



NORTON GRINDWELL NORTON LTD.

DIRECTORS

(As on 6th March, 2009)

Mr. J-P. FLORIS

(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. B. S. RAUT

Mr. S. SALGAOCAR

Mr. P. SHAH

Mrs. D. S. VARIAVA

Mr. A. Y. MAHAJAN

(Managing Director)

Mr. J. A. J. PEREIRA

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

DIRECTOR EMERITUS

Mr. N. D. SIDHVA

SENIOR MANAGEMENT

Mr. J. A. J. Pereira

(HR & Corporate Services)

Mr. K. K. Prasad

(Ceramics & Plastics)

Mr. M. A. Puranik

(Finance)

Mr. M. Ramarathnam

(Projects & EHS)

COMPANY SECRETARY

Mr. K. Visweswaran

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Bankers

Central Bank of India
Corporation Bank
ICICI Bank
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

NOTICE

NOTICE is hereby given that the Fifty-ninth Annual General Meeting of the Members of Grindwell Norton Limited will be held on Tuesday, 28th April, 2009, at 3.30 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, 2008.
2. To declare a dividend for the year ended 31st December, 2008 on equity shares.
3. To appoint a Director in place of Mr. S. Salgaocar who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. P. Shah who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mrs. D. S. Variava 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. Jean-Pierre Floris as Director.
To appoint a Director in place of Mr. Jean-Pierre Floris 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. Jean-Pierre Floris for the office of a Director.

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

"RESOLVED THAT, pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the Articles of Association of the Company be and is hereby altered in the following manner:

The existing Article 141 of the Articles of Association of the Company be and is hereby modified as given below:

'141. Questions arising at any meeting of the Board shall be decided by a majority of votes. In case of equality of votes, the Chairman of any meeting shall not have a second or casting vote.'

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, 2009

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

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/HERSELF, 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, 24th March, 2009 to Thursday, 26th March, 2009 (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 and 8 are annexed hereto.
- (e) As per the amended provisions of the Companies Act, 1956, the final dividend remaining unclaimed or unpaid for the financial year ended 31st December, 2000 has been transferred to the Investor Education and Protection Fund (Fund) of the Central Government on 5th August, 2008. The dividend remaining unclaimed or unpaid for the financial year ended 31st December, 2001 will be due for transfer to the Fund on 20th May, 2009. 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 for the financial year ended 31st December, 2001 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. Members are requested to bring their 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. S. Salgaocar is 54 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 Group of Companies. He also serves on the Boards of various other companies in India. Mr. Salgaocar does not hold any equity shares in Grindwell Norton Limited.

ITEM NO. 4

Mr. P. Shah is 56 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. 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. Shah does not hold any equity shares in Grindwell Norton Limited.

ITEM NO. 5

Mrs. D. S. Variava, is 64 years old and has done her MBA 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 the Shareholders/ Investors Grievance Committee of the Company. Mrs. Variava holds 5,57,408 equity shares in Grindwell Norton Limited.

ITEM NO. 7

Mr. Jean-Pierre Floris, a French National, is 60 year old and graduated as an engineer from the Ecole des Mines de Paris and holds a Master's degree in Mathematics from the University of Paris and a Master's degree in Economic Systems Planning from Stanford University. He joined Saint-Gobain in 1996 and has rich experience in various fields. Currently, he is the President of the Innovative Material Sector of Saint-Gobain and Senior Vice-President of Compagnie de Saint-Gobain (the ultimate holding Company of Grindwell Norton Ltd). He is a Director on the Board of Saint-Gobain Glass India Limited. Mr. Jean-Pierre Floris does not hold any equity shares in Grindwell Norton Limited.

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EXPLANATORY STATEMENT

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

ITEM NO. 7

Mr. Jean-Pierre Floris was appointed as an additional director of the Company on 6th March, 2009. 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. Jean-Pierre Floris holds office upto the date of the forthcoming Annual General Meeting of the Company. Mr. Jean-Pierre Floris' 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. Jean-Pierre Floris as a candidate for the office of Director.

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

Your Directors recommend this Ordinary Resolution for your approval.

ITEM NO. 8

It is proposed to remove the power of the Chairman to have a second or casting vote in Article 141 of the Articles of Association.

Your Directors recommend this Special Resolution for your approval.

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

6th March, 2009

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-ninth Report of the Company along with the Audited Accounts for the year ended 31st December, 2008.

Financial Highlights

	(Rs. Million)	
	2008	2007
Sales	5555.3	4970.1
Operating Profit	797.2	825.5
Interest	6.0	2.9
Profit before Tax and Extraordinary Item	791.2	822.6
Extraordinary Item (net of tax)	—	770.0
Profit before Tax and after Extraordinary Item	791.2	1592.6
Provision for Tax	241.1	257.5
Profit after Tax	550.1	1335.1
Surplus Brought forward	250.0	150.0
	800.1	1485.1
Appropriations:		
Interim Dividend	—	221.4
Tax on Interim Dividend	—	37.7
Proposed Dividend	221.4	221.4
Tax on Proposed Dividend	37.7	37.7
General Reserve	191.0	716.9
Surplus carried to Balance Sheet	350.0	250.0
	800.1	1485.1

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, 2008 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 registered a growth of 11.8%. While export sales saw a huge increase of more than 50% (partly due to some large, one-time project orders), domestic sales growth in 2008 was much lower than the growth witnessed in the past few years. This was due to the sharp slowdown of the economy. The year's results were also impacted by an unprecedented rise in the cost of raw materials and fuel. While product prices were raised, the increase could not compensate for the rise in input costs. High inflation and the steep depreciation of the Rupee further aggravated the situation. Consequently, your Company's operating profit was 3.4% lower than the previous year.

Dividend

Your Directors recommend a dividend of Rs. 4/- per equity share for the year ended 31st December, 2008. The dividend outgo (excluding tax on dividend) will be Rs. 221.44 Million (Previous Year: Special Interim Dividend: Rs. 221.44 Million & Final Dividend: Rs. 221.44 Million).

Abrasives

The year under review was a difficult year for the Abrasives business and was marked by a significant slowdown in domestic sales growth (the last quarter witnessed a sudden and very steep drop in sales) and an unprecedented rise in raw material and fuel costs. The profit margins declined as product price increases could not fully neutralize the cost increases.

New Unit in Himachal Pradesh

The New Unit in Himachal Pradesh, set up to manufacture Abrasive products, commenced commercial production from 1st May 2008. The project had a smooth start.

Ceramics & Plastics

The Silicon Carbide business did well in terms of sales and profits despite a slowdown in volume growth. This was mainly due to higher prices. The "wheeling charges" matter is still pending before the Honourable Supreme Court. Profits of the High Performance Refractories business declined due to significant increase in the cost of raw materials and fuel. The Performance Plastics business witnessed a drop in growth but continued to do well.

Subsidiary in Bhutan

The construction of the new plant to manufacture Silicon Carbide by Saint-Gobain Ceramic Materials Bhutan Private Limited is nearing completion. The plant located near Phuentsholing, Bhutan is expected to commence commercial production during the second quarter of 2009.

Future Prospects

After 5 years of strong growth, the global and Indian economies are in the midst of one of the most difficult periods in recent

times. Going forward, visibility is poor. Clearly, growth will be much lower in 2009. Your Company's management has adapted quickly to the changed reality and is focused on reducing costs and conserving cash while making every effort to develop new markets, new products and new businesses.

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. 47/586/2008-CL-III dated 29th January 2009, granted exemption from attaching the financial statement of the subsidiary Company to your Company's accounts for the year ended 31st December 2008. However, the Consolidated financial statement forms a part of this Annual Report and contains the following information of the subsidiary company pursuant to the approval letter of MCA viz. capital, reserves, total assets, total liabilities, details of investment, turnover, profit before tax, provision for tax and profit after tax.

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 (except the new plant in Himachal Pradesh) are certified under ISO 14001:2004 as well as OHSAS 18001:1999. These Certifications are a recognition of the sustained efforts of your Company in improving the Environment, Health and Safety standards 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 cordial at all units of the Company. During the year, productivity enhancing wage agreements were concluded at Bangalore and Tirupati. As at the year-end, there were 1516 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 2009 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. Aschenbroich resigned as Director and Chairman of your Company with effect from 31st December 2008. The Board of Directors places on record its appreciation for the valuable contribution made by Mr. Aschenbroich.

Mr. J-P. Floris was appointed as Additional Director, with effect from 6th March 2009.

Mr. Floris holds office upto the date of the forthcoming 59th 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 Mr. Jean-Pierre Floris as Director of the Company.

In accordance with the requirements of the Companies Act, 1956, and Articles of Association of the Company, Mr. S. Salgaocar, Mr. P. Shah and Mrs. D. S. Variava 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 59th 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

Mumbai: 6th March, 2009

A. Y. MAHAJAN
MANAGING DIRECTOR

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 were taken during the year.

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

Product: Refractories

	2008	2007
A. Power and Fuel Consumption:		
1. ELECTRICITY		
(a) Purchased:		
Units	1142009	1213367
Total Amount (Rs. Million)	5.37	5.77
Rate/Unit Rs.	4.70	4.76
(b) Own Generated		
(i) Through diesel generators:		
Units	114428	124523
Units per Ltr. of diesel	3.43	3.23
Cost/Unit (Rs.)	13.50	11.72
(ii) Through Steam turbine/generator	Nil	Nil
2. FUEL OIL		
Quantity (K. Ltrs.)	1040	1022
Total amount (Rs. Million)	29.32	19.78
Average rate (Rs.)	28179	19354
B. Consumption per unit of production:		
Electricity KWH/TON	880	905
Fuel oil KL/TON	0.73	0.69

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

Improvements in:

- Fuel efficiency of Vitrified Kiln.
- The 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:

- WTE Tiles, new Mortar and Castables for Blast Furnace Lining
- Castable for Carbon Black industry and Aluminium

Improvements in:

- Environment and Industrial Hygiene.

3. Future plans of action:

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

4. Expenditure on R & D for the year ended 31st December, 2008:

	Rs. Million
(a) Capital	Nil
(b) Recurring	7.91
(c) Total	7.91
(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 earning in foreign exchange for the year ended 31st December, 2008 was Rs. 728.14 Million and the total outflow was Rs. 1634.96 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)
EMPLOYED THROUGHOUT THE YEAR							
HARI S. D.	40	BUSINESS HEAD – THIN WHEELS	2,701,567	ICWA, ICFAI, PGDRM	JAN. 1998	SR. EXECUTIVE – FINANCE – LARSEN & TOUBRO LTD.	18
KANSAL ANUP	43	GEN. MGR. – MARKETING	3,686,897	B.E., PGDM (IIM)	JUNE 2006	HEAD – SALES & MKTG. – BALLARPUR IND. LTD.	18
KHOSLA V.	53	BUSINESS HEAD – HPR	2,447,824	D.E. (MECHANICAL)	SEP. 1979	JR. SALES ENGINEER – RBM POONA MILLS LTD.	30
MAHAJAN A. Y.	56	MANAGING DIRECTOR	20,275,869	M.A. (ECON.), MBA (USA)	JUNE 1983	PROJ. CONSULTANT – STATE BANK OF INDIA	33
MOHANDAS K.	53	BUSINESS HEAD – NON – WOVEN	2,483,654	M.SC., PHD. (POLYMER CHEMISTRY)	AUG. 1991	ASSISTANT MANAGER – PLASTICS – INDIAN TELEPHONE INDUSTRIES LTD.	28
PEREIRA J. A. J.	60	EXECE. DIRECTOR – HR & CORP. SERVICES	8,258,456	B.SC., FICWA, PGDM (IIM)	MAY 1975	NONE	34
PRASAD K. K.	46	V. P. – CERAMICS & PLASTICS	6,667,419	B.SC. (ENGG.), PGDM (IIM)	MAY 1990	MECH. ENGINEER – FACT LTD.	22
PURANIK M. A.	53	V. P. – FINANCE	6,693,592	B.COM., ACA	MAY 1988	DY. CHIEF ACCOUNTANT – GARWARE MARINE IND. LTD.	28
RAMARATHNAM M. R.	60	V. P. – PROJECTS	5,196,061	B.E. (MECH.), PRDN. MGT.	APRIL 1982	SR. ENGINEER – ASHOK LEYLAND LTD.	38
SAHASRABUDHE N.	52	BUSINESS HEAD – ORIENT ABRASIVES	2,441,632	D.E. (MECHANICAL, TOOL ENGINEERING)	APRIL 1984	TRAINEE ENGINEER – SANDVIK ASIA LTD.	28
SHANBHAG V. R.	38	BUSINESS HEAD – BONDED ABRASIVES	2,530,036	B.E. (MECHANICAL)	JULY 1991	NONE	17
SREEDHAR N.	39	GENERAL MANAGER – COATED	3,516,765	ICWA, MPM	JUNE 1994	SR. ACCTS. OFFICER – SUNFLAG IRON & STEEL CO. LTD.	18
VARGHESE A. A.	40	HEAD – IT	2,952,640	M.SC. (PHYSICS), PGDCA	NOV. 1993	PROGRAMMER – SM DYECHEM LTD.	17
EMPLOYED FOR PART OF THE YEAR							
AGARWAL VINAY	53	PRESIDENT – ABRASIVES	4,810,256	B.TECH, PGDM (IIM)	SEP. 2004	M.D. – RPG CABLES LTD.	28
D'CUNHA GERARD	51	V.P. – HUMAN RESOURCES	5,779,671	B.SC., M.A. (PM & IR)	DEC. 1998	ASST. GEN. MGR. – LARSEN & TOUBRO LTD.	28

NOTES:

1. 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.
2. All the above employees are employed on contractual basis.
3. 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 of €43.8 billion in 2008. 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 of activity. In GNO, the businesses are divided into two Segments:

1. Abrasives
2. 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:

- (i) Bonded Abrasives (including Thin Wheels)
- (ii) 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 three plants, one at Mora, near Mumbai, the second at Nagpur, Maharashtra, (both of which are certified under ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:1999.) and the third is the new plant in Himachal Pradesh.

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 many categories, particularly, at the low end. Some of the players from Europe and Japan have marketing networks to service mainly the precision grinding market. The market, over a period of time, has become 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, super-finishing, race grinding, thread grinding, fluting, OD grinding, ID grinding, surface grinding etc. They are also used in rough applications such as snagging, cutting-off, burr removal, 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 organisation, in terms of access to all developments in products and process technology, sourcing of products and developing exports.

In 2008, there was significant slowing down of the majority of the end users mentioned above. Certain sectors such as Automobile, Auto components, Bearing, Steel industry witnessed contraction in volume in the last quarter.

From mid 2007, there have been steep increases in the input costs – especially raw materials and fuel. Increasing product prices, however, proved to be difficult and in any case, became effective much after the cost increase. The management focused on improving operating efficiencies, reducing rejections, wastages and fixed costs, but with falling volumes, maintaining the profitability was difficult.

During the year, the Company started the new plant in Himachal Pradesh to manufacture Abrasives products. The production commenced in May 2008 and the products from this plant have been successfully established.

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).

Looking ahead, the current environment is difficult. Indications are that demand for much of 2009 will remain weak. Product prices are likely to come under pressure as input costs decline. The competitive situation will become tougher. GNO will focus on improving margins, reducing costs and working capital, even as it exerts every effort to strengthen its market position and penetrate new markets.

(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.

Being a large manufacturer of coated abrasives in the country, GNO offers the widest range of indigenously made products – right from conventional coated abrasives (fiber discs, rolls, belts, specialties, etc.) to non – woven abrasives. Apart from bringing to the Indian market, high end products imported from various Saint-Gobain affiliate companies around the world, GNO has also been at the forefront in introducing technologically advanced indigenous products. In the year 2008, the focus has been to carry out major up-gradations in plant & machinery and equipments to significantly improve manufacturing efficiencies and manufacturing capabilities. The manufacturing Plants are located in Bangalore, Karnataka and Nagpur, Maharashtra. In the year 2008, GNO also started manufacturing operations in Himachal Pradesh.

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

The economic downturn that has taken the world in its grip has had a significant impact on the growth of GNO's sales. There was a significant decline in sales in the last quarter due to sharp drop in demand from certain important customer segments. While going forward the visibility is poor, the indications are that the domestic demand will remain weak for much of 2009.

Exports sales also saw a significant drop in 2008 due to the recessionary conditions and while all efforts will be made to aggressively penetrate new market, growth will be difficult.

Given this situation and the intensified competitive scenario, the focus will be to critically look into all our operations and work towards becoming lean and efficient. Management of working capital and costs will be critical. GNO, however, will continue to strengthen its position in the market by providing higher value to customers and by improving its presence in markets where penetration is low.

2. CERAMICS & PLASTICS SEGMENT

The major businesses in this segment are:

- (i) Silicon Carbide
- (ii) High Performance Refractories

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

(i) SILICON CARBIDE

Product & Plant

Silicon Carbide grains are used primarily as raw material in the manufacture of abrasives, refractories

and for stone polishing. Silicon Carbide (SiC) is manufactured at Tirupati in Andhra Pradesh. The Tirupati Plant is certified under ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:1999.

Industry

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

Development & Outlook

The business is expected to move down to a lower rate of growth compared to the previous years, driven by slower growth of the steel sector. However, we expect to strengthen our market position. Cost of power being the most significant element of the cost, the long term viability of this business is dependent on having power available at a reasonable cost. It is for this reason that, the Company has entered into a joint venture for setting up a new factory in Bhutan, which is expected to commence production in the second quarter of 2009.

(ii) HIGH PERFORMANCE REFRACTORIES (HPR)

Product & Plant

Refractories are used for processing ferrous and non-ferrous metals and as kiln furniture to fire ceramic wares. They are also used as filtering media. GNO manufactures mostly silicon carbide refractories. The plant is located at Bangalore, Karnataka and is certified under ISO 9001: 2000, ISO 14001: 2004 and OHSAS 18001:1999.

Industry

The main customers are the metallurgical and ceramic industries. In the domestic market there are two major manufacturers (including GNO) for silicon carbide based refractories. The key requirements for success in the industry are technology and consistency in quality. Manufacturing is relatively capital intensive. This, and technology, are the barriers to entry.

Development & Outlook

2008, though a good year for the turnover of the HPR business, was below our plans on profitability, driven by the cost increases. The Company is looking at various options to increase its product offerings in association with affiliates.