

ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2011

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 directed towards conducting its affairs in fair and transparent manner in all facets of its operation. Such philosophy is based on the principles of integrity, transparency and is guided by commitment towards values to attain sustained growth in the overall interest of all stakeholders including customers, shareholders 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 ₹ 5.83 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 [22.07.2010]	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	4	Yes	1	Nil	Nil
Mr. P. K. Bhattacharjee	Independent Non-Executive	4	Yes	10	1	2
Mr. N. Nayar	Independent Non-Executive	4	Yes	7	Nil	Nil
Mr. S. Dhandhanian	Independent Non-Executive	3	Yes	8	Nil	Nil
Mr. P. K. Khaitan	Independent Non-Executive	2	No	21	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, 2011 viz. on 7th May, 2010, 22nd July, 2010, 30th October, 2010 and 31st January, 2011. The maximum gap between any two meetings was less than four months.

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

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

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)**REPORT ON CORPORATE GOVERNANCE (Contd.)****3. Audit Committee****a) Composition**

The present composition of the audit committee is as follows :

Name of the Directors	Designation	Category
Mr. N. Nayar	Chairman	Non-Executive & Independent
Mr. P. K. Bhattacharjee	Member	Non-Executive & Independent
Mr. S. Dhandhanian	Member	Non-Executive & Independent

All the members of the committee have rich experience and knowledge of financial and accounting area.

b) Meetings and attendance

Four meetings of the audit committee were held on 7th May, 2010, 19th July, 2010, 30th October, 2010 and 29th January, 2011.

Name of the Directors	Number of Meetings attended
Mr. N. Nayar	4
Mr. P. K. Bhattacharjee	4
Mr. S. Dhandhanian	3

Mr. D. K. Mohta, Vice President & Secretary, Chief Financial Officer acts as the secretary to the committee.

The statutory auditors, internal auditors and cost auditors are invitees to meetings of the audit committee. The chairman of the audit committee was present at the last Annual General Meeting of your Company held on 22nd July, 2010. Minutes of each audit committee are placed before the Board for noting.

The maximum gap between any two meetings was less than four months.

c) Terms of reference

The functioning and terms of reference of the audit committee including the role, powers and duties, quorum for meetings and frequency of meetings are in accordance with the provisions as specified under sub-clause (D) of clause 49 II of the listing agreement and Section 292A of the Companies Act, 1956 besides other terms as may be referred by the Board of Directors. The terms of reference of the audit committee includes the following :

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Reviewing, with the management, the quarterly and annual financial statements before submission to the Board for approval.
- Reviewing the adequacy of the internal control systems with the management.
- Discussion with internal auditors of any significant finding and follow up thereon.
- Reviewing the findings of the internal auditors and to discuss these periodically with the Company's officials relating to internal control procedures.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Reviewing the compliances with listing agreement and other legal requirements relating to financial statements.
- Recommending the appointment of the statutory auditors and fixation of their remuneration.
- Reviewing the Company's financial and risk management policies.
- Disclosure of any related party transactions.
- Reviewing the accounting policies and adoption of applicable accounting standards.

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

REPORT ON CORPORATE GOVERNANCE (Contd.)

4. Remuneration Committee

a) Remuneration Policy

The Board of Directors fixes the remuneration of the executive directors. The terms of remuneration of executive directors are approved by the shareholders. Therefore, the remuneration committee, being a non-mandatory requirement, has not been formed.

b) Details of remuneration of Directors

Details of remuneration of executive directors for the year ended 31st March, 2011 : (Amount in ₹ Lakhs)

Name of the Directors	Salary	Commission	Contribution to Provident Fund	Allowances and estimated value of other Perquisites	Tenure of appointment
Mr. H. V. Kanoria	18.00	145.50	1.80	10.86	5 years from 01.08.2010
Mr. N. K. Kejriwal	12.75	15.00	1.28	10.93	3 years from 01.06.2009

The appointment of the executive directors is governed by the Articles of Association of the Company and the resolutions passed by the Board of Directors and the Members of the Company. As per terms of appointment, the Company and the executive directors have the right to terminate the appointment by giving three months' prior notice in writing to the other. There is no provision for payment of severance fees under the resolutions governing the appointment of executive directors.

Details of remuneration of non-executive directors for the year ended 31st March 2011 : (Amount in ₹ Lakhs)

Non-Executive Directors	Sitting fees	Commission
Mr. S. Dhandhanian	0.15	2.00
Mr. P. K. Bhattacharjee	0.17	2.00
Mr. N. Nayar	0.17	2.00
Mr. P. K. Khaitan*	0.07	2.00

*Paid to the firm in which director is a partner.

The remuneration to non-executive directors is decided by the Board of Directors of the Company within the limits stipulated by the special resolution passed by the members at the Annual General Meeting. The payment of remuneration to non-executive directors is made on ad-hoc basis.

The Company has not issued any stock options to its directors.

None of the non-executive directors hold any share in the Company.

The Company has not entered into any material pecuniary relationship or transactions with the non-executive directors.

5. Shareholders'/Investors' Grievance Committee

a) Composition

The present composition of Shareholders'/Investors' Grievance Committee is as follows :

Name of the Directors	Designation	Category
Mr. S. Dhandhanian	Chairman	Non-Executive & Independent
Mr. P. K. Bhattacharjee	Member	Non-Executive & Independent
Mr. N. K. Kejriwal	Member	Wholetime Director

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)**REPORT ON CORPORATE GOVERNANCE (Contd.)****b) Meetings and attendance**

Four meetings of the Shareholders'/Investors' Grievance Committee were held on 7th May, 2010, 19th July, 2010, 30th October, 2010 and 29th January, 2011.

Name of the Directors	Number of Meetings attended
Mr. S. Dhandhanian	3
Mr. P. K. Bhattacharjee	4
Mr. N. K. Kejriwal	4

c) Scope of Shareholders'/Investors' Grievance Committee

The committee deals with various matters relating to redressal of Shareholders' and Investors' Grievances such as transfers and transmissions of shares, issue of duplicate share certificates, sub-division and consolidation of certificates, non-receipt of annual reports and dividend warrants etc.

The committee also reviews the status of dematerialisation/re-materialisation of shares and suggests measures for improvement of procedures and systems.

107 queries/complaints received from the shareholders during the year under review have been redressed to the satisfaction of shareholders. The Company had no request pending for share transfer/transmission at the close of financial year. Queries received from the investors are replied generally within 15 days of the receipt of the letters/emails.

d) Compliance Officer

Mr. D. K. Mohta, Vice President & Secretary, Chief Financial Officer acts as a secretary to the committee and is the compliance officer of the Company.

6. General Body Meetings**a) Location and date/time where last three Annual General Meetings (AGM) were held and No. of special resolution passed :**

Financial Year	Location	Date	Time	No. of Special Resolution Passed
2007-2008	The Sitaram Seksaria Auditorium Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani (4th Floor) Kolkata - 700 017	07th August, 2008	11.00 a.m.	One
2008-2009	The Sitaram Seksaria Auditorium Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani (4th Floor) Kolkata - 700 017	23rd July, 2009	11.00 a.m.	Nil
2009-2010	The Sitaram Seksaria Auditorium Bharatiya Bhasha Parishad 36A, Shakespeare Sarani (4th Floor) Kolkata - 700 017	22nd July, 2010	11.00 a.m.	Nil

b) Postal Ballot

No special resolution was passed last year through postal ballot. There is no item on the agenda of ensuing Annual General Meeting which requires passing a special resolution through postal ballot.

7. Disclosures

- There are no related party transactions of material nature made by Company with its promoters, directors or their relatives etc. that may have potential conflict with the interests of Company at large. The Register of Contracts containing the transactions in which the directors are interested is placed before the Board regularly for its approval. Transactions with the related parties are disclosed in Note no. 21 of Schedule 19 to the accounts for the year ended 31st March, 2011. The audit committee reviews the related party transactions.

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

REPORT ON CORPORATE GOVERNANCE (Contd.)

- During the last three years, no penalties or stricture have been imposed on the Company by the stock exchange or SEBI or any other statutory authority for non compliance of any matter related to the capital market.
- The Company has complied with all the mandatory requirements of clause 49 of the listing agreement.

8. Means of Communication

- The financial results of the Company are sent to the stock exchange and published in newspapers as required under clause 41 of the listing agreement. Half-yearly report is not sent to each household of shareholders.
- Quarterly financial results are normally published in Business Standard in its all India editions (in English) and Aajkal (in Bengali).
- Unaudited quarterly and audited annual financial results, shareholding pattern etc. are displayed on the website of the Company "www.groupcheviot.net" at the end of each quarter.
- The Company has not made any presentation to institutional investors or to the analysts during the year under review.
- The management discussion & analysis report forms part of the Directors' Report.

9. General Shareholder Information

a) AGM : Date, Time and Venue	28th July, 2011 at 11.00 a.m. at The Sitaram Seksaria Auditorium, Bharatiya Bhasha Parishad, 36A, Shakespeare Sarani, 4th Floor, Kolkata - 700 017
b) Financial Calendar (Tentative)	I. Financial Year : April to March II. First quarter results : Last week of July, 2011 III. Half yearly results : Last week of October, 2011 IV. Third quarter results : Last week of January, 2012 V. Year ending results : Last week of May, 2012
c) Book Closing Period	23rd July, 2011 to 28th July, 2011 (both days inclusive)
d) Dividend payment date	2nd August, 2011
e) Listing on Stock Exchange (Equity Shares)	Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai - 400 001 Listing fees for the year 2011-2012 has been paid.
f) Stock Code - Physical	526817 on Bombay Stock Exchange Limited
Demat ISIN Number for NSDL and CDSL	INE974B01016
g) Market Price data : High, Low during each month in last financial year	Information has been given at the end of clause 9.
h) Stock performance of the Company in comparison to BSE Sensex (April, 2010 to March, 2011)	Information has been given at the end of clause 9.
i) Registrar and Share Transfer Agent	Maheshwari Datamatics Pvt. Ltd. 6, Mangoe Lane, 2nd Floor, Kolkata - 700 001 Phone : 033-2243 5029/5809, Fax : 033-2248 4787 E-mail : mdpl@cal.vsnl.net.in
j) Share Transfer System	Information has been given at the end of clause 9.
k) Distribution of Shareholding as on 31st March, 2011	Information has been given at the end of clause 9.
l) Dematerialisation of shares and liquidity	As on 31st March, 2011, 33.59% of the Company's paid-up share capital representing 15,15,281 shares is held in dematerialised form.

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

REPORT ON CORPORATE GOVERNANCE (Contd.)

m) Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity	Not issued
n) Plant Locations	The Company's plants are located at following places : i) 19, Mehta Road, Badekalinagar, Budge Budge 24, Parganas (South) - 700 137 (West Bengal) ii) Sector II, Falta Special Economic Zone, Falta 24 Parganas (South) - 743 504 (West Bengal)
o) Address for Correspondence	Cheviot Company Limited 24, Park Street, Magma House (9th Floor), Kolkata - 700 016 Phone : 033-3291 9624/25/28 Fax : 033-2249 7269 E-mail : cheviot@chevjute.com Investor service e-mail id : investorservices@chevjute.com Website : www.groupcheviot.net

Information in respect of clause 9(g)

Market Price Data : High, Low during 2010-2011 is given in the table below :

Month	Bombay Stock Exchange Limited	
	High (₹)	Low (₹)
April, 2010	305.70	249.90
May, 2010	305.95	243.90
June, 2010	264.80	248.35
July, 2010	315.60	260.10
August, 2010	358.70	303.30
September, 2010	404.40	330.05
October, 2010	411.65	364.10
November, 2010	466.65	384.40
December, 2010	408.50	342.65
January, 2011	391.40	315.75
February, 2011	299.50	272.20
March, 2011	300.90	278.30

Information in respect of clause 9(h)

Stock performance of the Company in comparison to BSE Sensex (April, 2010 to March, 2011)

Month	Company's share price (₹) at Bombay Stock Exchange Limited		BSE Sensex	
	High	Low	High	Low
April, 2010	305.70	249.90	18047.86	17276.80
May, 2010	305.95	243.90	17536.86	15960.15
June, 2010	264.80	248.35	17919.62	16318.39
July, 2010	315.60	260.10	18237.56	17395.58
August, 2010	358.70	303.30	18475.27	17819.99
September, 2010	404.40	330.05	20267.98	18027.12
October, 2010	411.65	364.10	20854.55	19768.96
November, 2010	466.65	384.40	21108.64	18954.52
December, 2010	408.50	342.65	20552.03	19074.57
January, 2011	391.40	315.75	20664.80	18038.48
February, 2011	299.50	272.20	18690.97	17295.62
March, 2011	300.90	278.30	19575.16	17792.17

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)**REPORT ON CORPORATE GOVERNANCE (Contd.)****Information in respect of clause 9 (j)****Share Transfer System**

Share transfers in physical and demat form are being processed by the Registrar and Share Transfer Agent M/s Maheshwari Datamatics Pvt. Ltd. on regular basis. The transfer/transmission of shares are approved in accordance with the powers delegated by the Board of Directors to the Chairman and Managing Director, Wholetime Director and Vice President & Secretary.

The shares lodged for transfers/dematerialisation are processed within 15 days from the date of their lodgement, if transfer instruments are found valid and complete in all respects.

As stipulated by SEBI, Mr. S. D. Basu, a qualified practicing company secretary carries out the secretarial audit to reconcile the total admitted capital in dematerialised form (held with NSDL and CDSL) and total number of shares in physical form and to confirm that the total listed and paid-up capital are in agreement with the aggregate number of shares. This audit is carried out in every quarter and the report is submitted to the Bombay Stock Exchange Limited.

Information in respect of clause 9(k)

a) Distribution of Shareholding as on 31st March, 2011

Number of Ordinary Shares held	Number of Shares	Percentage of Shareholding	Number of Shareholders/folios	Percentage of Shareholders
Up to 500	5,60,539	12.4254	5,860	94.4095
501 to 1000	1,43,428	3.1793	198	3.1899
1001 to 2000	1,21,374	2.6905	87	1.4017
2001 to 3000	78,391	1.7377	31	0.4994
3001 to 4000	16,825	0.3729	5	0.0806
4001 to 5000	22,755	0.5044	5	0.0806
5001 to 10000	55,500	1.2303	8	0.1289
10001 and above	35,12,438	77.8595	13	0.2094
Total	45,11,250	100.0000	6,207	100.0000
Physical Mode	29,95,969	66.4111	1,647	26.5346
Demat Mode	15,15,281	33.5889	4,560	73.4654

b) Shareholding Pattern as on 31st March, 2011

Category Code	Category of Shareholders	Total Number of Shares	% of Shares
(A)	Shareholding of Promoter and Promoter Group (As per MRTP Act, 1969)		
1	Indian		
(a)	Individuals/Hindu Undivided family :		
	Mr. Harsh Vardhan Kanoria	3,43,840	7.6218
	Mrs. Malati Kanoria	2,85,150	6.3209
	Mr. Utkarsh Kanoria	1,70,191	3.7726
	Mrs. Madhavi Agrawal	0	0.0000
	Mrs. Ishita Mohatta	0	0.0000
(b)	Central Govt./State Govt.(s)	0	0.0000
(c)	Bodies Corporate :		
	Harsh Investments Private Limited (Holding Company)	25,74,081	57.0592
	Abhyadoot Finance & Investments Private Limited	9,000	0.1995
	Cheviot International Limited	150	0.0033
	Cheviot Agro Industries Limited	900	0.0199
	Elite (India) Private Limited	0	0.0000
	Bright & Shine Micro Products Private Limited	0	0.0000

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)

REPORT ON CORPORATE GOVERNANCE (Contd.)

Category Code	Category of Shareholder	Total Number of Shares	% of Shares
(d)	Associates : Jan Priya Trust Shashvat Foundation	0 0	0.0000 0.0000
(e)	Financial Institutions/Banks	0	0.0000
(f)	Any Others (specify)	0	0.0000
	Sub-Total (A) (1)	33,83,312	74.9972
2	Foreign		
(a)	Individuals (Non-Resident Individuals/Foreign Individuals)	0	0.0000
(b)	Bodies Corporate	0	0.0000
(c)	Institutions	0	0.0000
(d)	Any Other (specify)	0	0.0000
	Sub-Total (A) (2)	0	0.0000
	Total Shareholding of Promoter and Promoter Group (A) = (A) (1) + (A) (2)	33,83,312	74.9972
(B)	Public Shareholding		
1	Institutions		
(a)	Mutual Funds/UTI	200	0.0044
(b)	Financial Institutions/Banks	7,500	0.1663
(c)	Central Govt./State Govt.(s)	0	0.0000
(d)	Venture Capital Funds	0	0.0000
(e)	Insurance Companies	0	0.0000
(f)	Foreign Institutional Investors	15953	0.3536
(g)	Foreign Venture Capital Investors	0	0.0000
(h)	Any Other (specify)	0	0.0000
	Sub-Total (B) (1)	23,653	0.5243
2	Non-Institutions		
(a)	Bodies Corporate	1,55,444	3.4457
(b)	Individuals		
	I. Individual Shareholders holding nominal share capital upto ₹ 1 Lakh	8,67,956	19.2398
	ii. Individual Shareholders holding nominal share capital in excess of ₹ 1 Lakh	31,046	0.6882
(c)	Any Other (specify)		
(c-i)	Non-Resident Individual	42,140	0.9341
(c-ii)	Foreign National	7,699	0.1707
	Sub-Total (B) (2)	11,04,285	24.4785
	Total Public Shareholding B = (B) (1) + (B) (2)	11,27,938	25.0028
	TOTAL (A) + (B)	45,11,250	100.0000
(C)	Shares held by Custodians and against which Depository Receipt have been issued	0	0.0000
	GRAND TOTAL (A)+(B)+(C)	45,11,250	100.0000

ANNEXURE TO THE DIRECTORS' REPORT (Contd.)**REPORT ON CORPORATE GOVERNANCE (Contd.)****10. Declaration on compliance with code of conduct**

The Board has formulated a code of conduct applicable to all its members and senior management personnel of the Company which has been posted on the website of the Company. A declaration by Chairman & Managing Director and Chief Executive Officer affirming the compliance of the code of conduct by the Board members and senior management personnel is appended to this report.

11. CEO and CFO certification

Mr. H. V. Kanoria, Chairman and Managing Director, Chief Executive Officer and Mr. D. K. Mohta, Vice President & Secretary, Chief Financial Officer of the Company give annual certification on the financial statements and the cash flow statement to the Board in terms of clause 49.

12. Status of compliance with mandatory and non-mandatory requirements**a) Mandatory requirements**

The Company has complied with all mandatory requirements prescribed under clause 49 of the listing agreement. The auditors' certificate regarding compliance of conditions of corporate governance by the Company is annexed to the directors' report.

b) Non-mandatory requirements

Non-mandatory suggestions for having chairman's office for a non-executive Chairman is not applicable as the Chairman of the Company is an executive director. The Company has unqualified financial statements during the year ended 31.03.2011 from the auditors. The Company has not adopted non-mandatory suggestions for sending six-monthly information to each household of shareholders, to have a remuneration committee, training of Board Members, tenure of independent directors on the Board of the Company, mechanism for evaluating the performance of non-executive Board Members and Whistle Blower Policy.

On behalf of the Board

H. V. KANORIA

*Chairman and Managing Director,
Chief Executive Officer*

Kolkata, 12th May, 2011

Declaration regarding Code of Conduct as required under Clause 49 of the Listing Agreement

I hereby declare that all the Board Members and senior management personnel of the Company have affirmed compliance with the Company's code of conduct for the financial year ended 31st March, 2011.

On behalf of the Board

H. V. KANORIA

*Chairman and Managing Director,
Chief Executive Officer*

Kolkata, 12th May, 2011