THE CENTRE FOR CORPORATE LAW
NATIONAL LAW UNIVERSITY ODISHA

#IN SIGHTS

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- INSOLVENCY & BANKRUPTCY LAW
- SECURITIES LAW
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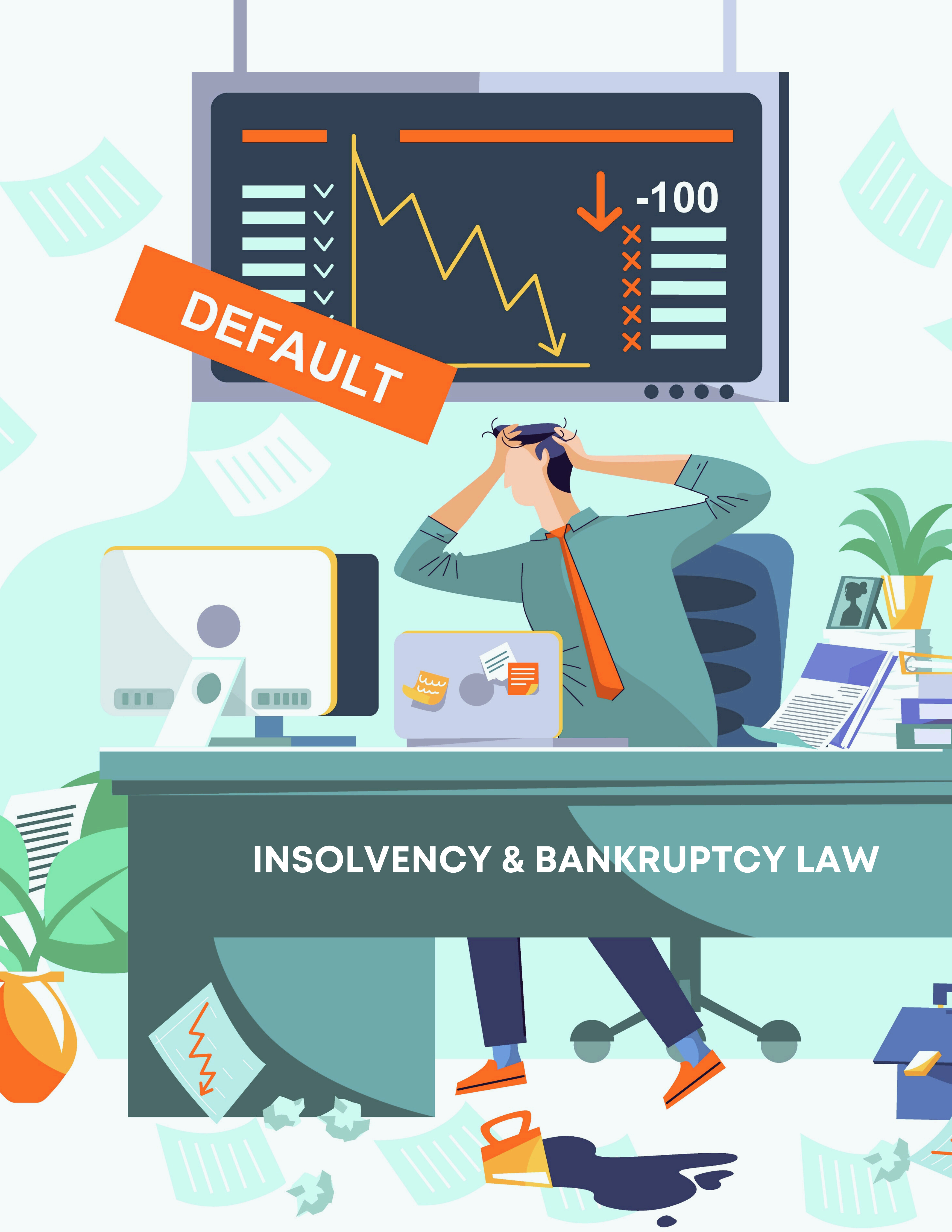
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INSOLVENCY & BANKRUPTCY LAW

The Insolvency and Bankruptcy Board of India (“IBBI”) introduces the IBBI (Insolvency Resolution Process for Corporate Persons) (Fourth Amendment) Regulations, 2025. [Link]

The IBBI has recently introduced the Fourth Amendment Regulations to the Insolvency Resolution Process for Corporate Persons. The amendment introduced the insertion of a new sub-regulation in Regulation 18. The newly inserted Regulation 18(5) empowers the Committee of Creditors (“**CoC**”) to direct the Resolution Professional (“**RP**”) to invite Interim Finance Providers to observe the committee meetings.

The amendment further provides the insertion of sub-regulation 1A under Regulation 36A. With approval of the CoC, the RP can invite expressions of interest to submit various resolution plans for the assets of the Corporate Debtor (“**CD**”). These plans can either pertain to the assets in their entirety or may also involve sales of individual assets separately.

Further, Regulation 38 has also been amended and now includes sub-regulation (1). To ensure pay parity among the Financial Creditors (“**FC**”), Regulation 38(1) protected the interests of those FCs who voted against a resolution plan and makes certain that they are paid fairly as well as proportionately.

Lastly, Regulation 39 has been amended to make sure non-compliant plans are also taken into account. Moreover, compliance with the Indian Bankruptcy Code, 2016 (“**IBC**”) and its regulations was also emphasised such that the resolution process meets the required standard.

The National Company Law Appellate Tribunal (“NCLAT”) bars multiple applications against the same Personal Guarantor [*Indian Bank v. K R Tirumuruhan*]. [Link]

The NCLAT’s Chennai Bench recently stated that if proceedings under Section 95 of the IBC have already been initiated against a Personal Guarantor, then no other FC can file a separate application against the same guarantor. This is barred by Section 96 of the IBC.

Failure to obtain regulatory approvals by the resolution applicant within one year will lead to automatic liquidation under Section 31(4) of IBC: NCLAT [*Taguda Pte Ltd. Versus State Bank of India & Anr.*]. [Link]

The NCLAT, New Delhi bench has stated that as per Section 31(4) of IBC a resolution applicant has to obtain the necessary approvals by the Adjudicating Authority within a period of one year from the date of approval of the resolution plan. Failure to comply with the mandate will lead to the automatic liquidation of the CD.

The bench also clarified that, the responsibility to get the necessary approvals rests solely with the resolution applicant. Any delays which may take place and cause indefinite postponement cannot be justified by citing external reasons for the same.

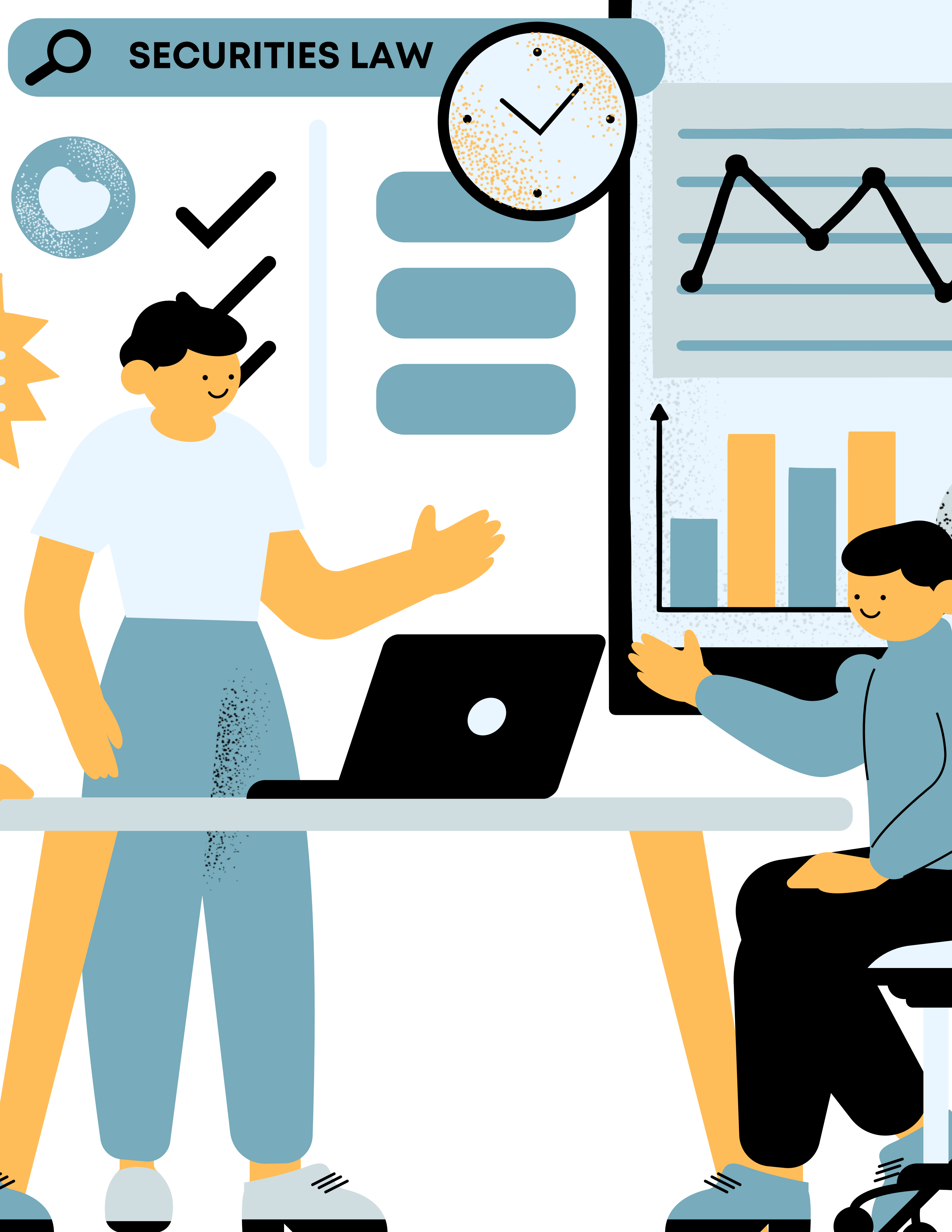
The NCLAT has held that the National Company Law Tribunal ("NCLT") cannot interfere with the replacement of a liquidator in voluntary liquidation when a legally valid procedure has been followed [*Vinod Singh V/s Chandra Prakash Jain*]. [Link]

The New Delhi bench of the NCLAT has recently held that the NCLT cannot force the CD to retain a liquidator when voluntary liquidation has already been initiated under Section 59 of the IBC read with Regulation 5 of the IBBI (Voluntary Liquidation Process) Regulations, 2017. The power to appoint or remove a liquidator rest solely with the shareholders and the board of directors of the CD. They are also under no obligation to state the reason for the removal of a voluntary liquidator and the Adjudicating Authority must not interfere with or override this decision.

Further, NCLAT stated that once the board resolution for the removal of the liquidator has already been passed following a correct procedure, the decision stands legally valid. No authority can impose a status quo preventing the CD from continuing with the process. The procedure of voluntary liquidation has to be completed within a suitable timeframe. The NCLAT also emphasised that once a matter is reserved for judgment, reopening it or de-reserving it without sufficient legal backing is impermissible.

NCLAT Mumbai has ruled that if a debt and default are established through credible documents, the presence of a National E-Governance Services Ltd ("NeSL") Certificate is not mandatory to admit an application under Section 7 of IBC [*Canara Bank Versus M/S Syska E-Retails LLP*]. [Link]

The NCLAT, Mumbai bench has held that an application filed by the FC under Section 7 of the IBC will stand valid even in the absence of the NeSL certificate. However, the occurrence of a default and existence of a financial debt has to be established through other credible and relevant documents such as loan agreements, account statements, and the recall notice. The Appellate Tribunal emphasised that the NCLT's role is to rightly assess the presence of a debt and default. Once these conditions are met, admission of the application is mandatory.


SECURITIES LAW

The Securities Exchange Board of India ("SEBI") proposes stronger board oversight at Market Infrastructure Institutions ("MII"). [Link]

SEBI has proposed to enhance board oversight of key functions at MIIs which include stock exchanges, clearing corporations, and depositories. Currently, only the Managing Director is required to be on the board and is responsible for overseeing the entire MII. Under the new proposal, MIIs must appoint two executive directors, one to head trading and the other to oversee risk and compliance. These officers must be of comparable stature to the Managing Director and will become members of the governing board. They will be required to report to the board and SEBI every three months and will also attend quarterly meetings with SEBI's regulatory and risk management committee without the presence of the Managing Director. Additionally, they will not be allowed to serve on the board of any other entity.

SEBI eases Employee Stock Options ("ESOP") rules for startup founders. [Link]

To promote ease of business SEBI has relaxed the restrictions around ESOPs for startup founders who are classified as promoters. Under the existing regulations, promoters are not allowed to hold or be granted share-based benefits, and if they do hold such benefits at the time of filing the Draft Red Herring Prospectus ("**DRHP**"), they must liquidate them before the IPO. This posed significant challenges for startup founders, many of whom receive ESOPs as part of early-stage compensation structures. With this relaxation, founders who received share-based benefits at least one year prior to DRHP filing can now retain or exercise those benefits post-listing.

SEBI expanded the dematerialization mandate to more stakeholders for companies going for Initial Public Offering ("IPO"). [Link]

To enhance market transparency and prevent misuse or fraud involving physical shares, SEBI has mandated the dematerialization of securities of key figures pre IPO. This includes promoter groups, employees, directors, and institutional investors, all of whom must hold their securities in demat form prior to filing the DRHP. Earlier, the requirement primarily applied to promoters.

SEBI updates minimum industry standards for related party transaction ("RPT") disclosure. [Link]

SEBI has updated the minimum industry standards for RPT disclosures to reduce compliance burden while enhancing transparency and consistency. Earlier, while certain RPTs required audit and shareholder approval, there was no standard format for disclosures, leading to inconsistency across companies. To address this, SEBI has introduced minimum industry standards specifying the information that must be presented before the audit committee.

Key changes include replacing the requirement of a promoter certificate with a declaration from the chief executive officer or whole-time director and chief financial officer, confirming that the RPT is in the interest of the company. For material RPTs, companies must now provide shareholders with a valuation report from an external party, accessible through a web link and QR code. These measures aim to ensure uniform, adequate, and investor-friendly disclosure practices.

SEBI introduces fixed-price route to simplify Public Sector Undertaking ("PSU") delisting. [Link]

To streamline strategic exits and enhance predictability for institutional investors SEBI has simplified the delisting process for PSUs where the government and other PSUs hold at least 90% of the shareholding. These entities can now delist without securing two-thirds approval from public shareholders, which was a requirement under the earlier framework. Instead, SEBI has introduced a fixed-price mechanism, mandating a 15% premium over the floor price, which is determined based on historical market data and an independent valuation.

SEBI overhauls investment norms for angel funds. [Link]

To increase participation and improve flexibility SEBI has made changes in the framework governing angel funds. SEBI has revised investment norms for angel funds, restricting participation to only accredited investors, who must meet specific financial criteria and undergo independent verification.

Key changes include increasing the investment range in startups from Rs.10 lakh to Rs. 25 crore and removing the 25% concentration limit, allowing angel funds to allocate larger sums to individual ventures. The cap on the number of investors has also been eased, with more than 200 accredited investors now allowed to co-invest in a single scheme. SEBI has also permitted fund managers to provide advisory services on listed securities, further expanding their role and operational flexibility.

SEBI approves co-investment framework for Category I and II Alternative Investment Funds (“AIFs”). [Link]

To increase flexibility SEBI has approved a new framework that allows Category I and II AIFs to offer co-investment opportunities directly within their structure. This reform aims to simplify compliance requirements, ease operational challenges, and improve access to capital for unlisted companies. Previously, co-investments had to be routed through the Portfolio Management Services (“**PMS**”) framework, requiring dual registration and compliance under both AIF and PMS regulations.

The new framework eliminates this dual-layer, allowing fund managers and investors to co-invest seamlessly under the AIF structure. Under the new norms, a separate Co-Investment Vehicle scheme will be created for each co-investment opportunity. These schemes will include safeguards to prevent misuse and will be subject to relaxed compliance requirements compared to standard AIF schemes.

SEBI proposes guidelines for Artificial Intelligence (“AI”) and Machine Learning(“ML”) use in securities markets. [Link]

To encourage responsible use of AI and ML SEBI has proposed guiding principles for the use of AI and ML in the securities market. A “regulatory lite” framework is proposed for the use of AI/ML in areas that do not directly impact customers, such as internal risk management, compliance, surveillance, and cybersecurity. However, stricter oversight is suggested for applications involving trading algorithms, asset and portfolio management, or advisory functions that affect clients.

Market participants using AI/ML must establish internal teams with the necessary expertise to oversee the performance, reliability, and security of deployed models. These teams should also ensure model interpretability and have fallback mechanisms in place in case of technical failures.

Additionally, where AI/ML tools are used in client-facing functions, disclosure to customers would be mandatory. Participants must also adopt clear policies on data privacy, cybersecurity, and reporting of technical failures or breaches.

SEBI relaxes compliance norms for Foreign Portfolio Investors (“FPIs”) investing in Government Securities (“G-Secs”). [Link]

In a move to boost long-term foreign investment in Indian debt markets, SEBI has approved several compliance relaxations for FPIs investing exclusively in Indian G-Secs. KYC review timelines for these investors will now align with Reserve Bank of India norms, easing periodic compliance. Additionally, FPIs investing through the Fully Accessible Route (FAR) will no longer need to disclose investor group details.

SEBI also allowed NRIs, Overseas Citizens of India, and Resident Indian individuals to invest through government securities-focused FPIs without the usual FPI restrictions, though Liberalised Remittance Scheme rules and fund exposure limits will still apply. These relaxations will apply during onboarding and transitions between GS-FPI and other FPI categories, subject to SEBI’s conditions.

Key Decisions from SEBI’s 210th Board Meeting. [Link]

(i) Relaxation under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 and SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.

SEBI approved changes to ease IPO related requirements. Equity shares arising from the conversion of fully paid compulsorily convertible securities under approved schemes will now be exempt from the one-year holding requirement for offer for sale. Relevant persons such as AIFs, scheduled commercial banks, insurance companies, etc. can now contribute such converted shares toward the minimum promoter contribution.

(ii) Social Stock Exchange ("SSE") Framework Reforms.

The regulatory framework for the SSE has been expanded. Legal structures such as charitable societies and companies registered under Section 25 of the erstwhile Companies Act, 1956 are now included under not-for-profit organizations. Social impact assessment organizations must be empaneled with self-regulatory organizations. Social Enterprises must raise funds within two years of SSE registration, failing which the registration will lapse. Annual disclosure requirements have been divided into financial and non-financial components, with distinct timelines.

(iii) SEBI has amended the regulatory framework for Real Estate Investment Trusts ("REITs") and Infrastructure Investment Trusts ("InvITs").

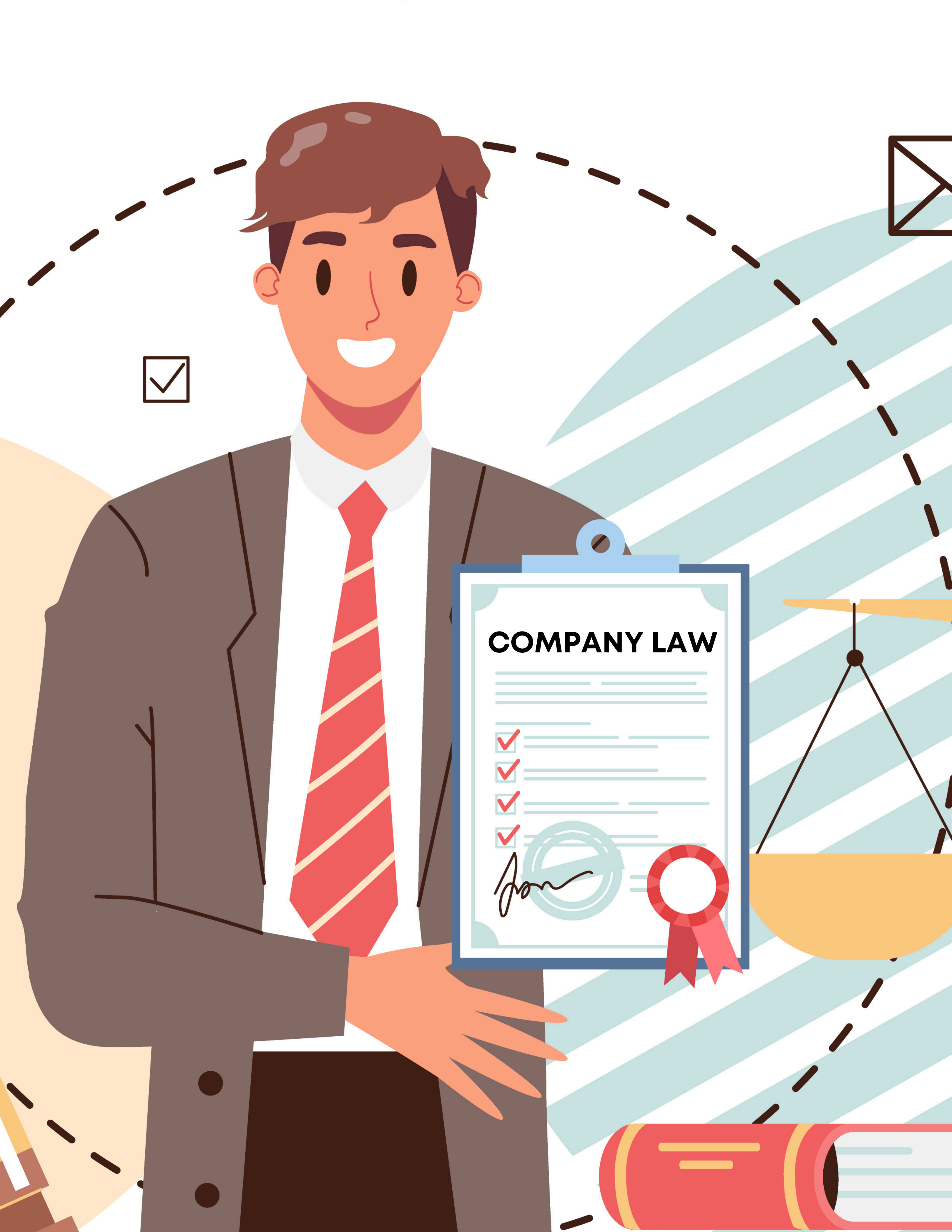
Related parties of sponsors, managers, or project managers who are qualified institutional buyers can now be considered part of the public unitholding. Holding Companies may now offset their negative cash flows against cash received from special purpose vehicle. Reporting timelines for quarterly and valuation reports have been aligned with financial results.

(iv) Custodian regulations, debenture trustees and merchant bankers' regulations simplified.

Custodians, merchant bankers and debenture trustees registered with SEBI can now carry out other financial services under the same legal entity without needing to hive off these functions into separate entities. However, they must ensure proper disclosures, manage conflicts of interest, and establish separate business units for unregulated activities where necessary.

(v) Deposit compliance for Investment Advisers ("IAs") and Research Analysts ("RAs").

IAs and RAs are now allowed to meet their regulatory deposit obligations by investing in liquid mutual funds or overnight funds instead of fixed deposits with banks.


COMPANY LAW

The Ministry of Corporate Affairs ("MCA") introduces amended E-Forms under Companies (Management and Administration) Amendment Rules, 2025. [Link]

The MCA has introduced significant amendments to the Companies (Management and Administration) Rules, 2014. These amendments, effective from July 14, 2025, replace existing E-Forms MGT-7, MGT-7A, and MGT-15 with revised versions, aimed at enhancing corporate transparency and regulatory compliance.

The revised Form MGT-7 (annual return for companies other than one person companies ("**OPCs**") and small companies) includes additional disclosures such as category-wise shareholding breakup, details of debentures and other securities, as well as attendance record of board and committee meetings.

The new Form MGT-7A, applicable to OPCs and small companies, now mandates submission of photographs of the registered office and detailed financial metrics, including turnover and net worth.

Form MGT-15, used for reporting on annual general meetings, has also been enhanced to include detailed disclosures on the conduct of meetings, precise timing, chairman identification, and any postponements or adjournments.

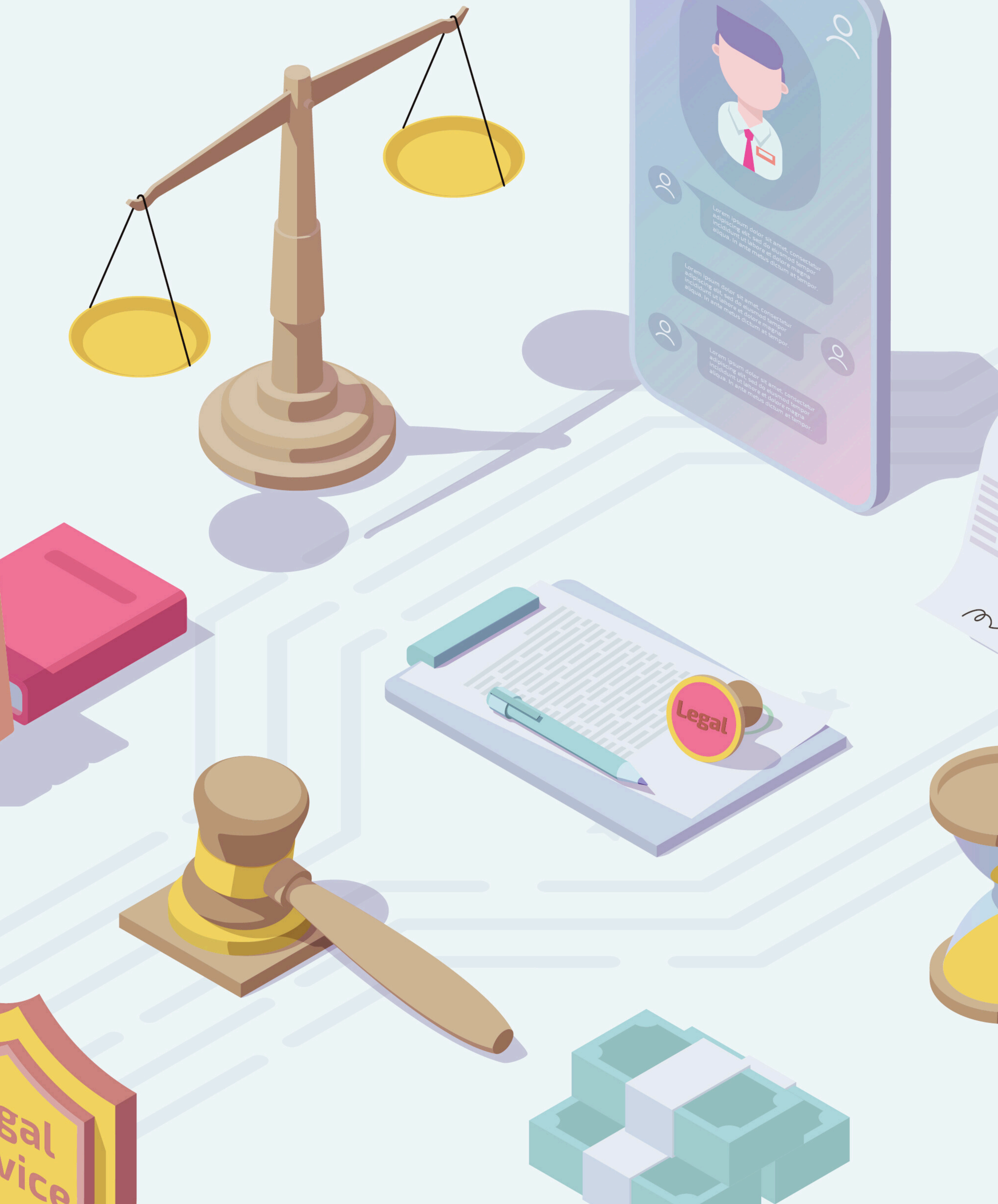
The MCA introduced the Companies (Cost Records and Audit) Amendment Rules, 2025. [Link]

The MCA has notified the Companies (Cost Records and Audit) Amendment Rules, 2025, introducing key reforms to simplify compliance and enhance transparency. Notably, the turnover thresholds for maintaining cost records and undergoing cost audits have been significantly raised to Rs. 75 crores, easing the regulatory burden on small and medium enterprises.

A new mandatory requirement for maintaining an 'audit trail' in accounting software has been introduced, requiring companies to record all transaction edits with timestamps and user identification, ensuring year-round, tamper-proof financial logging, and all companies must now use software equipped with this audit trail feature.

Additionally, the board's report must disclose pending proceedings under the IBC and valuation differences in one-time settlements and loans. Forms CRA-2 and CRA-4 have been revised and now call for enhanced disclosures, including auditor consent, nature of appointment, lead auditor status, and annual general meeting extension details.

ARBITRATION LAW



A single judge bench of the Karnataka High Court ("HC") held that an arbitrator cannot act without consent or court order under Section 11 of the Arbitration and Conciliation Act, 1996 ("A&C Act") [*Smt. Manjula & Anr. vs. Shriram Transport Finance Co Ltd & Ors.*]. [Link]

The Court emphasised that an arbitrator named as such in a notice under Section 21 of the A&C Act cannot enter into reference or issue orders without consent or institutional appointment under Section 11. Rejecting the objection regarding maintainability, the court held that, given the serious abuse of the arbitral process, it was necessary for the constitutional court to intervene.

Rajasthan HC has held that the absence of a formal notice under Section 21 does not render an application for appointment of arbitrator invalid when the respondent is already aware of the dispute [*Shekharchand Sacheti & Anr. v. S.M.F.G. India Home Finance Company Limited & Anr.*]. [Link]

In a recent ruling, the court highlighted the significance of Section 21 of the A&C Act stating that it serves to inform the opposite party of the claim's nature, allow any preliminary objections that may arise, raise issues of arbitrator bias or disqualification and mark the commencement date of arbitration.

The court ruled that if the opposing party had already raised a claim based on the arbitration clause in a preceding civil suit, it affirmed arbitration as an appropriate remedy. As a result, the lack of a notice would not prejudice their right.

A past briefing by a law firm for unrelated third-party clients does not disqualify an advocate from acting as an arbitrator [*Damodar Valley Corporation v. AKA Logistics Pvt. Ltd.*]. [Link]

Analysing the scope of Section 12(5) and Schedule VII of the A&C Act, the court clarified that mere briefing does not amount to representing the firm itself and fails to create a disqualifying conflict. The court also emphasised the intent behind Schedule VII, which is to prevent genuine bias or partiality, not to bar all prior professional connections. Hence, prior unrelated engagements by the arbitrator with a law firm representing a party does not amount to a conflict of interest.

The Calcutta HC held that when a dispute arises under an agreement in which a valid arbitration clause exists, the court is bound to refer the matter to arbitration under Section 8(1) of the A&C Act [*M/s. Cholamandalam Investment and Finance Co. Ltd. v. Sujan Seikh*]. [Link]

The division bench held that compliance with Section 8(1) is mandatory, provided the statutory requirements are met. The court is required to refer the dispute to arbitration if a party makes an application before submitting its first substantive response. In such cases, the suitability of arbitration is irrelevant as per the wording of Section 8(1).

The Jammu & Kashmir HC has held that internal departmental fee norms cannot override Section 11(3A) read with Schedule IV of the A&C Act which lays down the prescribed fee of an arbitrator [*Tarmat Ltd. v. Union of India & Others*]. [Link]

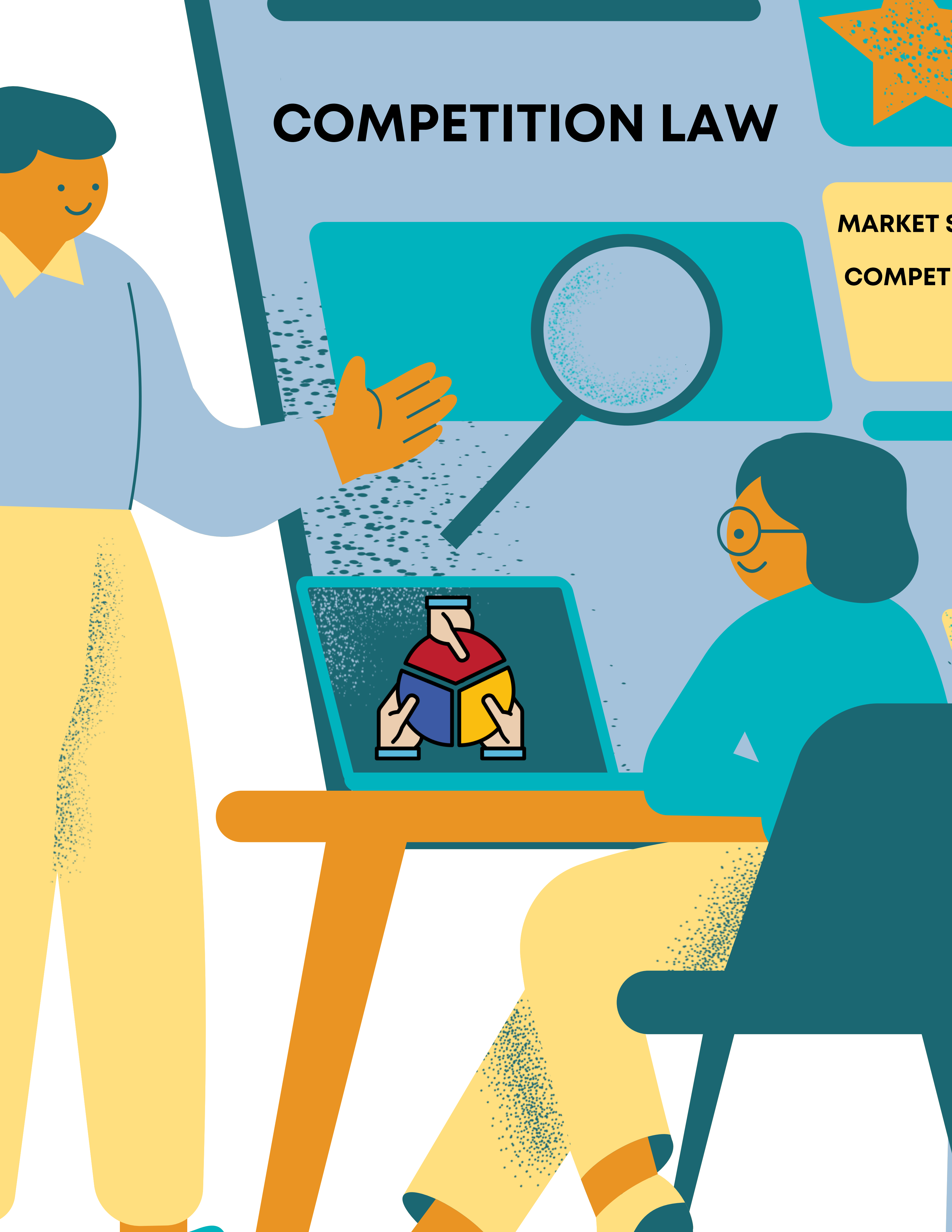
The court held that the provisions under the A&C Act would guide the arbitrator's remuneration unless otherwise agreed upon by the parties. The central issue before the court was whether a departmental circular prescribing a lower fee for the arbitrator could prevail the scale set out under the A&C Act.

An arbitrator cannot be impleaded merely on allegations of bias or fraud before prima facie determination [*West Bengal Industrial Development Corporation Ltd. v. Tata Motors Ltd.*]. [Link]

The Calcutta HC has held that the pendency of an application under Section 36(2) of the A&C Act cannot be the sole basis for impleading an arbitrator who delivered an award. The court clarified the distinct legal frameworks within which Sections 34, 36(2) and 36(3) operate. Hence, the impeachment of the arbitrator's impartiality or conduct must be determined first, if at all, under Section 34, and not preemptively in a Section 36 proceeding.

The award holder can withdraw the deposited amount despite a pending appeal under Section 37 of the A&C Act [*M/s Excel Constructions v. M/s Bharat Biotech International Ltd*]. [Link]

The Telangana HC has held that an award holder has the right to withdraw the amount deposited by the award debtor in compliance with a stay order on the award's execution. This right cannot be denied solely on the possibility that the debtor may succeed in their appeal. In the present case, the court also noted that there was no reason to believe that the petitioner would fail to refund the amount if the appeal succeeds.


COMPETITION LAW
MARKET

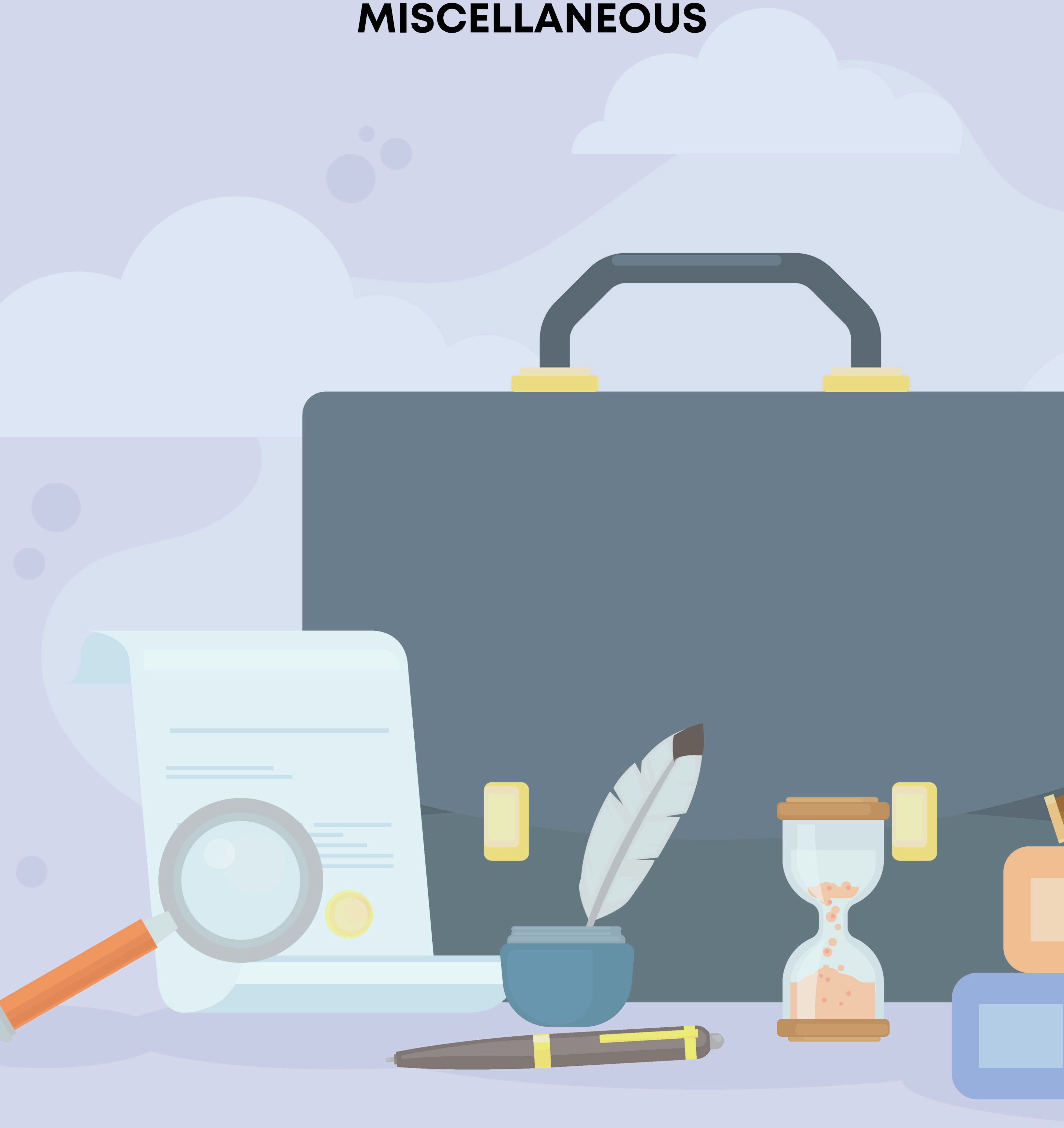
The Competition Commission of India ("CCI") has jurisdiction in the regulated sectors under broadcasting: Kerala HC [*Asianet Star Communications Private Limited v. Competition Commission of India and others*]. [Link]

In a recent ruling, the Kerala HC upheld a prima facie order of CCI directing an investigation into alleged abuse of dominance and denial of market access in the broadcasting sector. The case arose from a complaint by Asianet Digital Network Pvt. Ltd., a leading multi-system operator in Kerala, accusing Star India Pvt. Ltd. of offering discriminatory discounts to its competitor, Kerala Communicators Cable Limited.

Challenging CCI's jurisdiction, the petitioners argued that the Telecom Regulatory Authority of India ("**TRAI**") and the Telecom Disputes Settlement and Appellate Tribunal should adjudicate the matter. However, the Kerala HC clarified that while TRAI governs licensing and interconnection issues, the CCI is empowered to examine anti-competitive practices under the Competition Act, 2002.

The court emphasised that both TRAI and the CCI operate in distinct but complementary domains, and no jurisdictional conflict arises when the CCI investigates abuse of market power.

MISCELLANEOUS



The Reserve Bank of India ("RBI") notifies the Reserve Bank of India (Project Finance) Directions, 2025 ("Finance Directions"). [Link]

RBI has notified the Finance Directions, 2025, on 19th June, 2025 after the feedback on its previously issued draft guidelines on 'Prudential Framework for Income Recognition, Asset Classification and Provisioning pertaining to Advances - Projects Under Implementation'. These Directions would be effective from 1st October, 2025.

Key features of the finance directions include a principle-based approach to stress resolution, standardised caps on the date of commencement of commercial operations (3 years for infrastructure, 2 for non-infrastructure), and escalated autonomy for lenders for granting these extensions. Provisioning norms are set at 1% for most under-construction projects, and for under-construction commercial real estate projects, a higher initial provisioning rate of 1.25% will be applicable. Existing projects with financial closure will continue under old norms to ensure a smooth transition.

RBI notifies Master Direction - Reserve Bank of India (Electronic Trading Platforms) Directions, 2025 ("New ETP Directions"). [Link]

RBI issued the New ETP Directions on 16th June, 2025 which supersedes the Electronic Trading Platforms (Reserve Bank) Directions, 2018, dated 5th October, 2018. The new ETP directions mandate stricter eligibility norms, necessitating incorporation, a Rs 5 crore net-worth and experience in trading infrastructure. An ETP is a computerised system that enables buying, selling and managing a wide range of financial instruments.

Further, operators must follow transparent membership rules, conduct due diligence, and maintain robust operational safeguards, including data retention for up to 10 years. Periodic quarterly and annual reporting is compulsory, with RBI retaining discretionary oversight throughout authorization and operations.

Ministry of Finance amends the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 ("NDI Rules"). [Link]

The Ministry of Finance amended the NDI rules, 2019, on 11th June, 2025, allowing Indian companies working in Foreign Direct Investment ("**FDI**")-prohibited sectors to issue bonus shares to existing non-resident shareholders. This amendment, introduced through Sub-rule (2) under Rule 7 of the NDI Rules, allows such issuance provided it does not change the existing shareholding pattern. This move aligns with the Department for Promotion of Industry and Internal Trade's previous press note and ensures flexibility without opening FDI-prohibited sectors to new foreign investment.

Notably, the amendment also has a retrospective effect. Bonus shares issued prior to this amendment will now be deemed compliant with the applicable Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, which have been notified in 2000 and 2017.

Subsidies obtained by the assessee from the RBI can't be treated as "interest" taxable under Section 4 of the Income Tax Act, 1961: Bombay HC [*Bank of India v. Deputy Commissioner of Income Tax*]. [Link]

Bombay HC observed that subsidies provided by the RBI to a public sector bank under the Export Credit (Interest Subsidy) Scheme can't be classified as "interest" payable under Section 4 of Income Tax Act, 1961 ("**the Act**"). The court stated that because no loan or advance was provided by the assesse to the RBI, the subsidy received can't fall within the definition of interest under Section 2(7) of the Act.

Further, the court highlighted that the nature of the subsidy which is meant to compensate for concessional export credit, does not convert into interest solely by its purpose or label, enforcing a strict interpretation of tax statutes.

Bombay HC upheld a Show Cause Notice ("SCN") issued for alleged misuse of import exemption benefits, stating that the international treaty provisions can't overrule custom laws [*Purple Products Private Limited v. Union of India*].[Link]

Recently, the Bombay HC ruled that treaty provisions can't supersede domestic customs laws, upholding SCN issued to importers for alleged misuse of exemptions under a bilateral trade agreement with ASEAN. The court emphasized that unless treaty provisions are incorporated into Indian law, they can't restrict the powers of customs authorities under the Customs Act, 1962.

Additionally, the court held that Section 28 of the Customs Act, 1962 authorizes the issuance of notices based on misrepresentation or fraud, irrespective of treaty provisions.

Using the Discounted Cash Flow ("DCF") method to value unlisted equity shares is valid under the Income Tax Rules: Delhi HC [*Principal Chief Commissioner of Income Tax-1 v. A.H. Multisoft Pvt. Ltd.*]. [Link]

The Delhi HC reaffirmed the Income Tax Appellate Tribunal's decision permitting the use of the DCF method for valuing unlisted equity shares under Rule 11UA(2)(b) of the Income Tax Rules, 1962. The court emphasized that if an assessee provides a substantiated expert valuation report, and assessing officer fails to prove any error in the method or data employed, such valuation must be accepted.

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