



The Reserve Bank of India is informally directing conglomerates to consolidate fragmented non-banking financial subsidiaries during routine compliance audits, prioritizing supervisory clarity over operational complexity. This shift—evident in recent SBR discussions with Mumbai-based capital markets firms and northern FMCG giants—aims to enhance risk visibility and curb hidden group-level vulnerabilities, as per Economic Times reporting (Dec 10, 2025).

The Regulatory Shift Takes Shape

Recent conversations between central bank examiners and leadership teams at several prominent corporations have emphasized the benefits of consolidating overlapping non-banking finance and investment operations. **Organizations ranging from a prominent capital markets and real estate intermediary based in Mumbai to a leading FMCG powerhouse in northern India have received these suggestions, though regulatory guidance has remained primarily verbal rather than formally documented.** The underlying message is clear: sprawling organizational architectures within financial services require simplification.

Why Consolidation Matters

The rationale behind this push extends beyond administrative tidiness. A leaner corporate structure facilitates more transparent risk profiling and enables supervisory authorities to gain superior visibility into potential vulnerabilities. Industry observers point to several compelling reasons for this regulatory stance.

The risks posed by fragmented structures are multifaceted.

1. Dispersed financial entities can inadvertently create opportunities for regulatory circumvention.
2. They may conceal elevated leverage ratios and timing misalignments between asset and liability positions—problems that remain hidden when each subsidiary complies with standalone safety thresholds while the combined group faces fundamental instability.
3. Furthermore, intricate ownership architectures can obscure the identification of ultimate stakeholders, complicating the regulator's capacity to manage interconnected risks and monitor sector-wide systemic health," he noted.

Historical Lessons and Structural Safeguards

The regulatory approach reflects hard-earned lessons from previous financial disruptions. The institutional failures surrounding IL&FS and DHFL exposed vulnerabilities arising from intra-group financial flows, where capital and credit circulated between associated entities, sometimes masking deteriorating conditions. While such cross-subsidia



ry transactions have become less prevalent in recent years, the central bank remains vigilant about potential concentration of risk within loosely coordinated multi-entity frameworks.

Understanding NBFC Classification and Consolidation Drivers

Organizations maintain multiple financial subsidiaries for varied strategic reasons—distinct product lines, segmented investor bases, specialized operational models (such as family wealth management arms or fintech platforms), and distinct lending categories including asset-backed financing and precious metal-backed credit. However, regulatory expectations increasingly favor unified approaches.

For example : Family-Owned Groups With Many Investment Companies

Mehta Group has 4 promoter families.

To keep ownership separate, they created:

- Mehta Investments 1 Pvt Ltd
- Mehta Investments 2 Pvt Ltd
- Mehta Investments 3 Pvt Ltd
- Mehta Investments 4 Pvt Ltd

All four are **NBFC–Investment Companies**.

According to established classification standards, entities deriving more than half their asset base and income from financial operations must register as non-banking finance companies. This category encompasses lending platforms, leasing operations, equipment financing, and securities investment vehicles. Specialized subsidiaries—termed core investment companies—holding 90 percent or greater of net capital in group-affiliated equities and debt instruments also fall within this classification.

The consolidation philosophy appears calibrated toward operational specificity. Ownership diversification across family constituents or differentiated business activities once justified separate subsidiary frameworks, yet contemporary oversight models suggest these benefits pale against the complexities introduced to supervisory processes.

Consolidation Framework: Nuances and Exceptions

RBI expectations target overlaps while permitting genuine distinctions:



- Retail vs. Infrastructure Finance: Different risk/operations justify separation.
- Fintech vs. Legacy Lending: Distinct compliance models may warrant independence.
- CIC Exemptions: Pure holding companies serving strategic purposes often retained.

Philosophy: Consolidated governance, differentiated execution—evident in banking-NBFC separation norms and recent equity holding relaxations for banks in group finance arms.

Strategic Implications for Conglomerates

Affected groups face key decisions:

- Map Exposure: Review BENFORM/PBOC returns to identify overlapping NBFCs.
- Assess Viability: Evaluate Section 230/233 merger routes vs. operational separation.
- Engage Proactively: Schedule pre-SBR discussions with RBI Regional Offices.
- Timeline: 6-12 months typical for restructuring; NCLT fast-track available.

Benefits: Enhanced regulatory standing, streamlined governance, potential capital efficiency gains

Policy Evolution and Future Outlook

The regulatory approach reflects a consistent philosophical framework that has evolved over the past decade. Financial services industry veterans note that the RBI has persistently advocated for operational segregation within diversified groups, establishing a clear principle: consolidated governance structure, differentiated business execution. This stance has manifested in various policy adjustments, including constraints on banking entities seeking parallel non-banking licenses and systematic encouragement for groups operating multiple financial subsidiaries to rationalize their architecture.

Recent regulatory communications suggest a subtle softening of historical positions regarding financial ownership arrangements, particularly concerning banking institutions' equity holdings in specialized finance companies. This selective flexibility indicates that the consolidation agenda remains pragmatic rather than ideologically rigid, balancing supervisory objectives with legitimate business requirements.

Implications for Conglomerates

Organizations receiving these restructuring suggestions face meaningful strategic decisions. Consolidation demands will likely necessitate thoughtful business realignment, carefully preserving legitimate operational distinctions while eliminating unnecessary complexity. The process, though administratively demanding, promises enhanced regulatory standing and potentially streamlined governance frameworks that could yield long-term operational efficiencies.



Affluence Advisory Pvt. Ltd. Streamlining the Financial Services Ecosystem: RBI's Push for Simplified Group Structures

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