Crompton Greaves Limited
Registered Office:
CG House, 6th Floor, Dr Annie Besant Road, Worli, Mumbai 400 030, India
T: +91 22 2423 7777 F: +91 22 2423 7733 W: www.cgglobal.com
Corporate Identity Number: L99999MH1937PLC002641

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Our Ref : COSEC/122/2014

16th October, 2014

BY EMAIL & COURIER

The Corporate Relationship Department
Stock Exchange, Mumbai
1st Floor, New Trading Ring
Rotunda Building
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001

The Assistant Manager – Listing
National Stock Exchange of India
Exchange Plaza, Bandra-Kurla Complex
Bandra (East)
Mumbai 400 051

Dear Sirs,

CLAUSE 36

Pursuant to Clause 36 of the Listing Agreement, we wish to inform you of the outcomes from the Meeting of Board of Directors of the Company ("CG") held today :

1. **Scheme of demerger of Consumer BU :**

The Scheme of demerger of the Consumer Products Business Unit of the Company into CG's wholly owned subsidiary Crompton Consumer Products Limited was approved by the Board. The Scheme will come into effect from the Appointed Date 1st April 2015, subject to receipt of all Regulatory approvals. Details on key highlights of the Scheme are enclosed as Annexure A to this letter.

2. **Enhancement of FII/FPI limits**

The Board approved an increase in the Investment limit for Foreign Institutional Investors ("FIIs") and Foreign Portfolio Investors ("FPIs") upto 100% of the paid-up equity share capital of the Company pursuant to the provisions of Foreign Exchange Management Act, 1999, and the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.

The FII shareholding in CG is approx 15.93% of paid-up capital as on 30th September, 2014; the enabling approval will create space for additional FII/FPI investment, enhancing price discovery and liquidity of the Company's stock.

The Company would be seeking consent of the shareholders for the aforesaid matter by Postal Ballot in terms of the applicable provisions of the Companies Act and Rules made thereunder.

3. **Sale of land**

As part of its continuous asset optimisation initiatives, the Board of Directors of the Company has approved entering into a definitive agreement for sale of a portion of its land parcel at Kanjurmarg, admeasuring approx 8 acres to M/s Evie Real Estate Private Limited for an aggregate sum of Rs.302.26 crores.

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4. **VRS – Stampings Division**

As a continuous improvement measure, critical Stamping operations of the Kanjur Marg, Mumbai Stampings Division are being transferred to our state-of-the-art Stampings facility at Ahmednagar. The transition will positively impact the production of motors and generators for the Company as the Ahmednagar factory is fully equipped to handle enhanced operations. The transition will be operationally effective from 31st October, 2014. In this connection, the Company has implemented a voluntary retirement scheme for all unionized employees of Stampings Division based at Kanjur Marg, Mumbai.

Please take the above information on record pursuant to Clause 36 of the Listing Agreement with the Stock Exchanges.

Yours faithfully
for Crompton Greaves Limited

MBhosale

MINAL BHOSALE
Company Secretary

AVANTHA
GROUP COMPANY

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Annexure A

Crompton Greaves Board approves the demerger of Consumer Products Business into a separate listed company

October 16, 2014: The Board of Directors of Crompton Greaves Limited ("CG") has, at its meeting held today, approved a proposal to demerge its Consumer Products Business Division into its wholly owned subsidiary, Crompton Consumer Products Limited ("CCPL") with effect from April 1, 2015. Upon the scheme of demerger ("Scheme") becoming effective, and subject to the requisite regulatory approvals including those from Stock Exchanges and SEBI, shares of CCPL are proposed to be listed on the NSE and BSE . CCPL will issue 3 (three) new equity shares to CG shareholders for every 4 (four) shares they hold in CG. On completion of the demerger, CG's stake will be diluted to 25% + 1 share and the remaining stake will be held by CG's shareholders.

The Board of Directors ("Board") at its annual strategic review meeting on July 16, 2014 had proposed to demerge its Consumer Products Business unit as a separate listed Company. The Board had constituted a Committee of Directors headed by Mr. Shirish Apte (Independent Director and Chairman of CG's Audit & Risk Committee) to examine all relevant aspects of the process of demerger and listing and make suitable recommendations to the Board. It has completed the strategy study and concluded that demerger of Consumer Products Business from Power and Industrials Business would be most optimal for both businesses to enable them to rapidly and more efficiently utilize their respective strengths in their markets.

Mr. Gautam Thapar, Chairman, Crompton Greaves Ltd. said "This is part of Crompton Greaves' continuing efforts to enhance shareholders value. We have a strong vision for power, industrials and consumer products businesses. The proposed realignment will give each business the right fillip for growth. The Consumer Products Business is fundamentally a marketing and customer driven enterprise. The proposed demerger provides Crompton Greaves' shareholders direct participation in 'pure-play' Consumer Products Business and allow the business sufficient flexibility to adapt to market dynamics."

Laurent Demortier, CEO and Managing Director, Crompton Greaves Ltd. added "This is a transformational move to allow the independent entities to emerge as two industry leading public companies. This would provide the focus, flexibility and independence to both entities, and allow us to address the significant market opportunity in both businesses more effectively. The demerger creates an enabling platform for financing growth of respective businesses and generating long-term value for our shareholders."

Strategic Rationale:

(i) Crompton Greaves Ltd (CG) was established in 1937 in India; and, since then the Company has been a pioneer and has retained its leadership position in the management and application of electrical energy. CG is engaged in three distinct lines of business namely:

(a) Power Systems: Power Systems is the largest business of CG, which is now well and firmly established globally. It includes manufacturing and distribution of transformers, switchgear, circuit breakers, vacuum interrupters, network protection and control gear, as

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well as design , execution and servicing of turnkey T&D as well as sub-station projects and solutions including complete end to end renewable projects;

(b) Industrial Systems: Industrial Systems has a very strong market presence and market leadership position in most segments in India. It includes manufacturing and distribution of power conversion equipment such as high and low voltage rotating machines, variable speed drives, as well as railway transportation and signalling products; and

(c) Consumer Products: This business is largely India centric and one of the fastest growing markets in India. It includes manufacturing and distribution of fans, domestic kitchen appliances, lighting, pumps, home automation and integrated security systems.

(ii) Power Systems and Industrial Systems are primarily B2B (Business to Business) businesses whereas Consumer products is primarily a B2C (Business to Consumer) business.

(iii) The business model, customer profile, nature of risk and competition involved in the "Power and Industrial Systems Business" vis-a-vis "Consumer Products Business" are distinct, necessitating different management approach, strategic thinking and growth focus. The board believes that CG is at an inflection point. Favorable industry dynamics present compelling opportunities for focused and independent growth in each of its lines of business.

(iv) The electrical consumer products industry in India has been witnessing strong growth. The Consumer Products Business is a leading player in the market, and is well positioned to consolidate its leadership position through an efficient and focused management, expansion of its addressable market and with access to diversified sources of funding for aggressive growth. The Consumer Products Business, as a separate legal entity independent of Crompton Greaves Limited will facilitate the above objectives. With a view to realize the aforesaid objectives and unlock value for all stakeholders, the Board considered and approved the proposal to demerge the Consumer Products Business into a separate listed entity.

Salient features of the Scheme

1. The Consumer Products Business undertaking shall be de-merged into CG's wholly owned subsidiary, CCPL.
2. Under the Scheme, CG will transfer its Consumer Products Business undertaking including related businesses, undertakings, properties, investments, intangibles, contracts (including employee contracts) and liabilities into CCPL.
3. CCPL will issue and allot to the shareholders of CG as on the record date 3 (three) fully paid up equity shares of Rs. 2 each for every 4 (four) equity shares held in CG.
4. CCPL will apply for listing its shares on the BSE and NSE.
5. Upon demerger, CG will hold 25% + 1 share in CCPL and the balance will be held directly by the shareholders of CG. CG will benefit from the growth potential of the Consumer Products Business and its ability to create additional value for shareholders as an independent company.
6. The proposed Scheme of Arrangement will be subject to the approvals of the High Court of Judicature at Mumbai. The restructuring will further be subject to various statutory approvals, including those from the shareholders, lenders and creditors of CG and CCPL.
7. Appointed date of the scheme will be 1st April 2015.

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Advisors to Restructuring

- Axis Capital Limited and Credit Suisse Securities (India) Private Limited are acting as financial advisors to CG. Khaitan & Co are acting as legal advisors and T.P. Ostwal & Co. are acting as tax advisors to CG
- Price Waterhouse & Co. LLP has issued the report on the Share Entitlement Ratio adopted under the Scheme
- Axis Capital Limited provided fairness opinion on Share Entitlement Ratio to the Board of CG