



# Corporate Affairs Newsletter

## July 2025

### One third of India's Gen Z participating in securities market: SEBI Chief

The demographic dividend of India is presenting a unique opportunity to deepen and broaden India's capital markets says Securities and Exchange Board of India (SEBI) Chairman Tuhin Kanta Pandey. Approximately one-third of Indian Gen Z are participating in the securities market, which highlights an encouraging sign of growing financial engagement at an early age. Speaking at the 16th Capital Market Conference (ASSOCHAM) at New Delhi, SEBI Chairman said, "this trend reflects not only the rising trust in formal financial systems but also signals a significant opportunity for long-term wealth creation and inclusive participation in the nation's economic progress." SEBI Chairman also reflected that the market ecosystem has almost triple folded itself since March 2019, which currently stands at 13 crores, this shows growing trust of retail investors in India's capital market. He further adds that there is still large 'potential to expand further'.

### New Rules For Gold Loan! Check How These RBI Proposals Affect You

In a move aimed at protecting borrowers and streamlining gold-backed lending, the Reserve Bank of India (RBI) released a draft of proposed guidelines for gold and silver loans, affecting both banks and nonbanking financial companies (NBFCs). The changes seek to create uniform rules on collateral quality, valuation practices, ownership documentation, and loan disbursal procedures. The RBI has proposed capping the loan-to-value (LTV) ratio at 75 per cent for all gold loans — a return to pre-pandemic norms. During the COVID-19 crisis, a temporary increase allowed up to 80 per cent for some segments.



### Company registrations rise 8.3% in June, LLPs jump 18.4%

Fresh registrations of companies rose 8.3% in June from a year before and those of limited liability partnerships (LLPs) jumped 18.4%, as investors continued to bet on India's strong longer-term economic growth and consumption outlook.

As many as 16,654 companies, including overseas entities, were incorporated in June, against 15,375 a year earlier, showed the latest corporate affairs ministry data.

## Applicability of Form INC-22A (ACTIVE) Clarifying 2025 Amendment

The Ministry of Corporate Affairs (MCA), via GSR 426(E) dated 27th June 2025, introduced a revised Form INC-22A (ACTIVE) under the Companies (Incorporation) Amendment Rules, 2025. This new e-form is set to come into force on 14th July 2025 and replaces the previous version of Form INC-22A.

This article aims to clarify the applicability of Form INC-22A, the legal context, and the impact of the new amendment.

Contrary to some interpretations, the 2025 amendment does not change the applicability date of Form INC-22A. That is, it does not introduce a new cut-off like "companies incorporated on or before 31st March 2025." As of now, Rule 25A still applies only to companies incorporated on or before 31st December 2017, unless MCA notifies otherwise. Conclusion As it stands: The revised Form INC-22A (ACTIVE) comes into effect on 14th July 2025. It applies only to companies incorporated on or before 31st December 2017, as per existing Rule 25A. Any extension or change in applicability (e.g., up to 31st March 2025) will require a fresh MCA notification or rule amendment, which has not yet been issued.

## SEBI Proposes Expanded Role for Credit Rating Agencies

The Securities and Exchange Board of India (SEBI) has released a consultation paper proposing amendments to the SEBI (Credit Rating Agencies) Regulations, 1999, to broaden the scope of activities for Credit Rating Agencies (CRAs). Currently, CRAs are primarily limited to rating listed or proposed-to-be-listed securities or instruments under the specific guidelines of other financial sector regulators (FSRs). However, SEBI has received feedback from the industry regarding the need to permit CRAs to rate financial products or instruments falling under the purview of other FSRs, even in the absence of explicit rating guidelines from those FSRs, such as unlisted securities.

To address this, SEBI proposes allowing CRAs to undertake these non-SEBI regulated rating activities under specific conditions. These conditions include compliance with the respective FSR's regulatory framework (if any) for policy, risk management, and grievance redressal.

The proposed changes also mandate that CRAs undertake only fee-based, non-fund based rating activities, operating them through separate business units (SBUs) with "Chinese Walls" to segregate them from SEBI-regulated activities. Furthermore, CRAs would need to disclose on their website that non-SEBI regulated activities are not covered by SEBI's investor protection mechanisms and obtain client confirmations regarding this. The consultation paper invites public comments on these proposals, including whether the suggested conditions are appropriate, by July 30, 2025.



## Digital Bank Confirmation Portal for Auditors & Auditees

The Digital Balance Confirmation Portal (DBCP) has been conceptualised and developed by the Indian Banks' Association (IBA) with knowledge assistance where relevant from the Institute of Chartered Accountants of India (ICAI). PSB Alliance Private Limited (PSBA) and National e-Governance Services Limited (NeSL) have jointly developed this application which is developed, hosted and maintained by NeSL. The objective of this portal is to provide a transparent, streamlined, and fully digital platform for auditors, auditee entities, and banks to manage the entire process of consent management, requesting, generating, and deliverance of digitally signed bank balance confirmation certificates.

The portal envisages the following simple steps

1. Registration of Auditee – Client
2. Registration of the auditor
3. Linkage of the bank by the client
4. Linkage of the auditor by the auditee – client
5. Request for certificate by the auditor
6. Payment by Auditee – client
7. Generation of Digitally signed certificates

## Direct Tax Collections Dip 1.34% Amid Rising Refunds

India's direct tax collections for fiscal year 2025-26, as of July 10, 2025, show a net collection of ₹562,827 crore, marking a 1.34% decrease compared to the same period in the previous fiscal year. Gross collections, however, increased by 3.17% to ₹664,807 crore. This includes Corporate Tax (CT) at ₹289,773 crore and Non-Corporate Tax (NCT) at ₹356,887 crore. A notable factor contributing to the decline in net collection is the substantial 38.01% increase in refunds issued, totaling ₹101,980 crore. This rise in refunds, encompassing ₹89,863 crore for CT and ₹12,114 crore for NCT, is attributed to improved taxpayer services and faster refund processing. Securities Transaction Tax (STT) collections stood at ₹17,874 crore, while other taxes accounted for ₹273 crore.

## RBI Issues New Guidelines on Pre-payment Charges for Loans | Effective from Jan 2026

### 1. Introduction

RBI found that many lenders were following different and unfair practices when it came to charging pre-payment fees on loans given to MSEs. This caused confusion, complaints, and even disputes. Some lenders were also adding tricky terms in loan agreements to stop borrowers from switching to other banks offering better rates or services. To fix these issues and make the system fair for borrowers, RBI introduced Reserve Bank of India (Pre-payment Charges on Loans) Directions, 2025'.

These guidelines aim to ensure that Micro and Small Enterprises (MSEs) get easy and affordable credit and are not held back by unfair loan terms that prevent them from choosing better lenders.



### 2. Key Directions on Pre-payment Charges

The RBI has laid down specific rules based on the type of borrower, purpose of the loan, and category of the lender, as outlined below:

#### 2.1 Loans Not for Business Purposes

For individual borrowers (with or without co- obligants) who have taken floating rate loans for non-business purposes, no pre-payment charges shall be levied by the Regulated Entities.

Example – If Mr A takes a floating rate personal loan from a bank to renovate his home—say, to upgrade the kitchen, paint the interiors, and fix plumbing issues—he decides to repay the entire loan within a year using his savings. In this case, the lender cannot impose any pre-payment penalty or charge for settling the loan before the agreed tenure, as the loan was taken for a non-business purpose.

#### 2.2 Loans for Business Purposes to Individuals and MSEs

For loans taken by individuals or Micro and Small Enterprises (MSEs) for business purposes, the applicability of pre-payment charges depends on the category of the lender:

Example – A Micro and Small Enterprise (MSE) takes a ₹40 lakh business loan from a Small Finance Bank to purchase new machinery and expand production capacity. If the borrower decides to repay the entire loan after two years using profits or other funding, the Small Finance Bank cannot impose any pre-payment charges, since the loan amount is within the ₹50 lakh limit and is covered by the no-charge provision.

#### 2.3 Other Key Conditions

These directions apply irrespective of the source of funds used for pre-payment (e.g., from savings, another loan, inheritance). Further, no minimum lock-in period is required before making a pre-payment.

For dual/special rate loans (combination of fixed and floating rate), pre-payment rules will apply only if the loan is in its floating rate phase at the time of pre-payment.

### 3. Other Situations and Exceptions

Apart from the general provisions, RBI has specified how pre-payment charges should be handled in certain special cases, as explained below:

#### 3.1 Loans Not Covered Under Above Clauses

For loans other than those mentioned above:

- Pre-payment charges may be levied as per the RE's approved policy.
- In case of term loans, any charges must be based on the amount being prepaid.
- In case of cash credit/overdraft facilities, pre-payment charges on closure of the facility before the due date shall be levied on an amount not exceeding the sanctioned limit.

#### 3.2 No Charges If Borrower Gives Due Notice

For cash credit or overdraft facilities, no pre-payment charges will apply if the borrower informs the lender in advance (as per the loan agreement) that they do not wish to renew the facility, and the account is closed on the due date.

#### 3.3 No Charges if Pre-payment Initiated by the RE

If the Regulated Entities itself initiates the closure or pre-payment (e.g., under restructuring), no charges can be levied.

### 4. Disclosure Requirements

To promote transparency, Regulated Entities (REs) are required to clearly disclose the applicability or exemption of pre-payment charges in the sanction letters, loan agreements, and the Key Facts Statement (KFS), wherever applicable. Additionally, no hidden or undisclosed charges shall be levied at the time of pre-payment.

### 5. Charges Once Waived Cannot Be Revived

If the RE has earlier waived certain charges/fees, they cannot be imposed retrospectively at the time of pre-payment.

### 6. Effective Date and Applicability

The guidelines will come into effect for all loans that are sanctioned or renewed on or after January 1, 2026. These directions are applicable to all commercial banks (excluding payment banks), co-operative banks, Non-Banking Financial Companies (NBFCs), and All India Financial Institutions.

### 7. Conclusion

The RBI's Directions on pre-payment charges aim to bring greater fairness and consistency in loan practices. For a long time, borrowers—particularly Micro and Small Enterprises (MSEs)—have faced difficulties in switching lenders due to pre-payment penalties and restrictive terms in loan agreements.

By removing arbitrary charges and limiting such contract conditions, these directions improve borrower flexibility and promote transparency. They make it easier for borrowers to explore better loan terms, refinance when needed, and manage credit more efficiently.



### IFSCA Proposes Master Circulars for IFSC Intermediaries

The International Financial Services Centres Authority (IFSCA) has released a consultation paper proposing master circulars for capital market intermediaries within the IFSC. This initiative follows the notification of the IFSCA (Capital Market Intermediaries) Regulations, 2025, on April 11, 2025. The objective is to consolidate existing guidelines and clarify operational aspects for various entities, including Credit Rating Agencies, Debenture Trustees, Distributors, ESG Ratings and Data Products Providers, Investment Advisers, Investment Bankers, and Research Entities. These master circulars aim to improve the ease of doing business by providing a single reference point for registration, permissible activities, governance, KYC/AML/CFT compliance, outsourcing, complaint handling, and periodic reporting. The IFSCA invites public comments and suggestions on these draft circulars, which can be submitted via email by July 21, 2025. The proposed framework includes details on application processes through a Single Window IT System (SWITS), fee payments, validity of registrations, and specific operational guidelines for each intermediary type, ensuring regulatory clarity and compliance.

## CASE LAW UPDATE



**Ex-director can't be held liable u/s 138 of NI Act for cheque issued after liquidation unless his specific role is proved**

**Case Name: Sidhant Udyog Private Limit Vs Modern Infra Projects India Limited & Anr.**

**Case number: C/9514/2014**

**Date of Judgement/Order: 10.06.2025**

The High Court, in the matter of Sidhant Udyog (P.) Ltd. v. Modern Infra Projects India Ltd. ruled that an ex-director of the company cannot be held liable under section 138 of the Negotiable Instruments Act, 1881, for a cheque issued after the liquidation of the accused company unless his specific role is pleaded and proved.

**Facts** - In the instant case, the appellant/complainant business firm had given a loan of Rs 50 lakhs to the accused company. In discharge of its legal debts and liabilities, the accused company issued a cheque in favour of the complainant. The complainant duly presented the cheque for encashment through its banker within its validity period.

However, the cheque was returned dishonoured with the remark 'account blocked'. Subsequently, the complainant sent a demand notice to the accused persons, demanding payment of the amount mentioned in the dishonoured cheque within 15 days from the date of receipt of the said notice.

Despite the notice having been served on the accused persons, they failed to make the payment. Consequently, the complainant filed a complaint against all the accused persons for committing the offence punishable under Section 138 read with Section 141 of the Act.

The Trial Court acquitted the respondent, ex-director, on the ground that, since the company went into liquidation and the cheque was presented thereafter, it could not be said that the company had committed the offence because of a legal bar.

Further, once it was established that the dishonour of the cheque by the bank and failure to make payment of the amount by the company were events beyond its control, the ex-directors could not be held vicariously liable.

**Observations** - The High Court noted that the words 'every person who at the time of the offence was committed' occurring in section 141 of the N.I. Act is significant which indicates that criminal liability of a director must be determined on the date, the offence is alleged to have been committed.

In the present case, the accused company had admittedly gone into liquidation on 29.07.2013, and it was the specific case of the respondent that he ceased to be a director on and from that date. Accordingly, he could not be held liable for the issuance of any cheque post-liquidation unless his specific role had been pleaded and proved.

Further, the High Court observed that the vicarious liability would be attracted only when the ingredients of section 141(1) of the N.I. Act are satisfied. Merely because the respondent was a director prior to 29.07.2013, he would not become in charge of the conduct of the business of the accused company or the person responsible to the company for the conduct of the business of the company, which had admittedly gone into liquidation.

the Id. CIT(A) that there is no requirement under the provisions of the Act for deduction of tax at source by the partnership firm on salary, bonus,

**Held** - The High Court held that neither in the complaint nor in the evidence, the role of the respondent in the issuance of the impugned cheque had been canvassed or proved. The ingredients to constitute an offence under section 138 against the respondent were not proved, and, therefore, the respondent was rightly acquitted.