

## **DIRECTORS**

(As on 6th March, 2008)

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

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

**Mr. R. K. BILIMORIA**

**Ms. M. A. CHUPIN**

**Mr. J. T. CROWE**

**Mr. O. DUVAL**

**Mr. P. MILLOT**

**Mr. J. A. J. PEREIRA**

(Alternate Director to  
Ms. M. A. Chupin)

**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**

### **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**

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. Bangalore, Karnataka
3. Tirupati, Andhra Pradesh
4. Nagpur, Maharashtra
5. Bated, Dist. Solan,  
Himachal Pradesh  
(Under Construction)

## **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	45
Information on Subsidiary Company	46
Auditors' Report on Consolidated Financial Statements	47
Consolidated Balance Sheet	48
Consolidated Profit & Loss Account	49
Schedules Forming Part of the Consolidated Accounts	50
Consolidated Cash Flow Statement	68

## NOTICE

**NOTICE** is hereby given that the Fifty-eighth Annual General Meeting of the Members of Grindwell Norton Limited will be held on Thursday, 24th April, 2008, at 2.30 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, 2007.
2. To declare a dividend for the year ended 31st December, 2007 and to ratify the payment of interim dividend on equity shares.
3. To appoint a Director in place of Mr. P. Millot who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. O. Duval who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Ms. M. A. Chupin who retires by rotation and being eligible, offers herself 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. R. K. Bilimoria as Director.  
To appoint a Director in place of Mr. R. K. Bilimoria 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. R. K. Bilimoria for the office of a Director.
8. Appointment of Mr. J. T. Crowe as Director.  
To appoint a Director in place of Mr. J. T. Crowe 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. T. Crowe for the office of a Director.

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

"RESOLVED THAT in accordance with the provisions of Section 309(4) and other applicable provisions, if any, of the Companies Act, 1956, and Article 116(2) of the Articles of Association of the Company, the non whole-time directors (excluding the directors who are nominees of Compagnie de Saint-Gobain or its subsidiaries) be paid a commission to be divided among them in such manner as the Board of Directors (the Board) may from time to time determine, of such amount not exceeding one percent of the net profits of the Company, computed in the manner prescribed under the provisions of the Companies Act, 1956, for a period of not more than five years commencing from 1st January, 2009.

FURTHER RESOLVED THAT the aforesaid commission shall be in addition to the sitting fees and/or out of pocket expenses payable to such directors for each meeting of the Board or Committees of the Board attended by such directors.

FURTHER RESOLVED THAT the Board be and is hereby authorized to take such steps as may be necessary, desirable or expedient to give effect to this Resolution."

6th March, 2008

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 Tuesday, 25th March, 2008 to Friday, 28th March, 2008 (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 are annexed hereto.
- (e) As per the amended provisions of the Companies Act, 1956, the interim dividend remaining unclaimed or unpaid for the financial year 1999-2000 had been transferred to the Investor Education and Protection Fund (Fund) of the Central Government on 17th May, 2007. The unpaid dividend declared for the financial period ended 31st December, 2000 will be due for transfer to the Fund on 12th July, 2008. 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 declared during the period ended 31st December, 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 Stock Exchanges.

### ITEM NO. 3

Mr. P. Millot, a French national, is 44 years old and holds a Degree in Engineering. He joined Compagnie de Saint-Gobain (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 High Performance Materials (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. P. Millot does not hold any equity shares in Grindwell Norton Limited.

### ITEM NO. 4

Mr. O. Duval, a French national, is 59 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. Mr. O. Duval does not hold any equity shares in Grindwell Norton Limited.

### ITEM NO. 5

Ms. M. A. Chupin, a French national, is 50 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. 7

Mr. R. K. Bilimoria is 73 years old and holds a Bachelor Degree in Science. He has varied management experience of around 40 years in industries connected to Floorings, Shipping, and Food products. He is also on the Board of Bilimoria Foods & Beverages P. Ltd., Smokin Joe's Pizza P. Ltd., Shree Vindhya Cast Coaters Ltd. and Smokin Lees Restaurants P. Ltd. He is a member of the Shareholders/Investors Grievance Committee of the Company. Mr. R. K. Bilimoria holds 2,24,920 equity shares in Grindwell Norton Limited.

### ITEM NO. 8

Mr. J. T. Crowe, 54 years old, is a Chemical Engineer and has done his MBA from Boston College, USA. In 1978, he joined Norton Inc., which was acquired by CSG in 1990. He has gained rich experience in various fields. Presently, he is the President of Abrasives Division, which is a part of the HPM sector of CSG. Mr. J. T. Crowe 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

Mr. R. K. Bilimoria was appointed as an additional director of the Company on 12th December, 2007. 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. R. K. Bilimoria holds office upto the date of the forthcoming Annual General Meeting of the Company. Mr. R. K. Bilimoria's brief résumé 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. R. K. Bilimoria as a candidate for the office of Director.

Except Mr. R. K. Bilimoria 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. T. Crowe was appointed as an additional director of the Company on 12th December, 2007. 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. J. T. Crowe holds office upto the date of the forthcoming Annual General Meeting of the Company. Mr. J. T. Crowe's brief résumé 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. J. T. Crowe as a candidate for the office of Director.

Except Mr. J. T. Crowe 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

Section 309(4) of the Companies Act, 1956, and Article 116(2) of the Articles of Association of the Company provide for payment of commission to non whole-time directors of the Company.

At present, non whole-time directors, except the directors who are nominees of CSG or its subsidiaries, are paid a sitting fee of Rs. 5,000/-, for each Meeting of the Board/Audit Committee/Shareholders/Investors Grievance Committee attended by them. In addition, they are entitled to a profit commission, as determined by the Board of Directors from time to time, upto 1% of the net profit of the Company, for five financial years commencing from 1st January, 2004, as authorised under a Special Resolution of the Shareholders passed at the Fifty third Annual General Meeting, held on 29th April, 2003.

Since such directors devote considerable time to the business of the Company and the Company substantially benefits from their expertise and advice, it is appropriate that the said directors continue to be paid the proposed commission on profits for a further period of five years commencing from 1st January, 2009.

All the directors, except the whole-time directors and who are nominees of CSG or its subsidiaries, may be deemed to be concerned or interested in this Special Resolution.

Your Directors recommend this Special Resolution for your approval.

6th March, 2008

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

By Order of the Board

**K. VISWESWARAN**  
COMPANY SECRETARY



## DIRECTORS' REPORT

The Members,  
Grindwell Norton Limited

Your Directors present the Fifty-eighth Report of the Company along with the Audited Accounts for the year ended 31st December, 2007.

### Financial Highlights

	(Rs. Million)	
	2007	2006
<b>Sales</b>	<b>4970.1</b>	<b>4212.9</b>
<b>Operating Profit</b>	<b>825.5</b>	<b>686.5</b>
Interest	2.9	1.4
Profit before Tax and Extraordinary Item	822.6	685.1
Extraordinary Item (net of tax)	770.0	—
Profit before Tax and after Extraordinary Item	1592.6	685.1
Provision for Tax	257.5	224.9
Profit after Tax	1335.1	460.2
Surplus Brought forward	150.0	100.0
	<b>1485.1</b>	<b>560.2</b>
<b>Appropriations:</b>		
Interim Dividend	221.4	193.7
Tax on Interim Dividend	37.7	27.2
Proposed Dividend	221.4	—
Tax on Proposed Dividend	37.7	—
General Reserve	716.9	189.3
Surplus carried to Balance Sheet	250.0	150.0
	<b>1485.1</b>	<b>560.2</b>

### Responsibility Statement

Your Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- appropriate accounting policies have been selected and applied consistently and judgments and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at 31st December, 2007 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 18%. This performance is attributable to the sustained buoyancy in domestic demand and gains in market share in some segments. Higher volumes and improvement in operating efficiencies have enabled the Company to record a growth of 20% in operating profits.

### New Unit in Himachal Pradesh

The Company is making rapid progress in setting up a new unit to manufacture Abrasive products at Village Bated, District Solan, in Himachal Pradesh. The estimated cost of the project is about Rs. 370 Million. A first phase of commercial production is likely to start during second quarter of 2008. This unit will enjoy excise and income tax benefits as prescribed by the respective laws.

### Subsidiary in Bhutan

During the year, your Company has incorporated a subsidiary company, namely Saint-Gobain Ceramic Materials Bhutan Pvt. Ltd. (SGCMB) in Bhutan. SGCMB is a Joint Venture between your Company and the Singye Group of Bhutan. Your Company holds 70% of the equity capital. The objective of setting up this subsidiary is to construct a new plant to manufacture silicon carbide in Bhutan, where electricity is available at a lower cost. Commercial Production is expected to start in the last quarter of 2008.

### Financial Statement of the Subsidiary

Under Section 212(8) of the Companies Act, 1956, the Ministry of Corporate Affairs (MCA) has, vide approval letter No. 47/23/2008-CL-III dated 5th February, 2008, granted exemption from attaching the financial statement of SGCMB to your Company's Accounts for the year ended 31st December, 2007. Hence, these have not been annexed. However, the annual accounts of SGCMB and the related detailed information will be made available to shareholders of the Company on request and will also be available for inspection at the Registered Office of your Company and the Registered Office of SGCMB.

### Sale of shareholding in Lincoln Helios (India) Limited (LHI)

During the year, your Company sold its entire shareholding in LHI (5,00,000 equity shares of Rs. 10/- each) to its Joint Venture partner Lincoln GmbH, Germany, for a total consideration of Rs. 1 Billion.

### Dividend

On 12th December, 2007, your Company paid a Special Interim Dividend of Rs. 4 per equity share. Your Directors recommend a final dividend of Rs. 4 per equity share for the year ended 31st December, 2007. The total dividend outgo on account of the Special Interim Dividend and the final dividend (excluding tax on dividend) will be Rs. 442.88 Million (previous year Rs. 193.76 Million).



### Abrasives

Buoyant domestic 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 resulted in higher operating margins.

### Ceramics & Plastics

The Silicon Carbide business continued to grow although the profitability was affected. The breakdown of one out of the two units at Andhra Pradesh Gas Power Corporation Limited reduced the availability of electricity for the plant. This had to be compensated partly by utilizing higher cost electricity from the grid and partly by imports of high cost crude. Both these actions significantly impacted the profitability of the business. The "Wheeling Charges" matter is still pending before the Honourable Supreme Court.

The Refractories business had a good year. The Performance Plastics business witnessed another year of strong growth.

### Future Prospects

Your Company's performance will be in line with the growth of the economy.

### 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 healthier and safer work place at all plant locations and work sites. All the plants of your Company are certified under 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 1426 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 6th March, 2008, 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. J. H. Menendez and Mrs. M. S. Mehta resigned as Directors of your Company with effect from 12th December, 2007. The Board of Directors places on record its appreciation for the valuable contribution made by the outgoing Directors of your Company.

Mr. J. A. J. Pereira has been appointed as an Alternate Director to Ms. M. A. Chupin with effect from 25th July, 2007. Mr. J. T. Crowe and Mr. R. K. Bilimoria were appointed as Additional Directors with effect from 12th December, 2007.

Mr. J. T. Crowe and Mr. R. K. Bilimoria hold office upto the date of the forthcoming 58th 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. J. T. Crowe and Mr. R. K. Bilimoria as Directors of the Company.

In accordance with the requirements of the Companies Act, 1956 and Articles of Association of the Company, Mr. P. Millot, Mr. O. Duval and Ms. M. A. Chupin retire by rotation and being eligible, offer themselves for reappointment as Directors of your Company.

### Auditors

M/s. Kalyaniwalla & Mistry, Chartered Accountants, Auditors of your Company, retire on the conclusion of 58th 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, 2008

## 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, etc. 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:

	2007	2006
Units	1213367	1074697
Total Amount (Rs. Million)	5.77	5.14
Rate/Unit Rs.	4.76	4.78

###### (b) Own Generated

###### (i) Through diesel generators:

Units	124523	201513
Units per Ltr. of diesel	3.23	3.19
Cost/Unit (Rs.)	11.72	9.62

###### (ii) Through Steam turbine/generator

Nil Nil

##### 2. FUEL OIL

Quantity (K. Ltrs.)	1022	949
Total amount (Rs. Million)	19.78	24.93
Average rate (Rs.)	19354	26281

#### B. Consumption per unit of production:

Electricity KWH/TON	905	849
Fuel oil KL/TON	0.69	0.60

#### 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:

- Technology for the manufacture of a new range of products called "Vortex" to be used in Disc, Roll and centerless application.
- Technology for a product called "Norton Quantum" to be used in Bore and Roll Grinding application.
- A new product for Rubber bond grinding wheels.

Improvements in:

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

##### (b) Ceramics:

Development of:

- Sicanit AL, Coranit, new Mortar and Castables for Blast Furnace Lining.
- Castable for Carbon Black industry (for Exports).

Improvements in:

- Environment and Industrial Hygiene.

#### 3. Future plans of action:

- (a) Technology adaptation from Saint-Gobain companies in identified priority areas for development of new and improved products.
- (b) Development and utilization of advanced tools to facilitate enhanced grinding system solutions at the customer's end.

#### 4. Expenditure on R & D for the year ended 31st December, 2007:

	Rs. Million
(a) Capital	Nil
(b) Recurring	6.64
(c) Total	6.64
(d) Total R & D expenditure as a percentage of total turnover	0.13%

#### Technology absorption, adaptation and innovations:

Your Company believes that technology absorption, adaptation and innovations are an on-going processes. 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, 2007 were Rs. 468.62 Million and the total outflow was Rs. 1422.32 Million. Details are given in Schedule 13.





## Profitable Growth

### 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	52	PRESIDENT – ABRASIVES	7,322,779	B. TECH., PGDM (IIM)	SEP. 2004	M.D. – RPG CABLES LTD.	27
D'CUNHA GERARD	50	V. P. – HUMAN RESOURCES	4,469,526	B.SC., M.A. (PM&IR)	DEC. 1998	ASST. GEN. MGR. – LARSEN & TOUBRO LTD.	27
KANSAL ANUP	42	GEN. MGR. – MARKETING	3,433,396	B.E., PGDM (IIM)	JUNE 2006	HEAD – SALES & MKTG. – BALLARPUR IND. LTD.	17
MAHAJAN A.Y.	55	MANAGING DIRECTOR	19,283,544	M.A. (ECON.), MBA (USA)	JUNE 1983	PROJ. CONSULTANT – STATE BANK OF INDIA	32
PEREIRA J. A. J.	59	EXEC. DIRECTOR – FIN. & CORP. SERVICES	7,143,254	B.SC., FICWA, PGDM (IIM)	MAY 1975	NONE	33
PRASAD K. K.	45	V. P. – CERAMICS & PLASTICS	6,447,843	B.SC. (ENGG.), PGDM (IIM)	MAY 1990	MECH. ENGINEER – FACT LTD.	21
PURANIK M. A.	52	V. P. – CORP. FIN. & TAXATION	5,597,187	B.COM., ACA	MAY 1988	DY. CHIEF ACCOUNTANT – GARWARE MARINE IND. LTD.	27
RAMARATHNAM M. R.	59	V. P. – PROJECTS	4,868,492	B.E. (MECH), PRDN. MGT.	APRIL 1982	SR. ENGINEER – ASHOK LEYLAND LTD.	37
<b>EMPLOYED FOR PART OF THE YEAR</b>							
BHAT V.	47	GEN. MGR. – COATED ABRASIVES	3,684,681	B.TECH., (CHEM. ENGG.)	DEC. 2005	HEAD – TECHNICAL – MTR FOODS LTD.	26

**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 € 43 billion in 2007. 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 the High Performance Materials sector.

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 segments, sticks, etc., are used for various applications ranging from polishing or lapping to removing high quantities

of material. 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 2 major players in the market, there are a few medium sized players and many small, local players. Besides, imports from China are present in many categories, particularly at the lower 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 product 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. The 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 products and process technology, sourcing of products and developing exports.

In 2007, growth in the end-user industries showed mixed trends. Steel, Foundry, Fabrication, Housing work and Construction have shown a good growth while Automobile, Auto components and Bearing witnessed a slow-down.

There has been a steep increase in input costs, especially raw materials. The huge increase in input costs created pressure to increase prices, which has been difficult in the present market situation. The management focused on improving operating efficiencies, reducing rejections, wastages and increasing volumes which has led to higher operating profits for the year.

During the year, the Company has acquired land in Himachal Pradesh to set up a new plant to manufacture Abrasives products. A first phase of commercial production is likely to start during second quarter of 2008.

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 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 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 Market
- Plywood
- Man-made Boards
- Laminates
- Glass & Ceramics
- Leather
- Steel manufacturing

### Development & Outlook

The domestic market which witnessed strong growth rates in the past three years saw lower growth in 2007, mainly affected by the automotive sector. However, GNO's domestic sales increased significantly during the year with continued gains in market share.

The competitive scenario intensified following the commissioning of a new manufacturing facility by the other major competitor and the establishment of