

Crompton Greaves Limited

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Our Ref: COSEC/38/2017

June 2, 2016

BY E MAIL

**The Corporate Relationship
Department**

Stock Exchange, Mumbai
1st Floor, New Trading Ring
Rotunda Building
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001
Scrip Code : 500093

The Assistant Manager – Listing

National Stock Exchange of
India
Exchange Plaza
Bandra-Kurla Complex
Bandra (East)
Mumbai 400 051
Scrip Code : CROMPGREAV

Dear Sirs,

ANALYST CALL – Q4 FY16

Pursuant to Regulation 46(2) of the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015, we enclose herewith the transcript of the Analysts Call.

We would appreciate if you take the above on record.

Yours faithfully

for Crompton Greaves Limited

Manoj Koul
Company Secretary & Compliance Officer
ACS No 16902.

Encl : aa



AVANTHA
GROUP COMPANY

Crompton Greaves Limited
Q4 FY'16 Earnings Conference Call
May 27, 2016

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Q4 FY016 Crompton Greaves Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing * then 0 on your touchtone phone. I now hand the conference over to Mr. K. N. Neelkant -- MD and CEO of Crompton Greaves. Thank you and over to you, sir.

K. N. Neelkant: Thank you. Good evening, ladies and gentlemen. At the outset, thank you all for joining us on this call, where we will talk about the fourth quarter results, as well as the financial year ending results for Crompton Greaves.

So let us begin with the fourth quarter update, Q4 has been a healthy quarter, a strong quarter for us, you will see from the numbers and we expect to maintain this traction from now on. There have been some changes made in the way we report considering the expected divestment which we had announced earlier. So we have split the results into two parts: one part is the business which we will be continuing and one part is the business which will be discontinued.

To give some more color to that, the discontinued business is essentially the large part of the international divestment or about which the, after the signing of the SPA we had a concall so, that is being considered as discontinued business. Along with that, a couple of peripheral businesses which we had said that we will be winding it down or divesting it, those have also been considered as discontinued business.

So essentially, the continuing business is CG India. The operations of our automation business, the global automation business which many of you would recollect by the name ZIV plus the drives and automation business which we expect to retain based out of Sweden and the rotating machines business based out of Hungary.

So these are the businesses, which we are talking about today as continuing businesses, where you must have seen the results. The Q4 revenue stands at about Rs. 1,670 crores which is about 6% growth from the corresponding period Q4 of last year. And the EBITDA margins are at about 10.8% here. The consolidated UEOB is at 4,167 cr. This is for continuing business has shown a small growth of about 1.3% as compared to the last year numbers.

So, this UEOB value, if you calculate, this is more than three quarters of corresponding revenue. The consolidated order inflow stood at about Rs. 1,293 crores. Just to remind you, the fourth quarter last year we had a couple of big tenders which are classified, but this for me it's just a timing issue between quarters.

Moving from the consolidated continuing business, I would like to also spend a couple of minutes on the standalone India performance. Here the Q4 revenues stood at Rs. 1,130 crores which is almost 14% up from the corresponding Q4 period last year. The EBITDA margin for this business is 10.3%. The standalone **UEOB** stood at about Rs. 3,443 crores and the order inputs stood at around Rs. 1,095 crores for this period of Q4.

On the revenue side, while I am saying that this is a strong quarter with 14%, I would like to highlight a couple of things. One is the very good performance of industrial systems, which quarter one onwards it has been showing improved traction and now with all the four quarters showing positive growth, I think we can conclude this as a sustainable growth but for standalone Q4 it has been exceptionally strong quarter with about 15% growth for industrial system.

Within the power system, the quality of its execution has improved which you can see from the previous quarter, Q3 numbers for the top-line versus the Q4 numbers here, you can see that the quality of the execution has improved significantly which was some of the concerns in our earlier calls during this financial year.

So, if we are looking at the full year view now, we have recovered some of the ground which we had lost earlier. The ground which was lost both due to the macroeconomic reasons also some of the things which was more on the execution quality, timing of the execution piece of it.

For the revenue side, the consolidated revenue for the full year stands at about Rs. 5,272 crores. In this, there is a de-growth in power, but again at the consolidated level also there is a 5% growth in industrial. EBITDA margins for the full year at the consolidated continuing business stands at about 8.6%.

The de-growth also in a way we would recollect was, in Q1 we had lost some, the entire Q1 was in fact washed out because of some industrial relations issue in one of our locations. Now, the recovery has started and in fact, that plant where the industrial relation problem had hit, it is actually in the positive territory of growth for standalone Q4.

Also to add-up in the revenue comparison, we have an engineering projects division which we have explicitly mentioned that we have stopped taking orders and on the wind down mode. However, this piece of the business is still reflected as continuing business. Hence, for a like-to-like comparison the revenues from EPD were significantly higher last year and now in the

wind down stage obviously, the revenues from EPD have come down significantly for this quarter. Now, as this winds down in the subsequent quarters, at some point of time, we will move the EPD business also as discontinuing business.

The 5% growth in industrial business looks rather encouraging. In fact, to break it down further if we look at the IEEMA figures for the corresponding period the low-voltage machines reflect a growth, de-growth of minus 3% against which we have grown by almost 13%. The automation, you will see a small change in the growth figures but this is not an operational de-growth this is more due to exchange rate difference between Euro exchange rate during Q4 of last year versus Q4 of this year. And the consolidated order inflow stands at about Rs. 5,655 crores for the full year.

So looking at the standalone performance for the whole year revenue side we are about Rs. 3,960 crores for the standalone India business. There has been 8% growth in the industrial business but there has been a 15% de-growth in power business which is the ground which I said we lost in the first couple of quarters in the year.

Order inflow for the year ended March 2016 was at Rs. 4,440 crores 5.7% down from last year, but barring last year's heavily loaded fourth quarter the overall movement looks quite positive.

These were all the results for the Q4 and the whole year. And there have been a couple of other updates which I am sure you will want to have regarding our divestment because prior to that you will see from our reported number that from an accounting practice point of view, we have moved from IGAAP to IndAS system. Now, this IndAS norms I think we would be one of the few companies which are moving prior to this stipulated date. So as for the reporting requirements changes have been made in the accounting statements. The more details on these statements we will answer in your Q&A.

On the wind down, which we have spoken about the peripheral businesses outside India. We had mentioned earlier that we are in the process of shutting down our solutions projects business which includes our power solutions business in UK operations out of U.S. and Brazil.

I am quite happy to comment that whatever we had given as a schedule for winding down these businesses it is right on track with Brazil now closed down, it is over and the other three businesses we expect it to come to a conclusion by end of second quarter of this year. But of course, we will have to retain a core team for the balance six months of the financial year for the winding down process to be fully completed including the statutory requirements. But the right sizing for the winding down that process has all started and we have almost now reached a stage where only the essential team is in place.

Moving onto project spear, which we had announced a divestment of our power businesses in Hungary, Belgium, Ireland, Indonesia and U.S. We had announced on May 9th about signing of the share purchase agreement this is just to recollect the memory this was the sale of the T&D businesses outside India.

To reiterate the SPA has been concluded, the various condition precedents in the SPA are in the process of being achieved and at this point of time, of course, between May 9th and today it is too short a gap, but at this point of time, we are on track as per the schedules mentioned to you. We had also told you at that time that the long stop date for, as for the SPA is 31st October and at this point of time we hope to achieve that target.

Regarding risk, we had also announced our intent to divest this piece of the business also, and we had also informed that you at the last, I do not recollect exactly whether we had told that we appointed an investment banker. So, the investment banker is in place. The process of identifying potential investors, buyers for this business is in process and as we gain more momentum here, and there is more to report, we will keep updating you and make announcements on this deal.

So this is the overall update regarding Q4, regarding the year for both consolidated as well as India standalone as well as the update on the divestment process outside India.

So here, I think, I will stop and we will take any of your queries what if you want to ask.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. We will take the first question from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid:

Yeah, like too many numbers to comprehend and what has gone where in short time. Quickly, one thing for us if you can elaborate a little more on the exceptional item sitting in for the parent entity continuing business Rs. 1,400 crores? So there to what extent are we seeing clean up on loans and advances across systems business and what could be the incremental risk that you think will be coming on books in the next 12 months as the rest of the business is being shut down? And also for 3Q 2016, there has been a revision in the exceptional item. Earlier it was about Rs. 87 crores now, it is about Rs. 92.5 crores. So, if you can also explain how some of these elements have been restated and what has been added as exceptional now which was not there earlier?

K. N. Neelkant:

I will request, Madhav to take your question because as you rightly said there are a lot of numbers. On a lighter note, Renu, the reason why we published the results late was there were a lot of numbers even for the Directors to have a look at and that is why the Board Meeting got stretched. So, I will ask Madhav to take those questions.

Renu Baid: Yeah, I hope you could have kept the, actually conference call on Monday, so that we could comprehend the numbers before sitting in the call.

Madhav Acharya: We can do it again, not a problem. Okay, Renu. Thank you, thanks for your question. So, let me explain what we have done. We have basically published the number as Neel said, under IFRS or as we call it IndAS. As a result, and because of this tier deal which we had announced, the loans and advances and the equity that we have invested in our overseas subsidiaries we looked at it depending on the valuation that we accepted, the board accepted for that business. So, in the process, we impaired Rs. 1,414 crores. If you look at point number five, I do not know if you have got a chance to see it on page number six on the publication, there is a breakup between investments that we have made at Rs. 545 crores and loans and advances net of exchange gains at Rs. 863 crores. So that is the impairment that we have done. So the entire equity and loans and advances which was pertaining to the perimeter that we call it as peer perimeter that we are proposing to sell and also the businesses that are in the process of winding down the entire thing has been accounted for which means that there is no other amount available for me to write-off in the India balance sheet book.

Renu Baid: Okay. So this includes the entire perimeter plus the systems business?

Madhav Acharya: Yes, everything.

Renu Baid: Yeah, Does this also include the EPD business which you mentioned is in the wind down mode, but still sitting in the continuing business?

Madhav Acharya: EPD is in the continuing business. EPD is in India, it is not outside and EPD is a gradual wind down so, it does not has to be impaired, there is no impairment requirement for EPD.

Renu Baid: Okay. So essentially, after this no incremental liability comes with respect to write-down of any loans, advances or any other amount that is come.

Madhav Acharya: It is not possible. It is not there anymore in the balance sheet so...

Renu Baid: The second thing, sir, if you can just repeat again the order intake and the order book numbers for the continuing business and the like-to-like numbers last year for continuing businesses segment wise, quarter and annual, so a lot of numbers again here?

Madhav Acharya: Again a lot of numbers, okay. So, I can give this number, not a problem, okay. Let us we can take the order intake numbers first for the current quarter. Now, power products and systems India basically product current quarter is Rs. 627 crores, automation business India is Rs. 31 crores, industrial systems India is Rs. 437 crores. So the total order intake in the quarter for India business is Rs. 1,095 crores and for the current quarter for the continuing business non-India, we have automation at Rs. 98 crores and industrial systems at Rs. 99

crores, total Rs. 199 crores and so the total power products order intake for current quarter for the continuing business is Rs. 627 crores, automation business Rs. 129 crores and industrial systems is at Rs. 536 crores. Total order intake for the continuing business for the current quarter is at Rs. 1,293 crores. Now, the corresponding numbers for last year Q4, power products India Rs. 975 crores, automation India Rs. 18 crore, industrial systems India Rs. 459 crores. Total Rs. 1,452 crores. Non-India automation Rs. 127 crores our industrial systems at Rs. 87 crores. Total non-India Q4 last year is at Rs. 215 crores. So the total power products is Rs. 975 crores, automation Rs. 145 crores and industrial systems at Rs. 547 crores, total come into Rs. 1,666 crores. So these are the order intake numbers for the current quarter for continuing businesses for this year and last year.

Renu Baid: Okay. And order book?

Madhav Acharya: Okay. I will also give you the order book numbers. First, you take the India numbers as on date. Power product at Rs. 2,570 crores, systems and solutions at Rs. 291 crores, automation, Rs. 59 crores, industrial systems at Rs. 523 crores. So total order book India for the continuing business as on date is Rs. 3,443 crores automation non-India, Rs. 565 crores, industrial systems non-India, Rs. 159 crores so, total order book as on date for non-India for continuing business is Rs. 724 crores. Total order book as on date for Q4 for continuing business, power products Rs. 2,570 crores, systems and solutions Rs. 291 crores, automation Rs. 624 crores, and industrial systems at Rs. 682 crores. So the total order book as on date is Rs. 4,167 crores.

Renu Baid: Okay. And just my last question, if you could share a little more on the outlook on the power side if we have seen a reasonable, as in the volumes with respect to orders have been relatively lower. So next year, what are we expecting? Can we expect a double-digit growth in the sales for power products business, which is continuing? And can it be expected that margins will bounce back to higher-single digit at, as it used to be earlier?

K. N. Neelkant: See, in Q4, what has reflected in the numbers been better, is the better quality of execution. It was never a question of orders not being available; it was the quality of execution which we were talking about. Now, with that quality of execution, from a visibility point of view, we have covered for almost ten months among the entire power product group in terms of unexecuted order book. In terms of new orders which we are quoting and which expecting it in the, I am not talking about Q1 because the timing of the tender is not in my hands. But there is a very small amount of gap which we have to book and bill this year. So the traction for the continued sales growth, I think, is there, it will continue to be there. So it is now for us to continue this momentum of the quality of execution to convert that order book into revenue. So answering your second point where certainly you have asked for guidance by asking whether it will be a double-digit growth, et cetera. From a growth point of view, we will definitely beat the deal. Now, at this point of time and I do not want to give any further specifics on the guidance because from whatever analyst estimates I right now, you guys are

better at calculating what we will do than what I will tell you. So, I leave it to you and you are clever enough to judge that.

Moderator: The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: I just have two questions. First is in the last conference call, Mr. Thapar had mentioned that in FY'17, you are expecting to do a turnover of Rs. 6,500 crores with an EBITDA of Rs. 450 crores and a PAT of Rs. 325 crores. Now first question is that do you still maintain this guidance and if yes, then I would like to know the basic assumptions behind such guidance because how can a Rs. 450 crores EBITDA translate into a Rs. 325 crores of PAT?

K. N. Neelkant: Good question. First of all, if you look at the Q4 revenue numbers, Rs. 1,670 crores and if I simply multiply it by four then you reach the number what you said on the top line. I am not saying it is linearly possible over the four quarters always there is a spike between quarters but then usually Q4 is repeated four times over next year that is the trend. So from that, the numbers what you are asking, stacks up into this, then if you further bring it down, break down the cost aspect of it and reach the EBITDA with especially the improved quality of execution what we are looking at then the bottom line numbers which you spoke about are realizable at the EBITDA level certainly, yes. Your next question was, how does that EBITDA get converted into the number of PAT which you spoke about. Madhav, you want to take?

Madhav Acharya: Yes, sure. See, Ankit, if you just take the Q4 numbers because when we gave our guidance, what we had in front of us was Q4. So if I look at my EBITDA which is close to Rs. 180 crores for the quarter and I just analyze it as Neel rightly said, it is not always linear, but for the sake of calculations. So we come to EBITDA of Rs. 720 crores, take out the depreciation of around Rs. 250 crores actually it will be much lower, because there will be sizeable amortization next year also, okay. Take the depreciation even at Rs. 250 crores and take out the tax because interest will go away post the deal then I will be left with a PAT of Rs. 350 crores which is more than what we have said. So, I think, broadly numbers are in line with what you are talking about.

Ankit Babel: I am slightly confused that this Rs. 450 crores is your consolidated EBITDA which you are targeting, right?

Madhav Acharya: Yes, absolutely.

Ankit Babel: And in the standalone business, you have Rs. 100 crores of depreciation. If I assume that you sell off your ZIV during the year, so just wanted to understand this Rs. 100 crores will be your depreciation so if I see it is Rs. 450 crores minus Rs. 350 crores and then you have a tax, so how can this be Rs. 325 crores of PAT?

Madhav Acharya: You are also missing, my friend, the other income of Rs. 100 crores.

Ankit Babel: Sir, but you do not have cash now, you are a net debt zero company and net cash zero company, so where this other income will come from?

Madhav Acharya: No, let us understand. See the point is that all our debt is outside of India, okay and all our cash is in India. So there is a sizeable interest arbitrage that we gain, right. Indian interest rates are 10% to 12%, whereas the overseas I am paying up to 3.5% to 4%. So there is a sizeable arbitrage I get, okay. Secondly, what we have assumed here is that ZIV as of this moment continues for the calculation purposes. So if you do the math from that perspective, we will come to the same set of numbers broadly where we are.

K. N. Neelkant: Just to add that, ZIV has been in the bucket of the continuing businesses. So whatever numbers we spoke about was also considering that ZIV will continue to be there the divestment process as and when it goes and it happens there is a different set of numbers we are talking about when ZIV moves from continuing business to discontinued business.

Ankit Babel: Okay, I got your point. Then the last question is sir, what kind of tax ratio do we assume in FY'17 for the standalone business?

Madhav Acharya: Okay, for the standalone business in FY'17, you should be able to assume a 20% to 22% tax rate because we also do sizeable amount of R&D for which we get a shelter so 20% to 22% of tax rate should be fair.

Ankit Babel: So that you have exceptional loss of around Rs. 1,300 crores or Rs. 1,400 crores this quarter...

Madhav Acharya: Yeah.

Ankit Babel: For the year as a whole, so would you get a tax benefit for this carry-forward losses?

Madhav Acharya: I am not so sure on that one, because the losses actually have been incurred in the overseas subsidiaries, okay, so they actually appear in the overseas subsidiaries...

Ankit Babel: No, sir, this one is the...

Madhav Acharya: There is a writing it off in India, I am not too sure it will be easy for the company to get a tax shelter. However if I get it, I will be very happy and we will certainly try it.

Ankit Babel: Sir, because these are the write-offs which you have made in your standalone balance sheet, so these are Indian business losses.

K. N. Neelkant: We both are in the same page, we both are absolutely on the same page but I think what Madhav is saying is the write-off is on account of the impairment of the loans and advances. So it is a clear cut loss, a clear cut loss, operational loss, then the answer to your question would have been a clear, yes. So, here the answer is a little ambiguous because we are also,

like you, thinking on those same lines, working towards this, but then ultimately it is the tax department which has to accept our claims.

Ankit Babel: Okay. So, without that also you will be in a 20% to 22% tax rate?

Madhav Acharya: Yes, which is why I said without taking that, see if I take that into account, I will be always under MAT, but since I am not taking it into account, I am giving you 20% to 22% tax rate because of R&D investments that we make.

Moderator: Thank you. The next question is from the line of Venkatesh B. from CITI. Please go ahead.

Venkatesh B.: Sir, my questions have been answered. I just had one request if the transcript of this call could be put up on your website as soon as possible.

Madhav Acharya: Sure, we will do that. Thank you, Venkatesh.

Moderator: The next question is from the line of Charanjit Singh from B&K Securities. Please go ahead.

Charanjit Singh: Sir, now we have signed the share purchase agreement. So sir, what are the next steps involved in terms of finalization of the sale process like which we should keep track of and do you think like by mid of this year we will be through the entire process? And you also mentioned about continuing with your certain people for the next six months period to do the final wind-offs. So how much is the cost which we would be incurring as further winding down this business?

K. N. Neelkant: These are two separate questions. So as far as the condition precedents of the SPA goes those are most of the condition precedents are regulatory approvals and statutory approvals. So from our side, we need to get the approvals. We need to do some legal restructuring of the various entities because these are a host of entities which are going away. And from the buyer side also they have do some statutory approvals including their equivalent of competition commission etcetera. So from, if you go back in the process of this whole divestment this process has been going on for 12 months to 18 months now. So a significant amount of due diligence everything has been done. So from the operation perspective there is no diligence left nothing left. It has all been put out on paper it is tick marked in one box after another to get through this process and finish it. From a timeline perspective as I mentioned earlier, October 31st of this year is a mentioned long stop date as per the SPA and both parties are working towards it. Just to give a spin on this that may on this that in March when we announced the deal we announced our intent to get the SPA signed by April 30th. And we got the SPA signed on May 9th. That itself shows that whatever timelines we are setting are happening. On the second piece of the question where you asked that whether the wind down is happening, et cetera, to give you a flavor of the cost total employee strength what we are talking about where we are winding down the business not the

divestment piece, the winding down the business is about 28 people, that is all. The remaining people are on contract or on short-term thing or that kind of a thing. The total unexecuted order book of all those entities put together is about Euros 20 million. So then you can estimate on these two facts that what will be the cost. So it is not something which is going to be a very significant or a heavy thing but yes, we have to go through that process, we have to continue it and close it as soon as possible.

Charanjit Singh: Okay, sir. Sir then in ZIV, like do you see the performance continuing to be not improving going forward or how is the outlook on that, whether that can drag down the continuing business?

K. N. Neelkant: I would actually say that ZIV performance is like getting better now. It is the ZIV has also had a reasonably good quarter this quarter. And apart from the Spanish operations, our French operation of ZIV will also get through in this financial year which is like if I see the sums budgeted by the French company those are all mind boggling figures so, I will not even repeat it because those are very huge figures. So ZIV, in fact, I have a different view than you because ZIV has been getting stronger as we move through this financial year.

Charanjit Singh: Okay, sir. And sir another question is like, we have been always hearing that we definitely have capacity constrained on the power product side and if we have to maybe deliver a higher growth going forward, we will have to add more capacity. So what are your views on that? Do we foresee any addition of capacity going forward or to drive growth?

K. N. Neelkant: In fact, if you look at, it is counterintuitive actually, because in fact, if you look at the top line numbers of India we are saying that in the revenue side we have de-grown. So to the extent of the de-growth that means the capacity has been wasted. So, the capacity hitting the ceiling that question does not come. Yes, your question is correct in certain pockets of our business, but in those pockets there is a reasonable amount of outsourced work which is done and outsourced theoretically is infinite capacity. So while the capacity is something which we are looking at continuously and seeing how to, where and what we should be doing, it is not in my list of prioritization, this is not does not fall in the top bracket, this will fall somewhere bottom down. But yes, we will be continuing to do some serious debottlenecking projects, we will be continuing to add some capacities in certain pockets, which we have also started to do, we will be adding some capacities in our rotating machines business, we will be adding some capacities in our switchgear business, but these are not big bang capacity additions, these are debottlenecking projects and minor expansion projects.

Charanjit Singh: Okay, sir. And on the industrial front, do you see like you have mentioned actually that we see that growth coming through? So how is the performance in the high tension motors versus low tension motors and going forward, do we see any traction coming from railways also in the industrial space?

K. N. Neelkant:

From a percentage terms, in fact, high tension motors grew better than low voltage motors. Low voltage motors, as I was telling earlier, against India figure of minus 3% growth we grew at about plus 13.3% growth. High voltage motors grew at a significantly higher percentage than that. Now, this is despite a significant de-growth in our railway business because the Indian Railways in the new dispensation of the government have been reorganizing their process of tendering, ordering, et cetera. So there has been an overall delay in receipt of orders. Railways for us is a very strong upside, which we are keeping our eye on, and I am actually happy that despite the de-growth in railways industrial systems have still shown strong performance. So once some tailwinds is available in the railway timing of ordering the industrial growth momentum is more or less certain.

Moderator:

Thank you. The next question is from the line of Amit Sinha from Macquarie Group. Please go ahead.

Participant:

Yeah. Hi, this is Inder here from Macquarie. My first question is again on this industrial side, now surprisingly without railways you having a very strong growth and you also making a comment that HT motors doing better. Now, one is HT motors doing better in percentage term just because of base effect because that business had become very small? And second is, if you can dwell into a little more details actually as to where this demand is coming from, that would be helpful.

K. N. Neelkant:

A correction here, Inder, LT motors' base is not small. LT motor's base is in four digit crores. The HT motor, we still have about 18%, 18% to 20% share in the market so that in itself is a reflection that the base is not very small, it is a reasonable size business. So there I slightly differ from, correction in your perception. The second piece of it where we are seeing this growth from, well, all of you are aware that the industrial investment Greenfield projects, Brown field projects are not happening in those countries. This growth which we are seeing, is largely from Tier-II towns, Tier-III towns. We are seeing this growth from wherever government funding is done for infrastructure for example, irrigation projects, we are seeing a significant growth from three and we are seeing this growth also from especially in the HT motors replacement of motors which were brought in from China four years, five years back and now we are doing it. Secondly, I think I had also spoken about this earlier we had signed some contracts like point - one of the examples which I can site is Lafarge because we have put it out in the public domain. These global contracts are enabling us to get orders on a continuous basis because these global contracts, they keep putting up some investment, Brown field expansion, et cetera, in different parts of the world. So, it doesn't matter to me whether my marketing sales guy is present in that geography. Due to these global agreements, these motors have a steady flow into all the investments these people make wherever it is outside India, within India or outside India.

Participant:

Okay. My second question is, if I look at on the power side, there are, obvious, certain gaps in terms of the rural market that we do not address. Now, giving, if you can share some ideas as

to over the next 12 months to 18 months in terms of pipeline, what type of projects we are actually seeing and whether those projects are amenable to our strength. So, should we see a pick up in terms of order inflows in the power side? That's one and a related question is, has UDAY reforms or what kind of expectations you have from that side and anything has started to move on the ground in certain, some of the states? That would be helpful, thank you.

K. N. Neelkant:

Let me take your second question first. For us, the upside the what we are looking at, beyond whatever we spoke is, one is railways as I mentioned earlier. And railways also the upside comes for transformers also from a local transformers perspective where we have a significant presence plus UDAY, we are banking on UDAY not a big bang UDAY across all the states in India. Even if UDAY gains traction in five or six states, where we would we are confident that UDAY will take traction in those states. It is a huge upside for our not only our transformer business, but also for our medium-voltage switchgear business. The second qualitative piece of it you asked me is what kind of movement we are seeing on the ground we are seeing movement, significant movement, but localized in certain states. One of the examples I can give is Rajasthan, where we have done exceedingly well where Rajasthan was a early mover in UDAY where we have seen reasonable success, I would say. So UDAY, once it gains traction, I think it is a tailwind for the entire industry and hence whatever we are talking about over-capacity in the industry, etc, that will be just blown away in a single move. And it is not just UDAY, we are also talking about the other smaller schemes, which the government is running today, the Deendayal Upadhyaya Scheme, et cetera, which also I believe, will be a good tailwind for the business as a whole.

Moderator:

Thank you. Next question is from the line of Pawan Parikh from HDFC Securities. Please go ahead.

Pawan Parikh:

Sir, this is regarding the, so, in your standalone business, what would be the export contribution in this quarter and the entire year and what is the opportunity or the growth likely ahead in the exports from the standalone business?

K. N. Neelkant:

Give me a minute while I dig out the figure but then looking at the growth instead of talking about exports as a whole and putting it into one bucket we are also keeping a cautious eye on various geographies like for instance one of the geographies I can share with you is LatAm where we had a significant presence where we are being very cautious today, considering the situation of LatAm. So from our own going forward strategy we are slightly finical and more conservative about some of the export geographies, but coming back to the numbers, in Q4 exports we did about Rs. 175 crores out of which the bulk of it of course came from power which was Rs. 153 crores. The EOB which we carry in exports today is about Rs. 700 crores in the power segment. But having said that about LatAm, Southeast Asia still it is a very strong segment for us, and we continue to do quite well there. So exports I will break it up and I would rather wait and watch for the macro economy to show some different signs because it is not just about picking orders but it is also now the question will come down at some state

during the year about solvency of the customer itself. So I would not want to gun for growth there where the country itself is on the break of insolvency.

Pawan Parikh: Okay. But, sir so there might be some overlap in terms of product between the business that you still have in the business that you are selling. Is there any restrictive clause that you cannot sell your transformers, say for example, in Indonesia or Middle East in this sale transaction?

K. N. Neelkant: Wherever we have had and whichever geography we have been serving customers in the past, there is no restriction on continuing with those customers in future. As far as our switchgear business within the power systems is concerned, we have not sold any switchgear business too in this deal. So the switchgear business there is no restrictive clause applicable at all. So overall, our existing customer base is intact and if at all any restrictive clauses come, it will only come in the specific geographies where the divested assets are located at this point of time. But even in those geographies the existing customer base remains intact with us.

Pawan Parikh: Okay, so there is a restriction in seeking new customers?

K. N. Neelkant: Not a restriction -restriction as such because the product portfolio, product range what we supply from India to those geographies is also slightly different from the products which are manufactured by our assets which are being divested. So we'd like to see how it pans out.

Moderator: Thank you. The next question is from the line of Ashish Jain from Morgan Stanley. Please go ahead.

Ashish Jain: Sir, my first question is, for this quarter, what is the difference between the power revenues in consol and standalone, what explains that?

Madhav Acharya: So, Ashish, I can take that question. Basically, we have lots of system businesses which are going on outside of India. So we have been supplying products which are embedded in those geographies which we have been selling through our marketing offices in a couple of geographies like Malaysia and LatAm and U.S. and Middle East. So those are the revenues.

Ashish Jain: But those are booked there, not in...

Madhav Acharya: Yeah, yeah. Booked there so.

Ashish Jain: Okay. Sir, secondly, all the assets that you are selling that in a way is taken out from your balance sheet and P&L. Now, one am I right in assuming that it's out from the balance sheet also?

Madhav Acharya: No, just look at the consolidated balance sheet. If you look at the consolidated balance sheet on page number ten, you will realize that the assets are, which we are in the process of selling have been classified as held for sale, where it is not been taken out, I cannot take it out like that.

K. N. Neelkant: And the corresponding liabilities are also...

Madhav Acharya: There in the same page, if you see.

Moderator: Thank you. The next question is from the line of Jonas Bhutta from Phillip Capital. Please go ahead.

Jonas Bhutta: Two questions. Firstly, sir, if I just see the restated numbers for the fourth quarter FY'15 for the consolidated number, there seems, the other expenditure seems to be quite low, which leads to an EBITDA margin of upwards of 19%. So can you just explain that, what that restatement means?

Madhav Acharya: Sorry, which number are you referring to I am not able to get it?

Jonas Bhutta: The consolidated financials on page 17 of your BSE disclosure.

Madhav Acharya: Where?

Jonas Bhutta: The other expenditure in Q4 2015 is stated at Rs. 78.65 crores which is considerably lower than the previous trends or if you see the current quarter or the previous quarter's numbers and that sort of gives us some margin of about 19%?

Madhav Acharya: That was the last year.

Jonas Bhutta: Yes, sir, Q4 2015 so...

Madhav Acharya: Yeah, because, okay, you are referring to Q4 2015. I was just wondering because Q4 2016 is the same number as December 2015. So I was a little confused, apologies. So basically in Q4 2015 there were lot of you know we have to provide liquidated damages and stuff like that we had a lot of quality issues in the past which we are regularly providing. So wherever those issues got resolved we had to reverse those provisions as a result of which in that year in Q4 2015 the other expenditure was lower.

Jonas Bhutta: What is the quantum of that write back?

Madhav Acharya: On an average if you see, my total other expenses consolidated for the continuing geography will be around Rs. 175 crores.

Jonas Bhutta: Okay. So about Rs. 100 crores odd?

Madhav Acharya: That was in last year, yeah.

Jonas Bhutta: Yeah. And going into say FY'17 for the industrial side of the business would you expect the mix to be largely in favor of motors against railways or you expect that to reverse of sorts? And then follow up on that was when you said that railway business de-grew, was that of comment for fourth quarter or for the year per say?

K. N. Neelkant: No, the railway business de-growth was a comment for the year for the entire year. Fourth quarter in fact, railway showed a growth standalone but in the entire year railways was a de-growth. See railway business is a very predictable business because you have tenders, rate contract with supply scheduled throughout the year. In Q4 of this year, as well as in Q3, December of last year, I think the process changes which Indian Railways was making towards changes have been unplugged and the orders have started coming in. In fact, there are certain very large orders where we are already L1 and I cannot comment on it because the formal order has not come in, my expectation from the railway business is somewhere from August of this year the pull of the railway will restart now that there is a processor in place. Secondly, it is not motors either or between motors or railways for me it is motors and the railways. So, that is where I made that comment earlier that for this year despite a railway de-growth we have shown this growth so the railways will be a very positive tailwind for us for the next year.

Jonas Bhutta: So could you just highlight out of the Rs. 1,600 crores odd that you have done in industrial systems for the year how much was the railway revenue?

K. N. Neelkant: I would have a ball park number it would not be an accurate....

Jonas Bhutta: Yeah, that will work.

K. N. Neelkant: It will be about a shade less than Rs. 300.

Jonas Bhutta: Okay. And lastly in the standalone business, sir, automation system revenues are on what account and what drives that piece of the business?

Madhav Acharya: Well, we have a facility in Bangalore, okay, we have just started the facility we invested CAPEX for last year try and get the technology from ZIV to India and this is the beginning of that business.

Moderator: Thank you. The next question is from the line of Misal Singh from Religare Capital. Please go ahead.

Misal Singh:

Sir, I just wanted to understand this, if I look at the difference of capital employed in the industrial systems between consolidated and standalone that is about Rs. 450 crores and revenues also if you look at the difference for the industrial system would be about roughly I think Rs. 300 odd crores. So I mean, that actually basically means that the returns there outside India are fairly low. So just wanted to understand what exactly I mean, is happening in that business?

K. N. Neelkant:

See, you have to look at it slightly differently. You cannot simply compare the capital employed there versus the revenues there. The strategy was like for instance in our facility in Sweden for the drives and automation business. Okay, let me step back, let me answer the question a different way. Every customer who buys my motor also buys a drive. Now that drive market for me is as big as the motor market so while in motors I enjoy a very healthy market share, in drives we were not present in India. So for us the goal was for expansion of the drives business in India we had to have technology partner and hence we acquired the Swedish business. So for me the capital employed in the drives and automation business in Sweden is not just the current revenues of Sweden, but the generation of future revenues in India and cultivating that market in India. So we look at that capital employed as more of a strategic interest rather than calculating the ROC on a transactional basis.

Misal Singh:

Okay. Sir, and could you just explain on your industrial business that you have, I mean what would be the broad applications of the motors that you are supplying and the industry verticals that you are supplying these motors to?

K. N. Neelkant:

Everything actually everything, right from a small motor, which goes into a wood cutting machine or a threshing machine from there onwards to a large motor which actually sits inside the dome of a nuclear power plant and everything in between. As far as the verticals are concerned see every business needs, every application, mechanical application needs the motor. But the motor intensive verticals are largely cement industry as I mentioned the irrigation, the pumping industry, wherever pumps are there, each pump necessarily needs to have a motor, whether it is a small motor to run the pump in residential house or a large motor to run a pump, cooling motor pump in a nuclear power plant every application. So cement industry is the major vertical, and that is where I mentioned the Lafarge contract specifically because that was of great interest to us from the cement perspective. The other industries which are motor intensive are steel industry which unfortunately today in the countries are not really there with the coal issues and with the PPA issues now being on the resolution mode I expect a turnaround in the power generation industry which is also a healthy consumer of motors. So motor is essentially there in every industry which you can think of. So there is no discrimination of sectors we do and we are selling motors, but going forward for the uptick, with the uptick which I see in the cement consumption in this country, I expect that the cement industry will pull a large amount of our motors in the ensuing years.

Misal Singh: And sir, what in your estimation would be your market share in the domestic market for motors...

K. N. Neelkant: I would not want to comment on that, because if I go as per the published results of IEEMA, that it will be in the high 30s or maybe close to 40 percent. But then I also know that there is a certain amount of motors which are not reported in IEEMA so, if you ask a marketing guys he will probably tell you 40%. But I will be slightly more conservative and tell you that it will be in the mid 30s - high 30s.

Misal Singh: Okay, sir and finally on ZIV, I think in the last conference call after the transaction you said that, I mean, so what are the timelines in terms of in case you look to sell this business the ZIV business?

K. N. Neelkant: For us the intent, once we have made up our mind to sell the business, appointed the investment banker and done those necessary preparatory activities, sooner the better. But from a process point of view, this is much more simpler, single geography kind of a business. From a process point of view, for any buyer diligence et cetera, it should take considerably a shorter time than the other deal which we did, which was the multi-geography, multi-product deal. For us, the goal is to finish the ZIV deal in this financial year subject to of course finding the right buyers and finding the right value.

Moderator: Thank you. The next question is from the line of Charanjit Singh from B&K Securities. Please go ahead.

Charanjit Singh: Sir, you mentioned about this order started coming from Rajasthan, especially related to the UDAY program. Sir, if you can just give some color in terms of what KVA ratings we are supplying over there? And there are also discussions of centralizing the procurement for transformers and other equipment. So, what is happening to that and how do you see going forward procurement being done by the government?

K. N. Neelkant: Exactly so, you hit the nail on the head. So Rajasthan for me was not transformer thing, it was more of a switchgear thing because the UDAY team is still working on not just centralizing the procurement of transformers. But also qualifying who are the players who can be eligible for supplying transformers for UDAY, because that in that range of smaller range of distribution transformers, there are host of players. So what I understand from the discussions which are happening, the UDAY team is working on identifying the quality of the vendor along with the quality of the product. So, Rajasthan for me was largely switchgear, where they were revamping the discounts older switchgear and it was also like I can share with you it was replacing conventional just switch-on switchgear - switch-off switchgear to a more intelligent version of switchgears which helps them track in case tomorrow they decide to go for feeder discrimination or selective load shedding or differentials billing to differential class of

customers. So a lot of intelligence is now being built inside the medium voltage switchgears which is going into these UDAY projects.

Charanjit Singh: Okay, sir. And in this particular tenders like who could we compete with, if you can...

K. N. Neelkant: These are the usual players and other three, four names who usually compete in these projects.

Charanjit Singh: So it is not like many regional players are present in this?

K. N. Neelkant: No. In this medium voltage switchgear market, high voltage switchgear market, these people are relatively lesser than the transformer market. And hence, the UDAY team is focusing on the transformer thing to centralize the purchase and put some stringent quality norms not just for the product but also for the vendor.

Moderator: Thank you. The next question is from the line of Amit Sinha from Macquarie Group. Please go ahead.

Participant: Yeah, hi, Inder here again. My first question is on this deal with First Reserve. Now, I just want a clarification that once the deal is closed; do we carry any of the liabilities from ongoing projects at that point of time, any contingent liabilities that would have to sign up?

K. N. Neelkant: It is a standard indemnities and liabilities which are associated with these kind of deals, so there is see when we are selling the asset, all the things, all the running orders, unexecuted orders that the necessary due diligence has been done by them inside those orders before they reached valuation. So once, we separate from them then all the profits which might come or the liabilities which might arise goes along with it. The other kind of standard indemnities and liabilities which are part and parcel of such kind of a deal, that is part of the agreement.

Participant: Okay. But it is safe to assume that assuming 31st October is when you actually cut loose that business?

K. N. Neelkant: That's where I gave the earlier conversation reference where we said April 30th we will sign the SPA and it was slipped by nine days to May 9th. Let me just expand that 31st October, both the parties buyer and seller are very keen to close the deal. If not on 31st October, we are working on how can we propped that. And this is not just from our side, they are also equally eager to step into the operational shoes. But, since it requires some statutory approvals, regulatory approvals, we can do so much to make the 31st October happen that is what I said that between May 9th when we announced the SPA and today it has been a gap of only 18 days so nothing much to report there. But if anything significant is happening there we will continue to keep giving you updates.

Participant: Okay. My second question is on your Kanjur facility. There are two parts to it. One is, is there any more land which you are looking to sell? And second is the land deal that we have done, does that in any way hamper our ability in future to handle the large equipments that we do there because transporting them in and out of that place could become a challenge, is that something that we are worried about does that limit consumer's capabilities in any way?

K. N. Neelkant: I would not say worried about, but the mitigation of the risks which you are speaking about was something which we have drawn up as a strategy even as we decided to sell the Kanjur land. So that, we have already working out and worked out the way of how to do it. Secondly, those large transformers will be continued to manufacture there. We have still enough land to continue those operations and what you said has been factored in by us at the time of doing the Kanjur land deal itself.

Participant: Okay. And is there any more spare land there that you want to sell?

K. N. Neelkant: No. At this point of time, nothing to report.

Madhav Acharya: There is no spare land as such, there is a plant which is there and as Neel said, once we complete our thought process and what we do about it we will see.

Participant: Okay. And lastly, if I can slip one more, there was a lot of talk about the Crompton Greaves or office space to be sold. Is that still on cards or have you kind of shelved that program?

K. N. Neelkant: We cannot announce anything and I also keep hearing it from people like you.

Moderator: Thank you. We will take the last question from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: Sir, just a couple of things, out of this Rs. 325 crores PAT which you are expecting in your calculation, how much has been contributed by ZIV business sir, since, currently ZIV is not making money at PAT level?

Madhav Acharya: Well, there is certain amount of interest which is there currently in the whole setup. And as we said, once we do this transaction of selling of the overseas power and T&D business I think there will be sizable amount of liquidity which will come in, which will reduce my debt. So the interest cost will change. I mean, just to give you a flavor, my EBITDA for this year in ZIV alone is 9.4 million], okay. So I think once the deal gets done for the products and T&D products and systems, the entire debt will get restructured primarily for working capital in India, okay, and a little bit of working capital in ZIV and others. So, I guess after EBITDA you have a little bit of depreciation and we have tax shelters available there. So I do not see a challenge there. So I think you will have a positive PAT coming out of ZIV without a challenge.

Ankit Babel: Yeah, sir. I mean that is the reason why I am asking because supposedly, say, ZIV and suppose had six months to ten months' time then Rs. 325 crores can come to what level?

Madhav Acharya: Well, look the question is when we if we sell subject to finding right value and the right buyer and there will be a sizeable amount of value which is coming for the shareholder. So it is very difficult to now link it directly here.

Ankit Babel: Okay. Second question is what are your plans for technology up gradation in your transformer and switchgear businesses, like GIS and switchgear and all those? What kind of investments you plan to do and how we I mean, would you like to go through a technology tie-up kind of a methodology or in-house you will develop some technologies?

K. N. Neelkant: It is a mix of both, Ankit. Like for instance, before I answer the transformer piece, let me give you analytical thing on the railways piece of it. In the railways piece of it, in the recent orders which we are receiving from railways we have moved beyond the traditional electromechanical motors and alternators which we are selling to the power electronics. And this was done through a technology tie-up with a foreign party for getting this knowledge. While for GIS, when we decided to divest the assets, we have already started work about 18 months back in Nasik to replicate the GIS facilities and Nasik is today equipped to manufacture 245 KV GIS. If I have to go beyond the 245 KV GIS, I would be looking at technology tie-up partners especially riding the Make in India wave I see a lot of interest being generated by people outside India. So it is a mix and match of both it is not either or it is both.

Ankit Babel: Okay. And you will continue to have a balance sheet with a gross debt and a gross cash figures?

Madhav Acharya: Yeah, it is true for every business. There is a sizeable amount of cash, which is stuck in working capital, which is stuck in the collections part of the rotation process. So, in every business, every balance sheet you look for, you will find debt and cash. So, there is nothing extraordinary here.

Ankit Babel: Sir, just one more follow-up, earlier I asked you about other income, you mentioned that you will have a very good other income because there is an interest arbitrage, actually my question was on the standalone balance sheet where in you have a Rs. 500 crore borrowing and a Rs. 500 crore cash. So on that standalone balance sheet will we have an other income, which was Rs. 100 crores in this year?

Madhav Acharya: There is also a treasury income which comes in, okay, I mean if you look at the cash, I have Rs. 510 crores of cash, there is also some deposits, so I think overall I would see a sizeable other income coming in.

Ankit Babel: But will it be getting set-off against the interest cost on Rs. 500 crores?

Madhav Acharya: Yeah.

Ankit Babel: On a net basis, you won't be having any net other income right?

Madhav Acharya: No, see, look other income is not just interest income, okay, there is also other income in terms of scrap in terms of the revenues we get the rentals, we get lots of other incomes. So those will continue. If you look at our historical track record for last 15 years, every single year, we have had close to Rs. 100 crores of other income.

Ankit Babel: Okay. So other than interest income, you will have Rs. 100 crores of other income.

Moderator: Thank you very much. Ladies and gentlemen, due to time constraints that was the last question. I now hand the conference over to Mr. Neelkant for his closing comments.

K. N. Neelkant: Thank you so much once again for joining this call and as Renu mentioned in her opening comment, I am sure you would have been more comfortable on Monday morning than today evening. But then if we had held the call on Monday morning instead of today evening, someone else would have told that why did you delay the call so much. So thank you for sparing the time late in the evening; being in the call and some very interesting questions. Thank you so much.

Madhav Acharya: Thank you.

Moderator: Thank you. Ladies and Gentlemen, that concludes this conference call for the day. Thank you for joining us and you may now disconnect your lines.