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01st July 2025

Ministry of Finance vide notification dated June 11, 2025, has amended the Foreign Exchange Management (Non-debt Instruments) Rules, 2019

- Ministry of Finance vide notification dated June 11, 2025, has amended the Foreign Exchange Management (Non-debt Instruments) Rules, 2019.
- In the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, rule 7 shall be renumbered as 7(1) thereof and after clause (h) of sub-rule (1) as so renumbered, the following sub-rule shall be inserted, namely:--

“(2) An Indian company, engaged in a sector or activity prohibited for foreign direct investment, may issue bonus shares to its pre-existing shareholders who are persons resident outside India, provided that the shareholding pattern of such shareholders is not changed pursuant to the issuance of bonus shares and any bonus shares issued to such shareholders prior to the date of commencement of this sub-rule shall be deemed to have been issued in accordance with the provisions of these rules or the Foreign Exchange Management (Transfer or issue of Security by a Person Resident outside India) Regulations, 2000 or the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017, as the case may be.”
- These rules shall come into force on the date of their publication in the Official Gazette.
- The notification is attached herein.

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Reserve Bank of India vide notification dated June 20, 2025, has reviewed Priority Sector Lending norms for Small Finance Banks

- Reserve Bank of India vide notification dated June 20, 2025, has reviewed Priority Sector Lending norms for Small Finance Banks.
- On a review, it has been decided that financial year 2025-26 onwards, the additional component (35 per cent) of PSL shall be reduced to 20 per cent, thereby making the overall PSL target as 60 per cent of ANBC or Credit Equivalent of Off-Balance Sheet Exposures (CEOBE), whichever is higher. The SFB shall continue to allocate 40 per cent of its ANBC or CEOBE, whichever is higher, to different sub-sectors under PSL as per the extant PSL prescriptions, while the balance 20 per cent shall be allocated to any one or more sub-sectors under the PSL where the bank has competitive advantage.
- The notification is attached herein.

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Securities and Exchange Board of India vide circular dated June 26, 2025, has issued revised Industry Standards on "Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions"

- Securities and Exchange of India vide circular dated June 26, 2025, has issued revised Industry Standards on minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions.
- Section III-B of the SEBI Master Circular dated November 11, 2024 shall stand modified as under from the effective date of this circular:
 - (i) Paragraph 4 under Part A of Section III-B shall stand substituted by the following paragraph:



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"The listed entity shall provide the audit committee with the information as specified in the Industry Standards on "Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions", while placing any proposal for review and approval of an RPT."

(ii) Paragraph 6 under Part B of Section III-B shall stand substituted by the following paragraph:

"The notice being sent to the shareholders seeking approval for any RPT shall, in addition to the requirements under the Companies Act, 2013, include the information as part of the explanatory statement as specified in the Industry Standards on "Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions."

- This circular shall come into effect from September 01, 2025.
- The circular is attached herein.

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KARNATAKA HIGH COURT DISMISSES WRIT APPEAL FILED BY CORPORATE DEBTOR, REJECTS PLEA OF LACK OF KNOWLEDGE OF LOAN ASSIGNMENT AND HELD CORPORATE DEBTOR'S SILENCE AMOUNTED TO NO OBJECTION

The Karnataka High Court Division Bench comprising Justice V. Kameswar Rao and Justice T.M. Nadaf upheld the dismissal of a writ petition filed by Gstaad Hotels Pvt. Ltd. and its directors challenging the assignment of their loan to Omkara Asset Reconstruction Company.

BRIEF FACTS OF THE CASE

Gstaad Hotels Pvt. Ltd., operator of JW Marriott Bengaluru, availed a ₹450 crore term



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loan and ₹50 crore revolving credit facility from Piramal Enterprises, supplemented by ECLGS 2.0 and 3.0 funding during the COVID-19 period. The company asserts its account remained regular until early 2020 and was never classified as a Non-Performing Asset (NPA) or Special Mention Account (SMA) under applicable RBI guidelines. Gstaad challenges the assignment of its loan to Omkara Asset Reconstruction Company, alleging it was done without prior notification and in violation of regulatory and contractual norms. They further claim Piramal misused ECLGS funds to evergreen past dues and that the legitimacy of the assignment is questionable, supported by observations from the NCLAT.

In response, Piramal and Omkara justify the SMA-1 classification based on payment delays as of November 2022, argue that RBI circulars and the SARFAESI Act allow assignment of stressed assets without borrower consent, and maintain that insolvency proceedings initiated by Omkara were legally valid, asserting that writ relief is inapplicable in purely private contractual disputes absent statutory breaches.

KARNATAKA HIGH COURT'S JUDGMENT

The High Court, agreeing with the findings of the learned Single Judge, held that the assignment of the loan was legally valid and in compliance with RBI directives. The Court emphasized that the borrower's consent is not required for assignment and that mere intimation suffices. The Court also rejected the claim of procedural irregularity, stating that the circulars relied upon by the appellants were either outdated or superseded by newer ones, particularly the 2021 and 2023 Master Circulars which permit such assignments for SMA accounts. The Bench reiterated the limited scope of judicial review in such banking and commercial matters, unless there is an evident statutory breach or mala fide intent, which was not found in the present case. The Court thus dismissed the appeal, reaffirming that disputes regarding defaults, SMA classification, and commercial recovery measures are within the domain of specialized forums like the NCLT and are not amenable to writ jurisdiction.



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Case Number: WA No.478/2024

Case Title: Mr. Deepak Raheja & Ors. vs Union of India & Ors.

NCLT ALLOWED SUSPENDED DIRECTORS TO COMPOUND OFFENCE BY PAYING FINE FOR DELAY IN HOLDING AGMS FOR FYS 2018-19 TO 2020-21-

The Tribunal acknowledged that the delayed AGMs by Call Express Construction were a result of extraordinary circumstances, including shareholder disputes, the COVID-19 pandemic, and the initiation of CIRP. Given the absence of stakeholder prejudice and the directors' cooperative stance, it imposed only the minimum compounding fine for the violations.

BRIEF FACTS OF THE CASE

Call Express Construction (India) Private Limited, a construction company, faced business failure due to shareholder disputes, inability to generate revenue, and the impact of the COVID-19 pandemic. These issues led to defaults in repaying creditors and vendors.

The company was admitted into the Corporate Insolvency Resolution Process (CIRP) under the Insolvency & Bankruptcy Code, 2016, and is currently under liquidation. Due to operational standstill and financial distress, there were significant delays in finalizing audited financial statements, which resulted in the company failing to hold its Annual General Meetings (AGMs) within the statutory timelines prescribed under Section 96 of the Companies Act, 2013.

The AGMs for the financial years 2018-19, 2019-20, and 2020-21 were held with delays of 323 days, 106 days, and 152 days respectively, in violation of Section 96.

The suspended directors, P.K. Ramesh and Maria Ramesh, filed a petition seeking compounding of the offence under Section 96 for all the days of default; imposition of



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only the minimum consolidated compounding amount and relief from all legal consequences of the delay in holding AGMs for the relevant financial years.

NCLT'S JUDGMENT

Upon perusal of the records and considering the representations made, the Tribunal acknowledged that the Company was admitted under CIRP and is presently undergoing liquidation. It is evident that the directors were no longer in control of the Company's affairs following the appointment of the IRP. The Tribunal also took judicial notice of the prolonged impact of the COVID-19 pandemic on businesses, especially SMEs, which disrupted regular financial operations and compliances. The applicants had demonstrated good faith by ultimately conducting the AGMs and seeking compounding rather than contesting the penalty on technical grounds.

In light of the above circumstances, the Tribunal is of the view that the delay in holding AGMs, although technical in nature, did not result in prejudice to shareholders, creditors, or the public. The offence under Section 96, read with Section 99, is therefore compounded subject to the payment of minimum prescribed fine by the petitioners within three (3) weeks from the date of this order. The RoC is directed to accept the compounding fees and mark compliance accordingly. Pending proceedings before the Economic Offences Court shall be treated as closed upon such compliance.

Case Title: Call Express Construction India Pvt. Ltd., In re

Case Number: [2025] 175 taxmann.com 409 (NCLT- Chennai)



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