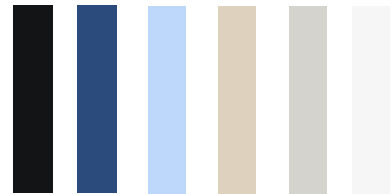




MONTHLY NEWSLETTER

- The Business Brief

GNLU CENTRE FOR
BUSINESS AND PUBLIC
POLICY



Welcome to the inaugural edition of the GNLU Centre for Business and Public Policy's Monthly Newsletter! In the second issue, we explore the major business developments of October. From economic trends and policy shifts to emerging technologies and industry insights, we bring you a carefully curated selection of articles and analysis.

**Volume I
Issue II**

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**GNLU CENTRE FOR BUSINESS
AND PUBLIC POLICY**

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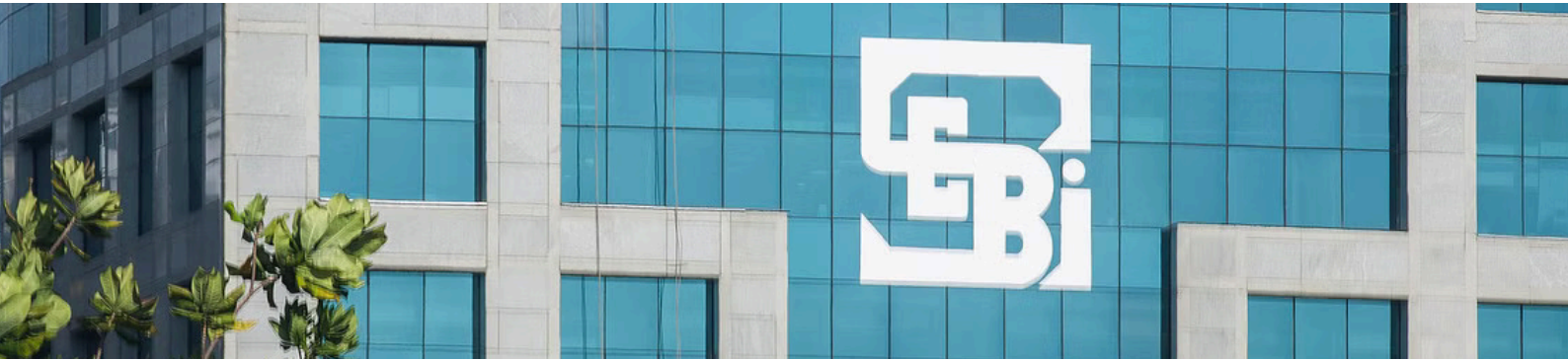
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SEBI ANNOUNCES 6-STEP FRAMEWORK TO GET INDIANS RID OF F&O ADDICTION



In light of recent shifts within the derivatives segment, including increased retail participation, the availability of short-term contracts, and heightened trading volumes on expiry days, SEBI has introduced a series of measures aimed at bolstering market stability and protecting investors. It will start implementing a new framework to regulate the high-risk world of futures and options (F&O) by taking six measures including increasing the contract size to Rs 15 lakh from Rs 5-10 lakh and limiting weekly expiries to one per exchange. The new rules come into effect in a graded manner beginning from November 20 and is based on recommendations by an Expert Working Group (EWG) to strengthen the equity index derivatives framework.

One key measure is the requirement for upfront margin collection, which will now include the net options premiums payable at the client level to mitigate associated risks. Another reform involves removing calendar spread benefits on expiry days, designed to minimize basis risk by disallowing calendar spread treatment for contracts expiring that day, effective from February 1, 2025. Additionally, SEBI mandates intraday monitoring of position limits on expiry days to prevent excessive position creation, with exchanges conducting at least four intraday snapshots to track these limits starting April 1, 2025.

To align contract sizes with current market conditions, SEBI has recalibrated the minimum contract value for index derivatives, setting it between INR 15 and 20 lakhs to reflect market growth. This adjustment will apply to all new contracts introduced after November 20, 2024. SEBI also seeks to curb speculative trading on expiry days by limiting weekly index derivatives offerings to a single benchmark index per exchange, a measure also effective from November 20, 2024. Lastly, to cover heightened speculative activity risks, an additional Exposure Limit Margin of 2% will be applied to all short options contracts on expiry days.

SEBI'S NEW INVESTMENT CATEGORY: A GAME-CHANGER FOR MID-LEVEL INVESTORS

On 30th September, SEBI gave nod for a new asset class called “investment strategies”. Until now, Indian investors were only having limited options: affordable mutual funds for common man or PMS and Alternative Investment Funds (AIFs) for High Net Worth Individuals (HNIs), leaving mid-range investors uncatered. This new asset class by SEBI, provides access to advanced strategies like long-short equity and inverse ETFs which are usually used by managers of PMS and AIFs who invest in crores, to even mid-range investors.

Some notable features about this new asset class is as follows:

- Long-short equity funds allow managers to profit from both gains and declines in the market by taking “long” positions on anticipated gainers and “short” positions on expected losers.
- InverseETFs, meanwhile, benefit during market downturns, appealing to investors with a bearish outlook or those seeking market protection. Inverse ETFs do the same job that “credit default swaps” did in the 2008 financial crisis.
- The new asset class has a minimum ticket size of Rs 10 lakh. Mutual funds have a minimum amount as low as Rs 100.

This new asset class offers greater options for serious investors seeking advanced strategies and improved risk management, particularly in uncertain markets. With better liquidity, many funds in this category may even be exchange-listed, just like regular ETFs, making them more flexible for investors. However, expense ratios may be higher due to active management, and the complexity of these strategies requires a level of financial acumen.



SUPREME COURT OVERRULES NCLAT'S BYJU'S-BCCI SETTLEMENT ORDER

"Inherent powers cannot be used to subvert legal provisions which exhaustively provide for a procedure."

On 23rd October, the Supreme Court of India set aside a prior order of the National Company Law Appellate Tribunal (NCLAT), which had approved a settlement agreement between Byju's and the Board of Control for Cricket in India (BCCI). Under this settlement, Byju's had agreed to pay Rs. 158 crores towards outstanding dues owed to BCCI. The National Company Law Tribunal (NCLT) had earlier commenced the Corporate Insolvency Resolution Process (CIRP) against Byju's under the Insolvency and Bankruptcy Code, 2016 (IBC). This NCLT order was subsequently overturned.



The three-judge bench presided by Chief Justice of India D Y Chandrachud found that the NCLAT erred in allowing the withdrawal of the insolvency application by invoking its inherent powers under Rule 11 of the NCLAT Rules, 2016. The Court clarified that Rule 11 cannot be used to bypass the provisions in the Insolvency and Bankruptcy Code, 2016 (IBC).

The Supreme Court observed that, as of July 31, 2024, when the settlement between Byju's and BCCI was recorded before the NCLAT, a Committee of Creditors (CoC) had not yet been constituted, though the Corporate Insolvency Resolution Process (CIRP) had already been initiated. The Court noted that IBC regulations mandate a specific procedure for withdrawal of an admitted insolvency application, which includes:

1. Submission of a withdrawal application by the Interim Resolution Professional.
2. Review and approval of the application by the CoC (once constituted).
3. Formal approval of the withdrawal by the National Company Law Tribunal.

In this case, none of these procedural requirements were adhered to, as the application for withdrawal was not submitted by the IRP but directly by the parties involved. The Supreme Court directed that Byju's deposit Rs. 158 crores, along with accrued interest (if any), into an escrow account maintained by the CoC. The CoC is to hold this amount in escrow until further orders or developments in the CIRP proceedings.

SEBI INTRODUCES LIQUIDITY WINDOW TO BOOST EARLY REDEMPTION OF DEBT SECURITIES

On October 16, 2024, SEBI introduced a 'Liquidity Window' facility to enhance liquidity in the corporate bond market, especially for retail investors, effective from November 1, 2024. Under Regulation 15 of the SEBI (NCS) Regulations, 2021, this facility offers a structured early redemption mechanism for debt securities, promoting greater market accessibility and investor confidence.

The Liquidity Window enables issuers of debt securities to provide 'put options', allowing investors to redeem their holdings before maturity. This applies exclusively to new issuances, through either public issues or private placements, giving investors the flexibility to exit investments on specific dates. Issuers can exercise discretion in making the liquidity window available for each debt security, on an ISIN basis, and specify investor eligibility—whether open to all or restricted to retail investors. Importantly, eligible investors must hold the securities in demat form to avail of this facility.

Operationally, the liquidity window will be available for a three-day period, either monthly or quarterly, at the issuer's discretion. Issuers must disclose the liquidity schedule in the offer document and annually notify investors via SMS/WhatsApp about the window's availability. Debt securities will be valued on 'T-1' day (the day before the window opens) with a cap on any discount at a maximum of 100 basis points below the valuation plus accrued interest. Settlement must be completed within four working days ('T+4') from the first day of the window.

Issuers are required to report to the stock exchanges within three days after the liquidity window closes, and also inform depositories and debenture trustees within the stipulated timeline for extinguishing redeemed securities.

This initiative strengthens market transparency, enhances liquidity, and supports a more active debt market by providing retail investors with a structured path to early redemption, potentially fostering greater participation and confidence in corporate bonds.



NEW LIQUIDATION MECHANISM INTRODUCED BY IBBI

The IBBI has tied up with the Indian Banks Association, to facilitate the auction of stressed assets through the EBKray platform, which has been conducting auctions for assets under the SARFAESI Act since the past five years.

Stressed assets, currently undergoing liquidation proceedings, under the insolvency and bankruptcy law, shall now be listed and auctioned through this centralized electronic platform which is owned by a consortium of multiple state banks to maximize recovery for creditors.

Currently, the auctions for such assets happen through multiple platforms with the details of the company's assets which are being auctioned, being revealed only at the time of notice of the auction. This has been heavily criticized since it restricts the time for potential buyers to assess the value of the assets. This centralized system solves the aforesaid issue by giving sufficient time to the buyers to assess the value of the auctioned assets.

This proposed mechanism, has already been tested out and is expected to bring 'better transparency and clarity' - as it leads to a larger market for prospective buyers and ensures better price discovery along with higher returns. By enhancing transparency and efficiency through such a technologically advanced platform, EBKray aims to increase bidder participation, streamline operations and maximize returns to creditor; said the insolvency regulators.

The proposed single listing platform shall host all assets being sold in a liquidation proceeding and shall offer detailed information of the assets including photographs, videos, and geographical coordinates.



भारतीय दिवाला और शोधन अक्षमता बोर्ड
Insolvency and Bankruptcy Board of India



SPICEJET INSOLVENCY: A SEALED FATE

One of India's major low-cost airlines, SpiceJet, is navigating a complex series of insolvency proceedings, signalling acute financial distress amid demands from multiple creditors. Several of these creditors, notably aircraft lessors Willis Lease Finance and Aircastle Ireland, have filed claims before the National Company Law Tribunal (NCLT) under India's Insolvency and Bankruptcy Code (IBC). Among these is a high-profile bankruptcy petition from Techjockey Infotech, alleging unpaid dues of approximately ₹1.2 crore for software services provided. If SpiceJet is unable to settle with these creditors, it shall risk entering corporate insolvency resolution proceedings under NCLT supervision.

SpiceJet's financial turmoil extends beyond direct creditors, as former promoter Kalanithi Maran also claims the airline owes him ₹579 crore from a 2018 arbitral award. This legal contention underscores the airline's substantial cumulative debt, which includes obligations to former stakeholders, service providers, and lessors. The mounting cases, led by Techjockey and prominent lessors, intensify the carrier's legal and financial strain.

SpiceJet's challenges mirror those faced by other Indian carriers, such as Go First, which entered insolvency proceedings in early 2024. However, SpiceJet's situation exemplifies the broader struggles of low-cost carriers operating in a fiercely competitive, capital-intensive market. Pressures from regulatory costs, intense competition, and volatile fuel prices compound these challenges. Despite a recent Qualified Institutional Placement (QIP) aimed at debt management, the airline's significant accumulated debt and ongoing creditor claims obscure the path to recovery.

The upcoming NCLT hearings are crucial; if the tribunal upholds the petitions, SpiceJet may either pursue a resolution plan or face liquidation without a feasible recovery strategy. While the airline's leadership remains hopeful, citing potential strategic investments and restructuring, ongoing legal battles and reduced revenue from grounded flights present substantial hurdles to achieving financial stability.



MESSAGE FROM THE NEWSLETTER TEAM

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