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HIGHLIGHTS 2008-09

Even in this challenging economic period, Crompton Greaves has, through its steely determination delivered a creditable increase in growth rates - systematically accomplishing much higher consolidated revenues, thus creating greater shareholder value.

NEW PRODUCTS AND SOLUTIONS

CG Power is well placed to leverage the significant anticipated increase in demand from the power and infrastructure sector and is progressively making its presence felt in new product and solution segments, with its increasing abilities, to implement an integrated solutions portfolio.

ACQUISITIONS TO WIDEN BASE

Acquisitions of USA based MSE Power Systems Group and France based Sonomatra have widened the Company's capabilities of offering end-to-end smart power solutions. Acquisition of MSE Power Systems will increase the Company's strength as a systems integrator for EPM business in the important Renewable Energy arena. The Sonomatra acquisition will enhance the Company's Service domain.

POWER GENERATION

Viewing power generation as a strategic opportunity for future growth, the Company has decided to expand its presence in this high growth sector, by acquiring a strategic stake in Avantha Power & Infrastructure Limited, which presented an attractive business opportunity.

INDUSTRIAL SYSTEMS

Even in the wake of adverse market conditions, the Industrial Systems business has maintained its growth and profitability, through marketing, supply chain and capital management initiatives.

CONSUMER PRODUCTS

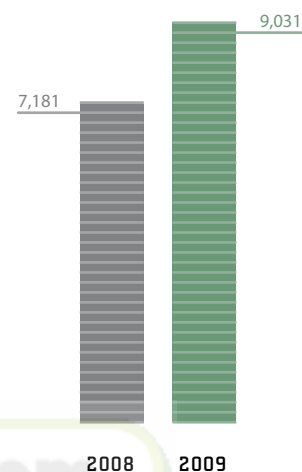
The Consumer Products business has delivered commendable performance this year, outperforming the market. It is the Company's most significant cash generator.

REVENUE

IN RS. CRORE

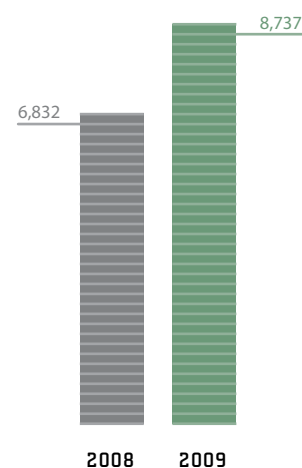
26↑
PER CENT

OPERATING
REVENUE



28↑
PER CENT

NET SALES
& SERVICES



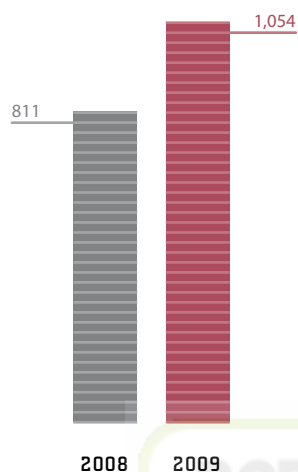
EARNINGS

IN RS. CRORE

30↑
PER CENT

EBIDTA

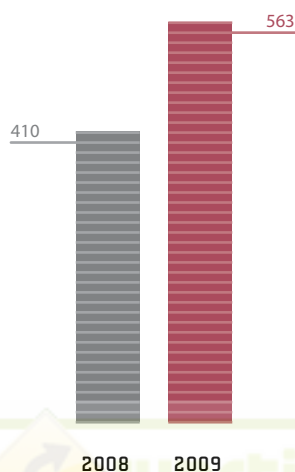
EARNINGS BEFORE INTEREST,
DEPRECIATION, TAX AND
AMORTISATION



37↑
PER CENT

PAT

PROFIT AFTER TAX



RETURNS

PER CENT

4.6↑
PER CENT
POINTS

ROCE

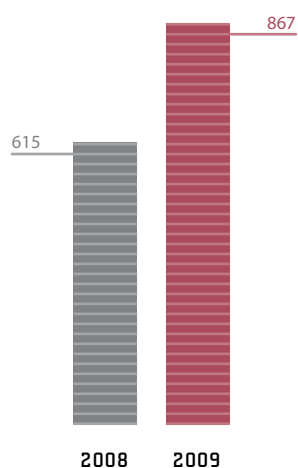
RETURN ON CAPITAL
EMPLOYED



41↑
PER CENT

PBT

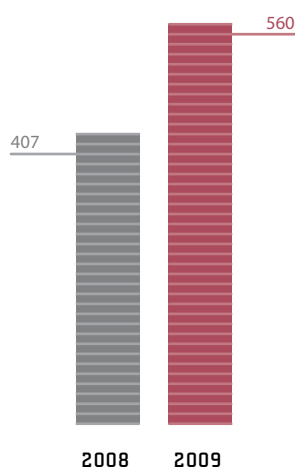
PROFIT BEFORE TAX



38↑
PER CENT

PAT*

*PROFIT AFTER TAX,
MINORITY INTEREST & SHARE
OF ASSOCIATE COMPANIES





CHAIRMAN'S LETTER

Dear Shareholder,

2008-09 began with continuing global inflation, and ended with the sharpest decline in trade and GDP that the world has ever seen since the Great Depression of the 1930s.

In the first week of July 2008 the spot price for crude oil was being quoted at over US\$ 145 per barrel, with everyone predicting it would cross the US\$ 200 mark. Oil was not the only commodity whose price was going through the roof. The prices of gas, coal, steel, copper, zinc, other metals and all key minerals were rising with every passing day.

The bankruptcy of Lehman Brothers on 14 September 2008 caused the meltdown of the entire financial system that continued right up to December 2008.

This has been followed by the economic crisis of the real sectors: sharp drop in demand, GDP and world trade, followed by recession and rising unemployment in all developed economies. Today, the financial crisis is a thing of the past because of massive and unprecedented interventions by governments and central banks across the world. But the recession and economic slowdown continues. Every country is either suffering from shrinking GDP or sharply reduced growth.

As I write to you, the global situation continues to be quite bleak:

- Although most experts believe that the US economy will bottom out by the end of the third quarter of 2009, the estimated GDP growth for the year will be -2.9%. In April 2009, unemployment was ruling at 8.9%, and rising. The first four months of 2009 has seen 2.7

million net job losses, in addition to 1.7 million in the last quarter of 2008.

- The Euro area is in a deep recession. GDP growth for 2009 is estimated at -3.7%. The UK's GDP growth for 2009 is just as bad: -3.7%.
- Japan may be heading towards yet another long term crisis. Industrial output has been falling by more than 30%; and GDP growth for 2009 being estimated at -6.4%.
- With an estimated 11% to 12% fall in the real value of world trade in 2009, China's growth is expected to reduce to 6.5%.
- India's growth is down from the 9% plus range of the last three years to 6.7% in 2008-09, with the chances of it being the same in 2009-10.

In such difficult times, your Company has performed extraordinarily well. It has significantly grown consolidated revenues and profits; acquired new businesses; and has successfully positioned itself as an integrated products, systems and solutions provider across all its businesses — both in India and overseas. If anything, your Company has accelerated in its journey to be a globally significant player in the spaces that it operates.

Let me share with you some key financial facts about your Company for FY2009.

Net sales and services grew by 28% to Rs.8,737 crore in FY2009, which was a 7 per

Your Company has accelerated in its journey to be a globally significant player in the spaces that it operates.

cent point increase in the growth rate over the previous year.

- Earnings before interest, depreciation, taxes, and amortisation (EBIDTA) increased by 30% to Rs.1,054 crore — and grew faster than the top-line.
- Earnings before interest and taxes (EBIT) rose by 36% to Rs.933 crore in FY2009 — and grew faster than EBIDTA.
- Profit before taxes (PBT) grew by 41% to Rs.867 crore — with PBT rising faster than EBIT.
- Return on capital employed (ROCE) increased to 36.4% — up by 460 basis points from FY2008.
- Earnings per share (EPS) were up 38% to Rs.15.27 in FY2009.

These numbers highlight an outstanding performance for which all credit goes to your Company's management. Given the people-strength of Crompton Greaves throughout the world, I have every reason to believe that we will continue to see robust profitable growth in the future.

This brings me to the subject of opportunities. Companies grow by identifying opportunities earlier than others, and seizing them before their competitors. While we continue to grow and look for opportunities globally, we should not neglect our home market, the source of our strength and stability.





We believe that the profitability of generating power in India would not only be substantial, but also be more long lasting than from being a supplier of transmission and distribution equipment.

We see several growth opportunities, of which I shall share three.

The first has to do with power generation. Given the huge shortfall in power demand in India — the average nation-wide gap between peak demand and supply was 13% in 2008-09 — there is massive scope for creating long term income streams through power generation. We believe that the profitability of generating power in India would not only be substantial, but also be more long lasting than from being a supplier of transmission and distribution equipment.

You may recall that, to gain experience in power generation and distribution, Crompton Greaves had acquired a 59% shareholding in the Malanpur Captive Power Limited, which now successfully operates a 26 MW gas based group captive power plant at Malanpur, Madhya Pradesh. We had also successfully bid for power distribution across the city of Nagpur — which, unfortunately, has not taken off due to regulatory and other local level hurdles. We, however, continue to try and resolve the issues with the concerned authorities.

In keeping with the strategic need to be in power generation, the Board of Directors of your Company has unanimously approved a strategic investment of up to Rs.227 crore to purchase 41% of the shares in Avantha Power and Infrastructure Limited (APIL) at a book

value, estimated at approximately Rs.11 per share. APIL, an Avantha Group company, is engaged in the generation, transmission and distribution of electricity. Today, it operates four captive power plants with an aggregate capacity of 95 MW, which is being expanded to 165 MW. In addition, it is establishing two new independent power producer (IPP) plants, each with a capacity to generate 600 MW in Chhattisgarh and in Madhya Pradesh. APIL has already purchased most of the required land, obtained the required environmental clearances and coal linkages, as well as ancillary support infrastructure like water supply. It has also finalised debt financing of the projects through reputed banks. It is in discussion with various power traders for tying up long term power purchase agreements. Sudhir Trehan, the Managing Director of your Company is the non-executive Chairman of APIL. Moreover, two independent Directors of your Company are being nominated to sit on the APIL Board. We believe this will be a significant opportunity for Crompton Greaves to expand its footprint into the business of power generation.

The second strategic issue relates to India. Most commentators will agree that it is eminently possible for the country to achieve a long term GDP growth of 7.5% per annum on a sustained basis. Indeed, many believe that it could be better still. Even at 7.5% CAGR,

India will be the second fastest growing large economy of the world — second only to China. That makes the country a very attractive place to expand businesses.

Your Company and the name 'Crompton Greaves' enjoys a great reputation and considerable franchise throughout India. It is our strategic intent to leverage this reputation and bring about quantum leaps in our Indian businesses. By that I mean all our three key businesses:

- The power sector — from smart solutions and services to design, engineering, equipment supply and erection in power generation, transmission and distribution.
- The industrial sector — across all our current plays in motors, alternators, railway transportation and signalling equipment — unified by drives, instrumentation, control panels and end-to-end solutions.
- The consumer business — fans, lighting, luminaires, pumps and appliances — with a major focus on leveraging the ever-increasing potential of up-country and rural markets. We want our revolutionary, power savings 5 watt LED lamp 'Pharox', which has a luminosity of 40 watts, to create waves in India; just as we want Crompton Greaves to be the brand of choice in every area that it operates, not just in India but throughout the sub-continent.

The third strategic mission is to create a global mindset for all our businesses. By that I mean a mindset that creates one-world quality; shares best practices across all locations and businesses; recognises that customers want

smart solutions, not just equipment; and through internal efforts as well as strategic acquisitions, becomes a global player in providing best-in-class end-to-end solutions. This journey has begun in the Power Systems business with the integration of our newer service and solutions-based international acquisitions — Microsol in the UK and Ireland, MSE in the USA, and Sonomatra in France. It is also coming into play with Pauwels, Ganz and the Power Systems business in India working in close coordination. I am seeing it happen in Industrial Systems. And with our new products and offerings in the Consumer business, I am sure you will see a rapid growth in solution centric approaches there as well.

Finally, your Company must grow through its own Intellectual Property. We have made a beginning here as well and I hope to be able to come back to you with more substantial details in the coming years.

This has been yet another excellent year for your Company. But it is just the beginning. We have to fuse our excellence in execution with major strategic plays to become game changers in all our businesses. Given the capability of your Company's management and all its employees, I have no doubt that we will get there. Sooner than we think.

Thank you for your support.

GAUTAM THAPAR

Chairman

This has been yet another excellent year for your Company. But it is just the beginning. We have to fuse our excellence in execution with major strategic plays to become game changers in all our businesses.





CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN	G Thapar
MANAGING DIRECTOR	SM Trehan
NON-EXECUTIVE, INDEPENDENT	S Bayman
	O Goswami
	S Labroo
	M Pudumjee
	SP Talwar
	V von Massow

CHIEF FINANCIAL OFFICER	BR Jaju
COMPANY SECRETARY	W Henriques

AUDITORS	Sharp & Tannan
SOLICITORS	Crawford Bayley & Co.

BANKERS	
Union Bank of India	IDBI Bank Ltd
State Bank of India	ICICI Bank Ltd
Corporation Bank	ABN Amro Bank NV
Bank of Maharashtra	Standard Chartered Bank
Canara Bank	Calyon Bank

REGISTERED OFFICE	6th Floor, CG House, Dr. Annie Besant Road, Worli, Mumbai 400 030.
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FOLD OUT | LEFT TO RIGHT M Schillebeeckx, VP-CG Power (Americas); DS Patil, CEO-CG Power; AK Raina, VP-Large & Traction Machines & Stampings; W Henriques, Company Secretary, Legal Counsel & Global Head- Human Resources; JJ Patel, VP-Global R&D; BR Jaju, CFO; SM Trehan, Managing Director; M Verma, VP-Lighting & International; M Acharya, VP-Finance & Administration; JG Kulkarni, VP-CG Power (Asia); F Robberechts, VP-CG Power (Europe, Middle East & Africa); M Kelly, CFO-CG Power.

The story of Crompton Greaves for FY2009 has been of accelerated profitable growth. We have grown revenues in difficult times, and profits at even higher rates — thus creating greater shareholder value.



Gautam Thapar, Chairman (Right) and
Sudhir Trehan, Managing Director (Left)

