

ANNUAL REPORT
1997-98



**SHAPING THE WORLD
WE LIVE IN**

□
Turnover : Rs. 1907 million

□
Shareholders : 12,000

□
6 Plants at 4 Locations

□
1750 Employees

□
19 Sales Offices

□
3000 Dealers & Stockists

□
More than 30,000 products

NORTON
GRINDWELL NORTON LTD.

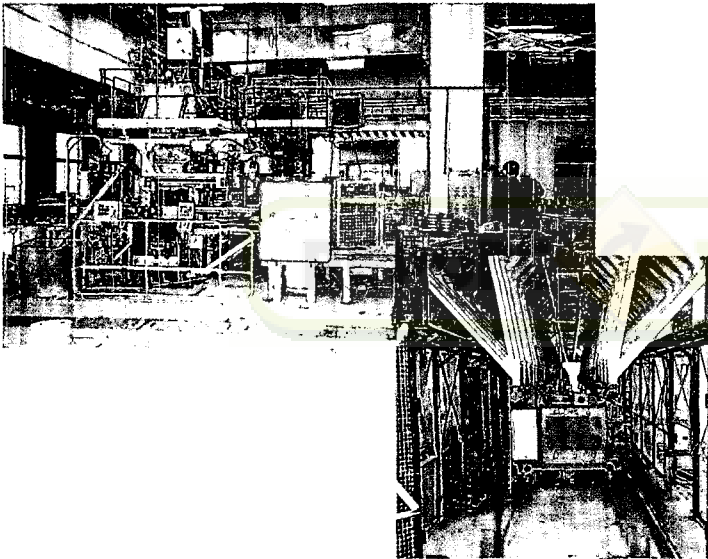
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SETTING NEW STANDARDS IN THE INDIAN ABRASIVES INDUSTRY

Grindwell Norton commissioned India's most modern Bonded Abrasives plant at Butibori near Nagpur on 11th September, 1997. The plant was inaugurated by Mr. Pierre Tracol, Chairman, Grindwell Norton Ltd. and Vice-President – International Development, Saint-Gobain.

This plant incorporates state-of-the-art machinery and some of the best manufacturing practices followed by Norton and Saint-Gobain plants worldwide. Located at the centre of India, this plant will cater to the growing demand for Grindwell Norton's popular products. Not only does it incorporate the latest that modern technology has to offer, but, more significantly, the attitude that is characteristic of every Norton venture around the globe.

To settle for nothing less than the best.



Some Exclusive Features of the Plant

- A variety of initiatives based on the best manufacturing practices followed within the Norton world.
- State-of-the-art automatic weighing system integrated with computer controlled mixing to build in the right quality.
- Higher level of automation and sophistication in manufacturing equipment to ensure precise process control.
- Excellent plant layout and automated material handling systems to minimise material movement and manual handling of products.





**GRINDWELL
NORTON LTD.**

Directors

MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓

Mr. P. TRACOL

(Chairman)

Mr. A. C. CHAKRABORTTI

(Vice-Chairman)

Mr. R. K. BILIMORIA

(Upto 5/5/98)

Mr. P. A. de CHALENDAR

Mr. P. CROUZET

Mrs. M. S. MEHTA

(From 5/5/98)

Mr. H. C. PATEL

Mr. J. F. PHELIZON

Mr. N. D. SIDHVA

Mr. M. E. WEBB

Mrs. D. S. VARIAVA (Alternate

Director to Mr. M. E. Webb)

Mr. A. Y. MAHAJAN

(Managing Director)

Director Emeritus

Mrs. T. P. SIDHWA

Senior Management

Mr. P. K. Bapat

(Bonded Abrasives)

Mr. M. C. Joykutti

(Engineered Materials)

Mr. P. Natarajan

(Coated, Non-Woven &
Super Abrasives)

Mr. J. A. J. Pereira

(Finance &
Corporate Services)

Mr. D. A. Thombre (Marketing)

Registrars & Transfer Agents

Tata Share Registry Ltd.

i) Army & Navy Building,
Ground Floor, 148, M.G. Road,
Mumbai 400 001.
Tel. No. 2873831

ii) Shalaka,
Maharshi Karve Road,
Mumbai 400 021.
Tel. No. 2844665, 2850886

Bankers

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

Auditors

S.R. Batliboi & Associates
Chartered Accountants

Legal Advisors

A.H. Parpia & Co.
Advocates and Solicitors

Registered Office

Army & Navy Building,
148, M.G. Road,
Mumbai 400 001.
Tel. No. 2844727

Factories

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

NORTON

NOTICE

NOTICE is hereby given that the Forty-eighth Annual General Meeting of the Members of Grindwell Norton Limited will be held on Friday, 17th July, 1998 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, 1998.
2. To declare a dividend for the year ended 31st March, 1998.
3. To appoint a Director in place of Mr. A. C. Chakrabortti who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. N. D. Sidhva who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. A. Y. Mahajan who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s. Kalyaniwalla & Mistry, Chartered Accountants, who are eligible for appointment, as the Auditors of the Company in place of retiring Auditors, M/s. S. R. Batliboi & Associates, Chartered Accountants, who have indicated their ineligibility to be re-appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business

7. To appoint a Director in place of Mr. Philippe Crouzet who holds office upto the date of this Annual General Meeting in terms of Section 262 of the Companies Act, 1956 read with Article 112 of the Articles of Association of the Company, and being eligible offers himself for appointment and in respect of whom the Company has received a notice in writing from a member proposing the candidature of Mr. Philippe Crouzet for the office of a Director.
8. To appoint a Director in place of Mrs. Meheru S. Mehta who holds office upto the date of this Annual General Meeting in terms of Section 262 of the Companies Act, 1956 read with Article 112 of the Articles of Association of the Company, and being eligible offers herself for appointment and in respect of whom the Company has received a notice in writing from a member proposing the candidature of Mrs. Meheru S. Mehta for the office of a Director.
9. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to Section 17 and other applicable provisions of the Companies Act, 1956 the Objects Clause of the Memorandum of Association of the Company be and is hereby altered as under by inserting the following new sub-clause 53 after the present sub-clause 52:-

 53. To carry on the business of leasing and hire purchase finance and/or providing deferred payment facilities and to provide on lease, hire purchase or on deferred payment basis, all types of assets including industrial plants, equipments, machineries, buildings, undertakings and other movable and immovable properties.

FURTHER RESOLVED THAT any one Director of the Company be and is hereby authorised to do all such acts and things as may be necessary for giving effect to the above resolution."
10. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:



**GRINDWELL
NORTON LTD.**

"RESOLVED THAT pursuant to Section 149 (2A) and other applicable provisions, if any, of the Companies Act, 1956 :

- a) approval of the shareholders be and is hereby given to the Company for commencing the business as set out in the newly introduced sub clause 53 of Clause III of the Memorandum of Association of the Company and
 - b) the Board of Directors of the Company be and is hereby authorised to take up all or any of the aforesaid business as and when deemed fit by them."
11. 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 370 of the Companies Act, 1956 and all other applicable provisions, if any, of the said Act and subject to all such approvals as may be necessary, consent of the Company be and is hereby granted to the Board of Directors (Board) of the Company;

- a) To make loan(s), from time to time to bodies corporate under the same management, within the meaning of sub-section (1B) of Section 370 of the said Act, upto the limit prescribed under Section 370 of the said Act,
- b) to give any guarantee, or provide any security, in connection with a loan made by any other person to, or to any other person by, any body corporate, upto a limit of Rs. 100 million on such terms and conditions as the Board may deem fit, without the approval of the Central Government.

FURTHER RESOLVED THAT the Board be and is hereby authorised to decide all or any other matters as may be required in this regard and to do all such acts and things as may be necessary for giving effect to the above resolution."

12. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT in accordance with the provision of Section 309 (4) and other applicable provisions, if any, of the Companies Act, 1956 and Article 116 (2) of the Articles of Association of the Company, the directors (excluding the Managing Director) be paid, for a period of not more than five financial years commencing from 1st April, 1999, a commission, to be divided among them in such manner as the Board of Directors (the Board) may from time to time determine of such amount as may be determined by the Board, but not exceeding an amount equal to one percent of the net profits of the Company, computed in the manner prescribed in Section 198 (1) of the Companies Act, 1956.

FURTHER RESOLVED THAT the aforesaid commission shall be in addition to the fees and/or out of pocket expenses payable to such directors for each meeting of the Board or a Committee of the Board attended by such directors.

FURTHER RESOLVED THAT the Board be and is hereby authorised to take such steps as may be necessary, desirable or expedient to give effect to this Resolution."

Mumbai: 5th May, 1998.

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 TO 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 Tuesday, 23rd June, 1998 to Friday, 17th July, 1998 (both days inclusive).
- d) The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956 in respect of the business under items 7 to 12 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, 1998 if declared at the Meeting, will be payable on or after 17th July, 1998 to those members whose names stand on the Register of Members of the Company on 17th July, 1998.
- f) The unclaimed dividends for and upto the financial years 31st March, 1994, 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 31st March, 1995 is due to be transferred to the General Revenue Account of the Central Government on 29th October, 1998. Members who have not encashed the dividend warrants so far for this financial year or for financial years 1995-96 and 1996-97 are requested to make their claims to the Company immediately.

- g) Section 224 (1B) of the Companies Act, 1956, read with Explanation I to section 224 (1C) of the said Act limits the number of companies to which a firm of Chartered Accountants can be appointed Auditors to twenty (of which only ten can be with paid up share capital in excess of Rs. 25 lakhs or more) per partner. M/s. S.R. Batliboi & Associates is likely to exceed this limit and has, therefore, with great regret informed the Company that they will not be eligible for re-appointment as Auditors of Company at the ensuing Annual General Meeting.

A Special Notice in terms of Section 190 of the Companies Act, 1956, has been received under Section 225(1) from a shareholder, proposing the appointment of M/s. Kalyaniwalla and Mistry, Chartered Accountants, as the Auditors of the Company in place of M/s. S. R. Batliboi & Associates, Chartered Accountants, the retiring Auditors.

M/s. Kalyaniwalla & Mistry were the Auditors of the Company upto the Annual General Meeting held on 25th July, 1996. Even during the period when M/s. S.R. Batliboi & Associates functioned as the Auditors, the engagement partner on the audit of the Company remained the same and will continue to remain the same after the appointment once again of M/s. Kalyaniwalla & Mistry as Auditors because he is a partner of both the firms. The directors recommend this appointment in view of the long association of the Company with the two firms, to avail of the benefit that will accrue to the Company because of the continuity and the cumulative experience that the appointment of M/s. Kalyaniwalla & Mistry will bring to the audit of the Company.



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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 5th May, 1998.

Item Nos. 7 and 8

Mr. Philippe Crouzet and Mrs. Meheru S. Mehta were appointed as directors of the Company on 22nd October, 1997 and 5th May, 1998 respectively by the Board of Directors to fill the casual vacancies caused by the resignation of Mr. G. F. Michel and Mr. R. K. Bilimoria. In terms of the provisions of Section 262 of the Companies Act, 1956, read with Article 112 of the Articles of Association of the Company, Mr. Philippe Crouzet and Mrs. Meheru S. Mehta, hold office upto the date which Mr. G. F. Michel and Mr. R. K. Bilimoria, in whose place they were appointed, would have held office had they not resigned viz. upto the date of the forthcoming Annual General Meeting of the Company.

Notices in writing under Section 257 of the Companies Act, 1956 alongwith a deposit of Rs. 500/- each have been received from members of the Company signifying their intention of proposing Mr. Philippe Crouzet and Mrs. Meheru S. Mehta, as candidates for the office of directors.

Mr. Philippe Crouzet is the President of the Industrial Ceramics Division of Saint-Gobain. Mrs. Mehta, who is the daughter of the late Mr. R. D. Sidhwa, one of the founder Directors, has very long association with the Company. The directors are of the view that their induction to the Board would greatly benefit the Company and recommend the ordinary resolutions for your approval.

Except Mr. Philippe Crouzet and Mrs. Meheru S. Mehta, no other Director is concerned or interested in these resolutions.

Item Nos. 9 and 10

The business presently carried on by the Company comprises businesses of bonded, coated, non-woven abrasives, superabrasives, abrasive materials, industrial ceramics, effluent treatment and engineered fluids.

The Company is now a part of Saint-Gobain Group of companies in India and it may enter into any of the proposed activities with group companies or otherwise as and when the opportunities arise. With this end in view, the special resolution is recommended for altering the Objects Clause of the Memorandum of Association of the Company.

The resolution at item No. 10 is aimed at enabling the commencement of such new business.

The directors recommend these special resolutions for your approval.

None of the directors of the Company is interested in these resolutions.

Item No. 11

Under Section 370 of the Companies Act, 1956, a Company cannot give loan to bodies corporate under the same management, give guarantee, or provide security, in connection with a loan made by any other person to, or to any other person by, any body corporate, without passing a special resolution at the general meeting. The Company is now a part of Saint-Gobain Group of companies in India and to cater to the needs of the group companies and for its operational needs it may give loan, guarantee or provide security to such bodies corporate under the same management.

The directors recommend the special resolution for your approval.

All the directors of the Company may be deemed to be concerned or interested in the resolution.

Item No. 12

Section 309(4) of the Companies Act, 1956 and Article 116 (2) of the Articles of Association of the Company, provide for payment of commission to the directors of the Company, other than Directors in the whole-time employment of the Company and the Managing Director.

At present, directors, other than the Managing Director and the directors who are employees of Compagnie de Saint-Gobain or its subsidiaries, are paid a sitting fee of Rs. 500/- for each meeting of the Board attended by them and a profit commission as determined by the Board from time to time within the limit of 1% of the net profit of the Company, for five financial years commencing from 1st April, 1994 as authorised under a special resolution of the Shareholders passed at the Forty-fourth Annual General Meeting held on 19th August, 1994. In addition, Mr. N. D. Sidhva is paid a retainer fee of Rs. 48,000/- (Rupees Forty Eight Thousand Only) per annum for professional services rendered, as Technical and Marketing Consultant.

Since such directors devote considerable time to the business of the Company and the Company substantially benefits from their expertise and advice, it is appropriate that the said directors continue to be paid the proposed commission on profits for a further period of five financial years commencing from 1st April, 1999.

The directors recommend the special resolution for your approval.

All the Directors may be deemed to be concerned or interested in the resolution.

Mumbai: 5th May, 1998.

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 & Transfer Agents.
4. Members are requested to immediately intimate the change, if any, in their registered address to the Company's Registrars & Transfer Agents.



**GRINDWELL
NORTON LTD.**

DIRECTORS' REPORT

The Members,
Grindwell Norton Ltd.

Your Directors present the Forty-eighth Annual Report of the Company along with the Audited Accounts for the year ended 31st March, 1998.

Financial Highlights

	(Rs. Million)	
	1997-98	1996-97
Sales :	1906.7	1833.6
Operating Profit	250.1	250.8
Interest	40.9	64.4
Profit before tax	209.2	186.4
Provision for tax	60.0	63.0
Profit after tax	149.2	123.4
Excess provision for Income tax of earlier years	—	0.1
Surplus Brought Forward	20.0	16.0
Amount available for appropriation	169.2	139.5
Appropriations :		
Proposed Dividend	41.5	31.4
Tax on proposed Dividend	4.1	3.1
Debentures Redemption Reserve	0.4	1.8
General Reserve	93.2	83.2
Surplus carried to Balance Sheet	30.0	20.0
	169.2	139.5

Dividend

For the Financial Year ended on 31st March, 1998, your Directors recommend payment of a dividend of Rs. 3.00 per equity share. The total dividend outgo will be Rs. 41.5 million which will be 32 % higher than the previous year (Rs. 31.4 million).

Operations

The industrial slow-down which started affecting the businesses of your Company in the second half of the previous financial year, persisted throughout the year under review. Consequently, aggregate sales grew by only 4%; this is the lowest year-on-year growth during the past several years. Some businesses witnessed volume declines, in real terms. In every business, however, your Company maintained or increased its market share. Despite the adverse market conditions, your Company's profit after tax increased by 21%; from Rs. 123.4 million to Rs. 149.2 million. The increase in profits was mainly due to a further decline in interest cost and a reduction in the corporate tax rates.

Bonded Abrasives

The major consumer industries for Bonded Abrasives - Auto OEMs, Auto Components, Steel, Bearings - registered decline in output and sales. As a result, the domestic demand for Bonded Abrasives dropped. Your Company however, maintained its market share. There was an impressive growth in Export sales.

The new plant near Nagpur commenced operations. The modernization-cum-expansion at Mora is progressing as per plan. The enhanced capacity will enable your Company to meet domestic and international demand most competitively.

Coated and Non-Woven Abrasives

The slowdown in the industrial demand, in general, and the automobile industry, in particular, had an adverse impact on the sales of Coated Abrasives. Your Company managed to enhance its position in the market by introducing new products and improve profitability through better operating efficiency.

There has been a good growth in the sale of Non-Woven consumer scrubber pads which are now being sold under various brand names by several independent marketing companies.

Super Abrasives

It was a disappointing year for the Super Abrasive business. While the sales of resin bond wheels showed good growth, the sales of other products were below expectation.

Abrasive Materials

The Silicon Carbide business did well and improved its market share. The expansion project of the Andhra Pradesh Gas Power Corporation Ltd.(APGPCL), was commissioned on time and additional power is now being received at your Company's Tirupati plant. Your Company now draws the bulk of its power requirements from APGPCL.

Industrial Ceramics

The expansion of the High Performance Refractories plant was completed. There was a significant increase in the production and sale of High Performance Refractories and of Fused Cast Refractories. Your Company continued to gain new customers.

Future Prospects

With the industrial slowdown showing no signs of being reversed, your Company is preparing to face a difficult year ahead. The focus will be on improving resource productivity and plant efficiencies and on controlling costs and working capital. Therefore, 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.

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. 0.86 million from 96 depositors, became due for repayment before the close of the financial year which remained unclaimed as on 31st March, 1998. The Company subsequently received instructions for renewals/repayments from 25 depositors amounting to Rs. 0.23 million.

Employee Relations

Your 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.