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SEBI Issues Revised Master Circular for Debenture Trustees

The Securities and Exchange Board of India (SEBI), vide **Master Circular No. HO/17/11/12(2)2026-DDHS-POD1/I/22420/2026 dated September 28, 2026**, has issued a revised Master Circular for Debenture Trustees (“DT Master Circular”), consolidating all circulars applicable to Debenture Trustees (DTs) issued up to September 28, 2026. The DT Master Circular rescinds and replaces the earlier Master Circular dated August 13, 2025, and incorporates the substantial modifications made since then, primarily relating to activities of DTs outside the purview of SEBI, the Recovery Expense Fund and the timelines for submission of information by issuers to DTs.

Analysis

- SEBI had issued the Master Circular for Debenture Trustees on August 13, 2025 to provide stakeholders access to all applicable circulars at one place. Owing to the substantial modifications carried out since then, SEBI has issued a fresh Master Circular. The four circulars superseded by it (in addition to the August 2025 Master Circular) are listed in Annexure 1.
- The rescission of the earlier Master Circular is subject to a savings clause. Actions taken and applications made under the rescinded Master Circular are deemed to have been taken or made under the corresponding provisions of the new Master Circular. Rights, obligations, liabilities, penalties and proceedings accrued under the rescinded Master Circular remain unaffected.
- The DT Master Circular is organised into 17 chapters. These cover terms of registration, due diligence, security and covenant monitoring, the Recovery Expense Fund, security cover certificates, periodical monitoring, website disclosures, debenture trust deed provisions, investor grievance redressal, default and remedies, defaulted debt securities post maturity, the centralised database, regulatory compliance reporting, outsourcing, unauthenticated news, conflicts of interest, and FINNET 2.0 registration with FIU-India.



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- A new paragraph 8 in Chapter I sets out terms and conditions for DTs carrying out activities outside the purview of SEBI. This implements Regulation 9C of the SEBI (Debt Trustees) Regulations, 1993, which was inserted by the amendment notified on October 27, 2025.
- Non-SEBI regulated activities may be undertaken only at arm's length through one or more Separate Business Units (SBUs). These SBUs must be segregated by a Chinese Wall and ring-fenced from SEBI regulated activities.
- The SBU must have a separate grievance redressal mechanism, maintain separate records, and use distinct staff. Staff may cross the Chinese Wall under board-approved procedures, and the Chinese Wall does not apply to key managerial personnel. IT infrastructure and other resources may be shared, subject to board-approved procedures.
- DTs must disclose on their website the list of non-SEBI regulated activities. This disclosure must state that no SEBI investor protection mechanism is available for disputes arising from such activities. Where an activity is regulated by another financial sector regulator, that regulator must be named, and the DT must comply with that regulator's framework.
- Advertising, marketing material and webpages relating to non-SEBI regulated activities must be kept separate and distinct from those relating to SEBI regulated activities.
- Before undertaking such activities, DTs must make an upfront written disclosure on all engagement letters, contracts, agreements and business communications. They must also obtain written confirmation from stakeholders that they understand the nature of the activity, the risks involved and the non-availability of SEBI investor protection.
- For existing arrangements, DTs must make the disclosures, obtain stakeholder acknowledgements and submit a compliance report to SEBI. DTs must also include a board-approved undertaking confirming compliance with Regulation 9C in their half-yearly compliance report.
- A DT that is also regulated by the RBI must carry out its DT activity through an SBU, and that SBU must comply with the above conditions.



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- The timeline for implementing Regulation 9C and these conditions has been extended to October 27, 2026, pursuant to SEBI Circular dated April 28, 2026.
- Chapter IV on the Recovery Expense Fund (REF) reflects the modifications made by SEBI Circular dated November 25, 2025. Issuers must deposit 0.01% of the issue size, subject to a maximum of Rs. 25 lakhs per issuer, with the Designated Stock Exchange. The deposit may be made in cash or cash equivalents, including bank guarantees. Bank guarantees must remain valid until six months after maturity and must be renewed at least seven working days before expiry, failing which they will be invoked.
- In the event of default, the DT or Lead DT may be reimbursed from the REF for specified enforcement and legal expenses without prior approval of debenture holders. Such expenses include obtaining consents, holding meetings, legal fees, court filings and asset recovery services. Debenture holders must be intimated by email and through the DT's website. Utilisation for any other purpose requires prior consent of debenture holders.
- Release from the REF requires an independent auditor's certificate of the expenses incurred, which is verified by the stock exchange. The Designated Stock Exchange must release the amount within five working days.
- Chapter VI now prescribes timelines for issuers to submit reports and certificates to DTs, pursuant to SEBI Circular dated November 25, 2025. The security cover certificate and statements of value of pledged securities and DSRA must be submitted within 60 days of each quarter (75 days for the last quarter). The guarantor's net worth certificate must be submitted half-yearly within 60 days. The guarantor's financials must be submitted annually within 60 days. Valuation and title search reports must be submitted once in three years, within 60 days from the end of the financial year.
- These issuer timelines sit alongside the existing timelines for DTs to submit the corresponding reports to the stock exchange. For the security cover certificate, the DT timeline is 75 days (90 days for the last quarter). For the remaining reports, it is 75 days.



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Key Takeaways

- SEBI has issued a revised Master Circular for Debenture Trustees consolidating all applicable circulars as on September 28, 2026, and has rescinded the Master Circular dated August 13, 2025.
- DTs may carry out non-SEBI regulated activities only through ring-fenced Separate Business Units, with separate grievance redressal, records, staff and marketing.
- DTs must make upfront disclosures and obtain stakeholder confirmations for non-SEBI regulated activities, including disclosure that SEBI investor protection mechanisms are not available.
- The deadline for compliance with Regulation 9C of the DT Regulations and the related conditions is October 27, 2026.
- The REF framework permits bank guarantees and reimbursement of specified enforcement expenses without prior debenture holder approval, with release verified through an independent auditor's certificate.
- Issuers must now submit security cover certificates, guarantor certificates and valuation/title search reports to DTs within prescribed timelines, generally 60 days.
- The Master Circular has been issued under Section 11(1) of the SEBI Act, 1992.
- The notification is attached herein.

[Click Here](#)

MCA Issues Advisory Cautioning Public Against High-Return Promises by Non-Compliant Nidhi Companies

The Ministry of Corporate Affairs (MCA), vide press release dated September 24, 2026 (PIB Release ID: 2314436), has issued an advisory to the public regarding Nidhi Companies and their functioning. The advisory cautions against making investment decisions without a proper background check, particularly where high returns are promised. It also reiterates the mandatory requirement for Nidhi Companies to file Form NDH-4 and highlights that



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deposits in Nidhi Companies are not insured by the Deposit Insurance and Credit Guarantee Corporation (DICGC).

Analysis

- Nidhi Companies are mutual-benefit companies regulated by the MCA under the Companies Act, 2013 and the Nidhi Rules, 2014. They may accept deposits from, and give loans to, their members only.
- Under Section 620A of the erstwhile Companies Act, 1956, companies desirous of functioning as Nidhis were declared as such by the Central Government. Under Section 406 of the Companies Act, 2013, a company could initially incorporate and function as a Nidhi, subject to compliance with the Nidhi Rules, 2014.
- Section 406 and the Nidhi Rules, 2014 were amended with effect from August 15, 2019. The amendment reintroduced the requirement of declaration by the Central Government, on the lines of the Companies Act, 1956.
- Every company desirous of functioning as a Nidhi is required to file an application in Form NDH-4 to be declared or updated as a Nidhi.
- While examining NDH-4 applications, the MCA noticed that many Nidhi Companies are not complying with the applicable provisions of the Act and the rules made thereunder in toto. Many companies functioning as Nidhis have also not filed their NDH-4 applications within the time frame prescribed under the Nidhi Rules.
- The MCA has observed that many companies lure members by promising unusually high returns. The public is advised not to rely solely on such promises by agents or on informal assurances, and to independently verify whether a company has been declared as a Nidhi by the Central Government.
- Deposits accepted by Nidhi Companies are not insured by the DICGC. If the company fails or faces fraud, recovery of the deposited money may be very difficult or incomplete.
- Only 395 companies have been declared as Nidhis by the Central Government under the Companies Act, 1956 and 2013 to date. The list of active Nidhi Companies, published on the MCA portal on November 3, 2025, is available on the MCA website for public reference.



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Key Takeaways

- The MCA has cautioned the public against investing in Nidhi Companies without proper background checks, especially where unusually high returns are promised.
- Filing of Form NDH-4 is mandatory for every company desirous of functioning as a Nidhi, and the MCA has noted widespread non-compliance and delayed filings.
- Since the amendment effective August 15, 2019, a company must be declared as a Nidhi by the Central Government, and only 395 companies have been so declared to date.
- Deposits in Nidhi Companies are not insured by the DICGC, so depositors bear the risk of loss if the company fails or commits fraud.
- Investors should verify a company's status against the list of declared Nidhi Companies published on the MCA website.
- The advisory has been issued in the context of Section 406 of the Companies Act, 2013 read with the Nidhi Rules, 2014.
- The notification is attached herein.

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Oral Agreements Between Companies Not Barred by Companies Act, 2013: Rajasthan High Court Refuses to Reject Complaint Under Order VII Rule 11 CPC

Gnex Impex (P.) Ltd. v. Shyam and Shyam Oils (P.) Ltd., S.B. Civil Revision Petition No. 223 of 2026, High Court of Rajasthan (Rekha Borana, J.)

- The High Court of Rajasthan has examined whether a civil suit founded on an oral agreement between two companies can be rejected at the threshold under Order VII Rule 11 of the Code of Civil Procedure, 1908. The revision petition challenged an order of the District Judge, Jodhpur Metropolitan, Jodhpur in Civil Original Suit No. 172/2026, by which the application of defendant No.1 under Order VII Rule 11 CPC had been rejected.
- Defendant No.1 had sought rejection of the complaint on three grounds. First, a suit based on an oral agreement between two companies was not maintainable because, under the



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Companies Act, 2013, including Section 21, an agreement between companies has to be in writing. Second, no authority letter was on record to show that defendant No.2 had been authorised by defendant No.1 to execute any agreement on its behalf. Third, the notices served by the plaintiff before filing the suit did not mention the consideration or advance amount, and the plaint was a product of clever drafting with no cause of action.

- The plaintiff opposed the application, contending that no provision of the 2013 Act bars oral agreements, that the Indian Contract Act, 1872 recognises oral agreements in the absence of such a bar, that Section 46 of the Companies Act, 1956 stood repealed with no corresponding provision in the 2013 Act, and that the plaint specifically pleaded that defendant No.2 was authorised by defendant No.1.
- On the question whether an agreement between two companies can be oral, the petitioner relied upon the Telangana High Court decision in Narne Estates (P) Ltd. v. Bhagya Estates (P) Ltd. (CRP No. 573 of 2019), which held that an oral agreement between two juristic persons is not valid. The High Court noted that this ratio was based on Section 46 of the 1956 Act, which has since been repealed without any corresponding provision in the 2013 Act. It further noted that the Narne Estates order had been set aside by the Supreme Court in Bhagya Estate Ventures (P) Ltd. v. Narne Estates (P) Ltd. (Civil Appeal No. 4570 of 2023, dated 11.09.2024), and therefore could not be relied upon.
- The Court relied upon the Punjab & Haryana High Court decision in Shorewala Investment & Properties Ltd. v. Girish Kumar Jain (2024 PHHC 113081), which held that reliance on Section 46 of the 1956 Act was misplaced, since the 1956 Act stands repealed under Section 465 of the 2013 Act and the saving clause does not save Section 46. The Court noted that the Special Leave to Appeal against that decision had been dismissed by the Supreme Court, which it treated as an affirmation of the order.
- The Court held that, in the absence of any specific barring clause in the 2013 Act, the general law applies, and it was not in dispute that the Indian Contract Act recognises oral agreements. It relied upon the Division Bench of the Calcutta High Court in Madhab Chandra Basu v. Safikul Molla (FMAT No. 109 of 2026, dated 09.04.2026),



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which held that no statute mandates every agreement for sale to be reduced to writing and that Section 10 of the Contract Act is wide enough to cover reciprocal promises without requiring them to be in writing.

- On Section 21 of the Companies Act, 2013, the Court held that the provision merely stipulates who can be authorised to sign a document or agreement on behalf of a company where such document is required to be in writing. It cannot be read as barring an oral agreement.
- On the absence of an authority letter, the Court agreed with the Trial Court that the issue could not be decided at the Order VII Rule 11 stage. Once the plaint specifically pleaded that defendant No.2 was authorised, whether that pleading was correct could be decided only after evidence was led on the issue. The revision petition was accordingly dismissed.

Key Takeaway

- This ruling confirms that the Companies Act, 2013 contains no bar on oral agreements between companies, and that Section 21 governs only the authentication of documents and not the validity of oral contracts. With Section 46 of the 1956 Act repealed and not re-enacted, the general law under the Indian Contract Act applies. The judgment also reiterates that disputed questions of authority, once specifically pleaded, are matters for trial and cannot be used to reject a plaint at the threshold under Order VII Rule 11 CPC.

ITAT Mumbai Holds Slack Subscription Fees Not Royalty: Access to Communication Platform Is Not Use of "Process"

Slack Technologies Limited v. Assistant Commissioner of Income Tax, International Tax, Circle 4(2)(1), Mumbai, ITA Nos. 4310/MUM/2023 and 979/MUM/2025 (A.Ys. 2021-22 and 2022-23), Income Tax Appellate Tribunal, Mumbai Bench "I"

- The Income Tax Appellate Tribunal, Mumbai has ruled on whether subscription fees received by a non-resident provider of an online communication platform from Indian customers are taxable as royalty. The appeals were filed by the assessee against final



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assessment orders passed under Section 143(3) read with Section 144C(13) of the Income Tax Act, 1961, following the directions of the Dispute Resolution Panel (DRP).

- The assessee is a company incorporated in Ireland and a tax resident of that country, acting as the Rest of the World seller of Slack, a communication software supplied on a subscription basis. In its returns, it did not offer subscription charges of Rs. 14,48,49,742 (A.Y. 2021-22) and Rs. 74,11,37,632 (A.Y. 2022-23) to tax, claiming that they were not royalty under Section 9(1)(vi) of the Act or Article 12(3) of the India-Ireland DTAA, relying on Engineering Analysis Centre of Excellence Private Limited v. CIT, [2021] 432 ITR 471 (SC).
- The Assessing Officer treated the receipts as royalty, holding that they were consideration for transfer of rights in copyright and, alternatively, that the software was in the nature of a process covered by Section 9(1)(vi) and Article 12(3). The DRP observed that the software is hosted on Amazon Web Services with data stored in the AWS US region, and held that the fee was not for sale of software but for services provided through Software as a Service, amounting to access to a patented digital process and online services. On that basis, the DRP also concluded that the receipts were royalty.
- The assessee contended that Slack is merely an online communication platform, comparable to Cisco WebEx and Zoom, accessed through login credentials under various subscription plans. Under the customer terms of service, no proprietary rights or right to use the copyright were transferred, the intellectual property rights remained non-transferable and non-exclusive, and no backup copy of the software was permitted. The Departmental Representative argued that each time a user creates channels, stores files, searches conversations or routes messages, the user actively invokes Slack's proprietary processes, and that such use of process qualifies as royalty.
- The Tribunal held that the software is simply a communication platform and that the customer is granted only a non-exclusive limited licence to use it, with the assessee continuing to own all intellectual property rights. It found that the AO had failed to show that customers acquired the right to use the copyright, and that no material showed that the source code or intellectual property rights in the software had been



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transferred. While agreeing with the DRP that the assessee provides services through complex processes, the Tribunal held that those processes are used by the assessee itself and not transferred to subscribers. The DRP's own finding that the assessee renders services using its expertise, technology and secret processes, with the intellectual property vested in it, demonstrated that the use or right to use the process had not been transferred.

- Comparing Slack with Cisco Webex, the Tribunal found the two to be functionally similar and observed that it would be preposterous to assume that users of such platforms have access to the technology or processes involved in developing the software. It illustrated the point with a restaurant analogy: a diner pays for the dish, not for the process of preparing it. It also noted that although the assessee had more than a hundred subscribers, the Department had not pointed to a single instance of a customer acquiring rights to modify, replicate or commercially exploit the software.
- Applying the precedents cited by the assessee, which included MOL Corporation, Salesforce.com Singapore Pte. Ltd., GoTo Technologies Ireland Unlimited Company and Microsoft Regional Sales Pte. Ltd., the Tribunal held that the receipts were not royalty under Article 12(3)(a) of the DTAA or Explanation 2(iii) to Section 9(1)(vi) of the Act. As business receipts, they were not taxable in India in the absence of a permanent establishment, and the additions were directed to be deleted. Ground No. 5 was held redundant, the legal issues in Ground Nos. 2 and 3 were kept open as academic, the AO was directed to verify and allow TDS credit in accordance with law, and Ground Nos. 7, 8 and 9 were dismissed as consequential or premature. Both appeals were partly allowed.

Key Takeaway

- This decision draws a clear line between a provider using its own processes to deliver a service and a customer acquiring the use or right to use a process. Subscription fees for access to a SaaS communication platform, without any transfer of source code, intellectual property or the ability to modify, replicate or commercially exploit the software, do not constitute royalty under the Act or the India-Ireland DTAA. Without a permanent establishment in India, such receipts are not taxable in India.



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