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

REGULATORY AND POLICY UPDATES

SEBI grants one time relaxation for extension of validity of SEBI observations.

The Securities and Exchange Board of India ("SEBI") *vide* its circular dated 07.04.2026 ("SEBI Observations Circular")[1] has granted a one-time relaxation with respect to the validity of SEBI observation letters issued under the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2018 ("ICDR Regulations").

In terms of Regulations 44(1) and 59C of the ICDR Regulations, a public issue is required to be opened within twelve (12) months and eighteen months (18) respectively from the date of issuance of observations by SEBI. SEBI noted that difficulties being faced by issuers in mobilising resources and accessing the capital markets due to the ongoing geopolitical tensions in the Middle East, leading to deferment, recalibration or withdrawal of issuance plans and possible lapses in validity of observation letters.

Noting these difficulties, SEBI has granted a one-time relaxation by extending the validity of observation letters expiring between 01.04.2026 and 30.09.2026 up to 30.09.2026. The extension is subject to submission of an undertaking by the lead manager to the issue confirming compliance with Schedule XVI of the ICDR Regulations at the time of filing the updated offer document with SEBI.

The SEBI Observations Circular has come into force with immediate effect i.e., from 07.04.2026.

SEBI provides one-time relaxation from penal provisions for non-compliance with Minimum Public Shareholding.

[1] SEBI Circular on extension on validity of SEBI Observations

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The Master Circular dated 11.07.2023 ("Master Circular"), issued in connection with compliance under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 *inter alia*, sets out the framework for action to be taken by recognized stock exchanges and depositories against listed entities that fail to meet the Minimum Public Shareholding ("MPS") requirements, including imposition of fines, freezing of promoter shareholding, and other consequential actions.

Upon representations received from industry bodies highlighting the difficulties faced by listed entities in achieving MPS compliance, *inter-alia*, on account of capital market volatility due to ongoing geopolitical tensions in the Middle East, SEBI has issued a circular dated 07.04.2026 ("MPS Circular") granting one-time relaxation from the applicability of penal provisions prescribed under Master Circular.

Accordingly, the listed entities whose due date for achieving MPS compliance falls between 01.04.2026 and 30.09.2026, no penal action shall be taken under the Master Circular for such non-compliance during this period. Further, any penal actions already initiated by stock exchanges or depositories against such entities for non-compliance with MPS requirements during the period from 01.04.2026 till the date of the MPS Circular, i.e. 07.04.2026 are required to be withdrawn.

The MPS Circular shall be applicable with immediate effect, i.e. from 07.04.2026.

SEBI introduces mechanism for lock-in of pledged shares for Ease of Doing Business.

SEBI through Circular dated 08.04.2026 ("EODB Circular")[2] has introduced a mechanism for lock-in of pledged shares.

SEBI *vide* notification dated 21.03.2026 had amended the ICDR Regulations to provide that specified securities on which lock-in cannot be created may be recorded as "non-transferable" by depositories for the duration of the applicable lock-in period.

In the EODB Circular, SEBI notes that depositories have issued the framework to be followed by issuers and directs that stock exchanges, depositories, merchant bankers and issuers shall ensure compliance with the mechanism for lock-in of pledged shares.

The framework *inter-alia* requires: (a) Incorporation of suitable provisions in the Articles of Association for treating pledged shares as locked-in shares; (b) Issuance of necessary intimations to the concerned lenders or pledgees; and (c) Making suitable disclosures in the offer documents. stock exchanges, depositories, merchant bankers and issuers shall ensure compliance with the mechanism for lock-in of pledged shares.

The EODB Circular has come into force with effect from 08.04.2026.

MCA issues draft Companies (Incorporation) Amendment Rules, 2026.

The Ministry of Corporate Affairs ("MCA") *vide* a public notice dated 08.04.2026 ("Public Notice")[3], has issued draft Companies (Incorporation) Amendment Rules, 2026 ("Draft Amendment Rules"), proposing amendments to the Companies (Incorporation) Rules, 2014 ("Incorporation Rules").

Key changes proposed by the Draft Amendment Rules are as follows:

i. <u>Consolidation of E-Forms</u>: Several existing incorporation related e-forms into two simplified forms. Forms relating to changes in registered office and company name, including INC-4, INC-22, INC-23 and INC-24, are proposed to be merged into a single form titled "E-CHNG." Forms relating to conversions, approvals and orders, including INC-6, INC-18, INC-12, INC-20, INC-27, RD-1 and INC-28, are proposed to be merged into a single form titled "E-CON."

ii. <u>Relaxation for One Person Companies ("OPCs")</u>: The requirement of submitting an affidavit by directors for conversion into an OPC is proposed to be removed, and the criminal liability provision applicable to OPCs is proposed to be omitted.

iii. <u>Reforms to Name Reservation</u>: Rule 8 is proposed to be redrafted in simpler and clearer language, taking into account international practices. Rule 8A is proposed to be substituted to provide clarity on trademark related objections. In addition, a proviso is proposed to be inserted in Rule 9A to allow Applicants to withdraw reserved names before incorporation or change of name.

iv. <u>Simplification of Incorporation Documentation</u>: The KYC and document requirements for subscribers are proposed to be simplified, and Rule 17, which currently requires filing of Form DIR-12 for first directors, is proposed to be omitted since such information is already captured in the SPICe+ form.

v. <u>Changes for Section 8 Companies</u>: In relation to companies licensed under Section 8 of the Companies Act, 2013, the draft proposes to streamline the documentation required for licence applications by removing requirements such as attaching the memorandum and articles of association and providing estimates of future income and

[2] SEBI Circular on Ease of doing business - mechanism for lock-in of pledged shares

[3] MCA issues draft Companies (Incorporation) Amendment Rules, 2026.

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expenditure. Further, the rules are proposed to be amended to permit conversion of a Section 8 company limited by guarantee into a Section 8 company limited by shares, which is currently not permitted.

vi. New Provision for Deceased Subscribers: A new rule is proposed to address situations where a subscriber to the memorandum dies before paying for the shares subscribed at the time of incorporation. In such cases, the legal representative of the deceased subscriber will be liable to pay the unpaid amount and, upon payment, will assume the rights and obligations of the original subscriber.

vii. Registered Office related documents: The rules will specifically recognise different types of premises, including owned, leased or rented premises, co-working spaces, and premises located in Special Economic Zones. The range of acceptable documents is proposed to be expanded to include documents such as title deeds, property tax receipts, municipal records, allocation letters, and recent utility bills.

viii. Flexibility in Physical Verification: The Registrar will be empowered to carry out verification through an authorised person, in the presence of two local witnesses and with police assistance if required, based on a risk-based approach rather than mandatory visits in all cases.

ix. Changes to Shifting of Registered Office: Companies will be permitted to serve notices to stakeholders and regulators through speed post or e-mail. Further, shifting may be permitted in certain cases even where inquiries or investigations are pending, subject to appropriate undertakings, and in insolvency resolution cases where defaults relate to a period prior to change in management.

x. Liberalisation of Director Identification Number ("DIN") allotment and Director appointment: The cap on the number of directors for whom DIN can be applied at incorporation is proposed to be increased from 3 to 5. In addition, consent of individuals who are also subscribers to act as directors will be deemed to have been given, and consent of other proposed directors may be obtained through OTP-based authentication.

xi. AGILE-PRO-S/ INC 35: The form will continue to facilitate multiple registrations (GSTIN, EPFO, ESIC, Profession Tax, Shops and Establishment, and bank account opening), however, obtaining EPFO, ESIC and bank account through this route will be optional, allowing companies to obtain such registrations at a later stage based on business requirements.

The MCA has invited suggestions and comments from stakeholders on the Draft Amendment Rules which may be submitted through the e-Consultation Module available on MCA's website latest by 09.05.2026.

RBI notifies Amendment to Master Direction - Reserve Bank of India (Non-resident Investment in Debt Instruments) Directions, 2025.

Reserve Bank of India ("RBI") through circular no. RBI/2026-27/10 A.P. (DIR Series) Circular No. 06 dated 10.04.2026 notified the amendment ("NRI Amendment")[4] to the Master Direction - Reserve Bank of India (Non-resident Investment in Debt Instruments) Directions, 2025 ("NRI Master Directions").

The salient amendments made in the NRI Master Directions are as follow:

i. Definition of Non-Resident Indian ("NRI"): NRI Amendment introduce definition of NRI as an individual resident outside India who is a citizen of India.

ii. Investment Channels: Investments by NRIs in debt instruments shall be in terms of instructions stipulated under the newly added Part – 5(B) of the NRI Master Directions, which provides that NRI may invest in debt instruments as specified sub-paragraphs (B) and (C) of paragraph 1 of Schedule 1 to the Foreign Exchange Management (Debt Instruments) Regulations, 2019 ("FEMA DI Regulations"). Pertinently, such NRI investments are not subject to any investment limit under the NRI Master Directions.

iii. Use of debt securities as collateral with stock exchanges: Paragraph 10 A provides that Foreign Portfolio Investors may offer Government securities and non-convertible debentures/bonds issued by an Indian company, acquired in terms of the NRI Master Directions, as collateral to recognised stock exchanges in India for their transactions in exchange traded derivative contracts.

iv. Mode of payment and remittance: The mode of payment for investment in eligible instruments by all non-residents, and the remittance/credit of sale or maturity proceeds thereof, now shall be in terms of paragraphs 2 and 4 of Schedule 1 to the FEMA DI Regulations.

The NRI Amendment have come into force since the day they were issued, i.e., 10.04.2026.

[4] RBI's Master Direction - Non-resident Investment in Debt Instruments Directions, 2025

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GOVERNMENT NOTIFICATIONS

MoP introduces Insurance Security Bonds as an alternative to bank guarantee/bid security for all power procurement frameworks.

The Ministry of Power ("MoP") *vide* Office Memorandum dated 06.04.2026 ("OM")[5] has introduced Insurance Security Bonds ("ISB") as an alternative to bank guarantees/bid security across all power procurement frameworks.

MoP through OM has amended Rules 170(i) and 171(i) of the General Financial Rules, 2017 ("**GFR 2017**") which pertains to bid security and performance security respectively to include ISBs in the standard bidding guidelines for renewable energy projects (solar, wind, hybrid, FDRE), pumped storage projects, and transmission projects as a bid and performance security instrument.

MoP has accordingly advised all States/Union Territories and procuring utilities to incorporate provisions for acceptance of ISBs permitted under the GFR 2017, as valid instruments for bid security and performance security in their respective bidding documents, including those for long-term, medium-term and short-term power procurement, as well as Battery Energy Storage Systems ("BESS").

MNRE clarifies that no NOC is required where ESS is charged using non-RE power and sold through merchant/third-party sale mode.

The Ministry of New and Renewable Energy ("MNRE") *vide* office memorandum dated 11.04.2026[6], has issued a clarification stating that No-Objection Certificate ("NOC") is not required in certain cases under the Firm and Dispatchable Renewable Energy ("FDRE") Standard Bidding Guidelines ("FDRE Bidding Guidelines").

MNRE, upon examining the relevant provisions of the FDRE Bidding Guidelines noted as follows:

i. Energy Storage System ("ESS") is a storage component and not a Renewable Energy ("RE") generating source.

ii. Power discharged from ESS does not qualify as RE power where such ESS is charged using non-RE sources and is therefore ineligible for supply under the FDRE Power Purchase Agreement ("PPA") framework as renewable power.

iii. The Right of First Refusal ("ROFR") available to the end procurer (and, in the event of refusal by the end procurer, to the intermediary procurer) is limited to RE power injected into the grid from an RE power generating component and cannot be extended to include power discharged from ESS where such ESS has been charged using a source other than RE power.

iv. In cases where the BESS is commissioned prior to the commissioning of the corresponding RE components, and the RE developer charges the BESS through the grid, the power discharged therefrom would not qualify as RE power and would consequently be ineligible for supply under the PPA, leaving the RE developer with the only option of selling such power through merchant / third-party sale.

v. The requirement of ROFR or NOC from the intermediary procurer / end procurer / buying entity, as contemplated under FDRE PPAs, would be triggered only upon commissioning of at least one RE generating component.

MNRE clarified that under existing or future bids / PPAs governed by the FDRE Bidding Guidelines, no NOC from the intermediary procurer / buying entity / end procurer would be required where ESS is charged using power other than RE power and such power is sold through merchant / third-party sale mode, provided that the corresponding RE source has not been commissioned.

JUDICIAL PRONOUNCEMENTS

Supreme Court holds that non-confirmation of seizure under Section 37A FEMA vitiates subsequent adjudication under Section 16 and renders Show Cause Notice unsustainable.

The Supreme Court through its judgement dated 01.04.2026 in *J. Sri Nisha v The Special Director, Adjudicating Authority, Directorate of Enforcement and Another*[7] held that an order of an Authorized Officer ("AO") for interim seizure of assets under Section 37A of the Foreign Exchange Management Act, 1999 ("FEMA") has direct bearing on the adjudication proceedings under Section 16 of FEMA.

The Court observed that, since the order of the AO under Section 37A of FEMA was under appeal before the appellate authority issuance of a Show Cause Notice ("SCN") and passing of final order under Section 16 of FEMA by the adjudicating authority tantamount to abdicating the powers of the adjudicating authority.

The Court also observed that the power of seizure under Section 37 is predicated upon the fact that there is prima facie contravention of Section 4, hence non-confirmation of seizure under Section 37 will automatically mean that

[5] MoP introduces Insurance Security Bonds as alternative to bank guarantee/bid security

[6] MNRE's OM regarding Non-Requirement of NOC in existing or future bids/PPAs under FDRE

[7] SLP(Civil) No(s). 23415 of 2025.

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even the preliminary threshold for contravention of Section 4 has not been met.

The Court noted that a writ petition against SCN can be entertained when notice suffers from patent lack of jurisdiction, reflects non-application of mind, is issued with a pre-determined or premeditated approach, which amounts to an abuse of the process of law, resulting in a violation of the principles of natural justice.

Supreme Court clarifies that the principles of Order XXIII Rule 1 of CPC apply to Section 11 and bars second arbitration on same cause after abandonment.

The Supreme Court through its judgment dated 01.04.2026 in *Rajiv Gaddh v. Subodh Parkash*[8], held that a party abandoning earlier arbitral proceedings cannot subsequently file a fresh application under Section 11 of the Arbitration and Conciliation Act, 1996 ("A&C Act") on the same cause of action.

The Court held that a subsequent application after abandonment of arbitral proceedings and withdrawal with liberty to file afresh is barred by principles laid down under Order XXIII Rule 1 of the Code of Civil Procedure, 1908 ("CPC").

The Court held observed that although the scope of Section 11 is limited to examining the existence of an arbitration agreement and not on issues pertaining to *res-judicata*, the principles of Order XXIII Rule 1 of CPC apply to such proceedings.

Supreme Court holds principles of natural justice do not require personal hearing before classification as fraud, however furnishing of Forensic Audit Report is mandatory.

The Supreme Court through its judgement dated 07.04.2026 in *State Bank of India v Amit Iron Private Limited & Others*[9] held that there is no right for borrowers to seek personal hearing before classification as fraud, however furnishing Forensic Audit Reports ("FAR") is mandatory.

The Court observed that the classification of fraud under the Master Directions on Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India Financial Institutions, 2024 dated 15.07.2024 ("Fraud Master Directions, 2024") was intended to be a swift administrative process, based on documentary evidence such as financial statements, transactions records etc., and mandatorily providing an oral hearing would provide the recalcitrant borrowers with an opportunity to dissipate assets, destroy evidence, abscond etc.

The Court while holding that disclosure of FARs is mandatory noted that, the right to disclosure is not absolute if the disclosure of any part affects third party interest and the same should be communicated to the borrower so that the borrower could be provided with an opportunity to respond and explain as to why the information in the report is necessary.

The Court further held that the supply of FAR is the rule and since in the preparation of a FAR, the borrower is associated at the stage of making the FAR, the claim of any third party being affected from the same would rarely arise. It also observed that only parts/ extracts of the FAR will not satisfy the principles of natural justice, since the reasoning on findings and conclusion of the FAR are in the body of the FAR, hence the whole FAR should mandatorily be supplied.

Supreme Court affirms that cheque dishonour complaints cannot be quashed at the pre-trial stage once ingredients of Section 138 of the NI Act are satisfied.

The Supreme Court through its judgement dated 07.04.2026 in *Renuka v. the State of Maharashtra & Anr.*[10] affirmed that where the basic ingredients of an offence under Section 138 of the Negotiable Instruments Act, 1881 ("NI Act") are satisfied, the complaint cannot be dismissed at the pre-trial stage on the ground that the cheque was not issued towards a legally enforceable debt.

The Court held that once the statutory presumption under Section 139 of the NI Act is attracted, the question whether the cheque was issued in discharge of a legally enforceable debt or liability is a matter of trial and accordingly any conclusion to the contrary to this would amount to disregarding the statutory presumption.

The Court emphasised that at the stage of issuance of process, it only required to examine whether the cheque was issued, presented, dishonoured, followed by issuance of a notice and filing of complaint within the prescribed period. Further, it observed that if the drawer does not dispute the issuance of cheque and the signatures on dishonoured cheque, the presumption under Section 139 comes into operation.

The Court affirmed that the presumption under Section 139 cannot be dislodged in a summary manner at the pre-trial stage merely on the contention that the cheque was not issued towards a legally enforceable debt and that dismissing the complaint at the threshold, without any material to rebut the presumption, is unjustified and

[8] SLP (C) No. 4430 of 2025.
[9] Civil Appeal NOS.4243-4244 of 2026 arising out of SLP (C) Nos. 20618-20619 of 2025.
[10] SLP (CRL.) NO.7829 of 2023.

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results in the presumption being washed away even prior to commencement of the trial.

Supreme Court held that co-operative societies can participate in insolvency resolution subject to compliance with the MSCS Act and their own bye-laws.

The Supreme Court through its judgment dated 09.04.2026 in *M/s Nirmal Ujjwal Credit Co-operative Society Ltd. vs. Ravi Sethia & Ors*[11]. held that the provisions of the Multi-State Cooperative Societies Act, 2002 ("MSCS Act") do not per se prohibit an a multi-state cooperative society to participate as a resolution applicant, as long as it is in conformity with Section 64 of MSCS Act, its own bye laws and Section 29A of the Insolvency and Bankruptcy Code, 2016.

The Court held that determination of whether an institution operates in the same line of business requires a substantial or predominant or closely related sameness in business activities, which must be determined in reference to its bye-laws and not revenue earned or profit/loss incurred in any business.

Supreme Court reaffirms the limits of writ jurisdiction and holds that co-operative milk unions are not 'State'.

The Supreme Court through its judgement dated 10.04.2026 in the matter *of Ram Chandra Choudhary & Others v Roop Nagar Dugdh Utpadak Sahakari Samiti Limited & Others*[12] held that District Co-operative Milk Unions (District Milk Unions) are not 'State' under Article 12 of the Constitution of India, 1950.

The Court affirmed that the essential test for determining whether an entity qualifies as "State" lies in the degree of control exercised by the Government. The Court reiterated that such control must be "deep and pervasive" in nature and not merely regulatory or supervisory.

The Court noted that mere registration under a statute or receipt of certain benefits from the State would not, by itself, render entities as 'State' within the meaning of Article 12.

The Court clarified that a writ can be issued against non-state entities only when those entities are either performing public duties or discharging public functions or is alleged to have acted in breach of statutory or constitutional obligations of a public character.

Bombay High Court affirms termination of arbitrator's mandate under Section 29A does not terminate arbitral proceedings and bars fresh appointment where Applicant is at fault.

The High Court of Bombay through its judgement dated 01.04.2026 in *Nalin Vallabhbhai Patel & Anr. v. Atharva Realtors and Ors.*[13] held that under Section 29A(4) of the A&C Act, it is only the mandate of the arbitrator that stands terminated and not the arbitral proceedings. The High Court clarified that termination of the mandate does not *ipso facto* result in termination of the arbitral proceedings, and that the statutory scheme clearly recognizes a distinction between termination of mandate and termination of proceedings.

The High Court, upon a conjoint reading of Sections 29A, 14, 15 and 32 of the A&C Act, held that while termination of proceedings is governed by Section 32, Section 29A only results in cessation of the arbitrator's mandate. It was clarified that the permissibility of a fresh reference or appointment depends on the conduct of the parties.

APTEL partly allows review petition and reiterates scope of intervention in review proceedings.

The Appellate Tribunal for Electricity ("APTEL"), *vide* judgment dated 06.04.2026 in Review Petition No. 5 of 2025 in Appeal No. 126 of 2022[14] ("Review Petition") partly allowed the Review Petition granting carrying cost on liquidated damages while reaffirming the limited scope of intervention in review proceedings.

APTEL, while examining the scope of review under Section 114 read with Order XLVII Rule 1 of CPC reiterated that the power of review is confined to limited statutory grounds, namely discovery of new evidence which despite due diligence, was not within the knowledge of the party or could not be produced earlier, mistake or error apparent on the face of the record, or any other sufficient reason.

APTEL further reaffirmed that jurisdiction under review petition cannot be invoked to reargue the matter on merits or to secure a rehearing under the guise of correcting an error. Accordingly, issues not urged or consciously not pressed during the original proceedings cannot be permitted to be raised for the first time in review.

APTEL further held that once the levy of liquidated damages was found to be unjustified, retention of such amount results in unjust enrichment and payment of interest is a logical corollary to restitution. It was observed that restitution necessarily entails restoring the affected party to the same economic position that it would have occupied had the wrongful levy not occurred and held that the non-granting of carrying cost constituted an error apparent on the face of record.

[11] Civil Appeal No. 11193 of 2025.
[12] Civil Appeal No. 4352 of 2026
[13] CARAPL NO. 430 of 2025.
[14] RP No. 5 of 2025 in Appeal No. 126 of 2022

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