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ANNUAL GENERAL MEETING

Wednesday 10th June, 1998 at 11:30 A.M. at
Indian Merchants Chamber Conference Hall
(Walchand Hirachand Hall)
76, Veer Nariman Road,
Near Churchgate Station,
Mumbai - 400 020

Members attending the Meeting are requested
to bring their Admission Card as well as their
copy of the Annual Report


Eternit Everest
Board of Directors

Dr. S. Ganguly	Chairman
Mr. J. Stiévenart	Managing Director
Mr. Philippe Coens	Director
Mr. C. Corbo L.	Director
Mr. T.M.M. Nambiar	Director
Dr. N.K. Sengupta	Director
Mr. D.C. Shroff	Director

Management Committee

Mr. J. Stiévenart	Managing Director
Dr. N. Balasubramanian	Director (R&TD)
Mr. A.K. Batra	Director (Finance)
Mr. S. Kathpalia	Director (Manufacturing)
Mr. K.K. Malik	Director (Sales)
Mr. S. Chawla	General Manager (H.R.)

Company Secretary

Mr. S.J. Rao

Auditors

A.F. Ferguson & Co.

Bankers

State Bank of India
Deutsche Bank
Bank of America

Solicitors

Crawford Bayley & Co.

Registered Office :

Block 'D', Shivsagar Estate,
Dr. Annie Besant Road, Worli,
Mumbai-400 018.

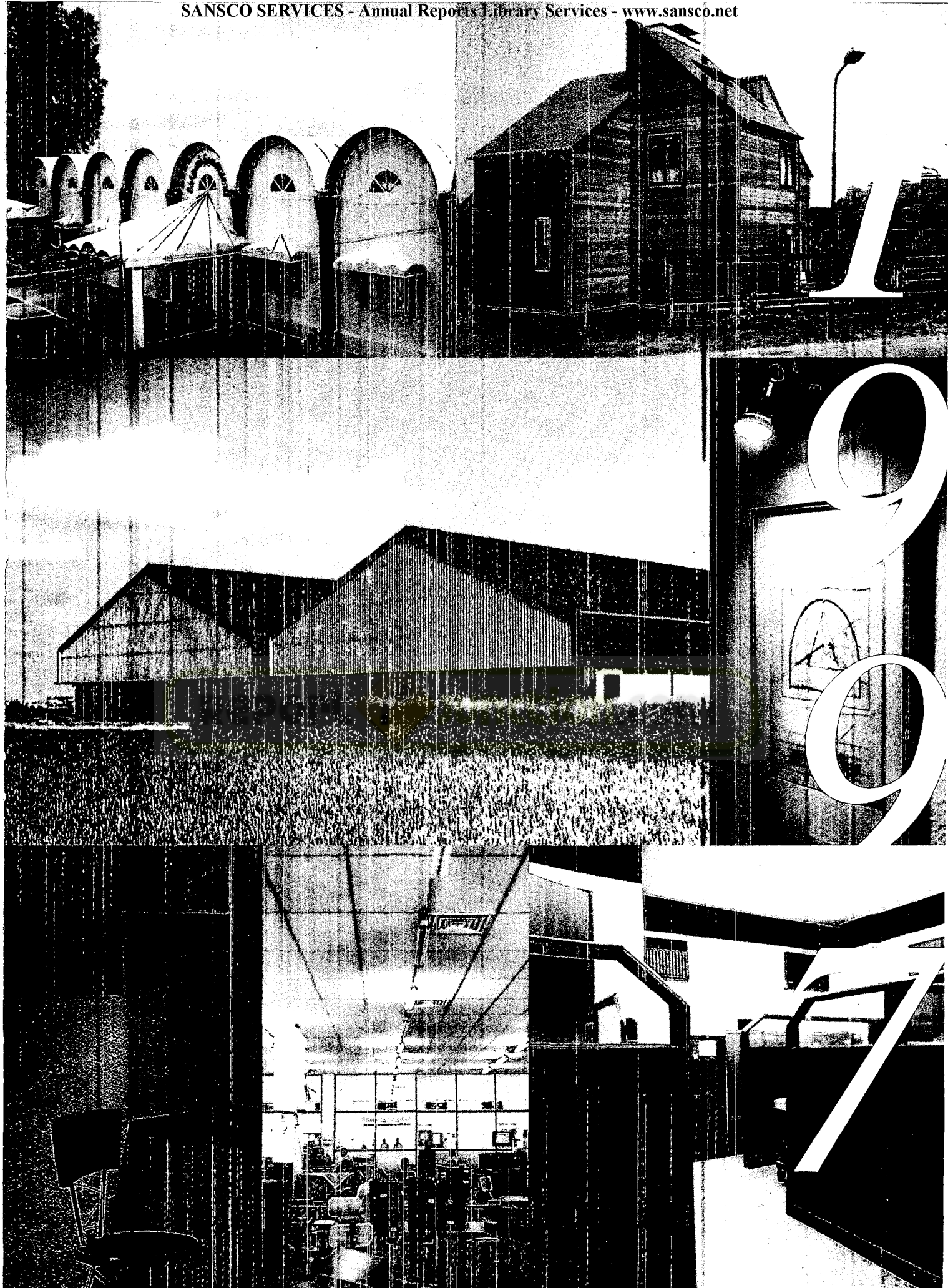
Head Office :

Ashok Bhawan, 93, Nehru Place,
New Delhi-110 019.

Share Transfer Agents :

MCS Limited, Sri Venkatesh Bhawan,
212-A, Shahpur Jat,
New Delhi-110 049.

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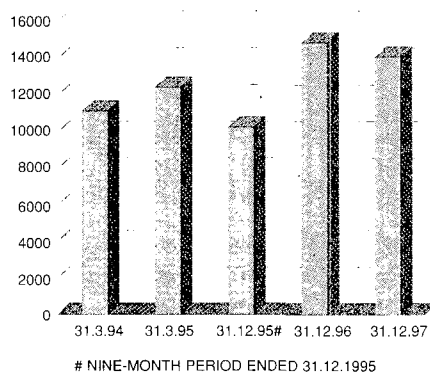


Eternit Everest

DIRECTORS' REPORT

TO THE MEMBERS OF ETERNIT EVEREST LIMITED

**SALES
(RS. LACS)**



Your Directors are pleased to present their Sixty-fifth Annual Report together with the Audited Accounts of the Company for the year ended 31st December 1997.

Financial Results

	(Rs. in lacs)
Profit before Taxation	1272.02
Deduct	
Provision for Taxation	240.00
Prior period expenditure	216.68
Add:	
Income tax provision for earlier years written back	88.33
Balance brought forward	500.00
Amount available for appropriation	1403.67

Appropriations

Proposed Dividend	296.00
Provision for Tax on proposed Dividend	29.60
Transfer to General Reserve	578.07
Balance Carried to Balance Sheet	500.00

Operations

The demand for fibre-cement products grew by only 4% in 1997, whilst the installed capacity of the industry grew by 12% during the same period. The de-licensing of asbestos-related industries, effective July 1997, resulted in fresh capacity addition, due to which the imbalance between demand and production capacity is expected to worsen further during the current year. Consequently, margins for Company's products remained under tremendous pressure throughout the year, reaching an unprecedented low during the last quarter of the year.

The industry inventory levels at the end of the year were higher due to slow down in the market growth.

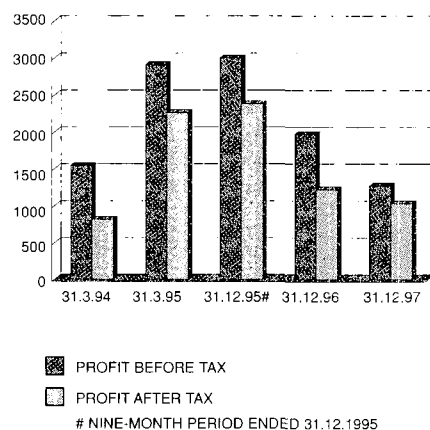
These adverse developments coupled with a 56-day strike by workmen at the Company's Kymore Works (M.P.) during the peak season, as well as a strike at the Company's Lakhmapur Works which is still continuing, has resulted in a 8% drop in sales volume compared with 1996.

The operating profit of the Company declined mainly as a result of lower sales volume and prices and increased cost of imported raw materials following the depreciation of the Rupee. Further, a sum of Rs. 216.68 lacs has been provided in the year under review towards gratuity payable to employees for past services.

The second machine at the Company's new plant at Lakhmapur was successfully commissioned and commenced commercial production in September 1997, but has not yet reached its rated capacity due to the on-going strike.

In regard to the changed business conditions and the need to conserve capital expenditure, the management has decided to convert the first machine installed at Lakhmapur Works into a multiproduct, efficient production unit. The earlier proposal to install these facilities at Bangalore will not be implemented. By changing

**PROFIT BEFORE TAX AND
PROFIT AFTER TAX (RS. LACS)**




Eternit Everest

the location of the project the management hopes to leverage the facilities already set up at Lakhmapur.

Since no payments have been received from the Developers of the Company's land at Mulund, no further land has been released to them for development during the year under review, and consequently, there was again no income generation from development of the Company's land at Mulund. In view of the continued default by the Developers, legal proceedings have been initiated against them to protect the Company's interest.

Dividend

In view of the year's low profit and adverse market conditions prevailing and also since no payments have been received from the Developers of the Company's land at Mulund, your Directors have been constrained to limit the recommendation of dividend to 20% with a view to conserve internal resources to fund the Company's on-going investment programmes, which are in the long term interest of the Company.

Labour Relations

As already mentioned, the Company's operations suffered setback due to a 56-day strike at the Company's Kymore Works from 26th March to 20th May, 1997. Normalcy has since been restored and the Management is continuing the dialogue with the Union with a view to conclude a reasonable settlement.

The strike at the Company's Lakhmapur Works which commenced in September, 1997 is still continuing and no settlement could be reached to end the strike in view of the negative approach of the Union.

The Company is effectively handling the situation to bring about an amicable settlement and to restore normalcy at Lakhmapur Works.

A three-year long term settlement was signed with the Unions at the Company's Calcutta Works in September 1997 and a four-year long term settlement was signed with the Union at the Podanur Works in February 1998. This is expected to result in improved productivity in these Plants.

Health & Safety

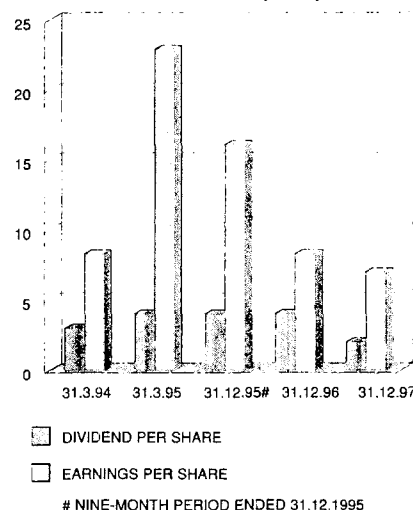
The Company's performance on Safety, Health and Environmental issues remained excellent throughout the year under review.

Emission and fibre counts were well within the permissible limits. An audit was also conducted at the Company's Podanur Works by an independent international auditor and the results indicated 98% compliance level, amongst the highest in the world.

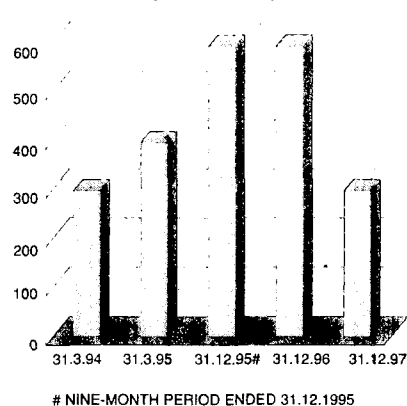
Research and Development

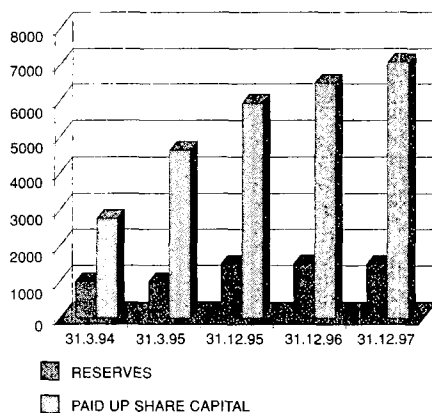
The two Research and Development centres of the Company recognised by the Department of Science and Industrial Research, Government of India, operate at Bangalore and Kymore. The R&D activity has

DIVIDEND AND EARNINGS PER SHARE (RS.)



DIVIDEND PAYOUTS (RS. LACS)




Eternit Everest
**CAPITAL AND RESERVES
(RS. LACS)**


resulted in development of new products appropriate to Indian conditions besides making the best use of locally available raw materials, including fly ash. Commercial production of the new products developed by these R&D Centres with the active support of Research, Engineering and Development Company (REDCO) of the Eternit Group would commence during the current year at a dedicated production line at the Lakhmapur Works.

New Products

The development work for the fire protection system continued as envisaged initially and the Company expects to bag substantial orders for the product during the current year.

The development of new technology flat boards would reach its final stages when the proposed conversion of the first machine at Lakhmapur Works would have been implemented.

Directors

Mr. Marc De Preter, Wholetime Director, resigned with effect from 1st February, 1998. The Board placed on record its appreciation of the valuable services rendered by Mr. De Preter during his tenure as the Wholetime Director of the Company.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of

Association, Mr. C. Corbo L and Mr. D.C. Shroff retire by rotation and are eligible for reappointment.

Auditors

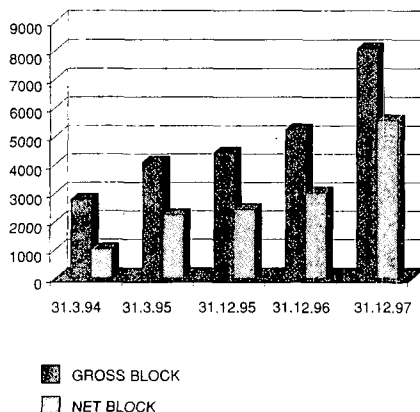
At the Annual General Meeting, Members will be requested to appoint Auditors until the conclusion of the following Annual General Meeting and to fix their remuneration. The present Auditors, Messrs. A.F. Ferguson & Co. who retire at the conclusion of the forthcoming Annual General Meeting have consented to continue in the office, if appointed. A Certificate has been obtained from them to the effect that appointment if made will be in accordance with the limits specified in sub-section (1B) of Section 224 of the Companies Act 1956.

Conservation of Energy, Technology Absorption, Adaptation and Innovation; and Foreign Exchange Earnings/outgo.

The information as required to be disclosed under Rule 2 of the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure to the report.

Personnel

The Board wishes to place on record its appreciation of the wholehearted efforts and impressive contribution made by the employees at all levels.

**GROSS AND NET BLOCK
(RS. LACS)**



Eternit Everest

Information as per Section 217(2-A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, forms part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Reports and Accounts are being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining a copy of the particulars may write to the Company Secretary at the Registered Office of the Company.

On behalf of the
Board of Directors

S.GANGULY,
Chairman.

J. STIÉVENART,
Managing Director.
New Delhi, March 28, 1998

Annexure referred to in the Directors' Report on the accounts for the year ended 31st December, 1997.

Conservation of Energy

Plants are operated at a higher power factor of 0.95 approximately by the use of capacitor banks thereby optimising the use of connected load. Continuous attention is paid to identify obsolete and inefficient equipment and to replace them with power-efficient ones. Significant energy savings have been achieved in the compressor and vacuum systems.

Expenditure on R&D Rs. in lacs

(a) Capital	28.92
(b) Recurring	8.46
(c) Total	37.38
(d) Total R&D expenditure as percentage of turnover	0.27

Technology Absorption, Adaptation and Innovation

Technical support from Research, Engineering and Development Company (REDCO), Brussels, Belgium, continued throughout the year. It contributed to improvement in productivity, quality and yield by upgrading technology. The existing plants benefitted from the process innovation of REDCO which has helped the Company to move towards zero effluent.

Imported Technology

The Company has entered into a technical assistance agreement with Research, Engineering and Development Company (REDCO), Brussels, Belgium in June 1997 for technical know-how for setting up a second line at Lakhmapur plant to cater to the manufacture of new technology corrugated sheets, moulded goods and flat product for panelling and ceiling applications. The state-of-the-art machinery at Lakhmapur works has been commissioned and the Company is in the process of absorbing the technology.

Foreign Exchange Earnings/Outgo.

The relevant figures pertaining to the import of materials and other expenditure in foreign currency are given in the statement of additional information appended to the accounts.