



ROYAL CUSHION VINYL PRODUCTS LTD.

ANNUAL REPORT
2005-2006





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		

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

Global Trust Bank Ltd.

Standard Chartered Bank

Bank Of India

The Saraswat Co-op. Bank Ltd.

REGISTERED OFFICE

Shree Kamdhenu Estate, 4th Floor,

Near Tangent Furniture Showroom,

Off. Link Road, Chincholi Bunder,

Malad (West), Mumbai - 400 064.

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.: 28366620 / 28257641 / 62920

Fax : 28211996

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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 on Monday, 25th September, 2006, at 11.30 a.m., at 5D Banquets, Samruddhi Commercial Complex, Opp. Magnus Tower, Chincholi Bunder Road, Off. Link Road, Malad (West), Mumbai 400064, to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2006, 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. Arvind V. Motasha, 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 and to fix their remuneration.

BY ORDER OF THE BOARD

For **ROYAL CUSHION VINYL PRODUCTS LIMITED**

Limited, 21, Shakhil Niwas, Mahakali Caves Road, Andheri (East), Mumbai 400 101.

- 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.

BY ORDER OF THE BOARD

For **ROYAL CUSHION VINYL PRODUCTS LIMITED**

KAILASH B. SHARMA
COMPANY SECRETARY

Registered Office

Shree Kamdhenu Estate, 4th floor,
Near Tangent Furniture Showroom,
Off. Link Road, Chincholi Bunder,
Malad (West), Mumbai 400 064

Date: 27th July, 2006

KAILASH B. SHARMA
COMPANY SECRETARY

Registered Office

Shree Kamdhenu Estate, 4th floor,
Near Tangent Furniture Showroom,
Off. Link Road, Chincholi Bunder,
Malad (West), Mumbai 400 064

Date: 27th July, 2006

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 14th September, 2006 to Monday the 25th September, 2006 (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

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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, 2006.

FINANCIAL RESULTS: (RS.IN LACS)

Particulars	Current year ended 31.03.2006	Previous year ended 31.03.2005
Sales and operating income (includes changes in stocks)	6919.10	8021.84
Other Income	2603.04	150.87
Total Income	9522.14	8172.71
Total Expenditure	8140.76	7932.88
Profit before interest and depreciation	1381.38	239.83
Less: Finance & Bank Charges	3621.91	3331.54
Depreciation	794.94	792.26
Loss before tax	(3035.47)	(3883.97)
Provision for Fringe Benefit tax (Wealth Tax)	11.00	0.08
Loss after taxation	(3046.47)	(3884.06)
Prior year's expenses	21.67	45.65
Bal. Brought forward from previous year	(28503.89)	(24574.18)
Balance carried forward to balance Sheet	(31572.02)	(28503.89)

PERFORMANCE:

The Company has achieved turnover of Rs. 6919.10 lacs as against Rs. 8021.84 lacs in previous year. The turnover was affected mainly due to lower sales price realisation per meter in local market. The pressure on sale price was on account of introduction of VAT and stiff competition. The production was affected due to the trial run taken during the year to develop new products. Further the high Raw material cost due to increase in crude price has also affected profit margins.

During the year Company entered into a One Time Settlement (OTS) with Union Bank of India (UBI) where all liabilities were settled at Rs. 10 crore. The last instalment pursuant to above OTS was made in the month of July 2006, and excess provisions to the extent of Rs. 25.40 crores was written back during the year under review and included in other income. Further, due to finalization of Arbitration petition filed against Herbert Olbrich, GmbH & Co., KG (Germany) in ICC International Court of Arbitration, Paris, the deferred revenue expenditure of Rs. 8.59 cr. has been accounted during the year under review.

DIVIDEND:

In view of the losses, the Board of Directors is unable to recommend any dividend for the year 2005-2006.

INDUSTRY STRUCTURE AND DEVELOPMENTS

The Company is primarily engaged in manufacturing of Vinyl floorings, which are used in households, commercial offices, showrooms and transport sector. The Industry is characterized 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 is a market leader in Vinyl Flooring segment. The consumption of high end Vinyl Flooring has

significantly improved due to shopping malls and growth in IT & Health Care Sector. Demand in transport flooring will also increase due to improved road infrastructure. 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:

The Company regularly introduces new commercial product in market. The Company has recently introduced Transport Flooring used in buses and railways and high performance flooring for heavy traffic areas and has received positive response.

The Company is working on flooring requirements, specific to hospitals, BPO, IT, and Corporate Office which has tremendous growth. With growing opportunities your company hopes to increase the turnover and improve the performance in future.

RISKS AND CONCERNS

The main cause of concern is lower import duty on finished products. Cheaper imports of finished product are likely to impact margins of these products. The company is focusing on shifting the product mix towards the high end product for better realization.

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 since September, 2002. The IDBI and some other Banks have transferred their debt to ARCIL. Restructuring package for the company is in final stage of consideration with ARCIL. The company has already settled debt of UBI in one time settlement and has initiated negotiation with rest of banks for One Time Settlement. On finalization of above, a Draft Rehabilitation Scheme (DRS) for the company will be recommended for approval to the Hon'ble BIFR.

CHANGE IN REGISTERED OFFICE

During the year Registered office of the Company was changed to :

Shree Kamdhenu Estate, 4th floor, Near Tangent Furniture Showroom, Off. Link Road, Chincholi Bunder, Malad (West), Mumbai 400 064.

FINALISATION OF HERBERT OLBRICH (HO) MATTER :

The Company had filed Arbitration petition against Herbert Olbrich, GmbH & Co, KG (Germany) (HO) in ICC International Court of Arbitration, Paris in respect of defective machinery supplied by HO. The hearing of

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matter was completed during the year and the final award in favour of Company was passed on 24.5.2006.

As per award, the company received EUROS 410232.69 equivalent to Rs. 2,40,19,124/-. The company was however required to bear its' legal cost and expenses incurred for above matter.

DIRECTORS:

Mr. Arvind V. Motasha 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.

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, 2006, the applicable accounting standards/practices had been followed along with proper explanation relating to material departures;
- 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;
- 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;
- That the Directors had prepared the accounts for the financial year ended 31st March, 2006 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 Auditor's Report and notes forming part of the accounts is 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**

Place: Mumbai

MAHESH K. SHAH

Date: 27th July, 2006

Chairman & Managing Director

REPORT ON CORPORATE GOVERNANCE

(Annexure "A" forming part of Directors' report for 12 months period ended on 31st March, 2006 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 2005-06, the Board met 5 times on the following dates, namely 30th June 2005, 29th July 2005, 29th October 2005, 30th December, 2005 and 31st January, 2006.

The last Annual General Meeting was held on 28th September, 2005. 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-ships	Committee Chairmanship
1.	Mr. Mahesh K.Shah	Executive Promoter Director	4	No	11	Nil	Nil
2.	Mr. Vinod K.Shah	Executive Promoter Director	4	No	12	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	4	Yes	5	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	12	2	1

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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 a 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 2005-06, 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 under the provisions of the Schedule XIII of the Companies Act, 1956, to recommend the remuneration of the Managing Director and Executive Directors. The Remuneration Committee consist of three Non Executive Directors namely Mr. Jayesh A. Motasha, Mr. Arvind V. Motasha and Deepak Motasha. No meeting was held during the year. Payment of remuneration by way of Salary and Perquisites to the Managing / Executive Directors is approved by the shareholders and Central Government.

Details of Remuneration for the year 2005-06

(Rs.in Lacs)			
Sr.No.	Name	Salary	Perquisites
1.	Mr. Mahesh K. Shah	4.50	0.81
2.	Mr. Vinod K. Shah	4.44	1.56
3.	Mr. Mukesh A. Motasha	4.44	1.53

The Members at the 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 and the permission of the Central Government has also been obtained. Notice period for termination of appointment of Managing/ Executive Directors is six months on either side. 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 Directors. No. of shares held by Non Executive Directors as on 31.03.06 in the Company are as under:

Name	No. of Shares held
Mr. Arvind V. Motasha	44903
Mr. Deepak A. Motasha	1701
Mr. Jayesh A. Motasha	600

5. Code of Conduct :

The Board of Directors has laid down a Code of Conduct for all Board Members and senior Management of the Company. The Board Members and senior Management personnel have affirmed their compliance with the Code of Conduct for the year under review. Declaration to this effect signed by the Managing Director is annexed to this report.

6. 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. Motasha are other Members of Committee.

Mr. Kailash Sharma, Company Secretary is Compliance Officer.

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 - 19

Number of Complaints solved to the satisfaction of shareholders during the year-18.

Number of pending Complaint as on 31.03.06 –1. (Since resolved

Number of Share Transfer pending for approval as at 31.03.06 - Nil

7. General Body Meetings

Details of Annual General Body Meeting held and Special Resolution passed during last three years :

Year	2002-2003	2003-2004	2004-2005
Date	30.09.2003	21.09.2004	28.09.2005
Time	12.00 p.m.	11:30 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.
Special Resolutions passed	Nil	Approval for reappointment of Mr. Mahesh K. Shah as Managing Director for a period of 3 years w.e.f. 01-04-2005	Approval for delisting of Equity Shares from the Vadodara Stock Exchange Ltd. and The Stock Exchange, Ahmedabad.

Approval for re-appointment of Mr. Vinod K. Shah as Executive Director for a period of 3 years w.e.f. 01-04-2005

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Approval for re-
appointment Mr.
Mukesh A. Motasha
as Executive Director
for a period of
3 years w.e.f.
01-04-2005

E. Listing on Stock Exchanges

Bombay Stock Exchange Ltd.
The Stock Exchange,
Ahmedabad
Vadodara Stock Exchange
Limited

F. Stock Code

Bombay Stock Exchange Ltd.:
526193
Demat ISIN No. CDSL &
NSDL: INE618A01011

G. Market price data

High, Low Market price on
Bombay Stock Exchange
during each month of the
financial year :

Month	Price	
	High (Rs.)	Low (Rs.)
April' 2005	35.20	27.20
May' 2005	32.60	27.00
June' 2005	34.80	26.80
July' 2005	39.95	30.05
August' 2005	63.75	34.40
September' 2005	59.15	38.80
October' 2005	40.90	31.00
November' 2005	37.55	34.70
December' 2005	39.50	33.90
January' 2006	36.00	32.40
February' 2006	32.65	25.60
March' 2006	27.65	22.90

No Postal Ballots were used for voting at these meetings.

8. Disclosures

- 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.
- 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.
- The Company is partly complying with the mandatory requirements of Clause 49 of the Listing Agreement. Non – mandatory requirements relating to Remuneration Committee have been adopted by the Company.

9. 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 Director's Report.

10. General Shareholder information

- Annual General Meeting**
 Date and Time :
 25th September, 2006 at
 11.30 a.m.
 Venue :
 At 5 D Banquets, Samruddhi
 Commercial Complex, Opp.
 Magnus Tower, Chincholi
 Bunder Road, Off. Link Road,
 Malad (West), Mumbai -
 400 064.
- Financial Calendar**
 April to March
 Financial Reporting
 for Quarter ending
 30th June, 06.
 Financial Reporting
 for Quarter ending
 30th Sept, 06
 Financial Reporting
 for Quarter ending
 31st Dec, 06
 Audited Results for
 year ending
 March, 2007
 On or before the end of July,
 2006.
 On or before the end of
 October, 2006
 On or before the end of
 January, 2007
 On or before the end of June,
 2007
- Date of Book closure** Beginning Thursday 14th
 September, 2006 to
 Monday the 25th September,
 2006 (both days inclusive)
- Dividend payment date** Not applicable

H. Address for correspondence

a. Registrar and Share Transfer Agent

Mondkar Computer Private Limited
 21, Shakil Niwas,
 Mahakali Caves Road,
 Andheri (East)
 Mumbai 400 093.
 Tel No. 022- 28366620 / 28257641 / 62920

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 Registered office address:
 Royal Cushion Vinyl Products Limited.
 Shree Kamdhenu Estate, 4th floor, Near Tangent
 Furniture Showroom, Off. Link Road, Chincholi
 Bunder, Malad (West), Mumbai 400 064.
 Tel No. 022- 40039110 / 40039111
 Fax No. 022- 28773591

I. Share Transfer System

Mondkar Computers Private Limited has been the
 Registrar & Transfer Agents of the Company. The
 share transfers which are received in physical form
 are processed in the cycle of 15 days 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. The power of Share Transfer
 has been delegated to Registrar and Transfer Agents.
 Demat requests are processed and completed within
 an average period of 15 days from the date of receipt
 provided they are otherwise in order.

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J. Distribution of shareholding as on 31st March, 2006

Range No. of equity shares	No. of Shareholder	%	No. of Shares	%
Upto 500	3194	85.196	597738	4.953
501 - 1000	260	6.935	204189	1.692
1001 - 2000	112	2.987	165193	1.369
2001 - 3000	42	1.120	107119	0.888
3001 - 4000	22	0.587	77114	0.639
4001 - 5000	19	0.507	90660	0.751
5001 - 10000	34	0.907	248423	2.059
10001 and above	66	1.760	10576776	87.649
TOTAL	3794	100	12067212	100

K. Shareholding pattern as on 31st March, 2006

Category	No. of Shares	Percentage of Shareholding
Promoters (Including Foreign Promoters)	7161313	59.34
Mutual Fund & UTI	6000	0.05
Banks, Financial Institutions, etc.	1576730	13.07
Private Corporate Bodies	477986	3.96
NRIs	45916	0.38
Indian Public	2799267	23.20
Grand Total	12067212	100.00

L. Dematerialisation of shares and liquidity

57,64,839 (47.77%) of Equity Shares of Rs. 10/- each have been dematerialised as on 31st March, 2006

M. Plant Locations

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

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

Name	Mr. Arvind V. Motasha	Mr. Mukesh A. Motasha
Age	63 years	51 Years
Nature of expertise	Commercial Matters	International Marketing
Name of the Public Companies in which also holds Directorship	Nil	Nil
Name of the Companies in the committees of which holds membership/charimanship other than Royal Cushion Vinyl Products Limited	Nil	Nil

On Behalf of the Board of directors
For **ROYAL CUSHION VINYL PRODUCTS LIMITED**

Place: Mumbai

Date : 27th July, 2006

MAHESH K. SHAH

Chairman & Managing Director

DECLARATION REGARDING AFFIRMATION OF CODE OF CONDUCT

In terms of the requirements of the amended Clause 49 of the Listing Agreement, this is to confirm that all the members of the Board and the Senior Management Personnel have affirmed compliance with Code of Conduct for the year ended 31st March, 2006.

Place : Mumbai

MAHESH K. SHAH

Date : 27.07.2006

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 MEASURE TAKEN :**

CALENDER 1 - TAKE OFF UNIT - Converted from High pressure super heated water heating system to low pressure thermic fluid heating system to save fuel consumption. There was a saving of 105 ltr/ day was observed.

PNEUMATIC CONVEYING SYSTEM FOR CALCIUM CARBONATE POWDER:

The Conveying height was reduced by 10 meters, by shifting bag unloading station at upper level. Thus saving of power from 22 KW to 10.5 KW for 6 motors.

ROOF EXTRACTORS :

Power driven roof extractors replaced by wind ventilator (powerless) to save electrical power. Net saving around 30 units / hour.

EXTRUDER HEATING :

Electrical heating system for extruder replaced by thermic fluid heaters resulted net saving of power 50 KWH.

AUMA HEATERS :

Converted to Thyristor controlled regulation to save electrical energy.

II. TECHNOLOGY ABSORPTION :**A) R & D was specifically carried out in designing & developing new products :**

- ❖ Developed "Slip resistant flooring" especially for bus product. Product is marketed as "SONATA" range.
- ❖ A multicolor product was developed using PVC chips throughout the top layer of 1.0 mm. This product can be used as designer floor. Required shapes can be made on floor in attractive colours. This product is marketed as "SYMPHONY" Range.
- ❖ A decorative chips product is developed which have PVC chips in top layer. This product is marketed as "ROYAL STAR". PU Line is installed & many new products are with U.V. cure lacquer.
- ❖ Uni-directional, anti-directional homogeneous flooring was developed & the product is under trials and will be marketed soon.
- ❖ A product specially to be used in wet areas was developed with special anti skid properties & back static properties. This will be marketed as "Royal Safe' Aqua range

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- ❖ A product range with silicon carbide on surface was developed which will be marketed as "ROYAL SAFE-Standard" Range.
- ❖ A product range with silicon carbide & pre chips was developed for heavy duty application & it will be marketed as "ROYALSAFE-Suprema"
- ❖ Testing of Royalsafe-Aqua & optima was carried out in European laboratory & our product is at par with European products in all safety aspects.

B. FUTURE PLANS

- ❖ To develop – antistatic , conductive flooring with pre chips for hospitals & electric industries.
- ❖ To work more in areas of sports flooring, to make products of international standard for specific games.
- ❖ To develop railway flooring of international standards.
- ❖ To work with products having wear layer of clear PVC & decoration below this film.

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 31.03.2006	Previous Year ended on 31.03.2005
1.	FOB value of exports	Nil	Nil
2.	Foreign Exchange outgo :		
	Import of Raw Materials	3647.30	3214.84
	Stores & Spares	44.27	67.41
	Foreign travel	24.41	9.57
	Legal Fees	568.67	127.36
	Court Fees (ICC)	Nil	105.79
	Misc. Expenses	3.72	Nil

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, 2006, 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, 2006 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 : Vadodra

DATE : 27th July, 2006

PARTNER (H.B. SHAH)

AUDITOR'S REPORT

We have audited the attached Balance Sheet of **ROYAL CUSHION VINYL PRODUCTS LIMITED**, as at 31st March, 2006 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 disclosure 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 (Auditors' 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 to revenue expenditure, accounting of export incentives likely to be