

#### 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.  
6-10, Haji Moosa Patrawala Ind.  
Estate,  
20, Dr. E. Moses Road,  
Mahalaxmi,  
Mumbai-400 011.  
Tel. No.: 022 - 6656 8484  
Fax No.: 022 - 6656 8494

#### Registered Office

(w.e.f. 6th November, 2006)  
Leela Business Park, 5th Level,  
Andheri-Kurla Road,  
Marol, Andheri – East,  
Mumbai-400 059.  
Tel. No. 022 - 4021 2121  
Fax. No. 022 - 4021 2102

#### Factories

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

#### DIRECTORS

(As on 14th March, 2007)

**Mr. J. ASCHENBROICH**  
(Chairman)

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

**Ms. M. A. CHUPIN**

**Mr. O. DUVAL**

**Mrs. M. S. MEHTA**

**Mr. J. H. MENENDEZ**

**Mr. P. MILLOT**

**Mr. B. S. RAUT**

**Mr. S. SALGAOCAR**

**Mr. P. SHAH**

**Mrs. D. S. VARIAVA**

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

#### DIRECTOR EMERITUS

**Mr. N. D. SIDHVA**

#### MANAGEMENT COMMITTEE

**Mr. V. Agarwal**  
(Abrasives)

**Mr. G. D'Cunha**  
(Human Resources)

**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)

#### COMPANY SECRETARY

**Mr. K. Visweswaran**  
(w.e.f. 7th June, 2006)

#### Contents

Notice	2
Directors' Report	6
Management Discussion & Analysis Report	9
Report on Corporate Governance	13
Auditors' Certificate on Corporate Governance	19
Report of the Auditors	20
Balance Sheet	22
Profit & Loss Account	23
Schedules Forming Part of the Accounts	24
Cash Flow Statement	44

## NOTICE

**NOTICE** is hereby given that the Fifty-seventh Annual General Meeting of the Members of Grindwell Norton Limited will be held on Monday, 23rd April, 2007, at 3.00 p.m. at Kohinoor Continental, Andheri-Kurla Road, Andheri – East, Mumbai-400 059, 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, 2006.
2. To ratify the payment of interim dividend on equity shares.
3. To appoint a Director in place of Mr. A. C. Chakrabortti who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mrs. M. S. Mehta who retires by rotation and being eligible, offers herself for re-appointment.
5. To appoint a Director in place of Mr. B. S. Raut 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 Mrs. D. S. Variava as Director.  
To appoint a Director in place of Mrs. D. S. Variava 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. D. S. Variava for the office of a Director.
8. Appointment of Mr. J. Aschenbroich as Director.  
To appoint a Director in place of Mr. J. Aschenbroich 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. J. Aschenbroich for the office of a Director.

9. Appointment of Mr. J. H. Menendez as Director.

To appoint a Director in place of Mr. J. H. Menendez 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. J. H. Menendez for the office of a Director.

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

“RESOLVED THAT in supercession of the Special Resolution passed by the Members of the Company at the Forty Sixth Annual General Meeting held on 25th July, 1996 authorising the Company to keep its Register and Index of Members, the Register and Index of Debenture holders, copies of all Annual Returns prepared under Sections 159 and 160 of the Companies Act, 1956, together with the copies of certificates and documents required to be annexed thereto under Sections 160 and 161 of the Companies Act, 1956, or any one or more of them required to be kept under Section 163 of the Companies Act, 1956, at a place other than the Registered Office of the Company and as required under the Companies Act, 1956, the Registrar of Companies, Maharashtra, having been given an advance copy of this proposed Special Resolution, approval of the Members be and is hereby accorded for keeping the aforesaid records at the Offices of TSR Darashaw Limited, Registrar and Transfer Agents, with immediate effect at:

- (i) 6-10, 1st Floor, Haji Moosa Patrawala Ind. Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai-400 011; and/ or
- (ii) Pooja Apartment, Ground floor, Near Vitrum Glass, Opp. HCC Ltd., L.B.S. Road, Vikhroli (W), Mumbai-400 079; and/or
- (iii) 27 Acres, Kothari Compound, Near Tikujini Wadi, Chitalsar, Manpada, Thane (W)- 400 607; and/ or
- (iv) Godown No. 4, 9 Acres, Kothari Compound, Near Tikujini Wadi, Chitalsar, Manpada, Thane (W) - 400 607.





FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to do all acts, deeds, matters and things as may be considered necessary or desirable to give effect to this Special Resolution.”

14th March, 2007

By Order of the Board

Registered Office:  
Leela Business Park,  
5th Level,  
Andheri-Kurla Road,  
Marol, Andheri – East,  
Mumbai-400 059

**K. VISWESWARAN**  
COMPANY 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 from Saturday, 24th March, 2007 to Monday, 26th March, 2007 (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 10 is annexed hereto.
- (e) As per the amended provisions of the Companies Act, 1956, the dividend remaining unclaimed or unpaid for the financial year ended 31st March, 1999, had been transferred to the Investor Education and Protection Fund (Fund) of the Central Government on 12th

September, 2006. The unpaid interim dividend declared during the financial year 1999-2000 will be due for transfer to the Fund on 21st April, 2007. 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 interim dividend declared during the year 1999-2000 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. (TSRDL).

- (f) The facility for making nomination is available to the Members in respect of the shares held by them.
- (g) 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.
- (h) (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 Company 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 TSRDL.
- (iv) Members are requested to immediately intimate the change, if any, in their registered address to TSRDL.

## ANNEXURE TO THE NOTICE

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

### ITEM NO. 3

Mr. A. C. Chakrabortti is 76 years old. He is an FCA (Eng. & Wales), and an FCA of the Institute of Chartered Accountants of India. Mr. Chakrabortti 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 Audit Committee of the Company. Mr. Chakrabortti serves on the Boards of several other companies. Mr. Chakrabortti does not hold any equity shares in Grindwell Norton Limited.

### ITEM NO. 4

Mrs. M. S. Mehta is 75 years old and is a daughter of one of the founders of the Company. She has experience in trade and business. She is a member of the Shareholders/ Investors Grievance Committee of the Company. Mrs. Mehta holds 6,43,040 equity shares in Grindwell Norton Limited.

### ITEM NO. 5

Mr. B. S. Raut is 57 years old. He is a member of the Institute of Chartered Accountants of India and practiced as a Chartered Accountant for over three decades during which period he was inter alia, the Founding Partner of M/s. BSR & Co. (formerly M/s. Bharat S. Raut & Co.) till his retirement. He currently practices as an Advocate. Mr. Raut is a member of the Audit Committee of the Company. He does not hold any equity shares in Grindwell Norton Limited.

### ITEM NO. 7

Mrs. D. S. Variava is 62 years old and has done her M.B.A. from IIM Ahmedabad. She is the Chairperson of Bharat Floorings & Tiles (Mumbai) Pvt. Ltd. and serves on the Boards of other companies. She is the Chairperson of Shareholders/Investors Grievance Committee of the Company. Mrs. Variava holds 7,17,716 equity shares in Grindwell Norton Limited.

### ITEM NO. 8

Mr. J. Aschenbroich, a French national, is 52 years old and has done his Masters from Ecole des Mines de Paris, France. He joined the Saint-Gobain group in 1988 and has gained rich experience in various fields. Currently, he is the President of the Flat Glass and the High Performance Materials sectors of Saint-Gobain and Senior Vice-President of Compagnie de Saint-Gobain (the ultimate holding Company of Grindwell Norton Limited) in charge of innovation and R & D. He is a Director on the Board of Saint-Gobain Glass India Limited. Mr. Aschenbroich does not hold any equity shares in Grindwell Norton Limited.

### ITEM NO. 9

Mr. J. H. Menendez, an American national, is 56 years old and has done his M.B.A. He joined the Saint-Gobain group in 1987 and has gained rich experience in various fields. Currently, he is the President of the Abrasives division of Compagnie de Saint-Gobain. Mr. Menendez does not hold any equity shares in Grindwell Norton Limited.



## EXPLANATORY STATEMENT

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

### ITEM NO. 7

Mrs. D. S. Variava was appointed as an Additional Director of the Company on 25th July, 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, Mrs. Variava holds office upto the date of the forthcoming Annual General Meeting of the Company. Mrs. Variava'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 Mrs. Variava as a candidate for the office of a Director.

Except Mrs. Variava 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. 8

Mr. J. Aschenbroich was appointed as an Additional Director of the Company on 13th December, 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. Aschenbroich holds office upto the date of the forthcoming Annual General Meeting of the Company. Mr. Aschenbroich'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 along with a deposit of Rs. 500/- has been received from a member of the Company signifying his intention of proposing Mr. Aschenbroich as a candidate for the office of a Director.

Except Mr. Aschenbroich 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. 9

Mr. J. H. Menendez was appointed as an Additional Director of the Company on 13th December, 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. Menendez holds office upto the date of the forthcoming Annual General Meeting of the Company. Mr. Menendez'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 along with a deposit of Rs. 500/- has been received from a member of the Company signifying his intention of proposing Mr. Menendez as a candidate for the office of a Director.

Except Mr. Menendez 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. 10

Under Section 163 of the Companies Act, 1956, Register and Index of Members, the Register and Index of Debenture holders, copies of all Annual Returns prepared under Sections 159 and 160 of the Companies Act, 1956, together with the copies of certificates and documents required to be annexed thereto under Sections 160 and 161 of the Companies Act, 1956 or any one or more of them, which are required to be kept at the Registered Office of the Company may be kept at any other place, if such other place has been approved by a Special Resolution passed by the Company in General Meeting. Members had approved the keeping of documents and registers mentioned under Section 163 of the Companies Act, 1956 at the Offices of TSR Darashaw Limited, Registrar and Transfer Agents. Since the office of TSR Darashaw Limited has been shifted from Army & Navy Building, 148, M. G. Road Mumbai-400 001 to 6-10, 1st Floor, Haji Moosa Patrawala Ind. Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai-400 011, your approval is sought to shift the documents, registers and returns mentioned above at the offices of TSR Darashaw Limited, with immediate effect at (i) 6-10, 1st Floor, Haji Moosa Patrawala Ind. Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai-400 011; and/or (ii) Pooja Apartment, Ground floor, Near Vitrum Glass, Opp. HCC Ltd., L.B.S. Road, Vikhroli (W), Mumbai-400 079; and/or (iii) 27 Acres, Kothari Compound, Near Tikujini Wadi, Chitalsar, Manpada, Thane (W)-400 607; and/or (iv) Godown No. 4, 9 Acres, Kothari Compound, Near Tikujini Wadi, Chitalsar, Manpada, Thane (W)- 400 607.

None of the Directors of the Company is concerned or interested in this Resolution.

Your Directors recommend this Special Resolution for your approval.

14th March, 2007

By Order of the Board

Registered Office:  
Leela Business Park,  
5th Level,  
Andheri-Kurla Road,  
Marol, Andheri – East,  
Mumbai-400 059.

**K. VISWESWARAN**  
COMPANY SECRETARY

## DIRECTORS' REPORT

The Members,  
Grindwell Norton Limited

Your Directors present the Fifty-seventh Report of the Company along with the Audited Accounts for the year ended 31st December, 2006.

### Financial Highlights

	(Rs. Million)	
	2006	2005
<b>Sales</b>	<b>4212.9</b>	<b>3604.9</b>
<b>Operating Profit</b>	<b>686.5</b>	<b>536.8</b>
Interest	1.4	1.3
Profit before Tax	685.1	535.5
Provision for Tax	224.9	181.5
Profit after Tax	460.2	354.0
Surplus Brought forward	100.0	70.0
	<b>560.2</b>	<b>424.0</b>
<b>Appropriations:</b>		
Interim Dividend	193.7	—
Tax on Interim Dividend	27.2	—
Proposed Dividend	—	152.2
Tax on Proposed Dividend	—	21.6
General Reserve	189.3	150.2
Surplus carried to Balance Sheet	150.0	100.0
	<b>560.2</b>	<b>424.0</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 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, 2006 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

During the year under review your Company's sales recorded a growth of 17%. This performance is attributable to the sustained buoyancy in domestic demand, gains in market share in some segments and strong export growth. Higher volumes

and improvement in operating efficiencies have enabled the Company to record a growth of 28% in operating profits.

### Dividend

Considering the good results, the Directors, at the Board Meeting held on 8th March, 2007, declared an interim dividend of Rs. 3.50 per equity share (previous year Rs. 2.75 per equity share) for the year 2006. The dividend outgo (excluding tax on dividend) is Rs. 193.76 Million (previous year Rs. 152.24 Million).

### Forbes Asia-Pacific's top 200 Companies

Your Company's consistent performance over the last few years has won recognition. Each year the Forbes magazine compiles and publishes a "Best under a Billion" selection of companies that are listed on a Stock Exchange and have sales less than one billion dollars. The 30th October, 2006 issue of Forbes Asia carried a list of the 200 "Best under a Billion" companies in the Asia Pacific region. It is a matter of great pride that your Company was one of only 23 Indian Companies on this list.

### Sub-division, Bonus and Listing

During the year, your Company had sub-divided its Equity Shares from Rs. 10/- each to Rs. 5/- each. The record date for sub-division and issue of Bonus Shares was on 2nd June, 2006. On 5th June 2006, your Board of Directors allotted 2,76,80,000 Bonus Equity Shares of Rs. 5/- each in the ratio of 1:1. The Equity Shares of your Company have also been listed and traded on National Stock Exchange of India Limited effective 11th September, 2006.

### Change in Registered Office

The Registered Office of your Company has been shifted from Army & Navy Building, 148, M. G. Road, Mumbai-400 001 to Leela Business Park, 5th Level, Andheri-Kurla Road, Marol, Andheri-East, Mumbai-400 059, effective 6th November, 2006.

### Abrasives

Buoyant domestic and export demand resulted in higher volumes in Abrasives. Market share gains in certain segments also contributed to growth. Improved operating efficiencies, better product mix and price realization has resulted in higher operating margins. The acquisition of the Bonded Abrasives business of Orient Abrasives Ltd. was completed on 1st October, 2006.

### Ceramics & Plastics

The Silicon Carbide business continued to grow although capacity was a constraint. The operating margins were under pressure due to increased power cost. The "Wheeling Charges" matter is still pending before the Honourable Supreme Court.





While the Refractories business did not have a good year, the Performance Plastics business witnessed strong growth in sales and profits.

### Future Prospects

With continued strong growth of the economy, your Company's overall performance and operating results are expected to improve further.

### 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. All the plants of your Company are certified under ISO 14001:2004 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. Employee Relations were generally cordial at all units of the Company. As at the year-end, there were 1389 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 14th

March, 2007, 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) and forms part of this Report.

### Directors

Mr. H. C. Patel resigned as a Director with effect from 25th July, 2006 after serving on your Company's Board for more than 43 years. Mr. Patel was the Managing Director between 1983 and 1991 and played a significant role in the development and growth of your Company. Mr. R. Caliri (Chairman) and Mr. A. Denes resigned as Directors of the Company with effect from 13th December, 2006. Your Board of Directors places on record its appreciation for the valuable contribution made by all the outgoing Directors of the Company.

Mrs. D. S. Variava was appointed as an Additional Director with effect from 25th July, 2006. Mr. J. Aschenbroich and Mr. J. H. Menendez were appointed as Additional Directors with effect from 13th December, 2006. Mr. J. Aschenbroich has been appointed as the Chairman of the Board with effect from 14th March, 2007.

Mrs. D. S. Variava, Mr. J. Aschenbroich and Mr. J. H. Menendez hold office upto the date of the forthcoming 57th Annual General Meeting of the Company. As required under Section 257 of the Companies Act, 1956, the Company has received notice in writing from Members proposing the candidature of Mrs. D. S. Variava, Mr. J. Aschenbroich and Mr. J. H. Menendez as Directors of the Company.

In accordance with the requirements of the Companies Act, 1956 and Articles of Association of the Company, Mr. A. C. Chakrabortti, Mrs. M. S. Mehta and Mr. B. S. Raut 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 57th 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: 14th March, 2007

## 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, optimization of power distribution system were completed during the year.

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

##### Product: Refractories

	2006	2005
<b>A. Power and Fuel Consumption:</b>		
<b>1. ELECTRICITY</b>		
(a) Purchased:		
Units	1074697	1217618
Total Amount (Rs. Million)	5.14	5.88
Rate/Unit Rs.	4.78	4.83
(b) Own Generated		
(i) Through diesel generators:		
Units	201513	70923
Units per Ltr. of diesel	3.19	3.21
Cost/Unit (Rs.)	9.62	7.57
(ii) Through Steam turbine/generator	Nil	Nil
<b>2. FUEL OIL</b>		
Quantity (K. Ltrs.)	949	892
Total amount (Rs. Million)	24.93	21.73
Average rate (Rs.)	26281	24365
<b>B. Consumption per unit of production:</b>		
Electricity KWH/TON	849	808
Fuel oil KL/TON	0.60	0.56

#### 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 bonds for Centerless grinding, Crankshaft grinding and tool-room grinding.
    - new Product for very open structure wheels.

Improvements in:

- Kiln efficiency and consistency for vitrified products.
- Characterization process for grinding wheels.
- Consistency of organic wheels.
- Safety and Occupational health.

##### (b) Ceramics:

Development of:

- WS grains for Silicon wafer industry.
- Commercial production of REFRAZ grains for refractory industry.
- Development of SIKA-IV grains for Europe.

Improvements in:

- Environment and Industrial Hygiene.

### 3. Future plans of action:

- Technology adaptation from Saint-Gobain Abrasives companies and other Saint-Gobain plants in identified priority areas, for development of new and improved products.
- Development and utilization of advanced tools facilitated enhanced grinding system solutions at the customers end.

### 4. Expenditure on R & D for the year ended 31st December, 2006:

	Rs. Million
(a) Capital	Nil
(b) Recurring	5.76
(c) Total	5.76
(d) Total R & D expenditure as a percentage of total turnover	0.14%

### 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 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, 2006 was Rs. 429.11 Million and the total outflow was Rs. 910.66 Million. Details are given in Schedule 13.



## 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)
<b>EMPLOYED THROUGHOUT THE YEAR</b>							
AGARWAL VINAY	51	PRESIDENT – ABRASIVES	5,070,720	B.TECH., PGDM (IIM)	SEP. 2004	M.D. – RPG CABLES LTD.	26
BHAT V.	46	GEN. MGR. – COATED ABRASIVES	3,113,284	B.TECH. (CHEM. ENGG.)	DEC. 2005	HEAD-TECHNICAL – MTR FOODS LTD.	25
D'CUNHA GERARD	49	V. P. – HUMAN RESOURCES	3,496,264	B.SC., M.A. (PM&IR)	DEC. 1998	ASST. GEN. MGR. – LARSEN & TOUBRO LTD.	26
MAHAJAN A.Y.	54	MANAGING DIRECTOR	14,479,692	M.A. (ECON.), MBA (USA)	JUNE 1983	PROJ. CONSULTANT – STATE BANK OF INDIA	31
PEREIRA J.A.J.	58	EXEC. V.P. – FIN. & CORP. SERVICES	5,359,719	B.SC., FICWA, PGDM (IIM)	MAY 1975	NONE	32
PRASAD K.K.	44	V. P. – CERAMICS & PLASTICS	5,015,337	B.SC. (ENGG.), PGDM (IIM)	MAY 1990	MECH. ENGINEER – FACT LTD.	20
PURANIK M.A.	51	V. P. – CORP. FIN. & TAXATION	4,165,835	B.COM., ACA	MAY 1988	DY. CHIEF ACCOUNTANT – GARWARE MARINE IND. LTD.	26
RAMARATHNAM M.R.	58	V. P. – PROJECTS	3,918,132	B.E. (MECH.), PRDN. MGT.	APRIL 1982	SR. ENGINEER – ASHOK LEYLAND LTD.	36
<b>EMPLOYED FOR PART OF THE YEAR</b>							
KANSAL ANUP	41	GEN. MGR. – MARKETING	1,656,365	B.E., PGDM (IIM)	JUNE 2006	HEAD – SALES & MKTG. – BALLARPUR IND. LTD.	16

### 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.
- 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 the Stock Exchanges)

#### GENERAL REVIEW

Grindwell Norton Limited (GNO) is one of the subsidiaries of Compagnie de Saint-Gobain (Saint-Gobain), a transnational Group, with its headquarters in Paris and with sales exceeding € 41 billion in 2006. Saint-Gobain's businesses fall into five broad sectors of activity: Construction Products, Flat Glass, Packaging, Building Distribution and High Performance Materials. GNO's businesses are a part of two of the 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 (including Non-Woven);

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 segment,

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 (near Mumbai) and the other at Nagpur, Maharashtra, both of which are certified under ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:1999.

#### 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.

Apart from the major players in the market, there are a few medium sized players and many small, local players. Besides, imports from China are present in a big way in many categories, particularly, in the low end. Some of the players from Europe and Japan are also establishing marketing networks to service mainly the precision grinding market. The market, over a period of time, has become extremely price sensitive.

Key success factors are quality, cost, service and capability to provide total grinding solutions.

### Applications

Bonded Abrasives are used in 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 15000 different products in a year.

### Major User Industries

- Automobiles and Auto Components
- Steel
- Foundry
- Bearings
- Cutting Tools/Hand Tools etc.
- Housing work and Construction
- Fabrication

### Development & Outlook

Saint-Gobain is the undisputed world leader in Bonded Abrasives. 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 organization, in terms of access to all developments in products and process technology, sourcing of products and developing exports.

In 2006, domestic demand for Bonded Abrasives saw a significant increase. All the major end user industries mentioned above continued to do well. We expect that domestic demand will continue to be buoyant in 2007.

During the year, the Bonded Abrasives business of Orient Abrasives Limited was acquired and integrated within GNO. The equipment from the Orient plant was transferred to the GNO plants at Mumbai and Nagpur to increase the output and absorb the Orient production. In addition, the scope of outsourcing activities has been expanded in order to meet the increased demand.

There have been steep increases in the Input costs – especially fuel, electricity and raw materials. On the other hand, increasing prices has been difficult. The management focused on improving operating efficiencies, reducing rejections, wastages and on increasing volumes which has led to higher operating profits for the year.

Exports will continue to be a focus area 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.

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).

## (ii) COATED ABRASIVES (INCLUDING NON-WOVEN)

### Product and Plants

Coated Abrasives products are engineering composites comprising of a backing, bond system and abrasive grains and are designed for material removal and surface generation. The common backing types include paper, cloth, polyester and 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 and Nagpur. Both locations are ISO 9001: 2000, ISO 14001: 2004 and OHSAS 18001:1999 certified.

### Industry

The domestic Coated Abrasives sector has two major players, one of which is GNO. GNO has a leadership position in several product - market segments.

The characteristics of this sector are:

- Large and varied end user industry base makes the demand less affected by economic 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 End Users

- 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

2006 witnessed strong market growth with most of the end-user industries continuing to do well. Partly because of this and partly because of gains in market shares, GNO's domestic sales increased significantly. We expect market growth to be sustained in 2007. At the same time, we expect increased competition with