

NORTON GRINDWELL NORTON LTD.

ANNUAL REPORT 2001

Report Junction


SAINT-GOBAIN

TEN YEAR FINANCIAL HIGHLIGHTS

(Rs. Million)

	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	Apr-Dec 2000 (9 Months)	2001
Sales	879	960	1162	1505	1784	1854	1789	1985	1521	1943
Profit Before Interest, Tax and Extraordinary Items	117	130	153	183	251	250	184	234	184	197
Profit After Tax and Extraordinary Items	32	45	61	81	123	149	106	134	109	61
Share Capital	46	46	46	46	138	138	138	138	138	138
Reserves and Surplus *	120	151	198	265	832	935	995	1079	1142	1050
Total Debts	390	367	403	565	283	216	287	288	286	216
Net Fixed Assets *	265	251	327	447	565	681	682	654	646	637
Net Working Capital	271	297	298	409	567	495	512	460	521	417
Earnings Per Share (Rs.)	6.99	9.75	13.20	17.42	**8.92	10.78	7.63	9.65	7.84	4.43
Dividend Per Share (Rs.)	2.00	2.50	3.00	4.50	#3.50	3.00	3.00	3.50	3.00	3.00
Book Value Per Share (Rs.) *	35.86	42.53	52.77	67.25	70.08	77.53	81.86	87.99	92.52	85.88

KEY RATIOS

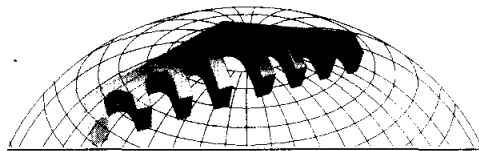
Return on Investment (%)	21.07	23.03	23.71	20.86	20.03	19.39	12.95	15.55	@ 15.69	13.32
Return on Sales (after Tax) (%)	3.69	4.71	5.26	5.36	6.92	8.05	5.90	6.73	7.14	3.16
Fixed Asset Turnover	3.32	3.83	3.56	3.37	3.15	2.72	2.62	3.03	@ 3.14	3.05
Working Capital Turnover	3.25	3.23	3.90	3.68	3.15	3.75	3.49	4.31	@ 3.89	4.66
Debt Equity Ratio	2.35	1.86	1.65	1.82	0.29	0.20	0.25	0.24	0.22	0.18
Current Ratio	2.43	2.65	2.30	2.57	2.91	2.51	2.48	2.33	2.25	1.93

* Without Revaluation Reserve

** Fully Diluted

Prorata on enhanced Capital

@ Annualised


**GRINDWELL
NORTON LTD.**

DIRECTORS

Mr. G. COLAS
(Chairman)

Mr. A. C. CHAKRABORTTI
(Vice-Chairman)

Mr. R. K. BILIMORIA

Mr. P. CROUZET

Mr. H. C. PATEL

Mr. J. F. PHELIZON

Mr. N. D. SIDHVA

Mr. R. P. STATILE

Mr. C. STREIFF

Mrs. D. S. VARIAVA
(Alternate Director to Mr. J. F. Phelizon)

Mr. A. Y. MAHAJAN
(Managing Director)

SENIOR MANAGEMENT

Mr. P. K. Bapat
(Bonded Abrasives)

Mr. M. C. Joykutty
(Engineered Materials)

Mr. J. A. J. Pereira
(Finance & Corporate Services)

Mr. V. Srinivasan
(Marketing and Coated Abrasives)

COMPANY SECRETARY

Mr. S. M. Mandke

Bankers

Central Bank of India
Corporation Bank
Bank of Baroda

Canara 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.
Army & Navy Building, Ground Floor,
148, M. G. Road, Mumbai 400 001.
Tel: 022-2873831 E-Mail: csg-unit@tatashare.com

Registered Office

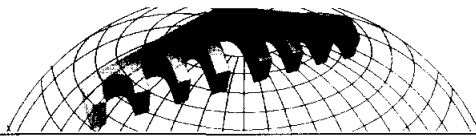
Army & Navy Building, 148, M. G. Road,
Mumbai 400 001.
Tel: 022-2844727, Fax: 022-2023711

Factories

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

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NOTICE

NOTICE is hereby given that the Fifty-second Annual General Meeting of the Members of Grindwell Norton Limited will be held on Monday, 22nd April, 2002, 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 December, 2001.
2. To declare a dividend for the year ended 31st December, 2001.
3. To appoint a Director in place of Mr. J. F. Phelizon who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. P. Crouzet, 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. Appointment of Mr. R. K. Bilimoria as Director.
To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. R. K. Bilimoria be appointed as Director of the Company, subject to retire by rotation."
8. Appointment of Mr. C. Streiff as Director.
To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. C. Streiff be appointed as Director of the Company, subject to retire by rotation."
9. Appointment of Mr. R. P. Statile as Director.
To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT Mr. R. P. Statile be appointed as Director of the Company, subject to retire by rotation."

7th February, 2002

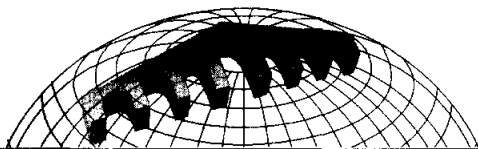
By Order of the Board

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 Saturday, 23rd March, 2002 to Friday, 19th April, 2002 (both days inclusive).
- (d) The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, in respect of the business under item nos. 7 to 9 is annexed hereto.
- (e) The dividend on equity shares, if declared at the meeting, will be paid on or after Friday, 3rd May, 2002, to those members whose names appear on the Register of Members on 23rd March, 2002. The dividend in respect of shares held in the electronic form will be paid to the beneficial owners of the shares as on 23rd March, 2002, as per details furnished by the Depositories for this purpose.
- (f) The unclaimed dividends for and up to the financial years ended 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.
As per the amended provisions of the Companies Act, 1956, the dividend remaining unclaimed or unpaid for the financial years ended from 31st March, 1996 will be transferred to the Investor Education and Protection Fund of the Central Government on expiry of seven years. Members who have not yet encashed the dividend warrants for aforesaid financial years, are once again requested to make their claims immediately to the Company or to the Company's Registrars & Transfer Agents.
- (g) As per the amended provisions of the Companies Act, 1956, the facility for making nomination is now available to the members in respect of the shares held by them. Nomination forms can be obtained from the Company's Registrars and Transfer Agents - M/s. Tata Share Registry Ltd.
- (h) SEBI has advised companies to arrange the payment of dividend through Electronic Clearing Service (ECS) of Reserve Bank of India. Members, who are holding shares in physical mode, are requested to complete the attached ECS/Bank Details form and return to Tata Share Registry Limited, Registrars and transfer Agents, in order to facilitate the payment of future dividend through ECS/printing of Bank Details on the dividend warrants. Members, who are holding shares in electronic mode are requested to complete the attached ECS/Bank Details form and submit the same to their respective Depository Participants.


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ANNEXURE TO THE NOTICE

Notes on directors seeking appointment/re-appointment, as required under Clause 49 of the Listing Agreement, entered in to with the Stock Exchanges.

ITEM NO. 3

Mr. J. F. Phelizon is 56 years old and is a French national. He has done MBA, MS and PhD in Economic Science. He joined Compagnie de Saint-Gobain (CSG) in 1973 and has gained rich experience in various fields. He is the Senior Vice-President of CSG and is the General Delegate for North America and Canada.

ITEM NO. 4

Mr. P. Crouzet is 45 years old, a French national and holds an Undergraduate Degree in Public Law and a Graduate Degree in General Administration. He joined CSG in 1986 and has gained rich experience in various fields. He is the Senior Vice-President and Chief Financial Officer of CSG.

ITEM NO. 5

Mr. H. C. Patel is 67 years old. He holds a Master Degree in Chemical Engineering from University of Michigan besides a Bachelor Degree in Science from University of Mumbai. Mr. Patel joined the Board, in 1962 and had served as Managing Director of your Company for a period of 8 years. He retired as Managing Director of your Company in 1991. Mr. Patel is also on the Board of Gharda Chemicals Ltd.

ITEM NO. 7

Mr. R. K. Bilimoria is 66 years old. He holds a Bachelor Degree in Science. He has varied management experience of around 40 years in industries connected to Floorings, Shipping, and Food products.

ITEM NO. 8

Mr. C. Streiff is 47 years old, a French national and holds an Engineering Degree. He joined CSG in 1979 and has gained rich experience in various fields. He is the Senior Vice-President of CSG and currently heads the Abrasives and Ceramics & Plastics Divisions.

ITEM NO. 9

Mr. R. P. Statile is 51 years old, an American national. He has done BS Economics at St. Peters, MA at Fordham and MBA at Rutgers. He joined CSG in 1983 and has gained rich experience in various fields. He is the Vice-President, Finance of the Abrasives Division of CSG.

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 7th February, 2002.

ITEM NO. 7

Mr. R. K. Bilimoria was appointed as an additional director on 28th July, 2001, pursuant to the provisions of Section 260 of the Companies Act, 1956. He holds office up to the date of the forthcoming Annual General Meeting.

Notice in writing u/s 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- has been received from a member of the Company signifying his intention of proposing Mr. Bilimoria as candidate for the office of director.

Except Mr. Bilimoria, no other director of the Company is concerned or interested in this resolution.

Your directors recommend the Ordinary Resolution for your approval.

ITEM NOS. 8 & 9

Mr. C. Streiff and Mr. R. P. Statile were appointed as additional directors on 5th December, 2001, pursuant to the provisions of Section 260 of the Companies Act, 1956. They hold office up to the date of the forthcoming Annual General Meeting.

Notices in writing u/s 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- each, have been received from some members of the Company signifying their intentions of proposing Mr. Streiff and Mr. Statile as candidates for the office of director.

Mr. Streiff is a Senior Vice-President of Compagnie de Saint-Gobain (CSG) and currently heads the Abrasives and Ceramics & Plastics Divisions and Mr. Statile is the Vice-President, Finance of the Abrasives Division of CSG.

Except Mr. Streiff, Mr. Statile and other nominee directors of CSG, no other director of the Company is concerned or interested in these resolutions.

Your directors recommend these Ordinary Resolutions for your approval.

7th February, 2002

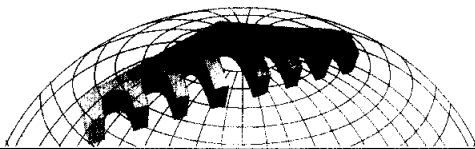
By Order of the Board

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, M/s. Tata Share Registry Ltd. (TSRL).
4. Members are requested to immediately intimate the change, if any, in their registered address to TSRL.



DIRECTORS' REPORT

The Members,
Grindwell Norton Limited

Your Directors present the Fifty-second Report of the Company alongwith the Audited Accounts for the year ended 31st December, 2001.

Financial Highlights

	(Rs. Million)	
	For the Year Ended 31st December, 2001	For the Nine Months Ended 31st December, 2000
Sales	1,942.8	1,520.8
Operating Profit	196.7	184.3
Interest	30.5	25.7
Profit before Tax and Extraordinary Items	166.2	158.6
Extraordinary Items	93.4	—
Profit before Tax	72.8	158.6
Provision for Tax	52.0	50.0
Deferred Tax	(40.5)	—
Profit after Tax	61.3	108.6
Excess provision for Tax on Dividend of earlier period	5.2	—
Excess provision for Income tax of earlier years	—	5.0
Surplus Brought Forward	50.0	50.0
Amount available for Appropriation	116.5	163.6
Appropriations:		
Proposed Dividend	41.5	41.5
Tax on proposed Dividend	4.2	9.4
Debentures Redemption Reserve	20.0	20.0
General Reserve	10.8	42.7
Surplus carried to Balance Sheet	40.0	50.0
	116.5	163.6

Responsibility Statement

Your Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- appropriate accounting policies have been selected and applied consistently and judgements and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at 31st December, 2001 and of the profit of the Company for that year;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for

safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- the annual accounts have been prepared on a going concern basis.

Operations

The sustained economic slowdown throughout the year under review had an adverse impact primarily on the Abrasives businesses of your Company and caused a significant drop in volumes and profits. Sales and Net Profits were 4% and 21% lower than the annualised figures of the previous period.

Dividend

Your Directors recommend a dividend of Rs. 3.00 per equity share for the year ended on 31st December, 2001. The total dividend outgo will be Rs. 41.52 Million (Previous Period Rs. 41.52 Million).

Bonded Abrasives

The demand for Bonded products declined on account of the slowdown of major user industries such as Automobiles (including components), Steel, Bearings and Infrastructure-related activities. Worldwide recessionary trends had an impact on Exports, which remained stagnant. Your Company took a number of steps to strengthen its position in several key products and markets. Stringent cost control measures, including a Voluntary Retirement Scheme, have placed the Bonded Abrasives Business on a strong footing.

Coated, Non-Woven and Super Abrasives

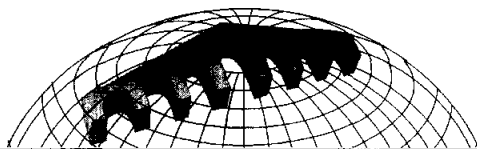
Despite the adverse impact of the slowdown in domestic industrial markets, sales of Coated products witnessed an increase. The project for the upgradation of the cloth finishing line was completed. Good ground work has been done in the area of export market development. The industrial non-woven sales were stable, while there was good growth in the sales of consumer pads. The Super Abrasives business was dull, but exports showed a steady growth.

Abrasive Materials and Industrial Ceramics

The Silicon Carbide business continued to do exceedingly well, both in terms of market share and profits. Cost control measures, improvement in plant efficiencies and power cost reduction (due to your Company's investment in Andhra Pradesh Gas Power Corporation Ltd.) resulted in higher profits in this business.

The Refractories business also had a good year, due to project-related demand from the non-ferrous industry. As a result, there was a significant increase in sales and profits.

The Fused-cast Refractories operations have been closed since May, 2001. As the business was making losses, in the interest of the Company, your Board of Directors had taken a decision to sell this business, to SEPR Refractories India Ltd., (a Saint-Gobain Group Company). The shareholders, through a postal ballot, have given their consent to the sale of this business. The sale will be completed in the first quarter of 2002.


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Future Prospects

Your Company's management has taken various actions aimed at reorienting the Marketing organisation, reducing costs and improving productivity. Thus, whether or not there is a revival of industrial growth, your Company's results will show an improvement in 2002. In the medium term, your Company is well-placed to benefit from an acceleration in industrial growth as and when this occurs.

Dematerialisation

As members are aware, your Company's shares are now tradable compulsorily in electronic form and your Company had facilitated connectivity with both the depositories, i.e. National Securities Depository Ltd. and Central Depository Services (India) Ltd. Your Company has also made arrangements for providing simultaneous dematerialisation of share certificates lodged for transfer. In view of the numerous advantages offered by the Depository system, members are encouraged to avail of the facility of dematerialisation of the Company's shares on either of the Depositories as aforesaid.

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 clean and safe workplace at all plant locations and work sites.

As required by the Companies (Disclosure of Particulars in the Report of 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. 1.05 Million from 105 depositors, became due for repayment before the close of the financial year under review, which remained unclaimed as on 31st December, 2001. The Company has subsequently received instructions for repayments from 37 depositors amounting to Rs. 0.34 Million. Your Board has taken a decision to discontinue the Fixed Deposit scheme of the company, in view of the availability of cheap funds and to reduce administrative costs. No further deposits would be accepted or renewed. The existing deposits would be repaid on maturity.

Employee Relations

Your Directors place on record their appreciation for the contribution made by all the employees in the progress of your Company.

During the year, your Company implemented Voluntary Retirement Schemes covering its plants at Mora and Bangalore, its Head Office at Mumbai and its Field Offices across the country. In all, 254 employees (15% of the total employees) accepted Voluntary Retirement.

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, Saint-Gobain Abrasives Inc., formerly Norton Company), the support from its Bankers 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.

Corporate Governance

- (a) Report on Corporate Governance:
Certificate dated 7th February, 2002, of the Auditors of your Company, regarding the compliance of the conditions of the Corporate Governance as stipulated in clause 49 of the Listing Agreement with the Stock Exchanges, is enclosed.
- (b) Management Discussion and Analysis Report:
Management Discussion and Analysis Report is annexed; (Annexure C).

Directors

During the year, Mrs. M. S. Mehta, Mr. G. Michel and Mr. E. du Moulin resigned as directors of your Company. The Board records its appreciation for the valuable services rendered by Mrs. Mehta, Mr. Michel and Mr. du Moulin. Mr. R. K. Bilimoria, Mr. C. Streiff and Mr. R. P. Statile were appointed as additional directors. They hold office up to the date of the ensuing Annual General Meeting. Notices under section 257 of the Companies Act, 1956, have been received from some members proposing, Mr. R. K. Bilimoria, Mr. C. Streiff and Mr. R. P. Statile as candidates for the office of directors.

In accordance with the requirements of the Companies Act, 1956 and Articles of Association of the Company, Mr. J. F. Phelizon, Mr. P. Crouzet and Mr. H. C. Patel retire by rotation and being eligible offer themselves for re-election as directors of your Company.

Auditors

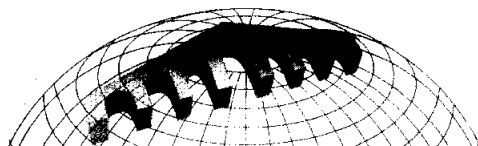
M/s. Kalyaniwalla & Mistry, Chartered Accountants, Auditors of your Company, retire on the conclusion of 52nd Annual General Meeting. You are requested to appoint Auditors for the current financial year and to fix their remuneration. The retiring Auditors, M/s. Kalyaniwalla & Mistry, Chartered Accountants are eligible for re-appointment.

On behalf of the Board of Directors,

A. C. CHAKRABORTTI
VICE-CHAIRMAN

A. Y. MAHAJAN
MANAGING DIRECTOR

Mumbai: 7th February, 2002



ANNEXURE A TO THE DIRECTORS' REPORT

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

CONSERVATION OF ENERGY:

Following activities were undertaken to save/conserved energy:

1. Energy audits to identify key areas for improvement in energy efficiency of the processes adopted and eliminating wastages.
2. Implementation of the energy conservation methods and/or improving input-output ratios in the Ceramics & Coated businesses.

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

Product: Refractories

A. Power and Fuel Consumption:

	2001	Apr - Dec 2000
1. ELECTRICITY		
(a) Purchased:		
Units	1076646	1146264
Total Amount (Rs. Million)	4.92	5.33
Rate/Unit Rs.	4.57	4.65
(b) Own Generated:		
(i) Through diesel generators:		
Units	126728	65919
Units per Ltr. of diesel	3.23	3.16
Cost/Unit Rs.	5.75	5.71
(ii) Through Steam turbine/generator	NIL	NIL
2. FUEL OIL		
Quantity (K. ltrs.)	775	485
Total amount (Rs. Million)	10.23	5.99
Average rate (Rs.)	13214	12349
B. Consumption per unit of production:		
(a) Fused Cast Refractories:		
Electricity KWH/TON	3492	5567
(b) Other Refractories:		
Electricity KWH/TON	716	646
Fuel oil KL/TON	0.65	0.65

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 : Grains, Bonded, Thin, Coated, Super Abrasives & Non-Woven.
- (b) Ceramics : Refractories and Monolithics.

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

(a) Abrasives:

Development of:

- new seeded gel abrasive products for precision and extra precision grinding applications.
- new generation bonds for organic and vitrified products required for bearing, auto and auto-ancillary applications.
- new bonds for steel conditioning products for warm grinding applications.
- new bond systems in Thin wheels to upgrade and enhance product availability for fabrication and construction applications.
- Superior waterproof backings for high performance coated abrasive products.
- Polishing wheels, which can impart special finishes on ferrous and non-ferrous metal parts and fabrications.

Improvements in:

- Bonded abrasive and Thin wheel products to achieve consistency in field performance, through improved consistency and reliability of the manufacturing process.
- Standard metal working Coated abrasive products through specialised treatments of abrasive grains.
- Maker technology to improve process consistency in manufacturing.
- Standard Non-woven abrasive products for consumer and industrial applications, extending the availability range.

(b) Ceramics:

Development of:

- Cryston beams for Insulator industry.
- Semi-solid supercord product for Whiteware Industry.
- Mullite for Ferrite Industry.

3. Future plans of action:

- (a) Technology adaptation from Saint-Gobain Abrasives Inc. (formerly Norton Co.) & other Saint-Gobain plants in identified priority areas, for development of new and improved products.


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- (b) Development of tools to support analysis of product performance at customers end.

4. Expenditure on R&D for the year ended 31st December, 2001:

	Rs. Million
(a) Capital	Nil
(b) Recurring	4.60
(c) Total	4.60
(d) Total R&D expenditure as a percentage of total turnover	0.24%

Technology absorption, adaptation and innovations:

We have kept abreast with the latest technology developments taking place at other Saint-Gobain Abrasives R&D centres and

plants. Through a continuous process of interactions, followed by planning, review and implementation, Saint-Gobain technology adaptation was continued for the development of new and improved products. The implementation resulted in substantial improvements in the manufacturing processes and efficiencies for the Bonded and Thin businesses. Support services were offered to the customers to help reduce their overall cost of grinding while using bonded and thin products. In-house development work focussed on improving yields in Coated and Ceramic businesses.

Disclosure of particulars with respect to Foreign Exchange earnings and outgo:

Total earnings in foreign exchange for the year ended 31st December, 2001 was Rs.138.65 Million and the total outflow was Rs. 252.01 Million. Details are given in Schedule 14.

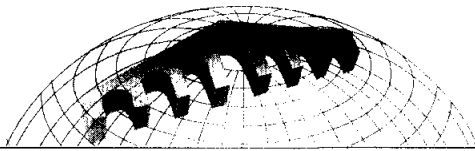
ANNEXURE B TO THE DIRECTORS' REPORT

STATEMENT UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT.

NAME	AGE	DESIGNATION/ NATURE OF DUTIES	REMUNERATION RS.	QUALIFICATION	COMMENCEMENT OF EMPLOYMENT	LAST EMPLOYMENT	TOTAL EXPERIENCE (YEARS)
EMPLOYED THROUGHOUT THE YEAR							
BAPAT P. K.	55	V. P. – BONDED ABRASIVES	1944389	3.TECH., PGDM (IIM)	MAY 1970	NONE	31
BHANDARE J. N.	53	GEN. MGR. – BONDED ABRASIVES	1215256	3.E. (MECH.), FIE, RIPE	AUG. 1977	ENGINEER – KIRLOSKAR BROS. LTD.	30
D'CUNHA GERARD	44	GEN. MGR. – HUMAN RESOURCES	1337458	B.SC., MA (PM & IR)	DEC. 1998	ASST. GEN. MGR. – LARSEN & TOUBRO LTD.	21
JOYKUTTY M. C.	58	V. P. – ENG. MATERIALS & SYSTEMS	1868907	B.SC. (ENGG.), DMM	JAN. 1967	NONE	35
MAHAJAN A. Y.	49	MANAGING DIRECTOR	4405839	M.A. (ECON), MBA (USA)	JUNE 1983	PROJ. CONSULTANT – STATE BANK OF INDIA	26
PEREIRA J. A. J.	53	V. P. – FIN. & CORP. SERVICES	1996211	B.SC., FICWA, PGDM (IIM)	MAY 1975	NONE	27
PURANIK M. A.	46	GEN. MGR. – CORP. FIN. & TAXATION	1396508	B.COM., ACA	MAY 1988	DY. CHIEF ACCOUNTANT – GARWARE MARINE INDUSTRIES LTD.	21
RAMARATNAM M. R.	54	GEN. MGR. – PROJECTS	1501054	B.E. (MECH.), PRDN. MGT.	APRIL 1982	SR. ENGINEER – ASHOK LEYLAND LTD.	31
SRINIVASAN V.	47	V. P. – MARKETING & COATED ABRASIVES	2184250	B.TECH., PGDM (IIM)	JAN. 1999	DY. GEN. MGR. – SUNDARAM FASTNERS LTD.	22
EMPLOYED FOR PART OF THE YEAR							
DURAIRAJ A. K.	47	MGR. – ELECTRICAL ENGINEERING	785192	DIP. (ELEC.)	JUNE 1977	INDIAN STEEL ROLLING MILLS	26
SANTHANAM B.	46	EXECUTIVE ON DEPUTATION	1730500	B.TECH., PGDM (IIM)	MAY 1980	NONE	22
SATHYANARAYANA C.	46	MGR. – QUALITY ASSURANCE	721863	M.SC.	AUG. 1979	NONE	22

NOTES:

- Total remuneration includes salary, commission, allowances, rent paid for providing accommodation, leave pay, group and accident insurance premium, Company's contribution to provident, superannuation and gratuity funds and also the monetary value of other perquisites. Payment made under Voluntary Retirement Schemes has not been considered.
- All the above employees are employed on contractual basis.
- None of the employees mentioned above is a relative of any Director except Mr. A. Y. Mahajan, Managing Director who is the son-in-law of Mr. N. D. Sidhva, Director of the Company.
- Experience includes number of years service elsewhere, wherever applicable.



ANNEXURE C TO THE DIRECTORS' REPORT

MANAGEMENT DISCUSSION & ANALYSIS REPORT

(Pursuant to clause 49 of the Listing Agreement with Stock Exchanges)

GENERAL REVIEW

Grindwell Norton Limited (GNO) is a subsidiary of Compagnie de Saint-Gobain (Saint-Gobain), a transnational French Group with sales exceeding €30 billion. Saint-Gobain's businesses fall into three broad sectors of activity: Glass, Housing Products and High Performance Materials. GNO's businesses are a part of the two Divisions that comprise the High Performance Materials sector of activity. The two Divisions are:

1. Abrasives
2. Ceramics & Plastics

A brief outline and a review of GNO's major businesses is provided below:

1. ABRASIVES SEGMENT

The major businesses in this segment are:

- (i) Bonded Abrasives
- (ii) Coated Abrasives (including Non-Woven)

GNO also manufactures and sells Super Abrasives.

(i) BONDED ABRASIVES Product & Plants

Bonded Abrasives, most commonly in the form of wheels but also in other shapes such as segment, sticks etc., are used for various applications ranging from polishing or lapping to removing high quantities of materials.

The Bonded Abrasives Division has two plants, one at Mora and the other at Nagpur, Maharashtra, both of which are certified under ISO 9002.

Industry

The industry currently has two major players, one of which is GNO. GNO has a leadership position in several product-market segments.

Broad characteristics of this business are:

- High entry barriers in the form of high capital investment (though there are numerous small players in niche products and markets).
- Diverse industrial applications.
- Key success factors are quality, cost and capability to provide total grinding solutions.

Applications

Bonded Abrasives are used for precision applications such as lapping, honing, superfinishing, race grinding, thread grinding, fluting, OD grinding, ID grinding, surface grinding etc. They are also used in rough applications such as snagging, tool sharpening, burr removal, abrasive parting off, weld preparation etc. Bonded Abrasives are used by a very large number of users. The variety is very high. GNO makes over 10000 different products in a year.

Major User Industries

- Automobiles and Auto Components
- Steel
- Bearings
- Cutting Tools/Hand Tools etc.
- Fabrication

Development & Outlook

Saint-Gobain has a very strong R&D set up and GNO has full access to the new products and processes developed by R&D or at any of the numerous plants all over the world. GNO is therefore well placed to serve the future requirements of customers. The worldwide organisation is also of great help in boosting exports from India.

While the coming one or two years may be difficult, over the medium term, the demand for Bonded Abrasives in India is expected to grow by about 3% to 5% per annum. Currently, imports have a small share of the total market. However, since import duties will fall in the coming years, it is likely that imports will grow. This will also lead to a pressure on prices of Bonded products.

GNO has taken necessary steps to become a lower cost producer and has reoriented its marketing efforts to render significantly superior levels of service and, thereby, successfully meet both domestic and international competition. Simultaneously, by focusing on exports, GNO will ensure that sales volumes maintain a growing trend.

(ii) COATED ABRASIVES (INCLUDING NON-WOVEN)

Product & Plants

Coated Abrasives are flexible abrasives used in the form of sheets, belts and discs. These are manufactured by coating a layer of abrasive grains on material such as paper, fibre, cotton cloth or nylon. They are used in grinding, sanding and polishing operations on materials like metal, wood and leather.

GNO's manufacturing facilities at Bangalore, Karnataka and at Nagpur, Maharashtra are ISO 9002 certified.

Industry

The domestic Coated Abrasives sector has four major players including GNO. There are also a number of small regional manufacturers and converters. GNO is a leader in several segments of the domestic market.

The characteristics of this sector are:

- Low entry barriers, in terms of low capital requirement
- Low threats from substitute products
- Diverse industrial applications

The key requirements for success are:

- Product range & Brand Image
- Distribution network