



CORPORATE LAW WATCH VOL. III

WELCOME TO THE CORPORATE LAW WATCH

We are pleased to present the latest edition of the Corporate Law Watch, capturing key corporate, securities, regulatory, and policy developments in India.

This edition highlights recent judicial, regulatory, and policy developments shaping India's corporate and regulatory framework, including major updates from NCLAT, SEBI, RBI, and the Government of India.

NCLAT Upholds Reliance Retail's Selective Capital Reduction [1]

The National Company Law Appellate Tribunal ("NCLAT") vide its order dated September 26, 2025, upheld the order passed by the National Company Law Tribunal ("NCLT"), Mumbai Bench, approving Reliance Retail Limited's ("Company") selective capital reduction scheme, and dismissing an appeal filed by a minority shareholder (*holding 0.0000014% of the shareholding of the Company*) questioning the permissibility of such reduction in terms of Section 66(1) of the Companies Act, 2013 ("Act"), on the ground that the Company had failed to prove that the share capital is in excess of the wants of the Company.

Key Observations by NCLAT:

- Non-promoter shareholders were offered a fair value for their shares, which was a premium of 56% to its fair value.

- Overwhelming majority (99.99%) of shareholders voted in favour of the resolution.
- Reiterated the settled principle that reduction of share capital is a matter of domestic concern, where the majority decision prevails.
- While approving any scheme of reduction of share capital, the NCLT must be satisfied that the transaction is fair and reasonable as per the provisions of Section 66 of the Companies Act, 2013.

SEBI Mandates Complete Dematerialisation for Corporate Actions [2]

SEBI has proposed to mandate dematerialisation of securities held by specific categories of shareholders before an issuer makes an Initial Public Offer (IPO) pursuant to amendment to regulations 7(1)(c) and regulation 230(1)(d) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations"). This is aimed at ensuring complete dematerialisation and reducing risks associated with physical share certificates.

Following categories of shareholders have been covered pursuant to the amendment:

- Promoter Group – All promoters and persons forming part of the promoter group.
- Selling Shareholders – Any shareholder offering shares for sale in the IPO.
- Directors – All directors of the issuer company.

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- Key Managerial Personnel (KMPs) – As defined under the Companies Act, 2013.
- Senior Management – Employees at senior management level as per SEBI norms.
- Qualified Institutional Buyers (QIBs) – Institutional investors participating in the IPO.
- Employees – Including those eligible for employee reservation or ESOPs.
- Shareholders holding SR (Superior Rights) Equity Shares – Special category shareholders with differential voting rights.
- Stock Brokers – Associated with the IPO process or holding shares.
- Non-Systemically Important NBFCs – Holding shares in the issuer.
- Entities regulated by Financial Sector Regulators – Such as banks, insurance companies, mutual funds, etc.
- Any other category of shareholders as may be specified by SEBI from time to time.

Key Highlights:

Before the amendment, the requirement for dematerialisation was limited primarily to promoters. Promoters were obligated to hold their shares in demat form prior to an IPO, but other categories of shareholders including directors, employees, institutional investors, and regulated entities could still hold physical share certificates. This left gaps in the system, allowing physical shares to enter the listed domain, which posed risks such as fraud, forgery, delays in transfer and lack of transparency. The said amendment further aligns with MCA's mandate under Rules 9A and 9B of the Companies (Prospectus and Allotment of Securities) Rules, 2014 for complete dematerialisation.

SEBI Proposes LODR Amendments to Simplify Transfers [3]

SEBI vide its consultation paper dated October 17, 2025, has proposed to issue a final opportunity for investors who lodged physical transfer deeds before April 01, 2019, but missed the extended deadline of March 31, 2021. The

Key highlights:

- **Re-lodgement Window:** Investors may re-submit eligible physical transfer requests executed pre-April 01, 2019, during a one-time window from July 07, 2025 to January 06, 2026.
- **Due Diligence Requirement:** Listed entities and their RTAs are authorized to scrutinise and process these transactions only after performing the requisite due diligence.
- **Mandatory Demat Credit:** Upon successful processing, all transferred securities must be credited exclusively in dematerialised form to the transferee's demat account.

RBI Issues Comprehensive Master Direction on Payment Aggregators [4]

The Reserve Bank of India has consolidated its regulatory framework for Payment Aggregators (“PAs”) vide notification dated September 15, 2025, bringing offline aggregators under regulation for the first time. The key changes include mandatory licensing, stricter escrow account norms, enhanced KYC requirements, and reliance on the Central KYC Registry (CKYCR) for merchant onboarding.

Key Highlights:

- **Inclusion of Physical/POS Aggregators (PA-P):** The RBI's new framework formally recognises Payment Aggregators – Physical (PA-P), which handle in-person transactions via POS terminals or QR codes. All existing PA-P entities must apply for RBI authorisation by 31 December 2025. Those not authorised must cease operations by 28 February 2026.
- **Net Worth Requirements for Non Bank PAs:** Non-banking PAs, including PA P, must maintain a minimum net worth of ₹15 Crores at application, increasing to ₹25 Crores by the end of the third financial year post-authorisation. Failure to meet these thresholds can result in licence revocation.



- **Escrow Account and Settlement Norms:** Funds collected must be held in strictly segregated escrow accounts. For PA P, these norms continue to apply with enhanced clarity. It has been stipulated that only the escrow's core portion may earn interest and co-mingling of merchant and PA funds is strictly prohibited.
- **Mandatory Customer Due Diligence (CDD):** PAs must conduct CDD, including background checks for all merchants, allocate Merchant Category Codes (MCC), perform ongoing transaction monitoring for suspicious activity, and ensure FIU IND registration for non-bank entities. All back book merchants onboarded before 31 December 2025 must be upgraded to the new KYC standards within one year; the new merchants from 1 January 2026 must comply immediately.

RBI extends the time period for repatriation of export value to 15 months [5]

On November 20, 2025, the RBI notified the FEMA (Export of Goods & Services) (Second Amendment) Regulations, 2025, thereby amending the time period for realization and repatriation of export value of goods, software or services, as provided under Regulation 9 thereof.

Key Highlights:

- **Additional Time To Recover Payments:** Realisation and repatriation of export value of goods/services can be within a maximum time period of 15 months from the date of export (up from the erstwhile limit of 9 months).
- **Additional time to export goods/services:** An exporter may now receive advance payment where the export agreement itself duly provides for shipment of goods extending beyond the period of three years from the date of receipt of advance payment (up from the erstwhile limit of 1 year).

The Government of Maharashtra released the Maharashtra GCC Policy [6]

The GCC Policy has been introduced as a strategic framework launched to make the state a global hub for Global Capability Centres (GCCs) by offering extensive fiscal/non-fiscal incentives, fostering high-skilled jobs (400,000 target), attracting ₹50,000 Crores of investment by 2030, and boosting innovation, especially in Tier-2/3 cities, aligning with national digital growth goals.

Key benefits include:

- capital/payroll subsidies,
- R&D grants,
- power tariff benefits,
- easier operations, and
- development of dedicated Green Business Districts,

all aimed at transforming Maharashtra into an innovation-driven economy.

The Policy proposes to extend the growth footprint beyond Mumbai and Pune to emerging Tier 2 and Tier 3 cities such as Nashik.

For the purposes of this Policy, BPO units, call centres serving self or third-party clients, and pure play sales entities engaged in marketing, distribution, or sale of products, customized software or tools in India or neighbouring regions, have been specifically excluded from the scope of GCCs.

MHA issues clarification regarding FCRA Renewal Timelines [7]

In the face of multiple cases of delays in FCRA Renewal, the Ministry of Home Affairs ("MHA") issued a public notice dated September 30, 2025 titled '*Clarification regarding timely submission of application for renewal of registration certificate under the Foreign Contribution (Regulation) Act, 2010*', whereby regulated organizations have been advised to file their FCRA renewal applications well in advance and in any case, no later than four (4) months before expiry, to avoid situations where the FCRA expires while a renewal application is pending.



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Ambit of “small companies” under the Companies Act expanded [8]

The amendment to the Rules read with Section 2 (85) of the Companies Act, now defines a small company as a company (other than a public company) whose:

- paid-up share capital does not exceed ₹10 Crores; and
- turnover, as per the profit and loss account for the immediately preceding financial year, does not exceed ₹100 Crores.

These thresholds have been gradually increased, with the previous iteration stipulating limits of ₹4 Crores and ₹40 Crores respectively.

Digital Personal Data Protection Rules, 2025 & Enforcement timelines notified [9]

The Government of India notified the Digital Personal Data Protection (DPDP) Rules, 2025 on November 14, 2025, marking the full operationalisation of the Digital Personal Data Protection Act, 2023 (the “**DPDP Act**”).

Together, the DPDP Act and the DPDP Rules are intended to form a citizen-centred framework for responsible use of digital personal data, by placing equal weight on individual rights and lawful data processing, supporting ease of understanding and encouraging compliance thereby strengthening trust in the country’s growing digital ecosystem.

The enforcement timeline proposes a phased implementation of the provisions of the DPDP Act and the DPDP Rules over a period of up to 1 (one) year.

[1] https://nclat.nic.in/display-board/view_order

[2] https://www.sebi.gov.in/legal/regulations/sep-2025/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-second-amendment-regulations-2025_96524.html

[3] <https://www.sebi.gov.in/reports-and-statistics/reports/oct-2025/consultation-paper-on-proposed-amendment-to-certain-provisions-of-sebi-lodr-regulations-2015-to-facilitate-transfer-of-securities-transferred-prior-to-april-1-2019-and-simplify-the-process-of-dema-97378.html>

[4] https://rbi.org.in/scripts/BS_ViewMasDirections.aspx?id=12896

[5] <https://www.rbi.org.in/Scripts/NotificationUser.aspx?id=12923&Mode=0>

[6] <https://maitri.maharashtra.gov.in/wp-content/themes/maitri/PDF/GCC%20Policy%20GR%2003112025.pdf>

[7] https://fcraonline.nic.in/home/PDF_Doc/fc_notice_30092025.pdf

[8] <https://www.mca.gov.in/bin/dms/getdocument?mds=CViJxHWXV1QAr0wxTM5ICA%253D%253D&type=open>

[9] <https://www.meity.gov.in/static/uploads/2025/11/53450e6e5dc0bfa85ebd78686cadad39.pdf>

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