



Bankers

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

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

Factories	Certifications
Mora, Maharashtra	ISO 9001 : 2000
Nagpur, Maharashtra	ISO 9001 : 2000 ISO 14001 : 1996
Bangalore, Karnataka	ISO 9001 : 2000 ISO 14001 : 1996 OHSAS 18001: 1999
Tirupati, Andhra Pradesh	ISO 9001 : 2000

DIRECTORS

Mr. C. STREIFF
(Chairman)

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

Mr. R. K. BILIMORIA
(Resigned w.e.f. 8/12/2004)

Mr. R. CALIARI

Mr. G. COLAS

Mr. P. CROUZET

Mr. A. DENES

Mrs. M. S. MEHTA
(Appointed w.e.f. 8/12/2004)

Mr. H. C. PATEL

Mr. N. D. SIDHVA

Mrs. D. S. VARIAVA
(Alternate Director to Mr. R. Caliari)

Mr. A. Y. MAHAJAN
(Managing Director)

SENIOR MANAGEMENT

Mr. V. Agarwal
(President – Abrasives)

Mr. P. K. Bapat
(Vice-President – Strategy)

Mr. J. A. J. Pereira
(Vice-President – Finance & Corporate Services)

COMPANY SECRETARY

Mr. S. M. Mandke

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NOTICE

NOTICE is hereby given that the Fifty-fifth Annual General Meeting of the Members of Grindwell Norton Limited will be held on Wednesday, 27th April, 2005, 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 together with Schedules, and Cash Flow Statement of the Company for the year ended 31st December, 2004.
2. To declare a dividend for the year ended 31st December, 2004.
3. To appoint a Director in place of Mr. C. Streiff who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. A. C. Chakraborti who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. N. D. Sidhva who retires by rotation and being eligible, offers himself for re-appointment.
6. To re-appoint M/s. Kalyaniwalla & Mistry, Chartered Accountants, who are eligible for re-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. A. Denes as Director.
To appoint a Director in place of Mr. A. Denes 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. A. Denes for the office of a Director.
8. Appointment of Mrs. M. S. Mehta as Director.
To appoint a Director in place of Mrs. M. S. Mehta who holds office upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 read with Article 112 of the Articles of Association of the Company and being eligible, offers herself for appointment and in respect of whom the Company has

received a notice in writing from a member proposing the candidature of Mrs. M. S. Mehta for the office of a Director.

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

"RESOLVED THAT pursuant to the provisions of the revised Clause 49 of the Listing Agreement with The Stock Exchange, Mumbai, the consent of the Company be and is hereby accorded for continuing the payment of Rs. 5000/- (Rupees Five Thousand Only) or such other amount as may be approved by the Board of Directors, within the ceiling prescribed under the Companies Act, 1956, or rules framed thereunder, as amended from time to time, as sitting fees for each meeting of the Board of Directors or the Audit Committee or the Shareholders/ Investors Grievance Committee, excluding the Share Transfer Committee, thereof attended by the Non-Executive Directors of the Company (excluding the Directors who are nominees of Compagnie de Saint-Gobain, the parent company or its subsidiaries)".

9th March, 2005

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 AT THE MEETING IS ENTITLED TO APPOINT A PROXY, TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
- (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 on Saturday, 19th March, 2005 and Sunday, 20th March, 2005 (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 3rd May, 2005.



- (f) The unclaimed dividends for and up to the financial years ended 31st March, 1995, had 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 earlier 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 and 31st March, 1997 had been transferred to the Investor Education and Protection Fund (Fund) of the Central Government on 25th September, 2003 and 23rd September, 2004 respectively. The Unpaid Dividend for the financial year ended 31st March, 1998 will be due for transfer to the Fund on 28th August, 2005. The Unpaid Dividend 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 realized the dividend for the financial year ended 31st March, 1998 and all subsequent 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 as per the amended provisions of the Companies Act, 1956, once the Unpaid Dividend is transferred to the Fund, the Members will not be entitled to claim the same from the Fund/Company.
- (g) The facility for making nomination is available to the Members in respect of the shares held by them.
- (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. 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 for 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 this Annual General Meeting.
- (j) (i) 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.
- (ii) 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.
- (iii) 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 TSRL.
- (iv) Members are requested to immediately intimate the change, if any, in their registered address to TSRL.

ANNEXURE TO THE NOTICE

Notes on the directors seeking appointment/re-appointment, as required under existing Clause 49 of the Listing Agreement, entered into with The Stock Exchange, Mumbai.

ITEM NO. 3

Mr. C. Streiff, a French national, is 50 years old and holds an Engineering Degree. He joined the Saint-Gobain group in 1979 and has gained rich experience in various fields. Presently, he is the Chairman of the Board of your Company and Chief Operating Officer of Compagnie de Saint-Gobain (CSG).

ITEM NO. 4

Mr. A. C. Chakraborti is 74 years old. He is FCA (Eng. & Wales), and FCA of the Institute of Chartered Accountants of India. Mr. Chakraborti had retired as a Senior Partner of M/s S.R. Batliboi & Co. He has been a Director of your Company since 1983. Presently, he is the Vice-Chairman of the Board and the Chairman of the Audit Committee of the Company. Mr. Chakraborti serves on the Boards of several other companies.

ITEM NO. 5

Mr. N. D. Sidhva is 81 years old. He is one of the pioneers of the Abrasives Industry in India and has been closely associated with your Company for over 60 years. He was the Managing Director/Whole-time Director of the Company for a period of 27 years and subsequently has been a Director of your Company. Presently, he is a member of the Shareholders/ Investors Grievance Committee of the Company.

ITEM NO. 7

Mr. A. Denes, a Brazilian national, is 52 years old and holds an Engineering Degree. He joined the Saint-Gobain group in 1995. Presently, he is the President of the Abrasives Division of CSG.

ITEM NO. 8

Mrs. M. S. Mehta is 73 years old and is a daughter of one of the founders of the Company. She has been appointed as an additional director by the Board on 8th December 2004. She had earlier served the Board during 1998 to 2001. She has experience in trade and business.

She is a member of the Audit Committee and Shareholders/Investors Grievance Committee of the Company.

EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956, the following explanatory statement set out all material facts relating to the Special Business mentioned in the accompanying Notice dated 9th March, 2005.

ITEM NO. 7

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

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

Except Mr. A. Denes and other nominee directors of Compagnie de Saint-Gobain (CSG), no other director is concerned or interested in this Resolution.

Your Directors recommend this Ordinary Resolution for your approval.

ITEM NO. 8

Mrs. M. S. Mehta was appointed as an additional director of the Company on 8th December, 2004. In terms of the provisions of Section 260 of the Companies Act, 1956, read with Article 112 of the Articles of Association of the Company, Mrs. M. S. Mehta holds office upto the date of the forthcoming Annual General Meeting of the Company. Mrs. M. S. Mehta's brief resume has been given at item no. 8 in the Annexure to the notice.

Notice in writing u/s. 257 of the Companies Act, 1956 alongwith a deposit of Rs. 500/- has been received from a member of the Company signifying his intention of proposing Mrs. M. S. Mehta as a candidate for the office of Director.

Except Mrs. M. S. Mehta and other directors of the Indian Promoters group, no other director is concerned or interested in this Resolution.

Your Directors recommend this Ordinary Resolution for your approval.

ITEM NO. 9

Pursuant to the revised Clause 49 of the Listing Agreement with The Stock Exchange, Mumbai, which is effective from 1st April 2005, all fees/compensation, if any, paid to Non-Executive Directors, including Independent Directors shall be fixed by the Board of Directors and shall require previous approval of Shareholders in the general meeting.

At present the Company is paying to all the Directors (other than the Managing Director and the Directors who are nominees of CSG or its subsidiaries), sitting fees of Rs. 5000/- for each meeting of the Board of Directors or the Audit Committee or the Shareholders/Investors Grievance Committee, excluding the Share Transfer Committee thereof, attended by them.

In addition, pursuant to Section 309 of the Companies Act, 1956, the Company is paying a commission not exceeding, in the aggregate, 1% per annum of the net profits of the Company calculated under Sections 349 and 350 of the Companies Act, 1956, to the aforesaid Directors in terms of approval granted by the members of the Company for payment of commission, at the 53rd Annual General Meeting of the Company held on 29th April, 2003. The said approval is for five financial years of the Company, commencing from 1st January 2004 and ending on 31st December 2008.

In view of the revised Clause 49 of the Listing Agreement, the approval of members is sought for the payment of aforesaid sitting fees to all the Directors of the Company, excluding the Managing Director and the Directors, who are nominees of CSG or its subsidiaries.

All Non-Executive Directors, (except the Directors who are nominees of CSG or its subsidiaries), as well as Mr. A. Y. Mahajan, Managing Director, a relative of Mr. N. D. Sidhva are concerned or interested in the said Ordinary Resolution.

Your Directors recommend this Ordinary Resolution for your approval.

9th March, 2005

By Order of the Board

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

S. M. MANDKE
SECRETARY



DIRECTORS' REPORT

The Members,
Grindwell Norton Limited

Your Directors present the Fifty-fifth Report of the Company along with the Audited Accounts for the year ended 31st December, 2004.

Financial Highlights

	(Rs. Million)	
	2004	2003
Sales	3,013.5	2,544.9
Operating Profit	437.8	321.0
Interest	2.0	7.3
Profit before Tax and Extraordinary Item	435.8	313.7
Extraordinary Item	9.1	—
Profit before Tax	426.7	313.7
Provision for Tax	147.0	128.6
Deferred Tax	(12.1)	(19.1)
Profit after Tax	291.8	204.2
Surplus Brought Forward	40.0	40.0
	331.8	244.2
Appropriations:		
Proposed Dividend	138.4	90.0
Tax on Proposed Dividend	19.4	11.5
General Reserve	104.0	102.7
Surplus carried to Balance Sheet	70.0	40.0
	331.8	244.2

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, 2004 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 18% and operating profits by 36%. The increase in sales was due to the sustained buoyancy in domestic demand, gains in market share and strong growth of 28% in exports.

Dividend

Considering the excellent results, your Directors recommend a dividend of Rs. 10/- per Equity Share, for the year ended 31st December, 2004. The dividend outgo (excluding tax on dividend) will be Rs. 138.40 Million (Previous year Rs. 89.96 Million).

Abrasives

Strong growth of the industrial sector (especially sustained growth in the auto and auto components sector) generated higher volumes in Abrasives. Increased export sales and market share gains also contributed to the growth of the business. Initiatives aimed at making the plants world class continued and started to yield results as reflected in the operational performance.

Ceramics & Plastics

The Silicon Carbide business continued to grow in terms of volume 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, continued. The matter is still pending before the Honourable Supreme Court, with A. P. Transco having filed a Special Leave Petition 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. 4 of Schedule 14.

While the performance of the Refractories business was slightly below plan, the Performance Plastics business grew well and in line with the plans.

Future Prospects

With investments showing signs of picking up and with sustained growth of the industrial sector, 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, in the Honourable Supreme Court (referred to above), which will have 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 clean and green pollution-free environment as well as a healthy and safe work

place at all plant locations and work sites. The Bangalore plant of the Company is certified under ISO 14001:1996 as well as OHSAS 18001:1999. The Nagpur plant of the Company is certified under ISO 14001:1996. These Certifications are a recognition of the sustained efforts of your Company in improving the Environment, Health and Safety at all its 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 had discontinued the Fixed Deposit Schemes from the year 2001. The last deposits matured on 31st October, 2004. Your Company refunded all the deposits on their respective maturity dates.

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, a new productivity-enhancing Wage Agreement was successfully concluded at Tirupati. As at the year-end, there were 1296 employees.

Acknowledgments

Your Directors take this opportunity to acknowledge with sincere gratitude the support 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 continued support and co-operation from its Bankers and the loyalty of the large family of the Company's Dealers, Suppliers and valued 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 and Analysis Report and Report on Corporate Governance along with a Certificate dated 9th March, 2005, of the Auditors of your Company, regarding the compliance of the conditions of Corporate Governance as stipulated under existing Clause 49 of the Listing Agreement with The Stock Exchange, Mumbai is annexed (Annexure C). Your Company is in the process of implementing the revised Clause 49 of the Listing Agreement which will be effective from 1st April, 2005.

Directors

Mr. R. K. Bilimoria resigned as a director of the Company with effect from 8th December, 2004. Your Directors place on record their appreciation for the valuable contribution made by Mr. Bilimoria as a member of the Board of the Company.

Mr. A. Denes was appointed as a director on 3rd March, 2004, in the casual vacancy caused by the resignation of Mr. R. P. Statile. Mr. Denes holds office upto the date which Mr. Statile would have held office, had he not resigned i.e. upto the date of the forthcoming Annual General Meeting of the Company. As required under Section 257 of the Companies Act, 1956, the Company has received a notice in writing from a Member proposing the candidature of Mr. Denes as a Director of the Company.

Mrs. M. S. Mehta was appointed as an additional director of the Company with effect from 8th December, 2004. Mrs. Mehta holds office upto the date of the forthcoming Annual General Meeting of the Company. As required under Section 257 of the Companies Act, 1956, the Company has received a notice in writing from a Member proposing the candidature of Mrs. Mehta as a Director of the Company.

Mrs. D. S. Variava was appointed as an alternate director to Mr. R. Caliari on 3rd March, 2004. Mrs. Variava ceased as director on 8th December, 2004, as per the provisions of the Companies Act, 1956. Mrs. Variava was subsequently appointed as an alternate director to Mr. Caliari on 17th December, 2004.

In accordance with the requirements of the Companies Act, 1956 and Articles of Association of the Company, Mr. C. Streiff, Mr. A. C. Chakraborti and Mr. N. D. Sidhva 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 55th 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: 9th March, 2005



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:

Various energy conservation initiatives viz. improved combustion efficiency, optimisation of power distribution system were completed during the year.

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

Product: Refractories

A. Power and Fuel Consumption:

1. ELECTRICITY

(a) Purchased:

	2004	2003
Units	1073107	1082582
Total Amount (Rs. Million)	5.17	5.11
Rate/Unit (Rs.)	4.82	4.72

(b) Own Generated:

(i) Through diesel generators:

Units	72139	93901
Units per Ltr. of diesel	3.27	3.27
Cost/Unit (Rs.)	6.69	6.07

(ii) Through Steam turbine/generator

NIL NIL

2. FUEL OIL

Quantity (K. Ltrs.)	675	813
Total Amount (Rs. Million)	13.15	13.00
Average rate (Rs.)	19477	15985

B. Consumption per unit of production:

Electricity KWH/TON	891	756
Fuel oil KL/TON	0.53	0.56

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, 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:

- Standardisation of new generation backings for premium Coated Abrasives.
- Products for Wood/Furniture Sanding Markets.
- Manufacturing methods for Non-Woven Abrasives flat stock items for consumer and industrial applications.

Improvements in:

- AIO/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:

- Cast Nitride Bonded Products (Beams, Levellers, Thermocouple sheets, Burner Tubes).
- Nitride Bonded Products for Blast Furnace Market.

Improvements in:

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

3. Future plans of action:

- (a) Technology adaptation from Saint-Gobain Abrasives Companies and other Saint-Gobain plants in identified priority areas for development of new and improved products.
- (b) Development and utilisation of advanced tools to facilitate enhanced grinding system solutions at the customers end.

4. Expenditure on R&D for the year ended 31st December, 2004:

	Rs. Million
(a) Capital	NIL
(b) Recurring	3.47
(c) Total	3.47
(d) Total R&D expenditure as a percentage of total turnover	0.12%

Technology absorption, adaptation and innovations:

Your Company believes that technology absorption, adaptation and innovations is an on-going process. All through the year, through various visits and interactions with Saint-Gobain Abrasives Inc. USA and 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 abrasives field. This has helped your Company to continuously improve the manufacturing processes, improve efficiencies and develop new products. Through all this, your Company has 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, 2004 was Rs. 294.51 Million and the total outflow was Rs. 597.62 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.

NAME	AGE	DESIGNATION/ NATURE OF DUTIES	REMUNERATION RS.	QUALIFICATION	COMMENCEMENT OF EMPLOYMENT	LAST EMPLOYMENT	TOTAL EXPERIENCE (YEARS)
EMPLOYED THROUGHOUT THE YEAR							
BAPAT P.K.	58	V.P. – STRATEGY	3032438	B.TECH., PGDM (IIM)	MAY 1970	NONE	34
D'CUNHA GERARD	47	GEN. MGR. – HUMAN RESOURCES	2545258	B.Sc., M.A. (PM&IR)	DEC. 1998	ASST. GEN. MGR. – LARSEN & TOUBRO LTD.	24
MAHAJAN A.Y.	52	MANAGING DIRECTOR	8630232	M.A. (ECON), MBA (USA)	JUNE 1983	PROJ. CONSULTANT – STATE BANK OF INDIA	29
PEREIRA J.A.J.	56	V.P. – FIN. & CORP. SERVICES	3918709	B.Sc., FICWA, PGDM (IIM)	MAY 1975	NONE	30
PRASAD K.K.	42	GEN. MGR. – CERAMICS & PLASTICS	2609627	B.Sc. (ENGG.), PGDM (IIM)	MAY 1990	MECH. ENGINEER – FACT LTD.	18
PURANIK M.A.	49	GEN. MGR. – CORP. FIN. & TAXATION	2684018	B.Com., ACA	MAY 1988	DY. CHIEF ACCOUNTANT – GARWARE MARINE IND. LTD.	24
RAMARATNAM M.R.	56	GEN. MGR. – PROJECTS	2412334	B.E. (MECH.), PRDN. MGT	APRIL 1982	SR. ENGINEER – ASHOK LEYLAND LTD.	34
EMPLOYED FOR PART OF THE YEAR							
AGARWAL VINAY	49	PRESIDENT – ABRASIVES	1390703	B.TECH., PGDM (IIM)	SEPT. 2004	M.D. – RPG CABLES 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 the existing Clause 49 of the Listing Agreement with The Stock Exchange, Mumbai)

GENERAL REVIEW

Grindwell Norton Limited (GNO) is one of the subsidiaries of Compagnie de Saint-Gobain (Saint-Gobain), a transnational French Group with sales exceeding € 32 billion as of 31st December, 2004. 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 two Divisions that come under 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 (including Thin Wheels);
- Coated Abrasives.

GNO also manufactures and sells Super Abrasives.

(i) BONDED ABRASIVES (INCLUDING THIN WHEELS)

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. The Nagpur Plant is also certified under ISO 14001:1996.

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 of 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.

In 2004, demand for Bonded Abrasives in the domestic market experienced the strongest growth in recent times. All important industrial sectors that drive demand – auto, auto ancillaries, bearings and steel – performed very well during the year. GNO's sales growth was in line with the demand increase. We expect 2005 to be another good year, though the growth may be a little lower than during 2004. Over the medium term the demand is expected to grow between 4% and 7% per annum.

GNO is putting in concerted efforts to make its manufacturing plants world class. Apart from the on-going initiatives on cost reduction, service improvement and productivity enhancement, systematic efforts have been made to improve safety standards and plant operating conditions (including ergonomics and environmental conditions).

Exports growth has been a major strategy for GNO's Bonded Abrasives business. Over the years, export sales have grown at a faster rate than sales in the domestic market and currently constitute over 15% of total bonded sales. The year 2004 witnessed another year of strong exports growth. During the year, GNO also had the distinction of becoming a world source for some Bonded Abrasives products.

Imports of Bonded Abrasives into India have continued to increase at a brisk pace. Through manufacturing improvements, GNO can now successfully compete with even the low priced imports from China.

(ii) COATED ABRASIVES

Product & Plants

Coated Abrasives products are engineering composites constituting of a backing, bond system and abrasive grains and are designed basically for material removal and surface generation. The common backing types include paper, cloth, polyester & polyester film. Bond can be resin based or glue-based or a combination of both. Coated Abrasives products are available in various shapes like – Discs, Belts, rolls etc. to suit a wide gamut of applications. GNO's Coated Abrasives manufacturing facilities are at Bangalore, Karnataka and Nagpur, Maharashtra. Both locations are ISO 9001:2000 & ISO 14001:1996 certified. The Bangalore plant is also certified for OHSAS 18001:1999.

Industry

The domestic Coated Abrasives sector has two major players, one of which is GNO. There are a number of smaller players. Imported Coated Abrasives products are also becoming increasingly visible in the Indian market.

The characteristics of this sector are:

- Large and varied end user industry base makes the demand less affected by economy cycles.
- Relatively low entry barriers for small scale manufacturers.
- Products sell mostly through the industrial retail.

The key requirements for success are:

- Quality and positioning
- Distribution network
- Brand equity of the products
- Supply reliability
- Cost competitiveness

Major User Industries

- Primary Automotive
- Automotive Ancillaries
- Auto-after markets
- Non-Automotive Castings
- Non-Automotive Forgings
- Metal fabrication
- Furniture
- Decorative
- Plywood
- Man Made Boards
- Laminates
- Glass & Ceramics
- Leather
- Steel manufacturing

Development & Outlook

In the year 2004, the market has witnessed a volume growth of about 7%. Most end user industries are doing well (Auto, Fabrication, Leather, Wood & Furniture, etc). Consequently GNO's domestic sales witnessed strong growth. In the current year, GNO has plans to make strong gains in the Automotive, Decorative and the Furniture markets through a combination of new products manufactured in India and sourced from other Saint-Gobain plants worldwide. As the Indian market increasingly becomes globally competitive and application shifts continue, we will see impressive growth in sales of our strongly positioned technical products. In line with this trend, the sales of sourced products from affiliate companies have been steadily growing and we expect this to continue. We continue to receive strong product and technology support from Saint-Gobain's world wide teams in our efforts to improve our product offering to the Indian domestic market.

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. The Tirupati Plant is certified under ISO 9001:2000.

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 in the industry are cost competitiveness and quality. Entry barriers are high by way of capital investment and technology.

Development & Outlook

The business is expected to grow at a good pace as in the previous years and we expect to strengthen our market position further. However, 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 Honourable 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 has a good potential to grow with the buoyancy in the Metallurgy sector. The Company is looking at various 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 12% of total abrasives sales. These sales are not concentrated in any single country, but are spread over 27 countries. Within India, sales are spread across 15 branch offices located in 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