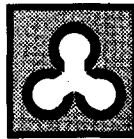


ANNUAL REPORT

FOR THE YEAR ENDED 31ST MARCH 2009

Report  Junction.com



**Group
Cheviot**

CHEVIOT COMPANY LIMITED

CHEVIOT COMPANY LIMITED

CHAIRMAN (EMERITUS)

B. D. KANORIA

BOARD OF DIRECTORS

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

N. K. KEJRIWAL - *Wholetime Director*

P. K. BHATTACHARJEE

N. NAYAR

S. DHANDHANIA

P. K. KHAITAN

**VICE PRESIDENT & SECRETARY,
CHIEF FINANCIAL OFFICER**

D. K. MOHTA

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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

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SECTOR II
FALTA SPECIAL ECONOMIC ZONE
FALTA, 24-PARGANAS (SOUTH) - 743 504
WEST BENGAL

CHEVIOT COMPANY LIMITED**NOTICE****TO THE MEMBERS**

Notice is hereby given that the Annual General Meeting of the Members of Cheviot Company Limited will be held at The Sitaram Seksaria Auditorium of Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani, 4th Floor, Kolkata - 700 017 on Thursday, the 23rd July, 2009 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, 2009 and the Reports of the Board of Directors and Auditors thereon.
2. To declare Dividend for the financial year ended 31st March, 2009.
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 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 an ORDINARY RESOLUTION :

"RESOLVED THAT pursuant to provisions of Sections 198, 269, 309, 310 and 311 and other applicable provisions, if any, of the Companies Act, 1956 (the Act) read with Schedule XIII thereto, approval of the Company be and is hereby accorded to the re-appointment of Mr. Nawal Kishore Kejriwal (Mr. Kejriwal) as Wholetime Director of the Company for a period of 3 years with effect from 1st June, 2009 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 the 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 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."

Registered Office :
24, Park Street,
Magma House, (9th Floor)
Kolkata - 700 016
Dated : 9th May, 2009

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 18th July, 2009 to Thursday 23rd July, 2009 (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 22nd August, 2009 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, 17th July, 2009. 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 17th July, 2009 as per details furnished by National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).

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

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, 2001 have been transferred to the said fund. Unpaid/unclaimed dividend for the financial year ended 31st March, 2002 will become due for transfer during September, 2009. Shareholders are advised to encash the unpaid 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 13th July, 2009, 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 Company's 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 :
 - a) Mr. P. K. Bhattacharjee (Mr. Bhattacharjee), aged 70 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 his retirement.
 Other Directorships : 1. Quippo Infrastructure Equipment Ltd. 2. Stesalit Ltd. 3. Global Investment Trust Ltd. 4. Kanco Enterprises Ltd. 5. M. S. M. Energy Ltd. 6. Suryachakra Power Corporation Ltd. 7. Dhanus Technologies Ltd. 8. Kilburn Chemicals Ltd. 9. Kaushalya Infrastructure Development Corporation Ltd. 10. SBI Home Finance Ltd.
 Membership of the Committee of the Board of other Companies :
 1. Quippo Infrastructure Equipments Ltd. (Audit Committee), 2. SBI Home Finance Ltd. (Audit Committee), 3. Kilburn Chemicals Ltd. (Audit Committee).
 Chairman : 1. Kanco Enterprises Ltd. (Audit Committee), 2. Suryachakra Power Corporation Ltd. (Audit Committee).
 Number of Shares held in the Company : Nil
 - b) Mr. N. K. Kejriwal (Mr. Kejriwal), aged 67 years, is holding position of the Wholetime Director of the Company from 1.6.1988. Mr. Kejriwal is a Commerce Graduate and has a bachelor's degree in law. He is having vast experience of 42 years of Management and Administration.
 Other Directorship : Ginnia Traders Pvt. Ltd.
 Membership of the Committee of the Board of other Companies : Nil
 Number of Shares held in the Company : 300
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 present term of office of Mr. Nawal Kishore Kejriwal (Mr. Kejriwal), Wholetime Director of the Company will expire on 31st May, 2009.

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, a resolution was passed on 9th May, 2009 by the Board of Directors renewing his appointment as Wholetime Director for a further period of three years with effect from 1st June, 2009 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 1,00,000 per month or such other sum not exceeding Rs. 1,25,000 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, Surrender Value of Keyman Insurance Policy, telephone at residence as perquisites 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.
 - (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 reenactment 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 Wholetime 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 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.

Registered Office :
24, Park Street,
Magma House, (9th Floor)
Kolkata - 700 016
Dated : 9th May, 2009

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

CHEVIOT COMPANY LIMITED**DIRECTORS' REPORT****TO THE MEMBERS**

The Directors have pleasure in presenting their Annual Report and Audited Accounts of the Company for the year ended 31st March, 2009.

Amount in Rs. Lakhs

FINANCIAL RESULTS

Year ended March 31	2009	2008
Operating results after charging depreciation show a profit of	2259.50	2251.72
Add : Other Income /(Loss)	(374.19)	691.23
Resulting in Gross profit of	1885.31	2942.95
From which have been deducted :		
Provision for taxation	608.10	696.00
Provision for deferred taxation	(13.30)	(3.22)
Fringe benefit tax	8.50	6.10
Taxation for earlier years (net)	84.45	44.97
Leaving Profit after taxation of	1197.56	2199.10
Balance brought forward from previous year	370.82	399.52
Making a total of	1568.38	2598.62
Which has been appropriated by the Directors as under :		
Proposed dividend	270.68	451.13
Tax on distributed profits	46.00	76.67
Transfer to General Reserve	900.00	1700.00
Balance to be carried forward	351.70	370.82
	1568.38	2598.62

DIVIDEND

The Directors are pleased to recommend for your consideration payment of dividend of Rs. 6/- per ordinary share of the face value of Rs. 10/- each for the year ended 31st March, 2009.

OPERATIONS

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

(Rs. in Lakhs)

	Current year	Previous year
Total Sales	18669.18	17635.65
Export Sales (C.I.F. Value)	11306.60	11022.92
Operating Profit	2259.50	2251.72
Other Income/(Loss)	(374.19)	691.23
Profit before Taxation	1885.31	2942.95
Profit after Taxation	1197.56	2199.10
Earnings per share of face value of Rs.10/- (Rs.)	26.55	48.75

The production during the year was 42,874 M.Tonnes as compared to 47,961 M.Tonnes in the previous year. The loss in production was due to industry wide strike from 1.12.2008 to 18.12.2008. In addition, there was steep increase in prices of raw jute during the later part of the year. It is, however, a matter of satisfaction that despite lower production and increase in prices of raw jute, the

CHEVIOT COMPANY LIMITED

DIRECTORS' REPORT (Contd.)

operating profit was maintained, being Rs.2259.50 lakhs for the year as against Rs 2251.72 lakhs during the previous year mainly due to satisfactory market conditions till 3rd quarter of the year under review.

The year witnessed the world going through a severe recession due to global economic meltdown the likes of which have not been seen in several years. Arising out of the impact of recession, worldwide housing sector was most severely affected resulting in sharp fall in demand from housing sector. As the products exported by your company are used in housing sectors, exports of the Company were hit hard and were down in terms of quantity. Effect on export slump started from 1st quarter of 2009 only and hence the impact on full year's working was only marginal. However, the bottom line was affected due to losses under the head 'Other Income' which were largely attributable to the sale of investments. Accordingly, the profit before taxation was lower by Rs.1057.64 lakhs, being Rs.1885.31 lakhs for the year as against Rs.2942.95 lakhs during the previous year.

In line with current market scenario, the company has reduced its focus on non traditional jute products like industrial jute yarn and is gradually shifting to manufacture and sale more traditional jute products like Sacking.

During the year under review, Company got its Export Oriented Unit situated at Budge- Budge de-bonded from 100% EOU Scheme and the Company is now operating a single domestic unit combining the operations of the erstwhile EOU and DTA at its factory at Budge-Budge. However, operations at Company's Export Oriented Unit at Falta Special Economic Zone continues, albeit with reduced working due to lack of export orders leading to idle capacity.

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) presently continues. However, the Government of India dilutes the order from time to time allowing use of HDPE / PP Bags for packing food grains and sugar. It is urged that continuation of JPMA without dilution is vital to the Jute Industry.

There has been good domestic demand of traditional jute products from food procurement agencies. However, Industry faced shortage of raw jute and resultant high prices.

On the export front, the global economic crisis precipitated sharp fall in export of jute goods from India. Industry has pleaded with the government to consider incentive measures to enable the exporters to overcome the present crisis.

b) Opportunities and Threats / Risk and concerns

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

- Unprecedented increase in prices of raw jute and its poor availability even at higher prices;
- Recession in the world market affecting worldwide housing sectors most severely leading to sharp fall in export orders of non traditional jute goods;
- Increase in wage costs on account of Tripartite Settlement executed on 18.12.2008;
- Complete withdrawal of duty on import of jute goods in India from Bangladesh posing threat to Indian Jute Goods market;
- Cut throat competition from Bangladesh putting pressure on Indian Jute Goods in world market.

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 criterion 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.

The following disclosure under Geographical segment has, however, been considered :-

	Current Year [Rs in lakhs]		Previous Year [Rs in lakhs]	
	Within India	Outside India	Within India	Outside India
□ Sales	7362.58	11306.60	6612.73	11022.92
□ Carrying amount of Segment assets	25785.83	—	25568.85	—
□ Capital expenditure	813.35	—	1068.65	—

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

Jute Industry is passing through a difficult period facing declining exports and high prices of raw jute apart from other areas of risks and concerns as enumerated under para b) above. The export slump which started from 1st quarter of 2009 continues and is likely to have negative impact on the current year's working. However, it is widely believed that after arrival of new crop for the season 2009-10, the present high prices of raw jute may reduce but in the wake of hot and dry unfavourable weather conditions, the new crop may not be sufficient and prices may not reduce to reasonable levels.

Efforts are on to control costs in all possible areas. Initiatives to increase presence in domestic markets are continuing in order to effectively face the emerging challenges consequent to depressed global market scenario.

By and large, the company has to operate in difficult market conditions and outlook for the current year presently seems gloomy. Profitability is likely to remain under pressure.

e) Internal control systems and their adequacy

The Company has a proper internal control system in all spheres of its activities which is supplemented by well defined programme of internal audits. The financial and operating controls of the Company are reviewed by the Internal Auditors whose findings are periodically deliberated at the meetings of the Audit Committee of the Board. Compliances with various laws and regulations are also monitored.

f) Discussion on financial performance with respect to operational performance

The following are the significant areas of financial performance during the year :

- Sale of jute goods was Rs.18669.18 lakhs during the year as compared to Rs. 17635.65 lakhs during previous year;
- Operating profit of the Company during the year was Rs. 2259.50 lakhs against Rs. 2251.72 lakhs during previous year. However, the bottom line was sharply affected due to losses under the head 'Other Income' as reported above;
- Interest expenses were higher at Rs. 84.37 lakhs during the year as against Rs. 67.72 lakhs in previous year. The increase in interest cost is mainly due to provision of interest in pursuance to sales tax demand;
- Inventories have marginally decreased by Rs. 85.98 lakhs being Rs.2884.26 lakhs as at 31.3.2009 as against Rs. 2970.24 lakhs as at 31.3.2008;
- The Company has invested Rs. 813.35 lakhs in fixed assets inclusive of capital advances given during the year.

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

The industry wide 18 days strike as mentioned above was finally settled by way of execution of Tripartite Settlement executed on 18.12.2008 which inter-alia provides to pay a sum of Rs.500/- per month to each eligible workman as ad hoc payment. Industrial relations were affected during the period of strike.

The Company continues to impart in house training to workers employed at new scale of pay to bring about all round improvement in their working and knowledge. The Company also continues its various staff welfare schemes. As on 31.3.2009, the Company had 4403 employees on its rolls.

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

In compliance with the requirement of clause 49 of the Listing Agreement with the Stock Exchange, a separate report on the Corporate Governance along with a certificate from the statutory auditors on its compliance is set out in the Annexure, which forms part of this report.

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, 2009 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.

Information required 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 given in Annexure forming part of this report.

PERSONNEL

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

DIRECTORS

In accordance with Article 97 of the Articles of Association of the Company, Mr. Parag Keshar Bhattacharjee, a Non-Executive Director, retires from the Board by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting.

The term of Mr. N.K. Kejriwal (Mr. Kejriwal), as Wholetime Director is expiring on 31st May, 2009. The Board of Directors have re-appointed Mr. Kejriwal as Wholetime Director of the Company for a further period of 3 years with effect from 1st June, 2009. Mr. Kejriwal's re-appointment and remuneration are being placed before you for your approval at the ensuing Annual General Meeting and your Directors recommend the passing of the same.

Brief particulars of the said directors 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. The Board recommends that M/s Jain & Co., Chartered Accountants be appointed as Auditors of the Company and Board be authorised 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, 2010, as per directives of the Central Government.

ACKNOWLEDGEMENT

The Directors place on record their sincere appreciation for the continued co-operation and support extended by Export Import Bank of India, State Bank of India, Axis Bank Ltd., the Company's business associates and employees at all levels.

The Directors are also thankful to the shareholders of the Company for their continued support and confidence in the Company and its management.

Kolkata, 9th May, 2009

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, 2009****REPORT ON CORPORATE GOVERNANCE**

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

1. Company's philosophy on Code of Governance

The Company's philosophy on corporate governance is aimed at conducting its affairs in fair and ethical manner and is guided by a strong emphasis on transparency, accountability and integrity to create value that can be sustained over the long term for shareholders, customers and employees.

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. 2.37 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 [07.08.2008]	Directorships #	Committee Memberships	Committee Chairmanships
Mr. H. V. Kanoria	Chairman and Managing Director, Chief Executive Officer (Promoter Director)	5	Yes	5	Nil	Nil
Mr. N. K. Kejriwal	Wholetime Director	4	Yes	1	Nil	Nil
Mr. P. K. Bhattacharjee	Independent Non-Executive	4	No	10	5	2
Mr. N. Nayar	Independent Non-Executive	4	Yes	11	Nil	Nil
Mr. S. Dhandhanja	Independent Non-Executive	5	Yes	9	1	Nil
Mr. P. K. Khaitan	Independent Non-Executive	4	No	14	3	1

Includes Alternate Directorship and Directorship in Private Limited Companies.

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

Five Board Meetings were held during the year ended 31st March, 2009 viz. on 29th April, 2008, 30th May, 2008, 23rd July, 2008, 24th October, 2008, and 29th January, 2009. The maximum gap between any two meetings was less than four months.

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

The brief details of directors seeking re-appointment are appended to the Notice convening the ensuing Annual General Meeting.