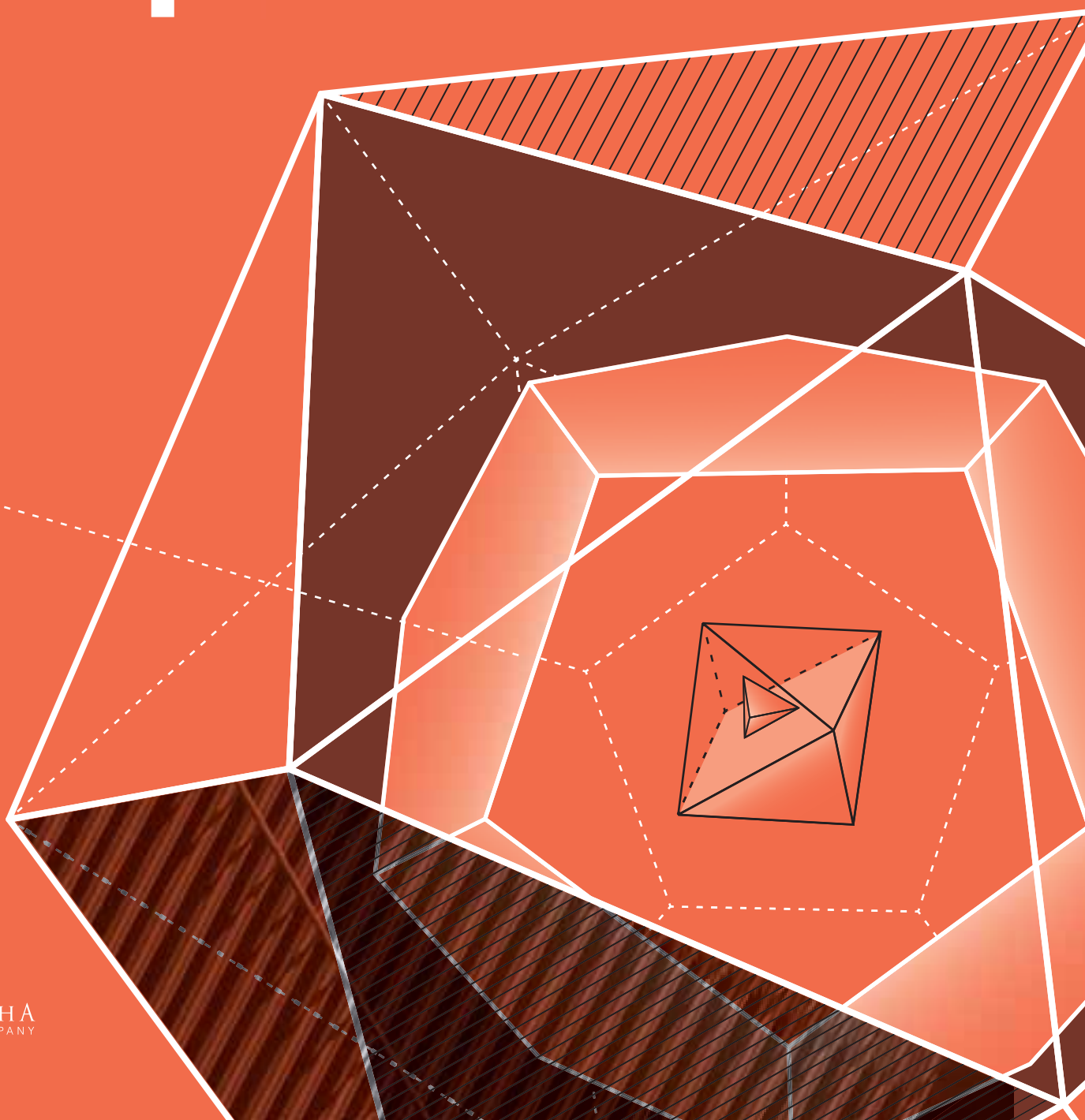
CG POWER AND INDUSTRIAL SOLUTIONS LIMITED [FORMERLY CROMPTON GREAVES LIMITED]

new dimensions annual report 2017 2018

Smart solutions.
Strong relationships.



AVANTHA
GROUP COMPANY

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corporate information

CG Power and Industrial Solutions Limited 2018 Corporate Information

chairman
GAUTAM THAPAR

CEO and managing director
K N NEELKANT

chief financial officer
V R VENKATESH (w.e.f. 12 August 2017)

company secretary
SHIKHA KAPADIA (w.e.f. 12 February 2018)

non-executive directors
B HARIHARAN
OMKAR GOSWAMI
RAMNI NIRULA
SANJAY LABROO
VALENTIN VON MASSOW
JITENDER BALAKRISHNAN (w.e.f. 2 May 2017)
ASHISH KUMAR GUHA (w.e.f. 9 November 2017)

bankers
STATE BANK OF INDIA
AXIS BANK
BANK OF MAHARASHTRA
CORPORATION BANK
CANARA BANK
ICICI BANK
IDBI BANK
STANDARD CHARTERED BANK
YES BANK
BARCLAYS BANK
INDUSIND BANK

auditors
K.K. MANKESHWAR & CO.

registered office
6TH FLOOR, CG HOUSE
DR ANNIE BESANT ROAD
WORLI, MUMBAI 400 030

board of directors



chairman
GAUTAM THAPAR



CEO and managing director
K N NEELKANT



non-executive director
B HARIHARAN



non-executive director
OMKAR GOSWAMI

CG Power and Industrial Solutions Limited 2018 Board of Directors



non-executive director
RAMNI NIRULA



non-executive director
SANJAY LABROO



non-executive director
VALENTIN VON MASSOW



non-executive director
JITENDER BALAKRISHNAN



non-executive director
ASHISH KUMAR GUHA

chairman's letter

Dear Shareholder,

At first glance, it may seem strange that in a year when it has incurred losses at both the stand-alone and consolidated levels why do I believe that your Company has actually done well. Let me explain this apparent anomaly at some level of detail.

First, consider the results of your Company's two business units, Power Systems BU and Industrial Systems BU.

In FY2018, despite serious competitive pressures faced by the Power Systems BU, it:
- Had an unexecuted order book (UEOB) of ₹3,127 crore as on 31 March 2018.
- Generated revenue (net of excise duty) of ₹3,633 crore.
- Earned an EBIDTA of ₹386 crore and an EBIT of ₹312 crore.
- Posted a return on capital employed (ROCE) of 20.4%, which is greater than any of the peers in the industry.

For the Industrial Systems BU, the results were better still. In FY2018:
- The UEOB increased by over 96% to ₹1,457 crore.
- Net revenue grew by 22% to ₹2,541 crore.
- EBIDTA was ₹220 crore, and EBIT was ₹166 crore.
- ROCE was 22%, which was also greater than any of the competitors in the business.

Second, look at the results at the consolidated level:
- Net revenue and income from operations was 12.1% higher at ₹6,189 crore.
- EBIDTA excluding 'other income', was 2.7% higher at ₹455 crore.
- Profits before taxes (PBT) including 'other income' but without exceptional items was ₹126 crore.
- Cash profit from continuing operations was ₹213 crore.

These are creditable results and clearly demonstrate that your Company is now firmly on the path of profitable growth. Why then, you may ask, are the net profits negative?

The answer lies in four words: 'cleaning up the accounts'. In the last quarter of FY2018, your Company's management decided to examine the recoverability of certain overdue assets that had accumulated over the years. After detailed analysis, both the Risk and Audit Committee and Board of Directors opted for a clean-up and unanimously agreed to write these off. Such items included provisions for litigation claims, advances given to subsidiaries and their related foreign exchange gain / loss, other advances and overdue inventories. At the consolidated level, these non-cash items included provision for litigation claims, other advances and overdue inventories aggregated to ₹443 crore, and have been accounted for as 'exceptional items'.

Because of these exceptional items, net profit from continuing operations (after minority interests) turned to a net loss of ₹392 crore. And, after taking into account net losses from discontinued operations amounting to ₹772 crore, the overall net loss for your Company in FY2018 was ₹1,164 crore. At a standalone level, this was a net loss of ₹325 crore.

This cleaning up was painful but necessary. It has helped to create a leaner balance sheet that can financially accommodate the growth impetus that your Company is beginning to enjoy. The leverage ratio (long term debt to equity) of your Company is 0.3; the interest coverage ratio of continuing operations is a comfortable 2.3; and the ratio of net sales to net working capital of continuing operations is a very healthy 6.6. Simply put, your Company has all the levers in place to push for sustained profitable growth.

Abbreviations
'the Company', 'CG' refers to CG Power and Industrial Solutions Limited

CG Power and Industrial Solutions Limited 2018 Chairman's Letter

Your Company is now leaner, tighter and more focused than before. It has developed a strong performance-driven team. It now not only has the hunger for success but also a clear understanding of what needs to be done to deliver superior performance

From an operational perspective, CG India has done well. Despite competitive pressures, the power transformers business is performing satisfactorily, and distribution transformer sales as well as profitability have continued to increase. (Motors are doing very well—indeed well above the rest of the industry.) And your Company has performed excellently in securing its highest ever orders from Indian Railways. Internationally, the Indonesian operations have been satisfactory. Even the Belgian power transformer and systems operations, though still treated as discontinued, have turned around.

Significantly, your Company has continued with its focus on divesting non-core businesses as it re-engineers itself to being an India driven power, industrial and railways systems major—one that 'makes in India' best-in-class equipment and systems to sell to the world.

Thus, among the 'discontinued operations', CG sold its power transformer business in Canada in FY2016; sold the automation business under ZIV in March 2017; and exited from the distribution franchise business at Jalgaon, Maharashtra. In FY2018, your Company sold its wholly owned power business in the USA to WEG, a major Brazilian multinational in electric motors and other electro-electronic products. And serious efforts are being made to sell the Company's Hungarian power transformer and rotating machines business.

LOOKING AHEAD

At the time of calling off the sale of the International Business to First Reserve your Board had taken the decision to dispose off the various international assets, excluding Indonesia, separately as it was more beneficial for your Company. Subsequent disposals have vindicated the Board's decision.

Our European asset in Ireland and Belgium have since been restructured and are profitable. Your Board's decision to strategically focus on growing India, Asia and Africa / ME markets, will require us to redeploy resources from the slower growing European markets. In this respect, having taken the path of restructuring, we will accelerate our search for a buyer for rest of our European assets. Till the time a suitable buyer is found, these assets will form part of our Company business.

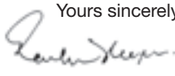
In India with significant over capacity in power transformer manufacturing, your Board has decided against any further investment in capacity in this business for the foreseeable future. This also includes winding down our transformer plant in Kanjur Marg and consolidating it in our plant in Bhopal. Our HV Switchgear and MV distribution continues to grow healthy and profitably and we will continue to make investments in capacity as needed. In the case of our other two manufacturing segments, motors and railways, we will also look at investments as required.

I have no doubt that CG is on a strong growth path. Your Company is now leaner, tighter and more focused than before. It has developed a strong performance-driven team. It now not only has the hunger for success but also a clear understanding of what needs to be done to deliver superior performance.

Last year I had written, "CG is better positioned to leverage business opportunities that come out of higher economic growth in both India and across South East Asia". After two successive years of strong operational performance, I am confident of even better operational results in FY2019, coupled with improved financial performance.

Thanks as always for your support.

Yours sincerely,



GAUTAM THAPAR
CHAIRMAN

consolidated financial highlights

FIGURES IN ₹ CRORE

494

EBIDTA from continuing operations

EARNINGS BEFORE INTEREST, DEPRECIATION, TAXES & AMORTISATION INCLUDING OTHER INCOME

(317)

profit/(loss) before taxes from continuing operations

(392)

profit/(loss) after taxes

9%

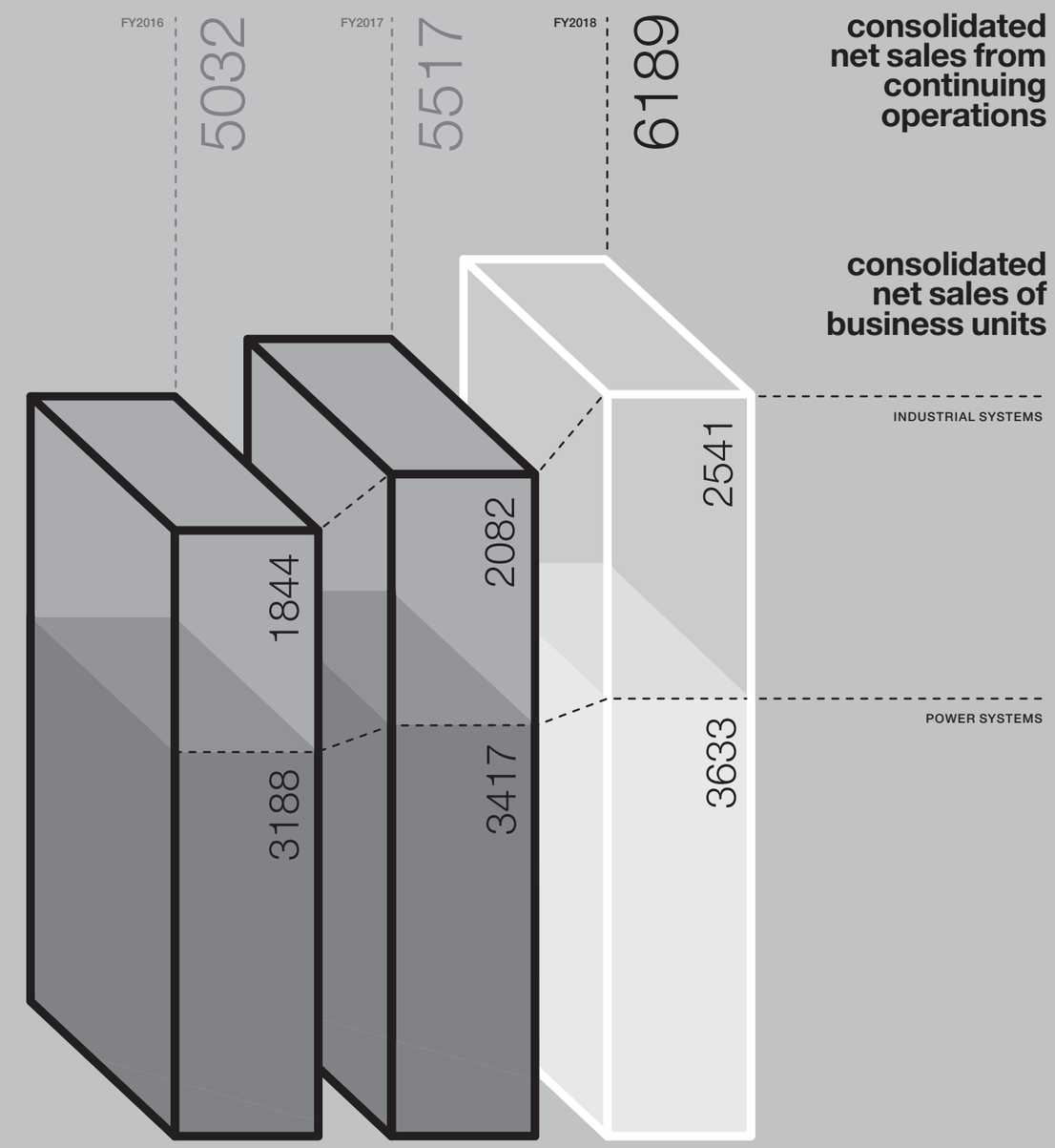
ROCE from continuing operations

RETURN ON CAPITAL EMPLOYED

(42.9%)

RONW on total operations

RETURN ON NET WORTH



new dimensions. new products. new technologies. new capabilities. new doors. new scope. new potential.

A slew of new products means a lot of things.

Foremost among these is a positive balance of energy. It requires stretching beyond the zone of the comforting and the routine. It uses, as fuel, restlessness.

It also signifies a continuity of the focus we adopted two years ago, when we redoubled our commitment to our strength, as a core electrical company. With these new products, CG also demonstrates its climb up the technology ladder.

Many of them represent firsts or near-firsts: examples of Indian designed, developed and manufactured products in fields once walked by a small set of largely global suppliers.

This commitment to growing both for and with India matters. In Indian utilities and industry, new standards are replacing the old; and it's for the Indian Industry to step up. Each of them opens up new business in the present and the future.

This shows a new dimension to CG: a vibrant company with a creative pulse. Enjoy its new side.

TRACTION ELECTRICS

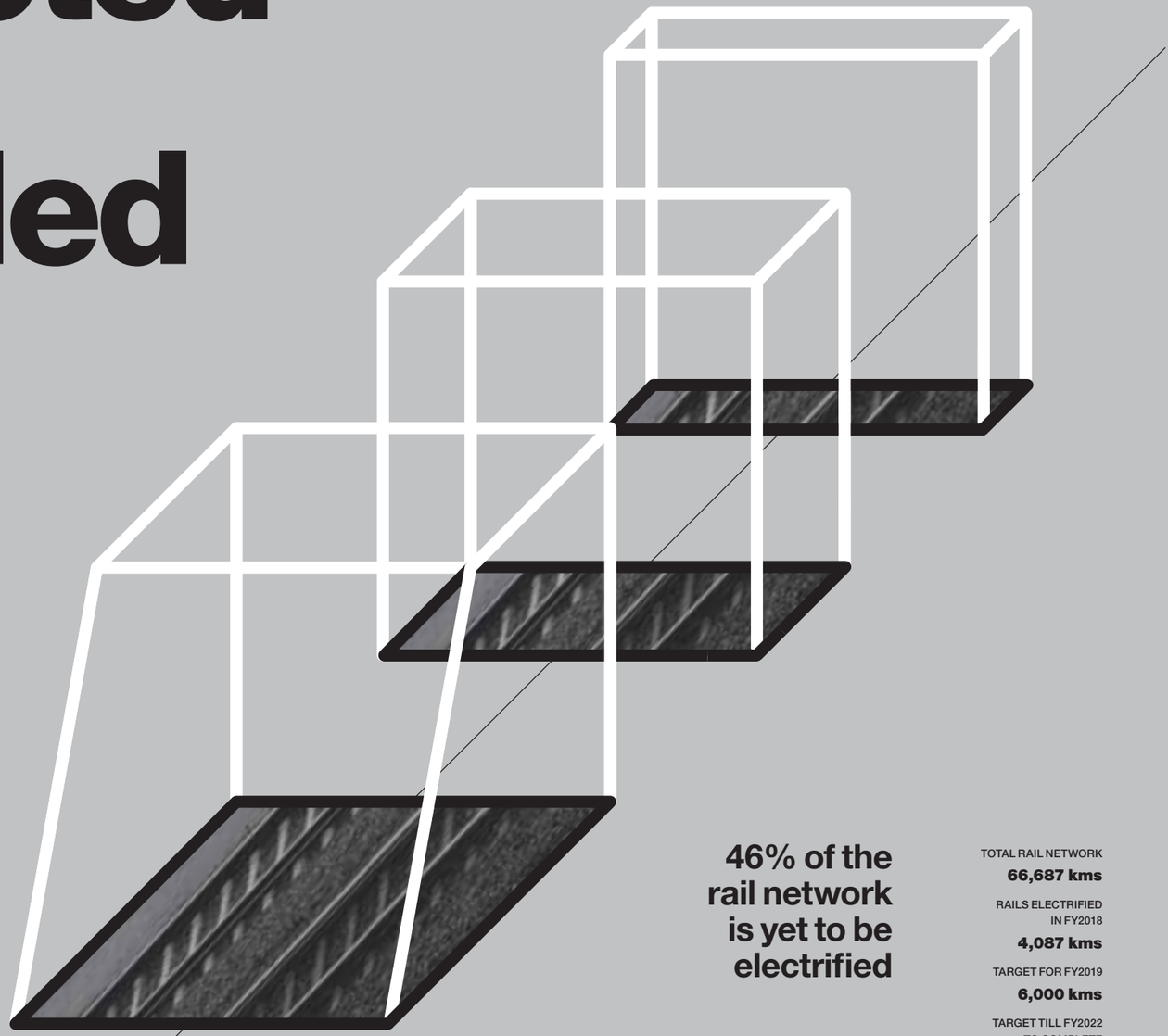
contracted time. expanded scope.

sharing the load CG is partnering the Indian Railways to meet the government's aggressive targets for the modernisation and electrification of the country's extensive rail network

EXPECTED MARKET SIZE OVER 2-3 YEARS
₹150 crore

CURRENT MARKET SIZE
₹150 crore

SALES 2017–18
₹128 crore



46% of the rail network is yet to be electrified

TOTAL RAIL NETWORK
66,687 kms

RAILS ELECTRIFIED IN FY2018
4,087 kms

TARGET FOR FY2019
6,000 kms

TARGET TILL FY2022 TO COMPLETE ELECTRIFICATION
6,200 kms per annum

CG Power and Industrial Solutions Limited 2018 New Dimensions

a self-building, self-extending network

CG's newly developed Diesel Electric Tower Cars (DETCs) are self-propelled locomotives that not only help build new railway tracks but also inspect, maintain, and erect new masts and overhead electric lines to extend the electrified rail network across India.

from component supplier to project integrator

CG's rolling stock components have long been part of the Railway's new locomotives. Now CG is among the trusted partners the Railways are now turning to build complete locos, due to the sheer volume needed to revamp the network. The new challenge for CG: the integrated locomotive, from shell to propulsion.

a complex canvas

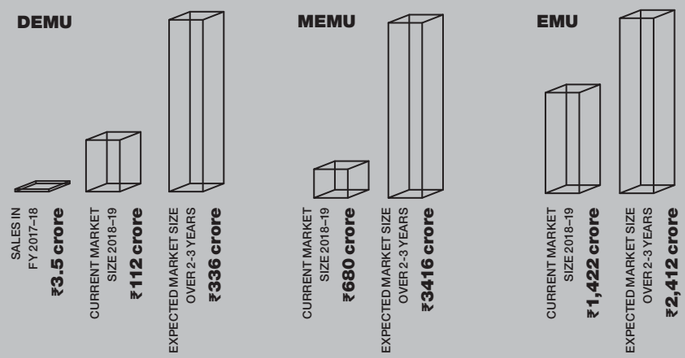
Traction motors, traction transformers, alternators, traction convertors, auxiliary convertors—building a DETC requires complex planning and coordination between various CG plants. Add on the management to integrate the diesel engine, rectifier, and driver desk from other vendors and there's an intricate, beautiful picture.

TRACTION ELECTRONICS

quick switching. better rides.

start, stop, reverse, repeat Advancements in power electronics and traction motors have given CG the opportunity to develop Multiple Unit traction systems for various trains, making daily commutes to the city smoother and faster





CG Power and Industrial Solutions Limited 2018 New Dimensions

a (rail)way for everyone

CG has indigenously developed technologies to build Mainline Electrical Multiple Units (MEMUs) and Diesel Electric Multiple Units (DEMUs) that run from rural areas to sub-urban areas. The fuel-powered DEMU is deployed in non-electrified regions. Electric Multiple Units (EMUs), similar to Metro trains, operate between urban and sub-urban areas.

space for more

Multiple units (MU) are coaches that haul and control the train. Unlike conventional locomotives, only a fraction of the MU houses the engine and driver. This leaves more than half of the coach for more passengers.

MUs at both ends of the train makes reversing direction practically immediate. With added capacity, this makes for a more efficient rail system for growing urban and sub-urban populations.

a switch for the better

Modern traction systems use Insulated Gate Bipolar Transistors (IGBT) in place of the older Gate Turn-Off Thyristors. They enjoy faster switching frequency, increased acceleration, quicker braking, quieter traction, using less power with fewer losses.

HT MOTORS

less dependence. more dependable.

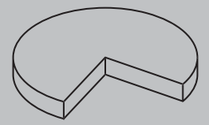
more than just a copy

With an increasing demand for replacement motors, CG has found a niche in designing large, high rating, custom made motors—breaking the monopoly of the few indigenous suppliers



CURRENT MARKET SIZE

₹15 crore per annum



EXPECTED MARKET SIZE OVER 2-3 YEARS

₹50 crore

CG's circulating water pumps and boiler feed pumps for power plants will see them compete with Indian and Chinese companies.

CG Power and Industrial Solutions Limited 2018

New Dimensions

x6

with one circulating water pump delivered to Talwandi Sabu Thermal Power Plant, CG is well placed to replace the remaining five



matching all parameters is no easy task

It takes a deep enquiry of identifying critical points, site constraints and ground-up thinking to replicate an existing motor. Matching weight, mechanical and mounting dimensions were crucial to ensure a perfect fit on the existing platform.

fits the bill, shrinks the spend

Apart from being lighter and more compact than the existing Chinese motor, this 5.25MW 16P 11kV motor manages to achieve a greater efficiency and power factor owing to CG's optimized design that has a higher power to weight ratio. Delays in repairs and servicing issues are a thing of the past, ending the frustration of dealing with a remote vendor. Bonus: CG's motor is more dependable to start with, and more economical than the import it replaces.

size matters: The largest motor to be produced by CG India

This HT motor is CG's most powerful yet. It puts CG at par with the very few Indian specialist companies, equalling or exceeding them on key specifications and freeing the customer from a near-monopoly.