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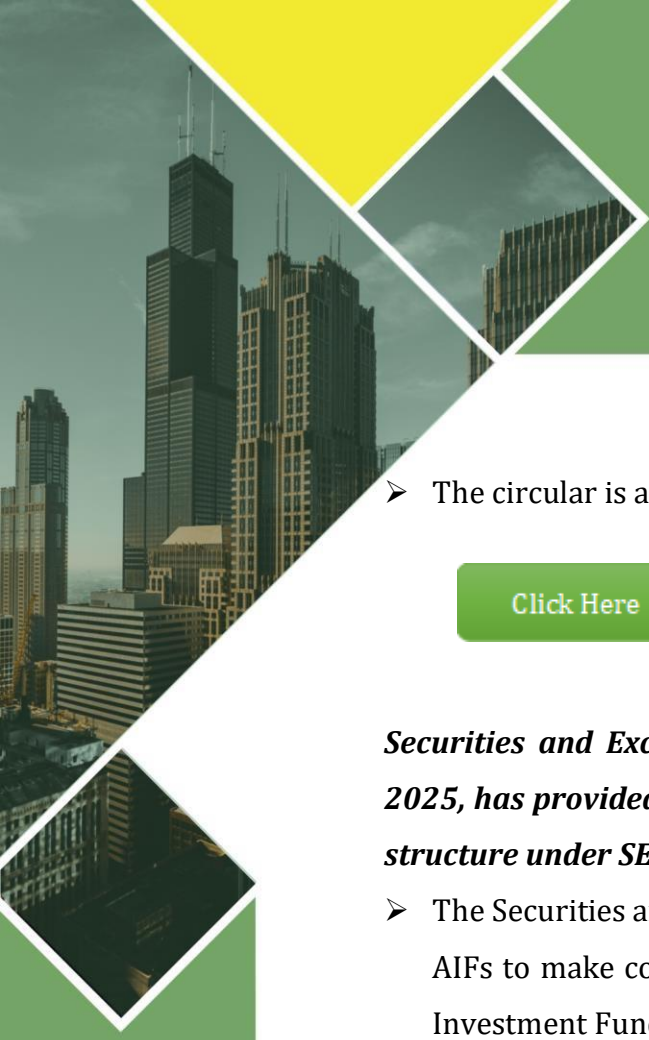
15th September 2025

Securities and Exchange Board of India vide circular dated September 10, 2025, has provided ease of regulatory compliances for FPIs investing only in Government Securities

- The Securities and Exchange Board of India (SEBI) has simplified regulatory requirements for a specific category of Foreign Portfolio Investors (FPIs) that exclusively invest in government securities. This move, effective from February 8, 2026, is aimed at attracting more foreign investment into India's sovereign debt market.
- Key relaxations include:
  - **No Investor Group Disclosures**: These FPIs are no longer required to provide details about their "investor group," a complex reporting requirement for other FPIs.
  - **Simplified KYC**: The Know Your Customer (KYC) review cycle for these FPIs is now aligned with the Reserve Bank of India's rules for bank accounts, making the process smoother.
  - **Relaxed Declarations**: They are exempt from submitting periodic declarations unless there is a material change in their information. They will only need to pay fees to renew their registration every three years.
  - **Broader Eligibility**: The rules now permit resident Indians and Non-Resident Indians (NRIs)/Overseas Citizens of India (OCIs) to be constituents of these FPIs, subject to certain conditions.
- The circular directly impacts Foreign Portfolio Investors (FPIs) that invest solely in government securities. This includes large sovereign wealth funds, pension funds, and other institutional investors looking for stable, low-risk returns from government debt.
- It also indirectly affects Designated Depository Participants (DDPs) and custodians who facilitate these investments, as they must update their systems to align with the new, simplified framework.



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- The circular is attached herein.

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Securities and Exchange Board of India vide circular dated September 09, 2025, has provided framework for AIFs to make co-investment within the AIF structure under SEBI (Alternative Investment Funds) Regulations, 2012

- The Securities and Exchange Board of India (SEBI) has provided framework for AIFs to make co-investment within the AIF structure under SEBI (Alternative Investment Funds) Regulations, 2012.
- Key Highlights are:
  - **New Co-investment Vehicle (CIV)**: The new framework allows Category I and II AIFs to set up a dedicated Co-Investment Vehicle (CIV) scheme for each portfolio company. This is an alternative to the previous method of using a Portfolio Management Services (PMS) license.
  - **Ring-Fenced Assets**: Each CIV scheme must have its own separate bank account and demat account, ensuring that the assets are kept distinct and safe from other schemes.
  - **Investment Amount:** Co-investments of an investor in an investee company across CIV schemes shall not exceed three times of the contribution made by such investor in the total investment made in the said investee company through the scheme of the AIF to which aforesaid CIV schemes are affiliated.
- The new framework primarily impacts the following:
  - **Alternative Investment Funds (AIFs):** Specifically, Category I and Category II AIFs, which include venture capital, private equity, infrastructure, and social venture funds.
  - **Fund Managers and Sponsors**: They now have a more streamlined and efficient way to manage co-investment opportunities.

- **Accredited Investors**: Wealthy individuals and institutions who invest in AIFs now have a new, regulated channel to directly invest in specific deals alongside the main fund.
- **Unlisted Companies:** The changes are expected to increase the flow of capital to India's unlisted companies and startups.

➢ The new SEBI rules simplify the process, making it easier and faster for wealthy investors to put more money into specific companies that the main fund is already investing in. This is a win for everyone: fund managers have an easier time raising capital, wealthy investors get more opportunities to invest in high-growth companies, and the companies themselves get a much-needed boost of fresh investment. In essence, it's a green light for big investors to get an "extra seat at the table" and help fund the next big Indian startup.

➢ The circular is attached herein.

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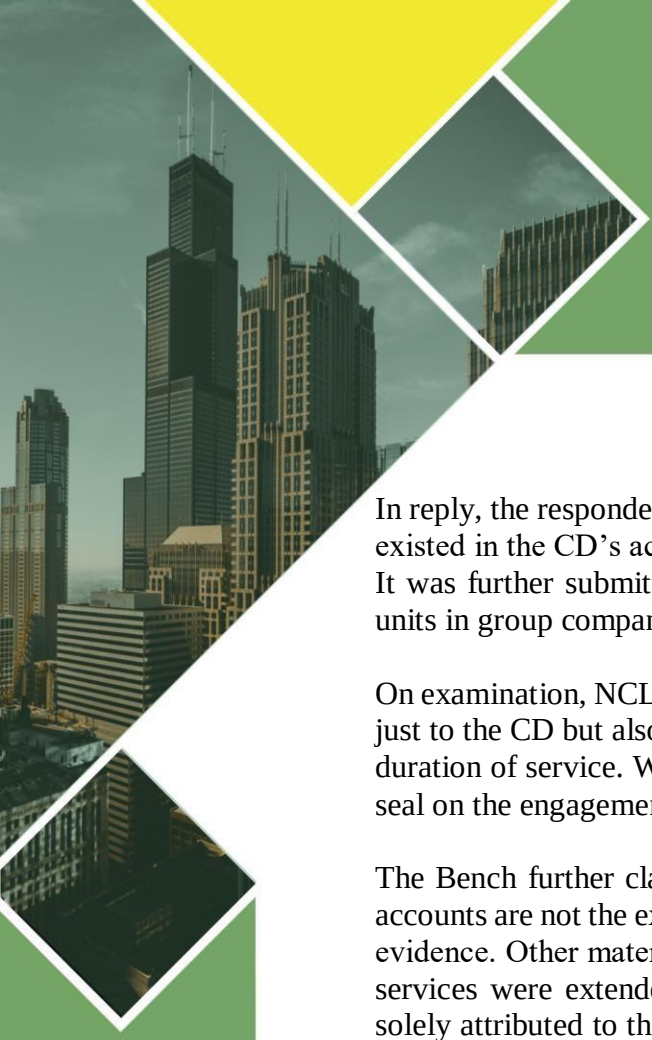
NCLAT: RP's Rejection of Legal Consultant's Claim for Want of Invoices in Corporate Debtor's Records Cannot Be Interfered With

The National Company Law Appellate Tribunal (NCLAT), New Delhi Bench comprising Justice Rakesh Kumar Jain, Justice Mohd Faiz Alam Khan, and Technical Member Mr. Naresh Salecha, has upheld the Resolution Professional's (RP) rejection of a legal consultant's claim on the ground that no invoices or supporting documents were traceable in the Corporate Debtor's (CD) records.

The Tribunal observed that although certain flats/inventories were allotted to the consultant, it remained unclear whether such allotments were in discharge of services rendered to the CD or to its group companies. The consultant contended that the allotments related to additional litigation services provided to group companies; however, no evidence was furnished in support of this claim.

The appeal, filed under Section 61 of the Insolvency and Bankruptcy Code, 2016, challenged an NCLT New Delhi order dismissing the appellant's interlocutory application. The appellant argued that the RP was bound to consider contracts and invoices in addition to the CD's financial records, and that non-disclosure of invoices by the CD may have been aimed at avoiding tax liability, which should not defeat an otherwise genuine claim.



In reply, the respondent maintained that no entries corresponding to the appellant's claim existed in the CD's accounts and that the claims did not pertain solely to CD's expenses. It was further submitted that any alleged dues stood adjusted through the allotment of units in group company projects, rendering the claim vague and untenable.

On examination, NCLAT found that the appellant was providing consultancy services not just to the CD but also to its group companies. The engagement letter did not specify the duration of service. While the appellant disputed NCLT's observation regarding an LLP seal on the engagement letter, the Tribunal noted that this aspect was not decisive.

The Bench further clarified that under Regulation 7 of the CIRP Regulations, financial accounts are not the exclusive mode of proving claims, though they constitute prima facie evidence. Other material may also be considered, but with caution. Since the appellant's services were extended to the entire group, the monthly retainership fee could not be solely attributed to the CD. In the absence of invoices, accepted bills, or credit balances in the CD's records, the RP rightly found the claim unverifiable.

The Tribunal also noted the absence of documentary proof regarding which entity within the group allotted flats/inventories or against which bills/services. Without specific details, the appellant's assertion that such allotments were towards additional litigation services for group companies remained unsubstantiated.

It concluded that when retainership fees were allegedly outstanding for several months, the appellant should have raised written demands through emails or letters. The failure to do so, coupled with the lack of supporting records in the CD's books, rendered the claim doubtful.

Accordingly, the appeal was dismissed.

Case Title: *Juristical Legal Services v. Three C Universal Developers Private Limited*
Case No.: Company Appeal (AT) (Insolvency) No. 1451 of 2023

Bar on Even Number of Arbitrators Under Arbitration Act Not Applicable to Statutory Delhi HC: Arbitration Clause in Loan Agreement Incorporated into Deeds of Guarantee When Executed as Part of a Single Transaction

The Delhi High Court Bench of Justice Jasmeet Singh held that where a Loan Agreement and Deeds of Guarantee are executed contemporaneously as part of a composite transaction, and the Deeds of Guarantee expressly incorporate the Loan Agreement, the guarantors—though non-signatories to the Loan Agreement—are bound by the arbitration clause contained therein.

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Facts

The appeal under Section 37(2)(a) of the Arbitration and Conciliation Act, 1996 was filed against an arbitral order dated 20.04.2024, whereby the Respondents were discharged from the proceedings on the ground that no arbitration agreement existed between them and the Appellant.

In 2012, a loan of ₹68,18,000 was sanctioned by the Appellant to *M/s Shri Digamber Polymers* (principal borrower no. 2) with Ms. Poonam Jain (principal borrower no. 1) as authorised signatory. On the same date, the Respondents executed personal Deeds of Guarantee in support of the facility. The Loan Agreement dated 21.12.2012 contained an arbitration clause (Clause 32). Following defaults, arbitral proceedings were initiated. The Respondents sought deletion of their names, arguing that as non-signatories to the Loan Agreement, they could not be subjected to arbitration.

Contentions

The Appellant argued that the Deeds of Guarantee expressly incorporated the Loan Agreement, with multiple clauses—including Clause 4—stating that the guarantees formed an "integral part" of the Loan Agreement. Thus, both documents formed a single composite transaction. It was contended that the arbitrator had misapplied *M.R. Engineers & Contractors Pvt. Ltd.* by treating the incorporation as a mere reference, rather than incorporation of the Loan Agreement in entirety.

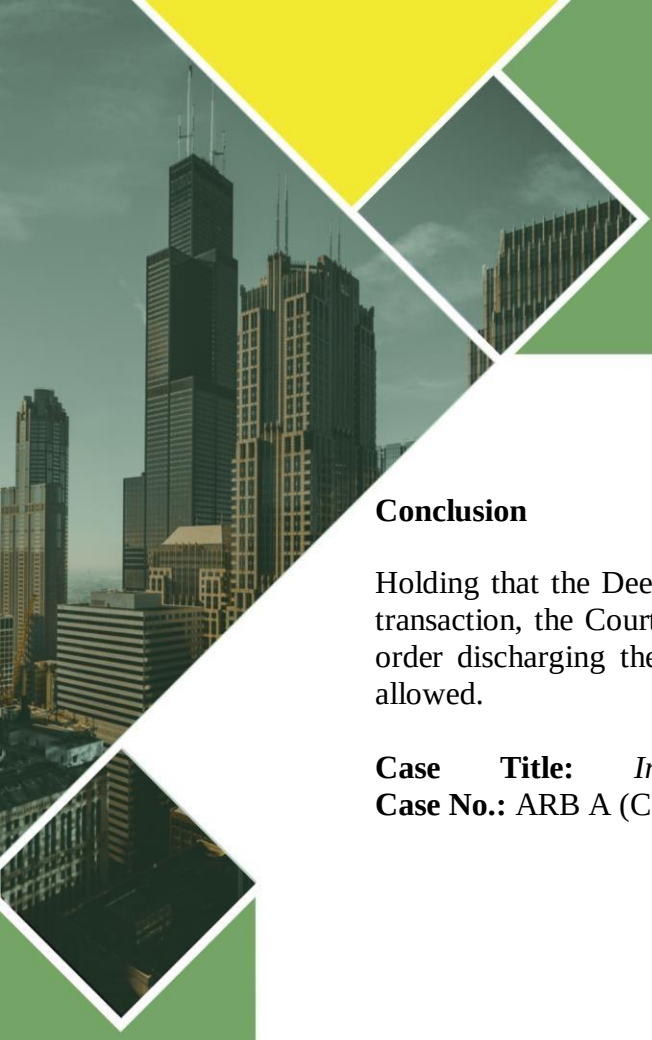
The Respondents contended that the Deeds of Guarantee were independent contracts, devoid of any arbitration clause, and that they had never signed the Loan Agreement. They relied on *M.R. Engineers* to argue that an arbitration clause cannot bind a non-signatory absent clear and specific incorporation.

Observations

The Court held that the key issue was whether the arbitration clause in the Loan Agreement was incorporated into the Deeds of Guarantee. It noted the distinction in *M.R. Engineers* between "general reference" and "specific incorporation," observing that incorporation occurs when the entire agreement is expressly adopted.

Clause 4 of the Deeds of Guarantee was found to expressly incorporate the Loan Agreement, stating that the Guarantee was an "integral part" of the Loan Agreement. This, the Court held, showed a clear intent to bind guarantors to the terms of the Loan Agreement, including arbitration.

The Court further observed that even if Clause 4 were considered a general reference, the case would fall within the exception recognised in *Inox Wind Ltd. v. Thermocables Ltd.* (2018) 2 SCC 519, where in standard form contracts, a general reference suffices to import an arbitration clause.



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Conclusion

Holding that the Deeds of Guarantee and Loan Agreement formed a single composite transaction, the Court ruled that guarantors could not avoid arbitration. The impugned order discharging them from arbitral proceedings was set aside, and the appeal was allowed.

Case Title: *Intec Capital Limited v. Shekhar Chand Jain*
Case No.: ARB A (COMM.) 25/2024 & I.A. 10158

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