

Consolidated Financial Statements

CONSOLIDATED FINANCIAL STATEMENTS

Auditors' Report to the Shareholders of Crompton Greaves Limited

We have audited the attached Consolidated Balance Sheet of Crompton Greaves Limited, its Subsidiaries and Associates as at 31st March, 2003, the Consolidated Profit & Loss Account for the year then ended on that date annexed thereto and the consolidated Cash flow statement for the year ended on that date. These Financial Statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of CTR Manufacturing Industries Limited, CG Capital & Investments Limited and CG Maersk Information Technologies Private Limited, whose financial statements reflect total assets of Rs.67.66 crores as at 31st March, 2003 and total revenues of Rs.33.96 crores for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21 on "Consolidated Financial Statements", AS 23 on "Accounting for investments in Associates in consolidated financial statements" and AS 27 on "Financial reporting of interests in joint ventures" issued by The Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Crompton Greaves Limited, its Subsidiaries and Associates included in the consolidated financial statements except for the accounts of CG Actaris Electricity Management Limited (formerly CG Schlumberger Electricity Management Limited) since the accounts are in the process of being compiled and audited for the year ending 31st March 2003.

- (i) We further report that no provision has been made in the accounts in respect of (see Note No.2 of Schedule "B")

	Rs. Crores
(a) Income tax demands	1.98
(b) Excise demands (net after income tax)	8.85
(c) Sales tax demands (net after income tax)	1.83

- (ii) Note No.12 of Schedule B regarding disclosure of transactions with related parties is given based on legal opinion on which we have placed reliance.

We report that, without considering items (ii) above, the effect of which could not be determined, had the observations made by us in item (i) above been considered, the Profit Before Tax for the year would have been Rs. 24.84 crores (as against the reported profit before tax of Rs.37.50 crores), debit balance in the Retained Earnings would have been Rs.6.74 crores (as against the reported figure of Rs.19.40 crores), the Current Liabilities & Provisions would have been Rs.593.16 crores (as against the reported figure of Rs.580.50 crores).

Subject to the foregoing and to the best of our information and explanation given to us, and on the consideration of the separate audit reports on individual audited financial statements of Crompton Greaves Limited, its subsidiaries and associates, we are of the opinion that:

- (a) The Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Crompton Greaves Limited, its subsidiaries and associates as at 31st March 2003; and
- (b) The Consolidated Profit & Loss Account gives a true and fair view of the consolidated results of operations of Crompton Greaves Limited, its subsidiaries and associates for the year then ended.
- (c) The Consolidated Cash flow statement gives a true and fair view of the cash flow of Crompton Greaves Limited, its subsidiaries and associates for the year ended on that date.

Mumbai, 22nd May, 2003

SHARP & TANNAN
Chartered Accountants

L. Vaidyanathan
Partner

Membership No: 16368

Consolidated Profit & Loss Account for the year ended 31st March, 2003

	Schedule	As At 31-3-2003 Rs. Crores	<i>As At 31-3-2002 Rs. Crores</i>
INCOME			
Gross Sales [Refer Note No.5]		1757.50	1631.23
Less: Excise Duty		144.60	127.77
Net Sales		1612.90	1503.46
Other Income	1	14.85	15.60
		<u>1627.75</u>	<u>1519.06</u>
EXPENDITURE			
Materials	2	1095.71	994.10
Staff and Welfare	3	142.22	157.79
Manufacturing, Selling and Administration	4	214.24	204.75
Interest and Commitment Charges		65.13	75.67
Depreciation	10	46.26	45.18
Amortisation of Miscellaneous Expenditure		29.81	28.25
		<u>1593.37</u>	<u>1505.74</u>
Profit Before Exceptional Items And Taxes		34.38	<i>13.32</i>
Exceptional Items (Net)		3.12	-3.57
Profit Before Taxes		37.50	<i>9.75</i>
Provision for Taxation			
Current Tax		-1.90	-0.93
Deferred Tax		-8.81	-2.45
Profit After Tax		26.79	<i>6.37</i>
Taxation adjustment of Earlier Years		0.00	0.20
Corporate Dividend Tax		-0.05	0.00
Transfer to Doubtful Debts Reserve		-3.43	0.00
		<u>23.31</u>	<u>6.57</u>
Minority Interest		-0.12	-0.28
Profit / (Loss) After Tax And Minority Interest		23.19	<i>6.29</i>
Share of Profit / (Loss) of Associate Companies		-3.79	2.32
Balance Carried To Balance Sheet		19.40	<i>8.61</i>
Earning Per Share (Basic and Diluted)		<u>4.37</u>	<u>1.61</u>
Significant Accounting Policies	[A]		
Notes On Accounts	[B]		

Mumbai, 22nd May, 2003
As per our report attached.

SHARP & TANNAN
Chartered Accountants

By the hand of

L. Vaidyanathan
Partner

B. R. Jaju
Chief Financial Officer

W. Henriques
Secretary

S. M. Trehan
Managing Director

K. K. Nohria
Chairman

Mumbai, 22nd May, 2003

Consolidated Balance Sheet As At 31st March, 2003

	Schedule	Rs. Crores	As At 31-3-2003 Rs. Crores	As At 31-3-2002 Rs. Crores
SOURCES OF FUNDS				
Shareholders' Funds				
Capital	5	52.37		52.37
Reserves And Surplus	6	399.67		381.29
			452.04	433.66
Minority Interest	7		2.27	2.15
Loan Funds				
Secured Loans	8	318.72		467.11
Unsecured Loans	9	142.01		109.66
			460.73	576.77
			915.04	1012.58
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	10	805.10		784.00
Less : Depreciation		408.13		366.85
Net Block		396.97		417.15
Capital Work-in-progress		7.17		9.06
			404.14	426.21
Goodwill On Consolidation			1.59	1.59
Investments	11		60.95	90.86
Current Assets, Loans & Advances				
Inventories	12	197.62		183.58
Sundry Debtors	13	482.65		482.00
Cash and Bank Balances	14	56.76		61.73
Loans and Advances	15	142.71		150.61
		879.74		877.92
Less: Current Liabilities & Provisions				
Liabilities	16	567.39		543.90
Provisions	17	13.11		17.87
		580.50		561.77
Net Current Assets			299.24	316.15
Deferred Tax Asset			78.98	87.80
Miscellaneous Expenditure (to the extent not written off or adjusted)	18		70.14	89.97
			915.04	1012.58
Significant Accounting Policies	[A]			
Notes on Accounts	[B]			

The Schedules referred to above and the Notes attached, form an integral part of the Balance Sheet.

Mumbai, 22nd May, 2003

As per our report attached.

SHARP & TANNAN
Chartered Accountants

By the hand of

L. Vaidyanathan
Partner

B. R. Jaju
Chief Financial Officer

W. Henriques
Secretary

Mumbai, 22nd May, 2003

S. M. Trehan
Managing Director

K. K. Nohria
Chairman

Schedules Forming Part of Consolidated Profit & Loss Account

SCHEDULE 1

	As At 31-3-2003 Rs. Crores	As At 31-3-2002 Rs. Crores
Other Income		
Income from Premises		
(a) Lease Rent	1.63	1.34
(b) Income from Business Service Centres	6.51	4.98
(TDS deducted Rs. 0.18 crores; Previous year Rs. 0.19 crores)	<u>8.14</u>	<u>6.32</u>
Income from Investments	0.35	9.11
Miscellaneous Income	<u>6.36</u>	<u>0.17</u>
	<u><u>14.85</u></u>	<u><u>15.60</u></u>

SCHEDULE 2

	Rs. Crores	As At 31-3-2003 Rs. Crores	As At 31-3-2002 Rs. Crores
Materials			
Opening Stock			
Raw material	49.93		49.24
Work-In-Process			
Manufacturing	49.20		46.71
Contracts	19.17		21.83
Finished Goods	<u>45.08</u>		<u>49.34</u>
		<u>163.38</u>	<u>167.12</u>
Add: Purchases (Including Trading goods)	1106.83		1002.68
Less : Scrap Sales	<u>13.54</u>		<u>12.32</u>
		<u>1093.29</u>	<u>990.36</u>
		<u>1256.67</u>	<u>1157.48</u>
Less : Closing Stock			
Raw materials	54.07		49.93
Work-In-Process			
Manufacturing	52.27		49.20
Contracts	14.35		19.17
Finished Goods	<u>40.27</u>		<u>45.08</u>
		<u>160.96</u>	<u>163.38</u>
		<u><u>1095.71</u></u>	<u><u>994.10</u></u>

SCHEDULE 3

	As At 31-3-2003 Rs. Crores	As At 31-3-2002 Rs. Crores
Staff & Welfare		
Salaries, Wages and Bonus	112.16	116.30
Provident Fund and Family Pension Scheme Contributions	8.19	8.85
Superannuation Fund Contributions	2.00	1.86
Gratuity (Including Contribution to Fund)	7.14	17.36
Workmen & Staff Welfare	<u>12.73</u>	<u>13.42</u>
	<u><u>142.22</u></u>	<u><u>157.79</u></u>

SCHEDULE 4

	Rs. Crores	As At 31-3-2003 Rs. Crores	As At 31-3-2002 Rs. Crores
Manufacturing, Selling and Administration			
Stores and Spare Parts		13.06	11.58
Power and Fuel		20.67	19.70
Repairs :			
Buildings	2.27		1.40
Plant and Equipment	5.97		4.84
Others	3.50		3.70
		11.74	9.94
Forwarding, Godown and Packing		50.59	50.29
Advertising		7.38	3.28
Auditors' Remuneration			
Statutory Audit Fees	0.30		0.26
Tax Audit Fees	0.06		0.06
Taxation	0.00		0.01
Certification	0.03		0.07
Other Services	0.08		0.00
Expenses Reimbursed (including Service Tax)	0.11		0.11
		0.58	0.51
Rent		4.54	7.83
Rates & Taxes		8.12	13.88
Insurance		3.70	3.19
Bad Debts		1.81	0.22
Vehicle Expenses		1.50	1.46
Travelling		15.32	13.77
Professional Charges		7.86	4.64
Technical Service Fees		1.82	3.32
Exchange Premium / Difference		2.42	4.40
Miscellaneous Expenses		63.09	56.71
Directors' Fees		0.04	0.03
		214.24	204.75

Schedules Forming Part of Consolidated Balance Sheet**SCHEDULE 5**

	As At 31-3-2003 Rs. Crores	As At 31-3-2002 Rs. Crores
Capital		
Authorised		
6,00,00,000 Equity Shares of Rs.10 each	60.00	60.00
Issued and Subscribed		
5,23,75,116 Equity shares of Rs.10 each	52.37	52.37
Paid up		
5,23,66,656 Equity Shares of Rs.10 each	52.37	52.37
8,460 Forfeited Equity Shares of Rs.10 each Rs. 32175 partly paid	0.00	0.00
	52.37	52.37
Of the above, following Equity Shares were allotted		
3,87,200 Pursuant to a contract without payment being received in cash		
1,62,00,000 As fully paid up Bonus Shares by capitalisation of General Reserve and Share Premium Account		
14,76,566 As fully paid up pursuant to schemes of amalgamation		
66,13,750 As underlying shares to an international offering of Global Depository Receipts (GDRs) in US Dollars		

SCHEDULE 6

	As At 31-3-2003 Rs. Crores	<i>As At 31-3-2002 Rs. Crores</i>
Reserves & Surplus		
Revaluation Reserve	17.77	18.30
Share Premium Account	379.82	379.82
Government Subsidy	0.44	0.34
Investment Allowance (Utilised) Reserve	0.79	1.02
Debenture Redemption Reserve	5.00	5.00
Doubtful Debts Reserve	0.04	0.04
Capital Redemption Reserve	0.17	0.17
Capital Reserve	0.34	0.34
Retained Earnings / Deficit (-) b/f	-24.34	-122.99
Transfer from Investment Allowance (Utilised) Reserve	0.24	0.00
Adjustment on account of Deferred Tax	0.00	90.64
Profit after Tax and Minority Interest	19.40	8.61
Retained Earnings / Deficit (-) c/f	<u>-4.70</u>	<u>-23.74</u>
	<u>399.67</u>	<u>381.29</u>

SCHEDULE 7

	As At 31-3-2003 Rs. Crores	<i>As At 31-3-2002 Rs. Crores</i>
Minority Interest		
As at 1.4.2002	2.15	2.37
Adjustment on account of Deferred Tax	0.00	-0.39
Share of Profit for the year	0.12	0.28
Share of Revaluation Reserve Recoupment	0.00	0.00
Dividends to Minority	0.00	-0.11
	<u>2.27</u>	<u>2.15</u>

SCHEDULE 8

	As At 31-3-2003 Rs. Crores	<i>As At 31-3-2002 Rs. Crores</i>
Secured Loans		
Debentures :		
(Privately placed with Financial Institutions)		
13.50% Secured Non-Convertible Debentures of Rs.100 each		
(a) 50,00,000 (VIII Series) redeemable in 18 equal quarterly instalments due from 15th June, 2000	16.67	27.78
(b) 50,00,000 (IX Series) redeemable in 3 equal semi-annual instalments due from 1st September, 2002	16.67	50.00
Term Loans		
1. From Banks	98.73	92.60
2. From Financial Institutions	1.45	16.66
Cash Credit / Working Capital Demand Loans		
From Banks:-		
(a) Rupee Loans / Cash Credit	56.49	243.93
(b) Foreign Currency Loans	128.71	36.14
	<u>318.72</u>	<u>467.11</u>

SCHEDULE 9

	As At 31-3-2003 Rs. Crores	<i>As At 31-3-2002 Rs. Crores</i>
Unsecured Loans		
Fixed Deposits	72.53	36.42
Commercial Papers	10.00	0.00
Other Deposits:		
(a) Interest free Sales Tax Loans and Special Incentive Loans from Central / State Governments	58.00	51.90
(b) Arrears of Preferential Dividend	0.05	0.10
(c) From Others	1.43	21.24
	<u>142.01</u>	<u>109.66</u>

SCHEDULE 10**Fixed Assets & Depreciation**

Rs. Crores

Description	Gross Block				Depreciation				Net Block	
	At 1.4.2002	Additions	Deductions	At 31.3.2003	At 1.4.2002	On Deductions	For the Year	At 31.3.2003	At 31.3.2003	At 31.3.2002
Land										
Freehold	15.41	0.00	0.00	15.41	0.00	0.00	0.00	0.00	15.41	15.41
Leasehold	14.90	0.00	0.00	14.90	2.20	0.00	0.17	2.37	12.53	12.70
Buildings	197.49	4.08	1.31	200.26	38.11	0.35	5.04	42.80	157.46	159.39
Plant & Equipment	454.80	17.31	2.08	470.04	251.35	1.72	34.30	283.93	186.11	203.44
Furniture & Fixtures	92.24	3.46	1.62	94.08	68.40	1.25	6.06	73.21	20.87	23.84
Vehicles	9.16	3.92	2.67	10.41	6.79	2.01	1.04	5.82	4.59	2.37
Sub Total	784.00	28.77	7.68	805.10	366.85	5.33	46.61	408.13	396.97	417.15
Capital Work in Progress										
Buildings	3.20	0.54	1.41	2.33					2.33	3.20
Plant & Equipment	5.86	2.22	3.24	4.84					4.84	5.86
Sub Total	9.06	2.76	4.65	7.17					7.17	9.06
At 31.3.2003	793.06	31.53	12.33	812.27	366.85	5.33	46.61	408.13	404.14	
At 31.3.2002	788.02	72.91	67.87	793.06	326.40	5.12	45.57	366.85		426.21

	As At 31-3-2003 Rs. Crores	As At 31-3-2002 Rs. Crores
Depreciation		
Depreciation on Fixed Assets	46.61	45.57
Less: Transferred from Revaluation Reserve	0.35	0.39
	<u>46.26</u>	<u>45.18</u>

SCHEDULE 11**Investments**

Long Term (At Cost)

	As At 31-3-2003 Rs. Crores	As At 31-3-2002 Rs. Crores
Government and Trust Securities	2.38	2.31
Fully paid Equity / Preference Shares and Debentures	26.19	51.79
Associate Companies (Under Equity Method)		
Cost	22.07	22.07
Share of Capital Reserves	0.47	0.47
Share of Other Reserves		
Opening Balance as on 1-4-2002	13.63	12.35
Share of Profits/(Loss) for the year	-3.79	2.32
Dividend Received	0.00	-0.45
Closing Balance as on 31.3.2003	<u>9.84</u>	<u>14.22</u>
	<u>32.38</u>	<u>36.76</u>
	<u>60.95</u>	<u>90.86</u>

SCHEDULE 12

	Rs. Crores	Rs. Crores	As at 31-3-2003 Rs. Crores	As at 31-3-2002 Rs. Crores
Inventories :				
(At lower of Cost or Net Realisable value)				
Stores, Spare parts and Packing Materials			3.31	2.31
Raw Materials			54.07	49.93
Work-in-Process - Manufacturing			52.27	49.21
Finished Goods			40.27	45.08
			<u>149.92</u>	<u>146.53</u>
Work-in-Process - Contracts				
At Cost		14.35		19.16
At Realisable Sales Value	109.71			43.54
Less : Progress Payments	<u>76.36</u>			<u>25.65</u>
		<u>33.35</u>	<u>47.70</u>	<u>17.89</u>
			<u>197.62</u>	<u>183.58</u>

SCHEDULE 13

	Rs. Crores	As at 31-3-2003 Rs. Crores	As at 31-3-2002 Rs. Crores
Sundry Debtors			
Unsecured			
Debts outstanding for a period exceeding six months			
Considered Good		130.93	123.13
Considered Doubtful	24.57		21.19
Less : Doubtful Debts Reserve per contra	<u>24.57</u>		<u>21.19</u>
		0.00	0.00
Other Debts			
Considered good		351.72	358.87
		<u>482.65</u>	<u>482.00</u>

SCHEDULE 14

	As at 31-3-2003 Rs. Crores	As at 31-3-2002 Rs. Crores
Cash and Bank Balances		
Cash on hand	0.25	0.19
Current Accounts with Banks	2.03	5.20
Remittances in transit	43.72	56.31
Term Deposits with Scheduled Banks (including interest accrued thereon)	10.76	0.03
	<u>56.76</u>	<u>61.73</u>

SCHEDULE 15

	As at 31-3-2003 Rs. Crores	<i>As at 31-3-2002 Rs. Crores</i>
Loans & Advances		
(Unsecured, Considered Good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received.	129.11	132.48
Balances with excise, customs, etc.	6.58	6.06
Inter-corporate deposits	7.02	12.07
	<u>142.71</u>	<u>150.61</u>

SCHEDULE 16

	Rs. Crores	As at 31-3-2003 Rs. Crores	<i>As at 31-3-2002 Rs. Crores</i>
Current Liabilities			
Sundry Creditors :			
(a) Due to Small Scale Industrial Undertaking(s)	90.37		84.47
(b) Due to Others	429.60		426.12
		519.97	510.59
Other Liabilities :			
(a) Security Deposit	5.04		4.32
(b) Unclaimed Dividend	0.16		0.16
(c) Unclaimed Matured Fixed Deposit	1.22		0.00
(d) Interest accrued but not due on loans	0.78		1.03
(e) Others	40.22		27.80
		47.42	33.31
		<u>567.39</u>	<u>543.90</u>

SCHEDULE 17

	As at 31-3-2003 Rs. Crores	<i>As at 31-3-2002 Rs. Crores</i>
Provisions		
Gratuity	5.25	11.51
Leave encashment on retirement	7.81	6.25
Proposed Dividend	0.05	0.11
	<u>13.11</u>	<u>17.87</u>

SCHEDULE 18

	As at 31-3-2003 Rs. Crores	<i>As at 31-3-2002 Rs. Crores</i>
Miscellaneous Expenditure		
(To the extent not written off or adjusted)		
Voluntary Retirement Scheme	59.48	79.02
Testing fees	5.23	3.67
Technical know-how	5.43	7.28
	<u>70.14</u>	<u>89.97</u>

SCHEDULE [A]**SIGNIFICANT ACCOUNTING POLICIES****1 BASIS OF PRESENTATION**

- (i) The Financial Statements of the subsidiaries used in the consolidation are drawn upto the same reporting date as that of parent Company, i.e. year ended 31st March, 2003.
- (ii) The accounts have been prepared using historical cost convention except for the revaluation of certain fixed assets and on the basis of a going concern, in accordance with Section 211(3C) and other provisions of the Companies Act 1956, with revenue recognised and expenses accounted on accrual, including for committed obligations. Insurance and other claims are accounted for as and when admitted by the appropriate authorities.

2 PRINCIPLES OF CONSOLIDATION

- (i) The financial statements of the Parent Company and its Subsidiaries have been consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, incomes and expenses after eliminating intra-group balances, intra-group transactions and unrealised profits resulting therefrom.
- (ii) The financial statements of the Parent Company and its Subsidiaries have been consolidated using uniform accounting policies for like transactions and other events in similar circumstances.
- (iii) The excess of cost to the Parent Company of its investment in each of the Subsidiary over its share of equity in the respective Subsidiary, on the acquisition date, is recognised in the financial statements as Goodwill on Consolidation and carried in the Balance Sheet as an asset. Negative Goodwill is recognised as Capital Reserve on Consolidation.
- (iv) Investments in Associate Companies have been accounted under the Equity Method as per Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements", issued by the Council of the Institute of Chartered Accountants of India.

Under the Equity Method of Accounting the investment is initially recorded at cost, identifying any goodwill/capital reserve arising at the time of acquisition. The carrying amount of investment is adjusted thereafter for the post acquisition change in the investor's share of net asset of the Investee. The consolidated statement of Profit & Loss reflects the investor's share of the results of operations of the Investee.

- 3 Company has disclosed only such Policies and Notes from the individual financial statements, which fairly present the needed disclosures. Lack of homogeneity and other similar considerations made it desirable to exclude some of them, which in the opinion of the management, could be better viewed, when referred from the individual financial statements.

SCHEDULE [B]**NOTES ON ACCOUNTS**

- 1 A In terms of AS 21 and AS 23 the consolidated financial statements present the consolidated accounts of Crompton Greaves Limited with its following Subsidiaries and Associates.

	Country of Incorporation	31-3-2003 Rs. Crores	31-3-2002 Rs. Crores
Subsidiaries			
(a) CG Capital & Investments Limited	India	100.00	<i>100.00</i>
(b) CG PPI Adhesive Products Limited	India	81.42	<i>81.42</i>
(c) CTR Manufacturing Industries Limited	India	82.06	<i>82.06</i>
Associates			
(a) Brook Crompton Greaves Limited	India	49.00	<i>49.00</i>
(b) CG Lucy Switchgears Limited	India	50.00	<i>50.00</i>
(c) CG Maersk Information Technology Private Limited	India	50.00	<i>50.00</i>
(d) CG Actaris Electricity Management Limited (Formerly CG Schlumberger Electricity Management Limited)	India	49.00	<i>49.00</i>
(e) CG Smith Software Private Limited	India	50.00	<i>50.00</i>
(f) Hitachi CG Motor Engineering Private Limited	India	49.00	<i>49.00</i>
(g) International Components India Limited	India	50.00	<i>50.00</i>

- B In case of CG Maersk Information Technology Private Limited financial statements drawn upto 31st December 2002 have been considered. There were no material adjustments required for any significant events or transactions between the associate and any of the other group companies between the said date and 31st March 2003.

- C For the purpose of Consolidation in accordance with AS 23, Certain Associates which do not fulfill the criterion specified in the said Accounting Standard have been excluded. Investments in such associates have been accounted for in accordance with AS 13. The list of Associates not included in the Consolidated Financial Statements are as under.

- (a) Karamchand Tapar (Africa) Limited, Mauritius
- (b) Paxonet Communications Inc. USA
- (c) Power Equipment Limited, Dubai

SCHEDULE [B]**NOTES ON ACCOUNTS**

	31-3-2003	<i>31-3-2002</i>
	Rs. Crores	<i>Rs. Crores</i>
D For the purposes of disclosure pertaining to AS 27, all Joint Venture Companies have been considered as Associates since these Joint Venture Companies do not fulfill the criterion specified in AS 27.		
E Since the accounts of CG Actaris Electricity Management Ltd. are in the process of being compiled and audited, for the year ending 31st March, 2003, the same have not been considered for consolidation but accounted for in accordance with AS-13.		
2 No provision has been made for		
(a) Income Tax demands against which the Company has preferred appeals. Similar matters involved in the appeals have been decided in favour of the company in the past.	1.98	<i>0.43</i>
(b) Excise Duty demands which have been disputed by the Company (Net of Income Tax)	8.85	<i>11.56</i>
(c) Sales Tax demands which have been disputed by the Company (Net of Income Tax)	1.83	<i>1.86</i>
3 Contingent Liability in respect of :		
(a) Claims against the Company not acknowledged as debts (Net of Income Tax)	0.65	<i>1.12</i>
(b) Show Cause Notice issued by the Customs Authorities for levy of penalty under Section 127 of the Customs Act, which is in dispute and an appeal is filed by the Company with Customs, Central Excise and (Gold Control) Appellate Tribunal (CEGAT), which is pending	0.00	<i>0.05</i>
(c) Bills Discounted	66.83	<i>71.72</i>
(d) Guarantees by the Company for obligations to other persons	19.71	<i>28.34</i>
(f) Income Tax Appeals / Reference Applications made by the Income Tax Department against the orders passed by the Appellate Authorities in favour of the Company.	9.36	<i>9.36</i>
(g) Excise matters in dispute decided in favour of the Company at Appellate Level for which the Department is in Appeal before CEGAT	6.28	<i>4.58</i>
4 Provision for Tax includes wealth tax provisions made under the Wealth Tax Act, 1957.	0.25	<i>0.25</i>
5 Estimated amounts of contracts remaining to be executed on Capital Account and not provided for (Net of advances)	3.06	<i>2.12</i>

SCHEDULE [B]**NOTES ON ACCOUNTS**

	31-3-2003	<i>31-3-2002</i>
	Rs. Crores	<i>Rs. Crores</i>
6 Sales include		
(a) Increase / Decrease (-) in Construction Work-in-Progress		
(i) Closing Work-in-Progress	109.71	<i>43.54</i>
(ii) Less : Opening Work-in-Progress	43.54	<i>164.07</i>
	66.17	<i>-120.53</i>
And are net of		
(b) Brokerage and Commission	10.40	<i>13.80</i>
(c) Cash Discount	7.34	<i>6.33</i>
7 Interest and Commitment Charges include interest on		
(a) Fixed Loans	30.20	<i>31.42</i>
(b) Debentures	8.17	<i>11.38</i>
(c) Others	28.68	<i>36.60</i>
	67.05	<i>79.40</i>
(d) Less: Interest Income (Including tax deducted at source. Rs.0.20 crores; <i>previous year Rs.0.11 crores</i>)	1.92	<i>3.73</i>
	65.13	<i>75.67</i>
8 Advances recoverable in cash or in kind or for value to be received include :		
(a) Advance against allotment of shares	1.16	<i>1.16</i>
(b) Rent Deposit with Directors	0.20	<i>0.20</i>
(c) Due by an officer Rs. NIL (<i>Previous Year Rs.7170</i>) (Maximum amount outstanding at any time during the year Rs.37170; <i>previous year Rs.157170</i>).	0.00	<i>0.00</i>
9 Arrears of preferential dividend of amalgamated company payable in nine equal instalments in terms of BIFR Order and the Scheme of Amalgamation.	0.05	<i>0.10</i>
10 Exceptional items in the Profit & Loss Account pertain to :		
(a) Advances written off, being overdue intercorporate deposits and interest due thereon from Bharat Starch Industries Ltd. (BSIL) in terms of consent to a scheme of arrangement filed by BSIL with the Hon'ble High Court of Gujarat pursuant to which BSIL would cease to exist.	0.00	<i>-17.27</i>
(b) Advances written off, being overdue inter corporate deposits and interest due thereon from JCT Electronics Limited, in terms of a scheme of arrangement filed by the company, duly approved by Hon'ble High Court of Punjab & Haryana.	0.00	<i>-17.25</i>
(c) Profit on sale of Land and Building situated at Worli, Mumbai	0.00	<i>30.95</i>
(d) Profit on sale of investments in CG Igarashi Motors Ltd. and CG Newage Electrical Ltd. and in lieu thereof	30.32	<i>0.00</i>
(e) Loss on sale of other investments	-12.50	<i>0.00</i>
(f) Diminution in value of Advances	-2.73	<i>0.00</i>
(g) Decline in value of certain Long Term Investments	-11.97	<i>0.00</i>
	3.12	<i>-3.57</i>

SCHEDULE [B]**NOTES ON ACCOUNTS**

	31-3-2003	<i>31-3-2002</i>
	Rs. Crores	<i>Rs. Crores</i>
11 (a) From the year 2001-2002; in order to comply with the requirements of Section 211(3C) of the Companies Act, 1956; consequent to Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India and made mandatory in respect of accounting year commencing on or after 1st April, 2001, the Company has followed the deferred tax method of accounting. Accordingly the company has accounted for deferred tax asset amounting to Rs.90.25 crores as at 1st April, 2001. Deferred tax liability for the current year amounting to Rs.8.81 crores (previous year Rs.2.45 crores) has been charged to Profit & Loss Account.		
(b) Deferred Tax Asset & liability are attributable to the following items:		
<u>Deferred Tax Asset</u>		
Expenses allowable for tax purposes when paid / on payment of TDS	4.37	<i>1.19</i>
Unabsorbed carried forward tax losses / depreciation	130.70	<i>166.57</i>
Others	4.21	<i>2.96</i>
	139.28	<i>170.72</i>
<u>Deferred Tax Liability</u>		
Difference between Tax and Book Written Down Value	-58.74	<i>-72.57</i>
Expenditure under Voluntary Retirement Scheme of earlier years	-1.88	<i>-8.93</i>
Others	0.32	<i>-1.42</i>
	-60.30	<i>-82.92</i>
Net Deffered Tax Asset / (Liability)	78.98	<i>87.80</i>
12 (a) In respect of disclosure under "Accounting Standard 18" regarding reporting under related party transactions, the Company has obtained legal opinion for matters required to be disclosed under the said Standard and accordingly information required under the Standard has been given.		
(b) Disclosures as required by Accounting Standard 18 "Related Party Disclosure" in respect of transactions for the year ended 31st March, 2003 are as under :		
1 Relationships:		
(i) Associates :		
(a) CG Actaris Electricity Management Limited (Formerly CG Schlumberger Electricity Management Limited)		
(b) CG Igarashi Motors Limited (relationship ceased from 19.09.2002)		
(c) CG Newage Electrical Limited (relationship ceased from 05.07.2002)		
(d) Karamchand Thapar (Africa) Limited, Mauritius		
(e) Paxonet Communications Inc. USA		
(f) Power Equipment Limited, Dubai		
(ii) Key Management Personnel		
S.M. Trehan - Managing Director		
(iii) Relatives of Managing Director		
(a) Mrs Mira Trehan		
(b) Mr Amitoj Trehan		
(c) Ms Ritambhara Trehan		
(d) Dr Om Prakash Trehan		
(e) Mrs Vimla Trehan		
(f) Mrs Navnidhi Nagrath		
(g) Mrs Madhur Chopra		

SCHEDULE [B]**NOTES ON ACCOUNTS**

	31-3-2003	<i>31-3-2002</i>
	Rs. Crores	<i>Rs. Crores</i>
2 The following transactions were carried out with the related parties in the ordinary course of business:		
Sl. Transactions	Associate	<i>Associate</i>
No.	Companies	<i>Companies</i>
1 Sales and service revenue	9.77	<i>7.78</i>
2 Commission received	0.00	<i>1.15</i>
3 Interest income	0.00	<i>0.00</i>
4 Dividend received	0.00	<i>3.99</i>
5 Rent income	0.00	<i>0.00</i>
6 Purchases	0.05	<i>2.87</i>
7 Interest expense	0.00	<i>1.20</i>
8 Inter corporate deposits taken Balance as at the year end	0.00	<i>9.35</i>
9 Inter corporate deposits placed Balance as at the year end	0.00	<i>0.00</i>
10 Due to related parties as at year-end	0.00	<i>12.19</i>
11 Due from related parties as at year-end	0.00	<i>0.40</i>
3 Remuneration to Managing Directors, Key Managerial Personnel	0.68	<i>0.39</i>
13 In view of Accounting Standard 20 on "Earnings per Share" issued by The Institute of Chartered Accountants of India and made mandatory w.e.f. 1st April, 2001, the following are the disclosures in respect of the calculation of earnings per share for the year ended 31st March, 2003.		
Particulars		
(a) Numerator - Profit/(Loss) after tax, Minority Interest and Share of Associate Companies	Rs. 228918338	<i>84068932</i>
(b) Denominator - Weighted average number of equity shares	Nos. 52366656	<i>52366656</i>
(c) Earnings per share (Basic & Diluted) = Numerator / Denominator	Rs. 4.37	<i>1.61</i>
14 In view of Accounting Standard 17 on "Segment Reporting" issued by The Institute of Chartered Accountants of India and made mandatory w.e.f.1st April 2001, the disclosure in respect of Segment information is as given below:		

A Business Segment

31.03.2003
Rs. Crores

	Power Systems	Consumer Products	Industrial Systems	Digital	Others	Unallocable Corporate Assets (*)	Total
Segment Revenue	713.25	541.50	376.54	126.21		0.00	1757.50
Add : Inter-Segment Revenue	5.92	1.66	15.89	0.03		-23.50	0.00
Total	719.17	543.16	392.43	126.24		-23.50	1757.50
Segment Result	65.58	43.95	23.37	3.65	-1.16	0.00	135.39
Less : Interest							65.13
Less : Other Unallocable Expenditure Net of Unallocable Income							32.76
Profit Before Tax							37.50
Capital Employed							
Segment Assets	515.73	247.59	247.97	87.46	0.00	317.81	1416.56
Segment Liabilities	236.25	128.01	113.76	50.63	0.00	51.85	580.50
Net Assets	279.48	119.58	134.21	36.83	0.00	265.96	836.06
Capital Expenditure	13.37	-0.13	7.12	0.66	0.00	3.55	24.57
Depreciation	15.87	9.70	13.96	2.60	0.00	4.13	46.26
Non Cash Expenditure	6.95	11.88	8.99	1.20	0.00	0.79	29.81

A Business Segment

31.03.2002
Rs. Crores

	Power Systems	Consumer Products	Industrial Systems	Digital	Others	Unallocable Corporate Assets (*)	Total
Segment Revenue	617.69	500.24	345.25	168.05		0.00	1631.23
Add : Inter-Segment Revenue	0.22	1.40	13.51	1.05		-16.18	0.00
Total	617.91	501.64	358.76	169.10		-16.18	1631.23
Segment Result	55.23	42.95	19.88	8.99	1.57		128.62
Less : Interest							75.67
Less : Other Unallocable Expenditure Net of Unallocable Income							43.20
Profit Before Tax							9.75
Capital Employed							
Segment Assets	490.95	265.09	254.21	118.58	0.00	357.72	1486.55
Segment Liabilities	217.85	131.54	95.01	68.15	0.00	49.22	561.77
Net Assets	273.10	133.55	159.20	50.43	0.00	308.50	924.78
Capital Expenditure	-0.36	2.52	3.43	0.35	0.00	7.49	13.43
Depreciation	14.90	9.17	13.56	1.25	0.00	6.30	45.18
Non Cash Expenditure	5.53	11.91	8.79	1.33	0.00	0.69	28.25

(*) Unallocable Corporate Assets comprises Assets and Liabilities which cannot be allocated to the segments. Tax Credit Asset not considered in Capital Employed above

SCHEDULE [B]**NOTES ON ACCOUNTS****B. Secondary Segment Reporting (Geographical Segments)**

(a) The distribution of the company's sales by geographical market is as under:

Sales Revenue :

India

Outside India

Total

	31-3-2003	<i>31-3-2002</i>
	Rs. Crores	<i>Rs. Crores</i>
	1550.51	<i>1419.26</i>
	206.99	<i>211.97</i>
	<u>1757.50</u>	<i><u>1631.23</u></i>

(b) The company's tangible fixed assets are located entirely in India.

Segment Revenue and Results

The expenses which are not directly attributable to the business segment are shown as unallocable expenditure

Segment Assets and Liabilities

Segment assets include all operating assets used by the business segment and mainly consist of fixed assets, debtors and inventories. Segment liabilities primarily include creditors and other liabilities. Common Assets and Liabilities that cannot be allocated to any of the segments are shown as a part of unallocable assets / liabilities.

Primary Segment

In the opinion of the management, the business segments comprise the following:

Power System : Transformer, Switchgear, Turnkey Projects
 Consumer Products: Fans, Luminaires, Light sources and Pumps
 Industrial systems : Electric Motors and Alternators
 Digital : Networking and Telecommunication

- 15 Miscellaneous Income includes profit on sale of fixed assets Rs.3.19 crores (*previous year Rs.1.99 crores*) and Loss on sale of investments Rs.NIL (*previous year Rs.4.25 crores*)
- 16 During the year Crompton Greaves Limited divested its holdings of 38% in CG Newage Electricals Limited and CG Capital has divested its holding of 26.05% in CG Igarashi Motors Limited. Since 2002-03 is the transitional year for inclusion of the results of associate companies in the consolidated financial statements the results of the aforesaid companies have not been included because during the year the investments were held with a view to their subsequent disposal.
- 17 The Consolidated Cash Flow was not prepared for the year ending 31st March 2002 being the first year of consolidation. Therefore the figures for the previous year have not been given in the consolidated cash flow for the year ending 31st March 2003.

- 18 In order to facilitate comparison, figures for the previous year have been amended to include the results of Associate Companies.
- 19 Figures pertaining to the Subsidiary Companies have been reclassified wherever necessary to bring them in line with the Parent Company's financial statements.

Mumbai, 22nd May, 2003

Mumbai, 22nd May, 2003

As per our report attached.

SHARP & TANNAN

Chartered Accountants

By the hand of

L. Vaidyanathan

Partner

B.R. Jaju

Chief Financial Officer

W. Henriques

Secretary

S.M. Trehan

Managing Director

K.K. Nohria

Chairman

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2003
(Pursuant to Amendment to Clause 32 of Listing Agreement)

	31-3-2003 Rs.'000
[A] CASH FLOWS FROM OPERATING ACTIVITIES	
Net profit before tax and exceptional items	343,870
Depreciation	462,579
Interest Net	651,283
Investment income	-3,465
Miscellaneous Expenditure written off	46,063
Exchange Premium	24,230
Profit(-)/Loss(+) on sale of fixed assets	-31,929
Employee Voluntary Retirement Scheme	252,057
	<u>1,400,818</u>
Operating profit before working capital changes	<u>1,744,688</u>
Adjustments for:	
Trade and other receivables	13,871
Inventories	-140,407
Trade and other payables	171,680
Leave encashment provision	15,621
	<u>60,765</u>
Cash generated from (+)/Used in (-) operations	<u>1,805,453</u>
Direct taxes Paid (-) / Refund received (+)	-19,501
Cash flow before exceptional items	<u>1,785,952</u>
Advance written off	-27,300
Employee Voluntary Retirement Scheme Incurred	-56,606
Miscellaneous Expenditure Incurred	-43,271
Minority Interest in share of profits	-1,186
Share of Profit / (Loss) of Associate Companies	-43,817
	<u>-172,180</u>
Cash generated from / (Used in) operations [A]	<u>1,613,772</u>
[B] CASH FLOW FROM INVESTING ACTIVITIES	
Add: Inflows from investing activities	
Sale of fixed assets	53,585
Sale of investments (Gross)	532,327
Government Subsidy Received	1,000
Change in Minority Interest	1,167
Change in Investment in Associate Companies	43,817
Investment income	3,465
	<u>635,361</u>
Less : Outflows from investing activities	
Purchase of fixed assets	-268,708
Purchase of investments	-218,493
	<u>-487,201</u>
Net cash used in investing activities [B]	<u>148,160</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2003
(Pursuant to Amendment to Clause 32 of Listing Agreement)

	31-3-2003
	Rs. '000
[C] CASH FLOW FROM FINANCING ACTIVITIES	
Add: Inflows from financing activities	
Secured loans	0
Unsecured loans ¹	323,514
	323,514
Less: Outflows from financing activities	
Secured Loans	-535,215
Unsecured Loans	0
Interest paid (net)	-651,283
	-1,186,498
Net cash generated from financing activities [C]	-862,984
NET CHANGES IN CASH AND CASH EQUIVALENT(A+B+C)	898,948
Cash and cash equivalents - Opening balance	-2,183,374
Cash and cash equivalents - Closing balance	-1,284,426
ANNEXURE	
BREAK UP OF CASH AND CASH EQUIVALENTS	
Cash and bank balances	567,575
Bank overdraft	-1,852,001
	-1,284,426

NOTES:

- The cash flow statement has been prepared under the indirect method as set out in Accounting Standard - 3 "Cash Flow Statements" issued by The Institute of Chartered Accountants of India except in case of dividend, purchase and sale of investments which have been considered on the basis of actual movements of cash and cash equivalents with corresponding adjustments in assets and liabilities.
- Additions to fixed assets are stated inclusive of movements of capital work-in-progress between the beginning and the end of the year and treated as part of investing activities.
- Figures for the previous year have been re-grouped/re-classified wherever necessary.

Mumbai, 22nd May, 2003

B.R. Jaju
Chief Financial Officer

W. Henriques
Secretary

S. M. Trehan
Managing Director

K.K. Nohria
Chairman

AUDITORS' CERTIFICATE

We have examined the attached cash flow statement of Crompton Greaves Limited for the year ended 31st March, 2003. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of the Listing Agreement with the Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report of 22nd May, 2003 to the members of the Company.

Mumbai, 22nd May, 2003

SHARP & TANNAN
Chartered Accountants

L. Vaidyanathan
Partner
Membership No. 16368