



Bankers

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

Auditors

Kalyaniwalla & Mistry,
Chartered Accountants

Registrars & Transfer Agents

TSR Darashaw Ltd.
(Formerly known as
Tata Share Registry Ltd.)
Army & Navy Building,
148, M. G. Road, Mumbai - 400 001.
Tel. No. : 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. No. : 022-2284 4727

Factories

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

DIRECTORS

(As on 6th March, 2006)

Mr. R. CALIARI
(Chairman)

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

Ms. M. A. CHUPIN

Mr. A. DENES

Mr. O. DUVAL

Mrs. M. S. MEHTA

Mr. P. MILLOT

Mr. H. C. PATEL

Mr. B. RAUT

Mr. S. SALGAOCAR

Mr. P. SHAH

Mr. A. Y. MAHAJAN
(Managing Director)

DIRECTOR EMERITUS

Mr. N. D. SIDHVA

MANAGEMENT COMMITTEE

Mr. V. Agarwal
(Abrasives)

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

Mr. K. K. Prasad
(Ceramics & Plastics)

Mr. M. A. Puranik
(Corporate Finance & Taxation)

Mr. M. Ramarathnam
(Projects & EHS)

Mr. G. D'Cunha
(Human Resources)

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NOTICE

NOTICE is hereby given that the Fifty-sixth Annual General Meeting of the Members of Grindwell Norton Limited will be held on Wednesday, 26th April, 2006, 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, 2005.
2. To declare a dividend for the year ended 31st December, 2005.
3. To appoint a Director in place of Mr. R. Caliaro who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. H. C. Patel who retires by rotation and being eligible, offers himself for re-appointment.
5. 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

6. Appointment of Mr. P. Millot as Director.
To appoint a Director in place of Mr. P. Millot 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 himself for appointment and in respect of whom the Company has received a notice in writing from a member proposing the candidature of Mr. P. Millot for the office of a Director.
7. Appointment of Mr. O. Duval as Director.
To appoint a Director in place of Mr. O. Duval 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 himself for appointment and in respect of whom the Company has received a notice in writing from a member proposing the candidature of Mr. O. Duval for the office of a Director.

8. Appointment of Ms. M. A. Chupin as Director.
To appoint a Director in place of Ms. M. A. Chupin 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 Ms. M. A. Chupin for the office of a Director.
9. Appointment of Mr. B. Raut as Director.
To appoint a Director in place of Mr. B. Raut 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 himself for appointment and in respect of whom the Company has received a notice in writing from a member proposing the candidature of Mr. B. Raut for the office of a Director.
10. Appointment of Mr. S. Salgaocar as Director.
To appoint a Director in place of Mr. S. Salgaocar 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 himself for appointment and in respect of whom the Company has received a notice in writing from a member proposing the candidature of Mr. S. Salgaocar for the office of a Director.
11. Appointment of Mr. P. Shah as Director.
To appoint a Director in place of Mr. P. Shah 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 himself for appointment and in respect of whom the Company has received a notice in writing from a member proposing the candidature of Mr. P. Shah for the office of a Director.
12. Re-appointment of Mr. A. Y. Mahajan as Managing Director.
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 Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies



Act, 1956, (said Act), the re-appointment of Mr. A. Y. Mahajan as Managing Director of the Company for a further period of five years with effect from 1st April, 2006 to 31st March, 2011, be and is hereby approved on such terms and conditions as submitted to this meeting, with full liberty to the Board of Directors (Board) of the Company to decide and vary, from time to time, the said terms and conditions in such manner as may be agreed between the Board and Mr. A. Y. Mahajan upto the maximum remuneration in that behalf, as specified in Schedule XIII of the said Act, and always provided that in case of loss or inadequacy of profits during any financial year comprised by the period of this appointment, the Managing Director shall be paid a minimum remuneration by way of salary and perquisites as per the limits specified in Schedule XIII of the said Act, from time to time."

13. Sub-Division of Shares.

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

"RESOLVED THAT pursuant to Section 94(1)(d) and all other applicable provisions of the Companies Act, 1956, including any amendment thereof for the time being in force, provisions of the Articles of Association of the Company and subject to such approvals, consents, permissions and sanctions, if any, required from any authority, the consent of the Company be and is hereby accorded to sub-divide each of the existing equity shares of face value of Rs. 10/- (Rupees Ten only) each in the capital of the Company, into 2 (Two) equity shares of face value of Rs. 5/- (Rupees Five only) each.

RESOLVED FURTHER THAT the Board of Directors (Board) of the Company be and is hereby authorised to issue new share certificates representing the sub-divided shares with new Distinctive Numbers in the aforesaid proportion subject to the rules as laid down in the Companies (Issue of Share Certificates) Rules, 1960 without physically exchanging the share certificates, by treating the old share certificates as deemed to be cancelled.

RESOLVED FURTHER THAT TSR Darashaw Limited, Registrar & Share Transfer Agents of the Company and the Depositories be informed to take necessary action to give effect to the above.

RESOLVED FURTHER THAT the Board of the Company be and is hereby authorised to take all steps as may be required to give effect to this resolution."

14. Issue of Bonus Shares.

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

"RESOLVED THAT subject to all the applicable provisions of the Companies Act, 1956, including any amendment thereof for the time being in force, provisions of the Articles of Association of the Company, the Guidelines issued by the Securities and Exchange Board of India, if any, and subject to such approvals, consents, permissions and sanctions, if any, of Reserve Bank of India, Bombay Stock Exchange Limited and any other concerned authorities, a sum of Rs. 13,84,00,000/- (Rupees Thirteen Crores Eighty Four Lacs only) out of the sum standing to the credit of Share Premium account, forming part of General Reserves of the Company, be and the same is hereby capitalised and applied for the allotment of 2,76,80,000 (Two Crores Seventy Six Lacs Eighty Thousand) equity shares of Rs. 5/- (Rupees Five only) each as Bonus Shares credited as fully paid-up, to members of the Company holding equity shares of Rs. 5/- (Rupees five only) each whose names appear in the Register of Members or as the beneficial owner(s) of the equity shares of the Company, in the records of the Depositories at the close of business on the such date (herein-after referred to as the Record Date) as the Board of Directors (herein-after referred to as "Board") may determine in that behalf in the proportion of 1 (One) fully paid equity share of Rs. 5/- (Rupees Five only) each for every 1 (One) fully paid equity share of Rs. 5/- (Rupees Five only) each held as on the Record Date and that the Bonus Shares so issued and allotted, for all purposes, be treated as an increase in the nominal amount of the equity share capital of the Company held by each such member and not as income.

RESOLVED FURTHER THAT the new equity shares to be issued and allotted as Bonus Shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank *pari-passu* in all respects and carry the same rights as the existing fully paid equity shares of the Company, including entitlement to dividend in full to be declared after the date of allotment of these equity shares as the Board may determine.

RESOLVED FURTHER THAT no letters of allotment shall be issued for the Bonus Shares but in the case of members who opt to receive the Bonus Shares in dematerialised form, the Bonus Shares aforesaid shall be credited to the beneficiary accounts of the shareholders with their respective Depository Participants within the stipulated time and in the case of shareholders who opt to receive the Bonus Shares in physical form, the share

certificates in respect thereof shall be delivered within such time subject to the rules as laid down in the Companies (Issue of Share Certificates) Rules, 1960.

RESOLVED FURTHER THAT in case of shares held by beneficial owners in dematerialised form, allotment of Bonus Shares shall be made by way of direct credit to their respective Demat Account.

RESOLVED FURTHER THAT the members to whom the new equity shares are allotted, shall accept the same in full and final satisfaction of their respective rights and interest in the capitalised sum of Rs. 13,84,00,000/- (Rupees Thirteen Crores Eighty Four Lacs only).

RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things as may, in its sole and absolute discretion, deem necessary, expedient, usual or proper and to settle any question, doubt or difficulty that may arise with regard to the issue and allotment of Bonus Shares as aforesaid or any other matter incidental or consequential thereto and its decision shall be final and binding on all members and other interested persons."

15. Increase in the Authorised Share Capital.

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

"RESOLVED THAT the Authorised Share Capital of the Company be increased from Rs. 14,00,00,000/- (Rupees Fourteen Crores only) divided into 1,40,00,000 (One Crore Forty Lacs) equity shares of Rs. 10/- (Rupees Ten only) each to Rs. 28,00,00,000/- (Rupees Twenty Eight Crores only) divided into 5,60,00,000 (Five Crores Sixty Lacs) equity shares of Rs. 5/- (Rupees Five only) each."

16. Alteration of the Memorandum of Association.

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

"RESOLVED THAT the existing Clause V of the Memorandum of Association of the Company relating to the share capital be and is hereby altered by deleting the same and substituting in place thereof, the following as new Clause V.

V. The Authorised Share Capital of the Company is Rs. 28,00,00,000/- (Rupees Twenty Eight Crores only) divided into 5,60,00,000 (Five Crores Sixty Lacs) equity shares of Rs. 5/- (Rupees Five only) each, with the rights, privileges and conditions attached thereto as are provided by the regulations of the Company for the time being, with the power to increase and reduce the Capital of the Company and to divide the shares of the Capital

for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may the time being be provided by the regulations of the Company."

17. Alteration of the Articles of Association.

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

"RESOLVED THAT in pursuance to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, the existing Article 3 of the Articles of Association of the Company be and is hereby altered by deleting the same and substituting in place thereof, the following as new Article 3.

3. The Authorised Share Capital of the Company is Rs. 28,00,00,000/- (Rupees Twenty Eight Crores only) divided into 5,60,00,000 (Five Crores Sixty Lacs) equity shares of Rs. 5/- (Rupees Five only) each."

6th March, 2006

By Order of the Board

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

A. Y. MAHAJAN
MANAGING DIRECTOR

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 from Wednesday, 22nd March, 2006 to Friday, 24th March, 2006 (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. 6 to 17 is annexed hereto.
- (e) The dividend on equity shares, if declared at the meeting, will be paid on or after 2nd May, 2006.
- (f) As per the amended provisions of the Companies Act, 1956, the dividend remaining unclaimed or unpaid for



the financial year ended 31st March, 1998 had been transferred to the Investor Education and Protection Fund (Fund) of the Central Government on 23rd September, 2005. The Unpaid Dividend for the financial year ended 31st March, 1999 will be due for transfer to the Fund on 27th August, 2006. The Unpaid Dividend for all the subsequent years will be transferred to the Fund, on expiry of seven years from their respective dates of transfer to the "Unpaid Dividend Account". Members who have not yet realized the dividend for the financial year ended 31st March, 1999 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 – TSR Darashaw Ltd. (TSR).

- (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 TSR or notify the changes, if any, to TSR. 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 Vice-President – Finance & Corporate Services 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 TSR.
 - (iv) Members are requested to immediately intimate the change, if any, in their registered address to TSR.

ANNEXURE TO THE NOTICE

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

ITEM NO. 3

Mr. R. Caliarì, an Italian national, is 60 years old and holds a Ph.D in Engineering. He joined Compagnie de Saint-Gobain (CSG) in 1973 and has gained rich experience in various fields. Presently, he is the Chairman of the Board of your Company and Senior Vice-President of CSG responsible for the High Performance Materials (HPM) sector. He is also on the Board and a Member of the Audit Committee of Saint-Gobain Vetrotex India Ltd., one of the Saint-Gobain Group Companies in India. Mr. R. Caliarì does not hold any equity shares in Grindwell Norton Limited.

ITEM NO. 4

Mr. H. C. Patel is 71 years old and holds a Masters Degree in Chemical Engineering from University of Michigan, USA besides a Bachelors Degree in Science from University of Mumbai. He joined the Board in 1962 and has served as the Managing Director of the Company for a period of 8 years. He is a member of the Audit Committee and the Chairman of Shareholders and Investors Grievance Committee. He is also on the Board of Gharda Chemicals Limited, Bharat Tiles and Marbles Private Limited and Ring Chemicals Private Limited. Mr. H. C. Patel holds 6,43,612 equity shares in Grindwell Norton Limited.

ITEM NO. 6

Mr. P. Millot, a French national, is 42 years old and holds a Degree in Engineering. He joined CSG in 1996 and has gained rich experience in various fields. Presently, he is the President of the Grains and Powders and Ceramics Division, which is a part of the HPM sector of CSG. Mr. P. Millot does not hold any equity shares in Grindwell Norton Limited.

ITEM NO. 7

Mr. O. Duval, a French national, is 57 years old and holds a Degree in Engineering. He joined CSG in 1972 and has gained rich experience in various fields. Presently, he is President – Strategic Planning for the HPM sector of CSG. He is also on the Board of SEPR Refractories India Ltd., one of the Saint-Gobain Group Companies in India. Mr. O. Duval does not hold any equity shares in Grindwell Norton Limited.

ITEM NO. 8

Ms. M. A. Chupin, a French national, is 48 years old and has done her Masters in Business Law and Labour Law. She joined CSG in 1979 and has rich exposure in the Legal field. Presently, she is the President – Legal Affairs for the HPM sector of CSG. Ms. M. A. Chupin does not hold any equity shares in Grindwell Norton Limited.

ITEM NO. 9

Mr. B. Raut is 56 years old and holds a degree in Law and is a Fellow Member of the Institute of Chartered Accountants of India. He has been practising as a Chartered Accountant for the last three decades. He is a member of the Audit Committee of the Company. Mr. B. Raut does not hold any equity shares in Grindwell Norton Limited.

ITEM NO. 10

Mr. S. Salgaocar is 52 years old and holds a degree in Science from the University of Mumbai and has done his Masters in Management Studies from Jamnalal Bajaj Institute of Management Studies. Presently, he is the Managing Director of V. M. Salgaocar Groups of Companies. He also serves on the Boards of certain other companies in India. Mr. S. Salgaocar does not hold any equity shares in Grindwell Norton Limited.

ITEM NO. 11

Mr. P. Shah is 53 years old and has done his MBA from Harvard University, USA. He is also a member of the Institute of Cost and Works Accountants of India and the Institute of Chartered Accountants of India. He was the founder Managing Director of CRISIL. Presently, he is the Chairman of a Finance Consultancy Company. He serves on the Boards of various other reputed companies in India. Mr. P. Shah does not hold any equity shares in Grindwell Norton Limited.

ITEM NO. 12

Mr. A. Y. Mahajan is 53 years old. He holds a Masters degree in Economics from the University of Mumbai and an MBA from Cornell University, USA. He joined the Company in the

year 1983, became a Director in 1988 and has been the Managing Director of the Company since 1991. He has rich knowledge and experience of the working of the Company and under his leadership the Company has grown in size and profitability. He is also a member of the Shareholders/ Investors Grievance Committee of the Company.

Mr. A. Y. Mahajan holds the following positions in other companies in India:

Name of the Body Corporate	Position held
Saint-Gobain Glass India Ltd.	Chairman
Saint-Gobain Sekurit India Ltd.	Chairman
Lincoln Helios (India) Ltd.	Chairman
SEPR Refractories India Ltd.	Director
Saint-Gobain Vetrotex India Ltd.	Director
Saint-Gobain Crystals & Detectors India Ltd.	Director
Saint-Gobain Weber (India) Ltd.	Director
Saint-Gobain Seva Engineering India Ltd.	Director
Saint-Gobain India Foundation (Section 25 Company)	Director
L. M. Van Moppes Diamond Tools (India) Private Ltd.	Director
Unichem Laboratories Ltd.	Director
BPB Holdings India Private Ltd.	Director

Mr. A. Y. Mahajan also holds the following Committee Positions in other companies in India:

Name of the Company	Audit Committee	Shareholders/ Investors Grievance Committee	Remuneration Committee
Saint-Gobain Glass India Ltd.	Chairman	—	Chairman
Saint-Gobain Sekurit India Ltd.	Member	Chairman	Member
Saint-Gobain Vetrotex India Ltd.	Chairman	—	Chairman
SEPR Refractories India Ltd.	—	—	Member
Saint-Gobain Weber (India) Ltd.	—	—	Member
Saint-Gobain Seva Engineering India Ltd.	—	—	Member



EXPLANATORY STATEMENT

Explanatory Statement as required under Section 173 of the Companies Act, 1956 :

ITEM NO. 6

Mr. P. Millot was appointed as an additional director of the Company on 6th March, 2006. 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, Mr. P. Millot holds office upto the date of the forthcoming Annual General Meeting of the Company. Mr. P. Millot's brief resume has been given at Item No. 6 in the Annexure to the notice.

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. P. Millot as a candidate for the office of a Director.

Except Mr. P. Millot 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. 7

Mr. O. Duval was appointed as an additional director of the Company on 6th March, 2006. 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, Mr. O. Duval holds office upto the date of the forthcoming Annual General Meeting of the Company. Mr. O. Duval'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 along with a deposit of Rs. 500/- has been received from a member of the Company signifying his intention of proposing Mr. O. Duval as a candidate for the office of a Director.

Except Mr. O. Duval and other nominee directors of CSG, no other director is concerned or interested in this Resolution.

Your Directors recommend this Ordinary Resolution for your approval.

ITEM NO. 8

Ms. M. A. Chupin was appointed as an additional director of the Company on 6th March, 2006. 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, Ms. M. A. Chupin holds office upto the date of the forthcoming Annual General Meeting of the Company. Ms. M. A. Chupin'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 Ms. M. A. Chupin as a candidate for the office of a Director.

Except Ms. M. A. Chupin and other nominee directors of CSG, no other director is concerned or interested in this Resolution.

Your Directors recommend this Ordinary Resolution for your approval.

ITEM NO. 9

Mr. B. Raut has been appointed as an additional director of the Company on 6th March, 2006. 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, Mr. B. Raut holds office upto the date of the forthcoming Annual General Meeting of the Company. Mr. B. Raut's brief resume has been given at Item No. 9 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. B. Raut as a candidate for the office of a Director.

Except Mr. B. Raut no other director is concerned or interested in this Resolution.

Your Directors recommend this Ordinary Resolution for your approval.

ITEM NO. 10

Mr. S. Salgaocar has been appointed as an additional director of the Company on 6th March, 2006. 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, Mr. S. Salgaocar holds office upto the date of the forthcoming Annual General Meeting of the Company. Mr. S. Salgaocar's brief resume has been given at Item No. 10 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. S. Salgaocar as a candidate for the office of a Director.

Except Mr. S. Salgaocar no other director is concerned or interested in this Resolution.

Your Directors recommend this Ordinary Resolution for your approval.

ITEM NO. 11

Mr. P. Shah has been appointed as an additional director of the Company on 6th March, 2006. 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, Mr. P. Shah holds office upto the date of the forthcoming Annual General Meeting of the Company. Mr. P. Shah's brief resume has been given at Item No. 11 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. P. Shah as a candidate for the office of a Director.

Except Mr. P. Shah no other director is concerned or interested in this Resolution.

Your Directors recommend this Ordinary Resolution for your approval.

ITEM NO. 12

Mr. A. Y. Mahajan was appointed as Managing Director of the Company at the Board Meeting held on 26th March, 1991 and ratified by the Shareholders at the 41st Annual General Meeting of the Company held on 19th August, 1991, for a period of five years commencing from 1st April, 1991 to 31st March, 1996. Mr. A. Y. Mahajan was re-appointed as Managing Director of the Company for two successive periods of 5 years each at the Board Meeting held on 28th June, 1995, for the period commencing from 1st April 1996 to 31st March 2001 and at the Board Meeting held on 6th March, 2001, for the period commencing from 1st April, 2001 to 31st March, 2006. The Shareholders had approved the re-appointment of Mr. A. Y. Mahajan at the 45th Annual General Meeting held on 11th September, 1995 and at the 51st Annual General Meeting held on 13th June, 2001 respectively.

The Board of Directors (Board) of the Company, at its meeting held on 6th March, 2006, has re-appointed Mr. A. Y. Mahajan, as the Managing Director of the Company, subject to your approval, for a further period of five years with effect from 1st April, 2006 to 31st March, 2011, on the terms and conditions as mentioned in the Abstract pursuant to Section 302 of the Companies Act, 1956, dated 6th March, 2006, which is being posted separately to all the Shareholders of the Company.

The terms and conditions as to the re-appointment and remuneration payable to Mr. A. Y. Mahajan is now submitted for your approval. Mr. A. Y. Mahajan has vast knowledge, rich and varied experience in the working of your Company and has the requisite qualification. Under his leadership, your Company has steadily grown in size, profits and strength.

The Board strongly recommends for your approval, the re-appointment of Mr. A. Y. Mahajan as Managing Director of the Company on the terms and conditions as set out in the Abstract dated 6th March, 2006.

Except Mr. A. Y. Mahajan, no other Director is concerned or interested in this resolution.

Your Directors recommend this Ordinary Resolution for your approval.

ITEM NOS. 13 to 17

The Board of Directors (Board) is of the view that, it is necessary to increase the trading volumes, widen the ownership of shares and better the liquidity in the Stock Market. Towards this end, the Board has at its Meeting held on 6th March, 2006, recommended a Sub-division of each equity share of face value of Rs. 10/- (Rupees Ten only) each to equity share of face value of Rs. 5/- (Rupees Five only) each.

As the Company has adequate reserves, the Board at its meeting held on 6th March, 2006 has recommended capitalisation of reserves upto a sum of Rs. 13,84,00,000/- (Rupees Thirteen Crores Eighty Four Lacs only) by issue of Bonus Shares in the proportion of 1:1 [i.e. one fully paid Bonus Share of Rs. 5/- (Rupees Five only) each for every one fully paid equity share of Rs. 5/- (Rupees Five only) each] held by the members as on the record date as may be decided by the Board.

As a result of the proposed Sub-division of equity shares and issue of Bonus Shares, the Authorised Share Capital of Rs.14,00,00,000/- (Rupees Fourteen Crores only) divided into 1,40,00,000 (One Crore Forty Lacs) equity shares of Rs. 10/- (Rupees Ten only) each is proposed to be increased to Rs. 28,00,00,000/- (Rupees Twenty Eight Crores only) divided into 5,60,00,000 (Five Crores Sixty Lacs) equity shares of Rs. 5/- (Rupees Five only) each.

Consequently the Memorandum and Articles of Association of the Company will require necessary amendments.

The Directors recommend the respective resolutions under Item Nos. 13 to 17 of the Notice for your approval.

Mr. A. Y. Mahajan – Managing Director, Mr. H. C. Patel and Mrs. M. S. Mehta, Directors of the Company may be deemed to be interested in these resolutions to the extent of their respective shareholding in the Company.

6th March, 2006

By Order of the Board

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

A. Y. MAHAJAN
MANAGING DIRECTOR



DIRECTORS' REPORT

The Members,
Grindwell Norton Limited

Your Directors present the Fifty-sixth Report of the Company along with the Audited Accounts for the year ended 31st December, 2005.

Financial Highlights

	(Rs. Million)	
	2005	2004
Sales	3604.9	3013.5
Operating Profit	536.8	437.8
Interest	1.3	2.0
Profit before Tax and Extraordinary Item	535.5	435.8
Extraordinary Item	-	9.1
Profit before Tax	535.5	426.7
Provision for Tax	175.7	147.0
Deferred Tax	0.4	(12.1)
Fringe Benefit Tax	5.4	-
Profit after Tax	354.0	291.8
Surplus Brought forward	70.0	40.0
	424.0	331.8
Appropriations:		
Proposed Dividend	152.2	138.4
Tax on Proposed Dividend	21.6	19.4
General Reserve	150.2	104.0
Surplus carried to Balance Sheet	100.0	70.0
	424.0	331.8

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, 2005 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 a good one for your Company with sales increasing by 20% and operating profits by 23%. The increase in sales was due to the sustained buoyancy in

domestic demand, gains in market share in some segments and a growth of 21% in exports. The cascading effect of rising energy costs squeezed margins in most businesses.

Dividend

Considering the good results, your Directors recommend a dividend of Rs.11/- per equity share, for the year ended 31st December, 2005. The dividend outgo (excluding tax on dividend) will be Rs. 152.24 Million (Previous year Rs. 138.40 Million).

Sub-division of Shares and Issue of Bonus Shares

In order to facilitate a wider ownership of shares and to increase liquidity and trading volumes, your Board of Directors recommend a Sub-division of each equity share of face value of Rs. 10/- (Rupees Ten only) each to equity share of face value of Rs. 5/- (Rupees Five only) each.

As your Company has adequate reserves, your Board of Directors recommend issue of Bonus Shares in the proportion of 1:1 [i.e. one fully paid Bonus Share of Rs. 5/- (Rupees Five only) each for every one fully paid equity share of Rs. 5/- (Rupees Five only) each] held by the members.

Abrasives

Sustained growth of the economy and of industrial production, as well as higher exports, resulted in higher volumes. Market share gains in certain segments also contributed to the growth. High energy costs, pressure on domestic and export prices resulted in lower operating margins. Significant progress has been made on initiatives aimed at making all manufacturing sites world class.

Ceramics & Plastics

The Silicon Carbide business continued to grow in volumes, profits and market share. The "Wheeling Charges" matter is still pending before the Honourable Supreme Court. The Management is of the opinion that, the likelihood of this liability crystallizing is not high and hence the Company has discontinued the part provisioning of "Wheeling Charges" in the year under review.

While the performance of the Refractories business was in line with the plans, the Performance Plastics business witnessed strong growth.

Future Prospects

With economic growth likely to be sustained, your Company's businesses should continue to grow in terms of sales and profits.

Your Company entered into a Memorandum of Understanding with Orient Abrasives Limited (OAL) for acquiring the Bonded Abrasives business of OAL on 1st December, 2005. The process of conducting due diligence reviews, finalizing the terms of the definitive agreement, obtaining statutory and other approvals and developing a transfer plan is continuing. It is expected that the acquisition will be completed before the end

of August, 2006. The acquisition will enable your Company to strengthen its presence in the Abrasives market.

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 healthier and safer work place at all plant locations and work sites. The Bangalore and Nagpur plants of your Company are certified under ISO 14001:1996 as well as OHSAS 18001:1999. These Certifications are in 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

At present your Company does not accept any fixed deposits.

Employee Relations

Your Directors place on record their appreciation for the contribution made by all the employees in the progress of your Company. As at the year-end, there were 1334 employees.

There was a partial strike in the Bonded Abrasives manufacturing unit in Mora, Uran (Maharashtra) during December, 2005 and January, 2006. The production of the plant was affected during this period. The strike has been withdrawn on 1st February, 2006 and normal operations have been restored from 2nd February, 2006.

Acknowledgments

Your Directors take this opportunity to acknowledge with sincere gratitude the support of your Company's 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 6th March, 2006, 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 Bombay Stock Exchange Limited is annexed (Annexure C).

Your Company has started implementing the revised Clause 49 of the Listing Agreement effective 1st January, 2006.

Directors

Mr. P. Crouzet and Mr. C. Streiff (Chairman) resigned as directors of the Company with effect from 27th July, 2005. Mrs. D.S. Variava ceased to be an alternate director to Mr. R. Caliarì on 14th December, 2005. Mr. N.D. Sidhva resigned as a Director of the Company with effect from 28th December, 2005. Mr. G. Colas resigned as a Director with effect from 6th March, 2006. Mr. B. Bazin and Mr. P. A. de Chalendar were additional directors from 27th July, 2005 to 6th March, 2006. Mr. P. Shetty, Mr. C. Shroff and Mr. U. Thakar were additional directors from 29th December, 2005 to 6th March, 2006. Your Board of Directors (Board) place on record its appreciation for the valuable contribution made by all the outgoing directors of the Company.

Keeping in mind the invaluable contributions made by Mr. N. D. Sidhva, the senior most founder member of the Company, during his association of over 60 years with your Company, the Board as a token of its high esteem, appointed Mr. N. D. Sidhva as "Director Emeritus" with effect from 29th December, 2005.

Mr. R. Caliarì was appointed as the Chairman of the Company with effect from 27th July, 2005. Mr. P. Millot, Mr. O. Duval, Ms. M.A. Chupin, Mr. B. Raut, Mr. S. Salgaocar and Mr. P. Shah were appointed as additional directors of the Company with effect from 6th March, 2006. Mr. P. Millot, Mr. O. Duval, Ms. M. A. Chupin, Mr. B. Raut, Mr. S. Salgaocar and Mr. P. Shah hold 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 notices in writing from Members proposing the candidature of Mr. P. Millot, Mr. O. Duval, Ms. M. A. Chupin, Mr. B. Raut, Mr. S. Salgaocar and Mr. P. Shah as Directors of the Company.

In accordance with the requirements of the Companies Act, 1956 and Articles of Association of the Company, Mr. R. Caliarì and Mr. H. C. Patel retire by rotation and being eligible, offer themselves for re-appointment as Directors of your Company. The Board has, subject to your approval, re-appointed Mr. A. Y. Mahajan as Managing Director of the Company for a further period of five years with effect from 1st April, 2006 to 31st March, 2011.

Auditors

M/s. Kalyaniwalla & Mistry, Chartered Accountants, Auditors of your Company, retire on the conclusion of 56th 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: 6th March, 2006