



BOARD'S REPORT

Dear Members,

Your Directors present the 68th Annual Report of the Company along with the audited financial statements for the year ended March 31, 2018.

FINANCIAL HIGHLIGHTS

(₹ crores)

	Standalone		Consolidated	
	2017-18	2016-17	2017-18	2016-17
Sale of Products (Gross)	1329.92	1259.43	1355.48	1286.16
Service & Other Operating Income	127.28	110.38	125.25	108.49
Less: Excise Duty	(22.81)	(100.44)	(22.81)	(100.44)
Revenue from Operations	1434.39	1269.37	1457.92	1294.21
Operating Profit	223.16	173.85	229.00	181.72
Interest	1.05	1.10	1.53	2.00
Profit before Tax	222.11	172.75	227.47	179.72
Provision for Tax	74.95	56.74	76.58	58.83
Profit for the year	147.16	116.01	150.89	120.89
Other Comprehensive Income	(0.14)	10.46	(0.14)	10.51
Total Comprehensive Income for the year	147.02	126.47	150.75	131.40
Less: Share of Minority Interest	-	-	(1.14)	(1.49)
Total Comprehensive Income attributable to owners	147.02	126.47	149.61	129.91

The Company proposes to transfer an amount of ₹ 7.36 crores to General Reserve. An amount of ₹ 139.66 crores is proposed to be retained in the Statement of Profit and Loss.

DIVIDEND

Your Directors are pleased to recommend for approval of the Members a dividend of ₹ 5/- per equity share of face value of ₹ 5/- (Rupees five only) each for the financial year ended March 31, 2018. The dividend on equity shares, if approved by the Members, would involve a cash outflow of ₹ 66.74 crores, including dividend tax, as against the cash outflow of ₹ 53.31 crores in the previous year.

OPERATIONS

The uncertainty caused by the implementation of the Goods and Services Tax ("GST") adversely impacted growth in the first half of the fiscal year. The new Index for Industrial Production ("IIP") which was released in April 2017, where the base year was 2011-12 and the basket of goods has been changed to make it more representative, witnessed low growth between April and October (average of ~2.5%). Since then, however, growth has been strong. The significant increase from November onwards is partly on account of a low base, partly on account of re-stocking of the channel inventories post-GST and partly on account of a partial revival led by the auto sector. While growth increased, inflation and the exchange rate remained relatively stable. On the other hand, investment in the economy remained at a record low level. Reflecting this, your Company's revenue from operations and operating profit increased by 12.6% and 25.9% respectively over the previous year.

- **Abrasives**

After witnessing barely any growth in the first half, the Abrasives business bounced back in the second half and delivered double-digit growth. This was partly on account of higher level of industrial activity and partly on account of re-stocking of the channel inventories post-GST. Meanwhile, the business continued to focus on new products and new markets. Overall in 2017-18, sales of the Abrasives business grew by 8.1%. Most of this growth was on account of volumes, which led to an increase of 10.5% in operating profits, while the operating margin remained at the same level.

- **Ceramics & Plastics**

After facing severe headwinds for a few year (excess global supply and low prices), the worst seems to be over for the Silicon Carbide business, which witnessed growth in sales and operating profits, albeit on a low base. The Tirupati plant benefited from improved availability of power in the first half of the year. The High Performance Refractories business witnessed strong growth in domestic sales and even stronger growth in exports. Overall, the business delivered higher sales and profits. The Performance Plastic business had an excellent year with sales and profits growing significantly. The ADFORS business was stable. Overall in 2017-18, sales and operating profit of the Ceramics & Plastics businesses grew by 21% and 67% respectively over the previous year.

- **Others**

The “Others” segment includes INDEC (the captive IT Development Centre that provides services to the Saint-Gobain Group globally), the Projects division and a Trading division (that primarily trades in roofing and siding products of CetainTeed Corporation, USA, an affiliate of your Company). All these activities witnessed an increase in revenues and profits in 2017-18.

SUBSIDIARY COMPANY

The Company has one subsidiary in Bhutan, Saint-Gobain Ceramic Materials Bhutan Private Limited. In terms of sub-regulation (1) (c) of Regulation 16 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), it is not a material subsidiary.

The operations of your Company’s subsidiary in Bhutan were stable. In accordance with Section 129 (3) of the Companies Act, 2013 (“Act”) and Rule 5 of the Companies (Accounts) Rules, 2014 and relevant Accounting Standards (“AS”), the Company has prepared consolidated financial statements of the Company and its subsidiary Company, which forms part of the Annual Report. A statement in Form AOC-1 containing salient features of the financial statements of the subsidiary Company is also included in the Annual Report. In accordance with the provisions of Section 136(1) of the Act, the Annual Report of the Company, containing therein the standalone and consolidated financial statements and audited financial statements of the subsidiary has been placed on the website of the Company, www.grindwellnorton.co.in. Shareholders interested in obtaining a copy of the audited financial statements of the subsidiary may write to the Company Secretary at the Company’s Registered Office.

FUTURE PROSPECTS

While the long term outlook for the Indian economy remains very positive, the short term outlook is somewhat uncertain. The last few months have witnessed higher growth, but it is far from clear that this higher growth rate will be sustained. Investment demand remains low. Bank balance sheets remain stressed. Global oil prices have risen. The Goods and Services Tax remains a work-in-process. Having said that, there are several positives: there are signs that capacity utilization is increasing and the investment cycle will revive, inflation is expected to remain low and the Rupee is expected to depreciate gradually, exports have resumed growth. In the balance, there is a greater likelihood of higher industrial growth in the new fiscal. Your Company’s management will continue to focus on new products, new markets and exports to sustain growth even as it implements plans to improve productivity across its businesses. More important, your Company’s businesses are facing severe pressures on account of rising input costs (mainly, raw materials and energy) and, as such, increasing prices in 2018-19 will be an overarching priority.

MATERIAL CHANGES AND COMMITMENTS AFTER THE END OF FINANCIAL YEAR

There have been no material changes or commitments, affecting the financial position of the Company, which have occurred between the end of the financial year and the date of the Report.



PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The particulars of loans, guarantees and investments have been disclosed in the financial statements.

HUMAN RESOURCES

Employee relations were cordial and productive at all sites of your Company. At the end of the financial year, there were 1820 employees. During the year a new productivity enhancing wage agreement was concluded with the workers' union at Mora. Your Directors place on record their appreciation for the contribution made by all employees in the progress of your Company.

The Company follows the best practices in hiring and on-boarding of employees. The Company adopts a fair and transparent performance evaluation process. In order to improve organizational efficiency and employee engagement, various change initiatives were undertaken during the year. To ensure this and also to improve skill levels, employees participate in various training programmes and complete mandatory e-learning courses. One important initiative launched during the year was the adoption of Saint-Gobain Attitudes.

Your Company is committed to create and sustain a positive workplace environment, free from discrimination and harassment of any nature. The Company believes that all employees have a right to be treated with respect and dignity and has zero tolerance towards violations of its Code of Conduct, in general, and its sexual harassment policy, in particular. During the year, the Company received one complaint of sexual harassment and the same has been resolved by taking appropriate action.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO AND ENVIRONMENT

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Act and read with Rule 8 of the Companies (Accounts) Rules, 2014, is set out in the Annexure 1 to this Report.

Your Company is committed to ensure a clean and green, pollution-free environment as well as a safe and healthy work place at all plant locations and work sites. Your Company strictly abides by the Saint-Gobain Group's Environment, Health and Safety Charter and the policies and procedures framed under it. All the plants of your Company are certified under ISO 9001, ISO 14001 and OHSAS 18001. These certifications and various awards are recognition of the efforts made and results achieved by your Company in improving the Environment, Health and Safety at all its work sites.

PARTICULARS OF EMPLOYEES

Disclosures pertaining to remuneration and other details as required under Section 197 of the Act read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed as Annexure 2(A) to this Report.

The Statement containing names of top ten employees in terms of remuneration drawn and the particulars of employees as required under Section 197(12) of the Act read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided in a Annexure 2(B) forming part of this Report. Further, the Annual Report is being sent to the Members excluding the aforesaid Annexure 2(B). In terms of Section 136 of the Act, the said Annexure is open for inspection at the Registered Office of the Company. Any Member interested in obtaining copy of the same may write to the Company Secretary. The full Annual Report including the aforementioned information is available on the website of the Company, www.grindwellnorton.co.in.

PUBLIC DEPOSITS

The Company has not accepted any public deposits and, as such, no amount on account of principal or interest on public deposits was outstanding as on the date of the balance sheet.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

In terms of the provisions of the Act, Mr. Pradip Shah, Mr. Keki M. Elavia and Mr. Shivanand Salgaocar have been appointed as Independent Directors at the Annual General Meeting ("AGM") held on July 23, 2014 for a term of five (5) consecutive years commencing from July 23, 2014. They have submitted a declaration that each of them meet the criteria of independence as provided in Section 149 (6) of the Act and Regulation 16(1) (b) of the Listing Regulations. There has been no change in circumstances affecting their status as an Independent Director during the year.

Due to other professional commitments, Mr. Jean-Pierre Floris resigned as a member of the Board with effect from December 7, 2017. The Directors place on record their appreciation for the valuable contribution made by him during his long tenure as a Director of your Company.

In accordance with the Act and the Articles of Association of the Company, Ms. Marie-Armelle Chupin, Director, retires by rotation and, being eligible, has offered herself for re-appointment. The Board recommends the re-appointment of Ms. Marie-Armelle Chupin. Her brief profile and her experience is disclosed in the Notice convening the AGM.

Pursuant to Section 203 of the Act, the Key Managerial Personnel of the Company are: Mr. Anand Mahajan, Managing Director, Mr. Krishna Prasad, Executive, Alternate Director to Ms. Marie-Armelle Chupin, w.e.f. May 23, 2017, Mr. Deepak Chindarkar, Chief Financial Officer and Mr. K. Visweswaran, Company Secretary. During the year, there has been no change in the Key Managerial Personnel.

None of the Directors or Key Managerial Personnel has any pecuniary relationships or transactions with the Company, other than salaries, commission, sitting fees and reimbursement of expenses incurred by them for the purpose of attending meetings of the Company.

FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS

The purpose of the programme is aimed to familiarise the Independent Directors with the Company the nature of the industry in which the Company operates and the business model of the Company. The details of the familiarisation programme imparted to the Independent Directors are available on the Company's website at www.grindwellnorton.co.in/investor-information. The Independent Directors are regularly briefed with respect to the developments that are taking place in the Company and its operations.

NUMBER OF MEETINGS OF THE BOARD

The Board meets at regular intervals to review the Company's businesses and to discuss strategy and plans. A tentative annual calendar of meetings is circulated to the Directors in advance to enable them to plan their schedule and to ensure effective participation.

During the year, five board meetings were held and one meeting of Independent Directors was also held. The maximum interval between the board meetings did not exceed the period prescribed under the Act and the Listing Regulations.

COMMITTEES OF THE BOARD

During the year, in accordance with the Act and Regulation 18 to 21 of the Listing Regulations, the Board has constituted or reconstituted its Committees. Currently, the Board has the following Committees:

- Audit Committee
- Nomination and Remuneration Committee
- Stakeholders Relationship Committee
- Corporate Social Responsibility Committee
- Risk Management Committee
- Share Transfer Committee

Details of the Committees, their constitution, meetings and other details are provided in the Corporate Governance Report.

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained, your Directors make the following statements in terms of Section 134 of the Act:

- i. that in the preparation of the annual financial statements for the year ended on March 31, 2018, the applicable accounting standards have been followed along with proper explanations relating to material departures, if any;
- ii. that such accounting policies have been selected and applied consistently and judgments and estimates have been made, that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year on March 31, 2018, and of the profit of the Company for the year ended on that date;
- iii. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;



- iv. that the annual financial statements have been prepared on a 'going concern' basis;
- v. that proper internal financial controls are in place and that such internal financial controls are adequate and are operating effectively;
- vi. that proper systems to ensure compliance with the provisions of all applicable laws are in place and that such systems are adequate and are operating effectively.

With reference to the point number (v), the Board believes the Company has sound Internal Financial Controls ("IFC") commensurate with the nature and size of its business. However, business is dynamic and the IFC are not static, and evolve over time as the business, technology and fraud environment changes in response to competition, industry practices, legislation, regulation and current economic conditions. There will, therefore, be gaps in the IFC as business evolves. The Company has a process in place to continuously identify such gaps and implement newer and/or improved controls wherever the effect of such gaps would have a material effect on the Company's operations.

DISCLOSURE ON CONFIRMATION WITH THE SECRETARIAL STANDARDS

Your Company has devised proper systems to ensure compliance with the provisions of all applicable Secretarial Standards issued by The Institute of Company Secretaries of India and that such systems are adequate and operating effectively.

DIRECTORS' APPOINTMENT AND REMUNERATION

The Nomination and Remuneration Committee has laid down the criteria for Directors' appointment and remuneration. These are set out in the Nomination and Remuneration Policy which is annexed as Annexure 3 to this Report.

ANNUAL EVALUATION OF PERFORMANCE BY THE BOARD

The Board, on the recommendation of the Nomination and Remuneration Committee, has adopted a framework for performance evaluation of the Board, its committees, individual directors and the chairperson through a survey questionnaire. The survey questionnaire broadly covers various aspects of board functioning, composition of Board and its committees, culture, execution and performance of specific duties, obligation and governance. The performance of the Board, its committees, individual directors and chairperson were reviewed by the Board and Nomination and Remuneration Committee. The independent directors evaluated the performance of non-independent directors, chairperson and Board as a whole.

RELATED PARTY TRANSACTIONS

All related party transactions entered during the financial year were in the ordinary course of business and on an arm's length basis. During the year, the Company has not entered into any contract/arrangement/transaction with related parties which would be considered material as prescribed under the Act and Regulation 23 of the Listing Regulations.

Prior approval of the Audit Committee is obtained for all related party transactions. The Audit Committee monitors, on a quarterly basis, the related party transactions entered vis-à-vis the related party transactions approved by the Audit Committee.

The policy on related party transactions, as approved by the Board, is available on the website of the Company, www.grindwellnorton.co.in. There are no transactions that are required to be reported in Form AOC-2.

The details of the transactions with related parties are provided in the accompanying financial statements.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

It is your Company's belief that its primary goal is to serve the needs of its customers and, in the process of doing so, to generate employment, livelihood and income for all its stakeholders (suppliers, vendors, service providers, employees, lenders, shareholders etc.) and, at the same time, to contribute to the revenues of the Government. Further, it is your Company's belief that by pursuing its primary goal and by ensuring that its business practices meet the highest standards of corporate governance and ethics, it best fulfills its obligations and responsibility to the society. Against the backdrop of this belief, your Company is committed to implement the agenda set out in its CSR policy. The CSR policy and initiatives taken during the year, in the format prescribed under the Companies (Corporate Social Responsibility Policy) Rules, 2014, are set out in Annexure 4 to this Report. In accordance with Section 135 of the Act, a Corporate Social Responsibility Committee of the Board, having an Independent Chair, has been

constituted to monitor the CSR policy and programs. The amount spent on eligible CSR activity for the financial year 2017-18 was around 0.64% of the average profit of the Company during the three immediately preceding financial years.

DIVIDEND DISTRIBUTION POLICY

Dividend Distribution Policy of the Company as required under the Listing Regulations was adopted to set out the parameters and the circumstances that will be taken into account by the Board in determining the distribution of dividend to its shareholders. The policy is annexed as Annexure 5 to this Report and is also available on the Company's website at www.grindwellnorton.co.in.

RISK MANAGEMENT POLICY AND INTERNAL FINANCIAL CONTROLS

Your Company recognises that managing risk is an integral part of the good management practice and an essential element of good corporate governance. It aims to have a common, formalised and systematic approach for managing risk and implementing a risk management process across the Company. The intent of the policy is to ensure the effective communication and management of risk across all risk categories. The Company has identified elements of risk, which may threaten the existence and financial position of the Company, which are set out in the Management Discussion and Analysis Report.

The Company's Internal Financial Control systems are commensurate with the nature of its business, financial statements and the size and complexity of its operations. These are routinely tested and certified by the Statutory as well as Internal Auditors. Significant audit observations and follow up actions thereon are reported to the Audit Committee.

WHISTLE BLOWER POLICY AND VIGIL MECHANISM

Your Company has adopted and disseminated its Whistle Blower Policy to provide a secure environment and encourage employees to report unethical, unlawful or improper practices, acts or activities and to prohibit any adverse personnel action against those who report such practices, acts or activities, in good faith.

The Whistle Blower Policy is available on the website of the Company, www.grindwellnorton.co.in.

AUDITORS

a. Statutory Auditors

M/s. Price Waterhouse Chartered Accountants LLP (Firm Registration No. 012754N/N500016) were appointed as Statutory Auditors of your Company at the 67th AGM of the Company held on July 26, 2017 till the conclusion of the 72nd AGM of the Company to be held in the year 2022. As per provisions of the Section 139 of the Act, the appointment of Auditors is required to be ratified by the Members at every AGM.

In accordance with the Companies Amendment Act, 2017, enforced on May 7, 2018, by the Ministry of Corporate Affairs, the appointment of Statutory Auditors is not required to be ratified at every AGM.

b. Cost Auditor

In accordance with Section 148 of the Act and Rules framed thereunder, the cost audit records are maintained by the Company in respect of the products which are required to be audited. Your Directors, on recommendation of the Audit Committee, appointed M/s. Rao, Murthy & Associates, Cost Accountants (Firm Registration No. 000065), to conduct the audit of the cost records maintained by the Company for the financial year ending March 31, 2019. M/s. Rao, Murthy & Associates, Cost Accountants, have, under Section 139(1) of the Act and the Rules framed thereunder furnished a certificate of their eligibility and consent for appointment.

In accordance with the provisions of Section 148(3) of the Act read with Rule 14 of the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditor as recommended by the Audit Committee and approved by the Board has to be ratified by the Members of the Company. Accordingly, an appropriate resolution forms part of the Notice convening the AGM. The Board seeks your support in approving the proposed remuneration of ₹ 2,00,000/- (Rupees two lakhs only) plus taxes and out of pocket expenses at actuals payable to the Cost Auditor for the financial year ending March 31, 2019.

M/s. Rao, Murthy & Associates, Cost Accountants, have vast experience in the field of cost audit and have conducted the audit of the cost records of the Company for the past several years.

**c. Secretarial Auditor**

In accordance with Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s. Parikh & Associates, Company Secretaries, to undertake the Secretarial Audit of the Company for the financial year ended March 31, 2018. The Secretarial Audit Report for the financial year ended March 31, 2018 in Form No. MR-3 is set out in Annexure 6 of this Report.

The Board has also appointed M/s. Parikh & Associates, Company Secretaries as Secretarial Auditor to conduct Secretarial Audit of the Company for the financial year 2018-19.

COMMENTS ON AUDITORS' REPORT

There are no qualifications, reservations or adverse remarks or disclaimers made by M/s. Price Waterhouse Chartered Accountants LLP, Statutory Auditors, in their Auditors' Report and by M/s. Parikh & Associates, Secretarial Auditor, in their Secretarial Audit Report.

The Auditors have not reported any incident of fraud to the Audit Committee of the Company in the year under review.

EXTRACT OF ANNUAL RETURN

The extract of annual return in Form No. MGT-9 is attached as Annexure 7 to this Report. The extract of annual return is also available on the Company's website, www.grindwellnorton.co.in.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT AND CORPORATE GOVERNANCE REPORT

As per Regulation 34, Schedule V of the Listing Regulations, the Corporate Governance Report with the Practising Company Secretaries' Certificate thereon and the Management Discussion and Analysis Report are annexed and forms part of this Report.

BUSINESS RESPONSIBILITY REPORT

In compliance with Regulations 34 of the Listing Regulations, a Business Responsibility Report is annexed as part of this Report.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

There has been no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status of the Company's operations in the future.

ACKNOWLEDGEMENTS

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

For and on behalf of the Board of Directors

PRADIP SHAH
Chairman

ANAND MAHAJAN
Managing Director

Mumbai, May 30, 2018