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## CG Power and Industrial Solutions Limited

### COMPANY UPDATE

Tube investments of India (TI) acquired the control of CG power and Industrial Solutions Ltd (CG) on 26-11-2021 and the following are the important activities that were executed as part the plans to revive CG.

26-11-2020		<p>TI infused Rs 687.50 crores as Equity contribution into CG – TI was allotted 71,12,51,887 Equity shares of Rs.2 each (I Tranche 64,25,23,365 shares @ Rs.8.56 per share and II Tranche 6,87,28,522 @ Rs.14.55 per share) consequent to which TI became the largest equity shareholder of the company with a holding of 53.18%. In addition TI has subscribed for. 17,52,33,645 Warrants. Each warrant can be exercised into one share of Rs.2 each at an exercise price of Rs.8.56 per share, including premium. 25% of the amount (Rs.37.50 crore) has been paid by TI against the issue of Warrants.</p> <p>The Board of CG was reconstituted. All the existing Directors resigned and a New Board was constituted under the Chairmanship of Vellayan Subbiah. Natarajan Srinivasan was appointed the Managing Director of the Company</p>
20-12-2021		<p>Under a OTS scheme, the entire debt of Rs 2160 crores were settled at Rs 1000 crores – (Rs 650 crores in cash and the rest by recognising a new debt of Rs 150 crores and issue of zero coupon NCDs aggregating to Rs 200 crores)</p> <p>The Company's account was classified as "standard" and the Company availed new lines credit from State Bank of India</p>
From 26-11-20 to 31-3-2021		<p>Operational creditors (suppliers, contractors) dues aggregating to Rs 650 crores were paid;</p> <p>Employees arrears of salaries and bonus dues aggregating to Rs 42 crores were paid</p>
		<p>The Company applied for a financial rating – India Ratings assigned a long term rating of AA(-) and A1+ rating for its Commercial paper program</p>
		<p>Susheel Todi, a Chartered Accountant with more than 19 years of experience appointed as CFO</p>
		<p>Ministry of Corporate Affairs (MCA) orders were received appointing M/S Kalyaniwala and Mistry and M/s CNK Associates for recasting / auditing the Accounts of the Company for the 5 years period commencing from the FY 2014-15. The exercise commenced on 10<sup>th</sup> February 2021 and is in progress.</p>



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	Company has been in discussion with various lenders to whom guarantees were given by CG to additionally secure the borrowings of the subsidiary companies and settlement agreements have been entered into with all but one Lender. The settlements are in the process being given effect to / implemented
	The activities at all the manufacturing locations were revived with providing need based working capital and ring fencing the manufacturing operations from legacy issues – Q4 was the first quarter in recent times when the Plants operated with enough working capital though the full impact could not be derived for the entire quarter.

### Financial Results

Rs crores	CG Standalone			
	Q4 2020-21	Q4 2019-20	FY 2020-21	FY 2019-20
Sales	1,022	465	2,526	3,169
EBITDA	68	(52)	157	160
PBT (before exceptional & one-off items)	74	(146)	(45)	(212)

Rs crores	CG Consolidated			
	Q4 2020-21	Q4 2019-20	FY 2020-21	FY 2019-20
Sales	1,118	616	2,964	5,110
EBITDA	78	(82)	219	45
PBT (before exceptional & one-off items)	65	(206)	(71)	(490)

### CG Standalone Q4 Performance:

The performance recorded in Q4 should be appreciated in the light of what was explained in the preceding paragraphs. In Q4 there has been a complete rebound in manufacturing and sales of all the divisions.

- Aggregate sales for the quarter were higher at Rs 1022 crores recording a growth of 45% QoQ and 120% YoY
- Margins were impacted due to steep increase in materials costs (impact at 5% sales) as the Company could not procure or cover these items earlier due to financial difficulties
- Other expenses for the quarter were higher due to a charge of Rs 46 crores towards expenses relating to legacy issues

But for the above, the PBT would have been higher at normal levels



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- **PBT** (before exceptional items & aforementioned one-off expenses) was at INR 74 Crs (7% of sales) as against a loss of Rs 146 crores (-31% of sales) during previous year same period
- **ROCE** for the quarter ended 31st March 2021 was at 14% as against -101% in the same period previous year
- Generated **Free Cash Flow** of Rs 184 Crs during the quarter

## Segment wise performance

### Industrial Systems

- Aggregate sales for the quarter were higher at Rs 740 crores recording a growth of 47% QoQ and 109% YoY
- Order Intake for the quarter were higher at Rs 814 crores YoY. Unexecuted Order book as at Mar 2021 at Rs 1673 crores
- The divisions recorded capacity utilisation of 76%

### Power Systems

- Aggregate sales for the quarter were higher at Rs 282 crores recording a growth of 40% QoQ and 155% YoY
- Order Intake for the quarter were higher at Rs 354 crores YoY. Unexecuted Order book as at Mar 2021 at Rs 1057 crores
- Transformers and Switchgear (Circuit Breakers, Instrument Transformers & Bushings) sub-segments have operated at 22% and 61% of their respective installed capacities

### CG Consolidated Q4 Performance:

Consolidated results include the performance of the operating Subsidiaries at USA (QEI Inc) and in Sweden, Germany and Netherlands (Drives and Automation Europe) whose operations were profitable and other non-operating and Holding subsidiaries - Sales for the Quarter were at Rs 1118 crores (as against Rs 616 crores in Q4 of 2019-20) and PBT (before exceptional items and one-off expenses) was at Rs 65 crores (as against loss of Rs 206 crores in the corresponding quarter of last year).

### FY 2020 21 Performance

Audited financial statements with detailed Notes are available as part of stock exchange filing and in the company's website [www.cgglobal.com](http://www.cgglobal.com). The Company had the benefit of the new initiatives including working capital only in Q4 and operations in the rest of the nine months were plagued by several internal factors (the Company was a NPA) and by the lock down. After acquiring control of the Company on 26-11-2020, the new Management has been taking several steps to address the legacy issues, strengthen the balance sheet and revive the company.

Some of the key steps taken by the new Management are:

1. The Company has to receive an aggregate sum of Rs 2948 Cr from the erstwhile promoter entities / connected parties – while recovery steps are continuing, the company has provided for the entire amount



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2. Agreements to settle the guarantee liabilities extended by CG India have been entered into in all but one case and the Company is confident of executing all of them in the current financial year.
  3. The recasting of Accounts for the 5 year period as directed by the Hon'ble NCLT is underway and the Company is confident of completing the same in the current financial year.
  4. Barring four wholly owned overseas operating subsidiary companies in Sweden, Germany, Netherlands and USA, rest of the subsidiaries are being closed or in the process of being wound up. Entities which are under investigation, would be closed after obtaining necessary approvals of the Authorities
  5. The Company submitted a detailed representation to Ministry of Corporate Affairs seeking its help to recover the various amounts due to the Company from various entities belonging to the earlier promoter group. Acting on the representation, the Ministry has filed a Petition in NCLT Mumbai seeking various reliefs in this regard.
  6. The Company is fully cooperating with the ongoing investigation by SFIO and once the outcome of the investigations are known, further steps as necessary will be taken.
  7. The Board of Directors of the Company have approved a capital expenditure program of Rs 135 crores to be implemented in the current financial year. The capex will be spent in balancing, debottlenecking and modernising facilities at the plants to improve production and productivity. This will be financed out of internal generations.
  8. To ensure business continuity amidst this pandemic uncertainty, the Company has been re-inventing the processes and adopted:
    - a. Agile ways of working with extended and staggered shifts in the Plants, by strictly following protocols issued by respective authorities
    - b. Digital transformation through online customer inspections, online service advice, sharing pictorial procedures with onsite customer personnel, remote support for testing equipments.
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