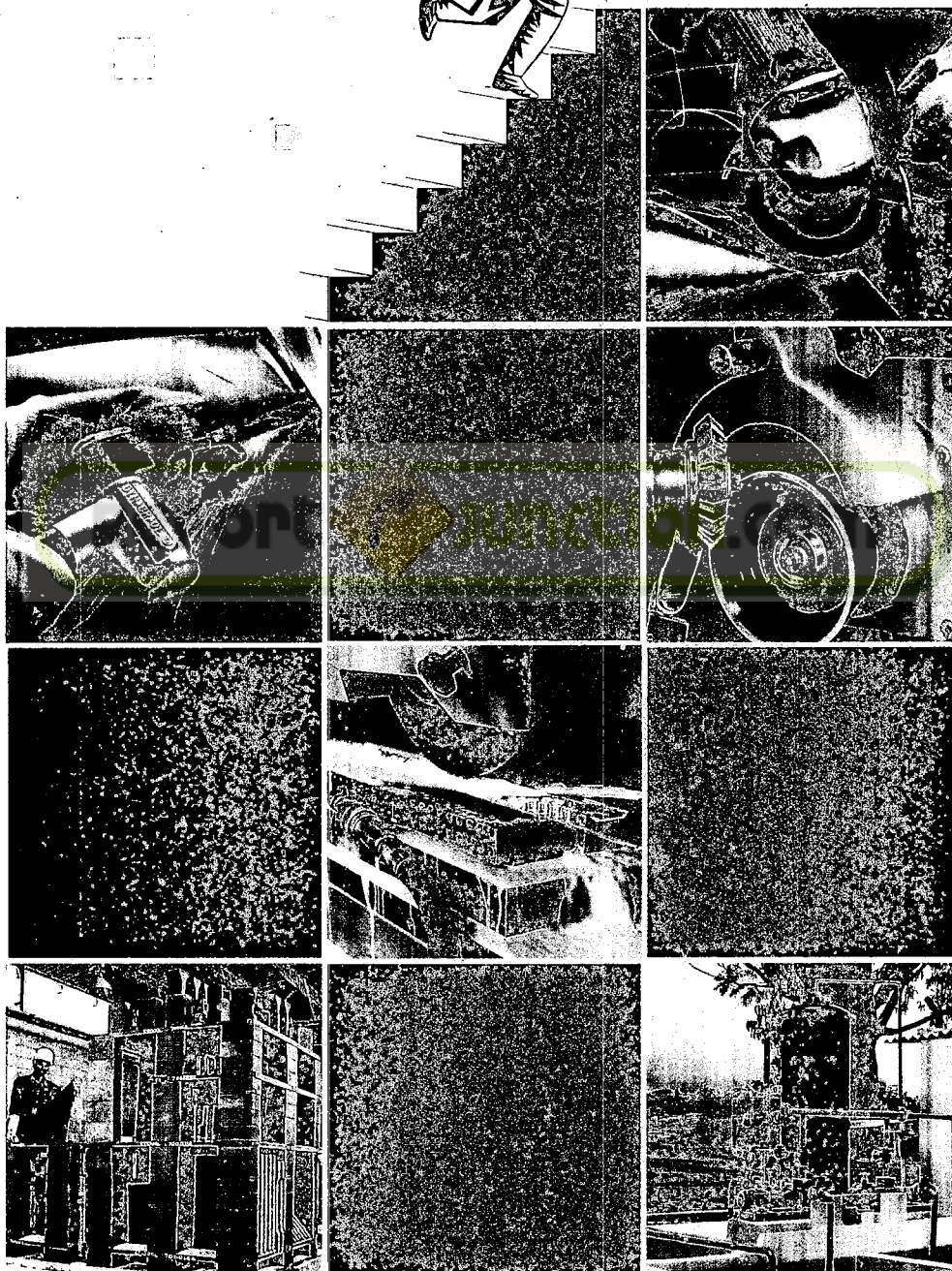


NORTON *GRINDWELL NORTON LTD.*

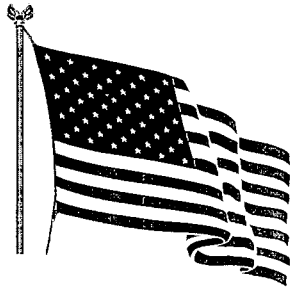
ANNUAL
REPORT
1996-97



MD	✓		3WC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		GC	✓
AGM	✓	✓	SHE	✓
YE	✓	✓		



SAINT-GOBAIN ABRASIVES BRANCH



NORTON

THE GLOBAL GIANT

Saint-Gobain formed its Abrasives Branch after acquiring Norton Company, the World's largest manufacturer of abrasives, in 1990.

ABRASIVES: SHAPING LIFE AS YOU KNOW IT.

If Norton hadn't come up with grinding wheels way back in 1873, the world wouldn't be the way it is today.

No exaggeration. From the parts of the car you drive, to the newsprint on which your daily newspaper is printed, and even fashionable stone-washed jeans, abrasives are vital for processing every man-made object on earth.

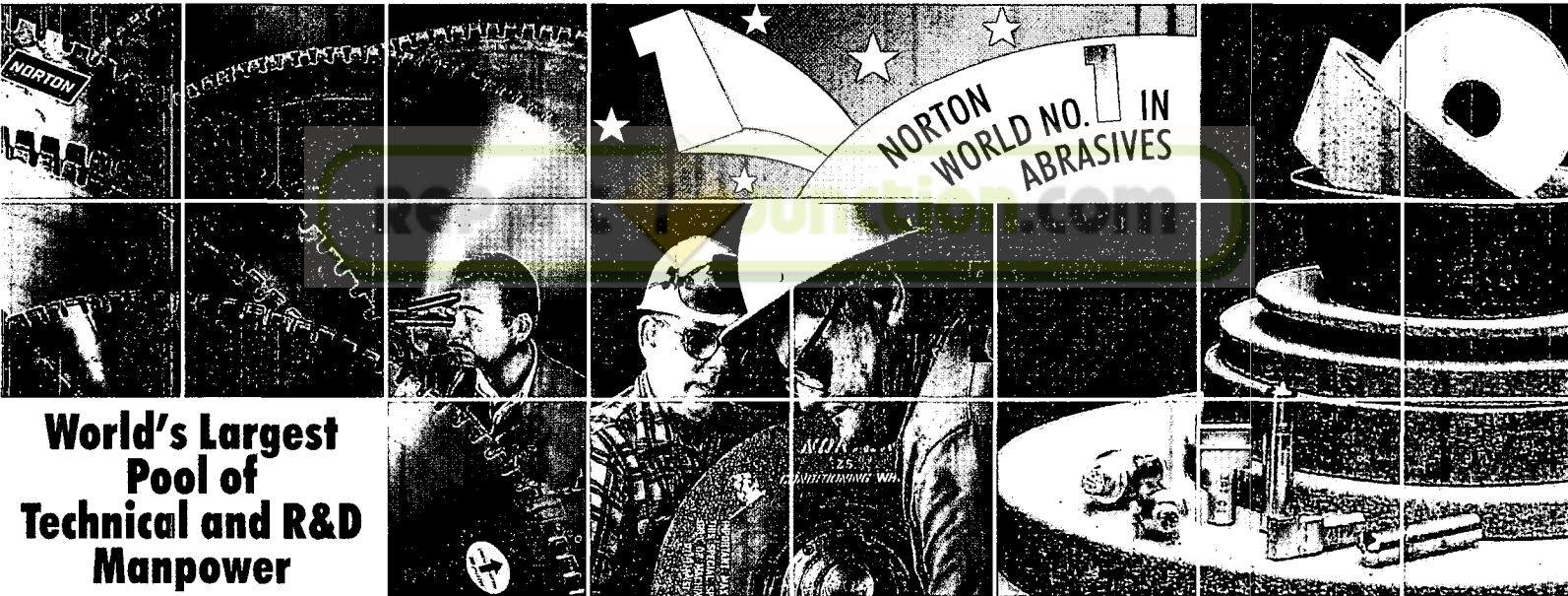
And beyond it too, Such as parts for aircraft, satellites and space shuttles.



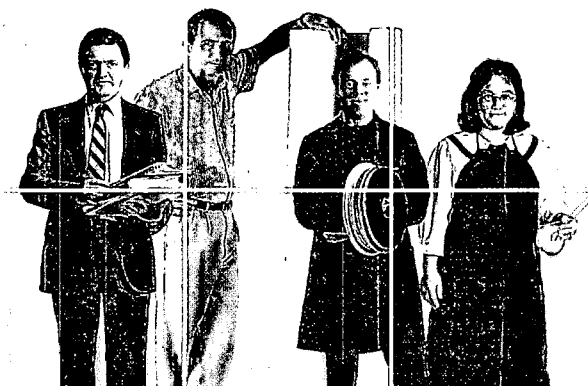
Worldwide expenditure on R&D more than

30 Million US \$

TURN OVER
US \$ 16000
MILLION



World's Largest Pool of Technical and R&D Manpower



13000 EMPLOYEES
IN 28 COUNTRIES



Almost every advancement in Abrasives Technology has originated from Norton



80 PLANTS
ACROSS THE WORLD

**Directors**

Mr. R. GOUTTE
(Chairman)
Mr. A. C. CHAKRABORTTI
(Vice-Chairman)
Mr. R. K. BILIMORIA
Mr. P. A. de CHALENDAR
Mr. G. F. MICHEL
Mr. H. C. PATEL
Mr. N. D. SIDHVA
Mr. P. TRACOL
Mr. M. E. WEBB
Mrs. D. S. VARIAYA (Alternate
Director to Mr. M.E.Webb)
Mr. A. Y. MAHAJAN
(Managing Director)

Director Emeritus

Mrs. T. P. SIDHWA

Senior Management Team

Mr. P. K. Bapat
(Bonded Abrasives)
Mr. M. C. Joy Kutty
(Engineered Materials)
Mr. P. Natarajan
(Coated, Non-Woven &
Super Abrasives)
Mr. J. A. J. Pereira
(Finance & HRD)
Mr. B. Santhanam
(Marketing)

Bankers

Central Bank of India
Bank of Baroda
Canara Bank
Corporation Bank
State Bank of India
State Bank of Travancore

Auditors

S. R. Batliboi & Associates
Chartered Accountants

Solicitors

A. H. Parpia & Co.

Registrars & Transfer Agents

Tata Share Registry Ltd.

- i) Army & Navy Building,
Ground Floor, 148, M.G. Road,
Mumbai 400 001.
Tel: 2873831
- ii) Shalaka, 1st Floor,
Maharshi Karve Road,
Mumbai 400 021.
Tel. 2850886

Registered Office

Army & Navy Building,
148, M. G. Road,
Mumbai 400 001.

Factories

1. Mora, Dist. Raigad, Maharashtra.
2. Bangalore, Karnataka.
3. Tirupati, Andhra Pradesh.
4. Nagpur, Maharashtra.



NOTICE

Notice is hereby given that the Forty-seventh Annual General Meeting of the Members of Grindwell Norton Limited will be held on Thursday, 17th July, 1997 at 3.00 p.m. at M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikushru Dubash Marg (Rampart Row), Mumbai 400 001 to transact the following business :-

■ ORDINARY BUSINESS

1. To receive and adopt the Directors' Report, the Auditors' Report and the Audited Balance Sheet and Profit and Loss Account of the Company for the year ended 31st March, 1997.
2. To declare a dividend for the year ended 31st March, 1997.
3. To appoint a Director in place of Mr. R. Goutte who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. M.E. Webb who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. N.D. Sidhva who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. H.C. Patel who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration. M/s. S.R. Batliboi & Associates, Chartered Accountants, the retiring Auditors, are eligible for re-appointment.

■ SPECIAL BUSINESS

8. To appoint a Director in place of Mr. P. A. de Chalendar who holds office upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 read with Article 112 of the Articles of Association of the Company, and being eligible offers himself for re-appointment and in respect of whom the Company has received a notice in writing from a member proposing the candidature of Mr. P. A. de Chalendar for the Office of a Director.
9. To appoint a Director in place of Mr. P. Tracol who holds office upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 read with Article 112 of the Articles of Association of the Company, and being eligible offers himself for re-appointment and in respect of whom the Company has received a notice in writing from a member proposing the candidature of Mr. P. Tracol for the Office of a Director.
10. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.
"RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors of the Company (Board) in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgage and charge, by way of exclusive first charge, on all the fixed assets both present and future of the Company, situate at Nagpur Plant and to confer power to enter upon and take possession of such fixed assets of the Company (on the occurrence of certain events) in favour of Corporation Bank (Bank) in respect of Term Loan of Rs. 120 million, lent and advanced/agreed to be lent and advanced by the Bank for part financing of expansion project at Nagpur Plant.

FURTHER RESOLVED THAT the Board be and is hereby authorised to do all such acts and things as may be necessary for giving effect to the above Resolution".

11. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to Section 372 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the prior approval of the Central Government and/or such other approvals and sanctions as may be necessary, the Board of Directors of the Company (Board) is hereby authorised to invest a sum upto Rs. 340 million by way of subscription including premium, and/or purchase of equity shares from time to time in Saint-Gobain Glass India Limited, notwithstanding that the aforesaid investments of the Company in all bodies corporate shall be in excess of the percentages as prescribed by the Government/or as may be prescribed hereafter under the provisions of Section 372 (2) of the Companies Act, 1956 and the provisos thereto and any other provisions of the Companies Act, 1956 or any amendments or re-enactment thereof.

FURTHER RESOLVED THAT the Board be and is hereby authorised to determine the actual sum to be invested and to decide all or any other matter arising out of or incidental to the proposed investments and to do all such acts and things as may be necessary for giving effect to the above Resolution".

Mumbai: 4th June, 1997.

By Order of the Board

Registered Office:

Army & Navy Building,
148, Mahatma Gandhi Road,
Mumbai 400 001.

S. M. MANDKE
SECRETARY

NOTES

- a) **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.**
- b) **PROXIES, IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
- c) The Register of Members and Share Transfer Books of the Company will be closed from Thursday, 19th June, 1997 to Thursday, 17th July, 1997 (both days inclusive).
- d) The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956 in respect of the business under items 8 to 11 set out above is annexed hereto.
- e) The dividend on equity shares as recommended by the Board of Directors for the year ended 31st March, 1997 if declared at the Meeting, will be payable on or after 17th July, 1997 to those members whose names stand on the Register of Members of the Company on 17th July, 1997.
- f) The unclaimed dividends for and upto the financial year ended 31st March, 1993, have been transferred to the Central Government in terms of the provisions of Section 205A of the Companies Act, 1956. Those Members who have so far not claimed their dividends for the said periods may claim the same by submitting application in Form No. II to the Registrar of Companies, Maharashtra, Hakoba Compound, 2nd Floor, Dattaram Lad Marg, Mumbai 400 033.

The dividend remaining unclaimed or unpaid for the financial year ended 31st March, 1994 is due to be transferred to the General Revenue Account of the Central Government on 5th October, 1997. Members who have not encashed the dividend warrants so far for this or any subsequent payment are requested to make their claims to the Company immediately.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENTS

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statements set out all material facts relating to the Special Business mentioned in the accompanying Notice dated 4th June, 1997.

■ ITEM NOS. 8 AND 9

Mr. P. A. de Chalendar and Mr. P. Tracol were appointed as Additional Directors of the Company on 1st November, 1996, by the Board of Directors of the Company. In terms of the provisions of Section 260 of the Companies Act, 1956, and Article 112 of the Articles of Association of the Company, Mr. P. A. de Chalendar and Mr. P. Tracol hold office upto the date of this Annual General Meeting.

Notices in writing under Section 257 of the Companies Act, 1956 along with a deposit of Rs. 500/- each have been received from the Members of the Company signifying their intentions of proposing Mr. P. A. de Chalendar and Mr. P. Tracol as candidates for the Office of Directors.

Mr. P. A. de Chalendar who is the President of the Abrasives Branch of Saint-Gobain and Mr. P. Tracol who is the Vice - President, International Development of Saint-Gobain will be valuable additions to the Board of Directors.

The Directors recommend these Ordinary Resolutions for your approval.

Except Mr. P. A. de Chalendar and Mr. P. Tracol, no other Directors are concerned or interested in these Resolutions.

■ ITEM NO. 10

Corporation Bank (Bank) has granted a Term Loan of Rs. 120 million to part finance the expansion project at Nagpur Plant. The security offered for the Term Loan is by way of exclusive first mortgage and charge on the fixed assets at Nagpur Plant acquired/to be acquired out of the above loan. Section 293(1)(a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors of a public company shall not, without the consent of such public company in general meeting, sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking or where the Company owns more than one undertaking of the whole or substantially the whole of any such undertaking.

Since the mortgaging by the Company of the fixed assets at Nagpur Plant in favour of the Bank may be regarded as disposal of the Company's properties/undertakings, it is necessary for the members to pass a Resolution under Section 293(1)(a) of the Companies Act, 1956 for creation of the said charges.

Copies of the relevant documents/correspondence are open for inspection at the Registered Office of the Company between 11:00 a.m. and 1:00 p.m. on any working day upto the date of this meeting.

None of the Directors of the Company is interested in this Resolution. Your Directors recommend the Ordinary Resolution for your approval.

■ ITEM NO. 11

The Company proposes to invest in the Float Glass Project which is being set up in Tamil Nadu by the Flat Glass Branch of Saint-Gobain. The Flat Glass Branch caters primarily to the Construction and the Automotive Sectors and has operations in more than 20 countries. A separate Company Saint-Gobain Glass India Limited (SGGIL) has been formed to undertake the project.

To enable the Company to make investments in the said Company, it is proposed that the Board of Directors of the Company be authorised to invest a sum upto Rs. 340 million by way of subscription including premium and/or purchase of shares from time to time. Under Section 372 of the Companies Act, 1956 when investments are to be made in excess of the limits prescribed by the Central Government, it is necessary to obtain the prior approval of the Shareholders and the Central Government.

None of the Directors of the Company may be deemed to be interested in this Resolution except to the extent of SGGIL shares subscribed/purchased/allotted to them and to the Companies in which they are Directors or Members.

Copies of the relevant documents/correspondence are open for inspection at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on every working day upto the date of this meeting.

Your Directors recommend the Ordinary Resolution for your approval.

Mumbai: 4th June, 1997.

By Order of the Board

Registered Office:

Army & Navy Building,
148, Mahatma Gandhi Road,
Mumbai 400 001.

S. M. MANDKE
SECRETARY

■ REQUEST TO THE SHAREHOLDERS

1. Copies of the Annual Report will not be distributed at the Annual General Meeting. You are, therefore, requested to bring this copy of the Annual Report to the Meeting.
2. Members desirous of seeking any further information about the accounts and/or operations of the Company are requested to address their queries to the Secretary of the Company at least ten days in advance of the meeting so that the information, to the extent practicable, can be made available at the meeting.
3. Members holding shares in the same set of names under different Ledger Folios are requested to apply for consolidation of such folios along with relevant share certificates to the Company's Registrars.
4. Members are requested to immediately intimate the change, if any, in their registered address to the Company's Registrars & Transfer Agents.



DIRECTORS' REPORT

The Members,
Grindwell Norton Ltd.

Your Directors present the Forty-seventh Annual Report of the Company along with the Audited Accounts for the year ended 31st March, 1997.

■ FINANCIAL HIGHLIGHTS :

	(Rs. Million)	
	1996-97	1995-96
Sales:	1833.6	1544.1
Operating Profit	250.8	182.9
Interest	64.4	77.2
Profit before tax	186.4	105.7
Provision for tax	63.0	25.0
Profit after tax	123.4	80.7
Excess provision for		
Income tax of earlier years	0.1	7.2
Surplus Brought Forward	16.0	12.0
Amount available for appropriation	139.5	99.9
Appropriations :		
Proposed Dividend	31.4	20.9
Tax on proposed Dividend	3.1	—
Debenture Redemption Reserve	1.8	1.8
General Reserve	83.2	61.2
Surplus carried to Balance Sheet	20.0	16.0
	139.5	99.9

■ DIVIDEND :

For the Financial Year ended on 31st March, 1997, your Directors recommend payment of a dividend of Rs. 3.50 per equity share. Pro-rata dividend will be paid on the preferential and bonus shares issued during the year.

■ PREFERENTIAL ISSUE :

Consequent to the authorization given by the Members at the Extra-Ordinary General Meeting held on 24th May, 1996, the Board of Directors allotted on 6th August, 1996, 2,289,435 equity shares of Rs. 10/- each for cash at a premium of Rs. 238.75 per share. These shares will be entitled to a pro-rata dividend for the financial year ended 31st March, 1997.

■ BONUS ISSUE :

Consequent to the authorization given by the Members at the 46th Annual General Meeting held on 25th July, 1996, the Board of Directors allotted on 1st November, 1996, 6,920,000 equity shares of Rs. 10/- each as fully paid-up Bonus Shares in the ratio of ONE equity share for every ONE fully paid-up equity share held by the Members. These shares will be entitled to a pro-rata dividend for the financial year ended 31st March, 1997.

■ OPERATIONS :

Your Company's operating results show improvement despite a difficult second-half during which volumes dropped due to the industrial slow down. On a sales increase of 19% operating profit increased by 37% and profit after tax increased by 52%. The improvement in profits was partly due to the reduction of interest cost and increase in interest/dividend income, consequent to the infusion of equity funds mid-way through the year.

■ BONDED ABRASIVES :

The demand for Bonded Abrasives continued to grow. However, during the second half of the year, the growth slackened. Your Company strengthened its market position. It was an excellent year, both in terms of sales and profits.

The new plant near Nagpur is nearing completion. With this and through the modernization-cum-expansion at the Mora Plant, your Company is well placed to meet Domestic and International demand for its full range of products. Your Company has a very competitive cost position and plans to increase Exports in the coming years.

■ COATED ABRASIVES :

There was a slow down in the growth of the Coated Abrasive market as a result of negative growth in the tannery and plywood segments. Despite this your Company could leverage on the investments made in this business and improve its market position. This trend is also expected to continue in the coming year. A good start has also been made in the export market.

■ SUPER ABRASIVES :

During the year your Company made a further investment in manufacturing to expand the product range and markets. Overall domestic sales grew significantly. Your Company made a good beginning in the export market.

■ NON-WOVEN ABRASIVES :

The Non-Woven abrasives business is yet to take off in the consumer market while in the industrial market we have had good growth through new products.

■ ABRASIVE MATERIALS :

Silicon Carbide business did well and retained its share in the market. To ensure the availability of good quality power in the future and reduce dependence on the State Electricity Board, your Company subscribed to the rights issue made by the Andhra Pradesh Gas Power Corporation Ltd. (APGPCL). APGPCL is undertaking an expansion project. On completion of the project, your Company will be entitled to receive additional power.

■ ENGINEERED CERAMICS :

It was a difficult year for Engineered Ceramics. Margins were under pressure on account of input cost increases. Fused Cast Refractories operations stabilised and supply commenced to key customers in India. The steep rise in cost of power and severe power cuts in Karnataka have adversely affected operations.

■ FUTURE PROSPECTS :

With the slow down expected to continue for some more months, the coming year will be a difficult one for your Company. Notwithstanding this unfavourable external environment, with the focus being on increasing resource productivity, efficiencies and controlling costs, your Company's operating results are expected to further improve in the current year.

■ ENVIRONMENT, ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Your Company is committed to ensure a green and pollution-free environment as well as a clean and safe workplace at all plant locations and work sites.

As required by the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the relevant information pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo as required in the prescribed format is annexed (Annexure A) and forms part of this Report.

GRINDWELL NORTON LTD.**■ FIXED DEPOSITS :**

Your Company has repaid all Fixed Deposits that have matured, and for which depositors have applied for a refund. Deposits amounting to Rs. 0.69 million from 80 depositors, became due for repayment before the close of the financial year which remained unclaimed as on 31st March, 1997. The Company subsequently received instructions for renewals/repayments from 40 depositors amounting to Rs. 0.41 million.

■ EMPLOYEE RELATIONS :

Yours Directors record their appreciation for the contribution made by the employees in the progress of your Company and for the dedication and enthusiasm with which the Company's tradition of high standards of quality and service have been maintained.

■ ACKNOWLEDGEMENTS :

Your Company gratefully acknowledges the patronage of its esteemed Customers, the strength it derives from its association with Compagnie de Saint-Gobain, the support from its Bankers and Financial Institutions and the loyalty of the large family of the Company's Dealers, Suppliers and Shareholders.

■ PARTICULARS OF EMPLOYEES :

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is annexed (Annexure B) and forms part of this Report.

■ DIRECTORS :

Mr. C. A. Tardy and Mr. S. A. Stockman resigned as Directors of your Company. The Board records its appreciation for the valuable services rendered by Mr. C. A. Tardy and Mr. S. A. Stockman during their tenure as Directors.

Mr. P. A. de Chalendar and Mr. P. Tracol were appointed as Additional Directors during the year. They will hold office under Section 260 of the Companies Act, 1956 upto the date of the forthcoming Annual General Meeting and are eligible for re-appointment. As required under Section 257 of the Companies Act, 1956 the Company has received notices in writing from some Members, expressing their intention to propose Mr. P. A. de Chalendar and Mr. P. Tracol as candidates for the Office of Directors.

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of your Company Mr. R. Goutte, Mr. M. E. Webb, Mr. N. D. Sidhva and Mr. H.C. Patel retire by rotation and being eligible offer themselves for re-election as Directors of your Company.

■ AUDITORS :

M/s. S. R. Batliboi & Associates, Chartered Accountants, Auditors of your Company, retire on the conclusion of 47th Annual General Meeting. You are requested to appoint Auditors for the current financial year and to fix their remuneration. The retiring Auditors, M/s. S. R. Batliboi & Associates, are eligible for re-appointment.

On behalf of the Board of Directors,

A.C. CHAKRABORTI
VICE-CHAIRMAN

A.Y. MAHAJAN
MANAGING DIRECTOR

Mumbai: 4th June, 1997.



ANNEXURE A TO THE DIRECTORS' REPORT 1996-97

Information pursuant to the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

■ CONSERVATION OF ENERGY :

This is an on-going process. The specific measures include :

- Redesign of kiln car superstructure and improved ware to kiln furniture ratio.
- Use of ceramic fibre.
- Improved combustion systems.
- Overall improved fuel efficiency in kilns.

Ongoing energy conservation efforts resulted in reduced specific energy consumption of power. The efforts were directed towards minimising consumption of power wastages and improving power utilisation factor through installation of energy saving equipments and controls and through continuous monitoring.

Form A for disclosure of particulars with respect to Conservation of Energy

Product : Refractories

A. Power and Fuel Consumption :

	1996-97	1995-96
1. Electricity		
(a) Purchased:		
Units	1332582	1608015
Total Amount Rs.	5783405	5010221
Rate/Unit Rs.	4.34	3.12
(b) Own Generated :		
(i) Through diesel generators :		
Units	424824	313633
Units per Ltr. of diesel	3.22	2.86
Cost/Unit Rs.	3.26	3.71
(ii) Through Steam Turbine	NIL	NIL
2. Fuel Oil		
Qty. in Kl.	666	623
Total Cost Rs.	4824069	4111849
Average Rate Rs.	7241	6599

B. Consumption per unit of production

(a) Fused Cast Refractories:		
Electricity KWH/TON	4091	4810
(b) Other Refractories:		
Electricity KWH/TON	749	700
Fuel Oil KL/TON	0.79	0.75

Form B for disclosure of particulars with respect to Technology Absorption.

Research & Development (R&D)

1. Specific areas in which R&D was carried out by the Company :

- a) Abrasives : New / improved Bonded & Coated Abrasives.
- b) Ceramics : Technical and Fusion Cast Refractories for chemical, mechanical & thermal resistance applications in ceramic, metallurgical, glass & process industries.
- c) Composites : Ceramic matrix composites for thermal, mechanical & corrosion resistance applications as well as for use in microwave devices.

2. Benefits derived as a result of the above R&D :

- a) SiC based refractories for applications in non-ferrous and ceramic industries.
- b) Oxidic refractories for use in the manufacture of electro-ceramic components.
- c) New & improved formulations for bonded abrasives with appropriate combinations of abrasive grains & bond systems.
- d) Improvements in coated abrasives with emphasis on backing materials & bond systems.

3. Future plans of action :

- a) Completion & commercialisation of R & D projects.
- b) Development of improved bonded abrasives:
 - i) vitrified large wheels.
 - ii) organic wheels with new filler systems.
- c) Improvements in coated abrasives:
 - i) development of cost effective non-wovens.
 - ii) modified bond systems.
- d) Development of newer refractories:
 - i) SiC based systems for wear resistance applications.
 - ii) Mullitic compositions for metallurgical applications.
 - iii) Refractories with improved thermal shock resistance.

4. Expenditure on R&D (1996-97)

	Rs. Million
a. Capital	0.02
b. Recurring	2.35
c. Total	2.37
d. R & D expenditure as a percentage of total turnover.	0.13%

Technology Absorption, Adaptation and Innovation:

New and improved products and processes were introduced in almost all business units of the Company. This was achieved through intensive in-house development work as well as by way of support of experts from the technical collaborators. Manufacturing operations in Fusion Cast Refractories Plant, the Non-Woven Abrasives Plant and the Super Abrasives Plant were streamlined. The products from these plants were conforming to the stringent quality standards prescribed by the Collaborators. In-house development works were in progress to reduce rejections and improve yields.

Disclosure of particulars with respect to Foreign Exchange earning and outflow:

Total earning in foreign exchange during 1996-97 was Rs. 76.1 million and the total outflow was Rs. 218.0 million. Details are given in Schedule 14.