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

Smart solutions.
Strong relationships.

Our Ref: COSEC/72/2019-20

September 18, 2019

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

Scrip Id : CGPOWER

Dear Sirs,

Subject: Interim Order issued by the Securities and Exchange Board of India dated September 17, 2019 in the matter of CG Power and Industrial Solutions Limited

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, this is to inform you that the Securities and Exchange Board of India ("**SEBI**") has passed an *ad-interim ex-parte order* bearing number WTM/GM/CFD/35/2019-20 dated September 17, 2019 ("**Order**") in the matter of CG Power and Industrial Solutions Limited (the "**Company**") wherein the noticees are *inter alia* the Company and Mr. Gautam Thapar, a member of the board of directors of the Company. A copy of the said Order as uploaded on the website of SEBI is enclosed herewith.

The Order, *inter alia*, restrains Mr. Gautam Thapar from accessing the securities market and prohibits him from buying, selling or otherwise dealing in securities in any manner whatsoever, directly or indirectly, till further orders. Further, the Order requires appointment by the BSE Limited of an independent auditor/audit firm for conducting a detailed forensic audit of the books of accounts of the Company from the Financial Year 2015–16 onwards till date.

Thanking you,

Yours faithfully,
For CG Power and Industrial Solutions Limited



Shikha Kapadia
Company Secretary and Compliance Officer
ACS no. 20733

Encl: As above

AVANTHA
GROUP COMPANY

WTM/GM/CFD/35/2019–20

SECURITIES AND EXCHANGE BOARD OF INDIA

INTERIM ORDER

UNDER SECTION 19 READ WITH SECTIONS 11(1), 11(4) AND SECTION 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 –

IN THE MATTER OF CG POWER AND INDUSTRIAL SOLUTIONS LIMITED.

	NOTICEES	PAN
1.	**CG POWER AND INDUSTRIAL SOLUTIONS LIMITED**	**AAACC3840K**
2.	**GAUTAM THAPAR**	**ABNPT6298B**
3.	**V. R. VENKATESH**	**AAKPV9947M**
4.	**MADHAV ACHARYA**	**ABOPA4250D**
5.	**B. HARIHARAN**	**ADXPB2158A**
6.	**AVANTHA HOLDINGS LIMITED**	**AABCB6134E**
7.	**ACTON GLOBAL PRIVATE LIMITED**	**AAOCA2658K**
8.	**SOLARIS INDUSTRIAL CHEMICALS LIMITED**	**NOT AVAILABLE**

BACKGROUND –

1. Securities and Exchange Board of India ("**SEBI**") *suo moto* had taken note of certain news articles published on August 20, 2019, in several national newspapers in relation to suspected *'fraud'* at CG Power and Industrial Solutions Limited ("**CG Power/Company**"), a company incorporated under the provisions of the Companies Act, 1913. The Registered Office of the Company is at 6th floor, Crompton Greaves House, Dr. Annie Besant Road, Century Bazaar, Worli, Mumbai–400030. The shares of the Company are listed on Bombay Stock Exchange Limited ("**BSE**") and the National Stock Exchange of India Limited ("**NSE**").

2. The Company had, vide a corporate announcement filed with BSE and NSE on August 20, 2019, disclosed the outcome of its Board meeting held on August 19, 2019. From the aforementioned disclosure, the following is *inter alia* noted:

   *A. The Board of Directors ("**Board**") as well as Risk and Audit Committee ("**RAC**") of CG Power held a meeting to inter alia consider and discuss the status of annual financial statements of the Company as well other related matters.*

   B. The Operations Committee was made aware of some unauthorised transactions by certain employees of the Company and was also made aware of a letter received by the Company from a financing company (subsequently revealed as Aditya Birla Finance Limited) regarding a certain interest payment failure which the Operations Committee was unable to trace or ascertain from the financials of the Company.

*To make further assessments in this regard, an Independent Law Firm – M/s Vaish Associates ("**Legal Firm**") was appointed to conduct an investigation on certain transactions by the Company.*

C. *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.*

D. *Certain assets of the Company were purportedly provided as collateral without due authority and the Company was made a co–borrower and/or guarantor for enabling ostensibly unrelated third parties to obtain loans without due authorisation. The moneys so obtained were immediately and without due authorisation routed out of the Company, either by itself or from its subsidiaries or ostensibly unrelated parties to certain related parties. These subject transactions are prima facie prejudicial to the interests of the Company. These were purportedly carried out by identified company personnel (both current and past) including certain Non–Executive Directors, certain KMPs and others identified employees ("**CIP**") in breach of the Rules of Procedure of the Company ("**ROP**"), and/or without proper information to or authorization of either the RAC or the Board, and/or in breach of the Companies Act 2013, applicable SEBI Regulations and other applicable laws. The Company plans to conduct a detailed forensic investigation to establish wrongdoing, accountability and other residual implications.*

3. SEBI had met the officials of CG Power on August 22, 2019 and had sought information on the matter in order to examine as to whether or not there were any violations of the provisions of securities laws, etc. by the Company and its Directors/Promoters, during the period 2016–2019. Vide a letter dated August 26, 2019, the Company had submitted a copy of the preliminary Investigation Report ("**Preliminary Investigation Report**") prepared by M/s Vaish Associates aided by Deloitte, Chartered Accountants. Thereafter, vide correspondences dated August 28–29, 2019, SEBI had sought responses *inter alia* from the Chairman (Gautam Thapar), past Directors (Madhav Acharya, B. Hariharan) and CFO (V. R. Venkatesh) (see Tables IV and VI along with paragraph 3.5 B. at page 5), on the matter including the Preliminary Investigation Report. Replies from all the aforementioned entities were received by SEBI on August 29, 2019 and August 30, 2019.

3.1 The shareholding pattern of CG Power as on the Quarter ended June 30, 2019, is provided below –

TABLE I – SHAREHOLDING PATTERN [SOURCE: BSE WEBSITE]		
CATEGORY	**NO. OF SHARES**	**%**
PROMOTER AND PROMOTER GROUP	8574	***0.01**
NON–PROMOTER SHAREHOLDING	62,60,50,334	99.99
TOTAL	**62,60,58,908**	**100.00**
***THE PROMOTERS' SHAREHOLDING AS ON DECEMBER 31, 2018 WAS AT 34.42%. HOWEVER, THE SAME GOT REDUCED TO 0.01 BY JUNE 30, 2019 SINCE THE PLEDGE BY PROMOTERS (OF THEIR ENTIRE SHAREHOLDING) WAS INVOKED BY THE LENDERS UPON NON–PAYMENT OF BORROWINGS FOR WHICH THEY WERE ENCUMBERED.		

3.2 The Promoters of CG Power are as under –

TABLE II – PROMOTERS OF CG POWER [SOURCE: BSE WEBSITE]
NAME
VARUN PRAKASHAN PRIVATE LIMITED
AVANTHA REALTY LIMITED
AVANTHA HOLDINGS LIMITED

3.3 The Non–Promoter shareholding of the Company as on the Quarter ended June 30, 2019, is as under:

TABLE III – NON–PROMOTER SHAREHOLDING [SOURCE: BSE WEBSITE]	
CATEGORY	**% OF SHAREHOLDING**
VISTRA ITCL INDIA	21.63
YES BANK	12.79
HDFC MF	9.18
ADITYA BIRLA MF	8.94
BHARTI SBM HOLDINGS	8.3
FRANKLIN TEMPLETON	3.19
LIC	2.25
RELIANCE CAPITAL	2.03
IDFC STERLING VALUE FUND	1.53
FPIS	9.31
OTHER PUBLIC INVESTORS	29.84
TOTAL	**100.00**

3.4 The Board of Directors of CG Power during the preliminary examination Period was as under –

TABLE IV – BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2016–17 [SOURCE: BSE WEBSITE]	
NAME	**DESIGNATION**
GAUTAM THAPAR	CHAIRMAN
K. N. NEELKANT	MANAGING DIRECTOR AND CEO
MADHAV ACHARYA	EXECUTIVE DIRECTOR (FINANCE) AND CFO
B. HARIHARAN	NON–EXECUTIVE DIRECTOR
OMKAR GOSWAMI	NON–EXECUTIVE DIRECTOR
RAMNI NIRULA	INDEPENDENT DIRECTOR
SANJAY LABROO	INDEPENDENT DIRECTOR
VALENTIN VON MASSOW	INDEPENDENT DIRECTOR

TABLE V – BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2017–18 [SOURCE: BSE WEBSITE]	
NAME	**DESIGNATION**
GAUTAM THAPAR	CHAIRMAN
K. N. NEELKANT	MANAGING DIRECTOR AND CEO
B. HARIHARAN	NON–EXECUTIVE DIRECTOR
OMKAR GOSWAMI	NON–EXECUTIVE DIRECTOR
RAMNI NIRULA	INDEPENDENT DIRECTOR
SANJAY LABROO	INDEPENDENT DIRECTOR
VALENTIN VON MASSOW	INDEPENDENT DIRECTOR
JITENDER BALAKRISHNAN (W.E.F. MAY 2, 2017)	INDEPENDENT DIRECTOR
ASHISH KUMAR GUHA (W.E.F. NOVEMBER 9, 2017)	INDEPENDENT DIRECTOR

TABLE VI – BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2018–19 [SOURCE: BSE WEBSITE]	
NAME	**DESIGNATION**
GAUTAM THAPAR	CHAIRMAN
K. N. NEELKANT	MANAGING DIRECTOR AND CEO
SUDHIR MATHUR	WHOLE TIME EXECUTIVE DIRECTOR
B. HARIHARAN#	NON–EXECUTIVE DIRECTOR
OMKAR GOSWAMI	NON–EXECUTIVE DIRECTOR
RAMNI NIRULA	INDEPENDENT DIRECTOR
VALENTIN VON MASSOW	INDEPENDENT DIRECTOR
JITENDER BALAKRISHNAN	INDEPENDENT DIRECTOR
ASHISH KUMAR GUHA	INDEPENDENT DIRECTOR
NARAYAN K. SESHADRI (W.E.F. MARCH 8, 2019)	INDEPENDENT DIRECTOR
#RESIGNED W.E.F. MARCH 8, 2019, BUT CONTINUES ON BALLARPUR INDUSTRIES LIMITED, A GROUP ENTITY.	

TABLE VII – BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2019–20 [SOURCE: BSE WEBSITE]	
NAME	**DESIGNATION**
GAUTAM THAPAR*	NON–EXECUTIVE DIRECTOR
K. N. NEELKANT	MANAGING DIRECTOR AND CEO
SUDHIR MATHUR	WHOLE TIME EXECUTIVE DIRECTOR
OMKAR GOSWAMI	NON–EXECUTIVE DIRECTOR
RAMNI NIRULA	INDEPENDENT DIRECTOR
VALENTIN VON MASSOW^	INDEPENDENT DIRECTOR
JITENDER BALAKRISHNAN	INDEPENDENT DIRECTOR
ASHISH KUMAR GUHA	INDEPENDENT DIRECTOR
NARAYAN K. SESHADRI	INDEPENDENT DIRECTOR
*GAUTAM THAPAR, NON–EXECUTIVE CHAIRMAN AND PROMOTER DIRECTOR WAS REMOVED AS CHAIRMAN OF THE COMPANY AS PER A FILING MADE BY THE COMPANY ON AUGUST 29, 2019. ^TILL AUGUST 5, 2019, DID NOT SEEK REAPPOINTMENT.	

3.5 In the context of the Board of Directors of the Company, the following may also be noted:

A. Vide an email dated August 30, 2019, K. N. Neelkant informed SEBI that during the Company's Board meeting held on May 10, 2019, it was suggested that on account of the ongoing independent investigation and till such time of its completion, he being the Managing Director and CEO, recuse himself from the operations and management of the Company during the course of the investigation. Accordingly, he has stayed away from the operations of the Company.

B. As per the corporate announcement made by the Company on August 30, 2019, V. R. Venkatesh (Chief Financial Officer) was terminated from employment with effect from August 30, 2019, on account of 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."*

C. As stated earlier, Gautam Thapar, was removed as Chairman of the Company as per a filing made by the Company on August 29, 2019. However, he continues as a Non–Executive Director in the Company.

3.6 The share–price movement of the scrip of CG Power during the period from January 1, 2018 to September 4, 2019, is provided in the following table. As can be observed, the price has fallen from a high of ₹92.75 at the beginning of January 2018 to ₹8.65 on August 26, 2019. The scrip has made a minor recovery as on the date of this Order.

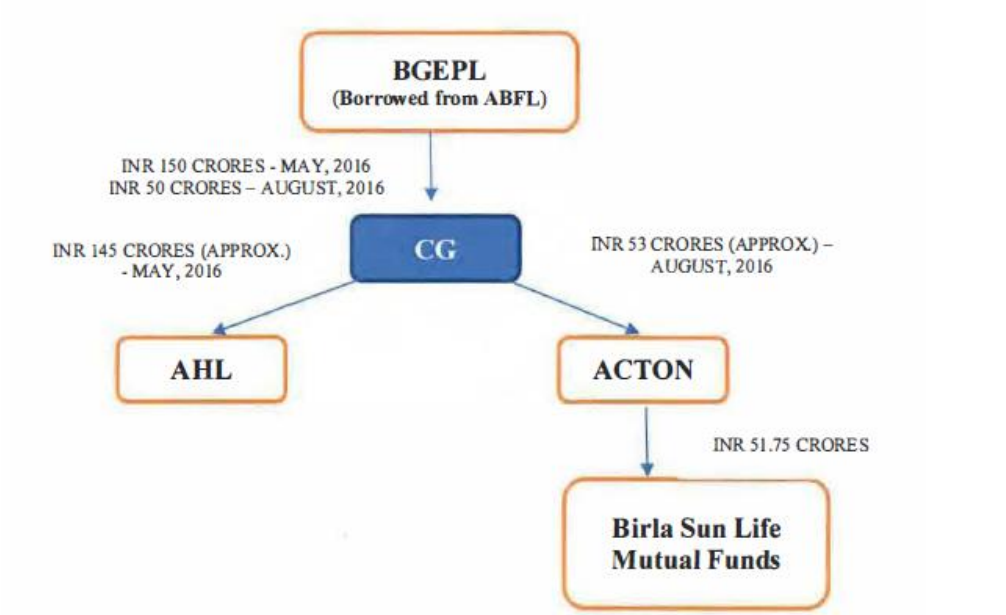
TABLE VIII – SHARE–PRICE MOVEMENT [SOURCE: BSE WEBSITE]

DATE	SHARE PRICE (₹)
1.01.2018	92.75
2.04.2018	78.9
2.07.2018	58.9
1.10.2018	45.55
1.01.2019	45.85
1.04.2019	41.2
1.07.2019	27.7
1.08.2019	18.6
20.08.2019	14.75
26.08.2019	8.65
29.08.2019	9.95
30.08.2019	10.4
4.09.2019	11.55
17.09.2019	15.69

EXAMINATION OF THE PRELIMINARY INVESTIGATION REPORT AND AUDIT REPORT AND FINDINGS –

4.1 An examination of the Preliminary Investigation Report revealed certain *prima facie* irregularities, which have been summarized as under:

i. ***Sale of Nashik property to Blue Garden Estate Private Limited ("Blue Garden").***



a. In 1979, Maharashtra Industries Development Corporation ("**MIDC**") had leased a property it owned in Nashik ("**Nashik property**") to CG Power for a lease term of ninety–five years. As per the terms of the Lease Agreement, CG Power cannot assign/part with possession of land without the consent of MIDC.

b. In May 2016, CG Power entered into an Assignment Agreement with Blue Garden for assignment of its lease rights in the Nashik property, for a consideration amount of ₹264 Crore, without obtaining approval from MIDC. The Assignment Agreement was executed by Madhav Acharya (Executive Director–Finance) on behalf of CG Power and Atul Gulatee (Director) for Blue Garden. For payment of the consideration amount, Blue Garden took a loan of ₹200 Crore from Aditya Birla Finance Limited ("**ABFL**"), which was guaranteed by Avantha Holdings Limited (Holding Company of CG Power) ("**Avantha Holdings**") on behalf of CG Power. The Nashik property was used as a collateral security for the loan taken by Blue Garden from ABFL (by way of right of creation of mortgage). The aforementioned amount was immediately paid to CG Power as an advance wherein the Company had to pay an interest of 15% per annum on such advance. CG Power then further

advanced said amount to Avantha Holdings (₹145 Crore) and Acton Global Private Limited ("**Acton**") (₹53 Crore) without any interest.

c. The majority shareholder of Avantha Holdings was Gautam Thapar (approximately 87%) and it also had Gautam Thapar, Ramni Nirula and B. Hariharan as its Directors at the relevant time. The aforementioned three individuals are/were Directors of CG Power.

d. Blue Garden is an entity incorporated in March 2016 and at the time of execution of the Assignment Agreement, its shareholders were Acton, Nagendra Sayyaparaju and Abhishek Kabra (employees of CG Power).

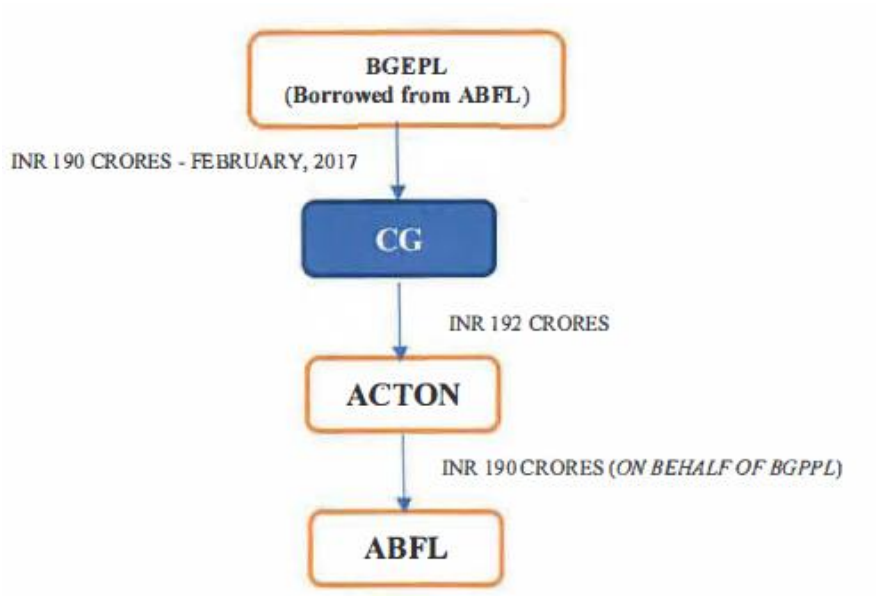
e. Acton is an entity incorporated in March 2016 and at the time of execution of the Assignment Agreement, its shareholders were Nagendra Sayyaparaju and Abhishek Kabra (employees of CG Power).

f. The amount so raised by Blue Garden and the onward lending to Avantha Holdings and Acton were not reflected/recorded in the financial statements of the Company.

g. The following Directors/employees of CG Power and Acton were involved in the instant transactions, viz. –

- Gautam Thapar (erstwhile Chairman of CG Power) – Had executed the Letter of Awareness (of loan availed by Blue Garden and subsequent payment to CG Power).
- Madhav Acharya (erstwhile Executive Director of CG Power) – Had executed various documents on behalf of CG Power.
- Atul Gulatee (erstwhile Global Head of CG Power – Treasury and one of the first Directors of Blue Garden) – Had executed various documents on behalf of Blue Garden.
- B. Hariharan (erstwhile Director of CG Power) – Had executed an Undertaking (collateral security) on behalf of CG Power.
- V. R. Venkatesh (CFO of CG Power) – Had executed a Mortgage (in the event of default) Undertaking in 2018.
- Nagendra Sayyaparaju (employee of CG Power) – One of the Directors and initial shareholder of Acton, Holding Company of Blue Garden.
- Abhishek Kabra (Senior Manager – Treasury in CG Power) – One of the Directors and initial shareholder of Acton.

ii. ***Sale of Kanjurmarg property to Blue Garden.***



a. CG Power had earlier entered into an Agreement ("**Evie Sale Agreement**") to sell a property it owned in Kanjurmarg ("**Kanjurmarg Property**") to Evie Real Estate Private Limited ("**Evie**") for a consideration of ₹498 Crore. The Company had received ₹11 Crore from Evie, as initial consideration. The sale was to be completed before October 27, 2019. However, even before the aforesaid transaction could get terminated, CG Power entered into an Memorandum of Understanding in February 2017 ("**MOU**") with Blue Garden for transfer of the same property for a consideration amount of ₹498 Crore (₹189 Crore to be paid in advance) with a condition that the MOU will take effect only upon the failure of the Evie Sale Agreement.

b. For payment of a part of the consideration amount, Blue Garden took a loan of ₹190 Crore from ABFL. When the aforesaid amount was received by Blue Garden in February 2017, it was immediately paid as an advance by Blue Garden to the Company in terms of the MOU. CG Power thereafter advanced the money to Acton (₹192 Crore) without charging any interest. Acton in turn, utilised the aforementioned amount towards payment against the liability owed by BILT Graphic Paper Products Limited ("**BILT**") to ABFL.

c. At the time of execution of the MOU, there was a charge in the form of negative lien created in favour of Yes Bank Limited ("**Yes Bank**") on the Kanjurmarg Property. Despite such prior charges, a Power of Attorney was created in favour of Blue Garden for creation of the mortgage in the case of default under the MOU by CG Power.

d. No approval was obtained from the Board of CG Power for the execution of the MOU or transfer of money/advance received therein. The amount of ₹190 Crore received from Blue Garden and subsequent transfer of ₹192 Crore to Acton were not disclosed in the Audited Financial Statements of CG Power as the asset was offset against the liability (i.e. there was third party liability of Blue Garden and the asset for receivables from Acton). Thus, the financials have been misrepresented to the aforementioned extent.

e. The following Directors/employees of CG Power and Acton were involved in the instant transactions, viz. –

- Gautam Thapar – BILT is an Avantha Group Company.
- Madhav Acharya – Had executed various documents on behalf of CG Power including signing of the MOU.
- Atul Gulatee – Had executed various documents on behalf of Blue Garden including signing of the MOU.
- V. R. Venkatesh – CFO of CG Power and one of the Directors of Blue Garden and Acton.
- Nagendra Sayyaparaju – One of the directors of and initial shareholder of Acton (i.e. holding company of Blue Garden).
- Abhishek Kabra – Senior Manager – Treasury as he was one of the Directors of and initial shareholder of Acton (i.e. holding company of Blue Garden).
- Anirudh Chopra – Director of Acton and Blue Garden.

iii. ***Cheques issued by the Company in favour of Yes Bank Limited.***

a. Yes Bank had sanctioned Credit facility amounting to ₹500 Crore to Avantha Holdings vide a Sanction Letter dated October 25, 2015. CG Power had issued a Comfort Letter dated November 4, 2015 and had furnished a cheque for ₹210 Crore in favour of Yes Bank for the aforementioned Credit facility.

b. The Board of CG Power only became aware of the Comfort Letter when a request was made by Yes Bank in April, 2019, for renewal of the above mentioned cheque.

c. Avantha Holdings and CG Power were involved in the instant transaction.

d. The following Directors/employees of CG Power were involved in the instant transactions, viz. –

- Gautam Thapar – Personally represented to Yes Bank that he was the person–in–charge of CG Power.
- Atul Gulatee – Had signed the cheques issued by CG Power.
- B. Hariharan – Had signed the cheques issued by CG Power.
- V. R. Venkatesh – Had signed the cheques issued by CG Power.

iv. ***€44 million borrowing by CG International Holdings Singapore Pte. Limited ("CG Singapore") from Standard Chartered Bank ("Standard Chartered"), which was guaranteed by a Corporate Guarantee from CG Power.***

a. The Board of CG Power had purportedly authorized its overseas subsidiaries (vide a Resolution dated November 9, 2017) to avail of new fund–based and non–fund based banking facilities of upto €175 million from banks and financial institutions. Accordingly, CG Singapore, a wholly owned subsidiary of CG Power, entered into a Facility Agreement with Standard Chartered in 2017 for availing a term loan of € 44 million, the guarantee for which was provided by CG Power. The term loan was availed to finance the general corporate purposes, including working capital, of the Borrower Group and any other member of the Group Companies of CG Power (including by way of inter–company loans). The entire facility was drawn by CG Singapore on February 14, 2018. On that same day, there was a remittance instruction provided by CG Singapore for remittance of €44 Million to an overseas entity by the name of Avantha International Assets B.V. (private investment entity of Gautam Thapar) ("**Avantha International**").

b. The Board of CG Power was not aware of the aforementioned borrowing. Further, the remittance was contrary to the provisions of the Facility Agreement, which required the term loan to be used only to finance the general corporate purposes, etc. of CG Power. Further, the Board of CG Power was also not informed of the aforementioned deviation. In addition, while the facility from Standard Chartered was availed at an interest rate of 2.25% + EURIBOR per annum, by CG Singapore, the advance/remittance to Avantha International was interest free.

e. Avantha International and CG Singapore were involved in the transaction.

f. The following Directors/employees of CG Power were involved in the instant transactions, viz. –

- Gautam Thapar – Chairman of CG Power. Further, Avantha International is the private investment entity of Gautam Thapar.
- B. Hariharan – Had signed the remittance instruction for CG Singapore.
- V. R. Venkatesh – Had signed the remittance instruction for CG Singapore.

v. ***$40 million foreign currency Term Loan by CG Middle East from IndusInd Bank, India, which was guaranteed by a Corporate Guarantee from CG IBV.***

a. CG Middle East FZE ("**CG Middle–East**"), an indirect wholly owned subsidiary of CG Power, availed of a Term Loan borrowing from IndusInd Bank, India on the basis of a Sanction Letter dated October 25, 2017. There is a corporate guarantee from CG International BV ("**CG IBV**"), the parent company of CG Middle–East. The entire facility was drawn down in October 2017 by CG Middle–East but the monies were received by CG IBV. Once drawn, substantially the whole sum was paid by CG IBV to the Company (CG Power), which in turn remitted the said monies to CG Power Solutions Limited ("**PSOL**") and which in tum further remitted the said monies to Solaris Industrial Chemicals Limited ("**Solaris**").

b. The Board of CG Power was not aware of the aforementioned borrowing. No Board resolution was passed by CG Power for the corporate guarantee furnished to IndusInd Bank. Further, CG Middle–East (V. R. Venkatesh is its sole Director) is a mainly a sales office and does not have any significant business operations or employees. CG Middle–East had availed of the credit facility at an interest rate of 4.5% + 3 months LIBOR. However, the amounts were advanced/remitted to Solaris on an interest free basis.

c. The borrowing of $40 million was not reflected in the financial statements of CG Middle–East and the provision of guarantee was not reflected in the financial statements of CG IBV.

d. CG IBV (wholly owned subsidiary of CG Power and CG Singapore), PSOL (wholly owned subsidiary of CG Power) and Solaris (an entity forming a part of the Avantha Group and having the same registered officer address as Avantha Holdings) were involved in the transaction.

e. The following Directors/employees of CG Power were involved in the instant transactions, viz. –

- Gautam Thapar – Solaris Industrials Chemicals Limited is a Avantha Group Company.
- B. Hariharan – Had, without Board authorization, executed the Deed of Guarantee with IndusInd Bank.
- V. R. Venkatesh – Had, without Board authorization, executed the Facility Agreement along with Deed of Guarantee with IndusInd Bank.

vi. ***Outstanding advances to Vendors in CG Singapore.***

a. In accordance with a Services Agreement executed in January 2013 ("**Mirabelle Agreement**"), CG Singapore had made certain advances to Mirabelle Trading Pte. Limited ("**Mirabelle**") during the period March 2018–July 2018. The services provided by Mirabelle in accordance with the Mirabelle Agreement *inter alia* included:

- Creating new business opportunities for the transformer business and other businesses of CG Power.
- Setting up of JV in Indonesia and all activities connected thereto – The services were with respect to a joint venture of CG Singapore with a local utility company in Indonesia. A 51: 49 Joint Venture in Indonesia was pursued between CG Singapore and a local utilities Company i.e. PT Prima Layanan Nasional Enjiniring. The JV entity was set up in May 2014 by the name of PT Crompton Prima Switchgear Indonesia.
- Establishing business in Malaysia.
- Identifying customers and getting orders, arranging for financing, etc. for a total fee of $20.15 million.

b. The Mirabelle Agreement was executed on behalf of CG Singapore by Madhav Acharya, a Director of CG Power but not CG Singapore. No Board Resolution, etc. authorizing Madhav Acharya to enter into the said Agreement was available. At the relevant time of executing the Mirabelle Agreement, Mirabelle was a *'related party'* of CG Singapore. Mirabelle (an associate Company of Avantha Holdings) had only one Director and did not possess the requisite expertise or domain knowledge for rendering services contemplated under the Mirabelle Agreement. Further, payments made to Mirabelle did not carry any interest.

c. CG Singapore and Mirabelle were involved in the transaction.

d. The following Directors/employees of CG Power were involved in the instant transactions, viz. –

- Gautam Thapar – Mirabelle is an associate Company of Avantha Holdings.
- Madhav Acharya – Had, without Board authorization, executed the Mirabelle Agreement.

vii. ***Outstanding advances to Vendors in CG Middle East.***

a. Several advances amounting to approximately €34 million have been identified by M/s SRBCC & Co. LLP (Auditors of CG Power appointed in September 2018) ("**SRBCC**") in the books of CG Middle–East between the Financial Years FY 2017–18 and 2018–19, which are outstanding as on date of the Preliminary Investigation Report.

TABLE IX – OUTSTANDING ADVANCES TO VENDORS IN CG MIDDLE EAST

NATURE OF PAYMENT	AMOUNT (IN MILLION EURO)
ADVANCES/PAYMENTS TO VENDORS (CONSUMER CONTRACTS) (ITEM 1)	26.50
ADVANCES TO GROUP ASSOCIATE COMPANIES (ITEM 2)	0.62
INTEREST ON INDUSIND TERM LOAN (ITEM 3)	1.20
OTHER ADVANCES/ACCOUNTS RECEIVABLES (ITEM 4)	5.60
TOTAL	**33.92**

b. In relation to Item 1, CG Middle–East appointed various Service Agents in relation to the certain Customer Contracts (sale/purchase of transformers, etc.) in order to mitigate the risk of any potential claims. The aggregate value of such Contracts made with Service Agents is approximately €35 million, which represents in excess of 45% of the aggregate value of the aforesaid Customer Contracts, which do not appear to represent 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.

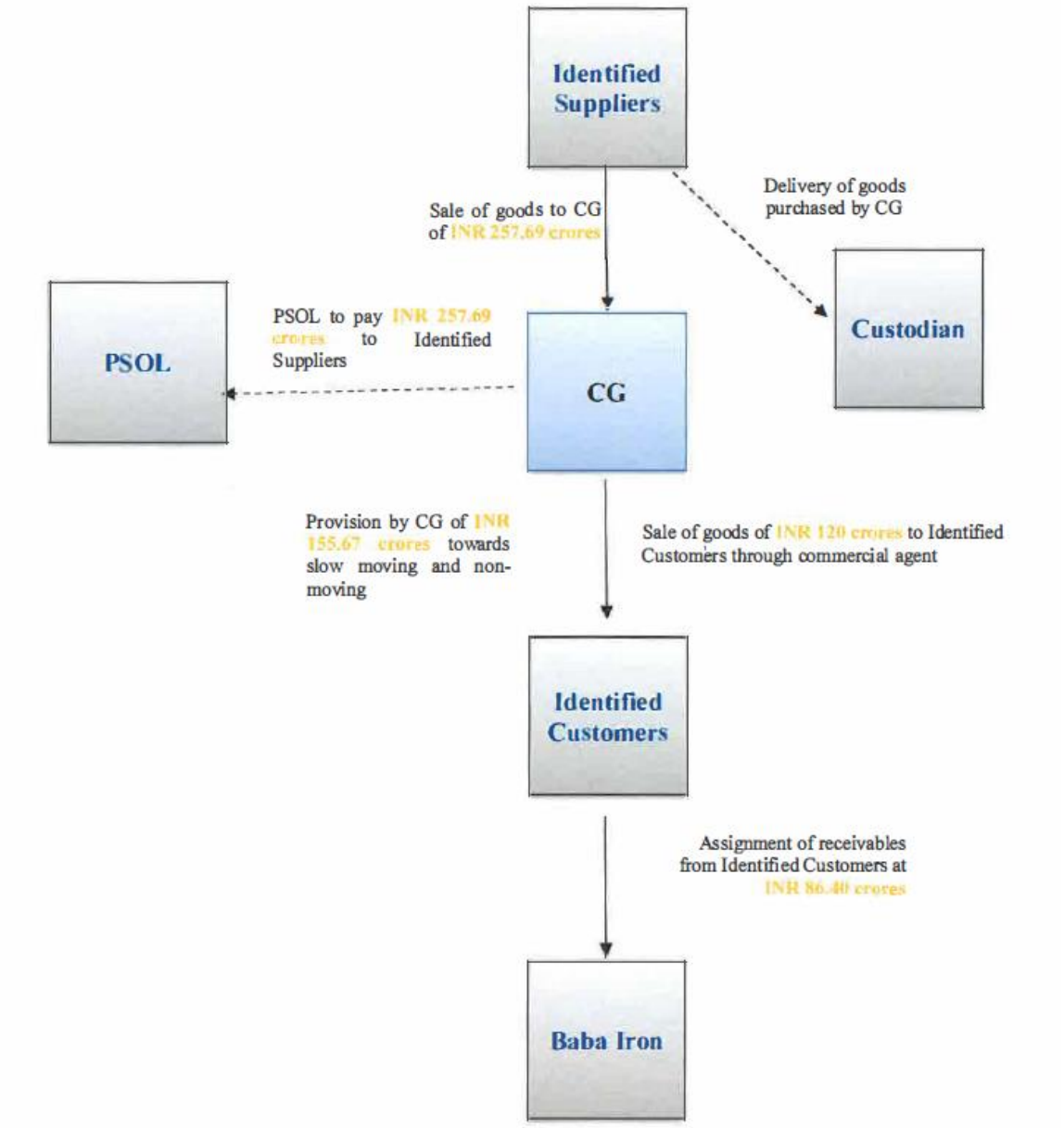
c. As regards Items 2–4, €0.62 million was advanced as an interest free loan by CG Middle–East to Ballarpur International Holdings BV (wholly owned subsidiary of Ballarpur Industries Limited, an associate company of Avantha Holdings) ("**Ballarpur International**"); €1.2 million was towards interest costs incurred in relation to the Term loan facility availed by CG Middle–East from IndusInd Bank; €5.6 million represented balances from debtors which have been written off as CG Middle–East has not been able to realise the same.

d. No Board resolution was passed by CG CG Middle–East for the execution of contracts with Service Agents. Further, no Board approvals were granted in respect of loan facility provided to Ballarpur International.

e. CG Singapore and Ballarpur International were involved in the transaction. The following Directors/employees of CG Power were involved in the instant transactions, viz. –

- Gautam Thapar – Ballarpur International is an associate Company of Avantha Holdings.
- V. R. Venkatesh – Had, without Board authorization, executed contracts with Service Agents.

viii. ***Outstanding trade receivables aggregating to ₹108 Crore from Identified Customers.***



a. The Company had entered into Tripartite Agreement on January 1, 2017, with Identified Suppliers and PSOL (subsidiary of CG Power) for purchase of commodities. The liability of the Company towards the Identified Suppliers (Jointly, Mahalaxmi Traders, Swastik Trading Company, Star International, Kaushal Trading Company, Shri Bala Ji Projects and Shri Sai Sales Projects) owing to purchase of commodities shall be discharged by PSOL as PSOL owed certain monies to the Company pursuant to a Loan Agreement dated May 2, 2016. The inventory appeared to have been sold to the Identified Customers (Jointly, Miriam International, Sidhi Vinyank Traders and Jain Enterprises) for an aggregate amount

of ₹120 Crore. The Company made a provision to the extent of ₹155.67 Crore towards slow moving and non–moving inventory. Further, the Company made a provision of ₹12 Crore as liquidated damages out of the aggregate amount of ₹120 Crore receivables.

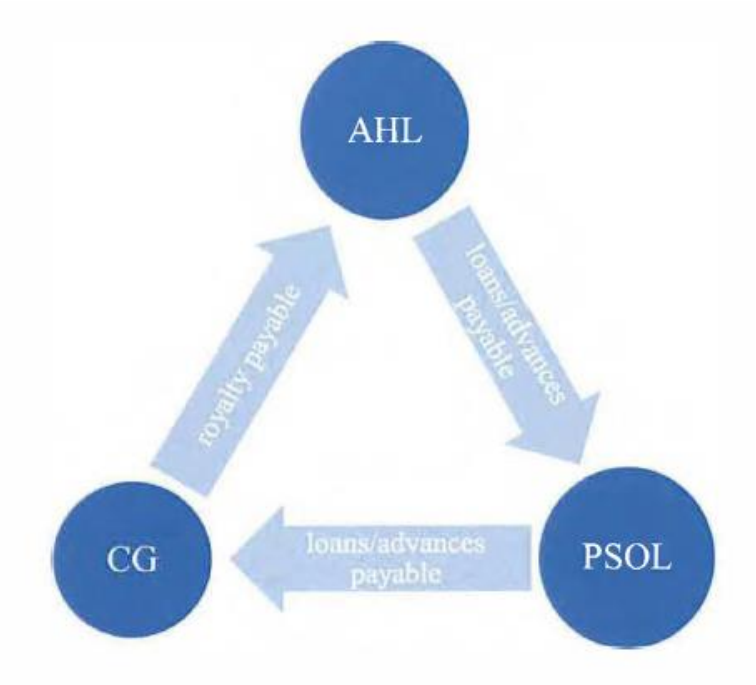
b. The Supplier Agreements were executed on the letterhead of each of the Identified Suppliers, who were all based out of Delhi and also had identical formats in respect of their letterheads. Necessary documentation to support the purchase from the Identified Suppliers were not made available and many such Suppliers did not appear to exist at their addresses as noted from the records of the Company. The format of the P.O. issued by the Identified Customers and the description of goods mentioned in the P.O. for each of the Identified Customer is identical. The Identified Customers did not pay the amounts due as on the applicable due date(s). Baba Iron, an NBFC, with whom a Debt Servicing Agreement was signed, did not appear to exist at the address provided by the Company. The purchases and sales appear dubious and seemed to have been made with the objective of reducing the outstanding loan availed by PSOL from the Company. Further, the PSOL Loan Agreement (Loan agreement between CG Power and PSOL) was executed without the authorizations by the respective board of directors of the Company or PSOL.

c. PSOL, a wholly owned subsidiary of CG Power, was involved in the transaction.

d. The following Directors/employees of CG Power were involved in the instant transactions, viz. –

- Madhav Acharya – Had executed PSOL Loan Agreement without Board approval. Further, procurement and sale transactions by the Company were executed at his behest.
- B. Hariharan – Had executed PSOL Loan Agreement without Board approval.
- V. R. Venkatesh – Had approved payments to be made to the Commercial Agent (who brought in the identified customers) and had signed the Journal Voucher whereby the Company made a provision to the extent of ₹155.67 Crore towards slow moving and non–moving inventory, which was not in accordance with the Rules of Procedure of CG Power.

ix. ***₹229 Crore paid to CG Power Solutions Limited ("CG Power Solutions").***



a. Avantha Holdings and CG Power had entered into a Brand License and Brand Support Agreement dated January 25, 2010 for granting CG Power the right to use *'Avantha'* brand owned by Avantha Holdings for the consideration mentioned therein. Thereafter, Avantha Holdings and CG Power entered into various amendment agreements to record the revised terms and conditions for the use of *'Avantha'* brand (collectively, "**Old Royalty Agreement**"). The last royalty payment made by CG Power to Avantha Holdings for using the *'Avantha'* brand was on August 31, 2018.

b. Thereafter, Avantha Holdings and CG Power entered into Avantha Brand Usage Agreement dated February 13, 2019 ("**New Royalty Agreement**") which superseded and replaced the earlier Old Royalty Agreement and monetized 50% of the royalty payable by CG Power to Avantha Holdings of ₹411.20 Crore from October 1, 2018 in perpetuity and the balance 50% of the annual royalty payments would be payable by CG Power on its annual consolidated net operating revenue to Avantha Holdings. While the New Royalty Agreement was executed between Avantha Holdings and CG Power, it is understood that Avantha Holdings and CG Power were still in talks to revise the terms pertaining to consideration payable by CG Power to Avantha Holdings.

c. PSOL had taken loans from CG Power and had in turn had made certain advances to Avantha Holdings, which stood at ₹778 Crore as on November 13, 2018. The amounts were however, not repaid by Avantha Holdings to PSOL.

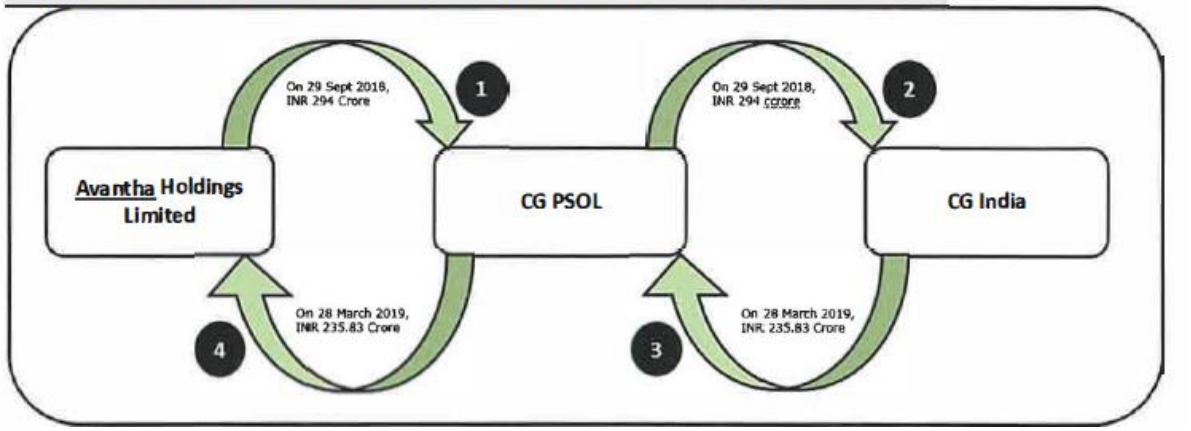
d. Towards repayment of these advances, Avantha Holdings addressed a letter dated September 28, 2018 to CG Power ("**Avantha Holdings Letter**") wherein Avantha Holdings proposed to make a deposit of ₹229 Crore ("**Deposit Amount**") with CG Power subject to the following:

- CG Power placing the Deposit Amount in a fixed deposit;
- Royalty being paid by CG Power to Avantha Holdings on or before March 20, 2019;
- The amount of royalty to be paid by CG Power to Avantha Holdings shall be appropriated out of the Deposit Amount towards part repayment of earlier advances by CG Power/ PSOL to Avantha Holdings;
- Royalty being paid to a specific bank account of Solaris maintained with IndusInd Bank, Barakhamba Road Branch, New Delhi;
- If royalty is not paid on or before March 20, 2019, the Deposit Amount to be refunded by CG Power.

e. PSOL received a payment of ₹294 Crore from Avantha Holdings on September 29, 2018 and transferred the entire sum to CG Power on the same day. Subsequently, CG Power created 5 fixed deposits with IndusInd Bank aggregating to ₹229 Crore and the balance ₹65 Crore out of ₹294 Crore was utilized by CG Power. As stated above, Avantha Holdings and CG Power entered into New Royalty Agreement on February 13, 2019. However, Avantha Holdings and CG Power were still in talks to revise the terms pertaining to consideration payable by CG Power to Avantha Holdings. Since, Avantha Holdings and CG Power could not reach a consensus on the payment terms prior to March 20, 2019, CG Power did not pay royalty to Avantha Holdings as contemplated under the Avantha Holdings Letter.

f. On account of non–compliance of the agreed terms of the Avantha Holdings Letter, CG Power transferred ₹235.83 Crore (Deposit Amount + interest) to PSOL on March 28, 2019 which in turn was transferred by PSOL to AHL the same day. A pictorial representation of the aforesaid transaction given below:

A pictorial representation of the movement of the funds based on the analysis of bank statements of CG India and CG PSOL for the FY 2018-19 is provided below –



g. The Board of CG Power was not aware of Avantha Holdings' letter or the terms and conditions proposed therein. The instant transaction appeared to have been carried out in order to reduce Avantha Holdings' liability with respect to the CG Power and CG Power Group.

h. Avantha Holdings and PSOL were involved in the transaction.

i. The following Directors/employees of CG Power were involved in the instant transactions, viz. –

- V. R. Venkatesh – Had purportedly informed the Board of CG Power of Avantha Holdings' letter along with the understanding to reduce the debts between the companies. However, the same was not recorded in the minutes of the Board Meeting.

4.2 As stated earlier, the examination conducted by SEBI was for ascertaining as to whether or not there were any violations of the provisions of securities laws, etc. by the Company and its Directors/Promoters, during the period 2016–2019. Upon a consideration of paragraph 4.1, it is *prima facie* noted that the Chairman along with certain Directors, employees of CG Power and related entities, had perpetrated certain irregularities, which *inter alia* included:

i. The use of certain assets of the Company as collateral including being Co–Borrower and/or Guarantor for enabling third parties to obtain loans without due authorisation from the Board of CG Power.

ii. Routing transactions through subsidiaries, Promoter–affiliated Companies and other connected parties for the ultimate benefit of companies related to Promoter Group.

iii. Inappropriate netting–off the liabilities with the receivables from different entities.

iv. The use of different accounting heads for concealing payments made by CG Power.

v. Interest free advances to Promoter–affiliated Companies.

vi. Entering into dubious transactions for reducing the liability of the Promoter–affiliated Companies towards CG Power/Group Companies.

4.3 In addition to the above, the following is also noted from the Audit Report of the Company for the Financial Year ended March 31, 2019, as submitted by SRBCC:

i. Certain unauthorized/unapproved banking transactions in the nature of loans (unauthorized transactions/ loans) taken from banks / financial institutions (lenders)/a connected party aggregating to ₹635 Crore were not disclosed in the Standalone Financial Results of prior years/periods by off-setting against certain related and unrelated party balances. Further, as explained by the management in note 6(b), interest expenses of ₹90.93 Crore which were serviced by the Company in relation to these unauthorized loans were accounted under different heads in the Standalone Statement of Profit and Loss and were mis–represented in the financial statements/ results of prior years/periods.

ii. The nature of certain transactions entered into by the Company with the related and unrelated parties aggregating to ₹635 Crore and which were not disclosed in the financial statements of prior years, by off–setting such transactions against certain undisclosed borrowings and have now been recorded and reinstated in the respective prior years / periods. As explained in note 6(q), the Company also has loans including interest receivables and advances recoverable from related and unrelated parties, as reinstated on March 31, 2019, aggregating to ₹2,439.94 Crore for which further interest income aggregating to ₹337.61 is currently not recorded as at March 31, 2019.

iii. Note 6(e) of the Standalone Financial Results which describes that bank balances were overstated and advances receivable from related parties were understated by ₹400 Crore and ₹300 Crore as at March 31, 2018 and April 1, 2017 respectively, which have now been restated by the Company.

iv. Notes 6(k) and 6(n) of the Standalone Financial Results which describe that the Company has written back in the Standalone Financial Results certain amounts which were previously expensed off. These amounts were presented as amounts charged off in relation to inventories/trade advances/unbilled dues from customers/ loans given to related, unrelated parties and connected parties

aggregating to ₹634.40 Crore… As informed by the management, these amounts were written off in the prior years/periods were misrepresented to the Board of Directors and were wrongly grouped in the financial statements / results of prior years / periods under various heads, instead of related and unrelated party balances being written off.

v. *Note 6(k) of the Standalone Financial Results which describes that during our audit, we identified certain trade receivables balances amounting to ₹120 Crore against which provision for doubtful trade receivable of ₹108 Crore was made in the current year and ₹12 Crore was made in the prior years/periods. The underlying sale transactions and recording of provisions were found to be suspicious in nature and not in the normal course of business of the Company.*

vi. *Based on the interim response received from the Board of Directors of the Company, we filed our preliminary response to the Central Government reporting the suspected fraudulent transactions and balances... We were unable to satisfy ourselves as regards the commercial nature of the underlying transactions. On further independent investigation by the Board of Directors, we are informed, that these transactions appear to be fraudulently accounted as trade receivables instead of being accounted as advances to related parties. The Board of Directors have reinstated opening balances in prior years/periods.*

vii. *Note 6(c)(i) of the Standalone Financial Results which states that the management has not accounted contractual royalty expense amounting to ₹27.88 Crore for the six months period ended March 31, 2019.*

viii. *Notes 6(a), 6(b), 6(i), 6(n) and 6(q) of the Standalone Financial Results, the Company has entered into various transactions with certain identified group companies (termed as connected parties) wherein some of the Company's employees own beneficial ownership in such connected parties and further certain senior management personnel of the Company are directors of these connected parties. The Company has not identified these connected parties as related parties and has not yet completed its assessment to determine the nature of its relationship with these connected parties.*

ix. *We have sent independent balance confirmations to banks/financial institutions for borrowings, bank balance and certain trade receivables selected on sample basis. We have not received responses to our request for such balance confirmations towards borrowings of ₹263.09 Crore, bank balances of ₹3.13 Crore and trade receivables of ₹1,035.43 Crore and confirmation from banks/financial institutions in respect of the details of securities, lien, collaterals, guarantees, etc.*

x. *Note 10 in the Standalone Financial Results indicates that (a) the Company has incurred net losses during the current and previous years; (b) the Company's current liabilities exceeded its current assets as at the balance sheet date; (c) the Company has the short term outstanding borrowings repayable*

over next 12 months aggregating to ₹1,411.55 Crore; and (d) pending outcome of investigation initiated, the management has not concluded on the recoverability of loans and advances from related and unrelated parties.

xi. We are unable to comment on whether the company will be able to continue as a Going Concern.

4.4 **Receivables for CG Power and its Subsidiaries –**

A. The Company in its filing made to the Stock Exchanges on August 20, 2019, has *inter alia* stated in its Notes to consolidated management compiled financial information that an amount of ₹2,935.84 Crore is receivable balances for the CG Power Group from various Promoter Affiliate Companies and connected parties and ₹326.30 Crore is the advances/loan payable by the CG Power Group to its related/connected parties.

B. The Company vide an e–mail dated September 16, 2019, has provided the break–up of receivables and advances to related and connected parties. The amount of loans/ advances to related and connected parties which were undisclosed in the financial statements of the previous years are as under:

TABLE X – RECEIVABLES BALANCES FROM VARIOUS PROMOTER AFFILIATE COMPANIES AND CONNECTED PARTIES [AMOUNT IN ₹CRORE]

NAME OF ENTITY	RELATIONSHIP	AS ON 31.03.2019	UNDISCLOSED ITEMS DISCLOSED AND ADJUSTED IN 30.08.2019 PRESS RELEASE
A. ADVANCE/LOAN GIVEN			
AVANTHA HOLDINGS LIMITED	PROMOTER COMPANY	1006.22	179.72
AVANTHA INTERNATIONAL ASSETS BV	RELATED PARTY	350.74	350.74
AVANTHA REALTY LIMITED	RELATED PARTY	10.65	-
AVANTHA POWER AND INFRASTRUCTURE LIMITED	RELATED PARTY	15.00	15.00
ACTON GLOBAL PRIVATE LIMITED	CONNECTED PARTY*	175.00	175.00
BALLARPUR INDUSTRIES LIMITED	RELATED PARTY	68.50	68.50
BALLARPUR GRAPHICS PAPER PRODUCT LIMITED	RELATED PARTY	552.33	552.33
BALLARPUR INTERNATIONAL HOLDINGS BV	RELATED PARTY	70.33	85.37
BLUE GARDEN ESTATE PRIVATE LIMITED	CONNECTED PARTY*	287.74	287.74
MIRABELLE TRADING PTE LIMITED	RELATED PARTY	93.33	93.33
SOLARIS INDUSTRIAL CHEMICALS LIMITED	RELATED PARTY	306.00	378.20
TOTAL		**2935.84**	**2185.93**
BLUE GARDEN ESTATE PRIVATE LIMITED	CONNECTED PARTY*	320.00	320.00
MIRABELLE TRADING PTE LIMITED	RELATED PARTY	6.30	6.30
TOTAL		**326.30**	**326.30**

*****'CONNECTED PARTY' IS THE EXPRESSION USED BY CG POWER TO REFER TO ENTITIES WHERE ITS EMPLOYEES ARE SHAREHOLDERS/DIRECTORS.

C. Thus from the disclosures made by the Company, an amount of ₹2185.93 Crore is receivable balances for the CG Power Group from various Promoter Affiliate Companies and connected parties and ₹326.30 Crore is the advances/loan payable by the CG Power Group to its related/connected parties.

5.1 Role of Gautam Thapar in the alleged irregularities –

A. In his reply, Gautam Thapar has denied the findings of the Preliminary Investigation Report on the grounds that the Report is neither complete nor accurate nor takes into consideration the facts that the transactions now impugned were authorised by the Risk and Audit Committee of the Company and the Board. Further, Gautam Thapar had submitted that the appointment of the independent law firm was not made by the Board of the Company but rather by an Operating Committee of the Company formed pursuant to a Board Resolution dated March 8, 2019.

B. Gautam Thapar had *inter alia:*

i. Executed Letter of Awareness in his personal capacity to ABFL (of loan availed by Blue Garden and subsequent payment to CG Power) but did not bring it to the notice of the Board.

ii. Involved in structuring of the transaction relating to the Nasik property between CG Power and Blue Garden, which finally resulted in an amount of ₹145 Crore being advanced to Avantha Holdings, without any interest.

iii. Involved in structuring of the transaction relating to the *Kanjurmarg property*, where a series of transactions between CG Power and Blue Garden and others resulted in the liability of BILT, another Avantha Group Company, being paid off by Acton, with the money received from CG Power.

iv. Transfer of money of €44 million by CG Singapore to Avantha International, the private investment entity of Gautam Thapar.

v. Transfer of $40 million by CG Middle–East to Solaris, the ultimate beneficiary, which is part of the Avantha group.

vi. Negotiations with Yes Bank for sanctioning ₹500 Crore credit facility to Avantha Holdings, for which CG Power stood Guarantee.

vii. Advances made by CG Singapore during March–July 2018 to Mirabelle, an Associate Company of Avantha Holdings.

viii. Failed to inform the Board of CG Power of the aforesaid transactions and did not disclose his interest in the said transactions.

ix. Allowed transactions to be executed by CG Power even though its Board was unaware of most of them.

C. At the relevant time, Gautam Thapar was the Chairman of CG Power and was also a substantial shareholder (87%) in Avantha Holdings, a Promoter Company of CG Power. Further, Avantha International is a private investment firm owned by Gautam Thapar while BILT, Mirabelle, Solaris and Ballarpur International are Avantha Group Companies. Vide a Circular Resolution dated August 29, 2019, the Company had stated that it had taken cognizance of the findings in the Preliminary Investigation Report as well as certain additional suspect, unauthorised and undisclosed transactions and entries identified by the Company during further verification, which were found to have involved Avantha Holdings. Accordingly, certain Directors on the Board had met with some key shareholders and lenders of the Company and it was felt that continuation of Gautam Thapar on the Board and specifically as the Chairman is not in the interest of the Company. Further, it is noted that CG Power had informed BSE and NSE on August 29, 2019 that: *"the Board of Directors through a Circular Resolution dated August 29, 2019, passed by majority consent, have resolved to remove Mr. Gautam Thapar as the Chairman of the Board with immediate effect. This decision has been taken in the interests of the Company and its stakeholders in discharge of the fiduciary responsibilities of the Board."* However, Gautam Thapar continues to remain a Director of CG Power.

5.2 Role of V. R. Venkatesh in the alleged irregularities –

A. In his reply, V. R. Venkatesh has submitted that as already informed by the Company to the stock exchanges on March 8, 2019, he had tendered his resignation but was asked to continue first until June 30, 2019 and subsequently until the finalization of the accounts. However, while he has continued as CFO at the request of the Board of CG Power, in view of his resignation, he neither has the Reports referred to in the filings nor was present in the meeting of the Board when the Report(s) was/were discussed.

B. As regards V. R. Venkatesh (CFO of CG Power), it is noted that the Company had informed BSE and NSE on August 30, 2019 that *"…on recommendation of the Nomination and Remuneration Committee of the Company, the Board of Directors of the Company have at its meeting held on August 30, 2019 terminated the employment of Mr. V. R. Venkatesh as the Chief Financial Officer of the Company … with immediate effect. 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."* V. R. Venkatesh was *inter alia*:

i. Involved in structuring of transactions related to transfer of *Nashik property* and *Kanjurmarg property*. He is presently a Director in Blue Garden and Acton, both of which have been used to funnel moneys to Avantha Holdings Limited.

ii. Executed an undertaking in favour of ABFL, for creation of right of mortgage of the *Nashik property*, without approval from the Board of CG Power.

iii. Unauthorized signing of cheques issued to Yes Bank as a guarantee for credit facilities availed by Avantha Holdings.

iv. Unauthorized remittance instruction for transferring money from CG Singapore to Avantha International, while being on the Board of both CG Power and CG Singapore.

v. Unauthorized execution of Facility Agreement and Deed of Guarantee to IndusInd Bank on behalf of CG Middle–East and CG IBV.

vi. Gave instructions for draw down of the facility availed by CG Middle–East in the books of CG IBV.

vii. Approved payments to be made to the Commercial Agents (who brought in identified customers to the company) who could not be traced by the Investigation Team.

viii. Executing contracts with the Service Agencies to mitigate the risk of potential claims associated with certain customer contracts, without the authorization of the Board of CG Middle–East.

C. In addition to the above,

i. In the case of ₹229 Crore paid by Avantha Holdings to PSOL, Avantha Holdings sent a letter to CG Power undertaking to deposit a sum of ₹229 Crore with CG Power subject to certain conditions, which were ultimately detrimental to CG Power. V. R. Venkatesh, on behalf of CG Power, sent a letter undertaking acceptance of the Conditional deposit and terms thereof. However, this did not have the approval of the Board of CG Power. By doing so, he aided Avantha Holdings in reducing its liabilities towards CG Power and its Group Companies.

ii. Moreover, it is pertinent to note that the CFO provides a certification under Regulation 33(2) of the LODR Regulations 2015, along with the CEO, that the financial results do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures contained therein misleading. The CFO should take due care to ascertain that the contents of the financial statements of the company are substantially accurate and that it presents a true and fair picture of the state of the company's financial affairs. *Prima-facie*, it appears that the V. R. Venkatesh has failed in his duties as CFO of the Company.

5.3 Role of Madhav Acharya in the alleged irregularities –

A. In his reply, Madhav Acharya has stated that he was the CFO of CG Power from November 1, 2009 to August 11, 2017 and had resigned on account of personal reasons. He has also stated that having resigned from CG Power, he does not have access to any current information or data of the Company and he was writing to the Company requesting information.

B. In the transactions mentioned at paragraph 4.1, Madhav Acharya had *inter alia:*

i. Executed various documents, including MOU with BGEPL, on behalf of CG Power in the transactions involving sale of Nashik and Kanjurmarg properties to BGEPL.
ii. Executed agreement with Mirabelle without the authorization of the Board of CG Singapore.
iii. Executed PSOL Loan Agreement on behalf of CG Power, without the authorization of its Board.
iv. Procurement and sale transactions from identified suppliers and customers mentioned at paragraph 4.1(viii) were executed at his behest.

C. Looking at the transactions mentioned above it is evident that these were carried out to ostensibly reduce the liabilities of the Avantha Group companies by using CG Power and its subsidiaries.

D. Documentations to support of purchase of goods from Suppliers and sale to the customers were not available with the Company. Further, the existence of identical Supplier Agreements, identical invoices by the suppliers, identical purchase orders by the customers and accounting entries being recorded by CG Power prior to the date of invoice of the Suppliers raises suspicion of a well–organized *'fraud'* carried out by select individuals, in this case Madhav Acharya, in manipulating the financials of CG Power.

5.4 Role of B. Hariharan in the alleged irregularities –

A. In his reply, B. Hariharan has stated that he is no longer a Director in CG Power.

B. In the transactions mentioned at paragraph 4 of the Order, Hariharan had *inter-alia:*

i. Executed an Undertaking (collateral security) on behalf of CG Power in the transaction relating to sale of the *Nashik property.*

ii. Had signed the cheques issued on behalf of CG Power to Yes Bank as guarantee for the loans availed by Avantha Holdings. He had failed to obtain authorization from the Board of CG Power for the aforementioned.

iii. Signed the remittance instruction for transfer of €44 Million to Avantha International Asset B.V., an Avantha Group Company.

iv. Executed Deed of Guarantee on behalf of CG IBV, without the authorization of the Board.

v. Executed the PSOL Loan Agreement without the authorization of the Board.

C. B. Hariharan was the Director of CG Power from November 1, 2012 to March 8, 2019 and had resigned. He was also a Director on the Board of some of the subsidiaries of CG Power. He is at present, a Director on the Board of Ballarpur Industries Limited, a listed sister concern of CG Power. B. Hariharan has *prima facie* been involved in the affairs of the Company as a Director for 7 years and has signed important documents despite the transactions not being approved by the Board of CG Power.

5.5 Role of Avantha Holdings, Avantha International, Acton, Ballarpur International, Mirabelle and Solaris in the alleged irregularities –

A. From the preceding paragraphs, it is noted that the funds diverted from CG Power 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. Having regard to the findings in the preceding paragraphs, the aforementioned entities as recipients of the fraudulent transfer of funds of the Company amounting to ₹1223.80 Crore (as noted from Table X) and are *prima facie* liable for the manipulation in respect of the financials of CG Power.

5.6 At this stage, I find it relevant to reproduce the following applicable provisions of the SEBI Act, 1992 ("**SEBI Act**"), SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 ("**PFTUP Regulations 2003**") and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR Regulations 2015**"):

SEBI Act

12A. No person shall directly or indirectly—

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

PFTUP Regulations 2003

3. Prohibition of certain dealings in securities.

No person shall directly or indirectly –

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices.

(1) Without prejudice to the provisions of Regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—

(f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities;

(r) planting false or misleading news which may induce sale or purchase of securities.

LODR Regulations 2015

4. (2) (f) Responsibilities of the Board of Directors:

The Board of Directors of the Listed Entity shall have the following responsibilities:

(i) Disclosure of information:

(1) Members of board of directors and key managerial personnel shall disclose to the board of directors whether they, directly, indirectly, or on behalf of third parties, have a material interest in any transaction or matter directly affecting the listed entity.

(2) The board of directors and senior management shall conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making.

(ii) Key functions of the Board of Directors –

(7) Ensuring the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

(iii) Other responsibilities:

(3) Members of the board of directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the listed entity and the shareholders.

(6) The board of directors shall maintain high ethical standards and shall take into account the interests of stakeholders

Obligations with respect to employees including senior management, key managerial persons, directors and promoters – Regulation 26(3):

All members of the board of directors and senior management personnel shall affirm compliance with the code of conduct of board of directors and senior management on an annual basis.

Financial Results – Regulation 33(2):

The approval and authentication of the financial results shall be done by listed entity in the following manner:

a) The quarterly financial results submitted shall be approved by the Board of Directors:

***Provided** that while placing the financial results before the board of directors, the chief executive officer and chief financial officer of the listed entity shall certify that the financial results do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures contained therein misleading.*

5.7 I note that an examination of the Preliminary Investigation Report along with a consideration of the Audit Report *prima facie* indicate a serious misstatement of accounts and diversion of funds from a listed Company and/or its subsidiaries/associates, which are in violation of the provisions of the SEBI Act, PFUTP Regulations 2003 and the LODR Regulations. Accordingly, I find that:

I. Gautam Thapar, V. R. Venkatesh, Madhav Acharya, B. Hariharan along with the Promoter Company and entities related/connected with the Company, viz. Avantha Holdings Limited, Acton Global Private Limited and Solaris Industrial Chemicals Limited have *prima facie* violated Sections 12A(a), (b) and (c) of the SEBI

Act and Regulations 3(b), (c) and (d), 4(1) and 4(2)(f) and (r) of the PFUTP Regulations, 2003.

II. Gautam Thapar, Madhav Acharya and B. Hariharan have *prima facie* violated Regulations 4(2)(f)(i)–(ii), 4(2)(f)(iii)(3) and (6) of the LODR Regulations 2015.

III. Gautam Thapar, Madhav Acharya and B. Hariharan have *prima facie* violated Regulation 26(3) of the LODR Regulations 2015 on account of having violated the provisions of the Code of Conduct for employees of CG Power.

IV. V. R. Venkatesh has *prima facie* violated Regulation 4(2)(f)(i)(2) and Regulation 26(3) of the LODR Regulations 2015.

V. V. R. Venkatesh and Madhav Acharya have *prima facie* violated Regulation 33(2)(a) of the LODR Regulations 2015.

5.8 The trail of the transactions reproduced at paragraph 4.1 read with the observations contained in the Audit Report (paragraph 4.3) as also corroborated by the disclosures made by the Company in respect of its Receivables (paragraph 4.4) *prima facie* indicate that the interests of the shareholders of the Company may be adversely affected, if not interrupted at this stage. The transactions were purportedly carried out by certain Company personnel (both current and past) including certain Non–Executive Directors, KMPs, etc. The aforesaid transactions are *prima facie* designed to divert/siphon off money from the listed company, which rightfully belongs to its shareholders. Some of the outgoing fund transfers do not appear to be supported by any comprehensible underlying transactions raising doubts on the bona fides and leaving gaps between various transactions. These acts on the part of the Noticees have resulted in the shareholders of CG Power losing the value of their shareholding which amounts to a *'fraud'* on its public investors. While some information has emerged on the basis of a preliminary examination, a detailed forensic audit could bring out the complete picture and the extent of the misstatement/misappropriation. However, at this stage, it is necessary to adopt some urgent measures to safeguard the interests of shareholders of CG Power and protect the integrity of the securities market, by securing any further erosion of the fundamentals of the listed Company. However, having regard to the material available on record, the directions in these proceedings are limited to only Gautam Thapar, V. R. Venkatesh, Madhav Acharya and B. Hariharan and certain companies i.e. the Promoter Company, Avantha Holdings and entities connected/related with the Company, viz. Acton and Solaris as *prima facie* they have acted in a fraudulent manner in respect of their involvement in the aforementioned irregularities, which occurred without the knowledge of the

Company and without any approval from its Board. In light of the aforesaid, effective and expeditious action by way of an *Ad Interim Ex-Parte Order* is required to be taken against the aforementioned entities.

ORDER –

6.1 In view of the foregoing, in order to protect the interest of the investors and the integrity of the securities market, I, in exercise of the powers conferred upon me in terms of Section 19 read with Sections 11(1), 11(4) and 11B of the SEBI Act, hereby issue the following directions –

(i) Noticees no. 2–5 i.e. Gautam Thapar, V. R. Venkatesh, Madhav Acharya and B. Hariharan are restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities in any manner whatsoever, either directly or indirectly, till further orders.

(ii) Noticees no. 2–5 are restrained from being associated with any intermediary registered with SEBI or any listed entity or its material unlisted subsidiary, till further orders.

(iii) The concerned stock exchanges are permitted to allow the aforementioned persons/entities at paragraph 6.1(i) to square off their existing open positions in the Futures and Options segment, if any, immediately. The aforementioned persons/entities shall not be allowed to take fresh positions or increase their open positions or execute trades. Further, the concerned stock exchanges shall ensure that no fresh positions are created for the aforementioned persons/entities.

(iv) Noticees no. 6–8 i.e. Avantha Holdings Limited, Acton Global Private Limited and Solaris Industrial Chemicals Limited are directed to retain funds/other assets to the extent of receivables shown as outstanding to CG Power and Industrial Solutions Limited, as per Table X at paragraph 4.4. B. To the extent of their liability, the aforesaid Noticees are restrained from disposing, selling or alienating, in any other manner, their assets or divert funds, till further orders.

(v) Noticee no. 1 i.e. CG Power and Industrial Solutions Limited, is directed to take all necessary steps to recover the amounts due to the Company, which were extended, either directly or indirectly, to the Noticees/entities mentioned at paragraph 5.5 A. along with due interest expeditiously and take necessary action, including legal actions, to safeguard the interest of the investors of the Company.

(vi) BSE shall appoint an independent Auditor/Audit Firm for conducting a detailed forensic audit of the books of accounts of CG Power from the Financial Year 2015–16 onwards till date. The expenses for the aforementioned forensic audit shall be borne by the Company. The independent Auditor/Audit Firm so appointed shall verify *inter alia* the following –

a. Manipulation of Books of Accounts;
b. Misrepresentation including of financials and/or business operations;
c. Wrongful diversion/siphoning of company funds;
d. Any other related matter.

(vii) Noticees no. 1–8 shall extend necessary co–operation to the independent Auditor/Audit Firms appointed as per this Order and shall furnish all information/documents sought from them from time to time.

(viii) The independent Auditor/Audit Firm so appointed as per this Order shall submit a Report to SEBI within six months from the date of this Order.

6.2 The aforementioned persons/entities mentioned in paragraph 6.1 may file their replies to SEBI within 21 days from the date of receipt of this Order. They may also indicate in their replies whether they wish to avail an opportunity of personal hearing in the matter.

6.3 The above directions shall come into force with immediate effect and shall be in force till further directions.

6.4 This Order is without prejudice to the right of SEBI to take any other action that may be initiated against the persons/entities covered under this Order, in accordance with law.

6.5 A copy of this Order shall also be served upon the Exchanges and the Depositories.

Place: Mumbai
Date: September 17, 2019

G. MAHALINGAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA