

CG Power and Industrial Solutions Limited

Registered Office:

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Corporate Identity Number: L99999MH1937PLC002641



Smart solutions.
Strong relationships.

Our Ref: COSEC/76/2020-21

September 04, 2020

By Portal

The Corporate Relationship Department

BSE Limited,
1st Floor, New Trading Ring,
Rotunda Building,
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai 400 001

Scrip Code : 500093

The Listing Department

National Stock Exchange of India Ltd.
Exchange Plaza, Bandra-Kurla Complex
Bandra (East),
Mumbai 400 051

Scrip Code : CGPOWER

Dear Sir/Madam,

Sub: SEBI Letter dated September 4, 2020 granting relaxation in relation to the proposed re-classification of promoters and promoter group of the Company

We wish to inform you that the Company had made an application to the Securities and Exchange Board of India ('SEBI') under Regulation 102 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 ('**LODR Regulations**') seeking relaxation from strict enforcement of certain provisions of Regulation 31A of the LODR Regulations in relation to the proposed re-classification of the promoters of the Company to 'Public' category.

In this regard, SEBI has, vide its Letter No. SEBI/HO/CFD/CMD1/OW/2020/14436/1 dated September 4, 2020 ('**SEBI Letter**'), granted the said relaxations sought by the Company. A copy of the said SEBI Letter is enclosed herewith.

We would appreciate if you could take the same on record.

Thanking you.

Yours faithfully,

For **CG Power and Industrial Solutions Limited**

Alen Ferns

Company Secretary and Compliance Officer



Encl: As above



General Manager
Compliance and Monitoring Division
Corporation Finance Department

**भारतीय प्रतिभूति
और विनियम बोर्ड**
**Securities and Exchange
Board of India**

SEBI/HO/CFD/CMD1/OW/2020/14436/1
September 4, 2020

To

Mr. Alen Ferns, Company Secretary,
CG Power and Industrial Solutions Limited,
CG House, 6th Floor, Dr. Annie Besant Road,
Worli, Mumbai – 400030.

Sir,

Sub: Application under regulation 102 of the SEBI (Listing Obligations and Disclosure Requirements) Regulation 2015 ('LODR Regulations') seeking relaxation from strict enforcement of certain provisions of regulation 31A of the LODR Regulations in relation to the proposed re-classification of promoters.

1. This has reference to the application dated August 27, 2020 received from CG Power and Industrial Solutions Limited ('CG Power' / 'Company') on the captioned subject.
2. The following facts, in brief, are gathered from the application dated August 27, 2020 and email dated August 31, 2020 to SEBI and other publicly available information about the Company:
 - a. SEBI vide its order no. WTM/GM/CFD/35/2019-20 dated September 17, 2019 ('Interim Order') in the matter of CG Power and Industrial Solutions Limited had passed certain directions against Gautam Thapar and six other entities (including ex-directors and CFO) for wrongful diversion of funds from the listed entity. Gautam Thapar, among others, was prohibited from accessing securities market and further prohibited from buying/selling or otherwise dealing in securities. The aforementioned individuals (Gautam Thapar, ex-directors and CFO) were also prohibited from being associated with any listed entity or its material subsidiary. Avantha Group entities including Avantha Holdings Limited and Solaris Industrial Chemicals Limited were directed to retain funds/assets to the extent shown as receivables to CG Power.
 - b. Subsequent to the Interim Order, which was upheld by SAT, SEBI, after giving all the Noticees an opportunity of making submissions and being heard, had passed a confirmatory order dated March 11, 2020 ('Confirmatory Order') with certain directions against the Noticees to the Confirmatory Order.
 - c. Vide both the Interim and Confirmatory Orders, SEBI had restrained Noticees 2 – 5 (viz., Gautam Thapar, V R Venkatesh, Madhav Acharya and B. Hariharan) from being associated with any intermediary registered with SEBI or any listed entity or its material unlisted subsidiary, in any manner whatsoever, till further orders.
 - d. The promoters of the Company ("Promoters") as per the shareholding pattern of the Company as on the quarter ended June 30, 2020, are as follows:



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1. Avantha Holdings Limited ("Avantha Holdings");
2. Avantha Realty Limited; and
3. Varun Prakashan Private Limited.

The above three entities are controlled by Gautam Thapar and they continue to be associated with the Company despite SEBI's directions in the Confirmatory Order.

- e. As per the Shareholding Pattern for the quarter ended June 30, 2020, the Promoters are holding 8,574 Equity Shares i.e. a very negligible percentage of the paid up share capital of the Company. While as on December 31, 2018, the Promoters' shareholding in the Company was at 34.42% of the paid up share capital of the Company, the same got reduced to a negligible percentage since the pledge by the Promoters (of a large part of their shareholding) was invoked by their lenders upon non-payment of borrowings for the purpose of which a large part of the Promoters' shareholding in the Company was encumbered.
 - f. The board of directors of the Company had, *in-principle*, decided to work jointly with the Lenders for equity fund raising as part of the resolution plan in accordance with the Reserve Bank of India's circular on Prudential Framework for Resolution of Stressed Assets dated June 7, 2019 (as amended or modified) ('Prudential Framework').
 - g. The Company received a binding offer dated August 7, 2020 (as modified on August 11, 2020) from Tube Investments of India Limited ('Prospective Investor'), for resolving the debts of the Company and to infuse capital in the Company to meet its business requirement.
 - h. The Company had called an EGM on September 2, 2020 for seeking approval of shareholders for issuance of equity shares and warrants to the prospective investor.
3. The Company has sought relaxation from strict compliance with the following requirements specified under Regulation 31A of the LODR Regulations, as they are merely technical and procedural in nature in the context of the case:
- a. *Regulation 31A(3)(a)(i)*: Requirement for the promoter seeking re-classification to initiate the re-classification process by making a request to the company seeking such re-classification and instead allowing the Company to make this application to the stock exchanges and will seek the required board and Shareholders' approval for the same.
 - b. *Proviso to Regulation 31A(3)(a)(ii)*: Requirement of the time gap of at least 3 (three) months between the board meeting and the shareholders' meeting to consider the request for promoter re-classification.



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- c. *Regulation 31A(3)(b)(vi)*: Requirement of the promoters seeking re-classification or persons related to them to not be a wilful defaulter as per the Reserve Bank of India guidelines.
- d. *Regulation 31A(3)(b)(vii)*: Requirement of the promoters seeking re-classification or persons related to them to not be a fugitive economic offender.
- e. *Regulation 31A(4)(a)*: Requirement of the promoters seeking re-classification to comply with all conditions required for re-classification, failing which there will be automatic re-classification to the promoter group.
4. After examination of your application/email, the following are SEBI's observations:
- a. The Confirmatory order of SEBI had a specific direction by which Gautam Thapar, V R Venkatesh, Madhav Acharya and B. Hariharan were restrained from being associated with any intermediary registered with SEBI or any listed entity or its material unlisted subsidiary, in any manner whatsoever.
- b. Further, at para 46(c) of the Confirmatory Order, it was clarified that:
- "The restraint from 'being associated' with 'any listed entity or its material unlisted subsidiary' shall also operate as a prohibition against Noticees no. 2, 3, 4 and 5 from association with any Company, whether listed or material unlisted subsidiary including involvement in the capacity of an Advisor/Consultant."*
- c. As submitted by the Company, Gautam Thapar is a substantial shareholder in Avantha Holdings. Furthermore, as on March 31, 2019, he holds 100% equity shares of Avantha Realty Limited which in turn holds 100% of shares of Varun Prakashan Limited. Despite the Confirmatory order, by virtue of being the controlling shareholder of the promoters of CG Power viz., Avantha Holdings, Avantha Realty and Varun Prakashan, Gautam Thapar is still indirectly associated with the listed entity i.e., CG Power.
- d. Considering the directions contained in the Confirmatory Order of SEBI, it is but natural that Avantha Group entities, controlled by Gautam Thapar, are removed as promoters of the Company. Further, as submitted by the Company in its application and vide email dated August 31, 2020, to the best of its knowledge, the promoters of CG Power, promoter group along with their Persons Acting in Concert do not:
- (i) together, hold more than ten percent of the total voting rights in the Company;
- (ii) exercise control over the affairs of the Company directly or indirectly;



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- (iii) have representation on the board of directors (including not having a nominee director) of the Company;
 - (iv) act as a key managerial person in the Company;
 - (v) No shareholders agreement is entered by the Company with respect to any special rights given to promoter or promoter group, nor the Company is in knowledge of any such rights or agreement.
- e. The Company has also stated that it is in compliance with the following requirements of regulation 31A(3)(c) of the LODR Regulations:
- (i) requirement for minimum public shareholding as required under regulation 38 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;
 - (ii) does not have trading in its shares suspended by the stock exchanges;
 - (iii) does not have any outstanding dues to the Board, the stock exchanges or the depositories.
5. In view of the above, the following are SEBI's observations on the relaxations sought by the Company:
- a. *Regulation 31A(3)(a)(i) on promoter initiating the re-classification process:* In view of the directions issued by SEBI against Gautam Thapar and other individuals/entities, the requirement that the promoter should initiate the re-classification process is only technical in nature;
 - b. *Regulation 31A(3)(a)(ii) on time gap between board and shareholder meeting:* The time gap of 3 months between the board meeting and the shareholders meeting has been mandated to enable the shareholders to grasp and decide about the reclassification of existing promoters. However, in this case, removal of Gautam Thapar as Chairman of the Company and the findings in SEBI's Interim and Confirmatory Orders, where, *inter-alia*, he was restrained from being associated with any intermediary registered with SEBI or any listed entity or its material unlisted subsidiary, are information already available in the public domain. As such, in the instant case, the time-gap of 3 months would be a mere technical and procedural requirement.
 - c. *Regulation 31A(3)(b)(vi) and 31A(3)(b)(vii) on 'wilful defaulter' and 'fugitive economic offenders' and regulation 31A(4)(a) on automatic re-classification:* The proposed re-classification is not based on the request from the promoter(s) but on the basis of findings in the orders passed by SEBI. Hence, the conditions stipulated in regulation 31A(3)(b)(vi) – (vii) are technical in nature.
 - d. Shareholders are the final authority on deciding the issue of re-classification of promoters.



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6. In view of the aforesaid, the Competent Authority has approved your application under Regulation 102(1)(d) of the LODR Regulation for exemption from the applicability of the procedure specified under Regulation 31A(3)(a)(i) & proviso to Regulation 31A(3)(a)(ii) of the LODR Regulations and from the applicability of Regulations 31A(3)(b)(vi) – (vii) & Regulation 31A(4)(a) of the LODR Regulations, for the proposed re-classification of the existing promoters.
7. The Company shall comply with the other provisions of regulation 31A of the LODR Regulations, except as exempted at para 6 above, for re-classification of existing promoters. The Company shall annex this letter to the notice to AGM/EGM to be called for approving the re-classification of existing promoters. The Company is also advised to disclose this letter to the stock exchanges.

Yours faithfully,

Pradeep Ramakrishnan

Copy to

BSE and NSE (*via email*)