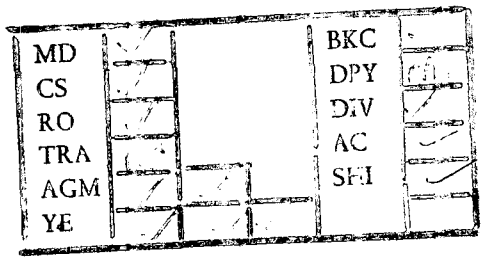
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REPORT AND ACCOUNTS 1996-97

Crompton Greaves

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BOARD OF DIRECTORS

N. M. Wagle — *Chairman*
K. K. Nohria — *Managing Director*
S. H. Bhojani
R. Dasgupta
S. Datta
L. De Wachter
C. P. Dusad
T. Garner
P. C. Gupta
T. K. Mukherjee
B. M. Suri
L. M. Thapar

COMPANY SECRETARY

W. Henriques

REGISTERED OFFICE

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

AUDITORS

Sharp & Tannan

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SOLICITORS

Crawford Bayley & Company

BANKERS

ABN-Amro Bank N.V.
ANZ Grindlays Bank p.l.c.
American Express Bank Limited
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
State Bank of India
The Hongkong and Shanghai
Banking Corporation Limited

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Annual General Meeting on Friday, 25th July, 1997 at 3.30 p.m. at Patkar Hall, Mumbai.

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Directors' Report for the year ended 31st March, 1997

To
The Members,

Your Directors present their Report and the Audited Accounts for the year ended 31st March, 1997.

This year has been a disappointing year for your Company. The operations of the Company were adversely affected by a much lower addition to power generation capacity, as also by the general slow down in investment by Indian Industry for new projects.

In the financial year 1996-97, the Company was restructured into four main Business Groups : Power Systems, Industrial Systems, Consumer Products and Digital. This restructuring will ensure enhanced focus and effectiveness.

Power Systems : The Power Systems Group comprising Transformers, Switchgear & Control and Engineering Projects, accounted for 35.62% of the Company's turnover. This Group registered a negative growth due to reduction of power generation as also industrial investment. The order input was much lower than in the previous year, creating pressure on margins, which had a negative effect on the final results. The export efforts of this Group, however, have started yielding satisfactory results and we have on hand substantial export orders which will help this Group perform better in the current year.

Industrial Systems : The Industrial Systems Group comprising Motors, Alternators, Railway Transportation including Signalling, Power Generation Equipment and Industrial Systems accounted for 31.34% of the Company's turnover, and registered a growth of 7.96% over the previous year. The performance was satisfactory in spite of a general decline in industrial activity.

Consumer Products : The Consumer Products Group comprising Lighting, Fans & Appliances and International Divisions, accounted for 24.16% of the Company's turnover. While Lighting and International Divisions showed a reasonable growth during the year, this growth was offset by lower demand for Fans due to overall sluggishness in the economy.

Digital : The Digital Group comprising Telecommunications and Informatics, accounted for 8.88% of the Company's turnover, indicating a growth of 38.80% over the previous year. The growth was much lower than expected due to reduction in the procurement plan by DoT and other customers, creating pressure on margins and influencing the results.

Further, low liquidity and subsequent delay in payments by customers contributed to higher receivables; in addition, reluctance on their part to lift goods when ready, increased inventory levels. These factors coupled with higher interest rates during the year resulted in substantial increase of interest costs. Planned investment undertaken to upgrade and modernise our facilities resulted in much higher depreciation. These two factors have substantially contributed to a decline in profits.

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The overall position of the Company is:

	Year ended 31st March, 1997 Rs. in Crores	*Year ended 31st March, 1996 Rs. in Crores*
Profit for the year	30.76	*80.04*
Less : Provision for tax (after write-back of excess provision of earlier years - Rs.3.50 Crores)	—	*16.00*
Profit after Tax	30.76	*64.04*
Add : Reserves written back	3.50	*0.26*
Less: Transfer to Reserves	0.25	*0.40*
Balance brought forward from last year	11.71	*10.08*
Amount available for appropriation	45.72	*73.98*
Proposed Appropriations :		
Doubtful Debts Reserve	2.00	*2.85*
Debenture Redemption Reserve	3.42	*2.26*
Dividend	12.55	*22.16*
General Reserve	15.00	*35.00*
Balance carried forward	12.75	*11.71*
	45.72	*73.98*

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OPERATIONS

The Sales for the year under review were Rs.1508.81 Crores compared to Rs.1480.73 Crores for the previous year.

The Profit for the year (after interest and depreciation) was Rs.30.76 Crores as against Rs.80.04 Crores for the previous year.

The Profit after tax was Rs.30.76 Crores (after write-back of excess provision for taxes of earlier years - Rs.3.50 Crores) as against Rs.64.04 Crores for the previous year.

AMALGAMATIONS

During the year, Indocom Industries Limited (Indocom) was amalgamated with the Company under the provisions of the Companies Act, 1956, and Lumino Lamps Limited (Lumino) was amalgamated with the Company under the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985. Accordingly, the accounts of the Company reflect the accounts post amalgamation in respect of these two companies.

SHARE CAPITAL

During the year, your Company successfully accessed the international capital market with an issue of Global Depository Receipts, for US$ 50 Million, which was fully subscribed at Rs.265/- per GDR. Consequent to this issue, 66,13,750 GDRs and an equal number of underlying equity shares of Rs.10/- each have been allotted on 10th July, 1996.

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Consequent to the amalgamation of Lumino, the Company has issued and allotted 31,366 shares on 29th March, 1997. No shares were allotted on the amalgamation of Indocom with the Company, as Indocom was our 100% subsidiary.

DIVIDEND

Your Directors recommend a dividend of Rs. 2.50 per share (Previous Year—Rs. 5/- per share), on 5,20,39,249 equity shares.

The 66,13,750 shares underlying the GDRs, allotted on 10th July, 1996 and the 31,366 shares allotted on 29th March, 1997, pursuant to the amalgamation of Lumino Lamps Limited with the Company, will be entitled to pro-rata dividend, with effect from the date of allotment.

RESERVES

The Reserves at the beginning of the year stood at Rs. 366.34 Crores. After considering the effect on the Reserves consequent to the amalgamations and the proposed transfers for the current year, the total Reserves as at 31st March, 1997 are Rs. 529.81 Crores.

EMPHASIS ON QUALITY

Your Company continues its pursuit of excellence in the quality of its products and services and its focus on the customer. With a view to enhance customer acceptability outside India, your Company has increased the range of products for which it has received certification from the Canadian Standards Association (CSA) and the Conformite Europeene (CE) mark for Europe, for various categories of products related to Motors, Fans & Appliances and Switchgear. These certifications would contribute to increasing the Company's presence in the international market.

During the year, 3 more divisions of your Company have been awarded the ISO 9000 certification, thus bringing the total number of divisions certified for quality systems adopted, to 26.

The LTCG Division and HT Switchgear Complex at Nasik received the National Productivity Council's Productivity Award for 1994-95.

Your Company believes that the achievement and maintenance of quality standards involves a constant pursuit of excellence and the Corporate Campaign reflects its ethos of 'Quality through Care. Care through Quality.' There is no quick fix approach to this maintenance of quality as skipping steps only creates an illusion of speed, and the intent of the Company is to ensure long term dominance of the Company's products in the minds of the customer.

RESEARCH AND DEVELOPMENT

The Research and Development Centre of your Company maintained its support to the development of the Company's business towards attaining international standards. As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant data pertaining to Research and Development, are given in the prescribed format as an Annexure to this Report.

EXPORTS

Your Company continues its search for new markets for its products outside India. Exports during the year were Rs.154.91 Crores (including deemed exports of Rs.82.76 Crores) as against Rs.155.71 Crores in the previous year (including deemed exports of Rs.108.27 Crores).

SUBSIDIARY COMPANIES

During the year, your Company acquired 8,90,000 shares in CG Polycrete Limited, as a result of which it became our subsidiary company.

Pursuant to Section 212 of the Companies Act, 1956, the Annual Reports of Subsidiary Companies for the year ended 31st March, 1997 are annexed hereto.

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DIRECTORS

Mr. S. Datta, Mr. L. M. Thapar and Mr. N. M. Wagle retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-appointment to the Board.

Mr. L. De Wachter was appointed to the Board as a representative of BTR plc on 4th May, 1996, to fill in the casual vacancy caused by the resignation of Mr. N. Bonser. Pursuant to the provisions of Section 262 of the Companies Act, 1956, Mr. De Wachter holds office upto the date of the forthcoming Annual General Meeting. Mr. De Wachter is eligible for appointment and a proposal in this regard is being submitted for the approval of the Members.

Mr. N. J. Jhaveri who was the Nominee Director for ICICI on the Board, has retired from ICICI and ICICI has nominated Mr. S. H. Bhojani in his place. Mr. S. H. Bhojani was appointed a Director with effect from 30th October, 1996 and will not be subject to retirement by rotation.

The Board places on record its deep appreciation of the dedication, support and valuable services rendered to the Company by Mr. N. J. Jhaveri during his tenure as a Director of the Company.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the relevant data pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo are given in the prescribed format as an Annexure to this Report.

PARTICULARS OF EMPLOYEES

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) (Amendment) Rules, 1994 is given in the enclosed annexure, which forms a part of this Report.

HUMAN RESOURCES & INDUSTRIAL RELATIONS

Your Company continues to believe that its employees are its most valuable resource and expenditure on upgrading their skills and enhancing employee competence is an investment towards the Company's corporate culture, which focuses on performance and excellence. The Company has already launched its in-house formal Executive Education Programme which has accessed faculty from the best management institutes in the country to make available high quality expertise to its employees. The Company's HRD pursuits through its Training Centre at Mulshi was sustained during the year to develop the potential in its employees.

Industrial relations continued to be cordial during the year under review and your Directors are happy to acknowledge the support and co-operation of the employees.

AUDITORS' REPORT

The Company's explanation to the Auditors' observations in their Report have been detailed in Note Nos. 1, 29 and 30 in the Notes on Accounts contained in Schedule 20 to the Accounts, which forms part of the Annual Report.

AUDITORS

The Company's Auditors, Sharp & Tannan, hold office until the conclusion of the forthcoming Annual General Meeting and, being eligible, are recommended for re-appointment on terms to be negotiated by the Board of Directors. They have furnished the requisite certificate to the effect that their re-appointment, if effected, would be in accordance with Section 224(1B) of the Companies Act, 1956.

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FIXED DEPOSITS

824 persons had not claimed repayment of their matured deposits amounting to Rs.53,58,500/- as at 31st March, 1997. At the date of this Report, an amount of Rs.12,05,000/- therefrom has been claimed and repaid and/or renewed.

LOOKING AHEAD

Your Company does not visualise the decline in profits for the year under report as an indication of its long term future. However, the changing political scenario and its consequent effect on industry makes the immediate future a challenge to be addressed, specially since the sales of your Company's products are largely dependent on the materialisation of Government and other Industrial Projects. The challenge for your Company in the coming year will be effective cost control in view of the eroding contribution margins due to increasing input costs. Competitive pressures from Indian industry as well as from international entrants which now view India as an attractive prospect, will also require increased attention and focus. However, we believe that we have invested in and built the strength to sustain and grow even in this uncertain environment. We face the future with confidence, and are reasonably certain that the results of the current year will show an improvement over the year under report.

On behalf of the Board of Directors

KK Nohria
Managing Director

NM Wagle
Chairman

Mumbai, 28th April, 1997

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Annexure to Directors' Report

Under Section 217(1)(e) of the Companies Act, 1956

A. CONSERVATION OF ENERGY

(a) Energy Conservation Measures taken:

Use of energy efficient lighting
Modification of equipment for reduction in energy consumption
Systematic studies to avoid energy losses
Better management of composite cooling systems
Modification in heat zones of furnaces
Conduct of energy audits
Improvement in impregnation plants
Installation of Thermic Fluid heating systems
Solar Power Light fittings
Improved insulation in furnaces and baking ovens
In house awareness of energy conservation measures

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:

The Company has invested in equipment and has availed of expertise in energy conservation to implement measures for conservation of energy.

(c) Impact of the measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production:

The various measures taken by the Company have resulted in reduction in consumption of energy and efforts are ongoing to further reduce the consumption of energy and the consequent impact on the cost of production.

B. TECHNOLOGY ABSORPTION

Form B

Research and Development (R&D)

1. **Specific areas of significance in which R&D is carried out by the Company:**

With a view to attaining a technology status comparable to the best in the industry, the focus has been on identifying specific areas of technology and planning for attaining strength in development of new products, reduction of costs, improvement of performance, extension of the existing range of products of the Company and process optimisation. These include :
Online monitor for power transformers
Test systems and instruments
Insulation, plastics and metallic materials
Process development for low cost magnetic materials
Special purpose machines for factory automation systems
Networking and Enterprise Resource Planning
Process Automation

2. **Benefits derived as a result of the above R&D:**

Introduction of new products and processes

Transformers :

630 KVA amorphous core transformer
CAD package for 220 kV auto transformer

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