





TOP STORES

# Sebi notices to CG Power over diversion of funds

# Muted demand means airlines unlikely to utilize 60% capacity

### Audit points to financial irregularities perpetrated by certain directors, related entities

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The Securities and Exchange Board of India (Sebi) has sent notices to CG Power and Industrial Solutions Ltd after a forensic audit confirmed that funds were diverted from the company. The forensic audit commissioned by BSE was given to the company for comments on 4 September, the company said in a stock exchange filing on Tuesday.

"According to notices sent by Sebi, certain directors, employees of CG Power and related entities had perpetrated financial irregularities in the company. These include use of certain assets of the company as collateral, including being co-borrower and/or guarantor, for enabling third parties to obtain loans without authorization," said a person familiar with the matter.

The resolution of these allegations is important for the company as its current liabilities exceeded its current assets by ₹2,798.98 crore as of 30 June. The company is in the process of implementing a debt resolution plan and entered into securities subscription agreement with Murugappa Group company Tube Investments India Ltd for an infusion of ₹800 crore into CG Power.



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former directors Madhav Acharya and B. Hariharan. Sebi had held that certain transactions are prima facie designed to divert/siphon off money from CG Power, which rightly fully belonged to its shareholders.

In March 2020, Sebi passed a confirmatory order refusing to lift the capital market ban imposed on Thapar and the three others but allowed them to liquidate up to 25% of the value of securities held by them in the company.

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"Pursuant to the interim order of Sebi, BSE had appointed a forensic auditor to verify the books of accounts, wrongful diversion/siphoning of company's funds and other related matters for period 2015-16 till the date of the interim order. The forensic auditor completed its audit and has submitted its report to Sebi. The company has received the copy of the report from Sebi on 4 September 2020," said CG Power in the exchange filing.

"The company has also received follow up notices from Sebi in relation to investigation initiated by them and the company has provided the required information," it said. The statutory auditor of CG Power, SRBC and Co. LLP, in its report for June quarter earnings said that it is unable to determine the potential impact of non-compliance with laws. The so-called fund diversion is being probed by Sebi, the Serious Fraud and Investigation Officer and the Enforcement Directorate. The income tax department has also issued notices and is seeking explanations from the company.

"CG Power is also seeking permission from Sebi to share the report with statutory auditor," it said.



Leading Indian IT company HCL sets up 1st development centre in Lanka  
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Indian airlines may not rush to utilize up to 60% of their capacity as allowed by the government as customer bookings continue to remain subdued despite a rebound since May, said airline officials. Most carriers plan to gradually increase capacity to 60% of pre-covid levels only by Diwali, which falls in November this year, hoping that the market recovery will accelerate by then. The government had earlier this month allowed airlines to sell seats up to 60% of their seat capacity on domestic flights.

"Certainly, there has been a gradual increase in demand since May, but it is enough to deploy 60% of pre-covid-19 capacity right away? I would say no," said a senior official at a budget airline, on condition of anonymity. "We are waiting for demand to pick up during the festive season. We can deploy more capacity then," the official added. Indian carriers posted a 25% sequential rise in domestic passenger traffic in August from July, though it plunged 77% from the year-ago period because of covid-19 disruptions, rating agency Ica said in a report on Monday.

Passenger load factor, or the number of seats filled in an aircraft, improved to about 63% in August for domestic airlines, from about 55% in July, according to the Ica report. "This is a far cry from the 80-90% passenger load factor in the same period last year. Latest data from the Directorate General of Civil Aviation (DGCA) showed domestic air traffic in July grew to 2.1 million, slightly more than June's 1.98 million passengers.



Most carriers plan to gradually increase capacity to 60% of pre-covid levels only by Diwali, which falls in November this year.

Year-on-year, passenger traffic in July fell 82.3% from airlines carried 11.9 million passengers. IndiGo, India's largest airline, operated by InterGlobe Aviation Ltd, is also being hot on the festive season to revive passenger demand following an increase in flight bookings as states eased travel restrictions. The airline is seeing its passenger load factor reach close to 70%, Wolfgang Prock-Schauser, president and chief operating officer of the airline, said in an interview last week. However, people are still wary of making long-term advance bookings due to frequently-changing travel curbs in states, he added. Both IndiGo and rival SpiceJet are operating at about 40% of their pre-covid capacity, according to airport spokesperson at the no-frills airlines.

Air India is gradually scaling up its operations, and is operating about 210 daily flights currently, said an airline spokesperson. Spokespersons of AirAsia India and GoAir declined to comment.

Sustained increase in demand, beyond the festive season spike, to 60-70% of pre-covid-19 levels will be possible only when quarantine rules are eased and fear of the virus reduces in the minds of people, said Sanjiv Kapoor, former chief strategy and commercial officer at Vistaar, and former chief operating officer at SpiceJet. "I also feel any airline in India that guarantees middle seats blocked, like what Delta Airlines and Southwest in the US are doing, for say a \$500 premium on fares for all passengers, may do very well," Kapoor said. "What is lost in passenger load factor by capping loads at 66% may be more than made up by higher demand for those airlines from those who would prefer the middle seat to be empty, and higher reselling overall yield," he added.

"We are operating at about 40% capacity at present with the issue of increasing to 60% in the coming weeks, subject to airport readiness, demand and commercial viability, etc," a Vistaar spokesperson said.

**People are still wary of making long-term advance bookings due to frequent changes in travel curbs**

### REGULATORY WATCH

**THE** resolution of charges is important for CG as its liabilities exceeded its assets by ₹2,798.98 cr

**IT** has entered into a securities subscription deal with Tube Investments for an infusion of ₹800 cr

**CG** Power officials have refuted Sebi's allegations, claiming they were based on a biased report

## Mumbai realty cos bank on festival sales

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Property developers in the Mumbai Metropolitan Region (MMR) are hopeful that a waiver of stamp duty and the festive season will boost demand for new homes, especially in the affordable segment. While home prices are expected to drop 10-25% from October onwards, developers and consultants said this will help a stagnant market to finally gain traction.



Home prices are expected to decline by 10-25%.

act as a stimulus to homebuyers. We expect many end-users to finalize on their decision of buying an apartment during the next couple of quarters." Property prices in Mumbai and MMR have performed the worst globally in the past year. A July study of 28 of the most expensive real estate markets in the world showed that residential property prices in Mumbai saw the steepest fall in value.

According to the Savills Prime Index World Cities H1 2020, homes in Mumbai lost 13.7% of their value in the year to June, and 5.8% of their value in the first half of 2020. "While the first few months of covid had its impact on the residential property market, the industry is starting to recover as demand returns from earlier fence-sitters," said Gaurav Sawhney, president-sales and marketing, Piramal Realty. "The festive season will

managing director (Mumbai), Savills India, said the real estate consultancy firm is already seeing an increase in enquiries, particularly in the affordable housing segment (₹50 lakh to ₹1.5 crore). "Since the reduction is for a limited period of time, customers have to respond quickly," Thakker said. "Overall, we expect a positive impact on sales during the festive season, especially since the prices have further reduced post-lockdown to the range of 10-25%."

According to Rohit Poddar, managing director at Poddar Housing and Development Ltd, customers are coming back to assets like property as they are looking at the security provided by home-ownership. The realty sector is starting to recover as demand returns from fence-sitters, said an industry expert

## Japan's economy shrinks by record 28% in Q2

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Japan's economy shrank at a record, even worse rate in the April-June quarter than initially estimated.



Japan's GDP contracted at an annualized rate of 28.1%, which is lower than the contraction of 27.8% estimated last month.

The cabinet office said Tuesday Japan's seasonally adjusted real gross domestic product contracted at an annualized rate of 28.1%, worse than the 27.8% figure given last month. The coronavirus pandemic, which has people staying home, restaurants and stores empty or closing, and travel and tourism nose-diving, has hurt all the world's economies and many companies. But it has slammed Japan's export-reliant economy.

Restoring growth will be a priority as the country prepares to choose a new leader to replace Prime Minister Shinzo Abe, who is resigning for health reasons. A vote among governing party members is expected next week. Other data released Tuesday showed cash earnings improving somewhat, and consumer spending and other business activity is expected to rebound following the sharp drops at the country sought to bring the coronavirus pandemic under control. However, high-frequency dashboards show growth is struggling to gain pace, suggesting a very gradual and protracted recovery after the initial bounce. The near-term outlook therefore remains challenging," Oxford Economics said in a commentary.

Quarter-on-quarter, the economy contracted 7.9%, according to the revised figures, down from 7.8% in the preliminary data. The annual rate shows what the number would have been if continued for a year. The previous worst contraction, a 17.8% drop, was in the first quarter of 2009 during the global financial crisis. But nonetheless the latest drop is considered the worst since World War II. Japan had already slipped into recession in the first quarter of this year, contracting by an annualized 2.3%. It shrank 7% in the final quarter of last year.

Domestic demand, driven by investment and private spending, is expected to

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TikTok's Chinese parent has declared a rare half-monthly salary bonus for employees, hoping to calm a 60,000-plus workforce across the globe as negotiations around the sale of the video service's US operations approach the Trump administration's September deadline.

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## ByteDance doles out bonuses to pacify staff

ByteDance Ltd will dole out the bonus this month to reward employees at a time of unprecedented economic and social upheaval, the company said in an internal memo seen by Bloomberg News. While the Beijing-based startup is known for paying lavishly to poach experts in critical fields such as artificial intelligence, it is un-

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Notice is hereby given that 40th Annual General Meeting (AGM) of the members of the Company will be held on 10.15 AM on Wednesday, September 30, 2020 through Video Conferencing (VVC) facility to transact the ordinary and special business, as set out in the notice of the 40th AGM in compliance with the applicable provisions of the Companies Act, 2013 and rules framed thereunder and the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 read with general rule under General Circular No. 14/2020 dated April 08, 2020, General Circular No. 17/2020 dated April 13, 2020 and General Circular No. 14/2020 dated April 08, 2020, General Circular No. 17/2020 dated May 5, 2020, and other applicable circulars issued by the Ministry of Corporate Affairs (MCA) Circulars and Circulars, SEBI and CDSL (CIS-DELIP/2020/7) dated May 12, 2020 issued by the Securities and Exchange Board of India (SEBI Circulars), without the physical presence of the members at a common venue.

Notice is hereby given that 125th Annual General Meeting (AGM) of the Company will be convened on Wednesday, September 30, 2020 at 10:00 a.m. IST through Video Conferencing (VVC) facility to transact the ordinary and special business, as set out in the notice of the 125th AGM in compliance with the applicable provisions of the Companies Act, 2013 and rules framed thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with general rule under General Circular No. 14/2020 dated April 08, 2020, General Circular No. 17/2020 dated April 13, 2020 and General Circular No. 14/2020 dated May 5, 2020, and other applicable circulars issued by the Ministry of Corporate Affairs (MCA Circulars) and Circulars, SEBI and CDSL (CIS-DELIP/2020/7) dated May 12, 2020 issued by the Securities and Exchange Board of India (SEBI Circulars), without the physical presence of the members at a common venue.