



Introduction:

Section 186 of the Companies Act, 2013 pertains to compliances to be made by companies with respect to loans made, guarantees given, securities provided and investments made by the companies.

Section 186 (11):

However, Section 186(11) of the Companies Act, 2013, provides an exemption to

- a banking company, an insurance company, a housing finance company, or any company engaged in the business of financing other companies or of providing infrastructural facilities, in respect of any loan made, guarantee given, or security provided by such companies in the ordinary course of their business.
- any acquisition made by a Non-Banking Financial Company registered with RBI & whose principal business is acquisition of securities

MCA's Amendment – Section 186(11) & Companies (Meetings of Board and its Powers) Amendment Rules, 2025:

The Ministry of Corporate Affairs (MCA) has now issued the Companies (Meetings of Board and its Powers) Amendment Rules, 2025, which redefine the scope of this term through an amendment to Rule 11(2) of the 2014 Rules dated 03rd November, 2025.

Pursuant to this amendment, Section 186(11) provides exemption to any loan made, any guarantee given or any security provided or any investment made by a banking company, or an insurance company, or a housing finance company in the ordinary course of its business, or a company established with the object of and engaged in the business of financing industrial enterprises, or of providing infrastructural facilities.

The newly substituted Rule 11(2) offers much-needed clarity on the meaning of “business of financing industrial enterprises” and specifies that it shall include:

For NBFCs registered with the RBI –

Business of giving any loan or providing any guarantee or security for repayment of any loan availed by any person in the ordinary course of its business.

For Finance Companies registered with the IFSCA –

Activities specified under Regulation 5(1)(ii)(a) or (e) of the IFSCA (Finance Company) Regulations, 2021, carried out in the ordinary course of business.



This dual clarification ensures that both domestic NBFCs and finance companies operating in international financial service centers enjoy consistent treatment under the Act.

Key takeaways:

- No Section 186 approval needed for core financing activities: NBFCs and IFSCA finance companies can now provide loans, guarantees, and securities without Board or shareholder approval under Section 186, provided such activities are part of their ordinary business.
- Reduced duplication of compliance: The change eliminates overlapping reporting and approval requirements that previously applied to transactions already governed by RBI or IFSCA regulations.
- Regulatory certainty: By formally defining the scope, the amendment prevents interpretational disputes and simplifies audits, secretarial compliance, and board-level approvals.

In essence, the MCA has recognized the distinct operational nature of financing entities, reinforcing that their lending and guarantee functions are intrinsic to their business model rather than inter-corporate investments.

Conclusion

The MCA's 2025 amendment represents a forward-looking reform that bridges the gap between company law and financial regulation. It acknowledges the special position of NBFCs and IFSCA-registered finance companies within India's financial ecosystem—allowing them to conduct their legitimate business activities without procedural bottlenecks.

This clarification is expected to streamline compliance, enhance regulatory coherence, and contribute to a more efficient corporate finance environment under the Companies Act framework.

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