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CG POWER AND INDUSTRIAL SOLUTIONS LIMITED

A battle for corporate control manifests as corporate governance issues

Bangalore, India - February 13, 2020, 1500 hrs IST: InGovern Research Services releases detailed research report on CG Power and Industrial Solutions Limited.

An analysis of the issues at CG Power and Industrial Solutions Limited (“CGPOWER”) reveals that a battle for the boardroom and battle for corporate control has led to value destruction for minority shareholders of the company.

The investigative authorities are looking into allegations on (i) usage of funds and land assets from the company by promoter-connected entities, (ii) borrowings against the assets of the company for the benefit of other group companies, (iii) vendor transactions with promoter-connected entities.

However, could these transactions have happened without Board approvals, and without the knowledge of key management personnel and auditors? Where these Board approvals shared with SEBI in their investigations? What role did promoters, executive directors, the managing director & CEO and independent directors play in this?

Banks and NBFCs seem to have been fully cognizant of the situation in the company and other group companies and yet continued to fund and increase group company exposures against guarantees of the listed company. Would the banks have curtailed the bank limits of CG Power as other group companies were in stress?

What role did KKR play in the entire saga? Did the default of loan to holding company trigger these series of events that led to control of management, the boardroom and eventually the company by KKR? Why didn't the Board look into the conflict of interest of Mr. Narayan Seshadri who was appointed as an independent director?

Overall, a huge loss of value for minority shareholders. All elements of corporate governance seem to have failed minority shareholders – key management personnel, independent directors, statutory auditors, internal auditors, banks, NBFC lenders, whistleblowers, etc. SEBI and other regulators need to investigate this matter holistically on the role played by all stakeholders. Regulators need to investigate whether a battle for corporate control has played out in this manner.

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ABOUT INGOVERN

InGovern Research Services Pvt. Ltd. is a SEBI-registered leading independent governance analysis firm assisting institutional investors that have financial or reputation exposure to public companies. Our services include: Corporate Governance Research and Proxy Voting Solutions. InGovern was founded with the objective of enhancing the corporate governance culture in India and enhancing shareholder activism of institutional investors.