

ANNUAL REPORT

FOR THE YEAR ENDED 31ST MARCH 2008



**Group
Cheviot**

CHEVIOT COMPANY LIMITED

CHEVIOT COMPANY LIMITED

For Cheviot Company Limited

[Signature]
Vice President & Secretary.

CHAIRMAN (EMERITUS)

B. D. KANORIA

BOARD OF DIRECTORS

H. V. KANORIA - Chairman and Managing Director, Chief Executive Officer

P. K. BHATTACHARJEE

N. NAYAR

S. DHANDHANIA

P. K. KHAITAN

N. K. KEJRIWAL - Wholetime Director

VICE PRESIDENT & SECRETARY, CHIEF FINANCIAL OFFICER

D. K. MOHTA

Company Code : 526817

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AUDITORS

JAIN & CO.

Chartered Accountants

BANKERS

STATE BANK OF INDIA

AXIS BANK LTD.

REGISTERED OFFICE

24, PARK STREET

MAGMA HOUSE (9TH FLOOR)

KOLKATA - 700 016

WORKS

19, MEHTA ROAD, BADEKALINAGAR

BUDGE-BUDGE

24-PARGANAS (SOUTH) - 700 137

WEST BENGAL

SECTOR II

FALTA SPECIAL ECONOMIC ZONE

FALTA, 24-PARGANAS (SOUTH) - 743 504

WEST BENGAL

CONTENTS

NOTICE	2 - 4
DIRECTORS' REPORT	5 - 20
AUDITORS' REPORT	21 - 23
BALANCE SHEET	24
PROFIT & LOSS ACCOUNT	25
CASH FLOW STATEMENT	26
SCHEDULES TO ACCOUNTS	27 - 44

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 Thursday, the 7th August, 2008 at 11.00 a.m. to transact the following business:

1. To receive, consider and adopt the Audited Accounts for the year ended 31st March, 2008 and the Reports of the Board of Directors and Auditors thereon.
2. To declare Dividend for the financial year ended 31st March, 2008.
3. To appoint a Director in place of Mr. Navin Nayar, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint M/s Jain & Co., Chartered Accountants, as the Auditors of the Company 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 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, 2007, 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."

Registered Office :
 24, Park Street,
 Magma House, (9th Floor)
 Kolkata - 700 016
 Dated : 30th May, 2008

By Order of the Board,
 CHEVIOT COMPANY LIMITED
 D. K. MOHTA
 Vice President & Secretary,
 Chief Financial Officer

NOTES:

1. **The Register of Members and the Share Transfer Register of the Company will remain closed from Saturday 2nd August, 2008 to Thursday 7th August, 2008 (both days inclusive).**
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. The Proxy in order to be effective, must be duly stamped, completed, signed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.**
3. Members are requested to bring the attendance slip along with their copy of Annual Report with them at the meeting.
4. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
5. Dividend, as recommended by the Board of Directors, if declared at the meeting will be paid on or before 6th September, 2008 to those members, whose names shall appear in the Company's Register of Members at the close of working hours of the Company on Friday, 1st August, 2008. 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 1st August, 2008 as per details furnished by National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).
6. Dividend 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, 2000 have been transferred to the said fund. Unpaid/unclaimed dividend for the financial year ended 31st March, 2001 will become due for transfer during August, 2008. Shareholders are advised to encash the unpaid

CHEVIOT COMPANY LIMITED

NOTICE (Contd.)

dividend warrants before transfer to the above referred fund. Members shall not be able to claim in respect of their unpaid/ unclaimed dividend from the said fund.

7. Securities and Exchange Board of India (SEBI) has made it mandatory for all the Companies to use the bank accounts 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. Members holding the Company's shares in dematerialised mode are requested to provide ECS particulars to their respective Depository Participants, if they have not done so already. Members holding the Company's shares in physical form who have not opted for ECS are requested to provide their 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 Agent, M/s Maheshwari Datamatics Private Limited, at the earliest to avail this facility.
8. Members holding shares in physical form are requested to intimate change in their registered address and bank particulars to the Company's Registrar and Share Transfer Agent and the members holding their shares in electronic form are requested to provide this information to their Depository Participants immediately.
9. Members desirous of getting any information about the accounts and operations of the Company are requested to address their queries to the Company at least 10 (Ten) days in advance of the meeting i.e. by 28th July, 2008, so that proper information can be made available at the meeting.
10. 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.
11. Pursuant to the provisions of Section 109A of the Companies Act, 1956, members are entitled to make a nomination and are requested to send their request in Form 2B to the Registrar and Share Transfer Agent.
12. Members who hold shares in physical form in multiple folios in identical names or joint accounts in the same order or names are requested to send the share certificates to the Company's Registrar and Share Transfer Agent for consolidation into a single folio.
13. Notes on Directors seeking appointment/re-appointment at the ensuing Annual General Meeting :
Mr. Navin Nayar, aged 45 years is a director of the Company since 30.07.2001. Mr. Nayar is a fellow member of the Institute of Chartered Accountants of India. He is a senior partner in M/s 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 Directorships
1. Crest Holdings Pvt. Ltd., 2. Skyview Investments Pvt. Ltd., 3. Cosmopolitan Investments Ltd., 4. OCL Investment and Leasing Limited, 5. Amar Vanijya Ltd., 6. Frontek Traders Pvt. Ltd., 7. Innova Properties Pvt. Ltd., 8. Nidhi Ltd., 9. Nilgiri Distributors Pvt. Ltd., 10. Shemoga Suppliers Pvt. Ltd., 11. Tirumala Properties Pvt. Ltd.
Number of Shares held in the Company : Nil
Other Committees Member / Chairman : Nil
14. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed.

CHEVIOT COMPANY LIMITED

NOTICE (Contd.)

ANNEXURE TO NOTICE

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

ITEM No. 5

The Company passed a Special Resolution on 8th August, 2003, authorising payment of commission to non-executive directors for a period of 5 years with effect from 1st April, 2002.

The aforesaid resolution ceased to be in force on 31st March, 2007. It is proposed to seek the approval of the members afresh by a Special Resolution to the payment of commission to the non-executive directors for a period of five financial years from 1st April, 2007 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.

Registered Office :
24, Park Street,
Magma House, (9th Floor)
Kolkata - 700 016
Dated : 30th May, 2008

By Order of the Board,
CHEVIOT COMPANY LIMITED
D. K. MOHTA
Vice President & Secretary,
Chief Financial Officer

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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, 2008.

Amount in Rs. Lakhs

FINANCIAL RESULTS

Year ended March 31	2008	2007
Operating results after charging depreciation show a profit of	2251.72	2263.11
Add : Other Income	691.23	402.64
Resulting in Gross profit of	2942.95	2665.75
From which have been deducted :		
Provision for taxation	696.00	443.75
Provision for deferred taxation	(3.22)	(66.17)
Fringe benefit tax	6.10	6.60
Taxation for earlier years (net)	44.97	—
Leaving Profit after taxation of	2199.10	2281.57
Balance brought forward from previous year	399.52	229.47
Making a total of	2598.62	2511.04
Which has been appropriated by the Directors as under :		
Interim dividend paid	—	360.90
Proposed dividend	451.13	—
Tax on distributed profits	76.67	50.62
Transfer to General Reserve	1700.00	1700.00
Balance to be carried forward	370.82	399.52
	2598.62	2511.04

DIVIDEND

The Directors are pleased to recommend for your consideration payment of dividend @ 100 % i.e. Rs.10/- per share for the year ended 31st March, 2008.

OPERATIONS

Production, sales, profitability and earnings per share show under noted position during the year under review as compared to previous year :

	Current year	Previous year
Production (M. Tonnes)	47961	35967
Total Sales (Rs. in Lakhs)	17635.65	15496.21
Export Sales (C.I.F. Value – Rs. in Lakhs)	11022.92	11772.42
Operating Profit (Rs. in Lakhs)	2251.72	2263.11
Other Income (Rs. in Lakhs)	691.23	402.64
Profit before Taxation (Rs. in Lakhs)	2942.95	2665.75
Profit after Taxation (Rs. in Lakhs)	2199.10	2281.57
Earnings per share of F.V. Rs.10/- (Rs.)	48.75	50.58

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

Production during the year under review was 47961 M.Tonnes as compared to 35967 M.Tonnes during the previous year when the working was affected due to 63 days long industry wide strike. Despite increase in production and total sales and savings in overheads and other costs on account of more production, the operating profit of the Company during the year under review was comparatively lower than previous year due to pressure on margins.

During the year under review, the overseas yarn market conditions remained tough and competitive and Indian Jute Goods were out priced by Bangladesh largely due to effect of Rupee appreciation. On the other hand, it was found more profitable to operate in domestic market. Considering the change in overall market scenario, the company as a conscious policy reduced its exposure to export market and produced and sold more conventional jute goods in domestic market. Though, bottom line was improved due to increase in other income by efficient treasury management, profit after taxation was lower due to higher tax provisions.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT**a) Industry structure and developments**

The compulsory packing at 100% for both food grains and sugar under Jute Packaging Materials (Compulsory use for Packing Commodities) Act, 1987 (JPMA) is presently valid up to 30.6.2008. Besides, the Jute Industry's petition challenging the dilution order passed by the Hon'ble Gujarat High Court is still sub-judice. It is generally felt that Government of India would maintain status quo ante for jute reservation norms under JPMA in the larger interest of jute farmer families.

The erstwhile External Market Assistance (EMA) Scheme has been withdrawn from 1st April, 2007. It looks difficult to achieve the export target as enunciated in the National Jute Policy, 2005 unless the Government of India accept the industry's request to reintroduce EMA and also take effective measures to combat cut throat competition by Bangladesh in international market.

Import of jute goods in India from Bangladesh has gone up considerably due to complete withdrawal of import duty effective from 1st January, 2008 which is posing a great threat to Indian jute goods market.

b) Opportunities and Threats/Risk and concerns

Following are the major areas of risks and concerns for the Jute Industry -

- Competition from Bangladesh which continue to enjoy benefits in the form of lower costs and government subsidy;
- Discontinuance of External Market Assistance putting pressure on exports;
- Increase in wage cost due to upward revision in rate of dearness allowance;
- Continuous increase in prices of petroleum products;
- Spiraling prices of iron & steel and other inputs;
- Gradual erosion of area under raw jute cultivation due to competition from other agricultural products which is a matter of concern both for easy availability of raw jute and its economical price.

c) Segment-wise or product-wise performance

The Company continues to operate through two business segments namely, a) Jute Goods and b) Captive Power Generation. However, captive power generation is not a reportable segment in terms of the criteria laid down in paragraph 27 of the AS-17 as the revenue/results/assets of this segment are not more than the threshold limit of 10% of the total segment revenue/results/assets.

However, the geographical segments considered for disclosure are as under:

	Current Year [Rs in lakhs]		Previous Year [Rs in lakhs]	
	Within India	Outside India	Within India	Outside India
☐ Sales	6612.73	11022.92	3723.79	11772.42
☐ Carrying amount of Segment assets	25568.85	—	20110.08	—
☐ Capital expenditure	1068.65	—	284.80	—

d) Outlook

The recent rise in prices of raw jute has become a matter of concern. In addition, the growing competition in international market is putting pressure on margins resulting in decrease in exports. The Company is taking all efforts to control costs and explore new areas where jute products may be profitably used. Looking to the current market conditions, outlook for the current year appears to be average.

CHEVIOT COMPANY LIMITED**DIRECTORS' REPORT (Contd.)****e) Internal control systems and their adequacy**

The Company has a proper internal control system commensurate with its size and nature of business which covers all areas of activities. The internal auditor reviews all areas of activities and timely reports are made available to the management. The Audit Committee oversee the internal control system on regular basis and effective steps are taken for implementation of suggestions of Internal Auditor, wherever required.

f) Discussion on financial performance with respect to operational performance

The financial performance for the previous year was affected due to strike for 63 days and therefore, the accounts for the year under review are not comparable with the previous year.

The following are the significant areas of financial performance :

- Sale of jute goods was Rs. 17635.65 lakhs during the year as compared to Rs. 15496.21 lakhs during previous year ;
- Operating profit of the Company during the year under review was comparatively lower than previous year due to pressure on margins. However, the bottom line was improved due to increase in other income by efficient treasury management. Profit after taxation was lower due to higher tax provisions;
- Interest expenses are higher at Rs. 67.72 lakhs during the year as against Rs. 8.05 lakhs in previous year. The increase in interest cost is mainly due to provision of interest on disputed excise demand and more utilisation of working capital limits;
- Inventories have increased by Rs. 691.20 lakhs being Rs. 2970.24 lakhs as at 31.3.2008 as against Rs. 2279.04 lakhs as at 31.3.2007. The increase in inventory is partly due to higher inventory of raw materials/ finished stocks and partly due to higher average rates of stocks;
- Profit on sale of Investments has contributed to the bottom line by Rs. 577.15 lakhs (net). The Company continues to deploy surplus cash generated from operations by making investments in profitable areas after proper research and expert advice;
- The Company has invested Rs. 1068.65 lakhs in fixed assets (net) inclusive of capital advances given during the year from internal generations.

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

As on 31.3.2008, the Company had 4247 employees on its rolls. The Company's efforts to impart training to workers to enhance their skill and performance continues as per planned programme and policies. The Company also provides benefits and facilities to deserving staffs under its various staff welfare schemes.

h) Cautionary statement

Statement made in this section of the report is based on the prevailing position in the jute industry and market conditions. Actual results might differ from what we perceive with regard to company's outlook and performance.

CORPORATE GOVERNANCE DISCLOSURE

As required under Clause 49 of the Listing Agreement with the Stock Exchange, a detailed report on the Corporate Governance along with a certificate from the statutory auditors certifying compliance to the conditions of Corporate Governance by the Company with the Stock Exchange is set out in the Annexure, which forms part of this report.

VOLUNTARY DE-LISTING OF EQUITY SHARES

The Company's Ordinary Shares were voluntarily de-listed from the Calcutta Stock Exchange Association Limited on 25th March, 2008.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, your Directors make the following statement to the best of their knowledge and belief that :

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

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

- ii. they have made judgements and estimates that are reasonable and prudent and have selected such accounting policies and applied them consistently to give true and fair view of the state of affairs of the Company for the year ended 31st March, 2008 and of the profit of the Company for that period;
- iii. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. they have prepared the annual accounts on a going concern basis.

PARTICULARS OF CONSERVATION OF ENERGY ETC.

Particulars in terms of sub section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988, are set out in the annexure to this report.

PERSONNEL

Industrial relations, during the year under review, remained harmonious.

The information as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is given in annexure forming part of this report.

DIRECTORS

Mr. Navin Nayar, a Non-Executive Director, retires from the Board by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting. His brief resume and particulars have been given in the Notice convening Annual General Meeting.

AUDITORS

The statutory auditors, Messers Jain & Co., Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and offer themselves for re-appointment. The Company has received a certificate from the above Auditors to the effect that re-appointment, if made, would be within the prescribed limit under Section 224(1B) of the Companies Act, 1956. Members are requested to re-appoint the auditors and authorise the Board to fix their remuneration.

Messers D. Radhakrishnan & Co., Cost Accountants, have been appointed, subject to requisite approval of the Central Government, to conduct an audit of the Cost Accounts maintained by the Company for the year ending 31st March, 2009, as per directives of the Central Government.

ACKNOWLEDGEMENT

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

The Directors also express to place on record their appreciation for the efficient and dedicated services rendered by the employees at all levels.

Kolkata, 30th May, 2008

On behalf of the Board

H. V. KANORIA

*Chairman and Managing Director,
Chief Executive Officer*

CHEVIOT COMPANY LIMITED

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2008

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 in the direction of achieving sustained growth and conducting its affairs in an ethical and transparent manner in its relationship with employees, shareholders, creditors and consumers. Such philosophy is focused on customer satisfaction through continual improvement in performance including motivation and involvement of human capital.

2. Board of Directors

a) Composition

The Board of Directors consist of six directors of whom one is promoter director (Chairman and Managing Director), one is Wholetime Director and four are independent non-executive directors.

Mr. P. K. Khaitan, a non-executive director of the Company is a partner of M/s Khaitan & Co., who have a professional relationship with the Company. The legal & professional charges of Rs. 4.60 lakhs that was paid to them during the year is not considered to be of material nature so as to affect the independence of judgement of Mr. Khaitan as a director of the Company.

No Director is related to any other Director on the Board.

b) Details of attendance of each Director at the Board Meetings and the last Annual General Meeting (AGM) with particulars of their other Directorships and Chairmanships/Memberships of Board/Committees.

Name of the Directors	Position	Attendance Particulars		No. of other directorships and other committee memberships/chairmanships held		
		Board Meetings	Last AGM held on [26.06.2007]	Directorships #	Committee Memberships	Committee Chairmanships
Mr. H. V. Kanoria	Chairman and Managing Director, Chief Executive Officer (Promoter Director)	6	Yes	6	Nil	Nil
Mr. P. K. Bhattacharjee	Independent Non-Executive	6	Yes	10	4	3
Mr. N. Nayar	Independent Non-Executive	6	Yes	11	Nil	Nil
Mr. N. K. Kejriwal	Wholetime Director	5	Yes	1	Nil	Nil
Mr. S. Dhandhanja	Independent Non-Executive	4	Yes	10	1	Nil
Mr. P. K. Khaitan	Independent Non-Executive	4	Yes	14	3	3

Includes Alternate Directorship and Directorship in Private Limited Companies.

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

Six Board Meetings were held during the year ended 31st March, 2008 viz. on 26th April, 2007 (two meetings), 30th July, 2007, 15th October, 2007, 27th December, 2007 and 24th January, 2008.

d) Brief Details of Directors seeking appointment/re-appointment

The brief details of director retiring by rotation and seeking re-appointment are appended to the Notice convening the ensuing Annual General Meeting.