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ANNUAL REPORT 2004-05

Crompton Greaves
EVERYDAY SOLUTIONS

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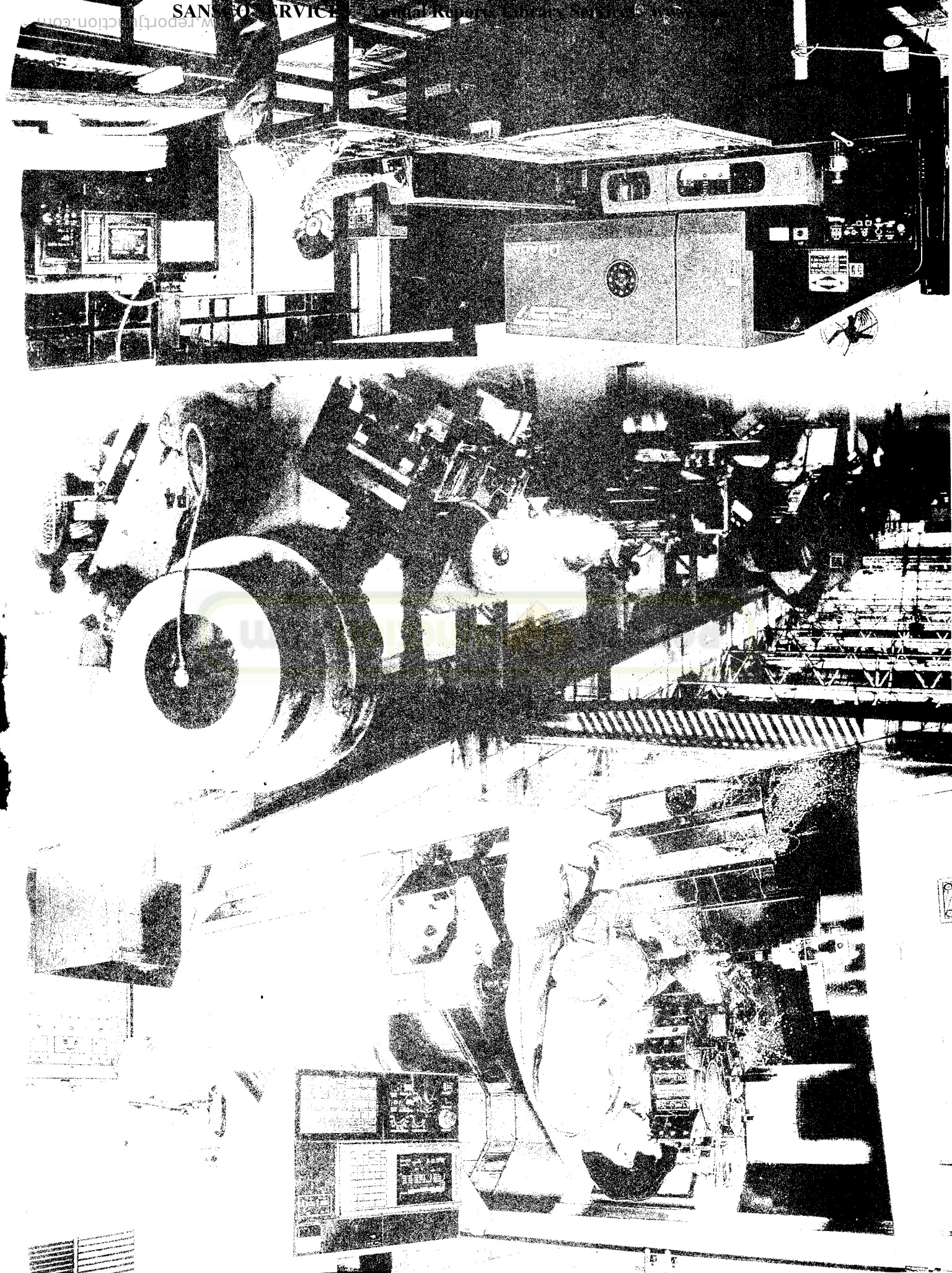

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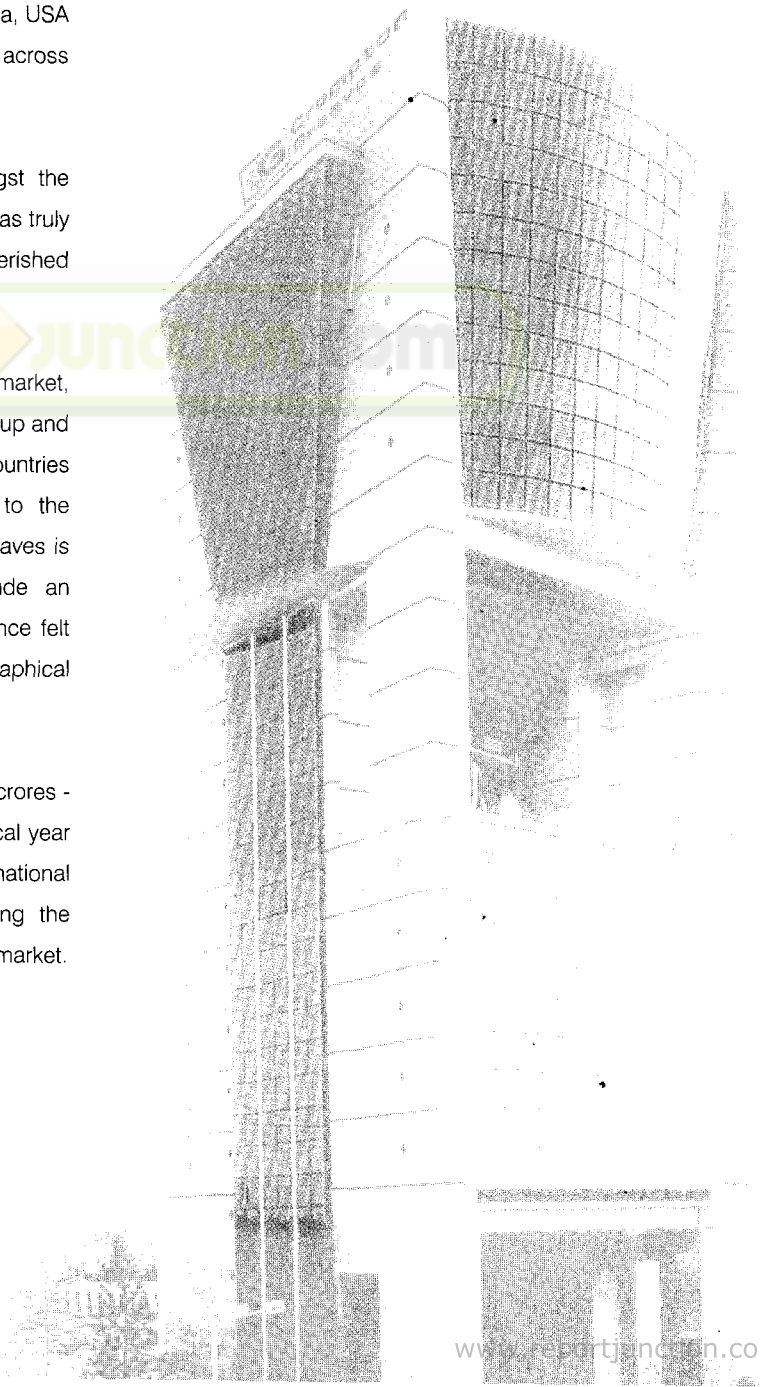
Crompton Greaves
An Indian MNC

On May 13, 2005, Crompton Greaves completed the acquisition of the Belgium - based Pauwels Group, having manufacturing facilities in Belgium, Ireland, Canada, USA and Indonesia and well spread distribution network across the globe.

This acquisition catapults the Company amongst the top 10 transformer manufacturers in the world. It has truly transformed into an Indian MNC making a long-cherished dream finally come true.

Besides strengthening its foothold in the Indian market, Crompton Greaves' acquisition of the Pauwels Group and its transformer manufacturing facilities in five countries is expected to provide a significant impetus to the Company's international presence. Crompton Greaves is perhaps the only Indian Company to conclude an acquisition of such magnitude, making its presence felt with manufacturing facilities over a wide geographical spread over five countries.

The additional turnover of approximately Rs.1380 crores - the Pauwels Group's sales turnover for its last fiscal year is expected to increase Crompton Greaves' international business to around 50% of its turnover, making the Company a force to reckon with, in the International market.



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Corporate Information

Board of Directors

G. Thapar
Chairman

S. M .Trehan
Managing Director

S. Bisht
O. Goswami
S. Labroo
K. Thapar

Chief Financial Officer
B.R.Jaju

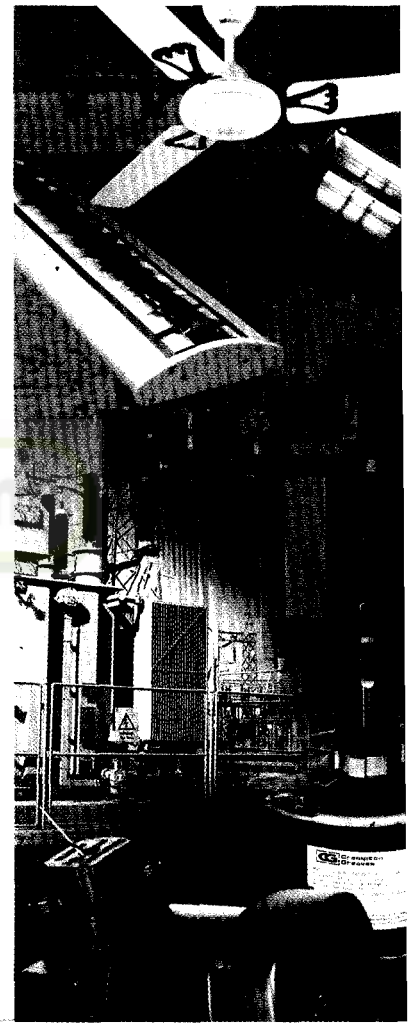
Company Secretary
W. Henriques

Registered Office
6th Floor, CG House,
Dr. Annie Besant Road,
Worli, Mumbai 400030

Auditors
Sharp & Tannan

Solicitors
Crawford Bayley & Co.

Bankers
ABN-Amro Bank
Bank of Baroda
Bank of India
Bank of Maharashtra
Canara Bank
Corporation Bank
ICICI Bank
IDBI Bank Ltd.
Standard Chartered Bank
State Bank of India
Syndicate Bank
UCO Bank
Union Bank of India
Vijaya Bank



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About CG

The BM Thapar Group's Crompton Greaves Limited has been a pioneer in the management and application of electrical energy. Today, with the acquisition of the Belgium-based Pauwels Group and its transformer manufacturing facilities in five countries, Crompton Greaves has positioned itself in the global market as a truly Indian MNC.

Since its incorporation in 1937, as one of India's largest private sector enterprise, Crompton Greaves has been a name that has become almost synonymous with electrical engineering products. The Company is a one-stop for designing, manufacturing and marketing of high technology electrical products and services related to power generation, transmission, distribution as well as execution of turnkey projects.

The three Strategic Business Groups are:

- Power Systems
- Industrial Systems
- Consumer Products

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Crompton Greaves has been a transformation from a national business entity to an aggressive world class player. Expanding its services to foreign shores, the Company is now emerging as a preferred choice in the global market for high quality electrical equipment.

All the financial parameters have shown consistent improvement for the last three years, endorsing the Company's sound financials.

The Company's business operations consist of 22 manufacturing divisions spread across five states - Gujarat, Maharashtra, Goa, Madhya Pradesh and Karnataka, with Marketing Headquarters in the four Metros. The Company's large customer base includes State Electricity Boards, government bodies and large companies in the private and public sectors.

Despite having clearly identifiable promoters, who are professionals of stature, Crompton Greaves' high standards of Expertise and Management have contributed to shaping the Company's present and future prospects.

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Key Strengths

- Performance Culture driven by Values
- Strong Financials
- Leadership position in most products
- Widely recognised technologies and tie-ups with the best in the world
- Strong Brand Equity
- Large number of International Product Certifications
- Increasing International presence
- Exhaustive product portfolio
- Well established marketing and service network

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Pauwels Acquisition

The Pauwels acquisition marks the culmination of the Company's endeavours for inorganic growth through an acquisition that would use the Company's strengths acquired over the years, to establish itself in International markets. From the many proposals explored by the Company, the Pauwels acquisition presented the most strategic fit, with its complementary product range, country presence together with wide geographical spread, well-accepted international brand equity and wide distribution network across the globe.

The Pauwels Group's largest manufacturing facility is in Belgium with other facilities in Ireland, Canada, USA and Indonesia. Transformer sales account for over 85% of its revenues with the balance from contracting and other services. The sales turnover of the Pauwels Group was approximately Euro 245 million (Rs.1380 crores) for the year ended December 2004.

Pauwels Transformers are renowned for their world-class performance and reliability. The Pauwels range of Transformers has achieved top tank status in terms of energy efficiency, minimal noise levels and compactness, meeting the highest international quality standards. Pauwels also offers a full range of after-sales services as well as repairs and maintenance for Transformers and on-load tap changers.

Pauwels manufactures a wide range of Transformers, significant amongst which are:

- Liquid-filled Distribution Transformers (15 kVA to 10 MVA/36 kV)
- Cast Resin Transformers (100 kVA to 10 MVA/36 kV) as an alternative to liquid-filled Distribution Transformers, with the emphasis on reduced environmental impact and increased fire safety.
- Medium and Large Power Transformers (upto 575 MVA/525 kV) for the transmission of electrical energy.
- Auto-transformers (upto 700 MVA/525 kV)
- Phase-shifting Transformers (upto 500 MVA/525 kV)
- HVDC Converter Transformers (upto 315 MVA/500 kV DC)
- Reactors upto 500 kV
- Mobile and Compact Substations (upto 500 MVA, 245 kV class)
- Special Application Transformers, which include Traction Transformers, Testing Transformers and Slim Transformers.

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With this acquisition, the sales of Crompton Greaves will grow significantly by around 65%. Not only will around 50% of its total turnover come from International business, manufacturing locations and sales entities across the world, our Transformer business would be ranked amongst the top ten in the world.

In today's environment, the customer looks for a Solutions Company, not just a Products Company, which can offer products and services, including Transformers (power and distribution), Switchgear (medium and high voltage), Circuit Breakers, Power Quality Products, Mobile Sub-Stations, Turnkey jobs and after-sales services. Post-acquisition, Crompton Greaves would leverage the Pauwels facilities and network, to enhance all these products and services already present in its portfolio. The Company sees this acquisition as a powerful enabler, which would lead to the emergence of a 'Solutions Company'.

The acquisition of Pauwels is expected to provide Crompton Greaves a foothold in the USA and European markets, and increase the Company's international footprint. Whilst approx. 75% of Pauwels' revenues come from Europe and USA, Crompton Greaves' export revenues portfolio on a similar basis comprise about 80% from Middle East and South America. Hence, this acquisition will provide opportunities for cross-selling of products of the two Companies in these markets. The "Pauwels" brand which enjoys an enviable reputation world-wide will certainly be a competitive advantage.

Pauwels transformer range is upto 500 kV as against 400 kV for Crompton Greaves. Pauwels is also strong in upto 36 kV single-phase distribution transformers, which should help Crompton Greaves gain market share in that segment in India. Both ranges will help Crompton Greaves realise higher revenues in the international market.

Crompton Greaves will also have access to Pauwels' sales and marketing network across the world.

The Company has already embarked on an integration plan to maximise value from this acquisition.

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