



CORPORATE LAW WATCH VOL. 2

WELCOME TO THE CORPORATE LAW WATCH

We are pleased to present the latest edition of the Corporate Law Newsletter, covering key regulatory and enforcement developments in India from July to September 2025.

This issue highlights amendments by the Ministry of Corporate Affairs expanding the scope of fast-track mergers, SEBI's proposals on Related Party Transactions, RBI's new rules on AIF investments and ATM currency dispensation, and more.

REGULATORY ROUND-UP KEY DEVELOPMENTS IN CORPORATE, SECURITIES, AND FINANCIAL LAWS (July to September 2025)

MINISTRY OF CORPORATE AFFAIRS

MCA Amends Fast-Track Merger Rules Under Companies Act, 2013

The Ministry of Corporate Affairs (MCA) has amended the Companies (Compromises, Arrangements and Amalgamations) Rules 2016, effective from September 17, 2025, expanding the scope of entities eligible for the fast-track merger process under Section 233 of the Companies Act, 2013 (Companies Act).

The fast-track process now also covers schemes of division or transfer of undertakings, expanding its application beyond amalgamation.

Key highlights of the amendment to Rule 25 include:

- a. Expanded Scope:* Fast-track mergers are now permitted between certain categories of unlisted companies, between holding and subsidiary companies (with exceptions), and between subsidiaries of the same holding company.
- b. Cross-Border Merger Enabled:* Under the new amendments, merger of a foreign holding company with its wholly-owned Indian subsidiary is now permitted.
- c. New Financial Criteria:* For unlisted companies seeking the fast-track merger route, aggregate outstanding loans, debentures, and deposits should not exceed INR 200 crore (~ USD 25 million). Further, there should be no defaults in repayment of existing borrowings.
- d. Mandatory Auditor Certification:* A certificate from the statutory auditor confirming financial compliance (such as there being no defaults in repayment by the company) must be submitted in Form CAA-10A, along with the approved scheme.
- e. Revised Filing Requirements:* The amendment introduces new and revised forms for merger-related filings, which are to be attached with other forms such as GNL-1 (for compounding of offences) and RD-1 (for intimation to the Regional Director, MCA), as applicable.
- f. Procedural Enhancements:* Companies must include a statement addressing objections from sectoral regulators or stock exchanges, if any, when filing the Scheme with the Central Government.

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g. Easing of reporting timelines: The transferee company must file the Scheme approval report within 15 (fifteen) days of the conclusion of the members' and creditors' meetings, as opposed to a shorter 7 (seven) days' period under the erstwhile rules.

SECURITIES AND EXCHANGE BOARD OF INDIA

SEBI Proposes Amendments to LODR Regulations on Related Party Transactions

The Securities and Exchange Board of India (SEBI) released a consultation paper on August 4, 2025, proposing significant amendments to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations) aimed at easing compliance related to Related Party Transactions (RPTs).

These amendments aim to strike a balance between regulatory efficiency and investor protection, especially for minority shareholders. Further, several of the amendments covered in the consultation paper have been approved by SEBI pursuant to its board meeting held on September 12, 2025.

Key proposals include:

a. Revised Materiality Thresholds: The Advisory Committee on Listing Obligations and Disclosures proposes the following scale-based thresholds by linking the annual consolidated turnover buckets to different thresholds for determining the materiality of related party transactions (RPTs):

Scale based threshold	
Buckets of Annual Consolidated Turnover of Listed Entity	Proposed Threshold
Up to INR 20,000 Crore (~USD 2.27 billion)	10% of turnover (capped at INR 2000 crore (~ USD 227 million))
INR 20,001 – 40,000 Crore (i.e., ~ USD 2.27 billion – USD 4.54 billion)	INR 2,000 crore (~ USD 227 million) + 5% of the excess (capped at INR 3000 crore (~ USD 345 million))
Above INR 40,000 Crore (~USD 4.54 billion)	INR 3,000 crore (~ USD 340.5 million) + 2.5% of the excess (capped at INR 5,000 crore) (~ USD 567.5 million)

b. RPTs with Subsidiary companies: There are two proposals dealing with the existing provisions under the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2016 for dealing with RPTs between a listed entity and its subsidiary. Whilst one proposal is to overlay the aforesaid scale-based materiality threshold over the existing provisions, such that the lower of the two limits would apply; the second proposal suggests that in cases where the audited financial statements of a subsidiary of a listed entity are not available, the materiality threshold for such subsidiary company should be determined on the basis of the standalone financial statements of the listed entity.

c. Omnibus Approvals: Presently, a company can procure omnibus approval from its shareholders for material RPTs. The said omnibus approval could be procured in two ways, i.e. pursuant to an annual general meeting (AGM) or through other general meeting / postal ballot. SEBI has proposed to clarify that an omnibus approval obtained pursuant to an AGM shall be valid for a maximum period of 15 (fifteen) months to align it with the requirement under Companies Act to convene AGMs within 15 (fifteen) months since the last AGM.

d. Exemptions: Certain transactions involving directors/KMPs and their relatives, and transactions between wholly-owned subsidiaries of a listed holding company, are proposed to be exempt from RPT approvals.

e. Disclosure Relief: Reduced disclosures are proposed for RPTs valued at $\leq 1\%$ (one per cent) of turnover or $\leq$ INR 10 crore (~ USD 1.25 million), whichever is lower.

SEBI Board Meeting dated September 12, 2025

In its board meeting held on September 12, 2025, SEBI introduced certain changes to enhance market efficiency and investor protection.

Key Takeaways:

a. Compliance timelines: Minimum Public Shareholding (MPS) timelines have been relaxed for large companies, allowing up to 5 (five) years to reach 25% (twenty five per



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cent) public shareholding. SEBI has eased timelines and offered clearer routes for large issuers.

b. IPO Facilitation: Anchor investor norms have been revised to allow broader participation, and domestic anchor allocation has been increased to 40% (forty per cent). A stronger domestic anchor base adds stability and confidence to retail investors.

c. Ease of Business: SEBI has introduced simplified pathways for Foreign Portfolio Investors (FPIs) and reclassified REITs and InvITs within mutual fund categories to align with global practices. This allows for simpler and faster market access for global investors.

RESERVE BANK OF INDIA

RBI Issues Guidelines for Investment by Regulated Entities in AIFs

The Reserve Bank of India (RBI) has issued the Reserve Bank of India (Investment in Alternative Investment Funds) Directions, 2025, which will come into effect from January 1, 2026, or an earlier date as determined by the concerned Regulated Entity (RE) under its internal policy.

Applicability:

Commercial Banks (including Small Finance Banks, Local Area Banks, and Regional Rural Banks), Primary (Urban) Cooperative Banks, State and Central Cooperative Banks, All-India Financial Institutions and Non-Banking Financial Companies (including Housing Finance Companies).

Key provisions:

a. Investment Limits:

- A RE may not individually contribute more than 10% (ten per cent) of the corpus of any AIF Scheme.
- Collective contributions by all REs must not exceed 20% (twenty per cent) of the corpus.
- Provisioning Requirement: If an RE contributes more

than 5% (five per cent) to an AIF Scheme that invests (excluding equity) in a company to which the RE has exposure, it must make 100% (one hundred per cent) provision for its proportionate investment in that debtor through the AIF.

b. Internal Policy Compliance: All investments must be in accordance with said RE's internal investment policy and prevailing regulations.

RBI Mandates ATM Dispensation of INR 100 and INR 200 Notes

To improve access to lower denomination currency, the Reserve Bank of India (RBI) has directed all banks to ensure that at least 75% (seventy five per cent) of their ATMs dispense INR 100 and INR 200 notes (~ USD 1 and 2) by September 30, 2025, and 90% (ninety per cent) by March 31, 2026. Banks must submit monthly compliance reports and prioritize recalibration in underserved areas. Non-compliance may attract penalties under RBI's Master Circular on ATM operations.

CHARITY COMMISSIONER (MAHARASHTRA)

Charity Commissioner of Maharashtra Permits Broader Investments for Public Trusts

The Charity Commissioner of Maharashtra, exercising powers under Section 35 of the Maharashtra Public Trusts Act, 1950 has issued a general order permitting trustees of Public Trusts to invest up to 50% (fifty per cent) of trust funds in specified securities without prior approval, subject to compliance with the Central Government notification dated April 21, 2017, issued under the Indian Trusts Act, 1882.

Expanded investment instruments now include:

Government securities, SEBI-regulated debt and equity mutual funds, Listed debt securities with residual maturity of more than 3 (three) years, Listed equity shares with market capitalization ≥ INR 5,000 crore (~ USD 600 million), Basel III Tier-I bonds, Infrastructure-related debt instruments, SEBI-regulated ETFs or index funds tracking BSE/NSE indices or government disinvestment portfolios.



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For certain instruments (listed debt securities, Tier-I bonds, infrastructure debt), a minimum 'AA' rating from at least two SEBI-registered credit rating agencies is mandatory. If more than two ratings are available, the two lowest ratings are to be considered.

ENFORCEMENT DIRECTORATE

ED Files FEMA Complaint Against Myntra and One Sigma Technologies (Simpl) for FDI and MBRT Violations

The Enforcement Directorate (ED) has filed a complaint under Section 16(3) of the Foreign Exchange Management Act (FEMA), 1999, against Myntra Designs Pvt. Ltd., its group companies, and directors, alleging violations amounting to INR 1,654 crore (~ USD 200 million).

Allegations include:

- a. Contravention of Section 6(3)(b) of FEMA and the Consolidated FDI Policy.
- b. *MBRT in Disguise*: Myntra allegedly engaged in Multi-Brand Retail Trading (MBRT) while declaring itself a 'Wholesale Cash & Carry' entity to attract foreign direct investment (FDI).
- c. The *ED asserts* that Myntra:
 - received FDI amounting to INR 1,654 crore (~ USD 200 million) under false declarations;
 - sold majority of its goods to Vector E-Commerce Pvt. Ltd., a related party that handled retail transactions with end consumers; and
 - created a business model that disguised B2C transactions as B2B, thereby breaching FDI norms.
- d. Investigation revealed that 100% (hundred per cent) sales were made to Vector E-Commerce, violating the FEMA provision that restricts sales to group companies to 25% (twenty per cent) under the wholesale trading route.

The matter is currently pending before the Adjudicating Authority under FEMA.

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