

**Price Waterhouse & Co LLP**

Chartered Accountants

Certified True Copy  
For Crompton Greaves Limited**MINAL BHOSALE**  
Company Secretary**Private and Confidential**

3rd March 2015

Board of Directors  
Crompton Greaves Limited  
CG House, 6<sup>th</sup> Floor  
Dr Annie Besant Road  
Mumbai 400 030  
MaharashtraBoard of Directors  
Crompton Greaves Consumer Electricals Limited  
CG House, 6<sup>th</sup> Floor  
Dr Annie Besant Road  
Mumbai 400 030  
Maharashtra

Dear Sir,

**Subject: Share Entitlement Ratio Report****1 CONTEXT AND PURPOSE**

- 1.1 We refer to the engagement letter ('EL') dated February 26, 2015 and the subsequent discussions we had with you, wherein you requested our report on the ratio of allotment of equity shares of the resultant company ('Resulting Company') to be issued to the shareholders of Crompton Greaves Limited ('Crompton Greaves'), together referred to as the 'Specified Companies', in connection with the proposed demerger of the Consumer Business ('Business') of Crompton Greaves into the Resulting Company. Appointed Date of the Scheme is 1 October 2015 ('Appointed Date').

**2 BACKGROUND**

- 2.1 CGL is a listed company engaged in the business of manufacturing transformers, switchgear, circuit breakers, network protection & control gear, project engineering, HT and LT motors, SCADA, drives and automation, lighting, fans, pumps and consumer appliances and turnkey solutions in all these areas. Its business portfolio is structured in 3 SBUs - Power Systems, Industrial Systems and Consumer Products ("CP SBU").

We understand that the management of CGL is contemplating a restructuring / realignment of its SBUs. Accordingly, it is proposed that CP SBU be demerged from CGL into **CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED**, a newly incorporated wholly owned subsidiary of Crompton Greaves Limited ("Resulting Company") ("Proposed Transaction")

- 2.2 The Demerger is proposed to be effected through a Scheme of Arrangement ('Scheme') under sections 391-394 of the Companies Act, 1956.
- 2.3 In connection with the Demerger, and based on the information made available by the management of Crompton Greaves ('Management'), the Management requested Price Waterhouse & Co LLP ('PW & Co' / 'us' / 'we') to provide a report on the ratio of allotment of equity shares of the Resulting Company to be issued to the shareholders of Crompton Greaves ('the Services'). Such ratio of allotment was proposed by the Management of Crompton Greaves.
- 2.4 We understand that consequent to the Demerger there will be no impact on the economic beneficial interest of the shareholders of Crompton Greaves.



Price Waterhouse & Co LLP, Building No. 10, 17th Floor, Tower - C, DLF Cyber City, Gurgaon - 122 002  
T: +91 (124) 3306000, F: +91 (124) 3306999

Registered office and Head office: Sucheta Bhawan, 11-A, Vishnu Digambar Marg, New Delhi 110 002

Price Waterhouse & Co (a Partnership Firm) converted into Price Waterhouse & Co LLP (a Limited Liability Partnership with LLP identity no: LLPIN AAC-2731) with effect from April 24, 2014. Post its conversion to Price Waterhouse & Co LLP, its ICAI registration number is 016844N/N-500015 (ICAI registration number before conversion was 016844N)

### 3 PROCEDURES

The procedures used in our analysis included such substantive steps as we considered necessary under the circumstances, including, but not necessarily limited to the following:

- Considered the audited financial statements of the Crompton Greaves for the year ended 31 March 2014, carved out financials of the Business for the year ended March 31, 2014 which are based on the audited financials of Crompton Greaves and the extracts of provisional financial statements for the period ended 31 December 2014;
- Considered the number of equity shares of the Resulting Company proposed to be issued to the shareholders of Crompton Greaves on the Demerger of the Business into the Resulting Company;
- Considered the draft Scheme of Arrangement for the Demerger;
- Considered the existing shareholding pattern of Crompton Greaves and the envisaged shareholding pattern of the Resulting Company;
- Interviews and correspondence with the Management, on which we have relied; and
- Such other analyses, reviews and inquiries, as we considered necessary.

### 4 RATIO OF ALLOTMENT

4.1 The Management has proposed the following Share Entitlement Ratio:

- 1 fully paid up equity share having face value of INR 2/- each of the Resulting Company for 1 fully paid up equity share of INR 2/- each in Crompton Greaves.

4.2 We have considered the outstanding number of equity shares of Crompton Greaves and the envisaged number of equity shares of the Resulting Company as follows:

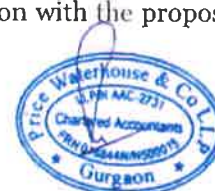
- As of the report date, the issued, subscribed and paid up capital of Crompton Greaves consists of 626,746,142 equity shares of INR 2/- each (excluding forfeited 42,300 shares on which Rs 32,175 is paid –up and forfeited);
- As of the report date, the initial issued, subscribed and paid up capital of the Resulting Company is envisaged to consist of 250,000 equity shares of INR2/- each. The entire paid-up and issued capital of the Resulting Company is proposed to be held by Crompton Greaves Limited prior to the Demerger

4.3 Pursuant to the Scheme, the Resulting Company, in order to comply with the intent of maintaining the economic interest of the shareholders of Crompton Greaves shall issue 626,746,142 equity shares of Rs 2/- each to all the shareholders of Crompton Greaves and the initial issued, subscribed and paid up capital of the Resulting Company consisting of 250,000 equity shares of INR 2/- each shall stand cancelled.

4.4 Based on the aforementioned, in particular read with paragraphs 2 and 4.1 – 4.3 above and caveats below, and considering that all the current shareholders of Crompton Greaves are and will, upon demerger, be the ultimate beneficial economic owners of the Resulting Company and that the upon allotment of equity shares by the Resulting Company in the proposed Share Entitlement Ratio, the beneficial economic interest of the shareholders in the equity of the Resulting Company will be the same as it is in the equity of Crompton Greaves; the above Share Entitlement Ratio is fair in relation to the Demerger.

### 5 CAVEATS

5.1 We have relied upon the information, data and explanations detailed in paragraphs 2 and 3 above, for the purpose of reporting on the ratio of allotment of the equity shares of the Resulting Company to the shareholders of Crompton Greaves in connection with the proposed Demerger.



- 5.2 For the purpose of opining on the Share Entitlement Ratio we have used financial and other information provided by the Management, which we believe to be reliable and our conclusions are dependent on such information being complete and accurate in all material respects. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the financial and other information provided to us by the Management. We have, therefore, not carried out any due diligence review, independent audit or other test or validation of such financial and other information to establish the accuracy or sufficiency of the financial statements referred to above or of the information, explanations and representations provided to us. We have thus relied upon the audits carried out by Sharp and Tannan of the financials of Crompton Greaves provided to us. Accordingly, we do not express any opinion or any other form of assurance thereon and accept no responsibility for the same.
- 5.3 We have made no investigation of, and assume no responsibility for the title to, or liabilities against, the equity of Crompton Greaves.
- 5.4 The Business of Crompton Greaves is proposed to be demerged into the Resulting Company with effect from the Appointed Date and we have considered the financial statements of Crompton Greaves as at 31 March 2014. The Management has explained that the Business would be carried on in due course of business till the Appointed Date and subsequently, till the Scheme is approved. The Management has represented that financial statements of Crompton Greaves as at 31 March 2014, provided to us, include all disclosures necessary for a fair presentation of its financial position and results of operations in accordance with generally accepted accounting principles in India consistently applied, and disclosures otherwise required by the laws and regulations to which they are subject. The Management has further represented that the Management does not anticipate any changes in the financial position of the Business, other than that in ordinary course of business till the Appointed Date.
- 5.5 Our scope of work is limited to expression of our view on the proposed Share Entitlement Ratio and its impact on the economic interest of the shareholders of the Specified Companies. Our report is not, nor should it be construed as, our opining or certifying the compliance of the proposed demerger of the Demerged Undertaking with the provisions of any law including companies, FEMA and taxation related laws or as regards any legal implications or issues arising from such proposed demerger.
- 5.6 Valuation of companies and businesses is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. There is, therefore, no indisputable single Share Entitlement Ratio. While we have provided our view on the Share Entitlement Ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion. You acknowledge and agree that you have the final responsibility for determination of the Share Entitlement Ratio for the proposed Demerger and factors other than our report will need to be taken into account in determining such ratios; these will include your own assessment of the proposed Demerger and may include the input of other professional advisors.

## 6 DISTRIBUTION OF OUR REPORT

- 6.1 This letter report is prepared for the Board of Directors of Crompton Greaves and the Resulting Company and to the extent mandatorily required under applicable laws of India, may be produced before judicial, regulatory or government authorities, in connection with the Transaction.,
- 6.2 Further, it is clarified that once Resulting Company is incorporated, the Board of Directors of Resulting Company (as one of the Specified Companies) may rely on our report in terms of our EL dated February 26, 2015, subject to Resulting Company ratifying the terms of our EL. We shall provide you with a format recording such ratification when requested by Crompton Greaves and the Resulting Company.



- 6.3 In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the Specified Companies, their directors, employees or agents. In no circumstances shall the liability of Price Waterhouse & Co. LLP, its partners, directors or employees, relating to the services provided in connection with the engagement set out in this report exceed the amount paid to us in respect of the fees charged for these services.

We would like to record our appreciation for the courtesy and co-operation received by us during the course of our work.

Yours faithfully



Rajan Wadhawan

Partner

Membership Number: 090172

For and on behalf of

Price Waterhouse & Co LLP

ICAI Registration No 016844N/ N-500015

