



Bankers

Central Bank of India
Corporation Bank
ICICI Bank Ltd.
State Bank of India

Auditors

Kalyaniwalla & Mistry,
Chartered Accountants

Registrars & Transfer Agents

Tata Share Registry Ltd.
Army & Navy Building,
148, M. G. Road, Mumbai - 400 001.
Tel : 022-5656 8484
Fax : 022-5656 8494
E-Mail : csg-unit@tatashare.com

Registered Office

Army & Navy Building,
148, M. G. Road,
Mumbai – 400 001.
Tel. : 022-2284 4727

Factories	Certifications
Mora, Maharashtra	ISO 9001 : 2000
Nagpur, Maharashtra	ISO 9001 : 2000 ISO 14001 : 1996
Bangalore, Karnataka	ISO 9001 : 2000 ISO 14001 : 1996 OHSAS 18001: 1999
Tirupati, Andhra Pradesh	ISO 9001 : 2000

DIRECTORS

Mr. C. STREIFF
(Chairman)

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

Mr. R. K. BILIMORIA
(Resigned w.e.f. 8/12/2004)

Mr. R. CALIARI

Mr. G. COLAS

Mr. P. CROUZET

Mr. A. DENES

Mrs. M. S. MEHTA
(Appointed w.e.f. 8/12/2004)

Mr. H. C. PATEL

Mr. N. D. SIDHVA

Mrs. D. S. VARIAVA
(Alternate Director to Mr. R. Caliari)

Mr. A. Y. MAHAJAN
(Managing Director)

SENIOR MANAGEMENT

Mr. V. Agarwal
(President – Abrasives)

Mr. P. K. Bapat
(Vice-President – Strategy)

Mr. J. A. J. Pereira
(Vice-President – Finance & Corporate Services)

COMPANY SECRETARY

Mr. S. M. Mandke

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NOTICE

NOTICE is hereby given that the Fifty-fifth Annual General Meeting of the Members of Grindwell Norton Limited will be held on Wednesday, 27th April, 2005, 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 December, 2004.
2. To declare a dividend for the year ended 31st December, 2004.
3. To appoint a Director in place of Mr. C. Streiff who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. A. C. Chakraborti who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. N. D. Sidhva 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.

SPECIAL BUSINESS

7. Appointment of Mr. A. Denes as Director.
To appoint a Director in place of Mr. A. Denes who holds office upto the date of this Annual General Meeting in terms of Section 262 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. A. Denes for the office of a Director.
8. Appointment of Mrs. M. S. Mehta as Director.
To appoint a Director in place of Mrs. M. S. Mehta 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 herself for appointment and in respect of whom the Company has

received a notice in writing from a member proposing the candidature of Mrs. M. S. Mehta for the office of a Director.

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 the provisions of the revised Clause 49 of the Listing Agreement with The Stock Exchange, Mumbai, the consent of the Company be and is hereby accorded for continuing the payment of Rs. 5000/- (Rupees Five Thousand Only) or such other amount as may be approved by the Board of Directors, within the ceiling prescribed under the Companies Act, 1956, or rules framed thereunder, as amended from time to time, as sitting fees for each meeting of the Board of Directors or the Audit Committee or the Shareholders/ Investors Grievance Committee, excluding the Share Transfer Committee, thereof attended by the Non-Executive Directors of the Company (excluding the Directors who are nominees of Compagnie de Saint-Gobain, the parent company or its subsidiaries)".

9th March, 2005

By Order of the Board

Registered Office:
Army & Navy Building,
148, M. G. Road,
Mumbai-400 001.

S. M. MANDKE
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 on Saturday, 19th March, 2005 and Sunday, 20th March, 2005 (both days inclusive).
- (d) The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, in respect of the business under item nos. 7 to 9 is annexed hereto.
- (e) The dividend on Equity Shares, if declared at the meeting, will be paid on or after 3rd May, 2005.

- (f) The unclaimed dividends for and up to the financial years ended 31st March, 1995, had been transferred to the Central Government in terms of the provisions of Section 205A of the Companies Act, 1956. Those Members who have not yet claimed their dividends for the said earlier periods, may claim the same by submitting application in Form No. II to the Registrar of Companies, Maharashtra, CGO Building, 2nd floor, 'A' Wing, Opp. Police Commissioner's Office, C.B.D. Belapur, Navi Mumbai - 400 614. As per the amended provisions of the Companies Act, 1956, the dividend remaining unclaimed or unpaid for the financial year ended 31st March, 1996 and 31st March, 1997 had been transferred to the Investor Education and Protection Fund (Fund) of the Central Government on 25th September, 2003 and 23rd September, 2004 respectively. The Unpaid Dividend for the financial year ended 31st March, 1998 will be due for transfer to the Fund on 28th August, 2005. The Unpaid Dividend for all the subsequent years will be transferred to the Fund on expiry of seven years from their respective dates of declaration. Members who have not yet realized the dividend for the financial year ended 31st March, 1998 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 – M/s Tata Share Registry Ltd. (TSRL). Please note that as per the amended provisions of the Companies Act, 1956, once the Unpaid Dividend is transferred to the Fund, the Members will not be entitled to claim the same from the Fund/Company.
- (g) The facility for making nomination is available to the Members in respect of the shares held by them.
- (h) The Company will arrange the payment of dividend, if declared, through Electronic Clearing Service (ECS) or incorporation of Bank details, on the dividend warrants as furnished by the Members. Members holding shares in Physical mode are advised to immediately submit the ECS/Bank details to TSRL or notify the changes, if any, to TSRL. Members holding shares in Demat mode are advised to submit the ECS/Bank details to their respective Depository Participants (DPs) or notify the changes, if any, in their ECS/Bank Details to their respective DPs.
- (i) 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.
- (j) (i) Copies of the Annual Report will not be distributed at the Annual General Meeting. You are therefore, requested to bring this copy of the Annual Report to the meeting.
- (ii) Members desirous of seeking any further information about the accounts and/or operations of the Company are requested to address their queries to the 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 TSRL.
- (iv) Members are requested to immediately intimate the change, if any, in their registered address to TSRL.

ANNEXURE TO THE NOTICE

Notes on the directors seeking appointment/re-appointment, as required under existing Clause 49 of the Listing Agreement, entered into with The Stock Exchange, Mumbai.

ITEM NO. 3

Mr. C. Streiff, a French national, is 50 years old and holds an Engineering Degree. He joined the Saint-Gobain group in 1979 and has gained rich experience in various fields. Presently, he is the Chairman of the Board of your Company and Chief Operating Officer of Compagnie de Saint-Gobain (CSG).

ITEM NO. 4

Mr. A. C. Chakraborti is 74 years old. He is FCA (Eng. & Wales), and FCA of the Institute of Chartered Accountants of India. Mr. Chakraborti 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 Vice-Chairman of the Board and the Chairman of the Audit Committee of the Company. Mr. Chakraborti serves on the Boards of several other companies.

ITEM NO. 5

Mr. N. D. Sidhva is 81 years old. He is one of the pioneers of the Abrasives Industry in India and has been closely associated with your Company for over 60 years. He was the Managing Director/Whole-time Director of the Company for a period of 27 years and subsequently has been a Director of your Company. Presently, he is a member of the Shareholders/ Investors Grievance Committee of the Company.

ITEM NO. 7

Mr. A. Denes, a Brazilian national, is 52 years old and holds an Engineering Degree. He joined the Saint-Gobain group in 1995. Presently, he is the President of the Abrasives Division of CSG.

ITEM NO. 8

Mrs. M. S. Mehta is 73 years old and is a daughter of one of the founders of the Company. She has been appointed as an additional director by the Board on 8th December 2004. She had earlier served the Board during 1998 to 2001. She has experience in trade and business.

She is a member of the Audit Committee and Shareholders/Investors Grievance Committee of the Company.

EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956, the following explanatory statement set out all material facts relating to the Special Business mentioned in the accompanying Notice dated 9th March, 2005.

ITEM NO. 7

Mr. A. Denes was appointed as a Director of the Company on 3rd March, 2004, to fill the casual vacancy caused by the resignation of Mr. R. P. Statile. In terms of the provisions of Section 262 of the Companies Act, 1956, read with Article 112 of the Articles of Association of the Company, Mr. A. Denes holds office upto the date which Mr. R. P. Statile would have held office had he not resigned i.e. upto the date of the forthcoming Annual General Meeting of the Company. Mr. A. Denes'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 alongwith a deposit of Rs. 500/- has been received from a member of the Company signifying his intention of proposing Mr. A. Denes as a candidate for the office of Director.

Except Mr. A. Denes 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

Mrs. M. S. Mehta was appointed as an additional director of the Company on 8th December, 2004. 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, Mrs. M. S. Mehta holds office upto the date of the forthcoming Annual General Meeting of the Company. Mrs. M. S. Mehta's brief resume has been given at item no. 8 in the Annexure to the notice.

Notice in writing u/s. 257 of the Companies Act, 1956 alongwith a deposit of Rs. 500/- has been received from a member of the Company signifying his intention of proposing Mrs. M. S. Mehta as a candidate for the office of Director.

Except Mrs. M. S. Mehta and other directors of the Indian Promoters group, no other director is concerned or interested in this Resolution.

Your Directors recommend this Ordinary Resolution for your approval.

ITEM NO. 9

Pursuant to the revised Clause 49 of the Listing Agreement with The Stock Exchange, Mumbai, which is effective from 1st April 2005, all fees/compensation, if any, paid to Non-Executive Directors, including Independent Directors shall be fixed by the Board of Directors and shall require previous approval of Shareholders in the general meeting.

At present the Company is paying to all the Directors (other than the Managing Director and the Directors who are nominees of CSG or its subsidiaries), sitting fees of Rs. 5000/- for each meeting of the Board of Directors or the Audit Committee or the Shareholders/Investors Grievance Committee, excluding the Share Transfer Committee thereof, attended by them.

In addition, pursuant to Section 309 of the Companies Act, 1956, the Company is paying a commission not exceeding, in the aggregate, 1% per annum of the net profits of the Company calculated under Sections 349 and 350 of the Companies Act, 1956, to the aforesaid Directors in terms of approval granted by the members of the Company for payment of commission, at the 53rd Annual General Meeting of the Company held on 29th April, 2003. The said approval is for five financial years of the Company, commencing from 1st January 2004 and ending on 31st December 2008.

In view of the revised Clause 49 of the Listing Agreement, the approval of members is sought for the payment of aforesaid sitting fees to all the Directors of the Company, excluding the Managing Director and the Directors, who are nominees of CSG or its subsidiaries.

All Non-Executive Directors, (except the Directors who are nominees of CSG or its subsidiaries), as well as Mr. A. Y. Mahajan, Managing Director, a relative of Mr. N. D. Sidhva are concerned or interested in the said Ordinary Resolution.

Your Directors recommend this Ordinary Resolution for your approval.

9th March, 2005

By Order of the Board

Registered Office:
Army & Navy Building,
148, M. G. Road,
Mumbai - 400 001.

S. M. MANDKE
SECRETARY



DIRECTORS' REPORT

The Members,
Grindwell Norton Limited

Your Directors present the Fifty-fifth Report of the Company along with the Audited Accounts for the year ended 31st December, 2004.

Financial Highlights

	(Rs. Million)	
	2004	2003
Sales	3,013.5	2,544.9
Operating Profit	437.8	321.0
Interest	2.0	7.3
Profit before Tax and Extraordinary Item	435.8	313.7
Extraordinary Item	9.1	-
Profit before Tax	426.7	313.7
Provision for Tax	147.0	128.6
Deferred Tax	(12.1)	(19.1)
Profit after Tax	291.8	204.2
Surplus Brought Forward	40.0	40.0
	331.8	244.2
Appropriations:		
Proposed Dividend	138.4	90.0
Tax on Proposed Dividend	19.4	11.5
General Reserve	104.0	102.7
Surplus carried to Balance Sheet	70.0	40.0
	331.8	244.2

Responsibility Statement

Your Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- (ii) 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, 2004 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 sales increasing by 18% and operating profits by 36%. The increase in sales was due to the sustained buoyancy in domestic demand, gains in market share and strong growth of 28% in exports.

Dividend

Considering the excellent results, your Directors recommend a dividend of Rs. 10/- per Equity Share, for the year ended 31st December, 2004. The dividend outgo (excluding tax on dividend) will be Rs. 138.40 Million (Previous year Rs. 89.96 Million).

Abrasives

Strong growth of the industrial sector (especially sustained growth in the auto and auto components sector) generated higher volumes in Abrasives. Increased export sales and market share gains also contributed to the growth of the business. Initiatives aimed at making the plants world class continued and started to yield results as reflected in the operational performance.

Ceramics & Plastics

The Silicon Carbide business continued to grow in terms of volume and profits. However, the uncertainty caused by the steep increase in "wheeling charges" effected by the Transmission Corporation of A.P. Ltd. (A. P. Transco), from 1st April, 2002, continued. The matter is still pending before the Honourable Supreme Court, with A. P. Transco having filed a Special Leave Petition against the favourable judgment of the Honourable High Court of Andhra Pradesh. Your Directors are of the view that this steep increase in wheeling charges is arbitrary and unsustainable. However, out of abundant caution, your Company has made part provisions. Details are given in Note No. 4 of Schedule 14.

While the performance of the Refractories business was slightly below plan, the Performance Plastics business grew well and in line with the plans.

Future Prospects

With investments showing signs of picking up and with sustained growth of the industrial sector, your Company's businesses should continue to perform well. As regards the Silicon Carbide business, your Company's future course of action will depend on the outcome of the Special Leave Petition filed by A. P. Transco, in the Honourable Supreme Court (referred to above), which will have significant impact on the cost of electricity and the viability of the business.

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. The Bangalore plant of the Company is certified under ISO 14001:1996 as well as OHSAS 18001:1999. The Nagpur plant of the Company is certified under ISO 14001:1996. These Certifications are a 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

Your Company had discontinued the Fixed Deposit Schemes from the year 2001. The last deposits matured on 31st October, 2004. Your Company refunded all the deposits on their respective maturity dates.

Employee Relations

Your Directors place on record their appreciation for the contribution made by all the employees in the progress of your Company. During the year, a new productivity-enhancing Wage Agreement was successfully concluded at Tirupati. As at the year-end, there were 1296 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 9th March, 2005, of the Auditors of your Company, regarding the compliance of the conditions of Corporate Governance as stipulated under existing Clause 49 of the Listing Agreement with The Stock Exchange, Mumbai is annexed (Annexure C). Your Company is in the process of implementing the revised Clause 49 of the Listing Agreement which will be effective from 1st April, 2005.

Directors

Mr. R. K. Bilimoria resigned as a director of the Company with effect from 8th December, 2004. Your Directors place on record their appreciation for the valuable contribution made by Mr. Bilimoria as a member of the Board of the Company.

Mr. A. Denes was appointed as a director on 3rd March, 2004, in the casual vacancy caused by the resignation of Mr. R. P. Statile. Mr. Denes holds office upto the date which Mr. Statile would have held office, had he not resigned i.e. upto the date of the forthcoming Annual General Meeting of the Company. As required under Section 257 of the Companies Act, 1956, the Company has received a notice in writing from a Member proposing the candidature of Mr. Denes as a Director of the Company.

Mrs. M. S. Mehta was appointed as an additional director of the Company with effect from 8th December, 2004. Mrs. Mehta holds office upto the date of the forthcoming Annual General Meeting of the Company. As required under Section 257 of the Companies Act, 1956, the Company has received a notice in writing from a Member proposing the candidature of Mrs. Mehta as a Director of the Company.

Mrs. D. S. Variava was appointed as an alternate director to Mr. R. Caliarì on 3rd March, 2004. Mrs. Variava ceased as director on 8th December, 2004, as per the provisions of the Companies Act, 1956. Mrs. Variava was subsequently appointed as an alternate director to Mr. Caliarì on 17th December, 2004.

In accordance with the requirements of the Companies Act, 1956 and Articles of Association of the Company, Mr. C. Streiff, Mr. A. C. Chakrabortti and Mr. N. D. Sidhva retire by rotation and being eligible, offer themselves for re-appointment as Directors of your Company.

Auditors

M/s. Kalyaniwalla & Mistry, Chartered Accountants, Auditors of your Company, retire on the conclusion of 55th Annual General Meeting. You are requested to appoint Auditors for the current financial year and to fix their remuneration. The retiring Auditors, M/s. Kalyaniwalla & Mistry, Chartered Accountants are eligible for re-appointment.

On behalf of the Board of Directors,

A. C. CHAKRABORTTI
VICE-CHAIRMAN

A. Y. MAHAJAN
MANAGING DIRECTOR

Mumbai: 9th March, 2005



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, optimisation of power distribution system were completed during the year.

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

Product: Refractories

A. Power and Fuel Consumption:

1. ELECTRICITY

	2004	2003
(a) Purchased:		
Units	1073107	1082582
Total Amount (Rs. Million)	5.17	5.11
Rate/Unit (Rs.)	4.82	4.72

(b) Own Generated:

(i) Through diesel generators:		
Units	72139	93901
Units per Ltr. of diesel	3.27	3.27
Cost/Unit (Rs.)	6.69	6.07

(ii) Through Steam turbine/generator	NIL	NIL
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2. FUEL OIL

Quantity (K. Ltrs.)	675	813
Total Amount (Rs. Million)	13.15	13.00
Average rate (Rs.)	19477	15985

B. Consumption per unit of production:

Electricity KWH/TON	891	756
Fuel oil KL/TON	0.53	0.56

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:
- Standardisation of new generation backings for premium Coated Abrasives.
 - Products for Wood/Furniture Sanding Markets.
 - Manufacturing methods for Non-Woven Abrasives flat stock items for consumer and industrial applications.

Improvements in:

- AIO/Norzon based high performance coated abrasive belts for metal-working application.
- Wide range of polishing wheels for metal finishing applications.
- Cloth finish for technical application.
- Manufacturing methods for Non-Woven Abrasives flat stock items for consumer and industrial applications.

(b) Ceramics:

Development of:

- Cast Nitride Bonded Products (Beams, Levellers, Thermocouple sheets, Burner Tubes).
- Nitride Bonded Products for Blast Furnace Market.

Improvements in:

- Consistency in nitride bonded products through better control of the process.

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 utilisation of advanced tools to facilitate enhanced grinding system solutions at the customers end.

4. Expenditure on R&D for the year ended 31st December, 2004:

	Rs. Million
(a) Capital	Nil
(b) Recurring	3.47
(c) Total	3.47
(d) Total R&D expenditure as a percentage of total turnover	0.12%

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 Saint-Gobain Abrasives Inc. USA and the Saint-Gobain R&D Centres, as well as other manufacturing locations, your Company has kept itself informed on the latest trends in technology related to the abrasives field. This has helped your Company to continuously improve the manufacturing processes, improve efficiencies and develop new products. Through all this, your Company has been able to improve the product-service package provided to the customers.

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

Total earnings in foreign exchange for the year ended 31st December, 2004 was Rs. 294.51 Million and the total outflow was Rs. 597.62 Million. Details are given in Schedule 14.

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	REMU- NERATION RS.	QUALIFICATION	COMMENCEMENT OF EMPLOYMENT	LAST EMPLOYMENT	TOTAL EXPERIENCE (YEARS)
EMPLOYED THROUGHOUT THE YEAR							
BAPAT P.K.	58	V.P. – STRATEGY	3032438	B.TECH., PGDM (IIM)	MAY 1970	NONE	34
D'CUNHA GERARD	47	GEN. MGR. – HUMAN RESOURCES	2545258	B.Sc., M.A. (PM&IR)	DEC. 1998	ASST. GEN. MGR. – LARSEN & TOUBRO LTD.	24
MAHAJAN A.Y.	52	MANAGING DIRECTOR	8630232	M.A. (ECON), MBA (USA)	JUNE 1983	PROJ. CONSULTANT – STATE BANK OF INDIA	29
PEREIRA J.A.J.	56	V.P. – FIN. & CORP. SERVICES	3918709	B.Sc., FICWA, PGDM (IIM)	MAY 1975	NONE	30
PRASAD K.K.	42	GEN. MGR. – CERAMICS & PLASTICS	2609627	B.Sc. (ENGG.), PGDM (IIM)	MAY 1990	MECH. ENGINEER – FACT LTD.	18
PURANIK M.A.	49	GEN. MGR. – CORP. FIN. & TAXATION	2684018	B.Com., ACA	MAY 1988	DY. CHIEF ACCOUNTANT – GARWARE MARINE IND. LTD.	24
RAMARATNAM M.R.	56	GEN. MGR. – PROJECTS	2412334	B.E. (MECH.), PRDN. MGT	APRIL 1982	SR. ENGINEER – ASHOK LEYLAND LTD.	34
EMPLOYED FOR PART OF THE YEAR							
AGARWAL VINAY	49	PRESIDENT – ABRASIVES	1390703	B.TECH., PGDM (IIM)	SEPT. 2004	M.D. – RPG CABLES LTD.	24

NOTES:

- Total remuneration includes salary, commission, allowances, rent paid for providing accommodation, leave pay, group and accident insurance premium, Company's contribution to provident, superannuation and gratuity funds and also the monetary value of other perquisites.
- All the above employees are employed on contractual basis.
- None of the employees mentioned above is a relative of any Director except Mr. A.Y. Mahajan, Managing Director who is the son-in-law of Mr. N.D. Sidhva, Director of the Company.
- Experience includes number of years service elsewhere, wherever applicable.

ANNEXURE C TO THE DIRECTORS' REPORT — MANAGEMENT DISCUSSION & ANALYSIS REPORT

(Pursuant to the existing Clause 49 of the Listing Agreement with The Stock Exchange, Mumbai)

GENERAL REVIEW

Grindwell Norton Limited (GNO) is one of the subsidiaries of Compagnie de Saint-Gobain (Saint-Gobain), a transnational French Group with sales exceeding € 32 billion as of 31st December, 2004. Saint-Gobain's businesses fall into three broad sectors of activity: Housing Products, Glass and High Performance Materials. GNO's businesses are a part of two Divisions that come under the High Performance Materials sector of activity. The two Divisions are:

- Abrasives
- 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:

- Bonded Abrasives (including Thin Wheels);
- Coated Abrasives.

GNO also manufactures and sells Super Abrasives.

(i) BONDED ABRASIVES (INCLUDING THIN WHEELS)

Product & Plants

Bonded Abrasives, most commonly in the form of wheels but also in other shapes such as segments, sticks etc., are used for various applications ranging from polishing or lapping to removing high quantities of materials. The Bonded Abrasives business has two plants, one at Mora and the other at Nagpur, Maharashtra, both of which are certified under

ISO 9001:2000. The Nagpur Plant is also certified under ISO 14001:1996.

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.

Key success factors are quality, cost and capability to provide total grinding solutions.

Applications

Bonded Abrasives are used for precision applications such as lapping, honing, superfinishing, race grinding, thread grinding, fluting, OD grinding, ID grinding, surface grinding etc. They are also used in rough applications such as snagging, tool sharpening, burr removal, abrasive parting off, weld preparation etc. Bonded Abrasives are used by a very large number of users. The variety is very high. GNO makes over 10,000 different products in a year.

Major User Industries

- Automobiles and Auto Components
- Steel
- Bearings
- Cutting Tools/ Hand Tools etc.
- Fabrication



Development & Outlook

Saint-Gobain is the undisputed world leader in Bonded Abrasives, with its sales being more than 3 times of the next largest competitor. 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 product and process technology, sourcing of products and developing exports.

In 2004, demand for Bonded Abrasives in the domestic market experienced the strongest growth in recent times. All important industrial sectors that drive demand – auto, auto ancillaries, bearings and steel – performed very well during the year. GNO's sales growth was in line with the demand increase. We expect 2005 to be another good year, though the growth may be a little lower than during 2004. Over the medium term the demand is expected to grow between 4% and 7% per annum.

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).

Exports growth has been a major strategy for GNO's Bonded Abrasives business. Over the years, export sales have grown at a faster rate than sales in the domestic market and currently constitute over 15% of total bonded sales. The year 2004 witnessed another year of strong exports growth. During the year, GNO also had the distinction of becoming a world source for some Bonded Abrasives products.

Imports of Bonded Abrasives into India have continued to increase at a brisk pace. Through manufacturing improvements, GNO can now successfully compete with even the low priced imports from China.

(ii) COATED ABRASIVES Product & Plants

Coated Abrasives products are engineering composites constituting of a backing, bond system and abrasive grains and are designed basically for material removal and surface generation. The common backing types include paper, cloth, polyester & polyester film. Bond can be resin based or glue-based or a combination of both. Coated Abrasives products are available in various shapes like – Discs, Belts, rolls etc. to suit a wide gamut of applications. GNO's Coated Abrasives manufacturing facilities are at Bangalore, Karnataka and Nagpur, Maharashtra. Both locations are ISO 9001:2000 & ISO 14001:1996 certified. The Bangalore plant is also certified for OHSAS 18001:1999.

Industry

The domestic Coated Abrasives sector has two major players, one of which is GNO. There are a number of smaller players. Imported Coated Abrasives products are also becoming increasingly visible in the Indian market.

The characteristics of this sector are:

- Large and varied end user industry base makes the demand less affected by economy 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 User Industries

- 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

In the year 2004, the market has witnessed a volume growth of about 7%. Most end user industries are doing well (Auto, Fabrication, Leather, Wood & Furniture, etc). Consequently GNO's domestic sales witnessed strong growth. In the current year, GNO has plans to make strong gains in the Automotive, Decorative and the Furniture markets through a combination of new products manufactured in India and sourced from other Saint-Gobain plants worldwide. As the Indian market increasingly becomes globally competitive and application shifts continue, we will see impressive growth in sales of our strongly positioned technical products. In line with this trend, the sales of sourced products from affiliate companies have been steadily growing and we expect this to continue. We continue to receive strong product and technology support from Saint-Gobain's world wide teams in our efforts to improve our product offering to the Indian domestic market.

2. CERAMICS & PLASTICS SEGMENT

The major businesses in this segment are:

- (i) Silicon Carbide; (ii) 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 is manufactured at Tirupati in Andhra Pradesh. The Tirupati Plant is certified under ISO 9001:2000.

Industry

In the domestic market there are three major manufacturers (including GNO) of Silicon Carbide. 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 cost competitiveness and quality. Entry barriers are high by way of capital investment and technology.

Development & Outlook

The business is expected to grow at a good pace as in the previous years and we expect to strengthen our market position further. However, power cost being the most significant element of cost, profitability of the business will depend primarily on the outcome of the Special Leave Petition filed by A.P. Transco, in the Honourable Supreme Court against the judgment of the A.P. High Court, upholding the Company's contention. The long term viability of this business is dependent on having power available at a reasonable cost. The Company's future course of action, will depend on the developments in this regard.

(ii) REFRACTORIES

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 silicon carbide refractories and cordierite and mullite kiln furniture. The plant is located at Bangalore, Karnataka and is certified under ISO-9001:2000.

Industry

The main customers are the non-ferrous and ceramic industries. In the domestic market, there are two manufacturers (including GNO) for silicon carbide and mullite refractories. Cordierite refractories are manufactured by a number of players. The key requirements for success in the industry are technology and quality. Manufacturing is relatively capital intensive. This, and technology, are the barriers to entry.

Development & Outlook

The Refractories business of the Company has a good potential to grow with the buoyancy in the Metallurgy sector. The Company is looking at various options to increase the product offerings in association with the parent company.

RISK AND CONCERNS

As in other industries, there are challenges due to increased global competition, apart from domestic competition. GNO is fully preparing itself to meet these challenges. GNO's perceptions of certain specific risks are as under:

1. Industry, Market & Technology:

(a) Abrasives:

(i) **Industry & Market:** The Abrasives business caters to a number of industries such as Automobiles, Auto Components, General Metal Fabrication, Woodworking etc. The dependence on any single industry segment is less than 15%. Demand for abrasive products can get affected if all sub-segments of the industry perform badly at the same time. Normally, this does not happen. In order to minimize the impact of such downturn, if any, GNO has been putting in efforts to develop export markets. Over the years, exports have grown and now account for 12% of total abrasives sales. These sales are not concentrated in any single country, but are spread over 27 countries. Within India, sales are spread across 15 branch offices located in all parts of India, without any single branch having a very high weightage. Similarly, there are a number of large customers serviced directly and several dealers for servicing small and medium customers. The largest customer accounts for less than 2% of total sales and the largest dealer accounts for less than 5% of total sales.

(ii) **Technology:** Abrasives have been used over a very long period of time and technological changes in terms of applications are gradual. Since India typically lags in these, GNO knows likely changes much before they reach India, which enables GNO to be prepared well in time. Saint-Gobain is the World Leader in Abrasives. It has a very strong R&D set up in USA with regional R&D centers located elsewhere. Both basic and applied research takes place at these R&D centers. GNO has access to all the research and technology developments.

(b) Ceramics & Plastics:

(i) **Industry & Market:** Abrasives, Refractories and Construction form the three top customer segments for Silicon Carbide. Each of these sectors comprise of large number of customers, which makes this a good portfolio. In Abrasives and Refractories, our own divisions (affiliates) are



major consumers. With the growth in the Iron and Steel sector, the requirement of Refractories is expected to grow and this can be a good opportunity to accelerate our growth. Construction sector in general has very little linkage with the other two sectors, which makes the overall customer portfolio more balanced. In addition, we have customers who are serviced through distribution channels.

With the continuous reduction in import duties, the competition from imports will keep growing. This necessarily means that we need to make products of global standards at reasonable cost, to remain competitive.

- (ii) **Technology:** The technology of manufacturing Silicon Carbide has had very little change worldwide, since the present process was started. As for the increased use of Silicon Carbide in India, the technological changes needed at some of the user industry segments is still coming in, but gradually. GNO has full access to information on the global developments in these areas through Saint-Gobain's global presence and also has access to all the research and technology developments undertaken by Saint-Gobain in this regard. This helps us to be better prepared to influence these changes in India than any of our competitors.

2. Financial:

GNO's financial management has always been governed by prudent policies, based on conservative principles. Currently, GNO is a debt-free Company. GNO's foreign currency exposure on account of imports and exports has been appropriately covered. GNO has well defined and structured treasury operations, with the emphasis on security.

3. Legal and Statutory:

- (i) **Contingent liabilities:** Details of Contingent liabilities are given in Schedule 14.
- (ii) **Statutory compliance:** GNO ensures statutory compliance of all applicable laws and is committed to timely payment of all statutory dues.

HUMAN RESOURCES

GNO continues to focus on developing people to meet both the present and future challenges. In the recent past, GNO has provided extensive training to improve managerial productivity through Personal Productivity Programmes. GNO has also in collaboration with the Indian Institutes of Management, conducted Management Development Programmes for the young high potential executives. Annual Employee Surveys and regular communication meetings enable the Company to remain in constant touch with the employees.

OVERALL PERFORMANCE

GNO witnessed strong sales growth in 2004 partly on account of buoyancy in domestic demand and strong export growth and partly due to gains in market share. With costs under control and improvements in operating efficiency, profit before tax and extraordinary item increased by 39% over the previous year.

INTERNAL CONTROL SYSTEMS

GNO has well developed and adequate Internal Control Systems, which provide assurance of proper recording of the transactions of its operations in all material respects and providing adequate protection against misuse or loss of company assets. These systems have adequate checks and balances and improvements are regularly made in controls. GNO has a strong internal audit function. The internal audit is oriented towards management audit, review of controls and operational improvements. GNO has an Audit Committee and all the significant audit observations and follow-up actions are reported to the Audit Committee. The Audit Committee reviews the functioning of the internal control systems from time to time.

SEGMENTAL FINANCIALS

GNO has identified two segments in line with the Accounting Standard on Segment Reporting (AS-17). The segments are Abrasives and Ceramics & Plastics. Details of Segmental financials are given in Schedule 14.

CAUTIONARY STATEMENT

The Management Discussion and Analysis Report contains some forward looking statements based upon the information and data available with the Company, assumptions with regard to global economic conditions, the government policies etc. The Company cannot guarantee the accuracy of assumptions and perceived performance of the Company in future. Hence it is cautioned that the actual results may differ from those expressed or implied in this report.

ANNEXURE C TO THE DIRECTORS' REPORT (Continued)

REPORT ON CORPORATE GOVERNANCE

(As required under existing Clause 49 of the Listing Agreement entered into with The Stock Exchange, Mumbai)

A. MANDATORY REQUIREMENTS

1. CORPORATE GOVERNANCE AT GRINDWELL NORTON LIMITED (GNO)

GNO, a member of the 'Saint-Gobain' group, is committed to the highest standards of Corporate Governance, and strives to monitor and ensure compliance with laws. GNO has always tried to ensure that adequate control systems are devised and put in place to enable optimum returns to all the Stakeholders. GNO has always held itself to high standards of accountability, auditing, disclosure, internal control and reporting. These standards continue to define the Company's Corporate Governance philosophy of transparency and accountability, built on strong systems, procedures and checks and balances. Corporate Governance is an ongoing measure of superior delivery of Company's objects with a view to

translate opportunities into reality. The Compliance Report of the Company vis-à-vis the Listing Agreement entered into with The Stock Exchange, Mumbai is presented below.

2. BOARD OF DIRECTORS

The present strength of the Board is ten Directors excluding one Alternate Director. The Board comprises of one Executive Director and ten Non-Executive Directors. Out of ten Non-Executive Directors, four are Independent Directors. The Non-Executive Directors bring independent judgment in the Board's deliberations and decisions.

During the year 2004, five Board Meetings were held. The dates on which the said meetings were held are as follows:-

3rd March, 28th April, 29th July, 25th October, and 8th December.

Details of attendance of each Director at the Board Meetings, the last AGM, and directorships held by them in other Indian Companies and committee memberships are as follows:

Name of the Director	Category of Directorship	No. of Board Meetings attended	Attendance at the last AGM	No. of Directorships held as on 31st Dec. 2004 in other Companies	No. of Committee positions held as on 31st Dec. 2004 in Companies (including GNO)
Mr. C. Streiff	Chairman – Non-Executive	Nil	No	Nil	Nil
Mr. A. C. Chakrabortti	Vice-Chairman – Non-Executive – (Independent)	5	Yes	12	8*
Mr. R. K. Bilimoria (a)	Non-Executive Director – (Independent)	4	Yes	4	2
Mr. G. Colas	Non-Executive Director	Nil	No	Nil	Nil
Mr. P. Crouzet	Non-Executive Director	1	No	Nil	2
Mr. H. C. Patel	Non-Executive Director – (Independent)	Nil	No	3	2
Mr. N. D. Sidhva	Non-Executive Director	5	Yes	2	1
Mr. R. Caliarì	Non-Executive Director	Nil	No	1	Nil
Mr. A. Denes	Non-Executive Director	1	No	Nil	Nil
Mrs. M. S. Mehta (b)	Non-Executive Director – (Independent)	1	N. A.	3	2
Mrs. D. S. Variava (c)	Non-Executive Director – (Independent)	4	Yes	6	Nil
Mr. A. Y. Mahajan	Managing Director	5	Yes	7	8**

(a) Resigned with effect from 8th December, 2004.

(b) Appointed as an Additional Director on 8th December, 2004.

(c) Appointed as an Alternate Director to Mr. R. Caliarì on 3rd March, 2004. Ceased as Director on 8th December, 2004, pursuant to the provisions of the Companies Act, 1956. Subsequently appointed as an Alternate Director to Mr. R. Caliarì from 17th December, 2004.

* Out of the 8 Committee Memberships, Mr. A.C. Chakrabortti is Chairman in 5 Committees.

** Out of the 8 Committee Memberships, Mr. A. Y. Mahajan is Chairman in 5 Committees.



3. AUDIT COMMITTEE

Pursuant to the provisions of the Companies Act, 1956 and the Listing Agreement with the Stock Exchange, an Audit Committee had been constituted to cover the matters specified for Audit Committees under the Listing Agreement as well as under the provisions of the Companies Act, 1956. The composition of the Audit Committee is as under :

Name of Director	Category
Mr. A. C. Chakrabortti	Chairman – Independent Director
Mr. H. C. Patel	Member – Independent Director
Mr. R. K. Bilimoria	Member – Independent Director (from 21/4/2004 to 8/12/2004)
Mrs. M. S. Mehta	Member – Independent Director (from 8/12/2004)
Mr. P. Crouzet	Member – Non-Executive Director

The Chairman of the Committee, Mr. A.C. Chakrabortti is a FCA (Eng. & Wales) and FCA of the Institute of Chartered Accountants of India. He has requisite and adequate financial and accounting background. The Vice-President Finance & Corporate Services, General Manager-Corporate Finance & Taxation, Internal Auditor and the Statutory Auditors are invitees of the Committee. The Company Secretary acts as the Secretary of the Audit Committee.

The Audit Committee held 4 meetings during the year, 2004.

The attendance of each Member of the Committee is given below:

Name of Director	No. of Meetings attended
Mr. A. C. Chakrabortti	4
Mr. H. C. Patel	1
Mr. R. K. Bilimoria	3
Mr. P. Crouzet	Nil

The terms of reference of the Audit Committee are in consonance with the existing Clause 49 of the Listing Agreement as well as Section 292A of the Companies Act, 1956, and are as under :

1. Oversee financial reporting process and disclosure of financial information to ensure its correctness, sufficiency and credibility.
2. Recommending the appointment and removal of Statutory Auditor, fixation of audit fee and approval for payment for any other services.
3. Reviewing with the management quarterly, half-yearly and annual financial statements before submission to the Board, focusing primarily on :
 - Any changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgment by management.
 - Qualifications, if any, in draft audit report.
 - Significant adjustments, if any, arising out of audit.

- Compliance with accounting standards.
- Compliance with stock exchange and legal requirements concerning financial statements.
- Any related material transactions of the Company with the promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.

4. Recommending the quarterly, half-yearly and annual financial statements.
5. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
6. Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing, seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
7. Discussion with internal auditors, any significant findings and follow up there on.
8. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
9. Discussion with external auditors before the audit commences, nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
10. Reviewing the Company's financial and risk management policies.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

Minutes of the Audit Committee meetings were circulated to the members of the Board, discussed and taken note of at the next board meeting of the Company.

4. REMUNERATION OF DIRECTORS

- (A) The details of remuneration of Mr. A. Y. Mahajan, Managing Director, for the year 2004 are given below:

<p>All elements of remuneration package i.e. salary, benefits, perquisites, profit commission, pension etc.</p> <p>Rs. 8.63 Million</p>
<p>Fixed component and performance linked incentives along with the performance criteria</p> <p>Fixed component is paid as Salary, House Rent Allowance and other perquisites. In addition, a profit commission is paid within the maximum ceiling on remuneration, based on certain pre-agreed performance parameters.</p>

Service contracts, notice period, severance fees

The tenure of office of the Managing Director is 5 years commencing from 1/4/2001 and ending on 31/3/2006. The Managing Director or the Company is entitled to terminate the agreement by giving six months written notice.

Stock option with details, if any and whether issued at discount as well as the period over which accrued and over which exercisable

Presently, the Company does not have a scheme for grant of stock options either to the Managing Director or any other employees.

(B) The details of sitting fees and remuneration paid/payable to the following Non-Executive Directors for the year 2004 are given below:

Non-Executive Directors	Sitting Fees (Rs. Mn.)	Profit Commission (Rs. Mn.)	Technical & Marketing Consultancy Fees (Rs. Mn.)	Total (Rs. Mn.)
Mr. A. C. Chakrabortti	0.05	1.10	Nil	1.15
Mr. N. D. Sidhva	0.03	1.10	0.04	1.17
Mr. H. C. Patel	0.01	0.55	Nil	0.56
Mrs. D. S. Variava	0.02	0.55	Nil	0.57
Mr. R. K. Bilimoria	0.04	Nil	Nil	0.04
Mrs. M. S. Mehta	0.01	1.09	Nil	1.10

5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Company's Shareholders/Investors Grievance Committee is headed by Mr. H. C. Patel, a Non-Executive Independent Director. The other Members of the Committee are Mr. P. Crouzet, Mr. N. D. Sidhva and Mrs. M. S. Mehta. Mr. N. D. Sidhva was appointed as a Member of the Committee with effect from 27th September 2004. Mr. R. K. Bilimoria ceased to be a Member of the Committee with effect from 8th December, 2004 and Mrs. M. S. Mehta was co-opted on the Committee from 8th December, 2004. Mr. S. M. Mandke, Company Secretary, is the Compliance Officer of the Committee. The Committee met two times during the year. During the year 2004, the Company had received two complaints from the Shareholders both of which had been resolved. Other general requests viz. change of address, non-receipt of or revalidation of dividend warrants etc. received from Shareholders were attended by Tata Share Registry Ltd., within a reasonable period of time. The Company had 1 transfer of 50 shares pending at the close of the financial year ended 2004, which was processed subsequently.

6. GENERAL BODY MEETINGS

The last three Annual General Meetings of the Company were held on 22nd April, 2002, 29th April, 2003 and 28th April, 2004 at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikushru Dubash Marg, (Rampart Row), Mumbai 400 001. All the meetings commenced at 3:00 p.m. All the resolutions set out in the respective notices were passed by the Shareholders.

During the year 2004, the Company had sought Shareholders approval through Postal Ballot for amending the Object Clause of the Memorandum of Association of the Company and commencement of business of such objects. Both these Resolutions had been approved and passed by the Shareholders with the requisite majority.

7. DISCLOSURES

The Company had entered into technical collaborations with Saint-Gobain Abrasives Inc., and other subsidiaries of Compagnie de Saint-Gobain, the parent company and in terms of these technical collaboration agreements, technical know-how fees and royalties have been paid. Besides the above, the Company imports raw materials and products for trading from Saint-Gobain Abrasives Inc. and other Saint-Gobain group companies. The Company also exports its manufactured and traded products to other Saint-Gobain group companies. During the year, 2004, the Company had remitted dividend to Saint-Gobain Abrasives Inc. and Saint-Gobain Promotion et Participations Internationales, France. The Company also renders services to the group companies and earns service income. The Company also provides shared facilities to Lincoln Helios (India) Ltd. (LHIL) an associate company, on non-exclusive basis, at its Bangalore plant complex. In terms of the agreement, LHIL had placed interest free security deposits with the Company from time to time and presently aggregating to Rs. 13.85 Million. Details are given in Schedule 14. Except the above, there are no other materially significant related party transactions i.e. transactions of the Company of material nature, with its Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.

8. MEANS OF COMMUNICATION

Half Yearly Report

Whether Half-yearly report sent to each household of Shareholders – No.

The results of the Company are published in the Newspapers and displayed on Company's website as well as EDIFAR site of SEBI.

Quarterly Results

In which newspapers the financial results are normally published.

- (i) Economic Times – Mumbai edition
- (ii) Maharashtra Times – Mumbai edition

Website(s)

Any website(s) where financial results are displayed
 (i) <http://www.grindwellnorton.co.in>
 (ii) <http://www.sebiedifar.nic.in>

Whether it also displays the official news releases; and the presentations made to Institutional Investors and Analysts.
 No.

Whether MD&A is a part of Annual Report or not.
 Yes.



9. GENERAL SHAREHOLDERS' INFORMATION

AGM : 55th Annual General Meeting
Date : Wednesday, 27th April, 2005
Time : 3.00 p.m.
Venue : M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikushru Dubash Marg, (Rampart Row), Mumbai-400 001.
Calendar of Financial Results for 2005
(i) First Quarter Results - April, 2005
(ii) First Half Results - July, 2005
(iii) Third Quarter Results - October, 2005
(iv) Results for the year ending 31st December, 2005 - March, 2006
Dates of Book Closure
Saturday, 19th March, 2005 and Sunday, 20th March, 2005
Date of Payment of Dividend
On or after 3rd May, 2005
Listing on Stock Exchange(s)
The Stock Exchange, Mumbai.
The annual listing fee of The Stock Exchange, Mumbai has been paid for the year 2004-2005.
BSE – Stock Code
Physical – 506076
ISIN No. for NSDL & CDSL
INE536A01015
Distribution of Shareholdings and Shareholding Pattern as on 31st December, 2004
Please see Annexure '1'
Market Price Data: High, Low during each month in the last financial year
Please see Annexure '2'
Performance in comparison to BSE Sensex, (broad based index)
Please see Annexure '2'
Share Transfer System
All the transfers are processed by TSRL and approved by the Share Transfer Committee of Directors which normally meets twice in a month.
Dematerialisation of shares and liquidity
19.52% of the paid-up capital has been de-materialised as on 31st December, 2004.

Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity.

Not issued.

Promoters' Groups:

I. Indian Promoters

- Mr. N. D. Sidhva Group
- Mr. H. C. Patel Group
- Mrs. D. S. Variava Group
- Mr. R. K. Bilimoria Group
- Mrs. M. S. Mehta Group

II. Foreign Promoters (Collaborators)

- Saint-Gobain Abrasives Inc., U.S.A.
- Saint-Gobain Promotion et Participations Internationales, France.

III. Other Saint-Gobain Group Companies

- Saint-Gobain Glass India Ltd.
- Saint-Gobain Sekurit India Ltd.
- Saint-Gobain Vetrotex India Ltd.
- Saint-Gobain Crystals & Detectors India Pvt. Ltd.
- Saint-Gobain Norpro India Pvt. Ltd.
- Saint-Gobain Weber (India) Ltd.
- SEPR Refractories India Ltd.

Compliance Officer

S. M. Mandke – Company Secretary
Tel: 022-2284 4727 Ext. 411 Fax: 022-2202 3711
E-Mail: subhash.mandke@saint-gobain.com

Annexure '1'

The Distribution of Shareholdings as on 31.12.2004

No. of Equity Shares held	No. of Holders	% of Total Holders	No. of Shares	% to Total Shares
Upto 250	8596	89.06	701496	5.07
251 to 500	442	4.58	171916	1.24
501 to 1000	237	2.45	185969	1.34
1001 to 5000	240	2.49	566767	4.10
5001 to 10000	27	0.28	189919	1.37
10001 to 100000	101	1.05	3507466	25.34
100001 and above	9	0.09	8516467	61.54
Grand Total	9652	100.00	13840000	100.00
No. of Shareholders in Physical Mode	4762	49.34	11138139	80.48
No. of Shareholders in Electronic Mode	4890	50.66	2701861	19.52

Shareholding Pattern as on 31.12.2004

Category	No. of Shareholders	No. of Shares	%
Promoters:			
Foreign	2	7103500	51.33
Indian	160	3419726	24.71
Insurance Companies & Banks	8	82825	0.60
UTI & Mutual Funds	4	247241	1.79
NRIs, OCBs and FIIs	40	35405	0.25
Domestic Companies	216	973212	7.03
Resident Individuals	9222	1978091	14.29
Total	9652	13840000	100.00

Annexure '2'

Market Price Data: GNO & Sensex: High - Low

Period	High	Low	Sensex High	Sensex Low
Jan-04	273.30	187.40	6249.60	5567.68
Feb-04	214.50	167.00	6082.80	5550.17
Mar-04	210.00	145.00	5951.03	5324.78
Apr-04	258.00	191.20	5979.25	5599.12
May-04	220.00	162.00	5772.64	4227.50
Jun-04	207.00	175.25	5012.52	4613.94
Jul-04	210.00	176.15	5200.85	4723.04
Aug-04	272.50	204.00	5269.22	5022.29
Sep-04	277.50	248.70	5638.79	5178.57
Oct-04	299.00	255.00	5803.82	5558.14
Nov-04	322.00	265.00	6248.43	5649.03
Dec-04	325.00	285.00	6617.15	6176.09

B. NON-MANDATORY REQUIREMENTS

Non-mandatory requirements have not been adopted.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF
GRINDWELL NORTON LIMITED

We have examined the compliance of conditions of Corporate Governance by Grindwell Norton Limited (the Company) for the year ended on 31st December, 2004, as stipulated in existing Clause 49 of the Listing Agreement of the Company with The Stock Exchange, Mumbai.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the record maintained by the Shareholders/Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **KALYANIWALLA & MISTRY**
CHARTERED ACCOUNTANTS

E. K. IRANI
PARTNER

Mumbai: 9th March, 2005

(Membership No. 35646)



REPORT OF THE AUDITORS

TO THE MEMBERS OF
GRINDWELL NORTON LIMITED

1. We have audited the attached Balance Sheet of **GRINDWELL NORTON LIMITED** as at 31st December, 2004, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - (b) In our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of such books.
 - (c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (e) In our opinion and to the best of our information and according to the explanations given to us, the

said accounts read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2004;
 - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of the written representations received from the Directors as on 31st December, 2004 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st December, 2004, from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For and on behalf of
KALYANIWALLA & MISTRY
CHARTERED ACCOUNTANTS

E. K. IRANI
PARTNER

Mumbai: 9th March, 2005

(Membership No. 35646)

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph (3) of our report of even date.

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) As explained to us, the Company has a program for physical verification of fixed assets at periodic intervals. In our opinion, the period of verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies have been reported on such verification.
 - (c) In our opinion, there was no significant disposal of fixed assets during the year to affect the going concern assumption.
2. (a) The Management has conducted physical verification of inventory at reasonable intervals.

- (b) In our opinion, the procedures for the physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical inventories and book records were not material in relation to the operations of the Company and the same have been properly dealt with in the books of account.
3. (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 ("the Act").
- (b) Consequently, the question of commenting on the rates of interest and the other terms and conditions of the loans granted being prejudicial to the interests of the Company, receipt of regular principal and interest and reasonable steps taken for recovery of principal and interest does not arise.
- (c) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
- (d) Consequently, the question of commenting on the rates of interest and the other terms and conditions of the loans taken being prejudicial to the interests of the Company and payment of regular principal and interest does not arise.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets, and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
5. (a) Based on the audit procedures applied by us and according to the information and explanations given to us, the particulars of contracts or arrangement referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) The transactions made in pursuance of such contracts or arrangements, were made at prices which are reasonable having regard to prevailing market prices at the relevant time, except for service transactions for which, there are no similar services rendered to other parties and hence the prices are not comparable.
6. In our opinion, and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA and any other relevant provision of the Act and the rules framed thereunder, with regard to deposits accepted from the public. There have been no proceedings before the Company Law Board or National Tribunal or Reserve Bank of India or any other Court or Tribunal in this matter.
7. In our opinion, the Company has an internal audit system, commensurate with the size of the Company and nature of its business.
8. The maintenance of cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Act for any of the products of the Company.
9. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, during the year, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth-tax, Service-tax, Custom Duty, Excise Duty, Cess and any other dues with the appropriate authorities. According to the information and explanations given to us, there are no undisputed dues payable in respect of the above as at 31st December, 2004 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues outstanding of Income-tax, Sales-tax, Wealth-tax, Service-tax, Custom duty, Excise Duty or Cess on account of any dispute, other than the following:
- | Name of Statute | Amount (Rs. Mn.) | Forum where dispute is pending |
|----------------------------|------------------|--------------------------------|
| Sales Tax | 67.42 | Commissioner (Appeals) |
| Sales Tax | 0.05 | High Court |
| Excise Duty | 0.40 | Commissioner |
| Customs Duty | 1.04 | Appellate Authority - Tribunal |
| Non-Agricultural Land Cess | 2.63 | Revenue Department |
10. The Company does not have accumulated losses at the end of the financial year, and has not incurred any cash losses in the current and immediately preceding financial year.



11. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not defaulted in repayment of dues to a bank. The Company does not have dues to financial institutions and any outstanding debentures.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/societies.
14. In our opinion and according to the information and explanations given to us, the Company does not deal or trade in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
16. The Company has not obtained any term loans.
17. According to the information and explanations given to us, and on an overall examination of the balance sheet and cash flows of the Company, we report that, the Company has not utilised funds raised on short-term basis for long-term investment.
18. The Company has not made any preferential allotment of shares during the year to parties and companies covered in the Register maintained under Section 301 of the Act.
19. The Company did not have outstanding debentures during the year.
20. The Company has not raised any money through a public issue during the year.
21. Based upon the audit procedures performed and according to the information and explanations given and representations made by the Management, we report that no fraud on or by the Company has been noticed or reported during the year.

For and on behalf of
KALYANIWALLA & MISTRY
CHARTERED ACCOUNTANTS

E. K. IRANI
PARTNER
(Membership No. 35646)

Mumbai: 9th March, 2005

BALANCE SHEET AS AT 31st DECEMBER, 2004

	<u>Schedules</u>	<u>(Rs. Million)</u>	<u>As at 31st December, 2004 (Rs. Million)</u>	<u>As at 31st December, 2003 (Rs. Million)</u>
SOURCES OF FUNDS				
1. SHAREHOLDERS' FUNDS				
(a) Capital	1	138.40		138.40
(b) Reserves and Surplus	2	1,428.68		1,296.46
			1,567.08	1,434.86
2. LOAN FUNDS				
(a) Secured Loans	3	-		7.67
(b) Unsecured Loans	4	13.92		29.34
			13.92	37.01
3. DEFERRED TAX LIABILITY			37.26	49.33
			<u>1,618.26</u>	<u>1,521.20</u>
APPLICATION OF FUNDS				
1. FIXED ASSETS	5			
(a) Gross Block		1,321.67		1,219.89
(b) Less: Depreciation		660.64		606.40
(c) Net Block		661.03		613.49
(d) Capital Work in Progress		27.36		19.61
			688.39	633.10
2. INVESTMENTS	6		739.71	639.02
3. CURRENT ASSETS, LOANS & ADVANCES	7			
(a) Inventories		409.24		304.89
(b) Sundry Debtors		387.28		404.41
(c) Cash & Bank Balances		58.62		70.90
(d) Accrued Interest		4.58		3.97
(e) Loans & Advances		114.73		77.72
		974.45		861.89
Less: CURRENT LIABILITIES & PROVISIONS	8			
(a) Liabilities		536.87		436.63
(b) Provisions		247.42		176.18
		784.29		612.81
NET CURRENT ASSETS			190.16	249.08
			<u>1,618.26</u>	<u>1,521.20</u>
NOTES TO ACCOUNTS	14			

The Schedules referred to above form an integral part of the Balance Sheet

As per our Report of even date

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants

E. K. IRANI
Partner
Membership No. 35646
Mumbai: 9th March, 2005

S. M. MANDKE
Secretary

Signatures to Balance Sheet and Schedules 1 to 8 & 14

A. C. CHAKRABORTTI	Vice-Chairman
A. Y. MAHAJAN	Managing Director
N. D. SIDHVA	} Directors
D. S. VARIAVA	
M. S. MEHTA	

Mumbai: 9th March, 2005



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 2004

	Schedules	(Rs. Million)	(Rs. Million)	For the Year Ended 31st December, 2004 (Rs. Million)	For the Year Ended 31st December, 2003 (Rs. Million)
INCOME					
Sales		3,013.51			2,544.87
Less: Excise Duty		(356.28)			(299.18)
Net Sales			2,657.23		2,245.69
Miscellaneous Income	9		116.12	2,773.35	119.52
					2,365.21
EXPENDITURE					
Raw Materials Consumed	10		863.20		710.06
Purchase of Trading Goods			130.73		98.80
Manufacturing, Administration and Selling Expenses	11		1,332.29		1,163.75
Interest	12		2.00		7.30
Debts and Advances Provided/Written off (Net)			8.47		7.60
Technical Knowhow fees Written off			-		0.94
Depreciation		69.20			66.57
Less: Transfer from Revaluation Reserve		(1.77)			(1.81)
			67.43		64.76
Less: (Increase) in Inventory	13		2,404.12		2,053.21
			(66.59)	2,337.53	(1.69)
Profit before Tax and Extraordinary Item				435.82	313.69
Extraordinary Item					
Compensation under Voluntary Retirement Scheme (Refer Schedule 14 Note 3)				9.09	-
Profit before Tax				426.73	313.69
Provision for :					
Income Tax				147.00	128.60
Deferred Tax				(12.07)	(19.11)
Profit after Tax				291.80	204.20
Surplus Brought Forward				40.00	40.00
PROFIT AVAILABLE FOR APPROPRIATION				331.80	244.20
APPROPRIATIONS					
Proposed Dividend				138.40	89.96
Provision for Tax on Proposed Dividend				19.41	11.53
Transfer to General Reserve				103.99	102.71
Surplus Carried Forward				70.00	40.00
				331.80	244.20
Earnings Per Share (Basic/Diluted) in Rs.				21.08	14.75

NOTES TO ACCOUNTS

14

The Schedules referred to above form an integral part of the Profit & Loss Account

As per our Report of even date

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants

E. K. IRANI
Partner
Membership No. 35646
Mumbai: 9th March, 2005

S. M. MANDKE
Secretary

Signatures to Profit & Loss Account and Schedules 9 to 14

A. C. CHAKRABORTTI Vice-Chairman
A. Y. MAHAJAN Managing Director
N. D. SIDHVA }
D. S. VARIAVA }
M. S. MEHTA } Directors

Mumbai: 9th March, 2005

SCHEDULES FORMING PART OF THE ACCOUNTS

	(Rs. Million)	As at 31st December, 2004 (Rs. Million)	As at 31st December, 2003 (Rs. Million)
SCHEDULE 1 : CAPITAL			
AUTHORISED			
14,000,000 Equity Shares of Rs. 10/- each		<u>140.00</u>	<u>140.00</u>
ISSUED, SUBSCRIBED AND PAID-UP			
13,840,000 Equity Shares of Rs. 10/- each, fully paid-up		<u>138.40</u>	<u>138.40</u>
		<u>138.40</u>	<u>138.40</u>
NOTES:			
Of the above Equity Shares:			
(a) 140,000 Equity Shares of Rs. 10/- each were allotted as fully paid pursuant to a contract without payment being received in cash.			
(b) 9,615,720 Equity Shares of Rs. 10/- each were allotted as fully paid Bonus Shares by capitalising Profits, Reserves and Share Premium.			
(c) 3,704,440 Equity Shares of Rs. 10/- each are held by Saint-Gobain Abrasives Inc. and 3,399,060 Equity Shares of Rs. 10/- each are held by Saint-Gobain Promotion et Participations Internationales, the subsidiaries of Compagnie de Saint-Gobain, the ultimate holding company.			
SCHEDULE 2 : RESERVES AND SURPLUS			
1. SHARE PREMIUM ACCOUNT			
As per last Balance Sheet		486.68	486.68
2. REVALUATION RESERVE			
As per last Balance Sheet	52.51		54.32
Transfer to Depreciation	<u>(1.77)</u>		<u>(1.81)</u>
		50.74	52.51
3. GENERAL RESERVE			
As per last Balance Sheet	717.27		614.56
Transfer from Profit & Loss Account	<u>103.99</u>		<u>102.71</u>
		821.26	717.27
4. PROFIT & LOSS ACCOUNT			
		<u>70.00</u>	<u>40.00</u>
		<u>1,428.68</u>	<u>1,296.46</u>



SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 3 : SECURED LOANS

LOANS AND ADVANCES FROM BANKS

Cash Credit

(Secured by first charge by way of hypothecation of inventories and book debts, both present and future, wherever situated and subservient mortgage on immovable properties situated at Mora, Bangalore and Nagpur)

	As at 31st December, 2004 (Rs. Million)	As at 31st December, 2003 (Rs. Million)
	-	7.67
	<u>-</u>	<u>7.67</u>
	<u>-</u>	<u>-</u>
	-	16.95
	<u>13.92</u>	<u>12.39</u>
	<u>13.92</u>	<u>29.34</u>

SCHEDULE 4 : UNSECURED LOANS

1. FIXED DEPOSITS

(Repayable within one year Rs. Nil – Previous Year – Rs. 16.95 Million)

2. OTHER LOANS & ADVANCES

Deferred Sales Tax

SCHEDULE 5 : FIXED ASSETS

(Rs. Million)

ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.1.2004	Additions	Deductions	As at 31.12.2004	Upto 1.1.2004	On Sales	For the Year	Upto 31.12.2004	As at 31.12.2004	As at 31.12.2003
Land - Freehold	21.54	-	-	21.54	-	-	-	-	21.54	21.54
Land - Leasehold	9.08	-	-	9.08	0.76	-	0.09	0.85	8.23	8.32
Buildings*	233.32	15.02	-	248.34	74.49	-	6.74	81.23	167.11	158.83
Plant & Machinery	798.07	73.83	16.83	855.07	446.94	11.81	45.89	481.02	374.05	351.13
Computers	66.21	11.69	1.88	76.02	51.17	1.61	6.96	56.52	19.50	15.04
Furniture, Fixtures & Office Equipment	54.39	8.74	1.79	61.34	26.05	0.56	5.30	30.79	30.55	28.34
Vehicles	37.28	16.01	3.01	50.28	6.99	0.98	4.22	10.23	40.05	30.29
Total	1,219.89	125.29	23.51	1,321.67	606.40	14.96	69.20	660.64	661.03	
Previous Year's Total	1,195.33	68.28	43.72	1,219.89	574.84	35.01	66.57	606.40		613.49
Capital Work in Progress									27.36	19.61
									688.39	633.10

* Includes an amount of Rs. 1250 (Previous Year – Rs. 1250) representing the value of shares in co-operative housing societies.

SCHEDULES FORMING PART OF THE ACCOUNTS

	Nos.	Face Value (Rs.)	(Rs. Million)	As at 31st December, 2004 (Rs. Million)	As at 31st December, 2003 (Rs. Million)
SCHEDULE 6 : INVESTMENTS					
AT COST					
LONG TERM					
TRADE					
EQUITY SHARES (fully paid up)					
Unquoted:					
Andhra Pradesh Gas Power Corporation Ltd.	2,186,880	10		27.33	27.33
NON-TRADE					
EQUITY SHARES (fully paid up)					
Quoted:					
John Oakey & Mohan Ltd.	1,900	10		0.02	0.02
Unquoted: (Companies under the same management)					
Lincoln Helios (India) Ltd.	500,000	10	5.00		5.00
Saint-Gobain Glass India Ltd.	2,500,000	10	250.00		250.00
				255.00	255.00
OTHER SECURITIES					
Unquoted:					
CAPITAL GAINS BONDS					
8.00% National Highways Authority of India	2,000	10,000	20.00		20.00
7.50% Small Industries Development Bank of India	1,000	10,000	10.00		10.00
7.50% Rural Electrification Corporation Limited	1,000	10,000	10.00		10.00
7.25% Rural Electrification Corporation Limited	700	10,000	7.00		7.00
7.15% National Housing Bank	1,000	10,000	10.00		10.00
				57.00	57.00
MUTUAL FUNDS					
Debt Funds - (Growth Plan)					
Birla Income Plus*	(277,932)	10	-		5.00
Deutsche Premier Bond Fund – Institutional Plan*	(910,059)	10	-		10.00
Grindlays Super Saver Income Fund – Investment Plan*	(643,360)	10	-		10.00
Grindlays Super Saver Income Fund – Medium Term Plan*	(972,753)	10	-		10.00
HDFC Income Fund*	(1,162,376)	10	-		15.00
HDFC High Interest Fund – Regular*	(481,216)	10	-		10.00
HSBC Income Fund – Institutional Plan*	(896,122)	10	-		10.00
K Bond Unit Scheme 99 – Wholesale Plan*	(713,318)	10	-		10.00
Prudential ICICI Income Plan*	(483,451)	10	-		7.92



SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 6 : INVESTMENTS (Continued)

	Nos.	Face Value (Rs.)	(Rs. Million)	As at 31st December, 2004 (Rs. Million)	As at 31st December, 2003 (Rs. Million)
Debt Funds - (Growth Plan) (Continued)					
Reliance Medium Term Fund*	(716,908)	10	-		10.00
Sundaram Bond Saver*	(362,845)	10	-		5.00
Templeton India Income Fund*	(494,071)	10	-		10.00
Templeton India Income Builder A/c – Institutional Plan*	(1,802,667)	10	-		20.00
Debt Funds - Fixed Maturity Plan (Growth Plan)					
Principal Deposit Fund (FMP-6) 371 Days Plan (Nov. 04) **	1,000,000	10	10.00		-
Tata Fixed Horizon Yearly – (Sept. 2004) **	1,000,000	10	10.00		-
Debt Fund - Floating Rate Fund (Growth Plan)					
HSBC Floating Rate Fund – Long Term Plan – Institutional **	1,000,000	10	10.00		-
Debt Fund - Floating Rate Fund (Dividend Plan)					
JM Floater Fund – Long Term Plan – Premium **	1,000,000	10	10.00		-
Debt Funds - (Bonus Plan)					
JM Income Fund *	(37,548)	10	-		0.33
SBI Magnum Income Fund *	(287,441)	10	-		3.00
Monthly Income Plan - (Growth Plan)					
Birla MIP II Savings 5 Plan **	250,000	10	2.50		-
Deutsche MIP Fund – Plan B **	491,632	10	5.00		-
DSP Merrill Lynch Savings Plus Conservative **	250,000	10	2.50		-
Tata Monthly Income Fund **	408,067	10	5.00		-
				55.00	136.25
CURRENT					
NON-TRADE					
OTHER SECURITIES					
Unquoted:					
Debt Funds - Fixed Maturity Plan (Dividend Plan)					
Birla FMP Quarterly Series-1 – Plan A**	999,590	10	10.00		-
Birla FMP Quarterly Series-2 – Plan A**	999,650	10	10.00		-
Grindlays Fixed Maturity – 3rd Plan**	1,000,000	10	10.00		-
Magnum Debt Fund Series – 60 Days (Dec. 04)**	1,000,000	10	10.00		-
Prudential ICICI FMP-Quarterly – Series XXV**	2,000,000	10	20.00		-
Reliance Fixed Term Scheme – Monthly Plan	2,000,000	10	20.00		20.00
Reliance Fixed Term Scheme – Quarterly Plan**	1,000,000	10	10.00		-
UTI – Fixed Maturity Plan-QFMP – Series VI**	1,000,000	10	10.00		-

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 6 : INVESTMENTS (Continued)

	Nos.	Face Value (Rs.)	(Rs. Million)	As at 31st December, 2004 (Rs. Million)	As at 31st December, 2003 (Rs. Million)
Debt Funds - Floating Rate Fund					
DSP Merrill Lynch – Floating Rate Fund – Daily Dividend**	501,495	10	5.03		–
ING Vysya Floating Rate Fund – Weekly Dividend**	1,001,547	10	10.03		–
Kotak Floater Long Term – Weekly Dividend**	502,223	10	5.03		–
Tata Floating Rate Short Term Inst. Plan – Daily Dividend**	1,004,003	10	10.05		–
Liquid Funds - (Daily Dividend Plan)					
IDBI Principal Cash Management Fund – Liquid Option*	(4,022,752)	10	–		40.23
JM High Liquidity Fund – Institutional Plan*	(10,318,332)	10	–		103.19
JM High Liquidity Fund – Super Institutional Plan**	16,227,317	10	162.54		–
Magnum Institutional Income Savings**	2,248,185	10	22.55		–
Principal Cash Management Fund Liquid Option – Inst. Plan**	3,012,182	10	30.13		–
				<u>345.36</u>	<u>163.42</u>
				<u>739.71</u>	<u>639.02</u>
NOTES:					
1.	* Represents Sold/ Redeemed during the year.				
2.	** Represents Purchased during the year.				
3.	The Company invested Rs. 2,556.75 Million (Previous Year – Rs. 2,538.58 Million) in units of various Mutual Funds and Shares in a Company which were also sold during the year.				
4.	COST				
	Quoted			0.02	0.02
	Unquoted			739.69	639.00
5.	MARKET VALUE				
	Quoted			0.03	0.03
6.	MUTUAL FUNDS				
	Cost			400.36	299.67
	Repurchase Price			401.78	316.52
7.	Figures in brackets indicate that of Previous Year.				



SCHEDULES FORMING PART OF THE ACCOUNTS

	(Rs. Million)	As at 31st December, 2004 (Rs. Million)	As at 31st December, 2003 (Rs. Million)
SCHEDULE 7 : CURRENT ASSETS, LOANS & ADVANCES			
1. INVENTORIES			
Stores and Spare Parts	17.93		18.27
Loose Tools	0.03		0.04
Raw Materials	116.91		85.98
Raw Materials in Transit	17.89		10.71
Finished Goods:			
Manufactured	130.96		87.81
Trading	22.12		16.01
Work-in-Process	103.40		86.07
		409.24	304.89
2. SUNDRY DEBTORS (Unsecured and considered good unless otherwise stated)			
Over six months	31.34		45.83
Others	391.42		395.93
	422.76		441.76
Less: Provision for doubtful debts	35.48		37.35
		387.28	404.41
(Sundry Debtors include Rs. 35.48 Million – Previous Year – Rs. 37.35 Million – considered doubtful)			
3. CASH AND BANK BALANCES			
Cash and Cheques on hand and remittances in transit	41.66		46.67
With Scheduled Banks:			
On Current Account	16.96		17.22
On Deposit Account	-		7.01
		58.62	70.90
4. ACCRUED INTEREST		4.58	3.97
5. LOANS AND ADVANCES (Unsecured and considered good unless otherwise stated)			
Advances recoverable in cash or in kind or for value to be received (including Rs. 4.75 Million – Previous Year – Rs. 1.44 Million – considered doubtful)	72.60		41.00
Demand Deposits with Excise and Customs Departments	4.20		2.73
Other Deposits	42.68		35.43
	119.48		79.16
Less: Provision for doubtful advances	4.75		1.44
		114.73	77.72
		974.45	861.89

SCHEDULES FORMING PART OF THE ACCOUNTS

	(Rs. Million)	As at 31st December, 2004 (Rs. Million)	As at 31st December, 2003 (Rs. Million)
SCHEDULE 8 : CURRENT LIABILITIES & PROVISIONS			
1. LIABILITIES			
Sundry Creditors:			
Due to Small Scale Undertakings	5.02		9.47
Others	128.05		109.81
	<u>133.07</u>		<u>119.28</u>
Trade Deposits	10.61		9.60
Unclaimed Dividend	2.30		4.95
Interest accrued but not due	-		5.30
Other Liabilities	390.89		297.50
		<u>536.87</u>	<u>436.63</u>
2. PROVISIONS			
Provision for taxation:			
On Income (Net of Advance tax of Rs. 619.43 Million – Previous Year – Rs. 454.90 Million)	12.40		29.93
On Proposed Dividend	19.41		11.53
	<u>31.81</u>		<u>41.46</u>
Proposed Dividend	138.40		89.96
For Contingencies (Refer Schedule 14 Note 4)	77.21		44.76
		<u>247.42</u>	<u>176.18</u>
		<u>784.29</u>	<u>612.81</u>
		For the Year Ended 31st December, 2004 (Rs. Million)	For the Year Ended 31st December, 2003 (Rs. Million)
SCHEDULE 9 : MISCELLANEOUS INCOME			
Agency Commission		4.59	2.85
Interest (Gross):			
From Long term Investments (Non-trade)	4.39		4.34
Others	10.13		8.91
(Tax deducted – Rs. 0.44 Million – Previous Year – Rs. 0.56 Million)			
		<u>14.52</u>	<u>13.25</u>
Dividends from Investments (Non-trade):			
From Long term Investments	8.84		5.00
From Current Investments	8.71		1.77
		<u>17.55</u>	<u>6.77</u>
Sales Tax Refund		2.75	4.11
Service Income		14.92	30.03
Gain on prepayment of Deferred Sales Tax		15.87	28.63
Profit on Sale of Investments:			
From Long term Investments	17.02		5.87
From Current Investments	0.44		1.62
		<u>17.46</u>	<u>7.49</u>
Others		28.46	26.39
		<u>116.12</u>	<u>119.52</u>



SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 10 : RAW MATERIALS CONSUMED

	(Rs. Million)	For the Year Ended 31st December, 2004 (Rs. Million)	For the Year Ended 31st December, 2003 (Rs. Million)
Opening Stock of			
Raw Materials	85.98		80.40
Raw Materials in transit	10.71		16.38
		96.69	96.78
Add: Purchases		901.31	709.97
		998.00	806.75
Less: Closing Stock of			
Raw Materials	116.91		85.98
Raw Materials in transit	17.89		10.71
		134.80	96.69
		863.20	710.06

**SCHEDULE 11 : MANUFACTURING,
ADMINISTRATION AND SELLING EXPENSES**

Stores and Spare Parts Consumed		66.64	60.09
Processing Charges		57.49	41.72
Salaries, Wages, Bonus and Gratuity (Refer Schedule 14 Note 5)		320.36	284.97
Contribution to Provident and other Funds		29.09	21.98
Staff Welfare		40.51	35.47
Power and Fuel (Refer Schedule 14 Note 4)		304.60	245.21
Freight, Octroi and Packing Expenses		160.10	144.91
Repairs and Maintenance:			
Buildings	6.96		5.64
Machinery	41.37		30.57
Others	10.02		9.47
		58.35	45.68
Rent		11.31	14.64
Rates and Taxes		4.98	8.64
Insurance		7.32	7.06
Travelling and Conveyance		39.87	40.63
Commission and Discount on Sales		76.87	55.31
Royalties		22.98	19.57
Loss on assets sold/discarded (Net)		6.02	8.52
Miscellaneous		125.80	129.35
		1,332.29	1,163.75

SCHEDULES FORMING PART OF THE ACCOUNTS

	(Rs. Million)	For the Year Ended 31st December, 2004 (Rs. Million)	For the Year Ended 31st December, 2003 (Rs. Million)
SCHEDULE 12 : INTEREST			
ON FIXED LOANS			
Banks	-		0.91
Others	<u>0.70</u>		<u>4.84</u>
		0.70	<u>5.75</u>
ON OTHER LOANS			
Banks	0.09		0.22
Others	<u>1.21</u>		<u>1.33</u>
		<u>1.30</u>	<u>1.55</u>
		<u>2.00</u>	<u>7.30</u>
SCHEDULE 13 : (INCREASE) IN INVENTORY			
Opening Stock of			
Finished Goods:			
Manufactured	87.81		86.71
Trading	16.01		14.71
Work-in-Process	<u>86.07</u>		<u>86.78</u>
		189.89	188.20
Less: Closing Stock of			
Finished Goods:			
Manufactured	130.96		87.81
Trading	22.12		16.01
Work-in-Process	<u>103.40</u>		<u>86.07</u>
		<u>256.48</u>	<u>189.89</u>
		<u>(66.59)</u>	<u>(1.69)</u>



SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 14 : NOTES TO ACCOUNTS

1. Significant Accounting Policies :

- (i) **Method of Accounting :**
The accounts are prepared on the historical cost convention. Expenses and income are accounted for on accrual basis.
- (ii) **Fixed Assets :**
Fixed Assets are stated at cost and those which were revalued as on 30.6.88, are stated at revalued amounts.
- (iii) **Investments :**
 - (a) Long Term Investments are valued at cost less provision for diminution in value, if the diminution is other than temporary.
 - (b) Current Investments are stated at lower of cost and fair value.
- (iv) **Inventories :**
Inventories are valued at lower of cost and net realisable value. The cost is arrived at on a weighted average basis.
- (v) **Revenue Recognition :**
Sales are recognised at the point of despatch of goods to Customers. Sales are inclusive of Excise Duty but net of Trade Discounts and Sales Tax.
- (vi) **Foreign Currency Transactions :**
Transactions in foreign currency are translated at rates of exchange prevailing on the date the transactions are recorded. The outstanding amounts are converted at the year end at the rates prevailing on that date or at the forward rate cover and the difference arising on conversion is accounted for in the books of account.
- (vii) **Retirement Benefits :**
Retirement Benefits to employees for Gratuity and Superannuation under the approved schemes of the Company and Leave Encashment benefit are provided on actuarial/actual liability basis.
- (viii) **Research & Development :**
 - (a) Revenue expenditure on Research & Development is charged under respective heads of account.
 - (b) Capital expenditure on Research & Development is included as part of Fixed Assets and depreciated on the same basis as other Fixed Assets.
- (ix) **Borrowing Costs :**
Borrowing costs incurred by the Company on an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset.
- (x) **Deferred Revenue Expenditure :**
Lump sum technical know-how fees for manufacturing process are amortised over a period of five years.
- (xi) **Depreciation :**
 - (a) Depreciation on cost of assets is provided on Straight Line Method in accordance with the rates prescribed under Schedule XIV of the Companies Act, 1956, except for Computers & Specific Kilns which are depreciated over 4 years and 5 years respectively, being the estimated useful life of these assets.
 - (b) Depreciation on revalued amounts is provided on Straight Line Method based on the residual life of the said assets and adjusted to Revaluation Reserve.
 - (c) Cost of Leasehold Land is amortised over the period of the lease.
- (xii) **Deferred Tax :**
Deferred tax assets and liabilities are based on timing differences between the values of assets and liabilities recorded in the financial statements and those used for tax purposes. Tax rates applicable to future periods are used to calculate year-end Deferred Income Tax amounts.

2. Contingent liabilities not provided for :

- (i) Guarantees given by Banks – Counter guaranteed by the Company – Rs. 41.95 Million (Previous Year – Rs. 55.78 Million).
- (ii) Channel financing with recourse – Rs. 8.01 Million (Previous Year – Rs. 6.77 Million).
- (iii) Claims against the Company not acknowledged as debts – Rs. 101.64 Million (Previous Year – Rs. 94.33 Million).
- (iv) Surety Bond Executed by the Company in favour of the Government of India on behalf of its customer regarding payment of certain statutory dues – Rs. Nil (Previous Year – Rs. 0.60 Million).

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 14 : NOTES TO ACCOUNTS (Continued)

3. Compensation under Voluntary Retirement Scheme includes lump sum of Rs. 6.75 Million (Previous Year – Rs. Nil) paid and Net Present Value of Rs. 2.34 Million (Previous Year – Rs. Nil) towards monthly Pension payable to the employees at Mora.
4. Andhra Pradesh Electricity Regulatory Commission vide its Order dated 24th March, 2002, had approved increase in the Power Cost in the nature of "Wheeling Charges", as proposed by A. P. Transco, effective 1st April, 2002. The Wheeling charges were proposed to be recovered in cash and by compensation in kind for system losses. The Company had contested the said Order in the Honourable Andhra Pradesh High Court. Consequent to the favourable final order passed by the Honourable Andhra Pradesh High Court on 18th April, 2003, allowing the appeal, A. P. Transco has filed a Special Leave Petition in the Honourable Supreme Court. Pending the decision of the Honourable Supreme Court, the Company has, as a matter of abundant caution, during the year, provided the cash component of Wheeling Charges of Rs. 32.45 Million under the head "Power and Fuel". The cumulative provision of Rs. 77.21 Million provided from April 2002 onwards, has been disclosed as "Provision for Contingencies".
5. The Company has provided Rs. 25.03 Million under the head Salaries, Wages, Bonus and Gratuity, arising out of a shortfall in Gratuity Corpus mainly due to payments under Voluntary Retirement Schemes and reduction in interest rates.
6. The Company has erected its Silicon Carbide Plant at Tirupati on land in respect of which the transfer formalities have yet to be completed by the Andhra Pradesh State Government. The terms of transfer are under negotiation and the value will be accounted when negotiations are finalised.
7. Future liability in respect of lease rentals (for vehicles), aggregating to Rs. 1.98 Million (Previous Year – Rs. 5.30 Million) will be accounted in subsequent year as per the terms of the lease agreements.
8. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 27.75 Million – (Previous Year – Rs. 4.07 Million).
9. Exchange difference arising on foreign currency transactions amounting to Rs. 1.54 Million (Previous Year – Rs. 5.24 Million) (net loss) has been accounted under respective heads.
10. Deferred Tax :
The tax effects of significant timing differences that resulted in deferred tax assets and liabilities are :

	2004 (Rs. Million)	2003 (Rs. Million)
Depreciation on Fixed Assets	(104.55)	(103.06)
Provision for Doubtful Debts and Advances	14.72	13.92
Compensation under Voluntary Retirement Schemes	6.35	9.42
Provision for Contingencies	28.25	16.06
Others	17.97	14.33
Deferred Tax Liability	(37.26)	(49.33)
11. Earnings Per Share :		
Profit after tax as per Profit & Loss Account	291.80*	204.20
Weighted Average number of Equity Shares outstanding	13,840,000	13,840,000
Basic and Diluted Earnings Per Share (Rs.)	21.08	14.75
Nominal value of Shares (Rs.)	10	10

12. "Due to Small Scale Undertakings" (to the extent such parties have been identified from available information) include the following parties to whom the Company owes a sum which is outstanding for more than 30 days :

Abelin Polymers
Ace Tools & Guages
Acharya Industries
Algrain Products Pvt. Ltd
Ambar Board Industries
Balaji Agency
Creative Engineering Systems

Dia Tools
Gupta Grinding Mills
Kalyani Enterprises
Maruthi Press Tools
Mechdes Engineers
Mineral Processing Industries
Narayana Printing & Publishing

PackoPack
Shankar Melting Works
Sri Venketeshwara Pattern Works
Sri Ven Industrial Products
Sri Vijaylakshmi Pattern Works
VR Sons Engineers Pvt. Ltd.



SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 14 : NOTES TO ACCOUNTS (Continued)

	(Rs. Million)	2004 (Rs. Million)	2003 (Rs. Million)
13. Revenue expenditure on Research & Development charged to the Profit and Loss Account during the year		3.47	4.11
14. (i) Managerial remuneration u/s. 198 of the Companies Act, 1956 :			
(a) Managing Director			
Salaries	2.72		2.30
Commission	4.39		3.25
Contribution to Provident Fund & other Funds	0.94		0.76
Perquisites	0.58		0.58
		8.63	6.89
(b) Non-wholetime Directors			
Commission		4.39	3.25
		13.02	10.14
(c) Sitting Fees		0.16	0.18
(ii) Computation of Net Profits in accordance with Section 198 of the Companies Act, 1956, and the commission payable to Directors :			
Profit as per Profit and Loss Account		291.80	204.20
Add :			
Extraordinary Item	9.09		-
Provision for Tax	147.00		128.60
Managerial Remuneration	13.02		10.14
Sitting Fees	0.16		0.18
Provision for Doubtful Debts and Advances	1.43		0.06
Loss on assets sold/discarded (Net)	6.02		8.52
		176.72	147.50
		468.52	351.70
Less :			
Profit on Sale of Investments	17.46		7.49
Deferred Tax	12.07		19.11
		29.53	26.60
		438.99	325.10
Commission payable to :			
(a) Managing Director @ 1%		4.39	3.25
(b) Other Directors @ 1%		4.39	3.25
15. Advances recoverable in cash or in kind include :			
Loan due from an officer of the Company		0.15	0.20
Maximum Amount due at any time during the year		0.20	0.25
16. Amounts paid to Auditors :			
(i) Audit Fees		0.66	0.65
(ii) Audit under other Statutes		0.51	0.40
(iii) Tax representation before Authorities		0.45	0.28
(iv) Certification		0.31	0.27
(v) Reimbursement of Expenses		0.04	0.09
17. I. Value of Raw Materials Consumed :			
		2004	2003
	Unit	Quantity	Quantity
		(Rs. Million)	(Rs. Million)
(i) Abrasive Grains	Tons	10,908.09	9,721.85
(ii) Carbon Materials	Tons	10,587.00	8,204.00
(iii) Others		459.24	454.45

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 14 : NOTES TO ACCOUNTS (Continued)

II. Value of Imported and Indigenous Materials Consumed :

	2004		2003	
	%	(Rs. Million)	%	(Rs. Million)
(i) Imported Raw Materials	41.47	401.89	40.57	332.60
(ii) Indigenous Raw Materials	58.53	567.12	59.43	487.19
(iii) Imported Stores & Spares	1.33	0.89	1.33	0.80
(iv) Indigenous Stores & Spares	98.67	65.75	98.67	59.29

Note: Raw Materials consumed include captive consumption.

18. Value of Imports on CIF Basis :

	2004 (Rs. Million)	2003 (Rs. Million)
(i) Raw Materials	488.91	349.26
(ii) Spare Parts	1.76	1.96
(iii) Capital Goods	19.83	3.81
(iv) Others	13.65	8.70

19. Quantitative Details :

I. Capacities, Production, Stock and Sales :

Class of Goods	Units	Installed Capacity	Production	Opening Stock	Closing Stock	Sales	
						Quantity	Rs. Million
Bonded Abrasives	Tons	11,060.00 (10,700.00)	8,152.99 (7,585.57)	394.46 (374.30)	427.66 (394.46)	8,119.79 (7,565.41)	1,367.77 (1,228.59)
Coated Abrasives	Sqm. in Million	4.90 (4.90)	2.01 (1.56)	0.14 (0.11)	0.22 (0.14)	1.93 (1.53)	874.97 (688.24)
Abrasive Grains	Tons	5,000.00 (5,000.00)	5,857.49 (4,093.92)	248.82 (350.42)	480.64 (248.82)	5,625.67 (4,195.52)	378.16 (297.24)
Refractories	Tons	1,600.00 (1,600.00)	1,470.73 (1,450.43)	- -	- -	1,470.73 (1,450.43)	161.29 (171.84)
Others							231.32 (158.96)
Total							3,013.51 (2,544.87)

II. Notes:

- Installed Capacities are as certified by the Management.
- Licensed Capacity has not been mentioned as the products are delicensed.
- Production and sales of items above exclude captive consumption.
- Previous Year's figures are in brackets.

20. Expenditure in Foreign Currency :

	2004 (Rs. Million)	2003 (Rs. Million)
(i) Export Sales Commission	1.11	1.11
(ii) Foreign Travel	2.97	4.09
(iii) Royalties	22.98	19.57
(iv) Others	0.24	0.53

21. Amount remitted in Foreign Currency on account of :

	2004 (Rs. Million)	2003 (Rs. Million)
Dividend	46.17	42.62
Number of Non-Resident Shareholders	2	2
Number of Shares held	7,103,500	7,103,500
Year to which Dividend relates	2003	2002

22. Earnings in Foreign Exchange :

	2004 (Rs. Million)	2003 (Rs. Million)
(i) Exports of goods on FOB Basis	272.78	212.53
(ii) Freight on Exports	5.16	3.96
(iii) Insurance on Exports	0.03	0.01
(iv) Commission	4.59	2.85
(v) Export of Services	7.23	24.40
(vi) Other Income	4.72	0.09

SCHEDULES FORMING PART OF THE ACCOUNTS
SCHEDULE 14 : NOTES TO ACCOUNTS (Continued)

23. Related Party Disclosure :

1. Relationships :

(i) **HOLDING COMPANY :**

Compagnie de Saint-Gobain, through its two subsidiaries :

- (a) Saint-Gobain Abrasives Inc., U.S.A.
- (b) Saint-Gobain Promotion et Participations Internationales, France.

(ii) **SUBSIDIARY COMPANY :**

Saint-Gobain Weber (India) Limited (Ceased to be subsidiary from 28th December 2004).

(iii) **ASSOCIATE COMPANIES :**

ABC Super Abrasives, USA; Saint-Gobain Ceramic Material, Kuppenheim, Germany; Hangzhou Saint-Gobain Vetrotex Fibre Glass Co. Ltd., China; Saint-Gobain Ceramic Materials A.S., Norway; Kure-Norton Company Ltd., Japan; Saint-Gobain Ceramic Materials, Japan; L. M. Van Moppes Diamond Tools (India) Pvt. Ltd., Saint-Gobain Ceramics & Plastics Inc., Worcester, USA; Lincoln Helios (India) Limited, Saint-Gobain Ceramics Industriales SA, Spain; Norton Proppants Inc, USA; Saint-Gobain Crystals & Detectors India Pvt. Ltd., Obeikan Saint-Gobain Co. Ltd., Saudi Arabia; Saint-Gobain Daimantwerkzeuge GmbH & Co. KG, Germany; PT Saint-Gobain Norton Hamplas, Indonesia; Saint-Gobain Delegate Office, India; PT Saint-Gobain Winter Diamas, Indonesia; Saint-Gobain Abrasifs, Maroc, Morocco; Saint-Gobain Diamant Winter Ltd., Greece; Saint-Gobain Abrasifs (Deplanque), France; Saint-Gobain Diamant Winter SA (Pty) Ltd., South Africa; Saint-Gobain Abrasifs, France; Saint-Gobain Gelva BV, Holland; Saint-Gobain Abrasives International, Taiwa; Saint-Gobain Glass India Limited, Saint-Gobain Abrasive Int'l Trading Shanghai Co. Ltd., China; Saint-Gobain Industrial Ceramics, UK; Saint-Gobain Abrasives (Australia) Pty Ltd., Saint-Gobain Industrial Ceramics, U.S.A; Saint-Gobain Abrasives (Pty) Ltd., South Africa; Saint-Gobain industriekeramik, Germany; Saint-Gobain Abrasives (Shanghai) Co. Ltd., China; Saint-Gobain Materiaux Ceramiques SA, France; Saint-Gobain Abrasives (Singapore) Pte Ltd., Saint-Gobain Norpro India Pvt. Ltd., Saint-Gobain Abrasives AB, Sweden; Saint-Gobain Norton KK, Japan; Saint-Gobain Abrasives AS, Denmark; Saint-Gobain PAM, France; Saint-Gobain Abrasives BV, Netherlands; Saint-Gobain Performance Plastic Co. Ltd., Korea; Saint-Gobain Abrasives GmbH (Cora), Germany; Saint-Gobain Performance Plastics Corporation, Ohio; Saint-Gobain Abrasives GmbH, Germany; Saint-Gobain Performance Plastics Corporation, USA; Saint-Gobain Abrasives Inter, Hong Kong; Saint-Gobain Performance Plastics Pampus GmbH, Germany; Saint-Gobain Abrasives International, China; Saint-Gobain Performance Plastics, Ireland; Saint-Gobain Abrasives International, USA; Saint-Gobain PPL Gembloux SA, Belgium; Saint-Gobain Abrasives Ltd., Gloucestershire, U.K; Saint-Gobain PPL Kontich NV, Belgium; Saint-Gobain Abrasives Ltd., New Zealand; Saint-Gobain Pipes France; Saint-Gobain Abrasives Ltd., Strafford, UK; Saint-Gobain Sekurit India Limited, Saint-Gobain Abrasives Ltd., Welwyn, UK; Saint-Gobain Seva, France; Saint-Gobain Abrasives S.A., Navarra; Saint-Gobain Icasa, S.A., Spain; Saint-Gobain Abrasives SA, Poland; Saint-Gobain Universal Abrasives, Inc., USA; Saint-Gobain Abrasives Troy, USA; Saint-Gobain Verneret, France; Saint-Gobain Abrasives, Kolo; Saint-Gobain Vetrotex India Ltd., Saint-Gobain Abrasives, Korea; Saint-Gobain Weber Building Solutions, Germany; Saint-Gobain Abrasives B.V.Born, Netherlands; Saint-Gobain Weber S.A, Saint-Gobain Abrasivi S.p.A., Italy; Saint-Gobain White Dove Cera Mate Co., Saint-Gobain Abrasivos Ltd., Brazil, Santa Marina, Brazil; Saint-Gobain Abrasivos S.A. (Debray), Spain; SEPR Refractories India Limited, Saint-Gobain Abrasivos S.A., Spain; SEPR, Cedex, France; Saint-Gobain Abrasives Water Vilet, USA; SGA Int'l Trading HK Ltd., Hong Kong; Saint-Gobain Ceramic Material (Lianyungang) Co., China; Zhengzhou Saint-Gobain W.D.C.M. Co. Ltd., China.

(iv) **KEY MANAGEMENT PERSONNEL :**

A. Y. Mahajan - Managing Director

2. The following transactions were carried out with the related parties in the ordinary course of business :

(i) Details relating to parties referred to in items 1(i), (ii) and (iii) above :

(Rs. Million)

	Particulars	Holding Company		Subsidiary Company		Associate Companies	
		2004	2003	2004	2003	2004	2003
1	Sales	3.76	2.18	-	-	125.65	94.92
2	Agency Commission received	0.03	-	-	-	2.74	1.52
3	Interest received	-	-	0.06	-	-	-
4	Dividend received	-	-	-	-	8.75	5.00
5	Service Income	-	-	-	-	12.44	29.45
6	Sale of Investments	-	-	-	-	0.50	-
7	Other Income	0.02	-	-	-	2.48	6.83
8	Purchase of Goods	11.45	1.35	-	-	226.76	141.97
9	Expenses charged to other companies	-	-	-	-	15.42	4.64
10	Expenses charged by other companies	-	-	-	-	4.80	3.22
11	Debts and Advances Provided / Written off	-	-	-	-	5.65	-
12	Royalty Paid	21.45	18.11	-	-	1.53	1.46
13	Purchase/ Transfer of Fixed Assets	-	-	-	-	-	1.03
14	Inter Corporate Deposit given and Repaid	-	-	6.22	-	-	-
15	Deposit taken	-	-	-	-	4.87	1.13
16	Outstanding receivables, (net of payables)	(21.61)	(14.91)	-	-	0.67	15.02
17	Outstanding deposits	-	-	-	-	13.85	8.98

(ii) Details relating to person referred to in item 1(iv) above:

	2004	2003
Remuneration	8.63	6.89

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 14 : NOTES TO ACCOUNTS (Continued)

24. Segment Reporting :

A. Information about Business Segments

(Rs. Million)

	Abrasives		Ceramics & Plastics		Others		Unallocated		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Revenue										
Segment Revenue	2,068.74	1,738.80	592.35	529.26	58.13	47.98	-	-	2,719.22	2,316.04
Less: Inter-segment sales	-	-	(61.99)	(70.35)	-	-	-	-	(61.99)	(70.35)
Net Sales	2,068.74	1,738.80	530.36	458.91	58.13	47.98	-	-	2,657.23	2,245.69
Result										
Segment Result	318.23	205.26	92.19	81.48	12.89	3.31	-	-	423.31	290.05
Unallocated (Expenditure)/ Income - (Net)							(35.02)	3.43	(35.02)	3.43
Interest Expenses							(2.00)	(7.30)	(2.00)	(7.30)
Interest Income							14.52	13.25	14.52	13.25
Dividend Income							17.55	6.77	17.55	6.77
Profit on sale of Investments							17.46	7.49	17.46	7.49
Profit before Tax and Extraordinary Item									435.82	313.69
Extraordinary Item							9.09	-	9.09	-
Profit before Tax									426.73	313.69
Provision for Tax (Including Deferred Tax)							(134.93)	(109.49)	(134.93)	(109.49)
Profit after Tax									291.80	204.20
Other Information										
Total Assets (gross)	1,189.49	1,125.21	367.52	299.31	64.83	32.61	780.71	676.88	2,402.55	2,134.01
Less : Revaluation Reserve	(27.62)	(28.73)	(23.12)	(23.78)	-	-	-	-	(50.74)	(52.51)
Net Assets	1,161.87	1,096.48	344.40	275.53	64.83	32.61	780.71	676.88	2,351.81	2,081.50
Total Liabilities	331.00	294.88	162.54	121.96	40.03	17.26	301.90	265.05	835.47	699.15
Capital Expenditure	95.88	53.43	27.63	14.00	-	1.00	9.53	2.68	133.04	71.11
Depreciation	54.49	53.27	9.47	9.41	0.07	0.02	3.40	2.06	67.43	64.76
Non-cash expenses other than depreciation	-	0.94	-	-	-	-	-	-	-	0.94

B. Information about Geographical Segments

Particulars	India		Outside India		Total	
	2004	2003	2004	2003	2004	2003
Sales Revenue	2,384.45	2,033.16	272.78	212.53	2,657.23	2,245.69
Carrying Amount of Assets	2,351.81	2,081.50	-	-	2,351.81	2,081.50
Capital Expenditure	133.04	71.11	-	-	133.04	71.11

Notes:

(i) The Company is organised into the following business segments, namely :

- Abrasives
- Ceramics & Plastics
- Others

Segments have been identified and reported taking into account the nature of products and services, the differing risks and returns, the organisation structure, and the internal financial reporting systems.

(ii) The Segment revenue in each of the above business segments consists of Sales (net of returns, excise duty, sales tax, rebates etc.).

(iii) Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.

(iv) Segment results are net of corporate overheads aggregating to Rs. 56.20 Million (Previous Year – Rs. 49.13 Million), allocated on a reasonable basis.



SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 14 : NOTES TO ACCOUNTS (Continued)

25. Statement Pursuant to Part IV of Schedule VI to the Companies Act, 1956:

Balance Sheet Abstract for the Year Ended 31st December, 2004 and Company's General Business Profile

I. REGISTRATION DETAILS

Registration No.	:	8163
State Code	:	11
Balance Sheet Date	:	31-12-2004

(AMOUNT IN RS. THOUSANDS)

II. CAPITAL RAISED DURING THE YEAR

Public Issue	:	NIL
Rights Issue	:	NIL
Bonus Issue	:	NIL
Private Placement	:	NIL

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

Total Liabilities	:	1618254
Total Assets	:	1618254

SOURCES OF FUNDS

Paid-up Capital	:	138400
Reserves & Surplus	:	1428678
Secured Loans	:	NIL
Unsecured Loans	:	13921
Deferred Tax	:	37255

APPLICATION OF FUNDS

Net Fixed Assets	:	688386
Investments	:	739710
Net Current Assets	:	190158
Misc. Expenditure	:	NIL
Accumulated Losses	:	NIL

IV. PERFORMANCE OF COMPANY

Turnover (includes Miscellaneous Income)	:	2773350
Total Expenditure (After Extraordinary Item)	:	2346624
Profit Before Tax	:	426726
Profit After Tax	:	291796
Earning per Share in Rs.	:	21.08
Dividend Rate %	:	100%

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (AS PER MONETARY TERMS)

Item Code No. (ITC Code)	:	680422.01
Product Description	:	GRINDING WHEELS OF SYNTHETIC ABRASIVE GRAINS
Item Code No. (ITC Code)	:	680510.01
Product Description	:	ABRASIVE CLOTHS
Item Code No. (ITC Code)	:	284920.00
Product Description	:	SILICON CARBIDE

26. Previous Year's figures have been recast and rearranged wherever necessary.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER, 2004

	(Rs. Million)	2004 (Rs. Million)	(Rs. Million)	2003 (Rs. Million)
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Profit before Tax and Extraordinary Item		435.82		313.69
Adjustments for :				
Technical Knowhow Fees Written off	-		0.94	
Depreciation	67.43		64.76	
Unrealised Foreign Exchange (Profit)/Loss (Net)	(0.49)		0.51	
Loss on Sale of Fixed Assets	6.02		8.52	
Profit on Sale of Investments	(17.46)		(7.49)	
Dividend Received	(17.55)		(6.77)	
Diminution in value of Long Term Investments	-		(0.21)	
Interest (Net)	(12.52)	25.43	(5.95)	54.31
Operating Profit Before Working Capital Changes		461.25		368.00
Adjustments for :				
Trade and other Receivables	(17.37)		10.55	
Inventories	(104.35)		(4.33)	
Trade and other Payables	133.27	11.55	43.94	50.16
Cash Generated from Operations		472.80		418.16
Direct Taxes Paid	(191.84)		(133.66)	
Tax Refund	27.31	(164.53)	6.05	(127.61)
Cash Flow before Extraordinary Item		308.27		290.55
Compensation under Voluntary Retirement Scheme		(9.09)		-
Net Cash from Operating Activities		299.18		290.55
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Purchase of Fixed Assets	(127.69)		(72.53)	
Sale of Fixed Assets	2.53		0.19	
Proceeds of Sale of Investments	153.71		94.22	
Purchase of Investments	(55.00)		(63.00)	
Interest Received	13.91		11.14	
Dividend Received	17.55		6.77	
Net Cash from/(used in) Investing Activities		5.01		(23.21)
C. CASH FLOW FROM FINANCING ACTIVITIES :				
Net (decrease) in Borrowing	(15.42)		(48.14)	
Interest	(7.30)		(11.25)	
Dividends Paid	(92.61)		(81.13)	
Tax on Dividend	(11.53)		(10.64)	
Net Cash used in Financing Activities		(126.86)		(151.16)
NET INCREASE IN CASH AND CASH EQUIVALENTS		177.33		116.18
CASH AND CASH EQUIVALENTS OPENING BALANCE				
Cash and Bank Balances	70.90		70.18	
Cash Credit Accounts	(7.67)		(6.81)	
Cash Equivalents (Investments in Current Securities)	163.42	226.65	47.10	110.47
CASH AND CASH EQUIVALENTS CLOSING BALANCE				
Cash and Bank Balances	58.62		70.90	
Cash Credit Accounts	-		(7.67)	
Cash Equivalents (Investments in Current Securities)	345.36	403.98	163.42	226.65
		177.33		116.18

- NOTES: 1. The Company has undrawn borrowing facilities amounting to Rs. 260 Million (Previous Year – Rs. 252.33 Million).
2. Previous Year's figures have been regrouped to conform with the current year's presentation.

As per our Report of even date
For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants

E. K. IRANI
Partner
Membership No. 35646
Mumbai: 9th March, 2005

S. M. MANDKE
Secretary

A. C. CHAKRABORTTI
A. Y. MAHAJAN

N. D. SIDHVA
D. S. VARIAVA
M. S. MEHTA

Vice-Chairman
Managing Director

Directors

Mumbai: 9th March, 2005

SHAREHOLDER'S RESPONSE SHEET

9th March, 2005

Dear Shareholder,

As a part of our continuous effort to enhance the quality of shareholder services being provided by the Company/ Company's Registrars & Transfer Agents, M/s. Tata Share Registry Limited (TSRL), we solicit your views and comments on the quality of the services being provided by the Company/TSRL.

We will highly appreciate, if you could spare some of your valuable time to provide us with feedback relating to the services provided to you by the Company/TSRL.

You may return the enclosed questionnaire with your comments at the below mentioned address:-

Secretarial Department
Grindwell Norton Limited
Army & Navy Building,
148, M.G. Road,
Mumbai – 400 001

We look forward to your response and assure you of our best services.

Thanking you,

Yours faithfully
For Grindwell Norton Limited

S. M. MANDKE
COMPANY SECRETARY

QUESTIONNAIRE

	ACTIVITY	EXCELLENT	GOOD	SATISFACTORY	NEEDS IMPROVEMENT
		[please tick (✓) the appropriate box]			
1.	Adequacy and Presentation of information in the annual report for 2004.				
2.	Response to your queries from the secretarial department of the Company.				
3.	Response to your queries from Registrars & Transfer Agents (TSRL).				
4.	Timely receipt of dividend/Annual Report and other correspondence from the Company.				
5.	Time taken on transfers/transmissions/demat.				

Suggestions for improving the quality of services.

Signature : _____

Name : _____

Folio/DP & Client ID : _____

Date : _____

TEAR HERE