



ROYAL CUSHION VINYL PRODUCTS LTD.

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**ANNUAL REPORT
2000 - 2001**

ROYAL CUSHION VINYL PRODUCTS LTD.**ROYAL CUSHION VINYL PRODUCTS LTD.****BOARD OF DIRECTORS**

MR. D. M. POPAT	- CHAIRMAN	(Resigned w.e.f. 5.11.2001)
MR. M. K. SHAH	- MANAGING DIRECTOR	
MR. V. K. SHAH	- EXECUTIVE DIRECTOR	
MR. A. V. MOTASHA		
MR. D. A. MOTASHA		
MR. M. A. MOTASHA	- EXECUTIVE DIRECTOR	
MR. J. A. MOTASHA		
DR. P. P. SHAH		(Resigned w.e.f. 10.11.2001)
MR. V. K. SREEDHARAN	- NOMINEE I.D.B.I.	

AUDITORS

CHANDRAKANT & SEVENTILAL &
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

CONTENTS

Notice	1
Directors' Report	2
Auditors' Report	9
Balance Sheet	12
Profit & Loss Account	13
Schedules to Balance Sheet	14
Schedules to Profit & Loss Account	19
Notes to Accounts	22
Cash Flow Statement	27
Balance Sheet Abstract	29
Annual Report - Euroroyal Flor Ltd.	30

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 Monday, 31st December, 2001 at the Corporate Head Quarters of the Company at Akurli Road, Kandivli (East), Mumbai 400 101 at 11.00 a.m. to transact the following business: -

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March, 2001 and the Balance Sheet as at that date along with 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 being eligible offers himself for re-appointment.
3. To appoint a Director in place of Dr. P.P. Shah who retires by rotation and being eligible offers himself for re-appointment.
4. 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.

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

ASHWIN SHAH
COMPANY SECRETARY

Registered Office:
503-A, Sai Chhaya Building,
5th Floor, Akurli Road,
Kandivli (East),
Mumbai 400 101
Date: 27th October, 2001

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 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 Register of Members and Transfer Books of the Company will be closed from 27th December, 2001 to 31st December, 2001 (both days inclusive).
- c. 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.
- d. Member / Proxies should bring the attendance slip duly filled in alongwith the Annual Report for attending the Meeting.

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

ASHWIN SHAH
COMPANY SECRETARY

Registered Office:
503-A, Sai Chhaya Building,
5th Floor, Akurli Road,
Kandivli (East),
Mumbai 400 101
Date: 27th October, 2001

ANNUAL REPORT 2000-2001**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, 2001.

FINANCIAL RESULTS:

	Current year Ended 31.03.2001	(Rs.in Lacs) Previous year Ended 31.03.2000
Sales and other income	3058.76	4605.74
(after changes in stocks)		
Profit / (Loss) before interest and depreciation	(1552.03)	(4720.49)
Less: Finance Cost	1794.07	1699.62
Depreciation	803.27	778.84
Preliminary Expenses W. Off	0.40	0.40
Profit / (Loss) before tax	(4149.38)	(7514.27)
Provision for taxation (Wealth Tax)	0.85	0.61
Net Profit / (Loss) after taxation	(4150.23)	(7514.88)
Prior year's expenses	151.96	754.01
Income-tax for earlier years	0.41	(5.46)
Bal. Brought forward from previous year	(8883.28)	(619.85)
Balance carried forward to Balance Sheet	(13185.87)	(8883.28)

DIVIDEND

In view of the loss, the Board of Directors is unable to recommend any dividend for the year 2000-2001.

OPERATIONS

There was a steep fall in production mainly due to non-availability of funds in time despite good order position. Sales for the current year was Rs.29.81 Crores compared to Rs.52.30 Crores in the last year. The Company could not achieve desired level of operations and profitability mainly due to cash crunch and non-availability of Bank finance.

FINANCE AND OTHER OVERHEADS:

During the major part of the year under review, the Company had to run its operation entirely out of internal accruals. Measures adopted by the Company to bring down its fixed overheads by rationalising and streamlining its operations resulted in cost saving to great extent.

REGISTRATION AND STATUS OF BIFR:

During the year under review, the Company had made an application to Board for Industrial and Financial Reconstruction (BIFR) under Section 15(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) in view of the accumulated losses which at the end of the Financial year 1999-2000 exceeded the entire net worth of the Company.

ROYAL CUSHION VINYL PRODUCTS LTD.

BIFR as per their letter dated 14th June, 2000 has registered the reference made by the Company. At proceedings of the hearing held on 17th January, 2001 before BIFR Bench – II, New Delhi, the Honourable Bench appointed IDBI as the Operating Agency u/s 16(2) of SICA to look into the objections raised by the Banks and Financial Institutions.

IDBI vide their letter dated 5th March, 2001 appointed M/s Parekh Shah & Lodha, Chartered Accountants firm for conducting Special Investigative Audit (SIA) of the Company. The said firm submitted their report to IDBI on 12th May, 2001. Based on the said report of SIA, IDBI has communicated to BIFR, the Company and all other secured creditors that the Company satisfies the criteria for qualifying as a sick unit under SICA.

The Company is awaiting for a decision from BIFR.

PROSPECTS

Based on the recommendations, the Company will make a Revival Package as soon as BIFR procedure is over. This however needs to be expeditiously finalised and implemented at all levels. The promoters are committed to put in their all out efforts for rehabilitation and turnaround of the Company, which they feel would be possible if concerted and all round efforts are put in with the assistance of all the concerned.

The performance of the Company for the current year i.e. 2001-2002 is quite encouraging. With continuous and sustained growth of over 50% every year would definitely help revive the Company within a short span.

Production and Sales figures for the first six months are 4007 MTs and Rs.1968.29 Lacs respectively as compared to the figures of the same period in previous year i.e. Production 2734 MTs and Sales Rs.1362.48. The Company's product 'Patterns' is well accepted in domestic market. The Company is planning to achieve a total production of about 9000 Mts for the year 2001-2002.

SUBSIDIARY

The statements and particulars relating to the Company's subsidiary, namely, M/s Euroroyal Flor Ltd. (ERF), pursuant to Section 212 of the Companies Act, 1956 are attached as Annexure - I.

After the year under review, one of the Creditor of ERF had filed a winding-up petition with the High Court of Justice, Chancery Division. The said Court on 11th June, 2001 made a Winding up Order against ERF. At present ERF is under liquidation.

EXTENSION FOR HOLDING ANNUAL GENERAL MEETING

The Company was required to hold Annual General Meeting (AGM) on or before 29.09.2001 but due to Winding-up Order of High Court of Justice Chancery Division, U.K, the finalisation of Audited Accounts of ERF was delayed and that the same were not forthcoming in time to enable the Company to attach the same with its Director's Report. This would have resulted in violations of certain provisions of the Companies Act, 1956 including Sections 212 & 217.

In view of above position, the Company had made an application to the Registrar of Companies, Maharashtra (ROC) seeking an extension for holding AGM. ROC vide its letter dated 31st August, 2001 granted an extension to hold AGM on or before 31st December, 2001.

LOSS CLAIM FROM HERBERT OLBRICH

The Company had placed an order for production line equipment for manufacture of 3 - 4 metre width Cushion Vinyl Flooring Line with Herbert Olbrich, Germany (HO). As per the order, HO was to supply, erect and commission the equipment.

There was a considerable delay in actual installation and that too with numerous problems. Due to these problems, the commercial production of the 4-metre line commenced in January 1997 instead of the earlier estimate of June 1996. Thereafter also, the actual qualitative production on this line was much lower than the projected. Further, even the production that was actually achieved resulted into various types of losses because of the defective equipment causing a grave damage to the finances of the Company as well as its reputation.

The Company did not lodge a legal claim earlier since it hoped that HO would co-operate with it and carry out the repairs to the

ANNUAL REPORT 2000-2001

equipment/replace the defective equipment. Even HO initially gave an indication that it accepted that the problems were due to its own mistakes. However, around January, 2000, HO suddenly took a rigid stand and refused to co-operate with RCVP. In view of the attitude of HO, the Company is now contemplating a legal action against HO for direct and consequential losses suffered by the Company, which may run into a substantial amount.

DIRECTORS:

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

Your Directors recommend their reappointment.

Industrial Development Bank of India (IDBI) vide its letter dated 16th July, 2001 appointed Shri V.K. Sreedharan as a Nominee Director on the Board of the Company.

AUDIT COMMITTEE

The Audit Committee of the Directors, as required under Section 292A of the Companies Act, 1956 has been constituted. The Committee consists of three non-executive Directors viz. Mr. Jayesh A. Motasha, Mr. Arvind V. Motasha and Mr. Deepak A. Motasha.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) That in the preparation of the accounts for the financial year ended 31st March, 2001, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in
- (iv) That the Directors had prepared the accounts for the financial year ended 31st March, 2001 on a going concern basis.

AUDITORS AND AUDITORS' REPORT

M/s. Chandrakant & Sevantilal & J.K. Shah & Co., Chartered Accountants, will retire as Auditors at the ensuing Annual General Meeting and are eligible for re-appointment.

In respect of qualifications in the Annexure to the Auditor's Report, the management has to comment as follows:

Note No.9 The Company will take necessary steps for recovery of the amount involved in due course of time.

Note No.15 The most important area for control and supervision is consumption of raw material considering the percentage the same constitute to the total sales. The Management is of the opinion that at present primary focus should be on cost relating to raw material and its consumption and that the internal audit can be extended to other areas in due course of time after strengthening the present scope of area.

Note No.17 Due to acute financial problems faced during the interim period of the year under review, there were defaults and delays in depositing dues relating to Provident Fund and Employee State Insurance. However, care is taken during the current year to avoid such defaults and delays.

Rest part of the Auditor's Report is self-explanatory and therefore, does not call for any further comments.

ROYAL CUSHION VINYL PRODUCTS LTD.



STATUTORY INFORMATION:

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 the report.

Information required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are not annexed as none of the employee is drawing above the ceiling limit specified in the said Rule as amended.

INDUSTRIAL RELATIONS:

The Company has cordial industrial relations at all levels during the year under review.

INSURANCE

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

ACKNOWLEDGEMENT

The Directors wish to place on record their appreciation for the co-operation and support received from Financial Institutions, Banks, BIFR and other Government agencies. Your Directors place on record their appreciation for the services rendered by Employees at all levels.

On Behalf of the Board of Directors

M.A.MOTASHA
EXECUTIVE DIRECTOR

J.A.MOTASHA
DIRECTOR

Mumbai

Date: 27th October, 2001

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ANNUAL REPORT 2000-2001**ANNEXURE I TO THE DIRECTORS' REPORT**

**Statement pursuant to Section 212 of the Companies Act, 1956
relating to Subsidiary Company**

1.	Name of the Subsidiary Company	Euroroyal Flor Limited
2.	Financial year of the Subsidiary Company ended	1 st October, 1999 to 30 th September, 2000
3.	Number of shares held in the Subsidiary	4,50,200 Ordinary Shares of STG. Pound 1 each fully paid up
4.	Extent of holding	100%
5.	Net aggregate amount of Subsidiary's profit/(losses) so far as relates to Holding Company:-	£ (774,853)
	(a) not dealt with in the Holding Company's Account:	
	(i) for the Subsidiary's financial year ended 30 th September, 2000	£ (450,100)
	(ii) for the previous financial years of Subsidiary's since it became the Holding Company's Subsidiary	£ (324,753)
	(b) dealt with in the Holding Company's Account	
	(i) for the Subsidiary's financial year ended 30 th September, 2000	Nil
	(ii) for the previous financial years of Subsidiary's since it became the Holding Company's Subsidiary	Nil
6.	Changes in the interest of Holding Company between the end of the Subsidiary's financial year and 31.03.2001	Nil
7.	Material changes between the end of the Subsidiary's financial year and 31.03.2001	
	(i) Fixed Assets	Nil
	(ii) Investments	Nil
	(iii) Money's lent by Subsidiary	Nil
	(iv) Money's borrowed by the Subsidiary Company other than for meeting current liabilities	Nil

FOR ROYAL CUSHION VINYL PRODUCTS LIMITED

**M.A.MOTASHA
(EXECUTIVE DIRECTOR)**

**J.A.MOTASHA
(DIRECTOR)**

Mumbai
Date: 27th October, 2001

**ASHWIN SHAH
(SECRETARY)**



ANNEXURE – II TO THE DIRECTORS' REPORT

PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO:

I. CONSERVATION OF ENERGY

a) ENERGY CONSERVATION MEASURES TAKEN:

1. Extruder heating system converted from electrical to Hot water thus saving steam consumption and saving furnace oil.
2. Complete circuit of chilling water is being overhauled for better efficiency.
3. Contract for Energy Audit awarded
4. Power Factor of 0.98 is being targeted

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

1. Auma to be used for manufacturing commercial flooring only
2. Energy efficient motors to be replaced for conventional motors, thus, saving electrical energy
3. Star Delta Switches have been introduced for loading unloading machines

II. TECHNOLOGY ABSORPTION

a) SPECIFIC AREAS IN WHICH R & D WAS CARRIED OUT BY THE COMPANY

1. Developed high sophisticated automobile products for 'TOYOTA'. These products were sent to Japan for testing and were found excellent, such as Deck Mats, Door Trims, Roof Lining, etc.
2. Developed 'Royal Dash' for Hyundai, Palio & Toyota
3. Special purpose Anti-fungal floor covering for Pharma & Food industries.
4. ISO certificate for the Unit

b) BENEFITS DERIVED AS A RESULT OF ABOVE

1. Value added in soft PVC group
2. Tremendous value addition to the customer
3. Specialised and niche markets of Pharma industries

c) FUTURE PLANS FOR ACTION

1. To develop Pharma floor covering as one of the main value added segments as a replacement of costlier Epoxy flooring
2. Addition of more and more multi-national and Indian OEM's as customer
3. Increase in production capacities
4. Introduction of new type of commercial floor coverings with cloudy marbling pattern
5. Addition of minimum one innovative product

ANNUAL REPORT 2000-2001**FOREIGN EXCHANGE EARNINGS AND OUTGO:**

		(Rs.in Lacs)
Particulars	Current Year ended on 31.03.2001	Previous Year ended on 31.03.2000
1) FOB value of exports	99.16	2068.42
2) Foreign Exchange outgo :		
Import of Raw Materials	86.17	724.54
Stores & Spares	27.78	13.90
Import of Capital Goods	Nil	Nil
Foreign travel	1.11	10.76
Sales promotion	Nil	0.86
Commission	Nil	56.73
Design Consultancy	Nil	Nil
Repairs to Plant & Machinery	Nil	22.69