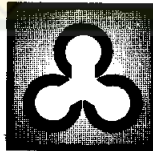


# ANNUAL REPORT

FOR THE YEAR ENDED 31ST MARCH 2001

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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 - *Wholtime 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)  
KOLKATA - 700 016

### WORKS

19, MEHTA ROAD  
BUDGE-BUDGE  
24-PARGANAS (SOUTH) - 743 319  
WEST BENGAL

## CHEVIOT COMPANY LIMITED

### NOTICE

#### TO THE MEMBERS

Notice is hereby given that the Annual General Meeting of the Members of Cheviot Company Limited will be held at The Sitaram Seksaria Auditorium of Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani, 4th Floor, Kolkata - 700 017 on Wednesday the 18th July, 2001 at 11 A.M. to transact the following business :-

1. To receive and adopt the Audited Accounts for the year ended 31st March, 2001 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. S. Sharma, 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 a Special Resolution :

"RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956, the Articles of Association of the Company be altered in the following manner, that is to say —

- (a) in the existing Article 1, after the Interpretations of 'These Articles', 'The Board of Directors', 'The Managing Director', 'The Office', 'Proxy', 'Registrar' and 'The Secretary', the following interpretations shall respectively be incorporated :-

'Beneficial Owner' means a person whose name is recorded as such with a Depository.'

'Depository' means any company which has been granted a certificate of registration under Section 12(1A) of the Securities and Exchange Board of India Act, 1992 and wherein the securities of the Company are dealt with in accordance with the provisions in the Depositories Act, 1996.'

'Member' means a person as defined by Section 41 of the Act.'

'Participant' means a person registered as such under Section 12(1A) of the Securities and Exchange Board of India Act, 1992.'

'Record' includes the records maintained in the form of books or stored in computer or in such other form as may be determined by regulations made by SEBI in relation to the Depositories Act, 1996.'

'SEBI' means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.'

## CHEVIOT COMPANY LIMITED

## NOTICE (Contd.)

'Securities' means shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of like nature, Government Securities and such other instruments as may be notified by the Central Government to be securities and rights or interest in securities.'

- (b) In the existing Article 1, the interpretation of 'Register' shall be substituted by the following, namely :-

'Register' means the Register of Members to be kept pursuant to Section 150 read with Section 151 of the Act provided that the register and index of the beneficial owners maintained by the Depository under Section 11 of the Depositories Act, 1996 shall also be deemed to be such Register.'

- (c) the existing Article 3 shall be substituted by the following, namely :-

'3. Subject to and in accordance with the provisions of Sections 77A, 77AA and 77B of the Act and the Regulations for the purpose made by SEBI, the Company may purchase any of its fully paid shares or securities, which purchase shall not be deemed to be reduction of share capital within the meaning of Section 100 of the Act read with Article 50 of these Articles.'

- (d) after the existing Article 6, the following two new Articles, numbered 6A and 6B, together with the respective marginal notes shall be incorporated :-

'Numbering 6A. Each share issued by the Company shall be distinguished by its appropriate number provided however that nothing herein shall apply to the shares of the Company held with the Depository.'

'Return of 6B. As regards all allotments made from time to time, the Company shall allotments. duly comply with Section 75 of the Act.'

Provided that notwithstanding anything contained in the Act or in these Articles, where the securities of the Company are dealt in a Depository, the Company shall intimate the details of allotment of the relevant securities to the Depository on allotment of such securities.

Provided further that where a person subscribing to securities offered by the Company opts to hold such securities with a Depository instead of receiving the certificate for them, the Company shall intimate such Depository the details of allotment of the securities.'

- (e) after clause (b) in the existing Article 12, the following clause numbered (c), together with the respective marginal notes, shall be incorporated :-

'Cancellation (c) (1) Upon receipt of certificate of securities on surrender by a person who of certificates has entered into an agreement with a Depository through a Participant, upon surrender the Company shall cancel such certificate and substitute in its records by a person. the name of Depository as the registered owner in respect of the said securities and shall also inform the Depository accordingly.'

## CHEVIOT COMPANY LIMITED

## NOTICE (Contd.)

Option to beneficial owner in respect of any security.	(2) If a beneficial owner opts out of the depository in respect of any security of the Company, the Company shall, within thirty days of receipt of the intimation from the Depository and on fulfilment of such conditions and on payment of such fees as may be specified by the Regulations made by SEBI, issue certificate of the said securities to the beneficial owner or the transferee, as the case may be.'
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(f) at the end of the existing Article 34, the following proviso shall be added :-

'Provided that nothing contained in clauses (1) and (2) above shall apply to transfer of shares effected by the transferor and the transferee both of whom are beneficial owners in the records of the Depository.'

(g) at the end of the existing Article 35, the following proviso shall be added :-

'Provided that nothing contained in this Article shall apply to transfer of shares effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of the Depository.'

(h) after the existing Article 39, the following new Article numbered 39A, together with the marginal note, shall be incorporated :-

'Securities in Depository shall be in fungible form.	39A (1) All securities of the Company held by a Depository shall be dematerialised and shall be in a fungible form.
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(2) Nothing contained in Sections 153, 187C and 372A of the Act shall apply in respect of the securities of the Company held by the Depository on behalf of the beneficial owners.';

(i) the existing Article 40 shall be substituted by the following namely :-

'40. No fee shall be charged for the registration of any transfer, grant of probate, grant of letters of administration, certificate of death or marriage, power of attorney or other instrument.';

(j) after the existing Article 44, the following new Article numbered 44A, together with the heading and the marginal note, shall be incorporated :-

**'NOMINATION OF SECURITIES**

Nomination of securities.	44A. Notwithstanding anything contained in these Articles, every holder of securities of the Company may at any time nominate in the prescribed manner another person to whom the securities held by him shall vest in the event of his death and the provisions of Sections 109A and 109B of the Act shall apply in respect of such nomination.';
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## CHEVIOT COMPANY LIMITED

## NOTICE (Contd.)

- (k) at the end of the existing Article 73, the following provisos shall be added :-

'Provided that a Depository as a registered owner in the records of the Company in respect of the securities of the Company shall not have any voting rights or any other rights in respect of such securities except for the purpose of effecting transfer of ownership of such securities on behalf of the respective beneficial owner(s).

Provided further that the beneficial owner shall be entitled to all rights and benefits and be subjected to all the liabilities in respect of the securities of the Company held by a Depository in its records in the name of the beneficial owner.

- (l) after the existing Article 145, the following new Article numbered 145A, together with the marginal note, shall be incorporated :-

'Service by Depository of beneficial ownership. 145A. Notwithstanding anything contained in the Act or these Articles to the contrary, where securities of the Company are held in a depository, the records of the beneficial ownership may be served by such Depository on the Company also by means of records in electronic mode or by delivery of floppies or discs.'

Registered Office :  
24, Park Street,  
Magma House (9th Floor)  
Kolkata - 700 016  
Dated : 8th May, 2001

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 2nd July, 2001 to 18th July, 2001 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 time for holding the aforesaid 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. Members are requested to bring their copy of Annual Report to the meeting.
  6. Members who hold shares in dematerialised form are requested to bring their Client ID and DP numbers for quick identification while recording attendance at the meeting.

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

7. At the ensuing Annual General Meeting, Mr. S. Sharma and Mr. H. Khaitan retire by rotation and being eligible offer themselves for re-appointment. The informations or details to be provided for aforesaid Directors under Corporate governance code are as under :-
- a) Shri S. Sharma, aged 67 years, is a Director of the Company since 15.07.1992. He is a retired civil servant. He has been director of number of renowned companies for several years in addition to his experience as an IAS Officer, Govt. of India. Mr. Sharma is a M. Sc. in Physics and holds directorship and membership of the committee of the Board of Directors of the following Companies :-
- Directorship  
1. Star Paper Mills Co. Ltd.; 2. WEBFIL Ltd.; 3. J. K. Synthetics Ltd.; 4. Ginli International Ltd.; 5. Hanil Era Textiles Ltd.; and 6. Intercraft Ltd.
- Membership of the Committee of the Board  
Chairman of Audit Committee of Star Paper Mills Co. Ltd.
- b) Shri H. Khaitan, aged 30 years, is a Director of the Company since 07.10.1994. Mr. Khaitan has a bachelor's degree in law and has been practicing as an Advocate since 1995. His areas of expertise include commercial & corporate laws, tax laws, mergers and acquisitions, restructuring, foreign collaboration, licensing etc. Mr. Khaitan holds directorship and membership of the committees of the Board of Directors of the following Companies :-
- Directorship  
1. Aekta Ltd.; 2. Bengal Tea & Fabrics Ltd.; 3. Ceat Ltd.; 4. Harrisons Malayalam Ltd.; 5. Kilburn Chemicals Ltd.; 6. Kothari Plantations & Industries Ltd.; 7. National Engineering Industries Ltd.; 8. Polylink Polymers (India) Ltd.; 9. Rasoi Ltd.; 10. Ritspin Synthetics Ltd.; 11. RPG Cables Ltd.; 12. Vinar Systems Ltd.; 13. Xpro India Ltd.; 14. ABC Consolidated Private Ltd.; 15. Indiaart. Com. Pvt. Ltd.; 16. Usha Martin Infotech Ltd. ; and 17. Ritssfibre Pte Ltd.; and
- Alternate Director in following Companies  
1. Dormenil-Birla Vxl Ltd.; 2. Hiltop Holdings India Ltd.; 3. Jubilee Investments & Industries Ltd.; 4. RPG Cellular Services Ltd.; and 5. Khaitan Consultants Ltd.
- Membership of the Committees of the Board  
1. Aekta Ltd. (Audit Committee); 2. Bengal Tea & Fabrics Ltd. (Audit Committee); 3. Xpro India Ltd. (Audit Committee and Share Transfer Committee) and 4. Ritspin Synthetics Ltd. (Finance Committee)
8. 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**

As per the directives of Securities & Exchange Board of India, the trading in the shares of the Company has been made compulsory in the dematerialised form by all investors. Accordingly, the Company signed an Agreement with both National Securities Depository Ltd and Central Depository Services (India) Ltd and its shares are available for dematerialisation. With the introduction of Depositories Act, 1996 ("the Depositories Act") certain provisions of the Companies Act, 1956 ("the Companies Act") relating to issue, transfer and dealing in shares and other securities have been amended in order to implement the depository system. The Board of Directors of the Company ("the Board") recommends that the existing Articles of Association of the Company should be altered suitably to bring them in conformity with the provisions of the Depositories Act as well as the amended provisions of the Companies Act.

The Board recommends that this opportunity may be taken also to update certain provisions in the Articles keeping in view the recently amended provisions of the Companies Act.

The Special Resolution set out in the Notice convening the Meeting has to be considered in the above context and the Board recommends the acceptance thereof by the members.

A copy of the Articles of Association of the Company with the proposed alterations will be available for inspection by the members of the Company at its Registered Office during the usual business hours on any working day up to the date preceding the date of the Meeting. However, a note on the main alterations, in addition to what have been stated earlier, is provided below :-

<u>Item reference In the Resolution</u>	<u>Relevant provisions of law</u>
(a) and (b) .....	Respective meanings read with the Depositories Act.
(c) .....	Sections 77A, 77AA and 77B of the Companies Act.
(d) .....	Section 83 and 113 of the Companies Act, as amended by the Depository Act.
(e) .....	Sections 6 and 14 of the Depositories Act.
(f) and (g) .....	Section 108 of the Companies Act as amended by the Depositories Act.
(h) .....	Section 9 of the Depositories Act.
(i) .....	According to the terms of the Listing Agreement.
(j) .....	Sections 109A and 109B of the Companies Act.
(k) .....	Section 13 of the Depositories Act.
(l) .....	Section 51 of the Companies Act as amended by the Depositories Act.

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

Registered Office :  
24, Park Street,  
Magma House (9th Floor)  
Kolkata - 700 016  
Dated : 8th May, 2001

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 are pleased to present their Annual Report and Audited Accounts of the Company for the year ended 31st March, 2001.

Amounts in Rupees '000

**FINANCIAL RESULTS**

Year ended March 31	2001	2000
The working results before charging depreciation show a gross profit of	11,12,15	8,55,77
From which have been deducted :		
Depreciation (net)	3,88,45	3,48,91
Taxation	1,10,00	57,50
Resulting in Profit after taxation of	6,13,70	4,49,36
To which have been added/(deducted) :		
Taxation for earlier years (net)	(32,23)	1,70
Liability for earlier year no longer required written back	96,51	—
Profit brought forward from last account	74,07	12,79
Making a total of	7,52,05	4,63,85
Which has been appropriated by the Directors as under :		
Interim dividend	—	60,29
Proposed dividend	75,36	—
Tax on distributed profits	7,69	6,99
(Previous year's figures include Rs. 36 for earlier year)		
Transferred to General Reserve	6,00,00	3,22,50
Surplus carried to Reserves & Surplus	69,00	74,07
	7,52,05	4,63,85

**DIVIDEND**

The Directors recommend for your consideration payment of dividend @ 25% for the year ended 31st March, 2001.

**WORKING REVIEW**

The production during the year under review was 33,766 Tonnes as compared to 35,989 Tonnes in the previous year. The decrease in production was mainly due to loss of 22 working days on account of strike which lasted till 22.4.2000. It is, however, gratifying to note that despite such loss of production, profit before depreciation registered an increase of about 30% over that of previous year largely on account of better operational efficiency, good margins, effective cost control and prudent financial management. Moreover,

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

Sales and Exports in terms of value were maintained almost at the level as those of recorded in the previous year. Thus, the overall performance of the Company was better in comparison to the previous year.

Though the year witnessed significant growth in profitability, the industry continues to reel under uncertain market conditions like erratic supply and movement in prices of raw jute, import of jute goods from Bangladesh, unhealthy competition in international markets, rise in prices of petroleum products etc. These factors prevent the industry to plan its growth and set the targets with reasonable accuracy.

**FUTURE PROSPECTS**

The Company continues to focus on export and is striving hard to bring about greater operational efficiency, cut costs, install modern equipment, adopt new technology to meet the world competition effectively. Implementation of ERP package as reported last year is progressing steadily, which on completion is expected to enable company's business to perform better and help in disseminating information faster. In addition, the Company has also taken steps to set up a captive power plant with due permissions from the concerned authorities to ensure uninterrupted power supply for improving the quality of products.

However, the spiraling prices of raw jute with tight supply position have created difficult market situation and has become a matter of concern. Besides, the steep cut in the rate of external market assistance (EMA) w.e.f. 1.4.2001 by 50% of the rates prevailing for the year under review has further aggravated the situation for the export oriented companies. Industry will not be surprised if EMA is phased out in course of time. By and large, the working of the current year appears to be uncertain in the wake of unfavourable market conditions and government policy towards EMA which would affect the profitability considerably.

**CORPORATE GOVERNANCE DISCLOSURE**

The code of corporate governance introduced by clause 49 of the listing agreement with the Stock exchanges where the company's shares are listed is required to be implemented by the Company on or before March, 31, 2002. Necessary steps have been initiated by the Company to comply with the code on corporate governance and a report on the matters specified in the said code will be provided in the annual report of the Company for the current year ending on 31st March, 2002.

**DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors confirm that :-

- i. the Company has followed the applicable accounting standards in the preparation of the annual accounts for the year under review except in respect of income by way of external market assistance for which accounting is made on cash basis in view of uncertainty in receipt of such income by the Company;
- ii. the Directors have made judgements and estimates that are reasonable and prudent and have selected accounting policies and applied them consistently to give true and fair view of the state of affairs of the Company as at 31st March, 2001 and its profits for the year ended on that date ;
- iii. the Company has a proper and adequate system of internal control to ensure that all assets are safeguarded against losses and the system is capable of detecting fraud and other irregularities ;
- iv. the annual accounts placed before you have been prepared on a going concern basis.

**PARTICULARS OF CONSERVATION OF ENERGY ETC.**

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, are set out in the annexure forming part of this report.