BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/BM/GN/2023-24/30084-30085]

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:

Noticee No.	Noticee Name	PAN
1	Pride Properties Private Limited	AAACP1130D
2	Mitcon Credentia Trusteeship Services Limited	AAMCM2458D

In the matter of
Pride Properties Private Limited

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as **'SEBI'**) conducted an examination of Pride Properties Private Limited (hereinafter referred to as **Noticee 1),** for the period from March 01, 2023 to October 29, 2023 (hereinafter referred to as **Examination Period**). The examination covers the compliance status of Noticee 1 with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as **LODR Regulations**), with respect to the relevant disclosures and approvals applicable in case of restructuring of listed Non-Convertible Debentures (hereinafter referred to as **NCDs**) and the compliance status of Mitcon credential Trusteeship Services Limited (hereinafter referred to as **Noticee 2**) (hereinafter Noticee 1 and Noticee 2 collectively referred to as **Noticees**), as Debenture Trustee (DT) to the said issuance by Noticee 1, with SEBI (Debenture Trustee) Regulations, 1993 (hereinafter referred to as **DT Regulations**) and circulars issued thereunder.

APPOINTMENT OF ADJUDICATING OFFICER

2. Vide order dated December 28, 2023 SEBI appointed the undersigned as the Adjudicating Officer under Section 19 of Securities and Exchange Board of India Act, 1992 (hereinafter

referred to as **SEBI Act**) read with Sub-section (1) of Section 15I of the SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **'SEBI Rules'**) to inquire into and adjudge under the provisions of Section 15HB of SEBI Act, for the alleged violations of Regulation 51 (1) of LODR Regulations, Regulation 51(2) read with clause A (11) of Part B of Schedule-III of LODR Regulations, Regulation 51 (3), Regulation 57, Regulation 59 and Regulation 62(1) of LODR Regulations by Noticee 1 and Regulation 15(1)(s) of DT Regulations and Clause of 2.5 of Chapter XIV of SEBI circular dated August 10, 2021 (updated as on July 07, 2023) by Noticee 2.

SHOW CAUSE NOTICE, REPLY AND HEARING

3. Show Cause Notice (hereinafter referred to as **"SCN"**) dated January 03, 2024 was issued to Noticees under rule 4(1) of SEBI Rules to show cause as to why an inquiry should not be held against them in terms of Rule 4 of Adjudication Rules read with Section 15-I (1) & (2) of SEBI Act, and penalty, if any, be not imposed on them under Section 15HB of SEBI Act, 1992 for the violations alleged to have been committed by the Noticees

4. The allegations levelled against the Noticees are summarized below:

5. It was observed that Noticee 1 has issued the following debt securities:

ISIN	Issue Price	Face Value	Date of Allotment	Redemption Date	Coupon Rate	Issue Size (INR Cr)
INE0L9G07010	1000000	1000000	March 28, 2022	March 27, 2029	15%	8

6. The above issuance had the annual frequency of interest payment with the following due dates - March 28, 2023, March 28, 2024, March 28, 2025, March 28, 2026, March 28, 2027, March 28, 2028, March 27, 2029.

7. Noticee 2 was the Debenture Trustee (DT) to the above-mentioned bond issuance and KR Developers LLP (hereinafter referred to as **debenture holder**) was the sole debenture holder since allotment i.e. March 28, 2022.

8. It was alleged that Noticee 1 did not comply with the following provisions of LODR Regulations during the examination period, details of the same are provided below.

A. Regulation 51 (1) of LODR Regulations and Regulation 51(2) read with clause A (11) of Part B of Schedule-III of LODR Regulations

9. It was alleged that Noticee 1 had failed to inform BSE or disclose on BSE website the following information affecting payment of interest and redemption including default and postponement of repayment dates as required to be disclosed under Regulation 51(1) and 51(2) of LODR Regulations:

   i. Default in the interest payment due on March 28, 2023.

   ii. Postponement of interest payment due on March 28, 2023 to June 28, 2023.

   iii. Postponement of interest payment date from June 28, 2023 to August 31, 2023 and change in due date of principal payment to August 31, 2023 from March 27, 2029.

   iv. Default in the payment due on August 31, 2023.

   v. Postponement of payment due on August 31, 2023 to September 15, 2023, September 19, 2023 and September 30, 2023.

   vi. Postponement of payment due on September 15, 2023 to September 21, 2023.

   vii. Postponement of balance payment due date to September 29, 2023.

   viii. Default in the payment due on September 29, 2023.

10. In view of the above, it was alleged that Noticee 1 violated Regulation 51 (1) and Regulation 51(2) read with clause A (11) of Part B of Schedule-III of LODR Regulations.

B. Regulation 51 (3) of LODR Regulations

11. It was alleged that Noticee 1 failed to disclose the information mentioned at paragraph 9 above affecting payment of interest and principal which is required to be disclosed by the issuer on its website, as per Regulation 51(3) of LODR Regulations.

12. Therefore, it was alleged that Noticee 1 violated Regulation 51 (3) of LODR Regulations.

C. Regulation 57 of LODR Regulations

13. It was alleged that Noticee 1 failed to intimate BSE regarding interest payment due on March 28, 2023. Further, it was alleged that Noticee 1 did not intimated BSE about the status of payments due on the following dates pursuant to multiple Postponement of repayment dates:

    i. Payment due on June 28, 2023.

    ii. Payment due on August 31, 2023.

    iii. Payment due on September 15, 2023, September 19, 2023 and September 30, 2023.

    iv. Payment due on September 21, 2023.

    v. Payment due on September 29, 2023.

14. In view of the above, it was alleged that Noticee 1 violated Regulation 57 of LODR Regulations.

D. Regulation 59 of LODR Regulations

15. It was alleged that Noticee 1 modified the structure of its NCDs by postponing the repayment dates of interest payment and preponing the principal repayment date as detailed below:

    i. Postponement of interest payment due on March 28, 2023 to June 28, 2023.

    ii. Postponement of interest payment date from June 28, 2023 to August 31, 2023 and change in due date of principal payment to August 31, 2023 from March 27, 2029.

    iii. Postponement of payment due on August 31, 2023 to September 15, 2023, September 19, 2023 and September 30, 2023.

    iv. Postponement of payment due on September 15, 2023 to September 21, 2023.

    v. Postponement of balance payment due date to September 29, 2023.

16. However, allegedly Noticee 1 had not taken stock exchange (BSE) approval before making such material modification to the structure of the NCDs. In view of the above, it was alleged that Noticee 1 violated Regulation 59 of LODR Regulations.

E. Regulation 62(1) of LODR Regulations

17. It was observed that Noticee 1 had allegedly failed to maintain any functional website. In view of the above, it is alleged that Noticee 1 violated Regulation 62(1) of the LODR regulations.

Compliance status by Noticee 2:

A. Due Diligence to be carried out by Noticee 2

18. It was observed that Noticee 1 has modified the structure of its NCDs by postponing the repayment dates of interest payment and preponing the principal repayment date as detailed at paragraph 15 above.

19. It was observed that Noticee 2 was intimated about the alleged restructuring of the terms of NCDs by the Noticee 1 and the debenture holder. However, Noticee 2 had not taken any steps, namely, communicating to Noticee 1 about taking stock exchange approval prior to restructuring of the terms of NCDs as required under Regulation 59 of LODR Regulation during the period March 01, 2023 to October 29, 2023 by Noticee 1.

20. In view of the same, it was alleged that Noticee 2 failed to exercise due diligence to ensure compliance by Noticee 1, with the provisions of Regulation 59 of LODR Regulations. In view of the same, it was alleged that Noticee 2 violated Regulation 15 (1)(s) of DT Regulations, 1993.

B. Updation of Default on Centralised Database for Corporate Bonds ("Database")

21. In the case of default of Noticee 1, it was alleged that Noticee 2 did not update the default history for Noticee 1 on the Database with regard to the default of Noticee 1 occurring on March 28, 2023.

22. It was alleged that Noticee 2 did not initiate the process of taking access to Database till August 2023 (post receipt of an email from SEBI in the matter of Noticee 1).

23. Further, it was alleged that Noticee 2 did not update the Database with respect to default by Noticee 1, as on November 10, 2023, even after receipt of access to database by NSDL on August 16, 2023.

24. In view of the above, it was alleged Noticee 2 failed to exercise due diligence to ensure updation of default on the Database for Noticee 1. Hence, it was alleged that Noticee 2 violated Clause of 2.5 of Chapter XIV of SEBI circular dated August 10, 2021 (updated as on July 07, 2023).

25. The SCN was issued at the last known addresses of Noticees through Speed Post Acknowledgment Due (SPAD) which was delivered to Noticee 2, however returned undelivered for Noticee 1. Thereafter, SCN was sent through Digitally Signed E-mail dated January 08, 2024 which was delivered to the Noticees and the delivery is on record. Noticee 2 submited its reply vide letter dated January 25, 2024,the same is summarized below-

Violation of Regulation 15(1)(s) of SEBI (Debenture Trustee) Regulation, 1993

a) *Noticee 2 submitted they have been constantly and unfailingly tracking the daily monitoring of payment of interest and repayment of principal by the Noticee 1 and they as the debenture trustee have, at each due date, sent the reminder to the Noticee 1 to confirm to them payment of interest and repayment of principal. Noticee 2 further submitted that as a debenture trustee to the NCD issue, they requested the Noticee 1 to provide to them the quarterly compliance reports since the inception of the NCD issue and thereafter at each quarter for which follow ups on the same through emails and telecoms have also been done by us. Noticee 2 submitted that their quarterly compliance reports are well self-explanatory report and well devised which specifically contain the following to educate and inform the Issuer Companies the compliances to be done by Issuer Company as required under the various SEBI Regulations, including but not limited to the SEBI (Listing Obligations and Disclosure Requirement) Regulation, 2015:*

Confirmation of the Management of the Issuer Company that -

- *The Company has complied with and is in compliance with the provisions of the Companies Act 2013, the extant SEBI Regulations and the terms and conditions of the Debentures and there is no event of default which has occurred or continuing or* *subsisting as on date and half yearly compliances as prescribed under SEBI Regulations and other applicable laws.*

- *Disclosures, if any made to the stock exchange in terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 which may have a bearing on the Debentures or on the payment of interest or redemption of the Debentures.*
- *There are no events or information or happenings which may have a bearing on the performance/operation of the Company, or there is no price sensitive information or any action as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 that may affect the payment of interest or redemption of the Debentures.*
- *Confirmation that a functional website containing, amongst others, the following information is maintained by the Company:-*
  - *email address for grievance redressal and other relevant details;*
  - *name of the debenture trustees with full contact details;*
  - *the information, report, notices, call letters, circulars, proceedings, etc., concerning non-convertible redeemable preference shares or non-convertible debt securities;*
  - *all information and reports including compliance reports filed by the Company;*
  - *Debenture redemption reserve*
  - *Default by issuer to pay interest or redemption amount [if any]*
  - *failure to create a charge on the assets [if any]*
  - *revision in rating assigned to the NCDs [if any]*

b) Noticee 2 submitted that from the above referred quarterly reports it may be observed that they have from time to time already advised and informed the Noticee 1 to ensure the compliances as required under the provisions of the SEBI (LODR) Regulation and the provisions of the Companies Act and the rules and regulations made thereunder. The quarterly compliance reports are the best way to track the debenture issue and the compliance made by the Company. The emails for submitting quarterly reports have been *issued to the Noticee 1 post extension of time period provided by the sole Debenture Holder.*

c) *Noticee 2 further submitted that the Noticee 1 has executed the Debenture Trust Deed dated March 29, 2022 ("DTD") and they have befittingly made the references of the various provisions of the applicable SEBI Regulations, Companies Act, 2013 and other applicable laws in the DTD which are required to be complied with by the Noticee 1 till the final redemption of the NCDs issued by it.*

d) *Further, Noticee 2 submitted that under clause 2.12 of the Debenture Trustee Agreement dated March 14, 2022, the Noticee 1 has undertaken to comply with the provisions of the Debenture Trust Deed, SEBI Regulation, Companies Act and such other rules and regulations as may be applicable.*

e) *In view of the above, Noticee 2 submitted that the Noticee 1 has been made fully cognizant with regards to the applicability of the various compliances of the SEBI Regulations and the Companies Act. Moreover, by way of the contractual agreement only, the Noticee 1 was bound to provide the applicable information and disclosures to the Stock Exchange and Noticee 2. Further, in addition to the above referred contractual agreement, Noticee 2 have also made follows-ups with the Noticee 1 to provide them the quarterly reports and one of the significant points of the quarterly report is that the Issuer Company shall provide to them the confirmation of the compliances made by it under the SEBI Regulations, including the compliance under Reg. 59 of the SEBI (LODR) Regulation.*

f) *Noticee 2 further submitted that Noticee 1 has not made the payment on various dates i.e., on March 28, 2023 which a due date of payment, and thereafter on dated postponed by the debenture holder, viz.to June 28, 2023, August 31, 2023, September 15, 2023 and September 29,2023. On T-15, T-7 and on applicable due dates (March 28, 2023) they have taken the adequate follow-ups with the Noticee 1 to confirm the payment status however no response was received from the Noticee 1 in given period and accordingly they have furnished the information to the Credit Rating Agency, Stock Exchange, Depository and SEBI that no-information has been received from the Noticee 1. Further, they have also called for the meeting of the debenture holder on April 28, 2023 vide their notice dated March 31, 2023. The debenture holder has informed to Noticee 2 that it has decided to provide additional time period of three months i.e., June 28, 2023 to the Noticee 1 to clear the defaulted amount.*

g) Noticee 2 further submitted that they were also informed by the sole Debenture Holder that no changes are made in the structure of the NCDs and since the Noticee 1 is not able to make the payment on due date and the default still subsist, the debenture holder will take call and decide the further course of action including the enforcement action and thereafter the Debenture Holder has considered to only provide additional time, post default made by Issuer, to Noticee 1 to clear the dues.

h) Noticee 2 further submitted that during the entire extended period, it has always disclosed the fact of such extension of time for making payment allowed by sole debenture holder to issuer, defaults made thereafter and updated information on its website, to the stock exchange, to rating agency as well as to SEBI in its various communications.

i) Noticee 2 submitted that as a debenture trustee, they have taken all steps to ensure that the sole Debenture Holder should receive the outstanding amount from Noticee 1 and the outstanding amount has been received by the Debenture Holder.

j) Therefore, Noticee 2 submitted that they have exercised the due diligence and there is no violation of Regulation 15(1)(s) is made by them.

Violation of Clause 2.5 of Chapter XIV of SEBI Circular dated August 10, 2021 (updated as on July 07, 2023)

a) Noticee 2 submitted that, vide letter dated March 03, 2023 ("Letter") they have written to the NSDL and CDSL with a request to provide them the access to update the necessary information or guide them for the further process for completing the data to be disclosed in terms of the SEBI Circular dated October 22, 2013 and June 04, 2021 (later superseded vide Operational Circular dated August 10, 2021), on Centralized Database for Corporate Bonds / Debentures. Vide the above said letter, they have specifically mentioned the reference of the Pride Properties Private Limited wherein the information/ disclosure which were required to be made on the NSDL Bond Info Portal for the Debentures are missing and not been disclosed for the Noticee 1. Further, they have also taken up the follow-ups on the said letter vide their email dated March 14, 2023, April 07, 2023, April 11, 2023 and April 18, 2023 ("Emails").

b) KR Developers was the sole debenture holder to the NCD/ debenture issue till the final redemption of the debentures and as per strategy formed by them with the sole debenture holder, and they ensured that the debenture holder has received the full and final dues *from the Notice 1 and there primary responsibility to ensure that the payment of interest and repayment of principal of the debenture holder is not hampered by the Noticee 1 in anyway.*

c) *Therefore Noticee 2 submitted that they have exercised the due diligence and there is no violation of Clause 2.5 of Chapter XIV of SEBI Circular dated August 10, 2021 (updated as on July 7, 2023) by Noticee 2.*

26. Vide hearing notice dated January 30, 2024, opportunity of hearing was given to the Noticee 2 on February 07, 2024. Hearing Notice was issued to the Noticee through SPAD was delivered and Hearing Notice was also sent through Digitally Signed E-mail dated January 31, 2024 which was delivered and the delivery is on record.

27. The authorized representatives (ARs) of Noticee 2 attended the hearing on the schedule day. ARs reiterated the submission made vide reply dated January 25, 2024 and further sought time till February 08, 2024 for making the additional submissions. Vide letter dated February 12, 2024, Noticee made the additional submissions, the same is summarized below-

   a) *Noticee 2 submitted that they Issued the Letter dated July 14, 2023 to the Issuer advising to "submit the update and intimate the timeline granted by the debenture holder for making payment of entire dues under the captioned NCD issue to the Stock Exchange, the rating agencies and the depositories for their record purpose".*

   b) *Noticee 2 submitted that they intimated the above referred update to SEBI, Stock Exchange and the Credit Rating Agency vide letter dated July 14, 2023 i.e. on the same day on which time was granted till August 31, 2023 by the debenture holder to the Issuer.*

   c) *Noticee 2 submitted that decision to extend/allow further time to make the defaulted payment has been informed to them by the debenture holder during the meeting only and there has been no occasion wherein they have been informed about the extension of the due date by the debenture holder or the Issuer, before the meeting of debenture holder meeting. It is also further submitted that the time for payment of dues under the debentures already defaulted was given to make the payment of such defaulted amount of debentures and there is no extension of due date at any point of time post March 28, 2023, rather, the debenture holder has provided the time to Issuer post default to make the repayment of the defaulted amount. It was the understanding between the debenture* *holder and the Issuer wherein the Issuer was required to make the payment of the defaulted amount to the debenture holder as and when the funds available with the Issuer and before the actual redemption of the debentures on October 16, 2023, they were not informed the exacts dates.*

d) *Noticee 2 submitted that on each date as allowed by the debenture holder from time to time, including August 31, 2023, they have submitted the default made by the Issuer to the Credit Rating Agency, Stock Exchange ad also to SEBI.*

e) *Noticee 2 further submitted that they have approached to NSDL and CDSL to provide them the BENPOS of the Issuer since they did not receive the BENPOS from the Issuer. However, they have been finally informed by CDSL vide its email dated October 03, 2023 that since the Issuer has not made the payment of its fees, CDSL may not release the BENPOS and this demonstrate their proactiveness in the instance case to ensure that they protect the interest of the debenture holders, even when the Issuer has failed to provide them the BENPOS.*

f) *Noticee 2 submitted that the Issuer has failed to amend its Article of Association which was required to be amended as per SEBI (Issue and Listing of Non-Convertible Securities) (Amendment), Regulation, dated February 02, 2023. They have also informed to SEBI about the non-compliance by Issuer vide their email dated October 04, 2023. Even after various follow-ups, the Issuer has failed to provide them the amended Article of Association and they have provided the non-compliance made by Issuer to SEBI, in addition to the updates which has been provided to SEBI, Stock Exchange, Credit Rating Agency and Depositories by them.*

g) *Therefore, Noticee 2 submitted that they have at all times submitted the development of matter and the time extension given by debenture holder to the issuer to make payment of defaulted amount to Stock Exchanges, Credit Rating Agency as also to the SEBI and have also hosted the same on their website for dissemination of the information and present status of the case continuously and from time to time. They have also advised the Issuer to submit the update and intimate the timeline granted by the debenture holder for making payment of entire dues under the captioned NCD issue to the Stock Exchange, the rating agencies and depositories for their record purpose, however, the Issuer despite having informed about the compliance to be done by it and* *despite of having the understanding of applicable regulations to it, failed to do the compliances. Noticee 2 submitted that they have also updated the Corporate Database.*

28. Vide email dated January 25, 2024, extension was given to Noticee 1 to submit its reply on or before February 02, 2024, and vide hearing notice dated January 30, 2024, opportunity of hearing was given to the Noticee 1 on February 07, 2024 and Noticee 1 was again advised to submit its reply at least two days before the date of hearing. Hearing Notice was issued to the Noticee 1 through SPAD which was returned undelivered, and hearing Notice was also sent through Digitally Signed E-mail dated January 31, 2024 which was delivered and the delivery is on record. Vide email dated January 31, 2021, Noticee 1 sought extension of 15 days from the original deadline for submission of reply, therefore, vide email dated January 31, 2024 Noticee 1 was advised to submit its reply on or before February 13, 2024. Vide letter dated February 10, 2024, Noticee 1 submitted its reply, the same is summarized below-

a) *Noticee 1 submitted that it has issued and allotted 75 NCDs of the face value of R5.10,00,000 to the sole debenture holders i.e. KR Developers LLP on March 28, 2022 and the same was repaid redeemed and repaid by 16th October 2023 as per the mutually agreed terms.*

b) *Noticee 1 submitted that the said non compliances was occurred due to lack of professional advise and the Company give utmost importance on transparent and accurate disclosure of information to stakeholders.*

c) *Regarding the non-functional website and for not seeking approval of Stock Exchange before making such material modification to the structure of the NCDs, Noticee 1 acknowledge the concern raised and submitted that the non-compliance was unintentional and resulted from a lack of professional advice.*

d) *Noticee 1 submitted that they have encountered unforeseen financial constraints that posed challenges in meeting their obligations as per the agreed terms of the NCDs. They had great financial difficulty in the financial year 2023-23 and incurred a loss of 1.86 crores due to the interest burden and the project it undertook could not take off due to this there was severe financial crunch in the Company.*

e) *Noticee 1 submitted that in light of these financial challenges, and in the spirit of transparency and mutual cooperation, engaged in discussions with the sole NCD holder* *to explore viable solutions. A consensus was reached with the consent of the NCD holders to restructure the terms of the NCDs. This restructuring was undertaken with the primary objective of addressing the financial constraints faced by the Company and ensuring a sustainable resolution to meet its obligations.*

29. Vide Hearing Notice dated February 13, 2024, another opportunity of hearing was given to Noticee 1 on February 22, 2024. Hearing Notice was issued to the Noticee 1 through SPAD which returned undelivered, thereafter Hearing Notice was sent through Digitally Signed E-mail dated February 13, 2024 which was delivered and the delivery is on record.

30. The authorized representatives (ARs) of the Noticee 1 attended the hearing on the schedule day. ARs reiterated the submission made vide reply dated February 10, 2024 and further sought time till February 26, 2024 for making the additional submissions. Vide letter dated February 23rd, 2024, Noticee 1 made the following additional submissions-

   a) *Noticee 1 submitted that the business is not performing and the company is making a loss this year(2023-24) also and the net worth of the company has been eroded and the current net worth of the company is negative. Further, Noticee 1 submitted that during the financial year 2022-23 the Company has incurred a net loss of Rs. 1,86,22,115.00*

   b) *Noticee, further submitted that they have already made application to BSE Limited where NCDs were listed for delisting of NCDs, since the NCDs have been duly paid now also. Also they have made application to NSDL and CDSL for Extinguishment of ISIN for NCDs.*

<u>ISSUES FOR CONSIDERATION, EVIDENCE AND FINDINGS</u>

31. 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: (a) Whether Noticee 1 violated the provisions of regulation 51(1), 51(2) read with clause A(11) of part B of Schedule III, 51(3), 57, 59 and 62(1) of the LODR regulations?

(b) Whether Noticee 2 violated the provisions of regulation 15(1)(s) of DT regulations and clause 2.5 of Chapter XIV of SEBI circular dated August 10, 2021 (updated as on July 07, 2023)?

ISSUE II: Does the violation, if any, on part of the Noticees attract penalty under Section 15HB of SEBI Act?

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

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

Regulation 51 of LODR Regulations

Disclosure of information having bearing on performance/operation of listed entity and/or price sensitive information.

51. (1) The listed entity shall promptly inform the stock exchange(s) of all information having bearing on the performance/operation of the listed entity, price sensitive information or any action that shall affect payment of interest or dividend or redemption of non-convertible securities.

[Explanation -The expression 'promptly inform', shall imply that the stock exchange shall be informed as soon as reasonably possible but not later than twenty-four hours from the date of occurrence of the event or receipt of information. In case the disclosure is made after twenty-four hours of the date of occurrence of the event or receipt of information, the listed entity shall, along with such disclosures provide an explanation for the delay]

(2) Without prejudice to the generality of sub-regulation(1), the listed entity who has [listed non-convertible securities]shall make disclosures as specified in Part B of Schedule III.

(3) The listed entity shall disclose on its website, all such events or information which have been disclosed to the stock exchange(s) under this regulation and such disclosures shall be hosted on the website of the listed entity for a minimum period of five years and thereafter as per the archival policy of the listed entity, as disclosed on its website.

....

SCHEDULE III

....

PART B: DISCLOSURE OF INFORMATION HAVING BEARING ON PERFORMANCE/OPERATION OF LISTED ENTITY AND/OR PRICE SENSITIVE INFORMATION: NON-CONVERTIBLE SECURITIES

[See Regulation 51(2)]

A. The listed entity shall promptly inform the stock exchange(s) of all information which shall have bearing on performance/operation of the listed entity or is price sensitive or shall affect payment of interest or dividend [or redemption payment] of non-convertible securities including

……..

(11) any instance(s) of default/delay in timely repayment of interests or principal obligations or both in respect of the debt securities including, any proposal for re-scheduling or postponement of the repayment programmes of the dues/debts of the listed entity with any investor(s)/lender(s).

…..

Regulation 57 of LODR Regulations (w.e.f June 15, 2023)

Intimations/ other submissions to stock exchange(s)

57. The listed entity shall submit a certificate to the stock exchange regarding status of payment of interest or dividend or repayment or redemption of principal of non-convertible securities, within one working day of it becoming due, in the manner and format as specified by the Board from time to time.

Regulation 57 of LODR Regulations (Prior to June 15, 2023)

Intimations/ other submissions to stock exchange(s).

57. (1) The listed entity shall submit a certificate to the stock exchange within one working day of the interest or dividend or principal becoming due regarding status of payment in case of non-convertible securities.

(2) [omitted]

(3) The listed entity shall forward to the stock exchange any other information in the manner and format as specified by the Board from time to time.

(4) The listed entity shall within five working days prior to the beginning of the quarter provide details for all the non-convertible securities for which interest/dividend/principal obligations shall be payable during the quarter.

(5) The listed entity shall within seven working days from the end of the quarter provide:

(a) a certificate confirming the payment of interest/dividend/principal obligations for non-convertible securities which were due in that quarter; and

(b) the details of all unpaid interest/dividend/principal obligations in relation to non-convertible securities at the end of the quarter."

Regulation 59 of LODR Regulations

Structure of nonconvertible debt securities and non convertible redeemable preference shares

59.(1) The listed entity shall not make material modification without prior approval of the stock exchange(s) where the non-convertible debt securities or non-convertible redeemable preference shares, as applicable, are listed, to :

(a)the structure of the [non-convertible debt securities] debenture in terms of coupon, redemption, or otherwise.

(b)the structure of the non-convertible redeemable preference shares in terms of dividend, redemption, or otherwise.

(2) The approval of the stock exchange referred to in sub-regulation (1) shall be made only after:

(a) approval of the board of directors and the debenture trustee and

(b) obtaining consent in writing of the holders of not less than three-fourths, by value of holders of that class of securities: Provided that the listed entity shall provide the facility of remote e-voting to facilitate such consent.

Regulation 62 – Website

(1) The listed entity shall maintain a functional website containing the following

information about the listed entity:-

(a) details of its business;

[(aa) composition of the Board;]

(b)[financial information including:

(i) notice of meeting of the board of directors where financial results shall be discussed;

(ii) financial results, on the conclusion of the meeting of the board of directors where the financial results were approved;

(iii) complete copy of the annual report including balance sheet, profit and loss account, directors report, corporate governance report etc;]

(c) contact information of the designated officials of the listed entity who are responsible for assisting and handling investor grievances;

(d) email address for grievance redressal and other relevant details;

(e) name of the debenture trustees with full contact details;

(f) the information, report, notices, call letters, circulars, proceedings, etc concerning

non-convertible redeemable preference shares or non convertible debt securities;

(g)all information and reports including compliance reports filed by the listed entity;

(h) information with respect to the following:

(i) default by issuer to pay interest or redemption amount;

(ii) failure to create a charge on the assets;

[(i) all credit ratings obtained by the entity for all its listed non-convertible securities, updated immediately upon any revision in the ratings;

(j) statements of deviation(s) or variation(s) as specified in sub-regulation (7) and sub-regulation (7A) of regulation 52 of these regulations;

(k) annual return as provided under section 92 of the Companies Act, 2013 and the rules made thereunder.]

Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993

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

(s) exercise due diligence to ensure compliance by the body corporate, with the provisions of the Companies Act, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement), Regulations, 2015, the listing agreement of the stock exchange or the trust deed or any other regulations issued by the Board pertaining to debt issue;"

SEBI circular dated August 10, 2021

Clause of 2.5 of Chapter XIV - DTs shall access the database to verify the information regarding default history and other relevant information. In case of any discrepancy, debenture trustee shall notify the same to stock exchanges and update the correct information in the database, within the time stipulated in Annex -XIV-C.

Annex -XIV-C - Timelines for update of information by various parties:

Sl. No	***Activity***	***Responsibility***	***Remarks***
1	*…….*	*…….*	*…….*
…….	*…….*	*…….*	*…….*
10	*Verification and updating of default history information about the instrument/ issuer, as applicable in the database*	*DTs*	*Within seven days of knowledge of default.*

FINDINGS

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

ISSUE I: (a) Whether Noticee 1 violated the provisions of regulation 51(1), 51(2) read with clause A(11) of part B of Schedule III, 51(3), 57, 59 and 62(1) of the LODR regulations?

34. It was observed that Noticee 1 had issued the debt securities on March 28, 2022 and the redemption date of debt securities was March 27, 2029.

35. It was observed that the Noticee 2 was the Debenture Trustee (DT) to the above-mentioned bond issuance and the KR Developers LLP was the sole debenture holder since allotment i.e. March 28, 2022.

36. It was observed that there was restructuring of listed NCDs by Noticee 1 therefore, it was alleged that Noticee 1 has not complied with the following provisions of LODR Regulations during the examination period, details of the same are provided below.

Regulation 51 (1) of LODR Regulations and Regulation 51(2) read with clause A (11) of Part B of Schedule-III of LODR Regulations

37. It was observed that Noticee 1 did not inform BSE or disclose on BSE website the information affecting payment of interest and redemption including default and postponement of repayment dates as required to be disclosed under Regulation 51(1) and 51(2) of LODR Regulations.

38. In view of the above, it is alleged in the SCN that Noticee 1 is in violation of Regulation 51 (1) and Regulation 51(2) read with clause A (11) of Part B of Schedule-III of LODR Regulations.

39. Noticee 1 submitted that these non-compliances was unintentional and resulted from lack of professional advice.

40. As per regulation 51(1) and Regulation 51(2) read with clause A (11) of Part B of Schedule-III of LODR Regulations the listed entity shall as soon as reasonably possible but not later than twenty-four hours from the date of occurrence of the event inform the stock exchange(s) of any action that shall affect payment of interest or dividend or redemption of non-convertible securities.

41. I note from the material available before me that the Noticee 1 had issued the debt securities bearing ISIN INE0L9G07010, the details of the same are as follows-

ISIN	Issue Price	Face Value	Date of Allotment	Redemption Date	Coupon Rate	Issue Size (INR Cr)
INE0L9G07010	1000000	1000000	March 28, 2022	March 27, 2029	15%	8

42. I note from the material available before me that the above issuance had the annual frequency of interest payment with the following due dates - March 28, 2023, March 28, 2024, March 28, 2025, March 28, 2026, March 28, 2027, March 28, 2028, March 27, 2029.

43. I observe from the material available before me that the following information affecting payment of interest and redemption including default and postponement of repayment dates were required to be informed and disclosed under regulation 51(1) and Regulation 51(2) read with clause A (11) of Part B of Schedule-III of LODR Regulations to BSE-

a) Default in the interest payment due on March 28, 2023.

b) Postponement of interest payment due on March 28, 2023 to June 28, 2023.

c) Postponement of interest payment date from June 28, 2023 to August 31, 2023 and change in due date of principal payment to August 31, 2023 from March 27, 2029.

d) Default in the payment due on August 31, 2023.

e) Postponement of payment due on August 31, 2023 to September 15, 2023, September 19, 2023 and September 30, 2023.

f) Postponement of payment due on September 15, 2023 to September 21, 2023.

g) Postponement of balance payment due date to September 29, 2023.

h) Default in the payment due on September 29, 2023.

44. The changes made in the interest payment dates and the principal dates were promptly required to be disclosed to the stock exchange (i.e. BSE). However, I observe from the material available before me and the submission of the Noticee 1, that the changes mentioned above affecting payment of interest and principal amount of the NCDs was not informed to BSE or disclosed on BSE website. Thus, Noticee 1 is in violation of Regulation 51 (1) and Regulation 51(2) read with clause A (11) of Part B of Schedule-III of LODR Regulations.

Regulation 51 (3) and 62(1) of LODR Regulations Regulation

45. It was observed that Noticee 1 did not maintain any functional website thereby failed to disclose information affecting payment of interest and principal which is required to be disclosed by the issuer on its website, as per Regulation 51(3) of LODR Regulations. In view of the above, it is alleged in the SCN that Noticee 1 is in violation of Regulation 62(1) and Regulation 51(3) of the LODR regulations.

46. I note that Noticee 1 in reply to the SCN has admitted that there website was non-functional and their non-compliance was unintentional and resulted from a lack of professional advice.

47. As per regulation 62(1) of the LODR regulations the listed entity shall maintain the functional website containing the information as provided in regulation 62(1) of the LODR regulations and as per regulation 51(3) of the LODR regulations a listed entity shall disclose on its website, all such events or information which have been disclosed to the stock exchange(s) under this regulation and such disclosures shall be hosted on the website of the listed entity for a minimum period of five years and thereafter as per the archival policy of the listed entity, as disclosed on its website.

48. I note from the material available before me and the submission made by the Noticee 1 that Noticee 1 did not disclose the material information on the BSE website. Further, I observe that Noticee 1 was required to parallely disclose the same material information on its own website however, Noticee 1 did not have any functional website therefore Noticee 1 failed to disclose the below mentioned information affecting payment of interest and principal, which is required to be disclosed by the issuer on its website, as per Regulation 51(3) of LODR Regulations:

i. Default in the interest payment due on March 28, 2023.

ii. Postponement of interest payment due on March 28, 2023 to June 28, 2023.

iii. Postponement of interest payment date from June 28, 2023 to August 31, 2023 and change in due date of principal payment to August 31, 2023 from March 27, 2029.

iv. Default in the payment due on August 31, 2023.

v. Postponement of payment due on August 31, 2023 to September 15, 2023, September 19, 2023 and September 30, 2023.

vi. Postponement of payment due on September 15, 2023 to September 21, 2023.

vii. Postponement of balance payment due date to September 29, 2023.

viii. Default in the payment due on September 29, 2023.

49. In view of the above Noticee 1 is in violation of regulation 51(3) and 62(1) of the LODR regulations.

Regulation 57 of LODR Regulations

50. It is observed that Notice 1 has failed to intimate BSE regarding interest payment due on March 28, 2023. Further, it is alleged that Noticee 1 has not intimated BSE about the status of payments due on the different dates pursuant to multiple Postponement of repayment dates:

51. In view of the above, it is alleged in the SCN that Noticee 1 is in violation of Regulation 57 of LODR Regulations.

52. Noticee 1 submitted that these non-compliances was unintentional and resulted from lack of professional advice.

53. As per regulation 57 of the LODR regulations, the listed entity shall submit a certificate to the stock exchange regarding status of payment of interest or dividend or repayment or redemption of principal of non-convertible securities, within one working day of it becoming due.

54. From the material available before me, I note that the following status of payment was required to be intimated by the Noticee 1 to the BSE within one working day of it becoming due-

    i. Payment due on March 28, 2023.
    ii. Payment due on June 28, 2023.
    iii. Payment due on August 31, 2023.
    iv. Payment due on September 15, 2023, September 19, 2023 and September 30, 2023.
    v. Payment due on September 21, 2023.
    vi. Payment due on September 29, 2023.

55. However, I note from the material available before me and as submitted by the Noticee 1 that the Noticee 1 failed to intimate BSE regarding interest payment due on March 28, 2023 and about the status of payments due on the dates mentioned above, pursuant to multiple postponement of repayment dates .

56. In view of the above Noticee 1 has violated regulation 57 of the LODR regulation.

Regulation 59 of LODR Regulations

57. It was observed that Noticee 1 modified the structure of its NCDs by postponing the repayment dates of interest payment and preponing the principal repayment date, however, Noticee 1 has not taken stock exchange (BSE) approval before making such material modification to the structure of the NCDs. In view of the above, it is alleged in the SCN that Noticee 1 is in violation of Regulation 59 of LODR Regulations.

58. Noticee 1 submitted that these non-compliances was unintentional and resulted from lack of professional advice.

59. As per regulation 59 of the LODR regulations, the listed entity shall not make material modification to the structure of the NCDs in terms of coupon, redemption or otherwise without prior approval of the stock exchange where NCDs are listed.

60. I note from the material available before me that Noticee 1 modified the interest payment due date by postponing it from March 28, 2023 to June 28, 2023 and then postponing it to August 31, 2023. Further, Noticee 1 preponed the principal payment due date from March 27, 2029 to August 31, 2023. Thereafter, payment due on August 31, 2023 was postponed to part payments on September 15, 2023, September 19, 2023 and September 30, 2023. However, the payment due on September 15, 2023 was postponed to September 21, 2023 and the balance payment due date was postponed to September 29, 2023.

61. I further note from the material available before me and the submission made by the Noticee 1 that it had not taken stock exchange (BSE) approval before modifying structure of the NCDs in terms of interest and principal payment dates.

62. In view of the above I observe that Noticee 1 is in violation of Regulation 59 of LODR Regulations.

(b) Whether Noticee 2 violated the provisions of regulation 15(1)(s) of DT regulations and clause 2.5 of Chapter XIV of SEBI circular dated August 10, 2021 (updated as on July 07, 2023)?

Due Diligence to be carried out by Noticee 2

63. It was observed that Noticee 1 modified the structure of its NCDs by postponing the repayment dates of interest payment and preponing the principal repayment date.

64. It was also observed that Noticee 2 as a DT was intimated about the restructuring of the terms of NCDs by the Noticee 1 and the debenture holder. However, allegedly Noticee 2 had not taken any steps, namely, communicating to Noticee 1 about taking stock exchange approval prior to restructuring of the terms of NCDs as required under Regulation 59 of LODR Regulation during the period March 01, 2023 to October 29, 2023 by Noticee 1.

65. In view of the same, it was alleged that Noticee 2 has failed to exercise due diligence to ensure compliance by Noticee 1, and thereby violated Regulation 15 (1)(s) of DT Regulations, 1993.

66. As per Regulation 15(1)(s) of the DT regulations, 1993 it is the duty of debenture trustee to exercise due diligence to ensure compliance by the body corporate, with the provisions of the Companies Act, LODR Regulations, 2015, the listing agreement of the stock exchange or the trust deed or any other regulations issued by the Board pertaining to debt issue.

67. I note from the material available before me and the submission made by the Noticee 2 that Noticee 1 modified the interest payment due date by postponing it from March 28, 2023 to June 28, 2023 and then again postponed it to August 31, 2023. Further, Noticee 1 preponed the principal payment due date from March 27, 2029 to August 31, 2023. Thereafter, payment due on August 31, 2023 was postponed to part payments on September 15, 2023, September 19, 2023 and September 30, 2023. Thereafter, the payment due on September 15, 2023 was postponed to September 21, 2023 and the balance payment due date was postponed to September 29, 2023.

68. I also note from the material available before me that the Noticee 1 and debenture holder intimated Noticee 2 about the restructuring of the terms of NCDs. I further note that, Noticee 1 has not applied to BSE for application under Regulation 59 of SEBI Listing Regulation during the period March 01, 2023 to October 29, 2023.

69. Noticee 2 in its reply submitted that they requested Noticee 1 to provide the quarterly compliance report at each quarter for which the follow ups have also been done. Noticee 2 further submitted that they had executed Debenture trust deed dated March 29, 2022 with Noticee 1 wherein reference have been made to various provisions of the SEBI Regulations which are required to be complied with by the Noticee 1 till the final redemption of the NCDs issued further under Debenture Trustee Agreement dated March 14, 2022, the Noticee 1 has undertaken to comply with the provisions of the Debenture Trust Deed,

SEBI Regulation, Companies Act and such other rules and regulations as may be applicable.

70. I note from the submission made by the Noticee 2 that routinely Noticee 2 sought quarterly compliance reports from Noticee 1 for the quarters ending March 2023, June 2023 and September 2023. There was no efforts taken by the Noticee 2 to communicate Noticee 1 for seeking prior approval of the stock exchange for above restructuring of NCDs under regulation 59 of LODR regulation. In view of the same, the abovementioned contention of the Noticee 2 is not tenable.

71. Therefore, I observe that Noticee 2 has failed to exercise due diligence to ensure compliance by Noticee 1, with the provisions of Regulation 59 of LODR Regulations and therefore Noticee 2 violated Regulation 15 (1)(s) of DT Regulations, 1993.

Updation of Default on Centralised Database for Corporate Bonds ("Database")

72. It was observed that in the case of default of Noticee 1, Noticee 2 did not update the default history for Noticee 1 on the Database with regard to the default of Noticee 1 occurring on March 28, 2023.

73. It was further observed that SEBI sent an email dated August 02, 2023 to Noticee 2 seeking query regarding the updation on Database. Thereafter, Noticee 2 sent an email to NSDL on August 09, 2023 seeking login details and the login details were provided to Noticee 2 by NSDL on August 16, 2023. Thus, Noticee 2 initiated the process of taking login details from NSDL to update Database only after receipt of email from SEBI regarding the same.

74. It was observed that Noticee 2 has not updated the Database with respect to default by Noticee 1, as on November 10, 2023, even after receipt of access to database by NSDL on August 16, 2023.

75. Therefore, it is alleged in the SCN that Noticee 2 is in violation of Clause of 2.5 of Chapter XIV of SEBI circular dated August 10, 2021 (updated as on July 07, 2023).

76. As per Clause of 2.5 of Chapter XIV of SEBI circular dated August 10, 2021 (updated as on July 07, 2023) DTs shall access the database to verify the information regarding default history and other relevant information and in case of any discrepancy, DT shall notify the same to stock exchanges and update the correct information in the database, within seven days of knowledge of default.

77. Noticee 2 submitted that they have updated the database. However, I note from the material available before me that Noticee 2 got the log in details of corporate database on August 16, 2023, still the default history of Noticee 1 was not updated till the date of hearing i.e. February 07, 2024 Subsequent to the hearing Noticee 2 updated the database which was with a considerable delay.

78. In view of the above, I observe that Noticee 2 has failed to exercise due diligence to ensure timely updation of default on the database for Noticee 1 and therefore violated Clause 2.5 of Chapter XIV of SEBI circular dated August 10, 2021 (updated as on July 07, 2023).

ISSUE II: Does the violation, if any, on part of the Noticee attract penalty under Section 15HB of SEBI Act?

79. It has been established in the foregoing paragraphs that the Noticee 1 violated the provisions of regulation 51(1), 51(2) read with clause A(11) of part B of Schedule III, 51(3), 57, 59 and 62(1) of the LODR regulations and Noticee 2 violated the provisions of regulation 15(1)(s) of DT regulations and clause 2.5 of Chapter XIV of SEBI circular dated August 10, 2021 (updated as on July 07, 2023). In context of the above, I would refer to Judgment of the Hon'ble Supreme Court of India in the matter of Chairman, SEBI Vs Shriram Mutual Fund {[2006]5 SCC 361}, in which Hon'ble Supreme Court has held that:

"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant.............."

80. Thus, I am of the view that it is a fit case for penalty under section 15HB of the SEBI Act, which reads as given below:

Section 15HB – Penalty for contravention where no separate penalty has been provided.

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 Noticees taking into consideration the factors mentioned in Section 15J of the SEBI Act?

81. While determining the quantum of penalty under sections 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."

82. In the present matter, I note from the material available on record, it is difficult to quantify the disproportionate gains made by the Noticees. Further I note that, it may not be possible to ascertain the exact monetary loss to the investors on account of default by the Noticees in the instant matter. As regards repetitive nature of default, I note that no past action has been taken by SEBI against the Noticees. I note that there is a single debenture holder which was corporate entity and was in dialogue with Noticee 1 and was thus aware of the matter. However, I cannot ignore the fact that as a SEBI registered Intermediary, Noticee 2 was under a statutory obligation to abide by the provisions of the SEBI Act, 1992, Rules and Regulations and Circulars/directions issued thereunder etc. which it failed to do. Such disregard for the provisions of law governing the functioning of intermediaries calls for an appropriate penalty. Further it has been established that the Noticee 1 as a listed company failed to adhere to the regulatory provisions stipulated under LODR Regulations. Thus, I feel that an appropriate penalty should be imposed on the Noticee 1 which should act as a deterrent for Noticee 1.

ORDER

83. Having considered the facts and circumstances of the case, the material available on record, the submissions made by the Noticees, the factors mentioned in Section 15J of the SEBI Act, and also taking into account judgment of the Hon'ble Supreme Court in *SEBI vs.*

Bhavesh Pabari (2019) 5 SCC 90 and in exercise of power conferred upon me under section 15-I of the SEBI Act, 1992 read with rule 5 of the Adjudication Rules, 1995, I hereby impose following penalty under section 15HB of the SEBI Act, 1992 on the Noticee:

S. No.	Name of entity	Penalty Provisions	Penalty (Rs.)
1	Pride Properties Private Limited	15HB of SEBI Act, 1992	Rs. 5,00,000/- (Rs. Five Lakh Only)
2	Mitcon Credentia Trusteeship Services Limited	15HB of SEBI Act, 1992	Rs. 2,00,000/- (Rs. Two Lakh Only)

84. I am of the view that the said penalty is commensurate with the lapse/omission on the part of the Noticees.

85. The Noticees 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. In case of any difficulties in payment of penalties, Noticees may contact the support at portalhelp@sebi.gov.in.

86. 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.

87. In terms of the provisions of rule 6 of the SEBI Rules, a copy of this order is being sent to the Noticees and also to the Securities and Exchange Board of India.

Place: Mumbai **BARNALI MUKHERJEE**

Date: March 18, 2024 **ADJUDICATING OFFICER**