

SECURITIES AND EXCHANGE BOARD OF INDIA

CONFIRMATORY 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 –

	NOTICEES	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.	GIRDHARILAL S. BHATIA	AAGPB8687E
CHIEF PROJECT OFFICER –		
6.	HITEN TRIVEDI	ABNPT2943H

BACKGROUND –

1. Vide an *Ad-Interim Ex-Parte Order* dated March 7, 2018 (“**Interim Order**”), SEBI had *inter alia* restrained Tree House Education and Accessories Limited (“**Tree House**”), its Directors/Promoters i.e. Rajesh Bhatia, Geeta Bhatia, Girdharilal S. Bhatia, Vishal Shah and Chief Project Officer i.e. Hiten Trivedi from accessing the securities market and were further prohibited them from buying, selling or otherwise dealing in securities in any manner whatsoever, either directly or indirectly.

2. The *Ad-Interim Ex-Parte Order* was challenged by Noticees 1–3 and Noticees 5–6 therein before the Hon’ble Securities Appellate Tribunal (“**SAT**”) in *Tree House vs. SEBI (Misc. Application no. 250 of 2018 and Appeal no. 300 of 2018)*. The Hon’ble SAT vide an Order dated August 29, 2018 (“**SAT Order**”), had observed –

6. “... Learned Senior Counsel for the appellants submits that treating the *Ad-Interim Ex-Parte Order* (*Impugned Order*) as the *Show Cause Notice*, the appellants will give comprehensive reply to SEBI within a period of three weeks from today. He further submits that the appellants would also cooperate with the forensic auditor in the interim though subject to the constraints on availability of documents because of parallel proceedings before different authorities and the fact that most of the documents, including electronic documents are with other investigating agencies.
7. Learned Senior Counsel for SEBI seeks two months’ time to pass the *Confirmatory Order* subject to the appellants not seeking additional time in filing replies and/or in rescheduling of hearing dates etc.
8. Accordingly, appellants are granted three weeks’ time to file their replies and WTM of SEBI shall pass the confirmatory order within two months thereafter.
9. Appeal is disposed of on the above terms ...”

3. In compliance with the abovementioned SAT Order, Noticees 1–3 and Noticees 5–6 of the *Ad-Interim Ex-Parte Order* filed a reply dated September 21, 2018 and also requested for an opportunity of personal hearing. Thereafter, an opportunity of personal hearing was granted to Noticees 1–3 and Noticees 5–6 of the *Ad-Interim Ex-Parte Order* on October 23, 2018. The hearing was attended by the aforementioned Noticees through their authorised legal representatives who reiterated the submissions contained in the letter dated September 21, 2018.

4. I have considered the Interim Order dated March 7, 2018 and the reply dated September 21, 2018 along with all the material available on record. The contentions/submissions of Noticee Nos. 1–3 and Noticee Nos. 5–6 contained in

their reply and advanced during the personal hearing are summarised, for the purpose of this order, as shown below:

I. Non-consideration by SEBI of replies filed by Noticees

- A. The Ad-Interim Ex-Parte Order passed on March 7, 2018 states that the alleged media reports which triggered the investigation by SEBI into the affairs of Tree House came out in December 2016. SEBI considered it fit to not take any immediate action at that point of time. Further, the interim order has completely missed out to address the replies filed by the Noticees to the questionnaires raised by SEBI between January - March of 2017.*
- B. That in October-November 2015, Rajesh Bhatia, Noticee No.2 and his wife, Noticee No.3 attempted to divest 9% of their shareholding and got introduced to Subhash Goel, a Promoter/Director of Zee Group. Subhash Goel later proposed merging of both Zee Learn Ltd and Tree House by purchase of approximately 40 Lakh shares for a total consideration of ₹ 80.20 Crores @ ₹ 200.50 per share and to get a considerable stake in the business of Tree House. Subhash Goel acquired the said shareholding of Tree House between December 2 and 3, 2015 through 6 companies (relevant disclosure relating to bulk deals were made to the stock exchanges). Since the proposed concept of Subhash Goel joining Tree House was in the form of a proposed merger, after discussions and negotiations, it was agreed by and between Rajesh Bhatia and Subhash Goel that there would be an exchange ratio of 53 shares of ₹1 each of Zee Learn Limited to be issued in favour of shareholders of Tree House for every 10 shares of ₹10 held by them. This exchange ratio was approved by the Board of Directors of both Tree House as well as Zee Learn Limited on December 23, 2015.*
- C. That the Noticee No.2 thereafter liquidated the fixed deposits to a tune of ₹ 150 Crores so as to clear the debts of Tree House. This was not appreciated by Subhash Goel whose intention was to acquire the company by driving the shares of the company downwards and ultimately enjoy the benefit of these fixed deposits.*
- D. Thereafter, the Noticees have given a detailed narration of how on various occasions, the Noticees were intimidated and coerced to part with the financial data of Tree House to Zee Group, which included one instance of the Zee Group having forcefully downloaded the*

confidential files and data from the computers of Tree House Office. Subhash Goel used his political power to exert pressure and coercive tactics on the Noticees including registration of offences with EOW against the Noticees and compelling them to sign various blank documents including letter heads , depository slips, certain letters inter alia admitting inflation of revenue of Tree House/ statements that Company made losses every year / the commission of misappropriation of ₹ 20 Cr from the company by Noticee No.2 for his personal use/ pledge of 20.6% (approximately) of the equity of Tree House to a company known as Hamlet Media Network Private Limited in the capacity of guarantor of loan of ₹100 Crores taken by one M/s. Kolar & Ramgiri Gold and Mining Private Limited.. 33 undated cheques worth ₹1 Crore each aggregating to ₹ 33 Crores etc.

- E. Subsequently, Rajesh Bhatia on March 22, 2016 filed a complaint with Khar Police Station. Even after the lodging of the criminal complaint, Subhash Goel along with certain other entities continued to acquire the shares of Tree House in large quantities through deals at the stock exchanges and tried to trade in the shares with a view to bring down the share price.*
- F. Likewise, Noticee No.2 was compelled to induct some new directors into the Company's Board to replace certain others and thereafter in the board meeting held on 29th May, 2016, Tree House declared a loss for the said quarter and the same was duly communicated to all statutory authorities, shareholders and the exchanges vide a press release dated May 29, 2016. Such developments of appointing new directors and removing old directors Subhash Goel & Ors continued in the successive board meetings held on June 2, 2016 and July 29, 2016 and this made it a cake walk for them to take complete control of Tree House without any internal or external interference.*
- G. Thereafter in pursuance of the dubious plan of Subhash Goel & Ors, the merger ratio was changed to one share of Zee Learn Limited for one share of Tree House (from 53 shares of Zee Learn Limited for 10 shares of Tree House). This was the master plan created and executed by Subhash Goel/ Zee Group so that they could buy off Tree House at an unfair and negligible price. That the said revised merger ratio was decided in the Board Meeting held on 15th August, 2016 by Zee Learn Limited which was then intimated to the exchanges on August 17, 2016. Such proposed terms of the merger were never approved by the Tree House in its Board Meeting as no actual legal and valid Board Meeting took place to consider these terms. This shows that Subhash Goel/ Zee Group*

had unilaterally decided the revised merger ratio without taking any consent of Rajesh Bhatia and Subhash Goel/ Zee Group after deciding the revised merger ratio suo-moto forced Rajesh Bhatia into signing a false board resolution and issue the revise merger ratio document to the exchanges.

- H. Thereafter, on December 2, 2016, Rajesh Bhatia was forced and assaulted by Ajay Kumar & 5 others and was made to sign his own resignation letter. He was removed from the post of Managing Director and given the position of a Whole-Time Director. For this, a fake Board Resolution was made as if the Board had met on December 2, 2016.*
- I. Rajesh Bhatia in view of these extreme atrocities and harassment caused to him by Subhash Goel & Ors, addressed a complaint dated December 15, 2016 to the Khar Police Station, detailing all the offences committed by Subhash Goel and Ors.*
- J. Thereafter as soon as Subhash Goel & Ors came to know about the said complaint, they made all of their dummy directors resign from Tree House on December 15 and 16, 2016 as they feared that their illegal acts would come to light if these directors are kept in the company.*
- K. That after the filing of the complaint dated December 15, 2016, Subhash Goel & Ors called for an urgent board meeting of Zee Learn Limited and called off the merger vide its board resolution dated December 15, 2016.*
- L. Therefore during the period of March, 2016 to December, 2016, Rajesh Bhatia and Geeta Bhatia were not in control of Tree House as Subhash Goel and his aides had taken over the business operations of Tree House and Rajesh Bhatia and Geeta Bhatia were not allowed to enter the office of Tree House. On or about December 16, 2016 Rajesh Bhatia submitted an additional complaint to the Senior Inspector of Police, Khar Police Station, seeking appropriate action against Subhash Goel and other officers of the Zee group for cognizable offences under the Indian Penal Code.*
- M. In this background, around December 20, 2016, Rajesh Bhatia along with his wife and the company filed a Suit in the High Court of Judicature at Bombay against Subhash Goel, his companies, and various other body corporate and individuals associated with Subhash Goel, in which a status quo order was granted by the High Court. On January 31, 2017 an FIR was registered at Amboli Police Station vide FIR No.13 of 2017 against Rajesh Bhatia.*

N. *Apprehending arrest in C.R. No.13 of 2017 registered with Economic Offences Wing, Rajesh Bhatia filed an Anticipatory Bail Application which when turned down by the Ld. Additional Sessions Judge for Greater Mumbai at Mumbai was brought up before the Bombay High Court. The Hon'ble High Court granted the relief of Anticipatory Bail of Rajesh Bhatia on December 19, 2017. The Noticees have relied on certain observations of the Hon'ble High Court made in this connection:*

“8)... Thus, prima facie it appears that the first informant lodged the first complaint on 23.11.2016 and the alleged subsequent complaint dated 12.12.2016 and the present crime on 31.1.2017 with mala fide intention to bring down the price of shares of the applicant's company in the market... It therefore, appears that, there is substance in the submission of the learned counsel for the applicant that, the said Zee Group through the applicant had intention to take over the applicant's company at a meagre purchase of 9% share and throw the applicant out from the company by making the price of the shares of the applicant's company fall.”

II. Refundable Security Deposits – Non-disclosure of related party transactions:

A. *It has been alleged in the Ad-Interim Ex-Parte Order that the company advanced refundable Security deposits amounting to ₹184.20 Crores to several educational trusts wherein Girdharilal Bhatia is the trustee and also the promoter of Tree House and father in law of Rajesh Bhatia. It has also been alleged that although such deposits attracted interest payable per annum, the financial statements of Tree House revealed that no such scheme by the company from Mira Education Trust, one such educational trust which received the highest amount of such refundable deposits. It is submitted that the transactions in question are not related party transactions under Regulation 2(zb) and 2(zc) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations, 2015**”) read with Section 2(76) of the Companies Act, 2013. Moreover, there is no related party transaction much less the benefit to the related party/promoters. The ex-parte ad interim order does not disclose any particulars whatsoever in this regard and it cannot because as a matter of fact there is no such benefit received. The definition of the term ‘related party’ in SEBI*

Regulations have been adopted from the definition given under sub section (76) of Section 2 of the Companies Act 1956/Companies Act 2013 and a review of the provisions of the said section of the Companies Act 1956/Companies Act 2013 will show that the concept of related party has no relevance as regards to its applicability to a trust. In India, a company incorporated under the provisions of the Companies Act 1956 is not permitted to run secondary school on its own as the operations of secondary schools is permitted only to the charitable trusts/ education institutions. In order to enter into the K-12 segment, the only route available to Tree House was to tie up with Educational Trusts/ Institutes as the Government norms permit only such trusts/institutions to set up educational institutes as K-12 (secondary schools). The said business decision was taken after taking the necessary board approvals and only after making full disclosures about the same to the shareholders of Tree House who had never questioned the said transactions. Therefore Tree House entered into Service Providing Agreements with various public/ charitable trusts wherein the trusts were the owners of the schools and Tree House had lent their name & goodwill to the said trust schools and provided support to the trusts to run & manage the schools with their curriculum and expertise in the field of education. The said trusts have paid service charges for rendering such services. In turn, deposits have been given to these trusts to develop schools and related facilities,(including infrastructure, furniture, fixture etc.). In return, Tree House has got the revenue sharing on exclusive basis from these Trusts. Tree House entered into agreements with 6 trusts and managed a few schools run through the said trusts. The Company had given interest free deposits to the trusts and the trusts have also paid Service Charges for the same. As per the agreements with the trusts, the trusts had an obligation to construct the school, refurbish the school premises as per the standard of Tree House, create infrastructure as per the requirements of Tree House like furniture, fixtures, flooring, interiors, classrooms, playgrounds, etc. The Noticees submit that one such trust with which Tree House entered into an agreement was Mira Education Trust ("**Mira Trust**") which was originally promoted by Vinaychandra Poptalal Shah, Pinakin Vinaychandra Shah, Smitaben Pankajkumar Sanghavi and the original Trust Deed is registered with the charity commissioner of Vadodara. The Company provided them the technical know-how and expertise for running and managing higher secondary schools under the brand name of Tree House. After entering into MOU with Mira Trust on December 23, 2008, Tree House, in

accordance with the terms and conditions as stated under the said MOU, started giving refundable security deposits to enable Mira Trust to improve basic infrastructures and other facilities for providing quality education to the secondary school students. Girdharilal Bhatia was appointed as a Trustee to Mira Trust for the sole purpose and objective to ensure protection of Tree House's interest and to ensure proper management of the secondary schools by the trusts under the brand of Tree House. It must be noted that Girdharilal Bhatia is holding 47,900 shares of Tree House constituting 0.11% of the share capital of Tree House. Girdharilal Bhatia has no involvement of any nature in the business and management of Tree House. Since Girdharilal Bhatia is the father of Geeta Bhatia and father-in-law of Rajesh Bhatia, his name was shown as promoter in the shareholding pattern filed with the stock exchanges. Given below is a table showing year wise refundable security deposit to Mira Trust and the payment of royalty fees by Mira Trust to Tree House.

Table A		
Year ended	Cumulative amount of refundable Security deposit. ₹	Royalty paid by Mira to Tree House on year to year basis. ₹
March - 11	8,78,87,000	2,39,44,168
March - 12	22,54,12,000	1,55,04,851
March - 13	69,14,12,000	3,75,00,000
March - 14	75,80,47,000	16,92,18,041
March - 15	98,41,97,000	15,33,77,380
March - 16	136,38,97,000	24,37,12,520
March - 17	136,38,97,000	8,98,76,935
Total	136,38,97,000	73,31,33,895

- B. It is pertinent to note that the income generated by Tree House from the Trusts have always given very good return on investments even by Internal Rate of Return (“**IRR**”) standards. The schools operated through the Trusts have generated income for Tree House e.g. during 2016-17 (₹ 9.41 Crores). It is further submitted that Mira Trust reduced its receivables in books of Tree House by ₹ 3.05 Crores in its Financial Year 2017-18. Following is a table depicting the bifurcation of income generated during last 5-6 years:

Table B						
	Rupees in Crores					
Income/Y ear	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
No of schools	319	403	514	636	654	417
As per P&L A/c (₹)	77.21	114.28	157.64	207.45	209.33	59.27
Owned Centres	70.34	100.75	120.39	184.1	178.82	46.13
Franchisee Centres	2.11	6.82	4.60	4.27	3.57	3.73
Trusts	4.76	6.71	32.65	19.08	26 .94	9.41
Deposit with Trusts (₹)	48.96	102.45	112.16	140.28	187. 12	187.12
Furniture & Fixture (₹)	60.02	75.94	101.60	189.43	368.30	268.48

- C. *Mira Trust was managing secondary schools and the number of secondary schools operated have increased over the period of time as also number of students empaneled. The revenue by way of fees collection has also increased substantially. Mira Trust had its own immovable property at various school locations and the refundable security deposits given by Tree House was used by Mira Trust for the purpose of creating properties, infrastructure and other facilities to provide quality education to students.*
- D. *Throughout the relevant period, Tree House, in its Balance Sheet has disclosed the amount of refundable security deposit given to Education Trusts under the Long Term Loans & Advances head and have classified the same as Security Deposits. The Company has also shown income received from Mira Trust by way of royalty from year to year in its profit and loss account and the Annual Report of Tree House was forwarded to the shareholders from year to year along with the notice of AGM. The shareholders of Tree House have also approved the accounts of Tree House by casting their votes on the resolutions proposed in the AGM notice. It is therefore clear that the shareholders were provided proper information and were always kept updated about the amount of refundable security deposits and royalty received from trusts. Produced below are the details of disclosures made in respect of Mira Education Trust in the Balance Sheet of Tree House:*

Table C				
Year	Refundable Security deposit (₹)	Head of the Balance Sheet where the amount is disclosed (₹)	Royalty received from Mira	Head under which the royalty was shown in P&L account
March - 11	8,78,87,000	Long Term Loans & Advances (Security Deposit)	2,39,44,168	Consultancy Income (Curriculum Support & Others + School
March - 12	22,54, 12,000		1,55,04,851	
March - 13	69,14, 12,000		3,75,00,000	
March - 14	75,80,47,000		16,92,18,041	
March - 15	98,41,97,000		15,33,77,380	
March - 16	136,38,97,000		24,37, 12,520	
March - 17	136,38,97,000		8,98,76,935	
March-18	136,38,97,000		6,77,965	
Total	136,38,97,000		73,38,11,860	

E. The security deposit was given to obtain exclusive rights to provide services to the various schools. The security deposit was refundable. Also the performance of the schools was linked to the services provided by Tree House and the income generated by the schools was paid as school management fees to Tree House. The Trust was signing a long-term contract with the company. The company Tree House has earned school management fee income far in excess of the interest income on the security deposit.

III. **Irregularities in respect of expenditure on furniture and fixtures** – Given below is a table showing growth of number of centers during the period from 31st March 2011 to 31st March 2015 [which later declined during the period from 31st March 2016 to 31st March 2017 for the reasons explained above] as under :

TABLE D							
PARTICULARS	AS ON 31.03.2017	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	188	542	505	386	300	240	110
FRANCHISE PRE-SCHOOLS	214	94	107	104	79	62	68
TOTAL	402	636	612	490	379	302	178
K-12 SCHOOLS	15	18	24	24	24	17	12

A. Set out below are the year-wise details of number of schools, additions they do and the corresponding position as to expenditure as regards furniture/fixtures:

TABLE E						
YEAR	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
NO OF	319	403	514	636	654	417
ADDITION IN SCHOOLS	129	84	111	122	18	-237
OPENING BALANCE	15.00	60.02	75.94	101.60	189.43	368.30
ADDITION	45.02	15.92	25.66	87.82	179.10	-99.82
CLOSING BALANCE	60.02	75.94	101.60	189.43	368.30	

- B. During the said period, the revenue (i.e. fees collection) under the three categories had increased from ₹ 77.21 Crores to ₹ 209.33 Crores [which later drastically declined to ₹ 59.27 Crores as explained].
- C. During the Financial Year of 2015-16, the centres of Tree House opened 350 day care centers and 24 schools. The openings of such day care centres and schools resulted in the additional capital expenditure in regards to furniture and fixtures. It is pertinent to note that the shareholders of the company have approved the capital expenditure and subsequent

write-offs. That, no objections whatsoever had been raised by them. The decisions pertaining to setting up various centres, were duly approved by the Board of Directors of Tree House, which included even the nominee directors of large Private Equity institutional investors. These Private Equity investors are financial experts and have gone through these decisions carefully. It is therefore abundantly clear that these decisions were not arbitrarily made by Tree House but with the concurrence of all the Board of Directors.

- D. Further, each and every expenditure on furniture and fixtures incurred by Tree House has been accounted for. Copies of the ledger accounts of Tree House for all financial years commencing from 2011-2012 along with copies of invoices raised by the vendors viz. Prakash Ply Exim Private Limited and Rajagara Timber Private Limited for such furniture and fixtures forms part of the compilation of documents. The company had purchased ply and wood from these suppliers and had made school furniture like partition, chokies, chairs, tables, wooden floor, garden furniture, railing, blocks, etc. out of ply and woods purchased from suppliers. Therefore, the allegation in the Ad-Interim Ex-Parte Order that such expenditures amounted to a fraudulent expenditure or that the same were inflated is baseless and unsubstantiated and contrary to the facts and documents on record.*
- E. The insinuation in the Ad-Interim Ex-Parte Order that the furniture and fixtures were sourced from Kolkata while the centres were based out of different parts of the country is completely misplaced and unwarranted. It is a very normal practice in all the industry that any material which is required in such a large quantity is directly procured from the source of origin or a place closer thereto which is the primary market hub for such products so as to remove the middlemen and many intermediary which would only increase the price of the material or product. The same material / product if procured from each city where the centre of Tree House is being operated would only increase the cost of furniture and fixtures which would in effect be detrimental to Tree House as it would increase the expenditure of Tree House.*
- F. The ex parte ad interim order has not considered the fact that Trivedi, who is employed by the company is a qualified architect and is competent to issue such certificate and he was also running a proprietorship firm Architectonics. Since he was an employee, there was no question of paying him separately for such certificates.*

IV. Significant losses reported in the financial statements by Tree House

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- A. The reason for losses incurred by the company as shown in the books of accounts of the company for the financial year 2016-17, has been explained in detail hereinabove, while dealing with circumstances leading up to the media reports surfacing in December 2016. As a result of such circumstances, these adverse development/publicity, the business and reputation of the company took a beating and directly and significantly resulted in closing down certain education centres.
- B. The decision as regards writing off of the bad debts were taken as per the company's policy in this regard. Earlier the company had a bad debts provision policy, which covered receivables from K-12 high school and franchisee. Preschool debtors were normally collected within a period not exceeding 90 days; however during quarter for the financial year 2016, the company was unable to collect preschool outstanding debtors of the previous quarters, hence following the principle of prudence, audit committee and board of directors decided to frame a policy to take care of such outstanding in future. It was decided and agreed that the provisions for doubtful debts to be made in a step up manner because the efforts to collect were on and there is always an opportunity to receive, when they take on admission for higher standard in the following academic year with the company.
- C. The Ad-Interim Ex-Parte Order also does not consider the reason for the company having high debtors. As a matter of control on debtors especially for a preschool, the centres were always alert for a collection of preschool debtors. During quarter for the financial year 2015-16, the collection of preschool debtors lagged and it was difficult for the parents to pay up and all were requesting to waive the fees and debts and hence as a matter of prudence it was decided by the company to partly write off these debts. Other titles like K-12 school management fee and franchisee debtors were collected in arrears by 180 to 240 days and therefore they would always appear as debtors of the company. It can therefore be seen that the categorization of parents, franchisee, trusts as debtors of the company was in fact as per the prevailing business policy of the company and there was nothing untoward as regards the same.
- D. There is no violation of Section 12a(a), (b), (c) of SEBI Act and Regulation 3(b), 3(c), 3(d), 4(1), 4(2)(a), (e), (f), (k) of PFUTP Regulations, 2003 and Listing Regulations 2015.

Consideration

Upon a consideration of the aforementioned submissions made by Noticees 1–3 and Noticees 5–6 of the *Ad-Interim Ex-Parte Order*, I note as under –

5. The main ground in the reply is that the urgency in passing of an *Ad-Interim Ex-Parte Order*, is not justified as the same has arisen out of media reports of the period December 2016, while the order was passed much later in March 2018. It is stated that the interim order was not the outcome of merely the media reports but was also based on internal examination by SEBI at a preliminary level, as brought out in the interim order itself. Such preliminary examination also involved an examination of the replies/letters submitted by Tree House during the investigation period. In any case, I am of the view that delay in itself cannot be a ground to revoke the interim directions. Delay has been projected as a vitiating ground with an idea to deflect and divert the attention from the scope of the main directions given at the interim stage.
6. In their reply, the abovementioned Noticees have submitted that the *Ad-Interim Ex-Parte Order inter alia* failed to consider the complaints made by Rajesh Bhatia and Geeta Bhatia against Subhash Goel. I have also perused the reply dated September 21, 2018, as submitted by the Noticees along with all relevant documents attached therein. During the personal hearing held on October 23, 2018, the Noticees were asked to provide the status of the aforementioned police complaint filed on December 15, 2016. In reply, the authorised legal representative for the Noticees had stated that the police complaint was converted into an FIR and further investigation in the matter was being undertaken by the police. I have also noted the *prima facie* finding recorded in the Order of the Hon'ble Bombay High Court dated December 19, 2017, while confirming the anticipatory bail to Rajesh Bhatia, to the effect that there is substance in the contention of the Noticees that Zee Group had intended to take over the Company at a meagre purchase of 9% shares and throw Rajesh Bhatia out of the Company by causing the price of the Company to fall. While the dispute between the two groups is sub-judice, the scope of the *Ad-Interim*

Ex-Parte Order was limited to ascertaining through a forensic audit exercise as to whether Tree House had manipulated its books of accounts and whether it had wrongly diverted company funds to related entities during the Investigation Period. At this juncture, it is necessary for me to assess the need to continue with the forensic audit exercise along with the direction of restraint passed against the Noticees vide the *Ad-Interim Ex-Parte Order* dated March 7, 2018.

7. It is relevant to note that vide the *Ad-Interim Ex-Parte Order* dated March 7, 2018, SEBI had directed NSE to 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 of order (March 07, 2018) for verifying *inter alia* the manipulation of Books of Accounts; misrepresentation of financials and/or business operations of Tree House; wrongful diversion/siphoning of company funds by Tree House through significant '*related party transaction*' with Educational Trusts controlled by its Promoter, Girdharilal Bhatia, inflated expenditures on furniture and fixtures, etc. Accordingly, I note that forensic audit has been initiated against Tree House by NSE in compliance with the *Ad-Interim Ex-Parte Order* and is at present, ongoing.
8. I find that no material and satisfactory explanation is forthcoming with respect to the inconsistent revenues generated from the trusts shown at Table H of the interim order which continues to cast a doubt on the actual utilization of the funds by these trusts for the stated objects and the actual revenues generated. A forensic audit is therefore imperative for a proper evaluation of the financials of the Company. I also note that Mira Education Trust was continuously making losses from 2010-11 to 2015-16, as seen from Table I of the interim order but at the same time, has passed on substantial amounts as Royalty to the Company during these years. Likewise, the figures disputed with respect to the expenditure incurred by Tree House for furniture and fixtures for the investigation period, can also be ascertained upon receipt of the Forensic audit

report. Again, irrespective of the dispute and developments that happened with the Zee Group and their subsequent interference with the affairs of the company during the period March to December, 2016, the sudden drop in the profits from ₹ 60.87 crores in 2014-15 to ₹ 6.77 crores in 2015 -16 remains unexplained as the same was prior to the dispute. Thus, at this stage of the proceedings, in the absence of a forensic audit report containing specific findings I am unable to verify the claim of the Noticees with respect to the developments alleged to have happened in 2016. Incidentally, SEBI was informed by Tree House that the Economic Offences Wing had also initiated a forensic audit of Tree House, which at present is simultaneously underway. I do not find any tenable ground made out by the Noticees to vacate or revoke the interim direction to conduct the forensic audit of its books of accounts which especially in the specific fact situation of this case may eventually help to unearth the true facts and circumstances. Incidentally, it is noted that Noticee no. 4 i.e. Vishal Shah had appeared for an inspection of documents subsequent to the *Ad-Interim Ex-Parte Order*, but failed to reply to the said Order nor seek a personal hearing.

9. Having regard to the aforementioned, I am inclined to continue with the directions contained in the *Ad-Interim Ex-Parte Order* against the Noticees until the obtention of the Forensic Audit Report and the conclusion of SEBI's investigation based on the same.

ORDER –

10. I, in exercise of the powers conferred upon me under 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 dispose of the reply dated September 21, 2018 in accordance with the findings contained in paragraphs 5–8 of this Order and hereby confirm the directions contained in the *Ad-Interim Ex-Parte Order* dated March 7, 2018, against

Notices 1-6, herein i.e. Tree House, Rajesh Bhatia, Geeta Bhatia, Vishal Shah, Girdharilal S. Bhatia and Hiten Trivedi.

11. As stated earlier, the forensic audit which was initiated against Tree House by NSE in compliance with the *Ad-Interim Ex-Parte Order* is at present, ongoing. In this context, SEBI shall endeavour to ensure that the forensic audit report is submitted to the Competent Authority as expeditiously as possible, without being influenced by the observations and findings in the *Ad-Interim Ex-Parte Order* read with this Confirmatory Order. Further, the forensic auditor shall also take into consideration and verify the aforementioned submissions of the Notices concerning related party transactions, non-accrual of benefits to the Promoter of Tree House on account of deposits extended to Trusts, expenditure on furniture and fixtures and writing off of debts, etc. while carrying out the forensic audit. The Notices herein shall extend their co-operation to the forensic auditor so to enable them to finalise the report within 3 months from the date of this Order.
12. A copy of this Order shall be forwarded to the recognized Stock Exchanges and Depositories for their information and necessary action.

Place: Mumbai
Date: November 16, 2018

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