IN THE NATIONAL COMPANY LAW TRIBUNAL
NEW DELHI BENCH (COURT-II)
I.A. No. 2911/ND/2025 AND I.A. No. 3189/ND/2025
IN
CP (IB) – 209/ND/2025

IN THE MATTER OF:
(Under Section: 7 of IBC, 2016)

Beacon Trusteeship Limited **... Petitioner/ Financial Creditor**

Versus

Arcturus Developers Pvt. Ltd. **... Respondent/ Corporate Debtor**

AND IN THE MATTER OF IA. NO. 2911/ND/2025:
(Under Section 8 of the Arbitration and Conciliation Act, 1996)

Arcturus Developers Private Limited
Flat No. 621A, 6th Floor,
Devika Towers, Nehru Place,
New Delhi-110019 **... Applicant**

Versus

Beacon Trusteeship Limited
5W, 5th Floor, The Metropolitan Building,
E-Block, Bandra Kurla Complex (BKC),
Bandra (East), Mumbai – 400051 **... Respondent**

AND IN THE MATTER OF IA. NO. 3189/ND/2025:
(Under Section: 60(5) of IBC, 2016 r/w Rule 11 of NCLT Rules, 2016)

Beacon Trusteeship Limited
5W, 5th Floor, The Metropolitan Building,
E-Block, Bandra Kurla Complex (BKC),
Bandra (East), Mumbai – 400051 **... Applicant**

Versus

Arcturus Developers Private Limited
Flat No. 621A, 6th Floor,
Devika Towers, Nehru Place,

New Delhi-110019 **... Respondent**

Order delivered on: 20.01.2026

CORAM:
SH. ASHOK KUMAR BHARDWAJ, HON'BLE MEMBER (J)
SH. REENA SINHA PURI, HON'BLE MEMBER (T)

PRESENT:

For the Financial Creditor/Petitioner	:	Adv. Gaurav Mitra, Adv. Nikhil Ratti Kapoor, Adv. Yashodhara Gupta
For the Respondent	:	Sr. Adv. Virender Ganda, Adv. Vishal Ganda, Adv. Mitra, Adv. Ishita Singh, Adv. Riya

ORDER

PER: SHRI ASHOK KUMAR BHARDWAJ, MEMBER (J)

IA-3189/ND/2025:-

As far as IA-3189/ND/2025 is concerned, the same could be preferred by Financial Creditor to take the additional document on record. For the reason stated therein, IA is allowed and the additional documents are taken on record.

IB-209/2025

The captioned petition has been preferred under Section 7 of Insolvency and Bankruptcy Code, 2016 read with Rule 4 of the Insolvency and Bankruptcy Code, 2016 (Application to Adjudicating Authority) Rules, 2016, by Beacon Trusteeship Limited (Debenture Trustee), in its capacity as the Debenture Trustee, acting for the benefit of Samman Capital Limited (Debenture Holder). As has been mentioned in the synopsis filed with the

application, the Corporate Debtor is real estate development company promoted by the Vatika Group. It decided to raise funds by issuance and allotment of 50,00,000 (Fifty Lakh) Optionally Convertible Debentures (OCDs) of a face value of INR 1,000/- (Indian Rupees One Thousand Only) each, aggregating to a total issue value of INR 500,00,00,000/- (Rupees Five Hundred Crores). In due deference to the provisions of Companies Act, 2013 and the relevant rules thereunder, the Corporate Debtor was required to appoint a debenture trustee. Accordingly, the Corporate Debtor approached the Applicant to act as the debenture trustee and the Applicant agreed to act in such capacity for the benefit of the Debenture Holder, and was appointed as the debenture trustee by way of Debenture Trusteeship Agreement dated 11 June 2019 ("DTA"), to act for the benefit of and on behalf of the Debenture Holder.

2. In furtherance of the above agreement, a Debenture Trust Deed dated 29.07.2019 was executed between the Corporate Debtor, the Applicant, Mr. Gaurav Bhalla (Promoter), and other group companies of the Vatika Group offering securities and guarantees (DTD). The OCDs, aggregating to INR 500,00,00,000/- ("Subscription Amount") were issued by the Corporate Debtor to the Debenture Holder against the disbursal of the said amount by the Debenture Holder.

3. In terms of Clause 10 of the DTD, the Debenture Trust Holder had a put option right to exit any time by way of redeeming the OCDs. The relevant excerpt of Clause 10 of the DTD is reproduced below:

*"10. **PUT OPTION***

*10.1 At any time on or after the expiry of 60 (sixty) months from the Date of Allotment, the Debenture Holder(s) shall have a right to exit by way of redeeming the Debentures. The Debenture Holder(s) shall exercise put option by delivery of a written notice of 7 (seven) days (the "**Put Option Notice**") on the Company and/or the Promoter to severally and mandatorily redeem the Debentures by payment of the Outstanding Amounts ("**Put Option Debentures**").*

10.2 Upon the delivery of such Put Option Notice, the Company and the Promoter shall within 7 (seven) days from the Put Option Notice redeem such Put Option Debentures."

4. Ergo, on instruction from the Debenture Holder, the Applicant / Debenture Trustee issued notice dated 07.01.2025 exercising Put Option under the DTD. In terms of the Clause 10 of the DTD, the FC could exercise Put Option and right to exit by way of redeeming the OCDs (Put Option Notice). Thus, the Corporate Debtor was called upon to redeem the OCDs by remitting in full the outstanding amount of INR 1258,73,33,609/- (Indian Rupees One Thousand Two Hundred Fifty Eight Crore Seventy Three Lakh Thirty Three Thousand Six Hundred Nine only) within 7 days of date of Put Option Notice.

5. On 24.01.2025, the CD gave a reply to the Put Option Notice dated 07.01.2025, stating that the Put Option under Clause 10 of the DTD cannot be exercised till such time the right to convert the OCDs into Equity Shares / CCDs does not expire. The Corporate Debtor ignored to act upon the Put Option Notice. Thus, the Petitioner has preferred the present petition. Part-IV of the application preferred under Section 7 of IBC, 2016 reads thus:-

Part – IV

PARTICULARS OF FINANCIAL DEBT		
I.	TOTAL AMOUNT OF DEBT GRANTED DATE(S) OF DISBURSEMENT	The Applicant is a Debenture Trustee acting for the benefit and on behalf of Sammaan Capital Limited, i.e., the Debenture Holder. Arcturus Developers Private Limited issued 50,00,000 (Fifty Lakh) senior, fully secured, unrated, unlisted, redeemable, taxable, zero-coupon, optionally convertible debentures (**"OCDs"**) of a face value of INR 1,000/- (Indian Rupees One Thousand only) each, aggregating to a total issue value of INR 500,00,00,000 (Indian Rupees Five Hundred Crore only) on 12 June 2019, under the Debenture Trust Deed dated 29 July 2019 (**"DTD"**), as amended by the Amendment to Debenture Trust Deed dated 17 January 2020 (**"First Amendment to DTD"**) and the Second Amendment to the Debenture Trust Deed dated 16 January 2024 (**"Second Amendment to DTD"**), which were subscribed to by the Debenture Holder. Copies of the DTD, First Amendment to DTD and Amendment to DTD are annexed as **Exhibit 2, 3** and **4** respectively (collectively referred to as **"the DTDs"**). Therefore, there has been a total disbursement of INR 500,00,00,000 (Indian Rupees Five Hundred Crore only). These dues, over time and with applicable interest under the DTDs

		remain outstanding.
2.	AMOUNT CLAIMED TO BE IN DEFAULT AND THE DATE ON WHICH THE DEFAULT OCCURRED (ATTACH THE WORKINGS FOR COMPUTATION OF AMOUNT AND DAYS OF DEFAULT IN TABULAR FORM)	The total amount in default is INR 1258,73,33,609/- (Indian Rupees One Thousand Two Hundred Fifty Eight Crore Seventy Three Lakh Thirty Three Thousand Six Hundred Nine only) as on 7 January 2025.
		DATES OF DEFAULT: On 7 January 2025, the Applicant/Debenture Trustee on the instructions of the Debenture Holder, issued a notice for exercise of put option under the DTD, by which the Debenture Holder, in terms of Clause 10 of the DTD, exercised its put option and right to exit by way of redeeming the OCDs (**"Put Option Notice"**). Accordingly, the Corporate Debtor was called upon to redeem the OCDs by remitting in full the outstanding amount of INR 1258,73,33,609/- (Indian Rupees One Thousand Two Hundred Fifty Eight Crore Seventy Three Lakh Thirty Three Thousand Six Hundred Nine only) within 7 days of the date of the Put Option Notice. On 24 January 2025, the Corporate Debtor issued a reply to the Put Option Notice dated 7 January 2025, stating that the Put Option under Clause 10 of the DTD cannot be exercised till such time

		the right to convert the OCDs into Equity Shares / CCDs does not expire, i.e., till 6 July 2025. However, this interpretation is incorrect as there was no change with regard to the exercise of the Put Option. Accordingly, the Put Option was validly exercised. However, despite receipt of the Put Option Notice on 10 January 2025, the Corporate Debtor has failed to remit the outstanding amount within 7 days of receipt. Therefore, the date of default is **17 January 2025.** **COMPUTATION OF DEFAULT AS PER DTDs:**
		Total amount in Default: INR 1258,73,33,609/-, which is calculated as follows - (i) INR 500,00,00,000/- being the principal amount due and payable as on 17 January 2025
		(ii) INR 758,73,33,609/- being the redemption premium due and payable as on 17 January 2025 (iii) Plus, further applicable default interest payable at the rate of 2% per annum compounded on monthly basis on the subscription amount from 17 January 2025 till date of actual payment. A statement of computation of the current outstanding amount in respect of the above facility is hereto annexed and marked as **Exhibit 5**.

6. In the reply filed on behalf of the Respondents, it has been espoused thus:-

I. The CD has not defaulted to repay any financial debt, covered by the definition of Section 5 (8) of the Code.

II. The debentures as were originally allotted and subsequently modified vide amendments (especially the First Amendment to the Debenture Trust Deed) make it clear that the Debenture Holder were essentially partnering with the Respondent in its real estate projects. The redemption premium was dependent on the rate at which the Respondent was able to sell the mortgaged properties. This itself makes it clear that the debenture instrument was not a debt instrument at all and was clearly an investment by the debenture holder to participate in the Respondent's business activities in the capacity of an equity participant.

III. Clause 6 (b) of the Schedule I to the Debenture Trust Deed, makes it clear that from the date on which the Debenture Holder issued the conversion notice, the debentures would be considered as equity shares. Therefore, immediately upon receipt of the conversion notice, the instrument no longer retained the character of a debt but automatically stood converted as an equity instrument.

IV. In view of the contractual arrangement between the parties, with effect from January 6, 2021, the Respondent having received the First Conversion Notice from the debenture holder, the instruments were to be treated as equity shares.

V. The Respondent having already passed resolutions dated December 28, 2024, to convert the OCDs into CCDs and having filed the requisite Form MGT-14 with the Registrar of Companies, the instrument presently is an equity investment and can by no stretch be construed to be a "Financial Debt" as per Section 5 (8) of the Code.

7. In the rejoinder filed by the Petitioner it has been espoused thus:-

I. The Respondent's assertion that the Optionally Convertible Debentures ("OCDs") stood converted into Compulsorily Convertible Debentures ("CCDs") / equity is patently misconceived in law and is unsupported by fact. While the Debenture Trust Deed may contemplate conversion upon notice, such a contractual trigger merely records the parties's intention and does not obviate the need to complete the statutory, corporate, and depository steps required to give legal effect to such conversion. A lawful conversion requires the completion of a series of mandatory corporate, statutory and depository actions, viz.:

a) **Activation/Re-activation of ISIN:** As per SEBI's operational framework and the protocols prescribed by the depositories (NSDL and CDSL), an active International Securities Identification Number (ISIN) is a pre-requisite for effecting any corporate action, including the conversion of debentures into equity shares or CCDs. The Respondent has, in its own communication dated 24 January 2025 (annexed to the petition under Section 7 of the IBC as Exhibit 20), expressly admitted that the ISIN assigned to the subject OCDs had expired on 11 July 2024 and that conversion could not be affected without its

reactivation. In any case, being the issuer of the debentures, the primary onus of reactivation of ISIN is upon the Respondent. The Respondent further acknowledged that such reactivation required the prior approval of the debenture holder, which was never sought by the Respondent in a timely manner. Consequently, no lawful or effective conversion could have taken place in the absence of a valid and active ISIN, and the OCDs continue to retain their original character as debt instruments.

b) **Compliance with procedural requirements:** It is submitted that while the Respondent passed resolutions dated 28 December 2024 to indicate that a conversation has taken place, the Respondent's reliance on the said resolutions is entirely misplaced. Mere passage of board or shareholder resolutions does not, by itself, effect a lawful conversion of debentures into equity shares or CCDs. As per the applicable regulatory framework, any such conversion must be accompanied by the fulfilment of statutory procedural requirements, including the actual allotment of the converted securities, completion of corporate actions including ISIN modification, credit of such securities to the demat accounts of the debenture holders, contemporaneous updating of the register of members, and the filing of Form PAS-3 (return of allotment) with the Registrar of Companies within the prescribed time. The Respondent has failed to demonstrate compliance with any of these mandatory procedural steps. In the absence of such compliance, the alleged

conversion remains incomplete, ineffective in law, and the debentures continue to retain their original character as debt instruments. Therefore, the claim that the OCDs stand converted merely upon service of the conversion notice ignores this critical distinction between contractual agreement and statutory compliance, and cannot be accepted until all required legal and regulatory processes have been duly completed.

II. The OCDs constitute "Financial Debt" within the meaning of Section 5(8) of IBC.

III. The Doctrine of Estoppel is inapplicable.

IV. Section 8 of the Arbitration and Conciliation Act, 1996 does not oust IBC jurisdiction.

V. The allegation under Section 65 of IBC is frivolous.

VI. The amount of default has been computed strictly in accordance with the DTD and the First Amendment to the DTD. The Respondent has failed to controvert the quantum of the debt with any alternative calculation or documentary evidence.

8. We have heard the counsels for the parties and perused the record. The salient issue arises to be determined in the present petition is as to whether issuance of notice of conversion by the creditor to Corporate Debtor would amount to conversion of OCD to equity shares. It is not in dispute that an active International Securities Identification (ISIN) is a pre-requisite for effecting any corporate action, including the conversion of debentures in equity shares or CCDs. As far as the present case is concerned, the ISIN in issue assigned to the OCDs expired on 11.07.2024 and the conversion could

not be effective without its recreation. Being the issuer of the debentures, the primary onus for reactivation of ISIN was upon the Respondent. May be the reactivation required the prior approval of the debenture holder, but the same was never sought by the Respondent in timely manner.

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

10. As can be seen from Clause 11 of the DTD reproduced by the debenture trustee in its synopsis the failure of the CD to redeem the OCD pursuant to exercise of Put Option constitute default. The Clause as reproduced in the synopsis reads thus:-

> *"11. **EVENTS OF DEFAULT AND REMEDIES***
>
> *11.1 The occurrence of any one of the following events shall constitute an "**Event of Default**".*
>
> *...*
>
> *ii. The Company fails to redeem the Debentures pursuant to exercise of Put Option, as envisaged in the Deed.*
>
> *...*
>
> *11.2 **Consequences of Event of Default***
>
> *Upon the occurrence of an Event of Default as set out in Clause 11.1 (Events of Default) above, the Debenture Trustee may (in its discretion) or shall, pursuant to the Approved Instructions, declare the Outstanding Amounts to be due and payable forthwith, and tale all actions necessary under the Definitive Agreements, and the Debenture Trustee shall have the following rights:*
>
> *...*
>
> *iv. to enforce Security created pursuant to the Security Documents in accordance with its terms, as may be set out herein or therein, towards repayment of the Outstanding Amounts;*
>
> *...*
>
> *x. exercise any other rights and remedies that the Debenture Trustee and / or Debenture Holder(s) may have under the Definitive Agreements or under Applicable Law;"*

11. The amount of debt and the date of default are mentioned in Part-IV of the application, reproduced hereinabove.

12. It is clear from the definition of financial debt given in Section 5(8) of IBC, 2016 that any amount raised pursuant to any debentures constitute debt. Section 5(8) (c) of the Code reads thus:-

> *"(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument"*

13. Apparently, the non-redemption of debenture of Put Notice constitute default in terms of the provisions of DTD. The consent given by IP to act as RP is on record. The issue of Section 8 of Arbitration and Conciliation Act, 1996, raised in the reply filed on behalf of the CD has also been raised by it by filing separate IA-2911/ND/2025. As far as the issue is concerned, it is clear from Section 238 of IBC, 2016, that the proceedings under IBC would have overriding effect qua any other proceedings. The proposition was vindicated by the Hon'ble Supreme Court in **Dena Bank vs. C. Shivakumar Reddy and Anr.** (Civil Appeal No. 1650 of 2020). Para 84 of the judgment reads thus:-

> *"84. IBC has overriding effect over other laws. Section 238 of the IBC provides that the provisions of the IBC shall have effect, notwithstanding anything inconsistent therewith contained in any other law, for the time being in force, or any other instrument, having effect by virtue of such law."*

14. Even otherwise also, while exercising its jurisdiction as AA under IBC, this Tribunal cannot pass any order under Section 8 of Arbitration and Conciliation Act, 1996. The IBC is a beneficial Code and does not provide for

resolution of dispute between the parties. This Tribunal itself while performing function as Adjudicatory Authority to admit a company to CIRP is guided by the provisions of Section 7, 9 and 10 of the Code. The provisions of Section 7 (5)(a) outline the scope of jurisdiction of this Tribunal, which does not include any provision for exercise of power under Section 8 of the Arbitration and Conciliation Act, 1996. Thus, the plea regarding reference of matter to Arbitration raised on behalf of the CD is nixed and **IA-2911 of 2025 is rejected.**

15. In totality of the facts and circumstances, we are satisfied that the requirement of Section 7(5)(b) is satisfied, thus **we have no option but to admit the captioned petition. Ordered Accordingly.** Ms. Megha Agrawal IP whose name is proposed by Applicant is appointed as RP and the e-mail p.meghaagrnwal@gmail.com.

16. In light of the above facts and circumstances, it is, hereby ordered thus:-

i. As a consequence of the Application C.P. (IB) 209/ND/ 2025 being admitted in terms of Section 7 of the Code, moratorium as envisaged under the provisions of Section 14(1) of the Code, shall follow in relation to the Respondent/(CD) as per clauses (a) to (d) of Section 14(1) of the Code. However, during the pendency of the moratorium period, terms of Section 14(2) to 14(3) of the Code shall come into force.

ii. In pursuance of Section 13 (2) of the Code, we direct the IRP or the RP, as the case may be to make a public announcement immediately with regard to the admission of this application under Section 7 of the Code. The expression 'immediately' means within three days as clarified by

Explanation to Regulation 6 (1) of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016.

iii. During the CIRP period, the management of the Respondent/CD shall vest in the IRP or the RP, as the case may be, in terms of Section 17 of the IBC. The officers and managers of the Respondent/CD shall provide all documents in their possession and furnish every information in their knowledge to the IRP within one week from the date of receipt of this Order, in default of which coercive steps will follow. There shall be no future opportunities in this regard.

iv. The IRP is expected to take full charge of the Respondent/CD's assets, and documents without any delay whatsoever. He is also free to take police assistance in this regard, and this Court hereby directs the Police Authorities to render all assistance as may be required by the IRP in this regard.

v. The IRP or the RP, as the case may be shall submit to this Adjudicating Authority periodical report with regard to the progress of the CIRP in respect of the Respondent/Corporate Debtor.

vi. The Applicant is directed to deposit Rs.2,00,000/- (Two Lakh only) with the IRP to meet the immediate expenses. The amount, however, will be subject to adjustment by the Committee of Creditors as accounted for by Interim Resolution Professional and shall be paid back to the Applicant.

vii. In terms of Section 7(7) of the Code, the Registry/Court Officer is hereby directed to communicate a copy of the order to the Applicant/FC, the Respondent/CD, the IRP and the Registrar of Companies, NCR, New Delhi, by Speed Post and by email, at the earliest but not later than seven days from today. The Registrar of Companies shall update his website by updating the status of the Respondent/CD and specific mention regarding admission of this petition must be notified.

viii. The Registry/Court Officer is further directed to send a copy of this order to the Insolvency and Bankruptcy Board of India for their record.

Sd/-
(REENA SINHA PURI)
MEMBER (T)

Sd/-
(ASHOK KUMAR BHARDWAJ)
MEMBER (J)