Regulatory Digest

July 09, 2025

THE FINANCIAL SERVICES BULLETIN

INTRODUCTION

Mid 2025 continues to demonstrate promise for India Inc, which continues to remain a leading destination for foreign investments from a plethora of large-scale investors. While global markets are showing signs of slowing down[1], India stands out due to its economy, policies, and technology. The nation has received a total of USD 1.05 trillion in foreign direct investment inflows and with a record 27% increase in equity inflows in the first few months of financial year ("**FY**") 2025 (April 2025-present) alone.[2]

Nishith Desai Associates ("**NDA**"), in collaboration with the US-India Business Council ("**USIBC**"), is pleased to launch the June 2025 edition of our monthly financial services monthly roundup entitled "The Financial Services Bulletin". Through this publication, we aim to cull out key developments in the financial services industry that, in our view, "summarize the month". Our roundup has been meticulously curated into two parts: Part 1 covers developments in the financial services industry, while Part 2 provides updates from the broader business world, ensuring that key developments relevant to our stakeholders are concisely discussed.

PART I - REGULATORY UPDATES

FINANCIAL SERVICES

[Names / photos of following people to feature here after the heading, with the title "Leaders" –

(i) Vaibhav Parikh, email ID, office

(ii) Viral Mehta, email ID, office

(iii) Nishchal Joshipura, email ID, office]

1. Reserve Bank of India ("RBI") revises priority sector lending ("PSL") norms for small finance banks ("SFBs").[3]

On June 20, 2025, the RBI updated the PSL guidelines for SFBs, lowering the overall PSL requirement from 75% to 60% of Adjusted Net Bank Credit ("**ANBC**") or Credit Equivalent of Off-Balance Sheet Exposures ("**CEOBE**"), whichever is greater. SFBs must still allocate 40% of their ANBC or CEOBE (whichever is higher) to various PSL sub-sectors as per the current PSL framework. The remaining 20% can be directed towards any PSL sub-sector(s) where the bank holds a competitive edge. This revision, effective from FY26 (i.e., April 1, 2026), is intended to provide greater operational flexibility and sustainability for SFBs, while upholding their financial inclusion objectives. The move is expected to strengthen risk management and support portfolio diversification.

2. RBI releases revised directions for project financing norms.[4]

On June 19, 2025, the RBI issued the RBI (Project Finance) Directions, 2025 ("**Directions**"), effective October 1, 2025, to establish a unified framework for project financing by banks, non-banking financial companies ("**NBFCs**"), and other regulated entities. These Directions come in the aftermath of draft directions on the topic that were issued in May 2024, and significantly ease prudential requirements for infrastructure loans and revise provisioning norms for commercial real estate and related sectors across both construction and operational phases. Importantly, the Directions specify that a 1.25% provision is to be made for commercial real estate loans.

Regulatory treatment for changes in the date of commencement of commercial operations ("**DCCO**") has been amended as per direction 22, with non-performing assets upgrades permitted only after satisfactory post-DCCO performance. Direction 23, additionally, requires lenders to closely monitor stressed projects and promptly initiate resolution plans. Prior to disbursement, lenders must ensure possession of at least 50% of project land for public private partnership infrastructure projects and 75% for other projects. This move by RBI has been well received by the market and lending community, causing a boost in shares of project financing companies and state-run banks.

3. RBI releases a Master Direction on Electronic Trading Platforms.[5]

On June 16, 2025, the RBI released a Master Direction for Electronic Trading Platforms ("**Master Direction**"), aiming to supersede the earlier 2018 regulation (i.e. Electronic Trading Platforms (Reserve Bank) Directions, 2018). Electronic trading platforms ("**ETP**") refer to electronic systems (not being stock exchanges) where trading of foreign exchange instruments, derivatives, etc. is conducted.

This Master Direction proposes certain revisions to increase safety of all stakeholders by restricting operation of unregulated ETPs through the newly prescribed tighter requirements. Pertinently, certain key amendments include: (i) all

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June 16, 2025

applications for registration as an ETP will now need to be filed only on the RBI's PRAVAAH portal (and not submitted physically); and (ii) ETPs will have to undertake prescribed quarterly reporting on the "*functioning of the platform*", along with detailed annual reporting, which will enable routine regulatory oversight. The framework mandated some technological, operational and risk management requirements, and data and reporting obligations requiring ETPs to maintain data records for a designated time period.

FOREIGN PORTFOLIO INVESTMENT AND PUBLIC MARKETS

[Names / photos of following people to feature here after the heading, with the title "Leaders" –

(i) Kishore Joshi, email ID, office

(ii) Viral Mehta, email ID, office

(iii) Nishchal Joshipura, email ID, office]

1. Securities and Exchange Board of India ("SEBI") amends several regulations in a recent press release.

On June 18, 2025, SEBI conducted a press conference addressing major changes in the current regulations. This was with the objective of promoting "*Ease of doing Business*" for investors[6]. Few critical developments are as follows:

1.1. Amendments to SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 and SEBI (Share Based Employee Benefits and Sweat Equity) Regulation, 2021 relaxing certain requirements related to public issues.

- The amendment exempted equity shares arising out of conversion of fully paid-up compulsorily convertible securities ("**CCS**") acquired pursuant to an approved merger from of the requirement of a minimum holding period of one year before such shares would be eligible for offer for sale in public issues. This amendment will facilitate initial public offerings ("**IPOs**") in India for companies that are contemplating reverse flipping (i.e. shifting their domicile from a foreign country back to India). In recent times, multiple companies have undertaken an inbound merger into India to facilitate their "flip" into India (such as Groww, Zepto, Pine Labs, Meesho, etc.).[7]
- The amendment has now allowed the "*relevant person*"[8] to contribute the equity shares they acquired from conversion of fully paid-up CCS towards minimum promoter contribution requirements.
- The amendments have allowed the founders classified as "promoters", who have received any share-based benefits such as employee stock ownership at least one year prior to the filing of the draft red herring prospectus ("**DRHP**") with SEBI, to continue holding, and/or exercising such benefits even after being specified as the promoter(s) and company becoming listed. This move was taken to promote start up culture in India, as opposed to the existing regime which requires founders classified as promoters to liquidate their share-based benefits prior to listing.
- SEBI has mandated dematerialization of securities before filing of DRHP by the: (i) promoter group, (ii) selling shareholders, (iii) key managerial personnels, (iv) senior management, (v) qualified institutional buyers, (vi) directors, (vii) employees, (viii) shareholders with special rights, (ix) all entities regulated by financial sector regulators, (x) any other categories as may be specified by SEBI from time to time.

1.2. SEBI approves category I & II alternate investment funds ("AIFs") to offer co-investment opportunities within the AIF structure, to enhance ease of doing business for AIFs.

- 'Co-investment' ("**CIV**") means investment made by a manager or sponsor of the AIF or by investor of category I and II AIFs in unlisted investee companies where such a category I or II AIF(s) makes investment. This framework allows eligible participants to invest alongside the AIF in specific unlisted companies, thereby increasing flexibility and enabling more targeted capital deployment. For each co-investment in an investee company, a separate CIV scheme will be launched, subject to safeguards to ensure that the scheme is used only for bona fide purposes. This initiative is expected to support capital formation in unlisted companies through AIFs.

1.3. SEBI approves a proposal to relax regulatory compliances for foreign portfolio investment ("FPIs") investing only in Government Securities ("G-Secs") (hereinafter referred to as "GS-FPI") to facilitate ease of doing business.

- The Board has approved certain relaxations for GS-FPIs, such as (i) less frequent mandatory KYC reviews of GS-FPI investors, (ii) FPIs that exclusively invest in G-Secs under the fully accessible route shall not be required to furnish investor group details, (iii) Non-resident Indians, Overseas Citizens of India and Resident Indians individuals shall be permitted to be constituents of GS-FPIs without any restrictions, (iv) GS-FPIs permitted to intimate all material changes within 30 days (instead of 7 days).

PART II - BUSINESS AND NEWS UPDATES

TRADES, TRENDS, LEGISLATIONS AND LITIGATION

1. Japan's Sumitomo Mitsui Banking Corporation ("SMBC") acquires 20%shareholding in Yes Bank.

SMBC recently signed definitive agreements to acquire 20% shareholding in India's Yes Bank for approximately INR 13,400 crore (approximately USD 1.56 billion). This deal marks the largest cross-border investment ever made in India's banking industry.[9] This is likely to be a trendsetter for other foreign banks contemplating to enter the Indian market, particularly since existing Indian foreign investment norms have deterred foreign banks from acquiring large stakes in Indian banks. Indian law caps foreign investment in an Indian private bank at 74% (with government approval being required for foreign investment beyond 49%). Additionally, foreign banks cannot hold more than 20% shareholding in an Indian public sector bank without prior approval of RBI.

2. HDB Financials' IPO set to make record as the largest NBFC IPO

The USD 1.5 billion IPO of HDB Financial Services Limited in June was the largest in India thus far this year and also the biggest IPO ever by a non-bank lender. This IPO comprised of a fresh issue of INR 2,500 crore and an offer for sale of INR 10,000 crore by HDFC Bank, which held a 94.36% stake in HDB Financial Services. HDFC Bank intends to utilize the proceeds from the offer for sale to reduce its shareholding in the non-banking lender[10]. We have analysed the interesting

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legal and regulatory reason for the occurrence of this IPO (and similar IPOs in the NBFC sector) in detail in our "Deal Talk", available here.

3. RBI announces latest monetary policy update

On June 6, 2025, the new June 2025 Monetary Policy was announced. The key highlights are as follows:

- 50 basis points reduction in the repo rate, bringing it down to 5.50%;
- Medium-term CPI inflation target is set to be 4% (±2%) whereas the CPI inflation for 2025-26 is projected to be at 3.7%; and
- GDP growth for 2025-26 is projected to be at 6.5%.
- These measures reflect the RBI's commitment to balancing inflation control with the need to stimulate economic growth in the coming year.

4. Resurgence of India's IPO Market in June 2025.

India's IPO market saw a strong resurgence in June 2025, with activity rebounding after a slow start to the year. The slowdown until May was largely attributed to global market volatility, war, India-US tariff uncertainties and cautious investor sentiment[12], but momentum picked up as India's regulatory environment improved, with supportive policies from SEBI and the RBI encouraging more listings. In May alone, Indian companies raised USD 6.4 billion through share sales[13]. By June, many IPOs with regulatory nods are in the pipelines, highlighting a robust pipeline ready to hit the market. FPI flows also turned positive in June, with net FPI investments crossing INR 12,000crore[14], underscoring growing international interest. Looking ahead, India could raise up to USD 2.4 billion through IPOs in July, as optimism and economic confidence continue to rise.

5. SEBI raids shell companies involved in INR 300 'pump and dump' scheme across Ahmedabad, Mumbai, and Gurugram.

In June 2025, SEBI executed its largest-ever raids by monetary value, targeting an INR 300 crore pump and dump scheme spanning Ahmedabad, Mumbai, and Gurugram. The operation focused on 15–20 shell companies, allegedly established by promoters of certain listed entities to artificially inflate and then offload their own shares. These shell companies, registered as proprietary traders, engaged in large-scale buying to drive up stock prices, subsequently selling these shares at a profit to unsuspecting retail investors once prices peaked. While SEBI typically issues prohibitory orders in such cases, it rarely invokes its search and seizure powers as it did here, seizing company documents and other evidence for further analysis. This decisive action, coupled with SEBI's increased monitoring of various communication channels, underscores the regulator's proactive and evolving approach to combating sophisticated market manipulation schemes and protecting investor interests.[15]

6. Sun TV family feud: fraud, misgovernance and much more.

Dayanidhi Maran, a member of Parliament from the Dravida Munnetra Kazhagam ("**DMK**") party, in a legal notice accused his brother Kalanithi Maran and several others of "fraudulent practices" and "misgovernance" in taking control of the media giant after their father's death. In the notice, he alleged that Kalanithi Maran allotted 12 lakh equity shares of Sun TV at a price of INR 10 each to his name without proper assessment. The notice reportedly called the transfer void and fraudulent. Sun TV denied claims of a dispute between the Maran brothers and said that these claims date 2003 and there are no fresh legal notices.[16]

7. MakeMyTrip raises USD 3.1 billion in APAC's biggest equity-bond deal since 2022.

MakeMyTrip Limited has successfully raised USD 3.1 billion through a concurrent registered primary equity follow-on and a Rule 144A convertible bond offering, marking the largest such transaction in the Asia-Pacific region since 2022. The primary equity follow-on comprised an issuance of 18,400,000 ordinary shares, each priced at USD 90, while the five-year convertible senior notes were issued at a 0% coupon with a 35% conversion premium.[17] The net proceeds from these offerings are designated for the buyback of shares held by Chinese Trip.com Group Ltd., thereby reducing Trip.com's equity stake in MakeMyTrip from 45.34% to below 20%, although Trip.com will continue to serve as the company's largest minority shareholder[18]. This landmark capital raise not only strengthens MakeMyTrip's financial position but also represents a significant development in the realignment of its shareholding structure.

8. Lilavati Kirtilal Mehta Medical Trust ("LKMM Trust") and HDFC Bank CEO locking horns.

LKMM Trust has initiated an INR 1,000 crore defamation suit against HDFC Bank's CEO, Sashidhar Jagdishan, alleging that he made malicious statements against LKMM Trust. In addition to the civil suit, LKMM Trust filed a criminal complaint before the magistrate court in Girgaon and has contested HDFC Bank's assertion regarding an INR 65 crore loan allegedly tied to Splendour Gems Limited, a company owned by the Mehta family. This legal action follows closely on the heels of Mr. Jagdishan's petition before the Bombay High Court seeking to quash a First Information Report ("**FIR**") that accuses him of accepting an INR 2.05 crore bribe in a matter related to the Trust.

HDFC Bank has categorically denied allegations, asserting that its actions are aimed solely at recovering long-outstanding dues from Splendour Gems, which defaulted on a consortium loan originally granted in 1995 and now totals approximately INR 65.22 crore including interest. It maintains that the legal proceedings initiated by the LKMM Trust, and members of the Mehta family are retaliatory, intended to obstruct legitimate recovery efforts, and constitute a misuse of the legal process. HDFC Bank has indicated its intention to pursue appropriate legal remedies against what it describes as baseless and malicious allegations.[19]

9. India's ongoing negotiations with UK on the India-UK free trade agreement ("FTA") likely to conclude.

India and UK have reached the near-final stages of negotiations with respect to their FTA, and the deal is likely to be signed by July end.[20] While the FTA will have to be adopted separately by the Indian and UK cabinets, key features of this FTA will include reduction of tariffs on imports (i.e. approximately across 90% product lines) facilitating enhanced market access, consumer benefits and growth of critical sectors such as life sciences, automative manufacturing, information technology, etc.

10. India ranks 99th on the UN Sustainable Development Goals Index 2025.

India climbed 10 spots in UN's 2025 Sustainable Development Goals Index, marking its first entry into the top 100 with a score of 67. On a macro level, the report proposes that progress on the implementation of sustainable development goals has slowed down globally, and only 17% of the 17 targets are projected to be achieved by 2030.[21]

CONCLUSION

June saw meaningful regulatory and business strides particularly across financial services and the Indian public markets, with critical regulatory changes expected going forward. As always, we'll continue tracking how these changes shape the investment and compliance landscape in the months ahead.

[1] https://www.bbc.com/news/articles/c24q15d9yq0o.

[2] *ibid*

[3] https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12875&Mode=0.

[4] https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12873&Mode=0.

[5] https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12870&Mode=0.

[6] https://www.sebi.gov.in/media-and-notifications/press-releases/jun-2025/sebi-board-meeting_94657.html#.

[7] *See generally*: https://www.nishithdesai.com/NewsDetails/9600.

[8] Relevant persons include (i) alternative investment funds, (ii) foreign venture capital investors, (iii) scheduled commercial banks, (iv) public financial institutions, (v) insurance companies registered with IRDAI, (vi) any non-individual public shareholder holding at least 5% of the post-issue capital, or (vii) any entity forming part of promoter group.

[9] https://economictimes.indiatimes.com/markets/stocks/news/smfg-stake-buy-in-yes-bank-to-pave-way-for-other-foreign-entrants-in-indian-banking-sector-fitch/articleshow/121434758.cms?from=mdr.

[10] https://www.sebi.gov.in/filings/public-issues/jun-2025/hdb-financial-services-limited-rhp_94689.html.

[11] https://www.reuters.com/world/india/indias-ipo-market-eyes-24-billion-offerings-july-confidence-rebounds-2025-07-01/#:~:text=India's%20IPO%20market%20had%20its,optimistic%20about%20more%20economic%20growth.

[12] https://www.cnbc.com/2025/06/19/cnbcs-inside-india-newsletter-is-indias-hot-ipo-market-cooling-or-is-it-a-blip.html.

[13] *Ibid.*

[14] https://www.fpi.nsdl.co.in/web/Reports/Yearwise.aspx?RptType=6.

[15] https://www.moneycontrol.com/news/business/sebi-raids-shell-companies-involved-in-rs-300-pump-and-dump-scheme-across-ahmedabad-mumbai-and-gurugram-13148006.html.

[16] https://www.moneycontrol.com/news/india/sun-tv-family-feud-dmk-mp-dayanidhi-maran-sends-legal-notice-to-billionaire-brother-kalanithi-maran-13146950.html.

[17] https://www.business-standard.com/companies/start-ups/makemytrip-raises-3-1bn-in-apac-largest-equity-bond-offering-since-2022-125062001181_1.html.

[18] https://economictimes.indiatimes.com/tech/startups/makemytrip-raises-3-1-billion-in-landmark-deal-to-slash-chinese-firm-trip-coms-stake-to-20/articleshow/121976288.cms?from=mdr.

[19] https://www.hindustantimes.com/cities/mumbai-news/lilavati-trust-slaps-1-000-crore-defamation-suit-on-hdfc-bank-ceo-101750447318659.html.

[20] https://www.livemint.com/news/indiauk-free-trade-deal-likely-to-be-inked-by-july-end-commerce-secretary-in-london-to-expedite-process-11750772330438.html.

[21] https://www.outlookbusiness.com/planet/climate/india-99th-un-sdg-index-2025-global-progress-slows.