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ROYAL CUSHION VINYL PRODUCTS LTD.

ANNUAL REPORT
2002 - 2003





ROYAL CUSHION VINYL PRODUCTS LIMITED

ROYAL CUSHION VINYL PRODUCTS LIMITED

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

M/s. CHANDRAKANT & SEVENTILAL &
J. K. SHAH & CO.
"Shreyas", 1st Floor, Dandia Bazar,
Baroda - 390 001.
Tel. : 241 5879 / 241 6303

BANKERS

Union Bank Of India
Global Trust Bank Ltd.
Standard Chartered 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. : 2836 6620 / 2822 1966
Fax : 2821 1996

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ROYAL CUSHION VINYL PRODUCTS LIMITED

NOTICE

NOTICE is hereby given that the Annual General Meeting of the members of **ROYAL CUSHION VINYL PRODUCTS LIMITED** will be held at 12.00 Noon on Tuesday the 30th September 2003 at the Registered Office of the Company at The National Leathercloth Mfg.Co., Plot No. "B", Behind National Avenue, Akurli Road, Kandivli (East), Mumbai 400 101 to transact the following business: -

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March, 2003 and the Balance Sheet as at that date along with the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr.Vinod K. Shah who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr.Mukesh 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 of Directors
For **ROYAL CUSHION VINYL PRODUCTS LTD.**

ASHWIN SHAH
COMPANY SECRETARY

Registered Office :

The National Leathercloth Mfg.Co.,
Plot No. "B", Behind National Avenue,
Akurli Road, Kandivli (East),
Mumbai 400 101

Date: 28th June, 2003

NOTES:

- a. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND ON A POLL ONLY TO VOTE INSTEAD OF HIMSELF, AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY, PROXIES IN ORDER TO BE VALID SHALL BE DEPOSITED WITH THE COMPANY 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- b. The Register of Members and Share transfer books in respect of equity share will remain closed from Tuesday the 16th September, 2003 to Tuesday the 30th September, 2003 (both days inclusive).
- c. Members are requested to notify any change in their address to the Company's Registrar's and share transfer agents at Mondkar Computers Private Limited, 21, Shakil Niwas, Mahakali Caves Road, Andheri (East), Mumbai 400 093, after quoting registered folio no.
- d. Member/Proxies should bring the attendance slip duly filled in along with the Annual Report for attending the meeting.

By order of the Board of Directors
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: 28th June, 2003



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DIRECTORS' REPORT

To The Members of
ROYAL CUSHION VINYL PRODUCTS LIMITED

The Directors of your Company present herewith their Report together with Audited Accounts of the Company for the year ended 31st March, 2003.

FINANCIAL RESULTS

	Current year ended 31.03.2003	Previous year ended 31.03.2002
Sales and other income (after changes in stocks)	5251.46	4278.05
Profit / (Loss) before interest and depreciation	36.40	(160.44)
Less: Finance Cost	2978.47	2454.73
Depreciation	788.97	790.26
Profit / (Loss) before tax	(3731.04)	(3405.43)
Provision for taxation (Wealth Tax)	0.32	0.47
Net Profit / (Loss) after taxation	3731.36	(3405.90)
Prior year's expenses	527.97	16.06
Income-tax for earlier years	-	(4.53)
Balance Brought forward from previous year	(16603.30)	(13185.87)
Balance carried forward to Balance Sheet	(20862.64)	(16603.30)

DIVIDEND :

In view of the loss, the Board of Directors is unable to recommend any dividend for the year 2002-2003.

SALES AND OPERATIONS :

The operations of the Company witnessed substantial increase in the turnover from Rs.4278.05 lacs to Rs.5251.46 lacs representing rise of more than 22%. The increased turnover is mainly due to higher sale and export of 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 WITH BIFR :

As reported in the last Annual report the company has been registered with BIFR in September, 2002, The rehabilitation package has been submitted to IDBI, as Operating Agency and the appraisal of the same is in progress.

FUTURE OUTLOOK:

The turnover for the first quarter of the current financial year is Rs. 13.99 Crores, which is more than 125% for the same quarter in the previous financial year, which was Rs. 11.16 Crores. This is in spite of the transport strike and also the plant was shut down for 20 days for maintenance and change of better heating system, which will reduce the stoppages and also reduce the power cost.

The management has also enhanced the marketing set up by taking marketing team headed by President marketing. There is huge import of commercial flooring which is sold in the local market at lucrative price, since our quality of PVC flooring is of



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international standards and priced competitively we want to exploit this market. The management is also planning to double its production for export market.

The company had already launched Cushion Vinyl flooring(CVF) in the local market and will be relaunching the product and stabilize in the market.

All these are achieved without any additional external funds. We anticipate the turnover for the current year to rise by at least 30% this year over last year.

DIRECTORS :

Mr. Vinod K. Shah and Mr. Mukesh 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.

Industrial Development Bank of India (IDBI) vide its letter dated 3rd September, 2002 withdrew the nomination of Shri Ramesh Babu and instead appointed Shri V.M. Tawade as a Nominee Director on the Board of the Company w.e.f. 3rd September 2002.

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, 2003, 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, 2003 on a going concern basis.

CORPORATE GOVERNANCE :

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

PARTICULARS OF EMPLOYEES :

In accordance with the provisions of section 217 (2a) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, a statement of particulars of employees is required to be given in the Directors report, since no employee of the company is drawing above the ceiling limit as specified in the said rules a statement thereof is not annexed to this report.

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND EXPENDITURE:

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

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.



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INDUSTRIAL RELATIONS

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

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
For **ROYAL CUSHION VINYL PRODUCTS LIMITED**

MAHESH K. SHAH
CHAIRMAN & MANAGING DIRECTOR

Place : Mumbai

Date : 28th June, 2003





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ANNEXURE - "A" TO THE DIRECTORS REPORT REPORT ON CORPORATE GOVERNANCE

(Annexure "A" forming part of Directors report for 12 months period ended on 31st March, 2003 in terms of clause 49 of the listing agreement)

1. Brief statement on 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 2002-03, the Board met 4 times on the following dates, namely 29th June, 2002, 20th July, 2002, 26th October, 2002 and 31st January, 2003.

The last Annual General Meeting was held on 31st December, 2002. All pecuniary relationship or transactions of the Executive Directors vis-à-vis 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 where they are members or chairperson is given below:

Sr. 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	2	Yes	14	Nil	Nil
2.	Mr. Vinod K. Shah	Executive Promoter Director	3	Yes	13	Nil	Nil
3.	Mr. Arvind V. Motasha	Non-executive Promoter Director	3	Yes	12	2	1
4.	Mr. Deepak A. Motasha Promoter Director	Non-executive	2	Yes	6	2	Nil
5.	Mr. Mukesh A. Motasha Promoter Director	Executive	2	Yes	5	Nil	Nil
6.	Mr. Jayesh A. Motasha Promoter Director	Non-executive	3	Yes	15	2	1
7.	Mr. V. M. Tawade – IDBI – Non-executive	Nominee	1	Yes	Nil	Nil	Nil

As stated in the last report, the Company is listed with stock exchange since about last 9 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 five years the Company's performance has drastically been affected for several reasons. Due to these reasons the



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Company made huge losses and eventually in view of its entire network 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 two years 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.

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, the same has been reported to the Stock exchanges.

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 terms of reference of the audit committee are as mentioned in the provisions of section 292A of the Companies Act, 1956 and clause 49 of the listing agreement with the stock exchanges. However, the major terms of reference of the Committee, inter-alia, include :

- i. To review the adequacy of Internal Control systems
- ii. To review the financial statements
- iii. To review financial and risk management policies
- iv. To review accounting policies and practices followed
- v. To review compliance with accounting standard

During the financial year 2002-03, 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	1

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, 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 Lacs)
Sr.No.	Name	Salary	Perquisites	
1.	Mr.Mahesh K.Shah	4.50		1.39
2.	Mr.Vinod K.Shah	–		1.28
3.	Mr.Mukesh A.Motasha	4.44		1.50

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.



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5. Shareholder's / Investor's Grievance Committee :

The Company has formed the Shares Transfer Committee to perform the function of 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	6
Number of not solved to the satisfaction of shareholders	Nil
Number of pending share transfers	Nil

Upto 31-03-2003, 49,31,944 Equity Shares of Rs.10/- (40.87%) were dematerialised.

6. General Body Meetings :

Meetings	1999-2000	2000-2001	2001-2002
Date	19.08.2000	31.12.2001	31.12.2002
Time	11:00 a.m.	11:00 a.m.	12:00 Noon
Venue	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.	Company's Head Quarters at Akurli Road, Kandivli (East), Mumbai 400 101.
Number of Special Resolution	Nil	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 and no penalties/strictures have been imposed against the Company by Stock Exchange or SEBI or any Statutory Authority during the last three years.

8. Means of Communication :

The quarterly unaudited and audited yearly results were published in Free Press Journal (English) & Navshakti (Marathi) newspapers. These are not sent individually to the shareholders.

The Management Discussion and Analysis Report has been attached to the Directors Report and forms part of this Annual Report.

The Company has not adopted non-mandatory requirements stated in the Corporate Governance Code in this report.

9. General Shareholder information :

- Annual General Meeting : Date and Time: 30th September, 2003 at 12.00 noon
Venue : 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.



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2. Financial Calendar (April – March)
Financial Reporting for : Quarter ending 30th June, 2003 – On or before the end of July, 2003
Quarter ending 30th September, 2003 – On or before the end of October, 2003
Quarter ending 31st December, 2003 – On or before the end of January, 2004
Audited Results for the year ending March, 2004 – On or before the end of June, 2004
3. Date of Book closure : Beginning Tuesday 16th September, 2003 to Tuesday 30th September, 2003 (both days inclusive)
4. Dividend payment date : Not Applicable
5. Listing on Stock Exchanges : The Stock Exchange, Mumbai
The Stock Exchange, Ahmedabad
Vadodara Stock Exchange Ltd.
6. Stock Code : The Stock Exchange, Mumbai : 526193
Demat ISIN No.in CDSL & NSDL : INE618A01011
7. Market Price Data :
High, Low Market Price on Mumbai Stock Exchange during each month of the Financial year.

Month	Year	Price	
		High (Rs.)	Low (Rs.)
April'	2002	2.85	2.25
May'	2002	3.35	2.45
June'	2002	6.00	2.50
July'	2002	6.25	2.75
August'	2002	3.50	2.25
September'	2002	3.00	2.25
October'	2002	3.00	2.00
November'	2002	3.25	2.45
December'	2002	3.50	2.10
January'	2003	2.85	1.90
February'	2003	2.30	1.55
March'	2003	1.75	1.35

8. Address for correspondence
- a. Registrar and share Transfer Agents : Mondkar Computer Private Limited
21, Shakil Niwas,
Mahakali Caves Road,
Andheri (East),
Mumbai 400 093.