



# REGULATORY UPDATES

## SEBI'S 2025 LODR UPDATE: HVDLEs COMPLIANCE, SME RPTs & BRSR FRAMEWORK REVAMP

SEBI via its Notification dated 27<sup>th</sup> March, 2025 has amended the SEBI (LODR) Regulations, 2015. The amendment primarily enhances governance and reporting standards for High Value Debt Listed Entities (“HVDLE”).

Other amendments include:

- Updated norms for Related Party Transactions by SME listed entities; and
- Revised framework for Business Responsibility and Sustainability Reporting (BRSR)

### KEY HIGHLIGHTS OF THE AMENDMENT:

#### A. APPLICABILITY OF AMENDMENT:

Date of Notification i.e. 27<sup>th</sup> March, 2025

#### B. EXCEPTION FOR APPLICABILITY:

1. HVDLEs will now be considered while calculating the maximum number of directorships a director/independent director can hold under Regulation 17A. This provision will come into effect from 6 months from the date of publication of the amendment (i.e. **27<sup>th</sup> September, 2025**) or from the next **AGM, whichever is later.**
2. Certain SME Listed Entities shall be required to comply with the provisions of Related Party Transactions (Regulation 23) w.e.f. **1<sup>st</sup> April, 2025.**

### C. FOR HVDLEs:

#### 1. INCREASE IN THRESHOLD:

The threshold for HVDLE has been raised from Rs. 500 Crore to Rs. 1000 Crore.

Accordingly, now HVDLE refers to a listed entity with outstanding listed Non-Convertible Debt securities (NCDs) of **₹1,000 Crore and above**.

#### 2. INTRODUCTION OF A NEW CHAPTER VA

SEBI has introduced a new Chapter VA (Corporate Governance norms for a Listed Entity which has listed its NCDs) in LODR Regulations.

**Applicability of Chapter VA:** Chapter VA will exclusively apply to those listed entities which:

- only has NCDs listed with an outstanding value of Rs. 1000 Crore and above

and

- does not have any listed specified securities.

And the above mentioned listed entities would be referred to as HVDLEs for the purpose of Chapter VA.

**Note:** HVDLEs will be determined based on the principal outstanding of listed debt securities ***as on March 31, 2025***, regardless of the amendment's notification date.

### 3. **6-MONTH COMPLIANCE WINDOW FOR NEW HVDLEs:**

If the HVDLE triggers the specified threshold of Rs. 1,000 Crore **after 31<sup>st</sup> March, 2025**, then it shall ensure compliance with the newly inserted Chapter VA and Regulation 15 to 27 **within 6 months** from the date of crossing the threshold.

*Note: The provisions of Regulations 16 to 27 under Chapter IV have been appropriately adapted and incorporated into Chapter VA for HVDLEs. While the overall structure and requirements remain largely consistent, certain provisions reflect nuanced deviations and gaps in alignment.*

### 4. **SUNSET CLAUSE:**

The earlier notion of “*Once an HVDLE, always an HVDLE*” is now dropped.

If the outstanding listed debt, falls below the specified threshold and stays below it for **3 consecutive financial years** (as on March 31 each year) then the Chapter VA and Regulation 15 to 27 will no longer apply to a HVDLE.

### 5. **DISCLOSURE:**

Disclosures of the compliance of Chapter VA and Regulation 15 to Regulation 27 may be made in the Corporate Governance Report (“CGR”) on and **from the 3<sup>rd</sup> Quarter** following the date of trigger.

### 6. **DIRECTORSHIPS/MEMBERSHIP/CHAIRMANSHIP: HVDLE NOW INCLUDED**

A person shall not be a director/independent director in more than 7 listed entities whose equity shares are listed on a stock exchange. The amendment now includes both equity-listed entities and HVDLEs in cap of 7 directoships.

*However, this part of the amendment will come into force w.e.f. 27th September, 2025 or date of AGM whichever is later.*

A director can be a member of maximum 10 committees and chairperson of maximum 5 committees across all listed entities in which he/she is a director. The amendment now includes HVDLEs in this count, which were previously excluded.

## 7. **RPT REGIME FOR HVDLEs**

SEBI has introduced a revamped approval framework for Material RPTs by HVDLEs under Regulation 62K, aiming to improve governance where traditional voting norms were impractical.

### i. **Scope of Definitions Unchanged:**

Definitions of “Related Party” [Reg. 2(1)(zb)] and “Related Party Transactions” [Reg. 2(1)(zc)] remain unchanged.

### ii. **Problem with Old Framework:**

Under Regulation 23, related parties couldn't vote on material RPTs. This created deadlocks for closely held HVDLEs where majority shareholders were related parties.

### iii. **Two-Step Approval Process Introduced (for RPTs entered on or after April 1, 2025):**

#### **Step 1:**

Obtain NOC from unrelated debenture holders holding > 50% of listed debentures (issued on or after April 1, 2025) based on voting (including e-voting)

#### **Step 2:**

Pass an ordinary resolution by shareholders.

**iv. Application Scope – Reg. 62K:**

- Applies to material RPTs entered into on or after April 1, 2025
- Prior approval of Audit Committee and half-yearly disclosures remain mandatory
- Policy on RPTs to be framed

**v. What’s Not Included from Reg. 23 (Equity-Listed Regime):**

- Ratification of RPTs (added in Dec 2024 to Reg. 23)
- Exemptions for immaterial RPTs or those in ordinary course

**vi. Enhanced Role for Debenture Holders**

- Earlier: Debenture holders intervened only if covenants were breached.
- Now: Legal provision mandates their direct involvement in material RPT approvals.

**vii. Limitation for Other Lenders**

Term loan lenders and others with larger exposure don’t get voting rights like debenture holders.

**Conclusion:** This amendment marks a significant shift in the power dynamics of corporate governance for HVDLEs. Debenture holders—previously silent stakeholders unless covenants were breached—are now formally empowered to scrutinize material related party transactions. This ensures greater accountability and transparency, especially in closely held debt-listed entities.

#### **D. FOR SME LISTED ENTITIES:**

##### **i. APPLICABILITY OF RPT PROVISIONS:**

Effective April 1, 2025, the provisions relating to Related Party Transactions (Regulation 23) will apply to a SME-listed entity which has listed its specified securities and having:

- ✓ Paid-up equity share capital > **₹10 crore**  
or
- ✓ Net worth > **₹25 crore** (as on the last day of the previous financial year).

##### **ii. 6 MONTH COMPLIANCE WINDOW:**

If the above thresholds are crossed at a later date, compliance with Regulation 23 must be ensured **within 6 months** from such date.

##### **iii. SUNSET CLAUSE:**

If the equity capital and net worth of the SME Listed Entity falls below the specified threshold and stays below it for **3 consecutive financial years** then the Regulation 23 will no longer apply to a such entity.

##### **iv. MATERIAL RPTs:**

Effective April 1, 2025, for SME-listed entities having listed specified securities, a related party transaction will be deemed material, if the transaction(s), whether individually or when combined with previous transactions during a financial year, exceeds **₹50 crore or 10% of annual consolidated turnover** as per the last audited financial statements, **whichever is lower**.

#### **E. Directorship in PSUs or PPP**

Ex-officio directorships in PSUs or PPP entities, held due to statute or applicable contractual framework, are excluded from the 7-directorship limit.

#### **F. BRSR**

SEBI has amended Regulation 34(2)(f) to replace the term "assurance" of the BRSR Core Report with "assessment or assurance of specified parameters", to *avoid linking it with a particular profession especially the audit profession*.

Assessment refers to third-party evaluations based on standards under the Industry Standards Note on BRSR Core.

Similar changes apply to BRSR Core reports from value chain partners of the listed entity, and a new provision of voluntary disclosure of such reports by HVDLEs has been inserted.




**DISCLAIMER:**


*The summary information herein is based on SEBI Notification dated 27<sup>th</sup> March, 2025 amending SEBI (Listing obligations and disclosure requirements) Regulation, 2015. While the information is believed to be accurate, we make no representations or warranties, express or implied, as to the accuracy or completeness of it. Readers should conduct and rely upon their own examination and analysis and are advised to seek their own professional advice. This note is not an offer, advice or solicitation. We accept no responsibility for any errors it may contain, whether caused by negligence or otherwise or for any loss, howsoever caused or sustained, by the person who relies upon it.*

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