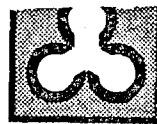


MD	✓		BKC	✓
CS	✓		DPY	NA
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	NA	✓	SHI	✓
YE	✓	✓		✓

ANNUAL REPORT

FOR THE YEAR ENDED 31ST MARCH 1998

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**Group
Cheviot**

CHEVIOT COMPANY LIMITED



CHEVIOT COMPANY LIMITED

BOARD OF DIRECTORS

B.D. KANORIA - *Chairman*
 L.R. PURI
 LT. GEN. J.S. AURORA
 B.P. BAJORIA
 V.K. NEVATIA
 S. SHARMA
 H. KHAITAN
 H.V. KANORIA - *Managing Director*
 N.K. KEJRIWAL - *Wholetime Director*

GENERAL MANAGER (FINANCE) & SECRETARY

D.K. MOHTA

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AUDITORS

JAIN & CO.
 CHARTERED ACCOUNTANTS

BANKERS

STATE BANK OF INDIA

REGISTERED OFFICE

24, PARK STREET,
 MAGMA HOUSE (9TH FLOOR),
 CALCUTTA - 700 016

WORKS

19, MEHTA ROAD,
 BUDGE-BUDGE,
 24-PARGANAS (SOUTH),
 WEST BENGAL

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CHEVIOT COMPANY LIMITED

NOTICE

TO THE MEMBERS

The Annual General Meeting of the Members of Cheviot Company Limited will be held at Gyan Manch, 11, Pretoria Street, Calcutta - 700 071 on Wednesday, the 22nd July, 1998 at 3.30 P.M. to transact the following business :-

1. To receive and adopt the Audited Accounts for the year ended 31st March, 1998 and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. B. P. Bajoria, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. S. Sharma, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint Auditors in place of the retiring Auditors on a remuneration to be mutually agreed upon with the Board of Directors.
6. To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution :

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company in favour of the State Bank of India (SBI) of all the immovable and movable properties wheresoever situate present and future to secure Cash Credit, Export Packing Credit-cum-Packing Credit in Foreign Currency (EPC/PCFC) or other facilities obtained or to be obtained by the Company from SBI from time to time in its ordinary course of business provided however that the said mortgage/charge to be created by the Company in favour of SBI shall rank pari passu on first charge basis or as and by way of second charge as approved by Industrial Development Bank of India (IDBI)/Export-Import Bank of India (EXIM BANK)".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with IDBI/EXIM BANK/SBI the documents for creating aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution."

7. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution :

"RESOLVED THAT pursuant to Section 309(4) and other applicable provisions, if any, of the Companies Act, 1956, such sum by way of commission in no case exceeding in the aggregate 1% of the net profits of the Company computed in the manner referred to in Section 198 of the said Act, for each of the five financial years of the Company commencing on and from 1st April, 1997, as may be determined by the Board of Directors be paid to and distributed amongst the Directors of the Company other than the Managing Director and the Wholetime Director and that the proportion and manner of such payment and distribution be decided by the Board from time to time."

CHEVIOT COMPANY LIMITED

NOTICE (Contd.)

8. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to Section 293(1)(e) of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company to contribute and/or subscribe from time to time in any financial year to any charitable and other funds not directly relating to the business of the Company or the welfare of its employees upto a total amount of Rs. 50 lacs notwithstanding that such contributions and/or subscriptions may exceed Rs. 50,000/- or 5% of the Company's average net profit as determined in accordance with the provisions of Section 349 and 350 of the Companies Act, 1956, during the three financial years immediately preceeding, or any previous resolution passed in this behalf."

Registered Office :

24, Park Street,
Magma House (9th Floor),
Calcutta - 700 016

Dated : 6th May, 1998

By Order of the Board,
CHEVIOT COMPANY LIMITED
D. K. MOHTA

General Manager (Finance) & Secretary

-
- NOTES :**
1. The Register of Members and the Share Transfer Register of the Company will remain closed from 1st July, 1998 to 22nd July, 1998 both days inclusive.
 2. Any Member who is entitled to attend and vote at this meeting may appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a Member of the Company. The Proxies in order to be effective, must be received by the Company not less than 48 hours before the Meeting.
 3. Members are requested to notify immediately change in their registered address mentioning full address in block letters with pin code of the post office.
 4. The dividend on shares as recommended by the Board of Directors, if declared at the Meeting will be payable to those Members whose names shall appear in the Register of Members on 22nd July, 1998. Dividend Warrants shall not be mailed to those Shareholders who have not paid the allotment money in respect of the shares allotted to them. Shareholders are once again requested to pay the same immediately.
 5. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed/unpaid dividends on Ordinary Shares upto the financial year ended 31st March, 1994 have been transferred to the General Revenue Account of the Central Government. Concerned shareholders are requested to claim the amount from the Registrar of Companies, West Bengal, Calcutta.
 6. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed.

CHEVIOT COMPANY LIMITED**ANNEXURE TO NOTICE****Explanatory Statement as required under Section 173(2) of the Companies Act, 1956****ITEM 6**

The Company is enjoying various facilities such as Cash Credit, Export Packing Credit-cum-Packing Credit in Foreign Currency (EPC/PCFC) Letter of Credit, Bank Guarantees etc. for the working capital requirements from the State Bank of India which are secured by hypothecation of stock of raw materials, stocks in process and all articles manufactured therefrom and all stores and book debts. The said Bank has asked the Company to offer mortgage/charge on all the Fixed Assets of the Company.

In view of the provisions of Section 293(1) (a) of the Companies Act, 1956, it is necessary for the Members to pass a resolution before creation of the said mortgage/charge subject to the approval of Industrial Development Bank of India/Export Import Bank of India. The Board of Directors of the Company recommends that the Ordinary Resolution be passed by the Members.

No Director of the Company has any interest or concern in the proposed Ordinary Resolution.

ITEM 7

On 8th September, 1990, the Company passed a Special Resolution authorising payment of Commission to non-Wholtime Directors under Article 85 of the Company's Articles of Association for a period of 5 years with effect from 1st April, 1990.

The aforesaid Special Resolution ceased to be in force on 31st March 1995 and was not renewed thereafter. Accordingly, no commission was paid to non-Wholtime Directors for the last two financial years ended 31st March, 1996 and 31st March, 1997. It is proposed to seek the approval of the shareholders afresh by a Special Resolution to the payment of commission to the Directors for a period of five financial years from 1st April, 1997, in the manner and to the extent set out in the text of the Special Resolution. The Board of Directors of the Company recommend that the proposed Special Resolution be accepted by the Company.

All the Directors who will be entitled to get the commission as aforesaid are interested in the proposed Special Resolution.

CHEVIOT COMPANY LIMITED

ANNEXTURE TO NOTICE (Contd.)

ITEM 8

In order to carry out the social obligations and responsibilities of the business, it is desirable to contribute and/or subscribe to charitable and other funds. Since contribution and/or subscription in excess of the limits prescribed under Section 293(1)(e) of the Companies Act, 1956 in any financial year require the approval of the shareholders, it is recommended that the Board should be empowered to make such contributions and/or subscriptions upto the limits as specified in the Resolution.

None of the Directors is interested in the proposed Ordinary Resolution.

Registered Office :

24, Park Street,
Magma House (9th Floor),
Calcutta - 700 016

Dated : 6th May, 1998

By Order of the Board,
CHEVIOT COMPANY LIMITED

D. K. MOHTA

General Manager (Finance) & Secretary

CHEVIOT COMPANY LIMITED

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have great pleasure in submitting their Annual Report and Audited Accounts of the Company for the year ended 31st March, 1998.

	Current Year ended 31st March 1998	Previous Year ended 31st March 1997
	Rupees	Rupees
Financial Results		
The working results before charging depreciation and other provisions as listed below show a gross profits of	9,16,57,821	4,18,24,063
From which have been deducted :		
(a) Provisions for current year		
Depreciation (Net)	2,07,37,579	1,06,59,375
Taxation	1,26,10,000	40,70,000
Profit after taxation	5,83,10,242	2,70,94,688
(b) Provisions for earlier years		
Taxation	1,35,376	11,472
Gratuity (net of tax)	3,76,75,614	—
Leaving a balance of	2,04,99,252	2,70,83,216
To which have been added :		
Balance brought forward from previous year	25,84,643	21,29,221
Investment allowance (utilised) reserve written back	6,83,909	44,01,206
Making a total of	2,37,67,804	3,36,13,643
Which has been appropriated by the Directors as under :		
Proposed Dividend	75,36,250	60,29,000
Tax on distributed profits (includes Rs. 6,02,900 for previous year)	13,56,525	—
Transfer to General Reserve	1,20,00,000	2,50,00,000
Balance to be carried forward	28,75,029	25,84,643
	2,37,67,804	3,36,13,643

DIVIDEND

The Directors are pleased to recommend for your consideration payment of dividend @25% for the year ended 31st March, 1998 subject to the approval of Industrial Development Bank of India.

CHEVIOT COMPANY LIMITED

DIRECTORS' REPORT (Contd.)

WORKING REVIEW

The Company's operations continued to be good and the year under review witnessed an all time high growth in production and profitability. The production, export sales and profit from operations have shown under noted growth over the previous year :-

	Current Year	Previous Year	Growth %
Production (Tonnes)	34887	29942	16.51
Export Sales (Rs./lakhs) (CIF Value)	7060.34	6353.60	11.12
Profit before depreciation (Rs./lakhs)	916.58	418.24	119.15

The positive effects of concerted steps taken by the Company to bring about all round improvement in productivity and cost effectiveness coupled with the favourable market conditions resulted in good increase in profits. In addition, there was significant savings in the cost of raw jute due to its easy availability at reasonable prices as a result of good crop with sufficient carryover of stocks.

It is heartening to note that your Company generated positive cash flow and substantial amount of Rs. 719.18 lakhs was invested in fixed assets during the year. This was largely met through internal accruals. In this exceptional year of profitability, your Directors thought it prudent to make adequate provisions wherever necessary in keeping with normal accounting principles, as explained in the Notes on the Accounts. The Directors are of the view that such steps are in the best interest of the Company.

FUTURE PROSPECTS

Though the euphoria of favourable market condition is waning, the demand for jute goods is likely to remain good at remunerative prices during the current year. Your Company continues to lay thrust on maximising exports by way of increasing production of value added jute products. The programme of upgrading and expanding the manufacturing facilities by making required capital investments continues in a phased manner. However, the increasing labour cost does not augur well for the industry in which the wages constitute over 30% of production costs. We reiterate that there is an imperative need to link wages with productivity.

The Directors are confident that the series of measures undertaken for modernisation, upgradation and cost effectiveness during the last few years will enable the Company to meet any adverse situation effectively. Looking to the present market scenario, the working for the current year appears to be satisfactory though it is unlikely to match with the year under review.

CHEVIOT COMPANY LIMITED

DIRECTORS' REPORT (Contd.)

PROJECTIONS VS. ACTUAL PERFORMANCE

The details of the actual performance as compared to the projections made in the prospectus are given below :-

		(Rs. in lacs)
(a) Profitability :	Projections 31-3-1998	Actual Performance 31-3-1998
Export Sales (FOB)	6098.77	6750.67
Sales and other income	9343.25	8945.86
Profit before depreciation, interest and tax	1030.87	1039.84
Profit after tax	628.89	583.10
Dividend rate	20%	25%
E.P.S. (Rs.)	20.86	19.34

Reasons for variation

Figures of actual performance are not comparable with those of projections which include the figures of the erstwhile Plastic division of the Company.

(b) Utilisation of funds :

Funds have been fully utilised as mentioned in the Prospectus dated 23rd December, 1994 except that the investments meant for the erstwhile Plastic division have been redeployed for the requirements of the Company's Jute division for the reason as explained in the previous reports.

PUBLIC DEPOSITS

Three deposits aggregating Rs. 10000 have been lying unclaimed for many years for which no instructions for repayment have been received despite several reminders.

PERSONNEL

Relations with staff and workmen continued to remain cordial and harmonious. The Directors wish to place on record their appreciation of all the employees for their dedicated services.

Particulars of employees as required under Section 217 (2A) of the Companies Act, 1956 read with the rules thereunder are given in the Annexure which forms part of this report.

PARTICULARS OF CONSERVATION OF ENERGY ETC.

A statement giving information in accordance with Section 217 (1) (e) of the Companies Act, 1956 read with the rules thereunder is annexed and forms part of this report.

CHEVIOT COMPANY LIMITED

DIRECTORS' REPORT (Contd.)

SUBSIDIARY COMPANY

The report and accounts of Elite (India) Ltd., a subsidiary of your Company in respect of its financial year ended 31st March, 1998 are attached alongwith the statement pursuant to Section 212 of the Companies Act, 1956.

DIRECTORS

Mr. B. P. Bajoria and Mr. S. Sharma retire from the Board by rotation and being eligible, offer themselves for reappointment.

AUDITORS

The Auditors, Messrs Jain & Co., Chartered Accountants retire and have expressed their willingness to continue in office, if reappointed. You are requested to reappoint the Auditors at such remuneration as may be agreed by your Directors.

The observation in the Auditors report has been suitably explained in the Notes on the Accounts and need no further elucidation.

Messrs D. Radhakrishnan & Co., Cost Accountants have been appointed, subject to requisite approval, to conduct an audit of the Cost Accounts relating to jute goods maintained by the Company for the year ended 31st March, 1999 as directed by the central government.

ACKNOWLEDGEMENT

We wish to acknowledge our appreciation to financial institutions, Export-Import Bank of India and our bankers for their continued support and co-operation at all times.

Calcutta, 6th May, 1998

On behalf of the Board
B. D. KANORIA
Chairman