

ANNUAL REPORT

FOR THE YEAR ENDED 31ST MARCH 2013



**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

**PRESIDENT (CORPORATE AFFAIRS) & 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 LOCATION

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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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 26th July, 2013 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, 2013 and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend for the financial year ended 31st March, 2013.
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 (ICAI Registration No. 302023E), as the Auditors of the Company on a remuneration to be mutually agreed upon with the Board of Directors.

Registered Office :
24, Park Street,
Magma House, (9th Floor),
Kolkata - 700 016
Dated : 14th May, 2013

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

NOTES :

1. **The Register of Members and the Share Transfer Register of the Company will remain closed from Saturday 20th July, 2013 to Friday, 26th July, 2013 (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 31st July, 2013 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, 19th July, 2013. 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 19th July, 2013 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 upto the financial year ended 31st March, 2005 have been transferred to the said fund. Unpaid/unclaimed dividend for the financial year ended 31st March, 2006 will become due for transfer during September, 2013. 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 has made it mandatory for all the listed Companies to make cash payments through electronic payment modes to the investors. In cases, where either the required bank details are not available or the electronic payment instructions have failed or have been rejected by the bank, the Company shall use physical payment instrument and shall mandatorily print the bank account details of the investors on such payment instruments. Therefore, members holding shares in physical mode are requested to provide their updated bank details 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. Members holding the Company's shares in demat mode are requested to provide the bank account details to their concerned Depository Participant(s).

NOTICE (Contd.)

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 Participant(s) 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 16th July, 2013, 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 Agents for consolidation into a single folio.
13. Information regarding the Director seeking re-appointment at the ensuing Annual General Meeting :

Mr. P. K. Bhattacharjee (Mr. Bhattacharjee), aged 74 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.

Names of other Companies in which Mr. Bhattacharjee also holds the directorship :

1. Ativir Financial Consultants Private Limited
2. Global Investment Trust Limited
3. Kanco Enterprises Limited
4. Kaushalya Infrastructure Development Corporation Limited
5. Kilburn Chemicals Limited
6. M.S.M. Energy Limited
7. Quippo Telecom Infrastructure Limited
8. Quippo Construction Equipment Limited
9. Right Towers Private Limited
10. Saphire Enclave Private Limited
11. Stesalit Limited
12. Stesalit Systems Limited
13. Suryachakra Power Corporation Limited
14. Wonderland Promoters Private Limited

Names of other Companies in which Mr. Bhattacharjee also holds membership of the Committee of the Board :

1. Kilburn Chemicals Limited (Audit Committee)
2. Quippo Telecom Infrastructure Limited (Audit Committee).

Chairmanship of the Committee of the Board of other Companies :

1. Kanco Enterprises Limited (Audit Committee)
2. Suryachakra Power Corporation Limited (Audit Committee).

Number of Shares held in the Company : Nil

Registered Office :
24, Park Street,
Magma House, (9th Floor),
Kolkata - 700 016
Dated : 14th May, 2013

By Order of the Board,
CHEVIOT COMPANY LIMITED
CS D. K. MOHTA
President (Corporate Affairs) 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, 2013.

FINANCIAL RESULTS

Particulars	For the year ended 31st March, 2013	For the year ended 31st March, 2012
Operating results after charging depreciation and amortisation show a profit of	3,310.55	3,129.94
Add : Exceptional item - Indirect taxes for earlier years {net of provision ₹ 105.16 (previous year ₹ Nil)}	73.01	213.13
Add : Other income	784.96	528.64
Profit before tax	4,168.52	3,871.71
From which have been deducted :		
Current tax	1,001.00	845.00
Tax for earlier years (net)	(7.30)	30.78
Deferred tax	103.40	109.02
Profit after tax	3,071.42	2,886.91
Surplus as per last balance sheet	431.60	426.29
Making a total of	3,503.02	3,313.20
Which has been appropriated by the Directors as under :		
Proposed dividend	676.69	586.46
Tax on proposed dividend	115.00	95.14
Transferred to SEZ re-investment reserve account	400.00	—
Transferred to general reserve	1,850.00	2,200.00
Balance surplus carried to balance sheet	461.33	431.60
	3,503.02	3,313.20

DIVIDEND

Your Directors are pleased to recommend for your consideration payment of dividend of ₹ 15/- per ordinary share of the face value of ₹ 10/- each for the year ended 31st March, 2013.

OPERATIONS

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

Particulars	For the year ended 31st March, 2013	For the year ended 31st March, 2012
Production (in M. Tonnes)	46,650	48,518
Sales (in M. Tonnes)	47,381	49,103
Total sales	28,604.82	29,144.50
Export sales (C.I.F. Value)	11,529.68	12,575.30
Operating profit	3,310.55	3,129.94
Other income	784.96	528.64
Profit before tax	4,168.52	3,871.71
Profit after tax	3,071.42	2,886.91
Earnings per share of face value of ₹ 10 (in ₹)	68.08	63.99

DIRECTORS' REPORT (Contd.)

(₹ in Lakhs)

The year under review witnessed an acute shortage of workers and absenteeism as a result of which capacity could not be fully utilised and consequently, there was loss of production, being 46,650 M.T. during the year under review as compared to 48,518 M.T. during the previous year. Besides, export sales were greatly affected due to unfavourable conditions in overseas market. Accordingly, overall sales were lower both in terms of value and quantity.

It is, however, a matter of satisfaction that on account of planned procurement of raw materials and overall better margin, the operating profit was higher in comparison to previous year despite lower production and sales. Bottom line was also improved due to increase in other income mainly on account of profit on sale of investments. Thus, profit after tax was higher by ₹ 184.51 being ₹ 3071.42 for the year as compared to ₹ 2886.91 during previous year.

The Company's export oriented unit at Falta Special Economic Zone has been continuing its operations at reduced capacity due to lower demand of Jute fabrics. Besides, the initiative taken by the Company to venture into export of jute shopping bag could not make much progress so far. Efforts are on to explore possibilities of manufacturing other items of jute fabrics in tune with requirements of international market as also to examine alternate ways and options to establish market for export of jute shopping bag.

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

Government of India has diluted the compulsory packing by directing that food grains to the extent of 90% and sugar to the extent of 40% shall be packed in jute packaging material for the year 2012-13 as against the compulsory packing at 100% for both food grains and sugar till 30.06.2012 under Jute Packaging Materials (Compulsory use for Packing Commodities) Act, 1987 (JPMA). It is unfortunate that dilution of JPMA has been made despite the fact that jute being a natural bio-degradable and re-usable fiber helps in protecting the environment and such dilution will encourage more use of HDPE/PP bags.

In the wake of falling exports, it is urged that Government of India accept the Industry's pleading to introduce new EMA Scheme for Jute sector and extend the Jute Technology Mission beyond 31st March, 2013.

There has been good domestic demand of jute packing material from food procurement agencies. The availability of raw jute was easy with prices remaining steady for most part of the year. However, the price of raw jute has now firmed up due to less rain anticipating lower crop in 2013-14.

b) Opportunities and Threats*Opportunities*

- Growing awareness to sustain green environment is augmenting use of environmental friendly bio-degradable natural Jute fibre over other packing materials, which is a sign of promising future for the Jute Industry.
- Development of non-traditional jute products to meet varied uses such as hydro carbon free, jute shopping bags, jute geo textiles, floor coverings provide good market prospects.
- Good demand from food procurement agencies as a result of increased food grain production and procurement.

Threats

- Growing import of jute goods from Bangladesh who is increasing capacity is posing threat and working towards the adversity of the Indian jute industry.
- Cut throat competition from Bangladesh who is virtually making India as residual supplier in the international markets.
- Higher cost of jute goods as against availability of comparatively cheaper alternate packaging materials.
- Lack of efforts for machinery development forcing Industry to use old technology.
- Problem of availability of workers in a labour intensive industry and regular cost increase make it vulnerable to loss of production and productivity.

DIRECTORS' REPORT (Contd.)

(₹ in Lakhs)

c) Risk and concerns

The process of risk identification, risk assessment and risk mitigation is a continuous phenomenon being undertaken by the senior management. All potential risk factors and process of mitigating such risk are monitored and reviewed in an ongoing way. The Audit Committee reviews the risk mitigation plans on a periodic basis.

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

- Shortage of workers in the Jute industry;
- Dilution of JPMA;
- Improper agricultural strategy affecting quality of raw jute and increase in output per acre. Jute cultivation needs technological development to make it more attractive to the farmers.

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 :

	For the year ended 31st March, 2013		For the year ended 31st March, 2012	
Particulars	Within India	Outside India	Within India	Outside India
Sales	17,075.14	11,529.68	16,569.20	12,575.30
Carrying amount of segment assets	35,595.34	—	33,438.06	—
Capital expenditure	766.42	—	858.66	—

e) Outlook

Jute industry has to operate in a competitive environment amid above referred areas of threat, risks and concerns. The Company's fortune would broadly be in line with those of Jute Industry. However, with proper infrastructure and flexibility to cater to both domestic and overseas markets and continuous endeavour made by the Company to control costs in all possible areas are likely to insulate it to a certain extent from the adverse market conditions. Looking to the current scenario, traditional jute sacking products will continue to constitute major share of the Company's turnover. On the export front, Jute Industry is facing unhealthy competition from Bangladesh. Barring unforeseen circumstances, the outlook for the current year appears to be promising.

f) Internal control systems and their adequacy

The Company has developed robust and comprehensive system of internal control towards achieving efficient use of resources, cost control, compliance with statutory requirements and ensuring reliability of financial reporting. The Audit Committee reviews the internal audit reports, financial performance of the Company and suggests improvements to strengthen internal control system.

g) Discussion on financial performance with respect to operational performance

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

- Sale of jute goods was ₹ 28,604.82 during the year as compared to ₹ 29,144.50 during previous year;
- Production was lower by 1,868 M.Tonnes mainly due to shortage and absenteeism of workers;
- Operating profit of the Company have increased by ₹ 180.61 during the year under review from ₹ 3,129.94 in previous year to ₹ 3,310.55 during the year under review on account of better sales realisation;

DIRECTORS' REPORT (Contd.)

(₹ in Lakhs)

- Finance costs were higher at ₹ 107.75 during the year under review as against ₹ 77.78 in previous year. The increase in finance costs is mainly due to higher utilisation of working capital limits;
- Inventories have decreased by ₹ 76.16, being ₹ 4,350.93 as at 31.3.2013 as against ₹ 4427.09 as at 31.3.2012 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 ₹ 766.42 in fixed assets inclusive of capital advances given during the year.

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

Industrial relations remained harmonious during the year under review.

As on 31.3.2013, the Company had 4301 employees on its rolls. The Company provides employment to workers at new rate of payment and put emphasis to build internal capabilities by providing them training under Company's training scheme. Periodical rewards are given to workers based on their attendance. In order to attract and retain talent, staffs are rewarded based on length of service and loyalty. Benefits and financial assistance are provided by the Company under 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 respect to Company's outlook and performance.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance as required under clause 49 of the Listing Agreement with the BSE Limited. A separate report on Corporate Governance along with a certificate from the statutory auditors of the Company confirming the compliance with the conditions of Corporate Governance 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, it is hereby confirmed :

- that in the preparation of annual accounts for the year ended 31st March, 2013, the applicable accounting standards have been followed and there are no material departures from the same;
- 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, 2013 and of the profit of the Company for the year ended on that date;
- 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;
- 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 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 provided in the Annexure forming part of this Report.

PARTICULARS OF EMPLOYEES

Particulars in terms of provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, in respect of the employees of the Company, are provided in the Annexure forming part of this Report.

DIRECTORS' REPORT *(Contd.)*

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 at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. The Board recommends his re-appointment. Brief particulars of Mr. Bhattacharjee have been given in the Notice convening ensuing Annual General Meeting.

STATUTORY AUDITORS

M/s Jain & Co., Chartered Accountants, statutory auditors of the Company retires at the conclusion of the forthcoming Annual General Meeting and offer themselves for re-appointment. A certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. The Audit Committee and the Board recommend the re-appointment of M/s Jain & Co., Chartered Accountants, as statutory auditors of the Company.

COST AUDITORS

As per directives of the Central Government and in pursuance to provisions of Section 233B of the Companies Act, 1956 read with rules framed thereunder, your Company is required to carry out an audit of the cost accounts maintained by the Company in respect of each financial year. Accordingly, the Central Government, in pursuance to Company's application has approved the appointment of M/s D. Radhakrishnan & Co., Cost Accountants, to conduct the said cost audit for the financial year ended 31st March, 2013.

As per The Companies (Cost Audit Report) Rules, 2011, the due date for filing the cost audit report for the previous financial year ended 31st March, 2012 with the Central Government was extended till 28th February, 2013 and the said report was filed by the cost auditor on 27th February, 2013.

ACKNOWLEDGEMENT

The Directors take this opportunity to express deep sense of gratitude to the financial institutions, banks, government authorities, business associates, and all stakeholders for their continued support and faith reposed on the Company.

The Directors place on record their appreciation and acknowledge the commitment and contribution made by the employees at all levels.

Kolkata, 14th May, 2013

For and on behalf of the Board
H. V. KANORIA
*Chairman and Managing Director,
Chief Executive Officer*

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2013

REPORT ON CORPORATE GOVERNANCE

(₹ in Lakhs)

[Pursuant to clause 49 of the listing agreement with the BSE Limited]

1. Company's philosophy on Code of Governance

The Company is steadfast in its belief that transparency and integrity are sine qua none for good corporate governance. Your company is committed to adopt and adhere to these principles to attain sustained growth and enhance value for its shareholders, customers, creditors 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. LLP and Khaitan & Co. AOR, who have a professional relationship with the Company. The legal and professional charges of ₹ 5.69 that were paid to the consulting firms during the year are 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 Directorship and Chairmanship/Membership of Boards/Committees.

Name of the Directors	Position	Attendance Particulars		No. of other directorship and other committee membership/chairmanship held		
		Board Meeting	Last AGM held on (27.07.2012)	Directorship #	Committee Membership	Committee Chairmanship
Mr. H. V. Kanoria	Chairman and Managing Director, Chief Executive Officer (Promoter Director)	4	Yes	4	Nil	Nil
Mr. N. K. Kejriwal	Wholetime Director	4	Yes	1	Nil	Nil
Mr. N. Nayar	Independent Non-Executive	3	Yes	7	Nil	Nil
Mr. P.K. Bhattacharjee	Independent Non-Executive	3	Yes	14	2	2
Mr. S. Dhandhanja	Independent Non-Executive	3	Yes	8	Nil	Nil
Mr. P. K. Khaitan	Independent Non-Executive	4	Yes	19	5	2

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, 2013 viz. on 30th May, 2012, 27th July, 2012, 7th November, 2012 and 31st January, 2013. 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 director seeking re-appointment are appended to the Notice convening the ensuing Annual General Meeting.