of the Act, as may be applicable".

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to take such steps and do all such acts, deeds, matters and things as may be necessary, expedient or desirable to give effect to the above resolution".

7. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT in accordance with the provisions of Sections 198, 269 and 309, 310, 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 ("the act"), the Company hereby approves the re-appointment of Mr. Vinod K. Shah as Executive Director of the Company for a period of 5 (Five) Years commencing from 1st April, 2000 as per the terms and conditions including remuneration as set out in the draft

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agreement submitted to this Meeting and signed by the Chairman for the purpose of identification, which Agreement is hereby specifically sanctioned with liberty to the Board to alter and vary the terms and conditions of the said appointment and / or Agreement, as may be agreed between the Board and Mr. Vinod K. Shah or as may be agreed to by the General Meeting, but so as not to exceed the limits, if any, specified in Schedule XIII to the Companies Act, 1956, or any amendments thereto.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to make suitable alterations / modifications and / or upward revision in the above remuneration and terms of the agreement, in the event of any modifications / amendments, if any that may be effected in Schedule XIII or such other schedule / guidelines / provisions as may be applicable of the Act, subject to the modifications so made or amended, equate and / or fall within the limits as may be prescribed under Schedule XIII or such other applicable schedule / guidelines / provisions of the Act, as may be applicable”.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to take such steps and do all such acts, deeds, matters and things as may be necessary, expedient or desirable to give effect to the above resolution”.

8. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

“RESOLVED THAT in accordance with the provisions of Sections 198, 269 and 309, 310 & 311 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (“the act”), the Company hereby approves the re-appointment of Mr. Mukesh A. Motasha as Executive Director of the Company for a period of 5 (Five) Years commencing from 1st April, 2000 as per the terms and conditions including remuneration as set out in the draft agreement submitted to this Meeting and signed by the Chairman for the purpose of identification, which Agreement is hereby specifically sanctioned with liberty to the Board to alter and vary the terms and conditions of the said appointment and / or Agreement, as may be agreed between the Board and Mr. Mukesh A. Motasha or as may be agreed to by the General Meeting, but so as not to exceed the limits, if any, specified in Schedule XIII to the Companies Act, 1956, or any amendments thereto.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to make suitable alterations / modifications and / or upward revision in the above remuneration and terms of the agreement, in the event of any modifications / amendments, if any that may be effected in Schedule XIII or such other schedule / guidelines / provisions as may be applicable of the Act, subject to the modifications so made or amended, equate and / or fall within the limits as may be prescribed under Schedule XIII or such other applicable schedule / guidelines / provisions of the Act, as may be applicable”.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to take such steps and do all such acts, deeds, matters and things as may be necessary, expedient or desirable to give effect to the above resolution”.

Registered Office :
503-A, Sai Chhaya Building
5th Floor, Akurli Road,
Kandivli (East),
Mumbai - 400 101.
Date : August 19, 1999.

BY ORDER OF THE BOARD
For **ROYAL CUSHION VINYL PRODUCTS LTD.**

VILAS P. UNAVANE
COMPANY SECRETARY.

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(2) of the Companies Act, 1956 in respect of the business under item nos. 6 and 7 & 8 set out above is annexed hereto.
- c) The Register of Members and Transfer Books of the Company will be closed from 20th September, 1999 to 25th September, 1999 (both days inclusive).
- d) Members are requested to notify and 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.
- e) Member / Proxies should bring the attendance slip duly filled in alongwith the Annual Report for attending the Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. : 6

The present term of Mr. Mahesh K. Shah, as the Managing Director of the Company, expires on 31st March, 2000. The Board of Directors at their meeting held on 19th August, 1999, considered and approved re-appointment of Mr. Mahesh K. Shah as Managing Director of the Company for a further period of 5 (Five) years commencing from 1st April, 2000, pursuant to the provisions of Section 198, 269 and 309 and other applicable provisions of and subject to the limits of Schedule XIII to the Companies Act, 1956.

In accordance with the resolution passed by the Board of Directors of the Company at its meeting held on 19th August, 1999, an agreement will be entered into between the Company and Mr. Mahesh K. Shah for the re-appointment of Mr. Mahesh K. Shah as the Managing Director of the Company and the terms and conditions thereof and details of remuneration payable to him.

Mr. Mahesh K. Shah is one of the promoters of the Company and managing the Company since its inception. He is playing a prominent role in the Company's future endeavors and activities. The Board of Directors consider that services of Mr. Mahesh K. Shah as Managing Director will be useful to the Company.

As per Schedule XIII to the Companies Act, 1956, the re-appointment of and the remuneration (same as per concluding term) payable to Mr. Mahesh K. Shah, require approval of the Members of the Company.

The terms and conditions of the Agreement referred to in the resolution of the accompanying notice are as under :

1. Period : 5 (Five) years commencing from 1st April, 2000.
2. Remuneration :
 - a) Salary : Rs.37,500/- per month in the scale of Rs.37,500 - 3000 - 52,500.
 - b) Perquisites in addition to salary payable to him.
 - i) Mr. Mahesh K. Shah shall be entitled to perquisites like accommodation (furnished or otherwise) or House Rent Allowance in lieu thereof with house maintenance allowance together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishing, repairs, use of car and telephone at residence, provident fund and superannuation fund and gratuity, medical allowance, medical reimbursement,

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leave travel conveyance for himself and his family, club fees, medical insurance and such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors and the concerned Director, such perquisites to be restricted to an overall limit of 125% of the annual salary payable to him.

For the purpose of calculating the above ceiling perquisites shall be evaluated as per the Income Tax Rules wherever applicable. In the absence of any such rule perquisites shall be calculated at the actual cost in the Company and shall not include the reimbursement of expenses incurred by Mr. Mahesh K. Shah for official purpose and expenses incurred by the Company for and on account of official purpose i.e. to enable Mr. Mahesh K. Shah to discharge his official duties.

Annual increment will be effective from April 1, 2001 and so on for subsequent years. The additional annual increment (s) will be considered by the Board on merit at its absolute discretion.

c) Minimum Remuneration :

In the event of absence or inadequacy of net profit in any financial year, the remuneration payable to Mr. Mahesh K. Shah, Managing Director, shall be governed by Section II of Part II of Schedule XIII to the Companies Act, 1956 or any statutory modification thereof.

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

The above remuneration is and shall always be within the ceiling laid down in Section 198, 269, 309, 310 and 311 read with Schedule XIII to the Companies Act, 1956, as modified from time to time.

The agreement can be renewed by further 5 (Five) years, with mutual consent and can be modified as may be approved by the Board from time to time, within the provisions of the Companies Act, 1956 or other applicable statute.

This agreement is terminable at any time by either party, by giving to the other party six month's notice of such termination without assigning any reason and neither party will have any claim against the other for damages or compensation by reason of such termination. In any event the Managing Director shall not be entitled to any compensation in cases mentioned in Section 318(3) of the Companies Act, 1956.

For the reasons stated above, the terms of appointment and remuneration specified above are now being placed, before the Shareholders for their approval.

Except Mr. Mahesh K. Shah and Mr. Vinod K. Shah (relative of Mr. Mahesh K. Shah), none of the other Directors shall be deemed to be concerned or interested in the resolution.

The draft Agreement between the Company and Mr. Mahesh K. Shah is available for inspection by the Members of the Company at its Registered Office between 11.00 a.m and 1.00 p.m on any working days (except Saturday) of the Company.

This may be treated as an abstract under Section 302 of the Act of the terms of the appointment and remuneration payable to the Managing Director with effect from 1st April, 2000.

Item No. : 7 & 8

The present terms of Mr. Vinod K. Shah and Mr. Mukesh A. Motasha, as the Executive Directors of the Company, expires on 31st March, 2000. The Board of Directors at their meeting held on 19th August, 1999, considered and approved re-appointment of Mr. Vinod K. Shah and Mr. Mukesh A. Motasha as Executive Directors of the Company for a further period of 5 (Five) years commencing from 1st April, 2000, pursuant to the provisions of Section 198, 269 and 309 and other applicable provisions of and subject to the limits of Schedule XIII to the Companies Act, 1956.

ROYAL CUSHION VINYL PRODUCTS LTD.

In accordance with the resolution passed by the Board of Directors of the Company at its meeting held on 19th August, 1999, agreements will be entered into between the Company and Mr. Vinod K. Shah as well as Mr. Mukesh A. Motasha, for re-appointment of Mr. Vinod K. Shah and Mr. Mukesh A. Motasha as Executive Directors of the Company and the terms and conditions thereof and details of remuneration payable to them.

Mr. Vinod K. Shah and Mr. Mukesh A. Motasha are one of the promoters of the Company managing the Company since its inception. They are playing a prominent role in the Company's technical and international marketing activities, respectively. The Board of Directors consider that services of Mr. Vinod K. Shah and Mr. Mukesh A. Motasha as Executive Directors will be useful to the Company.

As per Schedule XIII to the Companies Act, 1956, the re-appointment of and the remuneration (same as concluding term) payable to Mr. Vinod K. Shah and Mr. Mukesh A. Motasha require approval of the Members of the Company.

The terms and conditions of the Agreements referred to in the resolution of the accompanying notice are as under :

- a) Period : 5 (Five) years commencing from 1st April, 2000.
 - b) Remuneration (payable to each of them) :
 - Salary : Rs.37,000/- per month in the scale of Rs.37,000 - 3000 - 52,000.
 - Perquisites in addition to salary payable to each of them.
 - i) Executive Directors shall be entitled to perquisites like accommodation (furnished or otherwise) or House Rent Allowance in lieu thereof with house maintenance allowance together with reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishing, repairs, use of car and telephone at residence, provident fund and superannuation fund and gratuity, medical allowance, medical reimbursement, leave travel conveyance for himself and his family, club fees, medical insurance and such other perquisites and allowances in accordance with the rules of the Company or as may be agreed to by the Board of Directors and the concerned Director, such perquisites to be restricted to an overall limit of 125% of the annual salary payable to each of them.
- For the purpose of calculating the above ceiling perquisites shall be evaluated as per the Income Tax Rules wherever applicable. In the absence of any such rule perquisites shall be calculated at the actual cost in the Company and shall not include the reimbursement of expenses incurred by Executive Directors for official purpose and expenses incurred by the Company for and on account of official purpose i.e. to enable Executive Directors to discharge their official duties.
- Annual increment will be effective from April 1, 2001 and so on for subsequent years. The additional annual increment (s) will be considered by the Board on merit at its absolute discretion.

c) **Minimum Remuneration :**

In the event of absence or inadequacy of net profit in any financial year, the remuneration payable to Executive Directors, shall be governed by Section II of Part II of Schedule XIII to the Companies Act, 1956 or any statutory modification thereof.

The above remuneration is and shall always be within the ceiling laid down in Section 198, 269, 309, 310 and 311 read with Schedule XIII to the Companies Act, 1956, as modified from time to time.

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

The agreement can be renewed by further 5 (Five) years, with mutual consent and can be modified as may be approved by the Board from time to time, within the provisions of the

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Companies Act, 1956 or other applicable statute.

This agreement is terminable at any time by either party, by giving to the other party six month's notice of such termination without assigning any reason and neither party will have any claim against the other for damages or compensation by reason of such termination. In any event the Executive Directors shall not be entitled to any compensation in cases mentioned in Section 318(3) of the Companies Act, 1956.

For the reasons stated above, the terms of appointment and remuneration specified above are now being placed, before the Shareholders for their approval.

Mr. Vinod K. Shah and Mr. Mukesh A. Motasha being Directors of the Company are concerned or interested in the proposed respective resolution to the extent of the remuneration payable to each of them.

Mr. Mahesh K. Shah (Managing Director) relative of Mr. Vinod K. Shah, Mr. Deepak A. Motasha (Director) and Mr. Jayesh A. Motasha (Director) relatives of Mr. Mukesh A. Motasha are concerned or interested in the proposed resolution.

The draft Agreement to be entered into by the Company with Mr. Vinod K. Shah & Mr. Mukesh A. Motasha are available for inspection by the Members of the Company at its Registered Office between 11.00 a.m and 1.00 p.m on any working days (except Saturday) of the Company.

This may be treated as an abstract under Section 302 of the Act of the terms of the appointment and remuneration payable to the Executive Directors with effect from 1st April, 2000.

Registered Office :
503-A, Sai Chhaya Building
5th Floor, Akurli Road,
Kandivli (East),
Mumbai - 400 101.
Date : August 19, 1999.

BY ORDER OF THE BOARD
For **ROYAL CUSHION VINYL PRODUCTS LTD.**

VILAS P. UNAVANE
COMPANY SECRETARY.

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ROYAL CUSHION VINYL PRODUCTS LTD.**DIRECTORS' REPORT****TO THE MEMBERS OF ROYAL CUSHION VINYL PRODUCTS LIMITED**

Dear Shareholders,

The Directors of your Company present herewith their Report together with Audited Accounts of the Company for the year ended 31st March, 1999.

FINANCIAL RESULTS :

	Current year ended 31.3.1999	(Rs. in Lacs) Previous year ended 31.3.1998
Sales and other income (after changes in stocks)	5254.72	8971.74
Profit / (Loss) before interest and depreciation.	(621.36)	* 630.15
Less : Interest	1741.41	* 1165.40
Depreciation	464.14	* 270.64
Preliminary Expenses W. Off	0.40	0.40
Profit before Tax	(2827.31)	(806.29)
Provision for taxation	1.25	—
Net Profit / (Loss) after taxation	(2828.56)	(806.29)
Prior Year's expenses	103.28	5.53
Income-Tax for earlier years	3.27	83.30
Dividend Written Back	90.83	—
Income Tax on Dividend Written Back	9.08	—
Adjusted to General Reserve	2148.14	—
Bal. Brought forward from previous year	67.21	962.34
Balance carried forward to Balance Sheet	(619.85)	67.21

* - Previous year net of capitalisation.

OPERATIONS :

During the year under review, the Company achieved sales of Rs. 5242.62 Lacs (previous year Rs. 9115.88 Lacs). However, the Company incurred a loss of Rs.2828.56 Lacs as against a loss of Rs.806.29 Lacs in the previous year. The performance of the Company during the year under review was severely affected, mainly due to non-availability of the benefits of expansion (which was undertaken earlier) on account of turbulent market conditions, particularly in the Russian Sector on which the Company had heavy dependence, delay in product stabilisation and technical breakdowns.

The Company installed and, commissioned new machineries, imported from Germany, for producing 3-4 Mtr. Cushion Vinyl Flooring (CVF) at Garadhia. Various deficiencies were noticed in certain machineries and were intimated to the supplier accordingly. Due to delay in rectification / improvement in production process, your Company suffered higher level of rejection, increase in Raw Material consumption and sub-optimum productivity. The consequent impact is lower capacity utilisation, cash loss in operation, higher finance cost and liquidity crunch. The Company has taken appropriate steps to achieve optimum level of production with desired quality during the coming period.

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A major portion of Sundry Debtors over six months is due from Euroroyal Flor Ltd., (ERF), U.K, the subsidiary of your Company. However, the ERF's receivables are mainly from the the customers in CIS countries. The recovery process is sluggish due to economic upheavels and general recession in the CIS countries and quality-claims due to technical problems, by those customers. Your Company is making concerted efforts alongwith ERF to expedite recovery and resolve the issues within the legal framework. Your Company shall approach Reserve Bank of India for necessary approvals accordingly.

Your Company has undertaken the following steps :

(a) **Financial Re-structuring** : Your Company is pursuing financial re-structuring viz., deferment of term loan with Institutions and Banks, credit control, synergising production process and optimising cost benefits :

- (i) Your Company's bankers providing working capital support are continuing their support by re-structuring their finances by extending Working Capital Term Loans during this financial year. This step was laudable and paved way for the reduction in interest costs which the Company hitherto was paying to them.

Bank of India which had provided Foreign Currency Term Loan of US\$ 3 Million equivalent have rescheduled their repayment terms.

- (ii) Your Company have been pursuing with Financial Institute for financial support in a suitable manner.
- (iii) The Company is vigorously pursuing enterprise-wide cost reduction exercise. Already significant results have been achieved in the areas of employees and administration expenses.

(b) **Marketing** :

- (i) **Change in Marketing Strategy** : In the beginning, it was necessary to enter the export market through stock and sale arrangement so that the products were readily available. As the products have since been established, there have been changes in Marketing Strategy. Exclusive agreements with leading distributors throughout Europe have been signed. The terms of repayment are L/C or CAD. This has led to improvement in working capital cycle.

- (ii) **New Market development and improvement in the existing market** :

New markets have been developed in this financial year viz, Ireland, Hungary, Dubai, Mauritius, Zambia and Tanzania. Notwithstanding the development of new market, your Company have improved its export sales in the existing market other than Russia. Significant improvements have taken place in the markets of France, Germany, Holland, Kenya and Sudan.

This would, in the long run, reduce the Company's dependence on the Russian market.

(c) **Technical**

New product development -Your Company have developed new products of various specialised flooring in India like, Printed Commercial Flooring, Plaza, Anti-static and introduction of jointless flooring of CVF in 3-4 mtr range. The benefits of such development should accrue to your Company over the coming years.

(d) **Long-term outlook and prospects.**

Your Directors are continuing to explore the possibility of Joint Venture/ Strategic Alliance with world known leaders, during the financial year.

Your Directors are taking steps for further re-structuring of the Company's operations, to bring in vitality to the Company's finances.