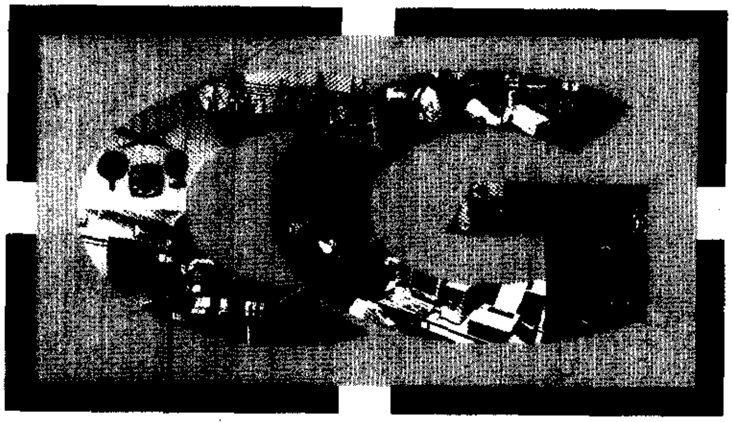


Report
& Accounts
1998-1999

Crompton Greaves

CELEBRATING ONE HUNDRED YEARS OF ELECTRICITY IN INDIA.

A Crompton saga

It was Colonel Crompton, a pioneer, engineer and explorer, whose exceptional genius helped put India on the world map of electric power generation in 1899.

This pioneering spirit lives on in the work of Crompton Greaves, India's largest private sector electrical engineering enterprise. Engaged in manufacturing, marketing and turnkey project, Crompton Greaves offers the widest spectrum of products, systems and services that find extensive application in power, industrial and telecommunication systems.

The saga continues.

Crompton Greaves

C O N T E N T S

Crompton Greaves Limited

Annual General Meeting on Friday, 23rd July, 1999 at 3.30 pm at Patkar Hall, Mumbai

Board of Directors

K.K. Nohria -
Chairman & Managing Director

S.H. Bhojani
R. Dasgupta
S. Datta
C.P. Dusad
P. C. Gupta
T. K. Mukherjee
P. Sen
B.M. Suri
L.M. Thapar
N.M. Wagle

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.
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
HSBC Limited
State Bank of India

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 1999.

To,

The Members,

Your Directors present their Sixty-second Report with the audited accounts for the year ended 31st March, 1999.

On 17th April, 1999, India celebrated 100 years of electricity. On this date, a hundred years ago, India's first electricity generating station at Calcutta powered by a Crompton Dynamo started production, based on the blue print drawn by Colonel R.E.B. Crompton. This heritage of Cromptons' service to the public has been an integral part of the Indian power supply scenario. As India's largest electrical equipment company in the private sector, we continue to further and consolidate these initiatives.

FINANCIAL PERFORMANCE

Whilst we look back with pride at our past heritage and with anticipation to the future, the past year continued to be another difficult year for the Indian industry accompanied by political uncertainty. Non-remunerative unit price realisation and poor demand conditions marked the year.

Fresh investments in the country, both for Power and Industrial Projects continue to be deferred. Your Company's operations are dependent on such investments. As a result, demand was limited and margins were under pressure.

However, your Company has registered an improvement in its performance during the year. Viewed against the above backdrop, the improvement, though not significant, is a matter of some satisfaction.

Our efforts at containing costs have been satisfactory during the year under review. The overall cost-out has yielded approximately Rs. 60 Crores. Operations of the Digital Group have been rationalised by shifting the Mohali Unit to Bangalore and we are in the process of shifting the KELW operations from Cochin to Baroda. Our employees have responded positively to our Voluntary Retirement Schemes. Due to streamlining of operations and these Schemes, the Company has reduced approximately 1700 employees during the year.

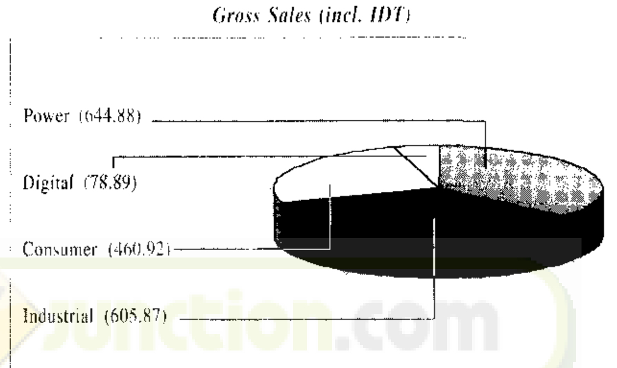
The performance and contribution of the four strategic business groups during the year has been as follows :

Rs. in Crores

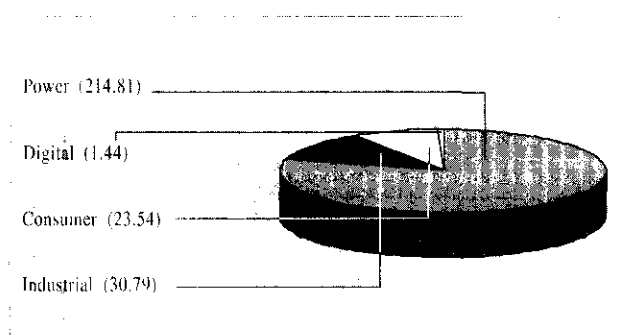
	Power		Industrial		Consumer		Digital		Total	
Gross Sales (incl. IDT)	**644.88**	*628.62*	**605.87**	*568.05*	**460.92**	*421.63*	**78.89**	*72.09*	**1790.56**	*1690.39*
Net Sales (excl. IDT)	**597.58**	*583.61*	**547.70**	*509.88*	**458.69**	*419.16*	**78.49**	*70.88*	**1682.46**	*1583.53*
Exports	**214.81**	*181.62*	**30.79**	*17.37*	**23.54**	*27.42*	**1.44**	*1.15*	**270.58**	*227.56*
Unexecuted Order Book	**301.43**	*477.11*	**378.92**	*189.37*	**12.70**	*23.02*	**20.86**	*3.80*	**713.91**	*693.30*
PBIDT	**77.78**	*70.54*	**56.89**	*56.36*	**27.08**	*13.00*	**(13.01)**	*(13.84)*	**148.74**	*126.06*
Less : Depreciation	**17.97**	*15.86*	**13.86**	*10.98*	**9.74**	*8.34*	**3.98**	*4.07*	**45.55**	*39.26*
PBIT	**59.81**	*54.68*	**43.03**	*45.37*	**17.34**	*4.66*	**(16.99)**	*(17.91)*	**103.19**	*86.80*
Less : Interest	**40.66**	*32.38*	**18.00**	*13.67*	**13.83**	*13.14*	**6.58**	*7.00*	**79.07**	*66.18*
PBT	**19.15**	*22.30*	**25.03**	*31.70*	**3.51**	*(8.48)*	**(23.57)**	*(24.91)*	**24.12**	*20.62*
Less : Provision for tax									**2.00**	*1.10*
Add : Excess provision of tax for previous year									**1.00**	*2.00*
Profit after tax									**23.12**	*21.52*
Add : Reserves written back									**1.93**	*7.50*
Less : Transfer to Reserves									**—**	*0.03*
Balance brought forward from last year									**16.66**	*12.75*
Amount available for appropriation									**41.71**	*41.74*
Proposed Appropriations :										
Doubtful Debts Reserve									**0.80**	*3.75*
Debenture Redemption Reserve									**0.68**	*0.72*
Dividend (including Dividend Tax)									**14.49**	*15.61*
General Reserve									**4.02**	*5.00*
Balance carried forward									**21.72**	*16.66*
Capital Expenditure									**65.99**	*105.86*

Rs.in Crores

Gross Sales (incl. IDT)



Exports



Figures in italics refer to figures for 1997-98

Power Systems

The Power Systems Group accounted for 36% of the Company's turnover. *(Previous Year - 37%).* Sluggish domestic demand resulted in stagnant domestic sales. Exports increased, but the expected growth could not be achieved due to the economic crisis in the far east. The Engineering Projects Division continued to perform well recording a growth of 20% due to an encouraging Order Book.

Industrial Systems

The Industrial Systems Group accounted for 34% of the Company's turnover *(Previous Year - 32%).* The sluggishness in the market continued. Excess production capacities chasing static demand resulted in increasing discounts and lower unit price realisation. Increased thrust on exports was made by widening the product range for catering to niche markets in the American Continent which is reflected by a growth of approximately 80% in exports. The Power Projects Division secured a prestigious order for erection and commissioning of the Sujana Power Project at Tuticorin, Tamil Nadu. The Rail Transportation segment further improved its performance as a result of a shift from being a product supplier to a system supplier. The year end Order Book is higher due to the order for the Sujana Power Project.

Consumer Products

The Consumer Products Group accounted for 26% of the Company's turnover *(Previous Year - 26%)* . During the year, a number of new and improved models were introduced to the range of fans and these efforts ensured that we retain our leadership in the market place. Profitability has increased significantly during the year due to operational efficiencies

Digital

Digital accounted for 4% of the Company's turnover *(Previous year - 5%).* The Informatics division has emerged as a System integrating partner for leading computing and networking companies. The R&D efforts enabled the division to deliver products ahead of schedule. The technology for wireless local loop equipment, developed through IIT Madras was productionized and we were able to export the corDECT equipment to a few countries. Several new products have been developed - MAX-XL large capacity exchanges with ISDN facilities, Optical line terminal equipment for optical media, HDSL and ADSL systems and SDH family of equipments. Besides, several marketing arrangements have been tied-up for sought after international products. The re-organisation of the Group has been completed during the year, resulting in improved operations. The year end Order Book is encouraging. Substantial improvement in results is expected in the coming years.

AMALGAMATIONS

During the year steps were initiated for the amalgamation of CG Polycrete Limited with the Company under the provisions of the Companies Act, 1956 and amalgamation of Punjab Power Generation Machines Limited (PPGML) under the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985.

Whilst the Board for Industrial and Financial Reconstruction (BIFR) has passed its final order in the case of PPGML on 19th April,1999, the amalgamation of CG Polycrete is at an advanced stage. The issue of shares and other regulatory formalities consequent to these amalgamations will be completed in the current year.

SHARE CAPITAL

During the year, the Company has forfeited 8460 equity shares of Rs.10/- each, issued in March 1993, due to non-payment of allotment/call monies due thereon. Consequent to the forfeiture, the issued and subscribed share capital stands reduced to Rs. 52,14,66,110 consisting of 5,21,46,611 equity shares of Rs.10/- each fully paid.

DIVIDEND

Your Directors recommend a dividend of Rs.2.50 per share.*(Previous Year Rs.2.50 per share).*

RESERVES

The Reserves at the beginning of the year stood at Rs.518.69 Crores. After considering the proposed transfers for the current year, the total reserves as at 31st March, 1999 are Rs.522.01 Crores.

EXPORT INITIATIVES

Emphasis on exports and development of new markets overseas continues. The initiatives in this area have resulted in exports

increasing by approximately 19% from Rs.227.56 Crores in the previous year (including deemed exports of Rs.76.93 Crores) to Rs.270.57 Crores (including deemed exports of Rs.101.47 Crores). During the year, inroads were made into the American Continental markets for motors. Exports will continue to be our thrust area in the coming years also.

SUBSIDIARY COMPANIES

As at 31st March, 1999, the Company has the following subsidiaries: CG Capital & Investments Limited, CG Faxemail Limited, CG Polycrete Limited, CG-PPI Adhesive Products Limited, CTR Manufacturing Industries Limited and Punjab Power Generation Machines Limited.

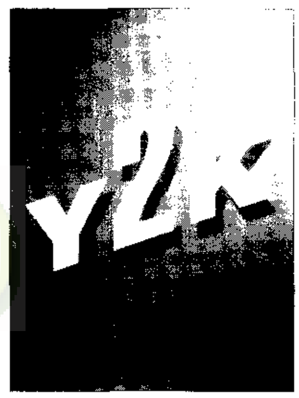
Pursuant to Section 212 of the Companies Act, 1956, the Annual Reports of the Subsidiary Companies for the year ended 31st March, 1999 are annexed hereto.

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.

Y2K READINESS

The Company's IT and Non-IT systems and processes at all its locations in respect of both hardware and software have been evaluated in-depth for Y2K



readiness, and effective measures have already been initiated for modification, upgradation or replacement, as necessary. It is anticipated that these measures will be comprehensively implemented and tested by September, 1999. Whilst the software remedial cost is not material, the hardware replacement cost is estimated at Rs.1.90 Crores. The Company also has in place a system of communication and feed back from its suppliers, dealers and other external agencies on their Y2K readiness, to avoid any adverse impact on its operations. The Company has also committed itself to the world renowned ERP platform - SAP R/3 in its operations and implementation at 10

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Rs.in Crores

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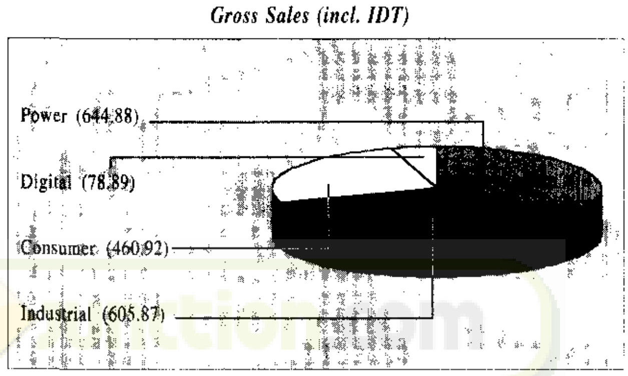
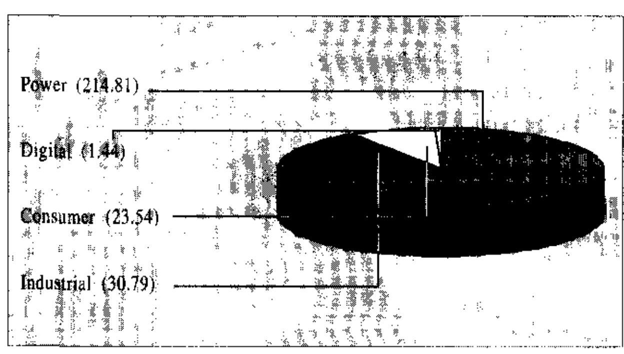


Exports



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