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### Bankers

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

### Auditors

Kalyaniwalla & Mistry,  
Chartered Accountants

### Registrars & Transfer Agents

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

### Registered Office

Army & Navy Building,  
148, M. G. Road,  
Mumbai - 400 001.  
Tel : 022-2284 4727  
Fax : 022-2202 3711

### Factories

1. Mora, Dist. Raigad, Maharashtra
2. Nagpur, Maharashtra
3. Bangalore, Karnataka
4. Tirupati, Andhra Pradesh

## DIRECTORS

**Mr. C. STREIFF**  
(Chairman)

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

**Mr. R. K. BILIMORIA**

**Mr. R. CALIARI**  
(Appointed w.e.f. 3/3/2004)

**Mr. G. COLAS**

**Mr. P. CROUZET**

**Mr. A. DENES**  
(Appointed w.e.f. 3/3/2004)

**Mr. H. C. PATEL**

**Mr. J. F. PHELIZON**  
(Resigned w.e.f. 3/3/2004)

**Mr. N. D. SIDHVA**

**Mr. R. P. STATILE**  
(Resigned w.e.f. 3/3/2004)

**Mrs. D. S. VARIAVA**  
(Alternate Director to Mr. R. Caliari  
w.e.f. 3/3/2004)

**Mr. A. Y. MAHAJAN**  
(Managing Director)

## SENIOR MANAGEMENT

**Mr. P. K. Bapat**  
(Bonded Abrasives)

**Mr. J. A. J. Pereira**  
(Finance & Corporate Services)

## COMPANY SECRETARY

**Mr. S. M. Mandke**



## NOTICE

**NOTICE** is hereby given that the Fifty-fourth Annual General Meeting of the Members of Grindwell Norton Limited will be held on Wednesday, 28th April, 2004, at 3.00 p.m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikushru Dubash Marg, (Rampart Row), Mumbai-400 001 to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, the Auditors' Report and the Audited Balance Sheet and Profit and Loss Account of the Company for the year ended 31st December, 2003.
2. To declare a dividend for the year ended 31st December, 2003.
3. To appoint a Director in place of Mr. G. Colas who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. P. Crouzet who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. H. C. Patel who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s. Kalyaniwalla & Mistry, Chartered Accountants, who are eligible for 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. To appoint a Director in place of Mr. R. Caliarì who holds office upto the date of this Annual General Meeting in terms of Section 262 of the Companies Act, 1956, read with Article 112 of the Articles of Association of the Company, and being eligible, offers himself for appointment and in respect of whom the Company has received a notice in writing from a member proposing the candidature of Mr. Caliarì 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 Section 17 and other applicable provisions of the Companies Act, 1956, the Objects Clause of the Memorandum of Association of the Company be and is hereby altered as under, by inserting the following new sub-clause 54, after the present sub-clause 53:-

New sub-clause 54:

- "54. To carry on the business of rendering the following types of services in India or outside India:
- (a) consultancy/services in the field of engineering, civil, mechanical, electrical, chemical, software, hardware, design, drawings, agricultural etc.
  - (b) consultancy/services in the field of design, drawings, engineering, planning, project management, plant construction and plant supervision, procurement, erection and commissioning of projects.
  - (c) designing and/or construction of whole or part of plants, or industrial complexes.

FURTHER RESOLVED THAT any one Director of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary for giving effect to this resolution."

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

"RESOLVED THAT pursuant to Section 149(2A) and other applicable provisions, if any, of the Companies Act, 1956:

- (a) approval of the Shareholders be and is hereby given to the Company for commencing the business as set out in the newly introduced sub-clause 54, of Clause III, of the Memorandum of Association of the Company and
- (b) the Board of Directors of the Company be and is hereby authorised to take up all or any of the aforesaid business, as and when deemed fit by them."

3rd March, 2004

By Order of the Board

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

**S. M. MANDKE**  
SECRETARY

### NOTES :

- (a) **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY, TO ATTEND AND VOTE INSTEAD OF HIMSELF, AND A PROXY NEED NOT BE A MEMBER.**
- (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 Monday, 22nd March, 2004 to Friday, 26th March, 2004 (both days inclusive).
- (d) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business under item nos. 7 to 9 is annexed hereto.
- (e) The dividend on equity shares, if declared at the meeting, will be paid on or after 5th May, 2004.
- (f) The unclaimed dividends for and up to the financial years ended 31st March, 1995, have been transferred to the Central Government in terms of the provisions of Section 205A of the Companies Act, 1956. Those Members who have not yet claimed their dividends for the said periods may claim the same by submitting application in Form No. II to the Registrar of Companies, Maharashtra, CGO Building, 2nd floor, 'A' Wing, Opp. Police Commissioner's Office, C.B.D. Belapur, Navi Mumbai - 400 614. As per the amended provisions of the Companies Act, 1956, the dividend remaining unclaimed or unpaid for the financial year ended 31st March, 1996 has been transferred to the Investor Education and Protection Fund (Fund) of the Central Government on 25th September, 2003. The Unpaid Dividend for the financial year ended 31st March, 1997 (which is due for transfer to the Fund on 28th August, 2004) and for all the subsequent years will be transferred to the Fund, on expiry of seven years from their respective dates of declaration. Members who have not yet encashed the dividend warrants for aforesaid financial years, are once again requested to make their claims immediately to the Company or to the Company's Registrars & Transfer Agents – M/s. Tata Share Registry Ltd. (TSRL). Please note that once the unpaid dividend is transferred to the Fund, the Shareholders will not be entitled to claim the same from the Fund.
- (g) As per the amended provisions of the Companies Act, 1956, the facility for making nomination is available to the Members in respect of the shares held by them. Nomination forms can be obtained from TSRL.
- (h) The Company will arrange the payment of dividend, if declared, through Electronic Clearing Service (ECS) or incorporation of Bank details, on the dividend warrants as furnished by the Members. Members holding shares in Physical mode are advised to immediately submit the ECS/Bank details to TSRL or notify the changes, if any, to TSRL and Members holding shares in Demat mode are advised to submit the ECS/Bank details to their respective Depository Participants (DPs) or notify the changes, if any, in their ECS/Bank details to their respective DPs.
- (i) All documents referred to in the Notice and Explanatory Statement are open to 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 the Annual General Meeting.

## ANNEXURE TO THE NOTICE

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

### ITEM NO. 3

Mr. G. Colas, a French national, is 55 years old. He is a civil engineer from French Ecole Nationale des Ponts et Chaussées, and Master of Science, Stanford University, California. He joined Compagnie de Saint-Gobain (CSG), in 1973. He is currently the General Delegate – Asia Pacific. He was appointed as a Director of the Company on 20th October, 2000 and has served as the Chairman of the Company, from 20th October, 2000 to 4th December, 2002. He is a member of the General Management Committee of CSG.

### ITEM NO. 4

Mr. P. Crouzet, a French national, is 47 years old. He holds an undergraduate Degree in Public Law and a Graduate Degree in General Administration. He joined CSG in 1986 and has gained rich experience in various fields. He is the Senior Vice-President and Chief Financial Officer of CSG. He was appointed as a Director of the Company on 22nd October, 1997.

### ITEM NO. 5

Mr. H. C. Patel is 69 years old. He holds a Masters Degree in Chemical Engineering from University of Michigan besides a Bachelors Degree in Science from University of Mumbai. Mr. Patel joined the Board, in 1962 and had served as the Managing Director of the Company for a period of 8 years. He retired as Managing Director of the Company in 1991. Mr. Patel is also on the Board of Gharda Chemicals Ltd.

### ITEM NO. 7

Mr. R. Caliori, an Italian national, is 58 years old and holds a Ph.D in Engineering. He joined CSG in 1973 and has gained rich experience in various fields. Presently he is the President of the Reinforcements Division and General Delegate for Italy & Greece. Effective 1st April, 2004, Mr. Caliori will assume responsibility as Senior Vice-President, Ceramics & Plastics, Abrasives and Reinforcements Divisions of CSG. Mr. Caliori is also on the Board of Saint-Gobain Vetrotex India Ltd., one of the Saint-Gobain Group Companies in India.



## EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956, the following explanatory statement sets out all the material facts relating to the Special Business mentioned in the accompanying Notice dated 3rd March, 2004.

### ITEM NO. 7

Mr. R. Caliori was appointed as a Director of the Company on 3rd March, 2004, to fill the casual vacancy caused by the resignation of Mr. J. F. Phelizon. In terms of the provisions of Section 262 of the Companies Act, 1956, read with Article 112 of the Articles of Association of the Company, Mr. Caliori holds office upto the date which Mr. Phelizon would have held office had he not resigned, i.e. upto the date of the forthcoming Annual General Meeting of the Company. Mr. Caliori's brief resume has been given at item no. 7 above.

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. Caliori as a candidate for the office of Director.

Your Directors recommend this Ordinary Resolution for your approval.

Except Mr. Caliori and other nominee directors of CSG, no other director of the Company is concerned or interested in this Resolution.

### ITEM NOS. 8 & 9

The business presently carried on by the Company comprises primarily of abrasives and industrial ceramics. The Company has a Project Engineering Group, manned by qualified professionals having rich experience to undertake activities relating to engineering project consultancy, management and operation, within or outside Saint-Gobain group. The Company may enter into any of the proposed activities, as and when opportunities arise. With this end in view, the Special Resolutions are recommended for altering the Objects Clause of the Memorandum of Association of the

Company, as well as authorising the Board of Directors to undertake such business, as and when the need arises. These Special Resolutions at item nos. 8 & 9 are aimed at enabling the commencement of such new business.

Your Directors recommend these Special Resolutions for your approval.

None of the Directors of the Company are concerned or interested in these Special Resolutions.

3rd March, 2004

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

By Order of the Board

**S. M. MANDKE**  
SECRETARY

## REQUEST TO THE SHAREHOLDERS

1. Copies of the Annual Report will not be distributed at the Annual General Meeting. You are therefore, requested to bring this copy of the Annual Report to the Meeting.
2. Members desirous of seeking any further information about the accounts and/or operations of the Company are requested to address their queries to the Secretary of the Company at least ten days in advance of the meeting so that the information, to the extent practicable, can be made available at the meeting.
3. 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 the Company's Registrars & Transfer Agents, TSRL.
4. Members are requested to immediately intimate the change, if any, in their registered address to TSRL.

## DIRECTORS' REPORT

The Members,  
Grindwell Norton Limited

Your Directors present the Fifty-fourth Report of the Company along with the Audited Accounts for the year ended 31st December, 2003.

### Financial Highlights

	(Rs. Million)	
	2003	2002
<b>Sales</b>	<b>2,544.9</b>	2,246.6
<b>Operating Profit</b>	<b>321.0</b>	267.6
Interest	7.3	28.3
Profit before Tax and Extraordinary Items	<b>313.7</b>	239.3
Extraordinary Items	-	20.6
Profit before Tax	<b>313.7</b>	259.9
Provision for Tax	<b>128.6</b>	83.0
Deferred Tax	<b>(19.1)</b>	(3.6)
Profit after Tax	<b>204.2</b>	180.5
Excess provision for Tax on Dividend of earlier year	-	4.2
Surplus Brought Forward	<b>40.0</b>	40.0
	<b>244.2</b>	224.7
<b>Appropriations:</b>		
Proposed Dividend	<b>90.0</b>	83.0
Tax on Proposed Dividend	<b>11.5</b>	10.7
General Reserve	<b>102.7</b>	91.0
Surplus carried to Balance Sheet	<b>40.0</b>	40.0
	<b>244.2</b>	224.7

### 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, 2003 and of the profit of the Company for that year;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis.

### Operations

The year under review was an excellent one for your Company with sales increasing by 13% and operating profits by 20%. The increase in sales was due to buoyancy in domestic demand, gains in market share and very strong growth in exports (35% over the previous year). With price levels continuing to be under pressure, the rise in operating profits was largely due to volume growth.

During the year, your Company sold its investment in Saint-Gobain Diamant Winter Ltd. for a consideration of Rs. 53.78 Million, which was the cost price. This was consequent to the global sale of this business by Saint-Gobain.

### Dividend

Considering the excellent results, your Directors recommend a dividend of Rs. 6.50 per equity share, for the year ended on 31st December, 2003. The dividend outgo (excluding tax on dividend), will be Rs. 89.96 Million (previous year Rs. 83.04 Million).

### Abrasives

The demand for Abrasive products continued to increase, due to high growth in all major consumer industries viz : auto and auto components, metal-working, bearings and steel. During the year, several initiatives were undertaken towards improving both manufacturing and post-manufacturing processes, which will put your Company's businesses on a solid footing. Apart from improving domestic market share, your Company has maintained high growth in exports.

### Ceramics & Plastics

The performance of the Silicon Carbide business was in line with expectations, both in terms of volumes and profits. However, the uncertainty caused by the steep increase in "Wheeling Charges" effected by the Transmission Corporation of A.P. Ltd. (A. P. Transco), from 1st April, 2002, continues, with A.P. Transco filing a Special Leave Petition in the Honourable Supreme Court, against the favourable judgment of the Honourable High Court of Andhra Pradesh. Your Directors are of the view that this steep increase in Wheeling Charges is arbitrary and unsustainable. However, out of abundant caution, your Company has made part provisions. Details are given in Note No. 3 of Schedule 14.

The Refractories business had a good year with major end-users doing well. Hence the volumes and profits were above the plans. The business was certified under ISO 9001:2000, during this year.

There was good growth in the sales of the Performance Plastics business. The business was also certified under ISO 9001:2000, during this year.

### Future Prospects

As a result of various actions initiated by your Company's management during the last two years and the buoyancy in



demand, your Company's businesses should continue to perform well. As regards the Silicon Carbide business, your Company's future course of action will depend on the outcome of the Special Leave Petition filed by A. P. Transco (referred to above), which will have a significant impact on the cost of electricity and the viability of the business.

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

Your Company is committed to ensure a green and pollution free environment as well as a clean and safe workplace at all plant locations and work sites. During the year, your Company's site at Bangalore was certified under ISO-14001. As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant information pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo as required in the prescribed format is annexed (Annexure A) and forms part of this Report.

### **Fixed Deposits**

Your Company has repaid all Fixed Deposits that have matured, and for which depositors have applied for refund. Deposits amounting to Rs. 0.65 Million from 46 depositors, which became due for repayment during the year under review, remained unclaimed as at 31st December, 2003.

Your Company has subsequently received instructions for repayment from 29 depositors amounting to Rs. 0.33 Million. Your Company had discontinued the Fixed Deposit Schemes from the year 2001.

### **De-listing of Shares**

Pursuant to the resolution passed by you at the 53rd Annual General Meeting held on 29th April, 2003, your Company had made applications to The Delhi Stock Exchange Association Ltd. (DSE) and Hyderabad Stock Exchange Ltd. (HSE) for voluntary de-listing of the Company's shares from DSE and HSE under the SEBI (De-listing of Securities) Guidelines 2003. Your Company's shares have been de-listed from HSE and DSE with effect from 29th September, 2003 and 17th November, 2003 respectively. Your Company's shares continue to be listed on The Stock Exchange, Mumbai, (BSE). BSE has a nationwide network of trading terminals.

### **Employee Relations**

Your Directors place on record their appreciation for the contribution made by all the employees in the progress of your Company. During the year, after lengthy negotiations, new productivity-enhancing Wage Agreements were successfully concluded at Bangalore and at Nagpur. As at the year-end, there were 1315 employees.

### **Acknowledgements**

Your Company gratefully acknowledges the patronage 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

support from its Bankers and the loyalty of the large family of the Company's Dealers, Suppliers and 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 & Analysis Report and Report on Corporate Governance along with a Certificate dated 3rd March, 2004, 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).

### **Directors**

Mr. R. Caliori and Mr. A. Denes were appointed on 3rd March, 2004, as Directors, in the casual vacancies caused by the resignations of Mr. J. F. Phelizon and Mr. R. P. Statile respectively. The Board records its appreciation for the valuable services rendered by Mr. Phelizon and Mr. Statile.

Mr. Caliori holds office upto the date which Mr. Phelizon would have held office had he not resigned, i.e. upto the date of the 54th Annual General Meeting of the Company. As required u/s 257 of the Companies Act, 1956, the Company has received a notice in writing from a Member proposing the candidature of Mr. Caliori, as Director of the Company.

Mrs. D. S. Variava had ceased to be an Alternate Director to Mr. Phelizon on his resignation. The Board has appointed Mrs. Variava as an Alternate Director to Mr. Caliori with effect from 3rd March, 2004.

In accordance with the requirements of the Companies Act, 1956 and Articles of Association of the Company, Mr. G. Colas, Mr. P. Crouzet and Mr. H. C. Patel retire by rotation and being eligible, offer themselves for re-appointment as Directors of your Company.

### **Auditors**

M/s. Kalyaniwalla & Mistry, Chartered Accountants, Auditors of your Company, retire on the conclusion of 54th Annual General Meeting. You are requested to appoint Auditors for the current financial year and to fix their remuneration. The retiring Auditors, M/s. Kalyaniwalla & Mistry, Chartered Accountants, are eligible for re-appointment.

On behalf of the Board of Directors,

**A. C. CHAKRABORTTI**  
VICE-CHAIRMAN

**A. Y. MAHAJAN**  
MANAGING DIRECTOR

Mumbai: 3rd March, 2004

## 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:

Following activities were undertaken to save/conserves energy:

- Several energy conservation projects were initiated and completed, such as ceramic fibre relining of kilns, rationalisation of kiln cycles, better ware to furniture ratio and effective utilisation of compressed air.
- Implementation of the energy conservation methods and/or improving input-output ratios in the Ceramics & Coated businesses.

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

#### Product: Refractories

	2003	2002
<b>A. Power and Fuel Consumption:</b>		
<b>1. ELECTRICITY</b>		
(a) Purchased:		
Units	1082582	1056211
Total Amount (Rs. Million)	5.11	4.62
Rate/Unit (Rs.)	4.72	4.37
(b) Own Generated:		
(i) Through diesel generators:		
Units	93901	115179
Units per Ltr. of diesel	3.27	3.22
Cost/Unit (Rs.)	6.07	5.77
(ii) Through Steam turbine/generator	NIL	NIL
<b>2. FUEL OIL</b>		
Quantity (K. Ltrs.)	813	795
Total Amount (Rs. Million)	13.00	10.02
Average rate (Rs.)	15985	12604
<b>B. Consumption per unit of production:</b>		
Electricity KWH/TON	756	895
Fuel oil KL/TON	0.56	0.61

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

#### Research & Development (R&D):

- Specific areas in which R&D was carried out by the Company:**
  - Abrasives : Grains, Bonded, Coated, Super Abrasives & Non-Woven.
  - Ceramics : Refractories and Monolithics.
- Benefits derived as a result of the above R&D:**
  - Abrasives:**

Development of:

    - New variant of Seeded Gel abrasive products for specific applications in the Bearing and Automotive Industry.
    - Modified adhesive system for improved performance in coated abrasives.

- Full range of non-woven flat stock for converter market.

Improvements in:

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

#### (b) Ceramics:

Development of:

- Hollow Super Cord Batts (low mass) for Ceramics Industry.
- Wear resistance in nitride bonded products for application in high wear areas.
- Cast Cryston roller for special furnaces.

Improvements in:

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

#### 3. Future plans of action:

- Technology adaptation from Saint-Gobain Abrasives Inc. and other Saint-Gobain plants in identified priority areas, for development of new and improved products.
- Development of tools to support analysis of product performance at customers end.

#### 4. Expenditure on R&D for the year ended 31st December, 2003:

	Rs. Million
(a) Capital	Nil
(b) Recurring	4.11
(c) Total	4.11
(d) Total R&D expenditure as a percentage of total turnover	0.16%

#### Technology absorption, adaptation and innovations:

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 abrasive field. This has helped your Company to continuously improve the manufacturing processes, improve efficiencies, and develop new products. Through all this, your Company has continuously been able to improve the product-service package provided to the customers.

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

Total earnings in foreign exchange for the year ended 31st December, 2003 was Rs. 243.84 Million and the total outflow was Rs. 431.65 Million. Details are given in Schedule 14.



## ANNEXURE B TO THE DIRECTORS' REPORT

### STATEMENT UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT.

NAME	AGE	DESIGNATION/ NATURE OF DUTIES	REMU- NERATION RS.	QUALIFICATION	COMMENCEMENT OF EMPLOYMENT	LAST EMPLOYMENT	TOTAL EXPERIENCE (YEARS)
<b>EMPLOYED THROUGHOUT THE YEAR</b>							
BAPAT P. K.	57	V. P. – BONDED ABRASIVES	2679888	B.TECH., PGDM (IIM)	MAY. 1970	NONE	33
MAHAJAN A. Y.	51	MANAGING DIRECTOR	6894393	M.A. (ECON), MBA (USA)	JUNE 1983	PROJ. CONSULTANT – STATE BANK OF INDIA	28
PEREIRA J. A. J.	55	V. P. – FIN. & CORP. SERVICES	3115743	B.Sc., FICWA, PGDM (IIM)	MAY 1975	NONE	29
<b>EMPLOYED FOR PART OF THE YEAR</b>							
SRINIVASAN V.	49	V. P. – MARKETING & COATED ABRASIVES	2483439	B.TECH., PGDM (IIM)	JAN. 1999	DY. GEN. MGR. – SUNDARAM FASTNERS LTD.	24

**NOTES:**

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

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

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

### GENERAL REVIEW

Grindwell Norton Limited (GNO) is one of the subsidiaries of Compagnie de Saint-Gobain (Saint-Gobain), a transnational French billion. Group, Saint-Gobain's businesses fall into three broad sectors of activity: Housing Products, Glass and High Performance Materials. GNO's businesses are a part of the two Divisions that comprise the High Performance Materials sector of activity. The two Divisions are:

- Abrasives
- Ceramics & Plastics

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

### 1. ABRASIVES SEGMENT

The major businesses in this segment are:

- Bonded Abrasives; (ii) Coated Abrasives

GNO also manufactures and sells Super Abrasives.

#### (i) BONDED ABRASIVES

##### Product & Plants

Bonded Abrasives, most commonly in the form of wheels but also in other shapes such as segments, sticks etc., are used for various applications ranging from polishing or lapping to removing high quantities of materials. The Bonded Abrasives business has two plants, one at Mora and the other at Nagpur, Maharashtra, both of which are certified under ISO 9001:2000.

##### Industry

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

Broad characteristics of this business are:

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

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

### Applications

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

### Major User Industries

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

### Development & Outlook

Saint-Gobain is the undisputed world leader in Bonded Abrasives, with its sales being more than 3 times the next largest competitor. Leadership is based on a strong product portfolio, a strong R&D set-up with projects in both basic and applied areas and global reach, with plants and marketing/sales organisations all over the world. GNO benefits by being a part of such an organisation, in terms of access to all developments in product and process technology, sourcing of products and developing exports.



The Year 2003, witnessed strong growth in some important end-user segments such as auto, steel and bearings. Consequently, demand for Bonded Abrasives improved. The improvement is likely to be sustained in 2004. Over the medium term, Bonded Abrasives demand is expected to grow by 3% to 5% per annum.

Over the years, GNO has taken steps to become a low cost producer and a high service supplier. During the year, several new initiatives were taken for streamlining processes, reducing rejections and wastages, shortening lead time etc. These will help GNO to consolidate its position in the Indian market and to accelerate export growth.

While this is so, some trends are a cause for concern. Imports from China are increasing. In many cases, the prices at which such goods are imported are unreasonably low. GNO intends to deal with this issue through the Abrasive Manufacturers Association. Also, after a long period of stable input costs, inflation seems to be moving up. GNO will try to neutralise this through operational efficiency improvements to the extent possible and make price adjustment to protect margins.

## (ii) COATED ABRASIVES

### Product & Plants

Coated Abrasives are flexible abrasives used in the form of sheets, belts and discs. These are manufactured by coating a layer of abrasive grains on material such as paper, fibre, cotton cloth or nylon. They are used in grinding, sanding and polishing operations on materials like metal, wood and leather.

GNO's manufacturing facilities at Bangalore, Karnataka and Nagpur, Maharashtra are both ISO 9001:2000 certified.

### Industry

The domestic Coated Abrasives sector has four major players including GNO. There are also a number of small regional manufacturers and converters. GNO is a leader in several segments of the domestic market.

The characteristics of this sector are:

- Low entry barriers (low capital requirements) for low-end products.
- Low threats from substitute products.
- Diverse industrial applications.

The key requirements for success are:

- Product range & Brand image
- Distribution network
- Short delivery periods
- Cost competitiveness
- Quality

### Major End Users

- Automotive industry
- Auto Ancillaries
- Auto-after markets
- Ferrous & Non-ferrous castings & forgings
- Metal fabrication industry
- Furniture and plywood
- General Engineering

## Development & Outlook

In 2003, the domestic market has seen strong demand for Coated Abrasives in a number of user market segments. The market growth for the year is estimated to be 6% to 8%. The business has also improved price realisations during the year in the complete range of products. Sourced products from various affiliate Saint-Gobain locations have also witnessed a good growth during the year. The combination of technically strong products and high-end sourced products makes the Coated Abrasive product offering unparalleled in the market today and augurs well for future. During the year, GNO continued to receive strong technical and R&D support from Saint-Gobain.

## 2. CERAMICS & PLASTICS SEGMENT

The major businesses in this segment are:

- (i) Silicon Carbide, (ii) Refractories

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

### (i) SILICON CARBIDE

#### Product & Plant

Silicon Carbide grains are used primarily as raw material in the manufacture of abrasives, refractories and for stone polishing. Silicon Carbide is manufactured at Tirupati in Andhra Pradesh.

#### Industry

In the domestic market there are three major manufacturers (including GNO) of Silicon Carbide. GNO is the market leader. This market is also catered to by imports mainly from China. The key requirements for success are cost and quality. Entry barriers are high by way of capital investment and technology.

#### Development & Outlook

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

### (ii) REFRACTORIES

#### Product & Plant

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

#### Industry

The main customers are the non-ferrous and ceramic industries. In the domestic market there are



two manufacturers (including GNO) for silicon carbide and mullite refractories. Cordierite refractories are manufactured by a number of players. The key requirements for success in the industry are technology and quality. Manufacturing is relatively capital intensive. This, and technology, are the barriers to entry.

### Development & Outlook

The Refractories business of the Company is expected to remain steady at the current levels. The Company is looking at options to increase the product offerings in association with the parent company.

## RISK AND CONCERNS

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

### 1. Industry, Market & Technology:

#### (a) Abrasives:

(i) **Industry & Market:** The Abrasives business caters to a number of industries such as Automobiles, Auto components, General Metal Fabrication, Woodworking etc. The dependence on any single industry segment is less than 15%. Demand for abrasive products can get affected if all sub-segments of the industry perform badly at the same time. Normally, this does not happen. In order to minimize the impact of such downturn, if any, GNO has been putting in efforts to develop export markets. Over the years, exports have grown and now account for 10% of total abrasives sales. These sales are not concentrated in any single country, but are spread over more than 20 countries spanning Asia Pacific and Africa. Within India, sales are spread across 14 branch offices located across all parts of India, without any single branch having a very high weightage. Similarly, there are a number of large customers serviced directly and several dealers for servicing small and medium customers. The largest customer accounts for less than 2% of total sales and the largest dealer accounts for less than 5% of total sales.

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

#### (b) Ceramics & Plastics:

(i) **Industry & Market:** Abrasives, Refractories and Construction form the three top customer segments for Silicon Carbide. Each of these sectors comprise of large number of customers, which makes this a good portfolio. In Abrasives and Refractories, our own divisions (affiliates) are major consumers. Construction sector in general has very little linkage with the other two sectors,

which makes the overall customer portfolio more balanced. In addition, we have customers who are serviced through distribution channels.

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

(ii) **Technology:** The technology of manufacturing Silicon Carbide has had very little change worldwide, since the present process was started. As for the increased use of Silicon Carbide in India, the technological changes needed at some of the user industry segments are still coming in, but gradually. GNO has full access to information on the global developments in these areas through Saint-Gobain's global presence and also has access to all the research and technology developments undertaken by Saint-Gobain in this regard. This helps 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. Due to this, GNO has a very low debt-equity ratio of 0.03:1 and there are no long-term loans. GNO's foreign currency exposure on account of imports and exports has been appropriately covered. GNO has well defined and structured treasury operations, with the emphasis on security.

### 3. Legal and Statutory:

(i) Contingent liabilities: Details of Contingent liabilities are given in Schedule 14.

(ii) Statutory compliance: GNO ensures statutory compliance of all applicable laws and is committed to timely payment of all statutory dues.

## OVERALL PERFORMANCE

In 2003, GNO sales have increased by over 13% partly due to strong growth in exports, partly the good domestic market growth for abrasives and partly due to gains in market share. With costs under control and with the gain from pre-payment of Deferred Sales tax, profits before tax and extraordinary income increased by 31%.

## INTERNAL CONTROL SYSTEMS

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

## SEGMENTAL FINANCIALS

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

## REPORT ON CORPORATE GOVERNANCE

(As required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges)

### A. MANDATORY REQUIREMENTS

#### 1. CORPORATE GOVERNANCE AT GRINDWELL NORTON LIMITED (GNO)

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

Compliance Report of the Company vis-à-vis the Stock Exchange Listing Agreement is presented below.

#### 2. BOARD OF DIRECTORS

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

During the year 2003, five Board Meetings were held. The dates on which the said meetings were held are as follows:-

6th March, 29th April, 30th July, 31st October, and 3rd December.

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

Name of the Director	Category of Directorship	No. of Board Meetings attended	Attendance at the last AGM	No. of other Indian Companies in which Director	No. of Committees (other than GNO) in which a member
Mr. C. Streiff	Chairman – Non-Executive	1	Yes	Nil	Nil
Mr. A. C. Chakrabortti	Vice-Chairman – Non-Executive – (Independent)	5	Yes	14	8*
Mr. R. K. Bilimoria	Non-Executive Director – (Independent)	4	Yes	5	Nil
Mr. G. Colas	Non-Executive Director	1	Yes	Nil	Nil
Mr. P. Crouzet	Non-Executive Director	1	No	Nil	Nil
Mr. H. C. Patel	Non-Executive Director – (Independent)	5	Yes	3	Nil
Mr. J. F. Phelizon (a)	Non-Executive Director	Nil	No	Nil	Nil
Mr. N. D. Sidhva	Non-Executive Director	5	Yes	5	Nil
Mr. R. P. Statile (a)	Non-Executive Director	2	Yes	Nil	Nil
Mr. R. Caliarì (b)	Non-Executive Director	Nil	N.A.	1	2
Mr. A. Denes (c)	Non-Executive Director	Nil	N.A.	Nil	Nil
Mrs. D. S. Variava (d)	Non-Executive Director – (Independent)	5	Yes	7	Nil
Mr. A. Y. Mahajan	Managing Director	5	Yes	7	8**

(a) Resigned with effect from 3rd March, 2004.

(b) Appointed in the Casual Vacancy caused by the resignation of Mr. J. F. Phelizon on 3rd March, 2004.

(c) Appointed in the Casual Vacancy caused by the resignation of Mr. R. P. Statile on 3rd March, 2004.

(d) Alternate to Mr. Phelizon upto 3rd March, 2004 and from 3rd March, 2004, alternate to Mr. R. Caliarì.

\* Out of the 8 Committee Memberships, Mr. A. C. Chakrabortti is Chairman in 4 Committees.

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



### 3. AUDIT COMMITTEE

Pursuant to the provisions of the Companies Act, 1956 and the Listing Agreement with the Stock Exchanges, an Audit Committee had been constituted to cover the matters specified for Audit Committees under the Listing Agreements as well as under the provisions of the Companies Act, 1956. The Audit Committee comprises of Mr. A. C. Chakrabortti, Chairman of the Committee and Mr. H. C. Patel, both Non-Executive Independent Directors and Mr. R. P. Statile. Mr. R. P. Statile ceased to be a member of the Committee with effect from 27th February, 2004, and Mr. P. Crouzet was appointed in his place. The Vice-President – Finance & Corporate Services, General Manager – Corporate Finance & Taxation, Internal Auditor and the Statutory Auditors are invitees of the Committee. The Company Secretary acts as the Secretary of the Committee.

The Audit Committee held 4 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	4
Mr. H. C. Patel	4
Mr. R. P. Statile (a)	1
Mr. P. Crouzet (b)	Nil
(a) Resigned with effect from 27th February, 2004. (b) Appointed with effect from 27th February, 2004.	

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

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

- Any related material transactions of the Company with the promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.
- Recommending the quarterly, half-yearly and annual financial statements.
  - Reviewing with the management, external and internal auditors, adequacy of internal control systems.
  - Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing, seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
  - Discussion with internal auditors, any significant findings and follow up there on.
  - 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.
  - Discussion with external auditors before the audit commences, nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
  - Reviewing the Company's financial and risk management policies.
  - To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

Minutes of the Audit Committee meetings are circulated to the members of the Board, discussed and taken note of.

### 4. REMUNERATION OF DIRECTORS

- (A) The details of remuneration of Mr. A. Y. Mahajan, Managing Director, for the year 2003 are given below:

**All elements of remuneration package i.e. salary, benefits, perquisites, profit commission, pension etc.**

Rs. 6.89 Million

**Fixed component and performance linked incentives along with the performance criteria**

Fixed component is paid as Salary, House Rent Allowance and other perquisites. In addition, a profit commission is paid within the maximum ceiling on remuneration, based on certain pre-agreed performance parameters.

**Service contracts, notice period, severance fees**

The tenure of office of the Managing Director is 5 years commencing from 1/4/2001 and ending on 31/3/2006. The Managing Director is entitled to terminate the agreement by giving six months notice in writing to the Company. Similarly the Company can terminate the agreement and provide for compensation for loss of office as per the provisions of the Companies Act, 1956.

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

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

- (B) The details of sitting fees and remuneration of Non-Executive Directors for the year 2003 are given below:

Non-Executive Directors	Sitting Fees (Rs. Million)	Profit Commission (Rs. Million)	Technical & Marketing Consultancy Fees (Rs. Million)	Total (Rs. Million)
Mr. A. C. Chakrabortti	0.05	0.81	Nil	0.86
Mr. N. D. Sidhva	0.03	0.81	0.05	0.89
Mr. H. C. Patel	0.05	0.41	Nil	0.46
Mrs. D. S. Variava	0.02	0.41	Nil	0.43
Mr. R. K. Bilimoria	0.03	0.81	Nil	0.84

**5. INVESTORS'/SHAREHOLDERS' GRIEVANCE COMMITTEE**

The Company's Investors'/Shareholders' Grievance Committee had been formed under the Chairmanship of Mr. H. C. Patel, a Non-Executive Independent Director. The other Members of the Committee are Mr. R. K. Bilimoria and Mr. R. P. Statile. Mr. S. M. Mandke, Company Secretary, is the Compliance Officer, of the Company. Mr. R. P. Statile ceased to be a Member of the Committee with effect from 27th February, 2004 and Mr. P. Crouzet was appointed in his place. 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. The Company had 8 transfers pending at the close of the financial year ended 2003, which were processed subsequently.

**6. GENERAL BODY MEETINGS**

The last three Annual General Meetings of the Company were held on 13th June, 2001, 22nd April, 2002 and 29th April, 2003 at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikushru Dubash Marg, (Rampart Row), Mumbai-400 001. All the meetings

commenced at 3.00 p.m. All the resolutions set out in the respective notices were passed by the Shareholders.

**7. DISCLOSURES**

The Company had entered into technical collaborations with Saint-Gobain Abrasives Inc., and other subsidiaries of Compagnie de Saint-Gobain, the parent Company and in terms of these technical collaboration agreements, technical knowhow fees had been paid. Further, royalties are being paid in terms of these agreements. Besides the above, the Company imports raw materials from Saint-Gobain Abrasives Inc. and other Saint-Gobain group companies. The Company also imports goods for trading from Saint-Gobain group companies and exports its products to them. During the year, the Company had remitted dividend to Saint-Gobain Abrasives Inc. and Saint-Gobain Promotion et Participations Internationales, France. The Company also renders services to the group companies and earns service income. The Company also provides shared facilities to Lincoln Helios (India) Ltd. (LHIL), on non-exclusive basis, at its Bangalore plant complex. In terms of the agreement, LHIL had placed interest free security deposits with the Company from time to time and presently aggregating to Rs. 8.98 Million. Details are given in Schedule 14. Except the above, there are no other materially significant related party transactions i.e. transactions of the Company of material nature, with its Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.

**8. MEANS OF COMMUNICATION**

**Half Yearly Report**

Whether Half-yearly report sent to each household of Shareholders – No.  
The results of the Company are published in the Newspapers and displayed on Company's website as well as EDIFAR site of SEBI.

**Quarterly Results**

In which newspapers the financial results are normally published  
(i) Economic Times – Mumbai edition  
(ii) Maharashtra Times – Mumbai edition

**Website(s)**

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

**Whether it also displays the official news releases; and the presentations made to Institutional Investors and Analysts**

No.

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

Yes.



## 9. GENERAL SHAREHOLDERS' INFORMATION

<b>AGM</b> : 54th Annual General Meeting
<b>Date</b> : Wednesday, 28th April, 2004
<b>Time</b> : 3.00 p.m.
<b>Venue</b> : M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikushru Dubash Marg, (Rampart Row), Mumbai-400 001.
<b>Financial Calendar for 2004</b>
<b>Date(s)</b>
(i) First Quarter Results – April, 2004
(ii) First Half Results – July, 2004
(iii) Third Quarter Results – October, 2004
(iv) Results for the year ending 31st December, 2004 – March, 2005
<b>Dates of Book Closure</b>
Monday, 22nd March, 2004 to Friday, 26th March, 2004
<b>Date of Payment of Dividend</b>
5th May, 2004
<b>Listing on Stock Exchange</b>
The Stock Exchange, Mumbai.
The annual listing fee of The Stock Exchange, Mumbai has been paid upto date.
<b>BSE – Stock Code</b>
Physical – 506076
<b>ISIN No. for NSDL &amp; CDSL</b>
INE536A01015
<b>Distribution of Shareholdings and Shareholding Pattern as on 31st December, 2003</b>
Please see Annexure '1'
<b>Market Price Data: High, Low during each month in the last financial year</b>
Please see Annexure '2'
<b>Performance in comparison to BSE Sensex, (broad based index)</b>
Please see Annexure '2'
<b>Share Transfer System</b>
All the transfers are processed by TSRL and approved by the Share Transfer Committee of Directors which normally meets thrice in a month.
<b>Dematerialisation of shares and liquidity</b>
17.70% of the paid-up capital has been dematerialised as on 31st December, 2003.

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

Not issued

### Promoters' Groups:

#### I. Indian Promoters

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

#### II. Foreign Promoters (Collaborators)

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

#### III. Other Saint-Gobain Group Companies

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

### Compliance Officer

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

## Annexure '1'

### The Distribution of Shareholdings as on 31.12.2003

No. of equity shares held	No. of Holders	% of Total Holders	No. of Shares	% to Total Shares
Upto 250	8889	89.75	736393	5.32
251 to 500	439	4.43	174177	1.26
501 to 1000	235	2.37	185395	1.34
1001 to 5000	211	2.13	467157	3.37
5001 to 10000	29	0.29	210642	1.52
10001 to 100000	94	0.95	3539810	25.58
100001 and above	8	0.08	8526426	61.61
<b>Grand Total</b>	<b>9905</b>	<b>100.00</b>	<b>13840000</b>	<b>100.00</b>
No. of Shareholders in Physical Mode	5728	57.83	11390954	82.30
No. of Shareholders in Electronic Mode	4177	42.17	2449046	17.70

**Shareholding Pattern as on 31.12.2003**

Category	No. of Shareholders	No. of Shares	%
Promoters:			
Foreign	2	7103500	51.33
Indian	160	3419726	24.71
Insurance Companies & Banks	8	102825	0.74
UTI & Mutual Funds	2	77114	0.56
NRIs and FIIs	27	11059	0.08
Foreign Companies/OCBs	3	22454	0.16
Domestic Companies	182	1014700	7.33
Resident Individuals	9521	2088622	15.09
<b>Total</b>	<b>9905</b>	<b>13840000</b>	<b>100.00</b>

**Annexure '2'**
**Market Price Data: GNO & Sensex: – High – Low**

Period	High	Low	Sensex High	Sensex Low
Jan-03	110.50	85.50	3416.92	3199.18
Feb-03	110.00	93.10	3341.61	3218.37
Mar-03	104.00	88.00	3311.57	3039.83
Apr-03	110.00	89.00	3221.90	2904.44
May-03	135.00	103.30	3200.48	2934.78
Jun-03	130.00	105.10	3632.84	3170.38
Jul-03	176.00	120.00	3835.75	3534.06
Aug-03	168.00	132.70	4277.64	3722.08
Sep-03	187.40	135.50	4473.57	4097.55
Oct-03	223.00	180.00	4951.11	4432.93
Nov-03	221.00	186.60	5135.00	4736.70
Dec-03	292.40	211.00	5920.76	5082.82

**B. NON-MANDATORY REQUIREMENTS**

Non-mandatory requirements have not been adopted.

**AUDITORS' CERTIFICATE ON  
CORPORATE GOVERNANCE**

TO THE MEMBERS OF  
GRINDWELL NORTON LIMITED

We have examined the compliance of conditions of Corporate Governance by Grindwell Norton Limited (the Company) for the year ended on 31st December, 2003, 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

**E. K. IRANI**  
PARTNER

Mumbai: 3rd March, 2004



## 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, 2003 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 and Profit and Loss Account dealt with by this report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - (e) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements 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, 2003;
  - (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, 2003 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st December, 2003, from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

For and on behalf of  
**KALYANIWALLA & MISTRY**  
CHARTERED ACCOUNTANTS

**E. K. IRANI**  
PARTNER

Mumbai: 3rd March, 2004

(Membership No. 35646)

## ANNEXURE TO THE AUDITORS' REPORT

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

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The Company has a program for the 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 significant discrepancies were noticed on such verification.
2. The fixed assets have not been revalued during the year.
3. The management has conducted physical verification in respect of finished goods, stores, spare parts and raw materials at reasonable intervals.
4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. No material discrepancies have been noticed on physical verification of stocks as compared to book records.



6. The valuation of these stocks is fair and proper, in accordance with the normally accepted accounting principles, and is on the same basis as in the previous year.
7. The Company has taken unsecured deposits from a party listed in the Register maintained under Section 301 and from a company under the same management as defined in Section 370 (1B) of the Companies Act, 1956. The terms and conditions of these deposits are not prima facie prejudicial to the interests of the Company.
8. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 or to companies under the same management as defined in Section 370 (1B) of the Companies Act, 1956.
9. The other parties to whom loans or advances in the nature of loans have been given by the Company, are repaying the principal amounts as stipulated and are also regular in payment of interest, if any.
10. 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 for the purchases of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
11. In our opinion and according to the information and explanations given to us, the transactions for purchase and sale of goods and materials made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods and materials. In case of services rendered by the Company, we have been informed that no similar services were rendered to other parties and hence the prices at which services have been rendered are not comparable. The Company recovers cost of common services utilised by companies listed in the Register maintained under Section 301 of the Companies Act, 1956.
12. The Company has a regular procedure for determining unserviceable or damaged stores, raw materials, or finished goods. Adequate provision for the loss, if any, has been made in the accounts.
13. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A of the Companies Act, 1956 and the Rules framed thereunder with regard to deposits accepted from the public.
14. The Company is maintaining adequate records for the sale and disposal of realisable bye-products and scrap.
15. As explained to us, the Company has an Internal Audit System, which in our opinion, is adequate.
16. The maintenance of cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956, for any of the products of the Company.
17. The Company is regular in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities.
18. We have been informed by the management that there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty which have remained outstanding as at 31st December, 2003 for a period of more than six months from the date they became payable.
19. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, and on the basis of the explanations given to us, no personal expenses other than those covered by the service contracts/terms of appointment of the employees and those borne by the Company in accordance with the accepted business practice have been charged to the Profit and Loss Account.
20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section(1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of its trading activity, the Company has a procedure for determining damaged goods and adequate provision is made for the loss, if any.
22. In our opinion and according to the information and explanations given to us, the Company has a reasonable system of allocation of man-hours to relative jobs commensurate with the size of the Company and the nature of its business in respect of its service activities.
23. Considering the nature of service rendered by the Company, the question of commenting on the system of recording receipts, issues and consumption of stores, allocation of materials to relative jobs and the system of authorisation at proper levels with necessary control on the issue of stores does not arise.

For and on behalf of  
**KALYANIWALLA & MISTRY**  
CHARTERED ACCOUNTANTS

**E. K. IRANI**  
PARTNER

Mumbai: 3rd March, 2004

(Membership No. 35646)



## BALANCE SHEET AS AT 31st DECEMBER, 2003

	<u>Schedules</u>	<u>(Rs. Million)</u>	<u>As at 31st December, 2003 (Rs. Million)</u>	<u>As at 31st December, 2002 (Rs. Million)</u>
<b>SOURCES OF FUNDS</b>				
<b>1. SHAREHOLDERS' FUNDS</b>				
(a) Capital	1	138.40		138.40
(b) Reserves and Surplus	2	1,296.46		1,195.56
			1,434.86	1,333.96
<b>2. LOAN FUNDS</b>				
(a) Secured Loans	3	7.67		6.81
(b) Unsecured Loans	4	29.34		77.48
			37.01	84.29
<b>3. DEFERRED TAX LIABILITY</b>			49.33	68.44
			1,521.20	1,486.69
<b>APPLICATION OF FUNDS</b>				
<b>1. FIXED ASSETS</b>	5			
(a) Gross Block		1,219.89		1,195.33
(b) <b>Less:</b> Depreciation		606.40		574.84
(c) Net Block		613.49		620.49
(d) Capital Jobs in Progress		19.61		16.78
			633.10	637.27
<b>2. INVESTMENTS</b>	6		639.02	546.22
<b>3. CURRENT ASSETS, LOANS &amp; ADVANCES</b>	7			
(a) Inventories		304.89		300.56
(b) Sundry Debtors		412.83		413.32
(c) Cash & Bank Balances		70.90		70.18
(d) Accrued Interest		3.97		1.86
(e) Loans & Advances		77.72		87.30
		870.31		873.22
<b>Less: CURRENT LIABILITIES &amp; PROVISIONS</b>	8			
(a) Liabilities		445.05		424.13
(b) Provisions		176.18		146.83
		621.23		570.96
<b>NET CURRENT ASSETS</b>			249.08	302.26
<b>4. MISCELLANEOUS EXPENDITURE</b> (To the extent not written off or adjusted) Technical Knowhow fees			-	0.94
			1,521.20	1,486.69
<b>NOTES TO ACCOUNTS</b>	14			

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

As per our Report of even date

For and on behalf of  
KALYANIWALLA & MISTRY  
Chartered Accountants

E. K. IRANI  
Partner  
Mumbai: 3rd March, 2004

S. M. MANDKE  
Secretary

Signatures to Balance Sheet and Schedules 1 to 8 & 14

A. C. CHAKRABORTTI  
A. Y. MAHAJAN

Vice-Chairman  
Managing Director

N. D. SIDHVA  
D. S. VARIAVA  
R. K. BILIMORIA

} Directors

Mumbai: 3rd March, 2004

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 2003**

	<u>Schedules</u>	<u>(Rs. Million)</u>	<u>(Rs. Million)</u>	<u>For the Year Ended 31st December, 2003 (Rs. Million)</u>	<u>For the Year Ended 31st December, 2002 (Rs. Million)</u>
<b>INCOME</b>					
Sales		2,544.87			2,246.55
<b>Less:</b> Excise Duty		(299.18)			(271.57)
Net Sales			2,245.69		1,974.98
Miscellaneous Income	9		119.52	2,365.21	85.90
					2,060.88
<b>EXPENDITURE</b>					
Raw Materials Consumed	10		710.06		607.90
Purchase of Trading Goods			98.80		66.07
Manufacturing, Administration and Selling Expenses	11		1,163.75		1,030.29
Interest	12		7.30		28.29
Debts and Advances Provided/Written off			7.60		4.26
Technical Knowhow fees Written off			0.94		1.78
Depreciation		66.57			67.10
<b>Less:</b> Transfer from Revaluation Reserve		(1.81)			(1.85)
			64.76		65.25
<b>Less:</b> (Increase)/Decrease in Inventory	13		2,053.21		1,803.84
			(1.69)	2,051.52	17.71
					1,821.55
<b>Profit before Tax and Extraordinary Items</b>				313.69	239.33
<b>Extraordinary Items</b>					
(a) Compensation under Voluntary Retirement Schemes			-		(7.97)
(b) Profit on Sale of Fused Cast Refractories Business			-		28.51
					20.54
<b>Profit before tax</b>				313.69	259.87
Provision for :					
Income tax				128.60	83.00
Deferred tax				(19.11)	(3.58)
<b>Profit after tax</b>				204.20	180.45
Excess provision for Tax on Dividend of earlier year				-	4.24
				204.20	184.69
Surplus Brought Forward				40.00	40.00
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>				244.20	224.69
<b>APPROPRIATIONS</b>					
Proposed Dividend				89.96	83.04
Provision for Tax on Proposed Dividend				11.53	10.64
Transfer to General Reserve				102.71	91.01
Surplus Carried Forward				40.00	40.00
				244.20	224.69
<b>Earnings Per Share (Basic/Diluted) in Rs.</b>				14.75	13.04

**NOTES TO ACCOUNTS**
**14**

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

As per our Report of even date

For and on behalf of  
KALYANIWALLA & MISTRY  
Chartered Accountants

E. K. IRANI  
Partner  
Mumbai: 3rd March, 2004

S. M. MANDKE  
Secretary

Signatures to Profit & Loss Account and Schedules 9 to 14

A. C. CHAKRABORTTI Vice-Chairman  
A. Y. MAHAJAN Managing Director

N. D. SIDHVA  
D. S. VARIAVA  
R. K. BILIMORIA } Directors

Mumbai: 3rd March, 2004



## SCHEDULES FORMING PART OF THE ACCOUNTS

	(Rs. Million)	As at 31st December, 2003 (Rs. Million)	As at 31st December, 2002 (Rs. Million)
<b>SCHEDULE 1 : CAPITAL</b>			
<b>AUTHORISED</b>			
14,000,000 Equity Shares of Rs. 10/- each		140.00	140.00
<b>ISSUED, SUBSCRIBED AND PAID-UP</b>			
13,840,000 Equity Shares of Rs. 10/- each, fully paid-up		138.40	138.40
		138.40	138.40
<b>NOTES:</b>			
Of the above Equity Shares:			
(a) 140,000 Equity Shares of Rs. 10/- each were allotted as fully paid pursuant to a contract without payment being received in cash.			
(b) 9,615,720 Equity Shares of Rs. 10/- each were allotted as fully paid Bonus Shares by capitalising Profits, Reserves and Share Premium.			
(c) 3,704,440 Equity Shares of Rs. 10/- each are held by Saint-Gobain Abrasives Inc. and 3,399,060 Equity Shares of Rs. 10/- each are held by Saint-Gobain Promotion et Participations Internationales, the subsidiaries of Compagnie de Saint-Gobain, the ultimate holding company.			
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>			
<b>1. SHARE PREMIUM ACCOUNT</b>			
As per last Balance Sheet		486.68	486.68
<b>2. REVALUATION RESERVE</b>			
As per last Balance Sheet	54.32		56.17
Transfer to Depreciation	(1.81)		(1.85)
		52.51	54.32
<b>3. DEBENTURES REDEMPTION RESERVE</b>			
As per last Balance Sheet	-		50.00
Transfer to General Reserve	-		(50.00)
		-	-
<b>4. GENERAL RESERVE</b>			
As per last Balance Sheet	614.56		473.55
Transfer from:			
Debentures Redemption Reserve	-		50.00
Profit & Loss Account	102.71		91.01
		717.27	614.56
<b>5. PROFIT &amp; LOSS ACCOUNT</b>			
		40.00	40.00
		1,296.46	1,195.56

## SCHEDULES FORMING PART OF THE ACCOUNTS

### SCHEDULE 3 : SECURED LOANS

#### LOANS AND ADVANCES FROM BANKS

##### Demand & Short Term Loans

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

	As at 31st December, 2003 (Rs. Million)	As at 31st December, 2002 (Rs. Million)
	7.67	6.81
	<u>7.67</u>	<u>6.81</u>
	16.95	43.61
	12.39	33.60
	-	0.27
	<u>29.34</u>	<u>77.48</u>

### SCHEDULE 4 : UNSECURED LOANS

#### 1. FIXED DEPOSITS

(Repayable within one year Rs. 16.95 Million – Previous Year – Rs. 27.43 Million)

#### 2. OTHER LOANS & ADVANCES

(a) Deferred Sales Tax

(b) Interest free Sales Tax Loan

### SCHEDULE 5 : FIXED ASSETS

(Rs. Million)

ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.1.2003	Additions	Deductions/ Transfers	As at 31.12.2003	Upto 1.1.2003	On Sales/ Transfers	For the Year	Upto 31.12.2003	As at 31.12.2003	As at 31.12.2002
Land - Freehold	21.54	-	-	21.54	-	-	-	-	21.54	21.54
Land - Leasehold	9.08	-	-	9.08	0.67	-	0.09	0.76	8.32	8.41
Buildings*	228.57	4.67	0.07	233.17	67.91	-	6.57	74.48	158.69	160.66
Plant & Machinery	794.92	38.39	35.09	798.22	432.79	29.98	44.14	446.95	351.27	362.13
Computers	62.94	7.32	4.05	66.21	46.01	3.80	8.96	51.17	15.04	16.93
Furniture, Fixtures & Office Equipment	47.56	8.67	1.84	54.39	22.89	0.55	3.71	26.05	28.34	24.67
Vehicles	30.72	9.23	2.67	37.28	4.57	0.68	3.10	6.99	30.29	26.15
<b>Total</b>	1,195.33	68.28	43.72	1,219.89	574.84	35.01	66.57	606.40	613.49	
<b>Previous Year's Total</b>	1,163.19	50.36	18.22	1,195.33	520.95	13.21	67.10	574.84		620.49
<b>Capital Jobs in Progress</b>									19.61	16.78
									633.10	637.27

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

## SCHEDULES FORMING PART OF THE ACCOUNTS

	Nos.	Face Value (Rs.)	(Rs. Million)	As at 31st December, 2003 (Rs. Million)	As at 31st December, 2002 (Rs. Million)
<b>SCHEDULE 6 : INVESTMENTS</b>					
<b>AT COST</b>					
<b>LONG TERM</b>					
<b>TRADE</b>					
<b>EQUITY SHARES (fully paid up)</b>					
<b>Unquoted:</b>					
Andhra Pradesh Gas Power Corporation Ltd.	2,186,880	10		27.33	27.33
<b>NON-TRADE</b>					
<b>GOVERNMENT SECURITIES</b>					
<b>Unquoted:</b>					
5½ Year Indira Vikas Patra @	-	-		-	0.20
<b>EQUITY SHARES (fully paid up)</b>					
<b>Quoted:</b>					
John Oakey & Mohan Ltd.	1,900	10	0.02		0.02
Bank of Baroda*	(23,500)	10	-		2.00
<b>Less:</b> Provision for diminution in value			-		(0.21)
			-		1.79
Corporation Bank*	(3,100)	10	-		0.25
				0.02	2.06
<b>Unquoted:</b>					
(Companies under the same management)					
Lincoln Helios (India) Ltd.	500,000	10	5.00		5.00
Saint-Gobain Glass India Ltd.	2,500,000	10	250.00		250.00
Saint-Gobain Diamant Winter Ltd.*	(3,450)	100	-		53.78
				255.00	308.78
<b>OTHER SECURITIES</b>					
<b>Unquoted:</b>					
<b>CAPITAL GAINS BONDS</b>					
8.00% National Highways Authority of India	2,000	10,000	20.00		20.00
7.50% Small Industries Development Bank of India	1,000	10,000	10.00		10.00
7.50% Rural Electrification Corporation Limited	1,000	10,000	10.00		10.00
7.25% Rural Electrification Corporation Limited	700	10,000	7.00		7.00
7.15% National Housing Bank	1,000	10,000	10.00		10.00
				57.00	57.00
<b>MUTUAL FUNDS</b>					
<b>Debt Funds (Growth Plan)</b>					
Alliance Income Fund*	(590,159)	10	-		10.00
Birla Income Plus	277,932	10	5.00		5.00
HDFC Income Fund	1,162,376	10	15.00		15.00
HDFC High Interest Fund-Regular (formerly Zurich India High Interest Fund-Regular)	481,216	10	10.00		10.00
K Bond Unit Scheme 99 (Wholesale Plan)	713,318	10	10.00		10.00
Prudential ICICI Income Plan	483,451 (915,817)	10	7.92		15.00
Sundaram Bond Saver	362,845	10	5.00		5.00

## SCHEDULES FORMING PART OF THE ACCOUNTS

	Nos.	Face Value (Rs.)	(Rs. Million)	As at 31st December, 2003 (Rs. Million)	As at 31st December, 2002 (Rs. Million)
<b>SCHEDULE 6 : INVESTMENTS (Continued)</b>					
Templeton India Income Fund	494,071	10	10.00		10.00
Templeton India Income Builder A/c Institutional Plan	1,802,667 (954,900)	10	20.00		10.00
Deutsche Premier Bond Fund Institutional Plan**	910,059	10	10.00		–
Grindlays Super Saver Income Fund Investment Plan**	643,360	10	10.00		–
Grindlays Super Saver Income Fund Medium Term Plan**	972,753	10	10.00		–
HSBC Income Fund Institutional Plan**	896,122	10	10.00		–
Reliance Medium Term Fund**	716,908	10	10.00		–
<b>Debt Funds (Bonus Plan)</b>					
Chola Triple Ace*	(884,238)	10	–		10.00
JM Income Fund	37,548 (383,776)	10	0.33		3.75
SBI Magnum Income Fund**	287,441	10	3.00		–
				136.25	103.75
<b>CURRENT NON-TRADE OTHER SECURITIES</b>					
<b>Unquoted:</b>					
<b>Debt Fund (Fixed Maturity Plan)</b>					
Reliance Fixed Term Scheme**	2,000,000	10		20.00	–
<b>Liquid Funds (Growth Plan)</b>					
HDFC Liquid Fund*	(842,815)	10	–		10.00
Templeton India Short Term Income Plan*	(27,650)	1,000	–		30.00
HDFC Liquidity Fund Call Plan* (formerly Zurich India Liquidity Fund Call Plan)	(676,063)	10	–		7.10
<b>Liquid Funds (Daily Dividend Plan)</b>					
IDBI Principal Cash Management Fund Liquid Option**	4,022,752	10	40.23		–
JM High Liquidity Fund Institutional Plan**	10,318,332	10	103.19		–
				143.42	47.10
				639.02	546.22
<b>NOTES:</b>					
1.	@	Represents matured during the year.			
2.	*	Represents Sold/Redeemed during the year.			
3.	**	Represents Purchased during the year.			
4.		The company invested Rs. 2,538.58 Million (Previous Year – Rs. 2,174.98 Million) in units of various Mutual Funds which were also sold during the year.			
5.	<b>COST</b>				
	Quoted (Previous Year – Net of Provision)			0.02	2.06
	Unquoted			639.00	544.16
6.	<b>MARKET VALUE</b>				
	Quoted			0.03	2.20
7.	<b>MUTUAL FUNDS</b>				
	Cost			299.67	150.85
	Repurchase Price			316.52	164.13
8.	Figures in brackets indicate that of previous year.				



## SCHEDULES FORMING PART OF THE ACCOUNTS

	(Rs. Million)	As at 31st December, 2003 (Rs. Million)	As at 31st December, 2002 (Rs. Million)
<b>SCHEDULE 7 : CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
<b>1. INVENTORIES</b>			
Stores and Spare Parts	18.27		15.54
Loose Tools	0.04		0.04
Raw Materials	85.98		80.40
Finished Goods:			
Manufactured	87.81		86.71
Trading	16.01		14.71
Work-in-Process	86.07		86.78
Raw Materials in Transit	10.71		16.38
		<b>304.89</b>	<b>300.56</b>
<b>2. SUNDRY DEBTORS</b> (Unsecured and considered good unless otherwise stated)			
Over six months	47.22		49.73
Others	402.96		401.20
	450.18		450.93
<b>Less:</b> Provision for doubtful debts	37.35		37.61
		<b>412.83</b>	<b>413.32</b>
(Sundry Debtors include Rs. 37.35 Million – Previous Year – Rs. 37.61 Million – considered doubtful)			
<b>3. CASH AND BANK BALANCES</b>			
Cash and Cheques on hand and remittances in transit	46.67		53.80
With Scheduled Banks:			
On Current Account	17.22		9.92
On Deposit Account	7.01		6.46
		<b>70.90</b>	<b>70.18</b>
<b>4. ACCRUED INTEREST</b>		<b>3.97</b>	1.86
<b>5. LOANS AND ADVANCES</b> (Unsecured and considered good unless otherwise stated)			
Advances recoverable in cash or in kind or for value to be received (including Rs. 1.44 Million – Previous Year – Rs. 1.12 Million – considered doubtful)	41.00		47.25
Demand Deposits with Excise and Customs Departments	2.73		1.85
Other Deposits	35.43		39.32
	79.16		88.42
<b>Less:</b> Provision for doubtful advances	1.44		1.12
		<b>77.72</b>	<b>87.30</b>
		<b>870.31</b>	<b>873.22</b>



## SCHEDULES FORMING PART OF THE ACCOUNTS

	(Rs. Million)	As at 31st December, 2003 (Rs. Million)	As at 31st December, 2002 (Rs. Million)
<b>SCHEDULE 8 : CURRENT LIABILITIES &amp; PROVISIONS</b>			
<b>1. LIABILITIES</b>			
Sundry Creditors:			
Due to Small Scale Undertakings	9.47		13.57
Others	415.73		387.90
	<u>425.20</u>		<u>401.47</u>
Trade Deposits	9.60		10.37
Unclaimed Dividend	4.95		3.04
Interest accrued but not due	5.30		9.25
		<u>445.05</u>	<u>424.13</u>
<b>2. PROVISIONS</b>			
Provision for taxation:			
On Income (Net of Advance tax of Rs. 454.90 Million – Previous Year – Rs. 327.29 Million)	29.93		29.05
On Proposed Dividend	11.53		10.64
	<u>41.46</u>		<u>39.69</u>
Proposed Dividend	89.96		83.04
For Contingencies (Refer Schedule 14 Note 3)	44.76		24.10
		<u>176.18</u>	<u>146.83</u>
		<u>621.23</u>	<u>570.96</u>
<b>SCHEDULE 9 : MISCELLANEOUS INCOME</b>			
	(Rs. Million)	For the Year Ended 31st December, 2003 (Rs. Million)	For the Year Ended 31st December, 2002 (Rs. Million)
Agency Commission		2.85	4.32
Interest (Gross):			
From Long term Investments (Non-trade)	4.34		1.42
Others	8.91		18.38
(Tax deducted – Rs. 0.56 Million – Previous Year – Rs. 0.24 Million)		<u>13.25</u>	<u>19.80</u>
Dividends from Investments (Non-trade):			
From Long term Investments	5.00		4.27
From Current Investments	1.77		–
(Tax deducted – Rs. Nil – Previous Year – Rs. 0.32 Million)		<u>6.77</u>	<u>4.27</u>
Sales Tax Refund		4.11	0.79
Service Charges		30.03	21.34
Gain on prepayment of Deferred Sales Tax		28.63	–
Profit on Sale of Investments:			
From Long term Investments	5.87		–
From Current Investments	1.62		5.92
		<u>7.49</u>	<u>5.92</u>
Others		26.39	29.46
		<u>119.52</u>	<u>85.90</u>



## SCHEDULES FORMING PART OF THE ACCOUNTS

	(Rs. Million)	For the Year Ended 31st December, 2003 (Rs. Million)	For the Year Ended 31st December, 2002 (Rs. Million)
<b>SCHEDULE 10 : RAW MATERIALS CONSUMED</b>			
Opening Stock of			
Raw Materials	80.40		85.67
Raw Materials in transit	16.38		26.41
	<u>96.78</u>		<u>112.08</u>
<b>Less:</b> Transfer on Sale of Fused Cast Refractories Business	-		4.85
		<u>96.78</u>	<u>107.23</u>
<b>Add:</b> Purchases		<u>709.97</u>	<u>597.45</u>
		<u>806.75</u>	<u>704.68</u>
<b>Less:</b> Closing Stock of			
Raw Materials	85.98		80.40
Raw Materials in transit	10.71		16.38
		<u>96.69</u>	<u>96.78</u>
		<u>710.06</u>	<u>607.90</u>
<b>SCHEDULE 11 : MANUFACTURING, ADMINISTRATION AND SELLING EXPENSES</b>			
Stores and Spare Parts		101.81	89.93
Salaries, Wages, Bonus and Gratuity		284.97	261.07
Contribution to Provident and other Funds		21.98	27.06
Staff Welfare		35.47	30.68
Power and Fuel (Refer Schedule 14 Note 3)		245.21	212.45
Freight, Octroi and Packing Expenses		144.91	123.60
Repairs and Maintenance:			
Buildings	5.64		8.14
Machinery	30.57		21.27
Others	9.47		10.78
		<u>45.68</u>	<u>40.19</u>
Rent		14.64	16.28
Rates and Taxes		8.64	10.97
Insurance		7.06	6.88
Travelling and Conveyance		40.63	36.72
Commission and Discount on Sales		55.31	48.23
Royalties		19.57	22.03
Loss on assets sold/discarded (Net)		8.52	2.84
Miscellaneous		129.35	101.36
		<u>1,163.75</u>	<u>1,030.29</u>

## SCHEDULES FORMING PART OF THE ACCOUNTS

	(Rs. Million)	For the Year Ended 31st December, 2003 (Rs. Million)	For the Year Ended 31st December, 2002 (Rs. Million)
<b>SCHEDULE 12 : INTEREST</b>			
<b>ON FIXED LOANS</b>			
Banks	0.91		0.14
Debentures	-		18.64
Others	<u>4.84</u>		<u>8.41</u>
		5.75	<u>27.19</u>
<b>ON OTHER LOANS</b>			
Banks	0.22		0.52
Others	<u>1.33</u>		<u>0.58</u>
		1.55	<u>1.10</u>
		<u>7.30</u>	<u>28.29</u>
<b>SCHEDULE 13 : (INCREASE)/DECREASE IN INVENTORY</b>			
Opening Stock of			
Finished Goods:			
Manufactured	86.71		108.55
Trading	14.71		9.71
Work-in-Process	<u>86.78</u>		<u>90.51</u>
	<u>188.20</u>		<u>208.77</u>
<b>Less:</b> Transfer on Sale of Fused Cast Refractories Business	<u>-</u>	188.20	<u>2.86</u>
			<u>205.91</u>
<b>Less:</b> Closing Stock of			
Finished Goods:			
Manufactured	87.81		86.71
Trading	16.01		14.71
Work-in-Process	<u>86.07</u>		<u>86.78</u>
		189.89	<u>188.20</u>
		<u>(1.69)</u>	<u>17.71</u>



## **SCHEDULES FORMING PART OF THE ACCOUNTS**

### **SCHEDULE 14 : NOTES TO ACCOUNTS**

#### **1. Significant Accounting Policies :**

(i) **Method of Accounting :**

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

(ii) **Fixed Assets :**

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

(iii) **Investments :**

(a) Long Term Investments are valued at cost less provision for diminution in value, if the diminution is other than temporary.

(b) Current Investments are stated at lower of cost and fair value.

(iv) **Inventories :**

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

(v) **Debenture Redemption Reserve :**

Adequate amounts are appropriated out of profits from year to year to a Debenture Redemption Reserve Account (DRR), to ensure that the balance in the DRR at the end of a financial year preceding the redemption of debentures is at least equal to 50% of the value of debentures to be redeemed. The amount of reserve created in respect of the debentures redeemed, is transferred from DRR to General Reserve/Profit and Loss Account in the year in which the debentures are redeemed.

(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 or at the forward rate cover and the difference arising on conversion is accounted for in the books of account.

(viii) **Retirement Benefits :**

Retirement Benefits to employees are provided for by contributions to Gratuity and Superannuation Funds under the approved schemes of the Company on actuarial/actual liability basis.

The liability in respect of Leave Encashment benefit on retirement of employees is provided on the basis of actuarial valuation.

(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 Fixed Assets and depreciated on the same basis as other 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) **Deferred Revenue Expenditure :**

Lump sum technical knowhow fees for manufacturing process are amortised over a period of five years.

(xii) **Depreciation :**

(a) Depreciation on cost of assets is provided on Straight line method in accordance with the rates prescribed under Schedule XIV of the Companies Act, 1956, except for Computers & Specific Kilns which are depreciated over 4 years and 5 years respectively, being the estimated useful life of these assets.

(b) Depreciation on revalued amounts is provided on Straight line method based on the residual life of the said assets and adjusted to Revaluation Reserve.

(c) Cost of Leasehold land is amortised over the period of the lease.

(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.

## SCHEDULES FORMING PART OF THE ACCOUNTS

### SCHEDULE 14 : NOTES TO ACCOUNTS (Continued)

2. Contingent liabilities not provided for :
- Guarantees given by Banks – Counter guaranteed by the Company – Rs. 55.78 Million (Previous Year – Rs. 64.58 Million).
  - Channel financing with recourse – Rs. 6.77 Million (Previous Year – Rs. Nil).
  - Claims against the Company not acknowledged as debts – Rs. 89.87 Million (Previous Year – Rs. 68.33 Million).
  - Surety Bond Executed by the Company in favour of the Government of India on behalf of its customer regarding payment of certain statutory dues – Rs. 0.60 Million (Previous Year – Rs. 0.60 Million).
3. Andhra Pradesh Electricity Regulatory Commission vide its Order dated 24th March, 2002, had approved increase in the Power Cost in the nature of “Wheeling Charges”, as proposed by A. P. Transco, effective 1st April, 2002. The Wheeling Charges were proposed to be recovered in cash and by compensation in kind for system losses. The Company had contested the said order in the Honourable Andhra Pradesh High Court. Consequent to the favourable final order passed by the Honourable Andhra Pradesh High Court on 18th April, 2003, allowing the appeal, A. P. Transco has filed a Special Leave Petition in the Honourable Supreme Court. Pending the decision of the Honourable Supreme Court, the Company has, as a matter of abundant caution, during the year, provided the cash component of Wheeling Charges of Rs. 20.66 Million under the head “Power & Fuel”. The cumulative provision of Rs. 44.76 Million provided from April 2002 onwards, has been disclosed as “Provision for Contingencies”.
4. The Company has erected its Silicon Carbide Plant at Tirupati on land in respect of which the transfer formalities have yet to be completed by the Andhra Pradesh State Government. The terms of transfer are under negotiation and the value will be accounted when negotiations are finalised.
5. Future liability in respect of lease rentals (for vehicles), aggregating to Rs. 5.30 Million (Previous Year – Rs. 11.20 Million) will be accounted in subsequent years as and when the same accrues and becomes due as per the terms of the lease agreements.
6. Estimated amount of contracts remaining to be executed on capital account and not provided for – Rs. 4.07 Million (Previous Year – Rs. 7.18 Million).
7. Exchange difference arising on foreign currency transactions amounting to Rs. 5.24 Million (Previous Year – Rs. 3.14 Million) (net loss) has been accounted under respective heads.
8. Deferred Tax :
- The tax effects of significant timing differences that resulted in deferred tax assets and liabilities are :

	2003 (Rs. Million)	2002 (Rs. Million)
Depreciation on Fixed Assets	(103.06)	(107.44)
Provision for Doubtful Debts and Advances	13.92	13.82
Compensation under Voluntary Retirement Schemes	9.42	15.24
Provision for Contingencies	16.06	–
Others	14.33	9.94
<b>Deferred Tax Liability</b>	<b>(49.33)</b>	<b>(68.44)</b>
9. Earnings Per Share :		
Profit after tax as per Profit & Loss Account	204.20	180.45*
Weighted Average number of Equity Shares outstanding	13,840,000	13,840,000
Basic and Diluted Earnings per Share (Rs.)	14.75	13.04
Nominal value of Shares (Rs.)	10	10

\* Including Extraordinary Items

## SCHEDULES FORMING PART OF THE ACCOUNTS

### SCHEDULE 14 : NOTES TO ACCOUNTS (Continued)

10. "Due to Small Scale Undertakings" (to the extent such parties have been identified from available information) include the following parties to whom the Company owes a sum which is outstanding for more than 30 days: Ace Tools and Gauges, Acharya Industries, Algrain Products Pvt. Ltd., Balaji Agency, Carol Petroleum Pvt. Ltd., Creative Engineering Systems, Everest Holovisions Ltd., Jemsons Starch & Derivatives, Maruthi Press Tools, Marvel Thermosets Pvt. Ltd., Mineral Processing Industries, Narayana Printing & Publishing, Prakash Corrugating Industries, Precision Engineering Accessories, Rich Prints, Shankar Machine Tools, Sri Ven Industrial Products, Sri Venkateswara Pattern Works, Sushil Traders and Vijayalakshmi Pattern Works.

	(Rs. Million)	2003 (Rs. Million)	2002 (Rs. Million)
11. Revenue expenditure on Research & Development charged to the Profit and Loss Account during the year		4.11	3.39
12. (i) Managerial remuneration u/s. 198 of the Companies Act, 1956 :			
<b>(a) Managing Director</b>			
Salaries	2.30		2.04
Commission	3.25		2.47
Contribution to Provident Fund & other Funds	0.76		0.67
Perquisites	0.58		0.52
		6.89	5.70
<b>(b) Non-wholetime Directors</b>			
Commission		3.25	2.47
<b>(c) Sitting Fees</b>		0.18	0.02
(ii) Computation of Net Profits in accordance with Section 198 of the Companies Act, 1956, and the commission payable to Directors :			
Profit as per Profit and Loss Account		204.20	180.45
<b>Add :</b>			
Provision for Tax	128.60		83.00
Managerial Remuneration	10.14		8.17
Sitting Fees	0.18		0.02
Provision for Doubtful Debts and Advances	0.06		2.76
Loss on assets sold/discarded (Net)	8.52		2.84
		147.50	96.79
		351.70	277.24
<b>Less :</b>			
Profit on sale of Investments	7.49		5.92
Extraordinary Items	-		20.54
Deferred Tax	19.11		3.58
		26.60	30.04
		325.10	247.20
Commission payable to :			
(a) Managing Director @ 1%		3.25	2.47
(b) Other Directors @ 1%		3.25	2.47
13. Sundry Debtors include amounts due from companies under the same management :			
(a) Saint-Gobain Sekurit India Ltd.		-	1.38
(b) Lincoln Helios (India) Ltd.		-	0.93
(c) Saint-Gobain Glass India Ltd.		0.57	3.47
(d) Saint-Gobain Vetrotex India Ltd.		4.13	3.35
(e) SEPR Refractories India Ltd.		-	0.03
(f) Saint-Gobain Diamant Winter Ltd. (ceased to be a company under the same management w.e.f. 20th October, 2003)		-	0.06

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

	<u>2003</u> <u>(Rs. Million)</u>	<u>2002</u> <u>(Rs. Million)</u>
14. Advances recoverable in cash or in kind include :		
(a) Expenses recoverable from companies under the same management :		
(i) Saint-Gobain Glass India Ltd.	0.58	0.98
Maximum Amount due at any time during the year	1.27	0.98
(ii) Saint-Gobain Sekurit India Ltd.	0.23	0.48
Maximum Amount due at any time during the year	0.98	0.85
(iii) Saint-Gobain Vetrotex India Ltd.	0.02	0.56
Maximum Amount due at any time during the year	0.71	0.59
(iv) Lincoln Helios (India) Ltd.	0.05	0.08
Maximum Amount due at any time during the year	0.11	0.10
(v) Saint-Gobain Crystals & Detectors India Pvt. Ltd.	-	@
Maximum Amount due at any time during the year	@	@
(vi) Saint-Gobain Norpro India Pvt. Ltd.	-	@
Maximum Amount due at any time during the year	@	@
(vii) Saint-Gobain Diamant Winter Ltd.	-	@
Maximum Amount due at any time during the year	-	@
(ceased to be a company under the same management		
w.e.f. 20th October, 2003)		
(b) Loan due from an officer of the Company	0.20	0.25
Maximum Amount due at any time during the year	0.25	0.30
@ Less than Rs. 0.01 Million.		
15. Amounts paid to Auditors :		
(i) Audit Fees	0.65	0.63
(ii) Audit under Other Statutes	0.40	0.39
(iii) Tax representation before Authorities	0.28	0.20
(iv) Certification	0.27	0.20
(v) Reimbursement of Expenses	0.09	0.06

16. I. Value of Raw Materials Consumed :	Unit	2003		2002	
		Quantity	(Rs. Million)	Quantity	(Rs. Million)
(i) Abrasive Grains	Tons	9,721.85	320.96	8,092.58	303.55
(ii) Carbon Materials	Tons	8,204.00	44.38	7,729.00	38.63
(iii) Others			454.45		364.47
II. Value of Imported and Indigenous Materials Consumed :					
		%	(Rs. Million)	%	(Rs. Million)
(i) Imported Raw Materials		40.57	332.60	39.40	278.42
(ii) Indigenous Raw Materials		59.43	487.19	60.60	428.23
(iii) Imported Stores & Spares		0.78	0.80	1.75	1.58
(iv) Indigenous Stores & Spares		99.22	101.01	98.25	88.35

Note: Raw Materials consumed include captive consumption.

## SCHEDULES FORMING PART OF THE ACCOUNTS

### SCHEDULE 14 : NOTES TO ACCOUNTS (Continued)

	2003 (Rs. Million)	2002 (Rs. Million)
17. Value of Imports on CIF Basis :		
(i) Raw Materials	349.26	290.81
(ii) Spare Parts	1.96	5.27
(iii) Capital Goods	3.81	-
(iv) Others	8.70	0.26

18. Quantitative Details :

I. Capacities, Production, Stock and Sales :

Class of Goods	Units	Installed Capacity	Production	Opening Stock	Closing Stock	Sales	
						Quantity	Rs. Million
Bonded Abrasives	Tons	10,700.00 (10,700.00)	7,585.57 (6,973.49)	374.30 (360.30)	394.46 (374.30)	7,565.41 (6,959.49)	1,228.59 (1,147.35)
Coated Abrasives	Sqm. in Million	4.90 (4.90)	1.56 (1.30)	0.11 (0.15)	0.14 (0.11)	1.53 (1.34)	688.24 (549.86)
Abrasive Grains	Tons	5,000.00 (5,000.00)	4,093.92 (3,863.77)	350.42 (507.43)	248.82 (350.42)	4,195.52 (4,020.78)	297.24 (277.09)
Refractories	Tons	1,600.00 (1,600.00)	1,450.43 (1,239.13)	- -	- -	1,450.43 (1,239.13)	171.84 (162.14)
Others							158.96 (110.11)
<b>Total</b>							<b>2,544.87</b> (2,246.55)

II. Notes:

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

	2003 (Rs. Million)	2002 (Rs. Million)
19. Expenditure in Foreign Currency :		
(i) Export Sales Commission	1.11	1.64
(ii) Foreign Travel	4.09	2.49
(iii) Royalties	19.57	22.03
(iv) Others	0.53	0.61
20. Amount remitted in Foreign Currency on account of :		
Dividend	42.62	21.31
Number of Non-Resident Shareholders	2	2
Number of Shares held	7,103,500	7,103,500
Year to which Dividend relates	2002	2001
21. Earnings in Foreign Exchange :		
(i) Exports of goods on FOB Basis	212.53	157.02
(ii) Freight on Exports	3.96	3.00
(iii) Insurance on Exports	0.01	1.16
(iv) Commission	2.85	2.40
(v) Export of services	24.40	2.26
(vi) Other Income	0.09	-



## SCHEDULES FORMING PART OF THE ACCOUNTS

### SCHEDULE 14 : NOTES TO ACCOUNTS (Continued)

#### 22. Related Party Disclosure :

1. Relationships :

(i) **HOLDING COMPANY :**

Compagnie de Saint-Gobain, through its two subsidiaries :

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

(ii) **ASSOCIATE COMPANIES :**

ABC Super Abrasives, USA; Flexovit Abrasives (Australia) Pty. Ltd.; Hangzhou Saint-Gobain Vetrotex Fibre Glass Co. Ltd., China; Kure-Norton Company Ltd., Japan; Lincoln Helios (India) Limited; Norton Co. Superabrasives, USA; Norton Company, Arden; Norton Company, Worcester, USA; Norton Construction Products, USA; Norton Proppants, USA; Obeikan Saint-Gobain Co. Ltd., Saudi Arabia; PT Saint-Gobain Norton Hampas, Indonesia; PT Saint-Gobain Winter Dianas, Indonesia; Saint-Gobain Abrasifs, Maroc, Morocco; Saint-Gobain Ceramics & Plastics, Norway; Saint-Gobain Crystals & Detectors India Pvt. Ltd.; Saint-Gobain Abrasifs, France; Saint-Gobain Abrasive International Trading Shanghai Co. Ltd., China; Saint-Gobain Abrasives (Australia) Pty. Ltd.; Saint-Gobain Abrasives (Pty.) Ltd., South Africa; Saint-Gobain Abrasives (Shanghai) Co. Ltd., China; Saint-Gobain Abrasives (Singapore) Pte. Ltd.; Saint-Gobain Abrasives AB, Sweden; Saint-Gobain Abrasives BV, Netherlands; Saint-Gobain Abrasives Canada Inc.; Saint-Gobain Abrasives GmbH, Germany; Saint-Gobain Abrasives Inc., Pharr; Saint-Gobain Abrasives Inter, Hong Kong; Saint-Gobain Abrasives Ltd., Gloucestershire, U.K.; Saint-Gobain Abrasives Ltd., New Zealand; Saint-Gobain Abrasives Ltd., Strafford, UK; Saint-Gobain Abrasives Ltd., Welwyn, UK; Saint-Gobain Abrasives SA, Poland; Saint-Gobain Abrasives Troy, USA; Saint-Gobain Abrasives Water Vilet, USA; Saint-Gobain Abrasivex B.V.Born, Netherlands; Saint-Gobain Abrasivi S.p.A., Italy; Saint-Gobain Abrasivos Ltda., Brazil; Saint-Gobain Abrasivos S.A., Spain; Saint-Gobain Ceramic Material (Lianyungang) Co., China; Saint-Gobain Ceramic Material, Kuppenheim, Germany; Saint-Gobain Ceramic Materials A.S., Norway; Saint-Gobain Ceramic Materials, Korea; Saint-Gobain Ceramics & Plastics Inc., Worcester, USA; Saint-Gobain Ceramics & Plastics, France; Saint-Gobain Ceramics Industriales SA, Spain; Saint-Gobain Daimantwerkzeuge GmbH & Co. KG, Germany; Saint-Gobain Delegate Office, India; Saint-Gobain Diamant Winter Ltd., Greece; Saint-Gobain Diamant Winter Ltd., India; Saint-Gobain Diamant Winter SA (Pty.) Ltd., South Africa; Saint-Gobain Gelva BV, Holland; Saint-Gobain Glass India Limited; Saint-Gobain Industrial Ceramics Limited, England; Saint-Gobain Industrial Ceramics, USA; Saint-Gobain Sekurit India Limited; Saint-Gobain Seva, France; Saint-Gobain Tevesa S.A., Spain; Saint-Gobain Universal Abrasives, Inc., USA; Saint-Gobain Vetrotex India Ltd.; Saint-Gobain Weber Building Solutions, Germany; Santa Marina, Brazil; SEPR Refractories India Limited; SEPR, Cedex, France; SGA Int'l Trading HK Ltd., Hong Kong; L. M. Van Moppes Diamond Tools (India) Pvt. Ltd.; Zhengzhou Saint-Gobain W.D.C.M. Co. Ltd., China.

(iii) **KEY MANAGEMENT PERSONNEL :**

A. Y. Mahajan – Managing Director

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

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

(Rs. Million)

	Particulars	Holding Company		Associate Companies	
		2003	2002	2003	2002
1	Sales	2.18	0.84	94.92	76.09
2	Agency Commission received	-	-	1.52	1.91
3	Interest received	-	-	-	0.14
4	Dividend received	-	-	5.00	2.96
5	Service Income	-	-	29.45	4.62
6	Other Income	-	-	6.83	8.93
7	Sale of Fused Cast Refractories Business	-	-	-	68.63
8	Purchase of Goods	1.35	0.40	141.97	113.60
9	Expenses charged to other companies	-	-	4.64	3.99
10	Expenses charged by other companies	-	-	3.22	1.88
11	Royalty paid	18.11	17.72	1.46	4.31
12	Purchase/Transfer of Fixed Assets	-	-	1.03	0.34
13	Deposit given	-	-	-	8.38
14	Deposit refund received	-	-	-	10.85
15	Deposit taken	-	-	1.13	0.34
16	Outstanding receivables, (net of payables)	(14.91)	(15.39)	15.02	14.29
17	Outstanding deposits	-	-	8.98	7.85

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

	2003	2002
Remuneration	6.89	5.70

## SCHEDULES FORMING PART OF THE ACCOUNTS

### SCHEDULE 14 : NOTES TO ACCOUNTS (Continued)

#### 23. Segment Reporting :

##### Information about Business Segments

(Rs. Million)

Abrasives		Ceramics & Plastics		Others		Unallocated		Total	
2003	2002	2003	2002	2003	2002	2003	2002	2003	2002

#### Revenue

Segment Revenue	1,738.80	1,527.48	529.26	483.10	47.98	27.27	-	-	2,316.04	2,037.85
Less: Inter-segment sales	-	-	(70.35)	(62.87)	-	-	-	-	(70.35)	(62.87)
<b>Net Sales</b>	<b>1,738.80</b>	<b>1,527.48</b>	<b>458.91</b>	<b>420.23</b>	<b>47.98</b>	<b>27.27</b>	<b>-</b>	<b>-</b>	<b>2,245.69</b>	<b>1,974.98</b>

#### Result

<b>Segment Result</b>	<b>205.26</b>	163.27	<b>81.48</b>	84.09	<b>3.31</b>	(2.98)	-	-	<b>290.05</b>	244.38
Unallocated Income/ (Expenditure) - (Net)							3.43	(6.75)	3.43	(6.75)
Interest Expenses							(7.30)	(28.29)	(7.30)	(28.29)
Interest Income							13.25	19.80	13.25	19.80
Dividend Income							6.77	4.27	6.77	4.27
Profit on sale of Investments							7.49	5.92	7.49	5.92
<b>Profit before Tax and Extraordinary Items</b>									<b>313.69</b>	239.33
Extraordinary Items							-	20.54	-	20.54
<b>Profit before Tax</b>									<b>313.69</b>	259.87
Provision for Tax (Including Deferred Tax)							(109.49)	(79.42)	(109.49)	(79.42)
<b>Profit after Tax</b>									<b>204.20</b>	180.45

#### Other Information

Total assets (gross)	1,133.63	1,146.93	299.31	305.52	32.61	21.14	676.88	584.06	2,142.43	2,057.65
Less : Revaluation Reserve	(28.73)	(29.88)	(23.78)	(24.44)	-	-	-	-	(52.51)	(54.32)
Net assets	1,104.90	1,117.05	275.53	281.08	32.61	21.14	676.88	584.06	2,089.92	2,003.33
Total liabilities	303.30	303.04	121.96	96.85	17.26	3.91	265.05	319.89	707.57	723.69
Capital Expenditure	53.43	30.77	14.00	12.16	1.00	0.05	2.68	5.31	71.11	48.29
Depreciation	53.27	52.63	9.41	11.24	0.02	0.04	2.06	1.34	64.76	65.25
Non-cash expenses other than depreciation	0.94	1.78	-	-	-	-	-	-	0.94	1.78

#### 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 financing reporting systems.

- (ii) The Segment revenue in each of the above business segments consists of sales (net of returns, excise duty, sales tax, rebates etc.).
- (iii) Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segments and amounts allocated on a reasonable basis.
- (iv) Segment results are net of corporate overheads aggregating to Rs. 49.13 Million (Previous Year – Rs. 49.29 Million), allocated on a reasonable basis.

## SCHEDULES FORMING PART OF THE ACCOUNTS

### SCHEDULE 14 : NOTES TO ACCOUNTS (Continued)

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

**Balance Sheet Abstract for the Year Ended 31st December, 2003 and Company's General Business Profile**

**I. REGISTRATION DETAILS**

Registration No.	:	8163
State Code	:	11
Balance Sheet Date	:	31-12-2003

(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	:	1521200
Total Assets	:	1521200

**SOURCES OF FUNDS**

Paid-up Capital	:	138400
Reserves & Surplus	:	1296457
Secured Loans	:	7675
Unsecured Loans	:	29342
Deferred Tax	:	49326

**APPLICATION OF FUNDS**

Net Fixed Assets	:	633099
Investments	:	639019
Net Current Assets	:	249082
Misc. Expenditure	:	NIL
Accumulated Losses	:	NIL

**IV. PERFORMANCE OF COMPANY**

Turnover (includes Miscellaneous Income)	:	2365202
Total Expenditure	:	2051515
Profit Before Tax	:	313687
Profit After Tax	:	204197
Earning per Share in Rs.	:	14.75
Dividend Rate %	:	65%

**V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF 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

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

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER, 2003

	(Rs. Million)	2003 (Rs. Million)	(Rs. Million)	2002 (Rs. Million)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>				
Profit before Tax and Extraordinary Items		313.69		239.33
<b>Adjustments for :</b>				
Technical Knowhow Fees Written off	0.94		1.78	
Depreciation	64.76		65.25	
Unrealised Foreign Exchange Loss (Net)	0.51		1.12	
Loss on Sale of Fixed Assets	8.52		2.84	
Profit on Sale of Investments	(7.49)		(5.92)	
Dividend Received	(6.77)		(4.27)	
Gain on Prepayment of Deferred Sales Tax	(28.63)		-	
Diminution in value of Long Term Investments	(0.21)		0.21	
Interest (Net)	(5.95)	25.68	8.49	69.50
<b>Operating Profit Before Working Capital Changes</b>		<b>339.37</b>		<b>308.83</b>
<b>Adjustments for :</b>				
Trade and other Receivables	10.55		(29.41)	
Inventories	(4.33)		27.79	
Trade and other Payables	43.94	50.16	62.16	60.54
<b>Cash Generated from Operations</b>		<b>389.53</b>		<b>369.37</b>
Direct Taxes Paid	(133.66)		(90.94)	
Tax Refund	6.05	(127.61)	3.77	(87.17)
<b>Cash Flow before Extraordinary Items</b>		<b>261.92</b>		<b>282.20</b>
Compensation under Voluntary Retirement Schemes	-		(6.55)	
Sale of Fused Cast Refractories Business	-	-	68.63	62.08
<b>Net Cash from Operating Activities</b>		<b>261.92</b>		<b>344.28</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>				
Purchase of Fixed Assets	(72.53)		(52.50)	
Sale of Fixed Assets	0.19		2.17	
Proceeds of Sale of Investments	1,290.02		345.92	
Purchase of Investments	(1,258.80)		(485.75)	
Interest Received	11.14		18.60	
Dividend Received	6.77		4.27	
<b>Net Cash used in Investing Activities</b>		<b>(23.21)</b>		<b>(167.29)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>				
Net (decrease) in Borrowing	(19.51)		(19.44)	
Interest	(11.25)		(25.73)	
Redemption of Debentures	-		(100.00)	
Dividends Paid	(81.13)		(39.56)	
Tax on Dividend	(10.64)		-	
<b>Net Cash used in Financing Activities</b>		<b>(122.53)</b>		<b>(184.73)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>116.18</b>		<b>(7.74)</b>
<b>CASH AND CASH EQUIVALENTS OPENING BALANCE</b>				
Cash and Bank Balances	70.18		60.27	
Cash Credit Accounts	(6.81)		(8.49)	
Cash Equivalents (Investments in Current Securities)	47.10	110.47	66.43	118.21
<b>CASH AND CASH EQUIVALENTS CLOSING BALANCE</b>				
Cash and Bank Balances	70.90		70.18	
Cash Credit Accounts	(7.67)		(6.81)	
Cash Equivalents (Investments in Current Securities)	163.42	226.65	47.10	110.47
		<b>116.18</b>		<b>(7.74)</b>

NOTES: 1. The Company has undrawn borrowing facilities amounting to Rs. 252.33 Million (Previous Year – Rs. 253.19 Million).  
2. Previous Year's figures have been regrouped to conform with the current year's presentation.

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

E. K. IRANI  
Partner  
Mumbai: 3rd March, 2004

S. M. MANDKE  
Secretary

A. C. CHAKRABORTTI  
A. Y. MAHAJAN  
N. D. SIDHVA  
D. S. VARIAVA  
R. K. BILIMORIA

Vice-Chairman  
Managing Director

Directors

Mumbai: 3rd March, 2004