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ANNUAL REPORT

FOR THE YEAR ENDED 31ST MARCH 2002



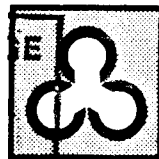
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Certified to be true Copy

CHEVIOT COMPANY LIMITED

A handwritten signature in black ink, appearing to be "JH".

General Manager (Finance) & Secretary



**Group
Cheviot**

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CHEVIOT COMPANY LIMITED

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CHARTERED ACCOUNTANTS

CHAIRMAN (EMERITUS)

B. D. KANORIA

BOARD OF DIRECTORS

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

S. SHARMA

B. JALAN

P. K. BHATTACHARJEE

N. NAYAR

H. KHAITAN

N. K. KEJRIWAL - *Wholtime 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)
KOLKATA - 700 016

WORKS

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

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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 Tuesday, the 20th August, 2002 at 11.00 A.M. to transact the following business :-

1. To receive and adopt the Audited Accounts for the year ended 31st March, 2002 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 an Ordinary Resolution :

"RESOLVED THAT Mr. P. K. Bhattacharjee, in respect of whom the Company has received Notices in writing, along with a deposit of Rs.500 for each Notice, from some members of the Company proposing him as candidate for the office of Director under the provisions of Section 257 of the Companies Act, 1956 and who is eligible for such appointment, be and is hereby appointed a Director of the Company."

7. To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution :
"RESOLVED THAT Mr. B. Jalan, in respect of whom the Company has received Notices in writing, along with a deposit of Rs.500 for each Notice, from some members of the Company proposing him as candidate for the office of Director under the provisions of Section 257 of the Companies Act, 1956 and who is eligible for such appointment, be and is hereby appointed a Director of the Company."

8. To consider and, if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution :
"RESOLVED THAT Mr. N. Nayar, in respect of whom the Company has received Notices in writing, along with a deposit of Rs.500 for each Notice, from some members of the Company proposing him as candidate for the office of Director under the provisions of Section 257 of the Companies Act, 1956 and who is eligible for such appointment, be and is hereby appointed a Director of the Company."

9. 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).

i) to secure rupee term loan not exceeding Rs. 6.40 crores (Rupees six crores forty lacs only) to be lent and advanced by EXIM Bank to the Company for procurement of plants and equipments under EXIM Bank's Production Equipment Finance Programme; and

ii) to secure rupee term loan not exceeding Rs. 3.50 crores (Rupees three crores fifty lacs only) to be lent and advanced by EXIM Bank to the Company for part financing the Company's Project at FALTA Export Processing Zone, West Bengal under EXIM Bank's Lending Programme for Export Oriented Units.

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 Letters of Sanction in respect of the said term loans.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with IDBI and/or 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)
Kolkata – 700 016
Dated : 27th June, 2002

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

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NOTICE (Contd.)

NOTES :

1. The Register of Members and the Share Transfer Register of the Company will remain closed from 1st August, 2002 to 20th August, 2002 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. Dividend, if declared at the meeting will be paid on or before 18th September, 2002 to those members, whose names shall appear in the Company's Register of Members at the close of working hours of the Company on Wednesday, 31st July, 2002. In respect of the shares held in electronic form, the dividend will be paid to the persons whose names shall appear as beneficial owners as at the end of the business hours on 31st July, 2002 as per details furnished by National Securities Depository Ltd. and Central Depository Services (India) Ltd.
4. Income-tax will be deducted at source at applicable rates from the amount of dividend exceeding Rs.1000/- per member. Members who estimate that their total income during the current financial year will be less than the minimum taxable amount for non-deduction of income-tax at source may submit declaration in Form 15G (in duplicate), on or before 31st July, 2002. It will not be possible for the Company to act upon these declarations received after the said date.
5. 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.
6. Members holding shares in physical form are requested to notify change in their registered address mentioning full address in block letters with pin code of the post office and bank particulars to the Company and in case their shares are held in electronic form, this information should be given to their Depository Participants immediately.
7. Members are requested to bring their copy of Annual Report to the meeting. A member desirous of getting any information on the accounts of the Company is requested to send the queries to the Company at least 10 days prior to the meeting i.e. by 10th August, 2002, so that proper information can be made available at the meeting.
8. 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.
9. Notes on Directors seeking appointment/re-appointment at the ensuing Annual General Meeting :
 - a) Mr. S. Sharma, aged 68 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 also holds directorship and membership of the committee of the Board of Directors of the following Companies :

Other Directorship :

1. Star Paper Mills Co. Ltd., 2. Ginni International Ltd., 3. Hanil Era Textiles Ltd., 4. LML Ltd.

Membership of the Committee of the Board of other Companies :

Chairman - Audit Committee - 1. Star Paper Mills Co. Ltd. & 2. Ginni International Ltd.

Member - Audit Committee & Remuneration Committee - LML Ltd.
 - b) Mr. H. Khaitan, aged 31 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 also holds directorship and membership of the committee of the Board of Directors of the following Companies :

Other Directorship :

1. Aekta Ltd., 2. Bengal Tea & Fabrics Ltd., 3. Ceat Ltd., 4. Gujarat Borosil Ltd., 5. Harrisons Malayalam Ltd., 6. Kilburn Chemicals Ltd., 7. Kothari Plantations & Industries Ltd., 8. Lanco Industries Ltd., 9. National Engineering & Industries Ltd., 10. Rasoi Ltd., 11. Ritspin Synthetics Ltd., 12. Ritsfibre Pte. Ltd. 13. RPG Cables Ltd., 14. Usha Martin Infotech Ltd., 15. Vinar Systems Pvt. Ltd., 16. Xpro India Ltd., 17. Bonanza Trading Co. Pvt. Ltd.

Alternate Director in other Companies :

1. Dormenil Birla VXL Ltd., 2. Khaitan Consultants Ltd., 3. RPG Cellular Services Ltd.

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NOTICE (Contd.)

Membership of the Committee of the Board of other Companies :

1. Bengal Tea & Fabrics Ltd., (Audit Committee), 2. Kilburn Chemicals Ltd., (Audit Committee), 3. National Engineering & Industries Ltd., (Audit Committee & Shareholders Grievance Committee), 4. Rasoi Ltd., (Audit Committee), 5. Riitspin Synthetics Ltd., (Finance Committee), 6. Usha Martin Infotech Ltd., (Audit Committee), 7. Xpro India Ltd., (Audit Committee & Share Transfer Committee).

Chairman - Audit Committee - Gujarat Borosil Ltd.

- c) Mr. P. K. Bhattacharjee, aged 63 years, has been appointed Director of the Company with effect from 30.07.2001. Mr. Bhattacharjee is M.A. (Gold Medalist), CAIIB. He has held senior positions in State Bank of India and was its Deputy Managing Director at the time of retirement. He is currently Chairman, SBI Home Finance Ltd. Mr. Bhattacharjee also holds directorship and membership of the committee of the Board of Directors of the following Companies :

Other Directorship :

1. SBI Home Finance Ltd., 2. Indian Infrastructure Equipment Ltd., 3. Kanco Enterprises Ltd.

Membership of the Committee of the Board of other Companies :

Chairman - Audit Committee

1. Kanco Enterprises Ltd., 2. SBI Home Finance Ltd.

Member - Audit Committee

Indian Infrastructure Equipment Ltd.

- d) Mr. B. Jalan, aged 48 years, has been appointed Director of the Company with effect from 30.07.2001. Mr. Jalan has a bachelor's degree in science. He is an eminent Industrialist with vast experience in Jute and Textile Industries. Mr. Jalan also holds directorship of the Board of Directors of the following companies :

Other Directorship :

1. India Jute & Industries Ltd., 2. Hindustan Mercantiles Bank Ltd., 3. Soorya Investment Co. Pvt. Ltd., 4. B. K. Woolen & Textiles Mills Ltd., 5. B. K. Investment Co. Pvt. Ltd., 6. Collieries India Pvt. Ltd., 7. Calcutta Vyapar Pratisthan Ltd.

- e) Mr. N. Nayar, aged 40 years, has been appointed a Director of the Company with effect from 30.07.2001. Mr. Nayar is the fellow member of The Institute of Chartered Accountants of India. He is the partner of Navin Nayar & Co., Chartered Accountants. He has vast experience in the field of accountancy and finance and has been associated with several renowned companies. Mr. Nayar also holds directorship of the Board of Directors of the following Companies :

Other Directorship

1. OCL Investment & Leasing Ltd., 2. Cosmopolitan Investments Ltd., 3. Crest Holding Pvt. Ltd., 4. Skyview Investments Pvt. Ltd., 5. Amar Vanijya Ltd., 6. Frontek Traders Pvt. Ltd., 7. Nidhi Ltd., 8. Tirumala Properties Pvt. Ltd., 9. Narottam Investments Ltd.

10. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed.

ANNEXURE TO NOTICE

Explanatory Statement as required under Section 173(2) of the Companies Act, 1956

ITEM 6

Mr. P. K. Bhattacharjee (Mr. Bhattacharjee), who was appointed a Director of the Company effective 30th July, 2001, in the casual vacancy caused by the resignation of Lt. Gen. J. S. Aurora, holds office up to the date of the forthcoming Annual General Meeting of the Company as provided under Article 94 of the Articles of Association of the Company but is eligible for appointment. In terms of Section 257 of the Companies Act, 1956, the Company has received Notices in writing along with a deposit of Rs. 500 for each Notice, from some of its members signifying their intention to propose the candidature of Mr. Bhattacharjee for the office of Director and Mr. Bhattacharjee has consented to act as such, if appointed.

The Directors recommend the appointment of Mr. Bhattacharjee. Except Mr. Bhattacharjee, no Director of the Company has any interest or concern in the proposed ordinary resolution.

ITEM 7

Mr. B. Jalan (Mr. Jalan), who was appointed a Director of the Company effective 30th July, 2001, in the casual vacancy caused by the resignation of Mr. B. P. Bajoria, holds office up to the date of the forthcoming Annual General Meeting of the Company as provided under Article 94 of the Articles of Association of the Company but is eligible for appointment. In terms of Section 257 of the Companies Act, 1956, the Company has received Notices in writing along with a deposit of Rs. 500 for each Notice, from some

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ANNEXURE TO NOTICE (Contd.)

of its members signifying their intention to propose the candidature of Mr. Jalan for the office of Director and Mr. Jalan has consented to act as such, if appointed.

The Directors recommend the appointment of Mr. Jalan. Except Mr. Jalan, no Director of the Company has any interest or concern in the proposed ordinary resolution.

ITEM 8

Mr. N. Nayar (Mr. Nayar), who was appointed as an additional Director of the Company effective 30th July, 2001, holds office up to the date of the forthcoming Annual General Meeting of the Company as provided under Article 95 of the Articles of Association of the Company but is eligible for appointment. In terms of Section 257 of the Companies Act, 1956, the Company has received Notices in writing along with a deposit of Rs. 500 for each Notice, from some of its members signifying their intention to propose the candidature of Mr. Nayar for the office of Director and Mr. Nayar has consented to act as such, if appointed.

The Directors recommend the appointment of Mr. Nayar. Except Mr. Nayar, no Director of the Company has any interest or concern in the proposed ordinary resolution.

ITEM 9

The Company has approached Export Import Bank of India (EXIM Bank) for following financial assistance under Technology Up gradation Fund Scheme (TUFS) of Ministry of Textiles, Government of India in the form of Rupee Term Loans of :-

- a) Rs.6.40 crores (Rupees six crores forty lakhs only) for procurement of plants and equipments under EXIM Bank's Production Equipment Finance Programme ; and
- b) Rs.3.50 crores (Rupees three crores fifty lakhs only) for part financing the Company's Project at FALTA Export Processing Zone, West Bengal under EXIM Bank's Lending Programme for Export Oriented Units.

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

Before creation of the mortgage/charge over the immovable and movable properties of the Company as aforesaid in favour of Exim Bank, it is necessary for the members to pass a resolution under Section 293(1)(a) of the Companies Act, 1956.

Copies of the letters bearing reference nos.OIF:PEFP-269:74 dt. 22.05.2002 and reference nos.OIF:EOU:D-435:504 dt. 22.05.2002 modified by letter reference nos.OIF:PEFP-269:85 and letter reference no..OIF:EOU:D-435:606 dt. 24.06.2002 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 proposed ordinary resolution.

Registered Office :
24, Park Street,
Magma House, (9th Floor)
Kolkata – 700 016
Dated : 27th June, 2002

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

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DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting their Annual Report and Audited accounts of the Company for the year ended 31st March, 2002.

(Rupees in Millions)

FINANCIAL RESULTS

Year ended March 31	2002	2001
The working results before charging depreciation show a gross profit of	159.6	111.2
From which have been deducted :		
Depreciation (net)	36.3	38.8
Provision for taxation	8.4	11.0
Provision for deferred taxation	5.2	—
Resulting in profit after taxation of	109.7	61.4
To which have been added/(deducted) :		
Taxation for earlier years	(1.2)	(3.2)
Liability no longer required written back	—	9.6
Balance brought forward from previous year	6.9	7.4
Making a total of	115.4	75.2
Which has been appropriated by the Directors as under :		
Proposed dividend	9.0	7.5
Tax on distributed profits	—	0.8
Transfer to General Reserve	95.6	60.0
Balance to be carried forward	10.8	6.9
	115.4	75.2

DIVIDEND

The Directors recommend for your consideration payment of dividend @ Rs. 3/- per share for the year ended 31st March, 2002.

OPERATIONS

The performance of the Company under the parameters of production, export sales and profitability during the year under review was better as compared to the previous year when the working was affected due to loss of 22 working days. The increase in profitability is largely attributed to better market conditions, operational efficiency, prudent financial management and cost control, though part of such increase in profitability is also due to change in accounting policy as stated in note no. 4 to the notes on accounts. The production and export sales have shown the undernoted growth over the last year :-

	Current Year	Previous Year	Growth %
Production (M. Tonnes)	38310	33766	13.46
Export sales (FOB value - Rs. in Millions)	759.5	654.6	16.03

FALTA PROJECT AND OTHER CAPITAL EXPENDITURE

Your directors are pleased to report that in line with Company's strategy to concentrate on its core business of manufacturing value added items of jute goods, it is implementing a project to set up a new 100% Export Oriented Unit in Falta Export Processing Zone. Besides, the Company has also taken up substantial capital expenditure plans at its existing units at Budge Budge. Falta project as well as capital expenditure plans are being implemented partly out of internal accruals and partly by obtaining rupee term loans aggregating to Rs. 9.90 crores from Export Import Bank of India. Financing out of internal accruals will be beneficial to the Company, making utilization of its available resources more advantageously.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

a) Industry structure and developments

The year under review witnessed setting up of new jute mills in South India and in West Bengal at existing wage structure. It is expected that these new units will become more competitive in the long run than the existing units in operation in West Bengal. Besides, the Industry welcomed the decision of Government of West Bengal reducing the purchase tax on raw jute from 4% to 2%.

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DIRECTORS' REPORT (Contd.)

In contrast to the aforesaid positive developments, the industry was surprised to notice shift in the Government of India's policy to dilute the Jute Packaging Materials (Compulsory use for Packing commodities) Act, 1987 (JPMA) which was enacted to provide much needed protection to the labour intensive Jute Industry. Moreover, the modification of External Market Assistance (EMA) Scheme by the Jute Manufactures Development Council which inter alia deleted Jute yarn from the category of products entitled for the EMA was a retrograde step. In addition, the intention of the government as announced in the last budget for discontinuing centralized procurement of jute products and instead allow privatisation in the process of packing foodgrains will in all probability result in more usage of second hand jute bags preventing industry from having access to good seasonal demand for jute goods.

b) Opportunities and Threats/Risk and concerns

The new wage agreement for Jute Industry as stated under para 'g' here below provides an opportunity to the industry to increase efficiency and to reduce labour cost by giving employment at new scales of pay.

The following are the areas of risk and concern which pose threat to the industry :-

- JPMA stipulates that foodgrains and sugar are to be packed only in jute bags. The union government has decided to modify JPMA by allowing usage of non-jute sacks including plastic bags in graded increasing pattern in next 3-5 years. Though the implementation of the above decision has been stalled by the Hon'ble High Court at Kolkata, it is apprehended that government may ultimately scrap the JPMA in course of time by resorting to gradual dilution.
- Bangladesh is the only major jute goods producer in the world other than India which poses serious threat to the Indian jute industry as they have an edge over India in the matter of extremely lower cost of wages and power. This makes Bangladesh more competitive in the international market placing India's position as a residual supplier. Moreover, in the wake of SAARC benefits, Bangladesh is in a position to export jute goods to India at concessional duty terms which would lead to increasing flow of goods into the Country and creating unhealthy market conditions.
- On the cost front, the Industry has to face the onslaught of continuous increase in wage cost by way of upward revision of the dearness allowance as also increase in power cost due to frequent revision in power tariff by CESC. It is well known that sensitivity to wage and power costs is very high in Jute Industry vis-à-vis other industries making it more vulnerable to such increasing cost.

c) Segment-wise or product-wise performance

The Company is solely engaged in manufacture and sale of jute goods and does not have any other segment. Accordingly, the disclosure requirements of Accounting Standard - AS-17 "Segment Reporting" issued by the Institute of Chartered Accountants of India are not applicable in respect of business segment. However, the geographical segments considered for disclosure are on the basis of sales as under :-

Within India - Rs. 367.1 millions

Outside India - Rs. 807 millions

d) Outlook

The areas of concern as stated under para (b) herein above are likely to have negative impact as the market of jute goods will be greatly affected due to gradual dilution of JPMA and competition from cheaper synthetics. Indian Jute Industry is ill equipped to face unhealthy competition from Bangladesh jute goods which enjoys lower wage and power costs. The withdrawal of EMA on jute yarn exports will adversely affect the profits of the Company. In the light of the above, the outlook for the industry is not very encouraging.

However, the Company is making all efforts to increase operational efficiency and controlling costs to meet the emerging challenges ahead.

e) Internal control systems and their adequacy

The Company has a proper and adequate internal control procedure which is supplemented by well defined programme of internal audits and a very effective external audit system.

Initial phase of implementation of Oracle Enterprise Resource Planning (ERP) for Financials and Inventory has been completed. Presently, the Company is in the process of upgrading the system. When fully operational, this will further improve internal checks.

f) Discussion on financial performance with respect to operational performance

During the year under review, better operational performance has enabled the Company to post substantially better results. The comparative position as well as growth in percentage of financial and other parameters have been stated at the beginning of this Report. In order to apprise the members, the directors would further like to state that in the light of Judgement of Hon'ble High Court at Kolkata for increased power tariff, the Company estimates a liability of Rs. 175 lakhs which may become payable on the ascertainment of the amount.

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DIRECTORS' REPORT (Contd.)

g) Material developments in Human Resources/Industrial Relations front, including number of people employed

As on 31st March, 2002, the Company had 3986 workers on its rolls. The Company follows a policy of retiring the workers as soon as they attain the age of superannuation. Workers' agreements are entered with central trade unions on an industrywise basis. There were following material developments during the year under review :-

- In house training has been imparted to the workers to make them competent to operate modern machines with improved technical functions in few departments with the object of improving productivity and quality.
- A historic agreement for the Jute Industry was signed in January, 2002 wherein it was inter alia agreed that 33.33% of the total wages payable to workers will be linked to production and that the new workers will be given employment at new scales substantially lower than the existing scales. The Company is in the process of implementing the aforementioned agreement which in the long term will have substantially favourable impact on the profitability.

h) Cautionary statement

Statement made in this section of the report is based on the prevailing industry position and market conditions, which could be different from what we envisage with regard to future prospects and performance.

CORPORATE GOVERNANCE REPORT

As reported last year, the code of corporate governance introduced by clause 49 of the listing agreement with the Stock exchanges where the company's shares are listed has been implemented by the Company during the year under review. The Company has complied with all mandatory requirements as prescribed under the said clause of the Listing agreement.

A report on the matters specified in the said code of Corporate Governance, along with a certificate from the Company's Auditors confirming compliance, is annexed and forms part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that :-

- 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 (EMA) pertaining to earlier years which will be accounted for as and when received;
- the Directors have made judgements and estimates that are reasonable and prudent and have selected accounting policies and applied them consistently except in respect of income by way of EMA as stated in i) above to give true and fair view of the state of affairs of the Company as at 31st March, 2002 and its profits for the year ended on that date;
- 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;
- the annual accounts placed before you have been prepared on a going concern basis.

PARTICULARS OF CONSERVATION OF ENERGY ETC.

Information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is given in Annexure forming part of this Report.

SUBSIDIARY COMPANY

The audited accounts and Report of the Directors and Auditors of Elite (India) Ltd., a subsidiary of your Company for the year ended 31st March, 2002 together with a statement as required under Section 212 of the Companies Act, 1956, are attached. Consolidated accounts of the Company with its subsidiary in accordance with Accounting Standard AS-21 have been published in this Annual Report.

PUBLIC DEPOSITS

Three deposits aggregating Rs. 10000 remaining unclaimed and unpaid have been deposited to the designated account of the central government in pursuance to Section 205C of the Companies Act, 1956 read with rules framed there under. The Company as a matter of policy does not accept any deposits at present.

PERSONNEL

Industrial relations remained cordial.

As required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, a statement giving the name and other particulars of employee is annexed which forms part of this Report.

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DIRECTORS' REPORT (Contd.)

DIRECTORS

Lt. Gen. J. S. Aurora and Mr. B. P. Bajoria tendered their resignations from the Board effective 30th July, 2001. The Board accepted with regret their resignations and place on record their appreciation of the valuable contributions made by them during their tenure.

The Board had appointed Mr. P. K. Bhattacharjee (Mr. Bhattacharjee) as Director of the Company effective 30th July, 2001, in the casual vacancy caused by the resignation of Lt. Gen. J. S. Aurora. Mr. Bhattacharjee holds office up to the date of the forthcoming Annual General Meeting of the Company as provided under Article 94 of the Articles of Association of the Company but is eligible for appointment.

The Board has appointed Mr. B. Jalan (Mr. Jalan) as Director of the Company effective 30th July, 2001, in the casual vacancy caused by the resignation of Mr. B. P. Bajoria. Mr. Jalan holds office up to the date of the forthcoming Annual General Meeting of the Company as provided under Article 94 of the Articles of Association of the Company but is eligible for appointment.

The Board has appointed Mr. N. Nayar (Mr. Nayar) as additional Director of the Company effective 30th July, 2001. Mr. Nayar holds office up to the date of the forthcoming Annual General Meeting of the Company as provided under Article 95 of the Articles of Association of the Company but is eligible for appointment.

Separate Notices together with the requisite deposits under Section 257 of the Companies Act, 1956 have been received from some members of the Company signifying their intentions to propose Mr. Bhattacharjee, Mr. Jalan and Mr. Nayar as Directors of the Company and Mr. Bhattacharjee, Mr. Jalan and Mr. Nayar have consented to act as such, if appointed. It would be beneficial for the Company to have Mr. Bhattacharjee, Mr. Jalan and Mr. Nayar on the Board. The Board recommends their appointments.

Mr. L. R. Puri (Mr. Puri) tendered his resignation from the Board effective from the close of business on 31st March, 2002. The Board accepted with regret his resignation and place on record their appreciation of the valuable contributions made by him during his tenure. However, no appointment was made by the Board to fill the casual vacancy caused due to the resignation of Mr. Puri.

Mr. S. Sharma and Mr. H. Khaitan retire from the Board by rotation and being eligible, offer themselves for re-appointment at the forthcoming Annual General Meeting.

AUDITORS AND AUDITORS' REPORT

The Statutory Auditors, Messers Jain & Co., Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and offer themselves for re-appointment. Members are requested to reappoint the Auditors and authorise the Board to fix their remuneration.

The observation in the Auditors' report has been suitably explained in the notes on the accounts.

Messers 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 ending on 31st March, 2003 as per directives of the central government.

ACKNOWLEDGEMENT

The Directors take this opportunity to thank Export Import Bank of India, State Bank of India, the Customers and the Shareholders for their interest and valued support to the Company.

The Directors also express their deep sense of appreciation to employees of the Company at all levels for their dedicated and commendable team work.

Kolkata, 27th June, 2002

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