

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

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

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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 Thursday, the 22nd July, 2010 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, 2010 and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend for the financial year ended 31st March, 2010.
3. To appoint a Director in place of Mr. S. Dhandhanian, 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 the 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. Harsh Vardhan Kanoria (Mr. Kanoria), as the Chairman and Managing Director of the Company for a period of five years with effect from 1st August, 2010 upon the terms and conditions as to remuneration and otherwise as set out in an agreement (a draft of which signed by the Chairman for identification was laid on the table) to be entered into between the Company and Mr. Kanoria.”

“FURTHER RESOLVED THAT in the event of absence or inadequacy of profits in any financial year during the aforesaid period of five years, the Company will pay to Mr. Kanoria 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 an ORDINARY RESOLUTION :

“RESOLVED THAT pursuant to Section 293(1) (e) of the Companies Act, 1956, consent of the Company be and is hereby accorded to the Board of Directors of the Company to contribute, donate and/or grant interest free loans from time to time in any financial year to any charitable and other funds, not directly related to the business of the Company or welfare of its employees, upto a total amount of Rs.50 crores, notwithstanding that such contributions, donations and/or interest free loans may exceed Rs.50000/- or 5% of the Company's average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Companies Act, 1956, during the three financial years immediately preceding, whichever is greater.”

7. To consider and, if thought fit, to pass with or without modification, the following resolution as an ORDINARY RESOLUTION :

“RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors of the Company of all the immovable and movable properties of the Company wheresoever situate, present and future and the whole of the undertaking of the Company and/or to giving the power to take over the management of the business and concern of the Company in certain events (whether such power is contained in the documents creating the mortgage/charge or otherwise) to or in favour of Export Import Bank of India (EXIM Bank) to secure rupee term loan not exceeding Rs.1 crore (Rupees One crore only) sanctioned by EXIM Bank to the Company for general corporate purposes including capital expenditure under EXIM Bank's Long Term Working Capital (LTWC) Program together with interest thereon at the agreed rates, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, costs, charges, expenses and other monies payable by the Company to EXIM Bank under its Letter of Sanction in respect of the said term loan.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with EXIM Bank the documents for creating aforesaid mortgage and/or charge and to do all such acts and things as may be necessary for giving effect to the above resolution.”

Registered Office :
24, Park Street,
Magma House, (9th Floor)
Kolkata - 700 016
Dated : 7th May, 2010

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

NOTICE (Contd.)

NOTES :

1. **The Register of Members and the Share Transfer Register of the Company will remain closed from Saturday 17th July, 2010 to Thursday 22nd July, 2010 (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 21st August, 2010 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, 16th July, 2010. 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 16th July, 2010 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, 2002 have been transferred to the said fund. Unpaid/unclaimed dividend for the financial year ended 31st March, 2003 will become due for transfer during September, 2010. 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.
 With effect from 1st October, 2009, the remittance of money through ECS is replaced by National Electronic Clearing Service (NECS). The advantages of NECS over ECS include faster credit of remittance to beneficiary's account, coverage of more branches and ease of operations for remitting agencies.
 NECS essentially operates on the new and unique bank account number, allotted by banks post implementation of Core Banking Solutions (CBS) for centralised processing of inward instructions and efficiency in handling bulk transactions.
 Members are advised to avail NECS 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 NECS particulars i.e. new Bank Account Number allotted after implementation of CBS along-with a photocopy of a cheque pertaining to the concerned account to their respective Depository Participants (DP), if they have not done so already. In case of failure to provide new account number allotted under CBS to your DP, ECS to old account may either be rejected or returned.
 Members holding the Company's shares in physical form who have not opted for NECS are requested to provide their NECS particulars in the enclosed '**NECS Mandate Form**' and forward the same duly filled in and signed to the Company's Registrar and Share Transfer Agent, M/s Maheshwari Datamatics Pvt. Ltd., 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 12th July, 2010, 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.

CHEVIOT COMPANY LIMITED

NOTICE (Contd.)

13. Notes on Directors seeking appointment/re-appointment at the ensuing Annual General Meeting :
- a) Mr. S. Dhandhanian, aged 55 years, is a Director of the Company since 05.06.2003. Mr. Dhandhanian is an industrialist with vast experience and has been associated with several Companies. Mr. Dhandhanian also holds directorship and membership of the committee of the Board of Directors of the following Companies :
- Other Directorships : 1. R.D. Tea Ltd. 2. R.D. Fan Ltd. 3. Dhandhanian Electronics Ltd. 4. R.D. Estates & Resources Ltd. 5. Rubber Reclaim Co. of India Ltd. 6. Dynaflo Pvt. Ltd. 7. Dhandhanian Brothers Pvt. Ltd. 8. R.D. Plantations Pvt. Ltd.
- Membership of the Committee of the Board of other Companies : Nil
- Number of Shares held in the Company : Nil
- b) Mr. Harsh Vardhan Kanoria (Mr. Kanoria), aged 54 years, is a Director of the Company from 01.04.1981. Mr. Kanoria is a Commerce Graduate and holding the position of Chairman and Managing Director of the Company since 01.08.2000. He is an Industrialist having vast experience of 36 years of Management and Administration. Mr. Kanoria also holds directorship and membership of the Committee of the Board of Directors of the following Companies :
1. Cheviot Agro Industries Ltd., 2. Cheviot International Ltd., 3. Harsh Investments Pvt. Ltd., 4. Powertone Trading Co. Pvt. Ltd., 5. Elite (India) Pvt. Ltd.
- Membership of the Committee of the Board of other Companies : Nil
- Number of Shares held in the Company : 295214
14. 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. Harsh Vardhan Kanoria (Mr. Kanoria), Chairman and Managing Director of the Company will expire on 31st July, 2010.

Mr. Kanoria has been associated with the Company for the last several years in his capacity as Chairman and Managing Director. In view of his vast experience and significant contributions to the Company's overall growth and profitability, the Board of Directors by a resolution passed on 7th May, 2010 re-appointed Mr. Kanoria as Chairman and Managing Director for a period of five years with effect from 1st August, 2010 on the terms and conditions mentioned in the draft agreement to be entered between the Company and Mr. Kanoria.

The principal terms and conditions including the remuneration governing the re-appointment of Mr. Kanoria are set out below :

1. Salary : Rs.1,50,000/- per month in the range of Rs.1,50,000/- to Rs. 2,25,000/- per month as may be determined by the Board 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 : Mr. Kanoria will also be entitled to furnished residential accommodation or house rent allowance, gas, electricity, reimbursement of medical expenses incurred in India or abroad including hospitalisation, surgical charges, for self and family and travel relating thereto, leave travel concession for self and family, fees of clubs, personal accident insurance, surrender value of Keyman Insurance Policy, company maintained 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 may be determined by the Board 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 limit. Perquisites shall be evaluated as per the 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. Kanoria 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.
5. Leave on full pay and allowance as per the Rules of the Company but not exceeding one month's leave for every eleven months of service.
6. Mr. Kanoria will not be paid any sitting fee for attending the meeting of the Board or any Committee thereof.

ANNEXURE TO NOTICE (Contd.)

7. 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. Kanoria 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.
8. Mr. Kanoria 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 Board from time to time.
9. Mr. Kanoria will not, so long as he functions as a Chairman and Managing Director, become interested or otherwise concerned directly or through his wife and/or dependent children and/or dependent parents in any selling agency of the Company in future. His appointment shall cease and determine on any contravention of this condition.
10. Mr. Kanoria 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 Agreement 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. H.V. Kanoria, no other director of the Company is interested or concerned in the proposed Ordinary Resolution. The above should be considered as an abstract of the terms of the re-appointment of Mr. Kanoria 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

At the Annual General Meeting held on 7th July, 2005, the shareholders had accorded their consent to the Board of Directors of the Company to contribute and/or subscribe upto a total amount of Rs. 500 lakhs for charitable or other funds in any financial year.

The Board of Directors considers that keeping in view the Company's obligations to the society at large and participation in various social welfare services, the limits passed in the above mentioned Annual General Meeting require upward revision. It is, therefore, desirable to increase the aforesaid amount of contribution, donations and/or interest free loans to the charitable and other funds from Rs. 5 crores to Rs. 50 crores, as mentioned in the resolution.

Since contribution, donations and/or interest free loans in excess of the limits prescribed under Section 293(1) (e) of the Companies Act, 1956 in any financial year require the approval of the shareholders, it is recommended that the Board should be empowered to make such contributions, donations and/or interest free loans upto the limits as specified in the resolution.

The Board accordingly recommends passing of the said resolution.

None of the Directors is concerned or interested in the proposed Ordinary Resolution.

Item No. 7

Export Import Bank of India (EXIM Bank) has sanctioned a Rupee Term Loan of Rs.1 crore (Rupees One crore only) to the Company under its Long Term Working Capital (LTWC) Programme for general corporate purposes including capital expenditure.

The said term loan has to be secured by a first pari-passu charge on the entire fixed assets including immovable properties, both present and future, excluding assets exclusively charged.

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

Copy of the letter bearing reference no. KRO/CBG:LTWC-311:472 dated 18.01.2010 received from EXIM Bank and copies of relevant documents/correspondence between the said institution and the Company are open for inspection at the Registered Office of the Company between 11.00 A.M. and 1.00 P.M. on any working day prior to the date of the meeting.

None of the Directors is concerned or interested in the proposed Ordinary Resolution.

Registered Office :
24, Park Street,
Magma House, (9th Floor)
Kolkata - 700 016
Dated : 7th May, 2010

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

Your Directors are pleased to present their Annual Report and Audited Accounts of the Company for the year ended 31st March, 2010.

Amount in Rs. Lakhs

FINANCIAL RESULTS

Year ended March 31	2010	2009
Operating results after charging depreciation show a profit of	1307.38	2259.50
Add : Other Income/(Loss)	745.00	(374.19)
Resulting in profit before tax and exceptional item	2052.38	1885.31
Add : Exceptional item :		
Depreciation for earlier years written back	59.02	—
Profit before taxation	2111.40	1885.31
From which have been deducted :		
Provision for taxation	505.68	608.10
Provision for deferred taxation	(38.51)	(13.30)
Provision for Fringe benefit tax	—	8.50
Taxation for earlier years (net)	3.25	84.45
Profit after taxation	1640.98	1197.56
Balance brought forward from previous year	351.70	370.82
Making a total of	1992.68	1568.38
Which has been appropriated by the Directors as under :		
Proposed dividend	360.90	270.68
Tax on distributed profits	59.94	46.00
Transfer to General Reserve	1200.00	900.00
Balance to be carried forward	371.84	351.70
	1992.68	1568.38

DIVIDEND

The Directors are pleased to recommend for your consideration payment of dividend of Rs. 8/- per ordinary share of the face value of Rs. 10/- each for the year ended 31st March, 2010.

OPERATIONS

Production, 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
Production (in M. Tonnes)	35397	42874
Total Sales	17189.02	18669.18
Export Sales (C.I.F. Value)	8288.56	11306.60
Operating Profit	1307.38	2259.50
Other Income/(Loss)	745.00	(374.19)
Profit before Taxation	2111.40	1885.31
Profit after Taxation	1640.98	1197.56
Earnings per share of face value of Rs.10/- (Rs.)	36.38	26.55

DIRECTORS' REPORT (Contd.)

Slump in export on account of severe recession as reported last year continued for most part of the year under review. The Company, due to inadequate inhouse infrastructure to manufacture traditional jute products like sacking to cater to domestic demands, was forced to manufacture exportable goods which were sold in the overseas markets at unremunerative prices. Besides, the Jute Industry witnessed 62 days long strike from 14.12.2009 to 13.02.2010 which not only resulted in loss of production but also led to steep increase in labour cost following Tripartite Settlement. Moreover, the unprecedented high price of raw jute further pushed the cost of production.

Consequent to adverse impact of above factors, the operating profit during the year under review was severely affected, being Rs. 1307.38 lakhs for the year as against Rs. 2259.50 lakhs during previous year.

Profit under the head of other income is attributable to sale of investments in better capital market scenario as compared to last year and interest income.

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

Government of India continued the compulsory packing at 100% for both food grains and sugar under Jute Packaging Materials (Compulsory use for Packing Commodities) Act, 1987 (JPMA) which is presently valid up to 30.06.2010 with exemptions that in case of any shortage or disruption in supply of jute packing material, the Government may relax this provision upto a maximum of 20% of the production of food grains and sugar respectively. In the wake of such provision, there remains uncertainty in continuation of JPMA at 100% which is subject to dilution from time to time.

Jute Industry has welcomed the decision of Government of India to step up grants to the Industry for modernisation of mills and infrastructure development under the schemes of Jute Technology Mission. Accordingly, the cap on capital subsidy has been recently raised from Rs. 75 lakhs to Rs. 3.50 crores per mill in respect of existing mills in general and Rs. 4 crores per mill in respect of new mills and mills in North Eastern States.

b) Opportunities and Threats*Opportunities*

- Growing awareness amongst people in the use of natural fibre should lead to greater demand for Jute goods as raw Jute, being a natural bio-degradable and re-usable fibre will help in protecting environment.
- Utilisation of Government grants for modernisation of mills and infrastructure development under the schemes of Jute Technology Mission may create a platform for the Indian Jute Goods to leap forward.

Threats

- Bangladesh poses serious threat to the Indian Jute Industry as they enjoy benefit of lower cost of wages and power making them more competitive in international market and pushing Indian Jute Industry to the position of residual supplier. Moreover, in the wake of SAARC benefits, Bangladesh enjoy various concessions and exemptions leading to increasing flow of Jute goods in India and creating unhealthy market conditions.
- Government of India's short term view in the matter of continuation of JPMA.

c) Risk and concerns

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

- Increase in wage cost and cascading effect due to continuous increase in amount of dearness allowance at very high neutralisation factor;
- Shortage of raw jute and its high prices;
- Appreciation of Rupee against major foreign currencies causing adverse impact on export earnings;
- High prices of Jute goods forcing many consumers to shift to alternative packaging materials.

d) 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.

CHEVIOT COMPANY LIMITED

DIRECTORS' REPORT (Contd.)

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	8900.46	8288.56	7362.58	11306.60
☐ Carrying amount of Segment assets	28165.25	—	25785.83	—
☐ Capital expenditure	366.46	—	813.35	—

e) Outlook

The adverse impact of recession due to global meltdown experienced in last year is gradually getting subsided and market conditions are showing signs of improvement resulting in revival of export demands. We feel that robust domestic market is key to long term growth and development but exports is also an essential feature of any balanced economy. It is heartening to report that in the wake of difficult market scenario during last year arising due to recession, your Company as a conscious policy created required inhouse infrastructure to manufacture non-traditional jute products like Sacking with increased flexibility to cater to domestic as well as international market.

The increasing labour cost on the other hand does not augur well for the Industry which has been subjected to bear a further burden by increase in labour cost arising out of Industry wide settlement.

The cost of raw jute being the biggest single element in cost of production, the prospects for the current year largely depend on its easy availability at remunerative prices. We look forward to the current year with cautious optimism.

f) Internal control systems and their adequacy

The Company has an adequate system of internal controls to ensure that all transactions are properly recorded and authenticated. The internal control system is supplemented by well defined programmes and policies of internal audits. Audit observations and action taken thereon are reviewed by the Audit Committee. Audit Committee monitors adequacy and effectiveness of the internal control systems and suitable corrective actions are taken to strengthen the Company's risk management policies.

g) Discussion on financial performance with respect to operational performance

Financial performance during the year under review having been affected due to industry wide strike, the same is not comparable with that of previous year. The following are significant areas of financial performance :

- Sale of jute goods was Rs. 17189.02 lakhs during the year as compared to Rs. 18669.18 lakhs during previous year;
- Operating profit of the Company during the year was Rs.1307.38 lakhs against Rs. 2259.50 lakhs during previous year. Decline in profitability was due to reasons as explained above under the head operations;
- Interest expenses were lower at Rs. 46.42 lakhs during the year as against Rs. 84.37 lakhs in previous year. The reduction in interest cost was mainly due to availability of better liquidity;
- Inventories have increased by Rs. 1681.26 lakhs, being Rs. 4565.52 lakhs as at 31.03.2010 as against Rs. 2884.26 lakhs as at 31.03.2009. The increase in inventory is partly due to higher quantity of stocks and partly due to higher average rates of stocks;
- The Company has invested Rs. 366.46 lakhs in fixed assets inclusive of capital advances given during the year.

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

The industry wide 62 days long strike was finally settled after several conciliation meetings by way of execution of Tripartite Settlement dated 12.02.2010. The said settlement inter-alia provides to make payment of all the arrears of dearness allowance to the eligible workmen in phased manner with a provision for payment of future dearness allowance as also the provision for entry level minimum payment to new workmen who will be employed after the said settlement. As a result of the said settlement, the labour cost for the Jute industry has increased substantially.

Industrial relations were affected during the period of strike.

As on 31.03.2010, the Company had 4177 employees on its rolls. The Company continues its programmes and policies in providing training to workers to make them competent to operate efficiently. Financial assistance and other benefits are also provided by the Company to the deserving staffs under its various staff welfare schemes.

i) 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.

DIRECTORS' REPORT *(Contd.)*

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 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;
- ii. they have made judgement and estimates that are reasonable and prudent and have selected such accounting policies and applied them consistently, unless specifically stated to be otherwise, to give true and fair view of the state of affairs of the Company for the year ended 31st March, 2010 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.

The information required under Section 217(1)(e) 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 which forms part of this report.

PARTICULARS OF EMPLOYEES

The particulars 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. S. Dhandhanian, a Non Executive Director, retires from the Board by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting.

Mr. H.V. Kanoria has been re-appointed as Chairman and Managing Director of the Company by the Board on the terms and conditions as mentioned in the resolution which is being placed before you at the ensuing Annual General Meeting and your Directors recommend 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. Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956. The Board recommends that Messers 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, 2011, as per directives of the Central Government.

ACKNOWLEDGEMENT

Your Directors take this opportunity to thank State Bank of India, Axis Bank Ltd., Export Import Bank of India, the customers and the shareholders for their continued co-operation and support to the Company.

The Directors also express their deep sense of appreciation to employees at all levels for their dedicated service.

On behalf of the Board

H. V. KANORIA

*Chairman and Managing Director,
Chief Executive Officer*

Kolkata, 7th May, 2010

CHEVIOT COMPANY LIMITED

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2010

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 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 improving product and service quality and to enhance customer's satisfaction.

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. 4.05 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 [23.07.2009]	Directorships #	Committee Memberships	Committee Chairmanships
Mr. H. V. Kanoria	Chairman and Managing Director, Chief Executive Officer (Promoter Director)	4	Yes	5	Nil	Nil
Mr. N. K. Kejriwal	Wholetime Director	3	No	1	Nil	Nil
Mr. P. K. Bhattacharjee	Independent Non-Executive	4	Yes	9	2	2
Mr. N. Nayar	Independent Non-Executive	4	Yes	6	Nil	Nil
Mr. S. Dhandhanania	Independent Non-Executive	4	Yes	8	Nil	Nil
Mr. P. K. Khaitan	Independent Non-Executive	3	Yes	14	3	1

Includes Alternate Directorship and Directorship in Private Limited Companies and Foreign Companies.

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

Four Board Meetings were held during the year ended 31st March, 2010 viz. on 9th May, 2009, 23rd July, 2009, 16th October, 2009, and 28th January, 2010. 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.