



NORTON GRINDWELL NORTON LTD.

DIRECTORS

(As on 6th March, 2009)

Mr. J-P. FLORIS

(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. B. S. RAUT

Mr. S. SALGAOCAR

Mr. P. SHAH

Mrs. D. S. VARIAVA

Mr. A. Y. MAHAJAN

(Managing Director)

Mr. J. A. J. PEREIRA

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

DIRECTOR EMERITUS

Mr. N. D. SIDHVA

SENIOR MANAGEMENT

Mr. J. A. J. Pereira

(HR & Corporate Services)

Mr. K. K. Prasad

(Ceramics & Plastics)

Mr. M. A. Puranik

(Finance)

Mr. M. Ramarathnam

(Projects & EHS)

COMPANY SECRETARY

Mr. K. Visweswaran

Contents

| | |
|---|----|
| Notice | 2 |
| Directors' Report | 5 |
| Management Discussion & Analysis Report | 8 |
| Report on Corporate Governance | 13 |
| Auditors' Certificate on Corporate Governance | 19 |
| Report of the Auditors | 20 |
| Balance Sheet | 22 |
| Profit & Loss Account | 23 |
| Schedules Forming Part of the Accounts | 24 |
| Cash Flow Statement | 45 |
| Information on Subsidiary Company | 46 |
| Auditors' Report on Consolidated Financial Statements | 47 |
| Consolidated Balance Sheet | 48 |
| Consolidated Profit & Loss Account | 49 |
| Schedules Forming Part of the Consolidated Accounts | 50 |
| Consolidated Cash Flow Statement | 69 |

Bankers

Central Bank of India
Corporation Bank
ICICI Bank
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

NOTICE

NOTICE is hereby given that the Fifty-ninth Annual General Meeting of the Members of Grindwell Norton Limited will be held on Tuesday, 28th April, 2009, at 3.30 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, 2008.
2. To declare a dividend for the year ended 31st December, 2008 on equity shares.
3. To appoint a Director in place of Mr. S. Salgaocar who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. P. Shah who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mrs. D. S. Variava 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. Jean-Pierre Floris as Director.
To appoint a Director in place of Mr. Jean-Pierre Floris 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. Jean-Pierre Floris for the office of a Director.

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

“RESOLVED THAT, pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the Articles of Association of the Company be and is hereby altered in the following manner:

The existing Article 141 of the Articles of Association of the Company be and is hereby modified as given below:

‘141. Questions arising at any meeting of the Board shall be decided by a majority of votes. In case of equality of votes, the Chairman of any meeting shall not have a second or casting vote.’

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, 2009

By Order of the Board

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

K. VISWESWARAN
COMPANY SECRETARY

NOTES :

- (a) **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF, AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
- (b) **PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY, NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
- (c) The Register of Members and Share Transfer Books of the Company will be closed from Tuesday, 24th March, 2009 to Thursday, 26th March, 2009 (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 and 8 are annexed hereto.
- (e) As per the amended provisions of the Companies Act, 1956, the final dividend remaining unclaimed or unpaid for the financial year ended 31st December, 2000 has been transferred to the Investor Education and Protection Fund (Fund) of the Central Government on 5th August, 2008. The dividend remaining unclaimed or unpaid for the financial year ended 31st December, 2001 will be due for transfer to the Fund on 20th May, 2009. The Unpaid Dividend for all the subsequent years will be transferred to the Fund, on expiry of seven years from their respective dates of transfer to the 'Unpaid Dividend Account'. Members who have not yet realized the dividend declared for the financial year ended 31st December, 2001 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. (TSRDL).
- (f) The facility for making nomination is available to the Members in respect of the shares held by them.
- (g) All documents referred to in the Notice and Explanatory Statement are open for inspection to the members at the Registered Office of the Company between 11:00 a.m. and 1:00 p.m. on all working days upto the date of this Annual General Meeting.
- (h)
 - (i) Copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to bring their copy of the Annual Report to the meeting.
 - (ii) Members desirous of seeking any further information about the accounts and/or operations of the Company are requested to address their queries to the Company Secretary of the Company at least ten days in advance of the meeting, so that the information, to the extent practicable, can be made available at the meeting.
 - (iii) Members holding shares in the same set of names under different Ledger Folios are requested to apply for consolidation of such folios along with relevant share certificates to TSRDL.
 - (iv) Members are requested to immediately intimate the change, if any, in their registered address to TSRDL.

ANNEXURE TO THE NOTICE

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

ITEM NO. 3

Mr. S. Salgaocar is 54 years old and holds a degree in Science from the University of Mumbai and has done his Masters in Management Studies from Jamnalal Bajaj Institute of Management Studies. Presently, he is the Managing Director of V. M. Salgaocar Group of Companies. He also serves on the Boards of various other companies in India. Mr. Salgaocar does not hold any equity shares in Grindwell Norton Limited.

ITEM NO. 4

Mr. P. Shah is 56 years old and has done his MBA from Harvard University, USA. He is also a member of the Institute of Cost and Works Accountants of India. He was the founder Managing Director of CRISIL. Presently, he is the Chairman of a Finance Consultancy Company. He serves on the Boards of various other reputed companies in India. Mr. Shah 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. Jean-Pierre Floris was appointed as an additional director of the Company on 6th March, 2009. 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. Jean-Pierre Floris holds office upto the date of the forthcoming Annual General Meeting of the Company. Mr. Jean-Pierre Floris' brief resume has been given at item no. 7 in the Annexure to the notice.

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

Except Mr. Jean-Pierre Floris and other nominee directors of Compagnie de Saint-Gobain (CSG) no other director is concerned or interested in this Resolution.

Your Directors recommend this Ordinary Resolution for your approval.

ITEM NO. 5

Mrs. D. S. Variava, is 64 years old and has done her MBA from IIM Ahmedabad. She is the Chairperson of Bharat Floorings & Tiles (Mumbai) Pvt. Ltd. and serves on the Boards of other companies. She is the Chairperson of the Shareholders/ Investors Grievance Committee of the Company. Mrs. Variava holds 5,57,408 equity shares in Grindwell Norton Limited.

ITEM NO. 7

Mr. Jean-Pierre Floris, a French National, is 60 year old and graduated as an engineer from the Ecole des Mines de Paris and holds a Master's degree in Mathematics from the University of Paris and a Master's degree in Economic Systems Planning from Stanford University. He joined Saint-Gobain in 1996 and has rich experience in various fields. Currently, he is the President of the Innovative Material Sector of Saint-Gobain and Senior Vice-President of Compagnie de Saint-Gobain (the ultimate holding Company of Grindwell Norton Ltd). He is a Director on the Board of Saint-Gobain Glass India Limited. Mr. Jean-Pierre Floris does not hold any equity shares in Grindwell Norton Limited.

ITEM NO. 8

It is proposed to remove the power of the Chairman to have a second or casting vote in Article 141 of the Articles of Association.

Your Directors recommend this Special Resolution for your approval.

None of the Directors of the Company is concerned or interested in this Special Resolution.

6th March, 2009

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-ninth Report of the Company along with the Audited Accounts for the year ended 31st December, 2008.

Financial Highlights

| | (Rs. Million) | |
|--|---------------|--------|
| | 2008 | 2007 |
| Sales | 5555.3 | 4970.1 |
| Operating Profit | 797.2 | 825.5 |
| Interest | 6.0 | 2.9 |
| Profit before Tax and Extraordinary Item | 791.2 | 822.6 |
| Extraordinary Item (net of tax) | — | 770.0 |
| Profit before Tax and after Extraordinary Item | 791.2 | 1592.6 |
| Provision for Tax | 241.1 | 257.5 |
| Profit after Tax | 550.1 | 1335.1 |
| Surplus Brought forward | 250.0 | 150.0 |
| | 800.1 | 1485.1 |
| Appropriations: | | |
| Interim Dividend | — | 221.4 |
| Tax on Interim Dividend | — | 37.7 |
| Proposed Dividend | 221.4 | 221.4 |
| Tax on Proposed Dividend | 37.7 | 37.7 |
| General Reserve | 191.0 | 716.9 |
| Surplus carried to Balance Sheet | 350.0 | 250.0 |
| | 800.1 | 1485.1 |

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, 2008 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 registered a growth of 11.8%. While export sales saw a huge increase of more than 50% (partly due to some large, one-time project orders), domestic sales growth in 2008 was much lower than the growth witnessed in the past few years. This was due to the sharp slowdown of the economy. The year's results were also impacted by an unprecedented rise in the cost of raw materials and fuel. While product prices were raised, the increase could not compensate for the rise in input costs. High inflation and the steep depreciation of the Rupee further aggravated the situation. Consequently, your Company's operating profit was 3.4% lower than the previous year.

Dividend

Your Directors recommend a dividend of Rs. 4/- per equity share for the year ended 31st December, 2008. The dividend outgo (excluding tax on dividend) will be Rs. 221.44 Million (Previous Year: Special Interim Dividend: Rs. 221.44 Million & Final Dividend: Rs. 221.44 Million).

Abrasives

The year under review was a difficult year for the Abrasives business and was marked by a significant slowdown in domestic sales growth (the last quarter witnessed a sudden and very steep drop in sales) and an unprecedented rise in raw material and fuel costs. The profit margins declined as product price increases could not fully neutralize the cost increases.

New Unit in Himachal Pradesh

The New Unit in Himachal Pradesh, set up to manufacture Abrasive products, commenced commercial production from 1st May 2008. The project had a smooth start.

Ceramics & Plastics

The Silicon Carbide business did well in terms of sales and profits despite a slowdown in volume growth. This was mainly due to higher prices. The "wheeling charges" matter is still pending before the Honourable Supreme Court. Profits of the High Performance Refractories business declined due to significant increase in the cost of raw materials and fuel. The Performance Plastics business witnessed a drop in growth but continued to do well.

Subsidiary in Bhutan

The construction of the new plant to manufacture Silicon Carbide by Saint-Gobain Ceramic Materials Bhutan Private Limited is nearing completion. The plant located near Phuentsholing, Bhutan is expected to commence commercial production during the second quarter of 2009.

Future Prospects

After 5 years of strong growth, the global and Indian economies are in the midst of one of the most difficult periods in recent

times. Going forward, visibility is poor. Clearly, growth will be much lower in 2009. Your Company's management has adapted quickly to the changed reality and is focused on reducing costs and conserving cash while making every effort to develop new markets, new products and new businesses.

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. 47/586/2008-CL-III dated 29th January 2009, granted exemption from attaching the financial statement of the subsidiary Company to your Company's accounts for the year ended 31st December 2008. However, the Consolidated financial statement forms a part of this Annual Report and contains the following information of the subsidiary company pursuant to the approval letter of MCA viz. capital, reserves, total assets, total liabilities, details of investment, turnover, profit before tax, provision for tax and profit after tax.

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

Your Company is committed to ensure a clean and green, pollution-free environment as well as a healthier and safer work place at all plant locations and work sites. All the plants of your Company (except the new plant in Himachal Pradesh) are certified under ISO 14001:2004 as well as OHSAS 18001:1999. These Certifications are a recognition of the sustained efforts of your Company in improving the Environment, Health and Safety standards 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 cordial at all units of the Company. During the year, productivity enhancing wage agreements were concluded at Bangalore and Tirupati. As at the year-end, there were 1516 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 2009 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. Aschenbroich resigned as Director and Chairman of your Company with effect from 31st December 2008. The Board of Directors places on record its appreciation for the valuable contribution made by Mr. Aschenbroich.

Mr. J-P. Floris was appointed as Additional Director, with effect from 6th March 2009.

Mr. Floris holds office upto the date of the forthcoming 59th Annual General Meeting of the Company. As required under Section 257 of the Companies Act, 1956, the Company has received notice in writing from Members proposing the candidature of Mr. Jean-Pierre Floris as Director of the Company.

In accordance with the requirements of the Companies Act, 1956, and Articles of Association of the Company, Mr. S. Salgaocar, Mr. P. Shah and Mrs. D. S. Variava 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 59th 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

Mumbai: 6th March, 2009

A. Y. MAHAJAN
MANAGING DIRECTOR

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 were taken during the year.

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

Product: Refractories

| | 2008 | 2007 |
|---|---------|---------|
| A. Power and Fuel Consumption: | | |
| 1. ELECTRICITY | | |
| (a) Purchased: | | |
| Units | 1142009 | 1213367 |
| Total Amount (Rs. Million) | 5.37 | 5.77 |
| Rate/Unit Rs. | 4.70 | 4.76 |
| (b) Own Generated | | |
| (i) Through diesel generators: | | |
| Units | 114428 | 124523 |
| Units per Ltr. of diesel | 3.43 | 3.23 |
| Cost/Unit (Rs.) | 13.50 | 11.72 |
| (ii) Through Steam turbine/generator | Nil | Nil |
| 2. FUEL OIL | | |
| Quantity (K. Ltrs.) | 1040 | 1022 |
| Total amount (Rs. Million) | 29.32 | 19.78 |
| Average rate (Rs.) | 28179 | 19354 |
| B. Consumption per unit of production: | | |
| Electricity KWH/TON | 880 | 905 |
| Fuel oil KL/TON | 0.73 | 0.69 |

Form B for disclosure of particulars with respect to Technology Absorption:

Research & Development (R & D):

1. Specific areas in which R & D was carried out by the Company:

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

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

(a) Abrasives:

Development of:

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

Improvements in:

- Fuel efficiency of Vitrified Kiln.
- The 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:

- WTE Tiles, new Mortar and Castables for Blast Furnace Lining
- Castable for Carbon Black industry and Aluminium

Improvements in:

- Environment and Industrial Hygiene.

3. Future plans of action:

- (a) Technology adaptation from Saint-Gobain Abrasives companies and other Saint-Gobain plants in identified priority areas, for development of new and improved products.
- (b) Development and utilization of advanced tools which facilitate enhanced grinding system solutions at the customer's end.

4. Expenditure on R & D for the year ended 31st December, 2008:

| | Rs. Million |
|---|-------------|
| (a) Capital | Nil |
| (b) Recurring | 7.91 |
| (c) Total | 7.91 |
| (d) Total R & D expenditure as a percentage of total turnover | 0.14% |

Technology absorption, adaptation and innovations:

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

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

Total earning in foreign exchange for the year ended 31st December, 2008 was Rs. 728.14 Million and the total outflow was Rs. 1634.96 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 | | | | | | | |
| HARI S. D. | 40 | BUSINESS HEAD – THIN WHEELS | 2,701,567 | ICWA, ICFAI, PGDRM | JAN. 1998 | SR. EXECUTIVE – FINANCE – LARSEN & TOUBRO LTD. | 18 |
| KANSAL ANUP | 43 | GEN. MGR. – MARKETING | 3,686,897 | B.E., PGDM (IIM) | JUNE 2006 | HEAD – SALES & MKTG. – BALLARPUR IND. LTD. | 18 |
| KHOSLA V. | 53 | BUSINESS HEAD – HPR | 2,447,824 | D.E. (MECHANICAL) | SEP. 1979 | JR. SALES ENGINEER – RBM POONA MILLS LTD. | 30 |
| MAHAJAN A. Y. | 56 | MANAGING DIRECTOR | 20,275,869 | M.A. (ECON.), MBA (USA) | JUNE 1983 | PROJ. CONSULTANT – STATE BANK OF INDIA | 33 |
| MOHANDAS K. | 53 | BUSINESS HEAD – NON – WOVEN | 2,483,654 | M.SC., PHD. (POLYMER CHEMISTRY) | AUG. 1991 | ASSISTANT MANAGER – PLASTICS – INDIAN TELEPHONE INDUSTRIES LTD. | 28 |
| PEREIRA J. A. J. | 60 | EXECE. DIRECTOR – HR & CORP. SERVICES | 8,258,456 | B.SC., FICWA, PGDM (IIM) | MAY 1975 | NONE | 34 |
| PRASAD K. K. | 46 | V. P. – CERAMICS & PLASTICS | 6,667,419 | B.SC. (ENGG.), PGDM (IIM) | MAY 1990 | MECH. ENGINEER – FACT LTD. | 22 |
| PURANIK M. A. | 53 | V. P. – FINANCE | 6,693,592 | B.COM., ACA | MAY 1988 | DY. CHIEF ACCOUNTANT – GARWARE MARINE IND. LTD. | 28 |
| RAMARATHNAM M. R. | 60 | V. P. – PROJECTS | 5,196,061 | B.E. (MECH.), PRDN. MGT. | APRIL 1982 | SR. ENGINEER – ASHOK LEYLAND LTD. | 38 |
| SAHASRABUDHE N. | 52 | BUSINESS HEAD – ORIENT ABRASIVES | 2,441,632 | D.E. (MECHANICAL, TOOL ENGINEERING) | APRIL 1984 | TRAINEE ENGINEER – SANDVIK ASIA LTD. | 28 |
| SHANBHAG V. R. | 38 | BUSINESS HEAD – BONDED ABRASIVES | 2,530,036 | B.E. (MECHANICAL) | JULY 1991 | NONE | 17 |
| SREEDHAR N. | 39 | GENERAL MANAGER – COATED | 3,516,765 | ICWA, MPM | JUNE 1994 | SR. ACCTS. OFFICER – SUNFLAG IRON & STEEL CO. LTD. | 18 |
| VARGHESE A. A. | 40 | HEAD – IT | 2,952,640 | M.SC. (PHYSICS), PGDCA | NOV. 1993 | PROGRAMMER – SM DYEHEM LTD. | 17 |
| EMPLOYED FOR PART OF THE YEAR | | | | | | | |
| AGARWAL VINAY | 53 | PRESIDENT – ABRASIVES | 4,810,256 | B.TECH, PGDM (IIM) | SEP. 2004 | M.D. – RPG CABLES LTD. | 28 |
| D'CUNHA GERARD | 51 | V.P. – HUMAN RESOURCES | 5,779,671 | B.SC., M.A. (PM & IR) | DEC. 1998 | ASST. GEN. MGR. – LARSEN & TOUBRO LTD. | 28 |

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 of €43.8 billion in 2008. Saint-Gobain's businesses fall into five broad sectors of activity: Construction Products, Flat Glass, Packaging, Building Distribution and High Performance Materials. GNO's businesses are a part of the High Performance Materials sector of activity. In GNO, the businesses are divided into two Segments:

- Abrasives
- Ceramics & Plastics

A brief outline and a review of GNO's major businesses is provided below:

1. ABRASIVES SEGMENT

The major businesses in this segment are:

- Bonded Abrasives (including Thin Wheels)
- Coated Abrasives (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 segment,

sticks etc., are used for various applications ranging from polishing or lapping to removing high quantities of materials. The Bonded Abrasives business has three plants, one at Mora, near Mumbai, the second at Nagpur, Maharashtra, (both of which are certified under ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:1999.) and the third is the new plant in Himachal Pradesh.

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

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

Applications

Bonded Abrasives are used in precision applications such as lapping, honing, super-finishing, race grinding, thread grinding, fluting, OD grinding, ID grinding, surface grinding etc. They are also used in rough applications such as snagging, cutting-off, burr removal, weld preparation etc. Bonded Abrasives are used by a very large number of users. The variety is very high. GNO makes over 15000 different products in a year.

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. 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 2008, there was significant slowing down of the majority of the end users mentioned above. Certain sectors such as Automobile, Auto components, Bearing, Steel industry witnessed contraction in volume in the last quarter.

From mid 2007, there have been steep increases in the input costs – especially raw materials and fuel. Increasing product prices, however, proved to be difficult and in any case, became effective much after the cost increase. The management focused on improving operating efficiencies, reducing rejections, wastages and fixed costs, but with falling volumes, maintaining the profitability was difficult.

During the year, the Company started the new plant in Himachal Pradesh to manufacture Abrasives products. The production commenced in May 2008 and the products from this plant have been successfully established.

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).

Looking ahead, the current environment is difficult. Indications are that demand for much of 2009 will remain weak. Product prices are likely to come under pressure as input costs decline. The competitive situation will become tougher. GNO will focus on improving margins, reducing costs and working capital, even as it exerts every effort to strengthen its market position and penetrate new markets.

(ii) COATED ABRASIVES (INCLUDING NON-WOVEN)

Product and Plants

Coated Abrasives products are engineering composites comprising of 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.

Being a large manufacturer of coated abrasives in the country, GNO offers the widest range of indigenously made products – right from conventional coated abrasives (fiber discs, rolls, belts, specialties, etc.) to non – woven abrasives. Apart from bringing to the Indian market, high end products imported from various Saint-Gobain affiliate companies around the world, GNO has also been at the forefront in introducing technologically advanced indigenous products. In the year 2008, the focus has been to carry out major up-gradations in plant & machinery and equipments to significantly improve manufacturing efficiencies and manufacturing capabilities. The manufacturing Plants are located in Bangalore, Karnataka and Nagpur, Maharashtra. In the year 2008, GNO also started manufacturing operations in Himachal Pradesh.

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 the 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
- Plywood
- Man Made Boards
- Laminates
- Glass & Ceramics
- Leather
- Steel manufacturing

Development & Outlook

The economic downturn that has taken the world in its grip has had a significant impact on the growth of GNO's sales. There was a significant decline in sales in the last quarter due to sharp drop in demand from certain important customer segments. While going forward the visibility is poor, the indications are that the domestic demand will remain weak for much of 2009.

Exports sales also saw a significant drop in 2008 due to the recessionary conditions and while all efforts will be made to aggressively penetrate new market, growth will be difficult.

Given this situation and the intensified competitive scenario, the focus will be to critically look into all our operations and work towards becoming lean and efficient. Management of working capital and costs will be critical. GNO, however, will continue to strengthen its position in the market by providing higher value to customers and by improving its presence in markets where penetration is low.

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 (SiC) 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) of SiC. GNO is the market leader. This market is also catered to by imports, mainly from China. The key requirements for success in the industry are quality and cost competitiveness. Entry barriers are high by way of capital investment and technology.

Development & Outlook

The business is expected to move down to a lower rate of growth compared to the previous years, driven by slower growth of the steel sector. However, we expect to strengthen our market position. Cost of power being the most significant element of the 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 entered into a joint venture for setting up a new factory in Bhutan, which is expected to commence production in the second quarter of 2009.

(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 mostly 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 the metallurgical and ceramic industries. In the domestic market there are two major manufacturers (including GNO) for silicon carbide based refractories. The key requirements for success in the industry are technology and consistency in quality. Manufacturing is relatively capital intensive. This, and technology, are the barriers to entry.

Development & Outlook

2008, though a good year for the turnover of the HPR business, was below our plans on profitability, driven by the cost increases. The Company is looking at various options to increase its product offerings in association with affiliates.

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 happens in an economic slowdown. In order to minimize the impact of such a downturn, GNO has been putting in efforts to develop export markets. Over the years, exports have grown and now account for nearly 12% of total abrasives sales. These sales are not concentrated in any single country, but are spread over 32 countries. Within India, sales are spread across 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 3% 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 centers located elsewhere. Both basic and applied research takes place at these R & D centers. GNO has access to all the research and technology developments.
- (iii) **Competition:** The entry of Global players in Bonded and Coated, as well as substantial expansion/modernization by key local competitors continues to put pressure on our market position. The competition from Imports will further increase with 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 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 of large number of customers, which makes this a good portfolio. In Abrasives and Refractories, our own divisions are also major consumers. With the growth in the Iron and Steel sector, the requirements of Refractories are expected to grow and this can be a good opportunity to accelerate our growth. Construction sector, in general, has very little linkage with the other two sectors, which makes the overall sectoral portfolio more balanced. In addition, we have customers who are serviced through distribution channels.
- (ii) **Technology:** The technology of manufacturing Silicon Carbide has changed very little, since the present process was invented. As for the increased use of Silicon Carbide in India, the technological changes needed at some of the user industry segments is still coming in, but gradually. GNO has full access to information on the global developments in these areas through Saint-Gobain's global presence and also has access to all the research and technology developments undertaken by Saint-Gobain in this regard. This helps us to be better prepared to influence these changes in India than any of our competitors.

2. Financial:

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

3. Legal and Statutory:

- (i) **Contingent liabilities:** Details of Contingent liabilities are given in Schedule 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 2008, GNO's focus continued to be on building the organisation through the induction and development of talent to meet current and future needs. Through specific initiatives we were able to improve talent retention.

We continued to invest in training people in Environment, Health and Safety (EHS), World Class Manufacturing 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 a modest sales growth in 2008. The slow down in the economy especially in the last quarter affected the performance of GNO. Input cost increase was the main cause of the decline in operating margins and profits.

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. 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 of one Executive Director and eleven Non-Executive Directors. The Chairman is Non-Executive. Out of eleven Non-Executive Directors, four are independent directors.

During the year 2008, five Board Meetings were held. The dates on which the said meetings were held are as follows: 6th March, 24th April, 22nd July, 20th October and 5th 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 2008 | Attendance at the last AGM | No. of Directorships held as on 31st December, 2008 in other Public Companies. (excluding Foreign Companies) | No. of Committee positions held as on 31st December, 2008 in Companies (including GNO)* |
|----------------------------|---|--|----------------------------|--|---|
| Mr. J. Aschenbroich (a) | Chairman – Non-Executive | Nil | No | Nil | Nil |
| Mr. A. C. Chakrabortti | Vice-Chairman – Non-Executive (Independent) | 5 | Yes | 12 | 7** |
| Mr. R. K. Bilimoria | Non-Executive | 5 | No | 1 | 1 |
| Ms. M-A. Chupin | Non-Executive | Nil | No | Nil | Nil |
| Mr. J. T. Crowe | Non-Executive | Nil | No | Nil | Nil |
| Mr. O. Duval (b) | Non-Executive | Nil | No | Nil | Nil |
| Mr. Jean-Pierre Floris (c) | Non-Executive | N.A. | N.A. | 1 | Nil |
| Mr. A. Y. Mahajan | Managing Director | 5 | Yes | 9 | 4*** |
| Mr. P. Millot | Non-Executive | Nil | No | 1 | Nil |
| Mr. J. A. J. Pereira | Alternate Director to Ms. M-A. Chupin | 5 | Yes | 5 | 1 |
| Mr. B. S. Raut | Non-Executive (Independent) | 5 | Yes | 1 | 1 |
| Mr. S. Salgaocar | Non-Executive (Independent) | 3 | Yes | 2 | 2**** |
| Mr. P. Shah | Non-Executive (Independent) | 5 | Yes | 14 | 9***** |
| Mrs. D. S. Variava | Non-Executive | 5 | Yes | Nil | 1***** |

(a) Resigned as Director and Chairman w.e.f. 31st December, 2008.

(b) Appointed as Chairman w.e.f. 31st December, 2008.

(c) Appointed as Additional Director w.e.f. 6th March, 2009.

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

** Out of the 7 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 2 Committee Memberships, Mr. S. Salgaocar is the Chairman in 2 Committees.

***** Out of the 9 Committee Memberships, Mr. P. Shah is the Chairman in 3 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 a 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 – HR & Corporate Services, Vice-President – Finance, 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 statement is 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 to be included in

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 judgement 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, 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 were circulated to the members of the Board, discussed and taken note of at the next board meeting of the Company.

4. REMUNERATION OF DIRECTORS

- (a) The details of remuneration of Directors, for the year 2008 is given below:

| |
|---|
| <p>All elements of remuneration package i.e. salary, benefits, perquisites, profit commission, pension etc.</p> <p>Mr. A. Y. Mahajan – Rs. 20.27 Million Mr. J. A. J. Pereira – Rs. 8.26 Million</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 2008 are given below:

| Non-Executive Directors | Sitting Fees (Rs. Mn.) | Profit Commission (Rs. Mn.) | Total (Rs. Mn.) |
|-------------------------|------------------------|-----------------------------|-----------------|
| Mr. A. C. Chakrabortti | 0.050 | 1.23 | 1.28 |
| Mr. B. S. Raut | 0.050 | 0.61 | 0.66 |
| Mr. S. Salgaocar | 0.015 | 0.61 | 0.63 |
| Mr. P. Shah | 0.025 | 0.61 | 0.64 |
| Mr. R. K. Bilimoria | 0.035 | 1.48 | 1.52 |
| Mrs. D. S. Variava | 0.035 | 0.81 | 0.85 |

- (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. 5000/- 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 58th Annual General Meeting held on 24th April, 2008, 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, 2009, 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 transactions 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. Mr. J. T. Crowe, Mr. Jean-Pierre Floris, 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. Aschenbroich who has resigned as a Director was also an employee of CSG.

- (e) Equity shareholding of the Non-Executive Directors in the Company as on 31st December, 2008:

| Name of the Non-Executive Director | No. of Shares held |
|------------------------------------|--------------------|
| Mrs. D. S. Variava | 5,57,408 |
| 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 Chairpersonship 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. 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 2008.

6. GENERAL BODY MEETINGS

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

| Date and Time | Venue |
|-------------------------------|--|
| 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. |
| 24th April, 2008 at 2:30 p.m. | M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikushru Dubash Marg, (Rampart Row), Mumbai – 400 001. |

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

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

| Date of Annual General Meeting | Special Resolutions passed |
|--------------------------------|---|
| 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. |
| 24th April, 2008 | Authorization to pay a commission to the non whole-time directors (excluding the directors who are nominees of Compagnie de Saint-Gobain or its subsidiaries) be paid, 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. |

- (c) Passing of Resolutions by Postal Ballot:

No Resolutions were put through Postal Ballot in the year 2008. Resolutions, if required, shall be passed by Postal Ballot during the year 2009, 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

| |
|--|
| <p>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.</p> |
| <p>Quarterly Results In which newspapers the financial results are normally published (i) Economic Times – Mumbai edition (ii) Maharashtra Times – Mumbai edition</p> |
| <p>Website(s): Any website (s) where financial results are displayed (i) http://www.grindwellnorton.co.in (ii) http://www.sebiedifar.nic.in</p> |
| <p>Whether it also displays the official news releases; and the presentations made to Institutional Investors and Analysts No</p> |
| <p>Whether MD&A is a part of annual report or not Yes</p> |

9. GENERAL SHAREHOLDERS' INFORMATION

| |
|---|
| <p>AGM : 59th Annual General Meeting Date : Tuesday, 28th April, 2009 Time : 3.30 p.m. Venue : M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikushru Dubash Marg, (Rampart Marg), Mumbai – 400 001.</p> |
| <p>Calendar of Financial Results for 2009 (i) First Quarter Results – April, 2009 (ii) First Half Results – July, 2009 (iii) Third Quarter Results – October, 2009 (iv) Results for the year ending 31st December, 2009 – March, 2010</p> |
| <p>Dates of Book Closure Tuesday, 24th March, 2009 to Thursday, 26th March, 2009 (both days inclusive).</p> |
| <p>Date of payment of Dividend On or after 28th April, 2009.</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 2008-2009.</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, 2008 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> |
| <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.</p> |

| |
|--|
| <p>Dematerialisation of shares and liquidity 40.73 % of the paid-up capital has been dematerialised as on 31st December, 2008.</p> |
| <p>Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity Not issued.</p> |
| <p>Promoters' Groups:</p> <p>I. Indian Promoters</p> <p>(a) Mr. N. D. Sidhva Group (b) Mrs. D. S. Variava Group (c) Mr. R. K. Bilimoria Group (d) Mrs. M. S. Mehta Group</p> <p>II. Foreign Promoters (Collaborators):</p> <p>(a) Saint-Gobain Abrasives Inc., USA. (b) Societe de Participations Financieres et Industrielles, France (formerly Saint-Gobain Promotion et Participations Internationales, France).</p> <p>III. Other Saint-Gobain Group Companies in India:</p> <p>(a) Saint-Gobain Crystals & Detectors India Ltd. (b) Saint-Gobain Glass India Ltd. (c) Saint-Gobain Gyproc India Limited (formerly India Gypsum Ltd.) (d) Saint-Gobain India Foundation (Section 25 Company) (e) Saint-Gobain Norpro India Pvt. Ltd. (under liquidation) (f) Saint-Gobain Sekurit India Ltd. (g) Saint-Gobain Seva Engineering India Ltd. (h) Saint-Gobain Weber (India) Ltd. (i) SEPR Refractories India Ltd. (j) L.M. Van Moppes Diamond Tools India Pvt. Ltd.</p> |
| <p>Address for correspondence: Mr. K. Visweswaran – Company Secretary Grindwell Norton Limited Leela Business Park, 5th Level, Andheri-Kurla Road, Marol, Mumbai – 400 059. Tel. 022-4021 2121 Fax. 022-4021 2102</p> |

Annexure '1'

The Distribution of Shareholdings as on 31st December, 2008

| No. of equity shares held | No. of Holders | % of Total Holders | No. of Shares | % to Total Shares |
|--|----------------|--------------------|-----------------|-------------------|
| Upto 250 | 8762 | 61.96 | 1061636 | 1.92 |
| 251 to 500 | 3455 | 24.43 | 1373130 | 2.48 |
| 501 to 1000 | 975 | 6.89 | 772601 | 1.39 |
| 1001 to 5000 | 686 | 4.85 | 1481013 | 2.67 |
| 5001 to 10000 | 105 | 0.74 | 767656 | 1.39 |
| 10001 to 100000 | 104 | 0.74 | 3597452 | 6.50 |
| 100001 and above | 55 | 0.39 | 46306512 | 83.65 |
| Grand Total | 14142 | 100.00 | 55360000 | 100.00 |
| No. of Shareholders in Physical Mode | 2957 | 20.91 | 32813908 | 59.27 |
| No. of Shareholders in Electronic Mode | 11185 | 79.09 | 22546092 | 40.73 |

Shareholding Pattern as on 31st December, 2008

| Category | No. of Shareholders | No. of Shares | % |
|-----------------------------|---------------------|-----------------|---------------|
| Promoters: | | | |
| Foreign | 2 | 28414000 | 51.33 |
| Indian | 78 | 10691266 | 19.31 |
| Insurance Companies & Banks | 9 | 805425 | 1.45 |
| UTI & Mutual Funds | 6 | 3362586 | 6.07 |
| NRIs, OCBs and FIIs | 136 | 206090 | 0.37 |
| Domestic Companies | 313 | 2327919 | 4.21 |
| Resident Individuals | 13598 | 9552714 | 17.26 |
| Total | 14142 | 55360000 | 100.00 |

Annexure '2'

Market Price Date: GNO & Sensex:- High - Low

| Period | High (Rs.) | Low (Rs.) | Sensex High | Sensex Low |
|--------|------------|-----------|-------------|------------|
| Jan-08 | 190.00 | 118.00 | 21,206.77 | 15,332.42 |
| Feb-08 | 145.10 | 124.00 | 18,895.34 | 16,457.74 |
| Mar-08 | 159.00 | 116.25 | 17,227.56 | 14,677.24 |
| Apr-08 | 152.00 | 131.00 | 17,480.74 | 15,297.96 |
| May-08 | 138.50 | 122.15 | 17,735.70 | 16,196.02 |
| Jun-08 | 133.00 | 100.00 | 16,632.72 | 13,405.54 |
| Jul-08 | 109.95 | 93.00 | 15,130.09 | 12,514.02 |
| Aug-08 | 110.00 | 97.05 | 15,579.78 | 14,002.43 |
| Sep-08 | 102.10 | 87.05 | 15,107.01 | 12,153.55 |
| Oct-08 | 95.00 | 74.00 | 13,203.86 | 7,697.39 |
| Nov-08 | 95.50 | 78.00 | 10,945.41 | 8,316.39 |
| Dec-08 | 91.85 | 78.15 | 10,188.54 | 8,467.43 |

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 Vice President-Finance (CFO) have issued a certificate to the Board of Directors, for the financial year ended 31st December, 2008.

(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 I (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, 2008.

For GRINDWELL NORTON LIMITED

Mumbai: 6th March, 2009 **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, 2008, 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, 2009 **K. M. ELAVIA**
PARTNER
(Membership No. 12737)

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, 2008, 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 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, 2008;
 - (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, 2008, and taken on record by

the Board of Directors, we report that, none of the directors is disqualified as on 31st December, 2008 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

K. M. ELAVIA
PARTNER

Place : Mumbai
Dated : 6th March, 2009

(Membership No. 12737)

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 for the physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between 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 other terms and conditions of the loans granted being prejudicial to the interests of the Company, receipt of regular principal and interest and reasonable steps taken for recovery of principal and interest does not arise.
 - (c) The Company has not taken any 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 other terms and conditions of the loans taken being prejudicial to the interests of the Company, payment of regular principal and interest does not arise.

- (4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to 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) 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 there are no transactions that need to be entered into the register maintained under Section 301 of the Act.
- (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, 2008 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:
- (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) According to the information and explanations given to us and based on the documents and records produced to us, the Company has given a corporate guarantee for loans taken by the subsidiary from banks or financial institutions. The terms and conditions of the guarantee are not prejudicial to the interest of the Company.
- (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.

| Name of Statute | Amount (Rs. Mn.) | Forum where dispute is pending |
|----------------------------|------------------|------------------------------------|
| Sales Tax | 35.61 | Commissioner (Appeals)/ High Court |
| Excise Duty | 27.27 | Commissioner (Appeals)/ Tribunal |
| Customs Duty | 1.04 | Appellate Authority– Tribunal |
| Non Agricultural Land Cess | 3.60 | Revenue Department |

For and on behalf of
KALYANIWALLA & MISTRY
 CHARTERED ACCOUNTANTS

K. M. ELAVIA
 PARTNER

Place : Mumbai
 Dated : 6th March, 2009

(Membership No. 12737)

BALANCE SHEET AS AT 31st DECEMBER, 2008

| | Schedules | (Rs. Million) | As at 31st December, 2008 (Rs. Million) | As at 31st December, 2007 (Rs. Million) |
|---|-----------|-----------------|--|--|
| SOURCES OF FUNDS | | | | |
| 1. SHAREHOLDERS' FUNDS | | | | |
| (a) Capital | 1 | 276.80 | | 276.80 |
| (b) Reserves and Surplus | 2 | 2,810.83 | | 2,521.51 |
| | | | 3,087.63 | 2,798.31 |
| 2. LOAN FUNDS | | | | |
| Unsecured Loan | 3 | | - | 22.68 |
| 3. DEFERRED TAX LIABILITY | | | | |
| | | | 43.67 | 38.58 |
| | | | 3,131.30 | 2,859.57 |
| APPLICATION OF FUNDS | | | | |
| 1. FIXED ASSETS | 4 | | | |
| (a) Gross Block | | 2,582.39 | | 2,256.38 |
| (b) Less: Depreciation | | 1,004.63 | | 888.55 |
| (c) Net Block | | 1,577.76 | | 1,367.83 |
| (d) Capital Work in Progress | | 234.92 | | 223.87 |
| | | | 1,812.68 | 1,591.70 |
| 2. INVESTMENTS | 5 | | 627.20 | 780.10 |
| 3. CURRENT ASSETS, LOANS & ADVANCES | 6 | | | |
| (a) Inventories | | 1,008.41 | | 702.07 |
| (b) Sundry Debtors | | 707.05 | | 824.54 |
| (c) Cash & Bank Balances | | 165.18 | | 215.57 |
| (d) Accrued Interest | | 2.05 | | 1.33 |
| (e) Loans & Advances | | 226.96 | | 239.23 |
| | | 2,109.65 | | 1,982.74 |
| Less: CURRENT LIABILITIES & PROVISIONS | 7 | | | |
| (a) Liabilities | | 992.81 | | 1,034.62 |
| (b) Provisions | | 425.42 | | 460.35 |
| | | 1,418.23 | | 1,494.97 |
| NET CURRENT ASSETS | | | 691.42 | 487.77 |
| | | | 3,131.30 | 2,859.57 |
| 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

K. M. ELAVIA
Partner

Membership No. 12737

Mumbai: 6th March, 2009

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, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 2008

| | Schedules | (Rs. Million) | (Rs. Million) | For the Year Ended 31st December, 2008 (Rs. Million) | For the Year Ended 31st December, 2007 (Rs. Million) |
|---|-----------|---------------|---------------|--|--|
| INCOME | | | | | |
| Sales | | 5,555.32 | | | 4,970.09 |
| Less : Excise Duty | | (534.15) | | | (561.81) |
| Net Sales | | | 5,021.17 | | 4,408.28 |
| Miscellaneous Income | 8 | | 221.44 | 5,242.61 | 215.66 |
| | | | | | 4,623.94 |
| EXPENDITURE | | | | | |
| Raw Materials Consumed | 9 | | 1,893.77 | | 1,578.25 |
| Purchase of Trading Goods | | | 377.13 | | 312.11 |
| Manufacturing, Administration and Selling Expenses | 10 | | 2,185.14 | | 1,930.51 |
| Interest | 11 | | 6.05 | | 2.91 |
| Debts and Advances (Written Back)/Provided (Net) | | | (5.44) | | 6.83 |
| Depreciation | 4 | 141.26 | | | 123.49 |
| Less : Transfer from Revaluation Reserve | 2 | (1.65) | | | (1.68) |
| | | | 139.61 | | 121.81 |
| | | | 4,596.26 | | 3,952.42 |
| Less : (Increase) in Inventory | 12 | | (144.81) | 4,451.45 | (151.06) |
| | | | | | 3,801.36 |
| Profit before Tax and Extraordinary Item | | | | 791.16 | 822.58 |
| Extraordinary Item (Refer Schedule 13, Note 8) | | | | - | 770.00 |
| Profit before Tax and after Extraordinary Item | | | | 791.16 | 1,592.58 |
| Provision for: | | | | | |
| Income Tax | | | 229.52 | | 243.71 |
| Deferred Tax | | | 5.09 | | 5.69 |
| Fringe Benefit Tax | | | 6.50 | | 8.10 |
| | | | | 241.11 | 257.50 |
| Profit after Tax | | | | 550.05 | 1,335.08 |
| Surplus Brought Forward | | | | 250.00 | 150.00 |
| PROFIT AVAILABLE FOR APPROPRIATION | | | | 800.05 | 1,485.08 |
| APPROPRIATIONS | | | | | |
| Interim Dividend | | | | - | 221.44 |
| Tax on Interim Dividend | | | | - | 37.64 |
| Proposed Dividend | | | | 221.44 | 221.44 |
| Provision for Tax on Proposed Dividend | | | | 37.64 | 37.64 |
| Transfer to General Reserve | | | | 190.97 | 716.92 |
| Surplus Carried Forward | | | | 350.00 | 250.00 |
| | | | | 800.05 | 1,485.08 |
| Basic & Diluted Earnings Per Share | | | | | |
| Excluding Extraordinary Item | | | | 9.94 | 10.21 |
| Including Extraordinary Item | | | | 9.94 | 24.12 |

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

K. M. ELAVIA
Partner

Membership No. 12737

Mumbai: 6th March, 2009

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, 2009

SCHEDULES FORMING PART OF THE ACCOUNTS

| | (Rs. Million) | As at 31st December, 2008 (Rs. Million) | As at 31st December, 2007 (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 (Previous Year – 14,817,760) are held by Saint-Gobain Abrasives Inc., 13,596,240 Equity Shares of Rs. 5/- each (Previous Year – 13,596,240) are held by Saint-Gobain Promotion et Participations Internationales and 150,000 Equity Shares of Rs. 5/- each (Previous Year – Nil) are held by Saint-Gobain Glass India Ltd., 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 | 348.28 |
| 2. REVALUATION RESERVE | | | |
| As per last Balance Sheet | 45.59 | | 47.27 |
| Transfer to Depreciation | (1.65) | | (1.68) |
| | | 43.94 | 45.59 |
| 3. GENERAL RESERVE | | | |
| As per last Balance Sheet | 1,877.64 | | 1,160.72 |
| Transfer from Profit & Loss Account | 190.97 | | 716.92 |
| | | 2,068.61 | 1,877.64 |
| 4. PROFIT & LOSS ACCOUNT | | | |
| | | 350.00 | 250.00 |
| | | 2,810.83 | 2,521.51 |

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 3 : UNSECURED LOAN

Deferred Sales Tax

| As at 31st December, 2008 (Rs. Million) | As at 31st December, 2007 (Rs. Million) |
|--|--|
| - | 22.68 |
| - | 22.68 |

SCHEDULE 4 : FIXED ASSETS

(Rs. Million)

| ASSETS | GROSS BLOCK | | | As at 31.12.2008 | DEPRECIATION / AMORTISATION | | | NET BLOCK | | |
|---|-------------------|-----------|------------|---------------------|--------------------------------|----------|-----------------|--------------------|---------------------|---------------------|
| | As at 1.1.2008 | Additions | Deductions | | Upto 1.1.2008 | On Sales | For the Year | Upto 31.12.2008 | As at 31.12.2008 | As at 31.12.2007 |
| TANGIBLE ASSETS | | | | | | | | | | |
| Land – Freehold | 122.80 | - | - | 122.80 | - | - | - | - | 122.80 | 122.80 |
| Land – Leasehold | 9.08 | - | - | 9.08 | 1.13 | - | 0.10 | 1.23 | 7.85 | 7.95 |
| Buildings # | 559.63 | 44.13 | 0.05 | 603.71 | 107.25 | 0.01 | 13.65 | 120.89 | 482.82 | 452.38 |
| Plant & Machinery | 1,128.00 | 286.55 | 12.55 | 1,402.00 | 608.97 | 9.24 | 78.23 | 677.96 | 724.04 | 519.03 |
| Computers | 98.57 | 10.16 | 6.92 | 101.81 | 74.25 | 6.68 | 10.41 | 77.98 | 23.83 | 24.32 |
| Furniture, Fixtures & Office Equipment | 108.09 | 15.12 | 5.92 | 117.29 | 39.90 | 2.74 | 7.20 | 44.36 | 72.93 | 68.19 |
| Vehicles | 32.94 | 4.71 | 15.22 | 22.43 | 10.75 | 6.51 | 2.49 | 6.73 | 15.70 | 22.19 |
| INTANGIBLE ASSETS | | | | | | | | | | |
| Computer Software | 10.14 | 6.00 | - | 16.14 | 6.65 | - | 2.38 | 9.03 | 7.11 | 3.49 |
| Goodwill | 32.39 | - | - | 32.39 | 4.04 | - | 3.24 | 7.28 | 25.11 | 28.35 |
| Technical Know-how | 35.43 | - | - | 35.43 | 8.83 | - | 7.08 | 15.91 | 19.52 | 26.60 |
| Trade Marks | 40.64 | - | - | 40.64 | 16.90 | - | 8.61 | 25.51 | 15.13 | 23.74 |
| Other Intangibles | 78.67 | - | - | 78.67 | 9.88 | - | 7.87 | 17.75 | 60.92 | 68.79 |
| Total | 2,256.38 | 366.67 | 40.66 | 2,582.39 | 888.55 | 25.18 | 141.26 | 1,004.63 | 1,577.76 | |
| Previous Year's Total | 1,993.54 | 320.64 | 57.80 | 2,256.38 | 804.75 | 39.69 | 123.49 | 888.55 | | 1,367.83 |
| Capital Work-in-Progress (includes advances on capital account of Rs. 54.73 Million – Previous Year – Rs. 58.40 Million). | | | | | | | | | 234.92 | 223.87 |
| | | | | | | | | | 1,812.68 | 1,591.70 |

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, 2008 (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 | 27.33 |
| Shivalik Solid Waste Management Ltd. * | 20,000 | 10 | | 0.20 | – |
| In Subsidiary Company: | | | | | |
| Saint-Gobain Ceramic Materials Bhutan Pvt. Ltd. * | 1,240,002 | 100 | | 124.00 | – |
| 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) | | | | | |
| Saint-Gobain Glass India Ltd. | 2,500,000 | 10 | 250.00 | | 250.00 |
| Saint-Gobain India Foundation | 100 | 10 | @ | | @ |
| | | | | 250.00 | 250.00 |
| OTHER SECURITIES | | | | | |
| Unquoted: | | | | | |
| CAPITAL GAINS BONDS | | | | | |
| 5.50% Rural Electrification Corporation Ltd. * | 500 | 10,000 | | 5.00 | – |
| 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 ** | (3,000,000) | 10 | – | | 30.00 |
| JM Fixed Maturity Fund – Series VII – 13 Months Plan 1 – Institutional Growth ** | (3,000,000) | 10 | – | | 30.00 |
| 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 |
| JM Fixed Maturity Fund – Series VII – 18 Months Plan 1 – Institutional Growth | 1,000,000 | 10 | 10.00 | | 10.00 |

SCHEDULES FORMING PART OF THE ACCOUNTS

| | Nos. | Face Value (Rs.) | (Rs. Million) | As at 31st December, 2008 (Rs. Million) | As at 31st December, 2007 (Rs. Million) |
|--|--------------|------------------------|---------------|--|--|
| SCHEDULE 5 : INVESTMENTS (Continued) | | | | | |
| Derivative Funds | | | | | |
| JM Arbitrage Advantage Fund – Dividend ** | (1,960,419) | 10 | – | | 20.00 |
| Kotak Equity Arbitrage Fund – Dividend ** | (1,888,628) | 10 | – | | 20.00 |
| | | | | 10.00 | 200.00 |
| CURRENT | | | | | |
| OTHER SECURITIES | | | | | |
| Unquoted: | | | | | |
| MUTUAL FUNDS | | | | | |
| Debt Funds – Fixed Maturity Plan – Dividend Plan | | | | | |
| 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 |
| Debt Funds – Short Term Plan – Dividend Plan | | | | | |
| ABN AMRO Flexible Short Term Plan Series B Monthly Dividend ** | (2,012,224) | 10 | – | | 20.12 |
| Debt Funds – Floating Rate Funds – Dividend Plan | | | | | |
| Tata Floater Fund – Daily Dividend * | 5,001,986 | 10 | 50.20 | | – |
| DSP Black Rock Floating Rate Fund – Institutional Plan – Daily Dividend * | 60,189 | 1,000 | 60.19 | | – |
| 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 |

SCHEDULES FORMING PART OF THE ACCOUNTS

| | Nos. | Face Value (Rs.) | (Rs. Million) | As at 31st December, 2008 (Rs. Million) | As at 31st December, 2007 (Rs. Million) |
|---|---|------------------------|---------------|--|--|
| SCHEDULE 5 : INVESTMENTS (Continued) | | | | | |
| Sundaram BNP Paribas Liquid Plus Institutional Plan – Dividend Reinvestment – Daily * | 4,992,409 | 10 | 50.05 | | – |
| DWS Liquid Plus Fund – Institutional Daily Dividend * | 5,013,320 | 10 | 50.21 | | – |
| | | | | 210.65 | 302.75 |
| | | | | 627.20 | 780.10 |
| NOTES: | | | | | |
| 1. @ | Less than Rs. 0.01 Million. | | | | |
| 2. * | Purchased/Allotted during the year. | | | | |
| 3. ** | Sold/Redeemed during the year. | | | | |
| 4. | For details of Investment & Redemption of Units during the year, Refer Schedule 13 Note 19. | | | | |
| 5. COST | | | | | |
| Quoted | | | | 0.02 | 0.02 |
| Unquoted | | | | 627.18 | 780.08 |
| 6. MARKET VALUE | | | | | |
| Quoted | | | | 0.03 | 0.03 |
| 7. MUTUAL FUNDS | | | | | |
| Cost | | | | 220.65 | 502.75 |
| Repurchase Price | | | | 221.68 | 508.71 |

8. Figures in brackets indicate that of Previous Year.

SCHEDULES FORMING PART OF THE ACCOUNTS

| | (Rs. Million) | As at 31st December, 2008 (Rs. Million) | As at 31st December, 2007 (Rs. Million) |
|---|---------------|--|--|
| SCHEDULE 6 : CURRENT ASSETS, LOANS & ADVANCES | | | |
| 1. INVENTORIES | | | |
| Stores and Spare Parts | 31.51 | | 28.67 |
| Raw Materials | 337.94 | | 193.85 |
| Raw Materials in Transit | 51.80 | | 37.20 |
| Finished Goods: | | | |
| Manufactured | 287.25 | | 190.08 |
| Trading | 88.26 | | 61.70 |
| Work-in-Process | 211.65 | | 190.57 |
| | | 1,008.41 | 702.07 |
| 2. SUNDRY DEBTORS | | | |
| (Unsecured and considered good unless otherwise stated) | | | |
| Over six months | 74.78 | | 61.53 |
| Others | 674.50 | | 806.82 |
| | 749.28 | | 868.35 |
| Less : Provision for doubtful debts | 42.23 | | 43.81 |
| | | 707.05 | 824.54 |
| (Sundry Debtors include Rs. 42.23 Million – Previous Year – Rs. 43.81 Million – considered doubtful) | | | |
| 3. CASH AND BANK BALANCES | | | |
| Cash and Cheques on hand and remittances in transit | 112.14 | | 55.06 |
| With Scheduled Banks: | | | |
| On Current Account | 52.81 | | 160.28 |
| On Deposit Account | 0.23 | | 0.23 |
| (Current Account Balance for the Previous Year includes Rs. 107.88 Million for interim dividend funding) | | 165.18 | 215.57 |
| 4. ACCRUED INTEREST | | 2.05 | 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. 4.58 Million – Previous Year – Rs. 4.47 Million – considered doubtful) | 143.34 | | 161.28 |
| Demand Deposits with Excise and Customs Departments | 27.17 | | 26.77 |
| Other Deposits | 61.03 | | 55.65 |
| | 231.54 | | 243.70 |
| Less : Provision for doubtful advances | 4.58 | | 4.47 |
| | | 226.96 | 239.23 |
| | | 2,109.65 | 1,982.74 |

SCHEDULES FORMING PART OF THE ACCOUNTS

| | (Rs. Million) | (Rs. Million) | As at 31st December, 2008 (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 | 11.90 | | | 17.31 |
| Others | 403.38 | | | 342.14 |
| | | 415.28 | | 359.45 |
| Trade Deposits | | 21.87 | | 18.84 |
| Unclaimed Dividend | | 4.94 | | 111.35 |
| Investor Education and Protection Fund | | - | | - |
| Other Liabilities | | 550.72 | | 544.98 |
| | | | 992.81 | 1,034.62 |
| 2. PROVISIONS | | | | |
| For Taxation | | | | |
| On Income (Net of Advance Tax of Rs. 1,726.68 Million – Previous Year – Rs. 1,440.15 Million) | | 28.75 | | 79.27 |
| On Proposed Dividend | | 37.64 | | 37.64 |
| | | 66.39 | | 116.91 |
| For Proposed Dividend | | 221.44 | | 221.44 |
| For Leave Encashment | | 60.38 | | 44.79 |
| For Contingencies | | 77.21 | | 77.21 |
| | | | 425.42 | 460.35 |
| | | | 1,418.23 | 1,494.97 |
| | | | For the Year Ended 31st December, 2008 (Rs. Million) | For the Year Ended 31st December, 2007 (Rs. Million) |
| SCHEDULE 8 : MISCELLANEOUS INCOME | | | | |
| Commission | | | 9.11 | 7.35 |
| Interest (Gross): | | | | |
| From Long Term Investments (Non-trade) | | 0.25 | | - |
| Others | | 11.62 | | 7.81 |
| (Tax deducted – Rs. 0.07 Million – Previous Year – Rs. 0.17 Million) | | | 11.87 | 7.81 |
| Dividends from Investments (Non-trade): | | | | |
| From Long Term Investments | | 17.58 | | 46.13 |
| From Current Investments | | 6.82 | | 22.57 |
| | | | 24.40 | 68.70 |
| Sales Tax Refund | | | 2.83 | 0.02 |
| Service Income | | | 59.84 | 45.15 |
| Gain on Prepayment of Deferred Sales Tax | | | 21.00 | 16.30 |
| Profit on Sale of Investments: | | | | |
| From Long Term Investments | | 14.86 | | 1.90 |
| From Current Investments | | 3.42 | | 1.36 |
| | | | 18.28 | 3.26 |
| Others | | | 74.11 | 67.07 |
| | | | 221.44 | 215.66 |

SCHEDULES FORMING PART OF THE ACCOUNTS

| | (Rs. Million) | For the Year Ended 31st December, 2008 (Rs. Million) | For the Year Ended 31st December, 2007 (Rs. Million) |
|---|---------------|--|--|
| SCHEDULE 9 : RAW MATERIALS CONSUMED | | | |
| Opening Stock of | | | |
| Raw Materials | 193.85 | | 148.87 |
| Raw Materials in Transit | 37.20 | | 33.56 |
| | | 231.05 | 182.43 |
| Add: Purchases | | 2,054.33 | 1,626.87 |
| | | 2,285.38 | 1,809.30 |
| Less: Closing Stock of | | | |
| Raw Materials | 337.94 | | 193.85 |
| Raw Materials in Transit | 51.80 | | 37.20 |
| | | 389.74 | 231.05 |
| | | 1,895.64 | 1,578.25 |
| Less: Capitalised during the year | | (1.87) | – |
| | | 1,893.77 | 1,578.25 |
| SCHEDULE 10 : MANUFACTURING, ADMINISTRATION AND SELLING EXPENSES | | | |
| Stores and Spare Parts Consumed | | 124.26 | 108.84 |
| Processing Charges | | 129.71 | 112.27 |
| Salaries, Wages, Bonus and Gratuity | 522.92 | | 469.51 |
| Contribution to Provident and other Funds | 38.08 | | 37.24 |
| Staff Welfare | 61.48 | | 50.60 |
| | | 622.48 | 557.35 |
| Power and Fuel | | 428.82 | 350.20 |
| Freight, Octroi and Packing Expenses | | 289.35 | 237.17 |
| Repairs and Maintenance: | | | |
| Buildings | 5.01 | | 3.32 |
| Machinery | 40.50 | | 41.29 |
| Others | 11.18 | | 17.47 |
| | | 56.69 | 62.08 |
| Rent | | 12.46 | 11.23 |
| Rates and Taxes | | 12.41 | 9.79 |
| Insurance | | 7.16 | 8.20 |
| Travelling and Conveyance | | 84.91 | 73.84 |
| Commission and Discount on Sales | | 135.92 | 147.14 |
| Royalties | | 41.97 | 41.49 |
| Loss on assets discarded/sold (Net) | | 8.90 | 12.66 |
| Miscellaneous | | 237.50 | 202.85 |
| | | 2,192.54 | 1,935.11 |
| Less: Capitalised/Transferred to Capital Work-in-Progress | | (7.40) | (4.60) |
| | | 2,185.14 | 1,930.51 |

SCHEDULES FORMING PART OF THE ACCOUNTS

| | <u>(Rs. Million)</u> | For the Year Ended 31st December, 2008 (Rs. Million) | For the Year Ended 31st December, 2007 (Rs. Million) |
|--|----------------------|---|--|
| SCHEDULE 11 : INTEREST | | | |
| ON LOANS/DEPOSITS | | | |
| Banks | 4.25 | | 1.30 |
| Others | 1.80 | | 1.61 |
| | | 6.05 | 2.91 |
| | | 6.05 | 2.91 |
| SCHEDULE 12 : (INCREASE) IN INVENTORY | | | |
| Opening 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 |
| Less: Closing Stock of | | | |
| Finished Goods: | | | |
| Manufactured | 287.25 | | 190.08 |
| Trading | 88.26 | | 61.70 |
| Work-in-Process | 211.65 | | 190.57 |
| | | 587.16 | 442.35 |
| | | (144.81) | (151.06) |

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. In case of forward exchange contracts, the difference between the transaction rate and the rate on the date of contract is recognised as exchange difference and the premium paid on forward contracts is recognised over the life of the contract.

(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 :**

| | 2008 (Rs. Million) | 2007 (Rs. Million) |
|--|-------------------------------------|------------------------------|
| a. Excise Duty demands/show cause notices pending with the appropriate authorities and disputed by the Company | 30.94 | 25.95 |
| b. Sales Tax demands pending with the Commissionerate/High Court and disputed by the Company | 35.61 | 39.16 |
| 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 | 0.51 | 2.98 |
| e. Demand raised by A.P. Transco on surplus units allocated, disputed by the Company & subjudice in High Court (Net) | 29.57 | 21.74 |
| f. Guarantees given by Banks, of which Rs. 33.97 Million (Previous Year – Rs. 23.94 Million) counter guaranteed by the Company | 183.97 | 23.94 |
| g. Guarantees given on behalf of Subsidiary Company | 62.93 | – |
| h. Letters of credit issued by banks on behalf of the Company | – | 1.61 |
| i. Non-Agricultural Land Cess | 3.60 | 3.60 |
| j. Other Claims against the Company not acknowledged as debts | 4.82 | 4.82 |

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 | 44.79 | 22.33 | 6.74 | – | 60.38 |
| Other Risks | 77.21 | – | – | – | 77.21 |
| Total | 122.00 | 22.33 | 6.74 | – | 137.59 |

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 been in possession of land at Tirupati, on which its Silicon Carbide Plant was erected, since 1978. The transfer formalities for the said land were not completed because of a dispute relating to the lease rent payable. The Andhra Pradesh State Government has raised a demand for Rs. 3.68 Million for the period 1978 to 2004 and the Company has paid Rs. 3 Million in respect of 90 acres of land for the period 1978 to 2004 inclusive of penalty for alleged use of excess land of 180 acres upto 1997. The Company has also provided for lease rent in respect of 90 acres of land for the period 2004 to date at the rates prevailing for 2004, pending the finalisation of the lease agreement.
6. Estimated amount of capital commitments (net of advances) not provided for Rs. 101.43 Million (Previous Year – Rs. 107.08 Million).
7. Exchange difference arising on foreign currency transactions amounting to Rs. 5.62 Million (Net Loss) (Previous Year – Rs. 11.80 Million – Net Gain) has been accounted under respective heads.
8. Extraordinary Item for the year 2007 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. The tax effects of significant timing differences that resulted in deferred tax assets and liabilities are :

| | 2008 (Rs. Million) | 2007 (Rs. Million) |
|---|-------------------------------------|------------------------------|
| Depreciation on Fixed Assets | (132.38) | (113.64) |
| Provision for Doubtful Debts and Advances | 15.91 | 17.80 |
| Compensation under Voluntary Retirement Schemes | 0.11 | 0.57 |
| Provision for Contingencies | 26.25 | 26.25 |
| Others | 46.44 | 30.44 |
| Deferred Tax Liability | (43.67) | (38.58) |

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

| | 2008 | 2007 |
|--|------------|------------|
| 10. Earnings Per Share : | | |
| (a) Profit after tax, excluding extraordinary item (Rs. Million) | 550.05 | 565.08 |
| (b) Profit after tax, including extraordinary item (Rs. Million) | 550.05 | 1,335.08 |
| (c) Weighted Average Number of Equity Shares outstanding (Nominal Value of Shares Rs. 5) | 55,360,000 | 55,360,000 |
| (d) Earnings per share (Basic & Diluted) excluding extraordinary item in Rs. | 9.94 | 10.21 |
| (e) Earnings per share (Basic & Diluted) including extraordinary item in Rs. | 9.94 | 24.12 |
| 11. The Company has amounts due to suppliers under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) as at 31st December 2008. The disclosure pursuant to the said Act is as under : | | |

| | 2008 (Rs. Million) | 2007 (Rs. Million) |
|---|-----------------------|-----------------------|
| Principal amount due | 11.90 | 17.31 |
| Interest due on above | 0.11 | * |
| Payment made after the due dates | 81.53 | * |
| Interest payable for payments made after due date | 0.24 | * |
| Interest paid | - | * |

The information has been given in respect of such suppliers who have identified themselves as "Micro, Small and Medium Enterprises".

* The identification of the suppliers as Micro, Small and Medium Suppliers has been carried out during the year, hence comparative figures for the previous year have not been provided.

| | (Rs. Million) | 2008 (Rs. Million) | 2007 (Rs. Million) |
|---|---------------|-----------------------|-----------------------|
| 12. Revenue expenditure on Research & Development charged to the Profit and Loss Account during the year | | 7.91 | 6.64 |
| 13. (i) Managerial remuneration u/s. 198 of the Companies Act, 1956 : | | | |
| (a) Managing Director & Executive Director | | | |
| Salaries | 13.94 | | 9.29 |
| Commission | 7.36 | | 8.61 |
| Contribution to Provident Fund and other Funds | 3.63 | | 2.50 |
| Perquisites | 3.60 | | 1.74 |
| | | 28.53 | 22.14 |
| (b) Non-wholetime Directors | | | |
| Commission | | 5.35 | 6.31 |
| | | 33.88 | 28.45 |
| (c) Sitting Fees | | 0.21 | 0.22 |
| (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 | | 550.05 | 1,335.08 |
| Add : | | | |
| Provision for : | | | |
| Income Tax | 229.52 | | 243.71 |
| Deferred Tax | 5.09 | | 5.69 |
| Fringe Benefit Tax | 6.50 | | 8.10 |
| Managerial Remuneration | 33.88 | | 28.45 |
| Sitting Fees | 0.21 | | 0.22 |
| Loss on assets discarded/sold (Net) | 8.90 | | 12.66 |
| | | 284.10 | 298.83 |
| | | 834.15 | 1,633.91 |
| Less : | | | |
| Extraordinary Item (net of tax) | | - | 770.00 |
| Profit on Sale of Investments | | 18.28 | 3.26 |
| | | 815.87 | 860.65 |
| Commission payable to : | | | |
| (a) Managing Director | | 7.36 | 8.61 |
| (b) Other Directors | | 5.35 | 6.31 |

The total remuneration as stated above in 13(i)(a) and 13(i)(b) is within the maximum permissible limit under the Act.

SCHEDULES FORMING PART OF THE ACCOUNTS
SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

| | 2008 (Rs. Million) | 2007 <u>(Rs. Million)</u> |
|---|-------------------------------------|------------------------------|
| 14. Advances recoverable in cash or in kind include : | | |
| Loan due from directors of the Company | 36.61 | 37.52 |
| Maximum Amount due at any time during the year | 39.25 | 37.66 |
| 15. Amounts paid to Auditors : | | |
| (i) Audit Fees | 1.15 | 1.05 |
| (ii) Audit under other Statutes | 0.20 | 0.15 |
| (iii) Tax representation before Authorities | 0.32 | 0.16 |
| (iv) Certification | 0.49 | 0.21 |
| (v) Reimbursement of Expenses | 0.10 | 0.03 |

16. I. Value of Raw Materials Consumed :

| | | 2008 | | 2007 | |
|-----------------------|-------------|------------------|----------------------|-----------------|----------------------|
| | <u>Unit</u> | <u>Quantity</u> | <u>(Rs. Million)</u> | <u>Quantity</u> | <u>(Rs. Million)</u> |
| (i) Abrasive Grains | Tons | 13,639.30 | 650.28 | 13,997.49 | 527.26 |
| (ii) Carbon Materials | Tons | 12,923.40 | 93.67 | 11,080.81 | 65.87 |
| (iii) Others | | | 1,316.11 | | 1,132.60 |

II. Value of Imported and Indigenous Materials Consumed :

| | | 2008 | | 2007 | |
|---------------------------------|--------------|----------------------|----------|----------------------|--|
| | <u>%</u> | <u>(Rs. Million)</u> | <u>%</u> | <u>(Rs. Million)</u> | |
| (i) Imported Raw Materials | 49.91 | 1,028.16 | 48.41 | 835.43 | |
| (ii) Indigenous Raw Materials | 50.09 | 1,031.90 | 51.59 | 890.30 | |
| (iii) Imported Stores & Spares | 1.13 | 1.40 | 1.89 | 2.06 | |
| (iv) Indigenous Stores & Spares | 98.87 | 122.86 | 98.11 | 106.78 | |

Note: Raw Materials consumed include captive consumption.

| | 2008 (Rs. Million) | 2007 <u>(Rs. Million)</u> |
|-------------------------------------|-------------------------------------|------------------------------|
| 17. Value of Imports on CIF Basis : | | |
| (i) Raw Materials | 1,302.75 | 1,016.37 |
| (ii) Spare Parts | 5.10 | 3.74 |
| (iii) Capital Goods | 39.56 | 46.66 |
| (iv) Others | 114.40 | 89.63 |

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

18. Quantitative Details :

I. Capacities, Production, Stock and Sales in 2008 :

| Class of Goods | Units | Installed Capacity | Production | Opening Stock | Closing Stock | Sales | |
|------------------|---------|---------------------------------|---------------------------------|---------------------------|-----------------------------|---------------------------------|-------------------------------|
| | | | | | | Quantity | Rs. Million |
| Bonded Abrasives | Tons | 17,479.00 (14,583.00) | 11,344.93 (11,549.56) | 792.88 (554.87) | 1,163.95 (792.88) | 10,973.86 (11,311.55) | 2,040.78 (1,987.74) |
| Coated Abrasives | Sqm. in | 5.36 | 3.21 | 0.17 | 0.27 | 3.11 | 1,517.47 |
| | Million | (5.20) | (3.25) | (0.13) | (0.17) | (3.21) | (1,464.29) |
| Abrasive Grains | Tons | 15,000.00 (15,000.00) | 10,305.95 (9,059.78) | 176.31 (217.52) | 413.15 (176.31) | 10,069.11 (9,101.04) | 809.14 (560.91) |
| Refractories | Tons | 1,600.00 | 2,201.35* | - | - | 2,201.35 | 299.83 |
| | | (1,600.00) | (1,931.25)* | - | - | (1,931.25) | (266.85) |
| Others | | | | | | | 888.10 (690.30) |
| Total | | | | | | | 5,555.32 (4,970.09) |

* 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.

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

| | Units in Million | 2008 Rs. Million |
|--|------------------|------------------|
| Lotus India (now Religare) Fixed Maturity Plan - 3 Months - Series XIX - Dividend | 0.05 | 0.51 |
| Lotus India (now Religare) Quarterly Interval Fund - Plan A - Dividend | 0.04 | 0.36 |
| DSP Merrill Lynch (now DSP BlackRock) Fixed Maturity Plan - 3M - Series 1 - Institutional Dividend | 0.03 | 0.36 |
| ABN Amro (now Fortis) Flexible Short Term Plan - Series B - Monthly Dividend | 0.02 | 0.24 |
| DWS Credit Opportunities Cash Fund - Weekly Dividend Plan | 0.02 | 0.23 |
| Kotak Flexible Debt Scheme - Dividend | 17.61 | 176.70 |
| SBI Premier Liquid Fund - Institutional - Daily Dividend | 9.49 | 95.22 |
| Lotus India (now Religare) Fixed Maturity Plan - 3 Months - Series XXIV - Dividend | 2.04 | 20.38 |
| Lotus India (now Religare) Fixed Maturity Plan - 3 Months - Series XXV - Dividend | 1.02 | 10.20 |
| Tata Fixed Horizon Fund Series 17 - Scheme D - Institutional Plan - Periodic Dividend | 1.02 | 10.20 |
| Kotak Flexible Debt Scheme - Institutional - Growth | 2.45 | 25.00 |

SCHEDULES FORMING PART OF THE ACCOUNTS
SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

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

| | Units in Million | 2008 Rs. Million |
|---|---------------------|---------------------|
| Kotak Floater Short Term - Growth | 1.44 | 20.19 |
| DSP BlackRock Floating Rate Fund - Regular Plan - Growth | 4.44 | 60.00 |
| LIC Mutual Fund Liquid Fund - Growth Plan | 2.00 | 30.00 |
| LIC Mutual Fund Liquid Plus Fund - Daily Dividend Plan | 14.53 | 145.30 |
| LIC Mutual Fund Liquid Plus Fund - Growth Plan | 41.01 | 460.02 |
| SBI Premier Liquid Fund - Institutional - Growth | 4.27 | 57.50 |
| Kotak Monthly Interval Plan - Series 3 - Dividend | 1.00 | 10.00 |
| DSP BlackRock Floating Rate Fund - Institutional Plan - Growth | 0.07 | 80.17 |
| DSP BlackRock Cash Plus Fund - Institutional Plan - Growth | 0.07 | 81.51 |
| UTI Fixed Income Interval Fund - Quarterly Plan - Series III - Institutional - Dividend Plan - Payout | 1.00 | 10.00 |
| JM Fixed Maturity Fund - Series XIII - Monthly Plan 3 - Institutional - Dividend Plan | 1.00 | 10.00 |
| Kotak Flexible Debt Scheme - Daily Dividend | 2.00 | 20.04 |
| Tata Liquid Super High Investment Fund - Daily Dividend | 0.05 | 50.03 |
| Sundaram BNP Paribas Money Fund - Institutional - Daily Dividend Reinvestment | 4.95 | 50.01 |
| DSP BlackRock Cash Plus Fund - Institutional Plan - Daily Dividend | 0.06 | 60.01 |
| DSP BlackRock Floating Rate Fund - Regular Plan - Growth | 4.44 | 60.00 |
| Canara Robeco Liquid Plus Super Institutional - Daily Dividend Reinvestment Fund | 4.04 | 50.06 |
| Total | 120.16 | 1,594.24 |

20. Expenditure in Foreign Currency :

| | 2008 (Rs. Million) | 2007 (Rs. Million) |
|-----------------------------|-----------------------|-----------------------|
| (i) Export Sales Commission | 2.03 | 1.73 |
| (ii) Foreign Travel | 9.04 | 6.98 |
| (iii) Royalties | 40.96 | 41.49 |
| (iv) Others | 7.46 | 2.61 |

21. Amount remitted in Foreign Currency on account of :

| | | |
|--|------------|---------------|
| Dividend | 113.66 | 213.11 |
| Number of Non-Resident Shareholders | 2 | 2 |
| Number of Shares held | 28,414,000 | 28,414,000 |
| Years to which Dividend/(Interim Dividend) relates | 2007 | (2006 & 2007) |

22. Earnings in Foreign Exchange :

| | 2008 | 2007 |
|-----------------------------------|--------|--------|
| (i) Exports of goods on FOB Basis | 676.26 | 438.94 |
| (ii) Freight on Exports | 6.22 | 6.88 |
| (iii) Insurance on Exports | 0.01 | 0.01 |
| (iv) Commission | 9.11 | 7.34 |
| (v) Export of Services | 23.48 | 11.82 |
| (vi) Other Income | 13.06 | 3.63 |

23. 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, 2008 :

| Currency | No. of Contracts | Value in Million | Equivalent Rs. Million |
|----------|------------------|------------------|------------------------|
| USD | 16 | 2.70 | 130.80 |
| EURO | 10 | 1.11 | 75.24 |

The Indian Rupee equivalent is arrived at by converting the forward contracts at the spot rate as at 31st December, 2008.

Foreign currency exposure (net) not hedged by forward contracts as at 31st December, 2008 is Rs. 30.60 Million.

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

24. 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 :

| | 2008 (Rs. Million) | 2007 (Rs. Million) |
|--|-----------------------|-----------------------|
| Employers' Contribution to Provident Fund | 24.67 | 24.30 |
| Employers' Contribution to Superannuation Fund | 6.11 | 5.86 |

II. Defined Benefit Plan :

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, 2008 :

| | 2008 (Rs. Million) | 2007 (Rs. Million) |
|---|-----------------------|-----------------------|
| Change in present value of obligation | | |
| Opening Balance | 117.47 | 94.87 |
| Interest Cost | 10.00 | 7.59 |
| Service Cost | 8.73 | 8.73 |
| Benefits Paid | (10.78) | (9.09) |
| Actuarial (gain)/loss on obligation | 12.21 | 15.37 |
| Closing Balance | 137.63 | 117.47 |
| Change in plan assets | | |
| Opening Balance | 114.17 | 93.54 |
| Expected return on plan assets | 10.89 | 7.48 |
| Contributions | 27.30 | 20.51 |
| Benefits paid | (10.78) | (9.09) |
| Actuarial gain/(loss) on plan assets | (4.21) | 1.73 |
| Closing Balance | 137.37 | 114.17 |
| Amount recognised in the Balance Sheet | | |
| Present value of obligation | 137.63 | 117.47 |
| Fair value of plan assets | (137.37) | (114.17) |
| Net obligation | 0.26 | 3.30 |
| Net gratuity cost for the year | | |
| Current Service Cost | 8.73 | 8.73 |
| Interest Cost | 10.00 | 7.59 |
| Expected return on plan assets | (10.89) | (7.48) |
| Net Actuarial (gain)/loss to be recognised | 16.42 | 13.64 |
| Net Gratuity Cost | 24.26 | 22.48 |
| Assumptions used in accounting for the gratuity plan | % | % |
| Discount Rate | 6.50 | 8.00 |
| Salary escalation rate | 5.00 | 6.00 |
| Expected rate of return on plan assets | 8.00 | 8.00 |

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 ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

25. Related Party Disclosure :

1. Relationships :

(i) **HOLDING COMPANY :**

Compagnie de Saint-Gobain, the ultimate holding company.

(ii) **SUBSIDIARY COMPANY :**

Saint-Gobain Ceramic Materials Bhutan Pvt. Ltd.

(iii) **ASSOCIATE COMPANIES :**

ABC Superabrasives, USA
 Certainteed Corporation, USA
 Kure-Norton Co. Ltd., Japan
 Norton Abrasives PTY Ltd.
 PT Saint-Gobain Norton Hamplas, Indonesia
 PT Saint-Gobain Winter Diamas, Indonesia
 Saint - Gobain PAM (France)
 Saint Gobain Abrasives Ltd.
 L.M.Van Moppes Diamond Tools Pvt. Ltd.
 Saint-Gobain Abrasifs Maroc, Morocco
 Saint-Gobain Abrasifs, France
 Saint-Gobain Abrasive International Trading (Shanghai)
 Saint-Gobain Abrasives Inc., USA
 Saint-Gobain Abrasives (Aust) PTY Ltd.
 Saint-Gobain Abrasives (Shanghai) Co. Ltd., Shanghai
 Saint-Gobain Abrasives BV., Netherlands
 Saint-Gobain Abrasives GMBH (CORA)
 Saint-Gobain Abrasives GMBH, Gerolzhofen., Germany
 Saint-Gobain Abrasives International Trading (HK) Ltd.
 Saint-Gobain Abrasives Korea
 Saint-Gobain Abrasives SP. Z.O.O
 Saint-Gobain Abrasives (Suzhou) Co. Ltd.
 Saint-Gobain Abrasives Thailand
 Saint-Gobain Abrasives Ltd., New Zealand
 Saint-Gobain Abrasives Singapore (PTE) Ltd.
 Saint-Gobain Abrasives SP.Z
 Saint-Gobain Abrasives (PTY) Ltd., South Africa
 Saint-Gobain Abrasives, France
 Saint-Gobain Abrasivi S.P.A.(Micromold)
 Saint-Gobain Abrasivi S.P.A.(Ral-Sud)
 Saint-Gobain Abrasives Ltda., Brazil
 Saint-Gobain Abrasivos SA, Argentina
 Saint-Gobain Abrasifs Dubai
 Saint-Gobain Advanced Materials (Taiwan) Co. Ltd.
 Saint-Gobain Cera Mat (Lianyungang) Co.
 Saint-Gobain Ceramic Materials AS., Norway
 Saint-Gobain Ceramic Materials, USA
 Saint-Gobain Ceramicas Industriales, S.A.
 Saint-Gobain Crystals & Detectors India Ltd.
 Saint-Gobain Diamantwerkzeuge GMBH & Co.
 Saint-Gobain Materiaux Ceramics, Belgium
 Saint-Gobain Performance Plastics, New Jersey, USA
 Saint-Gobain Performance Plastics, Worcester, USA
 Saint-Gobain High Performance Materials, France
 Saint-Gobain Advanced Materials (M) SDN BHD
 Saint-Gobain Glass India Ltd.
 Saint-Gobain Industrial Ceramics, UK
 Saint-Gobain Ceramics Inc, USA
 Saint-Gobain Industriekeramik Dusseldorf GMBH
 Saint-Gobain Materials Ceramicos Ltda. Brazil
 Saint-Gobain Materials Ceramicos, Venezuela
 Saint-Gobain Sekurit India Ltd.
 Saint-Gobain Seva Engineering India Limited
 Saint-Gobain Seva, France
 Saint-Gobain Universal Superabrasives, Inc
 Saint-Gobain Weber (India) Limited
 Savoi Refractories
 SEPR Refractories India Ltd.
 SEPR, France
 SG Performance Plastics Corby, UK
 SG Performance Plastics Korea Co. Ltd.,
 SG Performance Plastics Pampus GMBH
 SG Performance Plastics Verneret, France
 SG Performance Plastics, Akron, USA
 SG Performance Plastics, Beaverton, USA
 SG Performance Plastics, Chainieux, Belgium
 SG Performance Plastics, Granville, USA
 SG Performance Plastics, Ireland
 SG Performance Plastics, Kontich, Belgium
 SG Performance Plastics, Mickleton, USA
 SG Performance Plastics, Pittsburg, USA
 SG Performance Plastics, Florida, USA
 SG Performance Plastics, Garden Groove, USA
 SG Performance Plastics (SHANGHAI) Co. Ltd.
 SG Advanced Ceramics (Shanghai) Co. Ltd.
 SG Performance Plastics KK, JAPAN
 Saint-Gobain Tech Fab Hongfa (Changzhou) Ltd.
 Universal Superabrasives., USA
 Saint-Gobain Gyproc India Ltd. (formerly India Gypsum Ltd.)
 Saint-Gobain Abrasives (Sea) Pte. Ltd.
 Saint-Gobain Abrasives, Indonesia
 Saint-Gobain Abrasives Ltda., Portugal
 Saint-Gobain Ceramic Materials (Mudanjiang) Co. Ltd., China
 Saint-Gobain Technical Fabrics, S.A
 Saint-Gobain Ceramic Materials (Liyanguang) Co. Ltd., China
 Saint-Gobain Gelva, BV
 Saint-Gobain Vibros S.A.

(iv) **KEY MANAGEMENT PERSONNEL :**

A. Y. Mahajan – Managing Director

J. A. J. Pereira – Executive Director – Human Resources & Corporate Services

SCHEDULES FORMING PART OF THE 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)

| Sr. No. | Particulars | Holding Company | | Subsidiary Company | | Associate Companies | | Joint venture* | |
|---------|---|-----------------|-------|--------------------|------|---------------------|--------|----------------|---------|
| | | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| 1 | Sales | - | - | 5.55 | 0.02 | 362.53 | 238.39 | - | 1.54 |
| 2 | Agency Commission received | - | - | - | - | 7.67 | 5.34 | - | - |
| 3 | Dividend received | - | - | - | - | 14.84 | 9.75 | - | 36.00 |
| 4 | Service Income | - | - | 16.03 | 2.82 | 25.52 | 24.46 | - | 2.40 |
| 5 | Other Income | 5.78 | 5.50 | - | - | 26.68 | 26.97 | - | - |
| 6 | Purchase of Goods | - | - | - | - | 630.27 | 504.14 | - | - |
| 7 | Expenses charged to other companies | 7.46 | 6.78 | 8.89 | - | 15.98 | 14.80 | - | 6.11 |
| 8 | Expenses charged by other companies | 17.01 | 12.26 | - | - | 7.57 | 2.33 | - | - |
| 9 | Royalty Paid | - | - | - | - | 40.96 | 41.49 | - | - |
| 10 | Other Expenses | - | - | - | - | 1.43 | 1.77 | - | - |
| 11 | Purchase/Transfer of Fixed Assets | - | - | - | - | 13.00 | - | - | - |
| 12 | Deposit taken/ (refunded) | - | - | - | - | - | 0.90 | - | (13.28) |
| 13 | Outstanding receivables (net of payables) | (0.96) | 0.20 | 28.67 | 2.68 | 21.04 | 8.80 | - | - |
| 14 | Outstanding deposits | - | - | - | - | 3.70 | 3.70 | - | - |

* Joint Venture with Lincoln Helios (India) Limited till 23rd August 2007.

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

| | 2008 | 2007 |
|------------------|-------|-------|
| Remuneration | 28.53 | 22.14 |
| Outstanding Loan | 36.61 | 37.52 |

(iii) Significant transactions with related parties :

| Sr. No. | Nature of Transactions | Subsidiary/Associate Companies/Joint Venture | Rs. Million |
|---------|-------------------------------------|---|-------------|
| 1 | Sales | Saint-Gobain Ceramic Materials AS, Norway | 91.19 |
| | | Saint-Gobain Abrasives (Aust) Pty. Ltd. | 50.39 |
| | | Saint-Gobain Abrasives Inc., USA | 47.57 |
| | | Saint-Gobain Ceramic Materials (Mudanjiang) Co. Ltd., China | 39.80 |
| 2 | Agency Commission received | Saint-Gobain Diamantwerkzeuge GMBH & Co. | 2.45 |
| | | Certaineed Corporation, USA | 2.42 |
| | | Saint-Gobain Universal Superabrasives Inc. | 2.01 |
| | | Savoi Refractories | 0.79 |
| 3 | Dividend received | Saint-Gobain Glass India Ltd. | 14.84 |
| 4 | Service Income | Saint-Gobain Ceramic Materials Bhutan Pvt. Ltd. | 16.03 |
| | | Saint-Gobain Ceramic Materials (Mudanjiang) Co. Ltd., China | 10.27 |
| | | Saint-Gobain PAM, France | 8.12 |
| 5 | Other Income | Saint-Gobain Gyproc India Ltd. (formerly India Gypsum Ltd.) | 12.43 |
| | | Compagnie de Saint-Gobain Liaison Office | 5.78 |
| | | Saint-Gobain SEVA Engineering India Ltd. | 5.32 |
| | | Saint-Gobain Abrasives Inc., USA | 3.71 |
| 6 | Purchase of Goods | Saint-Gobain Abrasives (Shanghai) Co. Ltd. | 75.76 |
| 7 | Expenses charged to other companies | Saint-Gobain Ceramic Materials Bhutan Pvt. Ltd. | 8.89 |
| | | Saint-Gobain SEVA Engineering India Ltd. | 8.10 |
| | | Compagnie de Saint-Gobain Liaison Office | 7.46 |
| 8 | Expenses charged by other companies | Compagnie de Saint-Gobain Liaison Office | 14.43 |
| | | Saint-Gobain Glass India Ltd. | 2.70 |
| | | Compagnie de Saint-Gobain, France | 2.57 |
| 9 | Royalty Paid | Saint-Gobain Abrasives Inc., USA | 29.06 |
| | | Saint-Gobain Abrasifs, France | 9.00 |
| 10 | Other Expenses | Saint-Gobain Abrasifs, France | 1.65 |
| | | Saint-Gobain Abrasives (Singapore) Pte. Ltd. | (0.22) |
| 11 | Purchase/Transfer of Fixed Assets | Saint-Gobain Performance Plastics Korea Co. Ltd. | 4.40 |
| | | Saint-Gobain Performance Plastics, Beaverton, USA | 3.45 |
| | | Saint-Gobain Abrasives Ltd. | 3.33 |
| | | Saint-Gobain Abrasives Inc., USA | 1.50 |

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

26. Segment Reporting :

A. Information about Business Segments :

(Rs. Million)

| | Abrasives | | Ceramics & Plastics | | Others | | Unallocated | | Total | |
|---|-----------------|-----------------|---------------------|---------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Revenue | | | | | | | | | | |
| Segment Revenue | 3,583.14 | 3,302.07 | 1,341.18 | 1,065.19 | 177.62 | 124.59 | - | - | 5,101.94 | 4,491.85 |
| Less: Inter-segment Sales | - | - | (80.77) | (83.57) | - | - | - | - | (80.77) | (83.57) |
| Net Sales | 3,583.14 | 3,302.07 | 1,260.41 | 981.62 | 177.62 | 124.59 | - | - | 5,021.17 | 4,408.28 |
| Result | | | | | | | | | | |
| Segment Result | 516.71 | 587.63 | 183.65 | 147.19 | 52.26 | 32.91 | - | - | 752.62 | 767.73 |
| Unallocated Income/ (Expenditure) – (Net) | | | | | | | (9.96) | (22.01) | (9.96) | (22.01) |
| Interest Expenses | | | | | | | (6.05) | (2.91) | (6.05) | (2.91) |
| Interest Income | | | | | | | 11.87 | 7.81 | 11.87 | 7.81 |
| Dividend Income | | | | | | | 24.40 | 68.70 | 24.40 | 68.70 |
| Profit on Sale of Investments | | | | | | | 18.28 | 3.26 | 18.28 | 3.26 |
| Profit before Tax | | | | | | | | | 791.16 | 822.58 |
| Provision for Tax (including Deferred Tax & FBT) | | | | | | | (241.11) | (257.50) | (241.11) | (257.50) |
| Profit after Tax (before Extraordinary Item) | | | | | | | | | 550.05 | 565.08 |
| Extraordinary Item | | | | | | | | | - | 770.00 |
| Profit after Tax (after Extraordinary Item) | | | | | | | | | 550.05 | 1,335.08 |
| Other Information | | | | | | | | | | |
| Total Assets (gross) | 2,668.73 | 2,290.67 | 918.34 | 697.80 | 127.41 | 81.72 | 835.05 | 1,284.35 | 4,549.53 | 4,354.54 |
| Less: Revaluation Reserve | (23.43) | (24.42) | (20.51) | (21.17) | - | - | - | - | (43.94) | (45.59) |
| Net Assets | 2,645.30 | 2,266.25 | 897.83 | 676.63 | 127.41 | 81.72 | 835.05 | 1,284.35 | 4,505.59 | 4,308.95 |
| Total Liabilities | 705.33 | 696.23 | 273.85 | 241.27 | 70.64 | 26.15 | 412.08 | 592.58 | 1,461.90 | 1,556.23 |
| Capital Expenditure | 281.58 | 367.63 | 80.94 | 68.89 | - | - | 15.20 | 28.23 | 377.72 | 464.75 |
| Depreciation | 104.81 | 92.53 | 20.13 | 14.65 | 0.13 | 0.13 | 14.54 | 14.50 | 139.61 | 121.81 |

B. Information about Geographical Segments :

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

(Rs. Million)

| Net Sales | 2008 | 2007 |
|---------------|-----------------|-----------------|
| India | 4,338.68 | 3,962.45 |
| Outside India | 682.49 | 445.83 |
| Total | 5,021.17 | 4,408.28 |

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

(Rs. Million)

| | Net Assets | | Total Liabilities | |
|---------------|-----------------|-----------------|-------------------|-----------------|
| | 2008 | 2007 | 2008 | 2007 |
| India | 4,380.59 | 4,278.14 | 1,461.90 | 1,556.23 |
| Outside India | 125.00 | 30.81 | - | - |
| Total | 4,505.59 | 4,308.95 | 1,461.90 | 1,556.23 |

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

SCHEDULES FORMING PART OF THE ACCOUNTS

SCHEDULE 13 : NOTES TO ACCOUNTS (Continued)

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

Balance Sheet Abstract for the Year Ended 31st December, 2008 and Company's General Business Profile

I. REGISTRATION DETAILS

| | | |
|--------------------|---|------------|
| Registration No. | : | 8163 |
| State Code | : | 11 |
| Balance Sheet Date | : | 31-12-2008 |

(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 | : | 3131300 |
| Total Assets | : | 3131300 |

SOURCES OF FUNDS

| | | |
|--------------------|---|---------|
| Paid-up Capital | : | 276800 |
| Reserves & Surplus | : | 2810830 |
| Secured Loans | : | NIL |
| Unsecured Loans | : | NIL |
| Deferred Tax | : | 43670 |

APPLICATION OF FUNDS

| | | |
|--------------------|---|---------|
| Net Fixed Assets | : | 1812680 |
| Investments | : | 627200 |
| Net Current Assets | : | 691420 |
| Misc. Expenditure | : | NIL |
| Accumulated Losses | : | NIL |

IV. PERFORMANCE OF COMPANY

| | | |
|--|---|---------|
| Turnover (includes Miscellaneous Income) | : | 5242610 |
| Total Expenditure | : | 4451450 |
| Profit Before Tax | : | 791160 |
| Profit After Tax | : | 550050 |
| Earning Per Share in Rs. | : | 9.94 |
| Dividend Rate (%) | : | 80% |

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 |

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER, 2008

| | (Rs. Million) | 2008 (Rs. Million) | (Rs. Million) | 2007 (Rs. Million) |
|--|-----------------|-----------------------|-----------------|-----------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES : | | | | |
| Profit before Tax and Extraordinary Item | | 791.16 | | 822.58 |
| Adjustments for : | | | | |
| Depreciation | 139.61 | | 121.81 | |
| Unrealised Foreign Exchange (Gain)/Loss (Net) | 9.29 | | (4.60) | |
| Loss on Sale of Fixed Assets | 8.90 | | 12.66 | |
| Profit on Sale of Investments | (18.28) | | (3.26) | |
| Dividend Received | (24.40) | | (68.70) | |
| Gain on Prepayment of Deferred Sales Tax | (21.00) | | (16.30) | |
| Interest (Net) | (5.82) | 88.30 | (4.90) | 36.71 |
| Operating Profit Before Working Capital Changes | | 879.46 | | 859.29 |
| Adjustments for : | | | | |
| Trade and other Receivables | 121.07 | | (255.42) | |
| Inventories | (306.34) | | (203.23) | |
| Trade and other Payables | 69.05 | (116.22) | 146.95 | (311.70) |
| Cash Generated from Operations | | 763.24 | | 547.59 |
| Direct Taxes Paid | (297.84) | | (275.76) | |
| Tax Refund | 11.31 | (286.53) | - | (275.76) |
| Net Cash from Operating Activities | | 476.71 | | 271.83 |
| B. CASH FLOW FROM INVESTING ACTIVITIES : | | | | |
| Purchase of Fixed Assets | (367.19) | | (426.95) | |
| Sale of Fixed Assets | 6.58 | | 5.45 | |
| Proceeds of Sale of Investments | 208.28 | | 18.26 | |
| Purchase of Investments | (5.20) | | (200.00) | |
| Investment in a subsidiary | (124.00) | | (30.81) | |
| Inter Corporate Deposit placed | (20.00) | | (55.00) | |
| Inter Corporate Deposit redeemed | 20.00 | | 55.00 | |
| Interest Received | 11.15 | | 6.96 | |
| Dividend Received | 24.40 | | 68.70 | |
| Net cash flow used in investing activities before extraordinary item | (245.98) | | (558.39) | |
| Extraordinary Item (Refer Note 2) | - | | 832.00 | |
| Net cash from/(used in) investing activities after extraordinary item | | (245.98) | | 273.61 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Net Increase/(Decrease) in Borrowing | (1.68) | | 16.33 | |
| Interest | (6.05) | | (2.91) | |
| Dividends Paid | (327.85) | | (306.83) | |
| Tax on Dividend | (37.64) | | (64.81) | |
| Net Cash used in Financing Activities | | (373.22) | | (358.22) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (142.49) | | 187.22 |
| CASH AND CASH EQUIVALENTS – OPENING BALANCE | | | | |
| Cash and Bank Balances | 215.57 | | 101.95 | |
| Cash Equivalents (Investment in Current Securities) | 302.75 | 518.32 | 229.15 | 331.10 |
| CASH AND CASH EQUIVALENTS – CLOSING BALANCE | | | | |
| Cash and Bank Balances | 165.18 | | 215.57 | |
| Cash Equivalents (Investment in Current Securities) | 210.65 | 375.83 | 302.75 | 518.32 |
| | | (142.49) | | 187.22 |

- NOTES: 1. The Company has undrawn borrowing facilities amounting to Rs. 260 Million (Previous year – Rs. 260 Million).
2. Extraordinary item for the year 2007 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

K. M. ELAVIA
Partner
Membership No. 12737
Mumbai: 6th March, 2009

A. C. CHAKRABORTTI
A. Y. MAHAJAN
K. VISWESWARAN

Vice-Chairman
Managing Director
Company Secretary

Mumbai: 6th March, 2009

Information regarding Saint-Gobain Ceramic Materials Bhutan Private Limited as required by Letter No. 47/586/2008/CL-III dtd. 29th January 2009

| | As on/For the Year ended 31st December, 2008 (Rs. Million) |
|-----------------------------------|---|
| Capital | 178.69 |
| Reserves | (3.73) |
| Total Assets | 405.01 |
| Total Liabilities | 405.01 |
| Investments (except subsidiaries) | NIL |
| Turnover | NIL |
| Profit before Tax | (3.39) |
| Provision for Tax | NIL |
| Profit after Tax | (3.39) |
| Proposed Dividend | NIL |

Statement regarding Subsidiary Company pursuant to Section 212 of the Companies Act, 1956

| | |
|---|--|
| 1. Name of the Subsidiary | Saint-Gobain Ceramic Materials Bhutan Private Limited |
| 2. The Company's interest in the subsidiaries as on 31st December 2008 | |
| a. Number of Equity Shares | 1,240,002 |
| Total Number of Shares | 1,771,431 |
| b. Face Value | Nu 100 |
| c. Extent of Holding | 70% |
| 3. Net aggregate profits/(loss) of the subsidiary company so far it concerns the members of the Company | Rs. Million |
| A. For the financial year ended on 31st December 2008 | |
| i. Not dealt with in the books of account of the Company | (3.39) |
| ii. Dealt with in the books of account of the Company | - |
| B. For the subsidiary company's previous financial years since it became a subsidiary | |
| i. Not dealt with in the books of account of the Company | (0.34) |
| ii. Dealt with in the books of account of the Company | - |

A. C. CHAKRABORTTI

Vice-Chairman

A. Y. MAHAJAN

Managing Director

K. VISWESWARAN

Company Secretary

Mumbai: 6th March, 2009

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, 2008 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. 339.68 million as at 31st December, 2008 and the total revenues of Rs. Nil and net cash inflows amounting to Rs. 4.15 million for the year ended on that date as considered in the consolidated financial statements. These financial statements have been audited by other auditor whose report has 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, 2008;
 - (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

Place: Mumbai
Dated: 6th March, 2009

K. M. ELAVIA
PARTNER
Membership No. 12737

CONSOLIDATED BALANCE SHEET AS AT 31st DECEMBER, 2008

| | Schedules | (Rs. Million) | As at 31st December, 2008 (Rs. Million) | As at 31st December, 2007 (Rs. Million) |
|---|-----------|---------------|--|--|
| SOURCES OF FUNDS | | | | |
| 1. SHAREHOLDERS' FUNDS | | | | |
| (a) Capital | 1 | 276.80 | | 276.80 |
| (b) Reserves and Surplus | 2 | 2,802.88 | | 2,520.53 |
| | | | 3,079.68 | 2,797.33 |
| 2. MINORITY INTEREST | | | 52.88 | 13.10 |
| 3. LOAN FUNDS | | | | |
| (a) Secured Loan | 3 | | 164.72 | – |
| (b) Unsecured Loan | 4 | | – | 22.68 |
| 4. DEFERRED TAX LIABILITY | | | 43.67 | 38.58 |
| | | | <u>3,340.95</u> | <u>2,871.69</u> |
| APPLICATION OF FUNDS | | | | |
| 1. FIXED ASSETS | 5 | | | |
| (a) Gross Block | | 2,585.49 | | 2,257.44 |
| (b) Less : Depreciation | | 1,004.95 | | 888.61 |
| (c) Net Block | | 1,580.54 | | 1,368.83 |
| (d) Capital Work in Progress | | 623.68 | | 268.26 |
| | | | 2,204.22 | 1,637.09 |
| 2. INVESTMENTS | 6 | | 503.20 | 780.10 |
| 3. CURRENT ASSETS, LOANS & ADVANCES | 7 | | | |
| (a) Inventories | | 1,008.41 | | 702.07 |
| (b) Sundry Debtors | | 678.67 | | 821.86 |
| (c) Cash & Bank Balances | | 171.99 | | 218.23 |
| (d) Accrued Interest | | 2.05 | | 1.33 |
| (e) Loans & Advances | | 227.58 | | 208.53 |
| | | 2,088.70 | | 1,952.02 |
| Less: CURRENT LIABILITIES & PROVISIONS | 8 | | | |
| (a) Liabilities | | 1,029.75 | | 1,037.17 |
| (b) Provisions | | 425.42 | | 460.35 |
| | | 1,455.17 | | 1,497.52 |
| NET CURRENT ASSETS | | | 633.53 | 454.50 |
| | | | <u>3,340.95</u> | <u>2,871.69</u> |
| NOTES TO ACCOUNTS | 14 | | | |

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

As per our Report of even date

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants

K. M. ELAVIA
Partner

Membership No. 12737

Mumbai: 6th March, 2009

Signatures to Balance Sheet and Schedules 1 to 8 & 14

A. C. CHAKRABORTTI

Vice-Chairman

A. Y. MAHAJAN

Managing Director

K. VISWESWARAN

Company Secretary

Mumbai: 6th March, 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 2008

| | <u>Schedules</u> | <u>(Rs. Million)</u> | <u>(Rs. Million)</u> | <u>For the Year Ended 31st December, 2008 (Rs. Million)</u> | <u>For the Year Ended 31st December, 2007 (Rs. Million)</u> |
|---|------------------|----------------------|----------------------|---|---|
| INCOME | | | | | |
| Sales | | 5,549.77 | | | 4,970.09 |
| Less : Excise Duty | | (533.55) | | | (561.81) |
| Net Sales | | | 5,016.22 | | 4,408.28 |
| Miscellaneous Income | 9 | | 207.19 | 5,223.41 | 213.15 |
| | | | | | 4,621.43 |
| EXPENDITURE | | | | | |
| Raw Materials Consumed | 10 | | 1,889.83 | | 1,578.25 |
| Purchase of Trading Goods | | | 376.96 | | 312.11 |
| Manufacturing, Administration and Selling Expenses | 11 | | 2,177.97 | | 1,929.08 |
| Interest | 12 | | 6.05 | | 2.91 |
| Debts and Advances Provided / Written off (Net) | | | (5.44) | | 6.83 |
| Depreciation | 5 | 141.33 | | | 123.49 |
| Less : Transfer from Revaluation Reserve | 2 | (1.65) | | | (1.68) |
| | | | 139.68 | | 121.81 |
| | | | 4,585.05 | | 3,950.99 |
| Less : (Increase) in Inventory | 13 | | (144.81) | 4,440.24 | (151.06) |
| | | | | | 3,799.93 |
| Profit before Tax and Extraordinary Item | | | | 783.17 | 821.50 |
| Extraordinary Item (Refer Schedule 14, Note 8) | | | | - | 770.00 |
| Profit before Tax and after Extraordinary Item | | | | 783.17 | 1,591.50 |
| Provision for : | | | | | |
| Income Tax | | | 229.52 | | 243.71 |
| Deferred Tax | | | 5.09 | | 5.69 |
| Fringe Benefit Tax | | | 6.50 | | 8.10 |
| | | | | 241.11 | 257.50 |
| Profit after Tax before Minority Interest | | | | 542.06 | 1,334.00 |
| Share of Minority Interest – Loss | | | | 1.02 | 0.10 |
| Profit after Tax after Minority Interest | | | | 543.08 | 1,334.10 |
| Surplus Brought Forward | | | | 249.02 | 150.00 |
| PROFIT AVAILABLE FOR APPROPRIATION | | | | 792.10 | 1,484.10 |
| APPROPRIATIONS | | | | | |
| Interim Dividend | | | | - | 221.44 |
| Tax on Interim Dividend | | | | - | 37.64 |
| Proposed Dividend | | | | 221.44 | 221.44 |
| Provision for Tax on Proposed Dividend | | | | 37.64 | 37.64 |
| Transfer to General Reserve | | | | 190.97 | 716.92 |
| Surplus Carried Forward | | | | 342.05 | 249.02 |
| | | | | 792.10 | 1,484.10 |
| Basic & Diluted Earnings Per Share | | | | | |
| Excluding Extraordinary Item | | | | 9.81 | 10.19 |
| Including Extraordinary Item | | | | 9.81 | 24.10 |

NOTES TO ACCOUNTS

14

The Schedules referred to above form an integral part of the Profit & Loss Account As per our Report of even date For and on behalf of KALYANIWALLA & MISTRY Chartered Accountants

K. M. ELAVIA
Partner
Membership No. 12737
Mumbai: 6th March, 2009

Signatures to Profit & Loss Account and Schedules 9 to 14

A. C. CHAKRABORTTI Vice-Chairman
A. Y. MAHAJAN Managing Director
K. VISWESWARAN Company Secretary

Mumbai: 6th March, 2009

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

| | (Rs. Million) | As at 31st December, 2008 (Rs. Million) | As at 31st December, 2007 (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 (Previous Year – 14,817,760) are held by Saint-Gobain Abrasives Inc., 13,596,240 Equity Shares of Rs. 5/- each (Previous Year – 13,596,240) are held by Saint-Gobain Promotion et Participations Internationales and 150,000 Equity Shares of Rs. 5/- each (Previous Year – Nil) are held by Saint-Gobain Glass India Ltd., 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 | 348.28 |
| 2. REVALUATION RESERVE | | | |
| As per last Balance Sheet | 45.59 | | 47.27 |
| Transfer to Depreciation | (1.65) | | (1.68) |
| | | 43.94 | 45.59 |
| 3. GENERAL RESERVE | | | |
| As per last Balance Sheet | 1,877.64 | | 1,160.72 |
| Transfer from Profit & Loss Account | 190.97 | | 716.92 |
| | | 2,068.61 | 1,877.64 |
| 4. PROFIT & LOSS ACCOUNT | | | |
| | | 342.05 | 249.02 |
| | | 2,802.88 | 2,520.53 |

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE 3 : SECURED LOAN

Term Loan

(Secured by way of Hypothecation charge created/or to be created on all the fixed assets of the Subsidiary and Corporate Guarantee given by the Company upto 35% of the sanctioned loan)

| (Rs. Million) | As at 31st December, 2008 (Rs. Million) | As at 31st December, 2007 (Rs. Million) |
|---------------|--|--|
| | 164.72 | — |
| | <u>164.72</u> | <u>—</u> |
| | — | 22.68 |
| | — | <u>22.68</u> |

SCHEDULE 4 : UNSECURED LOAN

Deferred Sales Tax

SCHEDULE 5 : FIXED ASSETS

(Rs. Million)

| ASSETS | GROSS BLOCK | | | DEPRECIATION / AMORTISATION | | | | NET BLOCK | | |
|---|-------------------|-----------|------------|-----------------------------|------------------|----------|---------------------|--------------------|---------------------|---------------------|
| | As at 1.1.2008 | Additions | Deductions | As at 31.12.2008 | Upto 1.1.2008 | On Sales | For the Year | Upto 31.12.2008 | As at 31.12.2008 | As at 31.12.2007 |
| TANGIBLE ASSETS | | | | | | | | | | |
| Land - Freehold | 122.80 | — | — | 122.80 | — | — | — | — | 122.80 | 122.80 |
| Land - Leasehold | 9.08 | — | — | 9.08 | 1.13 | — | 0.10 | 1.23 | 7.85 | 7.95 |
| Buildings # | 559.63 | 44.13 | 0.05 | 603.71 | 107.25 | 0.01 | 13.65 | 120.89 | 482.82 | 452.38 |
| Plant & Machinery | 1,128.00 | 286.55 | 12.55 | 1,402.00 | 608.97 | 9.24 | 78.23 | 677.96 | 724.04 | 519.03 |
| Computers | 98.73 | 10.29 | 6.92 | 102.10 | 74.26 | 6.68 | 10.45 | 78.03 | 24.07 | 24.47 |
| Furniture, Fixtures & Office Equipment | 108.15 | 15.70 | 5.92 | 117.93 | 39.90 | 2.74 | 7.23 | 44.39 | 73.54 | 68.25 |
| Vehicles | 33.78 | 6.04 | 15.22 | 24.60 | 10.80 | 6.51 | 2.68 | 6.97 | 17.63 | 22.98 |
| INTANGIBLE ASSETS | | | | | | | | | | |
| Computer Software | 10.14 | 6.00 | — | 16.14 | 6.65 | — | 2.38 | 9.03 | 7.11 | 3.49 |
| Goodwill | 32.39 | — | — | 32.39 | 4.04 | — | 3.24 | 7.28 | 25.11 | 28.35 |
| Technical Know How | 35.43 | — | — | 35.43 | 8.83 | — | 7.08 | 15.91 | 19.52 | 26.60 |
| Trade Mark | 40.64 | — | — | 40.64 | 16.90 | — | 8.61 | 25.51 | 15.13 | 23.74 |
| Other Intangibles | 78.67 | — | — | 78.67 | 9.88 | — | 7.87 | 17.75 | 60.92 | 68.79 |
| Total | 2,257.44 | 368.71 | 40.66 | 2,585.49 | 888.61 | 25.18 | 141.52 [^] | 1,004.95 | 1,580.54 | |
| Previous Year's Total | 1,993.54 | 321.70 | 57.80 | 2,257.44 | 804.75 | 39.69 | 123.55 | 888.61 | | 1,368.83 |
| CAPITAL WORK IN PROGRESS (includes advances on capital account of Rs. 54.73 Million - Previous Year - Rs. 58.40 Million). | | | | | | | | | 623.68 | 268.26 |
| | | | | | | | | | <u>2,204.22</u> | <u>1,637.09</u> |

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

[^] Includes Rs. 0.19 Million (Previous Year – 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, 2008 (Rs. Million) | As at 31st December, 2007 (Rs. Million) |
|--|-------------|------------------|---------------|---|---|
| SCHEDULE 6 : INVESTMENTS | | | | | |
| AT COST | | | | | |
| LONG TERM | | | | | |
| TRADE | | | | | |
| EQUITY SHARES (fully paid-up) | | | | | |
| Unquoted: | | | | | |
| Andhra Pradesh Gas Power Corporation Ltd. | 2,186,880 | 10 | | 27.33 | 27.33 |
| Shivalik Solid Waste Management Ltd.* | 20,000 | 10 | | 0.20 | — |
| 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) | | | | | |
| Saint-Gobain Glass India Ltd. | 2,500,000 | 10 | 250.00 | | 250.00 |
| Saint-Gobain India Foundation | 100 | 10 | @ | | @ |
| | | | | 250.00 | 250.00 |
| OTHER SECURITIES | | | | | |
| Unquoted: | | | | | |
| CAPITAL GAINS BONDS | | | | | |
| 5.50% Rural Electrification Corporation Ltd.* | 500 | 10,000 | | 5.00 | — |
| 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 | | 10.00 |
| HSBC Fixed Term Series 33 – Institutional Growth Plan** | (3,000,000) | 10 | — | | 30.00 |
| Tata Fixed Horizon Fund Series 14 - Scheme B - IG 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 |
| | | | | 10.00 | 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 |

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

| | Nos. | Face Value (Rs.) | (Rs. Million) | As at 31st December, 2008 (Rs. Million) | As at 31st December, 2007 (Rs. Million) |
|---|---------------------|---|---------------|---|---|
| SCHEDULE 6 : INVESTMENTS (Continued) | | | | | |
| 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 |
| 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 |
| Debt Funds – Short Term Plan – Dividend Plan | | | | | |
| ABN AMRO Flexible Short Term Plan Series B Monthly Dividend** | (2,012,224) | 10 | — | | 20.12 |
| Debt Funds – Floating Rate Funds – Dividend Plan | | | | | |
| Tata Floater Fund - Daily Dividend * | 5,001,986 | 10 | 50.20 | | — |
| DSP BlackRock Floating Rate Fund - Institutional Plan – Daily Dividend * | 60,189 | 1,000 | 60.19 | | — |
| 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 |
| Sundaram BNP Paribas Liquid Plus Institutional Plan – Dividend Reinvestment – Daily * | 4,992,409 | 10 | 50.05 | | — |
| DWS Liquid Plus Fund – Institutional Daily Dividend * | 5,013,320 | 10 | 50.21 | | — |
| | | | | 210.65 | 302.75 |
| | | | | 503.20 | 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 14 Note 14. | | | |
| 5. | COST | | | | |
| | Quoted | | | 0.02 | 0.02 |
| | Unquoted | | | 503.18 | 780.08 |
| 6. | MARKET VALUE | | | | |
| | Quoted | | | 0.03 | 0.03 |
| 7. | MUTUAL FUNDS | | | | |
| | Cost | | | 220.65 | 502.75 |
| | Repurchase Price | | | 221.68 | 508.71 |
| 8. | | Figures in brackets indicate that of Previous Year. | | | |

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

| | (Rs. Million) | As at 31st December, 2008 (Rs. Million) | As at 31st December, 2007 (Rs. Million) |
|---|---------------|--|--|
| SCHEDULE 7 : CURRENT ASSETS, LOANS & ADVANCES | | | |
| 1. INVENTORIES | | | |
| Stores and Spare Parts | 31.51 | | 28.67 |
| Raw Materials | 337.94 | | 193.85 |
| Raw Materials in Transit | 51.80 | | 37.20 |
| Finished Goods: | | | |
| Manufactured | 287.25 | | 190.08 |
| Trading | 88.26 | | 61.70 |
| Work-in-Process | 211.65 | | 190.57 |
| | | 1,008.41 | 702.07 |
| 2. SUNDRY DEBTORS | | | |
| (Unsecured and considered good unless otherwise stated) | | | |
| Over six months | 74.78 | | 61.53 |
| Others | 646.12 | | 804.14 |
| | 720.90 | | 865.67 |
| Less: Provision for doubtful debts | 42.23 | | 43.81 |
| | | 678.67 | 821.86 |
| (Sundry Debtors include Rs. 42.23 Million – Previous Year Rs. 43.81 Million – considered doubtful) | | | |
| 3. CASH AND BANK BALANCES | | | |
| Cash and Cheques on hand and remittances in transit | 112.16 | | 55.06 |
| With Scheduled Banks: | | | |
| On Current Account | 59.60 | | 162.94 |
| On Deposit Account | 0.23 | | 0.23 |
| (Current Account Balance for the Previous Year includes Rs. 107.88 Million for interim dividend funding) | | 171.99 | 218.23 |
| 4. ACCRUED INTEREST | | 2.05 | 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. 4.58 Million – Previous Year – Rs. 4.47 Million – considered doubtful) | 142.34 | | 130.47 |
| Demand Deposits with Excise and Customs Departments | 27.17 | | 26.77 |
| Other Deposits | 62.65 | | 55.76 |
| | 232.16 | | 213.00 |
| Less: Provision for doubtful advances | 4.58 | | 4.47 |
| | | 227.58 | 208.53 |
| | | 2,088.70 | 1,952.02 |

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

| | (Rs. Million) | (Rs. Million) | As at 31st December, 2008 (Rs. Million) | As at 31st December, 2007 (Rs. Million) |
|--|---------------|---------------|---|---|
| SCHEDULE 8 : CURRENT LIABILITIES AND PROVISIONS | | | | |
| 1. LIABILITIES | | | | |
| Sundry Creditors: | | | | |
| Due to Micro, Small and Medium Enterprises | 11.90 | | | 17.31 |
| Others | 403.38 | | | 342.14 |
| | | 415.28 | | 359.45 |
| Trade Deposits | | 21.87 | | 18.84 |
| Unclaimed Dividend | | 4.94 | | 111.35 |
| Investor Education and Protection Fund | | — | | — |
| Other Liabilities | | 587.66 | | 547.53 |
| | | | 1,029.75 | 1,037.17 |
| 2. PROVISIONS | | | | |
| For Taxation | | | | |
| On Income (Net of Advance Tax of Rs. 1,726.68 Million – Previous Year Rs. 1,440.15 Million) | | 28.75 | | 79.27 |
| On Proposed Dividend | | 37.64 | | 37.64 |
| | | 66.39 | | 116.91 |
| For Proposed Dividend | | 221.44 | | 221.44 |
| For Leave Encashment | | 60.38 | | 44.79 |
| For Contingencies | | 77.21 | | 77.21 |
| | | | 425.42 | 460.35 |
| | | | 1,455.17 | 1,497.52 |
| | | | For the Year Ended 31st December, 2008 (Rs. Million) | For the Year Ended 31st December, 2007 (Rs. Million) |
| SCHEDULE 9 : MISCELLANEOUS INCOME | | | | |
| Commission | | | 9.11 | 7.35 |
| Interest (Gross) | | | | |
| From Long term Investments (Non - trade) | | 0.25 | | — |
| Others | | 11.62 | | 7.81 |
| (Tax deducted – Rs. 0.07 Million – Previous Year – Rs. 0.17 Million) | | | | |
| | | | 11.87 | 7.81 |
| Dividends from Investments (Non-trade): | | | | |
| From Long Term Investments | | 17.58 | | 46.13 |
| From Current Investments | | 6.82 | | 22.57 |
| | | | 24.40 | 68.70 |
| Sales Tax Refund | | | 2.83 | 0.02 |
| Service Income | | | 45.57 | 42.64 |
| Gain on Prepayment of Deferred Sales Tax | | | 21.00 | 16.30 |
| Profit on Sale of Investments: | | | | |
| From Long Term Investments | | 14.86 | | 1.90 |
| From Current Investments | | 3.42 | | 1.36 |
| | | | 18.28 | 3.26 |
| Others | | | 74.13 | 67.17 |
| | | | 207.19 | 213.25 |
| Less : Transferred to Capital Work in Progress | | | — | (0.10) |
| | | | 207.19 | 213.15 |

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

| | (Rs. Million) | For the Year Ended 31st December, 2008 (Rs. Million) | For the Year Ended 31st December, 2007 (Rs. Million) |
|---|---------------|--|--|
| SCHEDULE 10 : RAW MATERIALS CONSUMED | | | |
| Opening Stock of | | | |
| Raw Materials | 193.85 | | 148.87 |
| Raw Materials in Transit | 37.20 | | 33.56 |
| | | 231.05 | 182.43 |
| Add: Purchases | | 2,050.39 | 1,626.87 |
| | | 2,281.44 | 1,809.30 |
| Less: Closing Stock of | | | |
| Raw Materials | 337.94 | | 193.85 |
| Raw Materials in Transit | 51.80 | | 37.20 |
| | | 389.74 | 231.05 |
| | | 1,891.70 | 1,578.25 |
| Less: Capitalised during the year | | (1.87) | — |
| | | 1,889.83 | 1,578.25 |
| SCHEDULE 11 : MANUFACTURING, ADMINISTRATION AND SELLING EXPENSES | | | |
| Stores and Spare Parts Consumed | | 124.72 | 108.84 |
| Processing Charges | | 129.71 | 112.27 |
| Salaries, Wages, Bonus and Gratuity | 518.00 | | 468.13 |
| Contribution to Provident and other Funds | 38.23 | | 37.24 |
| Staff Welfare | 61.86 | | 50.66 |
| | | 618.09 | 556.03 |
| Power and Fuel | | 429.01 | 350.20 |
| Freight, Octroi and Packing Expenses | | 289.35 | 237.17 |
| Repairs and Maintenance: | | | |
| Buildings | 5.01 | | 3.32 |
| Machinery | 40.50 | | 41.29 |
| Others | 11.28 | | 17.47 |
| | | 56.79 | 62.08 |
| Rent | | 14.76 | 12.19 |
| Rates and Taxes | | 12.41 | 9.79 |
| Insurance | | 8.84 | 8.20 |
| Travelling and Conveyance | | 85.21 | 74.29 |
| Commission and Discount on Sales | | 135.92 | 147.14 |
| Royalties | | 41.97 | 41.49 |
| Loss on assets discarded/sold (Net) | | 8.90 | 12.66 |
| Miscellaneous | | 240.52 | 204.44 |
| | | 2,196.20 | 1,936.79 |
| Less: Capitalised/Transferred to Capital Work in Progress | | (18.23) | (7.71) |
| | | 2,177.97 | 1,929.08 |

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

| | (Rs. Million) | For the Year Ended 31st December, 2008 (Rs. Million) | For the Year Ended 31st December, 2007 (Rs. Million) |
|--|---------------|--|--|
| SCHEDULE 12 : INTEREST | | | |
| ON TERM LOAN | | 6.11 | — |
| ON OTHERS: | | | |
| Banks | 4.25 | | 1.30 |
| Others | 1.80 | | 1.61 |
| | | 6.05 | 2.91 |
| | | 12.16 | 2.91 |
| Less: Capitalised during the year | | (6.11) | — |
| | | 6.05 | 2.91 |
| SCHEDULE 13 : (INCREASE) IN INVENTORY | | | |
| Opening 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 |
| Less: Closing Stock of | | | |
| Finished Goods: | | | |
| Manufactured | 287.25 | | 190.08 |
| Trading | 88.26 | | 61.70 |
| Work-in-Process | 211.65 | | 190.57 |
| | | 587.16 | 442.35 |
| | | (144.81) | (151.06) |

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE 14 : 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. In case of forward exchange contracts, the difference between the transaction rate and the rate on the date of contract is recognised as exchange difference and the premium paid on forward contracts is recognised over the life of the contract.

(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 14 : 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 benefits become 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 valuations 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 14 : 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:**

| | 2008 | 2007 |
|---|--------------------|-------------|
| | Rs. Million | Rs. Million |
| (a) Excise Duty demands/ show cause notices pending with the appropriate authorities and disputed by the Company | 30.94 | 25.95 |
| (b) Sales Tax demands pending with the Commissionerate/ High Court and disputed by the Company | 35.61 | 39.16 |
| (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 | 0.51 | 2.98 |
| (e) Demand raised by A.P Transco on surplus units allocated, disputed by the Company & subjudice in High Court (Net) | 29.57 | 21.74 |
| (f) Guarantees given by Banks, of which Rs. 33.97 Million (Previous Year – Rs. 23.94 Million) counter guaranteed by the Company | 185.77 | 28.28 |
| (g) Guarantees given on behalf of Subsidiary Company | 62.93 | – |
| (h) Letters of credit issued by banks on behalf of the Company | – | 1.61 |
| (i) Non-Agricultural Land Cess | 3.60 | 3.60 |
| (j) Other Claims against the Company not acknowledged as debts | 4.82 | 4.82 |

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 | 44.79 | 22.33 | 6.74 | – | 60.38 |
| Other Risks | 77.21 | – | – | – | 77.21 |
| Total | 122.00 | 22.33 | 6.74 | – | 137.59 |

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 14 : NOTES TO ACCOUNTS (Continued)

5. The Company has been in possession of land at Tirupati, on which its Silicon Carbide Plant was erected, since 1978. The transfer formalities for the said land were not completed because of a dispute relating to the lease rent payable. The Andhra Pradesh State Government has raised a demand for Rs. 3.68 Million for the period 1978 to 2004 and the Company has paid Rs. 3 Million in respect of 90 acres of land for the period 1978 to 2004 inclusive of penalty for alleged use of excess land of 180 acres upto 1997. The Company has also provided for lease rent in respect of 90 acres of land for the period 2004 to date at the rates prevailing for 2004, pending the finalisation of the lease agreement.
6. Estimated amount of capital commitments not provided for Rs. 149.88 Million (Previous Year – Rs. 313.46 Million).
7. Exchange difference arising on foreign currency transactions amounting to Rs. 5.66 Million (Net Loss) (Previous Year – Rs. 11.78 Million – Net Gain) has been accounted under respective heads.
8. Extraordinary Item for the year 2007 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. The tax effects of significant timing differences that resulted in deferred tax assets and liabilities are:

| | 2008 Rs. Million | 2007 Rs. Million |
|---|---------------------|---------------------|
| Depreciation on Fixed Assets | (132.38) | (113.64) |
| Provision for Doubtful Debts and Advances | 15.91 | 17.80 |
| Compensation under Voluntary Retirement Schemes | 0.11 | 0.57 |
| Provision for Contingencies | 26.25 | 26.25 |
| Others | 46.44 | 30.44 |
| Deferred Tax Liability | (43.67) | (38.58) |

10. Earnings Per Share :

- (a) Profit after tax after minority interest, excluding extraordinary item (Rs. Million)
- (b) Profit after tax after minority interest, including extraordinary item (Rs. Million)
- (c) Weighted Average Number of Equity Shares outstanding
(Nominal Value of Shares Rs. 5)
- (d) Earnings per share (Basic & Diluted) excluding extraordinary item in Rs.
- (e) Earnings per share (Basic & Diluted) including extraordinary item in Rs.

| | 2008 | 2007 |
|-----|------------|------------|
| (a) | 543.08 | 564.10 |
| (b) | 543.08 | 1,334.10 |
| (c) | 55,360,000 | 55,360,000 |
| (d) | 9.81 | 10.19 |
| (e) | 9.81 | 24.10 |

11. The Company has amounts due to suppliers under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) as at 31st December 2008. The disclosure pursuant to the said Act is as under:

| | 2008 Rs. Million | 2007 Rs. Million |
|---|---------------------|---------------------|
| Principal amount due | 11.90 | 17.31 |
| Interest due on above | 0.11 | * |
| Payment made after the due dates | 81.53 | * |
| Interest payable for payments made after due date | 0.24 | * |
| Interest paid | - | * |

The information has been given in respect of such suppliers who have identified themselves as “Micro, Small and Medium Enterprises”.

* The identification of the suppliers as Micro, Small and Medium Suppliers has been carried out during the year, hence comparative figures for the previous year have not been provided.

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE 14 : NOTES TO ACCOUNTS (Continued)

| | 2008 | 2007 |
|--|--------------------|-------------|
| | Rs. Million | Rs. Million |
| 12. Revenue expenditure on Research & Development charged to the Profit and Loss Account during the year | 7.91 | 6.64 |

13. 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 2008:

| Currency | No. of Contracts | Value in Million | Equivalent Rs. Million |
|----------|------------------|------------------|------------------------|
| USD | 16 | 2.70 | 130.80 |
| EURO | 10 | 1.11 | 75.24 |

The Indian Rupee equivalent is arrived at by converting the forward contracts at the spot rate as at 31st December 2008. Foreign currency exposure (net) not hedged by forward contracts as at 31st December 2007 is Rs. 30.60 Million.

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

| | Units in Million | 2008 Rs. Million |
|--|------------------|------------------|
| Lotus India (now Religare) Fixed Maturity Plan - 3 Months - Series XIX - Dividend | 0.05 | 0.51 |
| Lotus India (now Religare) Quarterly Interval Fund - Plan A - Dividend | 0.04 | 0.36 |
| DSP Merrill Lynch (now DSP BlackRock) Fixed Maturity Plan - 3M - Series 1 - Institutional Dividend | 0.03 | 0.36 |
| ABN Amro (now Fortis) Flexible Short Term Plan - Series B - Monthly Dividend | 0.02 | 0.24 |
| DWS Credit Opportunities Cash Fund - Weekly Dividend Plan | 0.02 | 0.23 |
| Kotak Flexible Debt Scheme - Dividend | 17.61 | 176.70 |
| SBI Premier Liquid Fund - Institutional - Daily Dividend | 9.49 | 95.22 |
| Lotus India (now Religare) Fixed Maturity Plan - 3 Months - Series XXIV - Dividend | 2.04 | 20.38 |
| Lotus India (now Religare) Fixed Maturity Plan - 3 Months - Series XXV - Dividend | 1.02 | 10.20 |
| Tata Fixed Horizon Fund Series 17 - Scheme D - Institutional Plan - Periodic Dividend | 1.02 | 10.20 |
| Kotak Flexible Debt Scheme - Institutional - Growth | 2.45 | 25.00 |
| Kotak Floater Short Term - Growth | 1.44 | 20.19 |
| DSP BlackRock Floating Rate Fund - Regular Plan - Growth | 4.44 | 60.00 |
| LIC Mutual Fund Liquid Fund - Growth Plan | 2.00 | 30.00 |
| LIC Mutual Fund Liquid Plus Fund - Daily Dividend Plan | 14.53 | 145.30 |
| LIC Mutual Fund Liquid Plus Fund - Growth Plan | 41.01 | 460.02 |
| SBI Premier Liquid Fund - Institutional - Growth | 4.27 | 57.50 |

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE 14 : NOTES TO ACCOUNTS (Continued)

| 14. Investment and Redemption of Mutual Fund Units during the Year (Continued): | Units in Million | 2008 Rs. Million |
|---|---------------------|---------------------|
| Kotak Monthly Interval Plan - Series 3 - Dividend | 1.00 | 10.00 |
| DSP BlackRock Floating Rate Fund - Institutional Plan - Growth | 0.07 | 80.17 |
| DSP BlackRock Cash Plus Fund - Institutional Plan - Growth | 0.07 | 81.51 |
| UTI Fixed Income Interval Fund - Quarterly Plan - Series III - Institutional - Dividend Plan - Payout | 1.00 | 10.00 |
| JM Fixed Maturity Fund - Series XIII - Monthly Plan 3 - Institutional - Dividend Plan | 1.00 | 10.00 |
| Kotak Flexible Debt Scheme - Daily Dividend | 2.00 | 20.04 |
| Tata Liquid Super High Investment Fund - Daily Dividend | 0.05 | 50.03 |
| Sundaram BNP Paribas Money Fund - Institutional - Daily Dividend Reinvestment | 4.95 | 50.01 |
| DSP BlackRock Cash Plus Fund - Institutional Plan - Daily Dividend | 0.06 | 60.01 |
| DSP BlackRock Floating Rate Fund - Regular Plan - Growth | 4.44 | 60.00 |
| Canara Robeco Liquid Plus Super Institutional - Daily Dividend Reinvestment Fund | 4.04 | 50.06 |
| Total | <u>120.16</u> | <u>1,594.24</u> |

15. RELATED PARTY DISCLOSURE:

1. Relationships:

(i) **HOLDING COMPANY:**

Compagnie de Saint-Gobain, the ultimate holding company.

(ii) **ASSOCIATE COMPANIES:**

| | |
|--|---|
| ABC Superabrasives, USA | Saint-Gobain Glass India Ltd. |
| Certainteed Corporation, USA | Saint-Gobain Industrial Ceramics, UK |
| Kure-Norton Co. Ltd., Japan | Saint-Gobain Ceramics Inc, USA |
| Norton Abrasives PTY Ltd. | Saint-Gobain Industriekeramik Dusseldorf GMBH |
| PT Saint-Gobain Norton Hamplas, Indonesia | Saint-Gobain Materials Ceramicos Ltda. Brazil |
| PT Saint-Gobain Winter Diamas, Indonesia | Saint-Gobain Materials Ceramicos, Venezuela |
| Saint - Gobain PAM (France) | Saint-Gobain Sekurit India Ltd. |
| Saint Gobain Abrasives Ltd. | Saint-Gobain Seva Engineering India Limited |
| L.M. Van Moppes Diamond Tools Pvt. Ltd. | Saint-Gobain Seva, France |
| Saint-Gobain Abrasifs Maroc, Morocco | Saint-Gobain Universal Superabrasives., Inc |
| Saint-Gobain Abrasifs, France | Saint-Gobain Weber (India) Limited |
| Saint-Gobain Abrasive International Trading (Shanghai) | Savoi Refractories |
| Saint-Gobain Abrasives Inc., USA | SEPR Refractories India Ltd. |
| Saint-Gobain Abrasives (Aust) PTY Ltd. | SEPR, France |
| Saint-Gobain Abrasives (Shanghai) Co. Ltd., Shanghai | SG Performance Plastics Corby, UK |

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE 14 : NOTES TO ACCOUNTS (Continued)

15. RELATED PARTY DISCLOSURE: (Continued)

| | |
|--|---|
| Saint-Gobain Abrasives BV, Netherlands | SG Performance Plastics Korea Co. Ltd., |
| Saint-Gobain Abrasives GMBH (CORA) | SG Performance Plastics Pampus GMBH |
| Saint-Gobain Abrasives GMBH, Gerolzhofen., Germany | SG Performance Plastics Verneret, France |
| Saint-Gobain Abrasives International Trading (HK) Ltd. | SG Performance Plastics, Akron, USA |
| Saint-Gobain Abrasives Korea | SG Performance Plastics, Beaverton, USA |
| Saint-Gobain Abrasives SP. Z.O.O. | SG Performance Plastics, Chaineux, Belgium |
| Saint-Gobain Abrasives (Suzhou) Co. Ltd. | SG Performance Plastics, Granville, USA |
| Saint-Gobain Abrasives Thailand | SG Performance Plastics, Ireland |
| Saint-Gobain Abrasives Ltd., New Zealand | SG Performance Plastics, Kontich, Belgium |
| Saint-Gobain Abrasives Singapore (PTE) Ltd. | SG Performance Plastics, Mickleton, USA |
| Saint-Gobain Abrasives SP.Z | SG Performance Plastics, Pittsburg, USA |
| Saint-Gobain Abrasives (PTY) Ltd., South Africa | SG Performance Plastics, Florida, USA |
| Saint-Gobain Abrasives, France | SG Performance Plastics, Garden Groove, USA |
| Saint-Gobain Abrasivi S.P.A. (Micromold) | SG Performance Plastics (SHANGHAI) Co. Ltd. |
| Saint-Gobain Abrasivi S.P.A. (Ral-Sud) | SG Advanced Ceramics (Shanghai) Co. Ltd. |
| Saint-Gobain Abrasives Ltda., Brazil | SG Performance Plastics KK, JAPAN |
| Saint-Gobain Abrasivos SA, Argentina | Saint-Gobain Tech Fab Hongfa (Changzhou) Ltd. |
| Saint-Gobain Abrasifs, Dubai | Universal Superabrasives., USA |
| Saint-Gobain Advanced Materials (Taiwan) Co. Ltd. | Saint-Gobain Gyproc India Ltd. (formerly India Gypsum Ltd.) |
| Saint-Gobain Cera Mat (Lianyungang) Co. | Saint-Gobain Abrasives (Sea) Pte. Ltd. |
| Saint-Gobain Ceramic Materials AS, Norway | Saint-Gobain Abrasives, Indonesia |
| Saint-Gobain Ceramic Materials, USA | Saint-Gobain Abrasives Ltda., Portugal |
| Saint-Gobain Ceramicas Industriales S.A. | Saint-Gobain Ceramic Materials (Mudanjiang) Co. Ltd., China |
| Saint-Gobain Crystals & Detectors India Ltd. | Saint-Gobain Technical Fabrics, S.A. |
| Saint-Gobain Diamantwerkzeuge GMBH & Co. | Saint-Gobain Ceramic Materials (Liyanguang) Co. Ltd., China |
| Saint-Gobain Materiaux Ceramics, Belgium | Saint-Gobain Gelva, BV |
| Saint-Gobain Performance Plastics, New Jersey, USA | Saint-Gobain Vibros S.A. |
| Saint-Gobain Performance Plastics, Worcester, USA | |
| Saint-Gobain High Performance Materials, France | |
| Saint-Gobain Advanced Materials (M) SDN BHD | |

(iii) KEY MANAGEMENT PERSONNEL:

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

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE 14 : 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) and (ii) above:

Rs. Million

| Sr. No. | Particulars | Holding Company | | Associate Companies | | Joint Venture* | |
|---------|---|-----------------|-------|---------------------|--------|----------------|---------|
| | | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| 1 | Sales | - | - | 362.53 | 238.39 | - | 1.54 |
| 2 | Agency Commission received | - | - | 7.67 | 5.34 | - | - |
| 3 | Dividend received | - | - | 14.84 | 9.75 | - | 36.00 |
| 4 | Service Income | - | - | 25.52 | 24.46 | - | 2.40 |
| 5 | Other Income | 5.78 | 5.50 | 26.68 | 26.97 | - | - |
| 6 | Purchase of Goods | - | - | 630.27 | 504.14 | - | - |
| 7 | Expenses charged to other companies | 7.46 | 6.78 | 15.98 | 14.80 | - | 6.11 |
| 8 | Expenses charged by other companies | 17.01 | 12.26 | 7.57 | 2.33 | - | - |
| 9 | Royalty Paid | - | - | 40.96 | 41.49 | - | - |
| 10 | Other Expenses | - | - | 1.43 | 1.77 | - | - |
| 11 | Purchase/ Transfer of Fixed Assets | - | - | 13.00 | - | - | - |
| 12 | Deposit taken/(refunded) | - | - | - | 0.90 | - | (13.28) |
| 13 | Outstanding receivables (net of payables) | (0.96) | 0.20 | 21.04 | 8.80 | - | - |
| 14 | Outstanding deposits | - | - | 3.70 | 3.70 | - | - |

* Joint Venture with Lincoln Helios (India) Ltd. till 23rd August 2007.

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

Rs. Million

| | 2008 | 2007 |
|------------------|-------|-------|
| Remuneration | 28.53 | 22.14 |
| Outstanding Loan | 36.61 | 37.52 |

(iii) Significant transactions with related parties:

| Sr. No. | Nature of Transactions | Associate Companies/Joint Venture | Rs. Million |
|---------|----------------------------|---|-------------|
| 1 | Sales | Saint-Gobain Ceramic Materials AS, Norway | 91.19 |
| | | Saint-Gobain Abrasives (Aust) Pty. Ltd. | 50.39 |
| | | Saint-Gobain Abrasives Inc., USA | 47.57 |
| | | Saint-Gobain Ceramic Materials (Mudanjiang) Co. Ltd., China | 39.80 |
| 2 | Agency Commission received | Saint-Gobain Diamantwerkzeuge GMBH & Co. | 2.45 |
| | | Certaineed Corporation, USA | 2.42 |
| | | Saint-Gobain Universal Superabrasives Inc. | 2.01 |
| | | Savoi Refractories | 0.79 |
| 3 | Dividend received | Saint-Gobain Glass India Ltd. | 14.84 |
| 4 | Service Income | Saint-Gobain Ceramic Materials (Mudanjiang) Co. Ltd., China | 10.27 |
| | | Saint-Gobain PAM, France | 8.12 |
| | | Saint-Gobain Abrasives Inc., USA | 3.75 |

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE 14 : NOTES TO ACCOUNTS (Continued)

(iii) Significant transactions with related parties (Continued):

| Sr. No. | Nature of Transactions | Associate Companies/Joint Venture | Rs. Million |
|---------|-------------------------------------|---|-------------|
| 5 | Other Income | Saint-Gobain Gyproc India Ltd. (formerly India Gypsum Ltd.) | 12.43 |
| | | Compagnie de Saint-Gobain Liaison Office | 5.78 |
| | | Saint-Gobain SEVA Engineering India Ltd. | 5.32 |
| | | Saint-Gobain Abrasives Inc., USA | 3.71 |
| 6 | Purchase of Goods | Saint-Gobain Abrasives (Shanghai) Co. Ltd. | 75.76 |
| 7 | Expenses charged to other companies | Saint-Gobain SEVA Engineering India Ltd. | 8.10 |
| | | Compagnie de Saint-Gobain Liaison Office | 7.46 |
| 8 | Expenses charged by other companies | Compagnie de Saint-Gobain Liaison Office | 14.43 |
| | | Saint-Gobain Glass India Ltd. | 2.70 |
| | | Compagnie de Saint-Gobain, France | 2.57 |
| 9 | Royalty Paid | Saint-Gobain Abrasives Inc., USA | 29.06 |
| | | Saint-Gobain Abrasifs, France | 9.00 |
| 10 | Other Expenses | Saint-Gobain Abrasifs, France | 1.65 |
| | | Saint-Gobain Abrasives (Singapore) Pte. Ltd. | (0.22) |
| 11 | Purchase/Transfer of Fixed Assets | Saint-Gobain Performance Plastics Korea Co. Ltd. | 4.40 |
| | | Saint-Gobain Performance Plastics, Beaverton, USA | 3.45 |
| | | Saint-Gobain Abrasives Ltd. | 3.33 |
| | | Saint-Gobain Abrasives Inc., USA | 1.50 |

* No transactions have been made with them.

16. 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:

| | 2008 Rs. Million | 2007 Rs. Million |
|--|---------------------|---------------------|
| Employers' Contribution to Provident Fund | 24.82 | 24.30 |
| Employers' Contribution to Superannuation Fund | 6.11 | 5.86 |

II. Defined Benefit Plan:

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.

SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

SCHEDULE 14 : NOTES TO ACCOUNTS (Continued)

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 2008:

| | 2008 Rs. Million | 2007 Rs. Million |
|---|---------------------|---------------------|
| Change in present value of obligation | | |
| Opening Balance | 117.47 | 94.87 |
| Interest Cost | 10.00 | 7.59 |
| Service Cost | 8.73 | 8.73 |
| Benefits Paid | (10.78) | (9.09) |
| Actuarial (gain)/loss on obligation | 12.21 | 15.37 |
| Closing Balance | <u>137.63</u> | <u>117.47</u> |
| Change in plan assets | | |
| Opening Balance | 114.17 | 93.54 |
| Expected return on plan assets | 10.89 | 7.48 |
| Contributions | 27.30 | 20.51 |
| Benefits paid | (10.78) | (9.09) |
| Actuarial gain/(loss) on plan assets | (4.21) | 1.73 |
| Closing Balance | <u>137.37</u> | <u>114.17</u> |
| Amount recognised in the Balance Sheet | | |
| Present value of obligation | 137.63 | 117.47 |
| Fair value of plan assets | (137.37) | (114.17) |
| Net obligation | <u>0.26</u> | <u>3.30</u> |
| Net gratuity cost for the year | | |
| Current Service Cost | 8.73 | 8.73 |
| Interest Cost | 10.00 | 7.59 |
| Expected return on plan assets | (10.89) | (7.48) |
| Net Actuarial (gain)/loss to be recognised | 16.42 | 13.64 |
| Net Gratuity Cost | <u>24.26</u> | <u>22.48</u> |
| Assumptions used in accounting for the gratuity plan | | |
| | % | % |
| Discount Rate | 6.50 | 8.00 |
| Salary escalation rate | 5.00 | 6.00 |
| Expected rate of return on plan assets | 8.00 | 8.00 |

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 14 : NOTES TO ACCOUNTS (Continued)

17. Segment Reporting:

A. Information about Business Segments:

Rs. Million

| | Abrasives | | Ceramics & Plastics | | Others | | Unallocated | | Total | |
|---|-----------------|-----------------|---------------------|---------------|---------------|---------------|-------------|----------|-----------------|-----------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Revenue | | | | | | | | | | |
| Segment Revenue | 3,583.14 | 3,302.07 | 1,336.23 | 1,065.19 | 177.62 | 124.59 | - | - | 5,096.99 | 4,491.85 |
| Less: Inter-segment Sales | - | - | (80.77) | (83.57) | - | - | - | - | (80.77) | (83.57) |
| Net Sales | 3,583.14 | 3,302.07 | 1,255.46 | 981.62 | 177.62 | 124.59 | - | - | 5,016.22 | 4,408.28 |
| Result | | | | | | | | | | |
| SEGMENT RESULT | 516.71 | 587.63 | 179.42 | 146.85 | 48.70 | 32.28 | - | - | 744.83 | 766.76 |
| Unallocated Income / (Expenditure) - (Net) | | | | | | | (10.16) | (22.12) | (10.16) | (22.12) |
| Interest expenses | | | | | | | (6.05) | (2.91) | (6.05) | (2.91) |
| Interest Income | | | | | | | 11.87 | 7.81 | 11.87 | 7.81 |
| Dividend Income | | | | | | | 24.40 | 68.70 | 24.40 | 68.70 |
| Profit on sale of Investments | | | | | | | 18.28 | 3.26 | 18.28 | 3.26 |
| Profit before Tax | | | | | | | | | 783.17 | 821.50 |
| Provision for Tax (including Deferred Tax & FBT) | | | | | | | (241.11) | (257.50) | (241.11) | (257.50) |
| Profit after Tax before Minority Interest | | | | | | | | | 542.06 | 564.00 |
| Other Information | | | | | | | | | | |
| Total Assets (gross) | 2,668.73 | 2,290.67 | 1,164.93 | 712.47 | 127.41 | 81.72 | 835.05 | 1,284.35 | 4,796.12 | 4,369.21 |
| Less: Revaluation Reserve | (23.43) | (24.42) | (20.51) | (21.17) | - | - | - | - | (43.94) | (45.59) |
| Net Assets | 2,645.30 | 2,266.25 | 1,144.42 | 691.30 | 127.41 | 81.72 | 835.05 | 1,284.35 | 4,752.18 | 4,323.62 |
| Total Liabilities | 705.33 | 696.23 | 475.50 | 243.82 | 70.64 | 26.15 | 412.08 | 592.58 | 1,663.55 | 1,558.78 |
| Capital Expenditure | 281.58 | 367.63 | 427.35 | 114.34 | - | - | 15.20 | 28.23 | 724.13 | 510.20 |
| Depreciation | 104.81 | 92.53 | 20.20 | 14.65 | 0.13 | 0.13 | 14.54 | 14.50 | 139.68 | 121.81 |

B. Information about Geographical Segments

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

Rs. Million

| | 2008 | 2007 |
|---------------|-----------------|-----------------|
| Net Sales | | |
| India | 4,333.73 | 3,962.45 |
| Outside India | 682.49 | 445.83 |
| Total | 5,016.22 | 4,408.28 |

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

Rs. Million

| | Net Assets | | Total Liabilities | |
|---------------|-----------------|-----------------|-------------------|-----------------|
| | 2008 | 2007 | 2008 | 2007 |
| India | 4,380.59 | 4,278.14 | 1,461.90 | 1,556.23 |
| Outside India | 371.59 | 45.48 | 201.65 | 2.55 |
| Total | 4,752.18 | 4,323.62 | 1,663.55 | 1,558.78 |

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. 78.05 Million (Previous Year - Rs. 103.06 Million), allocated on a reasonable basis.

18. Previous year's figures have been recast and rearranged wherever necessary.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER, 2008

| | Rs. Million | 2008 Rs. Million | Rs. Million | 2007 Rs. Million |
|--|-----------------|---------------------|-----------------|---------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES: | | | | |
| Profit before Tax, Minority Interest and Extraordinary Item | | 783.17 | | 821.50 |
| Adjustments for: | | | | |
| Depreciation | 139.68 | | 121.81 | |
| Unrealised Foreign Exchange (Gain)/Loss (Net) | 9.29 | | (4.60) | |
| Loss on Sale of Fixed Assets | 8.90 | | 12.66 | |
| Profit on Sale of Investments | (18.28) | | (3.26) | |
| Dividend Received | (24.40) | | (68.70) | |
| Gain on Prepayment of Deferred Sales Tax | (21.00) | | (16.30) | |
| Interest (Net) | (5.82) | 88.37 | (4.90) | 36.71 |
| Operating Profit Before Working Capital Changes | | 871.54 | | 858.21 |
| Adjustments for: | | | | |
| Trade and other Receivables | 115.45 | | (252.85) | |
| Inventories | (306.34) | | (203.23) | |
| Trade and other Payables | 44.74 | (146.15) | 145.02 | (311.06) |
| Cash Generated from Operations | | 725.39 | | 547.15 |
| Direct Taxes Paid | (297.84) | | (275.76) | |
| Tax Refund | 11.31 | (286.53) | - | (275.76) |
| Net cash from Operating Activities | | 438.86 | | 271.39 |
| B. CASH FLOW FROM INVESTING ACTIVITIES: | | | | |
| Purchase of Fixed Assets | (654.71) | | (467.86) | |
| Sale of Fixed Assets | 6.58 | | 5.45 | |
| Proceeds of Sale of Investments | 208.28 | | 18.26 | |
| Purchase of Investments | (5.20) | | (200.00) | |
| Payment from Minority Interest | 40.80 | | 13.20 | |
| Inter Corporate Deposit placed | (20.00) | | (55.00) | |
| Inter Corporate Deposit redeemed | 20.00 | | 55.00 | |
| Interest Received | 11.15 | | 6.96 | |
| Dividend Received | 24.40 | | 68.70 | |
| Net cash flow used in Investing Activities before Extraordinary Item | (368.70) | | (555.29) | |
| Extraordinary Item (Refer Note 2) | - | | 832.00 | |
| Net cash flow from/(used in) Investing Activities before Extraordinary Item | | (368.70) | | 276.71 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Net Increase in Borrowing | 163.04 | | 16.33 | |
| Interest | (6.05) | | (2.91) | |
| Dividends Paid | (327.85) | | (306.83) | |
| Tax on Dividend | (37.64) | | (64.81) | |
| Net cash used in Financing Activities | | (208.50) | | (358.22) |
| NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS | | (138.34) | | 189.88 |
| CASH AND CASH EQUIVALENTS - OPENING BALANCE | | | | |
| Cash and Bank Balances | 218.23 | | 101.95 | |
| Cash Equivalents (Investment in Current Securities) | 302.75 | 520.98 | 229.15 | 331.10 |
| CASH AND CASH EQUIVALENTS - CLOSING BALANCE | | | | |
| Cash and Bank Balances | 171.99 | | 218.23 | |
| Cash Equivalents (Investment in Current Securities) | 210.65 | 382.64 | 302.75 | 520.98 |
| | | (138.34) | | 189.88 |

- NOTES:
- The Company has undrawn borrowing facilities amounting to Rs. 305 Million (Previous year - Rs. 260 Million).
 - Extraordinary item for the year 2007 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.
 - 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

K. M. ELAVIA
Partner
Membership No. 12737
Mumbai: 6th March, 2009.

A. C. CHAKRABORTTI
A. Y. MAHAJAN
K. VISWESWARAN

Vice-Chairman
Managing Director
Company Secretary

Mumbai: 6th March, 2009.

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

PROXY FORM

| | |
|-----------------|--|
| REGD. FOLIO No. | |
| DP ID No. | |
| CLIENT ID No. | |
| No. of Shares | |

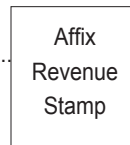
I/We, Mr./Mrs./Miss/Messrs.....
of.....in the district of
.....being a member/members of GRINDWELL NORTON LIMITED,
hereby appointof.....
.....in the district ofor failing him/her
.....of.....
in the district ofas my/our proxy to attend and vote for me/us and on my/our behalf at
the 59th ANNUAL GENERAL MEETING of the Company to be held on Tuesday, 28th day of April, 2009 at 3.30 p.m. and at any adjournment
thereof.

Signed this day of.....2009.

Registered Folio/DP ID/Client ID:

Signature

No. of Shares held:



This form is to be used *in favour of/against the resolution. Unless otherwise instructed, the proxy will act as he thinks fit.

*Strike out whichever is not desired.

Note: This proxy must be returned so as to reach the Registered Office of the Company at Leela Business Park, 5th Level, Andheri-Kurla Road, Marol, Andheri (East), Mumbai – 400 059, not less than 48 hours before the time for holding the aforesaid meeting.



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

ATTENDANCE SLIP

59th Annual General Meeting
Tuesday, 28th April 2009, at 3.30 p.m.

| | |
|-----------------|--|
| REGD. FOLIO No. | |
| DP ID No. | |
| CLIENT ID No. | |
| No. of Shares | |

I/We, Mr./Mrs./Miss/Messrs.....
certify that I am a registered shareholder/proxy for the registered shareholder(s) of GRINDWELL NORTON LIMITED.

I/We hereby record my/our presence at the 59th ANNUAL GENERAL MEETING of the Company held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Mumbai – 400 001, on Tuesday, 28th April, 2009, at 3.30 p.m.

Member's/Proxy's name in Block Letters

Member's/Proxy's Signature

- Notes:
1. Shareholder/Proxy wishing to attend the meeting must bring this Attendance Slip, duly signed to the meeting and hand it over at the entrance.
 2. Shareholder/Proxy desiring to attend the meeting should bring his/her copy of the Annual Report for reference at the meeting.