



SEC/SEBI/121/17-18
August 8, 2017

**The Chairman,
Securities and Exchange Board of India**
SEBI Bhavan
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Mumbai – 400 051.

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Re: Notification (SEBI/HO/ISD/ISD/OW/P/2017/18183) dated August 7, 2017 ("Notification") issued by the Securities and Exchange Board of India ("SEBI") listing SQS India BFSI Limited ("SQS BFSI") as one of the 'suspected shell companies'

Dear Sirs,

1. We refer to the above Notification and our letter dated August 8, 2017 sent to NSE and BSE (copy attached). In this regard, we would like to state as under:
2. The Notification states the following:
 - a. SEBI has purportedly received a list of 331 companies from the Ministry of Corporate Affairs ("MCA") (purportedly by its letter dated June 9, 2017) which are identified as 'suspected shell companies'.
 - b. The Notification does not specify the criterion adopted to identify these 331 companies as 'suspected shell companies' and the specific provisions of law pursuant to which such entities have been identified as 'shell companies'.
 - c. The Notification, after two months from the receipt of the list from the MCA, directs the exchanges to place identified listed companies in Stage VI of the Graded Surveillance Measures (GSM) with immediate effect.
 - d. The effect of the Notification would be that the trading in the listed companies would be permitted only once in a month under the trade to trade category. Any upward price movement in these scrips is not permitted beyond the last traded price and Additional Surveillance Deposit of 200% of the trade value is to be collected from the buyer which is retained with the exchanges for five months. This substantially reduces the trading in these scrips on the basis of a mere suspicion.





- e. Shares of the promoters/directors of such listed companies are allowed to be transferred by depositories only after 'verification' by the exchanges. There is effectively a freeze on trading by such promoters/directors except to buy securities of the listed company until 'verification' of the credential/fundamentals by the exchanges is completed – without specifying any time period for such 'verification'- in other words inordinately.
- f. Exchanges are directed to appoint an independent auditor to audit such listed companies, and if necessary, even conduct forensic audit of such companies to 'verify' its credentials/fundamentals.
- g. If on such verification, the 'credentials/fundamentals' of the companies are found to not be 'appropriate', exchanges are directed to initiate proceedings for compulsory delisting against the company.

3. We most respectfully submit that:

- a. The Notification has been issued without following due legal process. The list of 'suspected' companies have been identified without setting out the criterion applied or even a mention of the legal provisions relevant for such identification.
- b. There is no criterion or legal provision that defines a 'shell company'. The issuance of the Notification against SQS BFSI is arbitrary.
- c. The Notification has been issued in a mechanical and flippant manner despite the list of 'suspected' entities available with SEBI for about two months.
- d. Without any notice or enquiry, the Notification has been issued overnight with immediate effect substantially curbing the trading of SQS BFSI scrip.
- e. The issuance of the Notification has the effect of curbing trading even in genuine scrips such as SQS BFSI which is contrary to the interest of the shareholders of SQS BFSI. Such a curb on trading ought to have been effected only after allowing us an opportunity of being heard. Since neither the MCA nor SEBI has provided any notice prior to the Notification, the same will cause undue hardships and losses to the public shareholders of SQS BFSI.





4. The following will demonstrate that there is no reason to even suspect that SQS BFSI is a 'shell company':
- a. SQS BFSI is the leading business assurance and testing specialist focusing exclusively on the Financial Sector with its registered office in Chennai. With a successful track record of over 15 years, and more than 14 million person hours of testing, SQS BFSI has served more than 150 customers in APAC, USA, UK and Middle East. SQS BFSI is part of the SQS Group, the world's leading specialist in software quality. SQS BFSI's position and expertise as the market leader are the result of over 30 years of successful consultancy.
 - b. The shares of SQS BFSI are listed both BSE and NSE. The company is ISO 9001:2008 and ISO 27001:2013 certified, both its Chennai Test Centers are SSAE 16/ISAE 3402 compliant and one of the centers is PCI: DSS compliant.
 - c. SQS BFSI is the leading global provider of quality assurance services for digital business processes. This position stems from over 30 years of successful consultancy operations. The consultants at SQS BFSI provide solutions for all aspects of quality throughout the whole software product lifecycle driven by a standardized methodology, industrialized automation processes and deep domain knowledge in various industries.
 - d. SQS BFSI has been effecting corporate actions from time to time, all of which are available on the exchanges' websites. A bare perusal of the various filings effected by SQS BFSI on the websites of the exchanges will demonstrate that SQS BFSI has substantial on-going business including declaration of dividend. In fact on July 27, 2017, an annual general meeting of SQS BFSI was held at Chennai which was attended by over 200 shareholders. At such meeting, amongst various regular items of business, the shareholders of SQS BFSI have also approved declaration of final dividend of Rs.20/- per share. This demonstrates beyond doubt that SQS BFSI is indeed a fully functional listed company with no suspicion about it being a 'shell company'.
 - e. SQS Software Quality Systems AG ("**SQS Software**") is the parent company of SQS BFSI which is headquartered in Cologne, Germany and now employs approximately 4,400 personnel. SQS Software has offices in Germany, UK, US, Australia, Austria, Egypt, Finland, France, India, Ireland, Italy, Malaysia, the Netherlands, Norway, Singapore, South Africa, Sweden, Switzerland and UAE. In addition, SQS Software maintains a minority stake in a company in Portugal. In 2016, SQS Software generated revenues of €327.1 million.





- f. SQS Software is the first German company to have a primary listing on AIM, a market operated by the London Stock Exchange. In addition, shares of SQS Software are also traded on the German Stock Exchange on the Frankfurt am Main.
- g. With over 10,000 completed projects under its belt, SQS Software has a strong client base, including half of the DAX 30, nearly a third of the EURO STOXX 50 and 20 per cent of the FTSE 100 companies.
5. Further it is submitted that SQS BFSI presently has about 15,400 public shareholders, including institutional investors whose interest is being affected adversely on account of the Notification. The scrip of SQS BFSI has been traded on an average trading volume of 11,861 shares in the last 30 days thereby indicating decent public interest in the scrip. The interest of public shareholders is therefore being adversely affected on account of the Notification without there being any valid evidence about SQS BFSI being a 'suspicious shell company'.
6. The Registrar of Companies, Tamil Nadu, Andaman & Nicobar Islands ("ROC"), with which SQS BFSI is registered, has been issuing notices under Section 248(1) of the Companies Act, 2013 read with Rule 3 of the Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016 of defunct companies. SQS BFSI has not figured on any such list which also indicates that it is not a defunct or a 'shell company'.
7. The Notification has been posted on public websites for the world to see without as much as a notice or intimation to SQS BFSI. The substantial curb on the tradability of the shares of SQS BFSI leads to substantial loss of goodwill, financial hardship and is detrimental to the interest of our shareholders.
8. The loss of reputation of SQS BFSI on account of the issuance and continuation of the Notification, without any basis or criterion, cannot be ascertained in monetary terms but is indeed huge and irreparable.
9. In the above circumstances, it is evident that SQS BFSI therefore is not a shell company and the Notification ought not to apply to it. We request you to forthwith direct the BSE and NSE to not implement the Notification *qua* SFS-BFSI and restore the status of trading of SFS BFSI as it existed prior to the Notification.
10. We submit that we be afforded an opportunity of presenting submissions on the above by way of a personal hearing. We are confident of being able to convince you about the inapplicability of the Notification to SQS BFSI based *inter alia* on publicly available information.



11. We look forward to hearing from you in this regard.
12. Please reach out to us at the following contact details:

Mr. S. Sampath Kumar
Company Secretary & Compliance Officer
SQS India BFSI Limited
6A, Sixth Floor, Prince Infocity II
No.283/3 & 283/4, Rajiv Gandhi Salai (OMR)
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Phone : +91 44 4392 3224
Email ID : sampathkumar.seshadri@sqsl.com

Yours sincerely,

For SQS India BSFI Ltd.



S. Sampath Kumar
Company Secretary and Compliance Officer
FCS No.3838



1. **National Stock Exchange of India Ltd.**
Exchange Plaza, Bandra Kurla Complex,

Bandra (East), Mumbai 400 051.
2. **BSE Limited**
Central Depository Services
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3. **Ministry of Corporate Affairs**
A Wing, Shastri Bhawan,
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