



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CONSULTATION PAPER

Consultation paper on Introduction of format for No-objection Certificate (NOC)/ Consent Letter to be submitted by existing charge holders to issuer

February 12, 2025

1. Background:

As per the provisions of Chapter II of Master Circular for DTs dated May 16, 2024, issuer is mandated to provide Consent/ NOC from existing charge holders in case further creation of charge is proposed for encumbered assets. It is observed that in absence of specified format for such consent/ NOC, there is variation in terms of submission of such consent/ NOC from existing charge holders. There is a need of standardization in respect of the format.

2. Extant regulatory provision:

Para 2.1.c) of Chapter II of Master Circular for DTs dated May 16, 2024 inter-alia, reads as under:

“Due Diligence in respect of Secured Debt Securities

The Debenture Trustee shall ensure the following with regard to due diligence at the time of creation of security:

2.1. Documents/ Consents required at the time of entering into debenture trustee agreement

In order to enable the Debenture Trustee to exercise due diligence with respect to creation of security, the Issuer at the time of entering into debenture trustee agreement shall provide the following information/ documents to the Debenture Trustee:

.....

c) For encumbered assets, on which charge is proposed to be created, the following consents along-with their validity as on date of their submission:

.....

ii. Consent/ No-objection certificate (NOC) from existing charge holders for further creation of charge on the assets or relevant transaction documents wherein existing charge holders have given conditional consent/ permission to the Issuer to create further charge on the assets, along-with terms of such conditional consent/ permission, if any;

.....”

3. Proposal:

In order to bring in standardization and thereby enhancing the due diligence in respect of the terms and conditions of providing such consent/ NOC, the format of such NOC is proposed to be specified based on the recommendation of the associations of DTs (Trustees Association of India (TAI) and United Trustee Association of India (UTAI)) and internal deliberations thereon.

**Consultation 1: Introduction of format for No-objection Certificate (NOC)/
Consent Letter to be submitted by existing charge holders to issuer**

Kindly provide your comments on the following along with supporting rationale:

- 1) Whether the proposal to introduce such format is appropriate and adequate?
- 2) Whether the proposed format and the provisions specified therein appropriate, adequate and ensuring protection of the rights of the investors?

4. Public Comments

4.1. Considering the implications of the aforementioned matters on the market participants, public comments are invited on the above-detailed proposals and the Draft Circular in this regard (**Annexure A**). The comments/ suggestions should be submitted latest by **March 05, 2025**, through the online web-based form which can be accessed using the following link:

[https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?
doPublicComments=yes](https://www.sebi.gov.in/sebiweb/publiccommentv2/PublicCommentAction.do?doPublicComments=yes)

4.2. The instructions to submit comments on the consultation paper are as under:

1. *Before initiating the process, please read the instructions given on top left of the web form as "Instructions".*

2. Select the consultation paper you want to comment upon from the dropdown under the tab – “Consultation Paper” after entering the requisite information in the form.
3. All fields in the form are mandatory;
4. Email Id and phone number cannot be used more than once for providing comments on a particular consultation paper.
5. If you represent any organization other than the types mentioned under dropdown in “Organization Type”, please select “Others” and mention the type, which suits you best. Similarly, if you do not represent any organization, you may select “Others” and mention “Not Applicable” in the text box.
6. There will be a dropdown of Proposals in the form. Please select the proposals one- by-one and for each of the proposal, please record your level of agreement with the selected proposal. Please note that submission of agreement level is mandatory.
7. If you want to provide your comments for the selected proposal, please select “Yes” from the dropdown under “**Do you want to comment on the proposal**” and use the text boxes provided for the same.
8. After recording your response to the proposal, click on “Submit” button. System will save your response to the selected proposal and prompt you to record your response for the next proposal. Please follow this procedure for all the proposals given in the dropdown.
9. If you do not want to react on any proposal, please select that proposal from the dropdown and click on “**Skip this proposal**” and move to the next proposal.
10. After recording your response to all the proposals, you may see your draft response to all of proposals by clicking on “**Check your response before submitting**” just before submitting response to the last proposal in the dropdown. A pdf copy of the response can also be downloaded from the link given in right bottom of the web page.
11. The final comments shall be submitted only after recording your response on all of the proposals in the consultation paper

4.3. In case of any technical issue in submitting your comment through web based public comments form, you may contact the following through email with a subject: *"Issue in submitting comments on Consultation Paper on clarification on the term 'pecuniary relationship' of DT with the issuer as per Regulation 13A of DT Regulations"*.

- a) Sarika Kataria, DGM (sarikak@sebi.gov.in)
- b) Nikhil Chaudhary, Manager (nikhilc@sebi.gov.in)

Issued on: February 12, 2025

DRAFT CIRCULAR

SEBI/HO/DDHS/DDHS-PoD-3/P/CIR/2025/____

February __, 2025

To,

Issuers who have listed and/ or propose to list Debt Securities or Municipal Debt Securities,
All Registered Debenture Trustees (DTs),
Association of Debenture Trustees,
All Registered Credit Rating Agencies,
Recognized Stock Exchanges and
Recognized Depositories

Madam/ Sir,

Sub: Introduction of format for No-objection Certificate (NOC)/ Consent Letter to be submitted by existing charge holders to issuer

1. Para 2.1.c) of Chapter II of Master Circular for DTs dated May 16, 2024 inter-alia, reads as under:

“Due Diligence in respect of Secured Debt Securities

The Debenture Trustee shall ensure the following with regard to due diligence at the time of creation of security:

2.1. Documents/ Consents required at the time of entering into debenture trustee agreement

In order to enable the Debenture Trustee to exercise due diligence with respect to creation of security, the Issuer at the time of entering into debenture trustee agreement shall provide the following information/ documents to the Debenture Trustee:

.....

c) For encumbered assets, on which charge is proposed to be created, the following consents along-with their validity as on date of their submission:

.....

ii. Consent/ No-objection certificate (NOC) from existing charge holders for further creation of charge on the assets or relevant transaction documents wherein existing charge holders have given conditional consent/ permission to the Issuer to create further charge on the assets, along-with terms of such conditional consent/ permission, if any;

.....”

2. As per the provisions mentioned above, issuer is mandated to provide Consent/ NOC from existing charge holders in case further creation of charge is proposed for encumbered assets. It is observed that in absence of specified format for such consent/ NOC, there is variation in terms of submission of such consent/ NOC from existing charge holders. There is a need of standardization in respect of the format.
3. Based on the recommendation of the associations of DTs (Trustees Association of India (TAI) and United Trustee Association of India (UTAI)), the format of such NOC is specified in **Annex-A**.
4. This circular shall be applicable for FY 2025-26 and onwards.
5. This circular is issued with the approval of competent authority, in exercise of the powers conferred by Section 11 (1) of Securities and Exchange Board of India Act, 1992 read with the provisions of Regulation 2A of the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993, Regulation 55 of SEBI (Issue and Listing of Non-convertible Securities) Regulations, 2021, Regulation 29 of SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015 and Regulation 101(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to protect the interest of investors in securities and to promote the development of, and to regulate, the securities market.
6. This Circular is available on the website of the Securities and Exchange Board of India at www.sebi.gov.in under the category “Legal” and under the drop down “Circulars”.

Annex-A

Ref No:

Date:

To,

[Issuer Name & Address]

[New Lender/ DT Name & Address] (if required)

Subject:

- a. Consent/ No objection certificate (NOC) for further borrowing of the [Issuer] through Proposed Issue of [size]
- b. Consent/ No objection for ceding [First / Second / Residual] charge on *pari-passu* basis for the [Proposed Financial Facility] availed/ to be availed by [Issuer/Borrower Name], by way of Issuance of [Proposed Financial Facility] for an aggregate amount not exceeding Rs. [●]

Reference: Issuer request letter bearing reference no. [●] dated [●] requesting consent/NOC (Annexure I)

Dear Sir / Madam,

[We, [Name of Issuing DT] are acting in the capacity of debenture trustee ("Debenture Trustee") for various Non-Convertible Debentures ("NCDs") issued by [Issuer Name] ("Company/ Issuer") from time to time as mentioned in Annexure II]. / [We, [Name of existing lender] are the lenders for various instruments issued by [Issuer Name] from time to time as mentioned in Annexure II.]

We refer to your letter dated [●], requesting consent/ No objection for further borrowing with respect to the Proposed Issue (highlighted part optional, to be included if required in terms of provisions of Debenture Trust Deed (DTD)) and Consent/ No-objection for ceding [First/ Second/ Residual] charge on *pari-passu* basis over the [Security Details to be mentioned/ to be annexed separately, if required] ("Secured Assets") in favour of [New Lender/ DT/ Name of New charge holder]

As per the Company's/ Issuer's request letter the Company/ Issuer has confirmed that the security cover is being maintained as per the terms and conditions of the DTD(s) and the transaction document(s) ("Security Cover") and the Company/ Issuer shall at all times ensure that the security available for the debenture holders of the NCDs wherein we are acting as DT shall be sufficient to discharge the principal amount and accrued interest in relation to the NCDs.

[Based on consent received from Majority Debenture Holders, we in our capacity of the Debenture Trustee] / [we in our capacity of the lender], basis the relevant Transaction Documents, do hereby convey our consent/ No objection for further borrowing with respect to the Proposed Issue (highlighted part optional, to be included if required in terms of provisions of DTD) and Consent/ no-objection for ceding [First/ Second/ Residual] charge on *pari-passu* basis over the Secured Assets in favour of [New Lender/ DT/ New Charge holder] subject to the following:

- a) The Company/ Issuer shall maintain the minimum-security cover as required under the relevant Transaction Documents of the respective tranche/ series
- b) The Company/ Issuer shall obtain similar consent/ NOC from all other secured lenders for creation of charge for the Proposed Issue.
- c) The securities created /to be created by the Company/ Issuer on the Secured Assets shall rank on *pari-passu* basis for all purposes and to all intents and without any preference or priority of one over the other or others including therein custody of title deeds, application and realisation of sale proceeds, etc. in such form and manner as may be mutually agreed upon.
- d) No breach of covenant or event of Default has occurred or is continuing under any financial facilities availed by the Company/ Issuer.

This NOC does not operate as an amendment or waiver of or consent under any provision of the transaction documents other than the provisions mentioned above and does not in any way waive or impair the rights or remedies available to the Debenture Trustee and/or the debenture holders.

The capitalized terms used herein but not defined shall have the same meaning as ascribed to them under the respective Debenture Trust Deed as per Annexure II hereto.

Thanking you.

For [Name of existing lender/ DT]

Authorised Signatory

Name:

Designation:

Annexure I [Issuer Request Letter]

Annexure II [List of existing NCDs/ other instruments]

Sr. No.	ISIN (if applicable)	DTD Date	Allotment/Issue Size	Outstanding as on [Date of last quarter]
1				
2				
3				

Annexure III (Other Relevant Details, if any)