

NORTON *GRINDWELL NORTON LTD.*

61ST
ANNUAL REPORT
2010-2011



SURGING AHEAD


SAINT-GOBAIN



TEN YEAR FINANCIAL HIGHLIGHTS

(₹ Lacs)

	2001	2002	2003	2004	2005	2006	2007	2008	Jan 2009 Mar 2010 (15 Months)	2010-11
Sales	19428	22465	25449	30135	36049	42129	49701	55553	74504	83762
Profit Before Interest , Tax and Extraordinary Items	1968	2676	3210	4378	5368	6865	8255	7972	13028	12597
Profit After Tax and Extraordinary Items	613	1805	2042	2918	3540	4602	13351 +	5501	8751	8563
Share Capital	1384	1384	1384	1384	1384	2768	2768	2768	2768	2768
Reserves and Surplus *	10502	11412	12440	13779	15579	16590	24759	27669	32546	37249
Total Debts	2161	843	370	139	61	226	227	-	-	-
Net Fixed Assets *	6373	5830	5806	6377	6898	12116	14877	17688	18497	19878
Net Working Capital	4166	3023	2491	1902	2826	2532	5154	6914	12612	15686
Earnings Per Share (Rs) #	1.11	3.26	3.69	5.27	6.40	8.31	10.21 ^	9.94	15.81	15.47
Dividend Per Share (Rs) #	0.75	1.50	1.63	2.50	2.75	3.50	8.00 □	4.00	6.00	6.00
Book Value Per Share (Rs) * #	21.47	23.11	24.97	27.38	30.64	34.97	49.72	54.98	63.79	72.28

KEY RATIOS

Return on Investment (%)	13.32	18.71	21.86	27.93	30.84	34.48	29.34	25.82	28.85 @	30.78
Return on Sales (after Tax) (%)	3.16	8.03	8.02	9.68	9.82	10.92	11.37 ^	9.90	11.75	10.22
Operating Margin (%)	10.13	11.91	12.61	14.53	14.89	16.30	16.61	14.35	17.49	15.04
Asset Turnover	1.32	1.57	1.74	1.92	2.07	2.12	1.77	1.80	1.65 @	2.05
Debt Equity Ratio	0.18	0.07	0.03	0.01	-	0.01	0.01	-	-	-
Current Ratio	1.93	1.53	1.40	1.24	1.32	1.22	1.34	1.49	1.78	1.85

+ PAT without Extraordinary Item Rs. 5651 Lakhs

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 17th May, 2011)

Mr. A. C. CHAKRABORTTI
(Chairman)

Ms. M-A. CHUPIN

Mr. J. T. CROWE

Mr. J-P. FLORIS

Mr. P. MILLOT

Mr. M. M. NARANG

Mr. S. SALGAOCAR

Mr. P. SHAH

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

Mr. A. Y. MAHAJAN
(Managing Director)

DIRECTOR EMERITUS

Mr. N. D. SIDHVA

MANAGEMENT COMMITTEE

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

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

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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 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

NOTICE

NOTICE is hereby given that the 61st Annual General Meeting of the Members of Grindwell Norton Limited will be held on Wednesday, 27th July, 2011 at 3.00 p.m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikushru Dubash Marg, (Rampart Row), Mumbai - 400 001 to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, the Auditors' Report and the Audited Balance Sheet and Profit and Loss Account, together with Schedules and Cash Flow Statement of the Company for the year ended 31st March, 2011.
2. To declare a dividend for the year ended 31st March, 2011.
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 Ms. M-A. Chupin who retires by rotation and being eligible, offers herself for re-appointment.
5. To appoint a Director in place of Mr. J-P. Floris who retires by rotation and being eligible, offers himself for re-appointment.
6. To re-appoint M/s. Kalyaniwalla & Mistry, Chartered Accountants who are eligible for re-appointment as the Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

17th May, 2011

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, 21st June, 2011 to Friday, 24th June, 2011 (both days inclusive).
- (d) As per the amended provisions of the Companies Act, 1956, the interim dividend remaining unclaimed or unpaid for the financial year ended 31st December, 2002 had been transferred to the Investor Education and Protection Fund (Fund) of the Central Government on 28th June, 2010. The unpaid dividend declared for the financial year ended 31st December, 2003 will be due for transfer to the Fund on or before 28th May, 2011. 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 year ended 31st December, 2004 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. (TSRDL).
- (e) The facility for making nomination is available to the Members in respect of the shares held by them.
- (f) All documents referred to in the Notice 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.
- (g) (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. P. Millot, a French national, is 47 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 Ceramics Material division which is a part of the High Performance Materials (HPM) sector of CSG. Mr. P. Millot does not hold any equity share in Grindwell Norton Ltd.

ITEM NO. 4

Ms. M-A Chupin, a French National, is 54 years old and has done her Masters in Business Law and Labour Law. She joined CSG in 1979 and has rich experience in the legal field. Presently she is the Vice President – Legal Affairs for the HPM sector of CSG. Ms. M-A.Chupin does not hold any equity share in Grindwell Norton Ltd.

ITEM NO. 5

Mr. J-P Floris, a French National, is 62 years 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 CSG in 1996 and has rich experience in various fields. Currently he is the President of the Innovative Material Sector of CSG and Senior Vice-President of CSG. He is a Director on the Board of Saint-Gobain Glass India Limited. Mr. J-P Floris does not hold any equity share in Grindwell Norton Ltd.

17th May, 2011

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 61st Annual Report of the Company along with the Audited Balance sheet as at 31st March, 2011 and the Profit and Loss account for the financial year ended 31st March, 2011.

Financial Highlights

	(₹ crores)	
	Twelve Months ended 31st March, 2011	Fifteen Months Period ended 31st March, 2010
Net Sales	780.74	702.36
Operating Profit	125.97	122.56
Interest	0.28	0.25
Profit before Tax and Extraordinary Item	125.69	122.31
Extraordinary Item	—	7.72
Profit before Tax and after Extraordinary Item	125.69	130.03
Provision for Tax	40.06	42.52
Profit after Tax	85.63	87.51
Surplus Brought forward	50.00	35.00
	135.63	122.51
Appropriations:		
Proposed Dividend	33.22	33.22
Tax on Proposed Dividend	5.39	5.52
General Reserve	37.02	33.77
Surplus carried to Balance Sheet	60.00	50.00
	135.63	122.51

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, 2011 and of the profit of the Company for that year;

(iii) 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;

(iv) the annual accounts have been prepared on a going concern basis.

Operations

The year under review was an excellent one for your Company with net sales and profit before tax increasing by a record 39% and by 29% respectively on an annualized basis. The record increase in sales was partly due to the sustained growth of the economy, partly due to re-stocking and partly due to gains in market share. Margins in all businesses were under pressure as severe cost pushes could only be partially offset by price increases.

Dividend

Considering the good results, your Directors recommend a dividend of ₹ 6/- per equity share for the financial year ended 31st March, 2011. The dividend outgo on account of the dividend (excluding tax on dividend) will be ₹ 33.22 crores (previous 15-month period: ₹ 33.22 crores).

Abrasives

The Abrasives business registered an all-time high growth of 41% over the previous period (on an annualized basis). This was mainly due to increase in domestic demand (as most of the end user industries witnessed strong growth), higher sales of new products and in new markets and gains in market share. Higher volume and higher prices (increases effected from time to time) helped the business post a 16% growth in the Operating Profit over the previous 15-month period (45% growth on an annualized basis).

Ceramics & Plastics

Significant growth in Steel, Crucible and Metallurgical markets and improved availability of silicon carbide crude from your Company's subsidiary in Bhutan helped the Silicon Carbide business to grow in volumes by more than 40%. Steep increase in power cost adversely affected the profitability of the business. The High Performance Refractories business and the Performance Plastics business also registered strong growth with the introduction of new products and with the penetration of new markets even as business with the existing customers grew.

Subsidiary in Bhutan

In its first full year of operations, Saint-Gobain Ceramic Materials Bhutan Pvt. Ltd. made a small operating profit.



In terms of the approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, vide letter No. 47/107/2011-CL-III dated February 9, 2011 from Ministry of Corporate Affairs, copies of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Auditors of the subsidiary have not been attached with the Balance Sheet of the Company. However, these documents will be made available upon request by any member of the Company. As directed by the Central Government, the financial data of the subsidiary has been furnished under 'Financial Information of Subsidiary Companies', which forms part of the Annual Report. The Annual Accounts of the Company including that of subsidiary will be kept for inspection by any member. Further, pursuant to Accounting Standard (AS)-21 prescribed under the Companies (Accounting Standards) Rules, 2006, Consolidated Financial Statements presented by the Company include financial information of the subsidiary Company.

Future Prospects

The Indian economy is expected to witness sustained growth in 2011-12, though industrial growth may be moderate. The rise in input prices and inflation, in general, are the main concerns. Your Company is well positioned to benefit from growth. With record volume growth in 2010-11, in some businesses, capacities have become a constraint. Your Company will step up its capital expenditure plans in the current year.

Environment, Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo

Your Company is committed to ensure a clean and green, pollution free environment as well as healthier and safer work place at all plant locations and work sites. All the plants of your Company are certified under ISO 14001:2004 as well as OHSAS 18001:1999. These Certifications are in recognition of the sustained efforts of your Company in-improving Environment, Health and Safety at all its 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.

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

Companies Act. Any member interested in obtaining such particulars may write to the Company at its Registered Office.

Management Discussion & Analysis Report and Report on Corporate Governance

The Management Discussion and Analysis Report and the Report on Corporate Governance along with a Certificate dated 17th May, 2011, 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 are annexed (Annexure B) and form part of this Report.

Directors

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Ms. Marie-Armelle Chupin, Mr. Jean-Pierre Floris and Mr. Patrick Millot retire by rotation and, being eligible, offer themselves for re-appointment as Directors of your Company.

Auditors

M/s.Kalyaniwalla & Mistry, Chartered Accountants, (Registration No.104607W), Auditors of your Company, retire on the conclusion of 61st 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.

Employee Relations

Your Directors place on record their appreciation of 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 1594 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.

On behalf of the Board of Directors,

A. C. CHAKRABORTTI
CHAIRMAN

A. Y. MAHAJAN
MANAGING DIRECTOR

Mumbai: 17th May, 2011

ANNEXURE A TO THE DIRECTORS' REPORT

Information pursuant to the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

CONSERVATION OF ENERGY:

Various energy conservation initiatives viz. improved combustion efficiency, optimization of power distribution system were completed during the year ended 31st March, 2011.

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

Various energy conservation initiatives were completed during the year ended 31st March, 2011.

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

Product: Refractories

	For the Year Ended 31st March, 2011	For the Fifteen Months Period Ended 31st March, 2010
A. Power and Fuel Consumption :		
1. ELECTRICITY		
(a) Purchased :		
Units	1314149	1361194
Total Amount (₹ Lacs)	68.4	67.7
Rate/Unit ₹	5.2	5.00
(b) Own Generated		
(i) Through diesel generators :		
Units	191631	64435
Units per Ltr. of diesel	3.28	3.23
Cost/Unit (₹)	11.30	12.85
(ii) Through Steam turbine/generator	NIL	NIL
2. FUEL OIL		
Quantity (K.ltrs.)	1210	1045
Total amount (₹ Million)	35.18	27.62
Average rate (₹)	29077	26431
B. Consumption per unit of production :		
Electricity KWH/TON	488	616
Fuel oil KL/TON	0.39	0.45

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 :

- High performance wheels for Stainless Steel grinding;
- New products for cutting & grinding in the economy segment of the market;
- Norton QUANTUM wheels for Precision grinding in Steel, Auto & Bearing industry;
- Speciality bond giving higher life in Rice polishing wheels.

Improvements in :

- Product quality consistency in grinding disc;
- Product safety and quality in resin bonded products.

(b) Ceramics :

Development of :

- Lav Setter surface finish
- Armor plate for export market
- Ramming masses for Steel Coreless Induction furnaces
- Gunning Castable for foundries

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 facilitated with enhanced grinding system solutions at the customer's end.

4. Expenditure on R&D for the period ended 31st March 2011 :

	₹ Lacs
(a) Capital	Nil
(b) Recurring	146.26
(c) Total	146.26
(d) Total R&D expenditure as a percentage of total turnover	0.19%

Technology absorption, adaptation and innovations :

Your Company believes that technology absorption, adaptation and innovations is an on-going process. All through the year, through various visits and interactions with the Saint-Gobain R&D Centres, as well as other manufacturing locations, your Company has kept itself informed on the latest trends in technology related to the abrasives field. This has helped your Company to continuously improve the manufacturing processes, improve efficiencies, and develop new products. Through all this, your Company has been able to improve the product-service package provided to the customers.

Disclosure of particulars with respect to Foreign Exchange earnings and outgo :

Total earnings in foreign exchange for the period ended 31st March 2011 was ₹ 83.09 crores and the total outflow was ₹ 261.03 crores. Details are given in Schedule 12.

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 € 40.12 billion in 2010. 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

BUSINESS ENVIRONMENT

The year under review saw demand buoyancy and sustained growth in most sectors of the economy. Re-stocking also contributed to the demand and volume growth in 2010-11. Recent months have seen a moderation of growth in certain sectors; this is partly due to the high base effect. Looking ahead, while overall economic growth is expected to be sustained, some sectors may witness a slowdown in the first half of 2011-12. The main concern is inflation, in general, and the continuous rise in input prices, in particular.

ABRASIVES SEGMENT REVIEW

The major sectors of activities within the Abrasives segment are Bonded Abrasives (including Thin Wheels), Coated Abrasives (including Non-Woven), and Super Abrasives.

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.

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.

Super Abrasives are made of diamond (synthetic or natural) or cubic boron nitride and are used in precision applications.

Coated Abrasives products are engineering composites comprising backing, bond system and abrasive grains and are designed for material removal and surface generation.

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, GNO offers the widest range of indigenously made products – conventional Coated Abrasives (fiber discs, rolls, belts, specialties, etc.) and Non-Woven abrasives. GNO also brings the Indian market, certain special products imported from various Saint-Gobain affiliate companies around the world. GNO has always been at the forefront in introducing technologically advanced indigenous products.

The Abrasives business has four manufacturing sites: Mora (near Mumbai), Bangalore, Nagpur and Bated in Himachal Pradesh. All the sites are certified under ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:1999.

Industry

The Abrasives Industry currently has two major players, one of which is GNO. GNO has a leadership position in several product-market segments. 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. In the case of Coated Abrasives, some international players have set up conversion facilities. Also power tool makers are now focussing on developing their accessories business which includes Thin Wheels and some Coated Abrasives.

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.

Development & Outlook

Saint-Gobain is the world leader in 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 organizations all over the world. GNO benefits from being a part of such an organization, in terms of access to all developments in products and process technology, sourcing of products and development of exports.

The year under review witnessed buoyant domestic demand (as many end-users, led by Auto, registered double-digit growth) resulting in significant increase in volumes. Besides market growth, a part of the volume increase was on account of re-stocking. Export markets remained subdued. Several new products were introduced during the year even as inroads were made into new markets. Overall, sales grew by