

CROMPTON GREAVES LIMITED



Company Background

Crompton Greaves, headquartered at Mumbai, is one of the largest private sector enterprises in the country. It designs, manufactures and markets electrical equipment, and products and services related to power generation, transmission and distribution. The company operates in four business lines – Power Systems, Industrial Systems, Consumer Products and others; it offers a wide range of products in these lines, such as power and industrial transformers, high tension (HT) and low tension (LT) motors, DC motors, traction motors, generators, HT circuit breakers, railway signalling equipment, lighting products, fans, pumps, and transmission and access products.

Crompton Greaves is one of the top 10 transformer manufacturers in the world. The company operates in 22 manufacturing divisions in India spanning Gujarat, Maharashtra, Goa, Madhya Pradesh and Karnataka. With the acquisition of the Belgium-based Pauwels Group in May 2005, the company has forayed into the global market.

In the financial year ending 31 March, 2006, Crompton Greaves (excluding Pauwels Group's contribution) recorded revenues of EUR 510 million, thus registering a 27 per cent growth over the FY 2005 revenues of EUR 401 million.

After considering the contribution of the Pauwels Group (from 13 May 2005 onwards, when the acquisition was concluded), the consolidated

operating revenue of Crompton Greaves in FY 2006 surged to EUR 810 million. Pauwels contributed 36.8 per cent of the company's consolidated revenue, and this contribution is expected to grow to above 40 per cent in the coming years.

Crompton Greaves in European Union (EU)

Crompton Greaves entered the European market with the acquisition of the Pauwels Group. It has multiple manufacturing and contracting facilities in Belgium, the Netherlands and Ireland, and sales offices in France and the UK. This group generates 70 per cent of its revenues from Europe and North America. Following the Pauwels acquisition, Crompton Greaves set up its wholly owned subsidiary, CG International B.V. (CGI), in April 2005, at Amsterdam in the Netherlands.

Crompton Greaves in Belgium

Pauwels Group with its multiple manufacturing and contracting facilities in Belgium, has facilitated Crompton Greaves to establish its presence in the region. Crompton Greaves has the following several subsidiaries in Belgium:

- The overall holding company of the Pauwels Group, Pauwels International N.V., is present in Mechelen.
- Pauwels Trafo Belgium N.V., the main manufacturing company of the Pauwels Group, is also located in Mechelen. It manufactures oil-filled distribution transformers, cast resin

transformers, power transformers, auto transformers and high voltage DC transformers.

- Pauwels Trafo Gent N.V., a Pauwels Group company in Gent, manufactures medium power transformers and special transformers.
- Pauwels Trafo Service S.A. is involved in the repair and maintenance of transformers.

Crompton Greaves in Ireland

In Ireland, Crompton Greaves has its subsidiary, Pauwels Trafo Ireland Ltd., in Cavan. It was set up as the first overseas operation of the Pauwels Group. It manufactures single-phase and three-phase distribution transformers, which are sold in the local market and the UK, and are also exported to Africa, the Middle East and other European countries.

Crompton Greaves in the Netherlands

In the Netherlands, Crompton Greaves operates through its subsidiaries, C.G. International B.V. in Amsterdam and Pauwels Trafo Service N.V. at Curacao in Dutch Antilles. Another Pauwels establishment, Pauwels Curacao N.V., has a sales office in Curacao.

Crompton Greaves in Hungary

Crompton Greaves has recently acquired two companies in Hungary – Ganz Transelektro Villamossagi Zrt. (GTV) and TransVerticum Kft (TV), an associate company of Ganz. GTV deals in high-voltage transformers, gas insulated switchgears (GIS), and rotating machines, while TV is responsible for designing, erecting, commissioning and related commercial activities.

Crompton Greaves in Other European Countries

Crompton Greaves also serves the European market through the sales offices of Pauwels establishments in France and the UK.

Factors for Success

Strategic Acquisitions

Crompton Greaves has successfully acquired the companies that complement its product portfolio. With an access to the specialty and high-voltage transformers of the Pauwels Group, the company can better serve the power systems market, which presents a USD 23 billion opportunity. Thus, the acquisitions have extended the market reach of the company.

Leverage Strong Brand Equity

The Pauwels Group has a well-established customer base in developed markets such as Europe, Americas and the Middle East. Crompton Greaves not only benefits from the operations of the Pauwels Group in these countries but also leverages Pauwels' strong brand equity to market its own products.

Future Plans

Synergising Operations

Following the acquisitions, Crompton Greaves now plans to synergise its operations and business processes. The company will integrate its resources involved in R&D, manufacturing and marketing, in order to develop a global delivery model capable of serving clients all over the world. The company aims at reducing the product development cycle time, and redesigning its R&D structure and systems.

Benefiting from Order Backlog

Crompton Greaves plans to capitalise on Pauwels' large order backlog in the coming years. The reduced market demand resulted in a decline of Pauwels' revenues. However, when the demand in Europe increased, Pauwels suffered a lack of funds, and it was unable to deliver the ordered products on time, thereby creating a backlog. By capitalising on this order backlog and improved demand

situation, Crompton Greaves is expected to register high revenue growth in the coming years

Transforming from Products Company to Solutions Company

Crompton Greaves plans to capitalise on the facilities and network of the Pauwels Group to enrich its umbrella of product and service offerings that will include transformers, switchgears, circuit breakers, mobile substations, power quality products, turnkey jobs and after-sales services. The company aims at emerging as a solutions company.

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