



ROYAL CUSHION VINYL PRODUCTS LTD.

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ANNUAL REPORT
2001 - 2002

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

MR. M. K. SHAH	- CHAIRMAN & 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	
MR. V. M. TAWADE	- 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

The National Leathercloth Mfg.Co.,
Plot B, Behind National Avenue,
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 Tuesday, 31st December, 2002 at the Registered Office of the Company at The National Leathercloth Mfg.Co., Plot B, Behind National Avenue, Akurli Road, Kandivli (East), Mumbai 400 101 at 12.00 Noon to transact the following business: -

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March, 2002 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.Arvind V. Motasha who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr.Jayesh A. Motasha 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:
The National Leathercloth Mfg.Co.,
Plot B, Behind National Avenue,
Akurli Road, Kandivli (East),
Mumbai 400 101
Date: 26th October, 2002

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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 24th December, 2002 to 31st December, 2002 (both days inclusive).
- c. Members are requested to notify 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.
- 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:
The National Leathercloth Mfg.Co.,
Plot B, Behind National Avenue,
Akurli Road, Kandivli (East),
Mumbai 400 101
Date: 26th October, 2002

ANNUAL REPORT 2001-2002**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, 2002.

FINANCIAL RESULTS

	Current year Ended 31.03.2002	(Rs.in Lacs) Previous year Ended 31.03.2001
Sales and other income (after changes in stocks)	4278.05	3058.76
Profit / (Loss) before interest and depreciation	(538.66)	(1552.03)
Less: Finance Cost	2076.51	1794.07
Depreciation	790.26	803.27
Preliminary Expenses W. Off	0.40	0.40
Profit / (Loss) before tax	(3405.43)	(4149.38)
Provision for taxation (Wealth Tax)	0.47	0.85
Net Profit / (Loss) after taxation	(3405.90)	(4150.23)
Prior year's expenses	16.06	151.96
Income-tax for earlier years	(4.53)	0.41
Bal. Brought forward from previous year	(13185.87)	(8883.28)
Balance carried forward to Balance Sheet	(16603.31)	(13185.87)

DIVIDEND

In view of the loss, the Board of Directors is unable to recommend any dividend for the year 2001-2002.

OPERATIONS

The operations of the Company witnessed substantial increase in the turnover from Rs.3058.76 lacs to Rs.4278.05 lacs representing rise of more than 40%. The increased turnover is mainly due to higher sale of PVC Rigid Film and PVC Flooring/Tiles. All the products are well accepted in the domestic market with the increased marketing efforts by creating product awareness.

The major cost cutting exercise and cost rationalisation coupled with higher turnover has resulted in reduction of losses.

REGISTRATION AND STATUS OF BIFR

At proceedings of the hearing held on 27th September, 2002 before BIFR Bench – II, New Delhi, the Honourable Bench has registered the Company as Sick company under Sick Industrial Companies (Special Provisions) Act, 1985. The revival and rehabilitation package is being prepared by the Company in consultation with IDBI as Operating Agency for the approval and implementation subject to necessary consent from BIFR and other secured creditors.

PROSPECTS

Looking at the performance of current year (2002-2003), the Company is positive about the revival of the Company. The promoters are committed to put in their all out efforts for rehabilitation and turnaround of the Company. The Company's revival package,

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once finalized would indicate the time frame within which the financials of the Company may be made positive. The package once approved and implemented in time by all the concerned would definitely once again see the Company win confidence of valued shareholders.

CHANGE OF REGISTERED OFFICE

The address of Registered Office of the Company was changed to M/s The National Leathercloth Mfg.Co., Plot B, Behind National Avenue, Akurli Road, Kandivli (East), Mumbai 400 101 from A-503 Saichhaya, Akurli Road, Kandivli (East), Mumbai 400 101 w.e.f. 1st August, 2002.

SUBSIDIARY

The Company's subsidiary, namely, M/s Euroroyal Flor Ltd. (ERF), after going in Liquidation was finally Dissolved on 12th June, 2002.

EXTENSION FOR HOLDING ANNUAL GENERAL MEETING

The Company had made an application to the Registrar of Companies, Maharashtra (ROC) seeking an extension for holding AGM. ROC vide its letter dated 28th August, 2002 granted an extension to hold AGM on or before 31st December, 2002.

DIRECTORS

Mr.Arvind V.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.

Your Directors recommend their reappointment.

Mr.D.M.Popat and Dr.P.P.Shah resigned from the Board with effect from 5th and 10th November, 2001 respectively. The Board sincerely wishes to place on record the valuable services rendered by both of them during their tenure as Directors of the Company.

Industrial Development Bank of India (IDBI) vide its letter dated 10th January, 2002 withdrew the nomination of Shri V.K.Sreedharan and instead appointed Shri Ramesh Babu as a Nominee Director on the Board of the Company w.e.f. 24th January 2002. Thereafter, IDBI by its letter dated 3rd September, 2002 withdrew the nomination of said Shri Ramesh Babu and instead appointed Shri V.M.Tawade 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 is already 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, 2002, the applicable accounting standards/practices 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 accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the Directors had prepared the accounts for the financial year ended 31st March, 2002 on a going concern basis.

ANNUAL REPORT 2001-2002**CORPORATE GOVERNANCE**

A separate reports each on Corporate Governance and Management Discussion and Analysis are annexed hereto as Annexure 'A'.

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.

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

STATUTORY INFORMATION

The particulars of energy conservation, technology absorption and foreign exchange earning and outgo, as applicable to the Company are as per Annexure - I 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, Customers 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

V.K.SHAH
EXECUTIVE DIRECTOR

J.A.MOTASHA
DIRECTOR

Mumbai

Date: 26th October, 2002

ROYAL CUSHION VINYL PRODUCTS LTD.**ANNEXURE – I TO THE DIRECTORS' REPORT****PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO****I. CONSERVATION OF ENERGY****a) ENERGY CONSERVATION MEASURES TAKEN:**

- i) New Cooling Tower installed for return water line from plant.
- ii) Additional power capacitors installed for improving power factor.
- iii) Variable frequency AC drives installed where required.
- iv) Star / Delta starters installed for those machines needing warm up time.

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

The Company's R & D team continuously keep upgrading existing technology wherever necessary and feasible and at the same time keep watch on the developments taking place around the globe so that the Company can deliver goods made with latest technology. The efforts taken for discovering the know-how go in a long way in not only improving the products but also result in savings in the consumption of energy cost.

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

- i) Introduced 'Pharma Floor' and 'Wall Covering' with improved antifungal properties for pharmaceutical industries / food processing industries.
- ii) Introduced new designs in Patterns such as LOTUS, ACCORD and ASCENT.
- iii) Automobile Interior films like 'Sunvisor' developed for FORD and TOYOTA.
- iv) Developed economical version of Isolation Pad for Hanil Lear (Hyundai).
- v) Introduced two new designs in PLAZA – Classic range.
- vi) Introduced Conductive flooring - a specialty flooring for defense equipments manufacturing areas.

b) BENEFITS DERIVED AS A RESULT OF ABOVE

- i) Maintaining business share.
- ii) Creating market awareness for products.
- iii) Offering tailor made and customer required products in different range.

c) FUTURE PLANS FOR ACTION

- i) Continue to Design & Development of new type of floor coverings.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

		(Rs.in Lacs)
Particulars	Current Year ended on 31.03.2002	Previous Year ended on 31.03.2001
1) FOB value of exports	Nil	99.16
2) Foreign Exchange outgo :		
Import of Raw Materials	443.99	86.17
Stores & Spares	27.13	27.78
Foreign travel	1.93	1.11
Foreign Technician Fees	5.60	Nil

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The Securities and Exchange Board of India (SEBI) introduced a comprehensive code on Corporate Governance which was to be implemented on or before 31st March, 2002. The Companies (Amendment) Act, 2000 has also introduced certain amendments in the Companies Act, 1956 with a view to give thrust to better Corporate Governance.

1. Company's philosophy on code of corporate governance

The Company will endeavour to comply with and to continuously improve with an overall view to earn trust and respect of the Members, lenders and other stake holders, over a sustained period of time - providing adequate information to the shareholders, effective control and management of Organisation with commitment for its growth.

2. Board of Directors

The Board of Directors has 7 members comprising of 3 Executive Directors, 3 Non Executive Directors and 1 Nominee Director. During the year 2001-02, the Board met 4 times on the following dates, namely 30th June, 2001, 26th July, 2001, 27th October, 2001 and 23rd January, 2002.

The last Annual General Meeting was held on 31st December, 2001. All pecuniary relationship or transactions of the non-executive directors viz-a-viz the company is disclosed in the Annual Report.

The Composition of the Board of Directors and their attendance at the Board Meeting during the period and at last Annual General Meeting as also the number of other Board or Board committees he is a member or chairperson is given below:

The Company is listed with stock exchange since about last 8 years. In the history of the Company ever since its shares were listed with the exchange, it has made several issues and has enjoyed shareholders and prospective investor's confidence over a long period. In the past, the Company has rewarded its shareholders with not only dividends but also by way of Bonus shares.

In the last four years the Company's performance has drastically been affected for several reasons. Due to these reasons the Company made huge losses and eventually in view of its entire networth being eroded by accumulated losses at the end of the financial year 31st March, 2000, the Company was referred to the Board for Industrial and Financial Reconstruction (BIFR).

Due to these developments and specifically the Company becoming sick company, the Company started losing talent of independent directors. The Board of the Company around a year back comprised of nine directors – three executive directors, three non-executive directors, two independent directors and one nominee Director. The Chairman of the Company at that time was an Independent Director. However, both the independent directors resigned almost a year back giving major jolt to the Company's professional team.

Due to present status of Sick company, the management was unable to attract and induct professional and independent directors to meet the requirements of Clause 49 of the Listing Agreement.

In view of the above limitation and also in view of current Chairman being an Executive Director, we are at present unable to comprise at least half of the Company's board as independent directors.

Due to the above problems, the Company though having an Audit committee is unable to meet the criteria of minimum number of independent directors.

S. No.	Name of the Director	Category of Director	No. of Board Meeting attended	Last AGM	Other Director ships	Committee Membership	Committee Chairmanships
1.	Mr. Mahesh K. Shah	Executive Promoter Director	3	Yes	13	1	1
2.	Mr. Vinod K. Shah	Executive Promoter Director	4	No	11	1	Nil
3.	Mr. Arvind V. Motasha	Non-executive Promoter Director	3	No	10	2	1

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4.	Mr.Deepak A.Motasha	Non-executive Promoter Director	4	Yes	6	Nil	Nil
5.	Mr.Mukesh A.Motasha	Executive Promoter Director	4	Yes	5	1	Nil
6.	Mr.Jayesh A.Motasha	Non-executive Promoter Director	4	Yes	9	2	1
7.	Mr.D.M.Popat *	Non-executive – Independent	-	-	13	—	—
8.	Dr.P.P.Shah **	Non-executive – Independent	-	-	5	3	—
9.	Mr.V.K.Sreedharan***	Nominee – IDBI – Non-executive	-	No	Nil	—	—
10.	Mr.Ramesh Babu ***	Nominee – IDBI – Non-executive	-	-	Nil	—	—

* Resigned w.e.f. 05.11.2001

** Resigned w.e.f. 10.11.2001

*** Nomination replaced w.e.f. 24th January, 2002

3. Audit Committee

An Audit Committee of the Board was constituted in the year 2001. The Committee is presently comprising of three non-executive Directors. The Chairman of the Committee is Director having accounting background.

The major terms of reference of the Committee, inter-alia, include :

- To review the adequacy of Internal Control systems
- To review the financial statements
- To review financial and risk management policies
- To review accounting policies and practices followed
- To review compliance with accounting standard

During the financial year 2001-02, three meetings of Audit Committee were held. The Composition and other particulars of the attendance of the members of the committee held during the year are as under.

Sr.No.	Name of the Member	Meeting Attended
1.	Mr.Jayesh A.Motasha – Chairman	3
2.	Mr.Arvind V.Motasha – Member	2
3.	Mr.Deepak A.Motasha – Member	3

The executives are invited by the committee as per its agenda. The Company Secretary acts as a secretary to the committee. The Chairman of the committee was present at the last Annual General Meeting to answer shareholders queries.

4. Remuneration Committee

The Company has not constituted any Remuneration Committee. The remuneration of the Directors is decided by the Board of Directors, keeping in view the provisions of the Articles of Association of the Company and the Companies Act,

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1956. Non-Executive Directors are not paid remuneration in any form, commission or otherwise. No sitting fee is paid to any of the Directors. Payment of remuneration by way of salary and perquisites to the Managing / Executive Directors is approved by the shareholders.

(Rs.in Laacs)			
Sr.No.	Name	Salary	Perquisites
1.	Mr.Mahesh K.Shah	4.50	2.66
2.	Mr.Vinod K.Shah	4.07	4.54
3.	Mr.Mukesh A.Motasha	4.44	1.90

The appointment of above Managing / Executive Directors is for 5 years effective from 1st April, 2000. Presently the Company does not have a scheme for grant of stock options either to the Executive Directors or employees.

5. Shareholders Committee

Shareholder's / Investor's Grievance Committee

The Company has formed Shareholder's/Investor's Grievance Committee headed by Mr.Arvind V.Motasha as per the Corporate Governance Code.

Mr.Ashwin Shah, Company Secretary is the Compliance officer of the Company.

The functions and powers of the Shareholders/Investors Grievance Committee include review and redressal of complaints received from shareholders relating to transfers, non-receipt of balance sheet, etc.

Number of shareholders complaints received 23

Number of not solved to the satisfaction of shareholders Nil

Number of pending share transfers 2

Upto 31-03-2002, 47,53,322 Equity Shares of Rs.10/- (39.39%) were dematerialised.

6. General Body Meetings

Meetings	1998-99	1999-2000	2000-2001
Date	25.09.1999	19.08.2000	31.12.2001
Time	11:00 a.m.	11:00 a.m.	11:00 a.m.
Venue	Babasaheb Dahanukar Sabhagriha of Maharashtra Chamber of Commerce and Industry, 6 th Floor, Orion House, 12 K.Dubhash Marg, Mumbai - 400 023.	Babasaheb Dahanukar Sabhagriha of Maharashtra Chamber of Commerce and Industry, 6 th Floor, Orion House, 12 K.Dubhash Marg, Mumbai - 400 023.	Company's Head Quarters at Akurli Road, Kandivli (East), Mumbai 400 101.
Number of Special Resolution	3	Nil	Nil

No Postal Ballots were used for voting at these meetings.

7. Disclosures

- The Company has not entered into any materially significant transactions with its promoters, directors or the management or relatives etc. that may have potential conflict with the interest of the Company at large during the year.
- The Company has complied with the requirements of the regulatory authorities on matters related to capital markets