

CG Power and Industrial Solutions Limited

Registered Office:
CG House, 6th Floor, Dr Annie Besant Road, Worli, Mumbai 400 030, India
T: +91 22 2423 7777 F: +91 22 2423 7733 W: www.cgglobal.com
Corporate Identity Number: L99999MH1937PLC002641



REPORT OF THE MEETING OF INDEPENDENT DIRECTORS OF CG POWER AND INDUSTRIAL SOLUTIONS LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN THE COMPANY AND ITS SHAREHOLDERS UNDER SECTION 230 AND OTHER APPLICABLE PROVISIONS OF THE COMPANIES ACT, 2013 AT ITS MEETING HELD ON WEDNESDAY, 19TH OCTOBER, 2022

The following Directors were present during discussion on the Scheme:

Mr. P S Jayakumar	:	(Participated through video conferencing from Mumbai)
Ms. Sasikala Varadachari	:	(Participated through video conferencing from Chennai)
Mr. Sriram Sivaram	:	(Participated through video conferencing from Kodaikanal)
Mrs. Vijayalakshmi R Iyer	:	(Participated through video conferencing from Dubai)

The following were present during discussion on the Scheme:

In attendance:

Mr. Natarajan Srinivasan, Managing Director
Mr. Susheel Prasad Todi, Chief Financial Officer
Mr. P Varadarajan, Company Secretary

1. Background

- 1.1. A meeting of the Independent Directors of the Company was held on 19th October, 2022 to consider and recommend the draft Scheme of Arrangement between the Company and its shareholders under Section 230 and other applicable provisions of the Companies Act, 2013 (“Act”) (“Scheme”).
- 1.2. The Company is incorporated under the Indian Companies Act 1913. The Company is principally engaged in in two main business segments, viz. Power Systems and Industrial Systems. The equity shares of the Company are listed on BSE Limited and National Stock Exchange of India Limited.
- 1.3. This report of the Independent Directors is made to comply with the requirements of the Securities and Exchange Board of India (“SEBI”) (Listing Obligations and Disclosure Requirements) Regulations 2015 (“SEBI LODR”) and SEBI Master Circular No.

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SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021 ("SEBI Master Circular") and as amended from time to time.

1.4. The following documents/drafts were placed before the Independent Directors:

- a) Draft Scheme, duly initialled by the Company Secretary of the Company for the purpose of identification;
- b) Draft undertaking by the Board of Directors on non-applicability of conditions specified in Paragraph 10(b) read with Paragraph 10(a) of Part I of the SEBI Master Circular and certificate issued by S R B C & CO LLP, Chartered Accountants, Statutory Auditor of the Company certifying the said undertaking;
- c) Certificate obtained by S R B C & CO LLP, Chartered Accountants, the Statutory Auditor of the Company ("**Statutory Auditors**"), on the accounting treatment prescribed in the Scheme;
- d) Other reports, documents and information furnished before the Independent Directors.

2. Proposed Scheme of Arrangement

2.1. The Scheme *inter alia* provides for capital reorganisation of the Company pursuant to the provisions of section 230 and other applicable provisions of the Companies Act, 2013 along with various other matters consequential thereto or otherwise integrally connected therewith.

2.2. The Independent Directors of the Company noted the rationale and the benefits of the Scheme which, inter-alia, are as follows:

- 2.2.1. The Company had gone through a turbulent phase in past. The Company had suffered substantial losses during the past few years under the old management.
- 2.2.2. During the Financial Year 2020–21, the lenders of the Company and the Company had received a binding offer from Tube Investments of India Limited ("TIL") for resolving the debts of the Company and to infuse equity capital in the Company. The Company, its lenders and TIL had executed the Master Implementation cum Compromise Settlement Agreement ("**Settlement Agreement**") and the Company had discharged and settled the existing credit facilities including corporate guarantees. The Settlement Agreement also provided for change in management and promoters of the Company. With the infusion of the capital from TIL, the Company settled the outstanding dues of employees, vendors and other creditors as the first step of revival followed by restoring normalcy of operations across all the business divisions.
- 2.2.3. Post change in the management control, the Company, it generated profits in the financial year ended 31st March 2022.

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- 2.2.4. As per the audited financial statements of the Company on 31st March 2022, the company continues to carry a negative balance of retained earnings, while it has unutilized balances lying under various other reserves more specifically under General Reserve.
- 2.2.5. Despite profitability, the financial statements of the Company are not reflective of its true current financial position and therefore, it is necessary to reorganize the retained earnings of the Company.
- 2.2.6. The proposed reclassification of reserves is in the interest of the Company and its shareholders, creditors and all other stakeholders of the Company.


3. Impact of the Scheme on the shareholders of the Company

- 3.1. The Scheme does not entail any discharge of consideration by the Company in form of cash, shares or otherwise. Hence, the interest of the shareholders is not adversely affected. The Company's equity capital structure and the shareholding pattern subsequent to the Scheme will remain unchanged.
- 3.2. The Scheme does not involve either a diminution of liability in respect of unpaid share capital or payment of paid-up share capital.
- 3.3. The proposed Scheme is expected to be beneficial to the Company and its shareholders and all other stakeholders.

4. Recommendation of the Independent Directors

The Independent Directors of the Company inter alia having noted the rationale, benefits and the impact of the Scheme on shareholders and in particular the fact that the Scheme is not detrimental to the interests of any of the shareholders and all other stakeholders of the Company including the government authorities and in consideration of the documents placed before it, approves and recommends the Scheme to the Board of Directors of the Company for its consideration and approval.

By Order of the Independent Directors
For and on Behalf of CG Power and Industrial Solutions Limited


P.S. Jayakumar
Chairman of the meeting



Place: Mumbai
Date: 19th October, 2022