

NORTON
GRINDWELL NORTON LTD.
A Saint-Gobain Company



**SHAPING THE WORLD
WE LIVE IN**

**Part of Saint-Gobain – World
Leader in Engineered Materials**

Turnover Rs. 1842 million

**Leading manufacturer offering full
range of abrasive products**

**Manufactures over 30,000
products at 7 plants at 4 locations**

**Grinded Abrasives – the
disputed leader in India**

**Grated Abrasives – the leader
Technical Products**

**Black Oxide –
India's largest manufacturer**

**50 employees, 19 sales offices
and 3000 dealers and stockists**

ANNUAL REPORT 1998-99

Compagnie de Saint-Gobain



Founded in 1665

**World Leader in
Engineered Materials**

**Among World's Top 100
Industrial Corporations**

**A World Leader in
all its Businesses**

**Annual Net Sales of
17.8 Billion Euros**

**More than 600 consolidated
companies worldwide**

**Represented in 46 countries
with 142 brands**

**More than 110,000
Employees**

**WORLD LEADER IN
ENGINEERED MATERIALS**

DIRECTORS

Mr. P. TRACOL	(Chairman)
Mr. A. C. CHAKRABORTTI	(Vice-Chairman)
Mr. P. A. de CHALENDAR	
Mr. P. CROUZET	
Mrs. M. S. MEHTA	
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. Jcykuty	(Engineered Materials)
Mr. J. A. J. Pereira	(Finance & Corporate Services)
Mr. V. Srinivasan	(Coated, Non-Woven & Super Abrasives)
Mr. D. A. Thombre	(Marketing)

COMPANY SECRETARY

Mr. S. M. Mandke

Bankers

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

Auditors

Kalyaniwalla & Mistry
Chartered Accountants

Legal Advisors

A.H. Parpia & Co.
Advocates and Solicitors

Registrars & Transfer Agents

Tata Share Registry Ltd.

- i) Army & Navy Building,
Ground Floor,
148, M.G. Road,
Mumbai 400 001.
Tel. No. 2873831
Fax. 2844160
- ii) Shalaka,
Maharshi Karve Road,
Mumbai 400 021.
Tel. No. 2844665, 2850886

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. Nagpur, Maharashtra.
4. Tirupati, Andhra Pradesh.



SAINT-GOBAIN

A Saint-Gobain Company **GRINDWELL
NORTON LTD.**

NOTICE

NOTICE is hereby given that the Forty-ninth Annual General Meeting of the Members of Grindwell Norton Limited will be held on Friday, 16th July, 1999 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, consider 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, 1999.
2. To declare a dividend for the year ended 31st March, 1999.
3. To appoint a Director in place of Mr. P. Tracol who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. P.A. de Chalendar who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. H.C. Patel 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, 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 consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the circular issued by The Securities and Exchange Board of India, the provisions of the Listing Agreement and subject to such conditions and modifications as may be imposed in granting such approvals and which may be agreed by the Board of Directors (Board), the consent of the Company be and is hereby accorded to delist the equity shares of the Company from The Delhi Stock Exchange Association Limited and The Hyderabad Stock Exchange Limited with effect from 1st August, 1999.

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

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

"RESOLVED THAT the Articles of Association of the Company be altered pursuant to Section 31 and other applicable provisions of the Companies Act, 1956 in the following manner :

After Article 65, insert the following heading and article as Article 65A :-

65A : DEMATERIALISATION OF SECURITIES :

- (i) For the purpose of this Article :-

"Beneficial Owner" means a person or persons whose name is recorded as such with a depository;

"SEBI" means the Securities and Exchange Board of India;

"Depository" means a Company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration under sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992;

"Registered Owner" means a depository whose name is entered as such in the register of the Company;

"Regulations" means the regulations made by the SEBI;

"Record" includes the records maintained in the form of books or stored in a computer or in such other form as may be determined by regulations;

"Security" means such security as may be specified by SEBI from time to time.

- (ii) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its existing security by entering into an agreement with the depository, rematerialise its security held in the depositories and/or to offer its fresh security in a dematerialised form pursuant to the Depositories Act, 1996.
- (iii) Every person subscribing/who subscribed to security offered by the Company shall have the option to receive security certificates and/or to hold with a depository. Such a person who is the beneficial owner of the security can at any time opt out of a depository, in the manner provided by the Depositories Act, 1996 and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificate(s) of security.
- (iv) Notwithstanding anything contained in sub section (1) of Section 113 of the Act or any modifications or re-enactments thereof, if a shareholder/investor opts to hold its security with a depository, the Company shall immediately intimate such depository the details of allotment of security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.
- (v) The security held by a depository shall be dematerialised and be in fungible form. Nothing contained in Section 153, 153A, 153B, 187B and 187C of the Act shall apply to a depository in respect of the security held by it on behalf of the beneficial owners.
- (vi) Notwithstanding anything to the contrary contained in the Act or these Articles -



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- (a) a depository, shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner;
 - (b) save as otherwise provided in (a) above, the depository as the registered owner of the security shall not have any voting rights or any other rights in respect of the security held;
 - (c) every person holding security of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of the security shall be entitled to all the rights and benefits and be subject to all liabilities in respect of the security which is held by a depository.
- (vii) Notwithstanding anything to the contrary contained in the Act or these Articles, where security is held in the depository, the records of the beneficial owner may be served by such depository on the Company by means of an electronic mode or by delivery of floppies or discs.
- (viii) Nothing contained in Section 108 of the Act, or these Articles shall apply to transfer of security effected by transferor and transferee both of whom are entered as beneficial owner in the records of a depository. In the case of transmission of security, where the Company has not issued any certificates, or where such security is being held in electronic and fungible form in a depository, the provisions of the Depositories Act, 1996, shall apply.
- (ix) Notwithstanding anything to the contrary contained in the Act or these Articles, recording of Distinctive Numbers of security held by each member respectively in the Register of Members or Register of Security of the Company shall not apply to the security which is held with a depository.
- (x) The Company can hold the investment in the name of a depository when such investment is in the form of security held by the Company as a beneficial owner.
- (xi) With regard to the rectification of register on transfer, the provisions of Section 111A of the Act, as may be in force from time to time shall apply.
- (xii) The Register and Index of Beneficial Owner maintained by a depository under the Depositories Act, 1996 shall be deemed to be the Register and Index of Members and Security holders for the purpose of these Articles."
9. 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 (Board) of the Company in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgage by way of first pari-passu mortgage, the fixed assets situate at Mora and certain fixed assets at Bangalore plants and a second mortgage on fixed assets at Nagpur plant (first

mortgage being of Corporation Bank, lender of term loan of Rs. 120 million) in favour of Trustees of Birla Capital International Trustee Company Ltd. A/c. Birla Mutual Fund to secure 1,000,000 - 13.70% Non-Convertible Secured Redeemable Debentures, (NCDs) of Rs. 100/- each aggregating to Rs. 100 million on private placement basis.

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".

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 in terms of Section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956 for mortgaging and/or charging by the Board of Directors (Board), of the Company of all the immovable properties present and future, of the Company by way of a subservient charge situate at Mora and Nagpur (Maharashtra) and Bangalore (Karnataka) plants and/or conferring power to enter upon and to take possession of assets of the Company in certain events, to or in favour of Central Bank of India (Lead Bank), Bank of Baroda, Canara Bank, Corporation Bank and State Bank of India, or such other combination of Banks as may be constituted from time to time in consultation with the Company hereinafter referred to as "Consortium of Banks" to secure :-

- (a) total fund based and non-fund based limits of Rs.534.10 million or such other limits as may be decided by the Consortium of Banks from time to time for working capital requirements of the Company which are presently secured by way of first charge on all the stocks of raw materials, semi-finished and finished goods, stores, spares, consumables, book-debts, etc. hereinafter referred to as "Bankers' Goods";
- (b) together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, costs, charges, expenses and other monies payable by the Company to the Consortium of Banks.

FURTHER RESOLVED THAT the Board be and is hereby authorised to finalise with the Consortium of Banks, the documents for creating aforesaid mortgage and/or the charge and 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 a Special Resolution:

"RESOLVED THAT pursuant to Section 314 of the Companies Act, 1956 the Company hereby accords its consent to Mr. N. D. Sidhva a director of the Company, holding and continuing to hold an office or place of profit under the Company, as a Technical and Marketing Consultant for further period of 5 years commencing from 1st November, 1999 and ending on 31st October, 2004 upon the following terms and conditions :


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- i) Mr. N.D. Sidhva will render consultancy in the fields of technology and marketing of the products of the Company.
- ii) The Company will pay to Mr. N.D. Sidhva a retainer fee of Rs. 48,000/- (Rupees Forty Eight Thousand Only) per annum exclusive of out of pocket expenses.
- iii) The Company will provide a car for the use of Mr. Sidhva.
- iv) The re-appointment shall be in force for a period of 5 years from 1st November, 1999 to 31st October, 2004, subject to termination by either party giving six months written notice.

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

Mumbai: 26th May, 1999.

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 Tuesday, 22nd June, 1999 to Friday, 16th July, 1999 (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 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, 1999 if declared at the Meeting, will be payable on or after 23rd July, 1999 to those members whose names stand on the Register of Members of the Company on 16th July, 1999.
- f) The unclaimed dividends for and upto the financial years 31st March, 1995, have been transferred to the Central Government in terms of the provisions of Section 205A of the Companies Act, 1956. Those Members who have 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.

Members who have not encashed the dividend warrants for financial years 1995-96, 1996-97 and 1997-98 are requested to make their claims immediately to the Company or to the Registrars and Transfer Agents M/s Tata Share Registry Ltd.

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 26th May, 1999.

ITEM NO. 7

The equity shares of the Company are presently listed on The Stock Exchange, Mumbai, (Regional Stock Exchange), The Delhi Stock Exchange Association Limited (in terms of the Prospectus dated 14th November, 1983) and Hyderabad Stock Exchange Limited (effective from 3rd October, 1989).

Pursuant to circular no. SMDRP/CIR-14/98 dated 29th April, 1998 issued by the Securities and Exchange Board of India to all the Stock Exchanges, voluntary delisting of securities on the stock exchanges other than the Regional Stock Exchange shall be permitted by the Stock Exchanges at the request of the Company. In view of infrequent/non-trading of the Company's equity shares on The Delhi Stock Exchange Association Limited and The Hyderabad Stock Exchange Limited, it is proposed to delist the equity shares of the Company. The Company shall continue its listing of securities with The Stock Exchange, Mumbai. The equity shares of the Company are also traded as permitted securities on the National Stock Exchange Ltd. and OTCEI. As the equity shares of the Company can be traded on the ON-LINE system of The Stock Exchange, Mumbai the exit opportunity will continue to be available to those shareholders in areas covered by the above two Stock Exchanges where voluntary delisting is being sought.

Copies of the relevant documents are available for inspection at the Registered Office of the Company between 10.00 a.m. to 1.00 p.m. on any working day upto the date of this meeting.

None of the Directors of the Company are concerned or interested in the said resolution.

Your Directors recommend the Special Resolution for your approval.

ITEM NO. 8

With the enactment of the Depositories Act, 1996 and amendments to certain provisions of the Companies Act, 1956, a new Article is proposed to be inserted in the Articles of Association of the Company, stating the framework of the system of Depository as per the provisions of the Depositories Act, 1996. The proposed alterations to the Articles is to facilitate operation of Depository under the said system. In view of the said amendment, the Company proposes to incorporate a new Article 65A in the Articles of Association of the Company, so as to be in consonance with the amended provisions of the Companies Act, 1956 read with the provisions of the Depositories Act, 1996.

Copies of the relevant documents are available for inspection at the Registered Office of the Company between 10.00 a.m. to 1.00 p.m. on any working day upto the date of this meeting.



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None of the Directors of the Company are concerned or interested in the said Resolution.

Your Directors recommend the Special Resolution for your approval.

ITEM NO. 9

Birla Capital International AMC Ltd. has agreed vide their letter No. BCIAMC/DEBT/GNORTON dated 11th February, 1999 to subscribe 1,000,000 - 13.70% Non-Convertible Secured Redeemable Debentures (NCDs) of Rs. 100/- each aggregating to Rs. 100 million of the Company on private placement basis. These NCDs will be allotted in the name of Birla Capital International Trustee Company Ltd. A/c Birla Mutual Fund.

These NCDs will be secured by way of 1st pari-passu mortgage on all the fixed assets situate at Mora and certain fixed assets at Bangalore plants and second charge on fixed assets at Nagpur plant (first charge being that of Corporation Bank, lender of term loan of Rs. 120 million) in favour of the Debenture Trustees. 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 aforesaid fixed assets in favour of the Debenture Trustees may be regarded as disposal of the Company's properties/undertaking, it is necessary for the members to pass a Resolution under Section 293 (1) (a) of the Companies Act, 1956, for creation of the aforesaid mortgage.

Copies of the relevant documents are available for inspection at the Registered Office of the Company between 10.00 a.m. to 1.00 p.m. on any working day upto the date of this meeting.

None of the Directors of the Company are concerned or interested in the said Resolution.

Your Directors recommend the Ordinary Resolution for your approval.

ITEM NO. 10

Central Bank of India (Lead Bank), Bank of Baroda, Canara Bank, Corporation Bank and State Bank of India or such other combination of Banks as may be constituted from time to time in consultation with the Company (hereinafter referred to as "Consortium of Banks") have stipulated a condition for creation of a subservient mortgage on the immovable properties of the Company situate at Mora and Nagpur (Maharashtra) and Bangalore, (Karnataka) plants for securing their revised working capital facilities both Fund based and Non-Fund based limits of Rs. 534.10 million or such other limits as may be decided by the Consortium of Banks from time to time for working capital requirements of the Company. At present the Company's immovable properties situate at Mora, (Maharashtra) and Bangalore, (Karnataka) are secured in favour of Industrial Development Bank of India, Industrial Finance Corporation of

India Ltd., Karnataka State Industrial & Investment Development Corporation Ltd., ICICI Ltd., Debenture Trustees for Public Debentures now extended and privately placed debentures with Unit Trust of India, Small Industries Development Bank of India and Housing Development Finance Corporation Ltd., by way of exclusive mortgage on plot of land and building at Mora, (Maharashtra). The above said Mortgage will be created subject to the Consortium of Banks agreeing for a second charge in favour of the Institutions and Debenture Trustees on all stocks of raw materials, semi-finished goods, finished goods, stores, spares, consumables and book-debts, etc.

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 of the Company, 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 its immovable properties as aforesaid in favour of the Consortium of Banks 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 before creation of the said mortgage.

Copies of the relevant documents are available for inspection at the Registered Office of the Company between 10.00 a.m. to 1.00 p.m. on any working day up to the date of this meeting.

None of the Directors of the Company are concerned or interested in the said Resolution.

Your Directors recommend the Ordinary Resolution for your approval.

ITEM NO. 11

Mr. N. D. Sidhva, a pioneer of the Abrasive Industry in India, has been closely associated with the Company for over 57 years, of which 27 years were in the capacity of Whole-time Director or Managing Director. On his retirement the Board of Directors of the Company with the prior approval of the shareholders had appointed Mr. N.D. Sidhva as Technical and Marketing Consultant effective from 1st August, 1984 for a period of 5 years and re-appointed Mr. Sidhva for further periods of 5 years, which will now end on 31st October, 1999.

The Central Government has expressed its opinion under proviso to sub-section (1) of Section 309 of the Companies Act, 1956, that Mr. N. D. Sidhva, a Director of the Company has the requisite qualification for functioning as Technical and Marketing Consultant of the Company, vide their letter no. 7/4/CL VII/94 dated 6th June, 1995.

To enable the Company to continue to benefit from Mr. N.D. Sidhva's wide experience and expertise in the fields of manufacture and marketing of abrasive products, the Company feels that it is in the Company's interest to re-appoint Mr. N.D. Sidhva as a Technical and Marketing Consultant to the Company, on the terms and conditions mentioned in the resolution.



Mr. N. D. Sidhva will be paid Rs. 48,000/- (Rupees Forty Eight Thousand Only) per annum as retainer fees exclusive of out of pocket expenses. The payment of aforesaid retainer fees will be in addition to the payment of commission u/s. 309(4) of the Companies Act, 1956. Hence your approval is sought under section 314 of the Companies Act, 1956.

Copies of the relevant documents are available for inspection at the Registered Office of the Company between 10.00 a.m. to 1.00 p.m. on any working day upto the date of this meeting.

None of the Directors other than Mr. N. D. Sidhva and Mr. A. Y. Mahajan, are concerned or interested in the said Resolution.

Your Directors recommend the Special Resolution for your approval.

Mumbai: 26th May, 1999.

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 Tata Share Registry Ltd. 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.

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DIRECTORS' REPORT

The Members,
Grindwell Norton Ltd.

Your Directors present the Forty-ninth Annual Report of the Company alongwith the Audited Accounts for the year ended 31st March, 1999.

Financial Highlights

	(Rs. Million)	
	1998-99	1997-98
Sales	1842.1	1906.7
Operating Profit	183.7	250.1
Interest	40.1	40.9
Profit before tax	143.6	209.2
Provision for tax	38.0	60.0
Profit after tax	105.6	149.2
Surplus Brought Forward	30.0	20.0
Amount available for appropriation	135.6	169.2
Appropriations		
Proposed Dividend	41.5	41.5
Tax on proposed dividend	4.5	4.1
Debenture Redemption Reserve	0.4	0.4
General Reserve	54.2	93.2
Surplus carried to Balance Sheet	35.0	30.0
	135.6	169.2

Dividend

Despite the drop in profits, considering the strong cash flow, the Directors recommend payment of a dividend of Rs. 3.00 per equity share for the Financial Year ended on 31st March, 1999. The total dividend outgo will be Rs. 41.5 million (which is the same as the previous year).

Operations

This has been one of the worst years for your Company in recent times. Demand remained weak and, for the first time after several years, your Company's aggregate sales declined. Margins came under tremendous pressure as price realisation fell and costs increased (hike in import duties, rupee depreciation and higher power tariffs). Consequently, profit after tax declined. In most businesses, however, your Company maintained its market position.

Bonded Abrasives

It was yet another difficult year for Bonded Abrasives, with demand continuing to drop from major industry segments connected with automobiles. In a shrinking market, your Company did well to maintain market share and grow exports, even as domestic sales declined for the second consecutive year. Margins came under pressure, since prices could not be increased in line with cost increases.

Coated, Non-Woven and SuperAbrasives

In a difficult environment, your Company managed to maintain its market position in Coated through focus on new and improved products. The sale of Non-Woven consumer scrubber pads to the various marketing companies also continued to record a good

growth. The focus of the Super Abrasives business for this year was on consolidation, which has been successfully done. In all the businesses, operating margins were under severe pressure right through the year.

Abrasive Materials and Industrial Ceramics

The Silicon Carbide business did well in terms of sales mainly as a result of gains in market share. Margins and profitability, however, declined. The Refractories (both High Performance and Fused Cast) business had a very difficult year with many customers deferring investments and postponing repairs. Consequently, there was a sharp drop in sales.

Year 2000 (Y2K) Compliance

Most of the equipment, processes and systems of the Company are Y2K compliant. Action has been taken to ensure that the remaining equipment, processes and systems will be Y2K compliant by 30th September, 1999. The estimated cost is Rs. 2.50 million. The company is developing contingency plans to minimise the risk of disruption to its operations due to Y2K non-compliance by providers of critical materials and services.

Future Prospects

Having built capacities in its major businesses, your Company is well placed to benefit from the industrial recovery as and when it occurs. In the meanwhile, your Company is ready to face a difficult year. With the focus being on reducing costs and on growing exports, operating results are expected to 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. 0.71 million from 76 depositors, became due for repayment before the close of the financial year which remained unclaimed as on 31st March, 1999. The Company subsequently received instructions for renewals/repayments from 20 depositors amounting to Rs. 0.26 million.

Employee Relations

Your Directors record their appreciation for the contribution made by the employees in the progress of your Company. Wage Agreements with the Unions at the Mora, Bangalore and Tirupati plants expired during the year. At Tirupati, a new wage Agreement has been concluded while at Mora and at Bangalore the terms are still under negotiation.

Acknowledgements

Your Company gratefully acknowledges the patronage of its esteemed customers, the strength it derives from its association with Compagnie de Saint-Gobain and a number of its subsidiaries (in particular, Norton Company and SEPR), the support from its Bankers and the loyalty of the large family of the Company's Dealers, Suppliers and Shareholders.