



INGOVERN RESEARCH SERVICES

CG POWER AND INDUSTRIAL SOLUTIONS LIMITED

Imminent Change of Promoter – Lots of Unanswered Questions

Bangalore, India - October 16, 2020: InGovern Research Services releases follow-up research report on CG Power and Industrial Solutions Limited.

In our first detailed report on CG Power in [February 2020](#) noted: “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.”

Currently, the company is undergoing an imminent change of promoter and a new shareholder with majority control. In the past few months, the independent Forensic Audit Report, commissioned by BSE, which was submitted to SEBI in March 2020, and the observations made by the NCLT, confirm that all stakeholders - the Board, Directors, KMP, Banks, NBFCs - had full knowledge of the transactions with promoter group entities. The findings in the Forensic Audit Report are at divergence with the company-commissioned report undertaken by Vaish Associates, which did not delve on the evidences available over the past 4 years. The independence and the findings of the investigation report by Vaish Associates, were questioned by NCLT. Further, the SEBI-directed, BSE-commissioned Forensic Audit Report, clearly puts the onus of the various financial transactions and consequential impact on the financial health of the company on various stakeholders including, the Board, KMP, promoters, the lenders (Banks & NBFCs) and the statutory auditors and concludes that the funds were utilized mainly to repay obligations that safeguarded the interests of CG Power itself.

The Forensic Audit Report clearly substantiates with evidences like Board minutes, correspondence by KMP with Board members and/or banks and NBFCs, that all transactions were approved by the Board, and in some cases, the transactions were explicitly structured by the very same banks or NBFCs, which provided and also received the funds. Funds were moved to promoter group entities onwards to banks for clearing their own overdues. Banks and NBFCs have been fully cognizant of the high debt levels in the company and other group companies and yet continued to lend and increase exposure to group company, against guarantees provided by the listed company. It is now clear that the default on the loan availed by the holding company of the erstwhile promoters triggered these series of events that led to change in control of management, changes in the constitution of board, acquisition of shares by

KKR, YES Bank and others. The series of events clearly require further investigation and explanations to be provided on significant aspects such as, the relationship between KKR and the independent director, Mr. Narayan Seshadri of Tranzmute and whether various shareholders acted as persons-acting-in concert (PAC) including, shareholders like KKR, Bharti (SBM) Holdings Pvt Ltd and L&T Financial Services, which precipitated the changes in the constitution of the board and the dramatic fall in market capitalisation of the company.

The ensuing AGM of the Company on October 19, 2020 is an appropriate moment for minority shareholders to review and reflect on the events that have transpired over the past 5 years and evaluate what the future holds for the company under the incoming new promoter, who will need to steady the ship and nurture an iconic brand and industrial franchise, which has been a household name in India since its incorporation in 1937.



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.