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14th April 2025

Reserve Bank of India vide circular dated April 09, 2025, has provided penal interest on shortfall in CRR and SLR requirements-Change in Bank Rate

- Reserve Bank of India vide circular dated April 09, 2025, has provided penal interest on shortfall in CRR and SLR requirements-Change in Bank Rate.
- As announced in the [Monetary Policy Statement 2025-26 dated April 09, 2025], the Bank Rate is revised downwards by 25 basis points from 6.50 per cent to 6.25 per cent with immediate effect. Accordingly, all penal interest rates on shortfall in CRR and SLR requirements, which are specifically linked to the Bank Rate, also stand revised as under:

Penal Interest Rates which are linked to the Bank Rate

Item	Existing Rate	Revised Rate (With immediate effect)
Penal interest rates on shortfalls in reserve requirements (depending on duration of shortfall).	Bank Rate plus 3.0 percentage points (9.50 per cent) or Bank Rate plus 5.0 percentage points (11.50 per cent).	Bank Rate plus 3.0 percentage points (9.25 per cent) or Bank Rate plus 5.0 percentage points (11.25 per cent).

- The circular is attached herein.

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Securities and Exchange Board of India vide circular dated April 04, 2025, recognised and operationalized Past Risk and Return Verification Agency (PaRRVA)

- Securities and Exchange Board of India vide circular dated April 04, 2025, recognised and operationalized Past Risk and Return Verification Agency (PaRRVA).
- SEBI shall call for application for interest from all SEBI registered CRAs.

Recognition as PaRRVA shall be a two stage process -first being in-principle approval, followed by final recognition.

- Eligible CRAs desirous of being recognised as PaRRVA shall enter into an agreement with an eligible SE to act as PDC and submit its application along with the consent of the concerned SE to SEBI.
- Upon receipt of application from eligible CRA(s), the eligible applicant CRA(s) shall be granted in-principle approval for recognition as PaRRVA based on the satisfaction of eligibility criteria. Such applicant(s) shall be required to set up necessary infrastructure and verification system (technology, server, website, API connectivity, processes, etc.) within three months from the date of receipt of in-principle approval.
- The circular shall come into force with immediate effect.
- The circular is attached herein.

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Securities and Exchange Board of India vide circular dated April 09, 2025, has amended circular for mandating additional disclosures by FPIs that fulfil certain objective criteria

- Securities and Exchange Board of India vide circular dated April 09, 2025, has amended circular for mandating additional disclosures by FPIs that fulfil certain objective criteria.
- It has been decided to increase the threshold under size criteria from INR 25,000 crore to INR 50,000 crore. In view of the above, the following paragraphs of the FPI Master Circular stand modified accordingly:
  - i. sub-para (xiii)(b) of Para 1 of Part C
  - ii. sub-para (xv) of Para 1 of Part C
  - iii. sub-para (xx)(b) of Para 1 of Part C

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iv. sub-para (i)(b) of Para 4 of Part D
v. 2.5.sub-para (iv) of Para 4 of Part D
vi. sub-para (ix)(b) of Para 4 of Part D

- The provisions of this circular shall come into force with immediate effect
- The circular is attached herein.

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Written Acknowledgment of Debt Resets Limitation Period for Insolvency Proceedings: NCLAT New Delhi

The Principal Bench of the National Company Law Appellate Tribunal (NCLAT), New Delhi—comprising Justice Yogesh Khanna (Judicial Member) and Mr. Ajai Das Mehrotra (Technical Member)—recently ruled that a written acknowledgment of debt effectively resets the limitation period for initiating proceedings under Section 9 of the Insolvency and Bankruptcy Code (IBC), 2016. Relying on Section 18 of the Limitation Act, the tribunal held that the limitation period would run from the date of the most recent written acknowledgment.

Background

In this case, the operational creditor had provided and installed ventilation, fire alarm, and fire-fighting systems at a residential project undertaken by the corporate debtor. After the corporate debtor defaulted on payment, the operational creditor issued a demand notice under Section 8 of the IBC and subsequently filed a petition under Section 9 seeking the initiation of Corporate Insolvency Resolution Process (CIRP). The adjudicating authority admitted the petition and appointed an interim resolution professional. Challenging this decision, the corporate debtor appealed before the NCLAT.

Arguments from Both Sides

The appellant (corporate debtor) argued that the last invoice from the operational creditor was dated November 7, 2017, and the final payment was made on July 26, 2017. Since the application under Section 9 was filed in February 2024, they contended it was time-barred, exceeding the three-year limitation period.

The respondent (operational creditor) countered that the corporate debtor had acknowledged its debt multiple times through written communications dated April 16, 2018; January 3, 2019; and December 22, 2021. These acknowledgments, which also cited reasons for non-payment, extended the limitation period under Section 18 of the Limitation Act—rendering the insolvency petition timely.

NCLAT's Decision

The NCLAT upheld the adjudicating authority's order to admit the corporate debtor into CIRP, thereby dismissing the appeal. The bench reiterated the well-established principle that a written acknowledgment of liability resets the limitation period as per Section 18 of the Limitation Act. As such, the insolvency application was deemed to have been filed within the permissible timeframe.

Case Title: *Ajay Singal v. Mr. Ranjan Chakraborti & Anr.*
Case Numbers: Company Appeal (AT) (Insolvency) Nos. 1285 and 1272 of 2024

MSME Council Cannot Dismiss Arbitrable Claims Without Reasoning After Failed Mediation Under Section 18: Calcutta High Court

In a significant ruling, the Calcutta High Court—through Justice Shampa Sarkar—held that the Micro, Small and Medium Enterprises (MSME) Facilitation Council cannot summarily reject arbitrable claims without offering reasons or allowing the supplier an opportunity to present supporting evidence, especially when the mediation process mandated under Section 18 of the MSME Development Act, 2006 has failed. The Court emphasized that in such cases, the Council is obligated to either adjudicate the dispute or refer it to an appropriate arbitration institution.

In the case at hand, the Council dismissed the supplier's claim even before the pleadings were completed, asserting that the supplier had failed to fulfill the contractual terms and had not submitted adequate documentation. The Council also cited the absence of a job satisfaction certificate as grounds for withholding the remaining 10% payment.

The supplier, aggrieved by this decision, challenged the order by filing an application under Section 34 of the Arbitration and Conciliation Act, 1996.

Parties' Submissions

The petitioner argued that it had fulfilled its contractual obligations by submitting the results and required documents, and that ongoing litigation and a CBI inquiry were irrelevant to the buyer's duty to release payment. It contended that the MSME Council was the proper forum to adjudicate the matter and that the withholding of 10% of the payment raised an arbitrable dispute.

Conversely, the respondent claimed that the petitioner had failed to conduct the recruitment process in a fair and proper manner, thus breaching the contract. As a result, the respondent argued that the final 10% payment was not due. It was further submitted that satisfaction of the buyer unit was a precondition for releasing the remaining dues, and since the petitioner's work was unsatisfactory, another agency had to be engaged.

Court's Observations

The Court underscored that once mediation fails under Section 18 of the MSME Act, the Council is legally required to proceed with arbitration or refer the matter to an appropriate dispute resolution body. During this process, both parties must be allowed to present evidence as per the Arbitration and Conciliation Act.

Justice Sarkar noted that the Council dismissed the claim primarily because the job completion certificate from 2016 was allegedly withheld, without addressing the dispute surrounding that issue. Furthermore, the respondent had not filed a reply or advanced its arguments before the Council, yet the claim was dismissed without a hearing on merits.

The Court held that the petitioner deserved an opportunity to substantiate the claim for the remaining 10% payment. It also criticized the Council for failing to make a reasoned finding on whether the petitioner had caused discrepancies due to unfair practices, as alleged.

The judgment observed that the Council's decision appeared to have been made with a closed mind and lacked evidentiary support. Since arbitral awards can be set aside under Section 34 for being perverse or unreasoned, judicial interference was warranted in this case.

Citing precedents, the Court referred to **Bharat Coking Coal Ltd. v. L.K. Ahuja (2001)**, where the Supreme Court held that an award made without evidence or beyond the scope of the contract can be set aside. Similarly, in **PSA Sical Terminals (P) Ltd. v. V.O.**

Chidambaranar Port Trust (2023), the Apex Court ruled that a decision is perverse if it lacks evidence, relies on irrelevant materials, or ignores critical facts.

Concluding, the Calcutta High Court set aside the Council's award, holding it to be perverse and in violation of the principles of natural justice due to the denial of an opportunity to present evidence.

Case Title: *UMC Technologies Pvt. Ltd. v. Assistant Director of Postal Services (Recruitment)*
Case Number: AP-COM/39/2024

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