

PDL/SEC/SE/2018-19/

September 7, 2018

National Stock Exchange of India Limited  
"Exchange Plaza"  
Bandra-Kurla Complex, Bandra (E),  
Mumbai – 400 051

BSE Limited  
Phiroze Jeejeebhoy Tower  
Dalal Street,  
Mumbai – 400 001

Dear Sirs,


Scrip Code No. : PARSVNATH – EQ (NSE); 532780 (BSE)

Sub: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

Pursuant to the provisions of Regulation 30 of the Listing Regulations and subsequent to our letter dated August 9, 2018, we wish to inform you that the Company has filed its Representation (enclosed as Annexure A) with Securities and Exchange Board of India ("SEBI"), which is self-explanatory, in respect of the Interim Order No. WTM/MPB/ISD/32/2018 dated August 8, 2018 passed by SEBI.

Thanking you,

Yours faithfully,  
For Parsvnath Developers Limited

  
(V Mohan)  
Company Secretary &  
Compliance Officer

Enclosed : As above

**Parsvnath Developers Limited**

CIN: L45201DL1990PLC040945

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**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA CORAM:  
MADHABI PURI BUCH, WHOLE TIME MEMBER**

**IN THE MATTER OF: PARSVNATH DEVELOPERS LIMITED**

**REPRESENTATION WITH RESPECT TO INTERIM ORDER DATED 8<sup>TH</sup> AUGUST, 2018**

1. This Representation is being filed on behalf of Parsvnath Developers Limited ("**the Company**") pursuant to the liberty granted vide the Interim Order dated 8<sup>th</sup> August, 2018 ("**Interim Order**"). This Representation is supplemental to the submissions made during personal hearings and several representation(s) submitted by the Company before SEBI, and the submissions made or filed before Hon'ble Securities Appellate Tribunal during the hearing of the Appeal bearing No. 175 of 2017.
2. In addition to the reply as stated in the Interim Order, liberty is also being sought to avail the opportunity to have a personal hearing in the matter in furtherance of this Representation.

**Core Issue:**

3. As per the Interim Order, SEBI has directed the Exchange to appoint an independent forensic auditor to *inter alia* verify the transactions mentioned in Para 20 of the Interim Order for any misrepresentation and misuse of the books of accounts/funds including facilitation of accommodation entries or compromise of minority shareholders' interest.
4. It is humbly submitted that while there is no hesitation to undergo any scrutiny, and particularly when we have consistently maintained that there is no wrongdoing on our part, such an order, which is based on *prima facie* observations and *prima facie* material only, is in fact detrimental to the interests of Company and its stakeholders including shareholders and small investors.
5. It is submitted that the *prima facie* observations made in the Interim Order needs to be reconsidered in view of the submissions hereinbelow.
6. In the Interim Order, it has been observed that the total income from the contracts / sub contracts for the financial years 2009-10, 2010-11 and 2011-12 is INR 11,15,27,304/-, INR 2,07,78,320/- and INR 6,78,61,484/- respectively. The entire Interim Order is based on doubts regarding genuineness of these transactions. However, while considering the same, it should also have to be kept in mind that the contracting and sub-contracting of these transactions by the Company only accounted for 4.14%, 1.16% and 1.80% of the EBIDTA of the Company for the financial years 2009-10, 2010-11 and 2011-12 respectively.
7. Therefore, we submit with all respect, that even assuming but not admitting that there were accommodation entries, then also it would be incorrect to say that there was any material misrepresentation of accounts, which can be said to be detrimental to the interest of any minority shareholders or any other stakeholders.
8. Further, in the Interim Order it has been stated that the Company was aware at the time of receiving and granting sub-contracts, that the same cannot be executed. It is submitted that receiving such contracts and subcontracting to other entities in the construction industry is a market norm. For inferring awareness, one would need a lot



more evidence, and a forensic accounting audit cannot bring this out. There are no malafides involved in such sub-contracting of works and the Company has only acted as per industry norms. As stated in previous representations, primarily, these transactions were undertaken by the Contract Team of the Company to meet their revenue targets. However, when it came to the knowledge of senior management and it was realised that the Company would not be able to monitor and control execution and implementation of such projects, it immediately stopped undertaking such assignments.

9. In fact, in the undertaking submitted to SEBI on 14<sup>th</sup> March, 2018, it was specifically stated that since Financial Year 2012-13, as a matter of policy, the Company had completely stopped carrying out such Projects. Therefore, it is incorrect to suggest that the Company was aware at the time of receiving and granting sub-contracts, that the same cannot be executed, otherwise, there was no reason for the Company to take such a decision to stop undertaking such contracts. Further, as stated above, since these were not very huge or material contracts, the senior management was not involved. Therefore, no malafides could be attached to senior management especially Key Managerial Persons of the Company.
10. The Company had also given an undertaking that it is ready to submit a report of Statutory Auditors of the Company to this effect, if directed. Therefore, the purpose of appointment of forensic auditor can also be achieved by a report of Statutory Auditor. Thus, it is humbly submitted that the direction of appointment of forensic auditor may kindly be dispensed with. We are taking care to ensure that the regulatory objective of SEBI is protected and yet, given the minuscule nature of what is suspected, the same objective can be achieved without calling for a "forensic audit" which has serious connotations and gives a wrong impression to investors.
11. Further, it is submitted that the Company did not submit any contradictory information vide letters dated 24<sup>th</sup> August, 2017 and 26<sup>th</sup> September, 2017. It is submitted that on the first occasions while responding to the query of SEBI in the letter dated 16<sup>th</sup> August, 2017, the officers of the Company failed to understand the exact nature of query and information sought. However, when exact information was sought by SEBI, the Company forthwith provided the same. There were no malafides while responding to any queries / information sought by SEBI.
12. It is submitted that several documents as mentioned in the order could not be provided because the information sought was more than 6 to 9 years old. There is a high possibility that such old documents have been discarded/destroyed by the Company, being old and also it would be very difficult to trace these documents due to change in heads of departments as a result of lapse of substantial time. Therefore, taking adverse inference of such non-availability of documents while passing the Interim Order is severely prejudicing the interest of the Company and its stakeholders.
13. Also, it is submitted that for the purpose of Interim Order, reliance ought to have been placed on NSE's report dated 12<sup>th</sup> September, 2017, wherein it has recommended that as per the compliance record and other details the Company's share should be allowed to be traded on NSE.
14. Lastly, it is also submitted that even though the entire process of investigation was initiated based on the list of companies, which Ministry of Corporate Affairs ("MCA") had identified as suspected Shell Companies, however, in Para 20(e) of Interim Order, it has been recorded that the present enquiry is restricted only to contracts/ sub contracts undertaken by the Company during the period 2009-10, 2010-11 and



2011-12. It is our humble submission that such an action on the part of SEBI may not be appropriate and the Company reserves its right to object to the same at an appropriate stage.

15. It is submitted that the Company always believed that the present investigation is in pursuance of the original letter dated 7<sup>th</sup> August, 2017, and always made detailed representations so as to prove that it is not a 'Shell Company'. As and when information was sought by SEBI, the Company provided the same. It is only on 4<sup>th</sup> September, 2017, SEBI sought specific information relating to contracts/ sub contracts undertaken by the Company during the period 2009-10, 2010-11 and 2011-12.
16. Thereafter, during the personal hearing, when submissions were made regarding our credentials as our company did not fall under the purview of 'Shell Company', the representatives of Company were asked to provide specific information regarding the aforesaid transactions only. Therefore, it is assumed that SEBI is satisfied with the fact that the Company is not a Shell Company and the Company's name has incorrectly been included in the list of suspected Shell Companies by MCA.
17. In view of the submission made herein above it is humbly prayed that:
  - a. Direction for appointment of Forensic Auditor may be dropped and the Company may be permitted to cause an audit by the Statutory Auditor in lieu of appointment of Forensic Auditor; and
  - b. No further orders be passed until the final investigation/ inquiry is concluded by SEBI.
  - c. We be granted an opportunity to explain our case in person.

**For Parsvnath Developers Ltd.**



**Company Secretary**