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Smart solutions.
Strong relationships.

Our Ref: COSEC/183/2016

March 11, 2016

BY Web Protal and Courier

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,

Sub: Analyst Call - Sale of T & D Business Outside India on March 9, 2016

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

Manojkoul

Manoj Koul
Company Secretary & Compliance Officer
ACS No 16902.

Encl : aa

AVANTHA
GROUP COMPANY

Crompton Greaves Limited Conference Call

March 9, 2016

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Crompton Greaves Call to Discuss Sale of T&D Business Outside India. As a reminder, all participants' line 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. Today, we have on the call Mr. Gautam Thapar – Chairman, Crompton Greaves Limited; Mr. B Hariharan -- Non-Executive Director, Crompton Greaves Limited and Group Director, Finance of the Avantha Group; Mr. K.N. Neelkant -- M.D. and CEO, Crompton Greaves; and Mr. Madhav Acharya -- CFO & Director, Finance, Crompton Greaves. I now hand the conference over to Mr. Gautam Thapar -- Chairman of Crompton Greaves Limited. Thank you and over to you sir.

Gautam Thapar: Thank you. Good Afternoon As you all know this morning we informed the stock exchange that after detail negotiations over the last 2-3 weeks, we have finally agreed to the sale of Crompton Greaves International T&D Business. The business covers the following geographies: Indonesia, US, Belgium, Hungary, France and Ireland. The structure of the deal is €115 million euro EV debt free and cash free. The cash to Crompton Greaves for retiring the debt would be €93 million. We have earn-out of €30 million over the next 18-months from closing of the deal and certain of the debt instruments will be retired will be linked to the earn out.

In a broad parameter this is the deal that we have been negotiating. If you recall the board had earlier not agreed to certain of the terms which had been offered by First Reserve in an earlier offering because we did not feel that the deal enhanced any value for CG shareholders or met the objective that the board and I had set out at the time when we were negotiating the exit, namely #1, that there would be a significant debt reduction in CG; #2 that the losses from the overseas business would disappear and at #3 we would be able to be in a position to continue to run and grow our India businesses into export markets without too many constraints and restraints and hindrances in terms of our ability to do so. The previous offer did not address some of these concerns and that is why we did not take that first offer, we said that it does not meet our parameters, it does not meet our requirements, and we will continue to negotiate, those negotiations have resulted in a significantly better offer from our point of view and we have recommended yesterday, I had personally negotiated late into the evening to close this deal. Beyond that I think it is easier having explained the outlines of the deal.

If there are questions, we will try and answer the questions to the best of my ability and to the amount of knowledge that we currently have.

Just to understand one thing more; we will be negotiating an SPA over the course of the next 2-3 weeks with an idea to try and close it by the end of this month. A substantial amount of discussion on the SPA has happened already, but because the deal parameters have changed a little bit, those still have to be reflected in the SPA.

So we can take the questions now.

Moderator: Thank you very much. We will now begin the Question-and-Answer Session. The first question is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: Sir, first to understand some of the details of the deal. How does one share the risk with respect to the contingent liabilities and warranty obligations which would arise over the next 12-18-months on the factories that we hand over to the PE partner?

Madhav Acharya: Renu, Madhav here. We are basically selling this plant and the businesses along with the people who are working there, we, of course, have to complete the regulatory formalities, but all the warranties and the pertaining issues or any liability on account of the customer will move on to the buyer.

Renu Baid: So there would be absolutely zero incident of any liability on Crompton Greaves post the deal is formally closed?

Madhav Acharya: We do believe so, yes.

Renu Baid: Second, just slightly from a broader perspective, we had seen over the last 5-7-years the cost to acquire a technology was quite significant, especially with the strategy of international operations. So if Mr. Thapar can throw some light with respect to for the next leg of growth as outlined in one of your considerations that you would like to expand India business in international markets, how would you plan and scale the competencies of Crompton Greaves and fill up the product technology gaps especially with respect to 765 kV GIS, HVDC, Statcom and so on the newer technology side, where the product portfolio of CG is substantially lacking versus peers, how does one plan to fill up those gaps to meet up among the three considerations that you have jotted down?

K.N. Neelkant: First and foremost, this divestment of the International business actually has nothing to do with the three things you mentioned in the 765 kV GIS space or the Statcom or the HVDC. In any case even the International businesses did not have these technologies embedded in them. Having said that whatever technologies were embedded in the International business, like, for instance, the GIS range up to say 245 kV, this has already been replicated in our Nasik works, where we have the equal competence manufacture with or without these international assets being with us. So per se, Renu, while your question is very valid this divestment does not make any difference to those kinds of opportunities.

Renu Baid: So what I am asking is for the next leg of growth from this divestment we were able to secure the entire bouquet of 765 kV Transformer Reactor technology which has helped Crompton India to continue to grow over the last 5-years. So from now on as in the fact that we are now focusing more in the domestic India market how would Crompton as a company would like to fill up the technology gaps which are opening up for future growth?

Gautam Thapar: In terms of the technology gap, the 765 technology both for Transformer and Reactors with us, 1200 kV technology has already been approved and indigenously developed with us, okay. Please also understand that the Switch Gear market and the Transformer market are two completely different markets, they are not directly related to each other in that sense. So from that point of view in the case of Hungary, they have 245 GIS Switchgear technology. So we look at our Switch Gear strategy and our Transformer and Reactor strategy as two different businesses altogether. If you actually look at where our growth is coming in, it is actually coming in the lower what you call kVA on the Switch Gear side right now.

Renu Baid: On the loans and advances which were given to these entities in the perimeter, how does one look at towards the impairment of that amount over the books over the next 3-6-months as in the deal is closed, so any details on that aspect?

Madhav Acharya: Renu, Madhav here. This being a cross border deal and covering so many different geographies, we are taking the help of couple of tax experts across geographies to understand implications of the deal in terms of the taxation and other issues. This being a little bit more complicated deal we are working on it, we hope to get towards the different options in a couple of days, once we are ready with the options we will come back on what the number could be. Though but please appreciate that no more cash infusion is there, this is just a book entry if at all whatever will happen will be a book entry, and you would also need to appreciate our net worth today is almost equal to Rs.5,000 crores. So I would not worry too much on that subject.

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

Jonas Bhutta: Just wanted to delve into the internals of the deal. Mr. Thapar mentioned that an amount of close to €30 million would accrue over the next 18-months. What is that amount – is that over and above the €115 million if you can clarify that first? Secondly, just wanted some numbers on the gross debt on books post this deal?

Madhav Acharya: First is this €30 million is a part of the €115 million. The way we have structured it is that we will get this over one-and-a-half year period which will coincide with our repayment of some of the debts so that we do not incur unnecessary break cost and stuff like that so that will improve our financial numbers, that is one. Second is in terms of the debt, our net debt position consolidated at CG level is close to Rs.900 crores as of end of December, this also includes the working capital debt. You would appreciate that a company with revenue of Rs.6,500 crores would need a certain amount of working capital debt as well. So on receipt of this consideration we will first close out the long term debt which is barely Rs.500 crores and then depending on the capital efficiency we will hold back some of the working capital debt, but overall I would see CG becoming a net zero debt company post the deal.

Jonas Bhutta: Just on the debt part, there was an acquisition debt on account of ZIV QE and Emotron to the tune of roughly Rs.700-800 crores. Will that also go off the books?

Madhav Acharya: Yes, everything goes out, nothing is left after this which is why the deal becomes extremely interesting as Mr. Thapar said.

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

Nirav Vasa: My question pertains to the International business specifically related to the Solutions business. Sir, as I understand we had broken up our International business into three aspects – one is the Perimeter, second was ZIV and third one was Systems and Solutions business. So sir, just wanted to get some idea as to what is the current situation of the Systems and Solutions business because as we understand that was causing maximum losses?

Gautam Thapar: So if you again go back when we had given the break down when we actually looked at it we also saw that, so we had taken a decision in the Solutions business on two fronts – one, we will accept no further orders in the Solutions business regardless of whether CG products pull through in the business or not and quantum, and the second was that as these orders came off we would shut the business down or sell the business. As we sit today, our Brazil Solutions business is closed. Our P Sol US business is under sale, we have a firm offer, we are trying to close this by the end of the month and our P Sol UK business which is where the maximum amount of problem is also under closure, all projects that are there are fully funded and therefore do not require any support except closure. There will be some small amount of parent cost involved in the UK and partly in Brazil to manage the projects post closure where there are certain requirements that we have in terms of site and other things that we need to conform to. So if I put it in a nut shell, by June or later July of this calendar year, we will be out of the Solutions business.

Madhav Acharya: Niraj, just to add to what Mr. Thapar said, for a full financial year we will save approximately Rs.209 crores, this is based on the '14-'15 set of numbers on the Solutions business which we are in the process of shutting it down.

Nirav Vasa: Sir, can you throw some light on the current financials of ZIV?

Madhav Acharya: Approximately I can give you some numbers; we are doing a top line of around €110 million and this is EBITDA-positive.

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

Venkatesh B: Sorry, gentlemen, I got a little confused in terms of the deal structure. Now, the people who were taking over the International T&D business, first of all, the International businesses which are getting sold, how much debt is there on the books of that business?

Madhav Acharya: Venkatesh, the debt that is there on the Perimeter that is getting sold is only €84 million, so the enterprise value that Mr. Thapar mentioned is debt-free, cash-free, which means that whatever is the cash available on the closing day of the deal that cash will belong to CG and whatever debt is there which is €84 million belongs to us. So from the consideration of the deal we are paid on the debt. This €84 million is a part of the INR 900 crore consolidated net debt of the company.

Venkatesh B: So that €84 million CG will actually pay down?

Madhav Acharya: Yes, it is debt-free, cash-free deal.

Venkatesh B: Now, the second part is I remember in our last interaction Madhav had mentioned that the loans and advances to these international entities which are getting sold from the Crompton entity was roughly around Rs.1200 crores, am I right?

Madhav Acharya: Approximately, yes.

Venkatesh B: Is it also possible to share that if you put all the international entities, which are getting sold, what exactly will be the annual sales, EBITDA and PAT losses of this entity, which have got sold?

Madhav Acharya: The top line is around €525 million which we are selling off, I am taking the '14-'15 audited numbers here, the EBITDA loss is Rs.93 crores, depreciation Rs.112 crores, interest Rs.32 crores, taxes Rs.40 crores. So as I said earlier total of Rs.277 crores will be saved by doing this deal. In addition to the capital that we get I will reduce the debt.

Gautam Thapar: Just to elaborate a little bit more because Madhav's response captures a certain part of it, but please understand that in order to support this entire business structure overseas there has been a very large branch and other structure that is also in place, all of that will additionally be closed, shut down and gone.

Venkatesh B: But does that have a financial implication whatever you are shutting down, which is supporting this business?

Gautam Thapar: It will actually jump our profitability by Rs.200-odd-crores simply on account of the cost once the full year transaction is completed.

Venkatesh B: So on an overall basis if everything comes together, the boost it gives to your profitability is somewhere to the tune of Rs.277 crores plus another Rs.200 crores approximately?

Madhav Acharya: The total losses of Rs.560 crores for 2014-'15 will completely get wiped out.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from Axis Capital. Please go ahead.

Bhavin Vithlani: My question is on the Solutions business. If you could help us understand what is the revenue, order book and the potential losses until the closure of the business?

Madhav Acharya: As Mr. Thapar explained, the Brazil business is already shut down, okay, it is over, the Solutions business in US is currently under the transaction, so I do not envisage any further losses there or any funding required there, the only business that will wind down a little gradually over the next 6 to 8-months is the Solutions UK business, where I do not expect more than 2 or 3 million of cost to come in at best.

Bhavin Vithlani: So the €25 million of EBITDA loss that you highlighted is for the annualized period of FY15?

Madhav Acharya: That is correct that includes the Systems as well as the branches that we are in the process of shutting down. So that is the Rs.209 crores that we will save over a full financial year.

Bhavin Vithlani: So there would be some amount of losses in the next financial year because of the Systems division?

Gautam Thapar: 2 or 3 million at best, not more.

Bhavin Vithlani: Then the Automation business is about €110 million and about 10% EBITDA. Would that be a fair estimate?

Madhav Acharya: Fair assessment, yes.

Bhavin Vithlani: Now, going forward, this is referring to the earlier question, now that we have the domestic business and international completely set off, would you believe that there would be any impact on the export sales out of the domestic because one-third of the revenues is exports, some benefit coming because of Pauwels and Ganz presence, some customers would have taken references from Pauwels and Ganz and taken CG's products which was highlighted in some of the earlier calls, do you envisage any impact on the export revenues because of the transaction?

Gautam Thapar: No, if you actually look at where CG India exports and where Pauwels and Ganz exports market wise there is not a lot of overlap between the two. So in the past wherever CG was exporting CG has continued to export and wherever Pauwels and Ganz have exported they have continued to export and we pretty much have run the business that way because a lot of the export that come out of Europe are tied to aid that comes out of European countries being given to either Middle East or African companies. We as CG India cannot take advantage or could never take advantage of those conditions. So willingly those exports were actually all this done out of the European entities. The sale of the European entities does not impact in any way.

K.N. Neelkant: Just to elaborate on what Mr. Thapar said, you mentioned 1/3rd of the Domestic business is export, that is incorrect, it would be about 20% of the top line in India which would be export revenue.

Bhavin Vithlani: The GIS in the higher end and you said 245 kV GIS also, which is not in line with the competition, would you plan to get up to speed on these products on an organic basis or there is a potential tie up which has been explored with some of the multinationals to get access to the technology?

K.N. Neelkant: I got disconnected when I was speaking to Renu on the same topic, so let me continue the conversation, 765 kV has always been one of our requirements to expand the Nasik. Those conversations are already on with prospect of people with whom we could collaborate. So this technology acquisition is historical if you see CG has been extremely good in doing technology collaboration and absorbing technology. So we would be taking the same route like we did to our 765 kV Transformers, we will take the same route for the higher end of GIS. The second part of your question, "Are any active discussions already on?" Yes, there are discussions already being done, but nothing firm which we could come out and tell the market at this point of time.

Moderator: Thank you. The next question is from the line of Sumit Kishore from JP Morgan. Please go ahead.

Sumit Kishore: My first question is on the Residual businesses that remain on the overseas subsidiary ZIV, I understand there is Drives business also which had €50 million top line?

Madhav Acharya: €40 million approximately, yes.

Sumit Kishore: What sort of EBITDA margin would that have?

Madhav Acharya: The total top line of the overseas businesses after the deal would be approximately €150 million and expecting to get an EBITDA of around 8% to 9%.

Sumit Kishore: Madhav, you also mentioned post the 'Analyst Meet' that the EBIT level these businesses made a small EBIT loss because of the high depreciation. Could you just repeat what the profitability would be at the EBIT level and on a more sustained basis going forward?

Madhav Acharya: Two things will happen with the deal with the cash that we will get -- the entire debt overseas will get paid down, I mean, when I say entire debt, I need to be specific here in the sense that long-term debt completely day one and then we will see working capital as the cycle demands we will continue with some of it may be, so firstly the interest cost will go down completely, it will be nil interest cost, there will be some amount of depreciation, but I do believe at the PBT level we will be positive in the Residual businesses at least 3 to 4% on a one full financial year basis.

Sumit Kishore: So this would be more like FY18 picture?

Madhav Acharya: One full financial year, yes.

Sumit Kishore: If I also recollect correctly, the gross debt that you had mentioned post the third quarter results was about Rs.17 billion and the net debt was Rs.900 crores. Now on the call you mention Rs.900 crores is the overall debt. So I assume the cash has been used to pay out the debt?

Madhav Acharya: No, I mentioned the consolidated net debt at Rs.900 crores for CG as a whole, this is the same thing that I said earlier, yes.

Sumit Kishore: The gross debt is a higher number?

Madhav Acharya: Yes, of course, we have significant amount of cash which is there. So that is why I am talking about the net debt.

Sumit Kishore: So given that you are saying that the interest cost would be nil, I am assuming that you will use that cash to repay the gross debt also?

Madhav Acharya: Absolutely, do not make sense for me to carry on the debt and carry a negative arbitrage there.

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

Ankit Babel: Sir, my first question is that when this deal will be formally closed which date, I mean 31st March or it will take another a couple of quarters?

Madhav Acharya: This deal we are trying to do it as fast as we can but would probably take 5 to 6-months.

Ankit Babel: The Hungary plant, the Belgium plant, the product plant which was incurring losses since last few quarters and will continue to incur in this March quarter also and will continue in the first quarter also, so those losses will be borne by whom?

Gautam Thapar: No, your information is incorrect. The actual businesses that are being sold will make a profit to the year ending 31st March. The businesses that were making losses were Solutions business of CG and in the earlier question we had responded to saying the Brazil Solutions business is closed, the US Solutions business is under negotiations for closure, we have a firm binding offer, and the P T UK Solutions business is also under closure, we have accepted no contract since January or February of last year, there is a little tail end cost because some of these contracts will only close in June, but everything has been fully provided for in the previous quarter. So the businesses that are being sold are actually today profitable and we expect to have that profit in our books and some free cash coming in as well.

Ankit Babel: My second question is this Rs.1200 crores loans and advances which is given, any idea out of this how much is realizable and how much would be written off over the next couple of quarters?

Madhav Acharya: As I said, we are still working out with the tax experts and once we get those numbers we will come back to you.

Ankit Babel: You mentioned in the press release that you are still looking out for selling your remaining International businesses. So does it include the Emotron and ZIV also?

Gautam Thapar: I would not name anything specific, but I have already initiated action on looking at the possibility of disposal of businesses out there including the Automation business. When I say 'initiated action' I mean that we have already moved to the appointment of investment banker. So I would like to look at this closure in the next financial year very clearly.

Moderator: Thank you. The next question is from the line of Fatema Pasha from ICICI Prudential. Please go ahead.

Fatema Pasha: Just wanted to ask you, there is a lot of confusion right now, you said you try to sign the agreement by 31st March, right?

Gautam Thapar: We have a binding offer which is accepted, we have a share purchase agreement which has already been negotiated, some of the terms of the deal has changed since we last negotiated it, so we have given ourselves next 2 to 3 weeks to close out those so they can sign the share purchase agreement.

Fatema Pasha: I want to clarify, the moment you sign the agreement, post that whatever losses come, it becomes of the buyer, right?

Gautam Thapar: No, the closure of the deal is when they pay us for the transaction and that is subject to regulatory approvals required on both sides; they need regulatory approval from the European Commission on certain issues and we need regulatory approval from shareholders and everybody else. So at the outset we are giving ourselves 6-months we would like to try and close it earlier, but some of their side actions I think will may be take a little bit longer just simply because that is the process they have in Europe in terms of competition and other things. So that is where we are at. The businesses that are being sold currently even in this year we will make a profit.

Fatema Pasha: I think Madhav was just saying that the revenues from this business which are getting sold is around €550 million right, and the EBITDA is (+93) or (-93)?

Madhav Acharya: This was 2014-'15 numbers so (-93), current year it is positive.

Fatema Pasha: So in the first nine months we have reported PAT loss of around Rs.300 crores. What would that be then, that will be entirely Systems business, right?

Madhav Acharya: Largely, Systems business yes.

Fatema Pasha: From whatever conversations we have had, you said the backlog will run till December or March next year, right?

Madhav Acharya: The Solutions business in Brazil is closed okay, US is under sale right now, so there will be no backlog left there, nothing will be left there, P Sol UK most of the backlog will get consumed by May or June this year, so there will be some amount of tail wind closing left out, that will happen.

Fatema Pasha: Of the Rs.4,300 crores backlog that we announce, what is the backlog of the business that will remain?

Madhav Acharya: The backlog that will remain will be primarily for the Automation business and Drives, Automation Sweden where the backlog will be close to around €115 million.

Fatema Pasha: €115 million will be just Automation.

Madhav Acharya: Yes. Including Overseas Industrial.

Fatema Pasha: Whatever you get in Q4 is fine and maybe something in Q1, but post Q2 even Systems losses would be there, would you consider to report in Q1 the entire International business the way you are reporting?

Madhav Acharya: Till the deal closure happens, we will report.

Fatema Pasha: What we are just trying to understand is are we looking at some JVs or product related deals for the standalone as well?

Gautam Thapar: JVs and product related deals I mean you mean related to technology enhancement ...

Fatema Pasha: Or would your R&D spends go up? I am just trying what is the trade off?

Gautam Thapar: I do not think R&D spend go up. Most of the products that we are talking about... I think Neel had mentioned this earlier, these are mature technologies, so it is really a question of finding a good partner with whom we can partner and that has been historically the trend at CG in finding a good partner. Neel, you want to add something?

K.N. Neelkant: The JV for product family expansion is a continuous process. So irrespective of how we do business we search for new technologies, which will be there. So while we have a home grown team for R&D within our various businesses, the platform will come from a collaborative relationship with outsiders and development will be by the internal team in office.

Fatema Pasha: Only fear being we do not have any Europeans and a lot of the Japanese are trying to set up shops in India themselves. So the ability to get technology tie up with any of the global majors without doing JV kind of deal would be very difficult.

K.N. Neelkant: While the Japanese have been trying to set up for many years, not many of them have been successful. The technology apart from Japanese I think it also resides a lot of us, it resides in Korea also. So those are the geographies which we are keeping an eye on and talking to people. We are not looking at western Europe for these technology tie-up except for some specifics like for instance I can share with you we have signed up a technology agreement with a Spanish party for specific railway-related automation. That is a different thing where we are looking at Western Europe, but I think Korea would be a good geography to look at.

Moderator: Thank you. The next question is from the line of Mayur Patel from DSP BlackRock. Please go ahead.

Mayur Patel: Can you just repeat your comments on the loans and advances of Rs.1200 crores which was extended by the standalone entity, so this would be repaid back to the entity or what is the treatment going forward?

Madhav Acharya: As I said we have already hired some consultants to look at the tax implications across various geographies and once we get their inputs in terms of options, we will come back to the market and announce how we plan to handle that.

Mayur Patel: So when we look at say €115 million EV in this Perimeter, the first who is acquiring it, they would take at an EV of €115 million, includes this Rs.1200 crores?

Madhav Acharya: They are buying the company for €115 million at EV debt-free cash-free level, that money will come to CGIBV, which is our overseas holding company, which is why we need to look at the taxation implications very carefully here.

Mayur Patel: So there is no write-off or anything as of now?

Madhav Acharya: We will have to come back to you on that in a couple of days.

Mayur Patel: Second thing is after this deal which you mentioned was the Drives business and the ZIV, adding up to €115 million, you said EBITDA of 8-9%, the nine months ended, what was the EBITDA percentage on these two businesses taken?

Madhav Acharya: They are at the same level of 8-9%. Today, we do not see because of high amount of interest cost being there.

K.N. Neelkant: Let me clarify that; it is not 150 million of Drives business, ZIV is separate 100 million business and 50 million is the Drives business which is separate.

Mayur Patel: So both taken together, did you make 8-9% margins?

Madhav Acharya: That is correct, at the EBITDA level, yes.

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

Ashish Jain: Just to understand the deal structure, you will eventually be getting €115 million, €30 million over the next 18-months and €85 million upfront, is my understanding right?

Madhav Acharya: €30 million over the next 1.5-years, yes, €85 million we will be getting on the deal closure, yes.

Ashish Jain: Against that you will be carrying the debt of €84 million which you will pay down as and when you want to?

Madhav Acharya: Right.

Ashish Jain: Secondly, last time when we had met the gross debt you had indicated was Rs.17 billion, out of which 9 billion pertains to ZIV. I am assuming all the Rs.17 billion is sitting in the international businesses, which basically leaves Rs.8 billion of debt for the other businesses, out of which maybe roughly Rs.7 billion is accounted as a part of this deal, the balance Rs.1 billion is something again CG will have to pay down, basically just want to understand the balance Rs.1 billion?

Madhav Acharya: What is more relevant is the net debt because of the interest arbitrage we do keep cash here, because we get good amount of interest here compared to the cost of debt which is there overseas. So the consolidated net debt is what is relevant. That is currently at Rs.900 crores. Out of the Rs.900 crores, 84 million is in the Perimeter in euro terms, so that is approximately you are talking about Rs.650 million in the Perimeter. This Rs.900 crores includes everything including ZIV acquisition written all the other debts put together. So with this deal, we are in a position to pay down all the long-term debt and decide how much of working capital debt to improve the return on capital.

Ashish Jain: Secondly, I think Mr. Thapar said earlier that we are still open to selling out the whole of International business. If whatever thinking materializes, the Automation, Drives everything is what you are open to selling up?

Gautam Thapar: I think let me separate out because I know we reported like that, the Drives business is separate and the Automation business is basically ZIV. We do not intend to do anything with the Drives business because the business is growing. It is profitable and it provides us certain amount of technology and other things for our Indian Drives business which is also growing quite quickly. The Automation business has been a standalone business, ZIV has been a standalone business all along and our view is that I have already initiated process where we are looking to monetize this and I want to make sure that we can manage this in the next year.

Ashish Jain: So if everything progresses the way you are thinking in terms of international business we will only be left with €50 million of Drives revenues?

Gautam Thapar: Yes and the large rotating machines.

Moderator: Thank you. The next question is from the line of Inderjeet Bhatia from Macquarie. Please go ahead.

Inderjeet Bhatia: My question is a lot of numbers have been given but can you just share that in FY16 nine months if you take the Perimeter out and the Solutions business out, how would the P&L would have looked at, top line, EBITDA and PAT number?

Madhav Acharya: I will give you a very broad base of numbers here. If we were to take out the Perimeter and the Systems business and stuff like that, we probably would have saved at the PAT level in nine months around Rs.350 crores.

Inderjeet Bhatia: My second question is I know it is not related to the deal, but in Q3 we had issues with the domestic business with the deliveries and now given that we are already in March, have those issues been already addressed, is the business back on track?

K.N. Neelkant: To a great extent, yes. If I separate the businesses, the Industrial Systems never had an issue, it was anyway growing. Within the Power Systems, the deferred delivery issue was Transformers. While we will not be able to completely crack all the issues related in Q4 itself, a significant portion of it would be cracked in Q4.

Inderjeet Bhatia: So we should be at least close to our normalized level of profitability in the Pauwels?

K.N. Neelkant: That is exactly the goal. You would appreciate that Switch Gear is a much leaner machine, taking a smaller turning radius, whereas Transformer is a much larger machine so the turning radius is slightly longer.

Moderator: Thank you. The next question is from the line of Pawan Parikh from HDFC Securities. Please go ahead.

Pawan Parikh: At your international holdco company level, what is the gross debt and net debt at this point in time before the deal?

Madhav Acharya: The entire debt that CG has is primarily in the international holdco only. We do keep some debt here and some there just to take the interest cost arbitrage but other than that the entire consolidated net debt of Rs.900 crores is in the international subsidiaries only.

Pawan Parikh: What is the gross debt versus that as of now?

Madhav Acharya: It is approximately Rs.1600 crores.

Pawan Parikh: Secondly, when you are proposing to sell this Automation business, ZIV India related, does that also include part of the business which is in the standalone entity now?

Gautam Thapar: We have to look at that carefully because the technologies that ZIV has which are applicable in Europe actually not really applicable here, those kind of meters are very-very sophisticated and that demand is not here. So you have asked a question which I have been discussing with the CEO this morning. So I do not have an answer for that, we are going to look into it. But since we have initiated the process and we would like to close it when we get a good value in the following year, we should be able to answer that question fairly quickly.

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 some regulatory issues which will have to face specifically because this deal span various geographies, Europe being one of the toughest. So does this 5-7-months of timeline is it kind of realistic or there could be some further delays?

Gautam Thapar: We think it is realistic because assets we are selling if you look at them in terms of the overall market share other issues are very small. So from that point of view, we do not anticipate any problems. Buyer being a private equity fund also does not have these issues as well. It is more that because there are different governments, different nationalities, especially you got Indonesia there, you got US, and you got UK there separately, so they will have to go through that process. So we have given out there six months, we will like to close it earlier, we think it is possible, but frankly, the pushing will have to come on their part more than anything else.

Charanjit Singh: Another question is on the domestic Power T&D business, where we have a capacity constraint and the growth is kind of limited because of that capacity as we are in 100% utilization. Will we be adding more capacities to ramp up growth and you also talked about growth coming in the lower kVA segment where we are adding capacity for GIS in Nasik, so how do you look at the overall Power T&D business for Crompton in FY17 and going forward?

K.N. Neelkant: I would actually have a different view on the capacity, which you spoke about. Essentially, all these businesses have certain elements of outsourcing and certain elements of insourcing. To keep the capacity utilization high within the factories in tough times, we bring in some of the outsourced component and do it in-house. So that capacity as such exists. At an average if I take the Power System, Transformer, Switch Gear, everything put together, today, we are at roughly about 78-80% capacity utilization after culling down the outsourcing portion and the cull down of the outsourcing portion has been to the extent of 18-20%. So, unless a very strong tail wind takes to the country quickly back to 20% growth I do not think there is any issue of capacity constraint at this point of time.

Charanjit Singh: On the Industrial front, we have added more capacities. Are we seeing any traction specifically from Railways where we had got some earlier good orders?

K.N. Neelkant: With the new government coming in, actually this entire year I think was spent on the government trying to correct the process of order finalization and everything, so there was a lull in the Railways piece of it throughout this year, but the good news is that from December onwards... in fact, December I think we reported it also, significant large orders of Railways has come in and more specifically it is important to us that these orders not only belong to the conventional traction motors and other things which we are supplying, but we have also got ourselves approved in the traction electronic space, which opens up a completely different segment within the Railways which was inaccessible to us till now. So, even if Railways does some piece of what it plans to do in FY17, it has significant upward traction for us.

Moderator: Thank you. The next question is from the line of Rahul Agarwal from Banyan Capital. Please go ahead.

Rahul Agarwal: My question is again a repetition of what people have asked earlier. What happens to the loans and advances that we have extended to these subsidiaries? What is the tax angle?

Madhav Acharya: I am sorry, I will have to give the same answer, I mean, we will have to come back to you in a couple of days and we will come back to you once we get the relevant tax advice from different geographies.

Rahul Agarwal: But I guess since you announced the enterprise value of the deal, so why is it that this thing was not discussed with the tax advisors earlier because it has been a long time?

Madhav Acharya: We have closed deal yesterday night 11 o'clock, so I guess it is not too long a time.

Rahul Agarwal: No, but this is something which must have been considered earlier?

Gautam Thapar: No, if you recall on the date of the last board meeting, we had received an offer which we did not find acceptable in its current form. The current offer that we have accepted is different in certain ways to the previous offer. This negotiation has happened over really only in the last 2-3-weeks. So we have not had enough time to go back and discuss these issues, tax with the people because the deal structure that we have now is quite different to the one that they had offered us earlier. There has definitely been an improvement in the deal structure but it is not an improvement which we have then go on and taken back and discuss with the tax consultants. So, give us another two-three-four days and we will come back to you with an answer.

Rahul Agarwal: I just fail to assume that loans and advances discussions are still pending with the buyer?

Gautam Thapar: No, the buyer is out of this deal, he has given his offer, we accepted the offer, we will sign a share purchase agreement and then we will move to close. That part is done. We have to look at internally when the money is paid by the buyer how do we use that money to minimize the tax outgo and maximize the efficiency from CG's point of view. That is what is happening right now. If all this over, we pick different geography, so we need to get the opinion from each geography because people treat these structures differently in different geographies, na. So we need to tell them that we would like to receive the money this way, this way, this way. That is a kind of discussion that will happen. But the total amount of consideration will not change because of that.

Rahul Agarwal: So sir, as I understand, we have some debt on the overseas assets, we also have extended some advances to the overseas assets, right. So that combine then boils down to Rs.900 crores plus Rs.1200 crores of loans and advances to these assets, Rs.2100 crores and all or different numbers?

K.N. Neelkant: I do not think we should mix up these two because that debt piece of it is pure cash outflow, the loans and advances there will be cash inflow but there will be no cash outflow. So we cannot afford to mix these two, we have to look at these two separately.

Rahul Agarwal: Yes, that is what I am trying to understand, is this cash flow back to the Indian entity of Rs.1200 crores, is it happening full or there are some provisions on this?

Madhav Acharya: Please also remember that we are also holding back our operations in ZIV, that business is with us, Drives and Automation Sweden is with us, plus we have the ASOL US business. All these businesses are already there. The total amount that has been gone from here has also gone to fund the purchase of these assets also. So unless and until we have a very clear position in front of us we will not be able to comment on how to total it up and write-off what and what not to impair.

Rahul Agarwal: But sir, as per your first half balance sheet, our equity investment excluding Avantha would be around Rs.751 crores, the loans and advances would be around Rs.2,000 crores. So what I am trying to understand is that what portion of these loans and advances is going to get speed up from the assets being sold?

Madhav Acharya: Just to give you an example, ZIV we acquired for €150 million, in today's terms that alone is Rs.1,200 crores, you add Drives and Automation Sweden which we acquired for €57 million would have another Rs.500 crores. It will be difficult for me to take out a number unless I have a clear tax advice on how to apportion the price in which geography how much.

Gautam Thapar: Sorry, just if you do not mind, I have got another meeting, so I am going to go off the call, but I have just a couple of other bits of information to those who are in the call I think will be there -- one is that, for those who do not know First Reserve the buyer of the assets, they are very large private equity player with almost $31 billion under management in the energy sector. So this is the sector that they understand very well, they know very well and the way they have worked with us to close the deal tells us that they are very good and very professional people. The second question, which has come separately. If you look at next year after all of these, we are looking at revenues of about Rs.6,500 crores, EBITDA between Rs.450-475 crores and PAT of about Rs.325 crores. So the deal impact is significant on all fronts for CG. You will have to excuse me, I am sorry; I have another meeting to get in. Thank you.

Moderator: Thank you. Ladies and Gentlemen, that concludes this conference. Thank you for joining. You all may now disconnect your lines.