IN THE SECURITIES APPELLATE TRIBUNAL
AT MUMBAI

DATED THIS THE 28TH DAY OF NOVEMBER, 2025

CORAM: Justice P.S. Dinesh Kumar, Presiding Officer
Ms. Meera Swarup, Technical Member
Dr. Dheeraj Bhatnagar, Technical Member

Appeal No.599 of 2024

Catalyst Trusteeship Limited
Unit No-901,9th Floor, Tower-B,
Peninsula Business Park,
Senapati Bapat Marg, Lower Parel (W),
Mumbai 400013. ....Appellant

(By Ms. Mily Ghoshal, Advocate i/b. Ms. Mily Ghoshal & Associates for the Appellant.)

Securities and Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G Block,
Bandra-Kurla Complex, Bandra (East)
Mumbai – 400 051. …Respondent

(By Mr. Vishal Kanade, Advocate with Ms. Khushbu Chhajed, Mr. Nishit Dhruva, Ms. Rasika Ghate, Ms. Khushbu Trivedi, Advocates i/b. MDP Legal for the Respondent)

THIS APPEAL IS FILED UNDER SECTION 15T OF SEBI ACT, 1992 TO SET ASIDE THE IMPUGNED ORDER DATED AUGUST 26, 2024 PASSED BY THE ADJUDICATING OFFICER, SEBI.

THIS APPEAL HAVING BEEN HEARD AND RESERVED FOR ORDERS ON AUGUST 18, 2025 COMING ON FOR PRONOUNCEMENT OF ORDER THIS DAY, THE TRIBUNAL MADE THE FOLLOWING:

ORDER

Per: Justice P. S. Dinesh Kumar, Presiding Officer

This appeal is directed against order dated August 26, 2024 passed by the AO[1], SEBI[2], imposing a penalty of Rs.1,00,000/- for violations of SEBI (DT) Regulations[3] and SEBI Circulars.

2. We have heard Ms. Mily Ghoshal, learned Advocate for the appellant and Mr. Vishal Kanade, learned Advocate for the respondent.

3. Brief facts of the case are, appellant is a SEBI registered Debenture Trustee. SEBI conducted an examination for the period between March 31, 2023 and October 31, 2023 in the matter of breach of covenants by Spandana Sphoorty Financial Limited ('SSFL' for short). During the examination, it was observed that the appellant had violated Clause 3 of SEBI Circular[4], Clause 13 of Schedule III read with Regulation 16 of DT Regulations and Clause 3 of SEBI Circular[5] by not informing

[1] Adjudicating Officer
[2] Securities and Exchange Board of India.
[3] SEBI (Debenture Trustee) Regulations,1993
[4] SEBI/HO/MIRSD/CRADT/CIR/P/2020/230 dated November 12, 2020
[5] CIR/MIRSD/3/2013 dated March 15, 2013

the concerned Credit Rating Agency (CRA) about the breach of covenants of the trust deed.

4. Accordingly, a show cause notice dated January 4, 2024 was issued to the appellant. Appellant filed its reply and submissions. After adjudication, SEBI has passed the impugned order.

5. Ms. Mily Ghoshal, learned Advocate for the appellant, assailing the impugned order, submitted firstly that on June 20, 2023, appellant had received a statutory auditor's certificate dated June 19, 2023 reflecting the default committed by the SSFL. Appellant had sent an intimation to debenture holders on June 22, 2023, i.e. within 3 days from breach of covenants in accordance with Clause 6.1 of SEBI circular dated November 12, 2020. Appellant also convened a meeting on June 30, 2023 in accordance with Clause 6.3 of the SEBI Circular. She relied on various emails and communications to show that appellant had taken immediate and effective steps after receiving auditor's report.

6. Secondly, the appellant on SSFL's request convened a meeting of debenture holders within 30 days from the date of default on June 30, 2023, even though it was not mandatory according to Debenture Trust Deed. Debenture Trust Deed provided a Clause which empowered debenture holders to exercise rights, by a letter signed by them without convening a

meeting. After conclusion of the meeting, by way of emails[6] debenture holders requested to explain the situation in layman's terms. This shows that the meeting had been conducted.

7. Finally, learned Advocate for the appellant submitted that appellant had informed the Credit Rating Agencies about the breach of covenants *vide* email dated June 29, 2023, within 6 working days of receiving information from the statutory auditor and the same is in compliance with SEBI circulars dated March 15, 2013 and March 31, 2023 (Master Circular). The said Circulars have not prescribed any specific time limit and method of intimation. Therefore, it cannot be considered as breach of the said circulars.

8. Mr. Vishal Kanade, learned Advocate for SEBI submitted that Clause 6.1 of SEBI circular dated October 13, 2020 imposes a duty upon the appellants to send a notice within 3 days of the event of default to investors by RPAD or SPAD or hand delivery with proof of delivery, in addition to the email communication to the investors. Clause 6.3 of SEBI circular dated October 13, 2020 provides for convening the meeting of all investors within 30 days of the default as per Clause 6.1. The appellant was advised to provide documentary evidence of conducting the meeting such as minutes of meeting and the intimation sent to the debenture holders as per Clause 3 of the SEBI Circular dated November 12, 2020. The appellant provided email intimation of only one of the debenture holder out of 2615 debenture holders. The appellant

[6] Dated June 30, 2023, July 1, 2023 and July 5, 2023

had failed to provide documentary evidence to prove that it had conducted the meeting with all debenture holders.

9. Mr. Kanade adverted to Clause 3 of circular dated March 15, 2013 which provides for sharing of information between debenture trustee and credit rating agencies (CRAs). India ratings (CRA) *vide* email dated June 28, 2023 sought details about SSFL with regards to waivers, details of issuances etc., which shows that no information was being shared by the appellants with the CRA. The breach of covenants was observed by the appellant on June 20, 2023 but the same was shared with concerned CRA on June 29, 2023 after the CRA sought the information. The appellant has thus failed to comply with Clause 3 of SEBI Circular dated March 15, 2013 and did not abide by code of conduct as specified in Schedule III read with Regulation 16 of DT Regulations.

10. We have carefully considered the rival contentions and perused the records.

11. Undisputed facts of the case are, appellant is the debenture trustee of Spandana Sphoorty Financial Limited (SSFL). There were some breach of covenants committed by SSFL. Appellant learnt about the same pursuant to statutory auditor's certificate dated June 19, 2023. As per Clause 6.1 of SEBI Circular dated October 13, 2020, a debenture trustee is required to send a notice to the investors within three days of the event of default and conduct a meeting within 30 days.

12. Appellant's case is that it had sent notice and conducted virtual meeting.

13. Clause 6.1 and 6.3 of the SEBI Circular dated October 13, 2020, read as follows:

> *"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.*
>
> *6.3. 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 meeting may be dispensed with."*
>
> *(emphasis supplied)*

14. A careful perusal of the above shows that the appellants were bound to send the notices with proof of delivery/read receipt. As pointed out by Mr. Kanade, appellant has provided email intimation of only one debenture holder out of 2615 debenture holders. Appellant has not placed any material on record to show that notices were sent to all 2615 debenture holders. Appellant claims that a virtual meeting was conducted and to prove the same appellant relies upon emails dated June 30, 2023, July 1 and July 5, 2023 sent by the debenture holders requesting to explain the minutes of the meetings in layman's terms.

15. In the light of rival contentions, the point that arises for consideration is ***whether the appellant, as a debenture trustee, has complied with the circulars?***

16. As noted above, the appellant was required to send notices to all the investors and to conduct a meeting. The circular mandates that the debenture trustee (the appellant) "**shall"** send a notice by registered post with acknowledgment due or speed post with acknowledgement due or courier or hand delivery. Admittedly, there are 2615 debenture holders. Appellant has produced acknowledgement of only one investor. Therefore, breach of clause 6.1 stands proved.

17. So far as conducting the meeting is concerned, appellant's claim is that it has conducted a virtual meeting. The minutes of the meeting are not on record. Appellant seeks to prove the meeting by the emails said to have been sent by the investors. Such claim is untenable. Hence, the point for consideration is answered in the ***negative***.

18. A debenture trustee in a securities market, functions in the fiduciary capacity and therefore, duty bound to be fully compliant with Regulator's circulars as it affects the investments made by the investors.

19. The SEBI has imposed the minimum penalty of Rs.1 Lakh under Section 15HB of the SEBI Act, 1992. In view of the breach of mandatory provisions, we find no error in the

impugned order imposing the minimum penalty. In the result, this appeal fails and it is accordingly, ***dismissed***. No costs.

Justice P.S. Dinesh Kumar
Presiding Officer

Ms. Meera Swarup
Technical Member

Dr. Dheeraj Bhatnagar
Technical Member

28.11.2025
RHN