

# **ANNUAL REPORT**

**FOR THE YEAR ENDED 31ST MARCH 2012**



**Group  
Cheviot**

**CHEVIOT COMPANY LIMITED**

**BOARD OF DIRECTORS**

HARSH VARDHAN KANORIA - *Chairman and Managing Director, Chief Executive Officer*

NAWAL KISHORE KEJRIWAL - *Wholetime Director*

NAVIN NAYAR

PARAG KESHAR BHATTACHARJEE

SUSHIL DHANDHANIA

PADAM KUMAR KHAITAN

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

DEO KISHAN MOHTA

**AUDITORS**

JAIN & COMPANY

*Chartered Accountants*

**BANKERS**

STATE BANK OF INDIA

CITI BANK N.A.

AXIS BANK LTD.

**REGISTRAR AND SHARE TRANSFER AGENT**

MAHESHWARI DATAMATICS PRIVATE LIMITED

6, MANGO LANE, 2ND FLOOR, KOLKATA - 700 001

PHONE : 033- 2243 5029 / 5809, FAX : 033-2248 4787

E-MAIL : mdpl@cal.vsnl.net.in

**REGISTERED OFFICE**

24, PARK STREET

MAGMA HOUSE, (9TH FLOOR)

KOLKATA - 700 016

PHONE : 033-3291 9624 / 25 / 28

FAX : 033-2249 7269 / 2217 2488

E-MAIL : cheviot@chevjute.com

WEBSITE : www.groupcheviot.net

**PLANTS LOCATIONS**

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 - 5
DIRECTORS' REPORT	6 - 22
AUDITORS' REPORT	23 - 25
BALANCE SHEET	26
STATEMENT OF PROFIT AND LOSS	27
CASH FLOW STATEMENT	28 - 29
NOTES TO THE FINANCIAL STATEMENTS	30 - 49

## NOTICE

### TO THE MEMBERS

**Notice** is hereby given that the Annual General Meeting of the Members of Cheviot Company Limited will be held at The Sitaram Seksaria Auditorium of Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani, 4th Floor, Kolkata - 700 017 on Friday, the 27th July, 2012 at 11.00 a.m. to transact the following business :

#### Ordinary Business :

1. To receive, consider and adopt the Audited Accounts for the year ended 31st March, 2012 and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend for the financial year ended 31st March, 2012.
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 (ICAI Registration No. 302023E), as the Auditors of the Company on a remuneration to be mutually agreed upon with the Board of Directors.

#### Special Business :

5. To consider and, if thought fit, to pass with or without modification(s), 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, consent of the Company be and is hereby granted to the re-appointment of Mr. Nawal Kishore Kejriwal (Mr. Kejriwal), as Wholetime Director of the Company for a period of two years with effect from 1st June, 2012 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 and also given in the explanatory statement to this resolution."  
"FURTHER RESOLVED THAT in the event of absence or inadequacy of profits in any financial year during the aforesaid period of two 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 : 30th May, 2012

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

#### NOTES :

1. The Register of Members and the Share Transfer Register of the Company will remain closed from Saturday 21st July, 2012 to Friday, 27th July, 2012 (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 1st August, 2012 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, 20th July, 2012. 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 20th July, 2012 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

**NOTICE** (Contd.)

31st March, 2004 have been transferred to the said fund. Unpaid/unclaimed dividend for the financial year ended 31st March, 2005 will become due for transfer during August, 2012. 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 account details furnished by the Depositories for distributing dividends through National Electronic Clearing Service (NECS) to the investors wherever NECS and bank account details are available. 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, NECS 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 17th July, 2012, 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. Information regarding the Directors seeking appointment/re-appointment at the ensuing Annual General Meeting :
  - a. Mr. Navin Nayar (Mr. Nayar), aged 49 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.OCL Investment and Leasing Ltd., 2. Cosmopolitan Investments Ltd., 3. Crest Holdings Pvt. Ltd., 4. Skyview Investments Pvt. Ltd., 5. Amar Vanijya Ltd., 6. Nidhi Ltd., 7. Kanco Tea and Industries Ltd.  
Membership of the Committee of the Board of other Companies : Nil  
Number of Shares held in the Company : Nil
  - b. Mr. Nawal Kishore Kejriwal (Mr. Kejriwal), aged 69 years, is holding position of the Wholetime Director of the Company from 01.06.1988. Mr. Kejriwal is a Commerce Graduate and has a bachelor's degree in law. He is having vast experience of 45 years of Management and Administration.  
Other Directorship: Ginia 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.

## ANNEXURE TO THE NOTICE

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

#### ITEM No. 5

Mr. Nawal Kishore Kejriwal (Mr. Kejriwal), aged 69 years, is a B.Com., L.L.B. He has been associated with the Company for the last several years in his capacity as Wholetime Director.

The present term of office of Mr. Kejriwal will expire on 31st May, 2012. In view of his experience and useful contribution made to the Company's growth, the Board of Directors renewed his appointment as Wholetime Director for a further period of two years with effect from 1st June, 2012 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** : ₹ 1,25,000 per month or such other sum not exceeding ₹ 2,00,000 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 and such other perquisites as may be decided by the Chairman and Managing Director from time to time subject to an amount equal to the annual salary. 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 ceiling laid down under Sections 198 and 309 of the Companies Act, 1956 read with Schedule XIII thereto.

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 re-enactment thereof as minimum remuneration, subject to such approvals as may be required.
7. Mr. Kejriwal will be reimbursed by the Company of all entertainment and other expenses actually incurred by him in connection with the business of the Company subject, however to such limits as may be fixed by the Chairman and Managing Director from time to time.

**ANNEXURE TO THE NOTICE** *(Contd.)*

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 : 30th May, 2012

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

## DIRECTORS' REPORT

Dear Members,

(₹ in Lakhs)

The Directors have great pleasure in presenting the Annual Report and Audited Accounts of your Company for the year ended 31st March, 2012.

### FINANCIAL RESULTS

Particulars	Year ended 31st March, 2012	Year ended 31st March, 2011
Operating results after charging depreciation and amortisation show a profit of	3,129.94	2,959.74
Add : Other income	741.77	862.31
Profit before tax	3,871.71	3,822.05
From which have been deducted :		
Current tax	845.00	1,013.30
Tax for earlier years (net)	30.78	6.98
Deferred tax	109.02	(81.85)
Profit after tax	2,886.91	2,883.62
Surplus as per last balance sheet	426.29	371.84
Making a total of	3,313.20	3,255.46
Which has been appropriated by the Directors as under :		
Proposed dividend	586.46	541.35
Tax on proposed dividend	95.14	87.82
Transferred to general reserve	2,200.00	2,200.00
Balance surplus carried to balance sheet	431.60	426.29
	3,313.20	3,255.46

### DIVIDEND

Your Directors are pleased to recommend for your consideration payment of dividend of ₹ 13/- per ordinary share of the face value of ₹ 10/- each for the year ended 31st March, 2012.

### OPERATIONS

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

Particulars	Year ended 31st March, 2012	Year ended 31st March, 2011
Production (in M.Tonnes)	48,518	47,769
Total sales	29,144.50	30,244.33
Export sales (C.I.F. Value)	12,575.30	17,887.07
Operating profit	3,129.94	2,959.74
Other income	741.77	862.31
Profit before tax	3,871.71	3,822.05
Profit after tax	2,886.91	2,883.62
Earnings per share of face value of ₹ 10 (in ₹)	63.99	63.92

## DIRECTORS' REPORT *(Contd.)*

Slump in export of jute yarn as reported last year continued throughout the year under review. It is heartening to report that by having adequate in-house infrastructure and full flexibility to cater to both domestic and overseas markets, your Company shifted its focus from manufacturing jute yarn to traditional jute products like sacking. It was precisely due to this flexibility in operational facilities that your Company, by operating in the domestic market was able to achieve satisfactory results during the year under review, despite declining exports and increase in costs of other inputs. Moreover, total sales for the year under review was higher in terms of quantity, albeit the same was decreased value wise mainly due to lower rate of sales realisation per M. Tonne of goods, triggered due to decrease in prices of raw jute as compared to previous year.

The operating profit was better in comparison to previous year due to operational efficiency and better margins. However, the bottom line was affected due to lower other income largely attributable to sale of investments. Accordingly, profit after tax was maintained almost around same level as that of last year.

The Company's Export Oriented Unit at Falta Special Economic Zone continue to operate at reduced scale due to lack of orders for industrial fabrics on account of recession in Europe. However, during the year under review, the Company has created required infrastructure at its Falta unit to venture into export of jute shopping bags, the work on which continues.

### 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 30.06.2012. However, the ongoing litigations to frustrate the provisions of JPMA are hurting the jute industry. It is expected that better sense will prevail and JPMA will be continued beyond the said period in the interest of large workforce engaged in the jute industry.

The demand of jute goods in domestic market was generally good. The year witnessed declining trend in prices of raw jute. However, export of jute yarn from India has declined and prices have become un-remunerative. The proposal of Government of India to resume Export Promotion Assistance Scheme (EMA) renamed as "Scheme to incentivise Social and Environment Compliance in the Jute Sector - For promotion of Exports" was welcomed by the Industry but the same is yet to be implemented. We once again urge the government to expedite resumption of EMA scheme in some form or other for promotion of exports.

Modernisation and development of infrastructure by availing government grants under the Jute Technology Mission is sine qua non for the Industry so as to manufacture cost effective quality products and meet the competition effectively.

#### b) Opportunities and Threats

##### *Opportunities*

- In the backdrop of rising global awareness to use more natural fiber products to keep the environment free from pollution, Government and Industry are making concerted efforts to promote the advantages of jute especially the environment friendly attributes in enhancing the diversified uses of these fibers;
- Considerable progress has been made in developing diversified jute products for various end uses like jute geo-textiles, floor coverings and many more projects are being taken up to develop products with promising market prospects and consumer needs.

##### *Threats*

- Competition from Bangladesh is increasing rapidly. Its low cost jute products are putting pressure on Indian jute goods in International market;
- Availability of comparatively cheaper alternate packaging materials.



**DIRECTORS' REPORT** (Contd.)

(₹ in Lakhs)

**c) Risks and concerns**

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

- Continuous increase in wage cost by way of upward revision in dearness allowance as also increase in power cost due to frequent revision in power tariff by CESC;
- Improper agricultural strategy responsible for erosion in jute cultivation area;
- Reduced capacity utilisation due to shortage of workers;
- Unbridled rise in cost of major inputs.

**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 criteria laid down in paragraph 27 of the Accounting Standard - 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 :

Particulars	Year ended 31st March, 2012		Year ended 31st March, 2011	
	Within India	Outside India	Within India	Outside India
Sales	16,569.20	12,575.30	12,357.26	17,887.07
Carrying amount of segment assets	33,438.06	—	31,461.57	—
Capital expenditure	858.66	—	741.87	—

**e) Outlook**

The Company is closely monitoring the international jute yarn market by remaining in touch with overseas customers and respond to the profitable offers. It is a matter of satisfaction that yarn market has presently started showing signs of improvement which is expected to revive export demands. Moreover, demand for jute goods in domestic market is expected to remain reasonably good. Raw jute prices are presently stable. However, movement in prices of raw jute would be governed by the size of the new crop for the season 2012-13, which depends on overall weather conditions. It is widely believed that raw jute prices will be higher than those of prevailing during later part of the previous year due to impact of enhancement in minimum support price of raw jute for the crop season 2012-13 by the Government.

The Company is steadfast in its endeavour to control costs in all possible areas and explore new areas where jute goods can be economically used. The outlook for the current year appears to be positive.

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

The Company has an adequate system of internal control towards achieving optimum utilisation of resources, cost control, compliance with statutory requirements and safeguarding the assets from loss. The Audit Committee of the Board plays a significant role in the internal control systems and reviews the internal audit reports, financial performance of the Company and suggests improvements in internal control system, wherever required.

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

The accounts for the year under review have been prepared as per the requirements of the revised Schedule VI to the Companies Act, 1956. Accordingly, figures for the previous year have been regrouped/reclassified to conform to the current year's classification.

**DIRECTORS' REPORT** (Contd.)

(₹ in Lakhs)

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

- Sale of jute goods was ₹ 29,144.50 during the year as compared to ₹ 30,244.33 during previous year. Decrease in value of sales was mainly due to lower sales realisation per M. Tonne of goods sold;
- Operating profit of the Company have increased by ₹ 170.20 during the year from ₹ 2,959.74 in previous year to ₹ 3,129.94 during the year largely on account of better operational efficiency;
- Finance costs were lower at ₹ 77.78 during the year as against ₹ 95.86 in previous year. The reduction in finance costs was mainly due to availability of better liquidity;
- Inventories have decreased by ₹ 304.87, being ₹ 4,427.09 as at 31.03.2012 as against ₹ 4,731.96 as at 31.03.2011, partly due to lower stocks of finished goods and work-in-progress and partly due to lower average rates of stocks.
- The Company has invested ₹ 858.66 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**

Industrial relations remained cordial during the year under review.

As on 31.03.2012, the Company had 4321 employees on its rolls. The Company is continuing efforts to make its workforce competent to operate efficiently by providing in-house training and thereby enhance their knowledge and efficiency. Financial assistance and other benefits are provided to deserving staff under Company's 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.

### **CORPORATE GOVERNANCE**

The report on corporate governance as required under clause 49 of the listing agreement with the Bombay Stock Exchange Limited has been included and forms part of the Annual Report. Besides, a certificate from the statutory auditors of the Company certifying compliance with the conditions of corporate governance is attached to this report.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 177(2AA) of the Companies Act, 1956, it is hereby confirmed :

- i. that in the preparation of annual accounts for the year ended 31st March, 2012, the applicable accounting standards have been followed and there are no material departures from the same;
- ii. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2012 and of the profit of the Company for the year ended on that date;
- iii. that the Directors 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. that the Directors have prepared the annual accounts on a going concern basis.

### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

Information as required to be disclosed under Section 177 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are provided in annexure which forms part of this report.

### **PARTICULARS OF EMPLOYEES**

Particulars in terms of provisions of Section 177(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended are set out in annexure to this report.