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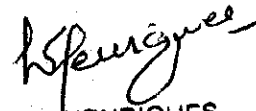
REPORT & ACCOUNTS 1999-2000

Crompton Greaves Limited

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**Certified True Copy
For Crompton Greaves Limited**



W. HENRIQUES
Company Secretary

**Annual General Meeting on Thursday, 10th August, 2000
at 4.00 pm at Patkar Hall, Mumbai**

Board of Directors

K.K.Nohria
Chairman

S.M.Trehan
Managing Director

A.S. Green
P.C. Gupta
D. Herbert
D.C. Sanghi
B.M.Suri
G. Thapar
K. Thapar
L. M. Thapar

Company Secretary

W. Henriques

Registered Office

1, Dr.V.B.Gandhi Marg,
Mumbai 400 001

Auditors

Sharp & Tannan

Solicitors

Crawford Bayley & Co.

Bankers

ABN - Amro Bank N.V.
ANZ Grindlays Bank p.l.c.
Bank of Baroda
Bank of India
Bank of Maharashtra
Banque Nationale De Paris
Canara Bank

Citibank N.A.
Corporation Bank
Deutsche Bank
HDFC Bank Limited
HSBC Limited
State Bank of India
Vijaya Bank

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2000.

To,

The Members,

Your Directors present their Sixty-Third Report with the audited accounts for the year ended 31st March, 2000.

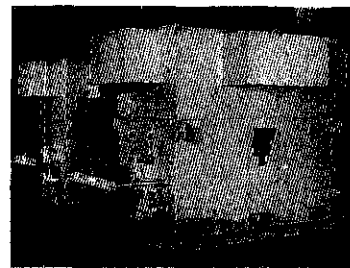
The year under review has been a bad year for your Company and it is a matter of immense regret that for the first time in its history, the Company has made a loss.

OPERATIONS***Power Systems Group***

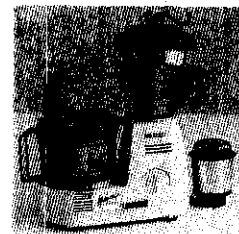
The Power Systems Group accounted for 27% of the Company's turnover (*Previous Year – 36%*). As reported in the last Directors' Report, the Group had started the year with a low Order Book which did not improve during the year, due to delays in financial closure of power projects. Coupled with this, existing orders could also not be fully executed, due to delays in project execution at the customer's end. Your Company is now pursuing an aggressive programme to compress costs and working capital, which should result in a significant reduction of the loss during the year.

***Industrial Systems Group***

The Industrial Systems Group accounted for 33% of the Company's turnover (*Previous Year – 34%*). Commercial Motors continued to show positive results as did Alternators. This trend is expected to continue during the coming year. The Industrial Motors market continues to suffer from over-capacities. The Company is accelerating its efforts to move operations to low cost areas to improve its competitiveness.

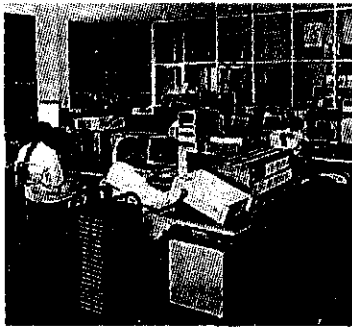
***Consumer Products Group***

The Consumer Products Group accounted for 28% of the Company's turnover (*Previous Year – 26%*). During the year, the Company continued to introduce new models of products with improved designs, which enabled it to improve its leadership in the fans market. During this year of transition, the performance of the Group has resulted in a loss partly due to the shifting of the KELW operations to Baroda, and its inability to recover increases in excise levies and



commodity prices from customers. The Company will accelerate the movement of operations to low cost areas and fully exploit the market place with new models and designs. These steps should restore profitability in the coming year.

Digital Group



The Digital Group accounted for 12% of the Company's turnover (*Previous Year - 4%*) and witnessed a year of significant improvement both in executed orders and products developed. In-house R&D efforts and technology tie-ups have enabled improvement in respect of Access, Transmission and Telephone products by means of new products and features. During the year, this Group set up the first National Internet backbone - Phase I for the DoT and it is hopeful that during the current year it will receive an encouraging response for Phase II of the project. CorDECT - Wireless in Local Loop technology was implemented for MTNL, Mumbai and the same was also exported to Brazil, France and USA, among others. Several new products have been developed – C-DOT MAX – XL Switches with ISDN and CCS7 signalling facilities, High Bit Rate Digital Subscriber Line (HDSL) Systems, Digital Multi Access Rural Radio Systems based on TDMA principle, 2/140 Mbps Optimux and Regenerator Systems.

During the year the group has achieved a growth in sales of 146%. This growth, supported by streamlining of the Group's operations, together with in-house development of products and a reduction of financial costs as a proportion of sales has resulted in improvement in profitability. The year end Order Book is higher than last year.

Exports



Although concerted efforts and initiatives were undertaken to increase Exports, these have not yielded the desired results. The difficult economic situation in the Far East Asian countries together with intense competition from China resulted in a considerable decline in Exports from 270.58 Crores (including deemed exports of Rs. 101.47 Crores) to Rs. 137.21 Crores (including deemed exports of Rs. 31.40 Crores) during the current year.

The performance and contribution of the four business groups during the year has been as under:

Rs. in Crores

	Power		Industrial		Consumer		Digital		Total	
Gross Sales (incld. IDT)	485.44	644.88	607.57	605.87	527.59	460.92	193.54	78.89	1814.14	1790.56
Net Sales (excl. IDT)	456.42	597.58	549.76	547.70	475.20	458.69	193.18	78.49	1674.56	1682.46
Exports	94.17	214.81	15.61	30.79	26.89	23.54	0.54	1.44	137.21	270.58
Unexecuted Order Book	489.25	301.43	391.47	378.92	9.53	12.70	28.87	20.86	919.12	713.91
PBIDT	-27.56	77.78	32.03	56.89	15.23	27.08	5.39	-13.01	25.09	148.74
Less: Depreciation	18.46	17.97	17.59	13.86	12.36	9.74	10.30	3.98	58.71	45.55
PBIT	-46.02	59.81	14.44	43.03	2.87	17.34	-4.91	-16.99	-33.62	103.19
Less: Interest	56.59	40.66	30.07	18.00	17.49	13.83	8.55	6.58	112.70	79.07
PBT	-102.61	19.15	-15.62	25.03	-14.63	3.51	-13.46	-23.57	-146.32	24.12
Less: Provision for Tax	<p style="text-align: center;">Gross Sales (incld. IDT)</p> <p style="text-align: center;">Exports</p>								0.25	2.00
Add: Excess provision of tax for previous year									-	1.00
Profit after Tax									-146.57	23.12
Doubtful Debts Reserve									-5.73	-0.80
Excess of Liabilities over Assets taken over from Amalgamating Companies									-20.54	-
Write back of investment Allowance (Utilised) Reserve									-	1.93
Balance brought forward from last year									21.72	16.66
Transfer from General Reserve									88.35	-
Proposed Appropriations:										
Doubtful Debts Reserve									-	0.68
Proposed Dividend									-	13.05
Dividend Tax									-	1.44
General Reserve									-	4.02
Balance carried forward									-62.77	21.72

Figures in italics refer to figures for 1998 - 99

VOLUNTARY RETIREMENT SCHEME

The Company has an on-going Voluntary Retirement Scheme, which was able to attract approximately 400 employees during the year under review. Efforts will continue to attract larger numbers during the coming year.

LOOKING AHEAD

Your Directors have already taken active steps to restore shareholder confidence and value, by appointing a new Management team headed by Mr SM Trehan as Managing Director; he has displayed competence in improving the profitability of the Digital Group during the past two years. He will be supported by new Presidents, Mr B Banerjee for the Consumer Products Group and Mr PH Rao for the Digital Group. Besides these changes at the top management level, re-alignment of responsibilities at other levels is also being effected and stringent measures for control of costs have already been implemented.

Rigorous working capital management has already commenced and emphasis is being placed on value additions and profit contributions rather than sales.

To address the Balance Sheet concerns, non-strategic asset restructuring is also being initiated to reduce debt and correct the Company's financial leverage.

RESTRUCTURING

The Company had already announced its plans for restructuring its businesses into separate companies. In the light of this year's operations, the Board has constituted a Restructuring Committee consisting of Mr KK Nohria, Mr K Thapar, Mr G Thapar, Mr SM Trehan and Mr BM Suri. The objective of this Committee is to recommend and institute action in non-operational areas including joint ventures and investments, whilst setting long-term strategic direction in its main business to maximise shareholder value.

DIRECTORATE

Managing Director

Mr KK Nohria retired as the Managing Director of the Company with effect from 2nd May, 2000; he will however, continue as the Non-Executive Chairman of the Company. Mr Nohria served the Company for 22 years since 1978, and had been elevated to the position of Managing Director in 1985. During his term as Managing Director, Mr Nohria had achieved several milestones, notably in the areas of joint ventures, diversifications and Quality Management Systems. The Board places on record its gratitude and appreciation for his unstinted commitment, dedication and able leadership at the helm of affairs of the Company as its Managing Director.

Consequent to the retirement of Mr KK Nohria as the Managing Director, the Board of Directors has appointed

Mr SM Trehan as the Company's Managing Director for a period of five years with effect from 3rd May, 2000. A proposal for his appointment as Managing Director is being submitted for the approval of the Members.

Retirements by Rotation

Mr KK Nohria and Mr BM Suri retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment to the Board.

Cessations

Mr SH Bhojani, Mr S Datta, Mr R Dasgupta, Mr CP Dusad, Mr TK Mukherjee and Mr P Sen have relinquished their Directorships.

The Board places on record its gratitude and appreciation for their immense contributions and involvement in the Company's operations during their tenure as Directors.

Appointments

Mr AS Green was appointed to the Board as the nominee of the Company's foreign collaborator, Invensys plc. Pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr Green holds office upto the date of the forthcoming Annual General Meeting.

Mr DC Sanghi was appointed to the Board as the nominee of ICICI consequent to the withdrawal of Mr SH Bhojani as its nominee.

Mr D Herbert and Mr SM Trehan were appointed to the Board to fill the casual vacancy caused by the resignations of Mr P Sen and Mr CP Dusad. Mr K Thapar was appointed to fill the casual vacancy caused by the demise of Mr NM Wagle. Pursuant to the provisions of Section 262 of the Companies Act, 1956, these three Directors hold office upto the date of the forthcoming Annual General Meeting and are eligible for appointment. Mr Herbert is a nominee of the Company's foreign collaborator Invensys plc and Mr Thapar is a nominee of the Thapar Group.

Mr Green, Mr Herbert, Mr Thapar and Mr Trehan are eligible for appointment and a proposal in this regard is being submitted for the approval of the Members.

Mr G Thapar was appointed to the Board to fill the casual vacancy caused by the resignation of Mr S Datta, and pursuant to the provisions of Section 262 of the Companies Act, 1956, will hold office upto the Annual General Meeting to be held in the year 2001. Mr Thapar is a nominee of the Thapar Group.

Condolences

During the year the Company witnessed the sad demise of Mr NM Wagle and Mr SK Mohile. Mr NM Wagle was the first Chairman of the Company and held that office for over three decades during which he had made immense contributions to the Company's progress. Mr. SK Mohile was the Managing Director of the Company from 1978 to

1982 during which period the Company made significant strides in technology and profitability. The Board places on record its indebtedness for the guidance and expertise extended by them to the Company.

QUALITY STANDARDS & ACHIEVEMENTS

As recognition of its pursuit of quality, and concern for the environment, during the year two of the Company's divisions have been awarded the ISO 14001 Environmental Management System Certification.

Power Equipment Limited, your Company's Joint Venture in Dubai has been awarded the ISO 9002 Certification in respect of medium range vacuum circuit breakers. CG-PPI Adhesive Products Ltd, another Joint Venture Company has also achieved ISO 9002 Certification.

RESEARCH AND DEVELOPMENT

The Research and Development Centre of your Company continues its support to the development of the Company's business. In addition to the patents already received as at last year, patents that have been received during the year, have been detailed in the Annexure to this Report in the format required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Imparting developmental training to its employees, a key to the Company's achievements and sustained success, continues to be a focus area. In addition to programmes on "Business Leadership", "Change Leadership" and "Effective Management of Family Businesses", we have added a new programme this year for our young executives titled "Young Business Managers Programme" in collaboration with the All India Management Association. In recognition of the increasing importance of human capital, a special programme was conducted for Personnel Managers to upgrade their skills. The feedback from the participants of all these programmes has been extremely encouraging.

Industrial Relations continued to be cordial during the year under review.

AMALGAMATIONS

During the year, the amalgamation of CG Polycrete Limited (CGPL) with the Company pursuant to the provisions of the Companies Act, 1956 and the amalgamation of Punjab Power Generation Machines Limited (PPGML) pursuant to the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 were completed. Accordingly CGPL and PPGML have ceased to be the Company's subsidiaries.

SHARE CAPITAL

Consequent to the amalgamations, during the year, the Company has issued and allotted 2,20,045 equity shares of Rs. 10/- each at par to the shareholders of PPGML, on 1st December, 1999. Consequent to this issue, paid-up share capital of the Company stands increased to Rs. 52,36,66,560/- consisting of 5,23,66,656 equity shares of Rs.10/- each fully paid. Since CGPL was a 100% subsidiary of the Company, no shares were issued upon amalgamation.

DIVIDEND

In view of the adverse financial results, your Directors regret their inability to recommend a dividend for the year under review. (Previous Year - Rs. 2.50 per share).

RESERVES

The Reserves at the beginning of the year stood at Rs. 522.01 Crores. After considering the loss and transfers for the current year, the total reserves as at 31st March, 2000 are Rs.348.19 Crores.

SUBSIDIARY COMPANIES

As at 31st March, 2000, the Company has the following subsidiaries: CG Capital & Investments Limited, CG-PPI Adhesive Products Limited and CTR Manufacturing Industries Limited. CG Polycrete Limited and Punjab Power Generation Machines Limited have ceased to be subsidiaries consequent to their amalgamation with the Company. CG Faxemail Limited has also ceased to be a subsidiary, consequent to a reduction in the Company's shareholding therein.

Pursuant to Section 212 of the Companies Act, 1956, the Annual Reports of the subsidiary companies for the year ended 31st March, 2000 are annexed hereto.

JOINT VENTURES

The brief particulars of the Joint Ventures that your Company has with World leaders in their respective fields are annexed as information to the Members. The Company has divested its stake in CG-Elsag Bailey Ltd. and negotiations are at an advanced stage for disposal of its shareholding in SkyCell Communications Ltd.

Y2K COMPLIANCE

The Y2K transition in respect of the Company's hardware and software systems was smooth and without any disruption to any operations, as a result of the intensive monitoring efforts and remedial action undertaken to ensure the same.