



**CONSOLIDATED
FINANCIAL
HIGHLIGHTS**

04



**CHAIRMAN'S
LETTER**

06



**CORPORATE
INFORMATION**

10



**MANAGEMENT
DISCUSSION
AND ANALYSIS**

14



**TEN YEARS'
FINANCIAL
HIGHLIGHTS**

36



**DIRECTORS'
REPORT**

38



**CORPORATE
GOVERNANCE**

54



**ADDITIONAL
SHAREHOLDER
INFORMATION**

62



**FINANCIALS
CG STAND-ALONE
CG CONSOLIDATED**

68



**PRODUCTS
& SERVICES**

162



ESTABLISHMENTS

166

**CG
ANNUAL
REPORT**

INDONESIA



GOA



CHENNAI



BELGIUM



ONE BRAND

INTRODUCING
OUR IDENTITY

15 October 2009, was a momentous day, in the history of CG. A day on which, all companies in the CG fold, were bound together, by a new Brand Identity – a new logo "CG" and a new brand line "Smart solutions. Strong relationships."

THE NEW IDENTITY reinforces, the value that we place on relationships, and the ability to provide solutions, which in turn strengthens these relationships.

THE NEW IDENTITY establishes our common lineage, and unites every company and employee in our family with a common face – CG.

ALL 8000 EMPLOYEES of CG across the world will now carry the same card, use similar stationery and there will be synchronisation of appearance of products, facilities and commercial infrastructure across the globe. All companies across the world within the CG Group, will have their names start with "CG", as an identification that they belong to the CG family, and stand for all that CG has stood for during the past 73 years and continues to stand for.

HANNOVER



NASIK



BELGIUM





2009
2010

**CONSOLIDATED
FINANCIAL
HIGHLIGHTS**

Although the international performance of CG remained muted, a strong demand for power products in the domestic sector coupled with a significant growth in the Industrial Systems and Consumer Products businesses enabled CG to register a positive growth in its consolidated figures. Besides, improved productivity, redesign of products and a dip in the commodity prices enabled CG report a significant rise in its bottomline for the year.

ACQUISITIONS TO WIDEN THE BASE

In its drive to becoming a provider of integrated solutions, services and products, on 29 March 2010, CG acquired Power Technology Solutions Limited (PTS), a UK-based high voltage electrical engineering company. PTS provides consulting as well as technical and engineering support to regional electricity companies in the UK. Such services include conceptual engineering and system studies, and complete engineering, procurement and construction (EPC) solutions for sub-stations that cover electrical, civil and structural aspects.

POWER SYSTEMS

The Power Systems SBU enhanced its competitive momentum by forcefully targeting the growth oriented utility power transformer segment, to offset the slowdown in industry demand for distribution transformers. CG is also building competencies and pursuing new attractive segments such as renewable energy, ultra high voltage and energy automation. CG Power is also increasingly finding new profitable opportunities in developing, constructing and supplying end-to-end power solutions in various parts of the world.

INDUSTRIAL SYSTEMS

The Industrial Systems SBU grew through introduction of new products for different markets, such as small motors for agro applications and extension of range up to 5 MW of large rotating machines for several industrial applications. After the end of the year, it also acquired three businesses of Nelco Limited – traction electronics, SCADA and industrial drives for a value of approximately Rs.92 crore. This acquisition will enable CG become a stronger and more comprehensive player in its railways business and also build capabilities in drives.

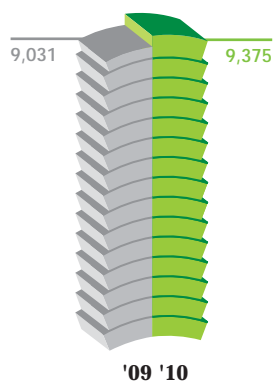
CONSUMER PRODUCTS

The CG's Consumer Products business, its second largest SBU in terms of revenues, grew by 22%, growing 1.5 times the market. A focus area for the Consumer Products business is tapping the vast potential of the Indian rural markets, estimated at Rs.65,000 crore for FMCG products and Rs.5,000 crore for consumer durables.

REVENUES IN RS. CRORE

04↑
PER CENT

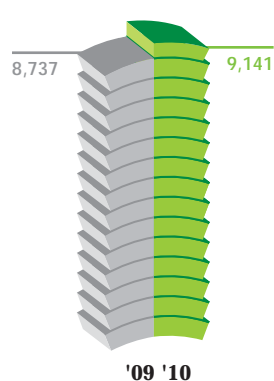
OPERATING REVENUE
GROSS SALES AND SERVICES



'09 '10

05↑
PER CENT

NET SALES & SERVICES

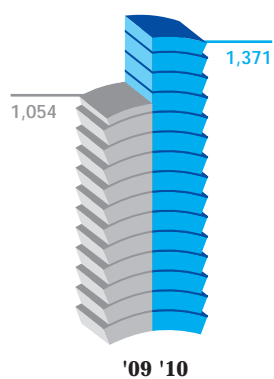


'09 '10

EARNINGS IN RS. CRORE

30↑
PER CENT

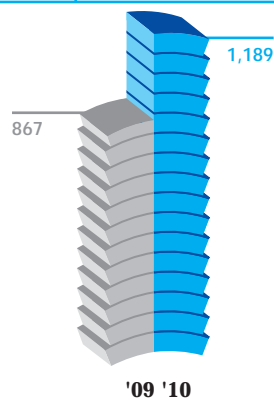
EBIDTA
EARNINGS BEFORE INTEREST,
DEPRECIATION, TAX AND
AMORTISATION



'09 '10

37↑
PER CENT

PBT
PROFIT BEFORE TAX

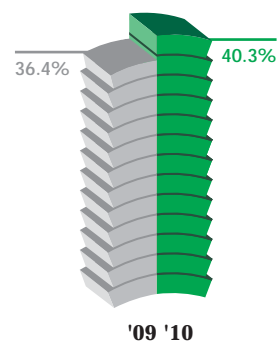


'09 '10

RETURNS PER CENT

3.9↑
PER CENT
POINTS

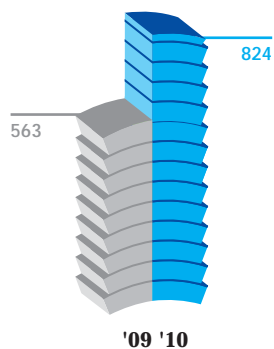
ROCE
RETURN ON CAPITAL
EMPLOYED



'09 '10

46↑
PER CENT

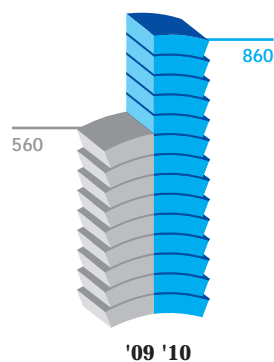
PAT
PROFIT AFTER TAX



'09 '10

54↑
PER CENT

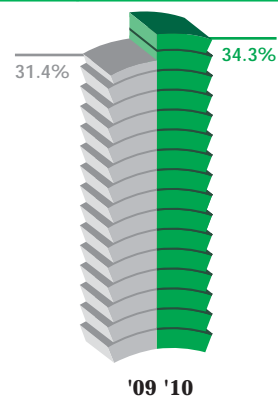
PAT*
*PROFIT AFTER TAX, MINORITY
INTEREST, SHARE OF
ASSOCIATE COMPANIES AND
EXTRAORDINARY ITEM



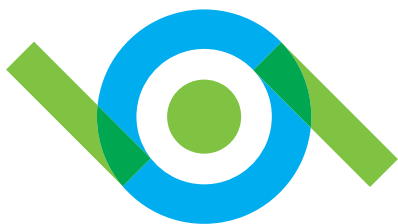
'09 '10

2.9↑
PER CENT
POINTS

RONW
RETURN ON NET WORTH



'09 '10



Chairman's Letter

Dear Shareholder,

When I wrote to you last, the global economic situation was bleak. The United States of America and the Euro Zone were in deep recession. China's GDP growth had slowed down considerably, as had India's. Most of Latin America was in distress. And while governments were pump priming their economies to their utmost, the financial system was still reeling under the effects of various shocks, leading to capital scarcities and high risk premia. At that point, I didn't expect a quick turnaround. There has been a turn for the better, especially in the emerging economies.

China steadily increased its GDP growth rates for the last two quarters of 2009 to achieve 8.7% growth. So, too, has India, and is expected to clock a GDP growth of 7.2% in 2009-10. Some of the developed countries have also done better. From Q3 2009, the US economy has been achieving positive GDP growth: 2.2% in Q3, 5.6% in Q4 and 3.2% in Q1 2010. A few western European nations, too, have moved growth into mildly positive territories.

While some see this as the start of a significant turnaround, I look at the numbers very differently. Despite the European Commission and IMF-sponsored bailout,

Europe is now hit by the Greek debt crisis. At this stage, we speak of the risk of the PIGS (Portugal, Italy, Greece and Spain) economies; but we don't know whether Portugal, Spain or Italy will go under. If either Spain or Italy crashes under the burden of public debt, things will get very serious indeed – requiring a fundamental re-think of euro as the common currency.

We are at an uncertain equilibrium, raising the question, "How should your Company operate in these volatile times?"

Before answering this, let me focus on how CG fared in FY2010 – itself a hard year for most international businesses. The



CG's services divisions offer highly professional, solutions for the repair of transformers of any make and vintage.

These are excellent results in an extraordinarily tough year. They show your Company's steadfast commitment to earning higher profits and rewarding shareholders, even in a very trying period.

answer, I am happy to say, is that your Company has done remarkably well. Here are some facts for the consolidated entity:

- **NET SALES AND SERVICES** grew by 5% to Rs.9,141 crore.
- **EARNINGS BEFORE INTEREST, DEPRECIATION, TAXES, AND AMORTISATION (EBIDTA)** increased by 30% to Rs.1,371 crore.
- **PROFIT BEFORE TAXES (PBT)** grew by 37% to Rs.1,189 crore.
- **RETURN ON CAPITAL EMPLOYED (ROCE)** rose to 40.3% in FY2010, or 390 basis points higher than FY2009.
- **PROFIT AFTER TAXES** (net of minority interests and share of associate companies, but excluding extraordinary item) increased by 47% to Rs.825 crore. Inclusive of extraordinary item, it rose by 54% to Rs.860 crore.

- **EARNINGS PER SHARE (EPS)** excluding extraordinary item was up 48% to Rs.12.9. EPS including extraordinary item was up 54% to Rs.13.4.

These are excellent results in an extraordinarily tough year. They show your Company's steadfast commitment to earning higher profits and rewarding shareholders, even in a very trying period.

In response to the earlier question: "What should your Company do in these uncertain and potentially difficult times?" The answer is in three parts.

First, I believe that it should be cautious of grandiose plans. That is not difficult in your Company. CG strongly believes in the value of money and the need to be vigilant in the allocation of scarce capital; it focuses on maximizing productivity and sweating capital to the fullest; and it considers a good business to be one where the rate of



Lighting solutions offered by CG's lighting division. CG's lighting products illuminate a tennis court, a factory, an art gallery & an office.



A significant event in FY2010 was that Mr. Sudhir Trehan, your Managing Director and CEO was selected by Business Standard as the CEO of the year.

growth of profits consistently exceeds that of sales.

Second, I equally believe that CG should be always looking at careful acquisitions – ones that add substance to the Company's portfolio, enhance expertise and intellectual property, and help CG to deliver profitable end-to-end solutions for its customers. At any point of time, your Company examines such options both abroad and in India to augment its offerings in power systems, industrial systems and consumer products. We look at these as 'string of pearls' acquisitions: not necessarily huge in themselves, but with considerable synergies and potential to take our businesses to higher orbits.

Third, this is a good time to define, disseminate and enhance CG's core strengths. These are the values we place on relationships, and the ability to provide solutions which, in turn, strengthen these relationships. This impetus has driven the

branding exercise which was carried out in FY2010, and the new global CG brand that came into play across the world on a single day, 15 October 2009. Now, the common brand, cutting across all your Company's businesses globally and in India, is CG. And the brand line, 'Smart solutions. Strong relationships.' is exactly the way we want CG to be.

How do I see your Company's businesses in FY2011? Chairmen of listed companies should avoid 'forward-looking' statements. So let me share a few ideas in more general terms. I see good prospects continuing in India. With a GDP growth that may exceed 8% in FY2011, it is fair to expect rising demand for power systems, industrial systems and consumer products. Moreover, power systems ought to reap additional benefits on account of accelerated growth in generation and transmission. I also see fairly robust growth in emerging markets – whether these be

served by your Company from India or abroad.

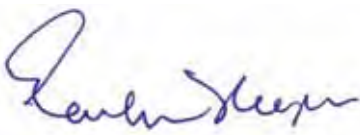
We recognise the imbalance of the Company's portfolio of a high volume of sales coming from the power business. We will continue to focus on opportunities to enhance the value of our Industrial Systems offerings through selected acquisitions. The Consumer Products business of the Company will also certainly benefit from the rebranding and a focus on sales in the rural areas.

Equally, the economic situation in Europe, the US and the Middle East may continue to remain unpredictable throughout FY2011. Your Company will have to work even harder at growing sales and profits in these geographies – which requires a more comprehensive approach to offering unique end-to-end solutions. The good news is that CG is already in the solutions space in the US, Europe and India; and its acquisitions are playing critical roles in developing interesting combinations of services, solutions and products.

A significant event in FY2010 was that Mr. Sudhir Trehan, your Managing Director and CEO was selected by Business Standard as the CEO of the Year. We are delighted with this honour. It recognises the exceptional leadership qualities of Sudhir; and emphasises the fact that he has created and bonded a great team that is delivering superior results each year. Do join me to congratulate Sudhir, and the Company that he leads on your behalf.

This has been another excellent year for your Company. Notwithstanding the difficulties that may come into play in FY2011, I expect CG to do better. Because excelling is a part of this organisation's genes.

Thank you for being there.



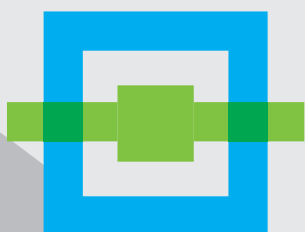
GAUTAM THAPAR
Chairman



EPD Division of India commissioned its first GIS sub-station project at Surat in India.



After improving profitability through better plant efficiencies and cost control, CG's Industrial Systems SBU is set to expand its solutions portfolio by acquiring Nelco's businesses of traction electronics, SCADA and industrial drives.



Corporate Information

BOARD OF DIRECTORS

CHAIRMAN

G Thapar

MANAGING DIRECTOR

SM Trehan

NON-EXECUTIVE, INDEPENDENT

S Bayman

O Goswami

S Labroo

M Pudumjee

S Prabhu

SP Talwar

V von Massow

CHIEF FINANCIAL OFFICER COMPANY SECRETARY

M Acharya

W Henriques

AUDITORS SOLICITORS

Sharp & Tannan

Crawford Bayley & Co.

BANKERS

Union Bank of India

State Bank of India

Corporation Bank

Canara Bank

Bank of Maharashtra

Yes Bank Ltd

IDBI Bank Ltd

ICICI Bank Ltd

The Royal Bank of Scotland N.V

Standard Chartered Bank

Credit Agricole CIB

REGISTERED OFFICE

6th Floor, CG House, Dr. Annie Besant
Road , Worli, Mumbai 400 030.