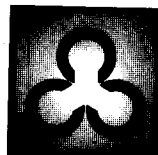


# ANNUAL REPORT

FOR THE YEAR ENDED 31ST MARCH 2003



**Group  
Cheviot**

## CHEVIOT COMPANY LIMITED

**CHEVIOT COMPANY LIMITED****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

S. DHANDHANIA

N. K. KEJRIWAL - *Wholetime Director***CGM (CORPORATE) & SECRETARY**

D. K. MOHTA

Report  junction.com**AUDITORS**

JAIN &amp; 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 BENGALSECTOR II  
FALTA SPECIAL ECONOMIC ZONE  
FALTA, 24-PARGANAS (SOUTH) - 743 504  
WEST BENGAL**CONTENTS**

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**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 Friday, the 8th August, 2003 at 11.00 A.M. to transact the following business :-

1. To receive and adopt the Audited Accounts for the year ended 31st March, 2003 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 P. K. Bhattacharjee, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Auditors in place of the retiring Auditors on a remuneration to be mutually agreed upon with the Board of Directors.
5. 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 reappointment of Mr. Nawal Kishore Kejriwal (Mr. Kejriwal) as Wholetime Director of the Company for a period of three years, with effect from 1st June, 2003 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 and Managing Director 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 not exceeding the ceiling laid down in Section II of Part II of Schedule XIII of the Companies Act, 1956 or any modification or re-enactment thereof as minimum remuneration, subject to such approvals as may be required."
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 309(4) and other applicable provisions, if any, of the Companies Act, 1956, such sum by way of commission in no case exceeding in the aggregate 1% of the net profits of the Company computed in the manner referred to in Section 198 of the said Act, for each of the five financial years of the Company commencing on and from 1st April, 2002, as may be determined by the Board of Directors be paid to and distributed amongst the non-executive Directors of the Company and that the proportion and manner of such payment and distribution be decided by the Board from time to time."
7. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution :  
 "RESOLVED THAT, subject to the provisions of the Securities and Exchange Board of India (De listing of Securities) Guidelines, 2003 and subject to such other approvals as may be necessary, the consent of the Company be and is hereby granted to the Board of Directors of the Company to voluntarily de list the Ordinary shares of the Company from The Stock Exchange, Ahmedabad and The Delhi Stock Exchange Association Limited."  
 FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to do all acts, deeds and things that may be necessary to give effect to the above Special Resolution."
8. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution :  
 "RESOLVED THAT pursuant to the provisions of Section 163 of the Companies Act, 1956, the consent of the Company be and is hereby accorded to keep the Register of Members, Index of Members and Register of Renewed and Duplicate Certificates at the office of the Company's Registrar and Share Transfer Agent, Maheshwari Datamatics Private Limited of 6, Mangoe Lane, 2nd Floor, Kolkata - 700 001 instead of being kept at the registered office of the Company."

Registered Office:  
 24, Park Street  
 Magma House, (9th Floor)  
 Kolkata - 700 016  
 Dated : 5th June, 2003

By Order of the Board,  
 CHEVIOT COMPANY LIMITED  
 D. K. MOHTA  
 CGM (Corporate) & Secretary

**NOTES :**

1. The Register of Members and the Share Transfer Register of the Company will remain closed from 16th July, 2003 to 8th August, 2003 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 6th September, 2003 to those members, whose names shall appear in the Company's Register of Members at the close of working hours of the Company on Tuesday, 15th July, 2003. 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 15th July, 2003 as per details furnished by National Securities Depository Ltd. and Central Depository Services (India) Ltd. Dividend warrants shall not be mailed to those shareholders who have not paid the allotment money in respect of the shares allotted to them. Members are once again requested to pay the allotment money immediately.

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

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. Unpaid/unclaimed dividend in respect of financial year ended 31st March, 1996 will become due for transfer during September, 2003. Shareholders are advised to encash the dividend warrants before transfer to the above referred Investor Education and Protection Fund.
5. Securities and Exchange Board of India (SEBI) has made it mandatory for all the companies to use the bank account details furnished by the Depositories for distributing dividends through Electronic Clearing Service (ECS) to the investors wherever ECS and bank details are available. Members are advised to avail ECS facility whereby the dividend will be directly credited electronically to their respective Bank Accounts. In case you are holding the Company's shares in electronic form, you are requested to provide your ECS particulars to your Depository Participants, if you have not done so already. In case you are holding the Company's shares in physical form and not yet opted for ECS, you are requested to provide your ECS particulars in the enclosed '**ECS Mandate Form**' and forward the same duly filled in and signed to the Company's Registrar and Share Transfer Agents at the earliest to avail of this service.
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's Registrar and Share Transfer Agent 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 29th July, 2003, 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. Note on Director seeking re-appointment at the ensuing Annual General Meeting :  
Mr. P. K. Bhattacharjee, aged 64 years is a director of the Company since 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 committees of the Board of Directors of the following Companies :  
Other Directorships: 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.  
Membership of committees of the Board of other Companies :  
1. Indian Infrastructure Equipment Ltd. 2. SBI Home Finance 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 No. 5**

The present term of office of Mr. Nawal Kishore Kejriwal (Mr. Kejriwal), Wholetime Director of the Company expired on 31st May, 2003.

Mr. Kejriwal has been associated with the Company for the last several years in his capacity as Wholetime Director. In view of his experience and useful contribution made to the Company's growth, the Board of Directors renewed his appointment as Wholetime Director for a further period of three years with effect from 1st June, 2003 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. 60,000 per month or such other sum not exceeding Rs. 80,000 per month as determined by the Chairman and 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.
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 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.

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

- (b) Gratuity not exceeding one-half month's salary for each completed year of service.
- (c) Leave on full pay and allowances as per 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 remuneration payable to Mr. Kejriwal shall not exceed the limits specified in Section II of Part II of Schedule XIII of the Companies Act, 1956 or any modification or re-enactment thereof as minimum remuneration, subject to such approvals as may be required.
- 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 and 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.

The above should also be considered as an abstract of the terms of the re-appointment of Mr. Kejriwal and a Memorandum as to the nature of the concern and interest of the Directors in the said re-appointment in terms of Section 302(7) of the Companies Act, 1956.

**ITEM No. 6**

On 22nd July, 1998, the Company passed a Special Resolution authorising payment of commission to non-executive directors for a period of 5 years with effect from 1st April, 1997.

The aforesaid resolution ceased to be in force on 31st March, 2002. It is proposed to seek the approval of the members afresh by a Special Resolution to the payment of commission to the directors for a period of five financial years from 1st April, 2002, in the manner and to the extent set out in the text of the Special Resolution. The Board recommends that the proposed Special resolution be accepted by the Company.

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

**ITEM No. 7**

The provisions of the Securities and Exchange Board of India (De listing of Securities) Guidelines, 2003 inter alia provide that there shall not be any compulsion for the existing companies to remain listed on any stock exchange. The companies can now delist from any stock exchange after complying with the said guidelines. It is observed that trading in the ordinary shares of the Company takes place only in The Stock Exchange, Mumbai (BSE) and The Calcutta Stock Exchange Association Limited (CSE). Trading, if any on The Stock Exchange, Ahmedabad (ASE) and The Delhi Stock Exchange Association Limited (DSE) are almost negligible. With the extensive connectivity of the BSE, the investors have access to dealings in the ordinary shares of the Company across the country. In the light of the above and as a part of cost reduction measures, it is proposed to voluntarily de list the ordinary shares of the Company from ASE and DSE. The Board of the Directors of the Company are of the view that the proposed de listing of ordinary shares of the Company from ASE and DSE will not adversely affect the interest of the investors as the Company's shares will continue to be listed at BSE and CSE.

As the aforesaid voluntary de listing from ASE and DSE requires members consent by way of a Special Resolution, the Board recommends passing of the Special Resolution as set out at item no. 7 of the notice.

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

**ITEM No. 8**

Under Section 163 of the Companies Act, 1956, certain documents which are normally required to be kept at the registered office of the Company may be kept at any other place if such other place has been approved by a Special Resolution passed by the Company in general meeting. Pursuant to the directives of Securities and Exchange Board of India for appointment of common agency for share registry work, Maheshwari Datamatics Private Limited (MDPL) have been appointed as Registrar and Share Transfer Agent of the Company. In order to carry out share transfer and other related work smoothly, it is proposed to keep the Register of Members, Index of Members and Register of Renewed and Duplicate Certificates at the office of MDPL at 6, Mangoe Lane, 2nd Floor, Kolkata - 700 001 upon passing of the resolution as set out at item no 8 of the notice and the Board recommends passing of the same.

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

Registered Office:  
24, Park Street  
Magma House, (9th Floor)  
Kolkata - 700 016  
Dated : 5th June, 2003

By Order of the Board,  
CHEVIOT COMPANY LIMITED  
D. K. MOHTA  
CGM (Corporate) & 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, 2003.

(Rupees in Millions)

**FINANCIAL RESULTS**

Year ended March 31	2003	2002
The working results before charging depreciation show a gross profit of	246.3	159.6
From which have been deducted		
Depreciation (Net)	41.0	36.3
Provision for taxation	13.0	8.4
Provision for deferred tax	14.7	5.2
Resulting in profit after taxation of	177.6	109.7
To which have been added/(deducted)		
Liability no longer required written back [net of deferred tax]	2.3	—
Related income of earlier years [net of deferred tax]	46.0	—
Taxation for earlier years (Net)	0.1	(1.2)
Balance brought forward from previous year	10.8	6.9
Making a total of	236.8	115.4
Which has been appropriated by the Directors as under		
Proposed dividend	15.1	9.0
Tax on distributed profits	1.9	—
Transferred to General Reserve	205.0	95.6
Balance to be carried forward	14.8	10.8
	236.8	115.4

**DIVIDEND**

The Directors recommend for your consideration payment of dividend @ Rs. 5/- per share for the year ended 31st March, 2003.

**OPERATIONS**

The Company's performance continued to be good and the year under review has witnessed an all time high growth in profitability. The production, export sales and profitability have shown undernoted growth as compared to previous year

	Current Year	Previous Year	Growth %
Production (M. Tonnes)	40635	38310	6.1
Export sales (CIF value - Rs. in Millions)	902.4	807.0	11.8
Profit before depreciation (Rs. in Millions)	246.3	159.6	54.3

Increase in profitability is largely on account of all round improvement in productivity, cost effectiveness, efficient marketing of products, planned procurement of raw materials and disciplined financial management coupled with increase in rates of export incentives in the form of duty exempted pass book scheme as mentioned elsewhere in this report. Besides, the profit was further increased due to accounting of related income of earlier years on accrual basis as explained in note no. 5 to the notes on accounts.

The year under review was characterised by timely implementation of Company's prestigious projects by setting up a new 100% Export Oriented Unit (EOU) in Falta Special Economic Zone (FSEZ) for manufacture of industrial fabrics which has commenced commercial production in March, 2003 and by installing Captive Power Plant (CPP) which has become operational in January, 2003. It is heartening to report that the aforesaid projects have been commissioned within reasonable period and without significant cost overrun. It is expected that CPP will enable the Company to have better quality of power with more flexibility and savings in cost. EOU in FSEZ has opened up a new chapter in the Company's plans to increase its stake in value added items of jute and jute blends and to explore other related areas which can be conveniently and advantageously carried out in the time to come.

**CHEVIOT COMPANY LIMITED****DIRECTORS' REPORT (Contd.)****MANAGEMENT DISCUSSION AND ANALYSIS REPORT****a) Industry structure and developments**

The year under review did not see any change in Government of India's policy to dilute the Jute Packaging Materials (Compulsory use for Packing Commodities) Act, 1987 (JMPA) which has become a subject matter of litigation. The matter is sub judice. Besides, the external market assistance (EMA) which was effective till 31.03.2003 has not been further extended till date. However, there has been an increase in percentage rates from 2 to 5 on DEPB Scheme for jute yarn from 9.07.2003, which is a welcome step. The industry earnestly pleads that the Government of India on its part take positive steps in keeping JMPA in force and in restoring EMA on jute yarn and also for 100% EOU's to enable Indian jute industry to meet the international competition effectively and achieve the ambitious export targets set by the government.

**b) Opportunities and Threats/Risk and concerns**

The jute industry has failed to gain benefits from the opportunity provided by the new wage agreement signed in January, 2002 for the reasons as stated under para g) here below. There is an honest need for implementation of the said agreement in true letter and spirit so that industry could capitalise the opportunity of reducing wage cost as also to increase operational efficiency.

The following areas of risk and concern continue to pose threat to the industry which on its own can do precious little to overcome their impact :

- Gradual and planned dilution of JMPA leading to its ultimate scrape;
- Cut throat competition from Bangladesh which continues to enjoy cost advantage and the SAARC benefits vis-a-vis India;
- Erratic increase in prices of petroleum products leading to uncontrolled rise in power cost;
- Increase in wage cost which constitute approximately 20% of production costs in a labour intensive industry;
- Appreciation of Rupee vis-a-vis US dollar affecting export earnings.

**c) Segment-wise or product-wise performance**

Jute goods remain the Company's only area of business in the year under review also, requiring no disclosure under AS-17 in respect of business segment. The following disclosure under Geographical segment has, however, been considered on the basis of Sales :

- Within India - Rs. 343.2 millions [Previous year - Rs. 367.1]
- Outside India - Rs. 902.4 millions [Previous years - Rs. 807.0]

**d) Outlook**

The overall performance of the Jute Industry has been gradually affected due to negative impact caused by the areas of risk and concerns mentioned in para b) above. Despite the adverse scenario, the sharp rise in exports of jute goods from India during the year under review has provided much needed fillip to this ailing industry. Being bio-degradable in nature and eco-friendly, the markets across the world have started showing preference to jute products vis-a-vis other substitute products. We look forward to the future with cautious optimism.

**e) Internal control systems and their adequacy**

The Company has an adequate system of internal controls which not only ensure proper and timely recording and reporting of transactions but also provide avenue for exercising effective safeguard over Company's assets. Internal checks have been further strengthened upon completion of upgradation of Oracle Enterprise Resource Planning (ERP) system.

**f) Discussion on financial performance with respect to operational performance**

During the year under review, the Company has been able to operate efficiently by bringing continuous improvements in all functions and areas. The financial results as stated in the beginning of this Report bear testimony to the concerted efforts made by the Company to achieve growth and scale new heights.

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

As on 31st March, 2003, the Company had 3930 workers on its rolls. The Industry faced problems of intermittent interruption in production and supplies due to inter union rivalry over the implementation of tripartite agreement which inter alia provides production linked wage payment to the extent of 33.33% and new employment at comparative lower scales than the existing ones. Impediment in non implementation of the agreement does not augur well for the industry. The Company has, however, been able to provide employments to few workers at new scales of pay in terms of aforesaid tripartite agreement.

The Company continues its programmes and policies in providing extensive training to workers to operate efficiently with an object to enhance quality of products and productivity.

**h) Cautionary statement**

Statement made above in this section of the Report with regard to future outlook and performance is on the basis of prevailing industry scenario and market conditions as envisaged by us which could be different.

**CHEVIOT COMPANY LIMITED****DIRECTORS' REPORT (Contd.)****CORPORATE GOVERNANCE DISCLOSURE**

A report on the matters specified in the code of Corporate Governance vide clause 49 of the listing agreement with the stock exchanges, 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 :-

- i. the Company has followed the applicable accounting standards in the preparation of the annual accounts for the year under review;
- 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, 2003 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.

**SUBSIDIARY COMPANY**

Elite (India) Ltd. has ceased to be subsidiary of your Company with effect from 8th August, 2002. As required by AS-21, the Consolidated profit and loss account and other related Schedules to accounts of the Company with its subsidiary until the date of cessation of the subsidiary relationship has been published in this Annual report.

**PERSONNEL**

Industrial relations remained harmonious.

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

**DIRECTORS**

Mr. B. Jalan tendered his resignation from the Board. The Board accepted with regret his resignation with effect from 5th June, 2003 and placed on record their appreciation of the valuable contribution made by him during his short tenure.

The Board has appointed Mr. S. Dhandhanian (Mr. Dhandhanian) as Director of the Company effective from 5th June, 2003 in the casual vacancy caused by the resignation of Mr. B. Jalan.

Mr. S. Sharma (Mr. Sharma) tendered his resignation from the Board. The Board accepted with regret his resignation to be effective from the close of business on 4th July, 2003 and placed on record their appreciation of the valuable contributions made by him during his tenure. However, the Board decided not to fill the casual vacancy to be caused due to the resignation of Mr. Sharma.

Mr. P. K. Bhattacharjee retire from the Board by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting.

**AUDITORS**

The Statutory Auditors, Messers Jain & Co., Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and have confirmed their eligibility and willingness to continue in office on re-appointment. Members are requested to re-appoint the Auditors at such remuneration as may be agreed by your Directors.

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, 2004 as per directives of the central government.

**ACKNOWLEDGEMENT**

The Directors place on record their appreciation for the efficient and dedicated services rendered by the employees at all levels. The Directors also place on record their appreciation for the unstinted support and co-operation extended to the Company by Export Import Bank of India, the Company's bankers and the Shareholders of the Company and look forward to their continued support.

Kolkata, 5th June, 2003

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



**CHEVIOT COMPANY LIMITED****ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2003****REPORT ON CORPORATE GOVERNANCE**

[Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges]

**1. Company's philosophy on Code of Governance**

The Company's philosophy on corporate governance continues to be in the direction of bringing improvement across a number of areas of operations by motivation and involvement of human capital which is guided by unswerving commitment to excellence, efficiency, modernisation, upgradation with an aim to achieve sustained growth and shareholder value over a period of time.

**2. Board of Directors****a) Composition**

The Board of Directors comprises of seven directors of whom one is promoter director (chairman and managing director), one is wholetime director and five are independent non-executive directors. Consequent to resignation of Mr. B. Jalan and Mr. S. Sharma and appointment of Mr. S. Dhandhan, the strength of the Board has become six directors of which four are independent non-executive directors.

**b) Attendance of each Director at the Board meetings and the last Annual general meeting (AGM) and also number of other directorships/memberships of Board committees.**

Name of the Director	Category	Attendance Particulars		No. of other directorships and other committee memberships/chairmanships held		
		Board meetings	Last AGM [20.8.2002]	Directorships #	Committee Memberships	Committee Chairmanships
Mr. H. V. Kanoria	Chairman and Managing director (promoter director)	6	Present	7	Nil	Nil
Mr. P. K. Bhattacharjee	Independent Non-Executive	6	Present	3	3	1
Mr. B. Jalan *	Independent Non-Executive	6	Absent	7	Nil	Nil
Mr. N. Nayar	Independent Non-Executive	6	Present	9	Nil	Nil
Mr. H. Khaitan	Independent Non-Executive	2	Absent	18	3	Nil
Mr. N. K. Kejriwal	Wholetime Director	5	Present	1	Nil	Nil
Mr. S. Sharma @	Independent Non-Executive	1	Absent	4	2	2

# Includes alternate directorship and directorship in Private Limited Companies

@ Resigned effective from close of business on 4th July, 2003

\* Resigned effective from 5th June, 2003

**c) Number of Board Meetings held and dates on which held**

Six Board Meetings were held during the year ended 31st March, 2003 viz. on 22nd April, 2002, 27th June, 2002 [two meetings], 30th July, 2002, 24th October, 2002 and 28th January, 2003.

## CHEVIOT COMPANY LIMITED

## ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

## REPORT ON CORPORATE GOVERNANCE (Contd.)

## 3. Audit Committee

## a) Composition, Name of Members and Chairman

The Audit Committee comprises of three non-executive independent directors viz. Mr. N. Nayar, Chairman of the committee, Mr. P. K. Bhattacharjee, Independent non-executive and Mr. B. Jalan, Independent non-executive [upto 4th June, 2003]. Consequent to resignation of Mr. B. Jalan from the membership of the board, Mr. S. Dhandhanias has been appointed as member of the audit committee with effect from 5th June, 2003.

## b) Meetings and attendance

Four meetings of the Committee were held on 26th June, 2002, 29th July, 2002, 24th October, 2002, and 24th January, 2003 which were attended by all the members. Mr. D. K. Mohta, CGM (Corporate) & Secretary acts as Secretary of the Committee.

## c) Brief description of terms of reference

The terms of reference cover all areas provided in clause 49II(D) of the listing agreement and include review of accounting policies and standards, review of internal control, discussion on internal audit report, interaction with statutory and internal auditors, implementation of suggestions offered by the auditors besides other terms as are referred to by the Board of directors from time to time.

## 4. Remuneration committee

## a) Remuneration Policy

The Company has not constituted a remuneration committee. The Board of directors fix the remuneration of the Managing director and the Wholetime director which is approved by the shareholders.

The non-executive directors are paid sitting fees for every meeting of the Board attended by them. They are also entitled to commission as decided by the Board of directors from time to time not exceeding 1% of the net profits of the Company.

## b) Details of remuneration paid to the Directors

Details of remuneration paid to Executive Directors for the year ended 31st March, 2003

Rs. in Lakhs

Name of the Director	Salary	Commission	Contribution to Provident Fund	Estimated value of other Perquisites	Tenure of appointment
Mr. H. V. Kanoria	14.00	118.00	1.40	9.28	5 years, from 01.08.2000
Mr. N. K. Kejriwal	4.80	2.00	0.48	3.68	3 years, from 01.06.2000 [Re-appointed for 3 years from 1.6.2003]

As per terms of appointment, the Company and the executive directors have the right to terminate the appointment by giving three months prior notice in writing to the other.

Details of remuneration paid to non-executive Directors for the year ended 31st March, 2003

Rs. in Lakhs

Non-executive Directors	Sitting fees	Commission
Mr. H. Khaitan	0.02	NIL
Mr. S. Sharma	0.01	0.50
Mr. P. K. Bhattacharjee	0.06	0.50
Mr. N. Nayar	0.06	0.50
Mr. B. Jalan	0.06	NIL

## 5. Shareholders/Investors Grievance Committee

The Committee comprising of three directors viz. Mr. B. Jalan, a non-executive director acts as its Chairman [upto 4th June, 2003]. Mr. N. K. Kejriwal and Mr. H. Khaitan, are the other members of the committee. Consequent to resignation of Mr. B. Jalan from the membership of the board, Mr. S. Dhandhanias has been appointed as member of the committee with effect from 5th June, 2003.

The Committee looks inter alia into the redressing of shareholders/investors complaints. Mr. D. K. Mohta, CGM (Corporate) & Secretary is the Compliance Officer.

During the year, 129 queries were received from the shareholders, all of which have been addressed to date. The Company had two transfers pending at the close of the financial year for which certain documents are awaited. The said transfers will be processed on receipt of appropriate documents.