

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/AK/DS/2025-26/31350]

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

In The Matter Of
Infomerics Valuation and Rating Private Limited
SEBI Regn No.: IN/CRA/007/2015
PAN: AAACV1928K

-
1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted inspection of M/s Infomerics Valuation and Rating Private Limited (hereinafter referred to as “**Noticee**” / “**IVRPL**” / “**the Company**”) from December 13, 2023 to December 15, 2023 and on December 19, 2023 to check compliance with provisions of SEBI (Credit Rating Agencies) Regulations, 1999 (hereinafter referred to as ‘CRA Regulations’) and applicable SEBI Circulars. The period of inspection was from January 01, 2022 to October 31, 2023 (hereinafter referred to as “**inspection period**” / “**IP**”). Noticee is registered as Credit Rating Agency, with SEBI registration no. IN/CRA/007/2015.
 2. The findings of inspection were communicated to the Noticee by SEBI, vide letter dated January 18, 2024. Upon examining the reply submitted by the Noticee, vide letter dated January 31, 2024, it was observed that the Noticee had, prima facie, violated various provisions of CRA Regulations and applicable SEBI Circulars. The summary of violations alleged to have been committed by the Noticee and the corresponding regulatory provisions are given in the table below:

Sr. No.	Alleged Violation: (Summarized)	Regulatory Provisions
1	Discrepancy in disclosure of Cumulative Default Rates ('CDRs') and average rating transition rate for listed and proposed to be listed securities	<ul style="list-style-type: none"> •Clauses 2, 4 and 12 of Code of Conduct under third Schedule read with Regulation 13 of CRA Regulations •Clause 26.4.1.8 and 26.4.3.3 of SEBI Circular No. SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2023/6 dated January 06, 2023 titled 'Operational Circular for Credit Rating Agencies'/ Clause 26.4.1.8 and 26.4.3.3 of SEBI Master Circular No. SEBI/HO/DDHS/DDHS-POD2/P/CIR/2023/111 dated July 03, 2023 titled 'Master Circular for Credit Rating Agencies'
2	Delay in review of rating in case of Material Event	<ul style="list-style-type: none"> •Clause 8 of Code of Conduct under third Schedule read with Regulation 13 of CRA Regulations. •Clause 1(B) and Clause 2(A)(III) of SEBI Circular No. SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/71 dated June 30, 2017 titled 'Monitoring and Review of Ratings by Credit Rating Agencies (CRAs)'
3	Failure to monitor debt servicing and Delay in recognition of default	<ul style="list-style-type: none"> •Clause 8 of Code of Conduct under third Schedule read with Regulation 13 of CRA Regulations. •Regulation 24(2) and 24(7) of CRA Regulations •Clause 1(A)(I), Clause 1(A)(II) and Clause 2(A)(III) of SEBI Circular No. SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/71 dated June 30, 2017 titled 'Monitoring and Review of Ratings by Credit Rating Agencies (CRAs)'. •Clause 2(A)(I) of Annexure A read with Annexure-A1 of SEBI Circular SEBI/HO/MIRSD/MIRSD4/CIR/P/

Sr. No.	Alleged Violation: (Summarized)	Regulatory Provisions
		<p>2016/119 dated November 01, 2016 titled 'Enhanced Standards for Credit Rating Agencies (CRAs)'.</p> <ul style="list-style-type: none"> • Clause 7.5.1 read with Annexure 11 of SEBI Circular No. SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2023/6 dated January 06, 2023 titled 'Operational Circular for Credit Rating Agencies' • Clause 9.1.1, 9.1.3 and 27.3.4 of SEBI Circular No. SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2023/6 dated January 06, 2023 titled 'Operational Circular for Credit Rating Agencies'.

3. SEBI initiated adjudication proceedings against the Noticee u/s 15-I r/w section 15HB of SEBI Act, 1992 for the alleged violations of the relevant provisions as stated above.

APPOINTMENT OF ADJUDICATING OFFICER

4. Mr. Shashi Kumar Valsakumar was appointed as the Adjudicating Officer (**AO**), vide Order dated March 28, 2024 under Section 15-I of the SEBI Act, 1992, and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "**SEBI Adjudication Rules**") r/w Section 19 of the SEBI Act, 1992, to inquire into and adjudge u/s 15HB of SEBI Act, 1992, the violations of aforesaid provisions alleged to have been committed by the Noticee. Subsequently, vide Order dated November 22, 2024, the undersigned was appointed as AO in the matter.

SHOW CAUSE NOTICE, REPLY OF THE NOTICEE AND HEARING

5. Show Cause Notice No. SEBI/HO/EAD-8/SKV/VC/17174/1/2024 dated May 17, 2024 (hereinafter referred to as “**SCN**”) was issued to the Noticee in terms of rule 4 of SEBI Adjudication Rules, to show cause as to why inquiry should not be held against it and why penalty, if any, be not imposed on it u/s 15HB of SEBI Act, 1992.
6. Vide letter dated June 03, 2024, the Noticee requested for inspection of documents, which was provided to the Noticee on August 21, 2024.
7. The Noticee submitted an application for Settlement, vide letter dated July 16, 2024. The said application was rejected and the same was communicated to the Noticee, vide email dated December 05, 2024.
8. The Noticee submitted its reply to the SCN, vide letter dated September 16, 2024. The submissions made by the Noticee are summarized below:
 - 8.1. *The Noticee has not been provided copy of file notings and green note and independent opinion formed by the Board was redacted / masked in the file that was produced referred to and relied upon by SEBI and which forms that basis of issuing the SCN.*
 - 8.2. *Discrepancy in disclosure of Cumulative Default Rates ('CDRs') and average rating transition rate for listed and proposed to be listed securities*
 - 8.2.1. *The allegation contained in the SCN is about incorrect disclosures of CDR and transition matrices on the website and cannot be construed as a part of “rating process”. Hence, there is no question of impairment of objectivity and independence or exercise of independent professional judgment while making statutory disclosures.*
 - 8.2.2. *IVRPL has followed all due processes for conducting rating exercise and has ensured proper care and has exercised independent professional judgment to achieve and maintain objectivity and independence in the rating process.*

8.2.3. In any event, there is no impact on CDRs for listed or proposed to be listed securities ‘including INC cases’, as is evident from the following tables that on exclusion of these cases from listed category, there is only a minor impact on CDRs that too only in respect of sub investment rating grade ‘BB’.

Prior data				Updated data			
Listed or to be listed Securities (including INCs)				Listed or to be listed Securities (including INCs)			
Short Run CDRs				Short Run CDRs			
31st March 2023				31st March 2023			
Rating Grade	1 Year	2 Year	3 Year	Rating Grade	1 Year	2 Year	3 Year
AAA	0.00%	0.00%	0.00%	AAA	0.00%	0.00%	0.00%
AA	0.00%	0.00%	0.00%	AA	0.00%	0.00%	0.00%
A	0.00%	0.00%	0.00%	A	0.00%	0.00%	0.00%
BBB	0.00%	0.00%	0.00%	BBB	0.00%	0.00%	0.00%
BB	9.21%	20.56%	20.56%	BB	9.72%	22.89%	22.89%
B	6.78%	21.82%	21.82%	B	6.78%	21.82%	21.82%
C	5.26%	5.26%	5.26%	C	5.26%	5.26%	5.26%

8.2.4. From the above, it is abundantly clear that there are no differences in the CDR disclosures for all categories except BB where there is a minor difference in the ratio, which is not material in nature. As such, the inclusion as “listed or proposed to be listed” securities was unintentional and IVRPL did not do it with any malafide intentions to achieve any particular advantage from such reporting.

8.2.5. Insofar as ARTR disclosures is concerned, there are only minor differences in transition rates when the three specified cases from the listed securities were excluded. Please see below the impact on exclusion of the three specified cases:

Listed or proposed to be listed Securities (including INC cases) (Prior)									
Issuer Weighted Average (FY 2018-19 to FY 2022-23)									
	AAA	AA	A	BBB	BB	B	C	D	WD
AAA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
AA	0.00%	69.23%	23.08%	0.00%	0.00%	0.00%	0.00%	0.00%	7.69%
A	0.00%	20.00%	40.00%	40.00%	0.00%	0.00%	0.00%	0.00%	0.00%
BBB	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
BB	0.00%	0.00%	0.00%	0.00%	80.95%	9.52%	0.00%	4.76%	4.76%
B	0.00%	0.00%	0.00%	0.00%	0.00%	75.00%	25.00%	0.00%	0.00%
C	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	50.00%	50.00%	0.00%

Listed or proposed to be listed Securities (including INC cases) (Updated data)									
Issuer Weighted Average (FY 2018-19 to FY 2022-23)									
	AAA	AA	A	BBB	BB	B	C	D	WD
AAA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
AA	0.00%	75.00%	25.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A	0.00%	16.67%	50.00%	33.33%	0.00%	0.00%	0.00%	0.00%	0.00%
BBB	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
BB	0.00%	0.00%	0.00%	0.00%	76.47%	11.76%	0.00%	5.88%	5.88%
B	0.00%	0.00%	0.00%	0.00%	0.00%	75.00%	25.00%	0.00%	0.00%
C	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	50.00%	50.00%	0.00%

8.2.6. *In absence of any impact on CDR / ARTR and upon viewing the allegation holistically, it can be noted that there is no violation of the extant law in letter and in spirit.*

8.2.7. *In view of the relatively undeveloped data availability in the Indian debt market, it becomes difficult to accurately classify securities into listed and unlisted securities with the systems still evolving.*

8.2.8. *Without prejudice to aforesaid, the Noticee carried out computations of CDRs and ARTR (by excluding the aforesaid 3 securities). Thereafter, the revised / updated*

CDRs and ARTR rates have been disclosed on the Noticee's website (in terms of the SEBI's Master Circular dated July 3, 2023 r/w SEBI's Circulars dated November 13, 2018, June 13, 2019, August 25, 2022 and January 6, 2023).

8.2.9. *Thus, there is no violation of CRA Regulations and SEBI Circular No. SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/ 2023/6 dated January 06, 2023 / SEBI Master Circular No. SEBI/HO/DDHS/ DDHSPD2/P/CIR/2023/111 dated July 03, 2023*

8.3. *Delay in review of rating in case of Material Event*

8.3.1. *The extension of maturity period for the NCD of ATS was not considered as a material event as it was not a 'corporate debt structuring' as per the definition of 'Material Event' in the SEBI Master circular. Further, the Noticee had obtained consent from majority of the investors prior to the due date.*

8.3.2. *There was no reference to BIFR or winding up petition filed by any party against the issuer company as per information available with the Noticee. Thus, it was not required to consider the postponement of NCD as a material event.*

8.3.3. *The Noticee had already alerted the investors of ATS about the creditworthiness of ATS. The Noticee had been following up with ATS to provide the required data including operational details, financial statements, projections etc. to monitor its assigned rating to the bank facilities, vide multiple e-mail communications (last dated August 23, 2021) and concurrently over several phone calls. However, despite repeated requests by the Noticee, the company's management had not submitted the essential information to carry out the rating exercise. Accordingly, Noticee's Press Release advised the lenders, investors and other users of this rating "to exercise adequate caution while using the rating as this rating may not adequately reflect the current credit risk profile of the company". The same has been captured in the Press Release dated September 7, 2021. Moreover, the rating already had been downgraded to IVR BB/Stable, Issuer Not Cooperating (IVR Double B with Stable outlook, Issuer Not Cooperating). The definition of Double B as per the standardized SEBI definition is "Issuers with Securities with this*

rating are considered to have moderate risk of default regarding timely servicing of financial obligations”. As the outstanding rating at that point in time suggested, the instrument was already susceptible to default.

8.3.4. Thus, the Noticee has not violated the provisions of Regulation 13 read with Clause 8 of Code of Conduct of third schedule of CRA Regulations and Clause 1(B) and Clause 2(A) (III) of SEBI Circular no. SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/71 dated June 30, 2017.

8.4. Failure to monitor debt servicing and Delay in recognition of default

8.4.1. It is erroneous to allege that the Noticee ought to have immediately (i.e. within 2 working days) downgraded the rating of Selene upon occurrence of first instance of default.

8.4.2. Selene has been rated by IVRPL since March 2020. However, as the company stopped co-operating with IVRPL for monitoring the rating, in April 2021, the rating was placed in Issuer non-cooperating (INC) category. This ensured that investors were alerted about the conduct of the issuer i.e. Selene, with adequate cautionary statements. As the SEBI would appreciate, ability of a CRA to continuously monitor the credit profile and give accurate ratings is crucially dependent on client cooperation and providing requisite information as sought by such CRA.

8.4.3. In case of Selene, as stated hereinabove, the company stopped cooperating with IVRPL for monitoring of the rating, inter-alia, making it difficult for IVRPL to monitor all the relevant factors closely. Accordingly, IVRPL was unable monitor financial indicators including whether EBITDA was sufficient to meet interest payments, status of liquidity conditions of Selene, details of increase in borrowing cost and other indicators of deterioration in credit quality/ debt servicing capability of the company. It was in this background, that IVRPL did not downgrade the rating to ‘D’.

- 8.4.4. *IVRPL has put in place systems to conduct monitoring of repayment schedules and examine mails from Debenture Trustees and other parties by way of centralized QCMT team*
- 8.4.5. *The learned Adjudicating Authority has not undertaken independent analysis of the alleged violation but merely stated that merely because IVRPL ‘admitted’ to its failure; the allegation of violation of CRA Regulations read with relevant circulars has been fastened. It may be noted that all the while such admission was to essentially close the matter and avoid protracted correspondence, IVRPL had forthwith complied with the said directives. The approach by SEBI in the SCN is arbitrary and unsustainable, and on this ground alone the allegation ought to be withdrawn in-limine*
- 8.5. *Assuming without admitting, the alleged defaults were purely procedural and did not lead to any substantial violation of law. Further, no client of IVRPL has any grievance against it. Thus, to penalise IVRPL, merely on minor procedural inadvertence observed during the inspection, is inherently excessive.*
- 8.6. *The alleged violation has not resulted in any harm or loss to the securities market. No such allegation sits in the SCN as well. Moreover, the quality of information has in no way been compromised in the Press releases published by IVRPL.*
- 8.7. *The Noticee also quoted and relied upon the following:*
- 8.7.1. *Judgement of the Hon’ble SAT in Religare Securities Limited v. SEBI, in Appeal No. 23 of 2011 order dated June 16, 2011*
- 8.7.2. *Judgement of the Hon’ble SAT in UPSE Securities Limited v. SEBI, In Appeal No. 109 of 2011 order dated July 25, 2011*
- 8.7.3. *Judgement of The Hon’ble Supreme Court in M/s Hindustan Steel Ltd. v. State of Orissa reported in 1969 (2) SCC 627*
- 8.7.4. *Judgement of the Hon’ble Supreme Court in Maharashtra State Board of Secondary Education and Higher Secondary Education vs. K.S. Gandhi & Ors., (1991) 2 SCC 716*

9. Vide letter dated January 07, 2025, hearing notice was issued to the Noticee to provide an opportunity of personal hearing in the interest of natural justice. The Noticee was advised to appear before the undersigned on January 24, 2025. The Noticee appeared for the scheduled hearing through its authorized representative (AR). The AR reiterated submissions already made, vide letter dated September 16, 2024, and also made additional submissions, which it submitted in writing, vide letter dated February 07, 2025.

10. The additional submissions made by the Noticee are as summarized below.

10.1. *IVRPL has put in place and strengthened systems by way of centralized Quality Control and Monitoring Team (QCMT) team to ensure that to conduct monitoring of repayment schedules and examine mails from Debenture Trustees / other parties for proper dissemination in the future. Also, internal teams have been educated / sensitised / trained for stronger internal process.*

10.2. *SEBI allowed IVRPL to start operations and apply for license in Nepal. Noticee understands that such approval is given only after SEBI is confident that IVRPL has requisite infrastructure, process and integrity to operate globally. This demonstrates that the processes, compliance mechanisms and systems are up-to-date. SEBI has itself granted license to IVRPL (in-2023) to start operations in Egypt and Sri Lanka, which is a feather-in-the-cap for an Indian CRA (going global). Similarly, Reserve Bank of India granted IVRPL permission to carry out Independent Credit Evaluation for Residual Debt of up to Rs. 2000 crores on October 23, 2024. This permission was granted based on the inspection that it carried out in May-2024. This demonstrates that the systems in IVRPL are up-to-date and compliant.*

10.3. *The Noticee relied upon and quoted from the judgement of Hon'ble SAT in the matter of IDBI Trusteeship Services Ltd dated February 22, 2023 in Appeal No. 186 / 2023; and also from the judgement of Hon'ble Supreme Court in the case of SEBI v. Bhavesh Pabari dated February 28, 2019 ([2019] 18 S.C.C 898). The Noticee further submitted that*

10.3.1. IVRPL has not gained any disproportionate gain or unfair advantage as result of alleged violations. (ref: Section 15J sub-section (a) of SEBI Act). It is respectfully submitted that most of the cases pertain to INC cases (securities / issuers which were not even clients of IVRPL).

10.3.2. The underlying allegation has not resulted in any harm or loss to the securities market or to any investors (ref: Section 15J sub-section (b) of SEBI Act). It is respectfully submitted that no such allegation sits in the SCN and Inspection Report as well.

10.3.3. The alleged lapse was not repetitive in nature (ref: Section 15J sub-section (c) of SEBI Act). Over a period of time, IVRPL has assigned almost 3000 ratings (outstanding / live). The allegation in the captioned SCN pertain to mere 2-3 securities, which is trivial and inconsequential in overall context.

10.4. The Noticee also relied upon and quoted from the following judgements:

10.4.1. Hon'ble SAT Order in the matter of National Highway Authority of India ([2020] SCC Online SAT 158)

10.4.2. SEBI's Order dated August 30, 2019 in respect of Utsav Pathak in the matter of insider trading in scrip of CRISIL Ltd. (Adjudication Order No. AO/SBM/EAD-1/12/2019)

10.4.3. SEBI Order dated June 30, 2022 in respect of Shilpa Medicare Ltd (Adjudication Order No. Order/DS/RK/2022-23/17569)

10.4.4. Hon'ble SAT Order in the matter of SRBC & Co. LLP dated November 22, 2024 in Appeal No. 700 of 2022.

CONSIDERATION OF ISSUES AND FINDINGS

11. Considering the allegations made out in the SCN and the submissions made by the Noticee, I find that following issues require consideration in the present case:

ISSUE I - Whether the Noticee has violated provisions of CRA Regulations and applicable SEBI Circulars, as given at para 2 above?

ISSUE II - Do the violations, if any, attract penalty under section 15HB of the SEBI Act, 1992?

ISSUE III - If so, what should be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act, 1992?

12. The said provisions under which violations have been alleged against the Noticee are reproduced below –

Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999

Code of Conduct

13. Every credit rating agency shall abide by the Code of Conduct contained in the Third Schedule.

Rating Process

24(2) Every credit rating agency shall, in all cases, follow a proper rating process.

24(7) Every credit rating agency, shall, while rating a security, exercise due diligence in order to ensure that the rating given by the credit rating agency is fair and appropriate.

THIRD SCHEDULE - CODE OF CONDUCT FOR CREDIT RATING AGENCIES

2. A credit rating agency, in the conduct of its business, shall observe high standards of integrity, dignity and fairness in the conduct of its business.

4. A credit rating agency shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment in order to achieve and maintain objectivity and independence in the rating process.

8. A credit rating agency shall keep track of all important changes relating to the client companies and shall develop efficient and responsive systems to yield timely and accurate ratings. Further a credit rating agency shall also monitor closely all relevant factors that might affect the creditworthiness of the issuers

12. A credit rating agency shall not make any untrue statement, suppress any material fact or make any misrepresentation in any documents, reports, papers or information furnished to the board, stock exchange or public at large.

SEBI Circular No. SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dated November 01, 2016 – Enhanced Standards for Credit Rating Agencies (CRAs)

Annexure – A

2. Rating Criteria, Rating Process and their Disclosure:

A. Rating 'Criteria'

1. Each CRA shall frame detailed rating criteria, include the same in its Operations Manual/ Internal governing document and disclose the same on its website. At the least, the following rating criteria shall be formulated by each CRA:

Criteria on:

a) Default recognition and post-default curing period (Instrument-wise definition of default to be followed by all CRAs is provided in Annexure-A1.)

Annexure-A1: Instrument-wise definition of default

Financial Instrument	Rating scale	Definition of Default
Debentures/Bonds	Long Term	A delay of 1 day even of 1 rupee (of principal or interest) from the scheduled repayment date.
.....

SEBI Circular No. SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/71 dated June 30, 2017 - Monitoring and Review of Ratings by Credit Rating Agencies (CRAs)

1. Surveillance Mechanism for identifying potential defaults:

As per Regulation 15 of SEBI (Credit Rating Agencies) Regulations, 1999, CRAs are required to continuously monitor the rating of securities and disseminate information regarding newly assigned ratings, and changes in earlier rating promptly through press releases on websites of CRAs as well as all the stock exchanges where the said

securities are listed. In order to enable CRAs to develop efficient and responsive systems to keep track of all important changes relating to the client companies as required under clause 8 of Code of Conduct of SEBI (CRA) Regulations, 1999, following is clarified:

A. Monitoring of repayment schedules

I. CRAs have to be proactive in early detection of defaults/ delays in making payments. In this regard, CRAs are required to track the servicing of debt obligations for each instrument rated by them, ISIN-wise, and look for potential deterioration in financials which might lead to defaults/ delays, particularly before/ around the due date(s) for servicing of debt obligations, on the basis of monitoring of indicators including, but not restricted to, the following:

- a. EBITDA not being sufficient to meet even the interest payments for last 3 years*
- b. Deterioration in liquidity conditions of the Issuer*
- c. Abnormal increase in borrowing cost of the Issuer*
- d. Any other information indicating deterioration in credit quality/ debt servicing capability of the Issuer.*

II. The CRA shall also monitor the Exchange website for disclosures made by the Issuer in this regard.

B. Material Events requiring a review:

I. CRAs shall carry out a review of the ratings upon the occurrence of or announcement/ news of material events including, but not restricted to, the following:

- a. Quarterly/ Half-yearly/ Annual results*
- b. Merger/ Demerger/ Amalgamation/ Acquisition*
- c. Corporate debt restructuring, reference to BIFR and winding-up petition filed by any party /creditors.*

...

II. CRAs shall publish on their website press release regarding the rating action (including reiteration of existing rating), if warranted, immediately, but not later than 7 days of occurrence of the said event.

2. Timelines of review and Press Releases:

A. In order to enable CRAs to disseminate information on ratings promptly through press releases as per requirements of Regulation 15 and 16 of SEBI (CRA) Regulations, following is clarified:

I. ...

II. ...

III. Dissemination of Press Release on CRA's website and intimation of same to Stock Exchange/ Debenture Trustee in case of event based review:

<i>Scenario</i>	<i>Timeline-immediately but not later than</i>
<i>.....</i>	<i>...</i>
<i>Material Events requiring review (as stated in point 1B)</i>	<i>7 working days of occurrence of the event</i>

SEBI Master Circular No. SEBI/HO/DDHS/DDHS-POD2/P/CIR/2023/111 dated July 03, 2023 / SEBI Circular No. SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2023/6 dated January 06, 2023

26.4.1.8 In addition to disclosure on cumulative default rates (CDR) which includes non-cooperative issuers and various types of credit ratings, CRAs from Financial year 2022-2023, shall also disclose, separately, two other CDRs limited to credit ratings of securities that are listed, or proposed to be listed, on a recognized stock exchange

CDR (ii), wherein ratings of non-cooperative issuers shall be included in the cohort under the rating category in which the instrument is currently being rated.

CDR (iii), wherein ratings of non-cooperative issuers shall be excluded in the cohort under the rating category in which the instrument is currently being rated

26.4.3.3 Therefore, in addition to the disclosure of rating transitions para 26.4.2 of master circular, CRAs shall also disclose two additional and separate rating transition matrices

(limited to credit ratings of securities that are listed, or proposed to be listed, on a recognized stock exchange) using the following definition of static pool:

a. Static Pool: Ratings outstanding for each category at the beginning of any financial year. It shall exclude ratings that have been withdrawn or ratings of non-cooperative issuers during the financial year. Ratings downgraded to D shall be treated as default for the rest of the financial year. Ratings which are upgraded from D shall be considered as new rating for the relevant subsequent static pools.

b. Static Pool: Ratings outstanding for each category at the beginning of any financial year. It shall include ratings that have been withdrawn or ratings of non-cooperative issuers during the financial year. Ratings downgraded to D shall be treated as default for the rest of the financial year. Ratings which are upgraded from D shall be considered as new rating for the relevant subsequent static pools.

SEBI Circular No. SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2023/6 dated January 06, 2023 – Operational Circular for Credit Rating Agencies

Rating Criteria

7.5. At least, the following rating criteria shall be formulated by each CRA and should be reviewed periodically, criteria on:

7.5.1. Default recognition (Definition of default to be followed by all CRAs is provided in the Annexure 11)

9.1. Monitoring of repayment schedules

9.1.1. CRAs have to be proactive in early detection of defaults/ delays in making payments. In this regard, CRAs are required to track the servicing of debt obligations for each securities rated by them, ISIN-wise, and look for potential deterioration in financials which might lead to defaults/ delays, particularly before/ around the due date(s) for servicing of debt obligations, on the basis of monitoring of indicators including, but not restricted to, the following:

9.1.1.1. *Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) not being sufficient to meet even the interest payments for last 3 years*

9.1.1.2. *Deterioration in liquidity conditions of the Issuer*

9.1.1.3. *Abnormal increase in borrowing cost of the Issuer*

9.1.1.4. *Any other information indicating deterioration in credit quality/ debt servicing capability of the Issuer.*

...

9.1.3 *The CRA shall also monitor the Exchange website for disclosures made by the Issuer in this regard.*

27.3.4. *Dissemination of Press Release on CRA's website and intimation of same to Stock Exchange/ Debenture Trustee in case of event based review*

Scenario	Timeline- immediately but not later than
<i>Intimation from Issuer/ Debenture Trustee/ Bankers of the Issuer regarding delay in servicing debt Obligation</i>	<i>2 working days of intimation</i>
<i>Material Events requiring review (as stated in para Chapter II9.2.)</i>	<i>7 working days of occurrence of the event.</i>

Annexure 11 Instrument-wise definition of default

Financial Instrument	Rating scale	Definition of Default
<i>Debentures/Bonds</i>	<i>Long Term</i>	<i>A delay of 1 day even of 1 rupee (of principal or interest) from the scheduled repayment date.</i>
.....

13. Before moving forward, I note that the Noticee has raised the preliminary issue of not providing copy of file notings and green note and independent opinion formed by the Board was redacted / masked in the file that was provided to the Noticee. It is noted that the copy of inspection report, along with annexures thereto, post inspection analysis and redacted copy of Office Note containing approved Action Matrix were provided to the Noticee. Thus, all the documents and information which were relevant and relied upon, were provided to the Noticee. While the Noticee has submitted that non provision of all office notes is non-adherence to the principles of equity and fair play and violative and unsustainable in law, the Noticee has not demonstrated how it is prejudiced, even after being provided with documents, along with the SCN and during inspection of documents.

14. I now proceed to deal with the issues as under:

ISSUE I - Whether the Noticee has violated provisions of CRA Regulations and applicable SEBI Circulars, as given at para 2 above?

15. Discrepancy in disclosure of CDRs and average rating transition rate for listed and proposed to be listed securities

15.1. It was observed that the Noticee had disclosed two CDRs and average rating transition rate separately for listed or proposed to be listed securities for the FY 2022-23. The Noticee had shared the details of monthly static pool as reply to Pre- Inspection Questionnaire (hereinafter referred to as '**PIQ**') for the CDR and disclosure of average transition rate of listed or proposed to be listed securities. On perusal of the static pool for CDR and transition rates of listed or proposed to be listed securities submitted by the Noticee, Press Releases (hereinafter referred to as '**PR**') on the website of the Noticee and Centralized database for Corporate Bonds (hereinafter referred to as '**Database**'), it was observed that the following unlisted securities were also included in the static pool:

Company Name	PR date	Rating	Unlisted status verified on
Sahara Housing Finance Corporation Limited	August 04, 2022	BB-	Database and PR
Patel Engineering Limited	07 September 2022	BBB-	Database and PR
Arka Fincap Limited	September 05, 2022 & December 29, 2021	AA-	PR

- 15.2. Vide email dated December 18, 2023, the Noticee replied that Sahara Housing Finance Corporation Limited and Patel Engineering limited has unlisted securities which have been inadvertently classified as Listed in the Cohort. Vide email dated January 12, 2024, the Noticee replied that Arka Fincap Limited has also been inadvertently classified as Listed in the Cohort for the purpose of calculation of CDR and average rating transition rate of listed and proposed to be listed securities.
- 15.3. As per the provisions of Clause 26.4.1.8 and 26.4.3.3 of SEBI Circular No. SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2023/6 dated January 06, 2023 titled 'Operational Circular for Credit Rating Agencies', the CRAs, in addition to CDRs which includes non-cooperative issuers and various types of credit ratings, the CRAs shall also disclose two other CDRs limited to credit ratings of securities that are listed, or proposed to be listed, on a recognized stock exchange, as specified in clause 26.4.1.8. Further, the CRAs are also required to disclose two additional and separate rating transition matrices, limited to credit ratings of securities that are listed, or proposed to be listed, on a recognized stock exchange, using the definition of static pool, as provided in clause 26.4.3.3 of the aforementioned circular. As per the provisions of Clauses 2, 4 and 12 of Code of Conduct under third Schedule read with Regulation 13 of CRA Regulations, a CRA shall observe high standards of integrity, dignity and fairness in the conduct of its business; shall at all times

exercise due diligence, ensure proper care and exercise independent professional judgement in order to achieve and maintain objectivity and independence in the rating process; shall not make any untrue statement, suppress any material fact or make any misrepresentation in any documents, reports, papers or information furnished to SEBI, stock exchanges or public at large.

- 15.4. In view of the above, it was observed that the Noticee has failed to exercise due diligence in calculating CDR and average rating transition rate for listed or proposed to be listed securities as it included unlisted securities also for the purpose of calculation. Thus, it was alleged that the Noticee has violated the provisions of Clauses 2, 4 and 12 of Code of Conduct under third Schedule read with Regulation 13 of CRA Regulations and Clause 26.4.1.8 and 26.4.3.3 of SEBI Circular No. SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2023/6 dated January 06, 2023 titled 'Operational Circular for Credit Rating Agencies'/ Clause 26.4.1.8 and 26.4.3.3 of SEBI Master Circular No. SEBI/HO/DDHS/DDHS-POD2/P/CIR/2023/111 dated July 03, 2023 titled 'Master Circular for Credit Rating Agencies'
- 15.5. In this regard, the Noticee, while admitting to the error, has submitted that the allegation pertains to incorrect disclosures of CDR and transition matrices, which cannot be construed as part of "rating process". Thus, it cannot be considered as impairment of objectivity and independence or exercise of independent professional judgement while making statutory disclosures. In any event, there is no impact on CDRs for listed or proposed to be listed securities 'including INC cases', except for a minor impact on CDRs that too only in respect of sub-investment rating grade 'BB'.
- 15.6. I note that three unlisted securities were also included in the static pool for CDR and transition rates (ARTR) of listed or proposed to be listed securities submitted by the Noticee. The same has also been admitted by the Noticee. The Noticee has also updated the CDR and ARTR disclosures after the same

was observed during the inspection of the Noticee. It is observed from the updated disclosures that there were some changes in the CDR and ARTR after excluding the unlisted securities from the static pool. In view of the above, the allegation of violation of provisions of Clause 26.4.1.8 and 26.4.3.3 of SEBI Circular No. SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2023/6 dated January 06, 2023 titled 'Operational Circular for Credit Rating Agencies'/ Clause 26.4.1.8 and 26.4.3.3 of SEBI Master Circular No. SEBI/HO/DDHS/ DDHS-POD2/P/CIR/2023/111 dated July 03, 2023 titled 'Master Circular for Credit Rating Agencies' against the Noticee stands established.

- 15.7. I further note that the clauses 26.4.1.8 and 26.4.3.3 of the aforementioned Circulars are part of Chapter III – Reporting and Disclosures, whereas Chapter II: Rating Operations includes provisions on rating criteria and rating process. Therefore, violation of clauses 26.4.1.8 and 26.4.3, in the present case, will not result in violation of clause 4 of the Code of Conduct in Third Schedule read with Regulation 13 of CRA Regulations.
- 15.8. I note that CDR and ARTR are required to be disclosed by the credit rating agencies to assess the performance of their ratings over time and the probability of a rating changing over a given period. The disclosures of these metrics help investors assess rating stability and predictive accuracy of the credit rating agencies. Though they are not part of the rating process, CDR and ARTR aid in credit risk evaluation, allowing investors to make informed decisions before investing in debt instruments. These matrices also improve transparency in the corporate bond market. Thus, the CRAs are expected to publish accurate CDR and rating transition matrices.
- 15.9. In view of the above, as the Noticee had published inaccurate CDR and ARTR, it is established that the Noticee has violated Clauses 2 and 12 of Code of Conduct under third Schedule read with Regulation 13 of CRA Regulations; and Clause 26.4.1.8 and 26.4.3.3 of SEBI Circular No. SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2023/6 dated January 06, 2023 titled 'Operational

Circular for Credit Rating Agencies’/ Clause 26.4.1.8 and 26.4.3.3 of SEBI Master Circular No. SEBI/HO/DDHS/DDHS-POD2/P/CIR/2023/111 dated July 03, 2023 titled ‘Master Circular for Credit Rating Agencies’.

16. Delay in review of rating in case of Material Event

- 16.1. It was observed from the Stock Exchange disclosure dated June 10, 2022 of ATS Infrabuild Private Limited (hereinafter referred to as ‘**ATS**’), that ATS had carried out restructuring of its Non-Convertible Debentures (NCDs) wherein the maturity date was extended from June 11, 2022 to June 11, 2024. As the restructuring of the payment schedule was in nature of a material event, the Noticee was required to carry out the material event review and issue the press release within 7 days from occurrence of the material event as per SEBI circular dated June 30, 2017. However, the Noticee had carried out material event review on September 01, 2022 and downgraded the rating of NCDs to ‘D’ with the continuation of INC status based on the material information disclosed by ATS on June 10, 2022.
- 16.2. As per the provisions of Clause 1(B) and Clause 2(A)(III) of SEBI Circular No. SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/71 dated June 30, 2017 titled ‘Monitoring and Review of Ratings by Credit Rating Agencies (CRAs)’, CRAs shall carry out a review upon the occurrence of or announcement / news of material events including but not restricted to the events mentioned in clause 1(B) of the aforesaid Circular. As per Clause 2A(III) of the said circular, the review conducted upon occurrence of a material event requiring review shall be made within 7 working days of the occurrence of the event. As per Clause 8 of Code of Conduct under third Schedule read with Regulation 13 of CRA Regulations, a CRA shall keep track of all important changes relating to the client companies and shall develop efficient and responsive systems to yield timely and accurate ratings.

- 16.3. From the above, it was observed that that there was a delay of 83 days in carrying out the material event review and publishing the PR by the Noticee in case of NCDs issued by ATS, which was in violation of SEBI provisions which specify reviewing the material event within 7 days of its occurrence. Thus, it was alleged that the Noticee has violated the provisions of Clause 1(B) and Clause 2(A)(III) of SEBI Circular No. SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/71 dated June 30, 2017 titled 'Monitoring and Review of Ratings by Credit Rating Agencies (CRAs)' and Clause 8 of Code of Conduct under third Schedule read with Regulation 13 of CRA Regulations.
- 16.4. In this regard, the Noticee has submitted that extension of repayment date of the NCDs of ATS cannot be considered as a material event, as it was not 'corporate debt restructuring' as per the definition of 'Material Event' in the SEBI Master Circular. However, I note from the press release dated September 01, 2022 that the rationale for rating revision of ATS NCDs to 'D' rating inter-alia stated that *"The rating revision is due to delays in the repayment of non-convertible debentures (NCD) due on June 11, 2022. AIPL had applied for extension of NCDs from June 11, 2022 to June 11, 2024; however it received consent from 76.67% of NCD holders for an extension of the maturity date to June 11, 2024 till the repayment date. The remaining NCD holders did not give their consent for the roll-over and redemption of NCDs till June 11, 2022."* From the above press release, I note that the reason for revision of the rating was extension of repayment date of the NCDs, therefore, it ought to be considered as a material event, else it had not warranted revision of the rating. In view of the same, the Noticee's submission that extension of repayment date of the NCD was not a material event, is not acceptable.
- 16.5. The Noticee has also submitted that it had already alerted the investors regarding creditworthiness of ATS and vide its press release dated September 07, 2021, it had already downgraded the rating to IVR BB/Stable, Issuer Non Cooperating. I note that the Noticee, as a CRA, was required to timely review

and revise the rating of NCDs of ATS within 7 days of the occurrence of a material event, however, the same was done with a delay of around 83 days. Thus, alerting the investors in its previous review and previous revision of rating on September 07, 2021 cannot be deemed sufficient to fulfil the requirements with respect to extension of repayment date of the NCDs, which occurred on June 10, 2022.

- 16.6. Since Noticee has not kept track of all important changes relating to the NCDs of ATS, the allegation of violation of provisions of Clause 8 of Code of Conduct under third Schedule read with Regulation 13 of CRA Regulations and Clause 1(B) and Clause 2(A)(III) of SEBI Circular No. SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/71 dated June 30, 2017 titled 'Monitoring and Review of Ratings by Credit Rating Agencies (CRAs), against the Noticee, stands established,

17. Failure to monitor debt servicing and Delay in recognition of default

- 17.1. It was observed that the issuer Selene Estate Limited (hereinafter referred to as '**Selene**') started defaulting on its listed Non-Convertible Debentures (NCDs) (viz. INE416P07023) since January 31, 2022 as per the Press Releases disclosed by the Debenture Trustee- Catalyst Trusteeship Limited (hereinafter referred to as '**Catalyst**') on its website which was also addressed to the Noticee. The details of default disclosure by Catalyst on its website are summarized as below:

S.N.	Due date of payment	Status of payment disclosed	Date of disclosure
1.	January 31, 2022, February 28, 2022	Part Payment of interest	March 02, 2022
2.	March 31, 2022	Part Payment of Principal & Interest	April 01, 2022
3.	April 30, 2022	Part Payment of interest	May 02, 2022

S.N.	Due date of payment	Status of payment disclosed	Date of disclosure
4.	May 31, 2022	Part Payment of Interest	June 01, 2022
5.	June 30, 2022	Non - payment of Principal & part payment of Interest	July 01, 2022
6.	July 31, 2022	Part Payment of interest	August 02, 2022
7.	August 31, 2022	Part Payment of interest	September 01, 2022
8.	September 30, 2022	Non-Payment of Principal & Part payment of Interest	October 03, 2022
9.	October 31, 2022	Non-Payment of Interest	November 01, 2022
10.	November 30, 2022	Non-Payment of Interest	December 01, 2022

17.2. Vide email dated August 02, 2023, Catalyst submitted that it had intimated the Noticee about defaults on NCDs in the case of Selene on the following dates:

S.N.	Payment due date	Date of intimation given to the Noticee
1.	January 31, 2022, February 28, 2022	March 02, 2022
2.	March 31, 2022	April 1, 2022
3.	April 30, 2022	May 02, 2022
4.	May 31, 2022	June 01, 2022
5.	June 30, 2022	July 01, 2022
6.	July 31, 2022	August 02, 2022
7.	August 31, 2022	September 01, 2022
8.	September 30, 2022	October 03, 2022
9.	October 31, 2022	November 01, 2022
10.	November 30, 2022	December 01, 2022

- 17.3. Also, Catalyst has submitted all the email communications sent to the Noticee vide email dated February 21, 2024
- 17.4. It was further observed that Selene had made a Stock Exchange disclosure on December 01, 2022 regarding payment of interest due on November 30, 2022 where Selene stated that it had not made payment of interest due on November 30, 2022 with respect to NCDs with ISIN INE416P07023.
- 17.5. Thus, it was inferred that the Noticee was informed about the initial default by Selene on March 02, 2022 and subsequent 9 default occurrences were also communicated to the Noticee by Catalyst. Further, Selene has made Stock Exchange disclosure on December 01, 2022 with regards to default in the payment by Selene at one instance.
- 17.6. Clause 2(A)(III) of SEBI Circular Number SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/71 dated June 30, 2017 and Clause 27.3.4 of SEBI Circular No. SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2023/6 dated January 06, 2023 (updated as on February 03, 2023) *inter alia* requires CRAs to disseminate information regarding default by issuer within two working days of intimation received from Issuer/ Debenture Trustee/ Bankers of the Issuer regarding delay in servicing debt obligation. Regulations 24(2) and 24(7) of the CRA Regulations provide that every credit rating agency shall follow a proper credit rating process and exercise due diligence in order to ensure that the rating given by the CRA is fair and appropriate. Clause 1(A)(I) and Clause 1(A)(II) of SEBI Circular No. SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/71 dated June 30, 2017 and Clauses 9.1.1 and 9.1.3 of SEBI Circular No. SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2023/6 dated January 06, 2023 state that CRAs have to be proactive in early detection of defaults / delays in making payments and they shall also monitor the Exchange website for disclosures made by the Issuers in this regard. Clause 2(A)(I) of Annexure A read with Annexure-A1 of SEBI Circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dated November 01, 2016 and Clause 7.5.1 read with Annexure 11 of SEBI Circular No.

SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2023/6 dated January 06, 2023 provide that each CRA shall frame detailed rating criteria, including criteria on default recognition and post-default curing period. Annexure A1 provides instrument-wise definition of default. For Debentures / Bonds on long term scale, the definition of default is a delay of 1 day even of 1 rupee (of principal or interest) from the scheduled repayment date. The criteria should be reviewed periodically. Clause 8 of Code of Conduct under third Schedule read with Regulation 13 of CRA Regulations provides that a CRA shall keep track of all important changes relating to the client companies and shall develop efficient and responsive systems to yield timely and accurate ratings.

- 17.7. In view of the provisions mentioned above, the Noticee was required to downgrade the rating to default (D) within 2 working days of receiving of such default intimations/disclosure. However, the Noticee did not downgrade the rating to 'D' until May 05, 2023, with a delay of over one year from first instance of default intimation in recognizing the default. The details of rating action taken by the Noticee are outlined below:

Issuer Name	ISIN	Issue size (INR)	PR Date	Rating action
Selene Estate Limited	INE416P07023	100 Crores	May 26, 2022	Reaffirm at B+/Stable (Issuer Not Cooperating)
			May 05, 2023	Downgraded to D and continue under 'Issuer Not Cooperating'

- 17.8. In view of the above, it was observed that the Noticee had failed to exercise due diligence to promptly downgrade the rating of NCDs issued by Selene to default (D) within the stipulated two working days following default intimation at 10 instances in the instant case. Further, it was observed that the Noticee also failed to downgrade the rating of NCDs of Selene to 'D' pursuant to Stock

Exchange disclosure dated December 01, 2022 made by Selene. Therefore, it was alleged that the Noticee has violated the provisions mentioned at para 16.6 above.

17.9. In this regard, the Noticee has submitted that Selene had stopped cooperating with the Noticee for monitoring of the rating, making it difficult for the Noticee to monitor all the relevant factors closely. However, it is noted that the Noticee was already being informed by Catalyst regarding the defaults of NCDs of Selene, from March 02, 2022 onwards. The aforementioned Circulars clearly define rating criteria on default as a delay of 1 day even of 1 rupee (of principal or interest) from the scheduled repayment date. Thus, the Noticee should have revised the rating to 'D' immediately, but not later than two working days from the date on which the intimation was received from Catalyst. On the contrary, the Noticee, on May 26, 2022, reaffirmed the rating to B+/Stable, Issuer Not Cooperating. Therefore, the Noticee's submissions cannot be accepted. Further, it did not revise the rating on the subsequent instances of default in repayment of NCDs of Selene, which were also intimated to it by Catalyst.

18. The Noticee has referred and relied upon the judgements of Hon'ble SAT in Religare Securities Limited and UPSE Securities Limited and of Hon'ble Supreme Court in M/s Hindustan Steel Ltd. v. State of Orissa and Maharashtra State Board of Secondary Education and Higher Secondary Education vs. K.S. Gandhi & Ors. and has submitted that the purpose of inspection is best achieved if the inspection team at the time of inspection were to advise the erring entity to rectify its errors, rather than initiation of penalty proceedings. In the present case, it is concluded that the Noticee has failed to disclose accurate CDR and ARTR, conduct timely review of material event and revise the ratings immediately upon being informed regarding the default of NCDs of an issuer. These cannot be considered as mere technical / venial breach or 'minor' discrepancies / irregularities. On the contrary,

these violations may have consequences, as the investors in the debt market rely on the CRAs for independent assessments of creditworthiness of issuers and their instruments.

19. In view of the above, I conclude that the Noticee has violated following provisions:

- 19.1.1. Clause 8 of Code of Conduct under third Schedule read with Regulation 13 of CRA Regulations. Regulation 24(2) and 24(7) of CRA Regulations
- 19.1.2. Clause 1(A)(I), Clause 1(A)(II) and Clause 2(A)(III) of SEBI Circular No. SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/71 dated June 30, 2017 titled 'Monitoring and Review of Ratings by Credit Rating Agencies (CRAs)'.
- 19.1.3. Clause 2(A)(I) of Annexure A read with Annexure-A1 of SEBI Circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dated November 01, 2016 titled 'Enhanced Standards for Credit Rating Agencies (CRAs)'.
- 19.1.4. Clause 7.5.1 read with Annexure 11 of SEBI Circular No. SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2023/6 dated January 06, 2023 titled 'Operational Circular for Credit Rating Agencies'
- 19.1.5. Clause 9.1.1, 9.1.3 and 27.3.4 of SEBI Circular No. SEBI/HO/DDHS/DDHS-RAC/POD2/P/CIR/2023/6 dated January 06, 2023 titled 'Operational Circular for Credit Rating Agencies'.

ISSUE II - Do the violations, if any, attract penalty under Section 15HB of the SEBI Act, 1992?

20. I note that Noticee as part of its submissions has cited order of Adjudicating Officer of SEBI indicating exoneration in similar matter. In this regard, I note that each matter is peculiar in its facts and circumstances based on which the violations and penalties are ascertained. Hence, any generic parallel drawn would be devoid of merit. I note that Noticee has merely cited and mentioned about the Order, however, the Noticee has neither demonstrated as to how the cited order is having facts similar to all the violation established in the instant matter.

21. I note that since the above violations are established, the Noticee is liable for monetary penalty under Section 15HB of the SEBI Act, 1992, the text of which is reproduced hereunder:

SEBI Act, 1992

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 III - If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act, 1992?

22. While determining the quantum of penalty under Section 15HB of the SEBI Act, 1992, it is important to consider the factors stipulated in Section 15J of the SEBI Act, 1992, which read as under:

SEBI Act, 1992

15J *While adjudging quantum of penalty under section 15-I, 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.*

23. I note that pursuant to findings of inspection, and as submitted by Noticee, the Noticee has updated the CDR and ARTR upon being informed regarding the discrepancy of including unlisted companies in the static pool and also has put in place mechanisms and systems to ensure that it monitors repayment schedules and examines intimations from Debenture Trustees in a timely manner.

24. Although there have been three instances, i.e. discrepancy in calculation of CDR and ARTR, not acting in a timely manner upon intimation of a material event and not revising the rating to 'D' upon intimation of default, which do not indicate a widespread or recurring pattern, it is not disputed that Credit rating agencies play a crucial role in financial markets by providing independent assessments of creditworthiness of entities and instruments. These ratings help investors and stakeholders make informed decisions. Given their impact, CRAs have a significant responsibility to ensure that their ratings remain up-to-date and reflect the latest financial and operational conditions of the rated entities and instruments. For this, they are required to continuously monitor the credit profile of rated entities and revise ratings as necessary when material events occur. By ensuring continuous monitoring, prompt action and regulatory compliance, CRAs contribute to a fair and efficient financial ecosystem.

25. In the present matter, I note that no quantifiable figures are available to assess the disproportionate gain or unfair advantage made as a result of the defaults by Noticee. Further, from the material available on record, it is not possible to ascertain the exact monetary loss to the investors /clients on account of default by the Noticee. I note from the available records that Noticee has been penalised earlier for the violations of CRA Regulations. Thus, the violations are repetitive in nature. Also, the fact that as a SEBI registered intermediary, Noticee is under statutory obligation to comply with the applicable circulars, rules and regulations, cannot be ignored. Therefore, suitable penalty must be imposed for non-compliances in order to ensure that the Noticee is more careful in conducting its operations in future.

ORDER

26. Having considered all the facts and circumstances of the case, the material available on record, the submissions made by Noticee and also the factors mentioned in Section 15J of the SEBI Act, 1992, in light of judgment of the Hon'ble Supreme Court in SEBI vs. Bhavesh Pabari (2019) 5 SCC 90, in exercise of power conferred under Section 15-I of the SEBI Act, 1992 r/w Rule 5 of the SEBI Adjudication Rules, I impose the following penalty upon the Noticee for the violations as mentioned hereunder.

Name of Noticee	Provisions violated	Penalty attracted under	Penalty Amount
Infomerics Valuation and Rating Private Limited	<ul style="list-style-type: none">•Clauses 2 and 12 of Code of Conduct under third Schedule read with Regulation 13 of CRA Regulations•Clause 26.4.1.8 and 26.4.3.3 of SEBI Circular No. SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2023/6 dated January 06, 2023 titled 'Operational Circular for Credit Rating Agencies'/ Clause 26.4.1.8 and 26.4.3.3 of SEBI Master Circular No. SEBI/HO/DDHS/DDHS-POD2/P/CIR/2023/111 dated July 03, 2023 titled 'Master Circular for Credit Rating Agencies'•Clause 8 of Code of Conduct under third Schedule read with Regulation 13 of CRA Regulations.•Clause 1(B) and Clause 2(A)(III) of SEBI Circular No. SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/71 dated June 30, 2017 titled 'Monitoring and Review of Ratings by Credit Rating Agencies (CRAs)'	Section 15HB of SEBI Act, 1992	₹3,00,000/- (Rupees Three Lakhs Only)

Name of Noticee	Provisions violated	Penalty attracted under	Penalty Amount
	<ul style="list-style-type: none"> • Clause 8 of Code of Conduct under third Schedule read with Regulation 13 of CRA Regulations. • Regulation 24(2) and 24(7) of CRA Regulations • Clause 1(A)(I), Clause 1(A)(II) and Clause 2(A)(III) of SEBI Circular No. SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/71 dated June 30, 2017 titled 'Monitoring and Review of Ratings by Credit Rating Agencies (CRAs)'. • Clause 2(A)(I) of Annexure A read with Annexure-A1 of SEBI Circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dated November 01, 2016 titled 'Enhanced Standards for Credit Rating Agencies (CRAs)'. • Clause 7.5.1 read with Annexure 11 of SEBI Circular No. SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2023/6 dated January 06, 2023 titled 'Operational Circular for Credit Rating Agencies' • Clause 9.1.1, 9.1.3 and 27.3.4 of SEBI Circular No. SEBI/HO/DDHS/DDHS-RACPOD2/P/CIR/2023/6 dated January 06, 2023 titled 'Operational Circular for Credit Rating Agencies'. 		

27. I find the said penalty to be commensurate with the violations/lapses/omissions on the part of the Noticee

28. 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.

29. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under Section 28A of the SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

30. In terms of Rule 6 of the SEBI Adjudication Rules, copy of this order is sent to the Noticee and also to the Securities and Exchange Board of India.

DATE: APRIL 02, 2025

PLACE: MUMBAI

**AMIT KAPOOR
ADJUDICATING OFFICER**