



ROYAL CUSHION VINYL PRODUCTS LTD.

ANNUAL REPORT
2004-2005





ANNUAL REPORT 2004-2005

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. Dahake	-	Nominee I.D.B.I. (till 23.12.2004)

AUDITORS

M/s. CHANDRAKANT & SEVANTILAL &
J. K. SHAH & CO.

Chartered Accountants

301, Lalita Tower, Near Hotel Rajpath,

Station-Akota Road,

Vadodara - 390 007.

Tel.: 0265- 235 3043 / 235 3470

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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TD.
Ltd.
load,



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 on Wednesday, 28th September, 2005, at 11.30 a.m., at the Registered office of the Company at The National Leathercloth Mfg. Co., Plot No. B, Behind National Avenue, Akurli Road, Kandivali (East), Mumbai 400 101, to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2005, the Profit & Loss Account for the year ended on that date and the Reports of the Board of 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. Jayesh A. Motasha, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force and as may be enacted hereinafter), the Securities and Exchange Board of India (Delisting of Securities) Guidelines - 2003, and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by this Resolution), consent is hereby accorded to the Board to voluntarily de-list the Equity Shares of the Company from The Vadodara Stock Exchange Ltd., and The Stock Exchange, Ahmedabad.

RESOLVED FURTHER THAT Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary to give effect to the aforesaid Resolution."

BY ORDER OF THE BOARD
For **ROYAL CUSHION VINYL PRODUCTS LIMITED**

KAILASH SHARMA
COMPANY SECRETARY

Registered Office :

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

Date: 30th June, 2005

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 will be closed from Thursday the 15th September, 2005 to Wednesday the 28th September, 2005 (both days inclusive).
- c. Members are requested to notify any change in their address to the Company's registrar and share transfer agents at Mondkar Computers Private Limited, 21, Shakhil Niwas, Mahakali Caves Road, Andheri (East), Mumbai 400 093.
- d. Members desiring any information on the Accounts are requested to write to the Company at least one week before the Meeting so as to enable the management to keep the information ready at the Meeting.
- e. Member/proxies should bring the attendance slip duly filled in along with the Annual report for attending the Meeting.

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

Item No. 5

The Company's shares are presently listed on The Stock Exchange, Mumbai, The Vadodara Stock Exchange Ltd., and The Stock Exchange, Ahmedabad.

SEBI through its Guidelines Known as Securities and Exchange Board of India (Delisting of Securities) Guidelines - 2003 has permitted Companies to Voluntarily de-list its share from Stock Exchange without providing an exit opportunity, provided that the Shares will continue to be listed on a Stock Exchange having nation wide trading terminals.

The Board of directors has decided to voluntarily de-list the shares of the Company from The Vadodara Stock Exchange Ltd. and The Stock Exchange, Ahmedabad, as the Volume of trading on these Stock Exchanges is very low. It would further contribute to reduction in administrative costs/efforts of the Company.

The Stock Exchange, Mumbai, where the Company's shares will continue to be listed, has also got nation wide trading terminals and de-listing from Vadodara and Ahmedabad Stock Exchanges will therefore not affect the trading of these shares by the Members located in any part of the country.

None of the Directors are concerned or interested in the resolution.

BY ORDER OF THE BOARD
For **ROYAL CUSHION VINYL PRODUCTS LIMITED**

KAILASH SHARMA
COMPANY SECRETARY

Registered Office :

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

Date: 30th June, 2005



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DIRECTORS' REPORT

To
The Members of
Royal Cushion Vinyl Products Limited,

Your Directors have pleasure in presenting the Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2005.

FINANCIAL RESULTS: (RS.IN LACS)

Particulars	Current year ended 31.03.2005	Previous year ended 31.03.2004
Sales and other income (includes changes in stocks)	8172.71	6387.13
Profit before interest and depreciation	240.70	195.04
Less: Finance Cost	3331.54	3099.47
Depreciation	792.26	790.83
Profit / (Loss) before tax	(3883.10)	(3695.26)
Provision for taxation (Wealth Tax)	0.09	0.19
Income Tax for earlier years	0.87	—
Net Profit / (Loss) after taxation	(3884.06)	(3695.45)
Prior year's expenses	45.65	16.09
Bal. Brought forward from previous year	(24575.18)	(20862.64)
Balance carried forward to balance Sheet	(28503.89)	(24574.18)

PERFORMANCE:

The operations of the Company witnessed substantial increase in the turnover from Rs. 6387.13 lacs last year to Rs. 8172.71 lacs in current year. The increased marketing efforts yielded a 28% increase in volume sales of floor tiles. The Cost of raw material was higher by 36% compared to last year. The price of the main raw material, PVC, was volatile during the year. However, your Directors are pleased to point out that despite stiff competition, rising input costs, and inadequate working capital, the Company, has improved its earnings before Interest & Depreciation from Rs.36.04 lacs in 2002-03, to Rs.195.04 lacs in 2003-04, and to Rs. 240.70 lacs during the year.

The Company would continue to take suitable measure to identify areas for improvement to enhance the profitability of the Company.

DIVIDEND :

In view of the losses, the Board of Directors is unable to recommend any dividend for the year 2004-2005.

INDUSTRY STRUCTURE AND DEVELOPMENTS :

The Company is primarily engaged in manufacturing of Vinyl floorings, which are used in households and commercial offices. The Industry is characterised by a few domestic manufacturers of PVC floor tiles, and off late importers. The demand for the floor tiles is expected to grow 15 to 20% per annum, on account of the growth in the housing sector and as a substitute to hard flooring.

OPPORTUNITIES AND THREATS :

The Company has already taken leading position in Vinyl Flooring segment which offers wide design due to better understanding of the consumer requirements.

The threat at present as envisaged is mainly from import of flooring products. The volatility of PVC supply and prices is also a threat to managing cost of production.

SEGMENT WISE OR PRODUCT WISE PERFORMANCE :

The Company's prime business is manufacture of PVC floorings and therefore, there are no separate segments.

OUTLOOK :

To remain competitive and have strong hold over the market, the Company plans to introduce new commercial products regularly. The Company would introduce new and contemporary designs to capture the market share.

The products of the Company are well accepted in overseas market. To meet the growing demand your Company has planned to suitably increase the capacity in future which will substantially increase the turnover and improve the performance of the Company.

RISKS AND CONCERNS :

The main cause of concern is lowering of import duty on finished products. Cheaper imports of finished product are likely to impact margins of these products.

The Company is currently referred to BIFR. The ability of the Company at this stage to obtain working capital is a concern. Once the Company's debt is restructured, the situation shall improve.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY :

The Company has adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchases of stores, raw materials including components, plant and machinery, equipments and other assets and also for the sale of goods.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS FRONT :

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

STATUS WITH BIFR:

As reported in the earlier Annual Reports, the Company has been registered with BIFR in September, 2002. During the year the IDBI and some other Banks have transferred their debt to ARCIL. The Company is working on restructuring package which would be submitted to Appropriate authorities in due course for their consideration.

DIRECTORS :

Mr. Jayesh A.Motasha and Mr. Vinod K. 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 December 16, 2004 withdrew the nomination of Shri V.M. Dahake from the Board of the Company w. e. f. December 23, 2004.

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 :

- That in the preparation of the accounts for the financial year ended 31st March, 2005, the applicable accounting standards/practices had been followed along with proper explanation relating to material departures;



ROYAL CUSHION VINYL PRODUCTS LIMITED

- (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, 2005 on a going concern basis.

CORPORATE GOVERNANCE :

A separate reports on Corporate Governance is 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 Auditors' Report and notes forming part of the accounts are self-explanatory and therefore, does not call for any further comments.

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 : 30th June, 2005

REPORT ON CORPORATE GOVERNANCE

(Annexure "A" forming part of Directors' report for 12 months period ended on 31st March, 2005 in terms of clause 49 of the listing agreement)

1. BRIEF STATEMENT ON COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE :

The Company will endeavor to continuously 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 :

Board comprises three Executive Directors and three Non Executive Directors. During the year, Industrial Development Bank of India (IDBI) withdrew the nomination of Shri V.M. Tawade and instead appointed Shri V.M. Dahake as Nominee Director on the Board of the Company w.e.f. May 26, 2004. IDBI, further withdrew the nomination of Shri V.M. Dahake from the Board of the Company w.e.f. December 23, 2004.

During the year 2004-05, the Board met 5 times on the following dates, namely 15th June 2004, 30th July 2004, 30th October 2004, 31st January, 2005 and 28th February, 2005.

The last Annual General Meeting was held on 21st September, 2004. 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	Attended Last AGM	Other Director-ships	Committee Member-ship	Committee Chairmanship
1.	Mr. Mahesh K. Shah	Executive Promoter Director	5	Yes	14	Nil	Nil
2.	Mr. Vinod K. Shah	Executive Promoter Director	2	No	13	Nil	Nil
3.	Mr. Arvind V. Motasha	Non-Executive Promoter Director	5	Yes	12	2	1
4.	Mr. Deepak A. Motasha	Non-Executive Promoter Director	3	Yes	6	3	Nil
5.	Mr. Mukesh A. Motasha	Executive Promoter Director	2	Yes	5	Nil	Nil
6.	Mr. Jayesh A. Motasha	Non-Executive Promoter Director	5	Yes	15	2	1
7.	Mr. V.M. Dahake - (up to 23.12.04)	Nominee - IDBI - Non-Executive	3	No	Nil	Nil	Nil

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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.

This fact 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 standards

During the financial year 2004-05, four 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	4
2.	Mr. Arvind V. Motasha – Member	4
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 Remuneration Committee was constituted on 15th June, 2004, headed by Mr. V.M. Dahake, Nominee Director of IDBI. The other Members of the remuneration Committee are Mr. Jayesh A. Motasha and Mr. Arvind V. Motasha. The Remuneration Committee met once on 30th July, 2004. On withdrawal of nomination of Mr. V.M. Dahake by IDBI, Mr. Deepak Motasha, Non Executive Director was appointed as Member of Remuneration Committee on 28th February, 2005. Payment of remuneration by way of salary and perquisites to the Managing / Executive Directors is approved by the shareholders.

Details of Remuneration for the year 2004-05

(Rs.in Lacs)

Sr.No.	Name	Salary (Inclusive of perquisites)
1.	Mr. Mahesh K. Shah	5.23
2.	Mr. Vinod K. Shah	6.07
3.	Mr. Mukesh A. Motasha	6.50

The appointment of above Managing / Executive Directors was for 5 years effective from 1st April, 2000 to 31st March, 2005. The Members at the Last AGM held on 21/09/2004 have approved the re-appointment of above Managing/ Executive Directors for a period of Three years with effect from 01/04/2005.

Presently the Company does not have a scheme for grant of stock options either to the Executive Directors or employees.

Non-Executive Directors are not paid remuneration in any form, commission or otherwise. No sitting fee is paid to any of the promoter Directors, Sitting fees is paid only to the nominee director.

5. Shareholder's / Investor's Grievance Committee

The shareholder's/Investor's Grievance Committee is headed by Mr. Arvind V. Motasha. Mr. Jayesh A. Motasha and Mr. Deepak A. Motash are other members of Committee.

Mr. Kailash Sharma, Company Secretary is appointed as compliance officer with effect from 09/06/2005 in place of Mr. Deepak Shah.

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 during the year	6
Number of Complaints not solved to the satisfaction of shareholders during the year	Nil
Number of pending share transfers during the year	Nil

6. General Body Meetings :

Details of Annual General Body Meeting held during last three years :

Year	2001-2002	2002-2003	2003-2004
Date	31.12.2002	30.09.2003	21.09.2004
Time	12.00 p.m.	12:00 p.m.	11.30 a.m.
Venue	Company's Regd. Office at Akurli Road, Kandivli (East), Mumbai 400 101.	Company's Regd. Office at Akurli Road, Kandivli (East), Mumbai 400 101.	Company's Regd. Office at Akurli Road, Kandivli (East), Mumbai 400 101.

No Postal Ballots were used for voting at these Meetings.

7. Disclosures :

- a. The Company has not entered into any material 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.
- b. 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 covered in Directors' Report.



ROYAL CUSHION VINYL PRODUCTS LIMITED

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

9. General Shareholder Information :

A. Annual General Meeting Date and Time :
28th September, 2005 at
11.30 a.m.

Venue At the Registered Office of the
Company at M/s. The National
Leathercloth Mfg.Co.,
Plot B, Behind National
Avenue, Akurli Road, Kandivli
(East), Mumbai 400 101.

B. Financial Calendar April to March

Financial Reporting On or before the end of July,
for Quarter ending 2005.
30th June, 05.

Financial Reporting On or before the end of
for Quarter ending October, 2005
30th Sept, 05

Financial Reporting On or before the end of
for Quarter ending Janaury, 2006
31st Dec, 05

Audited Results for On or before end of June, the
year ending 2006
March, 2006

C. Date of Book closure Beginning Thursday 15th
September, 2005 to
Wednesday the 28th Septem-
ber, 2005 (both days inclusive)

D. Dividend payment date Not applicable

E. Listing on Stock Exchanges The Stock Exchange,
Mumbai

The Stock Exchange,
Ahmedabad

Vadodara Stock Exchange
Limited

F. Stock Code The Stock Exchange, Mumbai
: 526193
Demat ISIN No. CDSL &
NSDL: INE618A01011

G. Market price data High, Low Market price on
Mumbai Stock Exchange
during each month of the
financial year :

Month	Price	
	High (Rs.)	Low (Rs.)
April' 2004	9.00	8.00
May' 2004	8.70	6.25
June' 2004	7.70	5.75
July' 2004	9.20	6.01
August' 2004	7.97	6.50
September' 2004	15.14	7.97
October' 2004	18.20	14.75
November' 2004	17.20	15.20
December' 2004	19.00	15.40
January' 2005	18.90	15.20
February' 2005	27.60	16.50
March' 2005	24.75	21.10

H. Address for correspondence :

a. Registrar and Share Transfer Agent

Mondkar Computers Private Limited
21, Shakil Niwas, Mahakali Caves Road,
Andheri (East), Mumbai 400 093.
Tel No. 022- 28366620

b. Company's Share Department and compliance officer for Investor Grievance Redressal :

Mr. Kailash Sharma is the Company Secretary and
compliance officer and will be available at the
following address:

Royal Cushion Vinyl Products Limited.
Plot No. "B", Akurli Road, Kandivli
(East), Mumbai 400 101
Tel No. 022- 2887 9221-25
Fax No. 022- 2887 9227

I. Share Transfer System :

Mondkar Computers Private Limited has been the
Registrar & Transfer Agent of the Company. The share
transfers which are received in physical form are
processed in the cycle of 15 days i.e on 15th and 30th
of the each month and the share certificates are
returned within 30 days from the date of receipt,
subject to the documents being valid and complete in
all respect.

Demat requests are processed and completed within
an average period of 15 days from the date of receipt
provided they are otherwise in order.

J. Distribution of shareholding as on 31st March, 2005:

Range No. of equity shares	No. of Share- holder	%	No. of Shares	%
Upto 500	3841	87.23	732082	6.07
501 - 1000	283	6.43	223864	1.85
1001 - 2000	113	2.57	175422	1.45
2001 - 3000	37	0.84	93885	0.79
3001 - 4000	29	0.66	101500	0.84
4001 - 5000	16	0.36	76484	0.63
5001 - 10000	21	0.48	161351	1.34
10001 and above	63	1.43	10502624	87.03
TOTAL	4403	100	12067212	100

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**K. Shareholding pattern as on 31.03.2005 :**

Category	No. of Shares	Percentage of Shareholding
Promoters (Including Foreign Promoters)	7289010	60.403
Mutual Fund & UTI	9600	0.080
Banks, Financial Institutions, etc.	1576930	13.068
Private Corporate Bodies	491809	4.076
NRIs	48400	0.401
Indian Public	2651463	21.972
Grand Total	12067212	100.000

L. Dematerialisation of shares and liquidity :

55,88,359 (46.31%) of Equity Shares of Rs. 10/- each have been dematerialised as on 31st March, 2005

M. Plant Locations :

Garadhia, Halol (Panchmahal District) and Savli (Baroda District), Gujarat State

10. Brief Resume of persons proposed to be re-appointed as directors of the company at the ensuing Annual General Meeting :

Name	Mr. Jayesh A. Motasha	Mr. Vinod K. Shah
Age	47 years	52 Years
Nature of expertise	Financial & Commercial Matters	Technical
Name of the Public Companies in which also holds Directorship	Nil	Nil
Name of the Companies in the Committees of which holds Membership/ Chairmanship other than Royal Cushion Vinyl Products Ltd.	Nil	Nil

On Behalf of the Board of directors

For **ROYAL CUSHION VINYL PRODUCTS LIMITED**

Place: Mumbai **MAHESH K. SHAH**
Date : 30th June, 2005 Chairman & Managing Director

**ANNEXURE "B" TO THE DIRECTORS REPORT
PARTICULARS OF ENERGY CONSERVATION,
TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE
EARNING AND OUTGO :**

I. CONSERVATION OF ENERGY :**ENERGY CONSERVATION MEASURES TAKEN :**

Installed Pressure Powered Pump for Condenser recovery to feed hot water to boiler feed tank to save energy required for preheating boiler feed water.

Capacitor Bank Added to Improve Power Factor >0.98.
- Resulting in a rebate of Rs. 25,000/- Per Month.

Central Hot oil supply from Thermopack is used for heating Thermic Fluid instead of Electrical Heater.

To reduce electrical Load, Frequent Descaling of Condensers of water Chilling plant was carried out by using special Equipments.

Dry Air Compressor (Non lubricated) replaced by Srew Compressor which reduced Electrical Consumption by 0.75% -1.5%.

On Line Load Analyzer, Load Monitoring Equipment, was installed to Study Load behavior of high power Motors to improve efficiency.

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

- R & D was specifically carried out in designing & developing new products:
 - Developed wide variety of wood designs & colours. This collection was introduced in the market as " Royal classic".
 - Introduced 450 x 450 tiles.
 - Developed and Introduced Sports flooring.
- Installed recycled equipments to use all in house scrap which can be used directly in the Banbury. Different types of scraps such as, lumps, purging, etc., can also be used which will reduce the raw material cost.

B) Future plans of action:

- Development of Bus product
 - Introduce Uni-directional and anti-directional homogenous flooring
 - Develop Decorative chips product
- All above products will be with PU coating.

C) TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION**1) EFFORTS**

- Continuous adaptation of advance technology for the development of products

2) BENEFIT

- Increased Volume
- product Development.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(Rs. In lacs)

Sr. No.	Particulars	Current Year ended on 31.03.2005	Previous Year ended on 31.03.2004
1.	FOB value of exports	Nil	Nil
2.	Foreign Exchange outgo :		
	Import of Raw Materials	3214.84	1641.72
	Stores & Spares	67.41	63.57
	Foreign travel	9.57	4.83
	Foreign Technician Fees	Nil	2.23
	Legal Fees	127.36	Nil
	Court Fees (ICC)	105.79	Nil

ROYAL CUSHION VINYL PRODUCTS LIMITED



AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members of **Royal Cushion Vinyl Products Limited, Mumbai,**

We have examined the compliance of conditions of Corporate Governance by **Royal Cushion Vinyl Products Limited**, ("the Company") for the year ended 31st March, 2005, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges of India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of the opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement, except that the number of

independent directors in the Board of Directors was lower than 50 percent of the total strength of the Board of Directors as also the number of independent directors in the Audit Committee did not have majority under the sub-clause 1(A) of Clause 49 of the Listing Agreement.

We state that no investor grievance(s) is pending for a period exceeding one month as on 31st March, 2005 against the Company as per the records maintained by the Shareholders/Investors Grievance Committee, except one which pertains to the earlier years as explained, could not be entertained by the Company in view of the Company referred to Board of Industrial Financial Reconstruction (BIFR).

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

**For CHANDRAKANT & SEVANTILAL
& J.K. SHAH & CO.**
(Chartered Accountant)

PLACE : Vadodara
DATE : 30-6-2005

PARTNER (H.B. SHAH)

AUDITOR'S REPORT

We have audited the attached Balance Sheet of ROYAL CUSHION VINYL PRODUCTS LIMITED, as at 31st March, 2005 and also the annexed Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, we believe that our audit provides a reasonable basis for our opinion.

- 1) As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227-(4-A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2) **FURTHER AND SUBJECT TO OUR COMMENTS IN THE ANNEXURE REFERRED TO IN PARAGRAPH 1 ABOVE**

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our Audit.
- b) In our opinion subject to treatment of certain expenses as deferred revenue expenditure and accounting of export incentives likely to be received proper books of account as required by

- c) The Balance Sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of account of the company.
- d) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2005 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- e) In our opinion the Balance Sheet, Profit and Loss Account, and the Cash Flow Statement dealt with by this report comply with the other Accounting Standards as referred to in the Section 211 (3c) of the Companies Act, 1956 and
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to :
 - i) **Non compliance of Accounting Standard 26 "INTANGIBLE ASSETS" by treating certain expenditure as deferred revenue expenditure resulting in under statement of Loss by Rs. 1,67,08,834/- and over statement of reserves to that extent. (Refer Note No.: 6)**
 - ii) **Non disclosure of amount(s) owned to small scale Industrial undertakings (Refer Note No.: 7)**
 - iii) **Accounting of export incentives likely to be received pursuant to the duty free import licence receivable under the Target plus Scheme announced by the Export Promotion Council of India on export through third party as income resulting in under statement of Loss by Rs. 245.06 Lacs and over statement of Assets and reserves to that extent. (Refer Note No. 10)**