

ANNUAL REPORT

FOR THE YEAR ENDED 31ST MARCH 2000

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**Group
Cheviot**

CHEVIOT COMPANY LIMITED

CHEVIOT COMPANY LIMITED

CHAIRMAN (EMERITUS)

B.D. KANORIA

BOARD OF DIRECTORS

H.V. KANORIA - *Chairman and Managing Director*

L.R. PURI

LT. GEN. J.S. AURORA

B.P. BAJORIA

S. SHARMA

H. KHAITAN

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 'Kalakunj', (Kalamandir Basement Hall) 48, Shakespeare Sarani, Calcutta - 700 017 on Thursday, the 3rd August, 2000 at 3.00 P.M. to transact the following business :-

1. To receive and adopt the Audited Accounts for the year ended 31st March, 2000 and the Reports of the Board of Directors and Auditors thereon.
2. To note the Interim Dividend paid for the financial year ended 31st March, 2000.
3. To appoint a Director in place of Lt. Gen. J. S. Aurora, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. B. P. Bajoria, 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 pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions of the Companies Act, 1956 and Schedule XIII thereto, approval of the Company be and is hereby accorded to the re-appointment of Mr. Nawal Kishore Kejriwal (Mr. Kejriwal) as Wholetime Director of the Company for a period of three years with effect from 1st June, 2000 upon the terms and conditions as to remuneration and otherwise as set out in the letter of re-appointment (a draft of which signed by Chairman for identification was laid on the table) to be issued to Mr. Kejriwal."

"FURTHER RESOLVED THAT in the event of absence or inadequacy of profits in any financial year during the aforesaid period of three years, the Company will pay to Mr. Nawal Kishore Kejriwal (Mr. Kejriwal) remuneration by way of salary and perquisites then drawn by Mr. Kejriwal subject to requisite approvals, if any as minimum remuneration."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions of the Companies Act, 1956 and Schedule XIII thereto, approval of the Company be and is hereby accorded to the re-appointment of Mr. Harsh Vardhan Kanoria (Mr. Kanoria) as Managing Director of the Company designated as Chairman and Managing Director for a period of five years with effect from 1st August, 2000 upon the terms and conditions as to remuneration and otherwise as set out in an agreement (a draft of which signed by the Chairman for identification was laid on the table) to be entered into between the Company and Mr. Kanoria."

CHEVIOT COMPANY LIMITED

NOTICE (Contd.)

"FURTHER RESOLVED THAT in the event of absence or inadequacy of profits in any financial year during the aforesaid period of five years, the Company will pay to Mr. Harsh Vardhan Kanoria (Mr. Kanoria) remuneration by way of salary and perquisites then drawn by Mr. Kanoria subject to requisite approvals, if any as minimum remuneration"

Registered Office :
24, Park Street,
Magma House (9th Floor),
Calcutta - 700 016
Dated : 8th May, 2000

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 August, 2000 to 3rd August, 2000 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. Dividends which remain unpaid/unclaimed over a period of seven years will have to be transferred by the Company to Investor Education and Protection Fund of the Central Government under Sections 205A & 205C of the Companies Act, 1956. Accordingly all unpaid/unclaimed amounts in respect of dividends paid by the Company for the financial year ended 31st March, 1996 and onwards will be transferred to the said fund of the Central Government on the respective due dates and no claim shall be made by the shareholders for the amounts which will be transferred to the said fund. Shareholders are advised to encash the dividend warrants before transfer to the Central Government.
 5. 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 present term of office of Mr. Nawal Kishore Kejriwal, (Mr. Kejriwal) Wholetime Director of the Company will expire on 31st May, 2000.

Considering Mr. Kejriwal's experience about the activities of the Company, a resolution was passed on 8th May, 2000 by the Board of Directors renewing his appointment as Wholetime Director for a further period of three years with effect from 1st June, 2000 on the terms and conditions mentioned in the draft letter of re-appointment to be issued to Mr. Kejriwal.

The principal terms and conditions including the remuneration governing the re-appointment of Mr. Kejriwal are set out below :-

1. **Salary** : Rs. 40,000 per month or such other sum not exceeding Rs. 60,000 per month as determined by the Chairman & Managing Director from time to time.
2. **Commission** : Commission may be payable at the absolute discretion of the Board of such amount as may be approved by the Board for each year restricted to an amount equal to 50% of the annual salary for the relevant period.
3. **Perquisites** : The Wholetime Director shall also be entitled to unfurnished residential accommodation, furnishing allowance, payment of medical expenses, leave travel concession for self and family, personal accident insurance, provision of car, telephone at residence as perquisites in addition to salary and commission restricted to an amount equal to the annual salary or such other sum as determined by the Chairman & Managing Director from time to time. Provision for use of Company car for official purpose and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculation of the said ceiling. Perquisites shall be evaluated as per the Income Tax Rules, wherever applicable.

The remuneration mentioned above including the value of the perquisites will be subject to the overall ceilings laid down under Sections 198 and 309 of the Companies Act, 1956.

4. Mr. Kejriwal will also be entitled to the following perquisites which shall not be included in the computation of the ceiling on remuneration as specified above :-
 - (a) The Company's contribution towards Provident Fund as per the rules of the Company but restricted to the extent this is not taxable under the Income Tax Act, 1961.
 - (b) Gratuity not exceeding one-half month's salary for each completed year of service.
 - (c) Leave on full pay and allowances as per the rules of the Company but not exceeding one month's leave for every eleven months of service.
5. Mr. Kejriwal shall not be paid any sitting fee for attending the meeting of the Board or any Committee thereof.
6. In the event that the Company in any financial year during the aforesaid period, has no profits or its profits are inadequate, the minimum remuneration payable to Mr. Kejriwal by way of salary and perquisites shall be the remuneration then drawn by Mr. Kejriwal subject to requisite approvals, if any.

CHEVIOT COMPANY LIMITED

ANNEXURE TO NOTICE (Contd.)

7. Mr. Kejriwal will be reimbursed by the Company of all entertainment and other expenses actually incurred by him in connection with the business of the Company subject, however to such limits as may be fixed by the Chairman & Managing Director from time to time.
8. Mr. Kejriwal will not, so long as he functions as a Wholtime Director, become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company in future. His appointment shall cease and determine on any contravention of this condition.
9. Mr. Kejriwal and the Company shall have the right to terminate the appointment by giving three months prior notice in writing to the other.

The copy of the draft letter of re-appointment referred to in the proposed Ordinary Resolution may be inspected by any Member at the Registered Office of the Company on any working day prior to the date of the meeting between 11.00 a.m. and 1.00 p.m. and will also be available for inspection at the Annual General Meeting.

The Board recommends that the proposed Ordinary Resolution be accepted by the Company.

Except Mr. Kejriwal, no other director of the Company is interested or concerned in the Resolution.

In terms of Section 302 (7) of the Companies Act, 1956, an abstract of the terms of re-appointment and increase in remuneration of Mr. Kejriwal is being circulated to Members.

ITEM 7

The present term of office of Mr. Harsh Vardhan Kanoria, (Mr. Kanoria) Managing Director of the Company will expire on 31st July, 2000.

Mr. Kanoria has been associated with the Company for the last several years in his capacity as Managing Director. In view of his vast experience and significant contributions to the Company's growth and profitability, the Board of Directors by a resolution passed on 8th May, 2000 re-appointed Mr. Kanoria as Managing Director of the Company designated as Chairman and Managing Director for a period of five years with effect from 1st August, 2000 on the terms and conditions mentioned in the draft agreement to be entered between the Company and Mr. Kanoria.

The principal terms and conditions including the remuneration governing the re-appointment of Mr. Kanoria are set out below :-

1. **Salary** : Rs. 75,000 per month in the range of Rs. 75,000 to Rs. 1,50,000 per month as may be determined by the Board from time to time.
2. **Commission** : Commission may be payable at the absolute discretion of the Board of such amount as may be approved by the Board for each year.
3. **Perquisites** : The Chairman and Managing Director shall also be entitled to furnished residential accommodation or house rent allowance, gas, electricity, payment of medical expenses incurred in India or abroad including hospitalisation, surgical charges, for self and family and travel relating thereto, leave travel concession for self and family, fees of clubs, personal accident insurance, Company maintained car, telephone at residence as perquisites in addition to salary and commission restricted to an amount equal to the annual salary or such other sum as may be determined by the Board from time to time. Provision for use of Company car for official purpose and telephone at residence (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculation of the said limit. Perquisites shall be evaluated as per the Income Tax Rules, wherever applicable.

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

The remuneration mentioned above including the value of the perquisites will be subject to the overall ceilings laid down under Sections 198 and 309 of the Companies Act, 1956.

4. Mr. Kanoria will also be entitled to the following perquisites which shall not be included in the computation of the ceiling on remuneration as specified above :-
 - (a) The Company's contribution towards Provident Fund as per the rules of the Company but restricted to the extent this is not taxable under the Income Tax Act, 1961.
 - (b) Gratuity not exceeding one-half month's salary for each completed year of service.
 - (c) Leave on full pay and allowances as per the rules of the Company but not exceeding one month's leave for every eleven months of service.
5. Mr. Kanoria shall not be paid any sitting fee for attending the meeting of the Board or any Committee thereof.
6. In the event that the Company in any financial year during the aforesaid period, has no profits or its profits are inadequate, the minimum remuneration payable to Mr. Kanoria by way of salary and perquisites shall be the remuneration then drawn by Mr. Kanoria subject to requisite approvals, if any.
7. Mr. Kanoria will be reimbursed by the Company of all entertainment and other expenses actually incurred by him in connection with the business of the Company subject, however to such limits as may be fixed by the Board from time to time.
8. Mr. Kanoria will not, so long as he functions as a Chairman and Managing Director, become interested or otherwise concerned directly or through his wife and/or minor children in any selling agency of the Company in future. His appointment shall cease and determine on any contravention of this condition.
9. Mr. Kanoria and the Company shall have the right to terminate the appointment by giving three months prior notice in writing to the other.

The copy of the draft Agreement referred to in the proposed Ordinary Resolution may be inspected by any Member at the Registered Office of the Company on any working day prior to the date of the meeting between 11.00 a.m. and 1.00 p.m. and will also be available for inspection at the Annual General Meeting.

The Board recommends that the proposed Ordinary Resolution be accepted by the Company.

Except Mr. Kanoria no other director of the Company is interested or concerned in the Resolution.

In terms of Section 302 (7) of the Companies Act, 1956, an abstract of the terms of re-appointment and increase in remuneration of Mr. Kanoria is being circulated to Members.

Registered Office :

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

Dated : 8th May, 2000

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 submitting their Annual Report and Audited Accounts of the Company for the year ended 31st March, 2000.

	Current Year ended 31st March, 2000 Rupees '000	Previous Year ended 31st March, 1999 Rupees '000
FINANCIAL RESULTS		
The working results before charging depreciation show a gross profit of	8,55,77	5,89,62
From which have been deducted :		
Depreciation (net)	3,48,91	2,52,18
Taxation	57,50	55,00
Resulting in Profit after taxation of	4,49,36	2,82,44
To which have been added/(deducted)		
Taxation for earlier years	1,70	(32)
Balance brought forward from previous year	12,79	28,75
Investment allowance (utilised) reserve written back	—	4,39
Gratuity provision for earlier years	—	(2,55,18)
Making a total of	4,63,85	60,08
Which has been appropriated by the Directors as under :		
Interim dividend paid	60,29	—
Proposed dividend	—	36,17
Tax on distributed profits (Includes Rs. 36 for earlier year)	6,99	3,62
Transfer to General Reserve	3,22,50	7,50
Balance to be carried forward	74,07	12,79
	4,63,85	60,08

DIVIDEND

Your Directors consider that the Interim dividend of 20% declared for the year ended 31st March, 2000 is reasonable and therefore do not recommend a final dividend for the year.

WORKING REVIEW

The performance of the Company was better during the year under review as compared to the previous year when the working in both the units of the Company was severely affected as a result of lockout for 81 days. The year witnessed an all-time high production of 35,989 tonnes and sales of Rs. 102 crores, despite loss of working due to cessation of work for about 5 months at the Company's 100% Export Oriented Unit during early part of the year under review and an industrywide strike from 22nd March, 2000. The increase

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

in profitability is largely attributable to higher working days, increased productivity and effective financial management. It is, however, a matter of great concern that the efforts on the part of the management to bring about all round development of the Company in a planned manner have been affected due to the labour strife in the industry which impeded the pace of development.

FUTURE PROSPECTS

The current year has begun with loss of 22 working days due to strike which has been withdrawn from 23.4.2000. Moreover, the industry continues to face the adverse market conditions as a result of increasing costs of inputs and import of jute goods from Bangladesh. In addition, there has been gradual shrinkage in the export trade for the Indian Jute Industry primarily on account of aggressive marketing by Bangladesh by offering goods at cheaper rates.

In order to overcome such adverse conditions and to face the challenges in the new millenium, the Company is taking series of measures to cut costs and increase productivity which include motivation and involvement of each employee to attain the above objectives. However, looking to the overall market scenario, the profitability is likely to remain under pressure and the prospects are not very encouraging.

INFORMATION TECHNOLOGY AND Y2K COMPLIANCE

The Company had a smooth transition into the year 2000 and all the systems are running in order. Moreover, your Company is implementing an ERP package in phases to enable its operations to respond faster and its business to perform better.

PUBLIC DEPOSITS

Three deposits aggregating Rs. 10000 remained unclaimed despite several reminders.

PERSONNEL

Industrial relations caused loss of working during the year under review. Maintaining cordial relation is sine qua non for the overall development of the industry.

Information as per Section 217 (2A) of the Companies Act, 1956 read with rules thereunder is given in the annexure forming part of this report.

PARTICULARS OF CONSERVATION OF ENERGY ETC.

A statement giving particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed and forms part of this report.

SUBSIDIARY COMPANY

The report and the audited accounts for the year ended 31st March, 2000 of Elite (India) Ltd, a subsidiary of your Company are attached together with a statement pursuant to Section 212 of the Companies Act, 1956.

DIRECTORS

Mr. V. K. Nevatia resigned from the Board with effect from 8th May, 2000 and the Board places on record its appreciation for the valuable services rendered by him during his tenure of office as Director of the Company.

Lt. Gen. J. S. Aurora and Mr. B. P. Bajoria retire from the Board by rotation and being eligible, offer themselves for re-appointment.

Mr. H. V. Kanoria, Managing Director and Mr. N. K. Kejriwal, Wholetime Director have been re-appointed by the Board on the terms and conditions as mentioned in the resolutions which are being placed before you for your consideration at the ensuing Annual General Meeting and your directors recommend passing of the same.

CHEVIOT COMPANY LIMITED

DIRECTORS' REPORT (Contd.)

In deference to the wishes of Mr. B. D. Kanoria, the Board has accepted that Mr. Kanoria ceases as Chairman of the Board as also a Director of the Company and hereby places on record its appreciation of the valuable contribution made by him during his long tenure as Chairman of the Board and Director of the Company. In recognition to Mr. Kanoria's eminent counsel and vast experience, the Board has appointed him as Chairman (Emeritus). Mr. H. V. Kanoria has been appointed as Chairman in addition to his position as Managing Director of the Company.

AUDITORS

Messrs Jain & Co., Chartered Accountants, who retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Members are requested to re-appoint 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, 2001 as directed by the central government.

APPRECIATION

The Directors wish to place on record their appreciation for the unstinted support and timely assistance extended to the Company by Export Import Bank of India, Industrial Development Bank of India, State Bank of India and Standard Chartered Bank.

Calcutta, 8th May, 2000

On behalf of the Board
H. V. Kanoria
Chairman and Managing Director

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