



**Introduction:**

Among all provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR Regulations**”), Regulation 15 occupies a unique position. While many professionals focus directly on regulations relating to Board Composition, Audit Committee, Related Party Transactions, Corporate Governance Reports, Risk Management and Independent Directors, the applicability of all such provisions is determined by Regulation 15.

In simple terms, Regulation 15 answers a fundamental question:

**"Which listed entities are required to comply with the corporate governance framework prescribed under SEBI LODR?"**

Therefore, before examining any corporate governance requirement, one must first evaluate Regulation 15.

**Legislative Intent behind Regulation 15:**

SEBI recognizes that a "one-size-fits-all" approach may impose disproportionate compliance costs on smaller listed entities. Accordingly, Regulation 15 creates a differentiated compliance framework by:

1. Identifying entities to which corporate governance provisions apply;
2. Providing exemptions to certain categories of listed entities;
3. Prescribing applicability norms for entities having listed debt securities;
4. Ensuring continuity of governance requirements once triggered.

Thus, Regulation 15 serves as the entry gate to the corporate governance chapter of SEBI LODR.

**Understanding Regulation 15:**

Broadly, Regulation 15 can be divided into three major parts:

1. Applicability to Equity Listed Entities.
2. Applicability to High Value Debt Listed Entities (HVDLEs).
3. Exemptions from Corporate Governance Provisions

Let us examine each of these separately.

**Part I – Applicability to Equity Listed Entities:**

Regulation 15(1) provides that the provisions of Chapter IV relating to Corporate Governance shall apply to every listed entity which has listed its specified securities on any recognised stock exchange.



This includes entities listed on:

- Main Board
- SME Exchange
- Innovators Growth Platform (IGP)

At first glance, this provision appears to bring all equity listed entities within the ambit of Corporate Governance requirements.

However, the applicability is subject to the exemptions contained in Regulation 15(2), which are discussed later in this article.

Thus, Regulation 15(1) establishes the general rule, whereas Regulation 15(2) carves out the exceptions.

### **Part II – Applicability to High Value Debt Listed Entities (HVDLEs):**

Historically, corporate governance provisions were primarily designed for equity listed companies.

Over time, SEBI recognised that debt investors also require robust governance safeguards. Accordingly, corporate governance provisions were gradually extended to certain debt listed entities.

Regulation 15(1A) presently provides that corporate governance provisions shall apply to a listed entity having outstanding listed non-convertible debt securities of ₹5,000 Crore or more. Such entities are commonly referred to as High Value Debt Listed Entities (**HVDLEs**).

### **Why was this concept introduced?**

Debt investors are exposed to risks arising from:

- Weak board oversight
- Related party transactions
- Fund diversion
- Governance failures
- Inadequate disclosures

Therefore, SEBI considered it necessary to subject large debt issuers to enhanced governance standards.



### **Mid-Year Trigger**

A practical challenge arises when an entity crosses the threshold during the financial year.

To address this, SEBI permits:

- Compliance within six months from the date of crossing the threshold; and
- Corporate governance reporting from the third quarter following such trigger.

### **Illustration**

ABC Limited has listed NCDs of ₹4,800 crore as on 1 April.

In September, it issues additional listed NCDs of ₹500 crore.

Total outstanding listed debt becomes ₹5,300 crore.

Result:

- ABC becomes an HVDLE;
- It must achieve compliance within six months from September;
- Corporate governance disclosures commence from the prescribed quarter thereafter.

### **Part III – Exemptions from Corporate Governance Provisions:**

While Regulation 15(1) creates a broad applicability framework, Regulation 15(2) grants exemptions to specific categories of listed entities.

Certain listed entities are exempt from Regulations 17 to 27 and clauses (b) to (i) and (t) of Regulation 46(2).

The exemptions can be divided into two categories:

- A. Small Main Board Listed Entities
- B. SME Listed Entities

#### **A – Small Main Board Listed Entities**

Corporate Governance provisions as mentioned above are not applicable if:

#### **Paid-up Equity Share Capital**

does not exceed ₹10 crore;

**and**

#### **Net Worth**

does not exceed ₹25 crore

as on the last day of the previous financial year.



Both conditions must be satisfied simultaneously.

**Illustration**

**Case A**

Paid-up Capital: ₹8 crore

Net Worth: ₹20 crore

Result: Exempt.

**Case B**

Paid-up Capital: ₹8 crore

Net Worth: ₹40 crore

Result: Not Exempt.

**Case C**

Paid-up Capital: ₹15 crore

Net Worth: ₹20 crore

Result: Not Exempt.

The exemption is available only when both thresholds remain within prescribed limits.

**B – SME Listed Entities:**

Regulation 15(2)(b) separately exempts entities listed on an SME Exchange from the Corporate Governance provisions of Chapter IV.

This exemption is independent of the thresholds prescribed under Regulation 15(2)(a).

Accordingly, an SME listed entity does not lose the exemption merely because:

- Paid-up Capital exceeds ₹10 Crore; or
- Net Worth exceeds ₹25 Crore.

This distinction is often misunderstood in practice.

The thresholds of ₹10 Crore and ₹25 Crore are relevant only for Main Board listed entities claiming exemption under Regulation 15(2)(a).

SEBI has carved out a significant exception to the general exemption available to SME listed entities.



With effect from 1 April 2025, Regulation 23 relating to Related Party Transactions (RPTs) becomes applicable to an SME listed entity if, as on the last day of the previous financial year:

- Its Paid-up Equity Share Capital exceeds ₹10 Crore; or
- Its Net Worth exceeds ₹25 Crore.

Unlike Regulation 15(2)(a), where both conditions are required for exemption, the trigger for applicability of Regulation 23 to SME listed entities operates upon crossing either of the above thresholds.

Where Regulation 23 becomes applicable to an SME listed entity later, the entity is not expected to achieve immediate compliance.

SEBI has granted a transition period of six months from the date on which Regulation 23 becomes applicable.

An equally important aspect is that Regulation 23 does not cease to apply merely because the company subsequently falls below the prescribed threshold.

Once Regulation 23 becomes applicable to an SME listed entity, it shall continue to remain applicable until:

- The Paid-up Equity Share Capital falls below ₹10 Crore; and
- The Net Worth falls below ₹25 Crore;

and both conditions continue to remain below the prescribed thresholds for a continuous period of three consecutive financial years.

### **Important Principle – Exemption Is Not Permanent**

Many companies incorrectly assume that once exempt, they remain exempt forever.

This is not correct.

The eligibility must be evaluated every financial year based on:

- Paid-up equity capital; and
- Net worth

as on the last day of the previous financial year.

Whenever either threshold is crossed, corporate governance provisions become applicable.



### **Corporate Governance Provisions Triggered Through Regulation 15**

Once Regulation 15 is applicable, a listed entity must comply with numerous governance provisions, including:

<b>Regulation</b>	<b>Subject Matter</b>
17	Board of Directors
18	Audit Committee
19	Nomination & Remuneration Committee
20	Stakeholders Relationship Committee
21	Risk Management Committee
22	Vigil Mechanism
23	Related Party Transactions
24	Subsidiary Governance
24A	Secretarial Compliance Report
25	Independent Directors
26	Obligations of Directors and Senior Management
27	Corporate Governance Report

Thus, Regulation 15 acts as the trigger provision for the entire corporate governance architecture.

### **Practical Compliance Checklist**

Every listed entity should annually verify:

- Paid-up equity share capital
- Net worth
- SME/Main Board status
- Outstanding listed debt securities
- HVDLE threshold crossing
- Applicability of Regulations 17–27
- Requirement of Corporate Governance Report
- Requirement of Secretarial Compliance Report
- Requirement of Board Committees
- Website disclosure obligations linked to Regulation 46

### **Key Takeaways:**

1. Regulation 15 is the applicability provision for corporate governance requirements under SEBI LODR.
2. Small Listed companies enjoy exemption only when both capital and net worth thresholds are within prescribed limits.
3. SME listed entities are generally exempt from corporate governance provisions.



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4. Large debt issuers classified as HVDLEs are subject to enhanced governance requirements.
5. The current HVDLE threshold is ₹5,000 crore of outstanding listed non-convertible debt securities.
6. Crossing the threshold during the year triggers compliance within six months.
7. Regulation 15 should be reviewed annually because applicability can change based on financial parameters.
8. Before examining Regulations 17 to 27, every Company/compliance professional should first examine Regulation 15.

**Conclusion:**

Regulation 15 may appear to be a simple applicability provision, but in reality, it determines the entire corporate governance framework applicable to a listed entity. It acts as the foundation upon which the governance architecture of SEBI LODR is built. A correct understanding of Regulation 15 not only helps companies identify their compliance obligations but also prevents unnecessary governance lapses and regulatory exposure.

For compliance professionals, company secretaries and listed entities, Regulation 15 is therefore not merely an exemption provision—it is the starting point of every corporate governance analysis under SEBI LODR.

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