



**(SEBI Reg No. IND000000578)**

**DEBENTURE TRUSTEESHIP**

**Policy on Monitoring of Breach of Covenants**

Version 3	June -2023
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## **INTRODUCTION:**

SEBI (Debenture Trustee) Regulations, 1993 (“DT Regulations”) formulated by Securities and Exchange Board of India (“SEBI”) provides for several roles, responsibilities, and duties of the Debenture Trustee.

One of the vital duties provided under Regulation 15(f) of the DT Regulations mandates the Debenture Trustee to ensure that the company issuing debentures does not commit any breach of the terms of issue of debentures or covenants of the trust deed and monitor the breach of covenants and take such reasonable steps as may be necessary to remedy any such breach.

In case of any breach of the terms of issue of debentures or covenants of the trust deed, SEBI vide its circular SEBI/HO/MIRSD/CRADT/CIR/P/2020/230 dated November 12, 2020 and SEBI/HO/MIRSD/CRADT/CIR/P/2020/203 October 13, 2020 has prescribed the actions to be taken by Debenture Trustees against Companies issuing Debentures.

This policy has been formulated and adopted in compliance with SEBI vide its Circular No. SEBI/HO/MIRSD/MIRSD\_CRADT/CIR/P/2022/67 dated May 19, 2022, which requires the Debenture Trustees to establish a board approved internal policy with respect to proactive and effective monitoring of breach of covenants.

## **APPLICABILITY:**

This policy shall be applicable to listed non-convertible debentures in respect of which Vistra ITCL (India) Limited (“Vistra”) is acting as Debenture Trustee and shall be effective from October 1<sup>st</sup>, 2022 . As per the regulatory requirement all covenants included in the Information Memorandum, Trust Deeds, Transaction Documents and as prescribed by SEBI Regulations, Circulars issued by SEBI from time to time, shall be monitored for identifying breach.

## **PROCEDURE FOR MONITORING BREACH OF COVENANTS:**

The following process will be followed for monitoring breach of covenants by companies issuing debentures:

(a) The officers dealing with the debenture issues, should monitor:

- the periodical information / documents submitted by the issuer company;
- the financial and non-financial covenants by the issuer on continuous basis and keep a track on the developments of the issuer company by making necessary public disclosures on Stock Exchanges, company filings, news articles in electronic / print media or any information available on public domain etc.

(b) In pursuance of the SEBI Circular SEBI/HO/MIRSD/MIRSD\_CRADT/CIR/P/2022/67 dated May 19, 2022 and Master Operational Circular dated 31<sup>st</sup> March 2023 , the issuer company has to furnish on a quarterly basis,

- the security cover certificate duly certified by its statutory auditor in the format specified therein.

Similarly, the issuer also has to furnish the compliance status with respect to financial covenants duly certified by statutory auditors to Vistra. The Bond System will generate the intimation / reminder emails to issuer, considering the due dates of submission of asset cover certificate and also confirmation of compliance of covenants by the issuer. The Operations team shall check correctness of such emails before sending such emails and ensure that the same are received within 45 days from end of each quarter except last quarter of financial year or 7 days from the board meeting whichever is earlier.

(c) The evaluation shall be undertaken by cross-checking of covenant certificates and compliance reports and other records/documentations available with Vistra , to ensure compliance of the covenants.

(d) Any breach of covenants reported by the issuer and / or statutory auditor in the quarterly reporting, shall be communicated to the debenture holders within 3 days of communication of such breach.

However, in case such breach of covenants is observed through any other source, the explanation / clarification shall be sought from the issuer and after confirmation/ non- response by the issuer within reasonable time, the debenture holders shall be informed about the same.

(e) The consequences of breach may be examined in the light of Information Memorandum and transaction documents and necessary steps shall be taken, particularly relating to acceleration of payments, imposing restrictions on issuer for further borrowing, restricting payment of dividend etc.

(f) In case no waiver is obtained for breach of any covenants or terms of issue of debentures, the same shall be published on the website of Vistra ITCL (India) Limited and be communicated to stock exchanges.

(g) The instances of breach of covenants by the issuer along with the action taken / proposed to be taken shall be disclosed on the website of Vistra ITCL (India) Limited on a quarterly basis. The debenture holders may also be informed about the same.

(h) The further action for enforcement of security / recovery of dues under debentures may be initiated as per provisions of relevant transaction documents and provisions of Companies Act, 2013 and SEBI Regulations.

## **5) ROLES AND RESPONSIBILITIES OF EMPLOYEES:**

The responsibility for effective monitoring of breach of covenants lies upon:

### **❖ Operations Team**

The Operations team shall be responsible for the following:

- (a) ensuring timely receipt of periodical statements, reports ,declarations, certifications from the issuer;
- (b) adherence with the repayment schedule:
- (c) Scrutinizing periodical statements, number of debenture holders under BENPOS, security cover, ratios, declarations, certifications received from the issuer and identify breach of covenants if any reflected therein.
- (d) If any breach of covenant is observed, Operations team shall immediately communicate such breach to the Compliance Officer for further action along with copy marked to Legal team.
- (e) Quarterly status report containing the covenants breached in previous quarter along with action taken / proposed to be taken by Vistra shall be communicated to Compliance Officer and be published on Vistra's website and communicated to Stock Exchanges.

(f) Information regarding the breach shall be provided to all debenture holders appearing in the latest BENPOS as provided by the Issuer Company. A copy of the communication made to debenture holders along with further course of action (as communicated by Legal team) or waiver, if any shall be sent to Compliance Team for maintaining records

❖ **Compliance Team**

Based on intimation received from the Operations team or Issuer company, the Compliance team shall along with Legal team examine further action to be taken as per the relevant transaction documents and SEBI Regulations as per SEBI circular SEBI/HO/MIRSD/CRADT/CIR/P/2020/203 dated October 13, 2020 and master operating circular dated 31st March 2023.

❖ **Legal Team**

On receipt of information of breach of covenant from the Operations team, Legal team shall examine the breach in terms of the documents and regulations and take necessary steps including calling of meeting of Debenture holders, constituting committee of debenture holders, obtaining instructions/negative consent on the enforcement of security and/or positive consent on signing of ICA (depending on the facts of the said issuance) and as per the instructions provided by the debenture holders, the Legal team shall take the necessary steps for issue of notice/enforcement of security / recovery of the dues under the outstanding debentures.

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