



April 2025

## The Securities and Exchange Board of India redefines High Value Debt Listed Companies

The Securities and Exchange Board of India (“**SEBI**”) has amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR**”) pursuant to the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2025 (“**LODR Amendment**”). The LODR Amendment has come into effect on March 27, 2025.

The LODR Amendment redefines High Value Debt Listed Companies (“**HVDLEs**”) to mean entity which has outstanding listed non-convertible debt securities of INR 1,000 crore (Indian Rupees one thousand crore) and above (“**HVDLE Threshold**”) as on March 31, 2025, and also prescribes the corporate governance for HVDLEs.

### Key changes

#### Applicability

1. Any entity with an outstanding listed non-convertible debt securities of the HVDLE Threshold as on March 31, 2025, will be a HVDLE. This threshold has been increased from INR 500 crore (Indian Rupees five hundred crore) as existing previously.
2. If any entity meets the HVDLE Threshold, then such entity will be required to comply with the regulatory and disclosure requirements within 6 (six) months from the date of such trigger. The disclosure of such compliance will be required to be made in the corporate governance compliance report on and from the date of the third quarter following the date of such a trigger.
3. An entity which becomes a HVDLE must continue to comply with the requirements applicable to a HVDLE till the value of the outstanding listed debt securities as on March 31 in a year, reduces and remains below the HVDLE Threshold for a period of 3 (three) consecutive financial years. Previously, the relevant corporate governance requirements would continue to remain applicable until all the listed debentures were redeemed regardless of whether a listed entity's outstanding listed debt securities fell below the prescribed threshold.
4. REITs and InvITs are not required to comply with these corporate governance requirements and continue to be governed by the SEBI regulations specifically applicable to them.
5. The corporate governance provisions proposed pursuant to the LODR Amendments are in addition to the requirements set out in the Companies Act, 2013.

## Additional corporate governance requirements under the LODR Amendments

### 1. Debenture trustee consent for material related party transactions:

- a) HVDLEs are required to obtain consent from the debenture trustee ("**Debenture Trustee Consent**") for all material related party transactions<sup>1</sup>. The debenture trustee consent should be provided after the debenture trustee has obtained approval from the debenture holders who are not related to the issuer and hold at least 50% of the debentures in value. HVDLE can proceed to obtain the approval of the shareholders only upon the receipt of the Debenture Trustee Consents.
- b) This requirement is only applicable to debt securities which are issued after April 1, 2025, and does not apply to debt securities which have been issued until March 31, 2025.
- c) Further, the requirement of Debenture Trustee Consent does not apply in the following cases:
  - i) transactions entered into between 2 (two) government companies (as defined under the Companies Act, 2013);
  - ii) transactions entered into between a holding company and its wholly owned subsidiary ("**WOS**" whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval; and
  - iii) transaction entered into between two WOSs of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- d) This is a major departure from the existing regime where no such consent from debenture trustees were required.

### 2. Introduction of a separate regime for HVDLEs which do not have any specified securities listed:

- a) The LODR Amendment introduces a new Chapter VA which sets out the corporate governance requirements applicable to HVDLEs, which do not have any specified securities (i.e. equity shares' and 'convertible securities' as defined under clause 33 (eee) of sub-regulation (1) of regulation 2 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018) listed on any stock exchange. HVDLEs which have any specified securities listed on any stock exchange, continue to be governed by the requirements set out under Regulations 15 to 27 of the LODR.
- b) The corporate governance requirements prescribed under Chapter VA as introduced by the LODR Amendment remain substantially similar to what is provided under Regulations 15 to 27 of the LODR. These include board composition and corporate governance requirements such as appointment of woman directors, independent directors, constitution of audit committee, nomination and remuneration committee and audit committee
- c) HVDLEs which are governed by Chapter VA as introduced by the LODR Amendment have the flexibility to constitute the nomination and remuneration committee, the stakeholder relationship committee and the risk management committee or discharge their functions through the board of directors. This will ease the burden of constituting various committees by such HVDLEs.

## Conclusion

The introduction of the LODR Amendment is primarily aimed at simplifying and streamlining the corporate governance norms of HVDLEs. The changes introduced pursuant to the LODR Amendment are largely in alignment

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<sup>1</sup> A material related party transaction is defined in the LODR Regulations as transaction with a related party is considered material if the transaction to be entered into individually or taken together with previous transactions during a financial year, exceeds INR 1,000 crore (Indian Rupees one thousand crore) or 10% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

with the consultation paper introduced by the SEBI in October 2024 to address issues concerning listed entities with a significant exposure in the debt capital markets.

The increase in the threshold of applicability has rightly been revised to INR 1,000 crore (Indian Rupees one thousand crore) to ensure ease of doing business, especially for companies which are in a nascent stage in accessing the debt markets generally and does not apply to entities which do not have major exposure to the debt capital markets.

Having said that, the additional requirement of procuring debenture holder consent for material related party transaction may prove to be burdensome. Usually, the requirement of consent of the debenture holders for related party transactions is commercially driven and may not be the norm. Non-banking financial companies with multiple debt issuances and a large exposure to debt markets may struggle to obtain such consent which was not commercially sought for by the debenture holders. This will also affect covenant-lite perpetual or subordinated debt instruments which usually do not have these consent items in their contracts. Delay or failure to obtain such consent from debenture holders (especially, retail participants where the debentures are widely held) may stall any strategic sale or other forms of corporate restructuring by the issuers which may be time sensitive in nature and was not contractually permitted. In light of the above, it will be interesting to see how some of the HVDLEs navigate through this new framework especially since the regulators have been trying to deepen the bond market in the recent past.

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