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Corporate reporting insights

March 2025

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Updates from SEBI



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SEBI (LODR) Amendment Regulations, 2025

The SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2025 (Amendments), bring about several notable changes to enhance corporate governance and compliance for listed entities, mainly in relation to High-Value Debt Listed Entities (HVDLEs). The Amendments also has added a new Chapter VA for corporate governance norms applicable only to HVDLEs. Key highlights include:

- **Threshold increase and sunset clause:** The threshold for outstanding listed non-convertible debt securities has been raised from INR500 crore to INR1,000 crore for an entity to be classified as a High-Value Debt Listed Entity (HVDLE). Entities meeting this threshold must comply with additional corporate governance norms. A sunset clause has been introduced to state that the SEBI LODR Regulations will cease of apply to a HVDLE, after three consecutive years, from the time the value of outstanding debt remains below the specified threshold.
- **Corporate governance norms for HVDLEs:**
 - **Board composition:** HVDLEs must have a balanced mix of executive and non-

executive directors, including at least one woman director. Non-executive directors should constitute at least 50 per cent of the board.

- **Independent directors:** Specific criteria for the appointment and evaluation of independent directors, including limits on the number of directorships they can hold.
- **Committees:** HVDLEs must establish various committees, such as audit, nomination and remuneration, stakeholders' relationship, and risk management committees, each with defined roles and responsibilities.
- **Related party transactions (RPTs):**
 - There are enhanced disclosure and approval requirements for material related party transactions (RPTs). Transactions that exceed INR1,000 crore or 10 per cent of the annual consolidated turnover must be approved by the audit committee and require no-objection certificates from debenture trustees and debenture holders (for listed debt securities issued on or after April 1, 2025).
 - Guidelines for identifying material transactions have been incorporated.
- Approval requirements for all related party transactions and any subsequent significant modifications are outlined.
- All related party transactions and subsequent material modifications must receive prior approval from the audit committee. Omnibus approvals granted based on the HVDLE's RPT policy will be valid for up to one year
- **Compliance and reporting:** HVDLEs must submit periodic compliance reports on corporate governance to the recognised stock exchange(s), including details of material related party transactions and any cybersecurity incidents or breaches.
- **Secretarial audit and compliance reports:** Secretarial audits and compliance reports are mandatory for HVDLEs and their material unlisted subsidiaries. These reports must be submitted to stock exchanges within 60 days after the end of each financial year and included in the annual report.
- **Independent directors:**
 - Appointment, re-appointment, and removal of independent directors must be approved by shareholders via a special resolution.

- Specific obligations for independent directors, including mandatory meetings without non-independent directors and management, and limits on the number of directorships.

- **Vacancies in key managerial personnel:** Vacancies in positions such as Chief Executive Officer, Managing Director, Whole Time Director, or Chief Financial Officer must be filled within three to six months from the date of the vacancy, depending on regulatory approvals.

These amendments aim to reinforce transparency, accountability, and investor protection in the securities market, ensuring that listed entities adhere to robust corporate governance standards.

(Source: SEBI Notification F. No. SEBI/LAD-NRO/GN/2025/239., SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2025, dated 27 March 2025)





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Industry standards on regulation 30 of the LODR Regulations

The Industry Standards Note on Regulation 30 of the LODR Regulations (ISN) was issued to facilitate uniform approach and assist listed entities in complying with their obligations in respect to disclosures under Regulation 30 read with Schedule III of the LODR Regulations and further circulars issued thereunder (referred to below as the Continuous Disclosure Requirements)¹. SEBI notified this ISN via a circular issued on 25 February 2025. Below are some of the key aspects detailed in the ISN:

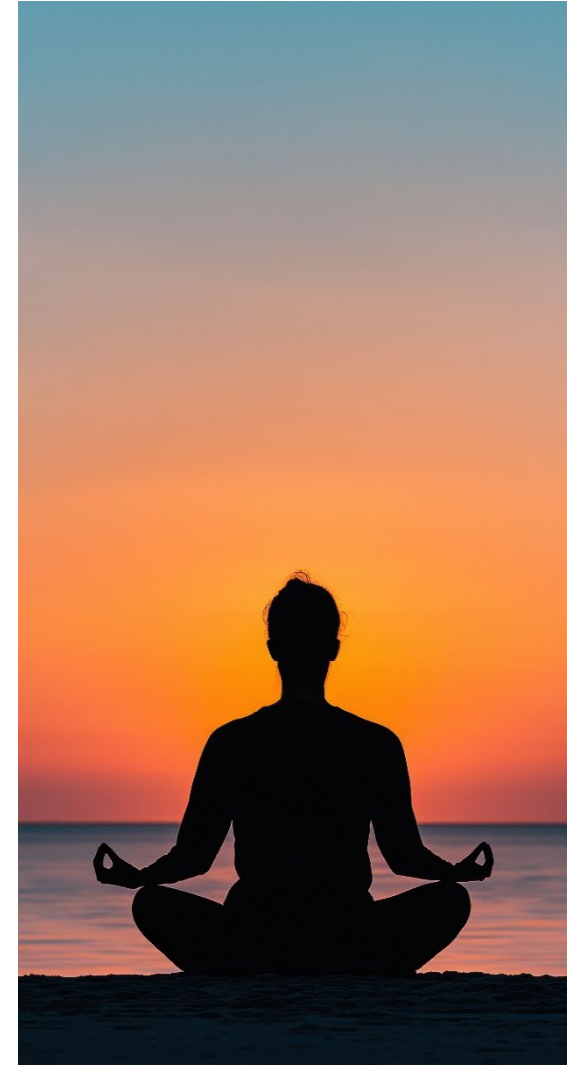
- **Numerical thresholds:** Provides clarification for insurance companies and Non-banking Financial Companies regarding use of certain numerical thresholds.
- **Value impact:** To compute the expected value of an event/information, a listed entity should consider impact in the four ensuing quarters (including the quarter in which the event occurs if the event occurs in the first 60 days of the quarter).
- **Market reaction:** Significant market reaction would be assessed against scrip price, as per the parameters specified by stock exchanges.
- **Materiality:** Apply materiality thresholds to disclose action taken by regulators regarding fines, penalties, and other significant events.

- **Pending litigations:** Disclosure for various litigations of similar nature with similar expected outcome to be done if they cumulatively exceed materiality.
- **Show cause notices:** Disclosure requirements for regulatory notices to be done upon applying guidelines of materiality.
- **Regulatory communications:** For disclosure of communications from authorities that are confidential/sensitive or proprietary, a format has been provided.
- **Fraud or default:** Timeline for disclosure for fraud or default incidents related to listed entity to be done on completion of the prima facie assessment or on completion of 4 weeks from the time listed entity becomes aware of such fraud, whichever is earlier.
- **Resignations:** Provides clarification that 'resignation comes into effect' would mean last date of the concerned person in the listed entity.
- **Social media announcements:** In case of premature announcements by directors, promoters, key managerial personnel or senior management of a listed entity, then listed entity should issue a clarification on such communication.

- **AGM/EGM proceedings:** Clarification on disclosure timelines for general meeting proceedings.
- **Annexures:**
 - **Annexure A:** Guidance on appropriate parameters (profit, net worth, turnover) for determining materiality.
 - **Annexure B:** List of sector regulators and enforcement authorities.
 - **Annexure C:** Format for disclosure of communications received from regulatory, statutory, enforcement, or judicial authorities.

The document aims to ensure transparency, consistency, and timely disclosure of material events and information by listed entities, thereby protecting investor interests and maintaining market integrity

(Source: [Industry Standards Note on Regulation 30 of the LODR Regulations](#), issued by ASSOCHAM, CII and FICCI; and SEBI circular SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/25 'Industry Standards on Regulation 30 of the LODR Regulations, 2015; both dated 25 February 2025)



1. Excluding Regulation 30(11) of the LODR Regulations



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SEBI board meeting

On 24 March 2025, SEBI approved certain proposals to amend some of the provisions of the SEBI Regulations in its 209th Board meeting and released it in its press release. Below is a summary of the key decisions

- **Threshold increase for FPIs:** As per SEBI circular dated 24 August 2023, Foreign Portfolio Investors (FPIs) (individually or as an investor group), holding more than INR25,000 crore of equity Assets Under Management (AUM) in Indian markets are required to disclose details of all entities (up

to the level of natural person) holding any ownership, economic interest, or control, on a full look through basis, without any thresholds. Considering cash equity market trading volumes have more than doubled from the time these limits were set, disclosure threshold for FPIs has been raised from INR25,000 crore to INR50,000 crore to prevent regulatory circumvention. Other disclosure threshold applicable to FPI holding more than 50 per cent of its equity AUM in a single corporate group remains unchanged.

- **Review of Regulation 17 (a) of SEBI (AIF) Regulations, 2012:** Investments of category II AIFs in listed debt securities rated 'A' or below will be treated as akin to investments in unlisted securities for compliance with minimum investment conditions in unlisted securities.
- **Advance fee for IAs and RAs:** Investment Advisers (IA) and Research Analysts (RA) can charge advance fees for up to one year, with client agreement. Earlier, IAs and RAs were allowed to charge advance fee for a

maximum period of two quarters and one quarter respectively

- Amendments to SEBI (Merchant Bankers) Regulations, 1992, SEBI (Debenture Trustee) Regulations, 1993, and SEBI (Custodians) Regulations 1996 were deferred for further review.

(Source: [Press Release PR No.15/2025 SEBI Board Meeting, dated 24 March 2025](#))





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Amendments to Prohibition of Insider Trading Regulations

On 11 March 2025, SEBI issued a notification amending certain provisions of the SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations). The key details are as follows:

- **Definition of UPSI:** On 9 November 2024, SEBI issued a consultation paper proposing to align the definition of Unpublished Price Sensitive Information (UPSI) under the PIT Regulations with the list of material events/information as per Schedule III of the SEBI LODR Regulations. The consultation

paper was approved by the SEBI board on 18 December 2024. The notification on 11 March 2025, expands the UPSI definition to include 11 new items such as changes in ratings, decisions regarding fund-raising, fraud/defaults or arrests of KMPs, promoters or directors, forensic audits, etc. These changes enlarge the list of material events/information likely to affect a company's securities price.

- **Timeline for SDD updates:** A Structured Digital Database (SDD) is a required digital

record that companies maintain to track the sharing of UPSI, including details such as the names and PAN numbers of individuals with whom UPSI has been shared. The amendment mandates that any information originating from outside the listed entity must be included into the SDD within two calendar days of receipt.

- **Closure of trading window:** According to the PIT Regulations, the trading window must be closed when designated persons have access to UPSI to prevent insider trading.

SEBI has eased this requirement, clarifying that trading window closure may not be necessary for UPSI originating from outside the listed entity.

The amendments will take effect on 10 June 2025.

(Source: SEBI Notification F No. SEBI/LAD-NRO/GN/2025/235, dated 11 March 2025)





Updates from SEBI

Minimum contribution sizes for zero coupon instruments on Social Stock Exchange (SSE)

On 7 March 2025, SEBI released a consultation paper to review the minimum application size for contributions towards the subscription of Zero Coupon Zero Principal (ZCZP) instruments issued by non-profit organisations (NPOs) on the Social Stock Exchange (SSE). The previous minimum application size was INR10,000. The consultation paper proposed reducing this to either INR5,000 or INR1,000 to encourage greater retail participation in ZCZP issuances by NPOs on the SSE. Based on public feedback, on 19 March 2025, SEBI reduced the minimum application size for subscribing to ZCZP² instruments to INR1,000.

(Source: SEBI Consultation paper 'Review of the minimum application size for contribution towards subscription of Zero Coupon Zero Principal Instruments issued by non-profit organisations on Social Stock Exchange', dated 7 March 2025 and SEBI Circular SEBI/HO/CFD/PoD-1/CIR/2025/33 dated 19 March 2025)

2. Zero Coupon Zero Principal (ZCZP) instruments are unique financial instruments issued by non-profit organizations (NPOs) through Social Stock Exchanges (SSEs). Unlike traditional debt securities, ZCZP instruments do not pay interest (zero coupon) and do not return the principal amount (zero principal). Essentially, these instruments function as a form of donation rather than a loan. Investors who purchase ZCZP instruments are contributing funds to the NPOs without expecting any financial return.



Updates from RBI

Faster rights issue

To expedite the rights issue process and provide flexibility for allotment to specific investors, SEBI issued a circular on 11 March 2025 (the circular), outlining several changes in the rights issue process. Following are the key changes:

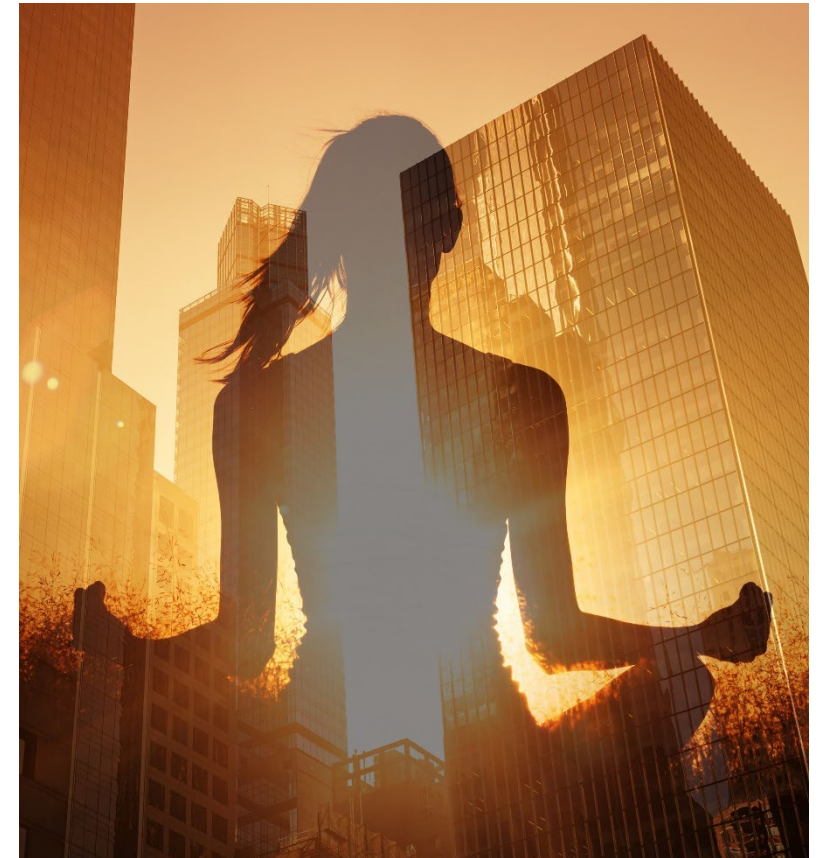
- **Reduced timelines:** The completion timeline for a rights issue has been shortened to 23 working days from the date of the board's approval.
- **Subscription period:** The subscription period will now be open for a minimum of 7 days and a maximum of 30 days.
- **Timelines for various actions:** Revised indicative timelines for completing various activities involved in the rights issue process, from the date of the Board of Directors' approval to the closure of the rights issue, are provided in Annexure I of the circular.
- **System for validation of bids:** An automated system for validating application bids by investors will be developed by stock exchanges and depositories within 6 months from the circular's effective date.

These provisions will apply to rights issues approved by the boards of issuer companies starting from 7 April 2025.

(Source: SEBI circular No. SEBI/HO/CFD/CFD-PoD-1/P/CIR/2025/31, dated 11 March 2025)



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Proposed amendments to SEBI ICDR and SBEB & SE Regulations

On 20 March 2025, the Securities Exchange Board of India (SEBI) issued a consultation paper proposing amendments to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations), and Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (SBEB & SE). The objective of the proposal is to streamline certain processes related to public issue requirements. The proposed amendments are as follows:

- **Minimum holding period for equity shares to be eligible for Offer for Sale (OFS):**

Under the current regulation 8 of ICDR Regulations, equity shares must be held for a minimum of one year to be eligible for OFS in a public issue. If the equity shares were received through the conversion of fully paid-up Compulsorily Convertible Securities (CCS), including depository receipts, the holding period of both the original securities and the resultant equity shares will be combined to calculate the one-year period. However, proviso (b) to Regulation 8 provides that equity shares acquired through a scheme approved by the High Court, tribunal, or the Central Government, where the business and invested capital existed for

over a year before approval, are exempt from this one-year holding requirement. This current exception does not explicitly include fully paid-up CCS, leading to ambiguity regarding the applicability of the exemption to such securities. It is proposed to explicitly include CCS in this exemption, thereby extending the exemption to them and harmonizing the holding period requirement with the first proviso to Regulation 8 (where the holding period of both the CCS and converted equity shares is considered). This will also ensure alignment with the Minimum Promoters' Contribution (MPC) under Regulation 15 of ICDR Regulations.

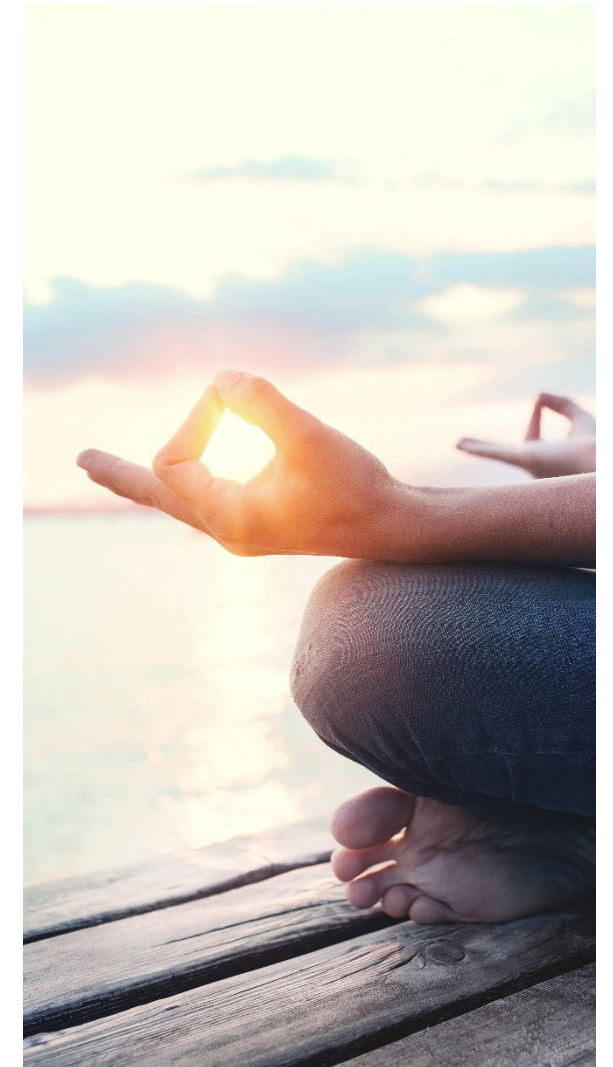
- **Clarification on ESOPs for founders:**

According to the SEBI SBEB Regulations, employees, including directors and those working in group companies, are eligible for share-based benefits such as ESOPs. However, promoters and members of the promoter group are not eligible for ESOPs. This exclusion creates ambiguity when founders, who initially receive ESOPs as employees, are later classified as promoters during the filing of the draft red herring prospectus (DRHP). The proposed amendment will permit founders, who are

classified as promoters at the time of filing the DRHP, to continue holding and exercising ESOPs that were granted before their classification as promoters, prior to one year from the date when the company (i.e. its' Board) decides to undertake Initial Public Offering. However, no new share-based benefits can be issued to them once they are identified as promoters. Additionally, a cooling-off period is required between the grant of such benefits and the company's decision to pursue an IPO.

The period for providing comments on the consultation paper ended on 10 April 2025.

(Source: [SEBI Consultation Paper on certain Amendments to SEBI \(ICDR\) Regulations, 2018, \("ICDR Regulations"\) and SEBI \(SBEB & SE\) Regulations, 2021, \("SBEB Regulations"\)](#), dated 20 March 2025)





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Disclosure of holding of specified securities in dematerialised form

SEBI had issued Master Circular in November 2024 amending the disclosure requirements for holding of specified securities in dematerialised form under Regulation 31 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations). Based on the requests received from depositories, stock exchanges and in the interest of providing further clarity and transparency in the disclosure

of shareholding pattern to the investors in the securities market, SEBI has clarified the below vide its circular dated 20 March 2025:

- **Table I-IV:** Amendments include details of Non-Disposal Undertaking (NDU), other encumbrances, and total number of shares pledged or otherwise encumbered. The definition of underlying outstanding convertible securities now explicitly includes

Employee Stock Option Plans (ESOPs). An additional column has been added to the shareholding pattern format to capture the total number of shares on a fully diluted basis, including warrants, ESOPs, and convertible securities.

- **Table II:** A footnote has been added to provide details of promoter and promoter group with shareholding 'nil'.

The revised formats will be effective from the quarter ending 30 June 2025.

(Source: Circular no. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/35, 'Disclosure of holding of specified securities in dematerialised form', dated 20 March 2025)





Updates from SEBI

SEBI amends Master Circular for Mutual Funds

SEBI implemented amendments to the SEBI (Mutual Funds) Regulations, 1996 to facilitate ease of doing business for mutual funds and to relax the framework related to the 'Alignment of interest of the Designated Employees of the Asset Management Companies (AMC) with the interest of the unitholders. These changes were introduced through two notifications dated 14 February 2025 and 4 March 2025 respectively. Subsequently, SEBI issued a circular on 21 March 2025, to give effect to these amendments by modifying certain provisions of the Master Circular dated 27 June 2024. Key amendments are as follows:

- **Investment requirements:** Designated employees must invest a percentage of their gross annual CTC in mutual fund schemes they oversee, varying by role and CTC level.
- **Liquid fund schemes:** Up to 75 per cent of required investments can be in higher-risk schemes for employees associated with liquid funds.
- **Retirement and lock-in:** Upon retirement at superannuation age, units will be released from lock-in except in close-ended schemes. On resignation or

retirement, lock-in period will be reduced to 1 year from the end of the employment or the completion date of the 3-years lock-in, whichever is earlier.

- **Redemption rules:** Post lock-in, units in open-ended schemes can be redeemed, subject to SEBI insider trading regulations and pre-clearance requirements.
- **Code of conduct:** Violations to be examined by the Nomination and Remuneration Committee (NRC) or Board of AMC, in absence of NRC, with recommendations sent to SEBI after Trustee approval.
- **Disclosures:** Quarterly disclosure of aggregate compensation invested in units for Designated Employees on Stock Exchange websites within 15 days from the quarter end.

(Source: SEBI Circular No.: SEBI/HO/IMD/IMD-PoD-1/P/CIR/2025/36, Facilitating ease of doing business relating to the framework on “Alignment of interest of the Designated Employees of the Asset Management Company (AMC) with the interest of the unitholders”, dated 21 March 2025)



Updates from RBI

Facilitating Business: Assurance framework, ESG value chain disclosures and voluntary green credits

Based on recommendations and public consultation, SEBI introduced revision in provisions regarding assurance framework and ESG disclosures for value chain and introduced disclosure requirements on green credits. Key updates include:

- **Green credits:** A new leadership indicator in the BRSR requires disclosures on green credits starting FY 2024-25.
- **Assessment or assurance:** To reduce costs and efforts and to simplify processes, listed entities can choose between 'assessment' or 'assurance' for BRSR Core and ESG disclosures starting FY 2024-25.
- **ESG disclosures for value chain:** The requirement for value chain disclosures has been deferred by one year. Thus, ESG disclosures for the value chain shall be applicable to the top 250 listed entities (by market capitalisation) on a voluntary basis from FY 2025-26 and mandatory from FY 2026-27. The assessment or assurance of the aforesaid disclosures shall be applicable on a voluntary basis from FY 2026-27 and for the first year of

reporting ESG disclosures for value chain, reporting of previous year numbers shall be voluntary.

(Source: Circular No.: SEBI/HO/CFD/CFD-PoD-1/P/CIR/2025/42 on Measures to facilitate ease of doing business with respect to framework for assurance or assessment, ESG disclosures for value chain, and introduction of voluntary disclosure on green credits, dated 28 March 2025)





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Revised master circular for InvITs and REITs

SEBI issued circulars outlining amendments to the master circular for Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs) on 28 March 2025, which are effective immediately. The objective of these circulars is to promote ease of doing business and enhance the regulatory framework for InvITs and REITs. Following updates are covered in the circular:

- **Lock-in provisions for preferential issue of units:** The existing regulations provide that the sponsor and sponsor group of InvIT and REITs must hold a minimum of 15 per cent of the total units for three years from the listing date in case of InvIT and from the date of trading approval in case of a REIT. The amendment provides:
 - **InvITs** - If the project manager is the sponsor or an associate, sponsors and sponsor groups are required to hold 15 per cent of the units for three years. Otherwise, 25 per cent of the units must be locked in for three years. The remaining units are subject to a one-year lock-in period.
 - **REITs** - Sponsors and sponsor groups must retain at least 15 per cent of the total

units for three years from the date of the initial offer listing. The updated requirements specify that 15 per cent of the units allotted to sponsors and sponsor groups will be locked in for three years from the date of trading approval, while the remaining units will be locked in for one year. Transfer of locked-in units among sponsor groups is allowed, provided the lock-in period continues for the transferee.

- **Inter-se transfer and follow-on offers:**

- **InvITs** - Follow-on offers have been introduced as a method for raising funds after the initial public offer. The framework includes fast-track options to facilitate efficient fundraising. Key requirements include applying to stock exchanges, issuing units in dematerialised form, and ensuring a minimum public unitholding of 25 per cent after the issue.
- **REITs** - Follow-on offers refer to the issuance of units to the public, which can also include sales by existing unit holders. Requirements include applying to stock exchanges for in-principle approval, issuing units exclusively in dematerialised

form, ensuring a minimum public unitholding of 25 per cent post-issue, adhering to specified timelines for the allotment and listing of units, and restricting further issuance of units during the follow-on offer process.

- **Additional provisions:**

- **InvITs** - Additional provisions include timelines for allotment and listing of units, interest payment provisions in case of failure to allot or list units and restriction on further issues during the period between filing and listing of follow-on offer documents.
- **REITs** - Filing offer documents along with submitting due diligence certificates.

(Source: Circular No.: SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/44 on Amendment to Master Circular for Infrastructure Investment Trusts (InvITs) dated May 15, 2024 and SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/43 on Amendment to Master Circular for Real Estate Investment Trusts (REITs) dated May 15, 2024, dated 28 March 2025)

Extension of CSCRF for SEBI regulated entities

SEBI issued a circular on 28 March 2025, extending the timeline for compliance with the Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs). The compliance timeline has been increased from the original timeline by three months i.e. till 30 June 2025, for all REs except Market Infrastructure Institutions, KYC Registration Agencies, and Qualified Registrars to an Issue and Share Transfer Agents. The provisions of this circular are effective immediately.

(Source: Circular No. SEBI/HO/ITD-1/ITD_CSC_EXT/P/CIR/2025/45 for Extension towards Adoption and Implementation of Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs), dated 28 March 2025)





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RBI Financial Statements Directions, 2021: Clarifications

The Reserve Bank of India (RBI) issued clarifications for presentation and disclosures in the financial statements, applicable to all commercial and cooperative banks for preparing financial statements for the financial year ended 31 March 2025 and onwards. This document serves as a clarification notice regarding the RBI's Financial Statements - Presentation and Disclosures Directions, 2021. The key clarifications are :

- **Classification of lien marked deposits**
Margin money deposits, where a lien is marked by banks, should continue to be classified under 'Schedule 3: deposits with appropriate disclosures.
- **Advances covered by guarantees**
Advances covered by the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH), and individual schemes under National Credit Guarantee Trustee Company Ltd. (NCGTC) backed by explicit Central Government Guarantee should be disclosed under 'Schedule 9 (B) (ii): advances covered by bank/government guarantee'.

- **Disclosure of repo and reverse repo transactions**

Disclosures on repo/reverse repo transactions should be made in both market value terms and face value terms to better reflect the financials of banks.

(Source: RBI/2024-25/126.DOR.ACC.REC.No. 66/21.04.018/2024-25,' Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021: Clarifications', dated 20 March 2025)



Regulatory capital treatment of ROU assets

The Reserve Bank of India (RBI) issued a notification applicable immediately to all NBFCs and Asset Reconstruction Companies (ARCs) following the Companies (Indian Accounting Standards) Rules, 2015, clarifying the treatment of Right-of-Use (ROU) assets for regulatory capital purposes as stated below:

- ROU assets do not need to be deducted from owned fund, Common Equity Tier 1 (CET 1) capital or Tier 1 capital if the leased asset is tangible.
- ROU assets should be risk-weighted at 100 per cent, consistent with the risk weight historically applied to owned tangible assets.

(Source: RBI/2024-25/128.DOR.CAP.REC.No.68/21.01.002/2024-25 on Treatment of Right-of-Use (ROU) Asset for Regulatory Capital Purposes, dated 21 March 2025)

RBI revises priority sector lending guidelines

The RBI released revised guidelines effective from 1 April 2025 on Priority Sector Lending (PSL) with an aim to better target bank credit to priority sectors of the economy. Key changes include:

- increased limits for various loans, including housing loans, to expand PSL coverage.
- broadened purposes for loans classified under 'Renewable Energy'.
- revised overall PSL target for Urban Cooperative Banks (UCBs) to 60 per cent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposures (CEOBSE), whichever is higher.
- expanded list of eligible borrowers under 'Weaker Sections' and removed the cap on loans by UCBs to individual women beneficiaries.

(Source: Press release on RBI Releases Revised Priority Sector Lending Guidelines, dated 24 March 2025)



RBI revises guidelines for government-guaranteed Security Receipts

On 29 March 2025, the RBI issued updated guidelines for government-guaranteed security receipts (SRs). These changes aim to establish a differentiated approach for SRs with sovereign guarantees, ensuring prudent valuation and provisioning practices. The revised norms are applicable to all commercial banks, co-operative banks, financial institutions, and non-banking financial companies (NBFCs). Key aspects covered include:

- If a loan is transferred to an Asset Reconstruction Company (ARC) for more than its net book value (NBV), the excess provision can be reversed to the profit and loss account in year of sale, provided the sale consideration includes only cash and SRs guaranteed by the Government of India.
- The non-cash component (SRs) must be deducted from CET 1 capital, and dividends cannot be paid from this component
- SRs will be periodically valued based on the Net Asset Value (NAV) declared by the ARC, taking recovery ratings into account.
- Unrealised gains from fair valuation of SRs must be deducted from CET 1 capital, and dividends cannot be paid from these gains.

- SRs that remain outstanding after the government guarantee expires or settles will be valued at INR1.
- If SRs are converted to other instruments as part of resolution, their valuation and provisioning will follow the Prudential Framework for Resolution of Stressed Assets dated 7 June 2019.

These provisions are effective immediately and apply to all existing and future investments involving SRs guaranteed by the Government of India.

(Source: RBI Notification No. RBI/DOR/2024-25/135 DOR.STR.REC.72/21.04.048/2024-25 on 'Revised norms for Government Guaranteed Security Receipts (SRs)', dated 29 March 2025)





Revision in MSME classification thresholds

The Ministry of Micro, Small and Medium Enterprises (MSMEs) has recently issued a notification detailing changes to the financial thresholds that determine MSME classification. To facilitate the growth and resource access of

MSMEs, the upper limits for both investment in plant and machinery or equipment and annual turnover have been increased. These revisions, effective from 1 April 2025, are as follows:

Investment in plant and machinery or equipment:

	Prior to amendment	Amended threshold
Micro enterprises	Not exceeding INR1 crore	Not exceeding INR2.5 crore
Small enterprises	Not exceeding INR10 crore	Not exceeding INR25 crore
Medium enterprises	Not exceeding INR50 crore	Not exceeding INR125 crore

Annual turnover:

	Prior to amendment	Amended threshold
Micro enterprises	Not exceeding INR5 crore	Not exceeding INR10 crore
Small enterprises	Not exceeding INR50 crore	Not exceeding INR100 crore
Medium enterprises	Not exceeding INR250 crore	Not exceeding INR500 crore

(Source: Ministry of Micro, Small and Medium Enterprises Notification no. S.O. 1364(E), dated 21 March 2025)





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NFRA's effort to enhance Auditor-Audit committee interactions

The National Financial Reporting Authority (NFRA) has launched the 'Auditor-Audit Committee' Interactions Series to enhance communication between statutory auditors and audit committees. This initiative seeks to improve audit quality and raise awareness of accounting and auditing standards in accordance with the Companies Act, 2013 and relevant Standards on Auditing.

As part of these interactions, NFRA issued the following:

- a. **Series 1 dealing with audit of accounting estimates and judgements:** Series 1 aims to highlight potential questions that Audit Committees or Boards of Directors might ask regarding accounting estimates and judgements. Following the release of Part 1 on Expected Credit Losses (ECL) for financial assets under Ind AS 109, *Financial Instruments*, NFRA has now published Part 2, which focuses on the audit of Income Taxes, specifically Deferred Tax Assets (DTA) and Deferred Tax Liabilities (DTL) as required by Ind AS 12, *Income taxes*. Part 2 of this series addresses key aspects such as:
 - Understanding deferred taxes and uncertain tax treatments (UTT)

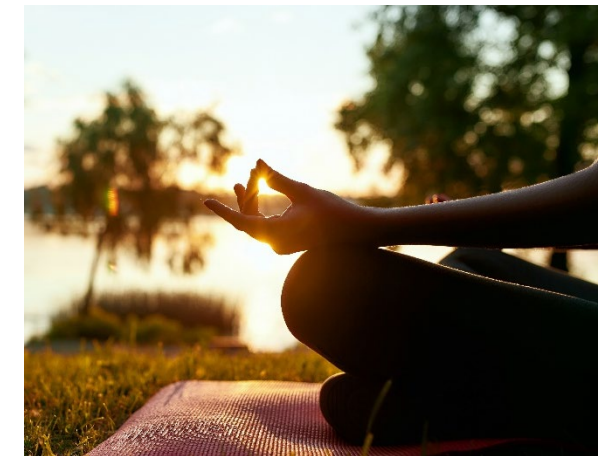
- Recognition and measurement of DTA and DTL
 - Disclosures related to DTA, DTL, and UTT
 - Internal controls to ensure the accuracy and reliability of accounting for DTAs, DTLs, and UTTs
 - Potential questions the Audit Committee may ask auditors, including the probability of utilising DTA against future taxable profits, factors considered for DTA recognition, reliance on management experts, and methods used to account for uncertain tax treatments, etc.
- b. **Series 2 dealing audit strategy and audit plan:** This document highlights the importance of timely preparation, communication, and appropriate revisions during the audit process. Several Standards on Auditing (SAs) impact the auditor's strategy and plan. SA 300, *Planning an Audit of Financial Statements* provides the framework for developing an audit strategy and plan, while SA 315, *Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment* and SA 330, *The Auditor's Responses to Assessed Risks*

address risk assessment and responses to assessed risks. This document lists potential questions that audit committees may ask auditors in relation to audit strategy and plan such as covering communication plans, compliance with independence norms, use of experts, and identification of significant risks, areas where information technology tools are used, etc.

- c. **Series 3 dealing with audit of related parties:** With the background that related party relationships and related party transactions (RPTs) have been a source of major frauds recently, therefore RPTs have attracted focussed attention of NFRA. NFRA released its Series 3 of 'Auditor-Audit Committee' Interactions in relation to related parties. This document summarises the requirements regarding RPTs under various regulations like the Companies Act 2013, the SEBI LODR Regulations, Ind AS 24, *Related Party Disclosures* and SA 550, *Related Parties*. The document provides a list of potential questions that audit committees may ask auditors regarding RPTs, such as identification and completeness of related parties, evaluation of risks, business rationale of RPTs, approvals, and

compliance with regulatory requirements, etc.

(Source: (A) NFRA publication 'Auditor -Audit Committee* Interactions Series 1 (Part 2) Audit of Accounting Estimates and Judgments Income Taxes - Ind AS 12, dated 7 March 2025) ; (B) NFRA publication 'Auditor-Audit Committee* Interactions Series 2 Audit Strategy and Audit Plan – SA 300 etc.', dated 28 March 2025); (C) NFRA publication, 'Audit Committee* - Auditor Interactions Series 3 dealing with audit of Related Parties – Ind AS 24, AS 18 & SA 550, dated 28 March 2025)





Income-tax (Eighth Amendment) Rules, 2025

The Ministry of Finance (MoF) on 28 March 2025 has notified the Income-tax (Eighth Amendment) Rules, 2025. The notification pertains to amendments in the Income Tax Rules, 1962 effective from 1 April 2025. Changes have been made to Appendix II in Form No. 3CD, including updates to sections and/or wordings, and the omission of certain clauses like clause 28 and clause 29. Some of the key changes include:

- a. Clause 12: Inclusion of Section 44BBC of the Income-tax Act (IT Act) which deals with the presumptive taxation regime for non-resident cruise ship operators.
- b. Clause 19: Removal of references to expired Sections like 32AC, 32AD, 35AC, and 35CCB of IT Act.
- c. Clause 21: Inclusion of expenditure incurred to settle proceedings initiated in relation to contravention under such law as notified by the Central Government in the Official Gazette in this behalf.
- d. Clause 22: Detailed reporting of payments to Micro, Small, and Medium Enterprises (MSMEs) along with interest inadmissible under Section 23 of the MSM Development Act, 2006 and break up of timely and delayed payments under Section 15 of the MSME Act.
- e. Clause 26: Changes in language to provide clarification for reporting under Section 43B of the IT Act.
- f. Clause 31: Inclusion of drop down fields for reporting of nature of loans or deposits, and their repayments.
- g. Clause 36B: Inclusion of a new clause in relation to buyback of shares.

(Source: Circular No.: Notification-no-23-2025 for Income-tax (Eighth Amendment) Rules, 2025, dated 28 March 2025)





Updates from SEBI

ICAI publishes volume XLIII of EAC opinions

In February 2025, the ICAI released Volume XLIII of its Compendium of Opinions finalised by the Expert Advisory Committee (EAC) between 12 February 2023 and 11 February 2024. This compendium delves into a variety of topics and provides insights and guidance on complex issues related to accounting, auditing, and presentation matters.

(Source: [ICAI.org/post/ethical-standards-board](https://www.icaai.org/post/ethical-standards-board). 'Compendium of Opinions - Volume XLIII', dated 25 March 2025)

IAASB issues implementation guide for ISA for less complex entities

The International Auditing and Assurance Standards Board (IAASB) has released 'First-Time Implementation Guide – The International Standard on Auditing of Financial Statement of Less Complex Entities (ISA for LCE)'. This guide provides an overview of the ISA for LCE's concepts, structure, and format. This guidance

does not change the authoritative text of the ISA for LCE but helps in understanding and applying it better.

(Source: <https://www.iaasb.org/news-events/2025-03/iaasb-releases-comprehensive-implementation-guide-isa-lce>, dated 27 March 2025)



Updates from RBI

IRDAI allows insurers to engage in bond forward contracts

On 10 March 2025, the IRDAI issued a circular allowing insurers to engage in forward contracts in government securities (bond forwards) for hedging purposes. This decision follows the Reserve Bank of India's (Forward Contracts in Government Securities) Directions, 2025, which permit any entity classified as a non-retail user to undertake bond forward transactions. However, insurers must adhere to specific provisions outlined in the circular in relation to:

- Restriction to taking only long positions in bond forwards
- Prohibition of using bond forwards for Unit Linked Insurance Products (ULIP) business
- Requirements for documentation, accounting, internal risk management policies and processes, and corporate governance, etc.
- Quarterly reporting of these transactions
- Compliance with RBI directions for bond forwards that are issued periodically
- Adherence to operational guidelines from the Fixed Income Money Market and

Dealers Association of India (FIMMDA).

This circular is designed to assist insurers in effectively managing interest rate risk.

(Source: [IRDAI Circular No IRDAI/F&I/INV/CIR/43/03/2025 'Exposure to Forward Contracts in Government Securities \(Bond Forwards\)'](#), dated 10 March 2025)



Other updates

IRDAI issues circular on cyber incident preparedness

The Insurance Regulatory and Development Authority of India (IRDAI) issued a Circular on Cyber Incident or Crisis Preparedness which outlines key guidelines and requirements for regulated entities to ensure effective readiness and response to cyber incidents. This circular also states that all regulated entities are required to establish a well-defined procedure / practice to ensure that the forensic auditor(s) are empaneled in advance and can be onboarded to conduct forensics and root cause analysis without any delay. It also requires **that conflict of interest should be avoided** by not using the same vendor which handles security operation centre, attack surface monitoring, red teaming, or conducting the annual assurance audit of the Regulated Entity and forensic audits.

(Source: Ref No.: Ref No: [IRDAI/GA&HR/CIR/MISC/49/03/2025 on Circular on Cyber Incident or Crisis Preparedness](#), dated 24 March 2025)



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Feedback/queries can be sent to in-fmcontact-us@bsraffiliates.com

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