

## CG Power board removes Gautam Thapar as chairman with immediate effect

The statement said the decision was in cognizance of the current situation being faced by CG Power and the recent developments

Amritha Pillay | Mumbai August 29, 2019 Last Updated at 20:48 IST



CG Power and Industrial Solutions board on Thursday removed Gautam Thapar as chairman, a week after it informed the exchanges of multiple dubious

*Gautam Thapar | File photo*

transactions at the company. Thapar, however, denied any fraud at the company.

“The board of directors through a circular resolution dated August 29, 2019, passed by majority consent, have resolved to remove Gautam Thapar as the board chairman with immediate effect,” CG Power informed the exchanges on Thursday morning. The statement said the decision was in cognizance of the current situation being faced by CG Power and the recent developments.

CG Power last week informed the exchanges of a risk and audit committee (RAC) report, which detailed multiple dubious transactions at the company, including inter-corporate transactions. The report refers several times to Thapar-promoted Avantha Holdings and Solaris Industrial Chemicals.

Thapar, in a press statement on Thursday, refuted these allegations. “The reports following the board meeting of August 19, 2019 are disheartening. Indeed, I would say that the reports do not reflect facts,” he said in his first statement since the fraud was reported. “No promoter or promoter entity has derived any undue benefit.

There is simply no fraud,” he said.

Proxy advisors do not see the latest development as a big move towards setting the house in order for CG Power. “Thapar has been removed as the chairman, but he still continues to remain a part of the board,” said Amit Tandon, managing director of corporate governance and proxy advisory firm IiAS. “He will have to either resign from the board on his own or a shareholder meeting will be needed to seek shareholder approval for his removal. What you need is a new board to put the company back on rails,” Tandon said.

CG Power’s board, however, may be in for a long battle, as Thapar plans to defend his case. “I had no opportunity to participate in either the ‘investigation’ or the resulting ‘report’. I leave it to the stakeholders to draw their conclusions from this fact. I will reaffirm this at the board meeting tomorrow (Friday),” Thapar said in his statement. The board will meet on Friday to discuss and approve its March quarter financial results.

## GAUTAM THAPAR vs CG POWER BOARD

### Thapar says►

- Reports do not reflect facts
- There is simply no fraud
- All inter-corporate transactions were authorised by board
- Promoters who paid back ₹4,000-crore debt would not cheat

Thapar also said: “I must say that no funds lent by neither banks nor any funds of CG have been misappropriated. The money has been applied with due board approval. All inter-corporate transactions have been fully authorised by the board.”

According to the RAC report released last week, Avantha Holdings also obtained a loan of Rs 500 crore in October 2015, with a comfort letter issued on behalf of CG Power to discharge Avantha Holdings’ obligations. However, the company came to know about the existence of this letter only in 2018-19, when it was brought to its attention by a lender.

This is not the first time Thapar will cease to be the chairman of an Avantha group company. In March, Thapar stepped down as chairman from Ballarpur Industries on his own accord. “This seems to be yet another case of the traditional Indian promoter losing his business driven by economic and financial environment or their own misdeeds,” said Harish H V, managing partner, ECube, an environmental, social and governance fund. “It is a vacuuming of the traditional Indian promoters, which will also take away the animal spirit which helped build businesses in the country,” he said.

Thapar will be exercising his rights as a board member, with less than 1 per cent voting rights in the company as promoter group. Thapar’s stake in CG Power gradually reduced from over 40 per cent in March 2014 to almost nil now.

Avantha group’s current shareholding in the company is less than 1 per cent. The promoter group lost most of its holding in the company as lenders — YES Bank and KKR’s Vistra — invoked pledged shares. In May, YES Bank converted promoter-pledged shares into 12.79 per cent equity holding in the company. As on June 2019, KKR holds 21.63 per cent, and mutual funds have 24.8 per cent. Bharti Group Chairman Sunil Mittal, too, has 8.3 per cent in the company through Bharti (SBM) Holdings.