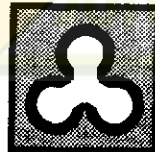


ANNUAL REPORT

FOR THE YEAR ENDED 31ST MARCH 1999

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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

AUDITORS

JAIN & CO.
CHARTERED ACCOUNTANTS

BANKERS

STATE BANK OF INDIA

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REGISTERED OFFICE

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

WORKS

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

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 Tuesday, the 20th July, 1999 at 3.30 P.M. to transact the following business :-

1. To receive and adopt the Audited Accounts for the year ended 31st March, 1999 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. L. R. Puri, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. H. Khaitan, 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 of all the immovable and movable properties of the Company wheresoever situate, present and future and the whole of the undertaking of the Company and/or to giving the power to take over the management of the business and concern of the Company in certain events (whether such power is contained in the documents creating the mortgage/charge or otherwise) to or in favour of Export Import Bank of India (EXIM Bank) to secure rupee term loan not exceeding Rs. 300 lacs (Rupees Three hundred lacs only) lent and advanced by EXIM Bank to the Company together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and other monies payable by the Company to EXIM Bank under its Letter of Sanction in respect of the said term loan."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with IDBI/EXIM Bank 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."

Registered Office :
24, Park Street,
Magma House (9th Floor),
Calcutta - 700 016
Dated : 6th May, 1999

By Order of the Board,
CHEVIOT COMPANY LIMITED
D. K. MOHTA
General Manager (Finance) & Secretary

CHEVIOT COMPANY LIMITED**NOTICE** (*Contd.*)

- NOTES :**
1. The Register of Members and the Share Transfer Register of the Company will remain closed from 1st July, 1999 to 20th July, 1999 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 20th July, 1999. 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, 1995 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 relating to the item of Special Business mentioned in the Notice**

ITEM 6

The Company has approached Export Import Bank of India (EXIM Bank) for financial assistance in the form of term loans for procurement of production equipments under EXIM Bank's Production Equipment Finance Programme.

The said financial assistance has to be secured by a first/pari passu mortgage/charge of all the immovable and movable properties of the Company, present and future.

Section 293(1)(a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors of a public company shall not, without the consent of such public company in general meeting, sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking, of the whole, or substantially the whole, of any such undertaking.

Since the mortgaging by the Company of its immovable and movable properties as aforesaid in favour of the financial institutions may be regarded as disposal of the Company's properties/undertakings, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956 before creation of the said mortgage/charge.

Copy of the Letter of Intent No. OIF:PEFP:202:51 dt. 15/3/99 received from EXIM Bank, copies of the relevant documents/correspondence between the said institution and the Company are open for inspection at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day prior to the date of the meeting.

None of the Directors of the Company is interested in the resolution.

Registered Office :
24, Park Street,
Magma House (9th Floor),
Calcutta - 700 016
Dated : 6th May, 1999

By Order of the Board,
CHEVIOT COMPANY LIMITED
D. K. MOHTA
General Manager (Finance) & Secretary

CHEVIOT COMPANY LIMITED

DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting their Annual Report and Audited Accounts of the Company for the year ended 31st March, 1999.

	Current Year ended 31st March 1999	Previous Year ended 31st March 1998
	Rupees '000	Rupees '000
Financial Results		
The working results before charging depreciation show a gross profit of	5,89,62	9,16,58
From which have been deducted :		
Depreciation (net)	2,52,18	2,07,38
Taxation	55,00	1,26,10
Profit after taxation	2,82,44	5,63,10
From which provisions for earlier years have been deducted		
Taxation	32	1,35
Gratuity	2,55,18	3,76,76
Leaving a balance of	26,94	2,04,99
To which have been added :		
Balance brought forward from previous year	28,75	25,85
Investment allowance (utilised) reserve written back	4,39	6,84
Making a total of	60,08	2,37,68
Which has been appropriated by the Directors as under :		
Proposed Dividend	36,17	75,36
Tax on distributed profits (Previous year's figure includes Rs. 6,03 for earlier year)	3,62	13,57
Transfer to General Reserve	7,50	1,20,00
Balance to be carried forward	12,79	28,75
	60,08	2,37,68

DIVIDEND

The Directors recommend for your consideration payment of dividend @12% for the year ended 31st March, 1999.

CHEVIOT COMPANY LIMITED**DIRECTORS' REPORT** *(Contd.)***WORKING REVIEW**

The production during the year under review was 25,496 Tonnes as compared to 34,887 Tonnes in the previous year. The loss in production was mainly as a result of lockout at the company's mills at Budge Budge from 7th June, 1998 to 26th August, 1998. Consequently, the performance of the company was affected due to adverse impact of loss of working coupled with steep increase in costs of inputs particularly wages and power. Moreover, the industry witnessed significant reversal of the favourable market conditions prevailing during the previous year which also resulted in reduced margins. Besides, there was pressure on profitability as a result of provision of gross amount for gratuity liability for the reason explained in note no. 10 to the notes on accounts. On the export front too, the carpet weaving industry worldwide had been in a difficult situation which was primarily responsible for sharp decline in export sales both in terms of quantity and value.

It is, however, a matter of satisfaction that the drop in profit after tax was restricted to about 50% over that of during the previous year largely on account of better operational efficiency and financial management, which otherwise would have been very sharp.

FUTURE PROSPECTS

The increase in price of raw jute, the rising costs of wages and power, the erratic overseas enquiries, the import of jute goods from Bangladesh and its fierce competition in world market continue to plague the jute industry. The massive cost differential between BIFR and non BIFR mills has further aggravated the margins. Government on its part has done precious little to ameliorate the industry from such adverse scenario which has pushed the industry into the red.

The Directors are fully conscious of their responsibilities and are taking all possible measures to minimise the effect of the present adverse situation. Improvement in the quality of products, updating manufacturing process, containing costs by adopting latest technology are some of the areas where effective steps are being taken to insulate the company from the onslaught on the industry. Unless Government takes immediate measures like linking wages to productivity, permitting installation of captive power plants, eliminating cost differential between BIFR and non BIFR mills, uncertainty looms large over the industry and prospects seem to be gloomy.

ISO 9002 ACCREDITATION

The Company continues to maintain the distinctive recognition of an internationally acclaimed quality assurance system ISO 9002.

STATUS ON Y2K COMPLIANCE

The Company does not envisage any risk due to year 2000 bug as all the operations, processes and functions of the company have been made Y2K compliant. The company started addressing the Y2K issue in the year 1994-95 and the job was successfully completed before the beginning of calendar year 1998 by utilising in house manpower resources. Cost of upgrading/ changing the hardware, operating system, application platform was about Rupees one million.

GRATUITY

Gratuity has been provided in these accounts on the basis of gross liability calculated actuarially instead of net of tax basis as heitherto for.

CHEVIOT COMPANY LIMITED**DIRECTORS' REPORT (Contd.)****PUBLIC DEPOSITS**

Three deposits aggregating Rupees Ten thousand continue to remain unclaimed, despite several reminders to the concerned depositors.

PERSONNEL

In sharp contrast to the tradition of harmonious industrial relations at Cheviot, it is surprising that the working during the year under review was affected due to two incidents of labour troubles. Firstly, industrial relations forced a lockout for 81 days and subsequently there was a unilateral illegal cessation of work by a section of workers at the company's 100% export oriented unit. Efforts are being made for early resumption of work.

Particulars of employees in terms of requirements of Section 217(2A) of the Companies Act, 1956 read with the rules thereunder are given in the Annexure forming part of this report.

PARTICULARS OF CONSERVATION OF ENERGY ETC.

Information required as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure to this report.

SUBSIDIARY COMPANY

The particulars required under the provisions of Section 212 of the Companies Act, 1956 along with the report and the audited accounts of Elite (India) Ltd., a subsidiary of your company in respect of its financial year ended 31st March, 1999 are attached.

DIRECTORS

Mr. L. R. Puri and Mr. H. Khaitan retire from the Board by rotation and being eligible, offer themselves for re-appointment.

AUDITORS

The Auditors, Messrs Jain & Co., Chartered Accountants who retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. 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.

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

APPRECIATION

The directors appreciate the support and cooperation extended to the company by Export Import Bank of India, other financial institutions and the company's bankers.

Calcutta, 6th May, 1999

On behalf of the Board
B. D. KANORIA
Chairman

CHEVIOT COMPANY LIMITED**ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1999**

Particulars of employees under Section 217(2A) of the Companies Act, 1956 for the year ended 31st March, 1999 who were in receipt of remuneration aggregating to Rs. 50,000 per month or more

a) Name, b) Designation, c) Nature of Duties, d) Remuneration-Amount in Rs. '000, e) Qualification, f) Experience, g) Date of commencement of employment, h) Age in years, i) Particulars of last employment-name of the employer, designation and period in years.

- 1) a) Mr. H.V. Kanoria, b) Managing Director, c) Management, subject to control, direction and superintendence of Board of Directors, d) Rs. 15.21 e) B.Com., f) 25 years, g) 1.4.1981, h) 43 years, i) Bengal Tea & Industries Ltd., Wholetime Director, 3 years.
- 2) a) Mr. N.K. Kejriwal, b) Wholetime Director, c) Incharge of the Company's manufacturing activities, d) Rs. 7.70 e) B.Com., LLB., f) 32 years, g) 15.3.1980, h) 56 years, i) Shalimar Wires & Industries Ltd., Sales Manager, 4 years.

Notes : 1. Remuneration includes salary, allowances, Company's contribution to provident fund, leave travel concession, reimbursement of medical expenses, commission on net profits, value of certain perquisites evaluated on the basis of Income Tax Act & Rules.

2. Appointments are contractual.

3. Mr. H. V. Kanoria is related to Mr. B. D. Kanoria, Chairman of the Company.

On behalf of the Board

B. D. KANORIA
Chairman

Calcutta, 6th May, 1999

Information required to be furnished under the listing agreement :-

- a) The names and addresses of the Stock Exchanges where the Company's shares are listed are :-
 1. The Calcutta Stock Exchange Association Ltd.
7 Lyons Range, Calcutta - 700 001
 2. The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai - 400 001
 3. The Delhi Stock Exchange Association Ltd.
3 & 4/4B Asaf Ali Road
New Delhi - 110 002
 4. The Stock Exchange, Ahmedabad
Kamdhenu Complex,
Opp. Sahajanand College
Panjarapole, Ahmedabad - 380 015
- b) The listing fees for the year 1998-99 has been paid on time for all the above stock exchanges.

CHEVIOT COMPANY LIMITED

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1999
Information pursuant to Section 217(1) (e) of the Companies Act, 1956

A. Conservation of Energy**(a) Energy Conservation measures taken :**

The company gives utmost importance to energy conservation. Some of the measures implemented for conservation of energy were replacement of heavier H.P. motors with smaller H.P. motors, installation of suitable capacitors to maintain power factor at ideal level, introduction of individual drive system, realignment of energy efficient power distribution system. Moreover, utilisation of energy is closely monitored by the company in order to eliminate its unproductive consumption.

(b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy :

Investments are being made in consultation with technical experts.

(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :

Benefits achieved in the form of saving of energy as a result of adoption of energy conservation measures as indicated above were diluted due to steep increase in the rates of electricity.

(d) FORM A**(a) Power & Fuel consumption**

	<u>Current Year</u>	<u>Previous Year</u>
1. Electricity		
a) Purchased		
Units ('000 Kwh)	85.07	1,18,28
Amount (Rs. '000)	4,01,93	4,26,48
Rate/Unit (Rs.)	4.72	3.61
b) Own Generation		
Through Diesel		
Generator-Units	45.62	50.05
Units per Ltr. of		
Diesel Oil	3.41	3.26
Cost/Unit (Rs.)	3.13	3.28
2. Coal		
(B&C Grades, used		
mainly for generation		
of steam in boiler)		
Qty. (Tonnes)	270	744
Total Cost (Rs. '000)	5,17	13,83
Average Rate (Rs.)	1,913	1,859