



**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO. Order/JS/VC/2026-27/32424)**

UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995.

In respect of:

IDBI Trusteeship Services Limited
(PAN: AAACI8912J)
(SEBI Registration Number: IND000000460)

In the matter of thematic inspection of debenture trustees with respect to action taken in the event of default by issuers

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted thematic inspection of Debenture Trustees (“**DTs**”) with respect to action taken in the event of default by issuers, to verify the compliance of DTs with the actions provided under SEBI (Debenture Trustees) Regulations, 1993 (hereinafter referred to as “**DT Regulations**”) and circulars issued thereunder.
2. IDBI Trusteeship Services Limited (hereinafter referred to as “**Noticee / ITSL**”) is registered with SEBI as Debenture Trustee having Registration No. IND000000460. Thematic inspection of Noticee was conducted for the period of July 31, 2022 to July 31, 2024 (hereinafter referred to as “**Inspection Period**”). Based on the findings of thematic inspection, SEBI initiated adjudication proceedings against the Noticee for violating the following provisions:
 - (a) Regulation 15(1)(d) of DT Regulations, clause 6.1 of SEBI circular No. SEBI/HO/MIRSD/CRADT/CIR/P/2020/203 dated October 13, 2020 (hereinafter referred to as “**SEBI circular dated October 13, 2020**”) and clause 3.3.1 of Chapter X of Master Circular for DTs dated July 06, 2023 and May 16, 2024;

Adjudication Order in respect of IDBI Trusteeship Services Limited in the matter of thematic inspection of debenture trustees with respect to action taken in the event of default by issuers



- (b) Clause 6.2 of SEBI circular dated October 13, 2020 and clause 3.3.2 of Chapter X of Master Circular for DTs dated July 06, 2023;
- (c) Clause 2.5 of Chapter XIV of SEBI circular No. SEBI/HO/DDHS/P/CIR/2021/613 dated April 13, 2022 (hereinafter referred to as “**SEBI circular dated April 13, 2022**”) and Chapter XII of Master Circular for DTs dated July 06, 2023 and May 16, 2024;
- (d) Regulation 15(1)(e) of DT Regulations; and
- (e) Regulation 15(2)(b) of DT Regulations, clause 6.3 of SEBI circular dated October 13, 2020 and clause 3.3.3 of Chapter X of Master Circular for DTs.

APPOINTMENT OF ADJUDICATING OFFICER

- 3. SEBI appointed the undersigned as the Adjudicating Officer, vide communiqué dated December 12, 2025, under section 19 of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) read with section 15-I (1) of the SEBI Act and rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “**Rules**”), to inquire into and adjudge the alleged violations by the Noticee under the provisions of the section 15HB of the SEBI Act.

SHOW CAUSE NOTICE, REPLY AND HEARING

- 4. Show Cause Notice bearing Ref. No. DIS/1997-1998/2026 dated January 5, 2026 (hereinafter referred to as “**SCN**”) was issued to the Noticee in terms of the provisions of rule 4(1) of the Rules read with section 15-I of the SEBI Act, requesting the Noticee to show cause as to why an inquiry should not be held against it and why penalty, if any, should not be imposed upon it under section 15HB of the SEBI Act for the alleged violations.
- 5. The SCN dated January 5, 2026, *inter alia*, alleged the following:
 - A. Delay/ failure in issuing notice to the debenture holders and not maintaining proof of delivery**
 - (a) *During inspection, it was observed that Noticee failed to issue notice to debenture holders / failed to issue notice within prescribed timelines / failed to maintain proof of delivery of notice sent to debenture holders in the following default cases:*

**Table-1**

Name of Issuer	Date of Default	Date of Notice	Proof of Delivery
India Home Loans Limited	June 30, 2023	- July 05, 2023 – Notice issued after 3 days of default.	No proof of delivery submitted
Jharkhand Road Projects Implementation Company Ltd	October 20, 2022	<ul style="list-style-type: none">- Notice issued on - October 27, 2022 and February 14, 2023- The email dated October 27, 2022 pertains to intimation of event of default by the issuer and does not contain the notice. Further, the recipients with whom the intimation was shared was not disclosed in the email dated October 27, 2022 submitted by Noticee.- Further, it was observed that Noticee issued a notice to certain debenture holders w.r.t. event of default vide letter dated February 14, 2023.- In view of the same, it was observed that Noticee failed to send a notice to the investors within 3 days of event of default.	No proof of delivery submitted
ATS Infrabuild Pvt. Ltd.	June 11, 2023	<ul style="list-style-type: none">- Notice issued on - June 16, 2023- The recipients with whom the notice was shared was not disclosed in the email dated June 16, 2023 submitted by Noticee. In view of the same, it cannot be ascertained with whom the notice was shared.- Further, the notice was sent on June 16, 2023, which was after 5 days of event of default.- In view of the same, it was observed that Noticee failed to send a notice to the investors within 3 days of event of default.	No proof of delivery submitted
Century Sheltors Developers Pvt. Ltd.	March 31, 2024- Interest payment and part principal payment default; June 30, 2024- Interest and principal payment default	<ul style="list-style-type: none">- As per submissions of Noticee post-inspection, emails were sent to investor on - March 31, 2024 and June 30, 2024, respectively.- However, considering the emails sent by Noticee to the debenture holders and the response of debenture holders to the said emails, it cannot be considered as notices sent.- In view of the same, it was observed that Noticee failed to send a notice to the investors within 3 days of event of default.	No proof of delivery submitted
Future Supply Chain Solutions Ltd	September 26, 2022	<ul style="list-style-type: none">- Noticee, vide emails dated September 28, 2023, requested the sole debenture holder (Azim Premji Trust) to verify the status of payment and updated the course of actions and available remedies.- Noticee did not make any submissions w.r.t. the notice, which it was required to issue to the	Notice not sent



		debenture holders as per regulatory requirements. - In view of the above, it was observed that Noticee failed to send a notice to the investors within 3 days of event of default.	
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(b) As per regulation 15(1)(d) of the DT Regulations, DTs require to promptly inform debenture holders about any defaults relating to interest payment or redemption. Further, clause 6.1 of SEBI circular dated October 13, 2020 and clause 3.3 of Chapter X of the Master Circular for DTs dated July 06, 2023 and May 16, 2024 requires that DTs issue a notice to investors within 3 days of an event of default, with the notice containing certain mandatory provisions.

(c) In view of the above, it was alleged that Noticee violated regulation 15(1)(d) of DT Regulations, clause 6.1 of SEBI circular dated October 13, 2020 and clause 3.3.1 of Chapter X of Master Circular for DTs dated July 06, 2023 and May 16, 2024.

B. Not incorporating the mandatory clauses in the notice sent to debenture holders

(a) W.r.t. above mentioned default by India Home Loans Limited, it was further observed that Noticee failed to incorporate the following mandatory clauses in the notice issued to debenture holders on dated July 05, 2023:

- (i) A provision for negative consent for proceeding with the enforcement of security;
- (ii) A provision for positive consent for signing the Inter Creditor Agreement (ICA) (in case the Debenture Trustee is approached by other lenders for signing/ joining the ICA); and
- (iii) The time period within which the consent needs to be provided, viz., consent to be given within 15 days from the date of notice.

(b) Clause 6.2 of SEBI circular dated October 13, 2020 and clause 3.3 of Chapter X of the Master Circular for DTs dated July 06, 2023 requires that DTs issue a notice to investors within 3 days of an event of default, with the notice containing certain mandatory provisions.

(c) In view of the above, it was alleged that Noticee violated clause 6.2 of SEBI circular dated October 13, 2020 and clause 3.3.2 of Chapter X of Master Circular for DTs dated July 06, 2023.

C. Delay in verifying and updating default history on India BondInfo database

(a) It was observed that Noticee failed to verify and update the default history information about the instrument/issuer in the India BondInfo Database within 7 days of knowledge of default for the cases of ATS Infrabuild Pvt. Ltd. (date of default: June 11, 2023) and Future Supply Chain Solutions Ltd. (date of default: September 26, 2022).

(b) It was further observed that Noticee submitted false information to SEBI during inspection stating that it had updated default history within prescribed timelines. It was observed that Noticee tried to mislead SEBI by claiming that the automatic overwriting



of old default history with new updates ensures compliance, when in fact the updates were not made within the prescribed timelines.

- (c) Chapter XII of Master Circular for DTs states that DTs shall access India BondInfo database to verify and update the default history information about the instrument/ issuer, in the database within 7 days of knowledge of default.*
- (d) In view of the above, it was alleged that Noticee violated clause 2.5 of Chapter XIV of SEBI circular dated April 13, 2022 and Chapter XII of Master Circular for DTs dated July 06, 2023 and May 16, 2024.*

D. Appointment of nominee director on the board of the company

- (a) It was observed that Noticee failed to appoint nominee directors as prescribed under regulation 15(1)(e) of the DT Regulations in the following cases:
 - (i) India Home Loans Limited (Default in redemption);*
 - (ii) Jharkhand Road Projects Implementation Company Ltd. (Two consecutive defaults in payment of interest to debenture holders);*
 - (iii) ATS Infrabuild Pvt. Ltd. (Two consecutive defaults in payment of interest to debenture holders);*
 - (iv) Century Sheltors Developers Pvt. Ltd. (Two consecutive defaults in payment of interest to debenture holders); and*
 - (v) Future Supply Chain Solutions Ltd. (Default in payment of interest and redemption).**
- (b) Regulation 15(1)(e) of DT Regulations mandates that in the event of certain defaults, i.e., including two consecutive defaults in payment of interest, default in creation of security for debentures, or default in redemption of debentures, the DT must appoint a nominee director on the Board of the issuer company.*
- (c) In view of the same, it was alleged that Noticee violated regulation 15(1)(e) of DT Regulations.*

E. Not convening meeting of debenture holders within 30 days of event of default

- (a) It was observed that Noticee failed to convene a meeting of debenture holders within 30 days of the event of default in case of Jharkhand Road Projects Implementation Company Ltd. (date of default: October 20, 2022) and Century Sheltors Developers Pvt. Ltd. (dates of default: March 31, 2024 and June 30, 2024).*
- (b) Regulation 15(2)(b) of the DT Regulations mandates that DTs call for a meeting of all debenture holders upon the occurrence of an event of default. Further, clause 6.3 of SEBI circular dated October 13, 2020 and clause 3.3.3 of Chapter X of the Master Circular for DTs requires DTs to ensure that the meeting of debenture holders be convened within 30 days of the event of default.*



(c) In view of the same, it was alleged that Noticee violated regulation 15(2)(b) of DT Regulations, clause 6.3 of SEBI circular dated October 13, 2020 and clause 3.3.3 of Chapter X of Master Circular for DTs.

6. Vide letter dated January 16, 2026, Noticee submitted its reply to the SCN. The relevant extracts of the Noticee's reply are reproduced below:

A. Delay in issuing notice to debenture holders and not maintaining proof of delivery

Sr. No.	Name of Issuer	Date(s) of Alleged Event of Default	Date(s) of Intimation/ Notice Issued by ITSL	Mode of Communication and Proof of Delivery	Compliance Position and Regulatory Submissions
1	India Home Loans Limited	June 30, 2023	June 30, 2023 (intimation of default) and July 05, 2023 (DHM Notice)	DHM notice issued on July 05, 2023; dispatched through Shree Maruti Courier and delivered on July 06, 2023 (Tracking No. 23120237032).	<p>ITSL duly intimated the sole debenture holder, Union Bank of India, of occurrence of default on the same date. Noticee received the communication regarding the event of default from the issuer company on June 30, 2023 at 9:11 p.m. (Friday), i.e., after the close of business hours. The notice to the debenture holders was issued on July 5, 2023 (Wednesday), which was within three working days.</p> <p>The debenture holders meeting was convened on July 27, 2023 and attended by the sole debenture holder, conclusively evidencing receipt and acknowledgment of notice.</p> <p>Further, the compliance with dual-mode communication as contemplated under Clause (f) of DDHS-SEC Comments stands fully satisfied, as further corroborated by Minutes of Meeting dated July 27, 2023.</p> <p>The regulation does not define or specify any reference word for calendar days or working days. Hence, there is no delay nor failure in intimation.</p>
2	Jharkhand Road	October 20, 2022	October 27, 2022	Email notice	ITSL was in continuous engagement with debenture holders and a



Sr. No.	Name of Issuer	Date(s) of Alleged Event of Default	Date(s) of Intimation/ Notice Issued by ITSL	Mode of Communication and Proof of Delivery	Compliance Position and Regulatory Submissions
	<i>Projects Implementation Company Limited (JRPICL)</i>			<i>dated October 27, 2022 including the request to debenture holders to provide suitable directions for invocation of the GOJ Annuity Payment Guarantee letter.</i>	<p><i>deferred meeting was convened pursuant to their consensus. Attendance of all debenture holders at the meeting held on March 16, 2023 establishes effective service and acknowledgment of notice. Regulatory intent behind dual-mode notice stands fully achieved, as evidenced from the Minutes of Meeting dated March 16, 2023.</i></p> <p><i>The instant company is group company of IL&FS and it is under control of MCA and Government of India and therefore, these procedural aspects do not prejudice any investors. Further, due to special circumstances in instant case due to intervention of Government of India vide NCLT order dated October 05, 2018. It may be noted JRPICL is mentioned in the list of companies in point No. 10, list of entities at page no. 44 of the NCLAT Order dated March 12, 2020.</i></p> <p><i>Further, as per GOI press release dated October 01, 2018, doctrine of strict application may not be applicable in this case, as the Govt. intervention supersede the operation of law. Hence, there is no delay or failure in intimation.</i></p>
3	ATS Infrabuild Private Limited	June 11, 2023	June 16, 2023	DHM notice and default intimation issued on June 16, 2023 through electronic mode.	Pursuant to the continuing breach of covenant, a meeting of the debenture holders was convened on June 21, 2023 which was within 30 days from the date of default, to discuss the subsequent developments, including the issuer's default in payment obligations and the course of action to be adopted. However, it is pertinent to note that the notice dated June 16, 2023 convening the said meeting, as well as the minutes of the meeting



Sr. No.	Name of Issuer	Date(s) of Alleged Event of Default	Date(s) of Intimation/ Notice Issued by ITSL	Mode of Communication and Proof of Delivery	Compliance Position and Regulatory Submissions
					<p>held on June 21, 2023, clearly record that the issuer had defaulted in making payments to the debenture holders.</p> <p>Further, the extract of notice of debenture holder provides that "Further as per Clause 2.4 of the Amendment Agreement, if Promoters of the company failed to make requisite contribution within the timeline specified in the Amendment Agreement it shall constitute an Event of Default."</p> <p>The extract of the minutes is as under: "It was discussed and decided in the meeting to issue Event of default notice to Issuer Company as per schedule VIII of the Debenture Trust Deed dated 8th June, 2018."</p> <p>Hence, ITSL duly informed the debenture holders of the default and convened the debenture holder' meeting within 30 days.</p> <p>Participation of investors in the meeting and confirmation through minutes of meeting dated June 21, 2023 establishes delivery, acknowledgment, and spirit of regulatory compliance. Hence, there is no delay nor failure in intimation.</p>
4	Century Shelters Developers Private Limited	March 31, 2024 (interest and part principal default); June 30, 2024 (interest and principal	April 03, 2024 and July 03, 2024	Email notices sent to sole debenture holder, written replies received acknowledging receipt.	Intimation of default was sent to sole debenture holder on immediate basis on April 3 and 4, 2024, which is within 3 days of the event of default. The sole debenture holder replied within couple of hours by an email stating: "Since we are the only debenture holder, we will inform you of the actions to be taken."



Sr. No.	Name of Issuer	Date(s) of Alleged Event of Default	Date(s) of Intimation/ Notice Issued by ITSL	Mode of Communication and Proof of Delivery	Compliance Position and Regulatory Submissions
		default)			<p>The sole debenture holder's written replies unequivocally confirm receipt and acknowledgment of the default, thereby constituting valid proof of electronic delivery.</p> <p>Noticee referred to SEBI Master Circular dated August 13, 2025 and stated that Clause 3.3.6. of Chapter X: Breach of Covenants, Default and Remedies provides that the consent of the majority of holders of listed debt securities shall mean the approval of not less than 75% of the holders of listed debt securities by value of the outstanding debt and 60% of the holders of listed debt securities by number at the ISIN level.</p> <p>As per above, the debenture trustee is required to act in accordance with the instructions of the majority of debenture holders, defined as debenture holders representing not less than 75% by value and 60% by number. In the present case, there being a sole debenture holder, the said debenture holder expressly waived the requirement of convening a debenture holders' meeting and communicated immediately "we are in discussion with the Issuer on various other matters including payment defaults. We will come back to you if any action to be taken post discussion with our lawyers."</p> <p>It is a part of negative consent for the debenture trustee meaning that, if the consent is given by majority more of the holders of listed debt not to act for any enforcement, then debenture trustee is bound to comply the same. Hence, in the instant case sole debenture holder had instructed for no further process.</p>



Sr. No.	Name of Issuer	Date(s) of Alleged Event of Default	Date(s) of Intimation/ Notice Issued by ITSL	Mode of Communication and Proof of Delivery	Compliance Position and Regulatory Submissions
					<i>Further, the debentures had been fully redeemed on November 27, 2024. Hence, there is no delay nor failure in intimation.</i>
5	<i>Future Supply Chain Solutions Limited</i>	<i>September 26, 2022</i>	<i>September 28, 2022</i>	<i>DHM notice issued to sole debenture holder, Azim Premji Trust, meeting held on September 29, 2022.</i>	<p><i>ITSL was following up with the sole debenture holder regarding the status of payment. In this course, the sole debenture holder, Azim Premji Foundation confirmed the default in payment and, itself proposed the date and time of the meeting vide emails dated September 28 and 29, 2022. It may be noted that the Master Circular provides that the debenture trustee is required to act in accordance with the instructions of the majority of debenture holders.</i></p> <p><i>In the present case, there being a sole debenture holder, the said debenture holder expressly consented to the convening of the meeting. Accordingly, it may be construed that the debenture holder waived the requirement of issuance of a formal notice for the debenture holders' meeting. The meeting was held on September 29, 2022, which was within three days of the event of default, thereby ensuring prompt and timely action in the matter.</i></p> <p><i>Noticee referred to SEBI Master Circular dated August 13, 2025 and stated that it is a part of negative consent for the debenture trustee meaning that, if the consent is given by more than 75% of the holders of listed debt not to act for any enforcement, then debenture trustee is bound to comply the same. Hence, in the instant case sole Debenture Holder had instructed for no further process. Hence, there is no delay nor failure in intimation.</i></p>



- (a) Substantive compliance over procedural formalism
ITSL had, in all cases, ensured spirit of timely and effective communication of events of default to debenture holders. Actual receipt, acknowledgment, investor participation in debenture holders' meetings, minutes of meetings on record, etc., clearly demonstrate substantive compliance with the regulatory framework and fulfilment of investor protection objectives.
- (b) Fulfilment of dual-mode communication objective
As expressly recognized under clause (f) of the DDHS-SEC comments, the objective of issuing notices through dual mode is to ensure reliable delivery and mitigate communication failure. In each instance, this objective had been fully achieved, as evidenced by investor attendance, acknowledgments, email trails, courier confirmations, and minutes of meetings.
- (c) No prejudice caused to investors
No investor suffered prejudice on account of the alleged procedural deviations. On the contrary, debenture holders were fully aware of the defaults, actively engaged with ITSL, and participated in decision-making through duly convened meetings. ITSL had duly communicated/informed all the debenture holders in a timely manner. All the decisions with regards to the defaults of the issuer company were taken in accordance with the decisions taken in the debenture holders meeting. All the debenture holders were aware and appraised of the decisions taken by ITSL for their interests.
- (d) Consistent and bona fide conduct of ITSL
ITSL had acted in good faith, with due diligence, and in a transparent manner, strictly in line with its fiduciary obligations as a debenture trustee. All actions were taken with the sole objective of safeguarding investor interests and ensuring regulatory compliance.
- (e) Regulatory intent fully met
The regulatory requirement of timely intimation is intended to ensure investor awareness and enable informed decision-making. This intent had been fulfilled in each case, and therefore, any alleged technical or procedural lapse, without any attendant investor harm, ought not to attract adverse inference or penal consequences.
- (f) *Applying test of reasonableness, the calculation of the number of days should be treated as working days or trading days under the SEBI regulations and as such intervening holidays/festival/weekends need to be excluded. If such a view is undertaken, majority cases will be in compliance with the regulations. Furthermore, ITSL had been compliant and had always taken decisions within the timeframe as prescribed by the regulations in the interests of the debenture holders.*
- (g) *Further, for practical and operational reasons, a minimum of three working days is required. This is because, for sending notice for the meeting of debenture holders, the trustee is required to obtain latest beneficial position (Benpos) data, including updated email IDs and addresses of the debenture holders.*
- (h) *Also, prior to issuing any formal notice for a debenture holders' meeting, we generally engage with the debenture holders through telephonic or other informal channels to*



mutually discuss and finalize the proposed convenient date and time of the meeting. Owing to these procedural requirements, it is practically not feasible to issue such notices within three calendar days including holidays. Accordingly, the above timeline should not be construed as a delay attributable to the trustee.

- (i) *Furthermore, clause 3.3.1 of Chapter X of the SEBI Master Circular dated August 13, 2025 for debenture holders' mandates that the maintenance of proof of dispatch needs to be maintained by the debenture trustees not the proof of delivery, as under:*
"The Debenture Trustee shall send a notice to the investors within three days of the event of default by registered post/ acknowledgement due or speed post/ acknowledgement due or courier or hand delivery with proof of delivery, as also through email as text or an attachment to email with a notification including a read receipt and proof of dispatch of such notice or email shall be maintained".
- (j) *ITSL had maintained the proof of dispatch of the notice for debenture holders' meeting as required under the DT Master Circular, wherever applicable.*

B. Not incorporating the mandatory clauses in the notice sent to debenture holders

- (a) *The notice of meeting was duly issued and dispatched vide letter dated July 5, 2023, wherein ITSL specified July 27, 2023 as the date of meeting. The agenda of the said meeting pertained to the default in payment of interest and principal amounts due on June 30, 2023.*
- (b) *The concluding paragraphs of the said notice expressly provided that "in case requisite consent is not received either for enforcement of the security or for signing of the Inter-Creditor Agreement (if applicable), the Debenture Trustee may take such action, if any, as may be decided in the meeting of the Debenture Holders." The said formulation made reference to approval by majority, which is substantively aligned with and reflective of the intent and scope of the applicable mandatory provision.*
- (c) *The distinction, if any, is limited solely to the manner of articulation, namely, whether the consent mechanism is expressed in terms of affirmative consent, negative consent, or majority consent. The underlying principle remains unchanged, being that the collective decision of the debenture holders governs matters relating to enforcement of security and participation in the Inter-Creditor Agreement.*
- (d) *It is further clarified that the debenture trustee's actions are contractually and legally contingent upon the consent of the debenture holders acting as a collective body. The consent framework, irrespective of the manner in which it is expressed, is intended to operate in situations involving multiple debenture holders, with the objective of ensuring collective decision-making while safeguarding minority interests.*
- (e) *In the present case, however, Union Bank of India is the sole debenture holder. Consequently, the Trustee's authority to act is, in practical terms, entirely dependent upon the decision of the sole debenture holder. While the consent clause remains formally applicable, it is conceptually designed to regulate scenarios involving a plurality of holders and does not alter the practical position that, in the case of a single debenture holder, the Trustee's actions are determined exclusively by the decision of such holder. Hence, the clause such as b) A provision for positive consent for signing*



the ICA (in case the debenture trustee is approached by other lenders for signing/joining the ICA), shall not be applicable as there is only one creditor/debenture holder in the company.

- (f) Where there is only one debenture holder majority thresholds under clause 3.3.6 become theoretical and consent mechanism collapses into sole investor decision. Requiring inclusion of ICA / majority consent clauses in notices where ICA is impossible in fact would be misleading rather than compliant. Mechanical reproduction of inapplicable clauses should not be insisted upon.
- (g) In view of the foregoing, the language used in the notice does not result in any change to the substantive meaning, intent, or effect of the relevant provision. If this principle is followed, then it may create confusions on practical aspects to the debenture holders by adding the provisions which are not applicable if added to the notices. All the applicable clauses were included keeping in view the sole investor is Union Bank of India a public sector bank whose core operations are banking. Hence, Noticee incorporated all the requisite necessary clauses and there was no violation of the provisions by ITSL.

C. Delay in verifying and updating default history on India BondInfo database

(a) ATS Infrabuild Pvt. Ltd.

- (i) The default history on the BondInfo platform is updated from time to time strictly in accordance with the relevant event dates. In the present case, while updating the default dated June 11, 2024, an existing entry pertaining to a prior default was already reflecting on the BondInfo platform. Since the said default was continuing in nature, it was necessary to carry out the updation while recording the subsequent event dated June 11, 2024.
- (ii) During the process of such subsequent updation, the previously recorded date of verification was inadvertently overwritten, a phenomenon which has also been observed in other similar cases on the platform. However, it is clarified that the underlying default history as reflected on the BondInfo portal has remained unchanged and intact, and there has been no alteration or suppression of the factual default events.

(b) Future Supply Chain Solutions Ltd.

- (i) The default history on the BondInfo platform has been updated from time to time in accordance with the respective event dates. While updating the default entries dated September 26, 2023 and September 26, 2024, the BondInfo platform already reflected an entry pertaining to the earlier default.
- (ii) Since the due date of default was September 26, 2024, the information relating to this default was updated subsequent to the earlier default entry dated September 26, 2023. During the course of such subsequent updation, it was observed that the previously recorded date of verification was overwritten on the platform.
- (iii) However, it is clarified that notwithstanding the aforesaid overwriting of the verification date, the default history on the BondInfo portal had remained consistent



and unchanged, and the chronological record of default events continues to be accurately reflected.

- (iv) Noticee relied upon the decision of the Hon'ble Securities Appellate Tribunal (SAT) order dated February 22, 2023 in the matter IDBI Trusteeship Services Ltd v. SEBI, Appeal No. 186 of 2023, wherein, the following was, inter alia, held:

“11. Insofar as the charge of not updating the default history information, a finding has been given that the default history information about the instrument was not updated within 7 days from the date of knowledge of default and therefore the circular of October 22, 2013 was violated. In this regard we find that a specific assertion was made that the history information could not be updated on account of system glitches or technical errors on the website. This fact has not been considered and penalty has been imposed only on the ground that there has been a delay of more than 7 days. In our opinion the AO was required to deal with the contention raised by the appellant and was required to give a finding as to whether the contention raised was correct or incorrect. We find that without giving a finding on this aspect the AO has proceeded on a presumption that the appellant has violated the circular.

12. We may also point out that every irregularity or deficiency noticed during the course of inspection does not call for initiation of penalty proceedings. The purpose of inspection is to advise the entity to cure the lapse that have been found. If any serious lapse is discovered, then penalty action can be taken.”

- (v) At no stage, Noticee submitted false information to SEBI or attempted to mislead SEBI. Noticee stated that:
- Data updation in the cases happen at the NSDL BondInfo in which Noticee has no control;
 - Noticee's submission is bonafide based on factual data submitted to the inspection team.
- (c) Hence, Noticee submitted that there has been no delay in verifying and updating default history on India BondInfo database.

D. Appointment of nominee director on the board of the company

(a) India Home Loans Limited

- (i) India Home Loans Limited defaulted on its debt obligations on June 30, 2023. Pursuant to the resolution passed at the meeting of the debenture holders, ITSL initiated requisite actions in accordance with the regulatory framework. Accordingly, a communication dated September 27, 2023 was issued to the issuer, inter alia, requiring incorporation of enabling provisions for the appointment of nominee director(s), including amendment of relevant clauses of the DTD, in line with the applicable SEBI Master Circular dated August 13, 2025.
- (ii) It is a part of negative consent for the debenture trustee meaning that if the consent is given by more than 75% of the holders of listed debt not to act for any enforcement, then debenture trustee is bound to comply the same. Hence, in the instant case sole debenture holder had instructed for no further process.



- (iii) Further, regulation 24 (1) of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (NCS Regulations) states as under:-

“24. (1) The debenture trustee shall be vested with the requisite powers for protecting the interest of holders of debt securities including a right to appoint a nominee director on the Board of the issuer in consultation with holders of such debt securities and in accordance with applicable law”.

Therefore, the requirement of appointing nominee director on the board of directors of the Issuer companies does not require debenture holder’ approval and is a mandate that flows from DT Regulations” as mentioned in section 6(i) of Department of Debt and Hybrid Securities (DDHS) comments is not entirely aligned as the NCS regulations mandates that the debenture trustee has to consult with holders of debt securities for such appointment.

In view of the above provision of the NCS Regulations, the consents/directions of the debenture holder for appointment of any person as a nominee director is necessary/mandatory.

(b) Jharkhand Road Projects Implementation Company Limited

- (i) The date of default in the case of Jharkhand Road Projects Implementation Company Limited was June 30, 2023. As per SEBI Circular dated October 20, 2022, issuers were provided time up to September 30, 2023 to amend the DTD and Articles of Association to incorporate enabling provisions for appointment of nominee directors.
- (ii) The issuer was already in default prior to the expiry of the timeline prescribed under the said circular. Consequently, actions were undertaken by ITSL in accordance with the decisions taken at the meeting of the debenture holders.
- (iii) Further, it is pertinent to note that the said issuer forms part of the IL&FS group, which is undergoing a resolution process pursuant to notifications issued by the Government of India (MCA Notification). Pursuant to order passed by Hon’ble NCLT, Mumbai dated October 05, 2018, wherein the existing board of directors of the IL&FS group was suspended and Government nominated persons were inducted on the Board to manage the affairs of the company. Also, a Miscellaneous Application had been filed for seeking certain immunities to the Government nominated directors. Accordingly, the matter was subject to the overarching resolution framework applicable to the group entities as well.
- (iv) Therefore, in accordance with the Hon’ble NCLT Orders, new directors were appointed by Government of India and the said provision relating to the appointment of nominee director was not applicable to Debenture Trustee.

(c) ATS Infrabuild Private Limited

- (i) In the case of ATS Infrabuild Private Limited, the date of default was June 11, 2023. Similar to the above cases, the SEBI Circular provided a timeline until September 30, 2023 for incorporation of enabling provisions in the DTD and Articles of Association.



- (ii) *The issuer was already in default prior to the expiry of the said timeline. Actions were accordingly undertaken pursuant to the decisions taken at the debenture holders' meeting. Further, a letter dated September 27, 2023 was issued stipulating the requirement for incorporating provisions relating to the appointment of nominee directors, including amendment of relevant clauses of the DTD. The company is now under CIRP process through the NCLT, Delhi order dated March 04, 2025 and accordingly the board of directors are suspended. The IRP is now in control of the said company. Furthermore, the promoter of the company has appealed the said order dated March 04, 2025, through the company Appeal (Ins) No. 517 and 518 of 2025, wherein the parties are now in the process of negotiating settlement, however, the IRP is still in control of the operations of the company.*

(d) Century Shelters Developers Private Limited

- (i) *In case of Century Shelters Developers Private Limited, the second default occurred on June 30, 2024, and a notice of default was issued on July 3, 2024.*
- (ii) *The notice expressly referred to clause 17.4 read with Part D of the Debenture Trust Deed, which contains provisions relating to the appointment of nominee director(s) upon the occurrence of default. Accordingly, the said notice substantively fulfilled the requirement of communicating the mechanism for appointment of a nominee director.*
- (iii) *Further, the first default occurred on March 31, 2024, and the debenture holders expressed their intent to engage with the issuer regarding early redemption of the securities in the interest of safeguarding debenture holders' rights. Pursuant to these discussions and coordinated efforts of the debenture holders and debenture trustee, the issued securities were fully redeemed on November 27, 2024.*
- (iv) *Furthermore, according to SEBI Master Circular dated August 13, 2025, consent of the debenture holders shall be taken by the debenture trustee before taking any action.*
- (v) *Therefore, as the sole debenture holder had not provided or instructed for the appointment of the nominee director, the debenture trustee is not in violation of the regulations.*

(e) Future Supply Chain Solutions Limited

- (i) *In case of Future Supply Chain Solutions Limited, the date of default was September 26, 2022, i.e., prior to the timeline prescribed under the SEBI Circular dated October 20, 2022, which allowed issuers time up to September 30, 2023 to amend the DTD and Articles of Association.*
- (ii) *Further, the issuer company is under CIRP according to the order dated January 05, 2023 of NCLT, Mumbai CP (IB) 96/2022. Actions were undertaken by ITSL in accordance with the decisions of the debenture holders and the legal proceedings were subsisting.*



Relevant extract of the minutes of Debenture Holder Meeting on September 29, 2022:

“Further, Ms. Dipali Dorugade informed the debenture holder about available options under relevant regulations of SEBI including appointment of nominee director or observer, inspection of books of accounts on default of payment obligation by the company, acceleration of redemption and consequent enforcement of securities.

However, debenture holder informed that since they are already into discussions with Issuer Company and expect to have a call with Issuer in next week, they would not like to precipitate any action to be taken as of now. During the discussions, it was decided to have a joint call with Issuer in next week to discuss the issue in detail and plan the next course of actions that would be suggested by the debenture holder. Also, it was informed that the debenture holder would provide us updates upon the receipt of information called by them and further, it was discussed to keep the Debenture Trustee informed regarding all the communication happening amongst the parties to the transaction.”

- (iii) According to minutes of the meeting dated September 29, 2022 as the debenture holder was already into discussions with the issuer company and without any further instructions from the debenture holder, the debenture trustee would not take any further steps. Therefore, the debenture trustee is not in violation of any SEBI Regulations especially, regulation 15(1)(e) of the DT Regulations.*

Furthermore, according to the abovementioned circular, the debenture trustee needs the majority consent not less than 75% for taking any actions with regards to the debentures from the debenture holders, therefore as no instructions were received from the debenture holder, the debenture trustee is not in violation of the regulation 15(1)(e) of the DT Regulations.

Issues faced by debenture trustees in the appointment of nominee directors

The practical and structural challenges faced by debenture trustees in the implementation of the nominee director framework. A key concern is ensuring that the SEBI Circular of 2023 is implemented in both letter and spirit, as the current compliance appears largely procedural rather than substantive. The following aspects are under active discussion with the DDHS and industry associations:

- (i) Payment of sitting fees to nominee directors from the corpus of the Recovery Expense Fund (REF);*
- (ii) Provision of adequate protection to such nominee directors through Directors' & Officers' (D&O) insurance coverage for a period of five years post cessation of directorship, from REF;*
- (iii) The selection criteria for nominee directors may include individuals drawn from civil services, banking, or insurance backgrounds, with demonstrated experience in corporate functioning, business environments, regulatory frameworks, and corporate governance;*



- (iv) *Creation of a centralized portal where eligible and interested professionals may register themselves for consideration as nominee directors, from which debenture trustees may select suitable candidates;*
- (v) *Additional eligibility parameters, such as domain expertise, industry or leadership experience, legal or professional qualifications, and a proven track record in corporate finance, may be prescribed by SEBI in consultation with the Trustees' Association of India (TAI);*
- (vi) *Provisions relating to conflict of interest, disclosures, related party transactions, and result-based rewards may form part of the eligibility and selection framework, with appointment subject to investor approval through e-voting;*
- (vii) *Legal expenses incurred in default-related cases may be permitted to be cross-subsidized.*

Nominee director clause – Implementation of SEBI Circular dated July 4, 2023

- (i) *Current status: The SEBI Circular dated July 4, 2023 read with regulation 23(6) of the NCS Regulations mandates issuers to amend their Articles of Association (AOA) to enable the appointment of a debenture trustee's nominee director upon the occurrence of a default.*
- (ii) *Zero appointment reality: Despite such defaults triggering the relevant clause, in practice, there is an absence of eligible professionals willing to accept such appointments.*
- (iii) *Regulatory intent v. practical challenges: While the intent of the regulation is to place a "watchdog" on the board of a defaulting company, the prevailing legal and risk framework makes effective implementation difficult for the reasons outlined below.*

Key deterrents:

- (1) *Risk of disqualification under section 164(2) of the Companies Act, 2013.*
- (2) *Exposure to vicarious liability for past acts and omissions of the issuer company.*
- (3) *Absence of clear "safe harbor" provisions for nominee directors appointed upon default.*
- (4) *Ineffectiveness of indemnity arrangements in providing meaningful protection against regulatory, civil, and criminal liabilities.*

Further, section 164(2)(b) of the Companies Act, 2013 provides as follows:

"No person who is or has been a director of a company which has failed to repay the deposits accepted by it, or pay interest thereon, or to redeem any debenture on the due date, or pay interest due thereon, or pay any dividend declared, and such failure to pay or redeem continues for one year or more, shall be eligible to be re-appointed as a director of that company or appointed in any other company for a period of five years from the date on which the said company fails to do so."

This provision results in a disqualification that applies to all directors of the defaulting company, including those appointed as nominee directors by debenture trustees. Consequently, this creates a significant disincentive for professionals to accept such directorships, even when they act solely in a fiduciary or representative capacity.



It may be noted that this issue was acknowledged by SEBI and same was referred in the Agenda of the SEBI Board meeting held on December 20, 2022, as well as the Company Law Committee Report dated March 2022.

Owing to the above reasons, the Trustee has been unable to identify and appoint a suitable person as a nominee director on the boards of defaulting companies.

General observations with regards to the appointment of nominee director:

It was stated that for:

- (i) Jharkhand Road Projects Implementation Company Limited – This company is part of the IL&FS group which is undergoing the resolution process wherein the Board of Directors is suspended and the new directors appointed are under the Government of India.*
- (ii) ATS Infrabuild Private Limited – This company is under the CIRP vide order dated March 04, 2025 of NCLT, New Delhi, CP (IB) 155/2023.*
- (iii) Future Supply Chain Solutions Limited - the issuer company is under CIRP as per the order dated January 05, 2023 of NCLT, Mumbai CP (IB) 96/2022 and the debenture holders are in direct discussions with the company.*

Therefore, for the companies as mentioned hereinabove are undergoing the CIRP process in accordance with the IBC Code, 2016 and are under moratorium, therefore the appointing nominee directors in a company wherein the IRP/RP has full control of the operations would serve no real purpose. Furthermore, in AO Order dated August 22, 2022 in the matter of IDBI Trusteeship Services Limited v. Fortis Health Care Holdings Private Limited, it was held that appointing any nominee directors in company which was a violating company, would serve no real purpose as the non-compliances by the said company would result in their nominee directors incurring immediate disqualification under the provisions of the Companies Act, 2013.

- (i) India Home Loans Limited - SEBI Master Circular dated August 13, 2025 stated that not less than 75% of the debentures should consent to the decisions and in the instant case as mentioned hereinabove, there was a sole debenture namely, Union Bank of India and there was no instruction received from them for the appointment of a nominee director.*
- (ii) Century Shelters Developers Private Limited – In this case, the debenture holders expressly informed ITSL that they were in talk with the issuer company and no action is required from trustee at that stage. Further, the debentures have been fully redeemed on November 26, 2024, therefore the appointment of a nominee director does not arise.*

Noticee submitted that then above observations were also proposed by it before the competent authorities of SEBI including DDHS on January 08, 2026, the following points were impressed upon:

- (i) Determination of calendar or working days for computing the reporting of defaults.*
- (ii) Initiation of Default Proceedings involving invocation of ICA.*



- (iii) *Need guidelines to appoint nominee director as part policy issue from SEBI in the context of various implication on such nominees and the issuer company is under financial default.*
- (iv) *Debt default disclosures policy may need to be harmonised with other market participants like CRA, disclosures by issuer under LODR regulations, cumulative aspect of default, etc. The above factors arising out of policy dispensation be taken into account, in any case which do not form part of serious violation but form part procedural gaps only, as a mitigating aspect in determining the proceedings under SEBI (mitigating regulations to be framed).*
- (v) *While the debenture trustee is empowered to initiate the process for appointment of nominee director(s), the actual appointment necessarily requires procedural compliance and cooperation from the issuer company, including passing of requisite board resolutions and completion of statutory and regulatory filings. The debenture trustee does not possess unilateral authority to enforce such appointment in the absence of issuer cooperation.*

Hence, in light of the above, there had been no default committed by ITSL with respect to appointment of nominee directors.

E. Not convening meeting of debenture holders within 30 days of event of default

- (a) *Jharkhand Road Projects Implementation Co. Ltd.: Noticee had sent email to debenture holders on October 27, 2022 regarding the next course of action. Debenture holders were of the view that no meeting is required on the assumption that the Govt. of Jharkhand would disburse the annuity and the default would be cured. Noticee was constantly following up with the debenture holders regarding scheduling of the meeting. Since, the default was not cured. A notice was issued on February 14, 2023 for calling a meeting on March 06, 2023. However, requisite quorum was not there on March 06, 2023 and finally meeting was held on March 16, 2023. Therefore, the delay was not due to inaction of trustee rather than technicalities of the case such as sovereign guarantee and non-cooperation from the debenture holders. This is part of IL&FS group which is under separate resolution under GOI notification.*
- (b) *Further, the said issuer forms part of the IL&FS Group, which is undergoing a resolution process pursuant to notifications issued by the Government of India (MCA Notification. Pursuant to order passed by the Hon'ble NCLT, Mumbai dated October 05, 2018, wherein it was ordered "By our Order dated 1.10.2018 (attached as annexure 1 and 3). The existing Board of Directors of the R1 was suspended and Government nominated persons were inducted on the Board to manage the affairs of the company. Now the present Miscellaneous Application has been filed for seeking certain immunities to the Government nominated Directors. Accordingly, the matter is subject to the overarching resolution framework applicable to the group entities."*
- (c) *Century Sheltors Developers Pvt Ltd.: Subsequent to the defaults the sole debenture holders were informed for convening the meeting, however, the debenture holders were of the view that they being sole debenture holders, they would instruct the debenture trustee according to the discussions and decisions they make in consultation with their lawyers. Subsequently, they asked debenture trustee to wait as the*



discussion of debenture holder with the issuer was ongoing in the subject matter and it was hopeful for the premature redemption of the issued securities, which eventually became successful and the securities was fully redeemed. In view of the same, debenture trustee had not acted which may be prejudicial to the interest of the debenture holders. The interest of debenture holder was protected including redemption of debentures in full together with the interest accrued thereon. Further, the debentures were fully redeemed on November 27, 2024.

- (d) *Further, Clause 3.3.6. of Chapter X of SEBI DT master Circular provides that “The consent of the majority of holders of listed debt securities shall mean the approval of not less than 75% of the holders of listed debt securities by value of the outstanding debt and 60% of the holders of listed debt securities by number at the ISIN level.”*

It is a part of negative consent for the debenture trustee meaning that, if the consent is given by more than 75% of the holders of listed debt not to act for any enforcement, then debenture trustee is bound to comply the same. Hence, in the instant case sole debenture holder has instructed for no further process.

Hence, in light of the above there had been no default committed by ITSL with respect to convening of the meeting of the debenture holders.

F. General Submission:

- (a) *ITSL had, at all material times, kept the debenture holders duly informed of developments and has actively explored and pursued appropriate legal remedies to compel issuer compliance under the DTD and applicable laws. All actions undertaken by ITSL were guided solely by the objective of protecting and safeguarding the interests of the debenture holders.*

(b) *Technical/procedural difficulties/irregularities:*

With regards to procedural and technical difficulties/irregularities, Noticee referred to the SAT order dated March 22, 2023 in the matter of IDBI Trusteeship Services Limited v. SEBI (supra) and stated that it was held that every irregularity or deficiency noticed during the course of inspection does not call for initiation of penalty proceedings. The purpose of inspection is to advise the entity to cure the lapse that have been found. If any serious lapse is discovered, then penalty action can be taken.

- (c) *In the matter of UPSE Securities Limited v. SEBI dated July 25, 2011, SAT held that every little irregularity / deficiency noticed during the course of the inspection is not culpable and does not call for initiation of penalty proceedings. The purpose of inspection in quite a few cases could be better achieved if the inspecting team at the time of the inspection were to advise the erring entity. However, if any serious lapse is discovered, it would always be open to the Board to take penal action in accordance with law.*

- (d) *Furthermore, SAT order dated August 02, 2019 in the matter of P.G. Electroplast Limited and its promoter directors, it was held that before imposing a penalty under section 15HB of the SEBI Act, section 15J needs to be taken under consideration. It is elucidated that, “If it is found that a party has not acted deliberately, then the authority has a discretion, to be exercised judicially, whether in a given case, after taking into consideration of all the relevant circumstances, as to whether a penalty should be imposed or not.”*



(e) Also, the order dated August 02, 2019 referred to the matter of Hindustan Steel Ltd. v. State of Orissa dated August 04, 1969, it was mentioned that the Hon'ble Supreme Court precisely held that even if a minimum penalty is prescribed, the authority can refuse to impose penalty in cases wherein there is a technical or venial breach of provisions, after considering the specific circumstances.

Conclusion

(f) ITSL has not defaulted in the discharge of its duties under DT Regulations or any other applicable provision of law. Accordingly, the above facts be considered in their entirety and a fair, just, and lenient view be taken in the matter. ITSL remains committed to maintaining the highest standards of regulatory compliance and governance.

(g) ITSL had not violated any provision of law, including the regulations issued by SEBI. In view of the foregoing and having regard to:

- (i) the bona fide intention, conduct, and actions of ITSL;
- (ii) the fact that no loss or prejudice has been caused to any investor;
- (iii) the status of ITSL as a public sector institution promoted by IDBI, LIC, and GIC;
- (iv) ITSL's consistent commitment to and belief in strict compliance with all applicable regulatory requirements;
- (v) ITSL's record as a law-abiding entity which had acted at all times with utmost good faith and had not committed any violation of the SEBI Regulations; and
- (vi) the fact that no harm, injury, or adverse impact had been caused to public interest or to the debenture holders in the present matter,
- (vii) the fact that the alleged violations at best may be considered technical irregularities and not serious violations.

7. Vide notice of hearing dated February 03, 2026, an opportunity of personal hearing on February 13, 2026 was granted to the Noticee. However, considering the Noticee's request for adjournment of hearing, the hearing was re-scheduled to February 20, 2026. On the said date, authorised representatives of the Noticee (hereinafter referred to as "ARs"), Mr. Satyan Israni (Advocate), Mr. Raghunathan S (Advocate), Mr. Dhruva Jyoti Bora (Executive VP, ITSL) and Mr. Priyesh Mishra (Employee of ITSL) attended the personal hearing in person and reiterated the submissions made by the Noticee vide reply dated January 16, 2026. Further, vide e-mail dated February 23, 2026, Noticee furnished the additional submissions, wherein it reiterated the submissions dated January 16, 2026 and also stated that SEBI Regulations do not specify a timeline and regulations have supremacy over the SEBI Master Circular. Noticee further submitted that three-day timeline prescribed in the SEBI Master Circular is directory in nature and circulars cannot



supersede the regulations. In this regard, Noticee relied upon the judgement of the Hon'ble Bombay High Court in the matter of *Shailesh Harilal Shah and others v. Matushree Textiles Ltd. and others*, AIR 1994 Bom 20, wherein the following was, inter alia, held:

“It is well-established that an enactment in from mandatory might in substance be directory, and that the use of the word 'shall' does not conclude the matter. This question was examined at length in Julius v. Bishop of Oxford [1880] 5 AC 214, and various rules were laid down for determining when a statute might be construed as mandatory and when as directory. They are well-known and there is no need to repeat them. But they are, all of them, only aids for ascertaining the true intention of the Legislature which is the determining factor, and that must ultimately depend on the context.”

“A couple of shareholders cannot be permitted to defeat the interest of a large body of shareholders by raising the contention that the duration of notice was not sufficient and even though such complaints do not indicate any prejudice by service of notice of shorter duration. In our judgment, looking to the object, purpose and scope of provisions of section 171(1) of the Act, the conclusion is inescapable that the provision is merely directory and not mandatory.”

CONSIDERATION OF ISSUES AND FINDINGS

8. I have carefully perused the charges levelled against the Noticee in the SCN, its reply, submissions made during personal hearing and material available on record. The issues that arise for consideration in the present case are as follows:
 - I. Whether Noticee delayed/ failed to issue notices to the debenture holders in event of default by issuers or failed to maintain proof of delivery of notice sent to debenture holders and thereby violated regulation 15(1)(d) of DT Regulations, clause 6.1 of SEBI circular dated October 13, 2020 and clause 3.3.1 of Chapter X of Master Circular for DTs dated July 06, 2023 and May 16, 2024?
 - II. Whether Noticee failed to incorporate the mandatory clauses in the notice sent to debenture holders and thereby violated clause 6.2 of SEBI circular dated October 13, 2020 and clause 3.3.2 of Chapter X of Master Circular for DTs dated July 06, 2023?



- III. Whether Noticee delayed in verifying and updating default history on India BondInfo database and thereby violated clause 2.5 of Chapter XIV of SEBI circular dated April 13, 2022 and Chapter XII of Master Circular for DTs dated July 06, 2023 and May 16, 2024?
 - IV. Whether Noticee failed to appoint nominee director on the board of the issuer company and thereby violated regulation 15(1)(e) of DT Regulations?
 - V. Whether Noticee failed to convene the meeting of debenture holders within 30 days of event of default and thereby violated regulation 15(2)(b) of DT Regulations, clause 6.3 of SEBI circular dated October 13, 2020 and clause 3.3.3 of Chapter X of Master Circular for DTs?
 - VI. Does the violation, if any, attract monetary penalty under section 15HB of the SEBI Act?
 - VII. If so, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in section 15-J of the SEBI Act read with rule 5(2) of the Rules?
9. Before proceeding further, it is pertinent to refer to the relevant provisions of DT Regulations and SEBI circulars which are alleged to have been violated by the Noticee, as under:

DT Regulations:

“Duties of the debenture trustees.

15.(1) *It shall be the duty of every debenture trustee to-*

...

(d) communicate promptly to the debenture holders defaults, if any, with regard to payment of interest or redemption of debentures and action taken by the trustee therefor;

(e) appoint a nominee director on the Board of the company in the event of:

(i) two consecutive defaults in payment of interest to the debenture holders; or

(ii) default in creation of security for debentures; or

(iii) default in redemption of debentures.”

Duties of the debenture trustees.

“15.(2) *A debenture trustee shall call or cause to be called by the body corporate a meeting of all the debenture holders on—*

...

(b) the happening of any event, which constitutes a default or breach of covenants (as specified in the Offer Document/Information Memorandum and/or debenture trust deed) or which in the opinion of the debenture trustees affects the interest of the debenture holders:



Provided that a debenture trustee may seek the consent of debenture holders through e-voting, wherever applicable; Provided further that the requirement to convene a meeting of all debenture holders in case of a default in payment obligation by the issuer, shall not be applicable in case of debentures issued by way of public issue.”

SEBI circular No. SEBI/HO/MIRSD/CRADT/CIR/P/2020/203 dated October 13, 2020:

“6.1. The Debenture Trustee(s) shall send a notice to the investors within 3 days of the event of default by registered post/acknowledgement due or speed post/acknowledgement due or courier or hand delivery with proof of delivery as also through email as a text or as an attachment to email with a notification including a read receipt, and proof of dispatch of such notice or email, shall be maintained.”

“6.2. The notice shall contain the following:

6.2.1. negative consent for proceeding with the enforcement of security;

6.2.2. positive consent for signing the ICA;

6.2.3. the time period within which the consent needs to be provided, viz. consent to be given within 15 days from the date of notice; and

6.2.4. the date of meeting to be convened,”

“6.3. Debenture Trustee(s) shall convene the meeting of all investors within 30 days of the event of default (as per para 6.1 above):

Provided that in case the default is cured between the date of notice and the date of meeting, then the convening of such a meeting may be dispensed with.”

SEBI circular No. SEBI/HO/DDHS/P/CIR/2021/613 dated April 13, 2022:

“2.5. Debenture Trustees:

DTs shall access the database to verify the information regarding default history and other relevant information. in case of any discrepancy, debenture trustee shall notify the same to stock exchanges and update the correct information in the database, within the time stipulated in Annex -XIV-C.”

Master Circulars for DTs:

Clause 3.3.1 of Chapter X of Master Circular for DTs dated July 06, 2023 and May 16, 2024:

“3.3.1. The Debenture Trustee shall send a notice to the investors within three days of the event of default by registered post/ acknowledgement due or speed post/ acknowledgement due or courier or hand delivery with proof of delivery as also through email as a text or as an attachment to email with a notification including a read receipt, and proof of dispatch of such notice or email, shall be maintained.”

Clause 3.3.2 of Chapter X of Master Circular for DTs:

“3.3.2. The notice shall contain the following:

a) A provision for negative consent for proceeding with the enforcement of security; and

b) A provision for positive consent for signing the ICA (in case the Debenture Trustee is approached by other lenders for signing/ joining the ICA); and

c) the time period within which the consent needs to be provided, viz., consent to be given within 15 days from the date of notice; and

d) the date of meeting to be convened.



e) A disclosure to the effect that in case requisite consents are not received either for enforcement of security or for signing ICA, then the Debenture Trustee shall take further action, if any, as per the decision taken in the meeting of the holders of listed debt securities.”

Clause 3.3.3 of Chapter X of Master Circular for DTs:

“3.3.3. Debenture Trustee shall convene the meeting of holders of listed debt securities within 30 days of the event of default: Provided that in case the default is cured between the date of notice and the date of meeting, then the convening of such a meeting may be dispensed with.”

Chapter XII of Master Circular for DTs:

“Debenture Trustee shall access the database to verify the information regarding default history and other relevant information. In case of any discrepancy, Debenture Trustee shall notify the same to Stock Exchanges and update the correct information in the database, within the time stipulated below-

Activity Timelines Verification and updating of default history information about the instrument/ issuer, as applicable in the database: Within seven days knowledge of default.”

10. The issues raised in this matter are dealt in the following paragraphs.

Issue I. Whether Noticee delayed/ failed to issue notices to the debenture holders in event of default by issuers or failed to maintain proof of delivery of notice sent to debenture holders and thereby violated regulation 15(1)(d) of DT Regulations, clause 6.1 of SEBI circular dated October 13, 2020 and clause 3.3.1 of Chapter X of Master Circular for DTs dated July 06, 2023 and May 16, 2024?

11. Before proceeding to the merits of the case, it is appropriate to deal with the preliminary issues raised by the Noticee. Noticee submitted that SEBI Regulations do not specify a timeline and SEBI Regulations have supremacy over SEBI circulars and circulars cannot supersede the Regulations. Noticee further contended that three-day timeline prescribed in the SEBI Master Circular is directory in nature. In this regard, Noticee relied upon the judgement of the Hon’ble Bombay High Court in the matter of *Shailesh Harilal Shah and others v. Matushree Textiles Ltd. and others*.
12. However, Master Circular supplements the DT Regulations by providing necessary operational and procedural regulatory frameworks for the debenture trustees and thus there is no conflict between the Master Circular for DTs and DT Regulations. As per regulation 15(1)(d) of the DT Regulations, DTs require to promptly inform



debenture holders about any defaults relating to interest payment or redemption. Similarly, Master Circular for DTs further stipulates that DTs are required to issue a notice to investors within three days of an event of default. Therefore, the question of overriding of DT Regulations by SEBI Master Circular does not arise. Further, it is noted that SEBI circulars which have been allegedly violated by the Noticee were issued in exercise of the powers conferred under section 11(1) of the SEBI Act and regulation 2A of the DT regulations, etc. The provisions of section 11(1) of the SEBI Act provides that *“Subject to the provisions of this Act, it shall be the duty of the Board to protect the interests of investors in securities and to promote the development of, and to regulate the securities market, by such measures as it thinks fit.”* Consequently, the circulars issued by SEBI under section 11(1) of the SEBI Act read with regulation 2A of the DT regulations are legally binding on the Noticee. Hence, Noticee’s submission is devoid of any merit.

13. Further, regarding Noticee’s contention that three-day timeline prescribed in the SEBI Master Circular is directory in nature, it is noted that as per clause 6.1 of SEBI circular dated October 13, 2020 and clause 3.3 of Chapter X of the Master Circular for DTs clearly mandates that *“The Debenture Trustee shall send a notice to the investors within three days of the event of default by registered post/ acknowledgement due or speed post/ acknowledgement due or courier or hand delivery with proof of delivery as also through email as a text or as an attachment to email with a notification including a read receipt, and proof of dispatch of such notice or email, shall be maintained.”* The language, object and intent of the regulatory framework make it clear that the requirement to send a notice to the debenture holders within three days of the event of default is a mandatory obligation intended to ensure market integrity and prompt dissemination of default information to the investors to protect their interest. The use of imperative language in the provision, coupled with the absence of any express discretion permitting any extension beyond the prescribed timelines, indicates a clear legislative intent to impose strict compliance. Treating the provision as merely directory would defeat the regulatory purpose and permit circumvention of regulatory provisions through delayed actions, thereby undermining the interest of the investors and market discipline sought to be



achieved through the DT Regulations. Therefore, the provisions of said SEBI circular and Master Circular for DTs cannot be construed as directory or advisory in nature.

14. Furthermore, the reliance placed by the Noticee on the judgment of the Hon'ble Bombay High Court in the matter of *Shailesh Harilal Shah and others v. Matushree Textiles Ltd. and others* is misplaced as the facts, legal context and statutory provisions interpreted in the cited matter pertain to general corporate law and internal management. They bear no relevance to the strict, time-bound disclosure norms mandated by SEBI for public debt securities.
15. Therefore, the preliminary issues raised by the Noticee hold no merit. Having dealt with the preliminary contentions, I shall now proceed to address the key issues that arise for consideration.
16. It was alleged in the SCN that Noticee failed to issue notice to debenture holders/ failed to issue notice within prescribed timelines/ failed to maintain proof of delivery of notice sent to debenture holders in cases of the defaults by issuers, viz., India Home Loans Ltd., Jharkhand Road Projects Implementation Company Ltd., ATS Infrabuild Pvt. Ltd., Century Sheltors Developers Pvt. Ltd., Future Supply Chain Solutions Ltd. as mentioned in Table-1 hereinabove.
17. In response to allegations of delayed issuance of notice concerning the default by India Home Loans Ltd., Noticee submitted that it received the communication regarding the event of default from the issuer company on June 30, 2023 at 9:11 p.m. (Friday), i.e., after the close of business hours. The notice to the debenture holders was issued on July 5, 2023 (Wednesday), which was within three working days. Noticee further contended that the regulations do not specify any reference word for calendar days or working days. Hence, there is no delay nor failure in intimation. In this regard, it is noted that clause 6.1 of SEBI circular dated October 13, 2020 and clause 3.3 of Chapter X of the Master Circular for DTs explicitly mandates DTs to issue a notice to debenture holders within three days of the event of default, with the notice containing certain mandatory provisions. In interpretation of regulatory statutes, the word 'days', when unqualified, means continuous calendar days. While the SEBI circulars clearly specify for issuance of the notice within three



days of the event of default, these circulars do not provide any express leeway or carve-out to the Noticee to substitute 'days' for 'calendar days'. Allowing such an elastic interpretation of fixed regulatory windows undermines the time-sensitive nature of default disclosures, creates information asymmetry and may compromise investor protection.

18. In this connection, reference is drawn to the Master Circular for DTs dated May 16, 2024 wherein the circular refers to both 'days' and 'working days'. For example, at Chapter II, clause 2.2.2(a)(B), an intimation to existing charge holders needs to be communicated within five working days, at Chapter III, clause 5.4(b), the DT shall validate the covenants entered by the issuer within seven working days, at Chapter III, clause 5.9(b), the DT shall update the status of payment in the system within seven working days from the interest payment becoming due, etc. Similarly, the Master circular at Chapter II, clause 2.6.3, mandates registration of charge within 30 days of creation of charge. At Chapter VII, clause 1, disclosure by DT in its website uses 'days' when periodicity is mentioned, at Chapter VII, clause 3.2, the DT shall update details of a new issue within five days of close of issue, etc. Thus, the Master Circular makes a clear distinction between 'days' and 'working days' and since clause 3.3.1 specifically says 'three days', there is no scope for interpretation by the Noticee as 'three working days'.
19. Further, Noticee contended that the compliance with dual-mode communication as contemplated under clause (f) of DDHS-SEC comments stands fully satisfied, as further corroborated by minutes of meeting dated July 27, 2023. In this context, a perusal of the said minutes reveals that the discussion was related to the remedies and resolution process for the default. Moreover, it was held on 27th day of the default. However, the minutes do not contain or mention anything regarding the issuance or service of the mandatory notice to the debenture holders. In view of the above, Noticee's contentions are not acceptable. Since the event of default occurred on June 30, 2023, the mandated three-day disclosure window expired on July 3, 2023. By issuing the notice only on July 5, 2023, the Noticee delayed the disclosure by two days. Accordingly, I hold that the Noticee failed to issue notice within prescribed three days for the default committed by India Home Loans Ltd. beyond



the delayed issue of notices, Noticee also failed to produce any verifiable proof of delivery for the notices sent to the debenture holder.

20. Regarding the allegation of delayed notice concerning the default by Jharkhand Road Projects Implementation Company Ltd. (JRPICL), Noticee submitted that JRPICL is group company of IL&FS and it is under control of the MCA and Government of India and therefore, these procedural aspects do not prejudice any investors. Further, JRPICL is exempt from standard procedural lapses due to NCLT/NCLAT intervention. In this regard, it is noted that the issuer was under the debt resolution process in the NCLT/NCLAT and the issuer's management was superseded by a government appointed board to safeguard public interest. Further, I note that active legal moratoriums and debt resolution process was effective and no prejudice was caused to the debenture holders, thus, the regulatory timelines for issuance of the notice could not be enforced rigidly in this case. Considering these circumstances, I am inclined to drop the allegations in favour of the Noticee.

21. As regards the allegation of delayed notification and the non-disclosure of email recipients concerning the default by ATS Infrabuild Pvt. Ltd. on June 11, 2023, the Noticee contended that it convened a debenture holders' meeting on June 21, 2023 (within the 30-day window), and that the notice dated June 16, 2023, along with investor participation, satisfies the spirit of regulatory compliance. In this regard, it is noted that the obligation to convene a meeting of debenture holders within 30 days is an independent regulatory requirement that does not dilute, substitute, or extend the strict regulatory mandate to issue a default notice within three days of the event of default. Factually, the event of default occurred on June 11, 2023, meaning the mandated three-day disclosure window expired on June 14, 2023. By issuing the notice only on June 16, 2023, the Noticee committed a delay of two days. Furthermore, the Noticee failed to disclose the underlying recipients in its June 16, 2023 email submission, making it impossible to ascertain or verify if all eligible debenture holders were notified. Subsequent investor attendance or references to the default within meeting minutes cannot retrospectively cure a delay in complying with the SEBI directives, nor can it absolve the Noticee's failure to establish the identity of the recipients of the mail. Consequently, the Noticee's contentions are



untenable. Accordingly, I hold that the Noticee failed to issue the mandatory default notice to debenture holders within the prescribed three days, failed to establish proper service of notice to all the debenture holders, and further failed to produce verifiable proof of delivery for the notices sent.

22. In response to allegations of failure to issue valid notices within the prescribed timelines and failure to submit proof of delivery concerning the defaults by Century Sheltors Developers Pvt. Ltd. on March 31, 2024, and June 30, 2024, the Noticee submitted that it sent immediate email intimations to the sole debenture holder, who explicitly waived the requirement for further processes or meetings. The Noticee further submitted that the underlying debentures were subsequently fully redeemed on November 27, 2024. In this regard, it is noted that the Noticee vide e-mails dated April 03, 2024 and July 02, 2024, respectively, intimated the sole debenture holder, which is within mandated three-day period from the respective dates of default. Given that there was only a single debenture holder who was timely informed of the defaults, gave explicit written instructions regarding the further course of action and the debentures were fully repaid via complete redemption, the regulatory intent of timely disclosure stands satisfied in this case. Therefore, the submission of the Noticee is accepted and I hold that there was no delay or failure by the Noticee in intimation regarding the defaults committed by Century Sheltors Developers Pvt. Ltd.
23. On the allegations of failure to issue a default notice within the prescribed three days concerning the default by Future Supply Chain Solutions Ltd. on September 26, 2022, the Noticee submitted that it was in continuous contact with the sole debenture holder, Azim Premji Trust (Azim Premji Foundation). The Noticee further submitted that the sole debenture holder confirmed the default and itself proposed the date and time for a meeting via emails dated September 28 and 29, 2022. Consequently, a formal meeting of the sole debenture holder was convened and held on September 29, 2022, which was within three days of the event of default. In this regard, it is noted that the Noticee vide e-mail dated September 28, 2022, informed the sole debenture holder of the default and it was active engagement with the Azim Premji Trust and conducted a meeting within the mandated three-day period from the date of default. Given that there was only a single debenture holder who was immediately



informed, followed by a meeting with the sole debenture holder, the regulatory intent of timely disclosure by the Noticee stands satisfied in this case. In this specific context, Noticee's conduct as a fiduciary conduit was aligned with the underlying regulatory objective, as there was no information asymmetry or investor prejudice. Therefore, the submission of the Noticee is accepted, and I hold that there was no delay or failure in intimation regarding the default committed by Future Supply Chain Solutions Ltd.

24. In view of the findings made above in respect of India Home Loans Ltd. and ATS Infrabuild Pvt. Ltd., I hold that the Noticee violated the provisions of regulation 15(1)(d) of DT Regulations, clause 6.1 of SEBI circular dated October 13, 2020 and clause 3.3.1 of Chapter X of Master Circular for DTs dated July 06, 2023 and May 16, 2024.

Issue II. Whether Noticee failed to incorporate the mandatory clauses in the notice sent to debenture holders and thereby violated clause 6.2 of SEBI circular dated October 13, 2020 and clause 3.3.2 of Chapter X of Master Circular for DTs dated July 06, 2023?

25. W.r.t. default made by India Home Loans Limited, it was alleged that the Noticee failed to incorporate the following mandatory clauses in the notice issued to debenture holders on dated July 05, 2023:
- (a) A provision for negative consent for proceeding with the enforcement of security;
 - (b) A provision for positive consent for signing the Inter Creditor Agreement (ICA) (in case the debenture trustee is approached by other lenders for signing/ joining the ICA); and
 - (c) The time period within which the consent needs to be provided, viz., consent to be given within 15 days from the date of notice.
26. With respect to above allegations, Noticee submitted that it dispatched a default notice on July 5, 2023, convening a debenture holders' meeting on July 27, 2023, to address the payment defaults of June 30, 2023 and argued that its notice substantively aligned with and reflective of the intent and scope of the applicable mandatory provision. The Noticee contended that any deviation from the statutory



language is a mere matter of articulation, whether framed as affirmative, negative, or majority consent and that the underlying principle of collective investor decision-making remains uncompromised. While the consent clause remains formally applicable, it is conceptually designed to regulate scenarios involving a plurality of holders to ensure collective decision-making, however, in the present case, Union Bank of India is the sole debenture holder, a public sector bank whose core operations are banking. Where there is only one debenture holder, majority thresholds under said clause become theoretical, the consent mechanism collapses into a sole investor decision and the Trustee's actions are determined exclusively by the decision of such holder. Consequently, clauses such as a provision for positive consent for signing the ICA shall not be applicable as there is only one creditor in the company. Mechanical reproduction of inapplicable clauses should not be insisted upon as adding provisions which are not applicable may create confusions on practical aspects to the debenture holders. All the applicable and necessary clauses were included keeping in view the sole investor, and there was no violation of the provisions by ITSL.

27. In this regard, it is observed that the SEBI Master Circular for debenture trustees expressly mandates that, upon occurrence of a default by the issuer, the notice issued to debenture holders shall contain specific and distinct clauses, including (i) a provision for negative consent for enforcement of security, (ii) a provision for positive consent for signing the ICA, and (iii) a stipulation that consent shall be provided within 15 days from the date of the notice. The language provided in the circular is mandatory in nature and does not confer any discretion upon the Noticee to selectively omit any prescribed clause based on its own assessment of relevance, applicability or practical utility. The prescribed clauses are intended to become operative in the event issues relating to enforcement of security or execution of an ICA arise consequent to a default and therefore constitute an essential component of the standardised regulatory framework governing default resolution by debenture trustees. It is further noted that the concept of an Inter Creditor Agreement is not confined solely to situations involving multiple debenture holders but extends to coordination among different classes of lenders and creditors of the issuer. SEBI



circular specifically contemplates circumstances wherein the debenture trustee may be approached by other lenders for signing or joining an ICA. Therefore, the possibility of participation in an ICA cannot be ruled out merely because there existed only one debenture holder under the concerned issue. Even assuming that Union Bank of India was the sole debenture holder, the issuer company, namely India Home Loans Limited, functioned within a broader lending ecosystem involving other creditors and financial stakeholders. In such circumstances, the inclusion of the prescribed consent mechanism in the default notice assumes operational and legal significance. In the absence of any exemption under the regulatory framework for issuances having a sole debenture holder or institutional investor, the Noticee cannot treat the prescribed provisions as optional or dispensable. Consequently, the submission of the Noticee that incorporation of such clauses would have caused confusion or mechanical reproduction of the prescribed regulatory language was unnecessary, reflects a misconceived understanding of its compliance obligations as a debenture trustee. Noticee is required to ensure adherence to the regulatory framework as prescribed and it cannot dilute, modify or dispense with mandatory requirements on grounds of perceived redundancy or practical convenience. Accordingly, the contention of the Noticee that the notice substantively aligned with the intent of the regulation and that the omission was merely a matter of drafting or articulation is not tenable.

28. Factually, it remains undisputed that the default notice dated July 05, 2023 issued by the Noticee did not contain (i) a provision for negative consent for enforcement of security, (ii) a provision for positive consent for signing the ICA, and (iii) the mandatory stipulation requiring consent to be provided within a period of 15 days from the date of notice. Once an event of default occurs, the debenture trustee is obligated to issue a notice incorporating all clauses prescribed under the SEBI circular in the manner specified therein. A violation of the regulatory framework stands established upon failure to comply with the prescribed requirements and formats, irrespective of the Noticee's subjective assessment of practical necessity or investor profile. Therefore, the submissions advanced by the Noticee are untenable.



29. In view of the above, I hold that the Noticee violated the provisions of clause 6.2 of SEBI circular dated October 13, 2020 and clause 3.3.2 of Chapter X of Master Circular for DTs dated July 06, 2023.

Issue III. Whether Noticee delayed in verifying and updating default history on India BondInfo database and thereby violated clause 2.5 of Chapter XIV of SEBI circular dated April 13, 2022 and Chapter XII of Master Circular for DTs dated July 06, 2023 and May 16, 2024?

30. It was alleged that Noticee failed to verify and update the default history information about the instrument/issuer in the India BondInfo Database within seven days of knowledge of default for the cases of ATS Infrabuild Pvt. Ltd. (date of default: June 11, 2023) and Future Supply Chain Solutions Ltd. (date of default: September 26, 2022). It was further alleged that Noticee submitted false information to SEBI during inspection stating that it had updated default history within prescribed timelines. It was observed that Noticee tried to mislead SEBI by claiming that the automatic overwriting of old default history with new updates ensures compliance, when in fact the updates were not made within the prescribed timelines.
31. In response to above allegations, Noticee submitted that, in the cases of ATS Infrabuild Pvt. Ltd. and Future Supply Chain Solutions Ltd., the default history on the BondInfo platform was updated from time to time in accordance with the relevant event dates and that the earlier default entries were already reflecting on the portal when subsequent default events were updated. Noticee contended that during the process of recording subsequent defaults, the previously recorded verification dates were inadvertently overwritten on the platform, which has also been observed in other similar cases. However, the underlying default history as reflected on the Bondinfo portal has remained unchanged and intact, and there was no alteration or suppression of the factual default events. In this context, Noticee relied upon the order of the Hon'ble SAT in the matter of *IDBI Trusteeship Services Ltd. v. SEBI (Appeal No. 186 of 2023)*. Noticee also argued that it had neither furnished false information nor attempted to mislead SEBI and that updation on the NSDL BondInfo platform was beyond its direct control. Accordingly, Noticee submitted that there was



no delay in verification or updation of the default history on the India BondInfo database.

32. Upon examination of the material available on record and India BondInfo website, it is observed that the default events and date of verifications related to the aforesaid defaults are reflected in the BondInfo database. Apparently, the previously recorded verification dates could have been overwritten by the Noticee on the BondInfo platform during subsequent updates. Further, in the absence of any conclusive evidence indicating that the default history information about the instrument/issuer were not updated in the India BondInfo Database within seven days of the default, I am inclined to accept the submission to the Noticee and grant benefit of the doubt to it.
33. In view of the above, I hold that the allegation of the violation of the provisions of clause 2.5 of Chapter XIV of SEBI circular dated April 13, 2022 and Chapter XII of Master Circular for DTs dated July 06, 2023 and May 16, 2024 by the Noticee is not established.

Issue IV. Whether Noticee failed to appoint nominee director on the board of the issuer company and thereby violated regulation 15(1)(e) of DT Regulations?

34. It was alleged that Noticee failed to appoint nominee directors as prescribed under regulation 15(1)(e) of the DT Regulations in the following cases:
- (i) India Home Loans Limited (Default in redemption);
 - (ii) Jharkhand Road Projects Implementation Company Ltd. (Two consecutive defaults in payment of interest to debenture holders);
 - (iii) ATS Infrabuild Pvt. Ltd. (Two consecutive defaults in payment of interest to debenture holders);
 - (iv) Century Sheltors Developers Pvt. Ltd. (Two consecutive defaults in payment of interest to debenture holders); and
 - (v) Future Supply Chain Solutions Ltd. (Default in payment of interest and redemption).



35. In response to above allegations, Noticee submitted that, in respect of various issuer companies, no violation had been committed regarding appointment of nominee directors, as actions were undertaken in accordance with debenture holders' directions, applicable SEBI circulars, and prevailing insolvency/resolution frameworks. Further, the issuer-wise submissions of the Noticee are as under:
- (a) In the case of India Home Loans Limited, the issuer defaulted on June 30, 2023 and Noticee issued communications for incorporation of enabling provisions relating to nominee directors. However, since there was a sole debenture holder who did not instruct initiation of further enforcement measures, ITSL contended that it was bound by the principle of "negative consent" and by regulation 24(1) of the NCS Regulations, which requires consultation with debenture holders before appointment of nominee directors.
 - (b) For Jharkhand Road Projects Implementation Company Limited and ATS Infrabuild Private Limited, the defaults had occurred prior to expiry of the timeline granted under SEBI circulars for amending DTDs and Articles of Association. Further, both entities were subject to insolvency/resolution processes, Jharkhand Road Projects being part of the IL&FS resolution framework under Government-appointed management, and ATS Infrabuild being under CIRP with the IRP in control. Further, in case of ATS, a letter dated September 27, 2023 was issued stipulating the requirement for incorporating provisions relating to the appointment of nominee directors, including amendment of relevant clauses of the DTD. Accordingly, Noticee argued that appointment of nominee directors would serve no practical purpose in companies where boards stood suspended or management control had shifted to IRP/RP or Government-nominated directors.
 - (c) In the matter of Century Shelters Developers Private Limited, the default notice itself referred to the nominee director provisions contained in the DTD and that the debenture holders expressed their intent to engage with the issuer regarding early redemption of the securities in the interest of safeguarding debenture holders' rights. Pursuant to these discussions and coordinated efforts of the debenture holders and debenture trustee, the issued securities were fully



redeemed on November 27, 2024. The sole debenture holder had not provided or instructed for the appointment of the nominee director, the debenture trustee is not in violation of the regulations.

(d) In case of Future Supply Chain Solutions Limited, the issuer was already under CIRP and that debenture holders had expressly decided not to precipitate enforcement action while continuing discussions with the issuer. Noticee contended that in absence of instructions or requisite majority consent from debenture holders, no violation could be alleged.

36. Noticee further highlighted broader practical difficulties in implementing the nominee director framework, including lack of willing professionals, exposure of nominee directors to disqualification under section 164(2) of the Companies Act, 2013, risk of vicarious liability, absence of safe harbour provisions, and inadequacy of indemnity arrangements. Noticee submitted that these concerns had also been acknowledged in SEBI Board discussions and Company Law Committee reports. Noticee stated that practical and structural challenges faced by debenture trustees in the implementation of the nominee director framework and various policy-level reforms are under discussion before SEBI and DDHS. Accordingly, the Noticee contended that the appointment of nominee directors is not entirely within the unilateral control of the debenture trustee and requires cooperation of issuer companies, debenture holders, and compliance with statutory procedures. In view of the aforesaid circumstances, the Noticee submitted that no default or regulatory violation could be attributed to it with respect to appointment of nominee directors.

37. In this regard, it is noted that the in the cases of India Home Loans Limited and Century Shelters Developers Private Limited, the debenture holders had either not instructed initiation of further enforcement measures or had expressly preferred continuation of discussions with the issuer instead of any action. Further, in the cases of Jharkhand Road Projects Implementation Company Limited, ATS Infrabuild Private Limited and Future Supply Chain Solutions Limited, the issuer entities were either undergoing CIRP proceedings or were subject to special resolution frameworks where the boards of directors had already been superseded or management control had vested with IRP/ RP/ Government-nominated directors,



thus, appointment of nominee directors by the debenture trustee was not possible. Further, the concerns highlighted by the Noticee, viz., practical aspects relating to lack of willing professionals, exposure to liabilities under section 164(2) of the Companies Act, 2013 and absence of adequate regulatory safeguards for nominee directors, the appointment of nominee directors could not be undertaken unilaterally, etc., cannot said to be entirely without substance, particularly in distressed entities undergoing insolvency or restructuring proceedings. Moreover, it is observed that the Noticee had undertaken certain steps such as issuing communications to issuers containing suitable provisions, engaging with debenture holders and monitoring developments in the insolvency/resolution proceedings. Therefore, considering the surrounding facts and circumstances, I am inclined to take a lenient view and accept the aforesaid submissions of the Noticee.

38. In view of the above, I hold that the allegation of the violation of regulation 15(1)(e) of DT Regulations by the Noticee is not established.

Issue V. Whether Noticee failed to convene the meeting of debenture holders within 30 days of event of default and thereby violated regulation 15(2)(b) of DT Regulations, clause 6.3 of SEBI circular dated October 13, 2020 and clause 3.3.3 of Chapter X of Master Circular for DTs?

39. It was alleged that Noticee failed to convene a meeting of debenture holders within 30 days of the event of default in case of Jharkhand Road Projects Implementation Company Ltd. (date of default: October 20, 2022) and Century Sheltors Developers Pvt. Ltd. (dates of default: March 31, 2024 and June 30, 2024).
40. In response to the above allegations, Noticee submitted that no violation was committed with respect to convening meetings of debenture holders within the prescribed timelines, as delays occurred due to circumstances beyond its control and in accordance with debenture holders' instructions. In the case of Jharkhand Road Projects Implementation Co. Ltd., Noticee had initiated communication with debenture holders on October 27, 2022 regarding the future course of action. However, the debenture holders were of the view that a meeting was not immediately required, as they expected the Government of Jharkhand to release annuity



payments and cure the default. The Noticee continued to follow up with debenture holders and, when the default persisted, issued a notice on February 14, 2023 convening a meeting for March 06, 2023. Since quorum was not available on the scheduled date, the meeting was ultimately held on March 16, 2023. It was contended that the delay was attributable to practical difficulties, including lack of cooperation from debenture holders and the issuer's status as part of the IL&FS group undergoing a separate Government-led resolution process pursuant to orders of the Hon'ble NCLT, Mumbai.

41. With regard to Century Shelters Developers Pvt. Ltd., the Noticee submitted that the sole debenture holder had been informed regarding convening of meetings after the default. However, the debenture holder advised the trustee to await the outcome of its ongoing discussions with the issuer and its legal advisors, as negotiations for premature redemption were underway. These discussions ultimately resulted in full redemption of the debentures on November 27, 2024. The Noticee contended that it acted in accordance with the instructions of the sole debenture holder and in a manner that protected investor interests, without taking precipitative enforcement measures. The Noticee further argued that the principle of "negative consent" applies to debenture trustees, meaning that where requisite debenture holders direct the trustee not to initiate further action, the trustee is bound to comply. Accordingly, since the sole debenture holders in the concerned cases had instructed that no further process be initiated, the Noticee contended that no default or regulatory violation could be attributed to it in relation to convening meetings of debenture holders.
42. In case of JRPICL, it is noted that the debenture holders expected the Government of Jharkhand to release annuity payments and cure the default, thus they were of the view that a meeting was not required immediately. Though Noticee followed up with debenture holders, the meeting could be convened only on March 16, 2023 due to lack of cooperation from debenture holders and the issuer's status as part of the IL&FS group company undergoing a Government-led debt resolution process pursuant to orders of the Hon'ble NCLT. Considering the aforesaid facts and that the issuer's management was superseded by a government appointed board and the



issuer was under the debt resolution process, I am inclined to accept the submissions of the Noticee.

43. In case of Century Shelters Developers Pvt. Ltd., the events of default occurred on March 31, 2024, and June 30, 2024. Noticee failed to convene the mandated meetings within 30 days of either default event, choosing instead to defer to private, ongoing negotiations between the sole debenture holder and the issuer, which eventually culminated in redemption only on November 27, 2024. While the ultimate full redemption of the debentures is a positive commercial outcome for the investor, it does not retroactively cure or erase a clear regulatory non-compliance persisted during the previous period. Debenture trustees are vital market intermediaries tasked with safeguarding the structural integrity of the debt market. Noticee chose to prioritize informal bilateral coordination over formal regulatory procedures, thereby failed to comply with the explicit timelines laid down by SEBI circular. Consequently, the Noticee's contention that no regulatory violation can be attributed to it is not acceptable and the charge of failing to convene the meetings of debenture holders within 30 days of the default is established.
44. It is noted that the requirement related to convening of meetings of debenture holders upon occurrence of default is intended to ensure timely dissemination of information and collective decision-making by debenture holders. Such obligation is cast upon the debenture trustee independently under the applicable regulatory framework. The obligation to convene meetings within the prescribed timelines cannot ordinarily be dispensed with merely on the basis of informal discussions or assumptions that the default may subsequently be cured. Further, Noticee claimed that it did not convene the meeting of debenture holders as per advice of the of debenture holders. However, Noticee failed to furnish any documentary evidence on record to substantiate its claim. Therefore, the contentions of the Noticee cannot be accepted.
45. In view of the above, I hold that the Noticee violated the provisions of regulation 15(2)(b) of DT Regulations, clause 6.3 of SEBI circular dated October 13, 2020 and clause 3.3.3 of Chapter X of Master Circular for DTs.



Issue VI. Does the violation, if any, attract monetary penalty under section 15HB of the SEBI Act?

46. In the light of findings and observations made against the Noticee in the foregoing paragraphs, it is established that the Noticee violated the following provisions:

- (a) Regulation 15(1)(d) of DT Regulations, clause 6.1 of SEBI circular dated October 13, 2020 and clause 3.3.1 of Chapter X of Master Circular for DTs dated July 06, 2023 and May 16, 2024;
- (b) Clause 6.2 of SEBI circular dated October 13, 2020 and clause 3.3.2 of Chapter X of Master Circular for DTs dated July 06, 2023; and
- (c) Regulation 15(2)(b) of DT Regulations, clause 6.3 of SEBI circular dated October 13, 2020 and clause 3.3.3 of Chapter X of Master Circular for DTs.

The said violations by the Noticee attract monetary penalty under the provisions of the section 15HB of the SEBI Act.

47. With regard to levy of monetary penalty, Noticee submitted that the violations are at best merely technical or procedural in nature which do not merit imposition of penalty, the default did not result in any undue harm to investors and the object of inspection is remedial and not punitive, hence, no penalty should be imposed on it. In this regard, Noticee relied on the observations of the Hon'ble Supreme Court in the case of *Hindustan Steel v. State of Orissa*¹, observations of the Hon'ble SAT in the matter of *UPSE Securities Limited v. SEBI*², *IDBI Trusteeship Services Limited v. SEBI*³ and *P.G. Electroplast Limited v. SEBI*⁴.

48. I find that the allegation of violations established in the cases relied upon by Noticee are materially different from the violations that have been established in the present case. Further, the facts and circumstances of the said cases differ from the instant matter and Noticee has also failed to demonstrate that how the aforesaid cases will

¹ 1969 (2) SCC 627

² Appeal No. 109 of 2011, decided on July 25, 2011

³ Appeal No. 186 of 2023, decided on February 22, 2023

⁴ Appeal No. 281 of 2017



be applicable in the instant proceedings. I shall now proceed to deal with the aforesaid cases in the following paragraphs.

49. In the matter of *Hindustan Steel v. State of Orissa*, it was held by the Hon'ble Supreme Court that "*Even if a minimum penalty is prescribed, the authority competent to impose the penalty will be justified in refusing to impose penalty, when there is a technical or venial breach of the provisions of the Act or where the breach flows from a bonafide belief that the offender is not liable to act in the manner prescribed by the statute.*" I note that the position has since been clarified by the Hon'ble Supreme Court in its order dated May 23, 2006 in the case of *Chairman SEBI v. Shriram Mutual Fund and Anr. 68 SC 216 (SC)*, wherein it was held that decision in case of Hindustan Steel Ltd. pertained to criminal/quasi criminal proceedings and it would not apply to imposition of civil liabilities under SEBI Act and regulations made thereunder.
50. Further, I note that the Hon'ble SAT in the matter of *UPSE Securities Limited* observed that for serious lapses, it would always be open to SEBI to take penal action in accordance with law. Accordingly, in my view, the violations in the instant matter are not merely technical or procedural and should be dealt with the suitable penalty.
51. Similarly, in the matter of *IDBI Trusteeship Services Limited*, inspection findings were made regarding failure in updating the default history information and asset cover certificate, which were observed to be technical and not serious in nature by the Hon'ble SAT. Besides, in the said matter, it was also noted by the Hon'ble SAT that "*..... AO was required to deal with the contention raised by the appellant and was required to give a finding as to whether the contention raised was correct or incorrect. We find that without giving a finding on this aspect the AO has proceeded on a presumption that the appellant has violated the circular.*" I note that the contentions raised by the Noticee in this case have been duly considered and addressed with reasoning. Further, the inspection findings in this matter do not merely reflect minor or technical discrepancies. Rather, the lapses are substantial and serious in nature, striking at the core of debt market discipline, market integrity, and protection of the



interest of debenture holders in case of default by the issuers. Therefore, the ratio of aforesaid case does not provide any support to the Noticee in the instant matter.

52. In respect of *P.G. Electroplast* case, it is noted that the matter was related to adequate disclosures in the draft red herring prospectus by P.G. Electroplast for public issue, where the Hon'ble SAT observed the information related to the ICD agreements were communicated to its merchant banker, the prospectus had fairly disclosed the relevant information and the details related to agreements for purchase of land executed with other entities was mentioned in the prospectus but not at the appropriate place. Hence, the non-disclosure was observed to be a technical violation only and the maximum penalty of Rs. 1 crore each imposed upon the appellants was observed to be grossly disproportionate to the violation. However, the facts and circumstances of the instant case and violations established in this case are materially different from the observations made by the Hon'ble SAT in said matter. Accordingly, reliance placed by the Noticee on the observations of the Hon'ble SAT in case of P.G. Electroplast is misplaced.

53. In this regard, further reliance is placed on the judgment of Hon'ble Supreme Court in the matter of *SEBI v. Shriram Mutual Fund*, wherein it was, *inter-alia*, observed that *"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant. A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must made by the defaulter with guilty intention or not."*

54. The aforesaid violations make the Noticee liable for penalty under section 15HB of the SEBI Act. The said section reads as follows:

"Penalty for contravention where no separate penalty has been provided.

15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees."



Issue VII. If so, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in section 15-J of the SEBI Act read with rule 5(2) of the Rules?

55. While determining the quantum of penalty, the following factors stipulated in section 15-J of the SEBI Act are taken into account:

“Factors to be taken into account while adjudging quantum of penalty

15J. *While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely :—*

- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
- (b) the amount of loss caused to an investor or group of investors as a result of the default;*
- (c) the repetitive nature of the default.”*

56. In this connection, any quantifiable gain or unfair advantage accrued to the Noticee or the extent of loss suffered by the investors as a result of non-compliance to the provisions of DT Regulations and SEBI circulars is not available from the material available on record. In respect of the repetitive nature of the default, the details of previous defaults by the Noticee and corresponding actions are summarised in the table given below:

Table-2

Sr. No.	Case name	Provisions violated	Date of Order	Penalty/ Directions
1	In the matter of Fortis Healthcare Holdings Pvt. Ltd.	Regulation 15(2)(5) and clause 3 of Schedule III of Code of Conduct as specified in DT Regulations.	August 22, 2022	₹1,00,000/-
2	Order in the matter of India Infrastructure Fund-II	Regulation 20(1) and 20(2) of the SEBI (Alternate Investment Funds) Regulations, 2012 (AIF Regulations) and clause 3(d) of the Code of Conduct specified in Fourth Schedule to the AIF Regulations.	May 31, 2023	Warning to be careful in future.

57. Further, in the present matter, based on the foregoing findings, it is established that the Noticee failed to comply with the mandatory requirements of the DT Regulations and SEBI circulars. As a SEBI registered intermediary, Noticee operates in a fiduciary capacity and is under a statutory obligation to abide by the regulatory



framework designed to protect investor interests. However, Noticee failed to comply with the provisions of DT Regulations and SEBI circulars, which render it liable for a monetary penalty.

ORDER

58. Taking into account the facts and circumstances of the case, material available on record, submissions of the Noticee, findings hereinabove and factors mentioned in section 15J of the SEBI Act, in exercise of the powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Rules, I hereby impose a monetary penalty of ₹2,00,000/- (Rupees Two Lakh only), under section 15HB of the SEBI Act, on the Noticee. In my view, the said penalty is commensurate with the violations committed by the Noticee in this case.
59. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e., www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

60. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.
61. In terms of rule 6 of the Rules, copy of this order is sent to the Noticee and also to SEBI.

**JAI
SEBASTIAN**

Digitally signed by JAI
SEBASTIAN
Date: 2026.05.27
15:29:21 +05'30'

**Place: Mumbai
Date: May 27, 2026**

**JAI SEBASTIAN
ADJUDICATING OFFICER**