**Events in Tree House Education and Accessories (THEAL) and Zee Learn Ltd (ZLL) merger**

**Subject:**

**Requesting SEBI’s assistance and intervention in the events that have transpired at Tree House Education and Accessories (BSE: 533540, NSE: TREEHOUSE, ISIN: INE040M01013) and Zee Learn Ltd (BSE: 533287, NSE: ZEELEARN, ISIN: INE565L01011) over the past one year regarding their merger and suspicious drop in company’s share price owing to questionable corporate governance.**

**In this letter, ‘Tree House Education and Accessories’ will be referred to as ‘THEAL’ or ‘Tree House’ and ‘Zee Learn Ltd’ will be referred to as ‘ZLL’ or ‘Zee Learn’**

**Below incidents have occurred since September, 2015 that point to possibility of wrongdoings in THEAL.**

**Fund Raising, Market Cap and High Receivables in THEAL:**

1. **December 2014** Raised capital of Rs. 200 crores through QIP (at Rs. 440 per share)

***Source:*** <http://www.bseindia.com/corporates/anndet_new.aspx?newsid=d9f0bc27-d85f-4404-a663-a88f1601c0e1>

1. **September 2015** Stakeholders Empowerment Services (SES) raises concern due to high receivables in THEAL finance statement. THEAL provides clarification on the same (link below on concern and clarification)

***Source:*** <http://www.bseindia.com/xml-data/corpfiling/AttachHis/43403C00_BFE5_40E0_9E24_2CC95552F28E_144711.pdf>

1. Throughout the year 2015, THEAL had a market cap of around Rs 2000 crore while Zee Learn had a market cap of around Rs 1000 crore.

**Questionable Merger of THEAL with ZLL:**

1. **04-December-2015** THEAL Board of Directors accorded in-principle approval for exploring consolidation options with Zee Learn limited
2. **05-December-2015** THEAL promoters sell 9.5% of their stake for Rs. 202 (33% of the promoter holding)

***Source:***

<http://www.bseindia.com/xml-data/corpfiling/AttachHis/4A51059B_259E_4230_AD12_384742B70BD5_142447.pdf>

<http://www.bseindia.com/xml-data/corpfiling/AttachHis/73743544_FD71_4C45_9F54_A0790A5D407B_142049.pdf>

1. **23-December-2015** THEAL Board of Directors unanimously approved Scheme of Amalgamation ("Scheme") between Tree House Education & Accessories Limited and Zee Learn  
   (Swap ratio - THEAL shareholders to get 5.3 shares of Zee learn for every share of THEAL)

***Source:*** [*http://www.bseindia.com/xml-data/corpfiling/AttachHis/ABB8A6F4\_F212\_462C\_B33E\_C6F2778A66BE\_191349.pdf*](http://www.bseindia.com/xml-data/corpfiling/AttachHis/ABB8A6F4_F212_462C_B33E_C6F2778A66BE_191349.pdf)

**Irregularities in the Merger decision and events thereafter:**

1. **There was NO Voting of shareholders regarding the merger of THEAL with Zee Learn before going ahead with the process.**
2. **Previous Performance of THEAL and ZLL (From March,2011 to March, 2015)**

* **March, 2015: THEAL had reported Sales of Rs 207.5 cr which were almost double than the that of ZLL’s sales of Rs 127.8 cr for the same period.**
* **March, 2015: THEAL had a total debt of Rs 105.82 cr while ZLL had a debt of Rs 329.79 cr, almost 3 times more.**
* **March, 2015: THEAL had Rs 161.37 crore cash on books while ZLL had only Rs 15.6 crores.**
* **March, 2011 to March, 2015: THEAL reported positive Net Profit while ZLL reported losses in 3 of the past 5 years.**
* **March, 2011 to March, 2015: Average OPM, Average NPM and Average ROCE have been 53.1%, 27.6% and 12.6% respectively for THEAL while ZLL has averaged negative for the same financial metrics.**
* **Even though THEAL was in a superior financial and operational position compared to ZLL, the merger with ZLL valued THEAL at less than half its market cap and value.**

***Source:***

[*http://www.bseindia.com/stock-share-price/stockreach\_financials.aspx?scripcode=533540&expandable=0*](http://www.bseindia.com/stock-share-price/stockreach_financials.aspx?scripcode=533540&expandable=0)

[*http://www.bseindia.com/stock-share-price/stockreach\_financials.aspx?scripcode=533287&expandable=0*](http://www.bseindia.com/stock-share-price/stockreach_financials.aspx?scripcode=533287&expandable=0)

[*http://www.moneycontrol.com/financials/treehouseeducationaccessories/profit-loss/THE01*](http://www.moneycontrol.com/financials/treehouseeducationaccessories/profit-loss/THE01)

[*http://www.moneycontrol.com/financials/zeelearn/profit-loss/ZL01*](http://www.moneycontrol.com/financials/zeelearn/profit-loss/ZL01)

1. **Superficial Valuation Report provided to Shareholders.**

**- When shareholders demanded the reasoning behind the unfair valuation from THEAL, it provided with a valuation report that only discusses method used to value and gave no data or facts that supported the decision.**

***Source:***

<http://www.bseindia.com/xml-data/corpfiling/AttachHis/ABB8A6F4_F212_462C_B33E_C6F2778A66BE_191349.pdf>

1. **14 Mar 2016: While the merger is in process, THEAL Promoters pledge 100% of their shares in December, 2015.**

**- THEAL promoters pledge 100% of their shares to Hamlet Media Pvt Ltd**

***Source:***

<http://www.bseindia.com/xml-data/corpfiling/AttachHis/4FF5A62C_7E95_4BED_8090_39FA146B9BAA_124016.pdf>

<http://www.bseindia.com/xml-data/corpfiling/AttachHis/5219924B_46CB_4B21_A840_68289AA3D1BC_151650.pdf>

1. **From December, 2015 to May, 2016, THEAL fails to provide any further details about the merger to its shareholders and there are no updates regarding its progress.**
2. **30 May 2016: THEAL reports an unexpectedly bad result for FY2015-2016.**

**- March, 2016: THEAL reported 54% decrease in Income from Operations and a Loss for the quarter ending March, 2016.**

**- March, 2016: THEAL reported a 90% reduction in profits YoY from 60.8 crore in March, 2015 to 6.78 crore in March, 2016**

**- March, 2016: The Cash and Bank Balance of THEAL reduced by 86.4% to Rs 22 crores from Rs 162 crores in March, 2015. No reasonable explanation provided for such a huge decrease.**

**- There have been no significant changes in the business environment or operations of the company to have witnessed such drastically poor results.**

***Source:***

<http://www.moneycontrol.com/stocks/reports/tree-house-education-accessories-limited-3605861.html>

<http://www.bseindia.com/xml-data/corpfiling/AttachHis/A05DFF52_B5A2_451B_BC03_954FE857A5D5_164042.pdf>

1. **02-June-2016: ZLL decides to keep on hold the merger with THEAL at the agreed upon ratio.**

* THEAL informs stock exchanges that Zee Learn has decided to keep on hold the Scheme of Amalgamation of the Company with currently agreed share exchange ratio.  
  (Stock price at this time around Rs. 59)

***Source:***  
<http://www.bseindia.com/xml-data/corpfiling/AttachHis/1BC6B34C_A279_4866_984F_C1AD0E4FAB92_082540.pdf>

**Possibility of fraudulent practices in the Tree House and Zee Learn merger process:**

* **The unfolding of events in the THEAL and ZLL merger and the propensity of its promoters to keep the investors uninformed and distant indicates to the possibility of unethical and fraudulent actions undertaken by the company’s promoters.**
* **Drastic change in the performance of THEAL implies either the financial numbers reported in previous years (Before 2016) were window dressed. If that is not the case, then THEAL’s financials have been manipulated for the most recent year, 2016 to aid the merger in favour of ZLL.**
* **The share price of THEAL has dropped from a 52 week high of Rs 470 to current price of Rs 48 within a matter of year. Without any relevant change in the business and operations of THEAL, such 90% drop in a company’s value has destroyed investor’s hard earned money.**
* **Below are other relevant sources that provide insight into the corrupt practices at THEAL.**

***Source:***

<http://www.moneylife.in/article/treehouse-merger-with-zeelearn-to-hide-something/44766.html>

<http://www.livemint.com/Money/zahVQJjmPZbD0zWTF7clkL/Merger-with-Zee-Learn-Tree-House-investors-get-raw-deal.html>

<http://www.moneycontrol.com/news/business/tulsian-calls-for-sebi-probezee-learn-tree-house-deal_6798921.html>