



Everest Industries Limited

77TH ANNUAL REPORT 2009-10



CONTENTS

Management Discussion and Analysis	2-13
Notice	14-19
Directors' Report	20-21
Annexures to Directors' Report	22-27
Corporate Governance Report	28-35
Auditors' Certificate on Corporate Governance	36
Auditors' Report	37-39
Balance Sheet	40
Profit & Loss Account	41
Cash Flow Statement	42
Schedules to Accounts	43-59
Balance Sheet Abstract and Company's General Business Profile	60
Statement under Section 212	61
Accounts-Subsidiary Company	62-69
Consolidated Financial Statements	70-90

BOARD OF DIRECTORS

A. V. Somani	Chairman
M. L. Gupta	Managing Director
Mohanlal Bhandari	Director
Sandeep Junnarkar	Director
M. L. Narula	Director
Amitabh Das Mundhra	Director
Manish Sanghi	COO and Director
Y. Srinivasa Rao	Executive Director (Operations)

COMPANY SECRETARY

Neeraj Kohli

AUDITORS

M/s Deloitte Haskins & Sells,
Chartered Accountants, Gurgaon

BANKERS

State Bank of India
State Bank of Patiala
ICICI Bank Limited
Axis Bank Limited
HDFC Bank Limited

REGISTERED OFFICE

Gat No. 152 Lakhmapur Taluka Dindori
Nashik - 422 202 Maharashtra

HEAD OFFICE

Genesis A-32 Mohan Co-operative Industrial Estate Mathura Road New Delhi - 110 044

SHARE TRANSFER AGENTS

MCS Limited F-65 Okhla Industrial Area Phase - I New Delhi - 110 020

MANAGEMENT DISCUSSION AND ANALYSIS

India has shown economic stability and strength during the global financial crisis last year. India's GDP growth in 2009-10 was 7.2% compared to 6.7% in the previous year.

Everest Industries Ltd. operates in the infrastructure and construction sector. These are fundamental to economic development and normally grow at twice the rate of GDP.

Your Company is a building solutions company. We provide ready-to-use building products and pre-engineered buildings. All our products are eco-friendly and enable construction with strength, speed and safety. This year, we have seen an overall growth of 23%.

Percentage growth rates*

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
GDP	9.5	9.7	9.2	6.7	7.2
Infrastructure Investment	18	19	20	19	21
Everest Industries Ltd.	8.6	11.2	5.6	24.5	11.6

The Government is committed to inclusive growth and has increased expenditure on rural and infrastructure development. It has also focused on

agriculture and education. Your Company operates in all these sectors. Programs like National Rural Employment Guarantee Scheme, Indira Awas Yojana and Sarva Siksha Abhiyan are rapidly expanding the demand for our building products. The thrust on developing backward areas has led to an increase in construction of schools, hospitals and housing. Your Company has focused on expanding its existing network to meet this demand. Your Company serves 100,000 villages across 600 cities through 31 sales offices and 6,000 retail counters.

After a temporary slowdown in new industrial activity during FY 2008-09, new project announcements in India gathered momentum during the second half of FY 2009-10. Now more companies prefer pre-engineered buildings and ready-to-use building products for faster construction and efficient project management. Manufacturing industries like automobile, power, textiles, engineering goods and services like logistics, warehousing and infrastructure are large users of PEBs and their rapid growth has a positive impact on Everest.

* Source: GDP and Economic Survey 2009-10
Infrastructure investment-Planning Commission Document, March 2010

Financial Results

Your company's Net Sales/ Income from Operations increased to Rs. 652.53 crores from Rs. 529.45 crores in FY 08-09, a growth of 23%. This growth was a result of volume growth of 10.7% in Building Products division and 47.8% in the Steel Buildings division. In value terms the two divisions grew by 20.5% and 36.7% respectively. Operating profits rose from Rs. 53.73 crores (10.1% of sales) to Rs. 70.03 crores (10.7% of Sales). PAT for the year is Rs 30.01 crores, a 107% increase from last year. The return on average net worth increased to 25.7 % from 13.7 % in the previous year.

Financial Performance

Strong cash flows during the year resulted in savings in interest cost from Rs. 16.48 crores in the previous year to Rs. 9.95 crores in the current year.

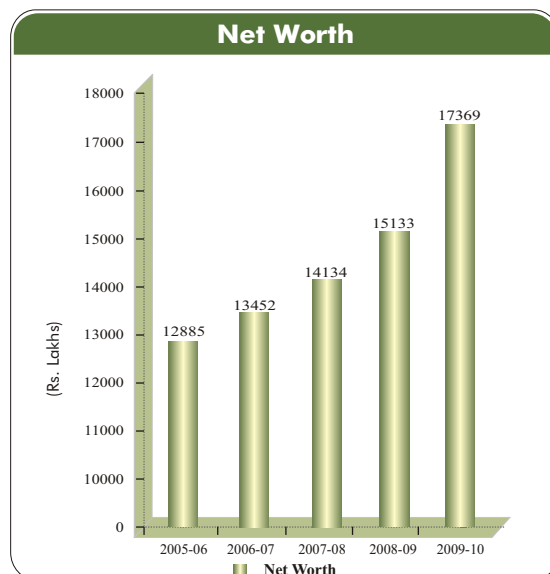
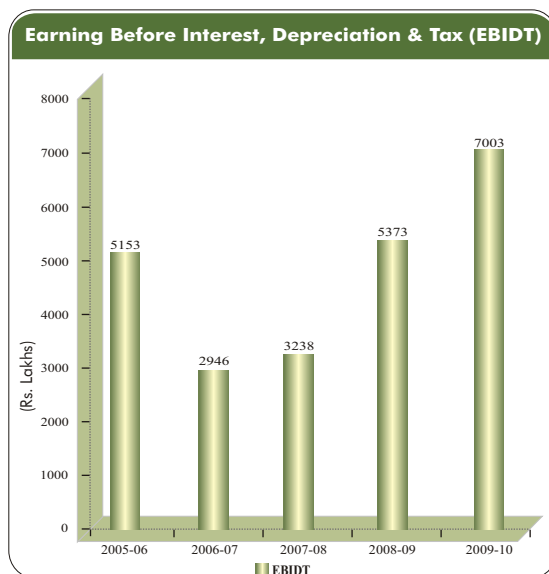
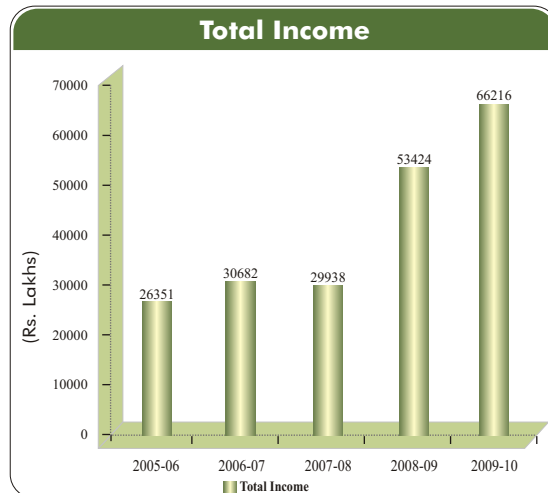
Raw material cost (including changes in inventory) was Rs. 357.97 crores (54.8% of sales) from Rs. 272.36 crores (51.4% of sales).

The Balance Sheet of Everest Industries Ltd continues to strengthen. Net worth of the Company stood at Rs. 173.69 crores as at March 31, 2010 as compared with Rs. 151.33 crores a year before, a growth of 14.7% during the year. Company's borrowings reduced from 184.63 crores a year ago to Rs. 119.89 crores this year. The debt equity ratio as on 31 March 2010 stood at 0.69 as compared to 1.22 on 31 March 2009.

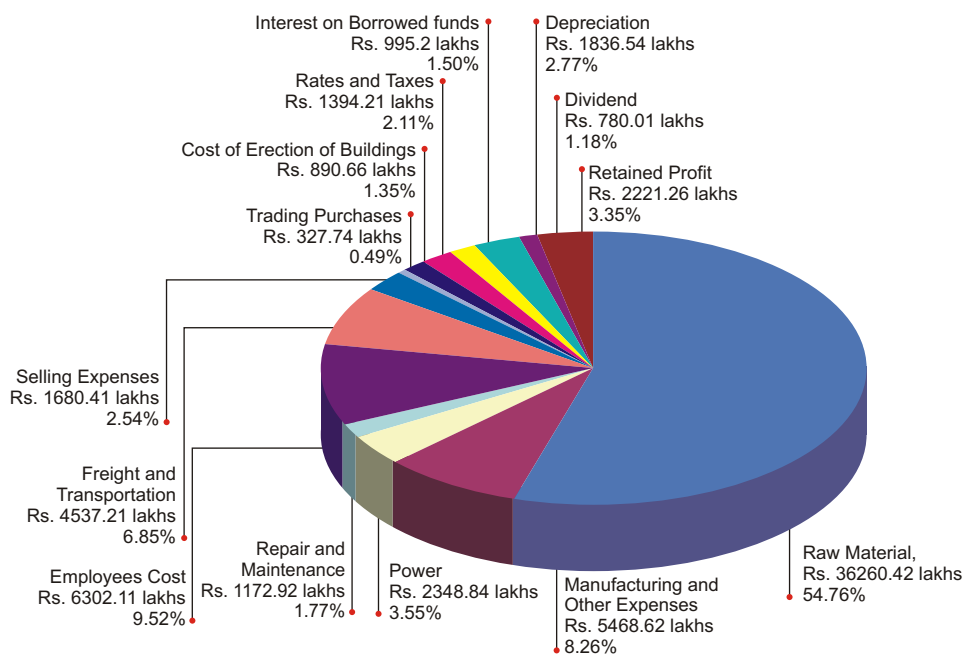
Key features of the Company's financial and operational performance

	Amount (Rs. in Lacs)		
	2009-10	2008-09	Change over Previous Year
Net Sales / Income from operations	65,253	52,945	23.2%
Other Operating Income	963	479	101%
Total Income	66,216	53,424	23.9%
Expenditure			
Materials (including change in stock)	35,797	27,236	31.4%
Other expenses	23,416	20,815	12.5%
Total expenditure	59,213	48,051	23.2%
Profit from operations before depreciation & interest	7,003	5,373	30.3%
(Percentage to sales)	10.7%	10.1%	
Depreciation	1,837	1,714	7.2%
Interest	995	1,648	-39.6%
Profit from Ordinary Activities before tax	4,171	2,011	107.4%
(Percentage to sales)	6.4%	3.8%	
Tax Expense (including Deferred tax net of MAT credit)	1,170	566	106.6%
Net Profit from Ordinary Activities after tax	3,001	1,445	107.7%
(Percentage to sales)	4.6%	2.7%	

Performance at a glance



How each rupee earned has been spent during 2009-10



BUILDING PRODUCTS DIVISION

The demand for Everest Building products is very strong in rural, commercial and industrial sectors. This division now has a wide variety of Everest products which reach out to architects, interior designers, contractors, roofers and masons across the country.

Roofing

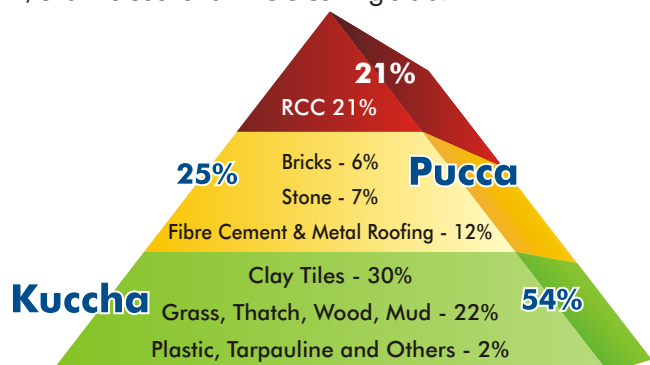
Rural prosperity and liquidity give long term strength to the roofing market. There are estimated 25 crore houses in India. Of these, 46% are considered to be homes with pucca roofs. The rest 54% homes are made of thatch (temporary kuccha roofing) and clay tiles. Usage of clay tiles is shrinking due to non-availability of raw material.



AC Roofing

Amongst pucca houses, less than half are made with RCC slabs. The rest are made with ready-to-use roofing products which include Fibre Cement Roofing and metal roofing. Some roofs are also made using bricks and stone.

A kuccha roof home owner has aspirations and seeks security. He is more likely to graduate to a Fibre Cement Roof rather than a RCC slab. The cost of a pucca roof using Fibre Cement Roofing is 1/3rd the cost of an RCC ceiling slab.



* Source Census 2001

The market for Fibre Cement Roofing today is estimated to be Rs. 3,250 crores and for metal roofing Rs. 3,500 crores and India's demand for housing and infrastructure continues to grow unabated. This validates the market potential for our roofing products. Everest has been a pioneer in this segment with 76 years of experience in the roofing business.



Hi-Tech Roofing

Boards and Panels

The concept of environment-friendly construction is gaining importance. Increasing concern for preserving natural resources and forests augurs well for Green Building concepts and our industry. Trade acceptance for cement boards, as a substitute for plywood is growing. Increasingly, Everest Fibre Cement Boards and panels are being specified by architects, interior decorators and contractors. Our products provide high resistance to fire, termites and moisture. Everest offers a variety of products which include solutions for ceilings, walls, external cladding, flooring and internal walls.

The Boards industry is large and fragmented. Boards made of different material such as wood, plywood, gypsum, calcium silicate and fibre cement have been introduced in the market within the last decade. Current industry size for wood based products is Rs. 4200 crores. Fibre Cement Boards (Rs. 200 crore), Gypsum boards (Rs. 500 crore) and Calcium Silicate (Rs. 50 crore) are new product variants which meet specific customer requirements at similar price points.



Ceilings

The application of these products is very high in developed nations, and are particularly used in large construction projects. Fibre Cement Boards are eco-friendly and enhance LEED ratings in projects. Usage in India is yet at a nascent stage but growing rapidly. As the use of wood and wood-based products reduces, an increase in usage of these new-age modern boards is being seen across many construction projects.

Our Fibre Cement Boards provide higher safety from fire and termites and enable longer lasting aesthetic finishes by preventing the attack of moisture. Everest boards are well accepted in the retail market and the division has seen a strong growth in retail counters this year.

Operations

The fibre cement industry in India has a capacity of 4.88 million MT. There are 17 players and Everest has a 14% market share evenly spread across the nation. Everest roofing sheets are produced at 5 locations – Bhagwanpur Works at Roorkee, Uttarakhand (North), Lakhmapur Works at Nashik, Maharashtra (West), Kymore Works at Katni, Madhya Pradesh (Central), Calcutta Works at Kolkata, West Bengal (East) and Podanur Works at Coimbatore, Tamil Nadu (South).

Everest Fibre Cement Boards are produced at Lakhmapur Works at Nashik, Maharashtra (West), and Bhagwanpur Works at Roorkee, Uttarakhand (North). There are four major players in the Fibre Cement Boards industry where Everest is a major player. Our installed capacity for Boards and Panels

is 1,36,000 MT and markets are expanding. This year saw a growth of 9% in volumes over the last year.

The combined capacity of our fibre cement product plants is 7.10 lac MT. During the year, our production volume for roofing sheets increased to 504,000 MT from 455,000 MT in 2008-9, an increase of 10%.

Cost of goods sold increased by 20% on account of increase in cement prices (15%-25% at our plant locations), fibre prices (10%) and freight rates (8%). The increase in raw material cost was primarily on account of changes in product mix and input costs. Manpower cost during the year was Rs. 63.02 crores (9.6% of sales) as compared to Rs. 56.30 crores (10.6% of sales) in the previous year. Another major item of cost, i.e. freight was Rs. 45.37 crores (6.9% of



Roofing Sheet manufacturing plant

sales) as compared with Rs. 38.50 crores (7.3% of sales) in the previous year.

All plants undertook a drive to upgrade processes to increase raw material yields and reduce on-line rejections. This has led to an increase in the availability of our products and quality in the market. Constant training for the workers resulted in, two of our plants increasing production volumes by 25% and one plant achieving production increase of 13%. The benefits of these process improvements will be sustained in the long run.

Overall, the Building Products division grew by 21% in Sales revenue and 54% in profit (EBIT) over the last year (mainly due to cost reduction and productivity improvement carried out during the year.)

Opportunities, Risks, Threats and Concerns

Markets continue to expand. Increased liquidity in rural India and Government's thrust on housing and construction are increasing the demand for all ready-to-use building products. Backward regions of the country are seeing an increase in industrialization and infrastructure development. Reaching these potential markets and converting users to adopt modern construction techniques provides unlimited opportunities for our company in the coming years. The industry expects to maintain a top line growth of 7% with stable margins.

The main raw materials for our fibre cement products are cement, pulp, fly ash and imported fibres. An upward trend in cement prices and international fibre prices increased our total cost of raw-material by 15% during the year.

Raw material forms 70% of the cost of goods sold. Everest has long standing relationships with cement manufacturers. Chrysotile fibre is imported from CIS countries, Brazil and Canada and witnessed a 10% increase in prices globally. The price for pulp has also seen an increase of 37%.

Accordingly, prices of Roofing products increased this year by 12.8% over last year and margins were maintained. Everest also manufactures Hi-Tech Roofing sheets. These are made by substituting chrysotile fibre with imported synthetic fibre. The demand for Everest Hi-Tech sheets is growing, especially in pharmaceutical and export oriented units. The product requires special handling and erection techniques. Our technical teams undertake regular training of contractors to familiarize them with the new product.



Floors



Claddings

To offer a large variety of roofing options to our consumers, our product portfolio includes polycarbonate sheets, coloured and bare galvanized metal roofing in various profiles and roof accessories. This has enabled our Sales teams to offer a wider range of roofing solutions to serve even complex customer requirements. Growth in these products is dependent on new industrial projects and expansions. We expect them to gather momentum in the coming years.

Foreign exchange volatility impacts the cost price of our imported fibre. Last year saw a strengthening of INR vis-a-vis USD which reduced our import cost. Everest exported goods worth Rs. 38.75 crores last year and we undertake simple currency hedging to prevent reduction in margins on exports.

There are many misconceptions about one of our raw materials, asbestos. We use white asbestos (Chrysotile) fibre bound in a cement matrix in the manufacturing of AC roofing. Chrysotile is a naturally occurring mineral, mined and imported in shrink-wrapped pallets from developed and environmentally conscious countries like Canada, Russia and Brazil. In our manufacturing process, fibre is used in controlled environment. Fibre emission is fully controlled and fibre dust concentration at our production facilities is better than prescribed international norms. We have systems to ensure zero discharge of industrial effluent. Regular health check-ups for all workmen confirm the absence of any asbestos-related disease over decades of service. Everest ensures the highest level of safety for our workmen and the community.

Living and working under an Everest roof, which contains chrysotile asbestos, is safe. Fibre Cement Roofing continues to be the most economical and affordable form of pucca roofing in India and in other developing nations.

STEEL BUILDINGS DIVISION

In 2 years, Everest Steel Buildings has undertaken 350 projects and is now established amongst architects, structural consultants, project divisions of companies and leading contractors operating in industrial and logistics sectors. The division offers Pre-Engineered Steel Buildings, Smart Steel Buildings, Metal Cladding, Roofing and Accessories for industrial sheds, commercial establishments and logistics parks in 23 states of India. Two Everest projects completed this year were nominated at the Essar Steel Infrastructure Excellence Awards 2010.



Two of our prestigious PEB Projects were nominated for the 'Essar Steel Infrastructure Excellence Awards 2010'

In India, at present, only 27% of all industrial and institutional buildings use pre-engineered buildings, while in the United states, more than 70% of all construction in industrial and institutional segments is done using pre-engineered buildings.

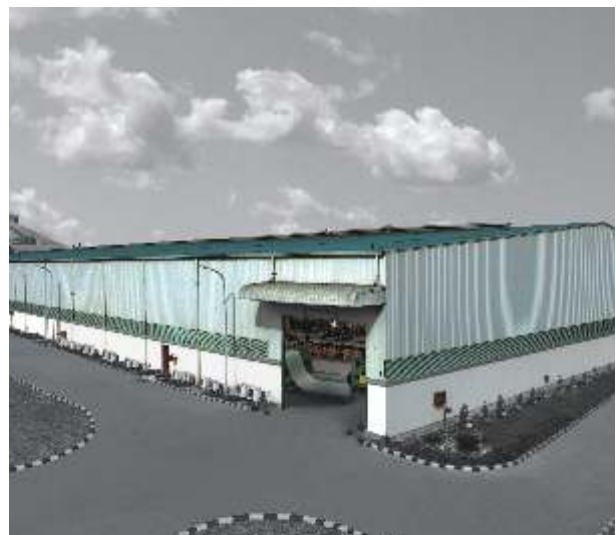
Pre-engineered buildings are custom-designed and factory-built. They can be erected in half the time with minimal on-site work. This reduces the uncertainty in project schedules and accelerates project completion by almost 6 months.

Low maintenance costs, versatile use and ease of expansion are reasons why this is the preferred construction method in most developed nations for decades. The average world per capita steel consumption is 150 kg. India's steel consumption is only 38 kg per capita, one of the lowest amongst developing nations.

The market today for PEB's in India is estimated at Rs. 3000 crores with a 35% growth rate. Architects, structural consultants and project departments are now increasingly using Pre Engineered Buildings for their projects.

Operations

There are ten organized PEB manufacturers in India of which the Top 5 make 80% of the market. Demand has grown by 35% and is expected to accelerate in the coming years. The current industry capacity is 1.5 million MT which has rapidly expanded from 1 million MT in 2009 by anticipating the growing demand.



Pre-Engineered Buildings

Everest's market share in the PEB market is 5%. The division supplied 18,000 MT of steel buildings and components this year and achieved a turnover of Rs. 125 crores, an increase of 36.7% from last year.

* Source: India Brand Equity Fund of CII