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**Date: December 16, 2022**

**To,**

<p><b>Securities and Exchange Board of India</b> Division of Supervision, Enforcement and Complaints Corporate Finance Department, SEBI Bhavan, Plot No. C4-A, “G” Block, Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051</p>	<p><b>BSE Limited</b> The Corporate Relationship Department 1st Floor, P.J. Towers, Dalal Street Fort, Mumbai – 400 001  <b>Scrip Code: 532799</b></p>	<p><b>National Stock Exchange of India Limited</b> The Listing Department Exchange Plaza, Bandra Kurla Complex Bandra (East), Mumbai – 400 051  <b>Symbol: HUBTOWN</b></p>
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**Subject:** Clarification in relation to concerns expressed by certain group of shareholders of the Company

**Reference:**

1. E-mail dated December 12, 2022 received by the Company from SEBI seeking clarifications / comments in relation to a compliant letter issued by one of the current shareholders of the Company; and
2. Various e-mails received by the Company from NSE seeking clarifications / comments in relation to the compliant letters issued by certain current shareholders of the Company.

We, Hubtown Limited (“**Company**”), are in receipt of aforesaid emails seeking clarifications / comments in relation to the compliant letters issued by certain current shareholders of the Company, which mainly relate to disposal of the Company’s interest in a real estate project, namely 25 South (“**Project**”).

At the outset, the Company would like to highlight that based on a review of benpos of the Company of the relevant point in time when the Company had disposed-off its investment in Twenty Five South Realty Limited (“**25 South JVC**”), which was developing the 25 South Project, these complainant shareholders were not the shareholders of the Company. As such, the Company suspects the bonafides of these complainant shareholders in making baseless allegations against the Company in their complaint letters. The Company requests your good office to please take a specific note of, and duly consider, this fact while reviewing the complaint letters.

Prior to addressing the allegations raised by the said current shareholders, the Company would like to apprise you on the rational and circumstances which compelled the Company to dispose-off its investment in the said 25 South JVC, which are as below:

1. The Company had invested in the 25 South JVC, a joint venture company, which was developing the 25 South Project and as such, the Company was a joint venture partner / shareholder in 25 South JVC. The said fact was disclosed in the Annual Reports from time to time.
2. Prior to divesting the investment in the 25 South JVC in June 2020, the Company was holding 22,859 Ordinary Equity Shares and 1,865 Preference Shares, which represented 47.49% voting rights in the 25 South JVC. This fact was also disclosed in the Annual Reports from time to time.

3. 25 South JVC had entered into a joint development agreement with a renowned developer (“**Joint Developer**”), with a condition that the entire funding as and when required for the Project will be either arranged by the Joint Developer or shall be brought in by the Joint Developer as bridge funding to 25 South JVC.
4. Accordingly, the funds were arranged by the Joint Developer from a large NBFC and the Project had commenced. However, with the IL&FS crisis, the NBFC was not in a position to release further funds for the Project and the Project came to complete standstill. Also, the further sales had got stalled and the recovery from existing sales got absorbed towards the interest payment on the amount of loan already drawn and utilized exclusively for the Project.
5. Due to aforesaid events, the status and progress of the Project at JV Company was already in a bad situation and had been greatly impacted, which further worsened due to following events:
  - 5.1. The financial position of the 25 South JVC was stressed at that time. The Joint Developer could not arrange further funding or could not bring in bridge funding which was its obligation under the joint development agreement. Therefore, the construction and development work of the Project was greatly impacted, and the Project was almost stalled for want of funds and loan disbursement;
  - 5.2. This situation was further worsened due to the onset of the Covid-19 pandemic which led to near Nil sales, absence of labour and many other operational limitations resulting in mounting interest cost on existing borrowings, ultimately leading to cost overruns in the Project;
  - 5.3. During the Covid-19 lockdown, the Joint Developer of the Project at 25 South JVC who had committed under the definitive contracts to arrange funds for the development / construction of the Project failed to fulfil its part of the commitments relating to funding the Project and instead had expressed its desire to exit from the Project;
  - 5.4. Due to prevailing stressed financial position of the 25 South JVC, with no work happening on site for more than 12 months and practically no sales for more than 9 months, all attempts to raise additional funding from banking channels and other NBFC failed during Covid-19 pandemic;
  - 5.5. Further, the Company had provided the corporate guarantee for the loans drawn by 25 South JVC, which at that point of time was around INR 975 Crores in respect of funds borrowed by 25 South JVC from the NBFC and the Company’s entire stake in the 25 South JVC was pledged in favour of the NBFC;
  - 5.6. The NBFC had threatened to invoke the pledge of the shares of 25 South JVC, owned by the Company and had also threatened to invoke the corporate guarantee which the Company had provided to NBFC. This would have resulted in the entire investment in 25 South JVC by the Company being lost and the Company would have been fastened with substantial demand of around Rs 975 Crores, which would have not been possible for the Company to meet at all and would have led to disastrous consequences, including insolvency proceedings.

- 5.7. In subsistence of aforesaid circumstances to save 25 South JVC and also to save the Company from meeting the demand arising from the invoked corporate guarantee, in excess of Rs 975 Crores, coupled with weak status and financial position of the Project and 25 South JVC as stated above, including the Joint Developer's failure in arranging funds for the Project, the Company had no option but to take the hard decision to sell the Company stake in 25 South JVC; and
- 5.8. Moreover, the 25 South JVC had been incurring losses since past several years and there was a huge negative balance in the 'retained earnings' as on March 31, 2020.
6. In view of aforesaid circumstances, if the Company had continued to remain associated as a joint venture partner in the 25 South JVC, then the NBFC and other lenders / creditors would have invoked the pledged shares and corporate guarantee which would have resulted in the complete write-off of the investment made by the Company in 25 South JVC and yet faced with demand to pay Rs 975 Crores that would have arisen upon invocation of the corporate guarantee. Therefore, as a matter of commercial expediency and prudence, the management of the Company had decided to divest its entire stake in the 25 South JVC and encash the investment to the best extent possible.
7. It is pertinent to note that post exit from the 25 South JVC, the corporate guarantee of INR 975 Crores provided by the Company to the lenders of the 25 South JVC was released. The release of the corporate guarantee of INR 975 Crores provided by the Company is duly reflected as part of the related party transactions disclosure provided in the audited financial statements / Annual Report of the Company for FY 2020-21.
8. The investment in the 25 South JVC had been divested by the Company by duly following the applicable compliance requirements, including the following:
  - 8.1. The decision to divest the investment in the 25 South JVC was in-principle considered and approved by the Board of Directors of the Company in their meeting held on February 13, 2020.
  - 8.2. The terms of the sale of the investment in the 25 South JVC was considered and approved by the Committee of Directors of the Company in their meeting held on June 10, 2020.
  - 8.3. The sale consideration for the said sale of the investment in the 25 South JVC had been duly determined based on prevalent market conditions and status of the Project. The Company had also appointed a Category I Merchant Banker to assess the fair market value of the said investment and in fact, the sale transaction was undertaken at a higher value compared to the fair value, so assessed by the said merchant banker.
  - 8.4. Given the nature of the transaction and applicable requirements under the Companies Act, 2013, the Company was not required to obtain the shareholders' approval and the Board of the Company had power to decide and conclude the said transaction. In any case, the Company would not be required to take shareholders' approval for routine operational matters / business decisions.
9. In view of aforesaid factual details, the Company would like to inform your good office that the said sale transaction was an operational business decision taken and implemented by the management of the Company by duly following the applicable compliance requirements.

10. We hope that aforesaid factual details / clarifications will greatly enable your good office to appreciate the facts in right perspective.

**11. Brief response to clarify the factual inaccuracies / baseless allegations levelled in complaint letters of the shareholders:**

The Company has sufficiently clarified all the doubts / concerns expressed in complaint letters of the shareholders and the Company believes that there is no need to provide any further clarifications. However, in order to avoid repetition of such baseless and reckless allegations levelled in complaint letters of the shareholders, the Company would like to briefly clarify as follows:

- 11.1. First of all, it is worthwhile to note that these complainant shareholders were not a shareholder of the Company at or prior to the relevant point in time when the Company had disposed-off its investment in the 25 South JVC and they became the shareholders of the Company subsequently, fully aware of the fact that the Company had disposed-off its investment in the 25 South JVC, as the details of the said divestment transaction was duly disclosed in the quarterly financial results of the Company for the quarter ended June 30, 2020. Thus, there is no question of any loss of value to the shareholders, as alleged by the shareholders in their complaint letters.
- 11.2. At the outset, the Company deny all and singular allegations, contentions, and/or insinuations made in the complaint letters of the shareholders, which are evidently made based on mere assumptions, surmises and conjectures and without any supporting evidence.
- 11.3. The shareholders have erroneously stated in their complaint letters that the Company had acquired 61% stake in 25 South land, being developed by the Company for considerate value of Rs. 595 Crores. We draw your attention to the details disclosed in the Annual Report of the Company in general, and specifically with respect to the cost of investment in the 25 South JVC, and you may refer to the schedule / note on Investments which reflects the actual and correct cost of the investment in the 25 South JVC, which was INR 292.08 Crores.
- 11.4. The shareholders allegation that the Company has undertaken the said sale transaction 'without any consideration' and 'without approval of the Board or calling for EGM', are too far-fetched, completely baseless and based on presumptions without any supporting evidence. We request you to kindly refer above referred factual details for better clarity.
- 11.5. The shareholders allegation that Company has undertaken the said transaction under fraud and misappropriated the shareholders' funds is without any merits and completely baseless. Instead, the Company has duly disclosed the details of divestment of its stake in the 25 South JVC in the quarterly financial results for the quarter ended June 30, 2020 as well as the Annual Report of FY 2020-21. The said divestment transaction has been duly accounted in the financial statements, which are duly audited by the Statutory Auditor of the Company.

- 11.6. With regards to certain documents / details sought by the shareholders in their complaint letters, the Company would like to clarify that the Company cannot provide any non-public business specific information / details to identified / select group of shareholders on selective / preferential basis. The Company makes time to time disclosures as required under the applicable law including that the details of the said divestment transaction was duly disclosed in the quarterly financial results for the quarter ended June 30, 2020 as well as in the Annual Report of FY 2020-21.
- 11.7. If the said complainant shareholders of the Company were a shareholder of the Company at the relevant point in time, then they were duly entitled to attend the AGM of the Company and could have sought all the requisite clarifications regarding the said divestment transaction during the said AGM. Therefore, the Company suspects the shareholders intentions in making baseless and reckless allegations in their complaint letters and seeking details of the said divestment transaction now, after more than 2 years of the conclusion of the said transaction.

We hope that we have adequately clarified the factual position and addressed the allegations made by the shareholders in their compliant letters.

In view of aforesaid clarifications, we firmly believe that there is no substance or merit in such baseless allegations made by the shareholders and the same requires no further attention, however, should your good office require any further clarifications / information in this regard, we shall be pleased to provide the same.

Yours Faithfully,

**For Hubtown Limited**

**Sadanand Lad**  
**Company Secretary**