



Tube Investments of India Limited

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12th November 2020

The Manager
Listing Department
National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor
Plot No.C-1, Block G
Bandra-Kurla Complex, Bandra (E)
Mumbai 400 051

Dear Sir,

We refer to your letter (e-mail) of 6th November 2020 seeking clarification about the impact on our Company of the proposed guarantees by our Company ("TII") for the financial assistance to be availed by M/s. CG Power and Industrial Solutions Ltd ("CG Power") from its Lenders.

At the outset, we regret the delay in our reply as your letter (e-mail) was inadvertently received in our spam mailbox and it was traced late yesterday evening only. The inconvenience caused is deeply regretted.

We write to clarify, with regard to your above query, as hereunder:

1. TII has signed a Securities Subscription Agreement dated 7th August 2020 (as amended on 2nd September 2020) to invest about Rs.800 Cr. in CG Power towards subscription to proposed preferential allotment of equity shares (Rs.650 Cr.) and share warrants (Rs.150 Cr.), by CG Power. TII is in the process of acquiring controlling interest in CG Power, having been declared as the successful bidder in respect of the Swiss Challenge bid process launched by the Lenders of CG Power under the auspices of the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019.
2. In terms of the Letter of Intent dated 28th August 2020 ("LOI") issued by the Lenders of CG Power, subject to compliance with all the conditions therein, the resolution of outstanding debt of CG Power include the following:
 - i. Compromise settlement by undertaking an upfront payment of at least Rs.650 Cr. owed to Lenders within 90 days from execution of Compromise Settlement Agreement;
 - ii. Conversion of Rs.200 Cr. of Fund-based Facilities into unrated, unsecured, unlisted, non-convertible debentures having a tenure of 5 years to be issued by the Company in favour of the Lenders;
 - iii. The resolution proposal envisages that the Lenders shall be paid from the proceeds from sale of the property, "CG House" situated at Worli, Mumbai 400 030; on a best effort basis and on as is where is basis, within a period of 5 (five) years from the date of the Compromise Settlement Agreement. If the property is not sold within a period of two years, debt of Rs.150 Cr. needs to be recognized in the books of CG Power; and
 - iv. Transfer/replacement of Non-fund based Facilities of the Lenders to new/non-consortium lenders or procure and submit counter-guarantees for the same.



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3. In addition, CG Power also has overdue creditors to be paid. CG Power is in the process of identifying new lenders for term loan and working capital to finance one-time settlement obligations under the aforesaid LOI, reduce overdue payables and provide for working capital for business growth. As a pre-requisite, the proposed lenders require TII, as the new promoter stepping in, to provide *inter alia* corporate guarantees in respect of the fund based working capital and term loans of up to Rs.1,400 Cr. as sought by CG Power. The Board of Directors of TII approved the providing of guarantee(s) in favour of lenders of CG Power towards the financial assistance to be availed by CG Power for an aggregate amount of up to Rs.1,400 Cr., subject to the approval of the shareholders of TII under Section 186 of the Companies Act, 2013 and the rules thereunder.
4. We further inform the financial assistance to be availed by CG Power will be secured by the fixed assets and current assets of CG Power and that the guarantees to be furnished by TII will only be a collateral security.
5. TII is of the view that although CG Power is going through a financial crunch at present, it has a robust business model and, with the support of steady credit lines as being firmed up presently, the operations of CG Power will stabilize and turnaround within a reasonable period of time, which would enable CG Power to service and satisfy fully all its debts by itself without any need for the new lenders of CG Power to seek recourse to the guarantees of TII. TII has also improved its profitability and free cash flow generation in the last couple of years and could reduce its debt levels significantly and had a net surplus of Rs.156 Cr. as of 30th September, 2020. TII considers that its operational, financial and governance capabilities and experience will help remove the present difficulties and hardships of CG Power and facilitate value creation for both TII and CG Power.
6. In view of this, we clarify that TII does not foresee any significant impact to itself arising from the guarantees to be furnished.

We request you to kindly take the above clarification on record.

Thanking you,

Yours faithfully,
For TUBE INVESTMENTS OF INDIA LTD.



S SURESH
COMPANY SECRETARY