CG Power and Industrial Solutions Limited
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Corporate Identity Number: L99999MH1937PLC002641

Smart solutions.
Strong relationships.

Our Ref: COSEC/44/2019-20

August 19, 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 Limited
Exchange Plaza, Bandra-Kurla Complex,
Bandra (East),
Mumbai 400 051

Scrip Code : CGPOWER

Dear Sir/Madam,

Sub: Outcome of the Board Meeting dated August 19, 2019

Dear Sir(s),

The Board of Directors ("**Board**") as well as Risk and Audit Committee ("**RAC**") of CG Power and Industrial Solutions Limited ("**Company**") held a meeting today to *inter alia* consider and discuss the status of annual financial statements of the Company as well other related matters. The Board was briefed on certain findings which may have potential implications on the financial position of the Company. Thereupon, after deliberation, the Board considered it appropriate to make the following disclosures under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) ("**SEBI LODR Regulations**").

Background

With an aim of value preservation and enhancement in the interest of all stakeholders, an Operations Committee ("**Ops Committee**") under the Chairmanship of one of the independent directors of the Company was constituted in March 2019. While working on one of its priority tasks of seeking refinancing of certain facilities and as a part of conducting financial analysis in this regard, the Ops Committee was made aware of some unauthorised transactions by certain employees of the Company.

The Ops Committee was also made aware of a letter received by the Company from a particular financing company regarding a certain interest payment failure which the Ops Committee was unable to trace or ascertain from the financials of the Company. Further, the Managing Director on getting a request by a bank to replace cheque the validity of which was about to expire, he immediately brought the same to the notice of the Ops Committee. The Ops Committee and the Managing Director could not relate this to any obligations of the Company.

To make further assessments in this regard, an independent law firm ("**Legal Firm**") was appointed to conduct an investigation on certain transactions by the Company. The Legal Firm also took assistance of an independent consultancy firm for the purposes of the said investigation. In the meanwhile, during the course of the audit of the Company, one of the joint statutory auditors of the Company (*viz.* M/s S R B C & CO LLP), sought information and explanations from the Company regarding certain other transactions as part of the notice issued to the Company under Section 143(12) of the Companies Act, 2013. These additional transactions were also included in the scope of review of the Legal Firm.

The Managing Director of the Company, Mr. K.N. Neelkant was away from day-to-day management during the period of investigation. Further Mr. Sudhir Mathur, who was then an independent director of the Company and a member of Ops Committee, was re-designated as a whole-time executive director of the Company with effect from May 10, 2019 to be more involved in the day to day management of the Company. Mr. V.R Venkatesh, the Chief Financial Officer of the Company, who had resigned on March 8, 2019, was asked to continue till the finalisation of financial results for the year ended March 31, 2019.

Pursuant to the said investigation, the Legal Firm submitted their phase I report dated August 5, 2019 ("**Report**") to the RAC in its meeting held on August 6, 2019. The RAC has now received the analysis of the Report from the Ops Committee and its recommendations regarding the transactions set out in the Report ("**Report Transactions**"). Moreover, certain additional suspect, unauthorised and undisclosed transactions and entries identified during further verifications ("**Additional Transactions**") have been brought to the attention of the RAC. The RAC has also received from the management the compilation of unaudited standalone and consolidated financial position and profit and loss of the Company for the year ended 31 March 2019 and restated financial information and profit and loss for the year ended 31 March 2018 and statement of financial position as on April 1, 2017, after taking into consideration the potential impact of the Report Transactions and Additional Transactions, along with summary of each of these subject transactions ("**Management Compiled Financial Information**"). These Management Compiled Financial Information has been presented by management to provide interim disclosure of the financial information for the year ended 31st March 2019

The RAC post its review and due consideration of (i) the analysis of the Report and recommendations of the Ops Committee, and (ii) the Management Compiled Financial Information, made its recommendations to the Board, regarding the necessary disclosures and immediate further actions required to be undertaken to protect interests of the Company and all its stakeholders.

The Board has duly noted and taken the Report on record. The Board also noted and considered inputs and recommendations received from the RAC and discloses as under:

i. The total liabilities of the Company and the Group may have been potentially understated by approximately INR 1053.54 crores and INR 1,608.17 crores respectively as at 31 March 2018; and by INR 601.83 crores and INR 401.83 crores respectively as at 1 April 2017. To ascertain and establish completeness of the liabilities an initial exercise was conducted by making enquiries with lenders, current and past, for any additional claims from them in respect of either the Company or its subsidiaries. Subject to appropriate legal examination of all such liabilities, these amounts have been either recorded as liabilities or disclosed as contingent liability in the Management Compiled Financial Information (attached as Annexure A).

ii. Moreover, advances to related and unrelated parties of the Company and the Group may have been potentially understated by INR 1,990.36 crores and INR 2,806.63 crores respectively as at March 31, 2018; and by INR 1,479.34 crores and INR 1,331.47 crores respectively as at April 1, 2017. Recoverability of such amounts along with any interest and other related amounts, from related and other unrelated parties will be evaluated with appropriate legal inputs, after which necessary actions will be instituted.

iii. Certain assets of the Company that 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. Measures to safeguard such assets will be evaluated with appropriate legal assistance and action initiated.

iv. The net worth of the Company was potentially understated due to unauthorised and inappropriate write offs and charges debited to the Profit & Loss statement of the Company during the year ended March 31, 2018 and April 1, 2017. While these unauthorized write offs are restored in the Management Compiled Financial Information, given the challenges of recovering these and other amounts, appropriate provisions may have to be recognized by the Company, which have not been considered in the Management Compiled Financial Information. Nevertheless, all efforts, including legal and other measures, to recover such amounts will be made.

v. 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. These transactions appear to have been carried out by various means including inappropriate netting off, using ostensibly unrelated third parties, routing transactions through subsidiaries, promoter affiliate companies and other connected parties. These may have potentially resulted in misstatement of past financial statements. These

transactions appear to be undertaken in a seemingly fraudulent manner and, hence, warrant further detailed investigation.

vi. The financial results of the previous quarters for the years ended March 2019, 2018 and 2017 could be impacted as a consequence of these adjustments.

vii. As a result of the above findings the opening balances of financial year ended March 31, 2019 and earlier years may have to be restated.

In this regard, please see attached as **Annexure**, the Management Compiled Financial Information for further details. **Do note that the disclosures and consequential potential impacts mentioned herein may be required to be amended / modified based on further review. Do also note that none of the facts disclosed or disclosures made or provisions made in the Management Compiled Financial Information should be deemed to construe as admission of any fact or liability by the Company and the Company reserves all its rights under law and/or contract and/or in equity to contest the same.**

In view of the above, the Board has undertaken and proposes to undertake the following immediate steps:-

i. With the aim of determining the complete and accurate financial position and legal implications of the issues involved, the Company plans to conduct a detailed forensic investigation to establish wrongdoing accountability and any other residual implications.

ii. The Board is fully committed to and will cooperate with the relevant regulatory authorities, as they may require, to ensure compliance with law.

iii. The Company will undertake requisite legal actions to protect its interests vis-à-vis each of the specified suspect transactions and entries.

iv. All identified failures in the system, misuse of authority granted and any other weaknesses will be swiftly addressed and appropriate rectification measures are being put in place. The Company shall undertake such legal actions and initiate such legal proceedings as it may deem fit / advised against the CIPs and other persons involved in the transactions under investigation.

v. The Company has provided interim responses to notice sent by one of the joint statutory auditors u/s 143(12) of the Companies Act, 2013. Further, the Company has also duly informed the statutory auditors in today's RAC meeting about other stated transactions, shared the investigation report and appraised them about the possibility of future investigation.

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vi. The disclosures annexed have been provided to the statutory auditors and the Company will be working closely with the auditors to complete the audit process with a view to complete statutory filings at the earliest. In this regard, the next meeting of the RAC and Board of Directors will be convened as soon as the audit is complete to achieve filing of audited results and statements.

The Board wishes to reassure the stakeholders that it is committed to restoring the highest level of governance and internal control within the Company and work towards ensuring that the interest of all the stakeholders is protected.

The Board meeting commenced at 3:00 p.m. on August 19, 2019 and concluded at 4:00 a.m. on August 20, 2019.

Thanking you

Yours Faithfully

For CG Power and Industrial Solutions Limited

Sudhir Mathur
Whole time Executive Director

Encl: As above

MANAGEMENT COMPILED FINANCIAL INFORMATION - STANDALONE FINANCIAL POSITION

(INR in crores)

Sr No.	Particulars	As at 31.03.2019 Unaudited	As at 31.03.2018 * Unaudited	As at 1.04.2017 * Unaudited
A	**ASSETS**			
1	**Non-current Assets:**			
	(a) Property, plant and equipment	**967.21**	1287.69	1232.78
	(b) Capital work-in-progress	**11.37**	8.19	8.23
	(c) Intangible assets	**39.69**	49.18	46.23
	(d) Intangible assets under development	**23.42**	32.19	28.01
	(e) Financial assets			
	(i) Investments	**898.81**	1028.51	440.65
	(ii) Trade receivables	**6.24**	-	-
	(iii) Loans	**1377.64**	2380.75	465.96
	(iv) Others	**1281.17**	1291.94	1542.84
	(f) Other non-current assets	**1.88**	2.09	3.18
	Total Non-current Assets	**4607.43**	**6080.54**	**3767.88**
2	**Current Assets:**			
	(a) Inventories	**531.16**	414.05	493.07
	(b) Financial assets			
	(i) Investments	**0.01**	0.01	5.22
	(ii) Trade receivables	**1178.53**	1599.88	1480.37
	(iii) Cash and cash equivalents	**124.75**	193.15	254.48
	(iv) Bank balances other than (iii) above	**0.72**	0.98	1.27
	(v) Loans	**61.98**	41.03	1207.53
	(vi) Others	**40.72**	45.55	204.27
	(c) Current tax assets (net)	**32.41**	64.65	61.60
	(d) Other current assets	**324.55**	290.75	326.40
	Total Current Assets	**2294.83**	**2650.05**	**4034.21**
3	**Assets classified as held for sale and discontinued operations**	**280.48**	52.12	160.63
	TOTAL - ASSETS	**7182.74**	**8782.71**	**7962.72**
B	**EQUITY AND LIABILITIES**			
	Equity			
	(a) Equity Share capital	**125.35**	125.35	125.35
	(b) Other equity	**2402.01**	4029.09	4043.70
	Total Equity	**2527.36**	**4154.44**	**4169.05**
	Liabilities			
1	**Non-current Liabilities:**			
	(a) Financial liabilities			
	(i) Borrowings	**684.42**	1011.65	698.60
	(ii) Other financial liabilities	**298.27**	391.46	391.10
	(b) Provisions	**54.83**	53.30	59.77
	(c) Deferred tax liabilities (net)	**117.62**	235.68	226.58
	Total Non-current Liabilities	**1155.14**	**1692.09**	**1376.05**
2	**Current Liabilities:**			
	(a) Financial liabilities			
	(i) Borrowings	**1036.61**	876.14	710.23
	(ii) Trade payables			
	-Total outstanding dues of micro enterprises and small enterprises	**123.73**	81.55	59.88
	-Total outstanding dues of creditors other than micro enterprises and small enterprises	**1446.82**	1171.28	1031.45
	(iii) Other financial liabilities	**651.10**	431.59	260.36
	(b) Other current liabilities	**166.15**	273.62	285.97
	(c) Provisions	**75.83**	101.12	68.75
	Total Current Liabilities	**3500.24**	**2935.30**	**2416.64**
3	**Liabilities associated with group of assets classified as held for sale and discontinued operations**	-	0.88	0.98
	TOTAL - EQUITY AND LIABILITIES	**7182.74**	**8782.71**	**7962.72**

* Restated

MANAGEMENT COMPILED FINANCIAL INFORMATION - STANDALONE INCOME STATEMENT

(INR in crores)

Sr. No.	Particulars	Year ended	
		31.03.2019	31.03.2018*
		Unaudited	Unaudited
1	**Income from operations**		
	Revenue from operations	5355.60	5106.14
	Other income	220.18	224.82
	Total Income	**5575.78**	**5330.96**
2	**Expenses**		
	(a) Cost of materials consumed	3728.56	3368.27
	(b) Purchases of stock-in-trade	34.79	46.65
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(72.35)	90.67
	(d) Excise duty	-	98.40
	(e) Employee benefits expense	372.46	327.98
	(f) Finance costs	337.02	301.88
	(g) Depreciation and amortisation expense	103.90	102.10
	(h) Foreign exchange (gain) / loss (net)	62.95	(131.26)
	(i) Other expenses	874.59	831.34
	Total Expenses	**5441.92**	**5036.03**
3	**Profit before exceptional items and tax**	**133.86**	**294.93**
4	Exceptional items (net)	(1518.27)	(132.94)
5	**Profit / (loss) before tax**	**(1384.41)**	**161.99**
6	**Tax expense / (credit) :**		
	Current tax	50.21	29.37
	Deferred tax	(53.36)	46.51
7	**Profit / (loss) from continuing operations after tax**	**(1381.26)**	**86.11**
8	**Loss from discontinued operations before tax**	**(33.72)**	**(102.24)**
9	Tax credit on discontinued operations	(11.78)	(35.37)
10	**Loss from discontinued operations after tax**	**(21.94)**	**(66.87)**
11	**Net profit / (loss) for the year**	**(1403.20)**	**19.24**
12	**Other comprehensive income:**		
	(i) Items that will not be reclassified to profit or loss	(125.25)	(35.90)
	(ii) Income tax relating to items that will not be reclassified to profit or loss	1.21	2.04
13	**Total comprehensive income after tax**	**(1527.24)**	**(14.62)**

* Restated

MANAGEMENT COMPILED FINANCIAL INFORMATION - STANDALONE SEGMENT REPORT

(INR in crores)

Sr. No.	Particulars	Year ended	
		31.03.2019	31.03.2018*
		Unaudited	Unaudited
1.	Segment Revenue:		
	(a) Power Systems	2276.85	2773.84
	(b) Industrial Systems	3081.40	2332.80
	Total	**5358.25**	**5106.64**
	Less: Inter-Segment Revenue	2.65	0.50
	Total income from operations	**5355.60**	**5106.14**
2.	Segment Results:		
	[Profit / (loss) before tax and finance costs from each segment]		
	(a) Power Systems	85.97	165.19
	(b) Industrial Systems	371.04	179.29
	Total	**457.01**	**344.48**

*Restated

Notes to Management Compiled Standalone Financial Information:

1. The above are compilation of unaudited standalone financial position and profit and loss of CG Power and Industrial Solutions Limited ("the Company") for the year ended 31 March 2019 and restated financial position as at 31 March 2018 and 1 April 2017 and profit and loss for the year ended 31 March 2018, together termed as "Management Compiled Financial Information", taking into consideration the potential impact of certain suspect, unauthorised and undisclosed transactions and entries (as explained below). This management compiled financial information are presented by management to provide interim disclosure of the financial information for the year ended 31 March 2019. Taking into account the effects of the transactions explained below, the Company is in the process to prepare the financial statements for the year ended 31 March 2019 which will be subject to audit/limited review.

2. An independent legal firm which was appointed after performing its investigation submitted a report, which it termed as Phase 1 Report ('the Report") to the Risk and Audit Committee ("RAC") on 6 August 2019. Given the voluminous and extensive nature of the report, the RAC directed the Operations Committee ("OC") to further analyse the Report in detail. The RAC now received the analysis of the Report from the OC and its recommendations regarding the transactions set out in the Report ("Report Transactions"). Morever, certain additional, suspect, unauthorized and undisclosed transactions and entries identified during further verifications ("Additional Transactions") have been brought to the attention of the RAC. The RAC has also received from the management, the compilation of unaudited standalone and consolidated financial position and profit and loss of the Company for the year ended 31 March 2019 and restated financial information as at 31 March 2018, 1 April 2017 and for the year ended 31 March 2018, after taking into consideration the potential impacts of the Report Transactions and Additional Transactions, along with summary of each of these subject transactions.

   The RAC post its review and due consideration of (i) the Report, (ii) the analysis and recommendations of the OC, and (iii) the Management Compiled Financial Information, made its recommendations to the Board regarding the necessary disclosures and immediate further actions required to be undertaken to protect interests of the Company and all its stakeholders.

3. The Board has duly noted and taken the Report on record. The Board also notes and considers inputs and recommendations received from the RAC and discloses as under:
   a. The total liabilities of the Company may have been potentially understated by approximately INR 1,053.54 crores as at 31 March 2018 and approximately INR 601.83 crores as at 1 April 2017 respectively (excluding contingent liability of INR 391.88 crores as at 31 March 2018 and as at 1 April 2017). To ascertain and establish completeness of the liabilities, an initial exercise was conducted by making enquiries with lenders, current and past, for any additional claims from them in respect of either the Company or its subsidiaries. Subject to appropriate legal examination of all such liabilities, these amounts have been either been recorded as liabilities or disclosed as contingent liability in the Management Compiled financial information.

   b. Moreover, advances to related and unrelated parties may have been potentially understated by INR 1,990.36 crores as at 31 March 2018 and INR 1,479.34 crores as at 1 April 2017. Recoverability of such amounts along with any interest and other related amounts, from related and other unrelated parties will be evaluated with appropriate legal inputs, after which necessary actions will be instituted.

c. Certain assets of the Company that 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 authorization. The moneys so obtained were immediately and without due authorization routed out of the Company, either by itself or from its subsidiaries or ostensibly unrelated parties to certain related parties. Measures to safeguard such assets will be evaluated with appropriate legal assistance and action initiated.

d. The net worth of the Company was potentially understated due to unauthorized and inappropriate write offs and charges debited to the Profit & Loss statement of the Company during the year ended 31 March 2018 and 1 April 2017. While these unauthorized write offs are restored in the Management Compiled Financial Information, given the challenges of recovering these and other amounts, appropriate provisions may have to be recognized by the Company, which have not been considered in the Management Compiled Financial Information. Nevertheless, all efforts, including legal and other measures, to recover such amounts will be made.

e. 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 RAC or the Baord, and/or breach in the Companies Act 2013, applicable SEBI Regulations and other applicable laws. These transactions appear to have been carried out by various means including inappropriate netting off, using ostensibly unrelated third parties, routing transactions through subsidiaries, promoter affiliate companies and other connected parties. These may have potentially resulted in misstatement of past financial statements. These transactions appear to be undertaken in a seemingly fraudulent manner and, hence, warrant further detailed investigation.

f. The financial results of the previous quarters for the years ended March 2019, 2018 and 2017 could be impacted as a consequence of these adjustments.

g. As a result of the above findings the opening balances of financial year ended 31 March 2019 and earlier years may have to be restated. Such restatement may have consequential impact on closing balances for 31 March 2019.

4. The transaction details resulting in the adjustments which have been considered / given effect to in the management compiled financial information are as under:

(a) In May 2016, pursuant to an execution of an assignment agreement, leasehold land along with factory building of the Company at Nashik was assigned for a consideration of INR 264 crores to Blue Garden Estates Private Limited ("BGEPL"), a subsidiary of Acton Global Private Limited ("AGPL"). Both BGEPL and AGPL shares were owned by certain employees of the Company, who had not declared such ownership, when the transaction had occurred and hence, these companies are termed as connected parties. Such an assignment was not in accordance with the terms of the leasehold land agreement. Further, no disclosure was made in the financial statements for FY 2016-17 and thereafter for such an assignment. Certain CIPs who executed the assignment agreement on behalf of the Company agreed to an obligation under the

assignment agreement for payment of interest @15% p.a. basis monthly intervals to BGEPL until execution and registration of deed of assignment cum sale.

The Company received INR 200 crores from BGEPL as initial advance consideration for the assignment of land and building. Of the amount received from BGEPL, INR 145 crores was advanced to Avantha Holdings Limited ("AHL"), the promoter of the Company and INR 53 crores to AGPL. In respect of the advances to AGPL and AHL, no loan or other agreements were entered into. Further, no interest payments were made by the two entities to the Company.

It was noted that the above two advances of INR 198 crores were inappropriately netted off against the payable to BGEPL and both the asset and liability were not disclosed in the financial statements of the Company for the year ended 31 March 2017. Accordingly, the assets and liabilities to the extent of INR 198 crores were understated in the financial statements of the Company for FY 2016-17 and FY 2017-18. The netted out amounts have been grossed up and have been restated to reflect separately the receivables from AHL and AGPL and a payable to BGEPL as at 1 April 2017 and subsequent years. Interest payments by the Company on the amount received from BGEPL were disguised and concealed under different accounting heads including professional fees, exchange losses and supplier advances, some of which were subsequently written off to Profit and Loss account of the Company.

Further, AHL issued a corporate guarantee on behalf of the Company in favor of BGEPL providing assurance for repayment of proceeds received by the Company in the event of a default of the conditions of assignment. Also, a Power of Attorney ('POA') was issued in an unauthorized manner by certain CIPs in favor of BGEPL empowering BGEPL to take actions with respect to the property at Nashik in the event of default of the conditions of assignment by the Company.

In February 2018, an undertaking was given by certain CIPs on behalf of the Company along with BGEPL to the lender to create a charge on leasehold land and building in favor of the lender in the event of default by BGEPL of terms of loan availed by BGEPL from the lender. In December 2018, BGEPL defaulted in the payment of interest on its loan and the lender issued a letter in January 2019 to the Company to create a charge on the leasehold land and building. No disclosure was made relating to the requirement for creation of charge in the Company's financial statements for prior years. Subsequently, the Company has received a letter from the lender to discharge the outstanding liability. The Company is examining the matter with its legal counsel and is in discussion with the lender with regard to this liability. Also, the Company plans to initiate a process for recovering dues from AHL and AGPL.

(b) In October 2015, an agreement was entered into on behalf of the Company for sale ("First Sale") of freehold land to Evie Real Estates Private Limited ("Evie") at Kanjurmarg ("Plot"). The consideration for sale of such plot of INR 498 crores was payable in two tranches with an initial consideration of INR 11 crores was payable immediately. The time period to fulfill the conditions precedent was four years from the agreement date. Apart from the initial consideration of INR 11 crores, no further consideration was received by the Company.

In February 2017, a Memorandum of Understanding (MOU) with BGEPL was entered by certain CIPs on behalf of the Company for second sale of the Plot to BGEPL, in the event the First Sale does not go through. Under the MOU with BGEPL, part of the sale consideration of INR 190 crores was payable before registration of the deed of assignment cum sale ("Second

Sale") and the balance after successful completion of the transaction. Further, no disclosure was made in the financial statements for FY 2016-17 and thereafter for such an assignment. The Company had to pay interest @15% p.a. basis monthly intervals to BGEPL from the date of receipt until registration of deed of assignment cum sale or till the termination of MOU and refund by the Company, whichever is later.

The Company received INR 190 crores from BGEPL as initial consideration for the assignment/sale of land and in the same month, in February 2017, the Company transferred INR 192 crores to AGPL in multiple tranches. In respect of these advances to AGPL, no loan or other agreements were entered into. Further, no interest payments were made by AGPL to the Company.

The amount received from BGEPL and the advances made to AGPL of INR 192 crores were inappropriately netted off and no disclosure of any part of the transaction and related amounts were made in the financial statements of the Company. Accordingly, the assets and liabilities to the extent of INR 192 crores were understated in the financial statements of the Company for FY 2016-17 and FY 2017-18.

The Company has now grossed up the amounts and disclosed a receivable from AGPL and the amount received from BGEPL as a liability as at 1 April 2017 and carried this forward in the following years.

Interest payments by the Company on the amount received from BGEPL were disguised and concealed under different accounting heads including professional fees, exchange losses and supplier advances, some of which were subsequently written off to the Profit and loss account of the Company.

Further, as a part of the transaction, AHL issued a corporate guarantee on behalf of the Company in favor of BGEPL providing assurance for repayment of proceeds received by the Company in the event of a default of the conditions of assignment/sale. Also, a Power of Attorney ('POA') was issued in favor of BGEPL empowering BGEPL to create a charge with respect to the freehold land in the event of default of the conditions of assignment/sale by the Company.

In February 2017, certain CIPs executed an undertaking on behalf of the Company in favor of BGEPL and the lender that the Company will become a co-borrower for the loan availed by BGEPL in the event of default by BGEPL. In December 2018, BGEPL defaulted on payment of interest on its loan and the lender issued a letter in January 2019 to the Company asserting that the Company is a co-borrower for the loan availed by BGEPL and requested to create a charge on the freehold land together with the structure thereon. No disclosure was made of the notice seeking creation of charge in financial statements. Further, subsequently, the Company has received a letter from the lender to discharge the outstanding liability. The Company is examining the matter with its legal counsel and is in discussion with the lender with regard to this liability.

The Company plans to initiate a process of recovering dues from AGPL.

The aforementioned interest paid on BGEPL amounts has now been reclassified as finance cost from Professional fees amounting to INR 15.59 crores and exchange gain and loss amounting to INR 33.13 crores and advance to AHL amounting to INR 14.19 crores in FY 2017-18. Additionally, interest amounting to INR 28.02 crores pertaining to FY 2016-17 had

been recognized under Advance to supplier and was not recognized in the statement of profit and loss. Hence, such amount has been recognized in retained earnings as at 1 April 2017 with a corresponding impact to Advance to suppliers.

(c) The Company entered into a Brand license and support agreement with AHL for use of 'Avantha' brand for a consideration which was based on certain specified percentage of its annual consolidated net operating revenues (ANOR) as defined in that agreement ("Royalty"). This agreement was amended from time to time and till September 2018 the specified percentage was 1% of ANOR. Royalty amounting to INR 25.68 crores was accrued until September 2018. Subsequently, discussions with AHL were on to further revise the terms of Royalty but could not reach a consensus on the terms and hence, the Company did not accrue royalty to AHL from October 2018.

The Company is in receipt of a written communication from the Bank, where the Bank has indicated that an assignment cum put agreement was entered by certain CIPs on behalf of the Company with AHL, Solaris Industrial Chemicals Limited ("SICL") - a related party, and the bank in September 2018 ("SICL Assignment") under which the Royalty payable by Company to AHL was assigned over to the bank. At this point in time, an amount of INR 78.25 crores was already paid in advance to AHL by the Company against Royalty to AHL by the Company.

Further, in September 2018, the Company received INR 294 crores from CGPSOL (which in turn had given to CGPSOL by AHL) and placed out of these, an amount of INR 229 crores as fixed deposits with the bank. It was noted that the fixed deposits receipts were dated 1 October 2018 but the amounts were transferred by the Company on 25 October 2018. One of the conditions of this arrangement with AHL was that if the Company does not pay royalty before 20 March 2019 in escrow account of SICL, the deposit will be refunded by the Company. The Company refunded the deposit amount along with interest to CGPSOL in March 2019 which was in turn refunded by CGPSOL to AHL.

Subsequent to the balance sheet date, the bank has issued a communication to the Company of its intent to exercise the put option as per the aforementioned assignment and has asked the Company to discharge the liability outstanding of INR 71 crores. The Company is in discussion with the lender as well as with its independent legal counsel with respect to tenability of this liability. The Company proposes to disclose this as a contingent liability in its financial statements.

(d) In February 2017, CGPSOL availed a loan from the lender amounting to INR 200 crores. Out of these proceeds, an amount of INR 185 crores was immediately transferred to the Company as a settlement of the advance due from CGPSOL. The Company was a co-borrower to this loan availed by CGPSOL. However, this arrangement was not disclosed in the prior year financial statements.

CGPSOL was unable to service the loan and hence, the Company being the co-borrower in the said arrangement has decided to record the loan liability to the lender in its opening balance sheet as at 1 April 2017. The Company had serviced the installments and interest on this loan before recording loan liability in its financial statements.

The outstanding co-borrowed loan as at 1 April 2017 was INR 200 crore and as at 31 March, 2018 was INR 195 crores. Accordingly, the Company restated its balances as on 1 April 2017 and 31 March 2018 by disclosing liability to the lender in its financial statements. Consequent to recording of loan liability in the financial statements, the Company has also recognized

incremental differential interest (difference between interest charged by the Company to CGPSOL and interest payable by the Company to the lender) which has resulted in a decrease in retained earnings as at 1st April 2017 of INR 0.13 crores and decrease in profits before tax of INR 2.72 crore for FY 2017-18.

During the previous quarters in the current year, the Company recorded the aforementioned loan in its financial statements and the same was inappropriately adjusted against retained earnings. This was subsequently rectified and disclosed as receivable from CGPSOL as a part of the restatement.

(e) The promoter company and one of the subsidiary issued cheques in favor of the Company for settlement of the advances/dues to the Company inspite of having insufficient funds. These cheques were not presented to the bank for payment until the sufficiency of funds was confirmed by those group entities. Such cheques were included as a part of bank balances before being presented for payment and were previously inappropriately disclosed as a part of balances with banks in the financial statements of the Company.

These were amounting to INR 300 crores as on 31 March 2017 and INR 400 crores as on 31 March 2018. Subsequently, fresh money was advanced to such group entities so that sufficient funds were available with such group entities to meet the liability towards the cheques issued. These cheques were then presented for payment post funding and were realized in due course.

The Company has now decided to restate the receivables balance of such group entities and accordingly, reduce the balances with banks for those respective periods.

Further, the Company has also accrued interest income of INR 8.22 crores on such restated receivable balances for FY 2017-18 and INR 16.40 crores for the current year.

(f) The Company had taken short-term borrowings from certain banks amounting to INR 245 crores in FY 2017-18. These borrowings were inappropriately netted off against receivable from CGPSOL. The Company has restated the requisite balances in the financial statements for FY 2017-18.

(g) The Company had made advances to CG International B.V. ("CGIBV"), a wholly-owned subsidiary of the Company. CGIBV had entered into an agreement with a third party for selling the power transformer business of its subsidiaries. Accordingly, the proceeds expected to be received from the sale of the subsidiaries' business were to be utilized by CGIBV to repay the advance.
As on 31 March 2017, the advance was classified as current advance as the Company expected to realize the asset within twelve months from the reporting period. During March 2018, the agreement for sale of such power transformer business got terminated. Hence, CGIBV was not in a position to repay the advance. However, the Company continued to classify the advance to CGIBV as current advance in FY 2017-18 financial statements even though the Company's expectation with respect to realization of advance had changed i.e. the same would not be realized within twelve months from the end of reporting period. The Company has now reclassified the advance to CGIBV of INR 1150.31 crores as non-current advances for FY 2017-18.

(h) The Company had a total exposure of INR 2,352.50 crores from receivables and investment in CGIBV as at 31 March 2019. This includes an investment of INR 882.97 crore and receivables amounting to INR 1,469.53 crores. The Company based on its internal estimates and in

consultation with independent external valuers carried out an impairment assessment for the said balances. Accordingly, the Company evaluated the recoverability of such receivable balances and recorded an impairment provision of INR 1,325 crores in the current year.

(i) Advances amounting to INR 332 crores were made to AHL in FY 2016-17 and subsequently inappropriately assigned to third parties. The Company has restated its receivable from AHL amounting to INR 332 crores as at 1 April 2017 and INR 263.47 crore as at 31 March 2018.

Also, in the current year, advance of INR 44.33 crores and INR 26 crores was paid to BGEPL and SICL respectively. The aforementioned advances were also inappropriately assigned to CGPSOL in the current year ended 31 March 2019. Accordingly, the Company has now reversed the effect of such assignment agreement. Hence, the receivable balance from CGPSOL has been reduced by INR 70.33 crores and advance to BGEPL and SICL has been increased by INR 44.33 crores and INR 26 crores respectively as at 31 March 2019.

(j) The Company had advanced loan to CGPSOL which was erroneously presented as current in accordance with the defined repayment schedule for the period ending 31 March 2018 and 30 September 2018. The Company has now restated the advances as non-current for the prior periods (INR 1,223.57 crores – 31 March 2018, and INR 459.32 crores – 1 April 2017) as well as in the current year amounting to INR 1,226.15 crores.

(k) It was noted that certain sales transactions were inappropriately recorded with certain specific customers amounting to INR 120 crores during the period from April 2017 to June 2017. Subsequently, a factoring arrangement was entered into on 12 December 2018 for sale of such outstanding receivables for a consideration of INR 86.4 crores. Such consideration was to be received by the Company in four quarterly installments starting from July 2019, however no consideration was received under the factoring arrangement till date.

The Company had made a provision for liquidated damages of INR 12 crores and a provision for balance receivables of INR 108 crores. In January 2017, the Company entered into tripartite assignment agreement with CG Power Solutions Limited ("CGPSOL"), a subsidiary of the Company, and specified vendors to assign the liability from the Company to CGPSOL and the transaction was recorded as such.

The purchases pertaining to aforementioned sales transactions were also inappropriately recorded during January 2017 to March 2017 from those specified vendors for INR 257.69 crores and recorded as a part of inventory.

The Company recorded the above transactions as follows:

- Out of the sales of INR 120 crores, INR 52.14 crores were recorded as revenue, INR 2.35 crore was recognized as Central Sales Tax and INR 65.51 crores were recorded as reduction in cost of goods sold.
- The cost of goods sold of INR 102.02 crores was recognized in respect of aforementioned sales.

A provision for slow moving inventory of INR 155.67 crores was recorded under 'Exceptional items'.The Company did not have sufficient documentation evidencing the receipt and dispatch of goods and requisite approvals for the aforementioned transactions. There were several discrepancies in the documents available pertaining to these transactions. The Company also attempted tracing these parties and was unable to establish the existence of those parties. The management noted significant control lapses in these transactions resulting in significant accounting irregularities which have now been reversed in the financial statements.

The Company will continue its efforts to trace these parties and will initiate appropriate action basis consultation with legal counsel.

Consequently, as at 1 April 2017, Inventory of INR 257.69 crores has been reversed and receivable from CGPSOL has been restated by INR 257.69 crores and recognized a receivable from AHL.

Further for FY 2017-18, the following reversals have been recorded:

- Revenue of INR 52.14 crores, INR 2.35 crores of Central Sales Tax and cost of goods sold of 65.51 crores pertaining to sales made to specific customers;
- Cost of goods sold amounting to INR 102.02 crores; and
- Provision for slow moving inventory amounting to INR 155.67 crores.

This has resulted in an increase in restated PBT by INR 137.69 crores for FY 2017-18.

The Company has reversed the provision recognized in December 2018 on the above receivables amounting to INR 120 crores as at 31 March 2019.

(l) The Company had discontinued Distribution Franchise business (Jalgaon) and has entered into final settlement on 16 February 2018 with Maharashtra State Electricity Distribution Company Limited ("MSEDCL"). Based on the same and considering the non-recoverability of dues, the Company has further written off amount of INR 33.72 crore towards receivable from MSEDCL during the year ended 31 March 2019, which is disclosed under Discontinued Operations.

The results for the year ended 31 March 2018 are restated to reflect the fair value of receivables as per Indian Accounting Standard 109, Financial Instruments in relation to assets classified as discontinued operation. Accordingly the results of discontinued operation and retained earnings for the year ended 31 March 2018 are restated by INR 22.68 crores.

(m) AHL had obtained a loan of INR 500 crores from a bank in October 2015 for the purpose of making advance payments to Solaris ChemTech Industries Limited ("SCIL"), a promoter affiliate and a related party, for purchase of SCIL's bromine production facilities and to meet certain working capital and capital expenditure requirements. A comfort letter was issued on behalf of the Company in November 2015 to discharge AHL's pecuniary obligations jointly undertaken by the Company. The existence of comfort letter was not known to the Company until it was brought to the attention of the Company by the bank in the current year ended 31 March 2019. No disclosure was made in the financial statements of prior years.

One of the condition for granting of the loan was submission of post-dated cheques ("PDC") for repayment purposes. PDCs were provided on behalf of AHL in accordance with the Comfort Letter issued. The PDCs were replaced from time to time on account of the previous cheques becoming time-barred/stale. Such PDCs issued were not in accordance with the Company's policies. Last PDC was issued on 15 January 2019 for INR 210 crores. The same was presented by the bank on 11 April 2019 and was returned as dishonored due to insufficient funds. The bank issued notice under section 138 of Negotiable Instruments Act, 1881 dated 30 April 2019 to the Company on account of such default.

The Company has made a comprehensive submission to the bank denying the knowledge of existence of the alleged comfort letter. The Company also mentioned in its response that PDC cheques were signed by certain CIPs in violation of ROPs. The Company is seeking suitable legal advice from an independent third party law firm on the matter. However, considering the

uncertainty involved in the matter, the Company having considered all necessary facts and based on its own internal assessment, has decided to disclose this as a contingent liability amounting to INR 391.88 crores in the current year.

(n) Advances were given amounting to INR 175.28 crores to a connected party, INR 202.45 crores to AHL and INR 101 crores to other third parties. The Company had fully written-off the said advances in absence of sufficient documentary evidence amounting to INR 478.73 crores as on 31 March 2018. This was recognized under 'Exceptional items' in the financial statements. The Company plans to initiate the recovery process for these advances and hence, the Company has restated these advances to give effect as follows:

- It was determined that the receivable from connected party amounting to INR 175.28 crores was inappropriately written off and hence, the Company has now restated the prior period by reversing the write off previously recognized;
- INR 101 crores which was previously written off has now been restated as a receivable in previous years ; and
- INR 202.45 crores which had been written off previously has now been reclassified as receivables from AHL and accordingly, the Company has restated the balances in previous years.

The Company has restated the advances to promoter affiliate companies as it plans to initiate recovery process for these advances through legal proceedings. Further, the Company attempted tracing the aforementioned third parties and was unable to establish the existence of those parties. In the current year, the Company will continue its efforts to trace these parties and recover the advances paid and is in the process of consultation with independent legal counsel to take appropriate action.

(o) Consequential tax effect on account of restatement has been duly recorded in the respective periods. Further, the Company in the previous period disclosed the exceptional items in the statement of profit and loss net of deferred tax. The Company has now restated the balances by increasing exceptional items and deferred tax expense amounting to INR 219.55 crores

(p) As a result of these transactions, the Company has potentially not complied with the provisions of Section 185, Section 186 and certain other applicable sections of the Companies Act, 2013. The Company also believes that there may be potential non-compliances under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; Income Tax Act, 1961 and other statutes and regulations. The Company is in the process of evaluating the implications of these potential non-compliances and potential remedies available.

(q) The Company has certain receivables from various subsidiaries, promoter affiliate companies and connected parties as at 31 March 2019, 31 March 2018 and 1 April 2017. Considering the above transactions, the Company has estimated the timing of recovery of outstanding balances from such Companies and accordingly has classified the balances as non-current. The Company also believes that interest on such receivables is also recoverable from those affiliate companies and connected parties amounting to INR 292.94 crores approximately till 31 March 2019 which has currently not been considered in this Management Compiled Financial Information. The Company plans to initiate the recovery proceedings for these receivables based on consultation with independent legal counsel. Following are the receivables balances from various subsidiaries, promoter affiliate companies and connected parties:

(INR crores)

Name of the entity	Relationship	As at 31.03.2019	As at 31.03.2018 (Restated)	As at 31.03.2018 (Reported)	As at 01.04.2017 (Restated)	As at 01.04.2017 (Reported)

A) Advance / Loan given						
CG Power Solutions Limited	Subsidiary	1,226.15	1,223.57	378.21	459.32	259.44
Avantha Holdings Limited	Promoter Company	685.31	700.39	116.93	1,068.89	102.70
Avantha Realty Limited	Related party	10.66	10.23	10.23	12.56	12.56
Acton Global Private Limited	Connected party	175.00	245.00	-	245.00	-
Ballarpur Industries Limited	Related party	68.50	68.50	0.23	68.50	0.23
Blue Garden Estate Private Limited	Connected party	176.12	147.27	-	-	-
Solaris Industrial Chemicals Limited	Related party	26.00	-	-	-	-
Total		**2,367.74**	**2,394.96**	**505.60**	**1,854.27**	**374.93**
B) Loan payable						
Blue Garden Estate Private Limited	Connected party	320.00	390.00	-	390.00	-
Total		**320.00**	**390.00**	**-**	**390.00**	**-**

5. The following table summarizes the impact of the restated adjustments on each of the financial statement line items for prior years:

1. (a) Restatement effects of the above mentioned Note 4 are as follows:

(i) Changes in Statement of Financial Position as at 31 March 2018:

(INR crores)

Particulars	Note 4 reference	As at 31.03.2018 (Reported)	Adjustments	As at 31.03.2018 (Restated)
Assets				
Non-current- financials assets – loans	(d), (f), (e) (g), (j)	6.87	2,373.88	2,380.75
Non-current financial assets – others	(a), (b), (i), (m), (n), (q)	19.55	1,272.39	1,291.94
Trade receivables	(k)	1,719.88	(120.00)	1,599.88
Cash and cash equivalents	(e)	593.15	(400.00)	193.15
Current financials assets - loans	(g) (j)	1,569.55	(1,528.52)	41.03
Current tax assets (net)		84.27	(19.62)	64.65
Other current assets	(i)	478.93	(188.18)	290.75
Assets classified as held for sale and discontinued operations	(l)	74.80	(22.68)	52.12
Total Assets		**7,415.44**	**1,367.27**	**8,782.71**
Equity and Liabilities				
Other equity	(a), (b), (e), (d), (l), (k), (n), (o)	3,715.36	313.73	4,029.09
Non-current borrowings	(d)	836.65	175.00	1,011.65
Non-current other financial liabilities	(a), (b)	1.46	390.00	391.46
Deferred tax liabilities	(o)	12.14	223.54	235.68
Current borrowings	(f)	631.14	245.00	876.14
Current other financial liabilities	(d)	411.59	20.00	431.59
Total Equity and Liabilities		**7,415.44**	**1,367.27**	**8,782.71**

(ii) Changes in the Statement of Financial Position as at 1 April 2017:

(INR crores)

Particulars	Note 4 reference	As at 1.04.2017 (Reported)	Adjustments	As at 1.04.2017 (Restated)
Assets				
Non-current- financials assets – loans	(d), (j)	6.64	459.32	465.96
Non-current financial assets - others	(a), (b), (e), (k), (n)	46.89	1,495.95	1,542.84
Inventories	(k)	750.76	(257.69)	493.07
Cash and cash equivalents	(e)	554.48	(300.00)	254.48
Current financials assets – loans	(j)	1,466.97	(259.44)	1,207.53
Current tax assets (net)	(o)	51.86	9.74	61.60
Other current assets	(a), (b), (e), (k), (i)	902.69	(576.29)	326.40
Total Assets		**7,391.13**	**571.59**	**7,962.72**
Equity and Liabilities				
Other equity	(a), (b), (d), (o)	4,073.94	(30.24)	4,043.70
Non-current borrowings	(d)	503.60	195.00	698.60
Deferred tax liabilities (net)	(o)	214.75	11.83	226.58
Non-current other financial liabilities	(a), (b)	1.10	390.00	391.10
Current financials liabilities - others	(d)	255.36	5.00	260.36
Total Equity and Liabilities		**7,391.13**	**571.59**	**7,962.72**

(iii) Changes in the Statement of Profit and loss for the year ended 31 March 2018:

(INR crores)

Particulars	Note 4 reference	Year ended 31.03.2018	
		(Reported)	(Restated)
Revenue from operations	(k), 7	5,079.41	5,106.14
Profit / (loss) before tax from continuing operations	(a), (b), (d), (k), (n), (o)	(226.18)	161.99
Profit / (loss) after tax from continuing operations	(a), (b), (d), (k), (n), (o)	(272.69)	86.11
Total comprehensive income	(a), (b), (d), (k), (n), (o), (l)	(358.58)	(14.62)

(b) Exceptional Items includes the following:

(INR crores)

Particulars	Year ended	
	31.03.2019	31.03.2018
Amount paid towards final settlement of litigation claims	-	(27.94)
Trade advances and unbilled dues from customers (net of deferred tax)	-	-
Provision against loan given to subsidiaries	(40.61)	(105.00)
Provision against trade receivable under litigation	(35.45)	-
Impairment of loan given to subsidiary	(1,325.00)	-
Curtailment of gratuity liability	17.16	-
Provision for impairment of intangible assets under development	(14.15)	-
Short fall of provident fund liability	(24.83)	
Provision for expected restructuring cost towards closure/ shifting of the transformer manufacturing unit in Kanjur Marg, Mumbai	(95.39)	-
Total	**(1,518.27)**	**(132.94)**

(c) The Plot as specified in Note 4(b) above amounting to INR 279.94 crores has been classified as 'Asset held for sale' in the Management Compiled financial information. The Company based on its internal assessment determined the fair value of such Property, plant and equipment (PPE) to be in excess of the carrying amount and in accordance with the relevant accounting standards has recognized such asset at the carrying amount in the financial statements.

(d) The Company is liable to Goods and Services Tax (GST) with effect from 1July 2017. The Revenue for the year ended 31 March 2019 is net of such GST. However, the revenue for the comparative year ended 31 March 2018 is inclusive of excise duty for the period till 30 June 2017. The comparable figures for Revenue from operations (net of excise duty) are as under:

(INR crores)

Particulars	Year ended	
	31.03.2019	31.03.2018 (Restated)
Net revenue from operations	5,355.60	5,007.74

There is no impact of the above on the profit before tax and profit after tax.

6. Considering the above transactions and the fact that further investigation is required to ensure that all inappropriate transactions / accounting adjustments are identified, Directors of the Company are of the view that financial statements of the Company and the report of the Board for the relevant prior years may not comply with the provisions of Section 129 and section 134 of the Companies Act, 2013 and accordingly, intend to propose revision to the financial statements of relevant prior years as per requirements of Section 131 of the Companies Act, 2013.

7. During the year ended 31 March 2019, the Company identified that the sales of raw material and scrap sale had been incorrectly presented as reduction in the cost of goods sold in prior years. The Company has accordingly restated the sales and cost of goods sold of INR 78.87 crores for the previous year. However, the said restatement does not have any impact on statement of profit and loss.

8. Figures of the previous year have been restated and regrouped, wherever necessary to correspond with the current year.

CONSOLIDATED MANAGEMENT COMPILED FINANCIAL INFORMATION - STATEMENT OF FINANCIAL POSITION

(INR crores)

Sr. No.	Particulars	As at 31-03-2019	As at 31-03-2018*	As at 01-04-2017*
		Unaudited	Unaudited	Unaudited
A	**ASSETS**			
1	**Non-current Assets:**			
	(a) Property, plant and equipment	**1746.73**	2033.86	2026.40
	(b) Capital work-in-progress	**67.63**	49.85	45.74
	(c) Goodwill	**140.87**	146.56	143.54
	(d) Intangible assets	**162.28**	184.09	204.46
	(e) Intangible assets under development	**23.42**	34.92	40.23
	(f) Financial assets			
	(i) Investments	**129.88**	278.75	203.92
	(ii) Trade receivable	**13.35**	-	-
	(iii) Loans	**6.96**	6.87	6.65
	(iv) Others	**2246.42**	1800.82	1530.59
	(g) Deferred tax assets (net)	**23.26**	62.38	45.76
	(h) Other non-current assets	**6.81**	2.19	3.22
	Total Non-current Assets	**4567.61**	**4600.29**	**4250.51**
2	**Current Assets:**			
	(a) Inventories	**1192.80**	1226.37	1058.73
	(b) Financial assets			
	(i) Investments	**0.01**	0.01	5.22
	(ii) Trade receivables	**1695.78**	2364.17	2211.35
	(iii) Cash and cash equivalents	**241.85**	379.76	441.67
	(iv) Bank balances other than (iii) above	**21.13**	45.09	1.57
	(v) Loans	**34.47**	47.87	78.62
	(vi) Others	**5.52**	4.02	202.03
	(c) Current tax assets (net)	**33.67**	78.49	81.10
	(d) Other current assets	**758.32**	571.91	795.27
	Total Current Assets	**3983.55**	**4717.69**	**4875.56**
3	**Assets classified as held for sale and discontinued operations**	**1703.00**	1570.56	1339.04
	TOTAL - ASSETS	**10254.16**	**10888.54**	**10465.11**
B	**EQUITY AND LIABILITIES**			
	Equity			
	(a) Equity Share capital	**125.35**	125.35	125.35
	(b) Other equity	**2065.84**	2786.74	3763.03
	Total Equity	**2191.19**	**2912.09**	**3888.38**
	Liabilities			
1	**Non-current Liabilities:**			
	(a) Financial liabilities			
	(i) Borrowings	**1381.56**	1494.53	905.80
	(ii) Other financial liabilities	**298.37**	391.55	391.14
	(b) Provisions	**84.22**	75.99	80.07
	(c) Deferred tax liabilities (net)	**222.53**	397.57	386.05
	(d) Other non-current liabilities	**0.17**	0.40	18.42
	Total Non-current Liabilities	**1986.85**	**2360.04**	**1781.48**
2	**Current Liabilities:**			
	(a) Financial liabilities			
	(i) Borrowings	**1282.89**	1242.91	756.55
	(ii) Trade payables	**2329.78**	1839.28	1901.69
	(iii) Other financial liabilities	**892.87**	769.22	475.48
	(b) Other current liabilities	**730.72**	928.04	869.10
	(c) Provisions	**212.83**	262.83	197.75
	Total Current Liabilities	**5449.09**	**5042.28**	**4200.57**
3	**Liabilities associated with group of assets classified as held for sale and discontinued operations**	**627.03**	**574.13**	**594.68**
	TOTAL - EQUITY AND LIABILITIES	**10254.16**	**10888.54**	**10465.11**

* Restated

CONSOLIDATED MANAGEMENT COMPILED FINANCIAL INFORMATION - INCOME STATEMENT

(INR crores)

Sr. No.	Particulars	Year ended	
		31.03.2019	31.03.2018*
		Unaudited	Unaudited
1	**Income from operations**		
	Revenue from operations	7997.78	8093.66
	Other income	49.28	39.28
	Total Income	**8047.06**	**8132.94**
2	**Expenses**		
	(a) Cost of materials consumed	5038.18	5295.88
	(b) Purchases of stock-in-trade	34.79	46.62
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	124.68	(133.76)
	(d) Excise duty	-	98.91
	(e) Employee benefits expense	1063.34	1080.63
	(f) Finance costs	382.50	320.95
	(g) Depreciation and amortisation expense	225.25	251.93
	(h) Foreign exchange (gain) / loss (net)	97.12	(71.23)
	(i) Other expenses	1365.21	1666.21
	Total Expenses	**8331.07**	**8556.14**
3	**Loss before share of loss in associates and joint venture, exceptional items and tax**	**(284.01)**	**(423.20)**
4	Share of loss in associates and joint venture	-	(1.74)
5	Exceptional items (net)	(166.68)	(134.94)
6	**Loss before tax**	**(450.69)**	**(559.88)**
7	**Tax expense / (credit) :**		
	Current tax	82.98	63.71
	Deferred tax charge / (credit)	(64.59)	38.01
8	**Loss from continuing operations after tax**	**(469.08)**	**(661.60)**
9	**Loss from discontinued operations before tax**	(29.20)	(102.04)
10	Tax credit on discontinued operations	(11.49)	(34.71)
11	**Loss from discontinued operations after tax**	**(17.71)**	**(67.33)**
12	**Net loss for the year**	**(486.79)**	**(728.93)**
13	**Other comprehensive income:**		
	(a) (i) Items that will not be reclassified to profit or loss	(137.98)	(38.50)
	(ii) Income tax relating to items that will not be reclassified to profit or loss	1.21	3.37
	(b) (i) Items that will be reclassified to profit or loss	(11.66)	(125.50)
14	**Total comprehensive income after tax**	**(635.22)**	**(889.56)**
15	**Total comprehensive income attributable to:**		
	(a) Equity holders of the parent	**(631.59)**	**(893.68)**
	(b) Non-controlling interests	3.63	(4.12)

* Restated

CONSOLIDATED MANAGEMENT COMPILED FINANCIAL INFORMATION - SEGMENT REPORTING

(INR crores)

Sr. No.	Particulars	Year Ended	
		31.03.2019	31.03.2018*
		Unaudited	Unaudited
1.	Segment Revenue:		
	(a) Power Systems	4610.20	5485.88
	(b) Industrial Systems	3373.17	2591.57
	(c) Others	17.06	16.71
	Total	**8000.43**	**8094.16**
	Less: Inter-Segment Revenue	2.65	0.50
	Total income from operations	**7997.78**	**8093.66**
2.	Segment Results: [Profit / (loss) before tax and finance costs from each segment]		
	(a) Power Systems	(16.30)	(221.68)
	(b) Industrial Systems	372.31	160.47
	(c) Others	(3.32)	2.30
	Total	**352.69**	**(58.91)**

* Restated

Notes to consolidated management compiled financial information

1. The above are compilation of unaudited consolidated financial position and profit and loss of CG Power and Industrial Solutions Limited ("the Company" or "the Parent Company") and its subsidiaries (together referred to as "the Group") for the year ended 31 March 2019 and restated financial position as at 31 March 2018 and 1 April 2017 and profit and loss for the year ended 31 March 2018, together termed as 'Management compiled Financial Information', taking into consideration the potential impact of certain suspect, unauthorised and undisclosed transactions and entries (as explained below). This management compiled financial information are presented by management to provide interim disclosure of the financial information for the year ended 31 March 2019. Taking into account the effects of the transactions explained below, the Group is in the process to prepare the financial statements for the year ended 31 March 2019 which will be subject to audit/limited review.

2. An independent legal firm which was appointed after performing its investigation submitted a report, which it termed as Phase 1 Report ('the Report") to the Risk and Audit Committee ("RAC") on 6 August 2019. Given the voluminous and extensive nature of the report, the RAC directed the Operations Committee ("OC") to further analyse the Report in detail. The RAC received the analysis of the OC and its recommendations regarding the transactions set out in the Report ("Report Transactions") and certain additional, suspect, unauthorized and undisclosed transactions and entries identified during further verifications ("Additional Transactions"). The RAC has also received from the management, compilation of unaudited standalone and consolidated financial position and profit and loss of the Company / Group for the year ended 31 March 2019 and restated financial position as at 31 March 2018, 1 April 2017 and profit and loss for the year ended 31 March 2018, taking into consideration the potential impacts of the Report Transactions and Additional Transactions, along with summary of each of these subject transactions ("Management compiled Financial Information").

   The RAC post its review and due consideration of (i) the Report, (ii) the analysis and recommendations of the OC, and (iii) the Management compiled Financial Information, made its recommendations to the Board regarding the necessary disclosures and immediate further actions required to be undertaken to protect interests of the Company and all its stakeholders.

3. The Board has duly noted and taken the Report on record. The Board also notes and considered inputs and recommendations received from the RAC and discloses as under:

   a. The total liabilities of the Group were potentially understated by an amount of approximately INR 1,608.17 crores as at 31 March 2018 and approximately INR 401.83 crores as at 1 April 2017 respectively (excluding contingent liability of INR 391.88 crores as at 31 March 2018 and as at 1 April 2017). To ascertain and establish completeness of the liabilities, an initial exercise was conducted by canvassing all lenders, current and past, for any additional claims from them in respect of either the Company or its subsidiaries. Subject to appropriate legal examination of all such liabilities, these amounts have been either been recorded as

liabilities or disclosed as contingent liability in the Management compiled financial information.

b. Moreover, advances to related parties and unrelated parties were potentially understated by INR 2,806.63 crores as at 31 March 2018 and INR 1,331.47 crores as at 1 April 2017. The recoverability of such amounts along with any interest and other related amounts, from related and other unrelated parties will be evaluated with appropriate legal input, post which necessary actions will instituted.

c. Certain assets of the Group that were purportedly provided as collateral without due authority and the Company / Group was made a co-borrower and/or guarantor for enabling obtaining ostensibly unrelated third parties to obtain loans without any due authorization. The moneys so obtained were received in the Group and immediately without due authorization routed out of the Company / Group through itself or from its subsidiaries or ostensibly unrelated parties to certain related parties. Measures to safeguard such assets will be evaluated with appropriate legal assistance and and appropriate action will be initiated.

d. The net worth of the Group was potentially understated due to unauthorized and inappropriate write offs and charges debited to the statement of profit and loss of the Group during the year ended 31 March 2018. Whilst, the unauthorized write offs are restored in the Management compiled Financial Information, given the challenges of recovering such and other amounts, appropriate provisions may have to be recognized by the Group which have not been considered in the Management compiled Financial Information have not been considered. Nevertheless, all efforts, including legal and other measures, to recover such amounts would be made.

e. 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 authorization of either RAC or the Board, and/or in breach of the Companies Act 2013, applicable SEBI Regulations and other applicable laws. These transactions appear to have been carried out by various means including inappropriate netting off, using ostensibly unrelated third parties, routing transactions through subsidiaries, promoter affiliate companies and other connected parties. These may have potentially resulted in misstatement of past financial statements. These transactions appear to be undertaken in a seemingly fraudulent manner and hence, warrant further detailed investigation.

f. The financial results of the previous quarters would be impacted as a consequence of these adjustments.

g. As a result of the above findings the opening balances of financial year ended 31 March 2019 and earlier years have to be restated. Such restatement may have consequential impact on closing balances for 31 March 2019.

4. The transaction details resulting in the adjustments which have been recognized in the management compiled financial information are as under:

(a) In May 2016, pursuant to an execution of an assignment agreement, leasehold land along with factory building of the Group at Nashik was assigned for a consideration of INR 264 crores to Blue Garden Estates Private Limited ("BGEPL"), a subsidiary of Acton Global Private Limited ("AGPL"). Both BGEPL and AGPL shares were owned by certain employees of the Company, who had not declared such ownership, when the transaction had occurred and hence, these Companies are termed as connected parties. Such an assignment was not in accordance with the terms of the leasehold land agreement. Further, no disclosure was made in the financial statements for FY 2016-17 and thereafter for such an assignment. Certain CIPs who executed the assignment agreement on behalf of the Group agreed to an obligation under the assignment agreement for payment of interest @15% p.a. basis monthly intervals to BGEPL until execution and registration of deed of assignment cum sale.

The Group received INR 200 crores from BGEPL as initial advance consideration for the assignment of land and building. Of the amount received from BGEPL, INR 145 crores was advanced to Avantha Holdings Limited ("AHL"), the promoter of the Company and INR 53 crores to AGPL. In respect of the advances to AGPL and AHL, no loan or other agreements were entered into. Further, no interest payments were made by the two entities to the Group.

It was noted that the above two advances of INR 198 crores were inappropriately netted off against the payable to BGEPL and both the asset and liability were not disclosed in the financial statements of the Group for the year ended 31 March 2017. Accordingly, the assets and liabilities to the extent of INR 198 crores were understated in the financial statements of the Group for FY 2016-17 and FY 2017-18. The netted out amounts have been grossed up and have been restated to reflect separately the receivables from AHL and AGPL and a payable to BGEPL as at 1 April 2017 and subsequent years. Interest payments by the Group on the amount received from BGEPL were disguised and concealed under different accounting heads including professional fees, exchange losses and supplier advances, some of which were subsequently written off to Profit and Loss account of the Group.

Further, AHL issued a corporate guarantee on behalf of the Group in favor of BGEPL providing assurance for repayment of proceeds received by the Group in the event of a default of the conditions of assignment. Also, a Power of Attorney ('POA') was issued in an unauthorized manner by certain CIPs in favor of BGEPL empowering BGEPL to take actions with respect to the property at Nashik in the event of default of the conditions of assignment by the Group.

In February 2018, an undertaking was given by certain CIPs on behalf of the Group along with BGEPL to the lender to create a charge on leasehold land and building in favor of the lender in the event of default by BGEPL of terms of loan availed by BGEPL from the lender. In December 2018, BGEPL defaulted in the payment of interest on its loan and the lender issued a letter in January 2019 to the Group to create a charge on the leasehold land and building. No disclosure was made relating to the requirement for creation of charge in the Group's consolidated financial statements for prior years. Subsequently, the Group has received a letter from the lender to discharge the outstanding liability. The Group is examining the matter with its legal counsel and is in discussion with the lender with regard to this liability. Also, the Group plans to initiate a process for recovering dues from AHL and AGPL.

(b) In October 2015, an agreement was entered into on behalf of the Group for sale ("First Sale") of freehold land to Evie Real Estates Private Limited ("Evie") at Kanjurmarg ("Plot"). The consideration for sale of such plot of INR 498 crores was payable in two tranches with

an initial consideration of INR 11 crores was payable immediately. The time period to fulfill the conditions precedent was four years from the agreement date. Apart from the initial consideration of INR 11 crores, no further consideration was received by the Group.

In February 2017, a Memorandum of Understanding (MOU) with BGEPL was entered by certain CIPs on behalf of the Group for second sale of the Plot to BGEPL, in the event the First Sale does not go through. Under the MOU with BGEPL, part of the sale consideration of INR 190 crores was payable before registration of the deed of assignment cum sale ("Second Sale") and the balance after successful completion of the transaction. Further, no disclosure was made in the financial statements for FY 2016-17 and thereafter for such an assignment. The Group had to pay interest @15% p.a. basis monthly intervals to BGEPL from the date of receipt until registration of deed of assignment cum sale or till the termination of MOU and refund by the Group, whichever is later.

The Group received INR 190 crores from BGEPL as initial consideration for the assignment/sale of land and in the same month, in February 2017, the Group transferred INR 192 crores to AGPL in multiple tranches. In respect of these advances to AGPL, no loan or other agreements were entered into. Further, no interest payments were made by AGPL to the Group.

The amount received from BGEPL and the advances made to AGPL of INR 192 crores were inappropriately netted off and no disclosure of any part of the transaction and related amounts were made in the financial statements of the Group. Accordingly, the assets and liabilities to the extent of INR 192 crores were understated in the financial statements of the Group for FY 2016-17 and FY 2017-18.

The Group has now grossed up the amounts and disclosed a receivable from AGPL and the amount received from BGEPL as a liability as at 1 April 2017 and carried this forward in the following years.

Interest payments by the Group on the amount received from BGEPL were disguised and concealed under different accounting heads including professional fees, exchange losses and supplier advances, some of which were subsequently written off to the Profit and loss account of the Group.

Further, as a part of the transaction, AHL issued a corporate guarantee on behalf of the Group in favor of BGEPL providing assurance for repayment of proceeds received by the Group in the event of a default of the conditions of assignment/sale. Also, a Power of Attorney ('POA') was issued in favor of BGEPL empowering BGEPL to create a charge with respect to the freehold land in the event of default of the conditions of assignment/sale by the Company.

In February 2017, certain CIPs executed an undertaking on behalf of the Group in favor of BGEPL and the lender that the Group will become a co-borrower for the loan availed by BGEPL in the event of default by BGEPL. In December 2018, BGEPL defaulted on payment of interest on its loan and the lender issued a letter in January 2019 to the Group asserting that the Group is a co-borrower for the loan availed by BGEPL and requested to create a charge on the freehold land together with the structure thereon. No disclosure was made of the notice seeking creation of charge in financial statements. Further, subsequently, the Group has received a letter from the lender to discharge the outstanding liability. The Group

is examining the matter with its legal counsel and is in discussion with the lender with regard to this liability.

The Group plans to initiate a process of recovering dues from AGPL.

The aforementioned interest paid on BGEPL amounts has now been reclassified as finance cost from Professional fees amounting to INR 15.59 crores and exchange gain and loss amounting to INR 33.13 crores and advance to AHL amounting to INR 14.19 crores in FY 2017-18. Additionally, interest amounting to INR 28.02 crores pertaining to FY 2016-17 had been recognized under Advance to supplier and was not recognized in the statement of profit and loss. Hence, such amount has been recognized in retained earnings as at 1 April 2017 with a corresponding impact to Advance to suppliers.

(c) It was noted that certain sales transactions were inappropriately recorded with certain specific customers amounting to INR 120 crores during the period from April 2017 to June 2017. Subsequently, a factoring arrangement was entered into on 12 December 2018 for sale of such outstanding receivables for a consideration of INR 86.4 crores. Such consideration was to be received by the Group in four quarterly installments starting from July 2019; however, no consideration was received under the factoring arrangement till date.

The Group had made a provision for liquidated damages of INR 12 crores and a provision for balance receivables of INR 108 crores.

The purchases pertaining to aforementioned sales transactions were also inappropriately recorded during January 2017 to March 2017 from those specified vendors for INR 257.69 crores and recorded as a part of inventory.

The Group recorded the above transactions as follows:

- Out of the sales of INR 120 crores, INR 52.14 crores were recorded as revenue, INR 2.35 crores was recognized as Central Sales Tax and INR 65.51 crores were recorded as reduction in cost of goods sold.
- The cost of goods sold of INR 102.02 crores was recognized in respect of aforementioned sales.
- A provision for slow moving inventory of INR 155.67 crores was recorded under 'Exceptional items'.

The Group did not have sufficient documentation evidencing the receipt and dispatch of goods and requisite approvals for the aforementioned transactions. There were several discrepancies in the documents available pertaining to these transactions. The Group also attempted tracing these parties and was unable to establish the existence of those parties. The management noted significant control lapses in these transactions resulting in significant accounting irregularities which have now been reversed in the financial statements.

The Group will continue its efforts to trace these parties and will initiate appropriate action basis consultation with legal counsel.

Consequently, as at 1 April 2017, Inventory of INR 257.69 crores has been reversed and a receivable from AHL has been recognized for INR 257.69 crores

Further for FY 2017-18, the following reversals have been recorded:

- Revenue of INR 52.14 crores, INR 2.35 crores of Central Sales Tax and cost of goods sold of 65.51 crores pertaining to sales made to specific customers;

- Cost of goods sold amounting to INR 102.02 crores; and
- Provision for slow moving inventory amounting to INR 155.67 crores.

This has resulted in an increase in restated PBT by INR 137.69 crores for FY 2017-18.

The Group has reversed the provision recognized in December 2018 on the above receivables amounting to INR 120 crores as at 31 March 2019.

(d) The Group had inappropriately recorded sales transactions with certain specific customers aggregating to INR 40.56 crores during FY 2017-18 in one of the overseas subsidiary. The Group had also inappropriately recorded purchases of INR 38.31 crores pertaining to aforementioned sales transactions in FY 2017-18.

The Group did not have sufficient documentation evidencing the receipt and dispatch of goods and requisite approvals for the aforementioned transactions. There were several discrepancies in the documents available pertaining to these transactions. The Group also attempted tracing these parties and was unable to establish the existence of those parties. The management noted significant control lapses in these transactions resulting in significant accounting irregularities which have now been reversed in the consolidated financial statements.

The Group will continue its efforts to trace these parties and will initiate appropriate action basis consultation with legal counsel.

Consequently, for FY 2017-18, the following reversals have been recorded:

- Revenue of INR 40.56 crores pertaining to sales made to specific customers
- Purchases of INR 38.31 crores pertaining to above sales

This has resulted in a decrease in PBT of INR 2.25 crores for FY 2017-18.

(e) The Group had discontinued Distribution Franchise business (Jalgaon) and has entered into final settlement on 16 February 2018 with Maharashtra State Electricity Distribution Company Limited ("MSEDCL"). Based on the same and considering the non-recoverability of dues, the Group has further written off amount of INR 33.72 crores towards receivable from MSEDCL during the year ended 31 March 2019, which is disclosed under Discontinued Operations.

The profit and loss for the year ended 31 March 2018 are now restated to reflect the fair value of receivables as per Indian Accounting Standard 109, Financial Instruments in relation to assets classified as discontinued operation. Accordingly the results of discontinued operation and retained earnings for the year ended 31 March 2018 are restated by INR 22.68 crores.

(f) AHL had obtained a loan of INR 500 crores from a bank in October 2015 for the purpose of making advance payments to Solaris ChemTech Industries Limited ("SCIL"), a promoter affiliate and a related party, for purchase of SCIL's bromine production facilities and to meet certain working capital and capital expenditure requirements. A comfort letter was issued on behalf of the Group in November 2015 to discharge AHL's pecuniary obligations jointly undertaken by the Group. The existence of comfort letter was not known to the Group until it was brought to the attention of the Group by the bank in the current year ended 31 March 2019. No disclosure was made in the financial statements of prior years.

One of the condition for granting of the loan was submission of post-dated cheques ("PDC") for repayment purposes. PDCs were provided on behalf of AHL in accordance with the Comfort Letter issued. The PDCs were replaced from time to time on account of the previous cheques becoming time-barred/stale. Such PDCs issued were not in accordance with the Company's policies. Last PDC was issued on 15 January 2019 for INR 210 crores. The same was presented by the bank on 11 April 2019 and was returned as dishonored due to insufficient funds. The bank issued notice under section 138 of Negotiable Instruments Act, 1881 dated 30 April 2019 to the Company on account of such default.

The Group has made a comprehensive submission to the bank denying the knowledge of existence of the alleged comfort letter. The Group also mentioned in its response that PDC cheques were signed by certain CIPs in violation of RoPs. The Group is seeking suitable legal advice from an independent third party law firm on the matter. However, considering the uncertainty involved in the matter, the Group having considered all necessary facts and based on its own internal assessment, has decided to disclose this as a contingent liability amounting to INR 391.88 crores in the current year.

(g) The Group entered into a Brand license and support agreement with AHL for use of 'Avantha' brand for a consideration which was based on certain specified percentage of its annual consolidated net operating revenues (ANOR) as defined in that agreement ("Royalty"). This agreement was amended from time to time and till September 2018 the specified percentage was 1% of ANOR. Royalty amounting to INR 25.68 crores was accrued until September 2018. Subsequently, discussions with AHL were on to further revise the terms of Royalty but could not reach a consensus on the terms and hence, the Group did not accrue royalty to AHL from October 2018.

The Group is in receipt of a written communication from the Bank, where the Bank has indicated that an assignment cum put agreement was entered by certain CIPs on behalf of the Group with AHL, Solaris Industrial Chemicals Limited ("SICL") - a related party, and the bank in September 2018 ("SICL Assignment") under which the Royalty payable by Company to AHL was assigned over to the bank. At this point in time, an amount of INR 78.25 crores was already paid in advance to AHL by the Group against Royalty to AHL by the Company.

Further, in September 2018, the Group received INR 294 crores from AHL and placed out of these, an amount of INR 229 crores as fixed deposits with the bank. It was noted that the fixed deposits receipts were dated 1 October 2018 but the amounts were transferred by the Company on 25 October 2018. One of the conditions of this arrangement with AHL was that if the Company does not pay royalty before 20 March 2019 in escrow account of SICL, the deposit will be refunded by the Group. The Group refunded the deposit amount along with interest to AHL in March 2019.

Subsequent to the balance sheet date, the bank has issued a communication to the Group of its intent to exercise the put option as per the aforementioned assignment and has asked the Group to discharge the liability outstanding of INR 71 crores. The Group is in discussion with the lender as well as with its independent legal counsel with respect to tenability of this liability. The Group proposes to disclose this as a contingent liability in its financial statements.

(h) In February 2017, one of the subsidiary company availed a loan from the lender amounting to INR 200 crores. Out of these proceeds, an amount of INR 185 crores was immediately transferred to the Company. The Company was a co-borrower to this loan availed by the subsidiary company.

This loan was classified as 'Liabilities associated with Group of assets classified as held for sale and discontinued operations', as on 31 March 2017 (INR 200 crores) and 31 March 2018 (INR 195 crores) as the subsidiary was unable to service the loan.

Accordingly, the liability towards the lender was reclassified to borrowings from 'Liabilities associated with group of assets classified as held for sale and discontinued operations' as on 1 April 2017 and 31 March 2018. In accordance with such re-classification, interest cost of INR 25 crores, for the year 2017-18, on such borrowing has been reclassified to finance costs from 'Loss from discontinued operations before tax'.

(i) The promoter company and a related party had issued cheques in favor of the Group for settlement of the advances/ dues to the Group inspite of having insufficient funds. These cheques were not deposited to the bank for payment until the sufficiency of funds was confirmed by the said parties. In FY 2016-17, such cheques amounting to INR 300 crores were included as a part of bank balances before being presented for payment and were previously inappropriately disclosed as a part of balances with banks in the consolidated financial statements of the Group. Subsequently, in FY 2017-18, fresh money was advanced to the said parties so that sufficient funds were available with such parties to meet the liability towards the cheques issued amounting to INR 300 crores. These cheques were then presented for payment post funding and realized in due course.

Further, in FY 2017-18, the total of cheques amounting to INR 400 crores received from the promoter company were included as part of bank balances but were not presented for payment subsequently.

The Group has now decided to restate the receivables balance of such promoter company and a related party and accordingly, reduce the balances with banks for those respective periods.

(j) The Group had taken short-term borrowings from certain banks amounting to INR 245 crores in FY 2017-18. These borrowings were inappropriately netted off against receivable from related parties. The Group has restated the requisite balances in the financial statements for FY 2017-18.

(k) During FY 2017-18, the Group had taken a borrowing of INR 355.48 crores (EUR 44 million) from a bank in one of the overseas subsidiary and advanced these funds to promoter affiliate company. These advances were repaid by the promoter affiliate company in FY 2017-18 itself which the Group repaid to the bank. These transactions were not disclosed in related party transactions. Accordingly, the Group has included the aforementioned transactions as a part of related party disclosures.

Similarly, in the current year, the Group had taken a borrowing of INR 341.71 crores (EUR 44 million) from a bank and advanced these funds to promoter affiliate company. These borrowings were inappropriately netted off against the receivable from promoter affiliate company as on 30 September 2018. The Group has now restated the balances as at 31 March 2019.

(l) In October 2017, CG Middle East FZE, a wholly owned subsidiary of the Group parent availed a Dollar Term Loan Facility ("Loan") from a bank amounting to INR 260.61 crores. As per the sanction letter, the stated purpose of the loan was meeting working capital requirements and general corporate purposes, making loans to Group Companies and affiliates of Group Companies, etc. The loan was provided by the bank based on the following security provided:

- Assignment of book debts;
- Assignment of receivables;
- Commercial pledge of inventory; and
- Any other documents creating, or which expresses to create, security for the liabilities of the Obligors to the Lenders under any Finance Document.

Corporate guarantee was issued to the bank on behalf of CGIBV. No disclosures were made in prior year financial statements.

The amount drawn from the bank by the CG Middle East FZE was remitted to CGIBV and through a series of transactions ultimately paid to SICL. The Company did not have documents and business rationale for the purpose of extending the money to SICL. The Company is in the process of investigating this matter and will take appropriate action on consultation with independent legal counsel.

The Group had recorded the borrowing from the bank and inappropriately off-set the borrowings against receivable from certain promoter affiliate companies. Accordingly, the Group has restated the prior year consolidated financial statements to recognize borrowings from bank and receivable from affiliate companies. Further the Group has also accrued interest expenses of INR 3.89 crores on the aforementioned borrowings for FY 2017-18.

(m) The Group had entered into agreements for supply of power Transformers ("Supply Agreements") with certain customers ("Identified Customers"). The Group had supplied transformers to the Identified Customers under the Supply Agreements and there were significant quality issues raised by Identified Customers which could have resulted in warranty claims up to the contract value. In order to mitigate the risks of such potential warranty claim exposures in future, the Group entered into agreement with various local service providers ("Service Providers") to render services to ratify the quality issues in the transformers delivered to Identified Customers. In this regard, till March 2018, the Group had paid advances of INR 102.84 crores to Service Providers and INR 114.38 crores in FY 2018-19.

The Group does not have relevant approvals, documentation, and business rationale in relation to the services provided by the Service Providers. Currently, no adjustment has been made in these consolidated financial statements for these transactions as the matter is pending investigation. The Group is in the process of initiating the recovery of these advances in consultation with independent legal counsel.

(n) One of the overseas subsidiary of the Group had made certain investments amounting to INR 133.29 crores (Euro 16.5 million) in mutual funds during FY 2017-18. These mutual fund investments were inappropriately off-set against borrowings during FY 2017-18. As a part of restatement, the investment and borrowings were restated in the consolidated financial statements. The Group does not have any documentation evidencing the existence,

utilization and recoverability of the investment in the mutual funds. Currently, no adjustment has been made in these consolidated financial statements for these transactions as the matter is pending investigation.

(o) The Group entered into an agreement on behalf of CG Singapore with Mirabelle Trading Pte Limited ('Mirabelle') – a related party, in January 2013 ("Services Agreement") for developing switchgear business in South East Pacific Region and for creating new business opportunities for transformer and other businesses for the Group and its customers. Total value of the services defined under the services agreement was to USD 20.15 million.

With reference to the Services Agreement, Mirabelle had issued two demand notices in March 2018 (USD 9.65 million) and in June 2018 (USD 4.5 million) respectively to the Group against which the Group advanced INR 93.33 crores (USD 13.5 million) to Mirabelle. The Group does not have relevant approvals, documentation, and business rationale in relation to rendering of services by Mirabelle.

The Group did not identify and disclose Mirabelle as its related party in FY 2017-18 and accordingly classified the advances as 'Advance to Suppliers' in the consolidated financial statements.

The Group has now decided to disclose this transaction as a part of related party disclosures by restating advances to related parties.

(p) Advances were given by the Group amounting to INR 215.28 crores to a connected party and a related party, INR 202.45 crores to AHL and INR 280.38 crores to other third parties. The Group had fully written-off the said advances in absence of sufficient documentary evidence amounting to INR 518.73 crores as on 31 March 2018.This was recognized under 'Exceptional items' in the financial statements. The Group plans to initiate the recovery process for these advances and hence, the Group has restated these advances to give effect as follows:

- It was determined that the receivables from the connected party and the related party amounting to INR 215.28 crores were erroneously written off and hence, the Group has now restated the prior period by reversing the provision previously recognized.
- INR 280.38 crores which was previously written off has now been restated as a receivable in previous years; and
- INR 202.45 crores which had been written off previously has now been reclassified as receivables from AHL and accordingly, the Group has restated the balances in previous years.

The Group has restated the advances to promoter affiliate companies as it plans to initiate recovery process for these advances through legal proceedings. Further, the Group attempted tracing the aforementioned third parties and was unable to establish the existence of those parties. In the current year, the Group will continue its efforts to trace these parties and recover the advances paid and is in the process of consultation with independent legal counsel to take appropriate action.

(q) Advances amounting to INR 332 crores were made to AHL in FY 2016-17 and subsequently inappropriately assigned to third parties. The Group has restated its receivable from AHL as amounting to INR 332 crores as at 1 April 2017 and INR 263.47 crores as at 31 March 2018.

(r) During FY 2017-18, one of the subsidiary of the Group has received certain advances from various parties amounting to INR 420.61 crores and the said advances were inappropriately off-set against the balances with promoter affiliate companies. The subsidiary does not have any rationale, documentation and explanation of receipt of advance from various parties. The Group has now restated these advances and receivables from affiliate companies in financial statements for FY 2017-18.

(s) The Group had given certain advances to various parties amounting to INR 45.01 crores, INR 2.16 crores and INR 36.46 crores during FY 2016-17, FY 2017-18 and FY 2018-19, respectively. The Group believes that such advances are recoverable and has plans to initiate the process for recovery of these advances in consultation with independent legal counsel.

(t) Non-controlling Interest in PT CG Power System Indonesia Subsidiary is restated to reflect their share of 5% in line with the Management and Support Services agreement entered with the Minority shareholder. This was not appropriately considered in earlier years. In view of the same, the liability towards Non-controlling shareholders of INR 25.99 crores is restated as of 1 April 2017 with corresponding decrease in retained earnings. The profit share pertaining to minority is also restated by INR 6.12 crores for FY 2017-18 with corresponding decrease in share attributable to equity holders of parent.

(u) Consequential tax effect on account of restatement has been duly recorded in the respective periods. Further the Group in the previous period disclosed the exceptional items in the statement of profit and loss account net of deferred tax. The Group has now restated the balances by increasing exceptional items and deferred tax expense amounting to INR 219.55 crores.

(v) As a result of these transactions, there may be potential non-compliances under the Companies Act, 2013; SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; Income Tax Act, 1961 and other statutes and regulations. The Group is in the process of evaluating the implications of these potential non-compliances and potential remedies available.

(w) The Group has certain receivables from various promoter affiliate companies and connected parties as at 31 March 2019, 31 March 2018 and 1 April 2017. Considering the above transactions, the Group has estimated the timing of recovery of outstanding balances from such Companies and accordingly, has classified the balances as non-current. The Group also believes that interest on such receivables is also recoverable from those affiliate companies and connected parties amounting to INR 529.02 crores approximately till 31 March 2019 which has currently not been considered in this Management compiled Financial Information. The Group plans to initiate the recovery proceedings for these receivables based on consultation with independent legal counsel. Following are the receivables balances from various promoter affiliate companies and connected parties:

(INR crores)

Name of the entity	Relationship	As at 31.03.2019	As at 31.03.2018 (Restated)	As at 31.03.2018 (Reported)	As at 01.04.2017 (Restated)	As at 01.04.2017 (Reported)
A) Advances/Loan given						
Avantha Holdings Limited	Promoter Company	1,006.22	1,180.82	116.93	1,109.45	102.70
Avantha International Assets BV	Related party	350.74				
Avantha Realty Limited	Related party	10.65	10.23	10.23	12.56	12.56
Avantha Power & Infrstructure Ltd	Related party	15.00	15.00		15.00	0.00
Acton Global Private Limited	Connected party	175.00	245.00		245.00	
Ballarpur Industries Limited	Related party	68.50	68.50	0.23	68.50	0.23
Ballarpur Graphics Paper Product Limited	Related party	552.33	552.33	3.57		3.55
Ballarpur International Holdings BV	Related party	70.33	68.88			
Blue Garden Estate Private Limited	Connected party	287.74	177.48			
Mirabelle Trading PTE Ltd	Related party	93.33	58.97			
Solaris Industrial Chemicals Limited	Related party	306.00	280.00			
Total		**2,935.84**	**2,657.21**	**130.96**	**1,450.51**	**119.04**
B) Advances/Loan Payable						
Blue Garden Estate Private Limited	Connected party	320.00	390.00		390.00	
Mirabelle Trading PTE Ltd	Related party	6.30				
		326.30	390.00		390.00	

(x) The Group provided for impairment losses towards goodwill of INR 21.06 crores during FY 2017-18 in respect of one of its overseas subsidiary.

5. Discontinued businesses:

a. The Board of Directors of the Company had authorised a committee to evaluate several aspects related to all the operations identified as discontinuing operations covering the status of identification of prospective buyers, disposal groups, etc. for its identified overseas power transmission and distribution business and identified Indian subsidiaries. Considering the existing business scenario, operations and future potential of the various discontinued businesses and for meeting the requirement under relevant accounting standard for classification of businesses, the Board of Directors has at its meeting held on i.e. 8th March, 2019, decided to re-classify the businesses comprised in the following entities from Discontinued to Continuing operation with effect from 1 January 2019:

i. CG Power Systems Ireland Ltd
ii. CG Holdings Belgium NV
iii. CG Power Systems Belgium NV
iv. CG Service Systems France SAS
v. CG Power Solutions UK Ltd.
vi. CG Middle East FZE
vii. CG Electric Systems Hungary Zrt.

Consequent to the re-classification, the above businesses have been forming part of continuing operations. In accordance with the requirements of Ind AS 105 *'Non-current Assets Held for Sale and Discontinued Operations'*, the Group has restated the comparatives for the year ended 31 March 2018 and as at 1 April 2017.

Following subsidiaries/ business units are considered as discontinued operations as at 31st March, 2019:

Sr. No.	**Name of the Subsidiary / business units**
A)	Standalone:
1.	Distribution Franchise business (Jalgaon)
B)	Consolidated:
1.	CG Sales Networks France SA
2.	CG Power Solutions Saudi Arabia Ltd.
3.	CG Power Solutions Americas, LLC
4.	CG Power Systems Canada Inc.
5.	CG Power Solutions Limited
6.	CG Power Equipments Limited

b. In August 2017, the Group had accepted a binding offer of M/s Ganz Villamossagi Zrt. and Alester Holdings Limited (Buyer) for sale of Assets and Shares of the Company's business in Hungary (excluding switchgear business) including its overseas wholly owned step-down subsidiary, CG Electric Systems Hungary Zrt. (ESHU) for an Enterprise value of Euro 38 million subject to fulfilment of conditions. However, certain conditions as agreed to be performed between the parties were not met, hence the agreement was terminated with effect from 30 April 2019.

In FY 2017-18, the Group had classified the assets and liabilities of ESHU as discontinued operations and had recognised a provision for diminution in value of business amounting to INR 107 crores. Such provision was recognised under 'Exceptional items' in the consolidated financial statements with a corresponding credit to '*Liabilities associated with group of assets classified as held for sale and discontinued operations*' ('Liability of discontinued operation'). Subsequently, in FY 2018-19, the Group has reclassified the ESHU business as continuing operations and restated the comparatives. Hence, the provision of INR 107 crores recognised has been reclassified from Liability of discontinued operation as reduction from property, plant and equipment (PPE) to reflect the impairment of PPE.

c. The property, plant and equipment (PPE) and intangible assets pertaining to discontinued subsidiaries were classified as held for sale and hence, no depreciation was recognised on the same in the prior years. Further upon reclassification of discontinued subsidiaries to continuing operations, the assets and liabilities of those operations were subject to overall review and recognised in accordance with the requirements of paragraph 27 of IND AS 105. Consequent to the restatement, the related depreciation and amortisation of INR 83.59 crores has been accounted in the statement of profit and loss for the FY 2017-18 and INR 59.73 crores in the retained earnings as on 1 April 2017.

d. Pursuant to the above reclassification from discontinuing to continuing business, the Group has also undertaken an overall review of its assets and liabilities, their accounting treatments and presentation in the consolidated financial statements. Based on such evaluation, resultant adjustments of INR (128.59) crores and INR 27.43 crores have been given effects as at 1 April 2017 and 31 March 2018 respectively.

e. Details of the discontinued operations as on 31st March, 2019 included therein are given below in terms of the requirement of Indian Accounting Standard (Ind AS) 105:

(INR crores)

	Year ended	
Particulars	**31.03.2019**	**31.03.2018 (Restated)**
Revenue from Operation	-	242.25
Profit/ (loss) before Tax	(29.20)	(102.04)
Net Profit/ (loss) after Tax	(17.71)	(67.33)

6. Considering the above transactions and the fact that further investigation is required to ensure that all inappropriate transactions / accounting adjustments are identified, Directors of the Company are of the view that financial statements of the Company and the report of the Board for the relevant prior years may not comply with the provisions of Section 129 and section 134 of the Companies Act, 2013 and accordingly, intend to propose revision to the financial statements of relevant prior years as per the requirements of Section 131 of the Companies Act, 2013.

7. The following table summarises the impact of the restated adjustments on each of the financial statement line item for previous years:

i. Changes in the Statement of Financial Position as at 31 March 2018:

(INR crores)

Particulars	Note reference	As at 31.03.2018 (Reported)	Discontinued to Continuing	Adjustments	As at 31.03.2018 (Restated)
Assets					
Non-current assets:					
Property, plant and equipment	5	1,379.17	654.69	-	2,033.86
Capital work-in-progress	5	38.75	11.10	-	49.85
Goodwill	5	167.37	(20.82)	-	146.55
Other intangible assets	5	160.85	23.23	-	184.08
Intangible assets under development	5	33.69	1.23	-	34.92
Financial assets			-	-	
(i) Investments	4(n), 5	145.37	0.00	133.38	278.75
(ii) Loans		6.87	-	-	6.87
(iii) Others	4[(a), (b), (c), (m), (o), (p), (q), (W), 5	-	20.09	1,780.73	1,800.82
Deferred tax assets	4(u)	27.68	26.86	7.84	62.38
Other non-current assets		2.19	-	-	2.19
		1,961.94	**716.38**	**1,921.95**	**4,600.27**
Current assets:					
Inventories	5	587.60	638.78	-	1,226.38
Financial assets					
(i) Investments		0.01	-	-	0.01
(ii) Trade receivables	4(c), (d), 5	2,009.23	520.49	(165.55)	2,364.17
(iii) Cash and cash equivalents	4(i), 5	651.84	127.92	(400.00)	379.76
(iv) Other Bank balances	5	41.60	3.49	-	45.09
(v) Loans	5	43.89	3.98	-	47.87
(vi) Others	5	0.32	3.70	-	4.02
Current tax Assets (net)	5(u)	97.16	0.95	(19.63)	78.48
Other current assets	4 (o), (q), 5	766.66	150.25	(345.00)	571.91
		4,198.31	**1,449.56**	**(930.17)**	**4,717.69**
Assets for discontinued operations	4[(e), (i), (j), (p), (r)], 5	2,959.17	(2,521.54)	1,132.93	1,570.56
Total Assets		**9,119.42**	**(355.60)**	**2,124.71**	**10,888.52**
Other equity	4 [(a). (b), (c), (u), (d), (l), (p), (t)] and 5	**2,714.14**	**(318.61)**	**516.54**	**2,912.07**
Non-current liabilities:					
(a) Financial liabilities					
(i) Borrowings	4[(l), (h)], 5	837.20	236.37	420.96	1,494.53
(ii) Other financial liabilities	4(a), (b), 5	1.55	-	390.00	391.55

(b) Provisions	5	65.78	10.21	-	75.99
(c) Deferred tax liabilities	4 (u), 5	35.72	130.47	231.38	397.57
(d) Other non-current liabilities		0.40	-	-	0.40
		940.65	**377.05**	**1,042.34**	**2,360.04**
Current Liabilities:					
Financial liabilities					
(i) Borrowings	4 (j)	778.99	218.92	245.00	1,242.91
(ii) Trade payables	4 (o), (d)	1,423.68	406.66	8.94	1,839.27
(iii) Other financial liabilities	4(l), (h)	477.15	255.78	36.29	769.23
Other current liabilities	5	459.06	468.98	-	928.04
Provisions	5	119.58	143.25	-	262.83
		3,258.46	**1,493.59**	**290.23**	**5,042.28**
Liabilities of discontinued operations	4 (h), (r), 5	2,206.17	(1,907.66)	275.61	574.13
Total Equity and Liabilities		**9,119.42**	**(355.63)**	**2,124.71**	**10,888.52**

ii. Changes in the Statement of Financial Position as at 1 April 2017:

(INR crore)

Particulars	Note reference	As at 31.03.2017 (Reported)	Discontinued to Continuing	Adjustments	As at 31.03.2017 (Restated)
Assets					
Non-current assets:					
Property, plant and equipment	5	1,376.29	650.11	-	2,026.40
Capital work-in-progress	5	28.18	17.56	-	45.74
Goodwill	5	143.54	0.00	-	143.54
Other intangible assets	5	184.79	19.67	-	204.46
Intangible assets under development	5	33.30	6.93	-	40.23
Financial assets			-	-	
(i) Investments	5	203.92	(0.00)	-	203.92
(ii) Loans		6.65	-	-	6.65
(iii) Others	4 (a), (b), (c), (f), (p), (q), 5	-	34.64	1,495.95	1,530.59
Deferred tax assets	5	26.62	19.14	-	45.76
Other non-current assets	5	3.21	0.01	-	3.22
		2,006.50	**748.07**	**1,495.95**	**4,250.51**
Current assets:					
Inventories	4 (c), 5	882.10	434.31	(257.69)	1,058.73
Financial assets	-				
(i) Investments		5.22	-	-	5.22
(ii) Trade receivables	5	1,877.15	334.20	-	2,211.35

(iii) Cash and cash equivalents	4 (i), 5	724.49	17.18	(300.00)	441.67
(iv) Other Bank balances	5	36.22	(34.65)	-	1.57
(v) Loans	5	76.25	2.37	-	78.62
(vi) Others	5	173.28	28.75	-	202.03
Current tax Assets (net)	4 (u), 5	70.57	0.79	9.74	81.10
Other current assets	4 (a), (b), (p), (q) and 5	1,212.48	159.07	(576.28)	795.27
		5,057.76	**942.01**	**(1,124.22)**	**4,875.56**
Assets for discontinued operations	5	3,123.84	(1,784.80)	-	1,339.04
Total Assets		**10,188.10**	**(94.72)**	**371.73**	**10,465.11**
Other equity	4 (a), (b) and (u)	**4,111.09**	**(192.61)**	**(30.10)**	**3,888.38**
Non-current liabilities:					
(a) Financial liabilities					
(i) Borrowings	4 (h), 5	503.80	207.00	195.00	905.80
(ii) Other financial liabilities	4 (a), (b)	1.14	-	390.00	391.14
(b) Provisions	5	71.21	8.86	-	80.07
(c) Deferred tax liabilities	4 (u), 5	262.30	111.92	11.83	386.05
(d) Other non-current liabilities	5	0.94	17.48	-	18.42
		839.39	**345.26**	**596.83**	**1,781.48**
Current Liabilities:					
Financial liabilities					
(i) Borrowings	5	710.67	45.88	-	756.55
(ii) Trade payables	5	1,383.14	518.55	-	1,901.69
(iii) Other financial liabilities	4 (h), 5	404.28	66.20	5.00	475.48
Other current liabilities	5	556.24	312.86	-	869.10
Provisions	5	84.08	113.67	-	197.75
		3,138.41	**1,057.16**	**5.00**	**4,200.57**
Liabilities of discontinued operations	4 (h)	2,099.21	(1,304.53)	(200.00)	594.68
Total Equity and Liabilities		**10,188.10**	**(94.71)**	**371.73**	**10,465.11**

iii. Changes in the Statement of Profit and loss for the year ended 31 March 2018:

(INR crore)

Particulars	Note reference	Year ended 31.03.2018 (Reported)	Discontinued to Continuing	Restatements	(Restated)
Revenue from operations	4 (c), (d), 5, 9	6,287.54	1,818.08	(11.96)	8,093.66
Profit / (loss) before tax from continuing operations	4 (a), (b), (c), (d), (h), (i), (p), (u), 5	(318.49)	(760.58)	519.21	(559.86)
Profit / (loss) after tax from continuing operations	4 (a), (b), (c), (d), (h), (i), (p), (u), 5	(393.34)	(758.09)	489.84	(661.59)
Profit / (loss) before tax from discontinuing operations	4(h), (p), (t), 5	(799.10)	654.75	42.31	(102.04)
Profit / (loss) after tax from discontinuing operations	4(h), (p), (t), 5	(772.55)	655.07	50.15	(67.33)
Total comprehensive income		(1,314.61)	(121.59)	546.64	(889.56)

iv. Exceptional Items includes the following:

(INR crores)

Particulars	YTD 31.03.2019	YTD 31.03.2018
Amount paid towards final settlement of litigation claims	-	(27.94)
Provision against trade receivable under litigation	(35.45)	-
Curtailment of gratuity liability	17.16	-
Provision for impairment of intangible assets under development	(14.15)	-
Short fall of provident fund liability	(24.83)	-
Provision for expected restructuring cost towards closure/ shifting of the transformer manufacturing unit in Kanjur Marg, Mumbai	(95.39)	-
Retrenchment Cost- Overseas	(14.02)	-
Provision towards overseas business at Hungary	-	(107.00)
	(166.68)	**(134.94)**

8. The Group is liable to Goods and Services Tax (GST) with effect from 1 July 2017. The Revenue for year ended 31st March 2019 is net of such GST. However, the revenue for the comparative year ended 31 March 2018 is inclusive of excise duty for the period till 30 June 2017. The comparable figures for Revenue from operations (net of excise duty) are as under:

(INR crores)

Particulars	

	Year ended	
	31.03.2019	31.03.2018
Net revenue from operations	8074.89	8184.76

There is no impact of the above on the profit before tax and profit after tax.

9. During the year ended 31 March 2019, the Group identified that the sales of raw material and scrap sale had been incorrectly presented as reduction in the cost of goods sold in prior years. The Group has accordingly restated the sales and cost of goods sold of INR 79.14 crores for the previous year. However, the said restatement does not have any impact on profit and loss account.

10. Figures of the previous year have been restated and regrouped, wherever necessary to correspond with the current year.