

SECURITIES AND EXCHANGE BOARD OF INDIA

INTERIM ORDER

UNDER SECTIONS 11(1), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AND REGULATION 11 OF THE SEBI (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES) REGULATIONS, 2003 AND THE SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015.

IN THE MATTER OF TREE HOUSE EDUCATION AND ACCESSORIES LIMITED –

	ENTITY	PAN
COMPANY –		
1.	TREE HOUSE EDUCATION AND ACCESSORIES LIMITED	AACCT4932H
PROMOTER/DIRECTORS –		
2.	RAJESH BHATIA	AAHPB9438N
3.	GEETA BHATIA	AAGPB8685G
4.	VISHAL SHAH	AALPS6882P
5.	GIRIDHARILAL S. BHATIA	AAGPB8687E
CHIEF PROJECT OFFICER –		
6.	HITEN TRIVEDI	ABNPT2943H

BACKGROUND –

- 1.1 Tree House Education and Accessories Limited (“**Tree House**”) was originally incorporated as a Private Limited Company on July 10, 2006 and subsequently, became a Public Limited Company with effect from December 22, 2010. The Registered Office of Tree House is at 702C, Morya House, Off New Link Road, Andheri West, Mumbai, Maharashtra-400053. The shares of Tree House are listed on BSE Limited (“**BSE**”) and the National Stock Exchange of India Limited (“**NSE**”) since August 26, 2011.
- 1.2 Tree House is engaged in providing educational services and is operating Pre-schools and Kindergarten to Class 12 Schools (“**K-12 Schools**”), largely concentrated in Maharashtra, Gujarat, Karnataka, Rajasthan and Andhra Pradesh.

PRELIMINARY INVESTIGATION CONDUCTED BY SEBI IN THE MATTER OF TREE HOUSE –

- 1.3 During the period December 2016, there were several media reports *inter alia* alleging irregularities in the functioning and operations of Tree House on account of sudden closure of its pre-schools. Securities and Exchange Board of India (“**SEBI**”) took

cognizance of the aforesaid media reports and initiated an Investigation in the matter of Tree House for the period from April 1, 2011 to June 30, 2017 (“**Investigation Period**”) *inter alia* to ascertain –

- a. Whether Tree House manipulated its books of accounts during the Investigation Period?
- b. Whether Tree House wrongly diverted company funds to related entities?

1.4 The preliminary examination report states –

A. The shareholding pattern in Tree House during the period April 1, 2013 to March 31, 2016 (as obtained from the BSE website), is as under –

CATEGORY	TABLE A – SHAREHOLDING PATTERN IN TREE HOUSE DURING THE PERIOD FROM 31.03.2014–31.03.2016					
	YEAR ENDED 31.03.2014		YEAR ENDED 31.03.2015		YEAR ENDED 31.03.2016	
	NO. OF SHARES	% SHARE HOLDING	NO. OF SHARES	% SHARE HOLDING	NO. OF SHARES	% SHARE HOLDING
PROMOTER HOLDING	1,15,46,733	31.20	1,25,86,328	29.75	86,90,069	**20.54
NON-PROMOTER HOLDING	2,55,52,434	68.80	2,97,24,396	70.25	3,36,20,655	79.46
TOTAL SHAREHOLDING	3,70,99,167	100.00	4,23,10,724	100.00	4,23,10,724	100.00
**During the Financial Year 2015–16, Promoters of Tree House off-loaded 9.21% of their shareholding. Promoters’ shareholding in Tree House reduced from 29.97% as on September 30, 2015 to 20.54% as on December 31, 2015.						

B. As per information obtained by SEBI from BSE and NSE websites and Annual Reports of Tree House, the details pertaining to the Board of Directors of the Company for the period from March 31, 2011 to December 31, 2016, are as under –

TABLE B – BOARD OF DIRECTORS OF TREE HOUSE DURING THE PERIOD FROM 31.03.2011–31.12.2016				
SR. No.	NAME	DESIGNATION	APPOINTMENT	RESIGNATION
1.	MR. SANJAY KULKARNI	CHAIRMAN AND INDEPENDENT DIRECTOR	13.08.2008 (CHAIRMAN W.E.F. 28.09.2010)	4.02.2016
2.	MR. RAJESH BHATIA	MANAGING DIRECTOR AND PROMOTER	10.07.2006	N. A.
3.	MS. GEETA BHATIA	NON-EXECUTIVE DIRECTOR AND PROMOTER	10.07.2006	N. A.
4.	MR. VISHAL SHAH	EXECUTIVE DIRECTOR	13.08.2008	28.07.2016
5.	MR. T. S. SARANGPANI	INDEPENDENT DIRECTOR	13.08.2008	2.06.2016
6.	MR. PARANTAP DAVE	INDEPENDENT DIRECTOR	13.08.2008	28.07.2016
7.	MR. ASHU GARAG	NON-EXECUTIVE DIRECTOR/ NOMINEE DIRECTOR	13.05.2010	27.05.2015
8.	MR. JAYANT SINHA	NON-EXECUTIVE DIRECTOR	10.11.2011	1.03.2014
9.	MR. RISHI NAVANI	NON-EXECUTIVE DIRECTOR/ NOMINEE	13.08.2008	3.12.2015
10.	MR. RAM KUMAR GUPTA	INDEPENDENT DIRECTOR	29.05.2016	16.12.2016
11.	MR. CHANAKYA DHANDA	INDEPENDENT DIRECTOR	29.05.2016	15.12.2016
12.	MS. DIMPLE SANGHI	ADDITIONAL DIRECTOR	1.03.2014	5.02.2015

- C. As per information obtained by SEBI from BSE and NSE websites, the Promoters of Tree House, are as under –

TABLE C – PROMOTER OF TREE HOUSE	
1.	MR. RAJESH BHATIA
2.	MRS. GEETA BHATIA
3.	MR. GIRIDHARILAL S. BHATIA

- D. Tree House came out with an Initial Public Offer in the year 2011, raising ₹112 Crores. Thereafter, during the period from 2011 to 2013, Tree House raised ₹100 Crores through issue of equity shares on preferential basis. Tree House made a Qualified Institutional Placement (“QIP”) in the Financial Year 2014–15, raising approximately ₹200 Crores.

- E. The details from the Balance Sheets of Tree House for the period comprising the Financial Years 2011–12 to 2016–17, are provided below –

TABLE D						
DESCRIPTION	(IN ₹ CRORES)					
	31.03.2017	31.03.2016	31.03.2015	31.03.2014	31.03.2013	31.03.2012
LIABILITIES						
EQUITY SHARE CAPITAL	42.31	42.31	42.31	37.17	35.97	33.72
RESERVES AND SURPLUS	450.81	611.84	602.41	360.39	297.39	222.67
MONEY RECEIVED AGAINST SHARE WARRANTS	0	0	0	3.31	10.02	0
TOTAL SHAREHOLDER FUND	493.12	654.15	644.72	400.88	343.37	256.39
NON-CURRENT LIABILITIES	0.17	56.15	42.07	56.21	33.70	3.66
CURRENT LIABILITIES	107.71	83.63	117.71	69.64	67.36	76.49
TOTAL LIABILITIES	601.00	793.93	804.50	526.73	444.43	336.54
ASSETS						
TANGIBLE ASSETS	316.08	447.49	293.51	215.57	132.97	113.59
INTANGIBLE ASSETS	20.96	23.92	27.49	31.27	22.05	23.48
CAPITAL WORK-IN-PROGRESS	0	3.58	25.16	27.4	34.68	14.15
INTANGIBLE ASSETS UNDER DEVELOPMENT	0	1.09	1.09	1.09	5.09	5.39
NON-CURRENT INVESTMENTS	10.98	0	11.24	11.48	9.98	6.17
LONG TERM LOANS AND ADVANCES	195.95	225.46	231.02	187.08	169.32	84.88
TOTAL NON-CURRENT ASSETS	543.97	701.54	589.51	473.89	374.09	247.66
TRADE RECEIVABLES	29.46	57.16	42.97	29	6.87	5.81
OTHER CURRENT ASSETS	27.57	35.24	172.03	23.84	63.47	83.07
TOTAL CURRENT ASSETS	57.03	92.40	214.99	52.84	70.34	88.88
TOTAL ASSETS	601.00	793.93	804.50	526.73	444.43	336.54

F. From the aforementioned details, the following is noted –

- i. Tree House witnessed a significant increase in reserves and surplus of approximately ₹242 Crores in 2014–15 on account of receipt of securities premium on shares issued through a QIP. The aforesaid amount was stated to have been used for –
 - a. Increase in tangible assets;
 - b. Increase in long term loans and advances.
- ii. The tangible assets primarily consisted of furniture and fixtures.
- iii. The total assets of Tree House as on March 31, 2016, amounted to ₹794 Crores, mainly consisting of ₹447 Crores of tangible assets, ₹225 Crores of loans and advances and ₹57 Crores of receivables.
- iv. During the period from April 1, 2016 to December 31, 2016, the tangible assets reduced from ₹447 Crores to ₹316 Crores.
- v. Long Term Loans and Advances were made by Tree House to the Educational Trusts (where one of its Promoters i.e. Mr. Giridharilal S. Bhatia, was a Trustee), for setting up K–12 Schools.

G. The details of Profit and Loss Accounts of Tree House for the Financial Years 2012–13 to 2016–17, are provided below –

TABLE E						
(IN ₹ CRORE)	2016–17	2015–16	2014–15	2013–14	2012–13	2011–12
INCOME						
TOTAL OPERATING REVENUES	59.27	209.33	207.45	157.64	114.28	77.21
OTHER INCOME	3.72	10.09	7.15	1.34	7.06	3.88
TOTAL REVENUE	62.99	219.42	214.6	158.98	121.34	81.09
EXPENSES						
OPERATING AND DIRECT EXPENSES	34.98	61.87	47.1	39.56	30.16	18.82
EMPLOYEE BENEFIT EXPENSES	13.05	30.32	23.9	17.38	13.31	9.62
FINANCE COSTS	10.75	16.72	15.31	7.59	6.62	6.5
DEPRECIATION AND AMORTISATION EXPENSES	49.92	44.83	26.82	16.96	13.38	7.8
OTHER EXPENSES	31.60	50.72	17.73	11.47	9	6.75
TOTAL EXPENSES	140.30	204.47	130.86	92.96	72.47	49.5
PROFIT/LOSS BEFORE TAX AND EXCEPTIONAL ITEMS	-77.31	14.93	83.73	66.02	48.87	31.59
EXCEPTIONAL ITEMS	-87.95	1.28	0	0	0	0
PROFIT/LOSS BEFORE TAX	-165.26	16.23	83.73	66.02	48.87	31.59
PROFIT/LOSS AFTER TAX	-162.94	6.77	60.87	43.92	33.34	21.66

H. From the aforementioned details, the following is noted –

- i. Tree House showed yearly increase in profits for the Financial Years 2011–12 to 2014–15.
- ii. There was a sudden reduction in profits of Tree House from ₹60.87 Crores (previous Financial Year 2014–15) to ₹6.77 Crores for the Financial Year 2015–16. The major items affecting the revenue and profitability of Tree House for the quarter ended March 31, 2016, were as follows –
 - a. Revenue for the quarter ended March 31, 2016 was reduced to less than 50% of the preceding Quarter;
 - b. Other expenses amounted to ₹32.32 Crores in the Quarter March 31, 2016 *vis-a-vis* ₹7.75 Crores for the Quarter ended December 31, 2015, which was primarily on account of higher provisioning for bad debts.
 - c. Trade receivables were twice as high as the Revenue for the Quarter ended March 31, 2016. Trade receivables still stood at ₹57.11 Crores even after bad debts worth ₹22.46 Crores were written off for the Quarter ended March 31, 2016.
 - d. For the Financial Year 2016–17, Tree House showed losses of approximately ₹163 Crores.

I. As per the Annual Reports for the following Financial Years, the number of schools operated by Tree House were as under –

TABLE F						
PARTICULARS	AS ON 31.03.2016	AS ON 31.03.2015	AS ON 31.03.2014	AS ON 31.03.2013	AS ON 31.03.2012	AS ON 31.03.2011
SELF-OPERATED PRE-SCHOOLS	542	505	386	300	240	110
FRANCHISE PRE- SCHOOLS	94	107	104	79	62	68
TOTAL	636	612	490	379	302	178
K-12 SCHOOLS	18	24	24	24	17	12

J. From the Annual Report for the Financial Year 2016–17, the following was stated –

“Out of the total 542 centres operated by the Company till March 31, 2016, the Company has converted 140 centres into franchise centres and has closed 222 centres as on March 31, 2017. The Company is in the process of converting/closing the remaining centres. The centres across India operate under the brand names of ‘Tree House’, ‘Brain Works’ and ‘Global Champs’.”

1.5 The '*Business and Revenue Model*' adopted by Tree House is explained as under –

- a. For its self-operated pre-schools, which are usually established in metro cities, Tree House takes properties on lease-and-license basis for a period of 3 to 5 years. The revenue is generated through admission and tuition fees.
- b. For its franchisee-operated pre-schools, Tree House enters into *Agreements* with franchises in non-metro cities. The revenue is generated through one-time consultancy fees (recognised as the revenue at the time of signing an agreement) which are paid up-front. In addition, Tree House also generates revenue through an annual service fee, which is worked out as the percentage of gross revenue of the franchise operated pre-school that includes admission fees, day care fees, tuition fees and other charges.
- c. As regards the K-12 schools, Tree House enters into an exclusive '*Facilitation Service Agreement*' with various Educational Trusts on the basis of which, it acquires exclusive rights for a period of 30 years to provide various facilitation services for schools/courses to be set up by the aforesaid Educational Trusts. Tree House pays a one-time fixed fee to the Educational Trusts towards facilitation services rights, which were recognised as an '*intangible asset*' and accordingly, capitalised as '*Business Commercial Rights*' in the financial statements.

1.6 Upon a consideration of the Annual Reports; Balance Sheets; Profit and Loss Accounts, etc. of Tree House for the period comprising the Financial Years 2011-12 to 2016-17, the preliminary examination report *prima facie* identified the following irregularities –

- I. *Refundable Security Deposits were provided by Tree House to Educational Trusts for operation of K-12 Schools, wherein one of its Promoters was the Trustee. Tree House was required to obtain shareholders' approval in respect of such 'related party transaction' with the Educational Trusts wherein Mr. Giridharilal Bhatia was the Trustee. Such 'related party transaction' with one of its Promoters was not disclosed by Tree House in its Annual Reports. Further, the interest bearing Refundable Security Deposits to its Promoter were actually disclosed as interest free security deposit by Tree House, in its Annual Reports. Thus, Tree House deliberately misstated in its Annual Report that the said deposits were interest free, as opposed to the terms of the Agreements it had with such Educational Trusts. The Educational Trusts to whom Refundable Security Deposits were provided had poor financials and continued to show huge losses even after receipt of such Deposits from Tree House.*

II. *Significant Losses were reported by Tree House for the Financial Year 2016–17 vis-a-vis Profits in the previous Financial Years 2011–12 to 2014–15 including comparatively decreased profits for the Financial Year 2015–16, which was on account of the following –*

- i. *Sudden closure of pre-schools operated by Tree House resulted in a negative impact on its quarterly results for the Financial Year 2016–17. Significant expenditure on furniture and fixtures along with subsequent write offs upon such abrupt closure of pre-schools operated by Tree House, was observed. The Certificates of expenditure on furniture and fixtures were also found to have been issued by M/s Architectonics whose Proprietor was the Chief Project Officer of Tree House i.e. its employee, Mr. Hiten Trivedi.*
- ii. *Tree House disclosed high debtors since Financial Year 2014–15, which was found to be unusual for the education sector since all education fees were generally received in advance from parents. Further, Tree House wrote off significant portion of outstanding debts in respect of such debtors.*

1.7 In addition to the aforementioned, the preliminary examination report also noted the following –

- I. *There were sudden resignations of Directors and KMPs of Tree House during the Financial Years 2015–16 to 2016–17 effectively from the period June 2, 2016–December 16, 2016. As stated earlier, for the Financial Year 2016–17, Tree House showed losses of approximately ₹163 Crores. The aforesaid resignations raised suspicions regarding the functioning and operations of the Company.*
- II. *On December 4, 2015, the Boards of Tree House and Zee Learn Limited (“Zee”) accorded ‘in principle approval’ for exploring options for consolidation of both the companies and also constituted a Committee for examining the same. Subsequently, both the Companies approved the merger in their Board meetings held on December 23, 2015, subject to shareholders’ approval. The proposed merger of Tree House with Zee was subsequently modified from a swap ratio of 5.3:1 (i.e. 5.3 shares of Zee for 1 share of Tree House) to 1:1. Despite such material change in the swap ratio being accepted by Tree House, on May 30, 2016, Zee made a public announcement that its Board had decided to put the proposed merger on hold on account of financial results of Tree House for the Quarter ended March 31, 2016. The aforesaid raised suspicions regarding the financials of the Company.*

III. *The Promoters of Tree House offloaded a significant portion of their holding a day prior to the public announcement of the ‘in principle approval’ go ahead for exploring options for consolidation of the Company with Zee raising suspicions of insider trading.*

1.8 Further, the preliminary examination report noted the following adverse opinions made by the Statutory Auditors of Tree House in respect of the financial statements for the Quarter and Financial Year ended March 31, 2017 (which was submitted to SEBI vide Tree House’s letter dated June 12, 2017) –

- I. *Default by Tree House in repayment of loans amounting to ₹72.60 Crores, which were availed from Financial Institutions.*
- II. *Non-receipt by Tree House of revenue for school management services rendered to K-12 Schools.*
- III. *Low recoverable amount vis-a-vis the carrying value of lease deposits amounting to ₹14.73 Crores outstanding with landlords (some of whom were yet to be identified) in respect of closed or discontinued pre-schools. An impairment test was therefore, required to be carried out.*
- IV. *Tree House neither carried out fair valuation of assets classified as financial assets and financial liabilities including Employee Stock Options (“ESOPs”) nor did it carry out impairment testing for intangible assets (Goodwill and Brands) wherever required in compliance with the Indian Accounting Standards issued under the Companies (Indian Accounting Standards) Rules, 2015. The possible impact of the aforesaid on the profit and loss accounts and retained earnings, if any, could not be ascertained.*
- V. *The policies, procedures and overall internal controls required strengthening in order to provide proper evidences regarding recoverability of receivables, valuation of financial assets including deposits, write offs of fixed assets including impairment, etc.*
- VI. *Legal proceedings have been initiated against Tree House by creditors, statutory authorities, landlords, etc. which may result in compensation, interests and penalties and which could not be ascertained pending outcome on such proceedings.*

1.9 In light of the aforementioned, the preliminary examination report *prima facie* alleged contravention by Tree House; its Directors/Promoters and Chief Project Officer, of the following provisions of law –

- (i) Section 12A(a), (b) and (c) of the Securities and Exchange Board of India Act, 1992 (“**SEBI Act**”);
- (ii) Regulations 3(b), 3(c) and 3(d) and Regulations 4(2)(a), 4(2)(e), 4(2)(f), 4(2)(k) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (“**PFUTP Regulations, 2003**”).
- (iii) Regulation 4(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations, 2015**”).
- (iv) Regulation 23 read with Regulation 34 and Regulation 53 of the Listing Regulations, 2015.

2.1 Thus, Tree House is alleged to have violated Sections 12A(a); 12A(b) and 12A(c) of the SEBI Act read with Regulations 3(b); 3(c) and 3(d), Regulation 4(1) and Regulations 4(2)(a); 4(2)(e); 4(2)(f) and 4(2)(k) of the PFUTP Regulations, 2003 and also Regulation 4(1) of the Listing Regulations.

2.2 I have considered the findings of the preliminary examination report along with the Annexures contained therein and all other relevant material available on record. I shall now proceed to take a closer examination of the facts involved in the matter to see whether any direction in the interim stage are warranted or not.

2.3 The SEBI Act read with the PFUTP Regulations, 2003, were *inter alia* framed to prohibit fraudulent and unfair trade practices relating to the securities market. Sections 12A(a); 12A(b) and 12A(c) of the SEBI Act read with Regulations 3(b); 3(c) and 3(d) of the PFUTP Regulations, 2003, *inter alia* prohibit employment of any manipulative/deceptive device, scheme or artifice to defraud in connection with dealing in securities; engaging in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with dealing in securities. Regulation 4(1) of the PFUTP Regulations, 2003, provides for prohibition on indulging in fraudulent or unfair trade practices in securities. Regulations 4(2)(a); 4(2)(e); 4(2)(f) and 4(2)(k) of the aforesaid Regulation states that dealings in securities by a person shall be deemed as fraudulent if it involves ‘*fraud*’ including indulging in any act which creates false appearance of trading or amounts to manipulation of the price of a security; publication, reporting, etc. of any information which is not true prior to or in the course of dealing in securities;

advertisement that misleads or contains distorted information that may influence the decision of investors. Regulation 4(1) of the Listing Regulations, 2015, requires a listed entity to make disclosures in accordance with the principles detailed therein such as refraining from misrepresentation, ensuring adequate and timely information, etc.

From the material available on record, the following is noted –

2.4.1 During the Financial Years 2011–12 to 2014–15, Tree House reported yearly increase in profits. As on March 31, 2015, profits reported by Tree House stood at ₹60.87 Crores. Thereafter, for the Financial Year 2015–16, Tree House reported a sharp decrease in profits at ₹6.77 Crores compared to the previous Financial Year. For the Financial Year 2016–17, Tree House reported significant losses amounting to approximately ₹163 Crores.

2.4.2 The preliminary examination report states that large amounts of *Refundable Security Deposits* were advanced by Tree House to several Educational Trusts wherein the Trustee was one of its Promoters as stated at paragraph 1.6 on pre-pages. The Educational Trusts to whom *Refundable Security Deposits* were provided had poor financials and continued to show huge losses even after receipt of such *Deposits* from Tree House. In this context, the following is noted –

- i. In its Annual Report for the Financial Years 2010–11 and 2011–12, Tree House disclosed the following information –
 - a. Tree House entered into an exclusive *Facilitation Service Agreement* with various Educational Trusts based on which, it acquired exclusive rights for a period of 30 years to provide various facilitation services for schools/courses to be set up by the aforesaid Educational Trusts.
 - b. Tree House paid a one-time fixed fee to the Educational Trusts towards facilitation services rights, which was recognised as an *'intangible asset'* and accordingly, capitalised as *'Business Commercial Rights'* in the financial statements.
 - c. *'Business Commercial Rights'* in the Financial Year 2010–11 were reclassified as *'Refundable Security Deposits'* or *'partial interest bearing refundable deposits'* in 2011–12, as under:

- Terms of payment were changed from ‘one time fixed fee’ to a combination of ‘one time fixed fee’ and ‘partial interest bearing refundable deposits’.
- The *Refundable Security Deposits* now attracted interest once a particular threshold on the number of students as mentioned in the respective *Facilitation Service Agreements* was achieved.
- The principal amount in respect of the *Refundable Security Deposits* were repayable by the Educational Trusts to Tree House after a period of 5 years from the date on which final payment was received by the concerned Trust. The interest on such *Deposits* were however, repayable to Tree House, per annum.

- ii. As per the information submitted by Tree House to SEBI vide letter dated March 10, 2017, the details of the Educational Trusts to whom *Refundable Security Deposits* were provided were as under –

TABLE G	
NAME OF THE TRUST	DEPOSITS PROVIDED AS ON MARCH 31, 2016 (IN ₹CRORES)
MIRA EDUCATION TRUST	133.80
BHARTIYA VIDHYA MANDIR SAMITI	8.48
DIXIT EDUCATION SOCIETY	12.80
VIDYA BHARTI SANSTHAN	13.25
VIDHYA BHARTI SAMITI	15.77
JANODHAR SHIKSHAN PRASHARAK MANDALI	3.00
TOTAL	184.20

- iii. Mr. Giridharilal S. Bhatia, Promoter of Tree House and also the father-in-law of Mr. Rajesh Bhatia, the Managing Director and Promoter of Tree House, is the Trustee of the following Educational Trusts to whom Tree House advanced *Refundable Security Deposits* –

- a. Mira Education Trust;
- b. Bhartiya Vidhya Mandir Samiti;
- c. Dixit Education Society;
- d. Vidya Bharti Sansthan;
- e. Vidhya Bharti Samiti.

- iv. It is pertinent to mention that Tree House never disclosed in its Annual Reports or in its disclosures made to BSE and NSE that Mr. Giridharilal Bhatia was the Trustee of the aforementioned Educational Trusts, to whom the Company provided large amounts of *Refundable Security Deposits*. As stated

earlier, the terms of payment of 'Business Commercial Rights' (reclassified as *Refundable Security Deposits*) were changed from 'one time fixed fee' to *inter alia* a combination of 'one time fixed fee' and '*partial interest bearing refundable deposits*'.

- v. As per the *Facilitation Service Agreement* dated March 1, 2012, entered into between Tree House and Mira Education Trust, the Company agreed to provide facilitation services to new schools set up by the aforesaid Trust by providing *Refundable Security Deposits* amounting to ₹143.03 Crores. However, even though such *Refundable Security Deposits* attracted interest payable per annum (repayment of principal amount, which was required to be made within 5 years, would commence from the date on which the final payment was received by the concerned Educational Trust), the financial statements of Tree House revealed that no such amounts were received by the Company from Mira Education Trust. Further, the aforesaid *Refundable Security Deposits* provided as per the *Facilitation Service Agreement* dated March 1, 2012, were disclosed as '*Interest free refundable deposits*' in the Annual Report for the Financial Year 2014–15. The following is noted from the Annual Reports of Tree House –

- a. The Annual Report for the Financial Year 2011–2012 states: "*During the current year, the terms of payment for these Business Commercial Rights have been modified with the 'one time fixed fee' being replaced with combination of 'one time fixed fee' and '**partial interest bearing refundable deposits**'. These deposits attract interest once a particular threshold on number of students as mentioned in the respective school management agreements is achieved...*"
- b. The Annual Report for the Financial Year 2015–2016 states: "*During financial year 2011-12, the terms of payment for these Business Commercial Rights has been modified with the 'One time fixed fees' being replaced with combination of 'one time fixed fee' and 'interest free refundable deposits'...*"

- vi. The *Facilitation Service Agreements* allowed for Tree House to earn Revenue in the form of Annual Income from the Educational Trusts, which was based on fixed fee per student admitted/enrolled with the schools/courses during the tenure of the *Agreement* and was subject to a minimum guaranteed amount each year. In this context, the details of Revenues earned by Tree House from the aforesaid Trusts are provided below –

TABLE H					
NAME OF THE TRUST	REVENUE EARNED BY TREE HOUSE FOR (INCLUDING RENT) IN ₹CRORES				
	2015–16	2014–15	2013–14	2012–13	2011–12
MIRA EDUCATION TRUST	24.37	17.05	17.61	4.42	2.15
BHARTIYA VIDHYA MANDIR SAMITI	1.55	0.35	1.52	0.20	0.15
DIXIT EDUCATION SOCIETY	1.04	0.75	1.13	0.56	1.13
VIDYA BHARTI SANSTHAN	NIL	1.90	13.68	1.95	1.93
VIDHYA BHARTI SAMITI	1.04	0.74	0.59	0.25	NIL
JANODHAR SHIKSHAN PRASHARAK MANDALI	NIL	0.40	0.75	0.08	NIL
TOTAL	28.14	21.20	35.28	7.47	5.37

- vii. From the above, it is observed that except for Mira Education Trust, Tree House showed significant fluctuations in the Revenues stated to have been earned from the K–12 Schools. In case of Vidhya Bharti Sansthan, the revenue for the Financial Year 2012–13 was ₹1.95 Crores which increased significantly to ₹13.68 Crores in the next Financial Year 2013–14. However, in the subsequent Financial Year 2014–15, it declined to ₹1.90 Crores and there was nil income shown for the Financial Year 2015–16.
- viii. Tree House showed a reduction in number of K–12 Schools in the Financial Year 2015–16, which was due to closure of 6 schools operated by Vidhya Bharti Sansthan. In the Annual Report for the Financial Year 2015–16, it is stated that the management, based on the review of future business plan with Vidhya Bharti Sansthan for providing curriculum supports rights, Tree House made changes in the *Facilitation Service Agreement* for providing services from exclusive to non-exclusive rights and therefore, estimated the value in use/recoverable value of its *Business Commercial Rights* of the aforesaid Educational Trust to be lower than the carrying value and consequently, recognised an impairment loss amounting to ₹1.84 Crores. Further, the

Refundable Security Deposit of ₹13.25 Crores provided by Tree House to Vidya Bharti Sansthan was not returned, despite closure of the aforesaid school.

- ix. The financials of one of the aforementioned Educational Trusts to whom *Refundable Security Deposits* was provided by Tree House i.e. Mira Education Trust, were also examined by SEBI, details of which are provided in the Table below –

TABLE I						
HEAD (IN ₹CRORES)	2015–16	2014–15	2013–14	2012–13	2011–12	2010–11
REVENUE EARNED INCLUDING DONATIONS	33.06.	10.77.	12.70.	7.23.	3.89	9.27
TOTAL EXPENSES	72.60	14.73	15.77	7.37	5.78	8.12
SURPLUS/ (DEFICIT)	–39.54	–3.96	–3.07	–0.14	–1.88	1.15

- x. From Table I, it is observed that Mira Education Trust, which received the highest *Refundable Security Deposits*, reported a deficit of ₹39.54 Crores in the Financial Year 2015–16 (Income was ₹33.04 Crores while expenditure was ₹72.60 Crores). 5 of the 6 Educational Trusts mentioned at Table H of page 12 reported huge losses eroding a significant amount of their networth. Consequently, the *Deposits* provided by Tree House therefore, also appeared to have been significantly eroded.

2.4.3 I note that the preliminary examination report states that the huge losses reported by Tree House during the Financial Year 2016–17, were on account of *inter alia* the following –

A. Irregularities in respect of expenditure on furniture and fixtures –

- In its Annual Report for the Financial Year 2015–16, Tree House reported an expenditure of ₹179 Crores on furniture and fixtures. However, the cumulative expenditure on furniture and fixtures incurred by Tree House since its inception i.e. July 10, 2006, was only ₹189 Crores.
- For the Financial Year 2015–16, Tree House recorded an expenditure of ₹179 Crores on furniture and fixtures for 37 newly opened schools. In the previous Financial Year 2014–15, where the number of schools opened was 119, Tree House recorded an expenditure of only ₹87.82 Crores on furniture and fixtures. Similar instances of low expenditure on furniture and fixtures vis-a-

vis the number of schools opened during the Financial Years 2011–12 to 2013–14, are illustrated below –

TABLE J – ANNUAL REPORT DATA					
PARTICULARS	2015–16	2014–15	2013–14	2012–13	2011–12
SELF–OPERATED PRE–SCHOOLS OPENED DURING THE YEAR	37	119	86	60	130
EXPENDITURE SHOWN ON FURNITURE AND FIXTURE (IN ₹ CRORES)	179.10	87.82	27.05	16.64	45.02
AVERAGE EXPENDITURE PER SCHOOL ON FURNITURE AND FIXTURE (IN ₹ CRORES)	4.84	0.73	0.31	0.27	0.34

- iii. During the Financial Years 2011–12 to 2014–15, the average expenditure per school was only ₹44.69 Lakhs. The average expenditure on furniture and fixtures per school in the subsequent 2 Financial Years increased to ₹82.17 Lakhs despite the fact that all such pre–schools operated by Tree House were of a similar size.
- iv. The major component on which the amount of ₹179 Crores was spent on (recorded as expenditure on furniture and fixtures for the Financial Year 2015–16) was wooden partitions used for pre–schools, which was shown to be ₹5–8 Lakhs in some centres but increased to ₹40–50 Lakhs in other centres. As per information provided by Tree House, the plywood for the wooden partitions were purchased primarily from 2 Kolkata based vendors, viz. Prakash Ply Exim Private Limited and Rajagara Timber Private Limited. Despite the fact that the plywood for the wooden partitions was bought from the same vendors, a significant difference in the value of the wooden partitions is observed.
- v. Though the pre–schools, etc. operated by Tree House were largely concentrated in the States of Maharashtra, Gujarat, Karnataka, Rajasthan and Andhra Pradesh, the raw materials for the wooden partitions were admittedly sourced only from the aforementioned 2 Vendors in Kolkata.

- vi. From the details of expenditure shown by Tree House on wooden partitions (submitted to SEBI vide letter dated March 10, 2017), it is noted that in the same Financial Year, the Company showed expenditure on wooden partitions for which substantial expenditure was incurred earlier. Examples of the aforesaid double expenditure are provided below –

TABLE K					
SCHOOL	EXPENDITURE ON WOODEN PARTITION (1)	DATE OF PURCHASE (1)	EXPENDITURE ON WOODEN PARTITION (2)	DATE OF PURCHASE (2)	TOTAL EXPENDITURE IN 2015-16
GHAZIABAD- VAISHALI SCHEME	37,77,450	28.09.2015	15,44,750	25.03.2016	53,22,200
DELHI- VIVEK VIHAR	40,22,119	28.09.2015	17,42,700	25.03.2016	57,64,819
NASHIK- INDIRA NAGAR	38,99,123	28.09.2015	17,46,400	25.03.2016	56,45,523

- vii. The Certificates certifying expenditure by Tree House on furniture and fixtures, were issued by M/s Architectonics, whose Proprietor viz. Mr. Hiten Trivedi was an employee of Tree House. Summons dated February 23, 2017, were issued by SEBI to Mr. Hiten Trivedi. In his reply to the Summons, Mr. Hiten Trivedi stated that no payments were made by Tree House to M/s Architectonics or him for the aforesaid service. Further, Mr. Hiten Trivedi stated that he had not visited all the centres operated by Tree House prior to issuance of the aforementioned Certificates or even thereafter.
- viii. Tree House reported considerable reduction in Revenue and showed huge losses in all the quarters of 2016-17, with total losses for 2016-17 at ₹165.26 Crores. The losses were primarily due to the write off of fixed assets i.e. furniture and fixtures, which by itself amounted to ₹87.95 Crores. The Quarterly Results for the Financial Year 2016-17 are provided below –

TABLE L					
QUARTERLY RESULTS FOR 2016-17					
(IN ₹ CRORES)	31.03.2017	31.12.2016	30.09.2016	30.06.2016	TOTAL
REVENUE	8.33	12.74	17.99	20.21	59.27
OTHER INCOME	3.14	0.09	0.18	0.31	3.72
TOTAL INCOME	11.47	12.83	18.17	20.52	62.99
TOTAL EXPENDITURE INCLUDING DEPRECIATION AND INTEREST	22.92	45.96	65.81	68.25	202.94
PROFIT /(LOSS) BEFORE TAX	-36.76	-33.13	-47.64	-47.73	-165.26
PROFIT/LOSS AFTER TAX	-36.83	-33.13	-47.64	-45.48	-162.94
FIXED ASSETS WRITTEN OFF	25.31	22.19	22.20	18.25	87.95

- ix. As mentioned in the preceding paragraphs, Tree House showed inflated expenditure on furniture and fixtures. Subsequently, Tree House wrote off significant amounts of the fixed assets i.e. furniture and fixtures, during the Financial Year 2016–17. The aforesaid inflated expenditures and subsequent write offs raise serious concerns regarding the genuineness of such expenditure on furniture and fixtures.

B. High Debtors and subsequent write-offs as bad debts of amounts outstanding from such Debtors –

- i. As per the Annual Reports of Tree House for the Financial Years from 2009–10 to 2015–16, the amount of debtors was as under –

TABLE M							
(IN ₹ CRORES)	2015–16	2014–15	2013–14	2012–13	2011–12	2010–11	2009–10
OPENING DEBTORS	42.97	29	6.87	5.81	1.77	6.95	0.42
ADDITION DURING THE YEAR	39.67	15.42	22.49	1.24	4.28	–5.18	6.55
BAD DEBTS AND PROVISION FOR DOUBTFUL DEBTS	–25.53	–1.45	–0.36	–0.18	–0.24	N. A.	–0.02
CLOSING DEBTORS	57.11	42.97	29	6.87	5.81	1.77	6.95

- ii. The amount of trade receivables/debtors for the Financial Years 2013–14 and 2014–15, increased considerably vis-a-vis the trade receivables/debtors for the previous Financial Years i.e. from 2009–10 to 2012–13. Further, in 2015–16, the amount of debtors increased by ₹14.14 Crores i.e. from ₹42.97 Crores to ₹57.11 Crores, despite writing off ₹25.53 Crores as ‘*provision for doubtful debts*’ or bad debts.
- iii. As per the details provided by Tree House vide letter dated March 10, 2017, the debtors in relation to the K–12 Schools operated by the Educational Trusts as on March 31, 2015, were as under –

TABLE N		
SR. NO.	NAME OF THE TRUST	AMOUNT (IN ₹ CRORES)
1.	MIRA EDUCATION TRUST	24.46
2.	BHARTIYA VIDHYA MANDIR	0.75
3.	BHARTIYA VIDHYA MANDIR-RENT RECEIVABLE	0.74
4.	DIXIT EDUCATION SOCIETY	1.54
5.	VIDYA BHARTI SANSTHAN	0.81
6.	VIDHYA BHARTI SAMITI	4.47
TOTAL		32.79

- iv. Contrary to what was stated in its Annual Report in respect of write offs for the Financial Year 2015–16 (reproduced at paragraph B(i) of page 16), Tree House informed SEBI vide the aforementioned letter dated March 10, 2017 that an amount of ₹26.47 Crores was written off as bad debt by recording in its Annual Report as '*provision for doubtful debts*' during the said Financial Year, details of which are provided below –

TABLE O		
SR. NO.	LIST OF DEBTORS	AMOUNT (IN ₹ CRORES)
1.	PRE-SCHOOLS	22.46
2.	VIDYA BHARTI SANSTHAN–DEBTORS	2.16
3.	FASTWAY TRANSMISSION PRIVATE LIMITED	1.77
TOTAL		26.47

- v. The aforementioned write off or '*provision for doubtful debts*' in respect of pre-schools i.e. ₹22.46 Crores, is unusual for the education sector since all tuition fees are generally received in advance from parents. The *Facilitation Service Agreements* allowed for Tree House to earn Revenue in the form of Annual Income from the Educational Trusts, which was based on fixed fee per student admitted/enrolled with the schools/courses during the tenure of the *Agreement* and was subject to a minimum guaranteed amount each year. Even if defaults in payment of fees occurred, such defaults could not have happened on a large scale and at the same time in many schools operated by the Educational Trusts, which would warrant such significant '*provision for doubtful debts*' by Tree House.

2.4.4 Upon a consideration of paragraphs 2.4.2 and 2.4.3, I find as under –

- Tree House advanced *Refundable Security Deposits* amounting to ₹184.20 Crores to several Educational Trusts wherein Mr. Giridharilal Bhatia is the Trustee. Mr. Giridharilal Bhatia is the Promoter and father-in-law of Mr. Rajesh Bhatia, Promoter and Director of Tree House.
- The fact that the Trustee of the aforesaid Educational Trusts was its Promoter, was not disclosed by Tree House in its Annual Reports.
- The *Refundable Security Deposits* provided to the aforementioned Educational Trusts as per the *Facilitation Service Agreement* dated March 1, 2012, were disclosed as '*Interest free refundable deposits*' in the Annual Report for the Financial Year 2014–15.

- iv. Even though such *Refundable Security Deposits* attracted interest payable per annum, the financial statements of Tree House revealed that no such amounts were received by the Company from Mira Education Trust, one such Educational Trusts which received the highest amount of such *Deposits*.
- v. The *Facilitation Service Agreements* allowed for Tree House to earn Revenue in the form of Annual Income from the Educational Trusts, which was based on fixed fee per student admitted/enrolled with the schools/courses during the tenure of the *Agreement* and was subject to minimum guaranteed amount each year. Tree House showed significant fluctuations in the Revenues stated to have been earned from the K–12 Schools.
- vi. Tree House showed a reduction in number of K–12 Schools in the Financial Year 2015–16, which was due to closure of 6 schools operated by Vidhya Bharti Sansthan. Tree House made changes in the *Facilitation Service Agreement* for providing services from exclusive to non-exclusive rights and therefore, estimated the value in use/recoverable value of its *Business Commercial Rights* of the aforesaid Educational Trust to be lower than the carrying value and consequently, recognised an impairment loss amounting to ₹1.84 Crores. Further, the *Refundable Security Deposit* of ₹13.25 Crores provided by Tree House to Vidya Bharti Sansthan was not returned despite closure of the aforesaid schools.
- vii. All of the aforementioned Educational Trusts (except for one) showed reported huge losses eroding a significant amount of their networth. Consequently, the *Deposits* provided by Tree House therefore, also appeared to have been significantly eroded.
- viii. Tree House reported significant losses for the Financial Year 2016–17, which was on account of the following –
 - a. Inflated expenditure on furniture and fixtures amounting to ₹179 Crores including double expenditure, differential cost of identical raw materials obtained from the same Vendors, etc. The aforesaid expenditure was in effect certified by its employee, Mr. Hiten Trivedi i.e. the Proprietor of *M/s Architectonics*. Further, Tree House reported considerable reduction in Revenue and showed huge losses in all the quarters of 2016–17, with total losses for 2016–17 at ₹165.26 Crores. The losses were primarily due to the write off of fixed assets i.e. furniture and fixtures, which by itself amounted to ₹87.95 Crores.

- b. As on March 31, 2016, Tree House had debts amounting to ₹82.64 Crores recoverable from its Debtors. Out of the aforesaid amount, Tree House had written off ₹25.53 Crores as bad debt by recording in its Annual Report for the Financial Year 2015–16 as *'provision for doubtful debts'*. As stated earlier at paragraph 2.4.3(v), the write off of the aforementioned debts was unusual for the education sector.
- 2.4.5 The abovementioned irregularities/misstatements, etc. observed from the Annual Reports, were within the knowledge of the Company and its Directors, Promoters and Chief Operating Officer. This clearly resulted in *'fraud'* as defined under the PFUTP Regulations, 2003, being committed by the aforementioned entities, which in turn affected the interests of investors in the securities market. The investors were wrongly led to believe that Tree House enjoyed healthy financials and therefore, may also have been induced into investing in the securities of the said Company.
- 2.4.6 Upon a consideration of the findings contained in the preceding paragraphs, I find that Tree House, its Directors/Promoters and its Chief Project Officer *prima facie* committed *'fraud'* in the securities market thereby violating Sections 12A(a); 12A(b) and 12A(c) of the SEBI Act read with Regulations 3(b); 3(c) and 3(d), Regulation 4(1) and Regulations 4(2)(a); 4(2)(e); 4(2)(f) and 4(2)(k) of the PFUTP Regulations, 2003.
- 2.4.7 In addition, I also find that Tree House and its Directors *prima facie* violated Regulation 4(1) of the Listing Regulations, 2015, by failing to abide by the principles governing disclosures and obligations under the aforesaid Regulations.
- 2.5 Tree House is also alleged to have violated Regulation 23 of the Listing Regulations, 2015 read with Regulation 34 and Regulation 53 of the said Regulations on account of having failed to disclose the *'related party transaction'* with its Promoter, Mr. Giridharilal Bhatia, who is the father of Ms. Geeta Bhatia, a Director of Tree House.
- 2.6 The preliminary examination report states that Tree House failed to disclose the *'related party transaction'* with one of its Promoters, which *prima facie* amounted to a violation of the Listing Regulations, 2015. In this context, the following is noted –
- i. Tree House never disclosed in its Annual Reports or in disclosures made by it to BSE and NSE that Mr. Giridharilal Bhatia was the Trustee of the Educational Trusts, to whom the Company provided large amounts of *Refundable Security Deposits*.

- ii. Mr. Rajesh Bhatia is the Managing Director and Promoter of Tree House and his wife i.e. Ms. Geeta Bhatia is also a Promoter and Non-Executive Director since its inception. Mr. Giridharilal S. Bhatia is the father of Ms. Geeta Bhatia and also a Promoter of Tree House. The definition of '*related party*' with reference to a Company under Section 2(76) of the Companies Act, 2013, includes a Director and his/her relative. Further, Regulation 2(zc) of the Listing Regulations, 2015, states: '*related party transaction*' means *a transfer of resources, services or obligations between a listed entity and a related party ... and a 'transaction' with a related party shall be construed to include a single transaction or a group of transactions in a contract.*
- iii. In view of the aforementioned provisions, such *Refundable Security Deposits* provided by Tree House to the Educational Trusts wherein a relative of its Director i.e. Mr. Giridharilal Bhatia was the Trustee qualified as a '*related party transaction*' and *prima facie* attracted the requirement of shareholders' approval, disclosures, etc. under Regulation 23 and Regulation 34 read with Regulation 53 and Schedule V of the Listing Regulations, 2015.
- iv. Tree House was therefore, required to obtain shareholders' approval in respect of the '*related party transaction*' with the Educational Trusts wherein Mr. Giridharilal Bhatia was the Trustee. Further, Tree House was also required to disclose in its Annual Reports such '*related party transaction*' amounting to ₹184.20 Crores. However, Tree House *prima facie* failed to ensure compliance with the aforesaid provisions of the Listing Regulations, 2015.

2.7 Upon a consideration of the findings contained in the preceding paragraphs, I *prima facie* find that Tree House and its Directors violated Regulation 23 of the Listing Regulations, 2015 read with Regulation 34 and Regulation 53 of the said Regulations on account of having failed to disclose the '*related party transaction*' with its Promoter, Mr. Giridharilal Bhatia.

CONCLUSION –

- 3.1 As stated earlier, Mr. Rajesh Bhatia is the Managing Director and Promoter of Tree House and his wife i.e. Ms. Geeta Bhatia is also a Promoter and Non–Executive Director since its inception. Mr. Giridharilal S. Bhatia is the father of Ms. Geeta Bhatia and also a Promoter of Tree House. He is also the Trustee of the Educational Trusts to whom Tree House provided *Refundable Security Deposits*. Mr. Vishal Shah was the Executive Director of Tree House from the period August 13, 2008 till July 28, 2016. Being the Directors and Promoters of Tree House, the aforementioned persons were fully aware of the manipulation and misstatements concerning financials/business operations, etc. of Tree House *inter alia* through '*related party transaction*', inflated expenditure on furniture and fixtures, etc.
- 3.2 As Directors and Key Managerial Personnel of a Listed Company, Mr. Rajesh Bhatia, Ms. Geeta Bhatia and Mr. Vishal Shah, have a greater responsibility as they have access to inside information such as the financials of the company; its operations, etc. and take major decisions on behalf of the company, which affect its shareholders and future investors. Therefore, any misuse of their powers for their personal gains or making false representations to the public has to be dealt with strongly. As regards Mr. Giridharilal S. Bhatia, it is observed that he is a Promoter of Tree House and also the Trustee of several Educational Trusts to whom *Refundable Security Deposits* were provided by Tree House. Mr. Giridharilal S. Bhatia *prima facie* appeared to have benefitted from the aforementioned '*related party transactions*' since the amounts advanced by Tree House were either classified as *interest free Security Deposits* or were not returned despite closure of schools operated by the said Trusts. Further, Mr. Giridharilal S. Bhatia *prima facie* also appeared to have benefitted from the arrangement the Educational Trusts had with Tree House since the amounts due to the Company from the aforesaid Educational Trusts for the services rendered in accordance with the '*Facilitation Service Agreements*' were never paid or were written off as '*provision for doubtful debts*' by the Company.
- 3.3 Considering the facts in the instant proceedings, I am convinced that this is a case where suitable and immediate action is required to be taken against Tree House, its Directors/Promoters and its Chief Project Officer, for safeguarding the interests of investors and protecting the integrity of the securities market. The conduct of the aforementioned entities in perpetrating the manipulation/fraud *prima facie* is clearly to the detriment of the interests of investors and the securities market. Therefore, any action taken by SEBI should not only be to prevent any further harm to investors but also to send a stern message to prevent any person/entity from indulging in acts as observed in

these proceedings. In light of the aforesaid, effective preventive and remedial action by way of an *Interim Ex-Parte Order* is required to be taken against the aforementioned entities.

ORDER –

4.1 In view of the foregoing, I, in exercise of the powers conferred upon me in terms of Section 19 read with Sections 11(1), 11(4) and 11B of the SEBI Act read with Regulation 11 of PFUTP Regulations, 2003 and the Listing Regulations, 2015, hereby issue the following directions with immediate effect –

(i) Tree House, Rajesh Bhatia, Geeta Bhatia, Giridharilal S. Bhatia, Vishal Shah and Hiten Trivedi, are restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in securities in any manner whatsoever, either directly or indirectly.

4.2 The abovementioned entity/persons are advised to show cause as to why suitable directions/prohibitions under Sections 11(4) and 11B of the SEBI Act including the directions restraining/prohibiting them from accessing the securities market and buying, selling or otherwise dealing in securities in any manner whatsoever, directly or indirectly, for a specified period, should not be imposed against them.

4.3 The abovementioned entity/persons may, within 21 days from the date of receipt of this *Interim Order-cum-Show Cause Notice*, file their respective replies with SEBI. If the aforementioned entity/persons intend to avail of an opportunity of personal hearing, they may indicate the same in their replies.

4.4 NSE shall appoint an independent auditor/audit firm for conducting a detailed forensic audit of the books of accounts of Tree House from the Financial Year 2011–12 onwards till date and bear the expenses incurred in this connection. The independent auditor/audit firm so appointed shall verify *inter alia* the following –

- (i) Manipulation of Books of Accounts;
- (ii) Misrepresentation including of financials and/or business operations of Tree House;
- (iii) Wrongful diversion/siphoning of company funds by Tree House through significant '*related party transaction*' with Educational Trusts controlled by its Promoter, Mr. Giridharilal Bhatia, inflated expenditures on furniture and fixtures, etc.

- 4.5 Tree House, its Directors and the abovementioned persons shall extend necessary co-operation to the independent auditor/audit firm so appointed under paragraph 4.4 of this Order and shall furnish all information/documents sought from them from time to time.
- 4.6 The independent auditor/audit firm so appointed under paragraph 4.4 of this Order shall submit a report to SEBI through NSE within six months from the date of this Order.
- 4.7 The above directions shall come into force with immediate effect and shall remain in force till further directions.
- 4.8 This Order is without prejudice to any other action that SEBI may initiate under the securities law against the entity/persons covered under this Order, as deemed appropriate in accordance with law.
- 4.9 A copy of this Order shall be forwarded to the recognized Stock Exchanges and Depositories for their information and necessary action.

Place: Mumbai
Date: March 7, 2018

G. MAHALINGAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA