

Eternit Everest Ltd.

69th Annual Report and Accounts 2001



————— An **ABB** group company —————

Board of Directors

Mr. T. M. M. Nambiar	(Effective 30.07.01)	Chairman
Dr. S. Ganguly	(Upto 30.07.01)	Chairman
Mr. A.K. Batra		Managing Director
Mr. Philippe Coens	(Upto 12.02.02)	Director
Mr. Ray Hemstock	(Upto 12.02.02)	Director
Mr. J. Jasienski	(Upto 12.02.02)	Director
Dr. N. K. Sengupta		Director
Mr. D. C. Shroff		Director
Mr. P. K. Sinor	(Effective 12.02.02)	Director
Mr. N. H. Italia	(Effective 12.02.02)	Director
Mr. A. K. Jain	(Effective 12.02.02)	Director

Audit Committee

Mr. D. C. Shroff	(Effective 21.02.02)	Chairman
Dr. S. Ganguly	(Upto 30.07.01)	Chairman
Mr. Ray Hemstock	(Upto 12.02.02)	Member
Mr. N. H. Italia	(Effective 21.02.02)	Member
Dr. N. K. Sengupta		Member

Investor Grievance/ Share Transfer Committee

Mr. T. M. M. Nambiar	(Effective 30.07.01)	Chairman
Dr. S. Ganguly	(Upto 30.07.01)	Chairman
Dr. N. K. Sengupta		Member
Mr. A. K. Batra		Member

Management Committee

Mr. A. K. Batra	Managing Director
Mr. Manish Sanghi	Marketing Director
Mr. Y. S. Rao	General Manager (Technical)
Mr. Sandeep Jain	General Manager (Finance)

Company Secretary

Mr. Suresh Menon

Auditors

BSR & Co., New Delhi

Bankers

State Bank of India
 ICICI Banking Corporation Limited

Solicitors

Crawford Bayley & Co.

Registered Office :

Block 'D', Shivsagar Estate,
 Dr. Annie Besant Road, Worli,
 Mumbai -400018

Head Office :

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

Share Transfer Agents :

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

NOTICE

Notice is hereby given that the Sixty-ninth Annual General Meeting of the Members of Eternit Everest Limited will be held at the Indian Merchants Chamber, Conference Hall (Walchand Hirachand Hall), 76, Veer Nariman Road, Near Churchgate Station, Mumbai-400020 on Thursday, the 9th May, 2002 at 11.30 A.M to transact the following business: -

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st December 2001 and the Profit and Loss Account for the year ended on that date, the Auditors' Report thereon and the Directors' Report.
2. To appoint a Director in place of Dr. N.K.Sengupta, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To consider and if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution :-
"RESOLVED THAT M/s. Deloitte, Haskins & Sells, Chartered Accountants, be and is hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting at the remuneration to be determined by the Audit Committee/ Board of Directors of the Company."

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:
"RESOLVED THAT Mr.D.C.Shroff, who was appointed by the Board of Directors as an Additional Director of the Company w.e.f. 12.02.2002, pursuant to Article 117(a) of the Articles of Association of the Company, and who holds the office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956, but who is eligible for reappointment and in respect of whom a notice in writing alongwith requisite fees pursuant to Section 257 of the Companies Act, 1956 has been received from a member proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company."
5. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:
"RESOLVED THAT Mr.P.K. Sinor, who was appointed by the Board of Directors as an Additional Director of the Company w.e.f. 12.02.2002, pursuant to Article 117(a) of the Articles of Association of the Company, and who holds the office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956, but who is eligible for reappointment and in respect of whom a notice in writing alongwith requisite fees pursuant to Section 257 of the Companies Act, 1956 has been received from a member proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company."
6. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:
"RESOLVED THAT Mr.A.K. Jain, who was appointed by the Board of Directors as an Additional Director of the Company w.e.f. 12.02.2002, pursuant to Article 117(a) of the Articles of Association of the Company, and who holds the office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956, but who is eligible for reappointment and in respect of whom a notice in writing alongwith requisite fees pursuant to Section 257 of the Companies Act, 1956 has been received from a member proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company."
7. To consider and, if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:
"RESOLVED THAT Mr.N.H. Italia, who was appointed by the Board of Directors as an Additional Director of the Company w.e.f. 12.02.2002, pursuant to Article 117(a) of the Articles of Association of the Company, and who holds the office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956, but who is eligible for reappointment and in respect of whom a notice in writing alongwith requisite fees pursuant to Section 257 of the Companies Act, 1956 has been received from a member proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company."
8. To consider and, if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:
"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Articles of Association of the Company be and is hereby altered in the manner and to the extent set out below:
a) Articles 115 (a) & 115 (b) of the Articles of Association of the Company be deleted.
b) In Article 116 of the Articles of Association of the Company, the second sentence there of beginning with the words " Provided that " and ending with the words "..... as the case may be" be deleted.
c) In Article 128, the following new article shall be substituted:-
"128 Not less than two-thirds of the total number of Directors of the Company, shall be persons whose period of office is liable to determination by retirement of Directors by rotation under Article 129 hereof and shall be appointed by the Company in General Meeting. The Managing Director shall not be liable to retire by rotation."

Notes

1. The Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business set out under items 4 to 8 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND A PROXY NEED NOT BE A MEMBER, PROXY IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 04/05/2002 to 09/05/2002 (both days inclusive).
4. Members attending the Meeting are requested to bring the Admission Cards as well as their copy of the Annual Report.
5. Pursuant to Section 205A(5) of the Companies Act 1956, dividends upto the financial year ended 31st March 1995 which remained unpaid or unclaimed has been transferred to the General Revenue Account of the Central Government. Members who have valid claim to unclaimed dividend referred to above may claim the same from the Registrar of Companies, Maharashtra, 2nd Floor, Hakoba

Eternit Everest Ltd.

Compound, Bombay Colton Mills Estate, Dataram Lad Marg, Lalbaug, Kala Chowki, Mumbai 400 033. In case any assistance is required, please write to the Company Secretary.

6. Shareholders are hereby informed that after the amendment of the Companies Act 1956, w.e.f. 31.10.1998, the Company will be obliged to transfer any money lying in the Unpaid Dividend Account, which remains unpaid or unclaimed for a period of seven years from the date of such transfer to the Unpaid Dividend Account, to the credit of Investor Education and Protection Fund ("the Fund") established by the Central Government. In accordance with Section 205C of the Act, no claim shall lie against the Company or Fund in respect of Individual amounts of dividend remaining unclaimed or unpaid for a period of seven years from the dates they became first due for payment and no payment shall be made in respect of any such claims.
7. As per the provisions of the Companies Act, 1956, the facility for making nominations is now available to the shareholders in respect of the equity shares held by them. Nomination forms can be obtained from the Company's Registrars and Share Transfer Agents, viz. MCS Ltd., Sri Venkatesh Bhawan, 212-A, Shahpur Jat, Behind Panchsheel Club, New Delhi-110049.
8. Members wishing to seek further information or clarification on the Annual Accounts or operations of the Company at the Meeting are requested to send their queries at least a week in advance of the date of the Meeting addressed to the Company Secretary at the following address:

Eternit Everest Limited,
Ashok Bhawan, 6th & 7th Floors,
93, Nehru Place, New Delhi - 110 019

By Order of the Board
For ETERNIT EVEREST LIMITED

SURESH MENON
COMPANY SECRETARY

Mumbai, February 28, 2002

Registered Office:
Block 'D', Shivsagar Estate,
Dr. Annie Besant Road, Worli,
Mumbai-400018.

Explanatory Statement

The following Explanatory Statements in terms of Section 173(2) of the Companies Act, 1956 annexed to and forming part of the Notice convening the Sixty-ninth Annual General Meeting.

Item No.4

Mr.D.C. Shroff was re-inducted to the Board as an Additional Director at the Board Meeting held on 12th February, 2002. Mr.Shroff is a Solicitor and is also a Partner in the leading Law Firm M/s.Crawford Bayley & Co. His presence in the Board for the last 23 years have greatly helped the Company in various legal matters. The Directors requested that he be appointed as a Director of the Company.

Mr.D.C.Shroff is concerned or interested in the Resolution at Item 4.

Item No.5, 6 & 7

Mr.P.K. Sinor, Mr.A.K. Jain and Mr.N.H. Italia were appointed as Additional Directors of the Company at the Board Meeting held on 12th February, 2002. They are the Nominee Directors appointed by the Associated Cement Companies Ltd.

Mr.P.K. Sinor, Mr.A.K. Jain and Mr.N.H. Italia are concerned or interested in the Resolutions at Item 5, 6 & 7 respectively.

Item No. 8

The members of the Company are aware that your Company has become a Subsidiary Company of The Associated Cement Companies Limited (ACC) w.e.f. 12th February 2002. In view of the same, Articles nos. 115(a) & 115(b) relating to the Promoter Companies i.e. M/s Eteroutremier S.A. and ACC conferring them the right to nominate Director(s) on the Board and their appointment as non-retiring Directors are proposed to be deleted. Article nos. 116 & 128 are also amended accordingly. However, the Managing Director of the Company, if any, will continue to be a non-retiring Director.

None of the Directors except the Managing Director is interested in the resolution at Item 8.

Your Directors recommend the Resolution for approval.

Inspection of Documents

The Memorandum & Articles of Association of the Company are available for inspection of the Members at the Registered Office of the Company on any working day between 11.00 AM and 1.00 PM and shall also be accessible for inspection throughout continuance of the 69th Annual General Meeting.

By Order of the Board
For ETERNIT EVEREST LIMITED

Suresh Menon
Company Secretary

Mumbai, February 28, 2002

Registered Office:
Block 'D', Shivsagar Estate,
Dr. Annie Besant Road, Worli,
Mumbai-400018.

DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT IN FORTHCOMING ANNUAL GENERAL MEETING

Name of Director	Dr.N.K.Sengupta	Mr.D.C.Shroff	Mr.P.K. Sinor	Mr.A.K. Jain	Mr.N.H. Italia
Date of Birth	23.09.1934	08.08.1944	21.07.1939	25.12.1949	13.06.1946
Date of appointment	10.11.1994	12.02.2002	12.02.2002	12.02.2002	12.02.2002
Expertise in specific functional areas	Finance	Legal	Legal	Marketing	Finance
Qualifications	B.A. (Hons.) Ist Class, M.A. (Gold Medalist) Ph. D.	B.A.(Hons.), LLB	B.Com., FCS	B.Tech (Honors)	B. Com., ACA
List of Public Companies in which outside Directorship held as on 31st December, 2001	<ol style="list-style-type: none"> Infar, India C.A.R.E. Searchchem Ltd. BNK Capital Market. Nagarjuna Agrochem Inova Securities Ltd. Leela Hotels Ltd. 	<ol style="list-style-type: none"> Avi-Oil India Pvt.Ltd. Bayer (India) Ltd. Ceat Asset Management Ltd. Ciba Specialty Chemicals (India) Ltd. CMP Pvt. Ltd. Fulford (India) Ltd. Ingersoll-Rand (India) Ltd. Kulkarni Power Tools Ltd. Maersk Logistics India Pvt. Ltd. Orient Ceriane Ltd. Peregrine Capital India Pvt. Ltd. Siemens Ltd. SKF Bearings India Ltd. Swastik Surfactants Ltd. S&M Agencies Pvt. Ltd. S&M Logistics Pvt. Ltd. Sea-Land Holdings (India) Pvt. Ltd. Sterling Home Products Pvt. Ltd. UTV Software Communications Ltd. The Executive Council of Indo-American Chamber of Commerce. 	<ol style="list-style-type: none"> International Ferrites Ltd. Bulk Cement Corporation (India) Ltd. The Associated Cement Cos. Ltd. 	<ol style="list-style-type: none"> The Associated Cement Cos. Ltd. Bulk Cement Corporation (India) Ltd. The Cement Marketing Company of India Ltd. International Ferrites Ltd. 	<ol style="list-style-type: none"> ACC Nihon Castings Ltd. ACC Machinery Co. Ltd. Damodar Cement & Slag Ltd. Bulk Cement Corporation (I) Ltd. Bridgestone ACC India Ltd.
Chairman/Member of the Committees of the Board of Public Companies on which he/she is a Director as on 31st December, 2001.	N.A.	N.A.	N.A.	N.A.	N.A.
	<ol style="list-style-type: none"> Bayer (India) Ltd. - Audit Committee - Member. Ciba Specialty Chemicals (India) Ltd. - Audit Committee - Member. Ciba Specialty Chemicals (India) Ltd. - Shareholders' Investors' Grievance Committee - Member. Ingersoll-Rand (I) Ltd. - Audit Committee - Member. Ingersoll-Rand (I) Ltd. - Share Transfer cum Investors Grievance Committee - Chairman. Siemens Ltd. - Investors Grievance Committee - Chairman. Siemens Ltd. - Remuneration Committee - Member. SKF Bearings (I) Ltd. - Audit Committee - Chairman. SKF Bearings (I) Ltd. - Investors' Grievance Redressal/Share Transfer Committee - Member. UTV Software Communications Ltd. - Audit Committee - Member. (upto 20.2.02) 				

Eternit Everest Ltd.

DIRECTORS' REPORT

TO THE MEMBERS OF ETERNIT EVEREST LIMITED

Your Directors hereby present their Sixty-ninth Annual Report together with the Audited Accounts of the Company for the year ended 31st December 2001.

Financial Results

	Current Year (Rs. in lakhs)	Previous year (Rs. in lakhs)
Profit before Taxation	(314.22)	568.13
Deduct:		
Provision for Taxation		
– Current	–	62.00
– Deferred tax (written back)	96.74	–
Profit after Taxation	(217.48)	506.13
Add:		
Amount written back on account of income tax	–	91.20
Excess provisions for income tax written back (net)	–	154.24
Balance brought forward	1840.87	1270.75
Amount available for appropriation	1623.39	2022.32
Appropriation:		
Dividend	–	148.00
Tax on Dividend	–	33.45
Excess Provision for Tax on Dividend written back	18.35	–
Balance Carried to Balance Sheet	1641.74	1840.87

The Associated Cement Companies Ltd. (ACC) acquires Etex Group's stake

You may be already aware that the Associated Cement Companies Ltd. (ACC) has acquired the entire 50% stake of the Etex Group. Consequently, your Company has become a subsidiary of ACC which now holds 76.01% of the Equity Share Capital of your Company. This acquisition should be beneficial to your Company which will now be in a position to leverage ACC's strength as a leader in the cement industry.

Operations

The Year 2001 saw continued fierce price competition among the fibre cement manufacturers. This was compounded by further additions to production capacity, far above market growth. Your Company concentrated on conserving margins of asbestos cement roofing sheets through selective pricing and reducing outstandings in the market while simultaneously concentrating on promotion of higher margin asbestos free fibre cement Flat Boards. This resulted in a reduction in total sales volume by 14.5% over 2000 inspite of an impressive 51% growth in the Flat Boards business through application and distribution expansion. Your Company also continued with its efforts to reduce costs,

expenditure and overheads and to improve productivity through reduced rejects/breakages and higher yield. These efforts should help your Company in pursuing higher market share of asbestos cement roofing products in 2002.

The high value added asbestos free building boards – E-Board, E-Board Ply Plus and E-Board Classic positioned as superior substitute to reconstituted wood based products, particle boards, medium density fibre boards and ply wood continued to evoke encouraging response. Your Company has plans to consolidate the impressive growth in 2002. The asbestos free Corrugated Roofing Sheets also showed steady growth.

As reported last year, your Company continues to face unjustified demands from the Sales Tax authorities of Tamil Nadu who continue to treat stock transfers from the Podanur Works of the Company to its various depots in other states as "inter-state sales" and raised exorbitant demand for taxes and penalties. Your Company has already obtained stays on these demands from the Hon'ble Supreme Court of India for the years 1979-80, 1994-95, 1995-96, 1996-97, 1997-98 and 1998-99.

Dividend

In view of the operational loss during the year under review, your Directors regret their inability to recommend any Dividend.

Mulund Land

In last year's report, we had indicated that your Company was successful in obtaining an Arbitration Award in respect of the long pending disputes relating to your Company's land at Mulund with M/s. Lok Housing & Constructions Ltd. (Lok). In terms of the Arbitration Award, both Lok and your Company were required to comply with certain obligations. Your Company has already complied with all its obligations, but Lok has still to comply with their obligations. To protect its interest, your Company is taking requisite legal steps in order to enforce the Arbitration Award.

Labour Relations

The Industrial relations at all the Works of the Company remained cordial.

Health & Safety

Your Company's record on Safety & Health continued to be of the very high standards. Kymore Works and Podanur Works of your Company were certified under IS/ISO:14001.

Quality

During the year, your Company successfully achieved getting all its works certified for IS/ISO:9002. The Podanur Works of your Company has added another feather to its cap by successfully getting certified for IS/ISO:9001:2000.

Directors

During the year Dr. S. Ganguly, former Chairman of your Company resigned with effect from 30.07.2001. Your Board then appointed Mr. T.M.M. Nambiar as Chairman of the Company with effect from 30.07.2001. The Company places on record its deep appreciation of Dr. Ganguly for his stewardship as Chairman of the Company for 13 years.

Mr. P. Coens, Mr. Ray Hemstock, Mr. J. Jasienski and Mr. D.C. Shroff, Nominee Directors appointed by the Etex Group resigned from your Company's Board effective 12/2/2002. The Board of Directors has placed on record its warm appreciation of the valuable services rendered by these Directors during their tenure.

Mr. D.C. Shroff was re-inducted to the Board as Additional Director by your Board at their Meeting held on 12th February, 2002. In terms of Article 117(a) of the Articles of Association of the Company and also pursuant to section 260 of the Companies Act, 1956, Mr. D.C. Shroff holds office upto the forthcoming Annual General Meeting of the Company. The Company has received notice under section 257 of the Companies Act, 1956, from a member signifying his intention to propose Mr. D.C. Shroff for the office of Director.

Mr. P.K. Sinor, Mr. A.K. Jain and Mr. N.H. Italia were appointed as Additional Directors by your Board at their Meeting held on 12th February, 2002. In terms of Article 117(a) of the Articles of Association of the Company and also pursuant to section 260 of the

Starat Everest Ltd.

Companies Act, 1956, Mr.P.K. Sinor, Mr.A.K. Jain and Mr.N.H.Italia hold office upto the forthcoming Annual General Meeting of the Company. The Company has received notices under section 257 of the Companies Act, 1956, from members signifying their intentions to propose Mr.P.K.Sinor, Mr.A.K.Jain and Mr.N.H.Italia for the offices of Director.

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Dr. N. K. Sengupta retire by rotation and is eligible for re-appointment.

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

The information required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 with respect to conservation of energy, technology absorption and foreign exchange earnings/outgo is appended hereto and forms part of this Report.

Particulars of Employees

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

Director's Responsibility Statement

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of section 217 (2AA) of the Companies Act, 1956 :

- 1) that in the preparation of the Annual Accounts for the year ended December 31, 2001, the applicable accounting standards have been followed alongwith proper explanation relating to material departures, if any
- 2) that such accounting policies as mentioned in Note 1(1) of the Notes to the

Accounts have been selected and applied consistently and judgements and estimates that are reasonable and prudent made so as to give a true and fair view of the state of the affairs of the Company at the end of the financial year ended December 31, 2001, and of the loss of the Company for that year.

3) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

4) that the annual accounts for the year ended December 31, 2001, have been prepared on a going concern basis.

Corporate Governance

A separate report on the practices followed by the Company on Corporate Governance along with Auditor's certificate on its compliance is annexed and forms part of this Report.

Auditors

M/s.B.S.R & Co. Chartered Accountants, have expressed their inability to continue as Statutory Auditors of the Company after the conclusion of the ensuing Annual General Meeting and are not seeking re-election. Your Board has received a letter from M/s Deloitte, Haskins & Sells, Chartered Accountants expressing their willingness to get appointed as Statutory Auditors from the conclusion of the ensuing Annual General Meeting up to the conclusion of the next Annual General Meeting. Further, they have also submitted a certificate under Section 224 (1B) of the Companies Act 1956 confirming their eligibility for appointment. The Shareholders are requested to appoint Auditors for the current year on a remuneration to be fixed by the Board of Directors as per item 3 of the Notice.

Acknowledgement

The Board places on record its gratitude to the Company's valued customers, financial institutions, banks and the shareholders for their continued support, confidence and faith in the Company.

The Board wishes to place on record its sincere appreciation of the total commitment, dedication and wholehearted efforts put in by the

employees of the Company at all levels, during the year which was very difficult in terms of changed business strategy and shareholding of your Company.

**On behalf of the
Board of Directors**

T.M.M.Nambiar
Chairman

A. K. Batra
Managing Director

Mumbai

28th February 2002

ANNEXURE REFERRED TO IN THE DIRECTORS' REPORT ON THE ACCOUNTS FOR THE PERIOD ENDED 31ST DECEMBER, 2001.

Conservation of Energy

During the year, due to process optimization, electric energy / MT was brought down considerably resulting in a saving of over 11.00 lakh KWH in year 2001.

Expenditure on R&D	Rs. in lakhs
(a) Capital	Nil
(b) Recurring	34.94
(c) Total	<u>34.94</u>
(d) Total R&D expenditure as percentage of turnover	0.26%

Technology Absorption, Adaptation and Innovations

Manufacture of new generation products viz. E-Board Ply Plus and E-Board Classic of varying thickness was fully stabilised at Lakhmapur Works and rejects substantially reduced. The technology from earlier promoter's Etex Group, has been fully absorbed in the manufacture of asbestos free fibre cement boards.

Due to continued efforts by your Company's R&D team, a higher percentage of waste cement bags are now substituted in place of pulp in non asbestos products.

Your Company shall continue to be assisted by REDCO (an affiliate of Etex Group) in accordance with the Technical Assistance Agreement entered into between REDCO and your Company.

Foreign Exchange Earnings/Outgo

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

Eternit Everest Ltd.**CORPORATE GOVERNANCE REPORT****EEL'S PHILOSOPHY ON CODE OF GOVERNANCE**

EEL believes in professional management of its business where the freedom of management is exercised within a well defined framework which ensures that the decision making powers vested in the executive management are used to meet stakeholders aspirations and social expectations. A framework that ensures total transparency and complete accountability through adequate checks and balances.

EEL is fully committed to its responsibility to the society at large by adopting environment friendly processes to produce and sell products that conform to the highest standards of quality.

COMPOSITION OF BOARD

1. The Board consists of 7 Directors out of whom one is Executive Director (14.3 %) and others (85.7%) are Non-Executive Directors, including the Chairman. The positions of Chairman and Managing Director are held by different persons.
2. In the Financial Year 2001, the Board met 6 times (on 18.1.2001, 28.2.2001, 28.4.2001, 22.05.2001, 30.7.2001 and 31.10.2001) with clearly defined agenda, circulated well in advance before each meeting.
3. Attendance record of the participating Directors as at 31.12.2001 are as follows :

Name of Director	No. of Board Meeting attended	Attendance at previous AGM on 20.06.2001	No. of outside Directorship held	No. of membership/ chairmanship in other Board Committees	Executive/Non Executive/ Independent
Mr. T.M.M.Nambiar*	6	Present	9	1 as Member	Non Executive
Dr. S.Ganguly* (upto 30.7.01)	4	Present	9	Nil	Non Executive
Mr. A. K. Batra	6	Present	Nil	Nil	Executive
Mr. Ray Hemstock*	3	Present	9	Nil	Non Executive
Mr. P.Coens*	1	Not Present	15	Nil	Non Executive
Mr. J. Jasienski*	0	Not Present	Nil	Nil	Non Executive
Dr. N.K.Sengupta	1	Not Present	7	Nil	Non Executive & Independent
Mr. D.C.Shroff *#	5	Present	20	10, 3 as Chairman	Non Executive

* Directors nominated by Promoters.

Non-Executive & Independent Director w.e.f. 12.02.2002.

4. Non Executive Directors are eligible to the commission determined by the Board, which is within the limit of 1% of the net profits for the financial year. During the financial year 2001, no commission was paid to Non Executive Directors.
5. All the Non Executive Directors hold Directorships within the limit of 20 as prescribed under the Companies Act, 1956. They are also holding membership/ chairmanship in Committees of various Companies within the limits stipulated under the Clause 49 of the Listing Agreement.
6. The Statutory Registers that are required to be kept under various enactments are properly maintained and continuously updated.
7. The Company has the following three committees of the Board:

SHARE TRANSFER COMMITTEE

- a) Share Transfer/Investors Grievance Committee of the Board consists of Dr. S. Ganguly (upto 30/7/2001), Mr. T. M. M. Nambiar (from 30/7/2001), Dr. N. K. Sengupta, Non Executive Directors and Mr. A. K. Batra, Managing Director. Dr. S. Ganguly, a Non Executive Director was the Chairman of the Committee (upto 30/7/2001) and currently Mr. T. M. M. Nambiar is the Chairman. The Committee is responsible for approving the transfer, transmission of shares, issuance of duplicate share certificates etc. The Committee approved transfers' etc. 23 times in the year 2001 and there are no pending shares to be transferred. During the year January – December, 2001, the Company received 254 complaints from shareholders & investors. All the complaints have been resolved to the satisfaction of the complainants except for disputed cases and sub-judice matters, which would be solved on final disposal by the courts.

BANKING FACILITY COMMITTEE

- b) Banking Facility Committee of the Board consists of Dr. S. Ganguly (upto 30/7/2001), Mr. T. M. M. Nambiar (from 30/7/2001), Dr. N. K.Sengupta, Non Executive Directors and Mr. A. K. Batra, Managing Director. The Committee is responsible for reviewing any borrowings from the Company's bankers, from time to time, by way of Cash Credit including Commercial Paper (C. P.) and other facilities, availing of other non-fund based facilities from the Company's bankers, to secure these borrowings by way of hypothecation of such of the Company's movable assets as may be agreed to between the Committee and the Banks.

AUDIT COMMITTEE

- c) Audit Committee was initially formed under the Chairmanship of Dr. S. Ganguly. Mr. Ray Hemstock and Dr. N. K. Sengupta were the other members. Dr.S.Ganguly and Mr. Ray Hemstock resigned from the Board and as well as from the Committee

w.e.f. 30.7.2001 and 12.02.2002 respectively. Audit Committee of the Board now consists of Dr. N. K. Sengupta, Mr. N. H. Italia and Mr. D. C. Shroff all being Non-Executive Directors of which Mr. N. H. Italia (a Non-Independent Director), has Financial & Accounting knowledge, Mr. D. C. Shroff being the Chairman of the Audit Committee. Mr. Suresh Menon, Company Secretary is the Secretary to the Committee. The Audit Committee is responsible for the areas specified by clause 49 of the Listing Agreement & section 292-A of the Companies Act, 1956, besides other roles as may be referred by the Board of Directors. There has been only one Audit Committee meeting during the financial year ended 31st December 2001 and one for the review of Audited Financial Results after the year end held in February 2002.

8. REMUNERATION COMMITTEE

Matters of remuneration of Managing Director are considered by the Board of Directors of the Company, with the interested Managing Director, not participating or voting. The terms of remuneration of Managing Director are approved by the shareholders at the General Body Meeting and subsequently approved by the Central Government. Therefore, no separate remuneration committee has been constituted.

The remuneration policy of the Company is based on the need to attract the best available talent and be in line with industry levels.

9. REMUNERATION OF DIRECTORS FOR 2001

(Rupees in '000)

Name of the Director	Sitting Fee	Out pocket expenses	Salaries and Perquisites	Commission	Total
Mr. T.M.M. Nambiar	Nil	6	Nil	Nil	6
Dr. S. Ganguly (upto 30/7/01)	Nil	4	Nil	Nil	4
Mr. A.K.Batra*	Nil	Nil	3899	-	3899
Mr. P. Coens	Nil	1	Nil	Nil	1
Mr. Ray Hemstock	Nil	3	Nil	Nil	3
Mr. D.C.Shroff	Nil	5	Nil	Nil	5
Dr.N.K.Sengupta	Nil	1	Nil	Nil	1
Mr.J. Jasienski	Nil	Nil	Nil	Nil	Nil

* Mr.A.K.Batra was appointed as Managing Director for a period of 3 years w.e.f. 09.06.2000.

Commission is subject to adequate profits being earned. Performance criteria for the Executive Directors takes into account the business plans and market conditions. The Company does not have any stock option scheme. No commission was paid to any Director during the year 2001.

10. GENERAL BODY MEETINGS (held in last 3 years)

Year	Venue	Date	Time
2001	Indian Merchants Chamber Conference Hall (Walchand Hirachand Hall), 76, Veer Nariman Road, Near Churchgate Station, Mumbai 400 020	20.06.2001	11.30 a.m.
2000	Indian Merchants Chamber Conference Hall (Walchand Hirachand Hall), 76, Veer Nariman Road, Near Churchgate Station, Mumbai 400 020	09.06.2000	11.30 a.m.
1999	Indian Merchants Chamber Conference Hall (Walchand Hirachand Hall), 76, Veer Nariman Road, Near Churchgate Station, Mumbai 400 020	15.06.1999	11.30 a.m.

There was no other General Body Meeting in the last three years and no resolution was put through postal ballot.

11. DISCLOSURES

During 2001, there has been no materially significant transaction entered by the Company with any party, which is considered to have potential conflict with the interests of the Company at large.

There has not been any non-compliance, penalties or strictures imposed on the Company by the Stock Exchanges, SEBI or any other statutory authority, on any matter relating to the capital markets, during the last three years.

12. MEANS OF COMMUNICATION

The Quarterly, Half Yearly and Annual Results are generally published by the Company in Newspapers, Business Standard, New Delhi/Mumbai and Saakal (Marathi), Mumbai. Only annual reports are mailed directly to the shareholders. Official news releases are sent to the Stock Exchange, Mumbai and National Stock Exchange of India Ltd. at Mumbai, where the shares of the Company are listed. During the year 2001, no presentations were made to analysts or institutional investors.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A. INDUSTRY STRUCTURE AND DEVELOPMENT

Asbestos Cement Roofing Industry was pioneered in India by Eternit Everest Limited in 1934 by establishing its plant at Kymore,