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### Bankers

Central Bank of India  
Corporation Bank  
State Bank of India  
ICICI Bank Ltd.

### Auditors

Kalyaniwalla & Mistry,  
Chartered Accountants

### Registrars & Transfer Agents

Tata Share Registry Ltd.  
Army & Navy Building,  
148, M. G. Road, Mumbai - 400 001.  
Tel : 022-5656 8484  
Fax : 022-5656 8494  
E-Mail: csg-unit@tatashare.com

### Registered Office

Army & Navy Building,  
148, M. G. Road,  
Mumbai - 400 001.  
Tel : 022-2284 4727  
Fax : 022-2202 3711

### Factories

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

## DIRECTORS

**Mr. C. STREIFF**  
(Chairman)

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

**Mr. R. K. BILIMORIA**

**Mr. R. CALIARI**  
(Appointed w.e.f. 3/3/2004)

**Mr. G. COLAS**

**Mr. P. CROUZET**

**Mr. A. DENES**  
(Appointed w.e.f. 3/3/2004)

**Mr. H. C. PATEL**

**Mr. J. F. PHELIZON**  
(Resigned w.e.f. 3/3/2004)

**Mr. N. D. SIDHVA**

**Mr. R. P. STATILE**  
(Resigned w.e.f. 3/3/2004)

**Mrs. D. S. VARIAVA**  
(Alternate Director to Mr. R. Caliari  
w.e.f. 3/3/2004)

**Mr. A. Y. MAHAJAN**  
(Managing Director)

## SENIOR MANAGEMENT

**Mr. P. K. Bapat**  
(Bonded Abrasives)

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

## COMPANY SECRETARY

**Mr. S. M. Mandke**



## NOTICE

**NOTICE** is hereby given that the Fifty-fourth Annual General Meeting of the Members of Grindwell Norton Limited will be held on Wednesday, 28th April, 2004, 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, 2003.
2. To declare a dividend for the year ended 31st December, 2003.
3. To appoint a Director in place of Mr. G. Colas 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. To appoint a Director in place of Mr. R. Caliarì 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. Caliarì for the office of a Director.
8. 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 54, after the present sub-clause 53:-

New sub-clause 54:

"54. To carry on the business of rendering the following types of services in India or outside India:

- (a) consultancy/services in the field of engineering, civil, mechanical, electrical, chemical, software, hardware, design, drawings, agricultural etc.
- (b) consultancy/services in the field of design, drawings, engineering, planning, project management, plant construction and plant supervision, procurement, erection and commissioning of projects.
- (c) designing and/or construction of whole or part of plants, or industrial complexes.

FURTHER RESOLVED THAT any one Director of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary for giving effect to this resolution."

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 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 54, 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."

3rd March, 2004

By Order of the Board

Registered Office:  
Army & Navy Building,  
148, M. G. 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 Monday, 22nd March, 2004 to Friday, 26th March, 2004 (both days inclusive).
- (d) The relative Explanatory Statement 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 5th May, 2004.
- (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 yet claimed their dividends for the said periods may claim the same by submitting application in Form No. II to the Registrar of Companies, Maharashtra, CGO Building, 2nd floor, 'A' Wing, Opp. Police Commissioner's Office, C.B.D. Belapur, Navi Mumbai - 400 614. As per the amended provisions of the Companies Act, 1956, the dividend remaining unclaimed or unpaid for the financial year ended 31st March, 1996 has been transferred to the Investor Education and Protection Fund (Fund) of the Central Government on 25th September, 2003. The Unpaid Dividend for the financial year ended 31st March, 1997 (which is due for transfer to the Fund on 28th August, 2004) and for all the subsequent years will be transferred to the Fund, on expiry of seven years from their respective dates of declaration. 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 – M/s. Tata Share Registry Ltd. (TSRL). Please note that once the unpaid dividend is transferred to the Fund, the Shareholders will not be entitled to claim the same from the Fund.
- (g) As per the amended provisions of the Companies Act, 1956, the facility for making nomination is available to the Members in respect of the shares held by them. Nomination forms can be obtained from TSRL.
- (h) The Company will arrange the payment of dividend, if declared, through Electronic Clearing Service (ECS) or incorporation of Bank details, on the dividend warrants as furnished by the Members. Members holding shares in Physical mode are advised to immediately submit the ECS/Bank details to TSRL or notify the changes, if any, to TSRL and Members holding shares in Demat mode are advised to submit the ECS/Bank details to their respective Depository Participants (DPs) or notify the changes, if any, in their ECS/Bank details to their respective DPs.
- (i) All documents referred to in the Notice and Explanatory Statement are open to inspection to the members at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all working days upto the date of the Annual General Meeting.

## ANNEXURE TO THE NOTICE

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

### ITEM NO. 3

Mr. G. Colas, a French national, is 55 years old. He is a civil engineer from French Ecole Nationale des Ponts et Chaussées, and Master of Science, Stanford University, California. He joined Compagnie de Saint-Gobain (CSG), in 1973. He is currently the General Delegate – Asia Pacific. He was appointed as a Director of the Company on 20th October, 2000 and has served as the Chairman of the Company, from 20th October, 2000 to 4th December, 2002. He is a member of the General Management Committee of CSG.

### ITEM NO. 4

Mr. P. Crouzet, a French national, is 47 years old. He 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. He was appointed as a Director of the Company on 22nd October, 1997.

### ITEM NO. 5

Mr. H. C. Patel is 69 years old. He holds a Masters Degree in Chemical Engineering from University of Michigan besides a Bachelors Degree in Science from University of Mumbai. Mr. Patel joined the Board, in 1962 and had served as the Managing Director of the Company for a period of 8 years. He retired as Managing Director of the Company in 1991. Mr. Patel is also on the Board of Gharda Chemicals Ltd.

### ITEM NO. 7

Mr. R. Caliarì, an Italian national, is 58 years old and holds a Ph.D in Engineering. He joined CSG in 1973 and has gained rich experience in various fields. Presently he is the President of the Reinforcements Division and General Delegate for Italy & Greece. Effective 1st April, 2004, Mr. Caliarì will assume responsibility as Senior Vice-President, Ceramics & Plastics, Abrasives and Reinforcements Divisions of CSG. Mr. Caliarì is also on the Board of Saint-Gobain Vetrotex India Ltd., one of the Saint-Gobain Group Companies in India.



## EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956, the following explanatory statement sets out all the material facts relating to the Special Business mentioned in the accompanying Notice dated 3rd March, 2004.

### ITEM NO. 7

Mr. R. Caliori was appointed as a Director of the Company on 3rd March, 2004, to fill the casual vacancy caused by the resignation of Mr. J. F. Phelizon. 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. Caliori holds office upto the date which Mr. Phelizon would have held office had he not resigned, i.e. upto the date of the forthcoming Annual General Meeting of the Company. Mr. Caliori's brief resume has been given at item no. 7 above.

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. Caliori as a candidate for the office of Director.

Your Directors recommend this Ordinary Resolution for your approval.

Except Mr. Caliori and other nominee directors of CSG, no other director of the Company is concerned or interested in this Resolution.

### ITEM NOS. 8 & 9

The business presently carried on by the Company comprises primarily of abrasives and industrial ceramics. The Company has a Project Engineering Group, manned by qualified professionals having rich experience to undertake activities relating to engineering project consultancy, management and operation, within or outside Saint-Gobain group. The Company may enter into any of the proposed activities, as and when opportunities arise. With this end in view, the Special Resolutions are recommended for altering the Objects Clause of the Memorandum of Association of the

Company, as well as authorising the Board of Directors to undertake such business, as and when the need arises. These Special Resolutions at item nos. 8 & 9 are aimed at enabling the commencement of such new business.

Your Directors recommend these Special Resolutions for your approval.

None of the Directors of the Company are concerned or interested in these Special Resolutions.

3rd March, 2004

Registered Office:  
Army & Navy Building,  
148, M. G. Road,  
Mumbai-400 001.

By Order of the Board

**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, 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-fourth Report of the Company along with the Audited Accounts for the year ended 31st December, 2003.

### Financial Highlights

	(Rs. Million)	
	2003	2002
<b>Sales</b>	<b>2,544.9</b>	<b>2,246.6</b>
<b>Operating Profit</b>	<b>321.0</b>	<b>267.6</b>
Interest	7.3	28.3
Profit before Tax and Extraordinary Items	313.7	239.3
Extraordinary Items	—	20.6
Profit before Tax	313.7	259.9
Provision for Tax	128.6	83.0
Deferred Tax	(19.1)	(3.6)
Profit after Tax	204.2	180.5
Excess provision for Tax on Dividend of earlier year	—	4.2
Surplus Brought Forward	40.0	40.0
	<b>244.2</b>	<b>224.7</b>
<b>Appropriations:</b>		
Proposed Dividend	90.0	83.0
Tax on Proposed Dividend	11.5	10.7
General Reserve	102.7	91.0
Surplus carried to Balance Sheet	40.0	40.0
	<b>244.2</b>	<b>224.7</b>

### 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 judgments 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, 2003 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 year under review was an excellent one for your Company with sales increasing by 13% and operating profits by 20%. The increase in sales was due to buoyancy in domestic demand, gains in market share and very strong growth in exports (35% over the previous year). With price levels continuing to be under pressure, the rise in operating profits was largely due to volume growth.

During the year, your Company sold its investment in Saint-Gobain Diamant Winter Ltd. for a consideration of Rs. 53.78 Million, which was the cost price. This was consequent to the global sale of this business by Saint-Gobain.

### Dividend

Considering the excellent results, your Directors recommend a dividend of Rs. 6.50 per equity share, for the year ended on 31st December, 2003. The dividend outgo (excluding tax on dividend), will be Rs. 89.96 Million (previous year Rs. 83.04 Million).

### Abrasives

The demand for Abrasive products continued to increase, due to high growth in all major consumer industries viz : auto and auto components, metal-working, bearings and steel. During the year, several initiatives were undertaken towards improving both manufacturing and post-manufacturing processes, which will put your Company's businesses on a solid footing. Apart from improving domestic market share, your Company has maintained high growth in exports.

### Ceramics & Plastics

The performance of the Silicon Carbide business was in line with expectations, both in terms of volumes and profits. However, the uncertainty caused by the steep increase in "Wheeling Charges" effected by the Transmission Corporation of A.P. Ltd. (A. P. Transco), from 1st April, 2002, continues, with A.P. Transco filing a Special Leave Petition in the Honourable Supreme Court, against the favourable judgment of the Honourable High Court of Andhra Pradesh. Your Directors are of the view that this steep increase in Wheeling Charges is arbitrary and unsustainable. However, out of abundant caution, your Company has made part provisions. Details are given in Note No. 3 of Schedule 14.

The Refractories business had a good year with major end-users doing well. Hence the volumes and profits were above the plans. The business was certified under ISO 9001:2000, during this year.

There was good growth in the sales of the Performance Plastics business. The business was also certified under ISO 9001:2000, during this year.

### Future Prospects

As a result of various actions initiated by your Company's management during the last two years and the buoyancy in





demand, your Company's businesses should continue to perform well. As regards the Silicon Carbide business, your Company's future course of action will depend on the outcome of the Special Leave Petition filed by A. P. Transco (referred to above), which will have a significant impact on the cost of electricity and the viability of the business.

### **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. During the year, your Company's site at Bangalore was certified under ISO-14001. 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 refund. Deposits amounting to Rs. 0.65 Million from 46 depositors, which became due for repayment during the year under review, remained unclaimed as at 31st December, 2003.

Your Company has subsequently received instructions for repayment from 29 depositors amounting to Rs. 0.33 Million. Your Company had discontinued the Fixed Deposit Schemes from the year 2001.

### **De-listing of Shares**

Pursuant to the resolution passed by you at the 53rd Annual General Meeting held on 29th April, 2003, your Company had made applications to The Delhi Stock Exchange Association Ltd. (DSE) and Hyderabad Stock Exchange Ltd. (HSE) for voluntary de-listing of the Company's shares from DSE and HSE under the SEBI (De-listing of Securities) Guidelines 2003. Your Company's shares have been de-listed from HSE and DSE with effect from 29th September, 2003 and 17th November, 2003 respectively. Your Company's shares continue to be listed on The Stock Exchange, Mumbai, (BSE). BSE has a nationwide network of trading terminals.

### **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, after lengthy negotiations, new productivity-enhancing Wage Agreements were successfully concluded at Bangalore and at Nagpur. As at the year-end, there were 1315 employees.

### **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.), 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.

### **Management Discussion & Analysis Report and Report on Corporate Governance**

The Management Discussion & Analysis Report and Report on Corporate Governance along with a Certificate dated 3rd March, 2004, of the Auditors of your Company, regarding the compliance of the conditions of Corporate Governance, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges is annexed (Annexure C).

### **Directors**

Mr. R. Caliori and Mr. A. Denes were appointed on 3rd March, 2004, as Directors, in the casual vacancies caused by the resignations of Mr. J. F. Phelizon and Mr. R. P. Statile respectively. The Board records its appreciation for the valuable services rendered by Mr. Phelizon and Mr. Statile.

Mr. Caliori holds office upto the date which Mr. Phelizon would have held office had he not resigned, i.e. upto the date of the 54th Annual General Meeting of the Company. As required u/s 257 of the Companies Act, 1956, the Company has received a notice in writing from a Member proposing the candidature of Mr. Caliori, as Director of the Company.

Mrs. D. S. Variava had ceased to be an Alternate Director to Mr. Phelizon on his resignation. The Board has appointed Mrs. Variava as an Alternate Director to Mr. Caliori with effect from 3rd March, 2004.

In accordance with the requirements of the Companies Act, 1956 and Articles of Association of the Company, Mr. G. Colas, Mr. P. Crouzet and Mr. H. C. Patel retire by rotation and being eligible, offer themselves for re-appointment as Directors of your Company.

### **Auditors**

M/s. Kalyaniwalla & Mistry, Chartered Accountants, Auditors of your Company, retire on the conclusion of 54th 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: 3rd March, 2004

## 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:

- Several energy conservation projects were initiated and completed, such as ceramic fibre relining of kilns, rationalisation of kiln cycles, better ware to furniture ratio and effective utilisation of compressed air.
- 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

	2003	2002
<b>A. Power and Fuel Consumption:</b>		
<b>1. ELECTRICITY</b>		
(a) Purchased:		
Units	1082582	1056211
Total Amount (Rs. Million)	5.11	4.62
Rate/Unit (Rs.)	4.72	4.37
(b) Own Generated:		
(i) Through diesel generators:		
Units	93901	115179
Units per Ltr. of diesel	3.27	3.22
Cost/Unit (Rs.)	6.07	5.77
(ii) Through Steam turbine/generator	NIL	NIL
<b>2. FUEL OIL</b>		
Quantity (K. Ltrs.)	813	795
Total Amount (Rs. Million)	13.00	10.02
Average rate (Rs.)	15985	12604
<b>B. Consumption per unit of production:</b>		
Electricity KWH/TON	756	895
Fuel oil KL/TON	0.56	0.61

### Form B for disclosure of particulars with respect to Technology Absorption:

#### Research & Development (R&D):

- Specific areas in which R&D was carried out by the Company:**
  - Abrasives : Grains, Bonded, Coated, Super Abrasives & Non-Woven.
  - Ceramics : Refractories and Monolithics.
- Benefits derived as a result of the above R&D:**
  - Abrasives:**

Development of:

    - New variant of Seeded Gel abrasive products for specific applications in the Bearing and Automotive Industry.
    - Modified adhesive system for improved performance in coated abrasives.

- Full range of non-woven flat stock for converter market.

Improvements in:

- ALO/Norzon based high performance coated abrasive belts for metal-working application.
- Wide range of polishing wheels for metal finishing applications.
- Cloth finish for technical application.
- Manufacturing methods for Non-Woven Abrasives flat stock items for consumer and industrial applications.

#### (b) Ceramics:

Development of:

- Hollow Super Cord Batts (low mass) for Ceramics Industry.
- Wear resistance in nitride bonded products for application in high wear areas.
- Cast Cryston roller for special furnaces.

Improvements in:

- Consistency in nitride bonded products through better control of the process.

#### 3. Future plans of action:

- Technology adaptation from Saint-Gobain Abrasives Inc. and other Saint-Gobain plants in identified priority areas, for development of new and improved products.
- Development of tools to support analysis of product performance at customers end.

#### 4. Expenditure on R&D for the year ended 31st December, 2003:

	Rs. Million
(a) Capital	Nil
(b) Recurring	4.11
(c) Total	4.11
(d) Total R&D expenditure as a percentage of total turnover	0.16%

#### Technology absorption, adaptation and innovations:

All through the year, through various visits and interactions with the Saint-Gobain R&D Centres, as well as other manufacturing locations, your Company has kept itself informed on the latest trends in technology related to the abrasive field. This has helped your Company to continuously improve the manufacturing processes, improve efficiencies, and develop new products. Through all this, your Company has continuously been able to improve the product-service package provided to the customers.

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

Total earnings in foreign exchange for the year ended 31st December, 2003 was Rs. 243.84 Million and the total outflow was Rs. 431.65 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)
<b>EMPLOYED THROUGHOUT THE YEAR</b>							
BAPAT P. K.	57	V. P. – BONDED ABRASIVES	2679888	B.TECH., PGDM (IIM)	MAY. 1970	NONE	33
MAHAJAN A. Y.	51	MANAGING DIRECTOR	6894393	M.A. (ECON), MBA (USA)	JUNE 1983	PROJ. CONSULTANT – STATE BANK OF INDIA	28
PEREIRA J. A. J.	55	V. P. – FIN. & CORP. SERVICES	3115743	B.Sc., FICWA, PGDM (IIM)	MAY 1975	NONE	29
<b>EMPLOYED FOR PART OF THE YEAR</b>							
SRINIVASAN V.	49	V. P. – MARKETING & COATED ABRASIVES	2483439	B.TECH., PGDM (IIM)	JAN. 1999	DY. GEN. MGR. – SUNDARAM FASTNERS LTD.	24

#### 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.
- 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 one of the subsidiaries of Compagnie de Saint-Gobain (Saint-Gobain), a transnational French billion. Group, Saint-Gobain's businesses fall into three broad sectors of activity: Housing Products, Glass 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:

- Abrasives
- 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:

- Bonded Abrasives; (ii) Coated Abrasives

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 segments, sticks etc., are used for various applications ranging from polishing or lapping to removing high quantities of materials. The Bonded Abrasives business has two plants, one at Mora and the other at Nagpur, Maharashtra, both of which are certified under ISO 9001:2000.

##### 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 10,000 different products in a year.

### Major User Industries

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

### Development & Outlook

Saint-Gobain is the undisputed world leader in Bonded Abrasives, with its sales being more than 3 times the next largest competitor. Leadership is based on a strong product portfolio, a strong R&D set-up with projects in both basic and applied areas and global reach, with plants and marketing/sales organisations all over the world. GNO benefits by being a part of such an organisation, in terms of access to all developments in product and process technology, sourcing of products and developing exports.



The Year 2003, witnessed strong growth in some important end-user segments such as auto, steel and bearings. Consequently, demand for Bonded Abrasives improved. The improvement is likely to be sustained in 2004. Over the medium term, Bonded Abrasives demand is expected to grow by 3% to 5% per annum.

Over the years, GNO has taken steps to become a low cost producer and a high service supplier. During the year, several new initiatives were taken for streamlining processes, reducing rejections and wastages, shortening lead time etc. These will help GNO to consolidate its position in the Indian market and to accelerate export growth.

While this is so, some trends are a cause for concern. Imports from China are increasing. In many cases, the prices at which such goods are imported are unreasonably low. GNO intends to deal with this issue through the Abrasive Manufacturers Association. Also, after a long period of stable input costs, inflation seems to be moving up. GNO will try to neutralise this through operational efficiency improvements to the extent possible and make price adjustment to protect margins.

## **(ii) COATED ABRASIVES**

### **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 Nagpur, Maharashtra are both ISO 9001:2000 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 (low capital requirements) for low-end products.
- Low threats from substitute products.
- Diverse industrial applications.

The key requirements for success are:

- Product range & Brand image
- Distribution network
- Short delivery periods
- Cost competitiveness
- Quality

### **Major End Users**

- Automotive industry
- Auto Ancillaries
- Auto-after markets
- Ferrous & Non-ferrous castings & forgings
- Metal fabrication industry
- Furniture and plywood
- General Engineering

## **Development & Outlook**

In 2003, the domestic market has seen strong demand for Coated Abrasives in a number of user market segments. The market growth for the year is estimated to be 6% to 8%. The business has also improved price realisations during the year in the complete range of products. Sourced products from various affiliate Saint-Gobain locations have also witnessed a good growth during the year. The combination of technically strong products and high-end sourced products makes the Coated Abrasive product offering unparalleled in the market today and augurs well for future. During the year, GNO continued to receive strong technical and R&D support from Saint-Gobain.

## **2. CERAMICS & PLASTICS SEGMENT**

The major businesses in this segment are:

- (i) Silicon Carbide, (ii) Refractories

GNO also converts and sells a range of Performance Plastics products.

### **(i) SILICON CARBIDE**

#### **Product & Plant**

Silicon Carbide grains are used primarily as raw material in the manufacture of abrasives, refractories and for stone polishing. Silicon Carbide is manufactured at Tirupati in Andhra Pradesh.

#### **Industry**

In the domestic market there are three major manufacturers (including GNO) of Silicon Carbide. GNO is the market leader. This market is also catered to by imports mainly from China. The key requirements for success are cost and quality. Entry barriers are high by way of capital investment and technology.

#### **Development & Outlook**

The business is expected to grow at a steady pace as in the previous years and we expect to strengthen our market position further. However, the power cost being the most significant element of cost, profitability of the business will depend primarily on the outcome of the Special Leave Petition filed by A.P. Transco, in the Supreme Court against the judgment of the A.P. High Court upholding the Company's contention. The long term viability of this business is dependent on having power available at a reasonable cost. The Company's future course of action, will depend on the developments in this regard.

### **(ii) REFRACTORIES**

#### **Product & Plant**

Refractories are used for processing ferrous and non-ferrous metals and as kiln furniture to fire ceramic wares. They are also used as filtering media. GNO manufactures silicon carbide refractories and cordierite and mullite kiln furniture. The plant is located at Bangalore, Karnataka and is certified under ISO-9001:2000.

#### **Industry**

The main customers are the non-ferrous and ceramic industries. In the domestic market there are



two manufacturers (including GNO) for silicon carbide and mullite refractories. Cordierite refractories are manufactured by a number of players. The key requirements for success in the industry are technology and quality. Manufacturing is relatively capital intensive. This, and technology, are the barriers to entry.

### Development & Outlook

The Refractories business of the Company is expected to remain steady at the current levels. The Company is looking at options to increase the product offerings in association with the parent company.

## RISK AND CONCERNS

As in other industries, there are challenges due to increased global competition, apart from domestic competition. GNO is fully preparing itself to meet these challenges. GNO's perceptions of certain specific risks are as under:

### 1. Industry, Market & Technology:

#### (a) Abrasives:

(i) **Industry & Market:** The Abrasives business caters to a number of industries such as Automobiles, Auto components, General Metal Fabrication, Woodworking etc. The dependence on any single industry segment is less than 15%. Demand for abrasive products can get affected if all sub-segments of the industry perform badly at the same time. Normally, this does not happen. In order to minimize the impact of such downturn, if any, GNO has been putting in efforts to develop export markets. Over the years, exports have grown and now account for 10% of total abrasives sales. These sales are not concentrated in any single country, but are spread over more than 20 countries spanning Asia Pacific and Africa. Within India, sales are spread across 14 branch offices located across all parts of India, without any single branch having a very high weightage. Similarly, there are a number of large customers serviced directly and several dealers for servicing small and medium customers. The largest customer accounts for less than 2% of total sales and the largest dealer accounts for less than 5% of total sales.

(ii) **Technology:** Abrasives have been used over a very long period of time and technological changes in terms of applications are gradual. Since India typically lags in these, GNO knows likely changes much before they reach India, which enables GNO to be prepared well in time. Saint-Gobain is the World Leader in Abrasives. It has a very strong R&D set up in USA with regional R&D centers located elsewhere. Both basic and applied research takes place at these R&D centers. GNO has access to all the research and technology developments.

#### (b) Ceramics & Plastics:

(i) **Industry & Market:** Abrasives, Refractories and Construction form the three top customer segments for Silicon Carbide. Each of these sectors comprise of large number of customers, which makes this a good portfolio. In Abrasives and Refractories, our own divisions (affiliates) are major consumers. Construction sector in general has very little linkage with the other two sectors,

which makes the overall customer portfolio more balanced. In addition, we have customers who are serviced through distribution channels.

With the continuous reduction in import duties, the competition from imports will keep growing. This necessarily means that we need to make products of global standards at reasonable cost, to remain competitive.

(ii) **Technology:** The technology of manufacturing Silicon Carbide has had very little change worldwide, since the present process was started. As for the increased use of Silicon Carbide in India, the technological changes needed at some of the user industry segments are still coming in, but gradually. GNO has full access to information on the global developments in these areas through Saint-Gobain's global presence and also has access to all the research and technology developments undertaken by Saint-Gobain in this regard. This helps us to be better prepared to influence these changes in India than any of our competitors.

### 2. Financial:

GNO's financial management has always been governed by prudent policies, based on conservative principles. Due to this, GNO has a very low debt-equity ratio of 0.03:1 and there are no long-term loans. GNO's foreign currency exposure on account of imports and exports has been appropriately covered. GNO has well defined and structured treasury operations, with the emphasis on security.

### 3. Legal and Statutory:

- (i) **Contingent liabilities:** Details of Contingent liabilities are given in Schedule 14.
- (ii) **Statutory compliance:** GNO ensures statutory compliance of all applicable laws and is committed to timely payment of all statutory dues.

## OVERALL PERFORMANCE

In 2003, GNO sales have increased by over 13% partly due to strong growth in exports, partly the good domestic market growth for abrasives and partly due to gains in market share. With costs under control and with the gain from pre-payment of Deferred Sales tax, profits before tax and extraordinary income increased by 31%.

## INTERNAL CONTROL SYSTEMS

GNO has well developed and adequate Internal Control Systems, which provide assurance of properly recording of the transactions of its operations in all material respects and providing of protection against significant misuse or loss of Company assets. These various systems have adequate checks and balances and improvements in controls are regularly made. GNO has a strong internal audit function. The internal audit is oriented towards management audit, review of controls and operational improvements. GNO has an Audit Committee and all the significant audit observations and follow-up actions are reported to the Audit Committee.

## SEGMENTAL FINANCIALS

GNO has identified two segments in line with the Accounting Standard on Segment Reporting (AS-17). The segments are Abrasives and Ceramics & Plastics. Details of Segmental financials are given in Schedule 14.