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# CG POWER AND INDUSTRIAL SOLUTIONS LTD

*(This report is a part of a series of detailed examinations into corporate governance issues at listed companies. A few recent reports under this series published by InGovern were on Fortis Healthcare Limited and Sterling and Wilson Solar Limited. The Fortis report can be accessed here and the Solar and Wilson Solar report can be accessed here. Other corporate governance related research reports and articles are available at www.ingovern.com)*

A board room battle and a battle for control of the company has meant that minority shareholders at CG Power are wondering what are the events that lead to the current state of affairs where there has been large destruction of shareholder wealth. The roles of various stakeholders - the Board, key management personnel, internal auditors, bankers to the company, lenders to holding company, statutory auditors, promoters and other group companies - needs to be examined.

February 2020

InGovern Research
www.ingovern.com

## 1. <u>How it Unfolded: Chronology of Events</u> *(till 31st December 2019)*

| Date | Event / Action | Initiated by |
|---|---|---|
| 1 Oct 2018 | Sudhir Mathur is appointed as an Independent Director of CGPOWER. Mr. Mathur is an ex-employee of the Avantha Group having been the President & CFO of Ballarpur Industries Ltd till 2004 | Board |
| 8 Mar 2019 | Pledge of shares owned by promoter – Avantha Holdings Ltd – is revoked by Vistra ITCL (India) Ltd, the Debenture Trustee. This, coupled with a similar transaction on 20 March 2019, results in Vistra acquiring 21.60% of equity stake in CG Power. Vistra holds the shares for benefit of affiliates of KKR India | Vistra (ITCL) India Ltd |
| 8 Mar 2019 | Narayan K Seshadri is appointed as an Independent Director. Mr. Seshadri has close business interests with KKR India and Sanjay Nayar, the head of KKR India | Board |
| 8 Mar 2019 | B. Hariharan resigns as Non-executive Director | Self |
| 8 Mar 2019 | V. R. Venkatesh submits resignation as CFO. He agrees to remain till 30 June 2019 | Self |
| Mar 2019 | Board constitutes an 'Operations Committee' "*with an aim of value preservation and enhancement in the interest of all stakeholders*". Its members are Narayan K Seshadri, Sudhir Mathur and KN Neelkant | Board |
| March/ April 2019 | The Operations Committee comes to know of "several irregular transactions" in the Company | Board |

| Date | Event / Action | Initiated by |
|---|---|---|
| 24 Apr 2019 | Board appoints Vaish Associates, a legal firm to conduct investigation on these transactions. The legal firm takes assistance of Deloitte for the investigation | Board |
| 10 May 2019 | Sudhir Mathur, an Independent Director is re-designated as a Whole-time Director | Board |
| 5 Aug 2019 | Valentin von Massow resigns as an Independent Director | Self |
| 6 Aug 2019 | Vaish Associates submits its preliminary investigation report to the Risk Committee | Vaish Associates |
| 19 Aug 2019 | Findings of the report are made public through filings in the stock exchanges | Board |
| 22 Aug 2019 | SEBI meets officials of CG Power to seek information on the matter | SEBI |
| 29 Aug 2019 | Gautam Thapar is removed as the Chairman. He continues as a Non-executive Director | Board |
| 30 Aug 2019 | Employment of V R Venkatesh as CFO is terminated on account of *"grave nature of the misconduct and breach of trust on his part"* | Board |
| 14 Sept 2019 | CG Power seeks extension of time for holding its AGM by 3 months | Board |

| Date | Event / Action | Initiated by |
|---|---|---|
| 18 Sept 2019 | SEBI issues an interim order restraining Gautam Thapar, V. R. Venkatesh, Madhav Acharya and B. Hariharan from accessing the securities market | SEBI |
| 18 Sept 2019 | SEBI also directs BSE to appoint an independent audit firm for conducting a detailed forensic audit of CG Power | SEBI |
| 25 Sept 2019 | Ashish Kumar Guha, an Independent Director is appointed as the Chairman of the Board | Board |
| 25 Sept 2019 | The Operations Committee is dissolved and a new 'Special Situation Committee' is formed with Ashish Kumar Guha and Sudhir Mathur as members and Narayan K Seshadri as Chairman. Its broad term of reference is to focus on operational improvement, strategic review of international businesses, capital re-structuring including raising capital and dealing with the regulatory bodies. | Board |
| 30 Sept 2019 | KN Neelkant resigns as CEO | Self |
| 9 Oct 2019 | Gautam Thapar is removed from the Board where he was continuing as Non-executive Director | Board |
| 15 Oct 2019 | BSE appoints MSA Probe Consulting Private Limited for conducting a detailed forensic audit of the books of CG Power from the FY 2015-16 onwards | BSE |
| 2 Nov 2019 | Shikha Kapadia submits resignation as Company Secretary w.e.f. 31 December 2019 | Self |

| Date | Event / Action | Initiated by |
|---|---|---|
| 22 Nov 2019 | MCA files petition before NCLT Mumbai seeking permission to reopen the books and recast financial statements of CG Power and its subsidiaries for the past 5 financial years | MCA |
| 9 Dec 2019 | SFIO commences investigation into the affairs of CG Power and its 15 related companies | Central Govt/ SFIO |
| 14 Dec 2019 | Omkar Goswami retires as Non-executive Director in the AGM of the Company | Self |
| 15 Dec 2019 | All proposals placed to shareholders at the AGM on 14 Dec 2019 are passed | Company |
| 20 Dec 2019 | Appointment of Justice Mr. T. S. Thakur (Retd.) as Head of Investigation of the Forensic Audit | Company |
| 31 Dec 2019 | Pradeep Mathur is appointed as an Independent Director | Board |

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## 2. Investors become Aware of Issues in the Company

On September 17, 2019, SEBI passed an interim order in the matter of CG Power and Industrial Solutions Limited ("CG Power" or "the Company") where it restricted the Promoter and erstwhile Chairman along with certain other key managerial persons from accessing the securities markets and from buying, selling or dealing in securities till further orders. SEBI also directed BSE, the stock exchange, to appoint an independent audit firm to conduct a detailed forensic audit of the books of CG Power from FY2016 onwards till date. Subsequently, BSE appointed MSA Probe Consulting Private Limited for conducting a detailed forensic audit of the books of accounts of the Company from the Financial Year 2015-16 onwards and this investigation commenced on October 15, 2019. This order was passed after studying the findings of the preliminary investigation report by Vaish Associates and Deloitte, both of which were appointed by the Board for the same purpose.

The investigation report, commissioned by the company, along with SEBI's order, brought to investor notice certain transactions allegedly committed by the promoters and key management persons. As per the report, these transactions were aimed at:

- Diversion of cash from the Company to the promoters and group companies
- Diversion of land assets of the Company to the Promoters and their connected persons
- Availing borrowings in the name of the Company for the benefit of the Promoters
- Disbursing interest-free cash of the Company to the Promoters while availing those funds at high interest rates of up to 15%
- Making the Company as a guarantor to avail cash/ credit facilities by the Promoters
- Unauthorised signing of cheques to make the Company guarantor for credit facilities availed by Promoters
- Payment of liability of subsidiary of another public listed company, which has the same promoter as that of the Company
- Keeping the Board in dark regarding many transactions with Banks, lenders and Promoter entities
- Entering into bogus contracts with Promoter entities, the terms of which were not properly defined and payment of money to those entities

- Entering into probable fictitious transactions with bogus suppliers and sellers where the Company bought commodities at a much higher price and sold at lesser prices resulting in losses. This was done with the motive of swindling cash out of the Company

A detailed summary of some of the transactions pointed out in the Vaish report, are mentioned in the annexure to this report.

After the findings were made public and SEBI passed an interim order against the promoter and erstwhile senior management personnel, and the company, on 12 November 2019, notified the stock exchanges that it has issued notices to 7 promoter-controlled entities demanding repayment of Rs. 1,314.78 Crore. Some notices were returned undelivered, some couldn't be sent for lack of communication details and rest others have been contested by those entities.

The Securities Appellate Tribunal, in its order of 1st October 2019, stated "*We are of the opinion that, in the instant case, there was ample evidence to show urgency and, considering the material that has been brought on record, the matter being serious, warranted an inference by the regulator. Whether such transactions indicated in the ex-parte ad-interim order was dully authorized or not by the RAC or whether such transactions were approved by a resolution of the Board of Directors is a matter to be considered on merit by the appropriate authority and it is not appropriate for this Tribunal to consider such documents at this stage as consideration of these documents may prejudice not only the investigation but also the parties*."

However, the NCLT, in December 2019, didn't accept the findings of the Vaish Report as it ruled that Vaish Associates cannot be accepted as an independent investigating firm as it was appointed by the company's board.

With the NCLT dismissing the Vaish Report, it became all the more confusing to investors as to what the true nature of the issues were. Investors are confused as to whether the series of events were really as was made out in the Vaish report, or whether this was a battle for the board room and corporate control.

## 3. Statutory Auditors – Long tenures and high non-audit fees

| FY | Statutory Auditor(s) | Audit Fee | Other Fee | %** |
|---|---|---|---|---|
| FY 2013 | Sharp & Tannan | 0.78 | 0.79 | 50% |
| FY 2014 | Sharp & Tannan | 0.78 | 0.99 | 56% |
| FY 2015 | Sharp & Tannan | 0.96 | 1.06 | 52% |
| FY 2016 | Sharp & Tannan; Chaturvedi & Shah | 0.65 | 1.09 | 63% |
| FY 2017 | Sharp & Tannan; Chaturvedi & Shah | 1.08 | 1.67 | 61% |
| FY 2018 | Chaturvedi & Shah; KK Mankeshwar & Co | 0.85 | 1.49 | 64% |
| FY 2019 | KK Mankeshwar & Co; SRBC & Co LLP | 2.52 | 0.85 | 25% |

*** This column is the percentage of non-audit fees paid w.r.t. total fees paid to the statutory auditors. Non-audit fees include Tax audit fees, Certification work, Fees for other services and expenses. All amounts are in Rs. Crore*
*Source: CG Global Annual Reports*

Sharp & Tannan have been the statutory auditors of CG Power for a major part of the last two decades, over 20 years, having been associated from even before FY 1997 till FY 2017 when their then-tenure ended, and they decided not to seek re-appointment. Many of the transactions occurred during the tenure of Sharp & Tannan.

In FY 2016 Chaturvedi & Shah were appointed as joint statutory auditors but had to step down during FY 2019 when the Company was exploring options to raise up to USD 250 Million through a European subsidiary CG International BV and one of the conditions by the Arrangers was appointment of one of the 'Big 4' auditors from September 2018 onwards. Consequently, the Company hired SRBC & Co and KK Mankeshwar & Co as its joint statutory auditors in its AGM of 2018.

A look at the annual reports of the previous years (excluding FY 2019) shows that the fees for non-audit services (which includes Tax audit fees, Certification work, Fees for other services and expenses) has usually been more than 50% of the total auditors' remuneration for any given year. As a good corporate governance practice, it should be ensured that non-audit fees never exceed 30% of the total auditors' remuneration. Arrangements such as these should be treated as red flags and concern should be raised by shareholders to their Boards.

The Company, in its annual reports states that it has an 'in-house' internal audit team headed by a Head of Internal Audit that reports to the Risk and Audit Committee of the Board.

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## 4. Directors and Board Composition

Board Composition as on March 31, 2018 (FY 2018 ending)

| Sl | Name | Type | Director* | Tenure# | Status |
|---|---|---|---|---|---|
| 1 | Gautam Thapar | NED - Chair | 9 | - | Removed - Aug 2019 |
| 2 | KN Neelkant | MD - CEO | 3 | - | Resigned – Sep 2019 |
| 3 | Omkar Goswami | NED | 10 | 14 | Retired – Dec 2019 |
| 4 | B Hariharan | NED | 10 | 6 | Resigned - Mar 2019 |
| 5 | Sanjay Labroo | ID | 16 | 15 | Retired - Oct 2018 |
| 6 | Valentin von Massow | ID | 2 | 12 | Resigned - Aug 2019 |
| 7 | Ramni Nirula | ID | 10 | 2 | |
| 8 | Jitender Balakrishnan | ID | 11 | 1 | |
| 9 | Ashish Kumar Guha | ID | 3 | 0.5 | |

** Directorships include directorships as on date in only Indian companies (including CG) but excludes alternate directorships. This data is provided in the Company's FY 2018 Annual Report*
*# Tenure is in years as on March 31, 2018*

Board Composition as of December 31, 2019

| Sl | Name | Type | Status |
|---|---|---|---|
| 1 | Sudhir Mathur | ED | Appointed as ID w.e.f. Oct 1, 2018 and then as ED w.e.f. May 10, 2019 |
| 2 | Ramni Nirula | ID | |
| 3 | Jitender Balakrishnan | ID | |
| 4 | Ashish Kumar Guha | ID - Chair | Appointed as Chairman w.e.f. Sep 25, 2019 |
| 5 | Narayan K Seshadri | ID | Appointed w.e.f. Mar 8, 2019 |
| 6 | Pradeep Mathur | ID | Appointed w.e.f. Dec 31, 2019 |

*Source: Company filings*

Board Composition over the last 5 years (2014-2019)

| Sl | Name | Type | Started | Ended | Tenure | Remarks |
|---|---|---|---|---|---|---|
| 1 | Gautam Thapar | NED-C | | 2019 | | Removed |
| 2 | Sudhir Trehan | NED-VC | | 2014 | | Retired |
| 3 | Laurent Demortier | MD-CEO | 2011 | 2016 | 5 | Resigned |
| 4 | Shirish Apte | ID | 2013 | 2017 | 4 | Resigned |
| 5 | Omkar Goswami | NED | 2004 | 2019 | 15 | Retiring |
| 6 | B Hariharan | NED | 2012 | 2019 | 7 | Resigned |
| 7 | Sanjay Labroo | ID | 2003 | 2018 | 15 | Retired |
| 8 | Colette Lewiner | ID | 2013 | 2016 | 3 | Resigned |
| 9 | Suresh Prabhu | ID | 2010 | 2014 | 4 | Resigned |
| 10 | Meher Pudumjee | ID | 2006 | 2016 | 10 | Resigned |
| 11 | Valentin von Massow | ID | 2006 | 2019 | 13 | Resigned |
| 12 | KN Neelkant | MD-CEO | 2016 | 2019 | 3 | Resigned |
| 13 | Madhav Acharya | ED-CFO | 2016 | 2017 | 1 | Resigned |
| 14 | Ramni Nirula | ID | 2016 | - | 3 | |
| 15 | Jitender Balakrishnan | ID | 2017 | - | 2 | |
| 16 | Ashish Kumar Guha | ID | 2017 | - | 2 | |
| 17 | Sudhir Mathur | ED | 2018 | - | 1 | |
| 18 | Narayan K Seshadri | ID | 2019 | - | 0 | |
| 19 | Pradeep Mathur | ID | 2019 | - | 0 | |

*Source: Company annual reports*

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## 5. Board - Potential Conflict of Interests

The following independent directors may have a conflict of interest due to their past/ present association with some of the Promoter-controlled entities:

1. Mr. Sudhir Mathur was first appointed as an Independent Director on the Board of CG Power w.e.f. October 1, 2018 and then appointed as a Wholetime Director w.e.f. May 10, 2019. Mr. Mathur has been the President & CFO of Ballarpur Industries Ltd ("BILT") till 2004. Mr. Gautam Thapar is the Promoter of BILT.

2. Ms. Ramni Nirula, who is an Independent Director of CG Power also served on the Board of its promoter, Avantha Holdings Ltd. She was also on the Board of other Avantha Group companies as Avantha Ergo Insurance Company Ltd and BILT.

3. Mr. Ashish Kumar Guha, an Independent Director of CG Power, has also served on the Board of BILT as an Independent Director from 2008 to 2017.

4. Mr. Narayan K Seshadri was appointed as an Independent Director of CG Power w.e.f. March 8, 2019. Mr. Seshadri, through himself and his firm has close business interests with private equity firm, KKR India and its senior management team. On September 16, 2019, due to invocation of pledged shares by one of the creditors Vistra ITCL Ltd, KKR India's affiliates became shareholders of the Company by holding 10% of its equity share capital. Mr. Seshadri is the Founder of Tranzmute LLP which entered into a partnership with KKR India in 2018 to "offer business management services to latent but high-potential businesses and turnaround services to stressed companies in India". Mr. Seshadri also partnered with Mr. Sanjay Nayar, KKR India managing director and others, to launch 'Epimoney', a NBFC. There are concerns whether Mr. Seshadri was truly an Independent Director on Board of CG Power or rather a 'Nominee Director' of KKR India.

5. Mr. Sanjay Labroo was an Independent Director of CG Power for 15 years till he retired in 2018. He was also an Independent Director of BILT from 2001 till 2019.

## 6. A “KKR angle” in this battle for Boardroom and Corporate Control?

As per various reports, the private equity firm KKR India may have had a role in the unfolding of events at CGPOWER. KKR India had a debt exposure to the holding company Avantha Holdings which the latter was unable to repay fully. This may be why the relations went downhill between KKR India and the promoter of CG Power, Gautam Thapar. It seems that upon request by Avantha Holdings to convert the debt into equity, KKR India asked for appointment of Mr. Narayan Seshadri initially as a consultant but later as an Independent Director. Mr. Seshadri has close business interests with KKR India. Soon thereafter, an “Operations Committee” was set up with Mr. Seshadri, Mr. Mathur and Mr. Neelkant as members and the Committee hired Vaish Associates to investigate certain transactions. As per Mr. Thapar, the events at CGPOWER have been orchestrated by the lenders as KKR India to oust the promoters and take control of the company.

The sequence of events:

1. Avantha Holdings had availed loans from KKR India.
2. It was unable to repay part of the loan and sought an additional loan from KKR India in around 2017.
3. In 2018, Mr. Thapar approached KKR India to either roll over the outstanding debt or convert it into equity.
4. KKR India asked for appointment of Mr. Seshadri as a consultant to the company.
5. Later, KKR India changed its demands and asked for appointment of Mr. Seshadri as an Independent Director.
6. After the appointment of Mr. Seshadri to the Board, an “Operations Committee” was constituted which hired Vaish Associates to investigate certain transactions in the company.
7. Vaish Associates, commissioned by the company, came out with its investigation report which showed many contentious transactions.
8. SEBI, acting on this report, barred Gautam Thapar and other erstwhile senior management personnel of the company from accessing the markets.
9. The Board removes Mr. Gautam Thapar as its Chairman.
10. KKR India becomes a shareholder of CGPOWER holding 10% of its equity stake after invocation of pledged shares of the promoters.

List of Debenture Holders of Avantha Holdings Pvt Ltd as of 31st March 2018:

Unlisted Zero Coupon Principal Protected Non Convertible Debentures – Secured

| Sr. No. | Name of the Debentureholders | No. of Debentures of Rs. 10,00,000/- | % holding |
|---|---|---|---|
| 1. | BOI AXA Corporate Credit Spectrum Fund | 150 | 4.76 |
| 2. | L & T Finance Limited | 1,150 | 36.51 |
| 3 | L & T Fincorp Limited | 700 | 22.22 |
| 4 | Family Credit Limited | 400 | 12.70 |
| 5 | KKR India Debt Opportunities Fund II | 400 | 12.70 |
| 6 | KKR India Financial Services Private Limited | 350 | 11.11 |
| | **Total** | **3150** | 100 |

*Source: MCA*

Secured Redeemable Non-Convertible Debentures

| Sr. No. | Name of the Debentureholders | No. of Debentures of Rs. 100,00,000/- | % holding |
|---|---|---|---|
| 1. | Edelweiss Commodities Services Limited | 270 | 100 |

*Source: MCA*

## 7. Were the funds routed to BILT to pay off its debts?

The 2019 Annual Report of CG Power stated,
*"Your Company has noted the order of SEBI dated 17 September 2019 ("SEBI Order"), which, inter alia, states the following:*
*(i) Funds diverted from your Company "were fraudulently transferred to its Promoter company i.e. Avantha Holdings and entities related/ connected with the Company, viz. Avantha International, Acton, Ballarpur International, Mirabelle and Solaris, without the knowledge of the Company and without any approval from its Board... the aforementioned entities as recipients of the fraudulent transfer of funds of the Company amounting to Rs. 1223.80 Crore and are prima facie liable for the manipulation in respect of the financials of CG Power.""*

In the SEBI order, one of the transactions pertaining to the sale of Kanjurmarg property, an amount of Rs. 192 Crore was advanced to Acton without charging any interest and then Acton, the promoter connected entity, utilised the amount towards payment against liability owned by BILT Graphic. BILT Graphic is a subsidiary of BILT.

Another transaction was an interest free loan of Euro 0.62 Million by CG Middle East to Ballarpur International Holdings BV (wholly owned subsidiary of BILT)

While these are the two explicitly stated transactions in the SEBI order where the promoter and the erstwhile management diverted CG Power's cash to BILT, there may be a strong possibility that many of the other transactions were also carried out to pay-off BILT's debts using CG Power's cash.

BILT had consolidated borrowings of Rs. 5,998 Crore and Rs. 5,497 Crore on FY 2018 and 2019 ending dates respectively. This is detailed in the table below:

| BILT's borrowings | | |
|---|---|---|
| **Particulars** | **FY 2018** | **FY 2019** |
| **Non current borrowings** | | |
| **Secured** | | |
| Non convertible debentures | 961.50 | 1,006.99 |
| External commercial borrowings | | |
| Compulsorily redeemable preference shares | 140.26 | 136.95 |
| Term loans | | |
| Bank | 1,256.05 | 524.39 |
| Financial institutions | 2,383.70 | 2,545.05 |
| Unsecured | | |
| Zero coupon convertible bonds | 37.25 | 39.82 |
| Deferred payment liabilities | 16.63 | 18.13 |
| **Total on current borrowings** | **4,795.39** | **4,271.33** |
| | | |
| Current borrowings | | |
| Secured | | |
| Working capital loans | 450.64 | 230.47 |
| Unsecured | | |
| Working capital loans | 752.43 | 994.76 |
| **Total current borrowings** | **1,203.07** | **1,225.23** |
| | | |
| **Consolidated total borrowings** | **5,998.46** | **5,496.56** |

*Source: BILT Annual Reports; Amounts in Rs. Crore*

It should be noted that BILT had defaulted in repayment of borrowings and payment of interest and underwent a Strategic Debt Restructuring (SDR) scheme in 2017. Its subsidiary BILT Graphic was also under severe financial duress and had to undertake a Master Restructuring Agreement (MRA) in 2018. Under debt restructuring schemes, promoters are also required to contribute funds for the revival of the company. So, there is a possibility that the cash for these schemes may have come from CG Power. It is also possible that the funds were routed to BILT to avoid the possibility of banks curtailing the limits to CGPOWER itself. RBI's guidelines on group company limits mean that bank limits to even healthy company within the same group would have been curtailed. Wouldn't the Board of CGPOWER have known about the stress of BILT, and the possibility of CGPOWER losing its bank limits and approved the related party transactions?

<u>**… Or were the funds routed to pay off other Group Company debts?**</u>

It is also possible that the funds of CG Power were utilised in paying off debt of Avantha Holdings Ltd – the promoter company. As of March 31, 2018, Avantha Holdings had total borrowings of Rs. 1,682 Crore which included non-convertible debentures of Rs. 773 Crore and secured loans of Rs. 909 Crore. Some of the largest debenture holders of Avantha Holdings, as at March 31, 2018 were:

| Debenture holder (As at March 31, 2018) | Amount (In Rs. Crore) |
|---|---|
| Edelweiss Commodities Services | 270 |
| L&T Finance | 115 |
| L&T Fincorp | 70 |
| KKR India | 75 |

*Source: Avantha Holdings RoC filings*

## 8. Questions Galore

The events at CG Power throws many questions, none of which have been satisfactorily answered by the Board or the management of the company, and led to a battle for control of the boardroom and control of the company, and the minority shareholders are left wondering why all the checks and balances didn't work.

Did pressures at the holding company and other group companies lead to sequence of events? Avantha Holdings' then 34.4% stake in CG Power was valued at ~Rs. 1000 Crore in January 2019 when CG Power shares were trading at Rs. 46 each. This was the value Avantha Holdings lost when its pledged shares were invoked by the lenders. Compare it with the amount of Rs. 1,315 Crore that CG Power is demanding from the promoter-controlled entities as per its stock exchange notification dated 12 November 2019. Minority investors have lost huge wealth, from Rs. 46 per share in January 2019 to the current price of Rs. 11 per share, CG Power shareholders' wealth has eroded by more than 76% in less than a year.

The following aspects should be examined in case of CG Power:

1. Role of Auditors (Statutory Auditor and Internal Auditor):
   - Why were the Internal Auditors and the Statutory Auditors not able to red flag any of these transactions?
   - Why were the contentious transactions not detected by the auditors of CG Power engaged before FY 2019 as well as the auditors of the concerned subsidiaries where these transactions took place?
   - Should these auditors be held accountable too?
   - How could the internal auditors not detect these contentious transactions?
   - The investigation report states that many transactions (e.g., USD 40 Million IndusInd Bank loan to CZ Middle East FZE, Euro 44 Million Standard Chartered term loan to CG Singapore, etc.) were done without either Board approval or knowledge. Why did the internal auditors not intimate the Boards of the subsidiaries as well as the Risk and Audit Committee of CG Power about the transactions with other entities? Or was the Board aware of these transactions and knowingly went through with these?

2. Role of Banks and NBFCs/ Lenders:
   - What role did lenders to the holding company play in accelerating the downfall? Is it that the pressure that may have been brought on by KKR on Avantha Holding for recovery of its loans could have led to the downfall?
   - Were the banks and NBFCs in the know of the situation in the company and other stressed group companies and yet continue to lend, thus perpetrating a downfall.
   - Should Banks/ NBFCs not consider the debt-exposure of the entire Group while extending loans to a single entity of that Group? Many a times it has been seen that a comparatively financial wise healthy entity of the Group takes on debt just to clear out the debt of a debt-ridden fellow subsidiary or a promoter-controlled entity. In such cases, shouldn't lenders see to it that the loans availed by a company is not utilised in clearing debt of other group companies?
   - The same question needs to be asked when a healthy entity provides guarantee for loans by other group companies.
   - Did the Banks who gave loans to subsidiaries that were transferred to promoter-controlled entities, not ask for documents verifying Board approvals for the same?
   - Similarly, did the Banks extend funds to Group companies/ promoter-controlled entities on basis of CG Power guarantees not ask for Board approvals for the same? Ex: CG Middle East FZE, a wholly owned subsidiary of CG Power availed USD 40 Million term loan borrowing from IndusInd Bank and the amount was ultimately transferred to Solaris Industrial Chemicals Ltd without the Board's knowledge.
   - Why did banks and NBFCs give loans to new entities that had no track record?

3. Role of Independent Directors and KMP:
   - Should reason such as 'the Board was not aware' or the 'Board was not intimated' of these transactions be enough not to hold them accountable in such cases? Surely, the Board would have approved these transactions and the Board minutes should reflect these? If there were Board approvals, were these shared with SEBI and the investigating agencies?
   - Should a simple resignation from the Board exonerate such directors of their responsibilities?
   - Is it not the collective failure of the Board in not being able to protect the interests of the Company? Shouldn't the entire Board be replaced in such cases?

- While the Board followed the letter of law in appointing Mr. Narayan Seshadri as an Independent Director, is he really independent 'in spirit' due to his close business interests with a major lender and now a significant shareholder – KKR India?
- Was the Board not aware of this business relationship between Mr. Seshadri and KKR India and its senior management? If yes, did the Board then acted in a true and fair manner in appointing him as an independent director and not as a nominee director?
- What is the accountability of the MD and CEO, Mr. Neelkant? Why didn't he and his other CXOs keep the Board apprised of all actions?
- What is the role of the Audit Committee? Why did the Operations Committee take decisions that were in the purview of the Audit Committee?

4. Role of the Promoter:
    - Should promoters, who have pledged shares with lenders and NBFCs to avail funding, disclose details of the loans along with the names of lenders as well as the purpose for which the funding was availed? In the Indian context where a sudden unplanned and unannounced decrease in promoter shareholding is treated unfavourably by the market, such disclosures would go a long way in making shareholders prepared for any unwanted eventualities. In the case of CG Power, no disclosures regarding the names of ultimate lenders with whom shares were pledged, and also the purposes for which funds were availed by the promoter, were made.

5. Various Investigation Reports:
    - Can the Vaish report be considered independent when Vaish Associates was appointed by the company? While SEBI based its order on the Vaish report, the NCLT was dismissive of the Vaish report and questioned the independence of the Vaish report.
    - When would the BSE appointed independent investigation by MSA Probe Consulting Private Limited be completed and the findings made available to investors?
    - Why was Justice Mr. T. S. Thakur appointed when MSA Probe Consulting Private Limited has been appointed by BSE? How are the terms of reference different?
    - When would the restated financial results be made available to investors?

## 9. Conclusion

Is it only the promoters and the erstwhile management that led to these events which ultimately led to a significant loss of wealth of minority shareholders of CGPOWER? Or is it the collective failure of various stakeholders, including the Board, KMP, the lenders, the NBFCs and the auditors? Or, was this a battle for control of the company started as a boardroom battle? Regulators and investigators must examine all aspects of the events that unfolded.

# 10. Annexures

## Annexure 1: Summary of the Vaish Investigation Report

The Vaish Investigation Report stated,
*"The total liabilities of the Company and the Group may have been potentially understated by approximately ₹1053.54 Crore and ₹1,608.17 Crore respectively, as on March 31, 2018 and by ₹601.83 Crore and ₹401.83 Crore, respectively as on April 1, 2017. Moreover, advances to related and unrelated parties of the Company and the Group may have been potentially understated by ₹1,990.36 Crore and ₹2,806.63 Crore respectively, as on March 31, 2018 and by ₹1,479.34 Crore and ₹1,331.47 Crore respectively, as on April 1, 2017"*

Some of the contentious transactions resulting in such misstatements, as reported in the SEBI order, are:

1. **Diversion of Rs. 198 Crore to Promoter entities in the guise of sale of Nashik property to Blue Garden**
    - The Company was leased a property in Nashik by the Maharashtra Industries Development Corporation ("MIDC") in 1979 for a lease term of 95 years
    - In 2016, the Company entered into an agreement with Blue Garden Estate Private Limited ("Blue Garden") to assign its lease rights in the Nashik property to Blue Garden for Rs. 264 Crore without obtaining any approval from MIDC
    - Blue Garden was incorporated in 2016 and its shareholders are Acton Global Private Limited ("Acton") and two employees of CG Power
    - Acton too was incorporated in 2016 and its shareholders were the same two employees of CG Power
    - The above shareholding patterns show that Blue Garden and Acton are basically Promoter-controlled entities
    - For payment of Rs. 264 Crore, Blue Garden availed a loan of Rs. 200 Crore from Aditya Birla Finance Ltd which was guaranteed by Avantha Holdings Limited ("Avantha Holdings") on behalf of CG Power
    - Avantha Holdings is a Promoter of CG Power and is owned by Gautam Thapar, the Promoter and former Chairman of CG Power
    - This amount of Rs. 200 Crore was advanced by Blue Garden to CG Power on which the latter had to pay an interest of 15% per annum

- CG Power then advanced this amount (Rs. 198 Crore) to Avantha Holdings (Rs. 145 Crore) and Acton (Rs. 53 Crore) without charging any interest

2. **<u>Diversion of Rs. 192 Crore to Promoter entities in the guise of sale of Kanjurmarg property to Blue Garden</u>**
   - The Company owned a property in Kanjurmarg which it had decided to sell to Evie Real Estate Private Limited ("Evie") for Rs. 498 Crore. The Company had received Rs. 11 Crore from Evie as initial consideration
   - In 2017, the Company entered into another agreement, *a Memorandum of Understanding*, with Blue Garden to sell the property for the same consideration as negotiated with Evie
   - As per the MOU, Rs. 189 Crore was to be paid by Blue Garden as an advance
   - Blue Garden availed a loan of Rs. 190 Crore from Aditya Birla Finance Ltd and was paid as an advance to CG Power
   - CG Power, then advanced Rs. 192 Crore to Acton without charging any interest and Acton utilised it towards payment against liability owned by BILT Graphic Paper Products Limited ("BILT Graphic")
   - BILT Graphic is a subsidiary of Ballarpur Industries Ltd ("BILT"), which is also promoted by Gautam Thapar's Avantha Group. Acton, as stated earlier, is a Promoter-linked entity
   - No approval was obtained from the Board for this sale of Kanjurmarg property to Blue Garden

3. **<u>Diversion of Euro 44 Million to Promoters</u>**
   - CG International Holdings Singapore Pte. Limited ("CG Singapore"), a wholly owned subsidiary of CG Power, availed a term loan of Euro 44 Million from Standard Chartered in 2017.
   - This loan was availed with the objective of financing for general corporate purposes including working capital of CG Power and its Group companies, not promoter entities.
   - The entire loan was withdrawn by CG Singapore on February 18, 2018 and on the same day, the entire amount was transferred to Avantha International Assets B.V., a private investment entity of Gautam Thapar.
   - CG Power availed this loan from Standard Chartered at an interest rate of 2.25% + EURIBOR per annum but advanced the amount to Promoters at 0% interest.

- The Board was kept in dark about the entire set of transactions.

4. **<u>Diversion of USD 40 Million to Promoters</u>**
   - CG Middle East FZE, a wholly owned subsidiary of CG Power, availed a term loan of USD 40 Million from IndusInd Bank in 2017.
   - This money was routed through the Company ultimately to Solaris Industrial Chemicals Limited (“Solaris”). Solaris is a Promoter-controlled entity.
   - This loan was availed by CG Middle East FZE at an interest rate of 4.5% + 3 months LIBOR but advanced to Solaris at 0% interest rate.
   - No Board approval was taken.

5. **<u>Posing as Guarantor for Funds credit facilities availed by Promoters</u>**
   - Yes Bank had sanctioned a credit facility of Rs. 500 Crore to Avantha Holdings (Promoter entity) in 2015.
   - CG Power had issued a comfort letter and furnished a cheque for Rs. 210 Crore in favour of Yes Bank for the same.
   - The Board was kept in the dark and came to know about it only after a request was made by Yes Bank in April 2019 for renewal of the cheque.

6. **<u>Diversion of funds through bogus contracts with Promoters</u>**
   - CG Singapore, wholly owned subsidiary of CG Power, had entered into a contract with Mirabelle Trading Pte. Ltd (“Mirabelle”) in January 2013 and made certain advances to the latter during March-July 2018.
   - As per the Company, Mirabelle was entrusted with:
     - Creating new business opportunities for CG Power
     - Setting up of a JV in Indonesia
     - Establishing business in Malaysia
     - Identifying customers and getting orders, arranging for financing, etc
   - The fee payable to Mirabelle was USD 20.15 Million.
   - Mirabelle is a Promoter-controlled entity and did not possess requisite expertise or domain knowledge for rendering these services.
   - It is evident that this arrangement was a simple means to divert funds from CG Power to the Promoters.

7. **<u>Contracts in the Middle East</u>**
   - CG Middle East, subsidiary of CG Power, appointed various service agents for certain customer contracts
   - These contracts with service agents were valued ~Euro 35 Million, which was in excess of 45% of the total value of the customer contracts
   - There is no explanation as to how this can be termed as a sound and viable business strategy
   - Further, such Service Agents did not appear to have any expertise in the service proposed to be provided by them
   - There was also no Board resolution for approval of these transactions, either by CG Middle East or by CG Power

8. **<u>Trading transactions Of Rs. 258 Crore with fictitious entities</u>**
   - In January 2017, the Company entered into agreement with a group of suppliers for purchase of commodities. The trades were to be paid by CG Power Solutions Ltd ("PSOL"), a wholly owned subsidiary of CG Power as PSOL owed money to CG Power
   - The value of purchases was Rs. 258 Crore
   - These commodities were sold off to a group of buyers for Rs. 120 Crore. However, these buyers never paid the amounts
   - No authorisation for the Board was received to carry out these transactions
   - Upon investigation, it was found that the format of letter heads of the suppliers was identical to each other
   - Similarly, the format of purchase orders and description of goods by the buyers were identical too
   - The addresses provided by the suppliers turned out to be fake
   - The address of Baba Iron, an NBFC, with whom a Debt Servicing Agreement was signed, also turned out to be fake
   - The transactions seem to have been made with the objective of reducing outstanding loans of PSOL from the Company

## Annexure 2: Divestment of Businesses

### Chairman's Letter – Annual Report FY 2014-15

*"In my last year's letter to you, I wrote "that your Company has started delivering better results" and expected "better days ahead". Regrettably, this has not happened in FY2015. It is important to know why...........Unfortunately, the overseas business has affected your Company. Revenue from operations decreased by 0.6% to US$ 1,023 million in FY2015. Operating EBIDTA posted a loss of US$ 6 million. Operating PBT losses worsened from US$ 46 million in FY2014 to US$ 52 million in FY2015. And because of some significant one-time charges and additional provisions, losses at the PAT level deteriorated from US$ 40 million last year to US$ 83 million in FY2015.............Unfortunately, these pluses were not insufficient to overwhelm the losses in the power transformer and switchgears businesses in Hungary, the power and distribution transformer businesses in Belgium, the power transformer plant in Canada, and sundry losses in the power solutions businesses in the USA, the UK and Brazil. In addition, exceptional onetime charges incurred on account of earlier product-related issues further cut into profits. Thus, the question arises: in the B-to-B segment of your Company's businesses — comprising power, automation and industrial — where do we go from here? The management, your Board of Directors and I believe that the core strength of the B-to-B businesses lies in India."*

### Chairman's Letter – Annual Report FY 2015-16

(Chairman's rationale for underperforming investments)

"*Your Company was a leading India-based player in transformers, switchgears, motors, fans, lights and other electrical consumer products in 2005, when it made its first international acquisition of the Belgium based Pauwels Group. It gave CG additional manufacturing facilities for power and distribution transformers in Belgium, Ireland, Canada, the USA and Indonesia. This was followed by a series of other acquisitions: of Ganz' transformer and rotating machine facilities in Hungary in 2006; of a series of automation businesses in Ireland, the USA, the UK and of ZIV in Spain; of power systems and solutions businesses in the USA and the UK; of drives and automation in India and Sweden; and some other operations involving services. The rationale for such acquisitions were two-fold: first, to give CG a strong presence in markets abroad; and, second, to integrate these enterprises in a manner such that your Company became a 'full solutions provider' to customers across the world. Thanks to soaring demand right up to FY2011, majority* *of these acquisitions earned good profits for your Company as a whole. In the first six years, the gains to CG were excellent. The net present value of what your Company earned from these businesses exceeded the cost of acquisition. Matters began to turn for the worse from FY2012, and the more so during the next four years leading up to FY2016. In large part, it had to do with a tremendous slowdown in demand for electrical equipment and solutions throughout the developed nations. Moreover, barring a few international facilities, the effects of a demand downturn were exacerbated by a flawed integration strategy in the power systems business. For four consecutive years, actions were taken to correct the execution strategy. Among others, these involved substantial new investments in setting up modern plant and equipment, calibrated rationalisation of the work force and exploring new markets. None of these worked sufficiently enough to turnaround most of the businesses from making losses to earning sustained profits. It became unsustainable."*

(Information on Board's efforts on divesting non-core assets)

*"Recognising this your Board of Directors decided that it was time for taking hard decisions. In summary, these have involved:*

*a) Selling the power transformer business in Canada for an enterprise value of Canadian $20 million subject to post-closing adjustment. Operation of the entity has been transferred to the buyer from 17 November 2015.*
*b) Closing down the power systems business in Brazil and starting the process of winding up its systems businesses in North America and the UK.*
*c) Entering into a binding agreement with First Reserve for the sale of its transmission and distribution businesses in Indonesia, Hungary, Ireland, France, the USA and Belgium at an enterprise value of €115 million. First Reserve is a leading global private equity and infrastructure investor exclusively focused on energy.*

*Your Board decided to exit some of the Company's Indian operations. If you will recollect, we had entered into a franchise agreement with the Maharashtra State Electricity Distribution Company Limited (MSEDCL) from June 2011 for the distribution of electricity in the Jalgaon Circle Area and was managing this business since November 2011. However, Distribution Franchisee Agreement stood terminated w.e.f 12 August 2015 upon MSEDCL exercising its step-in rights consequent to unresolved disputes. The Company is confident of arriving at an amicable settlement with MSEDCL on all pending issues under the agreement."*

**Chairman's Letter – Annual Report FY 2016-17**

(Chairman's rationale for underperforming investments)

*"As we all know, when a cabinet shelf or drawer becomes untidy or unmanageable, it is time for spring cleaning. That is exactly what the Board of Directors of CG Power and Industrial Solutions Limited ('CG') and senior management have been doing over the last two years. Let me take you through the process. CG had made some excellent and very attractively priced international acquisitions during the first decade of the 21st century. These earned healthy profits in their first seven to eight years under CG, on account of better managerial oversight and due to an economic boom in global markets. After the crash of 2008–2010, both European and North American demand for power systems and solutions started to dry up. Meanwhile, operational costs had risen, due to manufacturing problems which started showing up on the shop floors leading to re-work. All these negative factors combined to create a situation when the European and Canadian operations started making losses — first relatively small and then progressively larger, swamping the profits of your Company's India-based power and industrial systems operations. Some hard decisions needed to be taken. A major restructuring initiative was called for."*

(Information on Board's efforts on divesting non-core assets)

*"Your Board of Directors unanimously decided to hive off the structurally loss-making entities in an effort to focus on your Company's core competence — that of the profitable power and industrial systems business out of India and the power systems business in Indonesia. Consequently, we first sold the Canadian enterprise in Winnipeg in FY2016 for an enterprise value of Canadian $20 million, wound down unprofitable entities such as the systems businesses in the US, Brazil and the UK, and entered into a binding agreement with First Reserve, a leading global private equity and infrastructure investor, for the sale of selected transmission and distribution businesses (T&D) abroad at an enterprise value of €115 million. Regrettably, despite extensions to the 'long stop date' the deal did not fructify as certain conditions precedent to it remained unfulfilled. Therefore, your Board of Directors decided to terminate this transaction in December 2016. In the meanwhile, efforts were on to find a suitable buyer for the Company's power automation business that worked under the umbrella of ZIV, an international company located at Bilbao in Spain. We were successful in this endeavour. In March 2017, we sold ZIV, along with its subsidiaries and related automation businesses in the UK, Ireland, France and India to Alfanar Electric Systems Co., Saudi Arabia, for an enterprise value of €120 million, much of which was used to pare down*

*international debt to safe levels. Simultaneously, we immediately rationalised our overseas cost structure in line with the business size and scale. Within India, too, we divested ourselves of an unprofitable venture – namely, the distribution franchise agreement with Maharashtra State Electricity Distribution Company Limited for Jalgaon, Maharashtra. Finally, at the time of my writing this letter to you, we have agreed the sale of our USA power transformer and distribution businesses to WEG of Brazil and we continue to focus our attention to finding buyers for our other European assets."*

**Chairman's Letter – Annual Report FY 2017-18**

*"Your Company has continued with its focus on divesting non-core businesses as it re-engineers itself to being an India driven power, industrial and railways systems major – one that 'makes in India' best-in-class equipment and systems to sell to the world. Thus, among the 'discontinued operations', CG sold its power transformer business in Canada in FY2016; sold the automation business under ZIV in March 2017; and exited from the distribution franchise business at Jalgaon, Maharashtra. In FY2018, your Company sold its wholly owned power business in the USA to WEG, a major Brazilian multinational in electric motors and other electro-electronic products. And serious efforts are being made to sell the Company's Hungarian power transformer and rotating machines business."*

*"At the time of calling off the sale of the International Business to First Reserve your Board had taken the decision to dispose off the various international assets, excluding Indonesia, separately as it was more beneficial for your Company. Subsequent disposals have vindicated the Board's decision. Our European asset in Ireland and Belgium have since been restructured and are profitable. Your Board's decision to strategically focus on growing India, Asia and Africa / ME markets, will require us to redeploy resources from the slower growing European markets. In this respect, having taken the path of restructuring, we will accelerate our search for a buyer for rest of our European assets. Till the time a suitable buyer is found, these assets will form part of our Company business."*

**All divestments in the last 5 years**

**2015**

- Sale of entire 50% shareholding in CG Lucy Switchgear Limited, a joint venture company, to W Lucy & Co. Limited, UK for Euro 5.5 Million on 8 October 2015

- Sale of Canadian Power Transformer Business i.e. divestment from CG Power Systems Canada Inc. to PTI Holdings Corporation, Canada for an enterprise value of about Canadian $20 Million, effective from 27 October 2015

**2017**

- Disposal of Automation Systems business - Sale of CG's international subsidiary, ZIV in Spain and related automation businesses in the UK, Ireland, France and India to Alfanar Electric LLC on 6 March 2017, consequent to the binding offer from Alfanar Electric Systems Co., Saudi Arabia, for an enterprise value of Euro 120 million

**2018**

- Power business in USA – CG Power USA Inc sold off to WEG S.A. for an enterprise value of US $37 Million

**Divestment agreements that didn't materialise**

**2016**

- Cancellation of agreement for sale of transmission and distribution businesses in Indonesia, Hungary, Ireland, France, North America and Belgium to First Reserve, a private equity firm at an enterprise value of Euro 115 Million.

**2019**

- Termination of agreement for sale of CG Electric Systems Hungary ZRT to Ganz Villamossagi Zrt. and Alester Holdings Limited for an enterprise value of Euro 38 Million, on 30 April 2019.

**Divestment of a Core Business – Consumer Products**

As per 2017 Annual Report of CG Power,

*"With effect from 1 October 2015, Crompton Greaves Limited (CGL) completed the demerger of its erstwhile Consumer Products business into a separate company, namely Crompton Greaves Consumer Electricals Limited (CGCEL). Each shareholder of CGL was allotted one equity share of CGCEL for every equity share of CGL held as on the record date of 16 March 2016. From 13*

*May 2016, the shares of CGCEL were listed on the BSE Limited and the National Stock Exchange of India Limited (NSE).*

*In addition, Avantha Holdings Limited, belonging to the promoter group and holding 34.38% of CGL, divested its entire shareholding in CGCEL. After that, CGCEL formed neither a part of CGL nor of the Avantha Group. Thus, CGL became a pure B2B Company from 1 October 2015, the appointed date of the demerger."*

The shares of CGCEL held by the promoter Avantha Holdings, which accounted for 34.38% of the equity share capital, were sold to entities affiliated to private equity firms Advent International and Temasek.

## Annexure 3: Past & Present Directorships of Individuals mentioned in the SEBI Order

*(Directorship list excludes CG Power)*

| VR Venkatesh (ex-CFO) | | |
|---|---|---|
| **Directorship** | **Appointed on** | **Cessation** |
| CG Power Solutions Limited | 17 March 2017 | - |
| Acton Global Private Limited | 09 September 2016 | - |
| Blue Garden Estates Private Limited | 09 September 2016 | - |
| CG-PPI Adhesive Products Limited | 29 September 2017 | 13 August 2019 |

| Madhav Acharya (ex-CFO) | | |
|---|---|---|
| **Directorship** | **Appointed on** | **Cessation** |
| CG Energy Management Limited | 17 July 2009 | - |
| Jhabua Power Limited | 26 July 2018 | 03 August 2018 |
| CG Power Solutions Limited | 14 March 2012 | 30 September 2017 |
| Crompton Greaves Consumer Electricals Limited | 25 February 2015 | 04 January 2016 |
| Jhabua Power Investments Limited | 26 July 2018 | 03 August 2018 |
| CG Power and Industrial Solutions Limited | 01 April 2016 | 30 September 2017 |
| CG-PPI Adhesive Products Limited | 17 February 2016 | 30 September 2017 |
| CG Power Equipments Limited | 19 September 2014 | 14 October 2015 |
| ZIV Automation India Private Limited | 18 November 2016 | 06 March 2017 |
| Avantha Power & Infrastructure Limited | 15 May 2017 | 31 August 2018 |
| Avantha Energy Services Limited | 26 July 2018 | 03 August 2018 |

| KN Neelkant (ex-MD) | | |
|---|---|---|
| **Directorship** | **Appointed on** | **Cessation** |
| Jhabua Power Limited | 19 October 2011 | 28 July 2016 |
| Avantha Energy Services Limited | 19 March 2014 | 22 June 2016 |
| CG Power Equipments Limited | 17 February 2016 | 21 September 2018 |
| ZIV Automation India Private Limited | 18 November 2016 | 06 March 2017 |
| Avantha Power & Infrastructure Limited | 08 August 2014 | 14 March 2017 |
| Raigarh Energy Generation Limited | 19 October 2011 | 22 June 2016 |
| TKS Developers Limited | 19 October 2011 | 22 June 2016 |
| CG-PPI Adhesive Products Limited | 30 April 2015 | 14 June 2019 |
| Malanpur Captive Power Limited | 05 December 2011 | 22 June 2016 |
| Jhabua Power Investments Limited | 19 October 2011 | 22 June 2016 |

| B Hariharan (ex-NED) | | |
|---|---|---|
| **Directorship** | **Appointed on** | **Cessation** |
| Solaris Chemtech Limited | 29 December 1997 | - |
| Premier Tissues (India) Limited | 09 March 2011 | - |
| Solaris Chemtech Industries Limited | 26 September 2008 | - |
| Newquest Insurance Broking Services Limited | 24 March 2003 | - |
| Avantha Holdings Limited | 06 March 2002 | - |
| Solaris Holdings Limited | 04 April 2003 | - |
| Topscore Tradevariety Private Limited | 21 July 2009 | - |
| Ballarpur Industries Limited | 21 June 2001 | - |
| BILT Graphic Paper Products Limited | 16 July 2007 | - |
| KCT Chemicals and Electricals Limited | 21 July 2009 | - |
| Content Services and Publishing Private Limited | 08 March 2006 | 12 March 2010 |
| CG Power Solutions Limited | 14 March 2012 | 01 February 2019 |
| Biltech Building Elements Limited | 16 November 2010 | 25 March 2015 |

| | | |
|---|---|---|
| Avantha Consulting Services Limited | 02 May 2013 | 22 August 2018 |
| Global Green Company Limited | 25 May 1999 | 02 March 2019 |
| K.P. Cement Mfg. Co. Private Limited | 29 December 2011 | 29 August 2014 |
| Avantha Agritech Limited | 17 August 2000 | 05 November 2012 |
| Avantha Power & Infrastructure Limited | 12 June 2006 | 15 December 2018 |
| Avantha Realty Limited | 04 November 2009 | 29 August 2014 |
| Avantha Business Solutions Limited | 07 October 2005 | 29 August 2014 |

| **Gautam Thapar** | | |
|---|---|---|
| **Directorship** | **Appointed on** | **Cessation** |
| Solaris Chemtech Limited | 29 December 1997 | - |
| CG Capital and Investments Limited | 30 March 2001 | - |
| Biltech Building Elements Limited | 28 July 2015 | - |
| Avantha Consulting Services Limited | 30 January 2014 | - |
| Avantha Projects And Services Private Limited | 18 June 2019 | - |
| KCT Papers Limited | 28 September 2004 | - |
| Avantha Holdings Limited | 02 February 2007 | - |
| Sulochana Thapar Foundation | 01 April 2009 | - |
| Ballarpur Industries Limited | 16 April 1999 | - |
| BILT Graphic Paper Products Limited | 01 April 2019 | - |
| BILT Paper Holdings Limited | 06 August 1993 | - |
| Avantha Agritech Limited | 17 February 2014 | - |
| Karam Chand Thapar And Bros. Limited | 26 February 2007 | - |
| Solaris Holdings Limited | 22 August 2006 | - |
| Avantha Business Solutions Limited | 07 October 2005 | - |
| Global Green Company Limited | 15 April 1994 | 23 August 2019 |
| Osian's - Connoisseurs of Art Private Limited | 16 December 2002 | 24 December 2009 |
| Indian Public Schools Society | 21 December 2010 | 23 September 2017 |
| Greaves Cotton Limited | 24 September 2006 | 16 May 2007 |

| | | |
|---|---|---|
| Avantha Realty Limited | 02 February 2007 | 13 December 2011 |
| Vani Agencies Private Limited | 29 September 1994 | 01 July 2009 |
| Pratham Education Foundation | 01 October 2002 | 18 June 2009 |
| Asahi India Glass Limited | 22 March 2002 | 23 May 2019 |
| Sohna Stud Farm Private Limited | 10 May 2007 | 15 July 2015 |
| Lavasa Corporation Limited | 27 February 2007 | 23 July 2015 |

**Past & Present Directors of Companies mentioned in the SEBI Order**

| Avantha Holdings Limited | | |
|---|---|---|
| **Director** | **Appointed on** | **Cessation** |
| Prithipal Singh Dugal | 06 March 2019 | - |
| Surendra Kumar Khandelwal | 25 September 1999 | - |
| Gautam Thapar | 02 February 2007 | - |
| Bhuthalingam Hariharan | 06 March 2002 | - |
| Kalpesh Pankaj Kikani | 05 December 2013 | 07 August 2015 |
| Rajeev Ranjan Vederah | 03 November 2009 | 11 June 2010 |
| Santhikumar Venkataraman | 25 September 1999 | 13 April 2007 |
| Sudhir Mohan Trehan | 03 November 2009 | 11 June 2010 |
| Vinod Kumar Sablok | 06 December 2007 | 19 February 2015 |
| Diwan Nand Lal Sawhney | 03 November 2009 | 17 March 2016 |
| Ramni Nirula | 14 August 2014 | 07 February 2019 |
| Krishnan Venkatasubramanian Brahmadesham | 14 February 2014 | 20 February 2019 |
| Jatinder Cheema | 14 August 2014 | 24 June 2019 |
| Rajeev Khanna | 27 March 2015 | 01 January 2019 |

| Solaris Industrial Chemicals Limited | | |
|---|---|---|
| **Director** | **Appointed on** | **Cessation** |
| Akhil Mahajan | 16 November 2010 | - |
| Vinod Kumar Sablok | 22 May 2007 | - |
| Raghubir Kumar Sharma | 27 April 2015 | - |
| Anil Bhargava | 26 February 2009 | 31 March 2015 |
| Ramesh Kumar Chopra | 10 November 2003 | 16 November 2010 |
| Rajat Kumar Gupta | 22 May 2007 | 26 February 2009 |
| Santhikumar Venkataraman | 10 November 2003 | 27 March 2009 |
| Vinu Rajat Kalra | 31 March 2015 | 04 April 2015 |

| Acton Global Private Limited | | |
|---|---|---|
| **Director** | **Appointed on** | **Cessation** |
| Anirudh Chopra | 02 December 2016 | - |
| Venkatesh Vaidyanathapuram Ramamoorthy | 09 September 2016 | - |
| Yash Pal Singh | 15 February 2019 | - |
| Bhimrao Venkataramana Rao | 15 April 2017 | - |
| Abhishek Kabra | 21 March 2016 | 21 August 2017 |
| Ashwin Ramesh Mankeshwar | 25 January 2017 | 14 March 2017 |
| Dilwar Singh | 15 February 2019 | 28 August 2019 |
| Nagendra Kumar Sayyaparaju | 21 March 2016 | 04 September 2017 |

## Annexure 4: Change in Key Management Personnel (KMP)

Before the detection of these contentious transactions through the Investigation Report, the Key Management Personnel ("KMP") of CG Power included the following persons:

1. Gautam Thapar – Promoter & Non-executive Chairman
2. KN Neelkant – MD & CEO
3. VR Venkatesh – CFO
4. Shikha Kapadia – Company Secretary

As of November 2, 2019, all these persons designated as KMPs were either removed or have resigned from the Company.

1. Mr. Gautam Thapar was removed as the Chairman of the Board on August 29, 2019 and then stepped down as Director at the behest of the Board on October 9, 2019
2. Mr. KN Neelkant resigned as the MD & CEO orally and through videoconference at the Board meeting held on September 30, 2019
3. Mr. VR Venkatesh was removed as the CFO on August 30, 2019. As per the Company filings, "the termination of the employment of Mr. Venkatesh is due to the grave nature of the misconduct and breach of trust on his part and having knowingly undertaken actions which were detrimental to the interests of the Company and its stakeholders"
4. Ms. Shikha Kapadia, Company Secretary and Compliance Officer submitted her resignation on November 2, 2019. Her resignation will be effective from December 31, 2019.

## Annexure 5: Ownership Changes – From December 31, 2018 till date

Shareholding Pattern as on December 31, 2018

| Sl | Name | Shares | % |
|---|---|---|---|
| | *Promoters* | | |
| 1 | Avantha Holdings Ltd | 21,54,42,496 | 34.42 |
| 2 | Varun Prakashan Ltd | 5,022 | - |
| 3 | Avantha Realty Ltd | 3,552 | - |
| | *Public* | | |
| 1 | HDFC Mutual Fund | 5,74,51,000 | 9.18 |
| 2 | Aditya Birla Sun Life Mutual Fund | 4,95,94,617 | 7.92 |
| 3 | Reliance Mutual Fund | 3,71,98,072 | 5.94 |
| 4 | Franklin Templeton Mutual Fund | 2,15,00,000 | 3.43 |
| 5 | Life Insurance Corporation of India | 1,83,87,263 | 2.94 |
| 6 | IDFC Mutual Fund | 1,27,86,000 | 2.04 |
| 7 | Abu Dhabi Investment Authority | 89,70,000 | 1.43 |
| 8 | L&T Mutual Fund | 77,64,000 | 1.24 |
| 9 | Ishares Core Emerging Markets Mauritius Co | 65,48,115 | 1.05 |
| 10 | Vanguard Mutual Fund | 63,60,905 | 1.02 |

Shareholding Pattern as on September 30, 2019

| Sl | Name | Shares | % |
|---|---|---|---|
| | *Promoters* | | |
| 1 | Avantha Holdings Ltd | 0 | - |
| 2 | Varun Prakashan Ltd | 5,022 | - |
| 3 | Avantha Realty Ltd | 3,552 | - |
| | *Public* | | |
| 1 | Yes Bank Ltd | 8,03,41,466 | 12.83 |
| 2 | Vistra ITCL (India) Limited | 6,82,04,804 | 10.89 |
| 3 | KKR India | 6,26,74,609 | 10.00 |
| 4 | HDFC Mutual Fund | 5,74,51,000 | 9.18 |
| 5 | Aditya Birla Sun Life Mutual Fund | 5,55,60,974 | 8.87 |
| 6 | Bharti (SBM) Holdings Private Limited | 5,19,69,354 | 8.30 |
| 7 | Franklin Templeton Mutual Fund | 2,20,00,000 | 3.51 |
| 8 | Life Insurance Corporation of India | 1,41,02,571 | 2.25 |
| 9 | IDFC Mutual Fund | 96,00,000 | 1.53 |
| 10 | Vanguard Mutual Fund | 67,83,725 | 1.08 |
| 11 | Dimensional Emerging Markets Value Fund | 65,51,592 | 1.05 |

Changes in ownership since September 30, 2019

- On November 4, 2019 Vistra ITCL (India) Ltd sold 6.26 Crore shares, comprising 9.99% equity capital, bringing down its stake from 10.89% to 0.90%
- These shares were bought by L&T Finance Ltd which acquired a stake of 9.99% on CG Power

Major buy/ sell of shares since in 2019

| Date | Shareholder | Type | Shares | % | Before % | After % |
|---|---|---|---|---|---|---|
| 04-Nov | Vistra ITCL (India) Ltd | Sale | 6,26,00,000 | 9.99% | 10.89% | 0.90% |
| 04-Nov | L&T Finance Ltd | Buy | 6,26,00,000 | 9.99% | 0.00% | 9.99% |
| 16-Sep | KKR India (*through affiliates*) | Buy | 6,26,74,609 | 10.00% | 0.00% | 10.00% |
| 16-Sep | Vistra ITCL (India) Ltd | Sale | 6,71,87,692 | 10.72% | 21.60% | 10.88% |
| 08-May | Bharti (SBM) Holdings Pvt Ltd | Buy | 1,32,31,980 | 2.11% | 6.13% | 8.24% |
| 06-May | Yes Bank Ltd | Pledge* | 8,00,50,000 | 12.79% | 0.00% | 12.79% |
| 23-Apr | Bharti (SBM) Holdings Pvt Ltd | Buy | 3,84,25,000 | 6.13% | 0.00% | 6.13% |
| 12-Apr | Reliance Mutrual Fund | Sale | 20,57,599 | 0.33% | 3.38% | 3.05% |
| 20-Mar | Vistra ITCL (India) Ltd | Pledge* | 6,76,96,248 | 10.80% | 10.80% | 21.60% |
| 08-Mar | Vistra ITCL (India) Ltd | Pledge* | 6,76,96,248 | 10.80% | 0.00% | 10.80% |

** 'Pledge' means invocation of pledged shares*

*Source: Company's stock exchange announcements*

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|---|---|
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| Audit & Accounts | • Audit & Accounts, Auditor Independence, Ethical Standards for Audit |
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