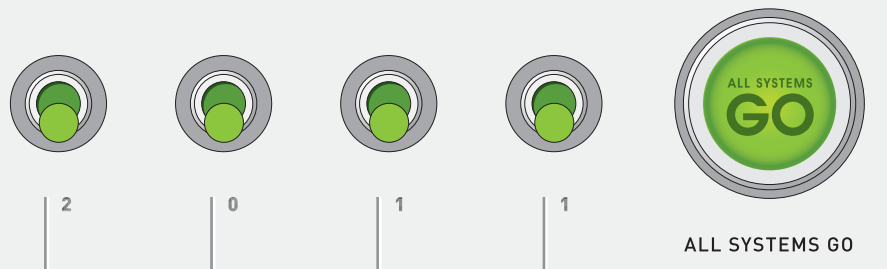
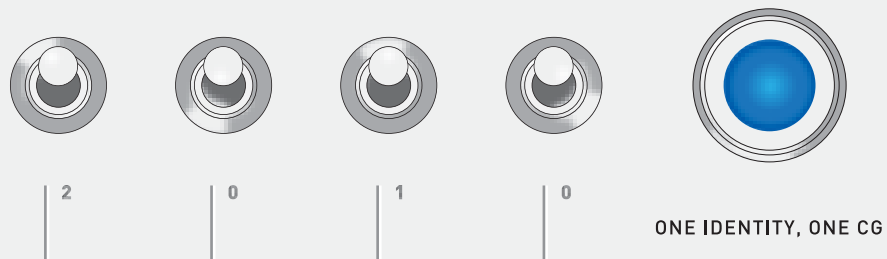
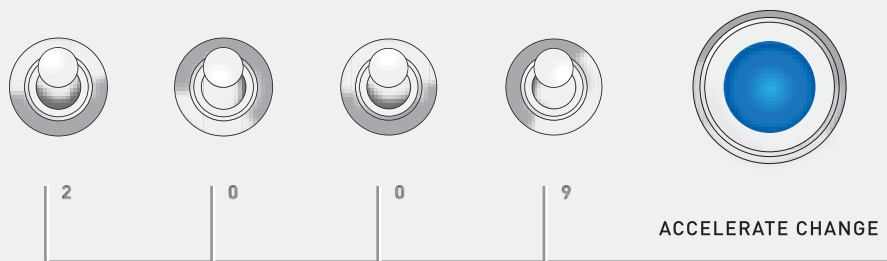
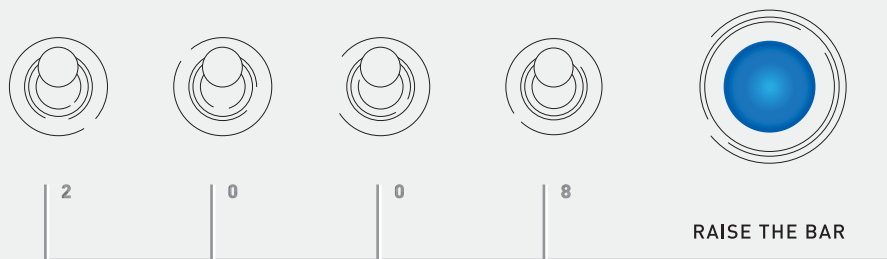
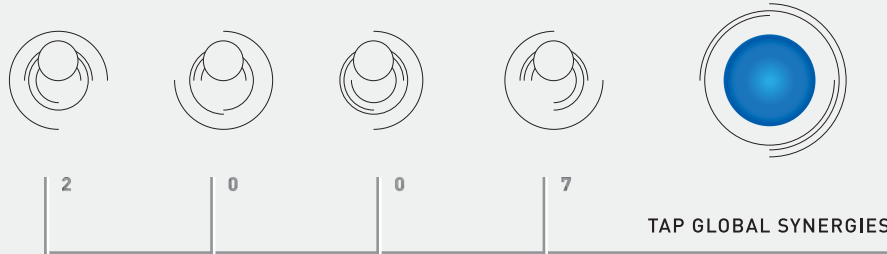




Smart solutions.  
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AVANTHA  
GROUP COMPANY

CROMPTON GREAVES LIMITED » 74TH ANNUAL REPORT

# CG ANNUAL REPORT 2010–11

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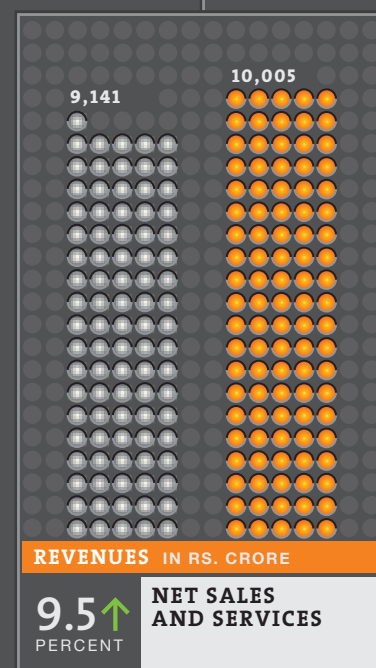
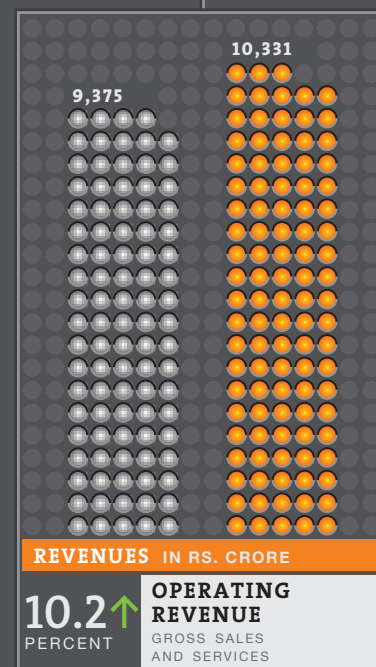
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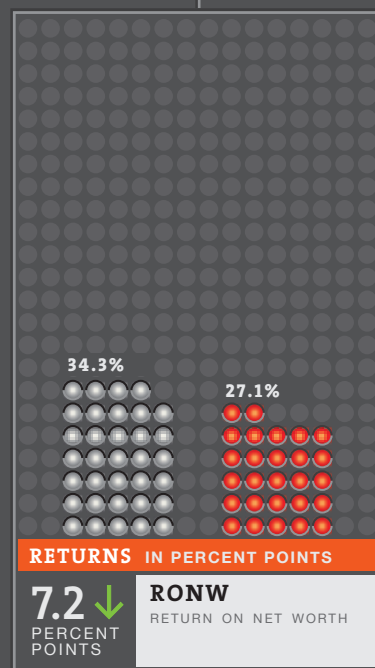
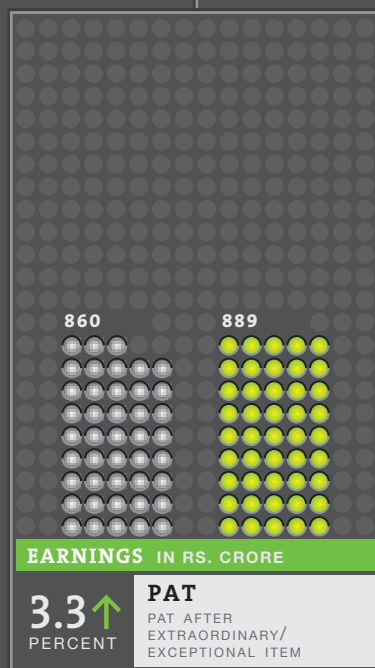
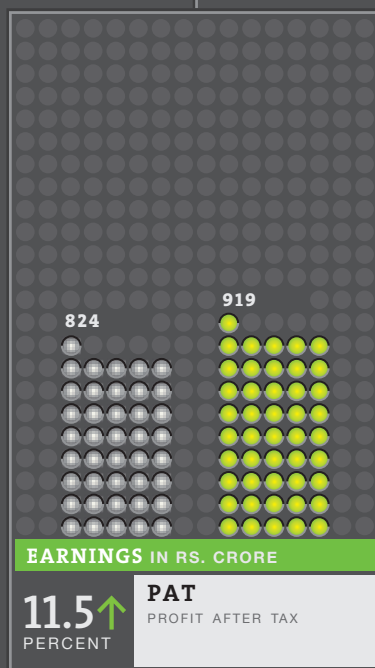
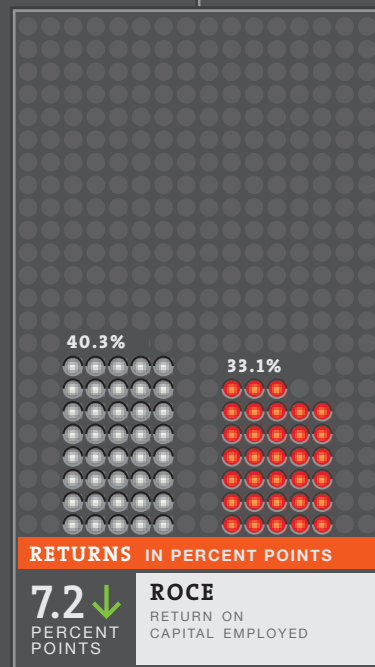
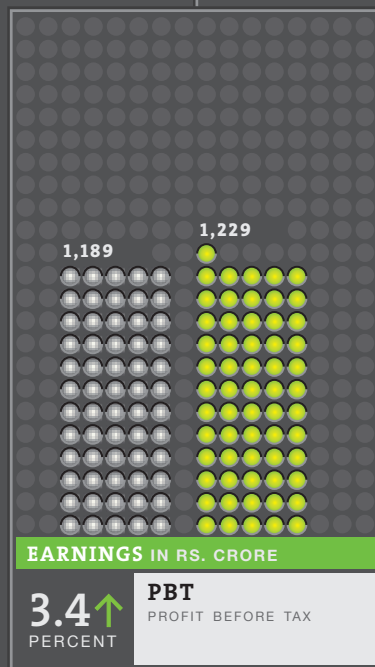
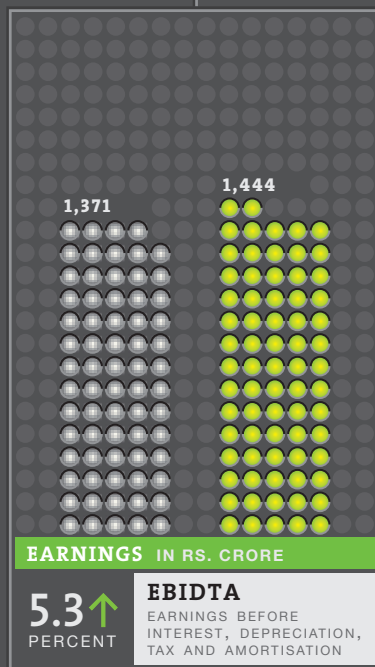
# CONSOLIDATED FINANCIAL HIGHLIGHTS 2010–2011

- ▶ The consolidated net revenue of the Company during 2010-2011 grew by 9.5% at Rs.10,005 crore, as compared with Rs.9,141 crore last year.
- ▶ Consolidated profit *before* tax increased to Rs.1,229 crore, as compared with Rs.1,189 crore in the previous year, an increase of 3.4% over last year.
- ▶ Consolidated profit *after* tax (before minority interest, share of associate companies and extraordinary items) increased to Rs.919 crore as compared with Rs.824 crore in the previous year, an increase of 11.5 % over last year.
- ▶ Consolidated profit *after* tax (after minority interest, share of associate companies and extraordinary items) increased to Rs.889 crore compared with Rs.860 crore in the previous year, an increase of 3.3% over last year.
- ▶ The Company has succeeded in enhancing operating margins on account of productivity enhancements, upgradation of production facilities, R&D-led savings in raw material consumption, process technology improvements, global sourcing initiatives, better working capital management and a debt free financial structure.

## RECOGNITIONS

- ▶ CG was awarded the Business Excellence Prize, 2010 by the Confederation of Indian Industry (CII), a recognition received by very few companies in India.
- ▶ CG was awarded 'Annual Intellectual Property Award 2010-11' for securing the highest number of design registrations during the last five years.
- ▶ Annual survey of India's Most Valuable Brands by Brand Finance, in partnership with The Economic Times, placed CG as the 34th Most Valued Corporate Brand in India, with a brand value calculated at US\$541 million.
- ▶ The Boston Consulting Group has, for the third time, included CG in its list of 100 New Global Challengers, which are the rising stars from rapidly developing economies and are reshaping global industries.





FY2010  
 FY2011

# CHAIRMAN'S LETTER



Industrial Systems  
completed its first major  
overseas acquisition of  
Sweden based Emotron Group.





Dear Shareholder,

Last year, I wrote of an economic turn for the better. This trend has continued in 2010-11 (FY2011). World output has recovered from a 0.6% contraction in calendar 2009 to 5% growth in 2010, with developing and emerging economies growing at 7.1%. India will be doing better than the previous fiscal year with growth of 8.5% in FY2011. China has grown by 10% in calendar 2010; if the first quarter's growth for 2011 is any indication, it would be fair to expect a growth of over 9% in 2011. The emerging economies and Asia are back in business.

There are, however, some concerns. First, barring Germany, Europe remains in the danger zone with threats of debt defaults in Greece, Ireland and even Portugal. Second, many emerging nations are suffering from overheating. Growth in demand outstrips supply. Moreover, these economies are also going through the pains of a global commodity price inflation, be it in hydrocarbons, metals, minerals and foodstuff. Third, central banks are resolutely raising interest rates to curb inflation, which is increasing the cost of funds and altering the profitability of new investments.

In this mixed milieu of the good and the worrying, your Company has performed satisfactorily. On a consolidated basis:

➤ **NET SALES AND SERVICES** grew by 9.5% to Rs.10,005 crore in FY2011. Today, CG's turnover stands at approximately US\$ 2.2 billion.

➤ **EARNINGS BEFORE INTEREST, DEPRECIATION, TAXES, AND AMORTISATION (EBIDTA)** increased by 5.3% to Rs.1,444 crore.

➤ **PROFIT BEFORE TAXES (PBT)** grew by 3.4% to Rs.1,229 crore.

➤ **PROFIT AFTER TAXES** net of minority interests and share of associate companies,

but excluding extraordinary item (PAT) increased by 12.4% to Rs.927 crore.

➤ **RETURN ON CAPITAL EMPLOYED (ROCE)** stood at 33.1%, which remains the highest in the industry.

➤ **RETURN ON NET WORTH (RONW)** was 27.1%.

Looking back over the past decade, I feel proud of your Company's achievements. Let me share a few facts with you. In ten years, CG has become a multinational, multi-cultural, multi-product and multi-services company. Its 8,700 employees from different nations across the world work in facilities in Belgium, Canada, Hungary, Indonesia, Ireland, France, the UK and the USA, in addition to over 14 manufacturing and design locations in India.

Ten years ago, in FY2002, Crompton Greaves was a purely Indian entity, earning net sales of Rs.1,479 crore, and EBIDTA of Rs.157 crore and a PAT of Rs.4 crore.

In FY2011, CG was a multinational enterprise with consolidated net sales of Rs.10,005 crore, and EBIDTA of Rs.1,444 crore and a PAT of Rs.889 crore.

In FY2001, total orders for the Company aggregated Rs.573 crore. In FY2010, CG received its single largest order of Rs.600 crore.

Globally CG now enjoys 42% of the market share for offshore wind transformer applications.



**In today's world, very few companies in the world can claim ten consecutive years of sequential growth.**

In FY2002, your Company's tangible net worth was Rs.238 crore. A decade later, it stands at Rs.3,275 crore. The Indian capital market has recognised CG's achievements, with your Company's market capitalisation rising from Rs.174 crore in April 2000 to over Rs.18,000 crore in April 2011.

All of this has been due to the performance of an excellent team led by an outstanding leader in the corporate world — Sudhir Trehan. A 'lifer' at CG, when Sudhir took over the helms of your Company as the Managing Director in May 2000, Crompton Greaves was in a deep crisis. It ran up a loss of Rs.147 crore; total liabilities were Rs.1,447 crore and debt-equity ratio was 2.33:1. Today, CG is a company with revenues in excess of US\$ 2 billion. Its top-line has been growing at a compound annual rate of 23% over ten years; and its debt-equity ratio is 0.14:1.

In today's world, very few companies in the world can claim ten consecutive years of sequential growth — in sales, income, EBITDA, EBIT, PBT and PAT. And doing so over a rapidly expanding global base of operations. Sudhir and his team have emphatically demonstrated that it is possible. It has been an amazing achievement, and I'm sure that you will join me in raising a toast to Sudhir Trehan, who is one of the most exceptional corporate leaders of our times.

Sudhir has formally demitted office to make way for his successor. You will appreciate that he is too precious a talent to enjoy blissful retirement. He will remain on the Board of your Company as its non-executive Vice Chairman and will be a core member of the Avantha Group. I look forward to seeing Sudhir in his new avatar.

Companies must have well thought out succession plans. Today, CG is a global enterprise focusing on end-to-end solutions. Thus, there was a need to get a global leader who had the enormous energy and drive of Sudhir along with business connections throughout the world. Laurent Demortier, who has taken over as the new

CEO and Managing Director, is such a person. He has worked with some major global organizations such as Alstom and Honeywell at senior executive positions. Before joining CG, he was a Senior Vice-President, of Alstom Power Sector — in charge of Power Automation and Control Business Unit. During his 11 years with Alstom, Laurent has led several business units in the T&D and power sectors, with global operations comprising some 6,200 people across 43 countries. Do join me and your Board of Directors in wishing Laurent all success.

Let me end with the news of two acquisitions made by your Company:

- ✦ On 19 May 2011, CG acquired Emotron of Sweden for an enterprise value of €57.8 million. Emotron designs, engineers and manufactures high end drive solutions that are used across-the-board for various industrial applications. This acquisition will fill a gap in automation solutions for your Company's Industrial Systems business.
- ✦ On 27 May 2011, CG acquired QEI Inc of USA for an enterprise value of US\$30 million. QEI is a market-leading provider of SCADA and automation systems, and products for the management of electric transmission and distribution networks. This acquisition further strengthens your Company's position in SCADA and sub-station automation.

These are CG's eighth and ninth acquisitions in six years.

**As I wrote last year, "Excelling is a part of this organisation's genes". That being so, we should all expect a very good future for your Company.**

**Thanks for your support.**



**GAUTAM THAPAR**  
Chairman



# CORPORATE INFORMATION





Mr Gautam Thapar (Right)  
with Mr Sudhir Trehan (Left)

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#### **BOARD OF DIRECTORS**

---

##### **CHAIRMAN**

G Thapar

##### **VICE CHAIRMAN**

**(MANAGING DIRECTOR UP TO 1 JUNE 2011)**

SM Trehan

##### **CEO AND MANAGING DIRECTOR**

**(FROM 2 JUNE 2011)**

L Demortier

##### **NON-EXECUTIVE, INDEPENDENT**

S Bayman

O Goswami

S Labroo

S Prabhu

M Pudumjee

SP Talwar

V von Massow

---

#### **AUDITORS**

---

Sharp & Tannan

---

#### **SOLICITORS**

---

Crawford Bayley & Co.

---

#### **CHIEF FINANCIAL OFFICER**

---

M Acharya

---

#### **COMPANY SECRETARY**

---

W Henriques

---

#### **BANKERS**

---

Union Bank of India

IDBI Bank Ltd.

State Bank of India

ICICI Bank Ltd.

Corporation Bank

The Royal Bank of Scotland N.V.

Canara Bank

Standard Chartered Bank

Bank of Maharashtra

Credit Agricole CIB

Yes Bank Ltd.

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#### **REGISTERED OFFICE**

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6th Floor,

CG House,

Dr. Annie Besant Road,

Worli,

Mumbai 400 030