

NORTON

GRINDWELL NORTON LTD.

**Resolute
Performance**

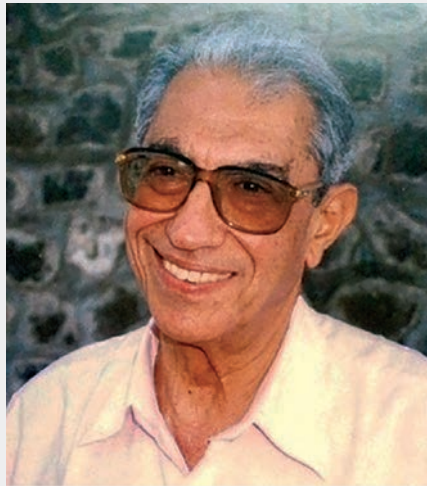


64th
Annual Report
2013-2014


SAINT-GOBAIN

NOSHIR D. SIDHVA

14th October 1923 - 11th May 2014



Former Vice-Chairman and Managing Director,
Director Emeritus, Grindwell Norton Ltd.

*A strong, visionary leader
A fountainhead of knowledge
A sharp mind, an eye for detail*

*You laid a solid foundation
You challenged us to be the best
You empowered us to achieve the impossible*

You will always be our inspiration

Bankers

BNP Paribas
Deutsche Bank
HDFC Bank
ICICI Bank

Auditors

Kalyaniwalla & Mistry,
Chartered Accountants

Registrars & Transfer Agents

TSR Darashaw Private 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
Email id:
csg-unit@tsrdarashaw.com

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

Email id:

sharecmpt.gno@saint-gobain.com

Website:

www.grindwellnorton.com

Factories

1. Mora, Dist. Raigad,
Maharashtra
2. Bangalore, Karnataka
3. Tirupati, Andhra Pradesh
4. Nagpur, Maharashtra
5. Bated, Dist. Solan,
Himachal Pradesh
6. Halol, Gujarat

DIRECTORS

Mr. PRADIP SHAH
(Chairman)

Ms. MARIE-ARMELLE CHUPIN

Mr. KEKI ELAVIA

Mr. JEAN-PIERRE FLORIS

Mr. PATRICK MILLOT

Mr. MIKHIL NARANG

Mr. SHIVANAND SALGAOCAR

Mr. GUILLAUME TEXIER

Mr. ANAND MAHAJAN
(Managing Director)

MANAGEMENT COMMITTEE

Mr. Deepak Chindarkar
(Finance & IT)

Mr. Krishna Prasad
(Ceramics & Plastics)

Mr. M. Ramarathnam
(Projects & EHS)

Mr. N. Sreedhar
(Abrasives)

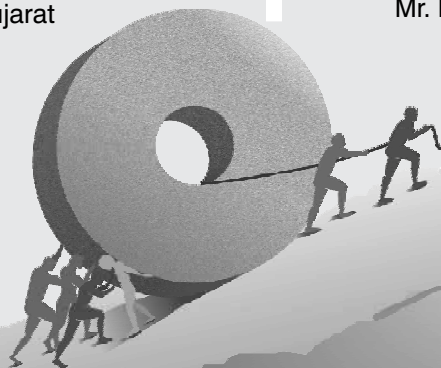
Ms. Anupama Vaidya
(HR)

COMPANY SECRETARY

Mr. K. Visweswaran

Contents

Notice	2
Directors' Report	6
Management Discussion & Analysis Report	11
Report on Corporate Governance	16
Auditors' Certificate on Corporate Governance	22
Independent Auditor's Report	23
Balance Sheet	26
Statement of Profit & Loss	27
Notes Forming Part of the Financial Statements	28
Cash Flow Statement	50
Information on Subsidiary Company	52
Independent Auditor's Report on Consolidated Financial Statements	53
Consolidated Balance Sheet	54
Consolidated Statement of Profit & Loss	55
Notes Forming Part of the Consolidated Financial Statements	56
Consolidated Cash Flow Statement	76



NOTICE

NOTICE is hereby given that the 64th Annual General Meeting of the Members of Grindwell Norton Limited will be held on Wednesday, 23rd July, 2014 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 businesses.

ORDINARY BUSINESS

1. To receive, consider and adopt the Financial Statements of the Company for the year ended 31st March, 2014, including Audited Balance Sheet as at 31st March, 2014 and the Statement of Profit and Loss for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend for the year ended 31st March, 2014.
3. To appoint a Director in place of Ms. Marie-Armelle Chupin (Director Identification No. 00066499) who retires by rotation and being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Mr. Jean-Pierre Floris (Director Identification No. 02504627) who retires by rotation and being eligible, offers himself for re-appointment.
5. To re-appoint Auditors and to fix their remuneration and in this regard, to consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT M/s. Kalyaniwalla & Mistry, Chartered Accountants, (Firm Registration No. 104607W), be and are hereby appointed 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 of the Company, on such remuneration as shall be fixed by the Board of Directors.”

SPECIAL BUSINESS

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

“RESOLVED THAT pursuant to Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Companies Act, 2013, Mr. Shivanand Salgaocar (Director Identification No. 00001402), Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years commencing from 23rd July, 2014.”

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.

“RESOLVED THAT pursuant to Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Companies Act, 2013, Mr. Pradip Shah (Director Identification No. 00066242), Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years commencing from 23rd July, 2014.”

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

“RESOLVED THAT pursuant to Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Companies Act, 2013, Mr. Keki M. Elavia (Director Identification No. 00003940), Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years commencing from 23rd July, 2014.”

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

“RESOLVED THAT pursuant to Section 148 of the Companies Act, 2013 read with applicable Rules, M/s. Rao, Murthy & Associates, Cost Accountants (Firm Registration No. 000065), appointed as Cost Auditors, to audit the cost records maintained by the Company for the financial year 2014-15 on such remuneration as shall be fixed by the Board of Directors.”

23rd May, 2014

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, and a Proxy need not be a Member of the Company. A person can act as Proxy on behalf of Members not exceeding fifty (50) Members and holding in the aggregate not more than two percent of the total share capital 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, 15th July, 2014 to Wednesday, 23rd July, 2014 (both days inclusive).
- (d) The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 in respect of the Special Businesses set out in the notice, is annexed hereto.
- (e) As per the amended provisions of the Companies Act, the dividend remaining unclaimed or unpaid for the financial year ended 31st December, 2005 and 31st December, 2006, have been transferred to the Investor Education and Protection Fund (Fund) of the Central Government on 20th June, 2013 and 7th May, 2014, respectively. The unpaid/unclaimed dividend, declared for the financial year ended 31st December, 2007 will be due for transfer to the said Fund after 10th January, 2015. 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, 2007 and all subsequent financial years, are requested to make their claims immediately to the Company or to the Company's Registrars & Transfer Agents – TSR Darashaw Private Limited (TSRDPL).
- (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. to 1:00 p.m. on all working days up to the date of this Annual General Meeting.
- (h) The Notice of Annual General Meeting, Annual Report and Attendance Slip are being sent in electronic mode, to such members holding shares in dematerialised format and whose e-mail IDs are registered with the Company or the Depository Participant(s) unless the Members have registered their request for a hard copy of the same. Physical copy of the Notice, Annual Report and Attendance Slip are being sent to those Members who have not registered their e-mail IDs with the Company or Depository Participant(s). Members who have received the Notice, Annual Report and Attendance Slip in electronic mode are requested to print the Attendance Slip and submit a duly filled in Attendance Slip at the registration counter to attend the Annual General Meeting.
- (i) (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 financial statements and/or operations of the Company are requested to address their queries to the Company Secretary 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 TSRDPL.
- (iv) Members are requested to immediately intimate the change, if any, in their registered address to TSRDPL.
- (j) In compliance with the provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company provides facility to its members, to exercise their right to vote at the 64th Annual General Meeting (AGM) by electronic means and the businesses may be transacted through e-Voting services provided by National Securities Depository Limited (NSDL). The e-Voting details are enclosed along with the Annual Report.

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

Ms. Marie-Armelle Chupin (Director Identification No. 00066499), a French national, is 57 years old and has done her Masters in Business Law and Labour Law. She joined Saint-Gobain in 1979 and has rich experience in the legal field. Presently, she is the Vice President – Legal Affairs of the High Performance Materials sector of Compagnie de Saint-Gobain (the ultimate holding company of Grindwell Norton Ltd.). Ms. Chupin does not hold any equity shares of the Company.

Item No. 4

Mr. Jean-Pierre Floris (Director Identification No. 02504627), a French national, is 66 years old. He 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 (which includes the Flat Glass and High Performance Materials sectors) of Saint-Gobain and Senior Vice-President of Compagnie de Saint-Gobain. He is also a Director on the Board of Saint-Gobain Glass India Limited. Mr. Floris does not hold any equity shares of the Company.

Item No. 6

Mr. Shivanand Salgaocar (Director Identification No. 00001402) is 59 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 serves on the Boards of various companies in India. Mr. Salgaocar does not hold any equity shares of the Company.

Item No. 7

Mr. Pradip Shah (Director Identification No. 00066242) is 61 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 and the Institute of Chartered 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 companies in India. Mr. Shah does not hold any equity shares of the Company.

Item No. 8

Mr. Keki M. Elavia (Director Identification No. 00003940) is 68 years old and is a B.Com. (Hons), FCA, CFE. He retired as a Senior Partner of M/s. Kalyaniwalla & Mistry – Chartered Accountants in 2009, after an association of more than 40 years. He serves on the Boards of various companies in India. Mr. Elavia does not hold any equity shares of the Company.

EXPLANATORY STATEMENT

Explanatory Statement as required under Section 102 of the Companies Act, 2013.

Item No. 6

Mr. Shivanand Salgaocar (Director Identification No. 00001402) had been appointed as a Director of the Company on 6th March, 2006. A brief profile of Mr. Salgaocar is given in Item No. 6 of the Annexure to the Notice.

In terms of Section 149 and other applicable provisions of the Companies Act, 2013 and Rules made thereunder, Mr. Salgaocar is eligible for appointment as an Independent Director of the Company, not liable to retire by rotation.

Notice has been received from a member proposing candidature of the said Director for the office of Independent Director of the Company.

The Board of Directors considers that Mr. Salgaocar has the requisite qualification and expertise that will be of immense benefit to the Company. The Board opines that he fulfills the conditions specified in the Companies Act, 2013 and Rules made thereunder for his appointment as an Independent Director of the Company.

Copy of the draft letter of appointment setting out the terms and conditions will be available for inspection, without any fee, by the members at the registered office of the Company during normal business hours on any working day.

Except Mr. Salgaocar, no other director or key managerial personnel (or their relatives) are concerned or interested in the resolution.

Your Directors recommend the appointment of Mr. Salgaocar as an Independent Director of the Company for a term of five consecutive years commencing from 23rd July, 2014.

Item No. 7

Mr. Pradip Shah (Director Identification No. 00066242) had been appointed as a Director of the Company on 6th March, 2006. A brief profile of Mr. Shah is given in Item No. 7 of the Annexure to the Notice.

In terms of Section 149 and other applicable provisions of the Companies Act, 2013 and Rules made thereunder, Mr. Shah is eligible for appointment as an Independent Director of the Company, not liable to retire by rotation.

Notice has been received from a member proposing candidature of the said Director for the office of Independent Director of the Company.

The Board of Directors considers that Mr. Shah has the requisite qualification and expertise that will be of immense benefit to the Company. The Board opines that he fulfills the conditions specified in the Companies Act, 2013 and Rules made thereunder for his appointment as an Independent Director of the Company.

Copy of the draft letter of appointment setting out the terms and conditions will be available for inspection, without any fee, by the members at the registered office of the Company during normal business hours on any working day.

Except Mr. Shah, no other director or key managerial personnel (or their relatives) are concerned or interested in the resolution.

Your Directors recommend the appointment of Mr. Shah as an Independent Director of the Company for a term of five consecutive years commencing from 23rd July, 2014.

Item No. 8

Mr. Keki M. Elavia (Director Identification No. 00003940) had been appointed as a Director of the Company on 26th July, 2012. A brief profile of Mr. Elavia is given in Item No. 8 of the Annexure to the Notice.

In terms of Section 149 and other applicable provisions of the Companies Act, 2013 and Rules made thereunder, Mr. Elavia is eligible for appointment as an Independent Director of the Company, not liable to retire by rotation.

Notice has been received from a member proposing candidature of the said Director for the office of Independent Director of the Company.

The Board of Directors considers that Mr. Elavia has the requisite qualification and expertise that will be of immense benefit to the Company. The Board opines that he fulfills the conditions specified in the Companies Act, 2013 and Rules made thereunder for his appointment as an Independent Director of the Company.

Copy of the draft letter of appointment setting out the terms and conditions will be available for inspection, without any fee, by the members at the registered office of the Company during normal business hours on any working day.

Except Mr. Elavia, no other director or key managerial personnel (or their relatives) are concerned or interested in the resolution.

Your Directors recommend the appointment of Mr. Elavia as an Independent Director of the Company for a term of five consecutive years commencing from 23rd July, 2014.

Item No. 9

A proposal for appointment of Cost Auditors for the financial year 2014-15 was recommended by the Audit Committee to the Board. It is proposed to appoint M/s. Rao, Murthy & Associates, Cost Accountants, (Firm Registration No. 000065) as Cost Auditors. M/s. Rao, Murthy & Associates, Cost Accountants, have confirmed their eligibility for appointment as Cost Auditors.

As per the Companies Act, 2013 and applicable Rules, the appointment and remuneration payable to the Cost Auditors is to be ratified by the shareholders. Hence this resolution is put for the consideration of the shareholders.

None of the Directors and Key Managerial Personnel (or their relatives) are interested in the said resolution.

Your Directors recommend the resolution for your approval.

23rd May, 2014

By Order of the Board

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

K. VISWESWARAN
COMPANY SECRETARY

DIRECTORS' REPORT

The Members,
Grindwell Norton Ltd.

Your Directors present the 64th Annual Report of the Company along with the Audited Balance Sheet as at 31st March, 2014 and the Statement of Profit and Loss for the year ended 31st March, 2014.

Financial Highlights

	2013-14	2012-13
Sale of Products (Gross)	974.28	990.68
Service & Other Operating Income	42.24	31.31
Less: Excise Duty	(74.91)	(76.90)
Revenue from Operations	941.61	945.09
Operating Profit	120.31	136.64
Interest	0.44	0.59
Profit before Tax	119.87	136.05
Provision for Tax	37.55	38.38
Profit after Tax	82.32	97.67
Surplus brought forward	100.00	80.00
	182.32	177.67
Appropriations:		
Proposed Dividend	35.98	35.98
Tax on Proposed Dividend	6.12	6.12
Transfer to General Reserve	20.22	35.57
Surplus Carried to Balance Sheet	120.00	100.00
	182.32	177.67

Responsibility Statement

Your Directors confirm that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed;
- Appropriate accounting policies have been selected and applied consistently and judgements and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2014 and of the profit of the Company for the 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 industrial sector showed no signs of recovery for a third year in a row. The manufacturing sector, in particular, witnessed contraction during the year compared to minimal growth in the previous year. Not since 1991-92 has the manufacturing sector witnessed such contraction. Consumption and investment demand was weak throughout the year. High inflation, a weak Rupee and lack of Government action aggravated the situation. Against this backdrop of a hostile business environment, your Company's domestic sales (in terms of volumes) and margins witnessed a sharp decline even as input costs increased substantially. Management efforts to increase prices, to grow exports and to contain expenditure were partially successful and, consequently, the drop in sales and operating profit was restricted to 2% and 12% respectively.

Dividend

In the light of your Company's profits and cash flow and its strong financial position, your Directors are pleased to recommend a dividend of ₹ 6.50 per equity share for the financial year ended 31st March, 2014. The Cash outgo on account of the dividend (including dividend distribution tax) will be ₹ 42.10 crores (Previous year ₹ 42.10 crores).

Abrasives

The weakness in demand due to contraction of the manufacturing sector, in general and of many end-user industries (led by auto), in particular, resulted in a decline in domestic volumes of Abrasives. This drop was partly compensated by an increase in exports. High inflation and the depreciation of the Rupee led to a significant increase in costs and a decline in margins. Your Company took the lead in increasing prices, but, in a very competitive market, where suppliers seemed more concerned with maintaining volumes than margins, the improvement in price realization fell significantly short of what was required to offset the cost increases. Under the circumstances, your Company's Management did well to limit the drop in volumes and margins. Input cost increases, due to high inflation and a weak Rupee, could not be fully compensated by the price increase. During the year, the new Non-woven plant in Bangalore was fully commissioned and the Bonded Abrasives' expansion project at Nagpur, which was slowed down last year, was also completed and commissioned.

Ceramics & Plastics

Domestic demand for Silicon Carbide was weak while export demand was stable during the year under review. Overall, there was a drop in sales. Margins were affected mainly due to the increase in the cost of electricity (from APGPCL and from APTRANSCO). The sales of the High Performance Refractories (HPR) business were stable. The order inflow was weak. The new HPR plant in Halol (Gujarat) stabilized during the year and ramp up of production is in progress. The Performance Plastic business registered only marginal growth due to softening of demand in certain sectors, such as auto. Here again, the Rupee depreciation contributed to a decline in margins.

Subsidiary in Bhutan

Operations of your Company's subsidiary in Bhutan were stable. Production in the grain plant, which was commissioned in 2013, stabilized and the Subsidiary started selling Silicon Carbide grains directly to its customers. In terms of general exemption provided under Section 212(8) of the Companies Act, 1956, granted by Ministry of Corporate Affairs vide its Circular 02/2011 dated 8th February, 2011 and in compliance with the conditions enlisted therein, copies of the Balance Sheet, Statement of Profit and Loss, Report of Board of Directors and Auditors of the Subsidiary have not been attached to the Balance Sheet of the Company. However, these documents will be made available upon request by any member of the Company. As directed by said circular, the financial data of the Subsidiary has been furnished under "Financial Information of Subsidiary Company" which forms part of Annual Report. The financial statements of the Company including that of the Subsidiary will be kept for inspection by any member. Further pursuant to Accounting Standard (AS)-21, Consolidated Financial Statements presented by the Company includes financial information of the subsidiary company.

Investment in Saint-Gobain Research India Limited

The transversal Research & Development Centre set up by Saint-Gobain Research India Ltd. (SGRI) has commenced its activities and is supporting the businesses of your Company in various ways. During the year under review, your Company invested ₹ 4.31 crores in the equity capital of SGRI.

Amalgamation of Group Companies

The Scheme of Amalgamation involving the merger of SEPR Refractories India Ltd., Saint-Gobain Crystals & Detectors India Ltd. and Saint-Gobain Sekurit India Ltd. which was approved by the Board of Directors on 19th April, 2013, was approved by the shareholders in the Court Convened Meeting held on 27th November, 2013, with the requisite majority. However as per SEBI Circular dated 4th February, 2013, read with Circular dated 21st May, 2013, the requisite majority of

public shareholders (other than Promoter and Promoter group) did not approve the Scheme. Consequently, the Scheme of Amalgamation was not acted upon.

Future Prospects

Domestic demand continues to be weak and there are no signs of an industrial recovery in the short term. Under the circumstances, your Company's management will focus on growing exports, increasing prices, improving operating performance and containing cost and working capital even as it continues to invest in new products and new markets in order to sustain growth. During the last few years, your Company has invested in expanding capacities, in building capabilities and also in the equity shares of Saint-Gobain Research India Ltd. and is well-placed to benefit from an industrial recovery.

Employee Relations

Employee relations were generally cordial at all units of the Company. At the end of the year, there were 1676 employees. Your Directors place on record their appreciation for the contribution made by all employees in the progress of your Company.

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 safe and healthy work place at all plant locations and work sites. All the plants of your Company (except for the new HPR plant in Halol) are certified under ISO 14001:2004 as well as OHSAS 18001:1999. These certifications are recognition of the sustained efforts made by 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 Deposit

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 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 & Analysis Report and Report on Corporate Governance along with a Certificate dated 23rd May, 2014 of the Auditors of your Company regarding the compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with Stock Exchanges is annexed (Annexure C) and forms part of this report.

Directors

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

As per the provisions of Companies Act, 2013, Independent Directors shall be appointed for a term upto five consecutive years. In accordance with this requirement, Mr. Pradip Shah, Mr. Keki M. Elavia and Mr. Shivanand Salgaocar being Independent Directors shall be appointed for a term of five consecutive years. They will not be liable to retire by rotation.

Mr. Joseph Pereira, appointed as Alternate Director for Ms. Marie-Armelle Chupin, with effect from 2008, retired from the Company after serving the Company for more than 39 years. Your Directors wish to record their immense gratitude to Mr. Pereira and their deep appreciation of the important role played by him and the significant contribution made by him in the development and growth of your Company over the past 39 years.

Your Directors express their profound grief and sorrow on the sad demise of Mr. Noshir D. Sidhva, former Vice-Chairman and Managing Director and Director Emeritus, on 11th May, 2014. In the course of the 63 years that he was closely associated with your Company, he played a major role and had a significant influence on the development, the growth, the culture and the values of your Company. A strong and visionary leader,

he laid the foundation on which your Company has been built. Your Directors pay their respectful homage and tribute to this extraordinary human being and great leader.

Auditors

M/s. Kalyaniwala & Mistry, Chartered Accountants (Firm Registration No. 104607W), Auditors of your Company, retire on conclusion of the 64th 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.

Cost Auditors

The Board of Directors in pursuance to the Order issued by the Central Government under Section 233B of the Companies Act, 1956, has appointed M/s. Rao, Murthy & Associates, Cost Accountants (Firm Registration No. 000065) for conducting the audit of the cost accounting records maintained by the Company for the financial year ended 31st March, 2014.

Acknowledgements

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, the continued support and co-operation from its Bankers and the loyalty of the large family of the Company's Dealers, Suppliers and its valued Shareholders.

On behalf of the Board of Directors,

PRADIP SHAH
CHAIRMAN

Mumbai; 23rd May, 2014

ANAND MAHAJAN
MANAGING DIRECTOR