

DIRECTORS

(As on 6th March, 2008)

Mr. J. ASCHENBROICH
(Chairman)

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

Mr. R. K. BILIMORIA

Ms. M. A. CHUPIN

Mr. J. T. CROWE

Mr. O. DUVAL

Mr. P. MILLOT

Mr. J. A. J. PEREIRA

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

Mr. B. S. RAUT

Mr. S. SALGAOCAR

Mr. P. SHAH

Mrs. D. S. VARIAVA

Mr. A. Y. MAHAJAN

(Managing Director)

DIRECTOR EMERITUS

Mr. N. D. SIDHVA

MANAGEMENT COMMITTEE

Mr. V. Agarwal

(Abrasives)

Mr. G. D'Cunha

(Human Resources)

Mr. J. A. J. Pereira

(Finance & Corporate
Services)

Mr. K. K. Prasad

(Ceramics & Plastics)

Mr. M. A. Puranik

(Corporate Finance &
Taxation)

Mr. M. Ramarathnam

(Projects & EHS)

COMPANY SECRETARY

Mr. K. Visweswaran

Bankers

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

Auditors

Kalyaniwalla & Mistry,
Chartered Accountants

Registrars & Transfer Agents

TSR Darashaw Ltd.
6-10, Haji Moosa Patrawala
Ind. Estate,
20, Dr. E. Moses Road,
Mahalaxmi,
Mumbai 400 011
Tel. No.: 022 - 6656 8484
Fax No.: 022 - 6656 8494

Registered Office

Leela Business Park,
5th Level,
Andheri-Kurla Road,
Marol, Andheri – East
Mumbai – 400 059.
Tel. No. 022 - 4021 2121
Fax. No. 022 - 4021 2102

Factories

1. Mora, Dist. Raigad,
Maharashtra
2. Bangalore, Karnataka
3. Tirupati, Andhra Pradesh
4. Nagpur, Maharashtra
5. Bated, Dist. Solan,
Himachal Pradesh
(Under Construction)

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NOTICE

NOTICE is hereby given that the Fifty-eighth Annual General Meeting of the Members of Grindwell Norton Limited will be held on Thursday, 24th April, 2008, at 2.30 p.m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikushru Dubash Marg, (Rampart Row), Mumbai-400 001 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, the Auditors' Report and the Audited Balance Sheet and Profit and Loss Account, together with Schedules and Cash Flow Statement of the Company for the year ended 31st December, 2007.
2. To declare a dividend for the year ended 31st December, 2007 and to ratify the payment of interim dividend on equity shares.
3. To appoint a Director in place of Mr. P. Millot who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. O. Duval who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Ms. M. A. Chupin who retires by rotation and being eligible, offers herself for re-appointment.
6. To re-appoint M/s. Kalyaniwalla & Mistry, Chartered Accountants, who are eligible for re-appointment as the Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

7. Appointment of Mr. R. K. Bilimoria as Director.
To appoint a Director in place of Mr. R. K. Bilimoria who holds office upto the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956, read with Article 112 of the Articles of Association of the Company and being eligible, offers himself for appointment and in respect of whom the Company has received a notice in writing from a member proposing the candidature of Mr. R. K. Bilimoria for the office of a Director.
8. Appointment of Mr. J. T. Crowe as Director.
To appoint a Director in place of Mr. J. T. Crowe who holds office upto the date of this Annual General Meeting in terms

of Section 260 of the Companies Act, 1956, read with Article 112 of the Articles of Association of the Company and being eligible, offers himself for appointment and in respect of whom the Company has received a notice in writing from a member proposing the candidature of Mr. J. T. Crowe for the office of a Director.

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

"RESOLVED THAT in accordance with the provisions of Section 309(4) and other applicable provisions, if any, of the Companies Act, 1956, and Article 116(2) of the Articles of Association of the Company, the non whole-time directors (excluding the directors who are nominees of Compagnie de Saint-Gobain or its subsidiaries) be paid a commission to be divided among them in such manner as the Board of Directors (the Board) may from time to time determine, of such amount not exceeding one percent of the net profits of the Company, computed in the manner prescribed under the provisions of the Companies Act, 1956, for a period of not more than five years commencing from 1st January, 2009.

FURTHER RESOLVED THAT the aforesaid commission shall be in addition to the sitting fees and/or out of pocket expenses payable to such directors for each meeting of the Board or Committees of the Board attended by such directors.

FURTHER RESOLVED THAT the Board be and is hereby authorized to take such steps as may be necessary, desirable or expedient to give effect to this Resolution."

6th March, 2008

By Order of the Board

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

K. VISWESWARAN
COMPANY SECRETARY

NOTES :

- (a) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**



Profitable Growth

- (b) **PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
- (c) The Register of Members and Share Transfer Books of the Company will be closed from Tuesday, 25th March, 2008 to Friday, 28th March, 2008 (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 are annexed hereto.
- (e) As per the amended provisions of the Companies Act, 1956, the interim dividend remaining unclaimed or unpaid for the financial year 1999-2000 had been transferred to the Investor Education and Protection Fund (Fund) of the Central Government on 17th May, 2007. The unpaid dividend declared for the financial period ended 31st December, 2000 will be due for transfer to the Fund on 12th July, 2008. The Unpaid Dividend for all the subsequent years will be transferred to the Fund on expiry of seven years from their respective dates of transfer to the 'Unpaid Dividend Account'. Members who have not yet realized the dividend declared during the period ended 31st December, 2000, and all subsequent financial years, are once again requested to make their claims immediately to the Company or to the Company's Registrars & Transfer Agents – TSR Darashaw Ltd. (TSRD).
- (f) The facility for making nomination is available to the Members in respect of the shares held by them.
- (g) All documents referred to in the Notice and Explanatory Statement are open for inspection to the members at the Registered Office of the Company between 11:00 a.m. and 1:00 p.m. on all working days upto the date of this Annual General Meeting.
- (h) (i) Copies of the Annual Report will not be distributed at the Annual General Meeting. 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 Company Secretary of the Company at least ten days in advance of the meeting, so that the information, to the extent practicable, can be made available at the meeting.
- (iii) Members holding shares in the same set of names under different Ledger Folios are requested to apply for consolidation of such folios along with relevant share certificates to TSRDL.
- (iv) Members are requested to immediately intimate the change, if any, in their registered address to TSRDL.

ANNEXURE TO THE NOTICE

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

ITEM NO. 3

Mr. P. Millot, a French national, is 44 years old and holds a Degree in Engineering. He joined Compagnie de Saint-Gobain (CSG) in 1996 and has gained rich experience in various fields. Presently, he is the President of the Grains and Powders and Ceramics Division, which is a part of the High Performance Materials (HPM) sector of CSG. He is also on the Board of SEPR Refractories India Ltd., one of the Saint-Gobain Group Companies in India. Mr. P. Millot does not hold any equity shares in Grindwell Norton Limited.

ITEM NO. 4

Mr. O. Duval, a French national, is 59 years old and holds a Degree in Engineering. He joined CSG in 1972 and has gained rich experience in various fields. Presently, he is President – Strategic Planning for the HPM sector of CSG. Mr. O. Duval does not hold any equity shares in Grindwell Norton Limited.

ITEM NO. 5

Ms. M. A. Chupin, a French national, is 50 years old and has done her Masters in Business Law and Labour Law. She

joined CSG in 1979 and has rich exposure in the Legal field. Presently, she is the President – Legal Affairs for the HPM sector of CSG. Ms. M. A. Chupin does not hold any equity shares in Grindwell Norton Limited.

ITEM NO. 7

Mr. R. K. Bilimoria is 73 years old and holds a Bachelor Degree in Science. He has varied management experience of around 40 years in industries connected to Floorings, Shipping, and Food products. He is also on the Board of Bilimoria Foods & Beverages P. Ltd., Smokin Joe's Pizza P. Ltd., Shree Vindhya Cast Coaters Ltd. and Smokin Lees Restaurants P. Ltd. He is a member of the Shareholders/Investors Grievance Committee of the Company. Mr. R. K. Bilimoria holds 2,24,920 equity shares in Grindwell Norton Limited.

ITEM NO. 8

Mr. J. T. Crowe, 54 years old, is a Chemical Engineer and has done his MBA from Boston College, USA. In 1978, he joined Norton Inc., which was acquired by CSG in 1990. He has gained rich experience in various fields. Presently, he is the President of Abrasives Division, which is a part of the HPM sector of CSG. Mr. J. T. Crowe does not hold any equity shares in Grindwell Norton Limited.



EXPLANATORY STATEMENT

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

ITEM NO. 7

Mr. R. K. Bilimoria was appointed as an additional director of the Company on 12th December, 2007. In terms of the provisions of Section 260 of the Companies Act, 1956, read with Article 112 of the Articles of Association of the Company, Mr. R. K. Bilimoria holds office upto the date of the forthcoming Annual General Meeting of the Company. Mr. R. K. Bilimoria's brief résumé has been given at item no. 7 in the Annexure to the notice.

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

Except Mr. R. K. Bilimoria 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. 8

Mr. J. T. Crowe was appointed as an additional director of the Company on 12th December, 2007. In terms of the provisions of Section 260 of the Companies Act, 1956, read with Article 112 of the Articles of Association of the Company, Mr. J. T. Crowe holds office upto the date of the forthcoming Annual General Meeting of the Company. Mr. J. T. Crowe's brief résumé has been given at item no. 8 in the Annexure to the notice.

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

Except Mr. J. T. Crowe and other nominee directors of CSG, no other director is concerned or interested in this Resolution.

Your Directors recommend this Ordinary Resolution for your approval.

ITEM NO. 9

Section 309(4) of the Companies Act, 1956, and Article 116(2) of the Articles of Association of the Company provide for payment of commission to non whole-time directors of the Company.

At present, non whole-time directors, except the directors who are nominees of CSG or its subsidiaries, are paid a sitting fee of Rs. 5,000/-, for each Meeting of the Board/Audit Committee/Shareholders/Investors Grievance Committee attended by them. In addition, they are entitled to a profit commission, as determined by the Board of Directors from time to time, upto 1% of the net profit of the Company, for five financial years commencing from 1st January, 2004, as authorised under a Special Resolution of the Shareholders passed at the Fifty third Annual General Meeting, held on 29th April, 2003.

Since such directors devote considerable time to the business of the Company and the Company substantially benefits from their expertise and advice, it is appropriate that the said directors continue to be paid the proposed commission on profits for a further period of five years commencing from 1st January, 2009.

All the directors, except the whole-time directors and who are nominees of CSG or its subsidiaries, may be deemed to be concerned or interested in this Special Resolution.

Your Directors recommend this Special Resolution for your approval.

6th March, 2008

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

By Order of the Board

K. VISWESWARAN
COMPANY SECRETARY

DIRECTORS' REPORT

The Members,
Grindwell Norton Limited

Your Directors present the Fifty-eighth Report of the Company along with the Audited Accounts for the year ended 31st December, 2007.

Financial Highlights

	(Rs. Million)	
	2007	2006
Sales	4970.1	4212.9
Operating Profit	825.5	686.5
Interest	2.9	1.4
Profit before Tax and Extraordinary Item	822.6	685.1
Extraordinary Item (net of tax)	770.0	–
Profit before Tax and after Extraordinary Item	1592.6	685.1
Provision for Tax	257.5	224.9
Profit after Tax	1335.1	460.2
Surplus Brought forward	150.0	100.0
	1485.1	560.2
Appropriations:		
Interim Dividend	221.4	193.7
Tax on Interim Dividend	37.7	27.2
Proposed Dividend	221.4	–
Tax on Proposed Dividend	37.7	–
General Reserve	716.9	189.3
Surplus carried to Balance Sheet	250.0	150.0
	1485.1	560.2

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, 2007 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

During the year under review, your Company's sales recorded a growth of 18%. This performance is attributable to the sustained buoyancy in domestic demand and gains in market share in some segments. Higher volumes and improvement in operating efficiencies have enabled the Company to record a growth of 20% in operating profits.

New Unit in Himachal Pradesh

The Company is making rapid progress in setting up a new unit to manufacture Abrasive products at Village Bated, District Solan, in Himachal Pradesh. The estimated cost of the project is about Rs. 370 Million. A first phase of commercial production is likely to start during second quarter of 2008. This unit will enjoy excise and income tax benefits as prescribed by the respective laws.

Subsidiary in Bhutan

During the year, your Company has incorporated a subsidiary company, namely Saint-Gobain Ceramic Materials Bhutan Pvt. Ltd. (SGCMB) in Bhutan. SGCMB is a Joint Venture between your Company and the Singye Group of Bhutan. Your Company holds 70% of the equity capital. The objective of setting up this subsidiary is to construct a new plant to manufacture silicon carbide in Bhutan, where electricity is available at a lower cost. Commercial Production is expected to start in the last quarter of 2008.

Financial Statement of the Subsidiary

Under Section 212(8) of the Companies Act, 1956, the Ministry of Corporate Affairs (MCA) has, vide approval letter No. 47/23/2008-CL-III dated 5th February, 2008, granted exemption from attaching the financial statement of SGCMB to your Company's Accounts for the year ended 31st December, 2007. Hence, these have not been annexed. However, the annual accounts of SGCMB and the related detailed information will be made available to shareholders of the Company on request and will also be available for inspection at the Registered Office of your Company and the Registered Office of SGCMB.

Sale of shareholding in Lincoln Helios (India) Limited (LHI)

During the year, your Company sold its entire shareholding in LHI (5,00,000 equity shares of Rs. 10/- each) to its Joint Venture partner Lincoln GmbH, Germany, for a total consideration of Rs. 1 Billion.

Dividend

On 12th December, 2007, your Company paid a Special Interim Dividend of Rs. 4 per equity share. Your Directors recommend a final dividend of Rs. 4 per equity share for the year ended 31st December, 2007. The total dividend outgo on account of the Special Interim Dividend and the final dividend (excluding tax on dividend) will be Rs. 442.88 Million (previous year Rs. 193.76 Million).



Abrasives

Buoyant domestic demand resulted in higher volumes in Abrasives. Market share gains in certain segments also contributed to growth. Improved operating efficiencies, better product mix and price realization resulted in higher operating margins.

Ceramics & Plastics

The Silicon Carbide business continued to grow although the profitability was affected. The breakdown of one out of the two units at Andhra Pradesh Gas Power Corporation Limited reduced the availability of electricity for the plant. This had to be compensated partly by utilizing higher cost electricity from the grid and partly by imports of high cost crude. Both these actions significantly impacted the profitability of the business. The "Wheeling Charges" matter is still pending before the Honourable Supreme Court.

The Refractories business had a good year. The Performance Plastics business witnessed another year of strong growth.

Future Prospects

Your Company's performance will be in line with the growth of the economy.

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

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

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant information pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo as required in the prescribed format is annexed (Annexure A) and forms part of this Report.

Fixed Deposits

At present your Company does not accept any fixed deposits.

Employee Relations

Your Directors place on record their appreciation for the contribution made by all the employees in the progress of your Company. Employee Relations were generally cordial at all units of the Company. As at the year-end, there were 1426 employees.

Acknowledgments

Your Directors take this opportunity to acknowledge with sincere gratitude the support of its esteemed customers, the strength it derives from its association with Compagnie de Saint-Gobain and a number of its subsidiaries (in particular, Saint-Gobain Abrasives Inc.), the continued support and co-operation from its Bankers and the loyalty of the large family of the Company's Dealers, Suppliers and valued Shareholders.

Particulars of Employees

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is annexed (Annexure B) and forms part of this report.

Management Discussion & Analysis Report and Report on Corporate Governance

The Management Discussion and Analysis Report and Report on Corporate Governance along with a Certificate dated 6th March, 2008, of the Auditors of your Company, regarding the compliance of the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges is annexed (Annexure C) and forms part of this Report.

Directors

Mr. J. H. Menendez and Mrs. M. S. Mehta resigned as Directors of your Company with effect from 12th December, 2007. The Board of Directors places on record its appreciation for the valuable contribution made by the outgoing Directors of your Company.

Mr. J. A. J. Pereira has been appointed as an Alternate Director to Ms. M. A. Chupin with effect from 25th July, 2007. Mr. J. T. Crowe and Mr. R. K. Bilimoria were appointed as Additional Directors with effect from 12th December, 2007.

Mr. J. T. Crowe and Mr. R. K. Bilimoria hold office upto the date of the forthcoming 58th Annual General Meeting of the Company. As required under Section 257 of the Companies Act, 1956, the Company has received notices in writing from Members proposing the candidature of Mr. J. T. Crowe and Mr. R. K. Bilimoria as Directors of the Company.

In accordance with the requirements of the Companies Act, 1956 and Articles of Association of the Company, Mr. P. Millot, Mr. O. Duval and Ms. M. A. Chupin retire by rotation and being eligible, offer themselves for reappointment as Directors of your Company.

Auditors

M/s. Kalyaniwalla & Mistry, Chartered Accountants, Auditors of your Company, retire on the conclusion of 58th 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: 6th March, 2008

ANNEXURE A TO THE DIRECTORS' REPORT

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

CONSERVATION OF ENERGY:

Various energy conservation initiatives viz. improved combustion efficiency, optimization of power distribution system, etc. were completed during the year.

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

Product: Refractories

	2007	2006
A. Power and Fuel Consumption:		
1. ELECTRICITY		
(a) Purchased:		
Units	1213367	1074697
Total Amount (Rs. Million)	5.77	5.14
Rate/Unit Rs.	4.76	4.78
(b) Own Generated		
(i) Through diesel generators:		
Units	124523	201513
Units per Ltr. of diesel	3.23	3.19
Cost/Unit (Rs.)	11.72	9.62
(ii) Through Steam turbine/generator	Nil	Nil
2. FUEL OIL		
Quantity (K. Ltrs.)	1022	949
Total amount (Rs. Million)	19.78	24.93
Average rate (Rs.)	19354	26281
B. Consumption per unit of production:		
Electricity KWH/TON	905	849
Fuel oil KL/TON	0.69	0.60

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:

- Abrasives: Grains, Bonded, Coated, Super Abrasives & Non-Woven.
- Ceramics: Refractories and Monolithics.

2. Benefits derived as a result of the above R & D:

(a) Abrasives:

Development of:

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

Improvements in:

- Fuel efficiency of Vitrified Kiln.
- Consistency of Organic and vitrified wheels.
- Kiln efficiency and consistency for vitrified products.
- Characterization process for grinding wheels.
- Safety and Occupational health.

(b) Ceramics:

Development of:

- Sicanit AL, Coranit, new Mortar and Castables for Blast Furnace Lining.
- Castable for Carbon Black industry (for Exports).

Improvements in:

- Environment and Industrial Hygiene.

3. Future plans of action:

- Technology adaptation from Saint-Gobain companies in identified priority areas for development of new and improved products.
- Development and utilization of advanced tools to facilitate enhanced grinding system solutions at the customer's end.

4. Expenditure on R & D for the year ended 31st December, 2007:

	Rs. Million
(a) Capital	Nil
(b) Recurring	6.64
(c) Total	6.64
(d) Total R & D expenditure as a percentage of total turnover	0.13%

Technology absorption, adaptation and innovations:

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

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

Total earnings in foreign exchange for the year ended 31st December, 2007 were Rs. 468.62 Million and the total outflow was Rs. 1422.32 Million. Details are given in Schedule 13.



ANNEXURE B TO THE DIRECTORS' REPORT

STATEMENT UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975.

NAME	AGE	DESIGNATION/ NATURE OF DUTIES	REMUNERATION RS.	QUALIFICATION	COMMENCEMENT OF EMPLOYMENT	LAST EMPLOYMENT	TOTAL EXPERIENCE (YEARS)
EMPLOYED THROUGHOUT THE YEAR							
AGARWAL VINAY	52	PRESIDENT – ABRASIVES	7,322,779	B. TECH., PGDM (IIM)	SEP. 2004	M.D. – RPG CABLES LTD.	27
D'CUNHA GERARD	50	V. P. – HUMAN RESOURCES	4,469,526	B.SC., M.A. (PM&IR)	DEC. 1998	ASST. GEN. MGR. – LARSEN & TOUBRO LTD.	27
KANSAL ANUP	42	GEN. MGR. – MARKETING	3,433,396	B.E., PGDM (IIM)	JUNE 2006	HEAD – SALES & MKTG. – BALLARPUR IND. LTD.	17
MAHAJAN A.Y.	55	MANAGING DIRECTOR	19,283,544	M.A. (ECON.), MBA (USA)	JUNE 1983	PROJ. CONSULTANT – STATE BANK OF INDIA	32
PEREIRA J. A. J.	59	EXEC. DIRECTOR – FIN. & CORP. SERVICES	7,143,254	B.SC., FICWA, PGDM (IIM)	MAY 1975	NONE	33
PRASAD K. K.	45	V. P. – CERAMICS & PLASTICS	6,447,843	B.SC. (ENGG.), PGDM (IIM)	MAY 1990	MECH. ENGINEER – FACT LTD.	21
PURANIK M. A.	52	V. P. – CORP. FIN. & TAXATION	5,597,187	B.COM., ACA	MAY 1988	DY. CHIEF ACCOUNTANT – GARWARE MARINE IND. LTD.	27
RAMARATHNAM M. R.	59	V. P. – PROJECTS	4,868,492	B.E. (MECH), PRDN. MGT.	APRIL 1982	SR. ENGINEER – ASHOK LEYLAND LTD.	37
EMPLOYED FOR PART OF THE YEAR							
BHAT V.	47	GEN. MGR. – COATED ABRASIVES	3,684,681	B.TECH., (CHEM. ENGG.)	DEC. 2005	HEAD – TECHNICAL – MTR FOODS LTD.	26

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.
- Experience includes number of years service elsewhere, wherever applicable.

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

(Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges)

GENERAL REVIEW

Grindwell Norton Limited (GNO) is one of the subsidiaries of Compagnie de Saint-Gobain (Saint-Gobain), a transnational Group with its headquarters in Paris and with sales exceeding € 43 billion in 2007. Saint-Gobain's businesses fall into five broad sectors of activity: Construction Products, Flat Glass, Packaging, Building Distribution and High Performance Materials. GNO's businesses are a part of the High Performance Materials sector.

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 (including Non-Woven)

GNO also manufactures and sells Super Abrasives.

(i) BONDED ABRASIVES (INCLUDING THIN WHEELS)

Product & Plants

Bonded Abrasives, most commonly in the form of wheels but also in other shapes such as segments, sticks, etc., are used for various applications ranging from polishing or lapping to removing high quantities

of material. The Bonded Abrasives business has two plants, one at Mora, near Mumbai, and the other at Nagpur, Maharashtra, both of which are certified under ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:1999.

Industry

The industry currently has two major players, one of which is GNO. GNO has a leadership position in several product-market segments.

Broad characteristics of this business are:

- High entry barriers in the form of high capital investment (though there are numerous small players in niche products and markets).
- Diverse industrial applications.

Apart from the 2 major players in the market, there are a few medium sized players and many small, local players. Besides, imports from China are present in many categories, particularly at the lower end. Some of the players from Europe and Japan are also establishing marketing networks to service, mainly the precision grinding market. The market, over a period of time, has become extremely price sensitive.

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

Applications

Bonded Abrasives are used in precision applications such as lapping, honing, 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 product variety is very high. GNO makes over 15000 different products in a year.

Major User Industries

- Automobiles and Auto Components
- Steel
- Foundry
- Bearings
- Cutting Tools/Hand Tools etc.
- Housing work and Construction
- Fabrication

Development & Outlook

Saint-Gobain is the undisputed world leader in Bonded Abrasives. The Leadership is based on a strong product portfolio, a strong R&D set-up with projects in both basic and applied areas, and global reach, with plants and marketing/sales organisations all over the world. GNO benefits by being a part of such an organisation in terms of access to all developments in products and process technology, sourcing of products and developing exports.

In 2007, growth in the end-user industries showed mixed trends. Steel, Foundry, Fabrication, Housing work and Construction have shown a good growth while Automobile, Auto components and Bearing witnessed a slow-down.

There has been a steep increase in input costs, especially raw materials. The huge increase in input costs created pressure to increase prices, which has been difficult in the present market situation. The management focused on improving operating efficiencies, reducing rejections, wastages and increasing volumes which has led to higher operating profits for the year.

During the year, the Company has acquired land in Himachal Pradesh to set up a new plant to manufacture Abrasives products. A first phase of commercial production is likely to start during second quarter of 2008.

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).

(ii) COATED ABRASIVES (INCLUDING NON-WOVEN)

Product and Plants

Coated Abrasives products are engineering composites comprising a backing, bond system and abrasive grains and are designed for material removal and surface generation. The common backing types include paper, cloth, polyester and polyester film. Bond can be resin-based or glue-based or a combination of both. Coated Abrasives products are available in various shapes like discs, belts, rolls, etc. to suit a wide gamut of applications. GNO's Coated Abrasives manufacturing facilities are at Bangalore and Nagpur. Both locations are ISO 9001: 2000, ISO 14001: 2004 and OHSAS 18001:1999 certified.

Industry

The domestic Coated Abrasives sector has two major players, one of which is GNO. GNO has a leadership position in several product-market segments.

The characteristics of this sector are:

- Large and varied end user industry base makes the demand less affected by economic cycles.
- Relatively low entry barriers for small scale manufacturers.
- Products sell mostly through industrial retail.

The key requirements for success are:

- Quality and positioning
- Distribution network
- Brand equity of the products
- Supply reliability
- Cost competitiveness

Major End Users

- Primary Automotive
- Automotive Ancillaries
- Auto-after markets
- Non-Automotive Castings
- Non-Automotive Forgings
- Metal fabrication
- Furniture
- Decorative Market
- Plywood
- Man-made Boards
- Laminates
- Glass & Ceramics
- Leather
- Steel manufacturing

Development & Outlook

The domestic market which witnessed strong growth rates in the past three years saw lower growth in 2007, mainly affected by the automotive sector. However, GNO's domestic sales increased significantly during the year with continued gains in market share.

The competitive scenario intensified following the commissioning of a new manufacturing facility by the other major competitor and the establishment of



a local conversion facility by an international player. Due to these developments, price increases could not be achieved to the desired levels.

GNO would continue its efforts to make its manufacturing plants world class in order to improve service, product quality, consistency and safety. GNO will make efforts to compensate for the cost increase of key inputs through increased price realisation.

2. CERAMICS & PLASTICS SEGMENT

The major businesses in this segment are:

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

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

(i) SILICON CARBIDE

Product & Plant

Silicon Carbide grains are used primarily as raw material in the manufacture of abrasives, refractories and for stone polishing. Silicon Carbide is manufactured at Tirupati in Andhra Pradesh. The Tirupati Plant is certified under ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:1999.

Industry

In the domestic market, there are three major players, including GNO. GNO is the market leader. This market is also catered to by imports, mainly from China. The key requirements for success are quality and cost competitiveness. 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. However, power cost being the most significant element of cost, the long term viability of this business is dependent on having power available at a reasonable cost. It is for this reason that the Company has decided to enter into a majority-owned Joint Venture that will set up a manufacturing plant in Bhutan. This plant is expected to commence production in the last quarter of 2008.

(ii) HIGH PERFORMANCE REFRACTORIES (HPR)

Product & Plant

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

Industry

The main customers are non-ferrous and ceramic industries. In the domestic market, there are two major manufacturers of silicon carbide and mullite refractories. The key requirements for success are technology and consistency in quality. Manufacturing is relatively capital intensive. This and technology are the barriers to entry.

Development & Outlook

2007 was a good year for the HPR business with growth in sales and profit, driven by good project orders in Metallurgy. With the expected buoyancy in Metallurgy and Power sectors, the potential for growth is high. The Company is looking at various options to increase its product offerings in association with affiliate companies.

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 perception of certain specific risks is as under.

1. Industry, Market, Technology & Competition:

(a) Abrasives:

(i) **Industry & Market:** The Abrasives business caters to a number of industries such as Steel, Automobiles, Auto components, General Metal Fabrication and Woodworking. 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 a downturn, if any, GNO has been putting in efforts to develop export markets. Over the years, exports have grown and now account for nearly 11% of total net abrasives sales. These sales are not concentrated in any single country, but are spread over 32 countries. Within India, sales are spread over 11 branch offices located across 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 Research and Development

(R&D) set up in USA with regional R&D centres located elsewhere. Both basic and applied research takes place at these R&D centres. GNO has access to all the research and technology developments.

(iii) **Competition:** The entry of Global players in Bonded and Coated as well as substantial expansion/modernisation by key local competitors will put pressure on our market position. The competition from Imports will further increase with the reduction in import duties and more international players entering the market as the Indian economy grows rapidly. This necessarily means that we need to make products of global standards at a reasonable cost to remain competitive.

(b) Ceramics & Plastics:

(i) **Industry & Market:** Refractories, Construction and Abrasives form the three top customer segments for Silicon Carbide. Each of these sectors comprise a large number of customers, which makes this a good portfolio. In Abrasives and Refractories, our own divisions (affiliates) are also major consumers. With the growth in the Iron and Steel sector, the requirements of Refractories are expected to grow and this will 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 sectoral portfolio more balanced. In addition, we have customers who are serviced through distribution channels.

(ii) **Technology:** The technology for 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 are 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 GNO to be better prepared 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 emphasis on security.

3. Legal and Statutory:

- (i) Contingent liabilities: Details of Contingent liabilities are given in Schedule 13.
- (ii) Statutory compliance: GNO ensures statutory compliance of all applicable laws and is committed to timely payment of all statutory dues.

HUMAN RESOURCES

In 2007, GNO's focus continued to be on building the organisation through the induction and development of talent to meet current and future needs. In view of the current buoyancy in the job market, we also focused on talent retention. Through specific initiatives we were able to ensure that our people attrition rates remained flat.

We continue to invest in training people in Environment, Health and Safety (EHS), Six Sigma and other business improvement tools. We continue to make efforts to provide our people with an environment in which they can give their best and realize their full potential.

OVERALL PERFORMANCE

GNO witnessed good sales growth in 2007 mainly on account of buoyancy in domestic demand and partly due to gains in market share. Improved operating efficiencies and cost control measures helped the company to achieve higher operating margins.

INTERNAL CONTROL SYSTEMS

GNO has an effective internal control environment which ensures that operations are managed efficiently and effectively, assets are safeguarded, regulatory requirements are complied with and transactions are recorded after appropriate authorizations. The Company's strong and independent Internal Audit function performs regular audits. The internal controls are constantly upgraded based on internal audit recommendations. Every quarter, the significant audit findings, the corrective steps recommended and their implementation status are presented to the Audit Committee.

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 13.

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 Clause 49 of the Listing Agreement entered into with the Stock Exchanges)

1. CORPORATE GOVERNANCE AT GRINDWELL NORTON LIMITED (GNO)

GNO, a member of the 'Saint-Gobain' group, is committed to the highest standards of fair, ethical and transparent governance practices and their adherence in spirit. The corporate governance policies followed by GNO are intended to ensure transparency in all dealings. The Company recognizes the importance of strong corporate governance which is an important mechanism of investor protection.

2. BOARD OF DIRECTORS

The present strength of the Board is twelve Directors. The Board comprises one Executive Director and eleven Non-Executive Directors. The Chairman is Non-Executive. Out of the eleven Non-Executive Directors, four are independent directors.

During the year 2007, six Board Meetings were held. The dates on which the said meetings were held are as follows: 8th March, 14th March, 23rd April, 25th July, 19th October and 12th December.

Details of attendance of each Director at the Board Meetings, the last Annual General Meeting, 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 in 2007	Attendance at the last AGM	No. of Directorships held as on 31st December, 2007 in other Public Companies (excluding Foreign Companies)	No. of Committee positions held as on 31st December, 2007 in Companies (including GNO)*
Mr. J. Aschenbroich	Chairman – Non-Executive	1	No	Nil	Nil
Mr. A. C. Chakrabortti	Vice-Chairman – Non-Executive (Independent)	5	Yes	13	5**
Mr. R. K. Bilimoria (a)	Non-Executive	N.A.	N.A.	1	1
Ms. M. A. Chupin	Non-Executive	Nil	No	Nil	Nil
Mr. J. T. Crowe (a)	Non-Executive	N.A.	N.A.	Nil	Nil
Mr. O. Duval	Non-Executive	Nil	No	Nil	Nil
Mr. A. Y. Mahajan	Managing Director	6	Yes	9	4***
Mr. P. Millot	Non-Executive	Nil	No	1	Nil
Mr. J. A. J. Pereira (b)	Alternate Director to Ms. M. A. Chupin	2	N.A.	5	1
Mr. B. S. Raut	Non-Executive (Independent)	6	Yes	1	1
Mr. S. Salgaocar	Non-Executive (Independent)	5	Yes	2	Nil
Mr. P. Shah	Non-Executive (Independent)	4	Yes	13	8****
Mrs. D. S. Variava	Non-Executive	6	Yes	Nil	1*****
Mr. J. H. Menendez (c)	Non-Executive	Nil	No	Nil	Nil
Mrs. M. S. Mehta (c)	Non-Executive	5	Yes	Nil	Nil

(a) Appointed as an Additional Director w.e.f. 12th December, 2007.

(b) Appointed as an Alternate Director to Ms. M.A. Chupin w.e.f. 25th July, 2007.

(c) Resigned w.e.f. 12th December, 2007.

* Committee positions include positions held only in Audit Committee and Shareholders/Investors Grievance Committee.

** Out of the 5 Committee Memberships, Mr. A.C. Chakrabortti is the Chairman in 4 Committees.

*** Out of the 4 Committee Memberships, Mr. A.Y. Mahajan is the Chairman in 2 Committees.

**** Out of the 8 Committee Memberships, Mr. P. Shah is the Chairman in 2 Committees.

***** Mrs. D.S. Variava is the Chairperson of the Committee.

3. AUDIT COMMITTEE

Pursuant to the provisions of the Companies Act, 1956, and the Listing Agreement, 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:

Mr. A. C. Chakrabortti	Chairman – Independent
Mr. B. S. Raut	Member – Independent
Mr. A. Y. Mahajan	Member

The Chairman of the Committee, Mr. A. C. Chakrabortti is an FCA (Eng. & Wales) and FCA of the Institute of Chartered Accountants of India. He has requisite and adequate financial and accounting expertise. All the members of audit committee are financially literate. The Executive Director – Finance & Corporate Services, Vice-President – Corporate Finance & Taxation, Internal Auditor and the Statutory Auditors are invitees of the Committee. The Company Secretary acts as the Secretary to the Audit Committee.

The Audit Committee held 5 meetings during the year.

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

Name of Director	No. of Meetings attended
Mr. A. C. Chakrabortti	5
Mr. B. S. Raut	5
Mr. A. Y. Mahajan	5

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

1. Oversee the company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Directors' Responsibility Statement forming part of the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
8. Discussion with internal auditors of any significant findings and follow up there on.
9. 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.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
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.
12. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Minutes of the Audit Committee meetings are 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 Directors, for the year 2007 are given below:

<p>All elements of remuneration package i.e. salary, benefits, perquisites, profit commission, pension etc.</p> <p>Mr. A. Y. Mahajan – Rs. 19.29 Million Mr. J. A. J. Pereira – Rs. 2.85 Million (part of the year)</p>
<p>Fixed component and performance linked incentives along with the performance criteria</p> <p>Fixed component is paid as Salary and other perquisites. In addition, a profit commission is paid within the maximum ceiling on remuneration, based on certain pre-agreed performance parameters.</p>
<p>Stock option with details, if any and whether issued at a discount as well as the period over which accrued and over which exercisable</p> <p>Presently, the Company does not have a scheme for grant of stock options either to the Managing Director or any other employees.</p>

- (b) The details of sitting fees and commission paid/payable for the year 2007 are given below:

Non-Executive Directors	Sitting Fees (Rs. Mn.)	Profit Commission (Rs. Mn.)	Total (Rs. Mn.)
Mr. A. C. Chakrabortti	0.05	1.43	1.48
Mr. B. S. Raut	0.05	0.72	0.77
Mr. S. Salgaocar	0.03	0.72	0.75
Mr. P. Shah	0.02	0.72	0.74
Mrs. M. S. Mehta	0.03	–	0.03
Mrs. D. S. Variava	0.04	1.01	1.05
Mr. R. K. Billimoria	–	1.71	1.71

- (c) Criteria of making payment to Directors:

Except for the Non-Executive Directors who are nominees of Compagnie de Saint-Gobain (CSG), the Company pays a sitting fee of Rs. 5,000/- per Non-Executive Director for attending each Meeting of the Board or Audit committee or Shareholders/ Investors Grievance Committee.

The Board of Directors has been authorised by the Shareholders of the Company in the

53rd Annual General Meeting held on 29th April, 2003, to pay Commission upto 1% of the net profits of the Company to its Non-Executive Directors for a period of five years commencing from 1st January, 2004, except for the Non-Executive Directors who are nominees of CSG. The Company also pays a Commission upto 1% to the Managing Director.

- (d) Pecuniary relationship or transaction of Non-Executive Directors vis-à-vis the Company:

Apart from receiving Director's sitting fees and commission, the Non-Executive Directors of the Company do not have any pecuniary relationship or transactions with the Company. However, Mr. R. K. Bilimoria and Mrs. D. S. Variava are members of the Promoters' Group. Mrs. M. S. Mehta who is currently not on the Board is also a member of the Promoters' Group. Mr. J. Aschenbroich, Mr. J.T. Crowe, Mr. P. Millot, Mr. O. Duval and Ms. M. A. Chupin are employees of CSG which is the ultimate holding company of Grindwell Norton Limited. Mr. J. H. Menendez who has retired as a Director was also an employee of CSG.

- (e) Equity shareholding of the Non-Executive Directors in the Company as on 31st December, 2007:

Name of the Non-Executive Director	No. of Shares held
Mrs. D. S. Variava	6,64,026
Mr. R. K. Bilimoria	2,24,920
Mr. A. C. Chakrabortti	Nil
Mr. B. S. Raut	Nil
Mr. S. Salgaocar	Nil
Mr. P. Shah	Nil
Mr. J. Aschenbroich	Nil
Mr. J. T. Crowe	Nil
Mr. P. Millot	Nil
Mr. O. Duval	Nil
Ms. M. A. Chupin	Nil

5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Company's Shareholders/Investors Grievance Committee was formed under the Chairmanship of Mrs. D. S. Variava, a Non-Executive Director. The other Members of the Committee are Mr. R. K. Bilimoria and Mr. A. Y. Mahajan. Mrs. M. S. Mehta ceased to be a Member of the Committee with effective from 12th December, 2007 and Mr. R. K. Bilimoria was appointed in her place. Mr. K. Visweswaran – Company Secretary is the Compliance Officer of the Committee. The Committee met two times during the year. The Company

had received few complaints from the Shareholders and all of them had been resolved by furnishing the requisite information/documents. There were no transfers pending at the close of the financial year ended 2007.

6. GENERAL BODY MEETINGS

- (a) Details of venue, date and time of the last three Annual General Meetings (AGM) held:

Date and Time	Venue
27th April, 2005 at 3 p.m.	M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikushru Dubash Marg, (Rampart Row), Mumbai 400 001.
26th April, 2006 at 3 p.m.	M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikushru Dubash Marg, (Rampart Row), Mumbai 400 001.
23rd April, 2007 at 3 p.m.	Kohinoor Continental, Andheri-Kurla Road, Andheri – East, Mumbai 400 059.

All the resolutions set out in the respective notices were passed by the Shareholders.

- (b) Special Resolutions passed at last three AGMs:

Date of AGM	Special Resolutions passed
27th April, 2005	None
26th April, 2006	(a) Issue of Bonus Shares in the ratio of 1:1. (b) Alteration of the Articles of Association for increasing the Authorised Share Capital to Rs. 280,000,000/- divided into 56,000,000 equity shares of Rs. 5/- each.
23rd April, 2007	To keep the Register and Index of Members and other related documents at the offices of TSR Darashaw Ltd., Registrar and Transfer Agents of the Company.

- (c) Passing of Resolutions by Postal Ballot:

No Resolutions were put through Postal Ballot in the year 2007. Resolutions, if required, shall be passed by Postal Ballot during the year 2008, as per the prescribed procedures.

7. DISCLOSURES

- (a) Materially significant related party transactions:
Transactions with related parties as per the requirements of Accounting Standard-18 are

disclosed in Schedule 13 of this Annual Report and they are not in conflict with the interest of the Company.

- (b) Compliance:

The Company has complied with the requirements of Stock Exchanges/Securities and Exchange Board of India/statutory authorities on all matters relating to capital markets, during the last 3 years.

- (c) Whistle Blower Policy:

The Company believes in conducting its affairs in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behaviour. In order to provide a secure environment and to encourage employees of the Company to report unethical, unlawful or improper practices, acts or activities, the Company has adopted a Whistle Blower policy.

- (d) Mandatory and Non-Mandatory requirements:

The Company has complied with all Mandatory requirements. As regards Non-Mandatory requirements, the Board has noted the same and shall consider adopting the same as and when it deems fit.

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

<p>AGM : 58th Annual General Meeting Date : Thursday, 24th April, 2008 Time : 2.30 p.m. Venue : M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikushru Dubash Marg, (Rampart Row), Mumbai-400 001.</p>
<p>Calendar of Financial Results for 2008 (i) First Quarter Results – April, 2008 (ii) First Half Results – July, 2008 (iii) Third Quarter Results – October, 2008 (iv) Results for the year ending 31st December, 2008 – March, 2009</p>
<p>Dates of Book Closure Tuesday, 25th March, 2008 to Friday, 28th March, 2008 (both days inclusive).</p>
<p>Date of payment of Dividend On or after 24th April, 2008 Payment date of Interim Dividend was 26th December, 2007.</p>
<p>Listing on Stock Exchange(s) Bombay Stock Exchange Limited National Stock Exchange of India Limited The annual listing fees of Bombay Stock Exchange Limited and National Stock Exchange of India Limited have been paid for the year 2007-2008.</p>
<p>BSE – Stock Code Physical – 506076</p>
<p>NSE – Symbol Physical – GRINDWELL</p>
<p>ISIN FOR NSDL/CDSL INE536A01023</p>
<p>Distribution of Shareholdings and Shareholding Pattern as on 31st December, 2007 Please see Annexure '1'</p>
<p>Market Price Data: High, Low during each month in the last financial year Please see Annexure '2'</p>
<p>Performance in comparison to BSE Sensex (broad based index) Please see Annexure '2'</p>

Share Transfer System

All the transfers are processed by TSR Darashaw Limited and approved by the Share Transfer Committee of Directors which normally meets twice in a month.

Dematerialisation of shares and liquidity

39.93% of the paid-up capital has been dematerialised as on 31st December, 2007.

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

Not issued.

Promoters' Groups:

I. Indian Promoters

- (a) Mr. N. D. Sidhva Group
- (b) Mrs. D. S. Variava Group
- (c) Mr. R. K. Bilimoria Group
- (d) Mrs. M. S. Mehta Group

II. Foreign Promoters (Collaborators):

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

III. Other Saint-Gobain Group Companies in India:

- (a) BPB Holdings India Pvt. Ltd.
- (b) Conmix (India) Pvt. Ltd. [Merged with Saint-Gobain Weber (India) Ltd.]
- (c) India Gypsum Ltd.
- (d) Saint-Gobain Crystals & Detectors India Ltd.
- (e) Saint-Gobain Glass India Ltd.
- (f) Saint-Gobain India Foundation (Section 25 Company)
- (g) Saint-Gobain Norpro India Pvt. Ltd. (under liquidation)
- (h) Saint-Gobain Sekurit India Ltd.
- (i) Saint-Gobain Seva Engineering India Ltd.
- (j) Saint-Gobain Weber (India) Ltd.
- (k) SEPR Refractories India Ltd.

Address for correspondence:

Mr. K. Visweswaran – Company Secretary
 Leela Business Park, 5th Level, Andheri-Kurla Road,
 Marol, Mumbai – 400 059.
 Tel. 022-4021 2121 Fax. 022-4021 2102

Annexure '1'

The Distribution of Shareholding as on 31st December, 2007

No. of Equity Shares held	No. of Holders	% of Total Holders	No. of Shares	% to Total Shares
Upto 250	8428	60.44	1043511	1.88
251 to 500	3515	25.21	1397734	2.53
501 to 1000	1000	7.17	794104	1.43
1001 to 5000	722	5.18	1587743	2.87
5001 to 10000	117	0.84	836003	1.51
10001 to 100000	105	0.75	3471928	6.27
100001 and above	58	0.41	46228977	83.51
Grand Total	13945	100.00	55360000	100.00
No. of Shareholders in Physical Mode	3115	22.34	33252002	60.07
No. of Shareholders in Electronic Mode	10830	77.66	22107998	39.93

Shareholding Pattern as on 31st December, 2007

Category	No. of Shareholders	No. of Shares	%
Promoters:			
Foreign	2	28414000	51.33
Indian	78	10670404	19.27
Insurance Companies & Banks	10	510062	0.92
UTI & Mutual Funds	7	3045892	5.50
NRIs, OCBs and FII's	107	316938	0.57
Domestic Companies	457	3274518	5.92
Resident Individuals	13284	9128186	16.49
Total	13945	55360000	100.00

Annexure '2'

Market Price Date: GNO & Sensex: High - Low

Period	High (Rs.)	Low (Rs.)	Sensex High	Sensex Low
Jan-07	142.80	120.20	14325.92	13303.22
Feb-07	141.00	120.50	14723.88	12800.91
Mar-07	132.00	110.00	13386.95	12316.10
Apr-07	135.00	106.00	14383.72	12425.52
May-07	149.00	123.40	14576.37	13554.34
Jun-07	163.90	132.55	14683.36	13946.99
Jul-07	150.00	134.50	15868.85	14638.88
Aug-07	161.80	123.10	15542.40	13779.88
Sep-07	149.00	142.30	17361.47	15323.05
Oct-07	153.00	131.00	20238.16	17144.58
Nov-07	157.75	122.00	20204.21	18182.83
Dec-07	197.50	150.55	20498.11	18886.40

10. OTHER INFORMATION

(a) CEO/CFO certification:

Pursuant to the provisions of sub-clause V of the revised Clause 49 of the Listing Agreement with the Stock Exchanges, the Managing Director (CEO) and the Executive Director – Finance & Corporate Services (CFO) have issued a certificate to the Board of Directors, for the financial year ended 31st December, 2007.

(b) Risk Management framework:

The Company has laid down procedures to inform Board members about the Risk Assessment and minimization procedures. These procedures shall be periodically reviewed and further improvements, if any, suggested by the executive management shall be implemented.

(c) Code of Conduct:

The Company has laid down a code of conduct for all Board Members and Senior Management Personnel of the Company. The code of conduct is available on the website of the Company.



11. DECLARATION BY THE MANAGING DIRECTOR UNDER REVISED CLAUSE 49 OF THE LISTING AGREEMENT REGARDING COMPLIANCE WITH CODE OF CONDUCT

In accordance with Clause 49 1(D) of the Listing Agreement with Stock Exchanges, I hereby confirm that, all the Board Members and Senior Management

Personnel of the Company have affirmed compliance with the Code of Conduct for the year ended 31st December, 2007.

For GRINDWELL NORTON LIMITED

Mumbai: 6th March, 2008
A. Y. MAHAJAN
MANAGING DIRECTOR

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, 2007, as stipulated in Clause 49 of the Listing Agreement of the Company with Stock Exchanges.

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

Mumbai: 6th March, 2008
E. K. IRANI
PARTNER
(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, 2007, 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 the 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 sub-section (4A) of Section 227 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 in paragraph (3) 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 purposes 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, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (d) In our opinion, the Balance Sheet, 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, 2007;
 - (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, 2007, and taken on record by

the Board of Directors, we report that, none of the Directors is disqualified as on 31st December, 2007 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

Place : Mumbai
Dated : 6th March, 2008

(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 programme 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, the disposal of fixed assets during the year does not affect the going concern assumption.
- (2) (a) The Management has conducted physical verification of inventory at reasonable intervals.
 - (b) In our opinion, the procedures of 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 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 others terms and conditions of the loans granted being prejudicial to the interests of the Company, receipt of regular principal and the interest and reasonable steps taken for recovery of principal and interest does not arise.
 - (c) The Company has not taken any loan, 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 others terms and conditions of the loans taken being prejudicial to the interests of the Company, payment of regular principal and the interest does not arise.



Profitable Growth

- (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 the purchases of inventory, fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in internal controls.
- (5) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the particulars of contracts and arrangements referred to in Section 301 of the Act have been entered into 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 the prevailing market prices at the relevant time.
- (6) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public hence the provisions of Section 58A and 58AA or any other relevant provisions of the Act are not applicable.
- (7) In our opinion and according to the information and explanations given to us, the internal audit system is 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, in respect of the activities carried on by the Company.
- (9) (a) According to the information and explanations given to us and on the basis of our examination of 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, Value Added 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 above as at 31st December, 2007 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 Value Added Tax, Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service tax, 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	39.16	Commissioner (Appeals)/ High Court
Excise Duty	23.61	Commissioner (Appeals)/ Tribunal
Customs Duty	1.04	Appellate Authority-Tribunal
Non Agricultural Land Cess	3.60	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 banks. The Company does not have dues to financial institutions or debenture holders.
- (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 guarantee for loans taken by others from banks or financial institutions.
- (16) Based on our examination and according to the information and explanations given to us, there were no term loans during the year.
- (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 utilized funds raised on short-term basis for long-term investment.
- (18) The Company has not made any preferential allotment of shares to parties or 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 on the audit procedures performed and 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

Place : Mumbai
Dated : 6th March, 2008

(Membership No. 35646)

BALANCE SHEET AS AT 31st DECEMBER, 2007

	Schedules	(Rs. Million)	As at 31st December, 2007 (Rs. Million)	As at 31st December, 2006 (Rs. Million)
SOURCES OF FUNDS				
1. SHAREHOLDERS' FUNDS				
(a) Capital	1	276.80		276.80
(b) Reserves and Surplus	2	2,521.51		1,706.27
			2,798.31	1,983.07
2. LOAN FUNDS				
Unsecured Loan	3		22.68	22.65
3. DEFERRED TAX LIABILITY				
			38.58	32.89
			2,859.57	2,038.61
APPLICATION OF FUNDS				
1. FIXED ASSETS				
(a) Gross Block	4	2,256.38		1,993.54
(b) Less: Depreciation		888.55		804.75
(c) Net Block		1,367.83		1,188.79
(d) Capital Work in Progress		165.47		70.09
			1,533.30	1,258.88
2. INVESTMENTS				
	5		810.91	526.50
3. CURRENT ASSETS, LOANS & ADVANCES				
(a) Inventories	6	702.07		498.84
(b) Sundry Debtors		824.54		613.20
(c) Cash & Bank Balances		215.57		101.95
(d) Accrued Interest		1.33		0.48
(e) Loans & Advances		266.76		169.20
		2,010.27		1,383.67
Less: CURRENT LIABILITIES & PROVISIONS				
(a) Liabilities	7	1,034.56		747.59
(b) Provisions		460.35		382.85
		1,494.91		1,130.44
NET CURRENT ASSETS				
			515.36	253.23
			2,859.57	2,038.61
NOTES TO ACCOUNTS				
	13			

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: 6th March, 2008

Signatures to Balance Sheet and Schedules 1 to 7 & 13

A. C. CHAKRABORTTI Vice-Chairman

A. Y. MAHAJAN Managing Director

K. VISWESWARAN Company Secretary

Mumbai: 6th March, 2008



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 2007

	Schedules	(Rs. Million)	(Rs. Million)	For the Year Ended 31st December, 2007 (Rs. Million)	For the Year Ended 31st December, 2006 (Rs. Million)
INCOME					
Sales		4,970.09			4,212.87
Less : Excise Duty		(561.81)			(483.64)
Net Sales			4,408.28		3,729.23
Miscellaneous Income	8		215.66	4,623.94	131.18
					3,860.41
EXPENDITURE					
Raw Materials Consumed	9		1,578.25		1,179.93
Purchase of Trading Goods			312.11		312.27
Manufacturing, Administration and Selling Expenses	10		1,930.51		1,637.77
Interest	11		2.91		1.45
Debts and Advances Provided/Written off (Net)			6.83		7.09
Depreciation		123.49			94.73
Less: Transfer from Revaluation Reserve		(1.68)			(1.73)
			121.81		93.00
			3,952.42		3,231.51
Less: Increase in Inventory	12		(151.06)	3,801.36	(56.19)
				822.58	685.09
Profit before Tax and Extraordinary Item				770.00	—
Extraordinary Item (net of tax expense of Rs. 225 Million) (Refer Schedule 13, Note 8)				1,592.58	685.09
Profit before Tax and after Extraordinary Item					
Provision for :					
Income Tax			243.71		219.07
Deferred Tax			5.69		(4.76)
Fringe Benefit Tax			8.10		10.60
				257.50	224.91
Profit after Tax				1,335.08	460.18
Surplus Brought Forward				150.00	100.00
PROFIT AVAILABLE FOR APPROPRIATION				1,485.08	560.18
APPROPRIATIONS					
Interim Dividend				221.44	193.76
Provision for Tax/Tax Paid on Interim Dividend				37.64	27.17
Proposed Dividend				221.44	—
Provision for Tax on Proposed Dividend				37.64	—
Transfer to General Reserve				716.92	189.25
Surplus Carried Forward				250.00	150.00
				1,485.08	560.18
Earnings Per Share (Basic & Diluted) on Face Value of Rs. 5/- each					
Excluding Extraordinary Item				10.21	8.31
Including Extraordinary Item				24.12	8.31
NOTES TO ACCOUNTS	13				

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: 6th March, 2008

Signatures to Profit and Loss Account and Schedules 8 to 13

A. C. CHAKRABORTTI

Vice-Chairman

A. Y. MAHAJAN

Managing Director

K. VISWESWARAN

Company Secretary

Mumbai: 6th March, 2008

SCHEDULES FORMING PART OF THE ACCOUNTS

	(Rs. Million)	As at 31st December, 2007 (Rs. Million)	As at 31st December, 2006 (Rs. Million)
SCHEDULE 1 : CAPITAL			
AUTHORISED			
56,000,000 Equity Shares of Rs. 5/- each		280.00	280.00
ISSUED, SUBSCRIBED AND PAID-UP			
55,360,000 Equity Shares of Rs. 5/- each, fully paid-up		276.80	276.80
		276.80	276.80
NOTES:			
Of the above Equity Shares:			
(a) 280,000 Equity Shares of Rs. 5/- each were allotted as fully paid pursuant to a contract without payment being received in cash.			
(b) 46,911,440 Equity Shares of Rs. 5/- each were allotted as fully paid Bonus Shares by capitalising Share Premium, Profits & Reserves.			
(c) 14,817,760 Equity Shares of Rs. 5/- each are held by Saint-Gobain Abrasives Inc. and 13,596,240 Equity Shares of Rs. 5/- 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	348.28		486.68
Capitalised by issue of Bonus Shares	-		138.40
		348.28	348.28
2. REVALUATION RESERVE			
As per last Balance Sheet	47.27		49.00
Transfer to Depreciation	(1.68)		(1.73)
		45.59	47.27
3. GENERAL RESERVE			
As per last Balance Sheet	1,160.72		971.47
Transfer from Profit & Loss Account	716.92		189.25
		1,877.64	1,160.72
4. PROFIT & LOSS ACCOUNT			
		250.00	150.00
		2,521.51	1,706.27



SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 3 : UNSECURED LOAN

Deferred Sales Tax

As at 31st December, 2007 (Rs. Million)	As at 31st December, 2006 (Rs. Million)
22.68	22.65
22.68	22.65

SCHEDULE 4 : FIXED ASSETS

(Rs. Million)

ASSETS	GROSS BLOCK			As at 31.12.2007	DEPRECIATION / AMORTISATION			Upto 31.12.2007	NET BLOCK	
	As at 1.1.2007	Additions	Deductions		Upto 1.1.2007	On Sales	For the Year		As at 31.12.2007	As at 31.12.2006
TANGIBLE ASSETS										
Land – Freehold*	21.54	101.26	–	122.80	–	–	–	–	122.80	21.54
Land – Leasehold	9.08	–	–	9.08	1.03	–	0.10	1.13	7.95	8.05
Buildings #*	516.46	43.17	–	559.63	95.20	–	12.05	107.25	452.38	421.26
Plant & Machinery	1,018.98	143.39	34.37	1,128.00	574.48	25.80	60.29	608.97	519.03	444.50
Computers	90.37	13.64	5.44	98.57	68.92	4.63	9.96	74.25	24.32	21.45
Furniture, Fixtures & Office Equipment	98.50	15.51	5.92	108.09	38.62	4.28	5.56	39.90	68.19	59.88
Vehicles	44.21	0.80	12.07	32.94	12.16	4.98	3.57	10.75	22.19	32.05
INTANGIBLE ASSETS										
Computer Software	7.27	2.87	–	10.14	3.60	–	3.05	6.65	3.49	3.67
Goodwill	32.39	–	–	32.39	0.80	–	3.24	4.04	28.35	31.59
Technical Know-how	35.43	–	–	35.43	1.75	–	7.08	8.83	26.60	33.68
Trade Marks	40.64	–	–	40.64	6.18	–	10.72	16.90	23.74	34.46
Other Intangibles	78.67	–	–	78.67	2.01	–	7.87	9.88	68.79	76.66
Total	1,993.54	320.64	57.80	2,256.38	804.75	39.69	123.49	888.55	1,367.83	
Previous Year's Total	1,432.43	582.62	21.51	1,993.54	720.58	10.56	94.73	804.75		1,188.79
Capital Work In Progress									165.47	70.09
									1,533.30	1,258.88

* Additions during the year include Rs. 5.31 Million towards stamp duty and registration charges payable for Industrial Land & Building purchased at Himachal Pradesh.

Includes an amount of Rs. 750 (Previous Year - Rs. 750) representing the value of shares in a co-operative housing society.

SCHEDULES FORMING PART OF THE ACCOUNTS

	Nos.	Face Value (Rs.)	(Rs. Million)	As at 31st December, 2007 (Rs. Million)	As at 31st December, 2006 (Rs. Million)
SCHEDULE 5 : 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
Share Application Money pending allotment of Equity Shares in a subsidiary:					
Saint-Gobain Ceramic Materials Bhutan Pvt. Ltd.*				30.81	—
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
Saint-Gobain Glass India Ltd.	2,500,000	10	250.00		250.00
Saint-Gobain India Foundation	100	10	@		@
				250.00	255.00
OTHER SECURITIES					
Unquoted:					
MUTUAL FUNDS					
Debt Funds – Floating Rate Fund – Growth Plan					
HSBC Floating Rate Fund – Long Term Plan – Institutional**	(1,000,000)	10	—		10.00
Debt Funds – Fixed Maturity Plan – Growth Plan					
Standard Chartered Fixed Maturity Plan – Yearly Series 10 – Growth*	3,000,000	10	30.00		—
Reliance Fixed Horizon Fund IV – Annual Plan – Series II – Institutional Growth Plan*	3,000,000	10	30.00		—
JM Fixed Maturity Fund – Series VII – 13 Months Plan 1 – Institutional Growth*	3,000,000	10	30.00		—
JM Fixed Maturity Fund – Series VII – 18 Months Plan 1 – Institutional Growth*	1,000,000	10	10.00		—
HSBC Fixed Term Series 33 – Institutional Growth Plan*	3,000,000	10	30.00		—
Tata Fixed Horizon Fund Series 14 – Scheme B – Institutional Growth*	3,000,000	10	30.00		—



SCHEDULES FORMING PART OF THE ACCOUNTS

	Nos.	Face Value (Rs.)	(Rs. Million)	As at 31st December, 2007 (Rs. Million)	As at 31st December, 2006 (Rs. Million)
SCHEDULE 5 : INVESTMENTS (Continued)					
Derivative Funds					
Prudential ICICI – Blended Plan – A – Dividend**	(500,000)	10	–		5.00
JM Arbitrage Advantage Fund – Dividend*	1,960,419	10	20.00		–
Kotak Equity Arbitrage Fund – Dividend*	1,888,628	10	20.00		–
				200.00	15.00
CURRENT OTHER SECURITIES					
Unquoted:					
MUTUAL FUNDS					
Debt Funds – Fixed Maturity Plan – Dividend Option					
Reliance Fixed Horizon Fund I – Monthly Plan series III Dividend Option**	(2,000,000)	10	–		20.00
Prudential ICICI FMP Series 32 – 1 Month Plan**	(2,000,000)	10	–		20.00
Lotus India Fixed Maturity Plan – 3 Months – Series XIX – Dividend*	3,000,000	10	30.00		–
Lotus India Quarterly Interval Fund – Plan A – Dividend*	2,000,000	10	20.00		–
DSP Merrill Lynch Fixed Maturity Plan 3M Series 1 – Institutional Dividend*	2,000,000	10	20.00		–
Sundaram BNP Paribas Interval Fund Qly. – Plan A – Institutional – Dividend*	1,999,560	10	20.00		–
Kotak Quarterly Interval Plan Series 4 – Dividend*	2,000,000	10	20.00		–
Kotak FMP 3M Series 26 – Dividend*	3,000,000	10	30.00		–
Derivative Funds					
Kotak Cash Plus – Dividend**	(2,000,610)	10	–		20.00
Debt Funds – Short Term Plan – Dividend Option					
ABN AMRO Flexible Short Term Plan Series B Monthly Dividend*	2,012,224	10	20.12		–
Liquid/Money Plus Funds – Dividend Plan					
DWS Money Plus Fund Regular Plan-Weekly Dividend**	(2,068,978)	10	–		20.71
JM High Liquidity Fund – Super Institutional Plan**	(1,997,408)	10	–		20.01
Principal Cash Management Fund Liquid Option – Institutional Plan**	(3,989,001)	10	–		39.90
Standard Chartered Liquidity Manager – Plus Daily Dividend**	(41,003)	1,000	–		41.01

SCHEDULES FORMING PART OF THE ACCOUNTS

	Nos.	Face Value (Rs.)	(Rs. Million)	As at 31st December, 2007 (Rs. Million)	As at 31st December, 2006 (Rs. Million)
SCHEDULE 5 : INVESTMENTS (Continued)					
DWS Credit Opportunities Cash Fund – Weekly Dividend Plan*	1,027,863	10	10.32		–
Kotak Flexi Debt Scheme – Dividend*	11,991,067	10	120.28		–
SBI Premier Liquid Fund – Institutional – Daily Dividend***	1,199,014	10	12.03		47.52
	(4,734,084)				
				302.75	229.15
				810.91	526.50
NOTES:					
1.	@	Less than Rs. 0.01 Million.			
2.	*	Purchased during the year.			
3.	**	Sold/Redeemed during the year.			
4.	***	Difference in No. of units between Previous Year & Current Year, is on account of purchase/sale during the year.			
5.		For details of Investment & Redemption of Mutual Fund Units during the year, Refer Schedule 13 Note 20.			
6.	COST				
	Quoted			0.02	0.02
	Unquoted			810.89	526.48
7.	MARKET VALUE				
	Quoted			0.03	0.03
8.	MUTUAL FUNDS				
	Cost			502.75	244.15
	Repurchase Price			508.71	246.64
9.		Figures in brackets indicate that of Previous Year.			



SCHEDULES FORMING PART OF THE ACCOUNTS

	(Rs. Million)	As at 31st December, 2007 (Rs. Million)	As at 31st December, 2006 (Rs. Million)
SCHEDULE 6 : CURRENT ASSETS, LOANS & ADVANCES			
1. INVENTORIES			
Stores and Spare Parts	28.67		25.12
Raw Materials	193.85		148.87
Raw Materials in Transit	37.20		33.56
Finished Goods:			
Manufactured	190.08		114.51
Trading	61.70		47.80
Work-in-Process	190.57		128.98
		702.07	498.84
2. SUNDRY DEBTORS			
(Unsecured and considered good unless otherwise stated)			
Over six months	61.53		47.11
Others	806.82		606.10
	868.35		653.21
Less: Provision for doubtful debts	43.81		40.01
		824.54	613.20
(Sundry Debtors include Rs. 43.81 Million – Previous Year – Rs. 40.01 Million – considered doubtful)			
3. CASH AND BANK BALANCES			
Cash and Cheques on hand and remittances in transit	55.06		56.04
With Scheduled Banks:			
On Current Account	160.28*		45.91
On Deposit Account	0.23		–
		215.57	101.95
*(includes Rs. 107.88 Million for interim dividend funding)			
4. ACCRUED INTEREST		1.33	0.48
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. 4.47 Million – Previous Year – Rs. 4.39 Million – considered doubtful)	190.33		121.53
Demand Deposits with Excise and Customs Departments	25.25		10.76
Other Deposits	55.65		41.30
	271.23		173.59
Less: Provision for doubtful advances	4.47		4.39
		266.76	169.20
		2,010.27	1,383.67

SCHEDULES FORMING PART OF THE ACCOUNTS

	(Rs. Million)	As at 31st December, 2007 (Rs. Million)	As at 31st December, 2006 (Rs. Million)
SCHEDULE 7 : CURRENT LIABILITIES AND PROVISIONS			
1. LIABILITIES			
Sundry Creditors:			
Due to Micro, Small and Medium Enterprises / (Previous Year – Due to Small Scale Undertakings) (Refer Schedule 13, Note 12)	–		18.68
Others	359.45		250.50
	359.45		269.18
Trade Deposits	18.84		14.26
Unclaimed Dividend	111.35		2.98
Investor Education and Protection Fund	–		–
Other Liabilities	544.92		461.17
		1,034.56	747.59
2. PROVISIONS			
For taxation			
On income (Net of Advance tax of Rs. 1,440.15 Million – Previous Year – Rs. 996.39 Million)	79.27		46.22
On Interim Dividend	–		27.17
On Proposed Dividend	37.64		–
	116.91		73.39
For Interim Dividend	–		193.76
For Proposed Dividend	221.44		–
For Leave Encashment	44.79		38.49
For Contingencies	77.21		77.21
		460.35	382.85
		1,494.91	1,130.44
		For the Year Ended 31st December, 2007 (Rs. Million)	For the Year Ended 31st December, 2006 (Rs. Million)
SCHEDULE 8 : MISCELLANEOUS INCOME			
Commission		7.35	8.85
Interest (Gross): (Tax deducted – Rs. 0.17 Million – Previous Year – Rs. 0.57 Million)		7.81	8.50
Dividends from Investments (Non-trade):			
From Long term Investments	46.13		20.38
From Current Investments	22.57		21.66
		68.70	42.04
Sales Tax Refund		0.02	4.14
Service Income		45.15	18.66
Gain on Prepayment of Deferred Sales Tax		16.30	4.66
Profit on Sale of Investments:			
From Long term Investments	1.90		4.02
From Current Investments	1.36		0.75
		3.26	4.77
Others		67.07	39.56
		215.66	131.18



SCHEDULES FORMING PART OF THE ACCOUNTS

	(Rs. Million)	For the Year Ended 31st December, 2007 (Rs. Million)	For the Year Ended 31st December, 2006 (Rs. Million)
SCHEDULE 9 : RAW MATERIALS CONSUMED			
Opening Stock of			
Raw Materials	148.87		150.16
Raw Materials in Transit	33.56		9.09
		182.43	159.25
Add: Purchases		1,626.87	1,203.11
		1,809.30	1,362.36
Less: Closing Stock of			
Raw Materials	193.85		148.87
Raw Materials in Transit	37.20		33.56
		231.05	182.43
		1,578.25	1,179.93

**SCHEDULE 10 : MANUFACTURING,
ADMINISTRATION AND SELLING EXPENSES**

Stores and Spare Parts Consumed		108.81	78.99
Processing Charges		112.27	80.55
Salaries, Wages, Bonus and Gratuity		467.89	365.11
Contribution to Provident and other Funds		37.24	33.53
Staff Welfare		50.58	48.70
Power and Fuel		350.20	359.92
Freight, Octroi and Packing Expenses		237.17	191.70
Repairs and Maintenance:			
Buildings	3.32		3.63
Machinery	41.29		38.07
Others	17.46		10.32
		62.07	52.02
Rent		11.17	12.36
Rates and Taxes		9.79	6.23
Insurance		7.58	8.48
Travelling and Conveyance		72.70	63.99
Commission and Discount on Sales		147.14	120.62
Royalties		41.49	35.77
Loss on assets discarded/sold (Net)		12.66	3.73
Miscellaneous		201.75	176.07
		1,930.51	1,637.77

SCHEDULES FORMING PART OF THE ACCOUNTS

	(Rs. Million)	For the Year Ended 31st December, 2007 (Rs. Million)	For the Year Ended 31st December, 2006 (Rs. Million)
SCHEDULE 11 : INTEREST			
ON LOANS/DEPOSITS:			
Banks	1.30		0.05
Others	1.61		1.40
		2.91	1.45
		2.91	1.45
 SCHEDULE 12 : INCREASE IN INVENTORY			
Opening Stock of			
Finished Goods:			
Manufactured	114.51		101.06
Trading	47.80		22.15
Work-in-Process	128.98		111.89
		291.29	235.10
Less: Closing Stock of			
Finished Goods:			
Manufactured	190.08		114.51
Trading	61.70		47.80
Work-in-Process	190.57		128.98
		442.35	291.29
		(151.06)	(56.19)



SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 13 : 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, except those Tangible Assets 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 and the difference arising on conversion is accounted for in the books of account.

(vii) **Expenditure on New Projects :**

Expenditure directly relating to the construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of indirect construction cost to the extent to which the expenditure is related to the construction or is incidental thereto. Income attributable to the project is deducted from the total of the indirect expenditure.

(viii) **Employee Benefits :**

(a) **Short-term employee benefits :**

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, performance incentives, etc. are recognised at actual amounts due in the period in which the employee renders the related service.

(b) **Post-employment benefits :**

(i) **Defined Contribution Plans :**

Payments made to defined contribution plans such as Provident Fund and Superannuation are charged as an expense as they fall due.

(ii) **Defined Benefit Plans :**

The cost of providing benefit i.e. gratuity is determined using the Projected Unit Credit Method, with actuarial valuation carried out as at the balance sheet date. Actuarial gains and losses are recognised immediately in the Profit & Loss Account.

The fair value of the plan assets is reduced from the gross obligation under the defined benefit plan, to recognise the obligation on net basis.

Past service cost is recognised as expense on a straight-line basis over the average period until the benefit becomes vested.

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

(iii) **Other long-term employee benefits :**

Other long-term employee benefit viz., leave encashment is recognised as an expense in the profit and loss account as and when it accrues. The Company determines the liability using the Projected Unit Credit Method, with actuarial valuation carried out as at the balance sheet date. Actuarial gains and losses in respect of such benefit is charged to the profit and loss account.

(ix) **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 the relevant Fixed Assets.

(x) **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.

(xi) **Depreciation/Amortisation :**

On Tangible Assets :

- (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 the following :
 - (i) Computers are depreciated over 4 years,
 - (ii) Specific Kilns are depreciated over 5 years, 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.

On Intangible Assets :

- (a) Intangible assets are amortised on the Straight Line basis over the useful life, based on the economic benefits that would be derived, as per the estimates made by the management :
 - (i) Computer Software : 3 Years
 - (ii) Goodwill : 10 Years
 - (iii) Technical Know-how : 5 Years
 - (iv) Trademark : Licence Period/10 Years (whichever is lower)
 - (v) Other Intangibles : 10 Years

(xii) **Impairment :**

The cash generating units are evaluated at the Balance Sheet date to ascertain the estimated recoverable amount/value in use as against the Written Down Value. Impairment loss, if any, is recognised whenever the Written Down Value exceeds estimated recoverable amount/value in use.

(xiii) **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.

(xiv) **Provisions and Contingencies :**

- (a) Provisions are recognised based on the best estimate of probable outflow of resources which would be required to settle obligations arising out of past events.
- (b) Contingent liabilities not provided for as per (a) above are disclosed in notes to accounts and Contingent assets are not recognised.



SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

2. **Contingent liabilities not provided for in respect of :**

	2007 (Rs. Million)	2006 (Rs. Million)
a. Excise Duty demands/show cause notices pending with the appropriate authorities and disputed by the Company	25.95	15.62
b. Sales Tax demands pending with the Commissionerate/High Court and disputed by the Company	39.16	103.26
c. Customs Duty demands pending with Appellate Tribunal and disputed by the Company	1.04	1.04
d. Claims against the Company under the Labour Laws for disputed cases	2.98	4.54
e. Demand raised by A.P. Transco on surplus units allocated, disputed by the Company & subjudice in High Court (Net)	21.74	19.31
f. Guarantees given by Banks – Counter guaranteed by the Company	23.94	28.36
g. Letters of credit issued by banks on behalf of the Company	1.61	–
h. Other Claims against the Company not acknowledged as debts	8.42	8.42

3. The Company has Cash Credit facilities from bankers 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.

4. Provisions :

The Company has made provisions for the following :

(Rs. Million)

	Opening Balance	Provision	Utilisation	Reversal	Closing Balance
Leave Encashment	38.49	9.33	3.03	–	44.79
Other Risks	77.21	–	–	–	77.21
Total	115.70	9.33	3.03	–	122.00

Other Risks represents liability towards Transmission Corporation of Andhra Pradesh Ltd.

The Company has made provision for known litigation and the outflow of which would depend on the cessation of respective events.

5. 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.

6. Estimated amount of capital commitments not provided for Rs. 385.77 Million (Previous Year – Rs. 12.73 Million).

7. Exchange difference arising on foreign currency transactions amounting to Rs. 11.80 Million (Net Gain) (Previous Year – Rs. 5.03 Million – Net Gain) has been accounted under respective heads.

8. Extraordinary Item represents net profit (Gross of tax Rs. 995 Million) on sale of entire shareholding in Lincoln Helios (India) Limited to M/s. Lincoln GmbH for a total consideration of Rs. 1 Billion.

9. Investor Education & Protection Fund is being credited by the amount of unclaimed dividend after seven years from the due date.

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

10. Deferred Tax :

The tax effects of significant timing differences that resulted in deferred tax assets and liabilities are :

	2007 (Rs. Million)	2006 (Rs. Million)
Depreciation on Fixed Assets	(113.64)	(99.58)
Provision for Doubtful Debts and Advances	16.41	14.95
Compensation under Voluntary Retirement Schemes	0.57	1.13
Provision for Contingencies	26.25	25.99
Others	31.83	24.62
Deferred Tax Liability	(38.58)	(32.89)

11. Earnings Per Share :

(a) Number of shares outstanding	55,360,000	55,360,000
(b) Profit after tax, excluding extraordinary item (Rs. Million)	565.08	460.18
(c) Profit after tax, including extraordinary item (Rs. Million)	1,335.08	460.18
(d) Earnings per share (Basic & Diluted) excluding extraordinary item in Rs.	10.21	8.31
(e) Earnings per share (Basic & Diluted) including extraordinary item in Rs.	24.12	8.31

12. The Company is in the process of compiling relevant information from its suppliers about their coverage under the Micro, Small and Medium Enterprises Development Act, 2006. As the Company has not received any intimation from its suppliers as on date regarding their status under the above said Act, no disclosure has been made.

	(Rs. Million)	2007 (Rs. Million)	2006 (Rs. Million)
13. Revenue expenditure on Research & Development charged to the Profit and Loss Account during the year		6.64	5.78
14. (i) Managerial remuneration u/s. 198 of the Companies Act, 1956 :			
(a) Managing Director & Executive Director			
Salaries	9.29		5.78
Commission	8.61		7.04
Contribution to Provident Fund and other Funds	2.50		1.61
Perquisites	1.74		0.05
		22.14	14.48
(b) Non-wholetime Directors			
Commission		6.31	5.72
		28.45	20.20
(c) Sitting Fees		0.22	0.20
(ii) Computation of Net Profits in accordance with Section 198 of the Companies Act, 1956, and the commission payable to Directors : Profit after tax including Extraordinary Item as per Profit and Loss Account		1,335.08	460.18
Add :			
Provision for :			
Income Tax	243.71		219.07
Deferred Tax	5.69		(4.76)
Fringe Benefit Tax	8.10		10.60
Managerial Remuneration	28.45		20.20
Sitting Fees	0.22		0.20
Loss on assets discarded/sold (Net)	12.66		3.73
		298.83	249.04
		1,633.91	709.22
Less :			
Extraordinary Item (net of tax)		770.00	-
Profit on Sale of Investments		3.26	4.77
		860.65	704.45
Commission payable to :			
(a) Managing Director @ 1%		8.61	7.04
(b) Other Directors		6.31	5.72



SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

	2007 (Rs. Million)	2006 (Rs. Million)
15. Advances recoverable in cash or in kind include :		
Loan due from directors of the Company	37.52	–
Maximum Amount due at any time during the year	37.66	–
16. Amounts paid to Auditors :		
(i) Audit Fees	1.05	1.05
(ii) Audit under other Statutes	0.15	0.15
(iii) Tax representation before Authorities	0.16	0.20
(iv) Certification	0.21	0.69
(v) Reimbursement of Expenses	0.03	0.02

17. I. Value of Raw Materials Consumed :

	Unit	2007		2006	
		Quantity	(Rs. Million)	Quantity	(Rs. Million)
(i) Abrasive Grains	Tons	13,997.49	527.26	10,546.72	413.95
(ii) Carbon Materials	Tons	11,080.81	65.87	12,622.94	54.22
(iii) Others			1,132.60		854.49

II. Value of Imported and Indigenous Materials Consumed :

	2007		2006	
	%	(Rs. Million)	%	(Rs. Million)
(i) Imported Raw Materials	48.41	835.43	45.19	597.69
(ii) Indigenous Raw Materials	51.59	890.30	54.81	724.97
(iii) Imported Stores & Spares	1.89	2.06	3.19	2.52
(iv) Indigenous Stores & Spares	98.11	106.75	96.81	76.47

Note: Raw Materials consumed include captive consumption.

	2007 (Rs. Million)	2006 (Rs. Million)
18. Value of Imports on CIF Basis :		
(i) Raw Materials	1,016.37	585.23
(ii) Spare Parts	3.74	0.83
(iii) Capital Goods	46.66	27.31
(iv) Others	89.63	172.27

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

19. Quantitative Details :

I. Capacities, Production, Stock and Sales in 2007 :

Class of Goods	Units	Installed Capacity	Production	Opening Stock	Closing Stock	Sales	
						Quantity	Rs. Million
Bonded Abrasives	Tons	12,663.00 (12,150.00)	11,549.56 (9,073.27)	554.87 (303.24)	792.88 (554.87)	11,311.55 (8,821.64)	1,987.74 (1,597.04)
Coated Abrasives	Sqm. in Million	5.20 (4.90)	3.25 (3.20)	0.13 (0.19)	0.17 (0.13)	3.21 (3.26)	1,464.29 (1,313.05)
Abrasive Grains	Tons	15,000.00 (8,400.00)	9,059.78 (7,371.73)	217.52 (223.43)	176.31 (217.52)	9,101.04 (7,377.64)	560.91 (495.34)
Refractories	Tons	1,600.00 (1,600.00)	1,931.25* (1,670.02)	-	-	1,931.25 (1,670.02)	266.85 (206.02)
Others							690.30 (601.42)
Total							4,970.09 (4,212.87)

* Includes products manufactured by manual processing which has no installed capacity.

II. Notes :

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

20. Investment and Redemption of Mutual Fund Units during the Year:

	Units in Million	2007 Rs. Million
Kotak Liquid (Institutional Premium) - Daily Dividend	6.55	80.04
Kotak Floater Short Term - Daily Dividend	12.27	123.28
Kotak FMP 3M Series 25 - Dividend	2.00	20.00
LICMF Floating Rate Fund - Short Term Plan - Dividend Plan	7.96	80.82
LICMF Liquid Fund - Dividend Plan	0.91	10.00
LICMF Liquid Plus Fund - Daily Dividend Plan	37.90	379.02
LICMF FMP - Series 30 - 3 Months	5.09	50.89
Standard Chartered FMP - Quarterly Series 3 - Dividend	1.00	10.00
Grindlays Floating Rate Fund - LT - Inst Plan B - Daily Dividend	1.02	10.17
Standard Chartered FMP - Quarterly Series 15 - Dividend	2.00	20.00
DWS Money Plus Fund Regular Plan Weekly Dividend - Dividend Option	0.03	0.25
Birla FTP - Quarterly - Series 5 - Dividend Payout	1.00	10.00
Birla Sunlife Interval Income - Instl - Monthly - Series 1 - Dividend - Reinvestment	5.03	50.30
ICICI Prudential Flexible Income Plan - Div - Daily Reinvestment	24.72	261.36
ICICI Prudential Liquid Plan - Daily Dividend Option - Dividend Reinvestment	1.69	20.00
ICICI Prudential Institutional Liquid Plan - Daily Dividend Option - Dividend Reinvestment	3.17	37.52
ICICI Prudential Liquid Plan Institutional Plus - Daily Dividend Option - Dividend Reinvestment	4.22	50.04
ICICI Prudential Institutional Liquid Plan - Super Institutional - Daily Dividend Option - Dividend Reinvestment	31.17	311.75
ICICI Prudential FMP Series 32 - 1 Month Plan - D - Regular Dividend - Dividend Reinvestment	0.01	0.10
DSPML Strategic Bond Fund - Regular - Monthly Dividend	0.01	10.20
DSPML Fixed Term Plan Series 1 - Institutional Dividend	0.02	20.33
UTI Fixed Income Interval Fund - Monthly Interval Plan Series 1 - Instl. Plan - Dividend Payout	5.00	50.00



SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

20. Investment and Redemption of Mutual Fund Units during the Year: (Continued)

	Units in Million	2007 Rs. Million
UTI Fixed Maturity Plan - Quarterly Series QFMP/0107/I - Dividend Plan - Reinvestment	1.02	10.19
DBS Chola Treasury Management Fund - Daily Dividend	1.01	10.06
DBS Chola FMP Series 8 (Quarterly Plan) - Dividend	2.00	20.00
DBS Chola Interval Income Fund - MPI - A - Div - Autoover	3.00	30.00
DBS Chola Interval Income Fund - MPI - A - Div - Auto Redemption	5.00	50.00
ABN Amro Flexible Short Term Plan - Series B - Qly Dividend	2.00	20.00
ABN Amro Flexible Short Term Plan - Series C - Qly Dividend	3.00	30.00
HDFC Cash Management Fund - Call Plan - Daily Dividend Reinvestment	0.72	7.54
HDFC Cash Management Fund - Savings Plus Plan - Wholesale - Daily Dividend Reinvestment	24.98	250.62
Principal Floating Rate Fund FMP - Instl Option - Dividend Reinvestment	43.18	432.30
Principal Income Fund Short Term Plan - Inst. Plan - Dividend Reinvestment	3.73	40.39
Principal Cash Management Fund - Liquid Option - Growth Plan	0.64	10.00
Principal Liquid Plus Fund - Dividend Reinvestment - Daily	10.05	100.54
Tata Fixed Horizon Fund - Series 8 - Scheme E - Periodic Dividend - I	1.00	10.00
Tata Fixed Horizon Fund - Series 11 - Scheme E - ID Periodic Dividend	2.00	20.00
Reliance Fixed Horizon Fund - Monthly Plan - Series IV - Institutional Dividend Plan	2.00	20.00
Reliance Fixed Horizon Fund II - Monthly Plan - Series I - Institutional Dividend Plan	2.00	20.00
Reliance Fixed Horizon Fund II - Monthly Plan - Series I - Institutional Growth Plan	3.00	30.00
Reliance Monthly Interval Fund - Series I - Institutional Dividend Plan	5.00	50.00
Reliance Liquid Plus Fund - Institutional Option - Daily Dividend	0.01	10.34
ABN Amro FTP Series 4 Quarterly Plan C - Dividend	1.00	10.00
JP Morgan India Liquid Plus Fund - Dividend Plan - Reinvestment	2.02	20.22
JM Fixed Maturity Fund - Series IV - Qtrly Plan 1 - Dividend Plan	1.00	10.00
JM High Liquidity Fund - Super Instl. Plan - Daily Dividend	51.93	520.18
Principal Cash Management Fund - Liquid Option - Institutional Premium Plan - Daily Dividend	10.08	100.79
SBI Premier Liquid Fund - Institutional - Daily Dividend	30.28	303.78
Standard Chartered Liquidity Manager - Plus - Daily Dividend	@	0.26
Principal Cash Management Fund - Liquid Option - Inst Plan - Div Reinv Daily	28.28	282.85
Total	392.70	4,026.13

Note :

@ Less than 0.01 Million

	2007 (Rs. Million)	2006 (Rs. Million)
21. Expenditure in Foreign Currency :		
(i) Export Sales Commission	1.73	2.23
(ii) Foreign Travel	6.98	4.06
(iii) Royalties	41.49	35.77
(iv) Technical Design & Drawings Charges	-	2.16
(v) Others	2.61	2.66
22. Amount remitted in Foreign Currency on account of :		
Dividend	213.11	78.14
Number of Non-Resident Shareholders	2	2
Number of Shares held	28,414,000	7,103,500
Years to which Interim Dividend/(Dividend) relates	2006 & 2007	(2005)
23. Earnings in Foreign Exchange :		
(i) Exports of goods on FOB Basis	438.94	400.78
(ii) Freight on Exports	6.88	6.16
(iii) Insurance on Exports	0.01	0.01
(iv) Commission	7.34	8.85
(v) Export of Services	11.82	1.99
(vi) Other Income	3.63	11.32

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

24. The Company uses forward contracts to hedge its risk associated with foreign currency fluctuations relating to firm commitments and forecasted transactions. The Company does not enter into forward exchange contracts which are intended for speculative purposes.

The following are the outstanding forward contracts as at 31st December, 2007 :

Currency	No. of Contracts	Value in Million	Equivalent Rs. Million
USD	21	3.43	135.66
EURO	1	0.10	5.85

The Indian Rupee equivalent is arrived at by converting the forward contracts at the spot rate as at 31st December, 2007.

Foreign currency exposure (net) not hedged by forward contracts as at 31st December, 2007 is Rs. 42.93 Million.

25. 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 Ceramic Materials Bhutan Pvt. Ltd. (from 29th May, 2007).

(iii) **ASSOCIATE COMPANIES :**

ABC Superabrasives, USA	Saint-Gobain Crystals & Detectors India Ltd.
Certaineed Corporation, USA	Saint-Gobain Diamantwerkzeuge GMBH & Co.
Kure-Norton Co. Ltd., Japan	Saint-Gobain Emballage Avenue
Norton Abrasives PTY Ltd.	Saint-Gobain Glass India Ltd.
PT Saint-Gobain Norton Hamplas, Indonesia	Saint-Gobain Glass Mexico, SA
PT Saint-Gobain Winter Diamas, Indonesia	Saint-Gobain Industrial Ceramics, UK
Saint-Gobain PAM (France)	Saint-Gobain Ceramics Inc., USA
Saint-Gobain Abrasives Ltd.	Saint-Gobain Industriekeramik Rodental GMBH
Saint-Gobain Tevesa S.A.	Saint-Gobain Industriekeramik Dusseldorf GMBH
Saint-Gobain Abrasifs Maroc, Morocco	Saint-Gobain Materiaux Ceramiques
Saint-Gobain Abrasifs, France	Saint-Gobain Materials Ceramicos Ltda. Brazil
Saint-Gobain Abrasive International Trading (Shanghai)	Saint-Gobain Materials Ceramicos, Venezuela
Saint-Gobain Abrasives (Aust) PTY Ltd.	Saint-Gobain Sekurit India Ltd.
Saint-Gobain Abrasives (Shanghai) Co. Ltd., Shanghai	Saint-Gobain Seva Engineering India Limited
Saint-Gobain Abrasives BV., Netherlands	Saint-Gobain Seva, France
Saint-Gobain Abrasives GMBH (CORA)	Saint-Gobain Universal Superabrasives, Inc.
Saint-Gobain Abrasives GMBH, Gerolzhofen, Germany	Saint-Gobain Vetrotex India Ltd. (upto 31st October, 2007)
Saint-Gobain Abrasives International Trading (HK) Ltd.	Saint-Gobain Weber (India) Limited
Saint-Gobain Abrasives Korea	Savoi Refractories
Saint-Gobain Abrasives SP. Z.O.O.	SEPR Refractories India Ltd.
Saint-Gobain Abrasives (Suzhou) Co. Ltd.	SEPR, France
Saint-Gobain Abrasives Thailand	SG Performance Plastics Corby, UK
Saint-Gobain Abrasives Ltd., New Zealand	SG Performance Plastics Korea Co. Ltd.
Saint-Gobain Abrasives Singapore (PTE) Ltd.	Saint-Gobain Vibros S.A.
Saint-Gobain Abrasives SP. Z	SG Performance Plastics Pampus GMBH
Saint-Gobain Abrasives (PTY) Ltd., South Africa	SG Performance Plastics Verneret, France
Saint-Gobain Abrasives, France	SG Performance Plastics, Akron, USA
Saint-Gobain Abrasivi S.P.A.(Micromold)	SG Performance Plastics, Beaverton, USA
Saint-Gobain Abrasivi S.P.A.(Ral-Sud)	SG Performance Plastics, Chainieux, Belgium
Saint-Gobain Abrasives Ltd., Brazil	SG Performance Plastics, Granville, USA
Saint-Gobain Abrasivos S.A., Barcelona	SG Performance Plastics, Ireland
Saint-Gobain Abrasivos S.A., Argentina	SG Performance Plastics, Kontich, Belgium
Saint-Gobain Abrasivos S.A., Debray	SG Performance Plastics, Mickleton, USA
Saint-Gobain Abrasifs, Dubai	SG Performance Plastics, Pittsburg, USA
Saint-Gobain Advanced Materials (Taiwan) Co. Ltd.	SG Performance Plastics (SHANGHAI)
Saint-Gobain Ceilings Division	SG Advanced Ceramics (Shanghai) Co. Ltd.
Saint-Gobain Cera Mat (Lianyungang) Co.	SG Performance Plastics KK, JAPAN
Saint-Gobain Ceramic Materials A.S., Norway	Saint-Gobain Tech Fab Hongfa (Changzhou) Ltd.
Saint-Gobain Ceramic Materials, USA	Universal Superabrasives, USA
Saint-Gobain Ceramicas Industriales S.A.	India Gypsum Ltd.
Saint-Gobain Cree, France	Compagnie de Saint-Gobain Liaison office



SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

(iii) **JOINT VENTURE :**

Lincoln Helios (India) Ltd (upto 23rd August 2007)

(iv) **KEY MANAGEMENT PERSONNEL :**

A. Y. Mahajan – Managing Director

J. A. J. Pereira – Executive Director – Finance & Corporate Services (from 25th July 2007)

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		Joint venture	
	2007	2006	2007	2006	2007	2006	2007	2006
1 Sales	62.87	73.77	0.02	–	175.52	144.68	1.54	0.30
2 Agency Commission received	–	–	–	–	5.34	5.11	–	–
3 Dividend received	–	–	–	–	9.75	2.75	36.00	17.50
4 Service Income	–	1.99	2.82	–	24.46	4.59	2.40	1.64
5 Other Income	2.11	2.17	–	–	24.86	3.37	–	–
6 Purchase of Goods	55.67	40.41	–	–	448.47	356.46	–	–
7 Expenses charged to other companies	0.62	3.47	–	–	26.46	24.69	6.11	7.65
8 Expenses charged by other companies	0.45	0.04	–	–	14.15	13.01	–	–
9 Royalty Paid	31.48	27.34	–	–	10.01	8.43	–	–
10 Other Expenses	–	–	–	–	1.77	2.14	–	–
11 Deposit taken/ (refunded)	–	–	–	–	0.90	2.80	(13.28)	–
12 Outstanding receivables (net of payables)	(11.83)	(11.13)	2.68	–	20.83	(7.08)	–	2.03
13 Outstanding deposits	–	–	–	–	–	–	–	14.98

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

	2007	2006
Remuneration	22.14	14.48
Outstanding Loan	37.52	–

(iii) Significant transactions with related parties :

Sr. No.	Nature of Transactions	Associate Companies/Joint Venture	Rs. Million
1	Sales	Saint-Gobain Abrasives Inc., USA	57.16
		Saint-Gobain Abrasives (Aust) Pty. Ltd.	41.57
2	Agency Commission received	Saint-Gobain Diamantwerkzeuge GMBH & Co.	4.18
		Saint-Gobain Universal Superabrasives Inc.	0.66
3	Dividend received	Saint-Gobain Glass India Ltd.	9.75
		Lincoln Helios (India) Ltd.	36.00
4	Service Income	Saint-Gobain Abrasives (Suzhou) Co. Ltd.	5.10
		SEPR Refractories India Ltd.	9.66
5	Other Income	Saint-Gobain SEVA Engineering India Ltd.	3.42
		India Gypsum Ltd.	11.54
		Compagnie de Saint-Gobain Liaison Office	5.50
6	Purchase of Goods	SG Materials Ceramicos Ltda., Brazil	62.05
		Saint-Gobain Abrasives (Shanghai) Co. Ltd.	51.30
7	Expenses charged to other companies	Lincoln Helios (India) Ltd.	6.11
		Saint-Gobain SEVA Engineering India Ltd.	7.76
		Compagnie de Saint-Gobain Liaison Office	12.28
8	Expenses charged by other companies	Compagnie de Saint-Gobain Liaison Office	12.26
9	Royalty Paid	Saint-Gobain Abrasives Inc., USA	31.48
		Saint-Gobain Abrasives, France	4.44
10	Other Expenses	SEPR, France	1.56
		Saint-Gobain Abrasives (Singapore) Pte. Ltd.	0.21
11	Deposit refunded	Lincoln Helios (India) Ltd.	13.28

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

26. Disclosure under AS-15 (Revised 2005) :

Employee Benefits :

I. Defined Contribution Plans :

Contribution to Defined Contribution Plans, recognised as expense for the year are as under :

Employers' Contribution to Provident Fund
Employers' Contribution to Superannuation Fund

2007 Rs. Million
24.30
5.86

II. Defined Benefit Plan :

a. Contribution to Gratuity Fund

The Company makes annual contributions to the Employees' Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India, a funded defined benefit plan for qualifying employees. Gratuity is payable to all eligible employees on superannuation, death or on separation/termination in terms of the provisions of the Payment of Gratuity Act or as per the Company's policy whichever is beneficial to the employees.

The following table sets out the funded status of the gratuity plan and the amounts recognised in the Company's financial statements as at 31 December, 2007 :

Change in present value of obligation

Present value of obligation as at 1st January, 2007
Interest Cost
Service Cost
Benefits Paid
Actuarial (gain)/loss on obligation
Present value of obligation, as at 31st December, 2007

2007 Rs. Million
94.87
7.59
8.73
(9.09)
15.37
117.47

Change in plan assets

Fair value of plan assets as at 1st January, 2007
Expected return on plan assets
Contributions
Benefits paid
Actuarial gain/(loss) on plan assets
Fair value of plan assets as at 31st December, 2007

93.54
7.48
20.51
(9.09)
1.73
114.17

Amount recognised in the Balance Sheet

Present value of obligation, as at 31st December, 2007
Fair value of plan assets as at 31st December, 2007
Net obligation as at 31st December, 2007

117.47
(114.17)
3.30

Net gratuity cost for the year ended 31st December, 2007

Current Service Cost
Interest Cost
Expected return on plan assets
Net Actuarial (gain)/loss to be recognised
Net gratuity cost

8.73
7.59
(7.48)
13.64
22.48

Assumptions used in accounting for the gratuity plan

Discount Rate
Salary escalation rate
Expected rate of return on plan assets

%
8
6
8

The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The expected return on plan assets is determined considering several applicable factors mainly the composition of the plan assets held, assessed risks of asset management, historical results of the return on plan assets.

Since this is the first year of AS-15 (Revised 2005) being applicable, previous year's figures have not been provided.



SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

27. Segment Reporting :

A. Information about Business Segments :

(Rs. Million)

	Abrasives		Ceramics & Plastics		Others		Unallocated		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenue										
Segment Revenue	3,302.07	2,855.68	1,065.19	852.49	124.59	106.15	–	–	4,491.85	3,814.32
Less: Inter-segment Sales	–	–	(83.57)	(85.09)	–	–	–	–	(83.57)	(85.09)
Net Sales	3,302.07	2,855.68	981.62	767.40	124.59	106.15	–	–	4,408.28	3,729.23
Result										
Segment Result	587.63	486.58	147.19	136.20	32.91	25.96	–	–	767.73	648.74
Unallocated Income/ (Expenditure) – (Net)							(22.01)	(17.51)	(22.01)	(17.51)
Interest Expenses							(2.91)	(1.45)	(2.91)	(1.45)
Interest Income							7.81	8.50	7.81	8.50
Dividend Income							68.70	42.04	68.70	42.04
Profit on Sale of Investments							3.26	4.77	3.26	4.77
Profit before Tax									822.58	685.09
Provision for Tax (including Deferred Tax & FBT)							(257.50)	(224.91)	(257.50)	(224.91)
Profit after Tax (before Extraordinary Item)									565.08	460.18
Extraordinary Item							770.00	–	770.00	–
Profit after Tax (after Extraordinary Item)									1,335.08	460.18
Other Information										
Total Assets (gross)	2,290.61	1,803.46	697.80	460.42	81.72	75.44	1,284.35	829.73	4,354.48	3,169.05
Less: Revaluation Reserve	(24.42)	(25.45)	(21.17)	(21.82)	–	–	–	–	(45.59)	(47.27)
Net Assets	2,266.19	1,778.01	676.63	438.60	81.72	75.44	1,284.35	829.73	4,308.89	3,121.78
Total Liabilities	696.17	567.97	241.27	198.87	26.15	18.77	592.58	400.37	1,556.17	1,185.98
Capital Expenditure	331.08	318.77	56.71	34.21	–	–	28.23	272.81	416.02	625.79
Depreciation	92.53	71.98	14.65	11.89	0.13	0.13	14.50	9.00	121.81	93.00

B. Information about Geographical Segments :

(a) The Distribution of the Company's sales by geographical market is as under :

(Rs. Million)

Net Sales	2007	2006
India	3962.45	3322.29
Outside India	445.83	406.94
Total	4408.28	3729.23

(b) The Company's assets are located entirely in India.

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, Result, 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. 103.06 Million (Previous Year – Rs. 80.27 Million), allocated on a reasonable basis.

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

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

Balance Sheet Abstract for the Year Ended 31st December, 2007 and Company's General Business Profile

I. REGISTRATION DETAILS

Registration No.	:	8163
State Code	:	11
Balance Sheet Date	:	31-12-2007

(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	:	2859580
Total Assets	:	2859580

SOURCES OF FUNDS

Paid-up Capital	:	276800
Reserves & Surplus	:	2521520
Secured Loans	:	NIL
Unsecured Loans	:	22680
Deferred Tax	:	38580

APPLICATION OF FUNDS

Net Fixed Assets	:	1533300
Investments	:	810910
Net Current Assets	:	515370
Misc. Expenditure	:	NIL
Accumulated Losses	:	NIL

IV. PERFORMANCE OF COMPANY

Turnover (includes Miscellaneous Income)	:	4623940
Total Expenditure	:	3801360
Profit Before Tax	:	822580
Profit After Tax (including Extraordinary Item)	:	1335080
Earning Per Share in Rs.		
Excluding Extraordinary Item	:	10.21
Including Extraordinary Item	:	24.12
Dividend Rate (%) (Including Interim Dividend)	:	160.00%

V. GENERIC NAMES OF THE THREE PRINCIPAL PRODUCT/SERVICES OF A 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

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



CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER, 2007

	(Rs. Million)	2007 (Rs. Million)	(Rs. Million)	2006 (Rs. Million)
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Profit before Tax and Extraordinary Item		822.58		685.09
Adjustments for :				
Depreciation	121.81		93.00	
Unrealised Foreign Exchange (Gain)/Loss (Net)	(4.60)		4.15	
Loss on Sale of Fixed Assets	12.66		3.73	
Profit on Sale of Investments	(3.26)		(4.77)	
Dividend Received	(68.70)		(42.04)	
Gain on Prepayment of Deferred Sales Tax	(16.30)		(4.66)	
Interest (Net)	(4.90)	36.71	(7.05)	42.36
Operating Profit Before Working Capital Changes		859.29		727.45
Adjustments for :				
Trade and other Receivables	(255.42)		(166.06)	
Inventories	(203.23)		(82.17)	
Trade and other Payables	146.95	(311.70)	194.67	(53.56)
Cash Generated from Operations		547.59		673.89
Direct Taxes Paid	(275.76)		(240.86)	
Tax Refund	-	(275.76)	16.20	(224.66)
Net Cash from Operating Activities		271.83		449.23
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Purchase of Fixed Assets	(426.95)		(417.99)	
Purchase of Bonded Abrasives business of Orient Abrasives Ltd.	-		(210.00)	
Sale of Fixed Assets	5.45		7.22	
Proceeds of Sale of Investments	18.26		59.77	
Purchase of Investments	(200.00)		-	
Investment in a subsidiary	(30.81)		-	
Inter Corporate Deposit placed	(55.00)		(80.00)	
Inter Corporate Deposit redeemed	55.00		110.00	
Interest Received	6.96		8.34	
Dividend Received	68.70		42.04	
Net cash flow from/(used in) investing activities before extraordinary item	(558.39)		(480.62)	
Extraordinary Item (Refer Note 2)	832.00		-	
Net cash from/(used in) investing activities after extraordinary item		273.61		(480.62)
C. CASH FLOW FROM FINANCING ACTIVITIES				
Net Increase in Borrowing	16.33		21.17	
Interest	(2.91)		(1.45)	
Dividends Paid	(306.83)		(152.37)	
Tax on Dividend	(64.81)		(21.35)	
Net Cash used in Financing Activities		(358.22)		(154.00)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		187.22		(185.39)
CASH AND CASH EQUIVALENTS – OPENING BALANCE				
Cash and Bank Balances	101.95		101.10	
Cash Equivalents (Investment in Current Securities)	229.15	331.10	415.39	516.49
CASH AND CASH EQUIVALENTS – CLOSING BALANCE				
Cash and Bank Balances	215.57		101.95	
Cash Equivalents (Investment in Current Securities)	302.75	518.32	229.15	331.10
		187.22		(185.39)

- NOTES: 1. The Company has undrawn borrowing facilities amounting to Rs. 260 Million (Previous year – Rs. 260 Million).
 2. Extraordinary item represents proceeds received (net of taxes paid) from sale of entire shareholding in Lincoln Helios (India) Limited to M/s Lincoln GmbH for a total consideration of Rs. 1 Billion.
 3. 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: 6th March, 2008

A. C. CHAKRABORTTI

A. Y. MAHAJAN

K. VISWESWARAN

Vice-Chairman

Managing Director

Company Secretary

Mumbai: 6th March, 2008

**Information Regarding Saint-Gobain Ceramic
Materials Bhutan Private Limited as required by
Letter No. 47/23/2008/CL-III dtd. 5th February 2008**

Rs. Million

Capital	43.89
Reserves	(0.34)
Total Assets	48.78
Total Liabilities	48.78
Investments (except subsidiaries)	NIL
Turnover	NIL
Profit before Tax	(0.34)
Provision for Tax	NIL
Profit after Tax	(0.34)
Proposed Dividend	NIL



REPORT OF THE AUDITORS

TO THE MEMBERS OF
GRINDWELL NORTON LIMITED

1. We have audited the attached Consolidated Balance Sheet of **GRINDWELL NORTON LIMITED** ('the Company') and its subsidiary (collectively referred as 'the Group'), as at 31st December, 2007, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group 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 the 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. We did not audit the financial statements of the subsidiary, whose financial statements reflect the total assets (net) of Rs. 43.55 million as at December 31, 2007, and the total revenues of Rs. Nil and net cash inflows amounting to Rs. 2.66 million for the year ended on that date as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates

to the amounts included in respect of the subsidiary is based solely on the report of the other auditor.

4. We report that the consolidated financial statements have been prepared by the management of the Company in accordance with the requirements of Accounting Standard (AS) 21- Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of the report of other auditor on separate financial statements, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at 31st December, 2007;
 - (ii) in the case of the Consolidated Profit and Loss Account, of the consolidated profit of the Group for the year ended on that date; and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company for the year ended on that date.

For and on behalf of
KALYANIWALLA & MISTRY
CHARTERED ACCOUNTANTS

E. K. IRANI
PARTNER
Membership No. 35646

Place: Mumbai
Dated: 6th March, 2008

CONSOLIDATED BALANCE SHEET AS AT 31st DECEMBER, 2007

	<u>Schedules</u>	<u>(Rs. Million)</u>	<u>As at 31st December, 2007 (Rs. Million)</u>
SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
(a) Capital	1	276.80	
(b) Reserves and Surplus	2	<u>2,520.53</u>	
			2,797.33
2. MINORITY INTEREST			13.10
3. LOAN FUNDS			
Unsecured Loans	3		22.68
4. DEFERRED TAX LIABILITY			38.58
			<u>2,871.69</u>
APPLICATION OF FUNDS			
1. FIXED ASSETS	4		
(a) Gross Block		2,257.44	
(b) Less : Depreciation		<u>888.61</u>	
(c) Net Block		1,368.83	
(d) Capital Work-in-Progress		<u>209.86</u>	
			1,578.69
2. INVESTMENTS	5		780.10
3. CURRENT ASSETS, LOANS & ADVANCES	6		
(a) Inventories		702.07	
(b) Sundry Debtors		821.86	
(c) Cash & Bank Balances		218.23	
(d) Accrued Interest		1.33	
(e) Loans & Advances		<u>266.87</u>	
		<u>2,010.36</u>	
Less : CURRENT LIABILITIES & PROVISIONS	7		
(a) Liabilities		1,037.11	
(b) Provisions		<u>460.35</u>	
		<u>1,497.46</u>	
NET CURRENT ASSETS			<u>512.90</u>
			<u>2,871.69</u>
NOTES TO ACCOUNTS	13		

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: 6th March, 2008

Signatures to Balance Sheet and Schedules 1 to 7 & 13

A. C. CHAKRABORTTI

Vice-Chairman

A. Y. MAHAJAN

Managing Director

K. VISWESWARAN

Company Secretary

Mumbai: 6th March, 2008



CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 2007

	Schedules	(Rs. Million)	(Rs. Million)	For the Year Ended 31st December, 2007 (Rs. Million)
INCOME				
Sales		4,970.09		
Less : Excise Duty		(561.81)		
Net Sales			4,408.28	
Miscellaneous Income	8		213.15	4,621.43
EXPENDITURE				
Raw Materials Consumed	9		1,578.25	
Purchase of Trading Goods			312.11	
Manufacturing, Administration and Selling Expenses	10		1,929.08	
Interest	11		2.91	
Debts and Advances Provided/Written off (Net)			6.83	
Depreciation		123.49		
Less : Transfer from Revaluation Reserve		(1.68)		
			121.81	
			3,950.99	
Less : Increase in Inventory	12		(151.06)	3,799.93
Profit before Tax and Extraordinary Item				821.50
Extraordinary Item (net of tax expense of Rs. 225 Million) (Refer Schedule 13, Note 8)				770.00
Profit before Tax and after Extraordinary Item				1,591.50
Provision for :				
Income Tax			243.71	
Deferred Tax			5.69	
Fringe Benefit Tax			8.10	
				257.50
Profit after Tax and before Minority Interest				1,334.00
Share of Minority Interest				0.10
Profit after Tax and Minority Interest				1,334.10
Surplus Brought Forward				150.00
PROFIT AVAILABLE FOR APPROPRIATION				1,484.10
APPROPRIATIONS				
Interim Dividend				221.44
Tax on Interim Dividend				37.64
Proposed Dividend				221.44
Provision for Tax on Proposed Dividend				37.64
Transfer to General Reserve				716.92
Surplus Carried Forward				249.02
				1,484.10
Earnings Per Share (Basic & Diluted) on Face Value of Rs. 5/- each				
Excluding Extraordinary Item				10.19
Including Extraordinary Item				24.10
NOTES TO ACCOUNTS				
The Schedules referred to above form an integral part of the Profit & Loss Account		13		
As per our Report of even date		Signatures to Profit & Loss Account and Schedules 8 to 13		
For and on behalf of KALYANIWALLA & MISTRY Chartered Accountants		A. C. CHAKRABORTTI Vice-Chairman		
E. K. IRANI Partner		A. Y. MAHAJAN Managing Director		
Membership No. 35646		K. VISWESWARAN Company Secretary		
Mumbai: 6th March, 2008		Mumbai: 6th March, 2008		

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	<u>(Rs. Million)</u>	<u>As at 31st December, 2007 (Rs. Million)</u>
SCHEDULE 1 : CAPITAL		
AUTHORISED		
56,000,000 Equity Shares of Rs. 5/- each		<u>280.00</u>
ISSUED, SUBSCRIBED AND PAID-UP		
55,360,000 Equity Shares of Rs. 5/- each, fully paid-up		<u>276.80</u>
		<u>276.80</u>
NOTES:		
Of the above Equity Shares:		
(a) 280,000 Equity Shares of Rs. 5/- each were allotted as fully paid pursuant to a contract without payment being received in cash.		
(b) 46,911,440 Equity Shares of Rs. 5/- each were allotted as fully paid Bonus Shares by capitalising Share Premium, Profits & Reserves.		
(c) 14,817,760 Equity Shares of Rs. 5/- each are held by Saint-Gobain Abrasives Inc. and 13,596,240 Equity Shares of Rs.5/- 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		348.28
2. REVALUATION RESERVE		
As per last Balance Sheet	47.27	
Transfer to Depreciation	(1.68)	
		<u>45.59</u>
3. GENERAL RESERVE		
As per last Balance Sheet	1,160.72	
Transfer from Profit & Loss Account	716.92	
		<u>1,877.64</u>
4. PROFIT & LOSS ACCOUNT		<u>249.02</u>
		<u>2,520.53</u>



SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE 3 : UNSECURED LOAN

Deferred Sales Tax

As at
31st December,
2007
(Rs. Million)

22.68

22.68

SCHEDULE 4 : FIXED ASSETS

(Rs. Million)

ASSETS	GROSS BLOCK			DEPRECIATION / AMORTISATION				NET BLOCK		
	As at 1.1.2007	Additions	Deductions	As at 31.12.2007	Upto 1.1.2007	On Sales	For the Year	Upto 31.12.2007	As at 31.12.2007	As at 31.12.2006
TANGIBLE ASSETS										
Land - Freehold *	21.54	101.26	-	122.80	-	-	-	-	122.80	21.54
Land - Leasehold	9.08	-	-	9.08	1.03	-	0.10	1.13	7.95	8.05
Buildings # *	516.46	43.17	-	559.63	95.20	-	12.05	107.25	452.38	421.26
Plant & Machinery	1,018.98	143.39	34.37	1,128.00	574.48	25.80	60.29	608.97	519.03	444.50
Computers	90.37	13.80	5.44	98.73	68.92	4.63	9.97	74.26	24.47	21.45
Furniture, Fixtures & Office Equipment	98.50	15.57	5.92	108.15	38.62	4.28	5.56	39.90	68.25	59.88
Vehicles	44.21	1.64	12.07	33.78	12.16	4.98	3.62	10.80	22.98	32.05
INTANGIBLE ASSETS										
Computer Software	7.27	2.87	-	10.14	3.60	-	3.05	6.65	3.49	3.67
Goodwill	32.39	-	-	32.39	0.80	-	3.24	4.04	28.35	31.59
Technical Know How	35.43	-	-	35.43	1.75	-	7.08	8.83	26.60	33.68
Trade Mark	40.64	-	-	40.64	6.18	-	10.72	16.90	23.74	34.46
Other Intangibles	78.67	-	-	78.67	2.01	-	7.87	9.88	68.79	76.66
Total	1,993.54	321.70	57.80	2,257.44	804.75	39.69	123.55 [^]	888.61	1,368.83	1,188.79
Capital Work In Progress									209.86	70.09
									1,578.69	1,258.88

* Additions during the year include Rs. 5.31 Million towards stamp duty and registration charges payable for Industrial Land & Building purchased at Himachal Pradesh.

Includes an amount of Rs. 750 (Previous Year – Rs. 750) representing the value of shares in a co-operative housing society.

[^] Of this, Rs. 0.06 Million transferred to Capital Work-in-Progress.

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	Nos.	Face Value (Rs.)	(Rs. Million)	As at 31st December, 2007 (Rs. Million)
SCHEDULE 5 : INVESTMENTS				
AT COST				
LONG TERM				
TRADE				
EQUITY SHARES (fully paid-up)				
Unquoted:				
Andhra Pradesh Gas Power Corporation Ltd.	2,186,880	10		27.33
NON-TRADE				
EQUITY SHARES (fully paid up)				
Quoted:				
John Oakey & Mohan Ltd.	1,900	10		0.02
Unquoted:				
(Companies under the same management)				
Saint-Gobain Glass India Ltd.	2,500,000	10	250.00	
Saint-Gobain India Foundation	100	10	@	
				250.00
OTHER SECURITIES				
Unquoted:				
MUTUAL FUNDS				
Debt Funds – Fixed Maturity Plan (Growth Plan)				
Standard Chartered Fixed Maturity Plan – Yearly Series 10 – Growth*	3,000,000	10	30.00	
Reliance Fixed Horizon Fund IV – Annual Plan - Series II – Institutional Growth Plan*	3,000,000	10	30.00	
JM Fixed Maturity Fund – Series VII – 13 Months Plan 1 – Institutional Growth*	3,000,000	10	30.00	
JM Fixed Maturity Fund – Series VII – 18 Months Plan 1 – Institutional Growth*	1,000,000	10	10.00	
HSBC Fixed Term Series 33 – Institutional Growth Plan*	3,000,000	10	30.00	
Tata Fixed Horizon Fund Series 14 – Scheme B – Institutional Growth*	3,000,000	10	30.00	
Derivative Funds				
JM Arbitrage Advantage Fund – Dividend*	1,960,419	10	20.00	
Kotak Equity Arbitrage Fund – Dividend*	1,888,628	10	20.00	
				200.00
CURRENT				
OTHER SECURITIES				
Unquoted:				
MUTUAL FUNDS				
Debt Funds (Fixed Maturity Plan) – Dividend Option				
Lotus India Fixed Maturity Plan – 3 Months – Series XIX – Dividend*	3,000,000	10	30.00	
Lotus India Quarterly Interval Fund – Plan A – Dividend *	2,000,000	10	20.00	
DSP Merrill Lynch Fixed Maturity Plan 3M Series 1 – Instl Dividend*	2,000,000	10	20.00	
Sundaram BNP Paribas Interval Fund Qly – Plan A – Institutional – Dividend*	1,999,560	10	20.00	



SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE 5 : INVESTMENTS (Continued)

	Nos.	Face Value (Rs.)	(Rs. Million)	As at 31st December, 2007 (Rs. Million)
Kotak Quarterly Interval Plan Series 4 – Dividend*	2,000,000	10	20.00	
Kotak FMP 3M Series 26 – Dividend*	3,000,000	10	30.00	
ABN AMRO Flexible Short Term Plan Series B Monthly Dividend*	2,012,224	10	20.12	
Liquid/Money Plus Funds – Dividend Plan				
DWS Credit Opportunities Cash Fund – Weekly Dividend Plan*	1,027,863	10	10.32	
Kotak Flexi Debt Scheme – Dividend*	11,991,067	10	120.28	
SBI Premier Liquid Fund – Institutional – Daily Dividend**	1,199,014	10	12.03	
				302.75
				780.10
NOTES:				
1. @	Less than Rs. 0.01 Million.			
2. *	Purchased during the year.			
3. **	Sold/ Redeemed during the year.			
4.	For details of Investment & redemption of Units during the year, Refer Schedule 13 Note 20.			
5. COST				
				0.02
				780.08
6. MARKET VALUE				
				0.03
7. MUTUAL FUNDS				
				502.75
				508.71
8.	Figures in brackets indicate that of Previous Year.			

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	(Rs. Million)	As at 31st December, 2007 (Rs. Million)
SCHEDULE 6 : CURRENT ASSETS, LOANS & ADVANCES		
1. INVENTORIES		
Stores and Spare Parts	28.67	
Raw Materials	193.85	
Raw Materials in Transit	37.20	
Finished Goods:		
Manufactured	190.08	
Trading	61.70	
Work-in-Process	190.57	
	<hr/>	702.07
2. SUNDRY DEBTORS		
(Unsecured and considered good unless otherwise stated)		
Over six months	61.53	
Others	804.14	
	<hr/>	
	865.67	
Less: Provision for doubtful debts	43.81	
	<hr/>	821.86
(Sundry Debtors include Rs. 43.81 Million – considered doubtful)		
3. CASH AND BANK BALANCES		
Cash and Cheques on hand and remittances in transit	55.06	
With Scheduled Banks:		
On Current Account	162.94*	
On Deposit Account	0.23	
	<hr/>	
*(Includes Rs. 107.88 Million for interim dividend funding)		218.23
4. ACCRUED INTEREST		1.33
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. 4.47 Million – considered doubtful)	190.33	
Demand Deposits with Excise and Customs Departments	25.25	
Other Deposits	55.76	
	<hr/>	
	271.34	
Less: Provision for doubtful advances	4.47	
	<hr/>	266.87
		<hr/> <hr/>
		2,010.36



SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	(Rs. Million)	(Rs. Million)	As at 31st December, 2007 (Rs. Million)
SCHEDULE 7 : CURRENT LIABILITIES AND PROVISIONS			
1. LIABILITIES			
Sundry Creditors:			
Due to Micro, Small and Medium Enterprises (Refer Schedule 13, Note 12)	-		
Others	<u>359.45</u>		
		359.45	
Trade Deposits		18.84	
Unclaimed Dividend		111.35	
Investor Education and Protection Fund		-	
Other Liabilities		<u>547.47</u>	
			1,037.11
2. PROVISIONS			
For taxation			
On Income (Net of Advance tax of Rs. 1,440.15 Million)		79.27	
On Proposed Dividend		<u>37.64</u>	
		116.91	
For Proposed Dividend		221.44	
For Leave Encashment		44.79	
For Contingencies		<u>77.21</u>	
			460.35
			<u>1,497.46</u>
			For the Year Ended 31st December, 2007 (Rs. Million)
		(Rs. Million)	(Rs. Million)
SCHEDULE 8 : MISCELLANEOUS INCOME			
Commission			7.35
Interest (Gross) (Tax deducted – Rs. 0.17 Million)			7.81
Dividends from Investments (Non-trade):			
From Long Term Investments		46.13	
From Current Investments		<u>22.57</u>	
			68.70
Sales Tax Refund			0.02
Service Income			42.64
Gain on prepayment of Deferred Sales Tax			16.30
Profit on Sale of Investments:			
From Long Term Investments		1.90	
From Current Investments		<u>1.36</u>	
			3.26
Others			67.07
			<u>213.15</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	(Rs. Million)	For the Year Ended 31st December, 2007 (Rs. Million)
SCHEDULE 9 : RAW MATERIALS CONSUMED		
Opening Stock of		
Raw Materials	148.87	
Raw Materials in Transit	33.56	
		182.43
Add: Purchases		1,626.87
		1,809.30
Less: Closing Stock of		
Raw Materials	193.85	
Raw Materials in Transit	37.20	
		231.05
		1,578.25
SCHEDULE 10 : MANUFACTURING, ADMINISTRATION AND SELLING EXPENSES		
Stores and Spare Parts Consumed		108.81
Processing Charges		112.27
Salaries, Wages, Bonus and Gratuity		466.01
Contribution to Provident and other Funds		37.24
Staff Welfare		50.59
Power and Fuel		350.20
Freight, Octroi and Packing Expenses		237.17
Repairs and Maintenance:		
Buildings	3.32	
Machinery	41.29	
Others	17.46	
		62.07
Rent		11.17
Rates and Taxes		9.79
Insurance		7.58
Travelling and Conveyance		72.92
Commission and Discount on Sales		147.14
Royalties		41.49
Loss on assets discarded/sold (Net)		12.66
Miscellaneous		201.97
		1,929.08



SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	(Rs. Million)	For the Year Ended 31st December, 2007 (Rs. Million)
SCHEDULE 11 : INTEREST		
ON LOANS/DEPOSITS:		
Banks	1.30	
Others	1.61	
		2.91
		<u>2.91</u>
 SCHEDULE 12 : INCREASE IN INVENTORY		
Opening Stock of		
Finished Goods:		
Manufactured	114.51	
Trading	47.80	
Work-in-Process	128.98	
		291.29
Less: Closing Stock of		
Finished Goods:		
Manufactured	190.08	
Trading	61.70	
Work-in-Process	190.57	
		442.35
		<u>(151.06)</u>

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS

1. Significant Accounting Policies:

(i) Principles of Consolidation:

The Consolidated Financial Statements relate to Grindwell Norton Limited (“the Company”) and its subsidiary. The Consolidated Financial Statements have been prepared on the following basis:

- (a) The financial statements of the Company and its subsidiary have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses as per Accounting Standard 21 – Consolidated Financial Statements issued by The Institute of Chartered Accountants of India.
- (b) “Minority interest” represents the amount of equity attributable to minority shareholders at the date on which investment in the subsidiary is made and its share of movements in the equity since that date. Any excess consideration received from minority shareholders of the subsidiary over the amount of equity attributable to the minority on the date of investment is reflected under “Reserves and Surplus”. Minority interest’s share of net profit for the year of the subsidiary is identified and adjusted against the profit after tax of the group.
- (c) Intra-group balances and intra-group transactions and resulting unrealised profits have been eliminated.
- (d) The subsidiary company considered in the consolidated accounts is Saint-Gobain Ceramic Materials Bhutan Private Limited, a company incorporated in Bhutan in which the Company has 70% equity holding.

(ii) Method of Accounting:

The accounts are prepared on the historical cost convention. Expenses and income are accounted for on accrual basis.

(iii) Fixed Assets:

Fixed Assets are stated at cost, except those Tangible Assets which were revalued as on 30.6.88 are stated at revalued amounts.

(iv) 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.

(v) Inventories:

Inventories are valued at lower of cost and net realisable value. The cost is arrived at on a weighted average basis.

(vi) 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.

(vii) 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 and the difference arising on conversion is accounted for in the books of account.

(viii) Expenditure on New Projects:

Expenditure directly relating to the construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of indirect construction cost to the extent to which the expenditure is related to the construction or is incidental thereto. Income attributable to the project is deducted from the total of the indirect expenditure.

(ix) Employee Benefits:

(a) Short-term employee benefits:

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, performance incentives, etc. are recognised at actual amounts due in the period in which the employee renders the related service.

**SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS****SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)****(b) Post-employment benefits:****(i) Defined Contribution Plans:**

Payments made to defined contribution plans such as Provident Fund and Superannuation are charged as an expense as they fall due.

(ii) Defined Benefit Plans:

The cost of providing benefit i.e. gratuity is determined using the Projected Unit Credit Method, with actuarial valuation carried out as at the balance sheet date. Actuarial gains and losses are recognised immediately in the Profit & Loss Account.

The fair value of the plan assets is reduced from the gross obligation under the defined benefit plan, to recognise the obligation on net basis.

Past service cost is recognised as expense on a straight-line basis over the average period until the benefit becomes vested.

(iii) Other long-term employee benefits:

Other long-term employee benefit viz., leave encashment is recognised as an expense in the profit and loss account as and when it accrues. The Company determines the liability using the Projected Unit Credit Method, with actuarial valuation carried out as at the balance sheet date. Actuarial gains and losses in respect of such benefit is charged to the profit and loss account.

(x) 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 the relevant Fixed Assets.

(xi) 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.

(xii) Depreciation/Amortisation:**On Tangible Assets:**

(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 the following:

(i) Computers are depreciated over 4 years,

(ii) Specific Kilns are depreciated over 5 years, 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.

(d) Depreciation on fixed assets of the subsidiary is provided at the rates prevalent under the relevant law of that country.

On Intangible Assets:

(a) Intangible assets are amortised on the Straight Line basis over the useful life, based on the economic benefits that would be derived, as per the estimates made by the management:

(i) Computer Software : 3 Years

(ii) Goodwill : 10 Years

(iii) Technical Know-how : 5 Years

(iv) Trademark : Licence Period/10 Years (whichever is lower)

(v) Other Intangibles : 10 Years

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

(xiii) **Impairment:**

The cash generating units are evaluated at the Balance Sheet date to ascertain the estimated recoverable amount/value in use as against the Written Down Value. Impairment loss, if any, is recognised whenever the Written Down Value exceeds estimated recoverable amount/value in use.

(xiv) **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.

(xv) **Provisions and Contingencies:**

(a) Provisions are recognised based on the best estimate of probable outflow of resources which would be required to settle obligations arising out of past events.

(b) Contingent liabilities not provided for as per (a) above are disclosed in notes to accounts and Contingent assets are not recognised.

2. **Contingent liabilities not provided for in respect of:**

- | | Rs. Million |
|---|-------------|
| (a) Excise Duty demands/show cause notices pending with the appropriate authorities and disputed by the Company | 25.95 |
| (b) Sales Tax demands pending with the Commissionerate/High Court and disputed by the Company | 39.16 |
| (c) Customs Duty demands pending with Appellate Tribunal and disputed by the Company | 1.04 |
| (d) Claims against the Company under the Labour Laws for disputed cases | 2.98 |
| (e) Demand raised by A.P. Transco on surplus units allocated, disputed by the Company & subjudice in High Court (Net) | 21.74 |
| (f) Guarantees given by Banks – Counter guaranteed by the Company | 28.28 |
| (g) Letters of credit issued by banks on behalf of the Company | 1.61 |
| (h) Other Claims against the Company not acknowledged as debts | 8.42 |

3. The Company has Cash Credit facilities from bankers 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.

4. **Provisions:**

The Company has made provisions for the following:

	Rs. Million				
	Opening Balance	Provision	Utilisation	Reversal	Closing Balance
Leave Encashment	38.49	9.33	3.03	–	44.79
Other Risks	77.21	–	–	–	77.21
Total	115.70	9.33	3.03	–	122.00

Other Risks represents liability towards Transmission Corporation of Andhra Pradesh Ltd.

The Company has made provision for known litigation and the outflow of which would depend on the cessation of respective events.



SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

5. 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.
6. Estimated amount of capital commitments not provided for Rs. 592.15 Million.
7. Exchange difference arising on foreign currency transactions amounting to Rs. 11.90 Million (Net Gain) has been accounted under respective heads.
8. Extraordinary Item represents net profit (Gross of tax Rs. 995 Million) on sale of entire shareholding in Lincoln Helios (India) Limited to M/s Lincoln GmbH for a total consideration of Rs. 1 Billion.
9. Investor Education & Protection Fund is being credited by the amount of unclaimed dividend after seven years from the due date.
10. Deferred Tax:

The tax effects of significant timing differences that resulted in deferred tax assets and liabilities are :

Depreciation on Fixed Assets

Rs. Million

(113.64)

Provision for Doubtful Debts and Advances

16.41

Compensation under Voluntary Retirement Schemes

0.57

Provision for Contingencies

26.25

Others

31.83

Deferred Tax Liability

(38.58)

11. Earnings Per Share :

(a) Number of shares outstanding

55,360,000

(b) Profit after tax and minority interest, excluding extraordinary item (Rs. Million)

564.10

(c) Profit after tax and minority interest, including extraordinary item (Rs. Million)

1,334.10

(d) Earnings per share (Basic & Diluted) excluding extraordinary item in Rs.

10.19

(e) Earnings per share (Basic & Diluted) including extraordinary item in Rs.

24.10

12. The Company is in the process of compiling relevant information from its suppliers about their coverage under the Micro, Small and Medium Enterprises Development Act, 2006. As the company has not received any intimation from its suppliers as on date regarding their status under the above said Act, no disclosure has been made.

Rs. Million

13. Revenue expenditure on Research & Development charged to the Profit and Loss Account during the year

6.64

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

14. The Company uses forward contracts to hedge its risk associated with foreign currency fluctuations relating to firm commitments and forecasted transactions. The Company does not enter into forward exchange contracts which are intended for speculative purposes.

The following are the outstanding forward contracts as at 31st December 2007:

Currency	No. of Contracts	Value in Million	Equivalent Rs. Million
USD	21	3.43	135.66
EURO	1	0.10	5.85

The Indian Rupee equivalent is arrived at by converting the forward contracts at the spot rate as at 31st December 2007.

Foreign currency exposure (net) not hedged by forward contracts as at 31st December 2007 is Rs. 42.93 Million.

15. Investment and Redemption of Mutual Fund Units during the Year:

	Units in Million	Rs. Million
Kotak Liquid (Institutional Premium) - Daily Dividend	6.55	80.04
Kotak Floater Short Term - Daily Dividend	12.27	123.28
Kotak FMP 3M Series 25 - Dividend	2.00	20.00
LICMF Floating Rate Fund - Short Term Plan - Dividend Plan	7.96	80.82
LICMF Liquid Fund - Dividend Plan	0.91	10.00
LICMF Liquid Plus Fund - Daily Dividend Plan	37.90	379.02
LICMF FMP - Series 30 - 3 Months	5.09	50.89
Standard Chartered FMP - Quarterly Series 3 - Dividend	1.00	10.00
Grindlays Floating Rate Fund - LT - Inst Plan B - Daily Dividend	1.02	10.17
Standard Chartered FMP - Quarterly Series 15 - Dividend	2.00	20.00
DWS Money Plus Fund Regular Plan Weekly Dividend - Dividend Option	0.03	0.25
Birla FTP - Quarterly - Series 5 - Dividend Payout	1.00	10.00
Birla Sunlife Interval Income - Instl - Monthly - Series 1 - Dividend - Reinvestment	5.03	50.30
ICICI Prudential Flexible Income Plan - Div - Daily Reinvestment	24.72	261.36
ICICI Prudential Liquid Plan - Daily Dividend Option - Dividend Reinvestment	1.69	20.00
ICICI Prudential Institutional Liquid Plan - Daily Dividend Option - Dividend Reinvestment	3.17	37.52
ICICI Prudential Liquid Plan Institutional Plus - Daily Dividend Option - Dividend Reinvestment	4.22	50.04
ICICI Prudential Institutional Liquid Plan - Super Institutional - Daily Dividend Option - Dividend Reinvestment	31.17	311.75
ICICI Prudential FMP Series 32 - 1 Month Plan - D - Regular Dividend - Dividend Reinvestment	0.01	0.10
DSPML Strategic Bond Fund - Regular - Monthly Dividend	0.01	10.20
DSPML Fixed Term Plan Series 1 - Institutional Dividend	0.02	20.33
UTI Fixed Income Interval Fund - Monthly Interval Plan Series 1 - Instl. Plan - Dividend Payout	5.00	50.00
UTI Fixed Maturity Plan - Quarterly Series QFMP/0107/I - Dividend Plan - Reinvestment	1.02	10.19
DBS Chola Treasury Management Fund - Daily Dividend	1.01	10.06
DBS Chola FMP Series 8 (Quarterly Plan) - Dividend	2.00	20.00
DBS Chola Interval Income Fund - MPI - A - Div - Autoover	3.00	30.00
DBS Chola Interval Income Fund - MPI - A - Div - Auto Redemption	5.00	50.00
ABN Amro Flexible Short Term Plan - Series B - Qly Dividend	2.00	20.00
ABN Amro Flexible Short Term Plan - Series C - Qly Dividend	3.00	30.00



SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

15. Investment and Redemption of Mutual Fund Units during the Year: (Continued)

	Units in Million	Rs. Million
HDFC Cash Management Fund - Call Plan - Daily Dividend Reinvestment	0.72	7.54
HDFC Cash Management Fund - Savings Plus Plan - Wholesale - Daily Dividend Reinvestment	24.98	250.62
Principal Floating Rate Fund FMP - Instl Option - Dividend Reinvestment	43.18	432.30
Principal Income Fund Short Term Plan - Inst. Plan - Dividend Reinvestment	3.73	40.39
Principal Cash Management Fund - Liquid Option - Growth Plan	0.64	10.00
Principal Liquid Plus Fund - Dividend Reinvestment - Daily	10.05	100.54
Tata Fixed Horizon Fund - Series 8 - Scheme E - Periodic Dividend - I	1.00	10.00
Tata Fixed Horizon Fund - Series 11 - Scheme E - ID Periodic Dividend	2.00	20.00
Reliance Fixed Horizon Fund - Monthly Plan - Series IV - Institutional Dividend Plan	2.00	20.00
Reliance Fixed Horizon Fund II - Monthly Plan - Series I - Institutional Dividend Plan	2.00	20.00
Reliance Fixed Horizon Fund II - Monthly Plan - Series I - Institutional Growth Plan	3.00	30.00
Reliance Monthly Interval Fund - Series I - Institutional Dividend Plan	5.00	50.00
Reliance Liquid Plus Fund - Institutional Option - Daily Dividend	0.01	10.34
ABN Amro FTP Series 4 Quarterly Plan C - Dividend	1.00	10.00
JP Morgan India Liquid Plus Fund - Dividend Plan - Reinvestment	2.02	20.22
JM Fixed Maturity Fund - Series IV - Qtrly Plan 1 - Dividend Plan	1.00	10.00
JM High Liquidity Fund - Super Instl. Plan - Daily Dividend	51.93	520.18
Principal Cash Management Fund - Liquid Option - Institutional Premium Plan - Daily Dividend	10.08	100.79
SBI Premier Liquid Fund - Institutional - Daily Dividend	30.28	303.78
Standard Chartered Liquidity Manager - Plus - Daily Dividend	@	0.26
Principal Cash Management Fund - Liquid Option - Inst Plan - Div Reinv Daily	28.28	282.85
Total	392.70	4,026.13

Note:

@ Less than 0.01 Million

16. **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) **ASSOCIATE COMPANIES:**

ABC Superabrasives, USA

Certainteed Corporation, USA

Kure-Norton Co., Ltd., Japan

Norton Abrasives PTY Ltd.

PT Saint-Gobain Norton Hampas, Indonesia

PT Saint-Gobain Winter Diamas, Indonesia

Saint-Gobain PAM (France)

Saint-Gobain Abrasives Ltd.

Saint-Gobain Emballage Avenue

Saint-Gobain Glass India Ltd.

Saint-Gobain Glass Mexico, SA

Saint-Gobain Industrial Ceramics, UK

Saint-Gobain Ceramics Inc., USA

Saint-Gobain Industriekeramik Rodental GMBH

Saint-Gobain Industriekeramik Dusseldorf GMBH

Saint-Gobain Materiaux Ceramiques

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

16. RELATED PARTY DISCLOSURE: (Continued)

Saint-Gobain Tevesa, S.A.	Saint-Gobain Materials Ceramicos Ltda., Brazil
Saint-Gobain Abrasifs Maroc., Morocco	Saint-Gobain Materials Ceramicos, Venezuela
Saint-Gobain Abrasifs, France	Saint-Gobain Sekurit India Ltd.
Saint-Gobain Abrasive International Trading (Shanghai)	Saint-Gobain Seva Engineering India Limited
Saint-Gobain Abrasives (Aust) PTY Ltd.	Saint-Gobain Seva., France
Saint-Gobain Abrasives (Shanghai) Co. Ltd., Shanghai	Saint-Gobain Universal Superabrasives., Inc
Saint-Gobain Abrasives BV., Netherlands	Saint-Gobain Vetrotex India Ltd (upto 31st October 2007)
Saint-Gobain Abrasives GMBH (CORA)	Saint-Gobain Weber (India) Limited
Saint-Gobain Abrasives GMBH, Gerolzhofen, Germany	Savoi Refractories
Saint-Gobain Abrasives International Trading (HK) Ltd.	SEPR Refractories India Ltd.
Saint-Gobain Abrasives Korea	SEPR, France
Saint-Gobain Abrasives SP. Z.O.O	SG Performance Plastics Corby, UK
Saint-Gobain Abrasives (Suzhou) Co. Ltd.	SG Performance Plastics Korea Co. Ltd.,
Saint-Gobain Abrasives Thailand	Saint-Gobain Vibros S.A.
Saint-Gobain Abrasives Ltd., New Zealand	SG Performance Plastics Pampus GMBH
Saint-Gobain Abrasives Singapore (PTE) Ltd.	SG Performance Plastics Verneret, France
Saint-Gobain Abrasives SP.Z	SG Performance Plastics, Akron, USA
Saint-Gobain Abrasives (PTY) Ltd., South Africa	SG Performance Plastics, Beaverton, USA
Saint-Gobain Abrasives, France	SG Performance Plastics, Chainieux, Belgium
Saint-Gobain Abrasivi S.P.A.(Micromold)	SG Performance Plastics, Granville, USA
Saint-Gobain Abrasivi S.P.A.(Ral-Sud)	SG Performance Plastics, Ireland
Saint-Gobain Abrasives LTD., Brazil	SG Performance Plastics, Kontich, Belgium
Saint-Gobain Abrasivos S.A., Barcelona	SG Performance Plastics, Mickleton, USA
Saint-Gobain Abrasivos S.A., Argentina	SG Performance Plastics, Pittsburg, USA
Saint-Gobain Abrasivos S.A., Debray	SG Performance Plastics (Shanghai)
Saint-Gobain Abrasifs, Dubai	SG Adadvanced Ceramics (Shanghai) Co. Ltd.
Saint-Gobain Advanced Materials (Taiwan) Co. Ltd.	SG Performance Plastics KK, Japan
Saint-Gobain Ceilings Division	Saint-Gobain Tech Fab Hongfa (Changzhou) Ltd.
Saint-Gobain Cera Mat (Lianyungang) Co.	Universal Superabrasives., USA
Saint-Gobain Ceramic Materials A.S., Norway	India Gypsum Ltd.
Saint-Gobain Ceramic Materials, USA	Compagnie de Saint-Gobain Liaison Office
Saint-Gobain Ceramicas Industriales, S.A.	
Saint-Gobain Cree, France	
Saint-Gobain Crystals & Detectors India Ltd.	
Saint-Gobain Diamantwerkzeuge GMBH & Co.	

(iii) JOINT VENTURE:

Lincoln Helios (India) Ltd (upto 23rd August, 2007)

(iv) KEY MANAGEMENT PERSONNEL:

A.Y. Mahajan
J.A.J. Pereira
U.T. Dorji *



SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

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	Associate Companies	Joint Venture
1	Sales	62.87	175.52	1.54
2	Agency Commission received	–	5.34	–
3	Dividend received	–	9.75	36.00
4	Service Income	–	24.46	2.40
5	Other Income	2.11	24.86	–
6	Purchase of Goods	55.67	448.47	–
7	Expenses charged to other companies	0.62	26.46	6.11
8	Expenses charged by other companies	0.45	14.15	–
9	Royalty Paid	31.48	10.01	–
10	Other Expenses	–	1.77	–
11	Deposit taken/(refunded)	–	0.90	(13.28)
12	Outstanding receivables (net of payables)	(11.83)	20.83	–
13	Outstanding deposits	–	–	–

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

	Rs. Million
Remuneration	22.14
Outstanding Loan	37.52

(iii) Significant transactions with related parties:

Sr. No.	Nature of Transactions	Associate Companies/Joint Venture	Rs. Million
1	Sales	Saint-Gobain Abrasives Inc., USA	57.16
		Saint-Gobain Abrasives (Aust) Pty. Ltd.	41.57
2	Agency Commission received	Saint-Gobain Diamantwerkzeuge GMBH & Co.	4.18
		Saint-Gobain Universal Superabrasives Inc.	0.66
3	Dividend received	Saint-Gobain Glass India Ltd.	9.75
		Lincoln Helios (India) Ltd.	36.00
4	Service Income	Saint-Gobain Abrasives (Suzhou) Co. Ltd.	5.10
		SEPR Refractories India Ltd.	9.66
5	Other Income	Saint-Gobain SEVA Engineering India Ltd.	3.42
		India Gypsum Ltd.	11.54
		Compagnie de Saint-Gobain Liaison Office	5.50
6	Purchase of Goods	SG Materials Ceramicos Ltda., Brazil	62.05
		Saint-Gobain Abrasives (Shanghai) Co. Ltd.	51.30
7	Expenses charged to other companies	Lincoln Helios (India) Ltd.	6.11
		Saint-Gobain SEVA Engineering India Ltd.	7.76
		Compagnie de Saint-Gobain Liaison Office	12.28
8	Expenses charged by other companies	Compagnie de Saint-Gobain Liaison Office	12.26
9	Royalty Paid	Saint-Gobain Abrasives Inc., USA	31.48
		Saint-Gobain Abrasives, France	4.44
10	Other Expenses	SEPR, France	1.56
		Saint-Gobain Abrasives (Singapore) Pte. Ltd.	0.21
11	Deposit refunded	Lincoln Helios (India) Ltd.	13.28

* No transactions have been made with him.

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

17. Disclosure under AS-15 (Revised 2005):

Employee Benefits:

I. Defined Contribution Plans:

Contribution to Defined Contribution Plans, recognised as expense for the year are as under:

Employers' Contribution to Provident Fund	
Employers' Contribution to Superannuation Fund	

Rs. Million

24.30

5.86

II. Defined Benefit Plan:

(a) Contribution to Gratuity Fund

The Company makes annual contributions to the Employees' Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India, a funded defined benefit plan for qualifying employees. Gratuity is payable to all eligible employees on superannuation, death or on separation/termination in terms of the provisions of the Payment of Gratuity Act or as per the Company's policy whichever is beneficial to the employees.

The following table sets out the funded status of the gratuity plan and the amounts recognised in the Company's financial statements as at 31 December, 2007:

Change in present value of obligation

Present value of obligation as at 1st January, 2007	
Interest Cost	
Service Cost	
Benefits Paid	
Actuarial (gain)/loss on obligation	
Present value of obligation, as at 31st December, 2007	

Rs. Million

94.87

7.59

8.73

(9.09)

15.37

117.47

Change in plan assets

Fair value of plan assets as at 1st January, 2007	
Expected return on plan assets	
Contributions	
Benefits paid	
Actuarial gain/(loss) on plan assets	
Fair value of plan assets as at 31st December, 2007	

93.54

7.48

20.51

(9.09)

1.73

114.17

Amount recognised in the Balance Sheet

Present value of obligation, as at 31st December, 2007	
Fair value of plan assets as at 31st December, 2007	
Net obligation as at 31st December, 2007	

117.47

(114.17)

3.30

Net gratuity cost for the year ended 31st December, 2007

Current Service Cost	
Interest Cost	
Expected return on plan assets	
Net Actuarial (gain)/loss to be recognised	
Net gratuity cost	

8.73

7.59

(7.48)

13.64

22.48

Assumptions used in accounting for the gratuity plan

Discount Rate	
Salary escalation rate	
Expected rate of return on plan assets	

%

8

6

8

The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The expected return on plan assets is determined considering several applicable factors mainly the composition of the plan assets held, assessed risks of asset management, historical results of the return on plan assets.



SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

18. Segment Reporting :

A. Information about Business Segments:

Rs. Million

Revenue	Abrasives	Ceramics & Plastics	Others	Unallocated	Total
Segment Revenue	3,302.07	1,065.19	124.59	–	4,491.85
Less: Inter-segment Sales	–	(83.57)	–	–	(83.57)
Net Sales	3,302.07	981.62	124.59	–	4,408.28
Result					
Segment Result	587.63	146.85	32.28	–	766.76
Unallocated Income/(Expenditure) – (Net)				(22.12)	(22.12)
Interest expenses				(2.91)	(2.91)
Interest Income				7.81	7.81
Dividend Income				68.70	68.70
Profit on sale of Investments				3.26	3.26
Profit before Tax					821.50
Provision for Tax (including Deferred Tax & FBT)				(257.50)	(257.50)
Profit after Tax before Minority Interest					564.00
Other Information					
Total Assets (gross)	2,290.61	743.27	81.72	1,253.55	4,369.15
Less: Revaluation Reserve	(24.42)	(21.17)	–	–	(45.59)
Net Assets	2,266.19	722.10	81.72	1,253.55	4,323.56
Total Liabilities	696.17	243.82	26.15	592.58	1,558.72
Capital Expenditure	331.08	102.16	–	28.23	461.47
Depreciation	92.53	14.65	0.13	14.50	121.81

B. Information about Geographical Segments

(a) The Distribution of the Company's sales by geographical market is as under:

Net Sales	Rs. Million
India	3962.45
Outside India	445.83
Total	4408.28

(b) The geographical location of the assets and liabilities is as follows:

	Rs. Million	
	Net Assets	Total Liabilities
India	4,278.09	1,556.17
Outside India	45.47	2.55
Total	4,323.56	1,558.72

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.

- The Segment Revenue in each of the above business segments consists of Sales (net of returns, excise duty, sales tax, rebates, etc.)
- Segment Revenue, Result, Assets and Liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.
- Segment results are net of corporate overheads aggregating to Rs. 103.06 Million allocated on a reasonable basis.

19. Previous Year's figures have not been provided since this is the first year of preparation of consolidated accounts.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER, 2007

	Rs. Million	Rs. Million
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Profit before Tax, Minority Interest and Extra-ordinary Item		821.50
Adjustments for:		
Depreciation	121.81	
Unrealised Foreign Exchange (Gain) (Net)	(4.60)	
Loss on Sale of Fixed Assets	12.66	
Profit on Sale of Investments	(3.26)	
Dividend Received	(68.70)	
Gain on Prepayment of Deferred Sales Tax	(16.30)	
Interest (Net)	(4.90)	
Operating Profit Before Working Capital Changes		36.71
Adjustments for:		
Trade and other Receivables	(252.85)	
Inventories	(203.23)	
Trade and other Payables	145.02	
Cash Generated from Operations		547.15
Direct Taxes Paid	(275.76)	
Tax Refund	-	
Net cash from Operating Activities		271.39
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(467.86)	
Sale of Fixed Assets	5.45	
Proceeds of Sale of Investments	18.26	
Purchase of Investments	(200.00)	
Payment (to)/from Minority Interest	13.20	
Inter Corporate Deposit placed	(55.00)	
Inter Corporate Deposit redeemed	55.00	
Interest Received	6.96	
Dividend Received	68.70	
Net cash flow from/(used in) Investing Activities before Extra-ordinary item	(555.29)	
Extra-ordinary item (Refer Note 2)	832.00	
Net cash flow from Investing Activities after Extra ordinary item		276.71
C. CASH FLOW FROM FINANCING ACTIVITIES		
Net Increase in Borrowing	16.33	
Interest	(2.91)	
Dividends Paid	(306.83)	
Tax on Dividend	(64.81)	
Net cash used in Financing Activities		(358.22)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		189.88
CASH AND CASH EQUIVALENTS – OPENING BALANCE		
Cash and Bank Balances	101.95	
Cash Equivalents (Investment in Current Securities)	229.15	
CASH AND CASH EQUIVALENTS – CLOSING BALANCE		
Cash and Bank Balances	218.23	
Cash Equivalents (Investment in Current Securities)	302.75	
		520.98
		189.88

- NOTES: 1. The Company has undrawn borrowing facilities amounting to Rs. 260 Million.
2. Extra-ordinary item represents proceeds received (net of taxes paid) from sale of entire shareholding in Lincoln Helios (India) Limited to M/s. Lincoln GmbH for a total consideration of Rs. 1 Billion.
3. Previous Year's figures have not been provided since this is the first year of preparation of consolidated cash flow statement.

As per our Report of even date

For and on behalf of

KALYANIWALLA & MISTRY

Chartered Accountants

E. K. IRANI

Partner

Membership No. 35646

Mumbai: 6th March, 2008

A. C. CHAKRABORTTI

Vice-Chairman

A. Y. MAHAJAN

Managing Director

K. VISWESWARAN

Company Secretary

Mumbai: 6th March, 2008