SAGUS SPEAKS

This Newsletter covers key Regulatory & Policy Updates, Government Notifications and Judicial Pronouncements.

REGULATORY AND POLICY UPDATES

SEBI notifies circular for modifying the disclosure requirements under Regulation 31 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Securities and Exchange Board of India ("SEBI") through its circular dated 20.03.2025[1] ("Circular") has modified the disclosure requirements under Regulation 31 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations") regarding shareholding patterns and dematerialised holdings.

The Circular modifies SEBI's Master Circular No. SEBI/HO/CFD/PoD2/CIR/P/0155 dated 11.11.2024, which prescribed the formats for disclosure of specified securities.

The key modifications are:

A. Enhanced disclosures in shareholding pattern (Table I-IV):

i. Details of non-disposal undertakings, other encumbrances, and total number of pledged shares or encumbered shares must be disclosed by listed entities.

ii. Underlying outstanding convertible securities also includes ESOPs i.e. the existing header of column X

[1] SEBI circular for disclosure of holding of specified securities in dematerialized form.

as 'No. of shares underlying outstanding convertible securities (including warrants, ESOPs etc.)'.

iii. Additional column has been introduced to capture fully diluted shareholding, including warrants, ESOPs, and other convertible securities.

B. Amendments in Table II (Promoter & Promoter Group):

A footnote has been added to specify the promoter and promoter group members with nil shareholding.

Stock exchanges are directed to update their website and notify the particulars of the Circular to all listed entities and update their byelaws and regulations. Depositories must update their systems to reflect these changes.

The Circular will come into force with effect from the quarter ending 30.06.2025.

SEBI notifies online filing system for reports filed under Regulation 10(7) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

SEBI, through its circular dated 20.03.2025[2] ("Takeover Circular") has introduced an online system for filing reports under Regulation 10 (7) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("Takeover Regulations"). As per Regulation 10 (7) of the Takeover Regulations, acquirers were required to submit a report along with supporting documents and a non-refundable fee to SEBI for any acquisition or increase in voting rights pursuant to certain exemptions under Regulation 10 and these reports were submitted via email at cfddcr@sebi.gov.in.

SEBI has now enabled the filing of these reports through the SEBI Intermediary Portal ("SI Portal") at https://siportal.sebi.gov.in. In the initial phase, the online filing system will apply only to reports filed under Regulation 10(1)(a)(i) and Regulation 10(1)(a)(ii) of Takeover Regulations (i.e., exemptions from acquisitions between persons named as promoters and/or persons within the promoter groups), while reports for other exemptions under Regulation 10 will continue to be submitted via email. However, the aforementioned reports will be filed parallelly through the SI Portal and through email, commencing from the date of the Takeover Circular, i.e., 20.03.2025 till 14.05.2025.

However, from 15.05.2025, the submission of these reports will be permitted only through the SI Portal, and email submissions will no longer be accepted. Additionally, from the date of the Takeover Circular, fee payments for these reports will also be facilitated through the SI Portal.

SEBI amends Framework on Social Stock Exchange.

SEBI, through its circular dated 19.03.2025[3] ("SSE Amendment") has amended the minimum application size for subscribing to zero coupon zero principal instruments ("ZCZPI") from INR 10,000 to a lower amount, i.e., INR 1,000 under the framework on Social Stock Exchange ("SSE"). The SSE Amendment would come into effect immediately upon publication of the SSE Amendment, i.e., 19.03.2025.

SEBI updates framework on alignment of interest for AMC Employees with unitholders.

SEBI, through its circular dated 21.03.2025 ("AMC Circular") has introduced amendments to the regulatory framework governing the alignment of interest of designated employees of Asset Management Companies ("AMCs") with the interests of unitholders, commonly referred to as the 'skin in the game' requirements[4]. These amendments, introduced through modifications to SEBI (Mutual Funds) Regulations, 1996, were notified on 14.02.2025 and 04.03.2025 ("MF Regulations").

Accordingly, in terms of Regulation 25 (16B) of MF Regulations, the Master Circular for Mutual Funds dated 27.06.2024 ('Master Circular') has been modified and will be applicable from 01.04.2025.

Under the revised framework, AMCs are now required to mandatorily invest a slab-wise percentage of the designated employees' gross annual cost to company in the mutual fund schemes they oversee. Employees will be categorized based on their roles, with higher investment obligations for key personnel such as the CEO, CIO, fund managers, investment research teams, and members of the investment committee.

For designated employees managing liquid fund schemes, SEBI has introduced an exception allowing up to 75% (seventy-five per cent) of the minimum investment requirement to be allocated to higher-risk schemes managed by the AMC. The applicable risk level will be determined based on the risk-o-meter of the immediately preceding month.

To enhance transparency, mutual fund schemes will be required to publicly disclose, on stock exchange websites, the aggregate amount invested by designated employees in each scheme every quarter. These disclosures must be made within 15 (fifteen) days from the end of each quarter.

[2] SEBI circular on Online Filing System for reports filed under Takeover Regulations
[3] SEBI | Framework on Social Stock Exchange (SSE).
[4] SEBI AMC Circular

SEBI extends the implementation timeline for industry standards on related party transactions.

SEBI had mandated listed entities to adhere to the Industry Standards (to be formulated by the Industry Standards Forum) on 'Minimum Information to be Provided for Review of the Audit Committee and Shareholders for Approval of a Related Party Transaction' ("Industry Standards") through its circular dated 14.02.2025. The compliances on listed entities for reporting as per the Industry Standards were to take effect from 01.04.2025.

However, in response to feedback from stakeholders requesting an extension, SEBI through its circular dated 21.03.2025[5] has revised the effective date of compliance with the Industry Standards to 01.07.2025.

The Industry Standards Forum, comprising of ASSOCHAM, CII and FICCI will also incorporate stakeholder feedback and release simplified Industry Standards to meet the revised timelines.

SEBI amends LODR Regulations to introduce corporate governance for high-value debt listed entities.

SEBI on 27.03.2025[6] has notified the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2025 ("LODR Amendment") to amend the LODR Regulations. The LODR Amendment introduces Chapter VA, setting out corporate governance requirements for High-Value Debt Listed Entities ("HVDLEs") that have only non-convertible debt securities ("NCDs") listed with an outstanding value of INR 1,000 Crores or more and no listed specified securities. The LODR Amendment shall come into force on the date of its notification in the Official Gazette, i.e., 28.03.2025

The key provisions of the Amendment are following:

A. **Applicability of Chapter VA:** The new provisions apply to listed entities with only non-convertible debt securities and an outstanding value of INR 1,000 Crores or more. Once applicable, the entity will continue to comply with these norms until the outstanding debt securities fall below INR 1,000 Crores for three consecutive financial years.

B. **Board Composition for HVDLEs:** The board must have a balanced mix of executive and non-executive directors. At least 50% (fifty per cent) of the board should be non-executive directors and there must be at least 1 (one) woman director on the board. A person cannot be a director in more than 7 (seven) listed entities. A person can serve as an independent director in not more than 7 (seven) listed entities. A whole-time/managing director in a listed entity can be an independent director in not more 3 (three) listed entities.

C. **Vigil Mechanism and Mandatory Committees:** Each HVDLE shall formulate a vigil mechanism/ whistle blower policy for directors and employees to report genuine concerns. HVDLEs must mandatorily establish these committees: (i) Audit Committee; (ii) Nomination and Remuneration Committee; (iii) Stakeholder Relationship Committee; and (iv) Risk Management Committee.

D. **Policy on Related Party Transactions ("RPTs"):** HVDLEs must establish a policy on the materiality of related party transactions, defining clear threshold limits, subject to board approval and review at least once every 3 (three) years. A transaction involving brand usage or royalty will be considered material if it exceeds 5% (five percent) of the annual consolidated turnover in a financial year. Prior approvals are required from the audit committee and debenture trustee before proceeding with an RPT. After obtaining approval from debenture holders, a shareholder resolution must be passed. HVDLEs must disclose RPTs to stock exchanges semi-annually, along with standalone financial results. These provisions apply to transactions entered into on or after 01.04.2025.

E. **Governance of Unlisted Material Subsidiaries of HVDLEs**: At least 1 (one) independent director must be appointed on the board of an unlisted material subsidiary. The audit committee of the HVDLE must review the subsidiary's financial statements and investments. Board minutes of the subsidiary must be presented to the HVDLE's board. The management of the unlisted subsidiary must inform HVDLE's board about significant transactions. The HVDLE cannot reduce its shareholding to 50% (fifty percent) or below or relinquish control of the material subsidiary without a special resolution.

F. **Secretarial Audit & Compliance:** HVDLEs and their material unlisted subsidiaries must undergo a secretarial audit. The annual secretarial report must be included in the annual report. A secretarial compliance report must be submitted to stock exchanges within 60 (sixty) days from the financial year end. HVDLEs may provide in the annual report, a business responsibility and sustainability report on the environmental, social and governance disclosures as specified in clause (f) of the sub-regulation (2) of the Regulation 34, in the format as may be specified by the Board from time to time.

[5] SEBI RPT Circular.

[6] SEBI LODR Amendment Regulations dated 27.03.2025.

G. Amendment to Regulation 23 on RPTs - materiality threshold for Small and Medium Enterprises ("SMEs"): From 01.04.2025, for listed entities on the SME Exchange, a related party transaction will be deemed material if the transaction, whether individually or collectively in a financial year, exceed INR 50 crore or 10% (ten percent) of the entity's annual consolidated turnover, whichever is lower.

GOVERNMENT NOTIFICATIONS

Ministry of Micro, Small and Medium Enterprises notified revised thresholds for classification as Micro, Small, and Medium enterprise.

The Ministry of Micro, Small, and Medium Enterprises ("MSME Ministry") through its notification dated 21.03.2025 Revised Threshold Notification has revised the thresholds for classification as an MSME[7]. The Revised Threshold Notification will come into effect from April 1, 2025.

The revised thresholds for classification as an MSME are as follows:

A. Investment Limit

Category	Threshold Limits	Revised Threshold Limits
Micro Enterprise	INR 1 crore	INR 2.5 crore
Small Enterprise	INR 10 crore	INR 25 crore
Medium Enterprise	INR 50 crore	INR 125 crore

B. Turnover Limit

Category	Threshold Limits	Revised Threshold Limits
Micro Enterprise	INR 5 crore	INR 10 crore
Small Enterprise	INR 50 crore	INR 100 crore
Medium Enterprise	INR 250 crore	INR 500 crore

Ministry of Micro, Small and Medium Enterprises notified mandatory half-yearly reporting of outstanding dues by companies towards micro and small enterprises.

The MSME Ministry through its Notification dated 25.03.2025[8] in exercise of powers under Section 9 read with Section 15 of the Micro, Small and Medium Enterprises Development Act, 2006, ("MSMED Act") has issued directions to all companies who get supplies of goods or services from micro and small enterprises and whose payments to micro and small enterprise suppliers exceed forty-five days from the date of acceptance or the date of deemed acceptance of the goods and services to mandatorily submit a half yearly return to the Ministry of Corporate Affairs stating the following:

i. Amount of payments due to micro and small enterprises

ii. Reasons for delay beyond the prescribed timeline.

MoP issued Supplementary Guidelines for Determination of Market Rate and Right of Way Compensation for Transmission Lines

The Ministry of Power ("MoP") through its letter dated 21.03.2025[9] issued Supplementary Guidelines for Determination of Market Rate and Right of Way Compensation payment of compensation in regard to Right of Law for Transmission Lines ("RoW Compensation Guidelines").

The salient features of the RoW Compensation Guidelines are as follows:

A. Applicability:

RoW Compensation Guidelines are applicable on Inter-State Transmission System ("ISTS") network only in cases where landowners have objected to the compensation due to circle rates being lower than market rates.

B. Committee for Market Rate Determination:

i. Market Rate Committee ("MRC") will decide the market rate of land based on valuation by independent land valuers.

ii. MRC will of the Chair, who will be a District Magistrate, Collector, Deputy Commission or his / her nominee (not below Sub-Divisional Magistrate) and representative of land-owners and nominee of ISTS Transmission Service Provider ("TSP") as members.

C. Land Valuation Methodology:

i. MRC will appoint two valuers nominated by the TSP and representative of landowners and shall engage the land valuers empanelled by the Insolvency and Bankruptcy Board of India. The procedure for determination of reference market rate shall be as under:

   a. If the difference in the market rates worked out by valuers is less than 20% over the lowest value, then average value of the two valuations shall be taken as the reference market rate.

[7] Ministry of MSME notification dated 21.03.2025.
[8] Ministry of MSME notification dated 25.03.2025.
[9] Supplementary Guidelines for payment of compensation in regard to Right of Way for transmission lines.

b. If the difference exceeds 20%, MRC may negotiate the reference market rate.

c. If negotiation fails, then MRC shall engage a third valuer, and the reference market value shall be determined as the average of the two closest valuations.

ii. The assessed reference market rate will further serve as the basis for determination of market rate by the MRC. The market rate determination should ideally be completed within one month from the date of application by the TSP. Further, the professional fee/charges of the land valuers shall be borne by the TSP and will form a part of the RoW compensation cost.

D. Compensation Rates:

i. The compensation rate for tower base shall be as per the RoW guidelines issued on 14.06.2024. Further, the compensation amount for RoW corridor shall be as follows:

a. 30% of the land value in rural areas.

b. 60% of the land value in municipal corporations and metropolitan areas notified by the State Government.

c. 45% of the land value for municipalities, nagar panchayats and all other urban planning areas notified by the State Government.

ii. The District Collector may allow the construction of ISTS lines to proceed without obstruction on the condition that compensation would be paid based on the market rate determined by the MRC.

E. Pass through by CERC:

In the event the compensation paid differs from the base RoW compensation determined for the ISTS Scheme as per Tariff Based Competitive Bidding Guidelines ("TBCB"), it shall be eligible for pass through under change in law by the Central Electricity Regulatory Commission.

MoP issued Draft Amendments to Notification on Renewable Consumption Obligations, 2023.

MoP *vide* notification dated 27.03.2025 issued Draft Amendment to the Notification on Renewable Consumption Obligation[10] ("Draft Amendment on RCO") which were notified on 20.10.2023 ("Principal RCO Notification"). MoP has further invited stakeholder seeking comments on the Draft Amendment on RCO by 18.04.2025.

The key highlights of the Draft Amendment on RCO are as follows:

i. Under Clause 1(1) Draft Amendment on RCO prescribes that the minimum share of consumption of non-fossil fuel sources by designated consumers shall also include distribution licensees, open access consumers and captive users.

ii. Under Note 5(1) Draft Amendment on RCO now provides that the other renewable energy component may be met by energy produced from any renewable energy power project including but not limited to all Wind Power Projects and Hydro Power Projects.

iii. The Principal RCO permitted offsetting shortfalls in wind RCO with surplus hydro RCO and vice versa. The Draft Amendment on RCO provides for further expansion by allowing shortfalls in wind or hydro RCO to be compensated with surplus from other renewable energy sources.

iv. Under Clause 3 of the Principal RCO Notification, any surplus from Distributed Renewable Energy ("DRE") can now be used to meet shortfalls in wind, hydro, or other RCO categories. Furthermore, open access and captive users are explicitly permitted to fulfil their total RCO using any renewable source.

v. Under Clause 5, Draft Amendment on RCO stipulates that for captive users, electricity consumption obligations will apply to self-consumption, excluding auxiliary consumption. Additionally, electricity generated and self-consumed from waste heat recovery using fossil-based sources will be excluded, except when generated from a Waste Heat Recovery Steam Generator ("WHRSG") in a captive combined cycle gas-based generating station.

vi. Draft Amendment on RCO provides for a mechanism for purchase of renewable energy certificates by Central Electricity Regulatory Commission ("CERC") whereunder the buyout price, as specified by CERC, will be credited to the Central Energy Conservation Fund for developing non-fossil fuel capacities.

vii. Draft Amendment on RCO specifies the mechanism for non-compliance in meeting RCO imposing penalty in

[10] Ministry of Power Draft Amendment to the Notification on Renewable Consumption Obligations, 2023.

terms of Section 26(3) of the Energy Conservation Act, 2001.

JUDICIAL PRONOUNCEMENTS

Supreme Court held that the governing law under the substantive contract is to be considered in absence of express law governing the arbitration agreement.

The Supreme Court through its judgement dated 18.03.2025 in *Disortho S.A.S. v. Meril Life Sciences Private Limited*[11] held that the applicable law in an arbitration agreement should be determined based on the intention of the parties and in favour the law governing the main agreement, when there is nothing governing the contrary under the arbitration agreement.

The Supreme Court observed that even though arbitration agreement may be governed by the same law as the substantive contract, the presumption is rebuttable as the courts must look into the three-step inquiry: (i) the express choice of law; (ii) considering any implied choice and; (iii) determining the closest and most real connection. It was noted that the doctrine of *lex contractus* ensures that the arbitration clause remains enforceable even if the main contract is found to be invalid. It is designed to prevent arbitration from being avoided by denying the existence of the underlying contract.

Supreme Court held that the adverse inference can be drawn against government/ public authorities for not acknowledging notice under Section 80 of CPC.

Supreme Court through judgement dated 24.03.2025 in *Yerikala Sunkalamma & Anr. v. State of Andhra Pradesh, Department of Revenue & Ors.*[12] observed that the government/public authorities must acknowledge notice issued under Section 80 of the Code of Civil Procedure, 1908 ("CPC") in all seriousness, and must not sit over them to force the citizens into the vagaries of litigation.

The court observed that an adverse inference would be drawn against the government for not acknowledging the notice or informing the litigant about its stand on the issue raised in the notice.

Further, the court also observed that the government/ public authority to whom the notice is sent, is expected to let the sender know their stand within the statutory period or in any case before the sender embarks upon pursing litigation.

High Court of Delhi held that arbitral participation does not waive objection to unilateral appointment of arbitrator without written consent.

The High Court of Delhi through its judgement dated 19.03.2025 in *Shakti Pump India Ltd. v. Apex Buildsys Ltd.*[13] held that, if an arbitrator is appointed unilaterally in contravention of Section 12(5) of the Arbitration and Conciliation Act, 1996 ("A&C Act"), then the mandate of such arbitrator can be terminated under Section 14 of the A&C Act.

The court also held that, even if the parties had participated in the arbitration proceedings without expressly waiving any objections in writing the same will not be considered as acceptance of unilateral appointment of arbitrator.

The court observed that mere participation without a clear, written waiver under Section 12(5) A&C Act after the dispute having arisen between the parties does not imply acceptance of a unilateral appointment and such appointment is *void ab initio* and liable to be terminated.

Further, the court also observed that a person's ineligibility to act as an arbitrator strikes at the very root of the appointment and if the arbitrator was ineligible to be appointed, anything and everything that flows from such illegal appointment is also *non est* in law.

High Court of Delhi held that jurisdiction can be determined by CPC when arbitration clause lacks seat or venue of arbitration.

The High Court of Delhi through its judgement dated 20.03.2025 in the matter of *Faith Constructions v. N.W.G.E.L Church*[14] held that if no seat or venue is specified in an arbitration agreement, then the same can be determined as per the procedure prescribed under per Sections 16 to 20 of the CPC.

The court observed that in cases where the seat/ venue of arbitration is not specified in the arbitration clause, then the court ought to determine the same in accordance with Section 2(1)(e) of the A&C Act, read with Sections 16 to 20 of CPC which deal with territorial jurisdiction of the courts. Further, the Court emphasized that the primary test for determining jurisdiction is the accrual of cause of action.

NCLAT affirmed that service of demand notice to contractually agreed address is a valid service of notice.

The National Company Law Appellate Tribunal ("NCLAT"), in its judgment dated 21.03.2025 in *Paresh Rastogi & Ors. v. Omkara Assets Reconstruction Pvt. Ltd.*[15], held that service of a demand notice to the last known address as per the Deed of Guarantee ("DoG"), constitutes valid service under Section 95(4) of Insolvency Bankruptcy Code, 2016 ("IBC").

[11] Arbitration Petition No. 48 of 2023
[12] Civil Appeal No. 4311 of 2025
[13] O.M.P (T) (COMM.) 107/2024
[14] ARB. P. 1318/2024
[15] Company Appeal (AT) (Insolvency) No. 2053 of 2024

NCLAT affirmed that a personal guarantor cannot evade liability by disputing service when notices are sent to the contractually agreed address.

NCLAT observed that the onus to update the address lies with the personal guarantor, and failure to do so does not invalidate the notice.

Further, NCLAT ruled that IBC does not override contractual obligations unless a direct conflict exists, and simultaneous proceedings against both the Corporate Debtor and Personal Guarantor are permissible.

ABOUT SAGUS LEGAL

Sagus Legal is a full-service law firm that provides comprehensive legal advisory and advocacy services across multiple practice areas. We are skilled in assisting businesses spanning from start-ups to large business conglomerates including Navratna PSUs, in successfully navigating the complex legal and regulatory landscape of India. Our corporate and M&A, dispute resolution, energy, infrastructure, banking & finance, and insolvency & restructuring practices are ranked by several domestic and international publications. We also have an emerging privacy and technology law practice.

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