

**BEFORE THE ADJUDICATING OFFICER  
SECURITIES AND EXCHANGE BOARD OF INDIA  
[ADJUDICATION ORDER NO.: Order/AK/GN/2025-26/31548]**

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

**VARDHMAN TRUSTEESHIP PRIVATE LIMITED  
PAN: AAICA9446P**

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**Background**

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted an inspection of Vardhman Trusteeship Limited (hereinafter referred to as **Noticee / Vardhman / DT**), a SEBI-registered Debenture Trustee (**DT**) having SEBI registration number IND000000611. The period covered in the inspection was from December 15, 2020 to April 30, 2024 (hereinafter referred to as '**Inspection Period**').
2. Based on the findings of inspection and the response of the Noticee dated February 24, 2024 submitted to SEBI, certain non-compliances of provisions of SEBI(Debenture Trustee) Regulations, 1993 (hereinafter referred to as "**DT Regulations**") and guidelines/ circulars issued by SEBI from time to time were observed.

**Appointment of Adjudicating Officer**

3. Upon being satisfied that Noticee has violated provisions of DT Regulations and circulars, SEBI approved initiation of adjudication proceedings and vide communique dated May 09, 2025, appointed the undersigned as the Adjudicating Officer u/s 15-I of SEBI Act, 1992 (hereinafter referred to as '**SEBI Act**') and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') r/w Section 19 of the SEBI Act to inquire into and adjudge u/s 15HB of SEBI Act, the alleged violation of Regulation 16 r/w Clause 1, 2, 3 and 4 of Schedule III of DT Regulations and Clause 3.1.2 of Chapter VIII of Master Circular for DTs.

## **SHOW CAUSE NOTICE, REPLY AND HEARING**

4. Show Cause Notice (hereinafter being referred to as the “SCN”) dated May 27, 2025 was issued to Noticee in terms Rule 4(1) of Adjudication Rules to show cause as to why an inquiry should not be initiated against Noticee and why penalty, if any, should not be imposed upon Noticee u/s 15HB of SEBI Act for the alleged violations, as stated in the SCN.

5. Vide email dated June 09, 2025 Noticee submitted its reply, the reply of the Noticee is summarised below-

### ***5.1. Independent verification of creation of Recovery Expense Fund (REF)***

*5.1.1. Noticee submitted that as part of their independent verification, they regularly seek the confirmation directly from the stock exchanges with whom the REF is created by the issuer companies, however as has been observed by them the stock exchanges in general do not provide confirmation of the REF to the Debenture Trustees (DTs). This matter has also been highlighted to Securities and Exchange Board of India (SEBI) in meetings and also through the Trustee Association.*

*5.1.2. Noticee submitted that now without failing they are requesting REF confirmation from Stock Exchange for every Listed Debenture Issuance; However, to date, they have not received any such confirmation from either BSE or NSE.*

*5.1.3. In view of the above, requested to take a liberal and lenient view in this matter, given the absence of response from the exchanges despite their consistent efforts. Noticee also highlighted that REFs have been duly created by the issuers for each issuance and the relevant details are transparently disclosed on their website.*

### ***5.2. Failure to adhere to timelines w.r.t. seeking status of payment of interest/Repayment of principal from the issuer***

*5.2.1. Noticee submitted that, in accordance with Regulation 57(1) of the SEBI (LODR) Regulations, a listed entity is required to submit a certificate to the stock exchange regarding the status of payment of interest, dividend, or redemption of principal on nonconvertible securities within one working day of the due date, in the manner and format as specified by SEBI.*

*5.2.2. In compliance with this requirement, issuer companies simultaneously submit the said certificate to the Debenture Trustee (DT), based on which they update the status of payment ISIN-wise to the Credit Rating Agencies (CRAs) and the stock exchanges. In addition, they make independent efforts to verify the status of such payments.*

5.2.3. *To ensure timely compliance, they have implemented an ERP-based system which triggers automated T-7 reminders to issuer companies, seven working days prior to the due date, seeking ISIN-wise confirmation of payment status. While making these requests, CRAs are also informed simultaneously.*

5.2.4. *Accordingly, Noticee submitted that it has consistently adhered to the prescribed timelines for obtaining and reporting the status of interest or principal payments from issuers. This information is promptly shared with the stock exchanges, CRAs, and is also updated on our website for public dissemination.*

5.2.5. *Noticee confirmed that necessary corrective actions have already been taken to address and rectify the deficiencies identified. As part of their commitment to ensuring high compliance standards, they have strengthened their internal systems and processes to prevent recurrence of such instances.*

5.2.6. *These corrective steps include:*

5.2.6.1. *Strengthening the compliance monitoring framework*

5.2.6.2. *Enhancing internal monitoring using ERP and other digital tools*

5.2.6.3. *Conducting regular training and awareness sessions for relevant personnel*

5.2.6.4. *Periodic compliance reviews and updates from each team*

5.2.7. *They have also undertaken a comprehensive review of their internal procedures to ensure full alignment with applicable regulatory requirements and industry best practices.*

5.2.8. *In view of the above and the proactive steps undertaken to improve their systems and practiced, Noticee requested that the imposition of any penalty may kindly be reconsidered. They remain fully committed to maintaining robust governance and compliance standards going forward.*

6. In the interest of natural justice, an opportunity of personal hearing was granted to Noticee on July 16, 2025 via Hearing Notice dated July 01, 2025. The said Hearing Notice was sent to Noticee through SPAD and digitally signed email dated July 02, 2025 and was duly delivered.

7. The Authorised Representatives (ARs) of the Noticee appeared for the hearing scheduled on July 16, 2025 and reiterated the submissions already made vide email dated June 09, 2025.

## **CONSIDERATION FOR ISSUES, EVIDENCE AND FINDINGS**

8. I have taken into consideration the facts and circumstances of the case and the material available on record. The issues that arise for consideration in the present case are:

**ISSUE I: Whether Noticee has violated the provisions as alleged in the SCN?**

**ISSUE II- Does the violation, if any, attract monetary penalty u/s 15HB of the SEBI Act?**

**ISSUE III- If so, how much penalty should be imposed taking into consideration the factors mentioned in Section 15J of the SEBI Act?**

9. Before proceeding further, it will be appropriate to refer to the relevant provisions.

**SEBI Master Circular on Stock brokers no. SEBI/HO/DDHS-PoD3/P/CIR/2024/46 dated May 16, 2024**

<https://www.sebi.gov.in/legal/master-circulars/may-2024/master-circular-for-debenture-trustees-dts-83419.html>

### ***DT Regulations***

***Regulation 16:*** Every debenture trustee shall abide by the Code of Conduct as specified in Schedule III

### ***Schedule III – Code of Conduct***

- 1. A Debenture Trustee shall make all efforts to protect the interest of debenture holders.*
- 2. A Debenture Trustee shall maintain high standards of integrity, dignity and fairness in the conduct of its business.*
- 3. A Debenture Trustee shall fulfill its obligations in a prompt, ethical and professional manner.*
- 4. A Debenture Trustee shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment.*

## **FINDINGS**

10. On perusal of the material available on record and giving regard to the facts and circumstances of the case and submissions of the Noticee, I record my findings hereunder:

**ISSUE I: Whether Noticee has violated the provisions as alleged in the SCN?**

**10.1. Independent verification of creation of Recovery Expense Fund (REF)**

- 10.1.1. During examination it was observed that there was an undue delay in seeking confirmation from the designated stock exchanges by Noticee. In view of the same, it was alleged that Noticee violated Regulation 16 r/w Clause 1, 2, 3 and 4 of Schedule III of DT Regulations.
- 10.1.2. I note that in reply to the SCN, Noticee submitted that the stock exchanges in general do not provide confirmation of the REF to the Debenture Trustees (DTs).
- 10.1.3. I note that Clause 1, 2, 3 and 4 of Schedule III of DT Regulations provides that A Debenture Trustee shall make all efforts to protect the interest of debenture holders, shall maintain high standards of integrity, dignity and fairness in the conduct of its business, shall fulfill its obligations in a prompt, ethical and professional manner and shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment.
- 10.1.4. I note that as per Clause 1.1 of Chapter IV of the Master Circular for DTs mandates that an issuer deposits REF with the designated stock exchange. Clause 4.1 of Chapter IV of Master Circular for DTs requires that the DT obtain independent, written confirmation—directly from the designated stock exchange or another independent source—regarding the creation of REF rather than relying solely on the issuer’s communication.
- 10.1.5. I note that during examination it was observed that Noticee failed to independently verify the creation of REF by the issuers proposing to list debt securities. In certain cases, Noticee submitted only confirmation from issuer w.r.t. creation of REF, while in other cases, Noticee did not submit any documentary evidence w.r.t. creation of REF. During inspection it was observed that Noticee failed to independently verify the creation of REF by the issuers proposing to list debt securities for the following cases;

S No	Issuer Name	ISIN
1	Hinduja Housing Finance Limited	INE401Y07019/ INE401Y07027
2	Indel Money Limited	INE0BUS07AB/ INE0BUS07AA5
3	Kogta Financial India Limited	INE192U07327
4	Muthoot Miofin Limited	INE046W07230
5	Spero Properties & Services Private Limited	INE0IFW08011

10.1.6. I note from the material available before me that during inspection, on perusal of the reply submitted by the Noticee to the inspection findings, following was observed-

10.1.6.1. Noticee sent a single mail seeking confirmation of creation of REF by the issuer and follow up emails in this regard (on 20-06-2024, 10-07-2024, 29-07-2024 and 21-02-2025).

10.1.6.2. There was an undue delay in seeking confirmation from the designated stock exchanges, sometimes exceeding one year.

10.1.6.3. Noticee sought confirmation w.r.t. creation of REF from designated stock exchanges only after initiation of preliminary examination by SEBI on May 13, 2024.

10.1.6.4. In the case of Nirmal Bang Securities Private Limited (ISIN: INE681R08018), although the maturity date was March 05, 2024, Noticee sought confirmation only on June 20, 2024—well after maturity.

10.1.6.5. It is observed that Noticee failed to seek confirmation from the designated stock exchanges w.r.t. creation of REF by the issuer and it is only after preliminary examination was initiated by SEBI, Noticee sought these details from the stock exchange.

10.1.6.6. The email to stock exchanges seek confirmation for creation of REF by the issuer only for the sample cases selected by SEBI.

10.1.7. I note that in reply to the SCN, Noticee submitted that they regularly seek the confirmation directly from the stock exchange, however the stock exchanges do not provide confirmation of the REF to the Debenture Trustees (DTs). In this regard, I note that no documents are submitted by the Noticee in support of its contention. I also note that, during inspection on perusal of reply of Noticee to the inspection findings it was observed that Noticee sought confirmation w.r.t. creation of REF from designated stock exchanges only after initiation of preliminary examination by SEBI on May 13, 2024.

10.1.8. In view of the above, I note that Noticee failed to independently verify the creation of REF by the issuers proposing to list debt securities failed to comply with Regulation 16 r/w Clauses 1, 2, 3 and 4 of Schedule III of DT Regulations.

## **10.2. Failure to adhere to timelines w.r.t. informing the status of payment of interest/ Repayment of principal to the concerned CRA**

- 10.2.1. During inspection it was observed that Noticee failed to provide ISIN-wise information to the CRAs latest by one day after such due date of interest/ principal repayment in the case of Gera Developments Private Limited and thereby it was alleged that Noticee violated Clause 3.1.2 of Chapter VIII of Master Circular for DTs.
- 10.2.2. I note that in reply to the SCN, Noticee submitted that they have taken corrective steps, however no submission has been made by the Noticee with regard to the alleged failure of Noticee to provide ISIN wise information of Gera Development Private Limited within a one working day of the due date to the CRAs.
- 10.2.3. I note that as per Clause 3.1.2 of Chapter VIII of the Master Circular for DTs requires that within one day after the due date for interest or principal payment, the Debenture Trustee must provide ISIN-wise information to the CRAs. This information should clearly state whether the payment was made on time, if there was a delay/default, or if no information was received from the Issuer.
- 10.2.4. I note from the material available before me that in the case of Gera Developments Private Limited
- 10.2.4.1. During the inspection period (December 15, 2020 to April 30, 2024), the due dates for interest/ principal payment were on July 11, 2023 and July 05, 2024.
- 10.2.4.2. Noticee intimated the status of interest/ principal payment only on July 15, 2024, which is beyond one working day from the interest/ principal payment due date.
- 10.2.4.3. This has been done post initiation of preliminary examination by SEBI on May 13, 2024
- 10.2.4.4. For the interest/ principal payment which was on July 11, 2023, the intimation to CRAs was made after a delay of more than a year.
- 10.2.5. The regulatory framework clearly requires that DTs and CRAs share accurate, ISIN-wise information regarding the payment status of interest/redemption within one day after the due date. This accuracy is critical as it underpins the ability of both CRAs and DTs to effectively monitor the performance of issuers and assess risks associated with default.

10.2.6. I note that delay in sharing information can mislead CRAs, affecting their credit assessments and risk ratings. This failure can distort the risk profiles of issuers and may lead to erroneous credit assessments, which, in turn, could impact investor decisions

10.2.7. In view of the above, I note that in the case of Gera Developments Private Limited, Noticee failed to provide information to the CRAs latest by one day after due date of interest/ principal repayment and thereby violated Clause 3.1.2 of Chapter VIII of Master Circular for DTs.

**ISSUE II: Does the violation, if any, on part of the Noticee attract penalty u/s 15HB of SEBI Act?**

11. In view of the violations as established above, I find that this is a fit case for penalty u/s 15HB of the SEBI Act, which reads as given below:

*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, how much penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act?**

12. While determining the quantum of penalty u/s 15HB of the SEBI Act, it is important to consider the factors stipulated in section 15J of SEBI Act, which reads as under:-

*15J - Factors to be taken into account by the adjudicating officer*

*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.”*

13. 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 may not be possible to ascertain the exact monetary loss to the investors /clients on account of default by



the Noticee. DTs have a fiduciary duty to ensure that all communications, especially those shared with CRAs, are accurate and timely. As SEBI registered intermediary, Noticee is under statutory obligation to comply with the applicable circulars, rules and regulations. The very purpose of the said regulations is to deter wrong doing and promote ethical conduct in the securities market. Therefore, non-compliances/ violations by the Noticee deserves and attracts suitable penalty. I note that corrective actions have been taken by the Noticee post inspection and also no complaint against Noticee has been brought on record etc. These are being considered as mitigating factors while deciding the quantum of penalty. As per available records, no past action has been taken by SEBI against the Noticee.

### **ORDER**

14. After taking into consideration the facts and circumstances of the case, material available on record, submissions made by the Noticee and also the factors mentioned in the preceding paragraphs, in exercise of the powers conferred upon me u/s 15-I of the SEBI Act r/w Rule 5 of the Adjudication Rules, I hereby impose penalty of Rs. 2,00,000/- (Rupees Two Lakhs only) for the violations, as established in this order. In my view, the said penalty is commensurate with the violation committed by the Noticee in this case.
15. 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](http://www.sebi.gov.in) on the following path, by clicking on the payment link:

### **ENFORCEMENT → Orders → Orders of AO → PAY NOW**

In case of any difficulties in payment of penalties, Noticee may contact the support at [portalhelp@sebi.gov.in](mailto:portalhelp@sebi.gov.in).

16. 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 u/s 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.

17. In terms of the provisions of rule 6 of the SEBI Rules, a copy of this order is being sent to the Noticee and also to SEBI.

**Place: Mumbai**

**Date: July 28, 2025**

**AMIT KAPOOR  
ADJUDICATING OFFICER**