

**NATIONAL COMPANY LAW APPELLATE TRIBUNAL,**  
**PRINCIPAL BENCH, NEW DELHI**

**Company Appeal (AT) (Insolvency) No. 171 of 2026**

(Arising out of Order dated 20.01.2026 passed by the Adjudicating Authority (National Company Law Tribunal), New Delhi Bench (Court-II) in CP(IB) - 209/ND/2025)

**IN THE MATTER OF:**

Arvind Kumar (Suspended Director of  
Arcturus Developers Private Limited)

...Appellant

Versus

Beacon Trusteeship Limited & Anr.

...Respondents

**Present:**

**For Appellant : Mr. Virender Ganda, Sr. Advocate, Mr. Arun Kathpalia, Sr. Advocate, Mr. Krishnendu Datta, Sr. Advocate with Mr. Vishal Ganda, Mr. Ayandeb Mitra, Ms. Diksha, Ms. Ishita Singh, Ms. Riya Palnitkar, Mr. Harsh Gurbani, Mr. Harshit Chaudhary, Mr. Yash Tandon, Advocates.**

**For Respondents : Mr. Abhijeet Sinha, Sr. Advocate with Mr. Gaurav Mitra, Ms. Meghna Mishra, Mr. Nikhil Ratti Kapoor, Ms. Yashodhara Gupta, Mr. Kevin Chadha, Advocates for R-1.**

**Mr. Kunal Tandon, Sr. Advocate with Mr. Prateek, Advocate for R-2 (RP).**

**J U D G M E N T**

**ASHOK BHUSHAN, J.**

This Appeal by a Suspended Director of the Corporate Debtor (“CD”) – Arcturus Developers Pvt. Ltd. has been filed challenging the order dated 20.01.2026 passed by National Company Law Tribunal, New Delhi Bench (Court-II) admitting a Section 7 petition filed by Beacon Trusteeship Ltd. (the Financial Creditor).

2. Brief facts giving rise to the Appeal needs to be noted.

- (i) The CD - Arcturus Developers Pvt. Ltd. a real-estate Company decided to raise funds by issuance and allotment of 50,00,000 Optionally Convertible Debentures (“**OCDs**”) of a face value of Rs.1000/- each.
- (ii) On 29.07.2019, the CD entered into a Debenture Trust Deed (“**DTD**”) with Respondent No.1/ Debenture Trustee, setting out the terms and conditions of the issue of debentures, rights and powers of the Debenture Trustee. The tenure of the debentures was 60 months from the date of allotment. Redemption was at the end of 60 months from the date of allotment along with redemption premium. Date of allotment was 12.06.2019. The amendment to DTD was affected on 17.01.2020, where redemption provision was revised. Second amendment to the DTD took place on 16.01.2024.
- (iii) On 06.01.2021, Debenture Holder issued first conversion notice calling upon the CD to convert OCDs into equity shares/CCDs within 36 months from the date of receipt of first conversion notice. On 05.01.2024, second conversion notice was issued by Debenture Holder calling upon the CD to convert the OCDs into equity shares/ CCDs within 54 months from the date of receipt of the first conversion notice, i.e. upto 05.07.2025.
- (iv) By the second amendment, the DTD tenure was changed from 60 months to 108 months from the date of allotment.

Due to end of 60 months the original stipulated tenure of debentures ISIN (International Security Identification Number) expired. The CD passed a Board Resolution on 28.12.2024 and also passed a Shareholder's Resolution, converting OCDs into CCDs.

- (v) On 07.01.2025, Respondent No.1 issued a notice, exercising put option under Clause 10 of the DTD and calling upon the CD to pay a sum of Rs.1258,73,33,609/- within seven days of the receipt of the notice. In reply, the CD by letter dated 24.01.2025 stated that Debenture Holder has extended the time period to 54 months to convert the OCDs to equity shares, which expires on 06.07.2025 and the Company has right to convert the OCDs till 06.07.2025 and during the subsistence of this right of the Company, the Debenture Holder cannot exercise put option. It was further stated that Company could not have converted the said OCDs to equity shares without a active ISIN, which expired on 11.07.2024.
- (vi) The Company, i.e. CD having not made any payment as required by notice dated 07.01.2025, the Financial Creditor filed an petition under Section 7 of the Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as the "**IBC**") on 17.03.2025. The Adjudicating Authority issued notice to the CD. The CD filed a limited reply to Section 7 petition.

(vii) The Adjudicating Authority after hearing both the parties by the impugned order admitted Section 7 petition. The Adjudicating Authority held that in the absence of actual allotment of the converted securities (equity shares) and completion of corporate actions including activation of ISIN, credit of securities to the account of Debentures Holders, the right to issue put notice was not lost. When on issuance of put notice, the debentures are not redeemed, the default is established. The debentures constitute financial debt within the meaning of Section 5(8), sub-clause (c) of the IBC and Adjudicating Authority after having found debt and default, admitted Section 7 petition. Aggrieved by the order dated 20.01.2026, this Appeal has been filed.

3. We have heard Shri Virender Ganda, learned Senior Counsel, Shri Arun Kathpalia, learned Senior Counsel and Shri Krishnendu Datta, learned Senior Counsel appearing for the Appellant; Shri Abhijeet Sinha, learned Senior Counsel appearing for Respondent No.1; and Shri Kunal Tandon has appeared for Respondent No.2.

4. Learned Counsel for the Appellant challenging the order of Adjudicating Authority submits that Debenture Holder having elected to exercise the conversion option, could not have exercised the put option. It is submitted that on issuance of conversion notice on 06.01.2021, the instruments therefrom were automatically deemed to be treated as equity shares. Learned Counsel relying on Clause 6(b) of Schedule 1 of the DTD

submits that the Clause clearly provided that with effect from date Debenture Holder issue conversion notice, the Debenture Holder, be deemed and be treated by the Company for all purposes as the Holder of the relevant number of equity shares. It is submitted that language of Clause 6(b) is unambiguous and consciously inserted into the DTD by the parties. The conversion notice initially provided 36 months, which was extended to 54 months by second conversion notice dated 05.01.2024. The 54 months' period was to come to an end till 05.07.2025, which period was available to the CD to comply with procedural compliances, hence, Debenture Holder has no jurisdiction to exercise put option notice by issuing notice dated 07.01.2025. The put option notice dated 07.01.2025 cannot be issued in the period during which the CD is entitled to convert the OCDs into CCD/ equity shares. It was submitted that the DTD was originally for 60 months, which expired in June 2024 and ISIN was expired in June 2024, which required reactivation. The CD sent an email dated 25.09.2024 to the Debenture Holder to provide its consent letter, which was not provided. The Adjudicating Authority failed to deal with deeming provision i.e. Clause 6(b) of Schedule 1 of the DTD and exclusively relied on ministerial acts. The debentures having been converted into equity shares, there is no financial debt, on the basis of which Section 7 petition, could have been filed. The CD has already passed a Board Resolution and Shareholder's Resolution on 28.12.2024. Learned Counsel for the Appellant further referred to the balance sheet of the CD for Financial Year 2024-25, where conversion of OCDs into equity

shares have been mentioned. It is submitted that Adjudicating Authority committed error in admitting Section 7 petition.

5. Learned Senior Counsel appearing for Respondent No.1 refuting the submission of learned Counsel for the Appellant submitted that the CD in pursuance of conversion notice dated 06.01.2021 and 05.01.2024 never converted the OCD into equity instruments. In reply, which was filed by the CD to put option notice dated 07.01.2025, it was admitted that OCDs were not converted into equity instruments, since ISIN of the Appellant was inactive. The claim of the Appellant of passing Board Resolution and Shareholder's Resolution on 28.12.2024 has no meaning. The alleged audited balance sheet, which is claimed by the Appellant in the Appeal was never placed before the NCLT, nor have been uploaded on the MCA website. The submission of the Appellant that due to absence of active ISIN, the conversion could not have been effected, proves that the CD admittedly did not effect the conversion, post conversion notice. There is no filing with the Registrar of Companies to evidence that the Debenture Holder became an equity shareholder. The Debenture Holder is not reflected as shareholder in register of members, ROC filings or depository records. The submission of the Appellant that OCDs were converted into equity shares automatically on issuance of conversion notices is factually unsupported, statutorily non-compliance and legally untenable. Clause 6(b) is a relating back provision that fixes the effective date of conversion only if the conversion is completed. It does not determine when conversion took effect, nor whether it occurred at all. Clause 6(b) cannot

be read as a deem conversion occurred automatically upon issuance of notice, nor can it override mandatory statutory procedures for allotment. It is submitted that put option under Clause 10 could have very well been exercised by the Debenture Holder after expiry of 60 months from the date of allotment. The submission of the CD that put option could not have been exercised during the subsistence of conversion rights, is incorrect. When conversion has not been effected, the put option can be validly exercised. Upon failure to convert, constitute an event of default under Clause 11.1 of the DTD and upon occurrence of event of default, the Debenture Holder is at liberty to avail any or all remedies under Clause 11.2 of DTD. Despite issuance of put option notice dated 07.01.2025, calling upon the CD to redeem debentures and pay outstanding amount, the CD having failed to effect payment, the default has been committed, entitling the Financial Creditor to file petition under Section 7. DTD provides unfettered rights to Debenture Holder to exercise the put option after 60 months from the date of allotment. The CD has neither allotted equity shares to the Debenture Holder even after issuing conversion notice, nor has made payment of the outstanding amount. The Adjudicating Authority has rightly admitted Section 7 petition.

6. We have considered the submissions of learned Counsel for the parties and have perused the record.

7. The Debenture Trust Deed was executed between the CD, Financial Creditor and the Promoters on 29.07.2019. Schedule-I of the DTD

contains “*Terms and Conditions of the issue of debentures*”. Clause 1, which deals with “*Basic terms of debentures*” is as follows:

“ITEM	PARTICULARS
Number of Debentures	50,00,000 (Fifty Lakhs)
Issue Price	INR 1,000 (Indian Rupees One Thousand Only) each
Type of Instrument	Senior, Fully Secured, Unrated, Unlisted, Redeemable, Taxable, Optionally Convertible Debentures of the face value of INR 1,000 (Rupees One Thousand only) each
Issue Size	INR 500,00,00,000 (Indian Rupees Five Hundred Crore Only)
Mode of Placement	On private placement basis to the Debenture Holder(s)
Interest/ Coupon rate	N.A.
Mode of payment/ repayment	Real Time Gross Settlement/National Electronic Fund Transfer/cheque demand draft, post - dated cheques to be provided in favour of the Debenture Trustee
Tenor	60 (Sixty) months from the Date of Allotment.
Redemption Date(s)/ Maturity Date	At the end of 60 (Sixty) Months from the Date of Allotment in respect of Debentures.  The Company shall be discharged of all its obligations towards the Debenture Holder(s) in terms of this Deed on the date on which Outstanding Amounts including Default Interest in respect of all the Debentures have been fully and irrevocably paid or discharged as per the terms of this Deed, to the satisfaction of the Debenture Trustee/Debenture Holder(s).
Redemption Amount	Subscription Amount plus Redemption Premium at the rate of XIRR of 18% (Eighteen percent) payable on actual basis for the period for which Debentures are held by the Debenture Holder(s).
Date of Allotment	June 12 2019
Role and Responsibilities of the Debenture Trustee	The Trustees shall perform its duties and obligations and exercise its rights and discretions, in keeping with the trust reposed in the Trustees by the Debenture Holder(s) and shall further conduct itself, and comply with the provisions of all Applicable Law, provided that, the provisions of Section 20 of the Indian Trusts Act, 1882, shall not be applicable to the Trustees. The Trustees shall carry out its duties

	<p>and perform its functions as required to discharge its obligations under the terms of the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993, the Debenture Trustee Appointment Agreement, this Deed, Definitive Agreements and all other related Definitive Agreements, with due care, diligence.</p> <p>The Trustees shall be vested with the requisite powers for protecting the interest of Debenture Holder(s). The Trustees shall ensure disclosure of all material events on an ongoing basis.</p>
Purpose/ Objects of the Issue	General corporate purpose and acquisition of properties/ rights of properties
Issuance mode of the Debentures	Debentures issue in dematerialized form.
Trading mode of the Debentures	Demat only
Scheduled Redemption	Subject to the terms of this Deed, the Debentures shall be redeemed at premium on the Redemption Date(s). The Company shall mandatorily redeem all the outstanding Debentures, in full by payment of the Outstanding Amounts on all such outstanding Debentures, on the Redemption Date(s).
Mandatory Redemption Event	<p>If it becomes unlawful for the Debenture Holder(s) to perform any of their obligations as contemplated by this Deed, the Debenture Trustee shall notify the Company upon becoming aware of that event and the Company shall mandatorily redeem all the Debentures on the date specified by the Debenture Trustee in the notice delivered to the Company (being no earlier than the last day of any applicable grace period permitted by Applicable Law).</p> <p>Upon the occurrence of an Event of Default, the Debenture Trustee may require the Company to mandatorily redeem the Debentures and repay the principal amount on the Debentures, along with accrued but unpaid interest and all other costs, charges and expenses incurred under or in connection with this Deed and other Definitive Agreements.</p>
Default Interest	Payable at the rate of 2% p. a. compounded on monthly basis on the Subscription Amount in case of Event of Default, in event of non-compliance with terms of the Definitive Agreements or in case of default in repayment of principal.

Interest on Application Money	Interest on application money at the applicable interest rate (subject to deduction of TDS at the rate prevailing from time to time under the provisions of the IT Act, or any other statutory modification or re-enactment thereof) will be paid to the applicants. Such interest shall be paid from the date of realisation of RTGS/demand draft(s) upto the date immediately preceding the Date of Allotment and shall be sent along with the letter(s) of allotment/ intimation of allotment. No interest on application money shall be paid to the applicants whose applications are rejected. In the case of applicants whose applications are accepted in part, no interest shall be paid on the portion of the application money refunded to them.”
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8. Clause 5, which deals with “*Conversion of Debentures*” of the DTD is as follows:

**“5. Conversion of Debentures**

- (a) At any time on or before the date falling within 60 (Sixty) months from the Date of Allotment of the Debentures, the Company shall at the sole discretion of the Debenture Holder, convert 1,000 (One Thousand) Debenture with a face value of INR 1,000 (Indian Rupees One Thousand only) into 1 (One) Equity Shares fully paid with a face value of INR 10 (Indian Rupees Ten only). The actual date of conversion shall be decided by the Debenture Holder(s).
- (b) The conversion right available to the Debenture Holder(s) mentioned above shall be exercised by the Debenture Holder(s), by giving 7 (seven) days written notice to the Company ("Conversion Notice"). However, in case of an Event of Default, the Debenture Holder(s) shall have the right to convert the Debentures into the Equity Shares of the Company at the sole discretion of the Debenture Trustee.
- (c) Post the conversion of all Debentures, the Debenture Holder(s) shall have atleast 33.33% stake on a fully diluted basis in the Company.
- (d) If not converted by 60 (Sixty) months, the Debentures shall be repaid alongwith Redemption Premium which shall give the Debenture Holder(s), the XIRR of 18% (Eighteen percent) from the Date of Allotment till Redemption Date(s) of such Debentures.”

9. In the present case, notice was issued by the Debenture Trustee on 06.01.2021 to convert the OCDs into equity shares/ CCD within 36 months from the date of receipt of conversion notice, which period was till 05.01.2024. In reference to earlier notice dated 06.01.2021, vide notice dated 05.01.2024, 54 months were provided instead of 36 months for conversion of OCD into equity shares. On 07.01.2025, the Financial Creditor issued notice in exercise for put option and demanded payment of Rs.1258,73,33,609/- within seven days from the receipt of the notice. Clauses 1 and 2 of the notice provides as follows:

- “1. We refer to the Debenture Trust Deed dated 29 July 2019 and/or any addendum/amendments thereto ("DTD") executed between Arcturus Developers Private Limited ("Company"), Beacon Trusteeship Limited ("Debenture Trustee"), Mr. Gaurav Bhalla ("Promoters") and others & Aplin Developers Pvt Limited, Bioko Developers Pvt Ltd, Ignacio Developers Pvt Ltd., Haben Developers Pvt Ltd, Ambrym Developers Pvt Ltd, Bacon Developers Pvt Ltd, Salton Developers Pvt Ltd, Timor Developers Pvt Ltd, Yapen Developers Pvt Ltd. Haldis Developers Pvt Ltd., Acklin Developers Pvt Ltd., Gabby Developers Pvt Ltd., Vatika Limited, Crazy Properties Pvt Ltd, Sahar Land and Housing Pvt Ltd, Aster Promoters & Developers Pvt Ltd, Feldon Developers Pvt Ltd, Vatika INXT2 Pvt Ltd (as the "Confirming/Security Party") for issuance of unrated, fully secured, unlisted, redeemable optionally convertible debentures of a nominal value Rs 1000/- (Rupees One Thousand only) ("Debentures") each on a private placement basis aggregating to Rs. 500,00,00,000/- (Rupees Five Hundred Crore only) and/or any other Definitive Agreements.
2. In terms of Clause 10 of the DTD, the Debenture Holder is entitled to exercise, at any time after 60 (sixty) months from the date of allotment of the Debentures, the right of put option and exit by way of redeeming the Debentures. Accordingly, pursuant to Clause 10 of the DTD, the Debenture Holder hereby exercises its right to redeem the Debentures calling upon the Company and the Promoters to severally and mandatorily redeem the Debentures by remitting in full the Outstanding Amount (which as on 07-01-2025 is Rs. 1258,73,33,609/- (Rupees One Thousand Two Hundred Fifty Eight Crore Seventy Three Lakh Thirty

Three Thousand Six Hundred Nine only)), to the Debenture Holder's designated bank account within 7 days from the receipt of this notice.

10. The CD replied to put option notice on 24.01.2025 objecting to issuance of notice for exercise of put option. It was stated that Debenture Holder has extended time period of 54 months to convert the OCD to equity shares, which time expires on 06.07.2025, hence, the Company/ CD has right and was entitled to convert the OCDs till 06.07.2025 and during subsistence of this right, Debenture Holder cannot exercise the put option. It was further stated in the reply that Company could not have converted the said OCD into equity shares without an active ISIN, which has expired on 11.07.2024. It is useful to notice the entire reply, which is as follows:

**“ARCTURUS DEVELOPERS PRIVATE  
LIMITED**

Regd. Office: Flat No. 621-A, 6th Floor, Devika Towers, 6, Nehru  
Place, New Delhi - 110019

Email ID: secretarial@vatikagroup.com Contact No.: 011-49057757  
CIN: U70100DL2013PTC257274

Dated: 24.01.2025

To,  
Beacon Trusteeship Limited,  
5W, 5<sup>th</sup> Floor, The Metropolitan,  
E Block, Bandra Kurla Complex,  
Bandra (E), Mumbai – 400051

Reference: i. Debenture Trust Deed dated 29.07.2019 along with any amendments/ addendum thereto;

ii. Letter dated 05.01.2024 issued by the Indiabulls Investment Management Limited modifying the time period for conversion of Optionally Convertible Debentures ("OCDs") to Equity Shares ("Equity Shares")/ Compulsorily Convertible Debentures ("CCDs"); and

iii. Your notice for exercise of Put Option dated 07.01.2025.

Subject: Reply to your notice for exercise of Put Option dated 07.01.2025.

Dear Sir/Ma'am,

We, Arcturus Developers Private Limited ("the Company") are in receipt of your notice for exercise of Put Option dated 07.01.2025 wherein you on behalf of the Debenture Holder i.e., Indiabulls Investment Management Limited have demanded a payment of Rs. 1258,73,33,609/- (Rupees One Thousand Two Hundred Fifty Eight Crores Seventy Three Lakhs Thirty Three Thousand Six Hundred and Nine Only).

At the outset, please note that the said notice issued by you is wrong and misconceived. Kindly refer to the Letter dated 05.01.2024 issued by the Debenture Holder i.e., Indiabulls Investment Management Limited modifying the time period for conversion of OCDs to Equity Shares/ CCDs. In the said Letter, the Debenture Holder has categorically provided the Company an extended time period of 54 months instead of 36 months to convert the OCDs to Equity Shares/ CCDs from the receipt of Letter/ Notice dated 06.01.2021 which expires on 06.07.2025. As such, the Company has the right and is entitled to convert the OCDs to Equity Shares/ CCDs till 06.07.2025. During the subsistence of this right of the Company, the Debenture Holder cannot exercise the Put Option and any right to exercise the Put Option can be enforced only after the expiry of the said time period and not before 06.07.2025.

In addition to the above, the Company could not have converted the said OCDs to Equity Shares/CCDs without an active ISIN Number which has expired on 11.07.2024. It is imperative to mention that the ISIN can be reactivated/ renewed only after the approval of the Debenture Holder. However, despite repeated requests and reminders, the Debenture Holder has not granted the requisite approval to enable the Company to convert the said OCDs to Equity Shares/ CCDs.

In view of the above, it is clearly evident that your notice dated 07.01.2025 is without any merit and has been issued with malafide intent to cause undue loss to the Company. As such, you are called upon to:

- i. withdraw the said Notice immediately forthwith; AND
- ii. get the approval of the Debenture Holder for reactivation/ renewal of the ISIN Number.

Without prejudice to the above, kindly note that the Company reserves all or any right available to it under law, equity, contract or otherwise whether now or in the future.

Thanking You,  
For and on behalf of Arcturus Developers Private Limited  
Sd/-  
Director/Auth. Signatory

Copy To:

Indiabulls Investment Management Limited  
Plot No. 422B, Udyog Vihar, Phase IV,  
Gurugram, Haryana – 122016”

11. The reply, which was submitted by the CD clearly stated that the CD could not convert the OCDs into equity shares due to ISIN having expired on 11.07.2024. The reply was a clear admission by the CD that OCDs could not be converted into CCDs due to expiry of ISIN.

12. Learned Counsel for the Appellant in support of the Appeal relying on Clause 6(b) of Schedule-I of the DTD submits that the conversion is effective and all Debentures shall be forthwith treated as equity shares on and from the date on which the Debenture Holder(s) issue the conversion notice to the Company. It is submitted that the sub-clause 6(b), which contains a deeming Clause has to be read to mean that when a conversion notice is issued by Debenture Holder, debentures shall be forthwith treated as equity shares, which Clause has not been adverted to by the Adjudicating Authority. It is submitted that by virtue of Clause 6(b), the OCDs were converted into equity shares, hence, there was no debt, on the basis of which, petition under Section 7 could have been filed.

13. Learned Counsel for Respondent No.1 refuting the above submission contended that Clause 6(b) has to be read along with Clause 6(c) and conversion cannot be treated to have completed unless the statutory requirement for conversions are fulfilled. At best, Clause 6(b) only pegs the conversion date, i.e. after completion of conversion of debenture into equity, the date has to be taken as date of notice. To

consider the submission of the parties, we need to refer to Clause 6(b) in its entirety. Clause 6 is as follows:

**“6. Manner of Conversion**

- (a) Within 7 (Seven) days following the receipt of a Conversion Notice, the Company shall convert the Debentures into Equity Shares;
- (b) For the avoidance of doubt, it is clarified that the conversion is effective and all Debentures shall be forthwith treated as Equity Shares on and from the date on which the Debenture Holder(s) issue the Conversion Notice to the Company as specified above ("Conversion Date"). Each Debenture Holder will, with effect from the Conversion Date, be deemed and be treated by the Company for all purposes as the holder of the relevant number of Equity Shares issued upon conversion and the Company shall immediately record the details of such holder of Equity Shares issued pursuant to the conversion of Debentures in the relevant statutory registers of the Company;
- (c) The Company shall take all actions required or permitted under Applicable Law, including without limitation making all applications necessary for obtaining all required approvals to effect the conversion of Debentures into Equity Shares including the increase in authorized capital of the Company and the amendment of Memorandum and Articles, entering into the shareholders agreement, holding of board meetings and shareholders meetings and submit to the Debenture Holder(s), a certified copy of e Form PAS-3 and other necessary forms duly filed with the RoC along with filing receipts or acknowledgments, as applicable, for such forms;
- (d) The Company shall pay any and all documentary, stamp duty or similar issue or transfer tax or any other taxes, costs and expenses that may be payable in respect of any issue or delivery of the Equity Shares to the Debenture Holder(s) upon conversion, pursuant to the terms and conditions provided herein.”

14. Clause 6, sub-clause (a) casts a mandatory duty on the Company, i.e. CD that within seven days following the receipt of a conversion notice, the Company shall convert the Debentures into equity shares. Sub-clause (b) is a clarificatory Clause, which provides that conversion is effective and all debentures shall be forthwith treated as equity shares on

and from the date on which the Debenture Holder(s) issue the conversion notice to the Company and each shareholder with effect from conversion date, be deemed and be treated by the Company for all purposes as the Holder of the relevant number of equity shares. Sub-clause (b) also uses expression “*Equity Shares issued upon conversion and the Company shall immediately record the details of such holder of equity shares issued pursuant to the conversion of Debentures in the relevant statutory registers of the Company*”. When Clause 6(b) read in whole, it clarifies that conversion is effective ‘*on and from the date on which the Debenture Holder(s) issue the conversion notice*’, which is used with further requirement “*Equity Shares issued upon conversion*”, thus, issuance of equity shares is also condition precedent for the deeming date of conversion. Clause 6(c) further explains the requirement. Sub-clause (c) requires all statutory compliances to effect the conversion of debenture into equity shares, including the increase in authorized capital of the Company. Sub-clause (b) has to be read with sub-clause (c), which clarifies that unless all actions required or permitted or applicable are taken, the deemed date of conversion as referred to in sub-clause (b) is meaningless. The present is a case where from the reply submitted by the CD to put option notice dated 07.01.2025, as noticed above, it is clear that debentures were not converted into equity shares due to expiry of ISIN, which is a case of the CD itself. When infact, the conversion never took place, nor there was any statutory compliances done for conversion, it is futile for the Appellant to rely on Clause 6(b) to claim that conversion shall be deemed to have happened on the date of issuance of conversion

notice. The above argument of the Appellant is fallacious due to one more reason. Admittedly, the first conversion notice was issued on 06.01.2021 and in event, from the date of issuance of conversion notice under Clause 6(b) debentures shall be treated to be equity shares from 06.01.2021, there was no occasion for issuance of another notice on 05.01.2024 by the Debenture Holder. The CD in its reply to put option notice, pleaded that due to notice dated 05.01.2024, the CD has 54 months' time for conversion, i.e. 06.07.2025. The plea of the CD is that during the aforesaid period, i.e. till 05.07.2025, the put up option could not have been exercised by the Debenture Holder. Clause 10 of the DTD deals with "*Put option*", which is as follows:

**"10. PUT OPTION**

- 10.1 At any time on or after the expiry of 60 (sixty) months from the Date of Allotment, the Debenture Holder(s) shall have a right to exit by way of redeeming the Debentures. The Debenture Holder(s) shall exercise put option by delivery of a written notice of 7 (seven) days (the "Put Option Notice") on the Company and/or the Promoter to severally and mandatorily redeem the Debentures by payment of the Outstanding Amounts ("Put Option Debentures).
- 10.2 Upon the delivery of such Put Option Notice, the Company and the Promoter shall within 7 (seven) days from the Put Option Notice redeem such Put Options Debentures.
- 10.3 The Parties shall make best endeavours and render necessary co-operation to each other in order to give effect to the provisions of this part."

15. Clause 11 deals with “*Event of default and remedies*” and sub-clause 11.1 deals with “*Event of default*” mention in sub-clause 11.1(xxviii) is as follows:

“11.1 (xxviii). If the Company fails to convert Debentures (in part or full) into Equity Shares upon receipt of notice from the Debenture Holder(s) or Debenture Trustee for conversion of Debentures.”

16. Consequence of event of default is provided in Clause 11.2. If Company fails to convert debentures into equity shares, i.e. event of default and as a consequence of which ‘*exercise put option*’ can be made by virtue of Clause 11.2 (ix). When the debentures were not converted into equity shares and Debenture Holder continue to be Debenture Holder, there is no fetter in the right of Debenture Holder to exercise put option as per the DTD.

17. Learned Counsel for the Appellant sought to rely on Board Resolution and Shareholders’ Resolution dated 28.12.2024 and Form MGT-14 and further relied on the audited balance sheet of Financial Year 2024-25. An objection has been raised by the Respondent that the said balance sheet was never part of the record of the NCLT. The CD has filed the limited reply before the NCLT, which has been brought on record along with the additional affidavit filed by the Appellant itself. In the limited reply, which has been brought on the record, there is no reference of audited balance sheet. Moreover, without actually converting the OCDs into CCDs any unilateral mention in the balance sheet by the CD shall have no effect on the facts and events which transpired in the present case.

18. Learned Counsel for the Appellant has also contended that after expiry of ISIN in June 2024, an email was sent to the Debenture Holder to give its consent and consent having not been given, the ISIN could not be made active. Learned Counsel for the Respondent replying to the submission, submitted that the Appellant did not effect conversion after receipt of notice on 06.01.2021, when it had active ISIN, nor it converted after receipt of the subsequent notice on 05.01.2024. It is submitted by the learned Counsel for the Respondent that ISIN is shown active in the record and activating the ISIN was the obligation of the CD. Be that as it may, when fact remains that OCDs were never converted into CCDs, Debenture Holder continues to remain Debenture Holder and had every right to exercise put option. The Adjudicating Authority has also after hearing the parties returned a finding that there was no actual allotment of the converted securities and completion of corporate actions including active ISIN. The Adjudicating Authority has returned such findings in Paragraph-9, which is to the following effect:

“9. All said and done, in the absence of actual allotment of the converted securities (equity shares), completion of corporate actions including activation of ISIN, credit of securities to the account of debenture holders, updating of register of members and filing of Form PAS-3 (return of allotment) with the RoC, it cannot be said that the beneficiary ceased to be debenture holder / creditor. Thus, its right to issue put notice was not lost. When on issuance of put notice, the debentures are not redeemed, the default is established.”

19. We fully concur with the above findings returned by the Adjudicating Authority that there was no actual conversion of OCDs into

CCDs, hence, the Debenture Holder(s) had every right to exercise their put option.

20. We, thus, are satisfied that Financial Creditor has successfully proved the default on the part of the CD. There being debt and default, the Adjudicating Authority has rightly passed an order admitting Section 7 petition. We do not find any error in the order of Adjudicating Authority, warranting interference by this Tribunal in exercise of its appellate jurisdiction. The Appeal is dismissed. There shall be no order as to costs.

**[Justice Ashok Bhushan]  
Chairperson**

**[Barun Mitra]  
Member (Technical)**

**NEW DELHI**

**25<sup>th</sup> February, 2026**

*Ashwani*