

NORTON

GRINDWELL NORTON LTD.

2009-2010 60TH (15 MONTHS) ANNUAL REPORT

PROFITABLE GROWTH




SAINT GOBAIN



TEN YEAR FINANCIAL HIGHLIGHTS

(Rs. Lacs)

	Apr-Dec 2000 (9 Months)	2001	2002	2003	2004	2005	2006	2007	2008	Jan 2009 Mar 2010 (15 Months)
Sales	15208	19428	22465	25449	30135	36049	42129	49701	55553	74504
Profit Before Interest, Tax and Extraordinary Items	1843	1968	2676	3210	4378	5368	6865	8255	7972	13028
Profit After Tax and Extraordinary Items	1086	613	1805	2042	2918	3540	4602	13351 ⁺	5501	8751
Share Capital	1384	1384	1384	1384	1384	1384	2768	2768	2768	2768
Reserves and Surplus *	11420	10502	11412	12440	13779	15579	16590	24759	27669	32546
Total Debts	2855	2161	843	370	139	61	226	227	–	–
Net Fixed Assets *	6464	6373	5830	5806	6377	6898	12116	14877	17688	18497
Net Current Assets	5215	4168	3023	2491	1902	2826	2532	5154	6914	12612
Earnings Per Share (Rs.) #	1.96	1.11	3.26	3.69	5.27	6.40	8.31	10.21 [^]	9.94	15.81
Dividend Per Share (Rs.) #	0.75	0.75	1.50	1.63	2.50	2.75	3.50	8.00 [□]	4.00	6.00
Book Value Per Share (Rs.) [^] #	23.13	21.47	23.11	24.97	27.38	30.64	34.97	49.72	54.98	63.79

KEY RATIOS

Return on Investment (%)	15.69 @	13.32	18.71	21.86	27.93	30.84	34.48	29.34	25.82	28.85@
Operating Margin (%)	12.12	10.13	11.91	12.61	14.53	14.89	16.30	16.61	14.35	17.49
Return on Sales (after Tax)(%)	7.14	3.16	8.03	8.02	9.68	9.82	10.92	11.37 [^]	9.90	11.75
Asset Turnover	1.30 @	1.32	1.57	1.74	1.92	2.07	2.12	1.77	1.80	1.65@
Debt Equity Ratio	0.22	0.18	0.07	0.03	0.01	–	0.01	0.01	–	–
Current Ratio	2.25	1.93	1.53	1.40	1.24	1.32	1.22	1.34	1.49	1.78

+ PAT without Extraordinary Item Rs. 5651 Lacs

Based on the enhanced capital & Sub-divided Face Value of Rs. 5 each

□ Includes special interim dividend of Rs. 4.00

* Without Revaluation Reserve

[^] Based on Profit After Tax without Extraordinary Item

@ Annualised



NORTON GRINDWELL NORTON LTD.

DIRECTORS

(As on 18th May, 2010)

Mr. A. C. CHAKRABORTTI
(Chairman)

Bankers

Central Bank of India
Corporation Bank
ICICI Bank
State Bank of India

Auditors

Kalyaniwalla & Mistry,
Chartered Accountants

Registrars & Transfer Agents

TSR Darashaw Limited
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

Ms. M-A. CHUPIN

Mr. J. T. CROWE

Mr. O. DUVAL

Mr. J-P. FLORIS

Mr. P. MILLOT

Mr. M. M. NARANG

Mr. B. S. RAUT

Mr. S. SALGAOCAR

Mr. P. SHAH

Mr. J. A. J. PEREIRA
(Alternate Director to
Ms. M-A. Chupin)

Mr. A. Y. MAHAJAN
(Managing Director)

DIRECTOR EMERITUS

Mr. N. D. SIDHVA

MANAGEMENT COMMITTEE

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

Mr. H. Bhosale
(Human Resources)

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

Mr. M. A. Puranik
(Finance & IT)

Mr. M. Ramarathnam
(Projects & EHS)

Mr. N. Sreedhar
(Abrasives)

COMPANY SECRETARY

Mr. K. Visweswaran

Contents

Notice	2
Directors' Report	5
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	47
Information on Subsidiary Company	48
Auditors' Report on Consolidated Financial Statements	49
Consolidated Balance Sheet	50
Consolidated Profit & Loss Account	51
Schedules Forming Part of the Consolidated Accounts	52
Consolidated Cash Flow Statement	73

NOTICE

NOTICE is hereby given that the 60th Annual General Meeting of the Members of Grindwell Norton Limited will be held on Thursday, 29th July, 2010, at 3.00 p.m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikushru Dubash Marg, (Rampart Row), Mumbai – 400 001 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, the Auditors' Report and the Audited Balance Sheet and Profit and Loss Account, together with Schedules, and Cash Flow Statement of the Company for the fifteen months period ended 31st March, 2010.
2. To declare a dividend for the fifteen months period ended 31st March, 2010.
3. To appoint a Director in place of Mr. A. C. Chakraborti who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. J. T. Crowe who retires by rotation and being eligible, offers himself for re-appointment.
5. To re-appoint M/s. Kalyaniwalla & Mistry, Chartered Accountants, who are eligible for re-appointment as the Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

“RESOLVED THAT Mr. Bharat S. Raut, Director, who retires at this Annual General Meeting, by rotation and does not seek re-election, be not re-appointed and the resulting vacancy be not filled up.”

7. Appointment of Mr. Mikhil Malvinder Narang as Director.

To appoint a Director in place of Mr. Mikhil Malvinder Narang 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. Mikhil Malvinder Narang for the office of a Director.

18th May, 2010

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/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, 22nd June, 2010 to Friday, 25th June, 2010 (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. 6 and 7 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 ended 31st December, 2001 has been transferred to the Investor Education and Protection Fund (Fund) of the Central Government on 20th June, 2009. The unpaid dividend declared for the financial year ended 31st December, 2002 will be due for transfer to the Fund on 29th May, 2010. 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 financial year ended 31st December, 2003 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 Limited. (TSRD).
- (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. A. C. Chakrabortti is 79 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 Chairman of the Board and of the Audit Committee of the Company. He also serves on the Boards of various other Companies. Mr. Chakrabortti does not hold any equity shares in Grindwell Norton Limited.

ITEM NO. 4

Mr. J. T. Crowe is 56 years old. He is a Chemical Engineer and has done his MBA from Boston College, USA. In 1978, he joined Norton Inc., which was acquired by Compagnie

de Saint-Gobain (CSG) in 1990. He has gained rich experience in various fields. Presently, he is the President of Abrasives Division, which is a part of High Performance Materials sector of CSG. Mr. Crowe does not hold any equity shares in Grindwell Norton Limited.

ITEM NO. 7

Mr. M. M. Narang is 31 years old. He is a Commerce graduate from Mumbai University and has done his MBA from INSEAD, France. He has work experience of over eight years. Currently, he is Sales Director (Asia-Pacific) for IMERYS, world leader in Industrial minerals. Mr. Narang holds 331,500 equity shares in Grindwell Norton Limited.

EXPLANATORY STATEMENT

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

ITEM NO. 6

In accordance with the provisions of Section 256 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Bharat S. Raut retires by rotation. As Mr. Raut does not wish to seek re-election, it has been decided by the Board that the vacancy so created on the Board of Directors of the Company should not be filled and accordingly, the Board commends the resolution for approval by the Members.

None of the other Directors of the Company are concerned or interested in this resolution.

ITEM NO. 7

Mr. Mikhil Malvinder Narang was appointed as an additional director of the Company on 24th February, 2010. 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. Mikhil Narang holds office upto the date of the forthcoming Annual General Meeting of the Company. Mr. Narang's brief resume has been given at item no. 7 in the Annexure to the notice.

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

Except Mr. Mikhil Malvinder Narang and Mr. Anand Mahajan, Managing Director, no other director is concerned or interested in this Resolution.

Your Directors recommend this Ordinary Resolution for your approval.

18th May, 2010

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 60th Annual Report of the Company along with the Audited Balance Sheet as at 31st March, 2010 and the Profit and Loss Account for the fifteen months period ended 31st March, 2010.

Financial Highlights

(Rs. Lacs)

	Fifteen Months Period ended 31st March, 2010	Twelve months ended 31st December, 2008
Net Sales	702,36.09	502,11.64
Operating Profit	122,55.64	79,72.11
Interest	25.48	60.55
Profit before Exceptional item	122,30.16	79,11.56
Add : Exceptional Item	7,72.11	—
Profit before Tax and after Exceptional Item	130,02.27	79,11.56
Provision for Tax	42,51.70	24,11.02
Profit after Tax	87,50.57	55,00.54
Surplus Brought Forward	35,00.00	25,00.02
	122,50.57	80,00.56
Appropriations:		
Proposed Dividend	33,21.60	22,14.40
Tax on Proposed Dividend	5,51.68	3,76.34
General Reserve	33,77.29	19,09.82
Surplus carried to Balance Sheet	50,00.00	35,00.00
	122,50.57	80,00.56

Change in Accounting Year

In order to have a uniform accounting year under various legislations, your Company has decided to change the Accounting year from January - December to April - March. Accordingly, the current Annual Accounts and Report of the Company are for a period of fifteen months from 1st January, 2009 to 31st March, 2010. Therefore, the figures for the current period are not comparable with those of the year ended 31st December, 2008.

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 March, 2010 and of the profit of the Company for that period;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the annual accounts have been prepared on a going concern basis.

Operations

The sharp deceleration of the economy witnessed in the last quarter of 2008 continued in the first half of 2009. The economy started reviving from the middle of the year and industrial growth, in particular, accelerated from the last quarter of 2009. In line with this, your Company's sales witnessed a strong recovery in the second half of 2009 and surged in the first quarter of 2010. Consequently, on an annualized basis, net sales increased by 11.9%. Partly because of this and partly because of higher price realization and lower costs (especially, energy costs and expenses), there was a significant increase in your Company's operating profit (23% higher than 2008 on an annualized basis) and margin (16.4% on annualized basis compared to 14.4% in 2008).

Dividend

Considering the good results, your Directors recommend a dividend of Rs. 6/- per equity share for the period ended 31st March, 2010. The dividend outgo (excluding tax on dividend) will be Rs. 33,21.60 lacs (previous year Rs. 22,14.40 lacs.)

Abrasives

The period under review started with very weak demand conditions. But, the second half of 2009 witnessed a strong and sustained recovery in domestic demand, which continued in the first quarter of 2010. Consequently, on an annualized basis, sales increased by 7.8%. Partly due to this as also on account of higher price levels and lower costs, profits and profitability increased significantly.

Ceramics & Plastics

With business conditions improving as the year progressed and lower costs, the Silicon Carbide business had an excellent year in terms of sales and profits. While the High Performance

Refractories business had a difficult year, the Performance Plastics business saw a strong recovery in the latter part of the year.

The “wheeling charges” matter is still pending before the Honourable Supreme Court. Based on an internal review of this long pending matter and on legal advice, the provision of Rs. 7,72.11 lacs has been reversed during the period under review and is shown as an exceptional item in the financial statements.

Subsidiary in Bhutan

In May 2009, the Silicon Carbide plant of Saint-Gobain Ceramic Materials Bhutan Private Limited, a subsidiary of your Company, commenced commercial production. The start-up has been smooth and production has been ramped up gradually. The subsidiary has achieved break even at the operating profit level in its first year of operation.

Future Prospects

The strong growth of the economy witnessed in the last few months is likely to be sustained. Your Company is well placed to benefit from this growth. Your Company's priorities have shifted from costs and cash to volumes (penetrating new markets while strengthening position in existing markets).

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. 47/252/2010-CL-III dated 23rd April, 2010 granted exemption from attaching the financial statement of the subsidiary Company to your Company's accounts for the period ended 31st March, 2010. However, the consolidated financial statement forms part of this Annual Report and contains information of the subsidiary company pursuant to the approval letter of MCA viz. capital, reserves, total assets, and 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 healthy and safe work place at all plant locations and work sites. In January 2010, the new Abrasives plant in Himachal Pradesh having been certified under Integrated Management System (ISO and OHSAS), 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 1466 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, forms part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent excluding the statement containing the particulars to be provided under Section 217(2A) of the Act. Any member interested in obtaining such particulars may write to the Company for a copy thereof.

Management Discussion & Analysis Report and Report on Corporate Governance

The Management Discussion and Analysis Report and Report on Corporate Governance, alongwith a Certificate dated 18th May, 2010 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 B) and forms part of this Report.

Directors

Mr. R. K. Bilimoria and Mrs. D. S. Variava resigned as Directors of your Company with effect from 5th June, 2009.

Mr. Bharat S. Raut, Director of your Company, will step down at the conclusion of the forthcoming Annual General Meeting as he has opted not to seek re-election due to personal reasons. Your Board has resolved not to fill the vacancy so caused at this time.

The Board of Directors places on record its deep appreciation of the valuable services and contribution made by Mr. Bilimoria, Mrs. Variava and Mr. Raut during their tenure.

Mr. M. M. Narang was appointed as an additional director, with effect from 24th February, 2010.

Mr. Narang holds office upto the date of the forthcoming 60th 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. Narang as Director of the Company.

In accordance with the requirements of the Companies Act, 1956 and Articles of Association of the Company, Mr. A. C. Chakrabortti and Mr. J. T. Crowe 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 60th 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
CHAIRMAN

A. Y. MAHAJAN
MANAGING DIRECTOR

Mumbai: 18th May, 2010

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 and optimization of power distribution system were completed during the period ended 31st March, 2010.

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

A. Power and Fuel Consumption:

1. ELECTRICITY

(a) Purchased:

Units

1361194

1142009

Total Amount (Rs. Lacs)

67.7

53.7

Rate/Unit Rs.

5.00

4.70

(b) Own Generated

(i) Through diesel generators:

Units

64435

114428

Units per Ltr. of diesel

3.23

3.43

Cost/Unit (Rs.)

12.85

13.50

(ii) Through Steam turbine/generator

NIL

NIL

2. FUEL OIL

Quantity (K. ltrs.)

1045

1040

Total amount (Rs. Lacs)

276.2

293.2

Average rate (Rs.)

26431

28179

B. Consumption per unit of production:

Electricity KWH/TON

616

880

Fuel oil KL/TON

0.45

0.73

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:

- Eco friendly bond systems.
- Resin and Metal wheels for Glass grinding.
- Vitrified diamond PCD grinding wheels.

Improvements in:

- Manufacturing process consistency in Cloth finishing and Jumbo Coating line.
- Resin Bond systems.
- Vitrified large wheel finishing.

(b) Ceramics:

Development of:

- Armor plate in Advancer for level III plus.
- MDC set for CFBC boiler in cast and thicker SiC ARC blocks.
- Iron and Steel - general purpose.

Improvements in:

- Environment and Industrial Hygiene.

3. Future plans of action:

- (a) Technology adaptation and absorption from companies and plants of Saint-Gobain group in identified priority areas, the focus being on 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 period ended 31st March, 2010:

	Rs. Lacs
(a) Capital	Nil
(b) Recurring	1,21.91
(c) Total	1,21.91
(d) Total R & D expenditure as a percentage of total turnover	0.16%

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 Abrasives. 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 period ended 31st March, 2010 was Rs. 84,57.47 lacs and the total outflow was Rs. 196,54.51 lacs. Details are given in Schedule 12.