



# The board's debt mandate: From compliance to confidence

Board Leadership Center (India)

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Debt capital has long been seen as the quieter sibling to equity—less public, less scrutinised. That time is over. With the latest notification from the Securities and Exchange Board of India (SEBI) on 1 March 2025, the governance bar has been decisively raised for High-Value Debt Listed Entities (HVDLEs). The days when robust corporate governance was the exclusive preserve of equity-listed companies are over. Debt now comes with disclosure—and responsibility. This shift is not just regulatory. It’s philosophical. SEBI has made it clear: companies that opt to raise substantial debt from public markets are now expected to uphold standards of stewardship, risk oversight, and transparency that equity investors have long demanded.



Debt now commands a rightful seat at governance table - and board should be prepared to lead it.

## The shifting role of debt in governance






SEBI’s amendments mark a decisive shift—from procedural compliance to strategic governance. The shift is profound: from asking ‘What do we owe?’ to ‘What do we signal’

Listed debt now brings not only capital obligations but also, public scrutiny and heightened fiduciary responsibility. Boards may benefit from placing greater emphasis on related party transactions, subsidiary oversight, and disclosure practices—not as peripheral tasks, but as central to their governance agenda.

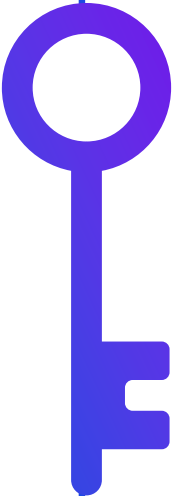
The table below translates, select key regulatory changes and their movement into boardroom impact—highlighting not just what’s changed, but how board priorities may need to evolve in response.

### Key action points for boards

This is not a tick-box change. It’s a cultural shift. For board members—particularly in promoter-driven or traditionally debt-heavy companies—this is a call to arms. Boards should consider the following actions:

-  Assess whether the company qualifies as an HVDLE
-  Map current governance structures against new norms
-  Recruit and train independent directors to meet new requirements
-  Reconstitute or empower board committees to manage expanded responsibilities
-  Overhaul reporting and disclosure mechanisms, particularly around RPTs and sustainability.

**This reform is not about compliance alone—it’s about building trust with a new class of public investors.**



# Key governance shifts and implication (Indicative list)

Governance area	Earlier norms	Effective 1 April 2025	Boardroom implication
Threshold, scope and transition	Applied to debt-listed entities with INR500 crore+ listed Non-Convertible Debentures (NCDs)	<ul style="list-style-type: none"><li>• Applies to entities with INR1,000 crore+ listed NCDs (as of 31 March 2025)</li><li>• Entities above threshold before 31 March 2025 must comply within the prescribed transition period</li><li>• New qualifiers must comply within six months of crossing the threshold and disclose compliance starting the following quarter</li><li>• <b>Excludes:</b> Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (InvIT)</li></ul>	Narrower scope brings sharper SEBI focus on larger borrowers. Boards should monitor threshold breaches, manage transition timelines, and prepare early for compliance readiness across all functions
Sunset clause	No formal exit mechanism	Entity exits HVDLE status after three consecutive financial years below INR1,000 crore	Enables structured exit planning as a disciplined off-ramp for deleveraging entities. Boards are encouraged to embed exit planning into capital structure, financial planning, treasury, and debt strategy cycles. Full SEBI compliance remains mandatory until the formal exit is executed
Independent director	HVDLE roles excluded from SEBI's limit of seven directorships (or three for full-time executives)	HVDLE roles now count toward SEBI's cap. IDs must meet conditions around age ( $\leq 75$ unless justified), tenure (max two terms/ten years), and independence	Boards should reevaluate director availability and committee load; Proactive planning for ID rotations and renewals is essential, given higher competition for qualified IDs
Director and officer insurance	Not required	Mandatory for all independent directors	Additional cost; however, essential to attract and retain qualified IDs. Boards should review adequacy and scope of cover
Material subsidiary definition	Based on turnover/net worth only	Also includes subsidiaries with listed debt $\geq$ INR100 crore or $\geq 10\%$ of consolidated debt	Broader oversight expectation: Boards are encouraged implement governance protocols at debt-heavy subsidiaries, not just large ones

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Governance area	Earlier norms	Effective 1 April 2025	Boardroom implication
Board committees and audit committee	All standard committees mandatory: Audit Committee (AC), Nomination and Remuneration Committee (NRC), Stakeholders Relationship Committee (SRC), Risk Management Committee (RMC)	<ul style="list-style-type: none"><li>NRC, SRC, and RMC optional, if no equity listing</li><li>Audit Committee must include at least two or three Independent Directors, chaired by an Independent Director</li><li>Board must have ≥50% independent directors and at least one-woman director</li></ul>	While structural flexibility has been introduced, boards may need to carefully evaluate whether opting out could dilute governance signals to stakeholders. Reassigning oversight responsibilities should be done thoughtfully, ensuring that audit committees remain fully empowered to fulfil their expanded roles
Related Party Transaction (RPT) approval process	Approval by audit committee and shareholders	Adds requirement for No Objection Certificate (NOC) from debenture trustee prior to shareholder approval (post-Apr 2025 debt issuances)	Adds a new dimension to transaction planning, where boards may need to consider trustee timelines and concerns as part of RPT approval process
Secretarial audit	Required for equity-listed and select regulated companies	Mandatory for all HVDLEs and their material subsidiaries	Boards may need to prepare for expanded audit scope and ensure stronger compliance readiness at group level
Voluntary ESG reporting (BRSR)	Not applicable	Business Responsibility and Sustainability Reporting (BRSR) encouraged on a voluntary basis	Early adoption reflects maturity. Boards should use this as a proactive trust-building lever with lenders and investors.

**Note:** This table highlights key changes but is not exhaustive. Additional governance and compliance requirements - such as audit committee oversights for financial statements, Quorum of meetings, vigil mechanism implementation, Whistleblower protections, chairperson independence norms, board evaluation disclosures and other regulatory obligations - may also apply. Boards are advised to seek tailored legal or regulatory guidance to ensure full compliance.



# The new language of oversight

**Debt is no longer operating in the shadows of governance—it is casting its own light.** SEBI's governance framework for HVDLEs is not just a regulation—it's a signal that capital, in any form, demands responsibility and boards are not caretakers of equity alone—but stewards of all public money. For directors, this is the moment to rise. To build better boards. To govern not because the law demands it, but because the future depends on it.

**Debt has found its governance voice. The question is: will India's boardrooms respond with the credibility and foresight it brings to equity?**

## Key considerations for board

01. Are we institutionally set up to track debt exposures dynamically and proactively manage entry/exit from the HVDLE framework?
02. Does our board composition reflect debt governance expertise—or do we still mirror an equity-centric mindset?
03. How do we engage with debenture trustees—not just for approvals, but as long-term governance partners?
04. Are our subsidiary oversight protocols materially different from parent governance? Should they be harmonised?
05. Is our board ESG-aware—or ESG-capable? Have we invested in training and data frameworks to support credible BRSR reporting?
06. Have we assessed whether D&O insurance coverage matches real exposure in litigation-prone environments?
07. Have we created a narrative around our governance maturity that resonates with lenders, rating agencies, and the public debt market?
08. Do we see these reforms as regulatory load or strategic levers—and have we discussed that framing explicitly in the boardroom.



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