MEHTA & MEHTA
Corporate Legal Firm

VEDANAM वेदनम्

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Why Vedanam?

Mehta & Mehta proudly presents VEDANAM, our monthly newsletter designed to equip legal professionals, Company Secretaries, Chartered Accountants, and all Stakeholders navigating complex regulatory and legal environments. VEDANAM delivers meticulously curated:

- Timely Regulatory Updates
- Comprehensive Case Law Analysis
- Strategic Knowledge Article

With the release of our June 2025 issue, we reaffirm our commitment to providing you with the actionable knowledge needed to proactively navigate and thrive in today's dynamic business and legal landscapes.

Table of Content

Find the latest updates about our Webinars and Circulars, Notifications and Updates published by SEBI, MCA, RBI, IBBI and other official government site.

SEBI UPDATE - REVISION OF ORDER-TO-TRADE RATIO (OTR) FRAMEWORK

SEBI has revised the Order-to-Trade Ratio (OTR) framework applicable to all recognised Stock Exchanges (excluding Commodity Derivative exchanges) to reduce penalties on genuine algorithmic trading activity. Under the updated rules, orders placed within ±0.75% of the Last Traded Price (LTP) are exempt from OTR penalties. For equity option contracts, a significantly wider exemption band of ±40% of the LTP (premium) or ±INR 20 whichever is higher has been introduced to accommodate premium volatility. Most notably, Designated Market Makers (DMMs) are now entirely exempt from the OTR framework for their market-making orders, allowing them to provide continuous two-sided quotes without penalty. The OTR framework continues to apply to both the cash and derivative segments, and Stock Exchanges have been directed to update their bye-laws and disseminate these changes to all market participants.

SEBI UPDATE - REVISION OF ORDER-TO-TRADE RATIO (OTR) FRAMEWORK

SEBI UPDATE - REVIEW OF CALENDAR SPREAD MARGIN BENEFIT IN SINGLE STOCK DERIVATIVES ON EXPIRY DAY

SEBI has withdrawn the calendar spread margin benefit for single stock derivatives on the day of expiry, aligning their treatment with the existing rules for index derivatives. Under the prior framework, traders could offset positions across different expiry dates to reduce margin requirements; this benefit will no longer apply on expiry day for the expiring leg. For example, if a contract expires on the 29th, spread benefits for positions involving the 29th (paired with the 30th or 31st) will cease, while positions between non-expiring months (30th vs. 31st) remain eligible. The objective is to prevent sudden margin spikes the day after expiry, encourage timely rollover or close-out of positions, and protect trading members from margin shortfalls. Stock Exchanges and Clearing Corporations must update their systems, bye-laws, and margin calculation engines accordingly.

SEBI UPDATE - REVIEW OF CALENDAR SPREAD MARGIN BENEFIT IN SINGLE STOCK DERIVATIVES ON EXPIRY DAY

SEBI UPDATE - OBLIGATIONS ON CRAS FOR RATING INSTRUMENTS UNDER OTHER FINANCIAL SECTOR REGULATORS

SEBI has issued detailed obligations for Credit Rating Agencies (CRAs) when rating financial instruments regulated by other Financial Sector Regulators (FSRs) CRAs must maintain separate email IDs and distinct website sections for SEBI-regulated and non-SEBI activities.

Rating reports and press releases must explicitly state the name of the relevant FSR and confirm that SEBI's investor protection and grievance mechanisms are unavailable for such ratings. CRAs must obtain upfront written disclosures and client acknowledgements before engaging in non-SEBI activities. Any net worth requirements imposed by other FSRs must be maintained in addition to SEBI's minimum net worth, preventing capital dilution. A half-yearly internal audit undertaking approved by the Board of Directors must confirm ongoing compliance. Existing clients with outstanding non-SEBI ratings must be informed within 12 months.

SEBI UPDATE - OBLIGATIONS ON CRAS FOR RATING INSTRUMENTS UNDER OTHER FINANCIAL SECTOR REGULATORS

SEBI UPDATE - 4. CAPACITY PLANNING AND REAL-TIME PERFORMANCE MONITORING FRAMEWORK FOR COMMODITY DERIVATIVES SEGMENT (MIIS)

SEBI has overhauled the IT capacity planning framework for Market Infrastructure Institutions (MIIs) operating in the Commodity Derivatives Segment.The prior requirement of maintaining trading system capacity at 4x he historical peak order load has been replaced with a forward-looking standard: MIIs must now maintain installed capacity at a minimum of 2x the projected peak load. If actual capacity utilisation exceeds 75% of installed capacity for any system component, MIIs must take immediate corrective action including fine-tuning applications, enhancing hardware, and documenting breach protocols. The Standing Committee on Technology (SCOT) will oversee threshold breaches, and the Governing Board must jointly review and approve the Capacity Planning Policy before submission to SEBI. Within three months, MIIs must submit a comprehensive policy document, amend their bye-laws, and implement real-time monitoring systems. This circular harmonises commodity segment standards with those applicable to equity segment MIIs.

SEBI UPDATE - 4. CAPACITY PLANNING AND REAL-TIME PERFORMANCE MONITORING FRAMEWORK FOR COMMODITY DERIVATIVES SEGMENT (MIIS)

SEBI UPDATE - FORM FOR REGISTRATION OF STOCK BROKERS AND CLEARING MEMBERS

Following the repeal of the 1992 Stock Brokers Regulations and the introduction of the SEBI (Stock Brokers) Regulations, 2026, SEBI has formalised new standardised application forms for registration. Form A is introduced for stock brokers, requiring detailed disclosures of organisational structure, net worth, and personnel backgrounds (including PAN, qualifications, and derivatives experience). Form B mirrors these requirements for clearing members, with additional details about the relevant Clearing Corporation. Both forms mandate undertakings affirming compliance with the 'Fit and Proper Person' criteria, disclosure of insolvency or defaulter history, and a signed declaration that false information will lead to cancellation of registration. The registration certificate (Form C) remains valid indefinitely until suspended or cancelled. The retrospective effective date of January 7, 2026 prevents any regulatory gap during the transition period.

SEBI UPDATE - FORMS FOR REGISTRATION OF STOCK BROKERS AND CLEARING MEMBERS

SEBI UPDATE - REVISED NORMS FOR INDEPENDENT THIRD-PARTY REVIEWER/CERTIFIER FOR GREEN DEBT SECURITIES

To harmonise standards across all ESG Debt Securities (Green, Social, Sustainability, and Sustainability-Linked Bonds), SEBI has replaced the older third-party reviewer provisions under Chapter IX of the NCS Master Circular with a comprehensive new framework. Every issuer of green debt securities must now mandatorily appoint an independent third-party reviewer/certifier who satisfies three conditions: complete independence from the issuer's management, conflict-free remuneration, and demonstrated domain expertise in ESG debt instruments. The reviewer may provide one or more of four recognised forms of review Second Party Opinion, Verification, Certification against established standards (such as the Climate Bonds Standard), or an ESG Score/Rating. The scope of the review must be disclosed in the offer document, along with the reviewer's full credentials and methodology. This alignment ensures that green bond standards are consistent with those governing other ESG securities introduced under SEBI's June 2025 circular.

SEBI UPDATE - REVISED NORMS FOR INDEPENDENT THIRD-PARTY REVIEWER/CERTIFIER FOR GREEN DEBT SECURITIES

SEBI UPDATE - VALUATION OF PHYSICAL GOLD AND SILVER HELD BY MUTUAL FUND SCHEMES

SEBI has changed the valuation methodology for physical gold and silver held by Gold ETFs and Silver ETFs. Previously, NAV was computed using LBMA AM Fixing Prices (London), requiring multiple adjustments for currency conversion, transport costs, customs duty, and domestic premium/discount a process that created inconsistency across AMCs. From April 1, 2026, all mutual fund schemes holding physical gold or silver must use polled spot prices published by recognised domestic stock exchanges used for physical delivery of commodity derivatives (primarily MCX). This method directly reflects Indian market prices in INR, eliminates subjective adjustments, and ensures uniform NAV calculation across all fund houses. AMFI, in consultation with SEBI, will prescribe a detailed operational policy for implementation. The change is backed by the newly notified SEBI (Mutual Funds) Regulations, 2026, giving it stronger legal standing than a circular-level instruction.

SEBI UPDATE - Valuation of Physical Gold and Silver Held by Mutual Fund Schemes

SEBI UPDATE - DISCLOSURE OF REGISTERED NAME AND REGISTRATION NUMBER BY SEBI-REGULATED ENTITIES ON SOCIAL MEDIA PLATFORMS

Under the Ease of Doing Investment (EoDI) initiative, SEBI has made it mandatory for all SEBI-regulated entities including stock brokers, investment advisers, research analysts, mutual funds, portfolio managers, and their agents to display their SEBI-registered name and registration number on social media platforms (SMPs). This applies to all platforms including YouTube, Instagram, Telegram, WhatsApp, X, LinkedIn, and Reddit, covering both public and private/closed groups. Entities with a single registration must display their registration details on their profile and at the beginning of every piece of securities market content. Those with multiple registrations may link to their website on the profile page, displaying only the relevant registration at the start of each content piece. Agents must additionally display their principal entity's registration details. The rule is designed to help investors distinguish legitimate SEBI-registered professionals from unregistered 'finfluencers' and holds regulated entities accountable through a visible, verifiable identity trail.

SEBI UPDATE - Disclosure of Registered Name and Registration Number by SEBI-Regulated Entities on Social Media Platforms

SEBI UPDATE - CATEGORISATION AND RATIONALISATION OF MUTUAL FUND SCHEMES

SEBI has comprehensively revised the mutual fund scheme categorisation framework, superseding Clause 2.6 of the June 2024 Master Circular. All schemes are now classified into five broad groups: Equity (13 categories), Debt (17 categories), Hybrid (7 categories), Life Cycle Funds (newly introduced), and Other Schemes (Index Funds/ETFs and Fund of Funds). A significant new rule limits portfolio overlap between sectoral/thematic funds and other equity schemes of the same AMC to a maximum of 50%, with a three-year compliance glide path for existing schemes. Solution Oriented Schemes (Retirement Fund and Children's Fund) have been discontinued with immediate effect, and existing schemes must stop fresh subscriptions and merge with comparable alternatives. The most important new introduction is Life Cycle Funds goal-based target-date funds running from 5 to 30 years, with a dynamic glide path that automatically shifts allocation from equity-heavy to debt-heavy as maturity approaches, subject to exit loads to discourage premature withdrawal. Two new categories Sectoral Debt Fund and Ultra Short to Short Term Fund have been added to the debt segment. All existing schemes must realign with the new categories within six months.

SEBI UPDATE - CATEGORISATION AND RATIONALISATION OF MUTUAL FUND SCHEMES

RBI UPDATE - LENDING TO MICRO, SMALL & MEDIUM ENTERPRISES (MSME) SECTOR (AMENDMENT) DIRECTIONS, 2026

The Reserve Bank of India, in exercise of its powers under Sections 21 and 35A of the Banking Regulation Act, 1949, has issued the Lending to MSME Sector (Amendment) Directions, 2026. These Directions amend the Master Direction Lending to Micro, Small & Medium Enterprises (MSME) Sector, updated as on July 23, 2025, with a view to further easing credit access for MSMEs.

Prior to the amendment, Paragraph 4.1 of the Directions mandated banks not to accept collateral security for loans up to ₹10 lakh extended to units in the Micro and Small Enterprises (MSE) sector, including units financed under the Prime Minister Employment Generation Programme (PMEGP). Banks could avail the benefit of the Credit Guarantee Scheme where applicable. Additionally, Paragraph 6.5 of the Directions prescribed certain mandatory requirements for banks in relation to MSME lending, which formed part of the regulatory compliance framework.

The amendment substitutes Paragraph 4.1 to mandate that banks shall not accept collateral security for loans up to ₹20 lakh extended to units in the MSE sector and shall extend collateral-free loans up to ₹20 lakh to all units financed under PMEGP Banks are also permitted, based on the good track record and financial position of MSE units, to dispense with collateral requirements for loans up to ₹25 lakh as per their internal policies. Banks may continue to avail the benefit of the Credit Guarantee Scheme, where applicable. Further, acceptance of gold and silver pledged voluntarily by borrowers for loans up to the collateral-free limit shall not be treated as a violation. The amendment also deletes Paragraph 6.5 in its entirety.

RBI Update - Lending to Micro, Small & Medium Enterprises (MSME) Sector (Amendment) Directions, 2026

RBI UPDATE- VOLUNTARY RETENTION ROUTE – IMPARTING PREDICTABILITY AND INCREASING EASE OF DOING BUSINESS

Reserve Bank of India’s review of the Voluntary Retention Route (VRR) framework for Foreign Portfolio Investor (FPI) investments in debt instruments, certain amendments have been introduced with a view to impart greater predictability, simplify compliance, and enhance ease of doing business.The changes seek to rationalise investment limits andprovide additional flexibility to FPIs investing in the Indian debt market. Prior to the amendment, the Voluntary Retention Route operated as a separate investment channel for FPIs investing in Indian debt instruments. Investments made under the VRR were subject to distinct and standalone investment limits, over and above the limits prescribed under the General Route

for Central Government securities (including Treasury Bills), State Government securities, and corporate debt securities. Further, FPIs investing under the VRR were required to retain their investments for a minimum retention period, and exit or liquidation prior to the expiry of the chosen retention period was generally not permitted. Even after completion of the minimum retention period, FPIs who had opted for longer retention periods did not have the flexibility to liquidate their investments or exit the VRR before the end of such extended retention period.

Under the amended framework, the Reserve Bank of India has subsumed the investment limits applicable to the VRR into the corresponding investment limits under the General Route. Accordingly, all investments made under the VRR in Central Government securities, State Government securities, and corporate debt securities shall now be reckoned within the respective General Route limits. In addition,FPIs that have availed vailed retention periods longer than the minimum prescribed period have been granted enhanced exit flexibility, allowing them to liquidate their portfolio, either fully or partly, and exit the VRR upon completion of the minimum retention period. Further, all existing investments made under the VRR as on April 01, 2026, shall stand automatically transferred to the respective General Route investment limits.

RBI Update- Voluntary Retention Route – Imparting predictability and increasing ease of doing Business

RBI UPDATE - RESERVE BANK OF INDIA (RURAL CO-OPERATIVE BANKS – INCOME RECOGNITION, ASSET CLASSIFICATION AND PROVISIONING) AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (Rural Co-operative Banks – Income Recognition, Asset Classification and Provisioning) Amendment Directions, 2026 to rationalise and harmonise income recognition norms for Rural Co-operative Banks (RCBs).

Under the Reserve Bank of India (Rural Co-operative Banks – Income Recognition, Asset Classification and Provisioning) Directions, 2025, Rural Co- operative Banks were required to follow specific prudential norms on income recognition, including restrictions on recognising overdue income and requirements relating to provisioning. Income recognition for advances had linkage with recovery performance, and certain provisions (including matching provisions in specified cases) applied even in respect of Standard assets. Additionally, detailed prescriptions existed under paragraphs 52 to 56 and paragraph 58 governing income recognition and reversal norms.

The Amendment Directions, 2026 provide that:

Paragraph 52, paragraphs 53–56 and paragraph 58 of the 2025 Directions stand deleted

A new paragraph 52A permits banks to recognise income (interest, fee, commission or other income) on accrual basis in respect of credit facilities classified as 'Standard', without the requirement of making any matching provision.

For non-Standard assets (including Government-guaranteed facilities), income shall be recognised strictly on actual receipt (cash basis).

A new paragraph 58A mandates reversal of the entire accrued income (interest, fees, commission and other income) in past periods if a credit facility becomes NPA and such income remains unrealised. The amendments are effective immediately.

RBI Update - Reserve Bank of India (Rural Co-operative Banks – Income Recognition, Asset Classification and Provisioning) Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (NON-BANKING FINANCIAL COMPANIES – INCOME RECOGNITION, ASSET CLASSIFICATION AND PROVISIONING) AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Amendment Directions, 2026 to streamline provisioning norms for loan portfolios covered by Default Loss Guarantee (DLG) arrangements

Under the Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Directions, 2025, NBFCs followed Expected Credit Loss (ECL) provisioning in accordance with Indian Accounting Standards (IndAS).While DLG arrangements were selectively permitted in digitallending (circular dated June 08, 2023)and later extended to co-lending arrangements (August 06, 2025), there was no explicit clarity in the IRACP Directions on how DLG should be factored into ECL provisioning calculations. This created interpretational gaps in provisioning treatment for portfolios covered by DLG.

The Amendment Directions insert new paragraphs 36A, 36B and 36C under the Directions.

NBFCs may consider DLG for determining provisions under the ECL framework across all stages, provided the arrangement complies with Indian Accounting Standards and is integral to the contractual terms of the loan, without separate recognition.

Mandatory compliance with disclosure requirements under IndAS 1 has been prescribed.

NBFCs are required to recompute ECL provisioning upon every invocation of DLG, adjusting for the reduced DLG cover.

Consequential amendments have also been made to the Credit Facilities Directions, and the amendment is effective immediately.

RBI Update - Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (COMMERCIAL BANKS - PRUDENTIAL NORMS ON CAPITAL ADEQUACY) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Second Amendment Directions, 2026 to align capital treatment of irrevocable payment commitments with revised credit facility norms. Under the Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Directions, 2025, issuance of irrevocable payment commitments (IPCs) by banks to clearing corporations of stock exchanges on behalf of clients was treated as an off-balance sheet exposure with applicable Credit Conversion Factor (CCF) and corresponding risk weight. However, there was lack of explicit clarity that capital should be maintained specifically on the exposure reckoned as Capital Market Exposure (CME), resulting in possible variations in capital computation practices.

Paragraph 84(6) under Chapter IV (Risk Weighted Assets) has been modified to clarify that: minimum net worth of ₹500 crore; profitability track record; rating requirement (for unlisted entities); 75% financing cap; 25% borrower contribution; mandatory corporate guarantee; post-acquisition leverage cap (3:1); independent valuation norms; and strict control acquisition conditionsA new structured framework for Loans Against Eligible Securities with defined LTV ceilings (e.g., 60% for listed shares, 75% for equity mutual funds/REITs/InvITs, 85% for AAA debt), margin monitoring requirements, ₹1 crore cap per individual (other than specified categories), and specific IPO/FPO/ESOP financing norms.

Introduction of a dedicated Chapter XIII A governing Credit Facilities to CMIs, prescribing permissible/prohibited facilities, 100% collateralisation (with specified relaxations), minimum haircuts (40% for equities), restrictions on proprietary trading finance, margin trading safeguards, and detailed guarantee norms.

Rationalisation of infrastructure financing references and alignment with CME computation under the Concentration Risk framework.The amendments come into force from April 1, 2026 (or earlier if adopted by a bank).

RBI Update - Reserve Bank of India (Commercial Banks - Prudential Norms on Capital Adequacy) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (COMMERCIAL BANKS – UNDERTAKING OF FINANCIAL SERVICES) – AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (Commercial Banks – Undertaking of Financial Services) – Amendment Directions, 2026 to align permissible financial services activities with the revised Credit Facilities framework.

Under the Reserve Bank of India (Commercial Banks – Undertaking of Financial Services) Directions, 2025, paragraph 18(4) of Chapter III specified the financial services activities that banks could undertake departmentally or through subsidiaries/associates.

The references to acquisition-related financing and lending against securities were framed under earlier terminology and structures, which did not reflect the revised definitions and prudential architecture introduced subsequently in the Credit Facilities framework.

Paragraph 18(4) has been modified to substitute:

Sub-paragraph (ii)(a)iii with "Acquisition finance and bridge finance for financing of promoter's stake in new companies"; and
Sub-paragraph (ii)(b) with "Lending to individuals against eligible securities."

The amendment becomes effective from the date a bank adopts the Credit Facilities Amendment Directions, 2026 or April 1, 2026, whichever is earlier.

RBI Update - Reserve Bank of India (Commercial Banks – Undertaking of Financial Services) – Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (SMALL FINANCE BANKS – CREDIT FACILITIES) AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (Small Finance Banks – Credit Facilities) Amendment Directions, 2026 to align Small Finance Banks' (SFBs) lending against securities and capital market exposures with a strengthened and harmonised prudential framework. Under the Reserve Bank of India (Small Finance Banks – Credit Facilities) Directions, 2025, provisions relating to loans against financial assets were dispersed and relatively less granular, and there was no comprehensive framework

governing credit facilities to Capital Market Intermediaries (CMIs). Definitions such as “Eligible Securities,” “LTV,” “Margin,” and detailed exposure controls were either absent or not standardised in line with evolving capital market practices.

The amendment introduces
Revised and expanded definitions including “Collateral,” “Capital Market Intermediaries (CMIs),” “Eligible Securities,” “LTV,” and “Primary Security”;

A new, structured Chapter on “Loans Against Securities” prescribing eligible instruments, LTV ceilings (e.g., 60% for listed shares, 75% for equity-oriented mutual funds/ETFs/REITs/InvITs, 85% for certain debt instruments), valuation norms, monitoring timelines, and prudential caps (₹1 crore overall cap and ₹25 lakh for secondary market acquisition in specified cases); and

A new Chapter on “Credit Facilities to CMIs” mandating full collateralisation (generally 100%), minimum haircuts (40% for equity shares), restrictions on proprietary trading finance, and inclusion of such exposures under CME norms. The Directions take effect from April 1, 2026, or earlier if adopted.

RBI Update - Reserve Bank of India (Small Finance Banks – Credit Facilities) Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (SMALL FINANCE BANKS - CONCENTRATION RISK MANAGEMENT) AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (Small Finance Banks - Concentration Risk Management) Amendment Directions, 2026 to comprehensively revamp the Capital Market Exposure (CME) framework for Small Finance Banks (SFBs) in alignment with the revised Credit Facilities regime.

Under the Reserve Bank of India (Small Finance Banks - Concentration Risk Management) Directions, 2025, CME norms were structured under earlier exposureclassifications, with separate sub-sections (including paragraphs 28, 30–40, Section C, etc) prescribing limits and treatment. Definitions such as “CMIs,” “Collateral,” “Primary Security,” and “Non-debt Mutual Funds” were either absent or not harmonised with the Credit Facilities Directions, and the methodology for computation and exclusions lacked the granularity introduced under the 2026 reforms.

The amendment
(i) inserts new definitions aligned with the Credit Facilities framework and deletes outdated provisions;

(ii) comprehensively substitutes paragraph 28 with a new paragraph 28A expanding CME to include direct and indirect exposures such as investments in equity instruments,

non-debt mutual funds, REITs/InvITs/AIFs, credit facilities to CMIs, promoter acquisition finance, underwriting commitments, IPCs, and clearing member trade exposures;

(iii) introduces paragraph 31A prescribing prudential CME ceilings —40% of Tier 1 capital (aggregate) and 20% for direct investment exposures—along with intra-day sub-limits;

(iv) revises computation norms under new paragraphs 40A and 40B, including calibrated treatment of IPCs (30%/50%),

intraday QCCP exposures (30%), and offsetting by cash/G-Secs; and

(v) rationalises exclusions, including specified critical financial infrastructure entities such as National Stock Exchange, Bombay Stock Exchange and National Payments Corporation of India.

RBI Update - Reserve Bank of India (Small Finance Banks - Concentration Risk Management) Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (SMALL FINANCE BANKS - PRUDENTIAL NORMS ON CAPITAL ADEQUACY) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (Small Finance Banks - Prudential Norms on Capital Adequacy) Second Amendment Directions, 2026 to align capital treatment of Irrevocable Payment Commitments (IPCs) with the revised Capital Market Exposure (CME) framework.

Under the Reserve Bank of India (Small Finance Banks – Prudential Norms on Capital Adequacy) Directions, 2025, IPCs issued by SFBs in favour of clearing.

corporations were treated as off-balance sheet exposures with a Credit Conversion Factor (CCF),ut the linkage between capital computation and the revised CME recognition under the Concentration Risk framework was not explicitly aligned with the updated exposure computation methodology.

Paragraph 74(6) has been substituted to clarify that issuance of an IPC by a bank to clearing corporations of stock exchanges on behalf of its client shall be treated as a financial guarantee with a CCF of 100%. However, capital is required to be maintained only on the exposure amount reckoned as CME under the Reserve Bank of India (Small Finance Banks - Concentration Risk Management) Directions, 2025, and such exposure shall attract a risk weight of 125%. The amendment becomes effective from the date of adoption of the Credit Facilities Amendment Directions, 2026 or April 1, 2026, whichever is earlier.

RBI Update - Reserve Bank of India (Small Finance Banks - Prudential Norms on Capital Adequacy) Second Amendment Directions, 2026

RBI UPDATE - FOREIGN EXCHANGE MANAGEMENT (BORROWING AND LENDING) (FIRST AMENDMENT) REGULATIONS, 2026

The Reserve Bank of India has notified the Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026, amending the existing ECB framework under the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018. The amendment seeks to rationalise borrowing limits, strengthen end-use monitoring, and align the framework with evolving restructuring and prudential norms under the Foreign Exchange Management Act, 1999.

Earlier, ECB limits were largely linked to fixed monetary thresholds with sector-based relaxations issued through circulars. While end-use restrictions existed (e.g., real estate and capital market investment), there were interpretational gaps regarding strategic acquisitions, refinancing of stressed loans, and restructuring transactions. Monitoring mechanisms, particularly for persistent non-reporting borrowers, were not expressly codified.

The amendment substitutes key definitions, inserts Regulation 3A prescribing detailed end-use restrictions, and overhauls Schedule I (ECB Framework). It revises the borrowing limit to the higher of USD 1 billion or 300% of net worth, introduces structured safeguards against use for capital market transactions and NPA refinancing, formalises treatment of corporate actions, strengthens security and conversion provisions (aligned with the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019), and establishes a mechanism to classify non-compliant entities as “untraceable borrowers.

RBI Update - Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026

RBI Update - Unique Transaction Identifier for OTC Derivative Transactions

The Reserve Bank of India has issued directions mandating the generation and reporting of a Unique Transaction Identifier (UTI) for all over-the-counter (OTC) derivative transactions undertaken under specified governing regulations, including foreign exchange derivatives, rupee interest rate derivatives, forward contracts in Government securities, and credit derivatives. The directions shall come into effect from January 01, 2027 and will apply to all OTC derivative transactions

entered into on or after that date. The UTI, to be generated in line with the February 2017 CPMI-IOSCO Technical Guidance, shall consist of up to 52 characters, including the Legal Entity Identifier (LEI) of the generating entity, and shall remain unique throughout the lifecycle of the transaction. A waterfall mechanism has been prescribed for determination of the UTI generating entity, with the Clearing Corporation of India Limited – Trade Repository (CCIL-TR) acting as the fallback generator where required. Market participants are required to put in place necessary systems and processes to ensure timely generation, reporting, and compliance with these directions.

RBI Update - Unique Transaction Identifier for OTC Derivative Transactions

RBI UPDATE - REPORTING UNDER FOREIGN EXCHANGE MANAGEMENT ACT, 1999 – RETURNS PERTAINING TO EXTERNAL COMMERCIAL BORROWING (ECB)

The Reserve Bank of India has amended the reporting framework for External Commercial Borrowings (ECB) pursuant to the Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026 dated February 09, 2026 (published on February 16 2026). Accordingly, Part V – Annex I and Part V – Annex II of the Master Direction – Reporting under Foreign Exchange Management Act, 1999 ,stand substituted with the revised formats of Form ECB 1 (Revised) and Form ECB 2 as enclosed with the circular. Authorised Persons have been advised to inform their concerned customers/constituents and ensure compliance. The directions have been issued under Sections 10(4), 11(1) and 11(2) of the Foreign Exchange Management Act, 1999 and come into force with immediate effect.

RBI Update - Reporting under Foreign Exchange Management Act, 1999 – Returns pertaining to External Commercial Borrowing (ECB)

RBI UPDATE - RESERVE BANK OF INDIA (NON-BANKING FINANCIAL COMPANIES – MISCELLANEOUS) AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (Non-Banking Financial Companies – Miscellaneous) Amendment Directions, 2026, with immediate effect, amending the Reserve Bank of India (Non-Banking Financial Companies – Miscellaneous) Directions, 2025. The amendment inserts new paragraphs 13A and 13B permitting the National Urban Co-operative Finance and Development Corporation Limited (NUCFDC), acting as the Umbrella Organisation for UCBs, to make private placement

0ffers of its equity shares to more than 200 persons in a financial year, notwithstanding the limit prescribed under the Companies Act, 2013, subject to specified conditions.These include a board-approved resource planning policy, restriction of offers only to UCBs and National Co-operative Development Corporation, prohibition on financial assistance against its own shares, end-use alignment with its RBI-approved mandate, compliance with applicable laws, and quarterly reporting to RBI. The Directions shall remain in force until March 31, 2029, unless modified, withdrawn, or extended earlier.

RBI Update - Reserve Bank of India (Non-Banking Financial Companies – Miscellaneous) Amendment Directions, 2026

IBBI UPDATE - INSOLVENCY AND BANKRUPTCY BOARD OF INDIA (INSOLVENCY RESOLUTION PROCESS FOR CORPORATE PERSONS) (AMENDMENT) REGULATIONS, 2026.

Regulations	**Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016.**	**Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) (Amendment) Regulations, 2026**	**Comments**
Regulation 2, for clause (hb)	fair value" means the estimated realizable value of the assets of the corporate debtor,if they were to be exchanged on the insolvency commencement date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion	fair value" means the estimated realizable value of the corporate debtor or the assets of the corporate debtor, as the case may be, if they were to be exchanged on the insolvency commencement date between a willing buyer and a willing seller in an arm's length transaction,	Fair value now means the estimated realizable value of the corporate debtor as a whole or its assets on the insolvency commencement date, determined on an arm's length basis after proper marketing and expressly including all

		after proper marketing, and where the parties had acted knowledgeably, prudently, and without compulsion. Explanation.- The estimated realizable value of the corporate debtor shall be computed after taking into account the total estimated realizable value of all the assets of the corporate debtor including but not limited to tangible and intangible assets, along-with their underlying synergies.	tangible and intangible assets along with their underlying synergies.
	The resolution professional shall, within seven days of his appointment but not later than forty-seventh day from the insolvency commencement date, appoint two registered valuers to determine the fair value and the liquidation value of the corporate debtor in accordance with regulation 35.	The resolution professional shall, within seven days of his appointment but not later than forty seventh day from the insolvency commencement date, appoint two sets of registered valuers to determine the fair value and the liquidation value in accordance with regulation 35.	The resolution professional must appoint two sets of registered valuers within seven days of appointment, but no later than the forty seventh day from the insolvency commencement date, to determine fair value and liquidation value under Regulation 35.

Regulation 35 Fair value and Liquidation value, for sub-regulation (1)	1) Fair value and liquidation value shall be determined in the following manner:- (a) the two registered valuers appointed under regulation 27 shall submit to the resolution professional an estimate of the fair value and of the liquidation value computed in accordance with internationally accepted valuation standards, after physical verification of the inventory and fixed assets of the corporate debtor; 101[Provided that the resolution professional shall facilitate a meeting wherein registered valuers shall explain the methodology being adopted to arrive at valuation to the members of the committee before computation of estimates.] 102[(b) if the two estimates of a value in an asset class are significantly different, or on receipt of a proposal to appoint a third registered valuer from the committee of creditors, the resolution professional may appoint a third registered valuer for an asset class for	(1) Fair value and liquidation value shall be determined in the following manner, namely (a) the set of registered valuers appointed under regulation 27 shall comprise of one registered valuer for each asset class of the corporate debtor and within each set, one registered valuer shall be designated as the coordinating valuer for that set by the resolution professional, in consultation with the committee, for computation of the fair value of the corporate debtor; Explanation- For the purpose of clause (a),"asset class" means the definition provided under the Companies (Registered Valuers and Valuation) Rules, 2017; (b) the resolution	Each valuation set must include one registered valuer per asset class with a designated coordinating valuer, valuers must explain their methodology to the CoC and conduct physical verification before submitting reports, the coordinating valuer computes enterprise fair value including synergies, a third set may be appointed if estimates differ by 25% or more (or if the CoC so decides), and the final fair and liquidation values are taken as the average of the two closest estimates.

	submitting an estimate of the value computed in the manner provided in clause (a). Explanation.- For the purpose of clause (b), (i) “asset class” means the definition provided under the Companies (Registered Valuers and Valuation) Rules, 2017; (ii) “significantly different” means a difference of twenty-five per cent. in liquidation value under an asset class and the same shall be calculated as (L1-L2)/L1, where, L1= higher valuation of liquidation value L2= lower valuation of liquidation value.] (c) the average of the two closest estimates of a value shall be considered the fair value or the liquidation value, as the case may be.	professional shall facilitate a meeting wherein the registered valuers, including coordinating valuers, shall explain the methodology being adopted to arrive at the valuation, to the members of the committee, before computation of estimates; (c) each registered valuer shall, after physical verification of the inventory and fixed assets of the corporate debtor, submit to the resolution professional and the coordinating valuer of their respective set, a report on the fair value of the assets of the corporate debtor and the liquidation value, computed in accordance with such valuation standards as notified by the Board through circular; (d) the coordinating Valuer of a set shall compute the fair value of the corporate debtor after considering the fair value of the assets as (e) the resolution professional may appoint a third set of registered valuers for submitting an estimate of the fair value and the liquidation value	

		computed in the manner provided under this regulation, where: (i) the two estimates of fair value of the corporate debtor or liquidation value are significantly different, or (ii) the committee proposes to appoint a third set of registered valuers for reasons to be recorded in writing; Explanation- For the purpose of clause (e), "significantly different" means a difference of twenty-five per cent or more in the fair value of the corporate debtor submitted by the coordinating valuer or the liquidation value, as the case may (f) the average of the two closest estimates of the fair value submitted by the coordinating valuers shall be considered as the fair value of the corporate debtor; and (g) the average of the two closest estimates of the liquidation value submitted by registered valuers in each asset class shall be considered as the liquidation value of the corporate debtor.	

Regulation 35, after sub-regulation (1)		A registered valuer shall prepare the valuation report and maintain such documentation as per the format notified by the Board through circular	A registered valuer must prepare the valuation report and maintain documentation in the format prescribed by the Board through a circular.
Regulation 36 Information memorandum sub-regulation (2) after clause (a)		(aa) Details of receivables of the corporate debtor, including trade inter-corporate receivables, and receivables arising under any contract; (ab) Details of joint development agreements and other similarcollaboration or co-development arrangements, including rights, obligations, and interests of the corporate debtor arising thereunder; (ac) Details of assets which are under attachment by enforcement agencies, including	The Information Memorandum must now include details of receivables (including

		particulars of the assets attached, the authority which has attached and the status of such proceedings; (ja) details of all allottees, including their names, amounts due, and units allotted, whose claims are either reflecting in the books of accounts of the corporate debtor or in the records of the Real Estate Regulatory Authority as established under	
after clause (j)			The Information Memorandum must include details of all allottees such as their names, amounts due, and units allotted

		the Real Estate (Regulation and Development) Act, 2016 (16 of 2016), but have not submitted their claims to the resolution professional;	such as their names, amounts due, and units allotted whose claims appear in the company's books or RERA records but have not been filed with the resolution professional.
Reg - 38A. Treatment of allottees not filing claims.		In respect of a real estate project, where the information memorandum includes the details of the allottees who have not submitted their claims, the resolution plan shall provide for treatment of such allottees."	In a real estate project, if the Information Memorandum lists allottees who have not filed claims, the resolution plan must specifically provide for their treatment.

IBBI Update - Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) (Amendment) Regulations, 2026.

IBBI UPDATE- INSOLVENCY AND BANKRUPTCY BOARD OF INDIA (LIQUIDATION PROCESS) (SECOND AMENDMENT) REGULATIONS, 2026

Regulations	**Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016.**	**Insolvency and Bankruptcy Board of India (Liquidation Process) (Second Amendment) Regulations, 2026**	**Comments**
Regulation 35 Valuation of assets intended to be sold. , in sub-regulation (3)	The Registered Valuers appointed under sub-regulation (2) shall independently submit to the liquidator the estimates of realisable value of the assets or businesses, as the case may be, computed in accordance with the ~~Companies (Registered Valuers and Valuation) Rules, 2017~~, after physical verification of the assets of the corporate debtor.	The Registered Valuers appointed under sub-regulation (2) shall independently submit to the liquidator the estimates of realisable value of the assets or businesses, as the case may be, computed in accordance with the such valuation standards as notified by the Board through circular, after physical verification of the assets of the corporate debtor.	Registered valuers must independently submit to the liquidator the realizable value of assets or businesses after physical verification, computed in accordance with valuation standards notified by the Board through circular, replacing the earlier reference to the Companies (Registered Valuers and Valuation) Rules, 2017.

After sub-regulation (7)		For the purposes of this regulation, a registered valuer shall prepare the valuation report and maintain such documentation as per the format notified by the Board through circular	For this regulation, a registered valuer must prepare the valuation report and maintain documentation in the format specified by the Board through a circular.

IBBI Update- Insolvency and Bankruptcy Board of India (Liquidation Process) (Second Amendment) Regulations, 2026

IBBI UPDATE - INSOLVENCY AND BANKRUPTCY BOARD OF INDIA (VOLUNTARY LIQUIDATION PROCESS) (AMENDMENT) REGULATIONS, 2026.

The IBBI (Voluntary Liquidation Process) (Amendment) Regulations, 2026 come into force on the date of publication in the Official Gazette. These regulations amend Regulation 3 of the IBBI (Voluntary Liquidation Process) Regulations, 2017 to clarify that a registered valuer must prepare the valuation report and maintain documentation in the format notified by the Board through circular.

IBBI Update - Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) (Amendment) Regulations, 2026.

IBBI UPDATE - INSOLVENCY AND BANKRUPTCY BOARD OF INDIA (PRE-PACKAGED INSOLVENCY RESOLUTION PROCESS) (AMENDMENT) REGULATIONS, 2026

Regulations	**Insolvency and Bankruptcy Board of India (Pre-packaged Insolvency Resolution Process) Regulations, 2021**	**Insolvency and Bankruptcy Board of India (Pre-Packaged Insolvency Resolution Process) (Amendment) Regulations, 2026.**	**Comments**
Regulation 2, sub-regulation (1), clause (g)	fair value means the estimated realisable value of the assets of the corporate debtor, if they were to be exchanged on the pre-packaged insolvency commencement date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion;	fair value means the estimated realizable value of the corporate debtor or the assets of the corporate debtor, as the case may be, if they were to be exchanged on the insolvency commencement date between a willing buyer and a willing seller in an arm"s length transaction, after proper marketing, and where the parties had acted knowledgeably, prudently and without compulsion. Explanation- The estimated realizable value of the corporate debtor shall be computed after taking into	"Fair value" now means the estimated realizable value of the corporate debtor as a whole or its assets on the insolvency commencement date, determined on an arm's length basis after proper marketing, expressly including all tangible and intangible assets along with their underlying synergies.

		account the total estimated realizable value of all the assets of the corporate debtor including but not limited to tangible and intangible assets, along-with their underlying synergies	
Regulation 39 Fair value and liquidation value. , sub-regulation (1)	(1) Fair value and liquidation value shall be determined in the following manner:- (a) the registered valuers appointed under regulation 38 shall submit to the resolution professional an estimate of the fair value and of the liquidation value computed in accordance with internationally accepted valuation standards, after physical verification of the inventory and fixed assets of the corporate debtor; (b) the average of the value determined by the two registered valuers shall be considered the fair value or the liquidation value, as the case maybe.	(1) Fair value and liquidation value shall be determined in the following manner, namely:- (a) the set of registered valuers appointed under regulation 38 shall comprise of one registered valuer for each asset class of the corporate debtor and within each set, one registered valuer shall be designated as the coordinating valuer for that set by the resolution professional, in consultation with the committee, for computation of the fair value of the corporate debtor; Explanation- For the purpose of clause (a),“asset class” means the definition provided under the	Fair value and liquidation value must be determined through two sets of registered valuers (one per asset class with a coordinating valuer), who explain their methodology to the CoC, conduct physical verification, compute values as per Board-notified standards including synergies, and where the final fair and liquidation values are taken as the average of the two estimates

		Companies (Registered Valuers and Valuation) Rules, 2017; (b) the resolution professional shall facilitate a meeting wherein the registered valuers, including coordinating valuers, shall explain the methodology being adopted to arrive at the valuation, to the members of the committee, before computation of estimates; (c) each registered valuer shall, after physical verification of the inventory and fixed assets of the corporate debtor, submit to the resolution professional and the coordinating valuer of their respective set, a report on the fair value of the assets of the corporate debtor and the liquidation value, computed in accordance with such valuation standards as notified by the Board through circular; (d) the coordinating valuer of a set shall compute the fair value of the corporate debtor after	

		considering the fair value of the assets as computed by the registered valuers within that set, along with their underlying synergies, and submit the same to the resolution professional; (e) the average of the two estimates of the fair value submitted by the coordinating valuers shall be considered as the fair value of the corporate debtor; and (f) the average of the two estimates of the liquidation value submitted by registered valuers in each asset class shall be considered as the liquidation value of the corporate debtor."	
after sub-regulation (1)		For the purposes of this regulation, a registered valuer shall prepare the valuation report and maintain such documentation as per the format notified by the Board through circular	For the purposes of this regulation, a registered valuer shall prepare the valuation report and maintain such documentation as per the format notified by the Board through circular

IBBI Update - Insolvency and Bankruptcy Board of India (Pre-Packaged Insolvency Resolution Process) (Amendment) Regulations, 2026

IBBI UPDATE - INSOLVENCY AND BANKRUPTCY BOARD OF INDIA (BANKRUPTCY PROCESS FOR PERSONAL GUARANTORS TO CORPORATE DEBTORS) (AMENDMENT) REGULATIONS, 2026

Regulations	**Insolvency and Bankruptcy Board of India (Bankruptcy Process for Personal Guarantors to Corporate Debtors) Regulations, 2019.**	**Insolvency and Bankruptcy Board of India (Bankruptcy Process for Personal Guarantors to Corporate Debtors) (Amendment) Regulations, 2026.**	**Comments**
Regulation 30 Valuation of assets, sub-regulation (2)	The registered valuer appointed under sub-regulation (1) shall submit to the bankruptcy trustee the estimates of the realisable value of the asset computed in accordance with ~~internationally accepted valuation standards~~, after physical verification of the assets of the bankrupt.	The registered valuer appointed under sub-regulation (1) shall submit to the bankruptcy trustee the estimates of the realisable value of the asset computed in accordance with such valuation standards as notified by the Board through circular, after physical verification of the assets of the bankrupt.	The registered valuer must, after physically verifying the assets, submit to the bankruptcy trustee the estimated realizable value computed in accordance with the valuation standards notified by the Board through circular.

after sub-regulation (4)		For the purposes of this regulation, a registered valuer shall prepare the valuation report and maintain such documentation as per the format notified by the Board through circular	For this regulation, a registered valuer is required to prepare the valuation report and maintain supporting documentation in the format prescribed by the Board through a circular

IBBI Update - Insolvency and Bankruptcy Board of India (Bankruptcy Process for Personal Guarantors to Corporate Debtors) (Amendment) Regulations, 2026

PARALLEL CIRP AGAINST PRINCIPAL DEBTOR AND GUARANTOR UPHELD BY SUPREME COURT
ICICI BANK LTD. V. ERA INFRASTRUCTURE (INDIA) LTD.
SUPREME COURT OF INDIA | JUDGMENT DATED 26 FEBRUARY 2026

SYNOPSIS:

In ICICI Bank Ltd. v. ERA Infrastructure (India) Ltd., the Supreme Court held that simultaneous or separate initiation of Corporate Insolvency Resolution Process (CIRP) against both the principal debtor and its corporate guarantor is legally permissible under the IBC. Relying on Section 128 of the Contract Act (co-extensive liability) and Section 60(2) of the IBC, the Court ruled there is no statutory bar or requirement to elect remedies. The doctrine of election is inapplicable, and existing safeguards prevent double recovery. Accordingly, orders restricting such parallel proceedings were set aside.

FACTS:

- Multiple appeals arose from orders of the NCLAT and NCLT on whether CIRP can be initiated simultaneously against a principal debtor and its corporate guarantor under the IBC.
- ICICI Bank sought CIRP against ERA Infrastructure (India) Ltd. after its claim had already been admitted against Era Infra Engineering Pvt. Ltd. (guarantor). The NCLT rejected the application relying on Vishnu Kumar Agarwal v. Piramal Enterprises Ltd. ICICI's CIRP application against Hyderabad Ring Road Project Pvt. Ltd. was similarly rejected on the same ground.
- Other appeals raised the common issue of whether CIRP can proceed against both the principal borrower and guarantor, or if admission against one bars proceeding against the other. Some appeals challenged the initiation of CIRP, while others challenged its denial due to prior or parallel proceedings.

ISSUES:

- Whether simultaneous CIRP proceedings can be initiated and maintained against both the principal debtor and its corporate guarantor?

- Whether a creditor must elect between proceeding against the principal debtor or the guarantor?
- Whether allowing such simultaneous proceedings results in double recovery or unjust enrichment?
- Whether courts should frame guidelines to regulate simultaneous or group insolvency proceedings?

ORDER:

The Supreme Court in ICICI Bank Ltd. v. ERA Infrastructure (India) Ltd. authoritatively settled that simultaneous or parallel CIRP proceedings against a principal debtor and its corporate guarantor are legally maintainable under the IBC, 2016.The Court relied heavily on Section 60(2) of the IBC, holding that it expressly contemplates proceedings against both entities before the same adjudicating authority (NCLT), thereby supporting parallel actions. A key foundation of the judgment is Section 128 of the Indian Contract Act, 1872, which establishes that the liability of the guarantor is co-extensive with that of the principal debtor, allowing creditors to proceed against either or both simultaneously. The Court rejected the “one debt–one proceeding” argument and overruled the restrictive approach adopted in earlier NCLAT rulings like Vishnu Kumar Agarwal v. Piramal Enterprises Ltd. On the doctrine of election, the Court held it inapplicable. Addressing concerns of double recovery, the Court clarified that recovery cannot exceed the total debt, insolvency regulations require continuous updating of claims, Safeguards prevent unjust enrichment.Finally, the Court set aside all impugned orders that barred simultaneous proceedings and declined to issue new guidelines, leaving such policy matters to the legislature and IBBI.

TORRENT POWER LTD. V. ASHISH ARJUNKUMAR RATHI AND ORS.
COURT NAME: SUPREME COURT
DECISION DATE: 27TH FEBRUARY, 2026

SYNOPSIS:

The case involved challenges by unsuccessful bidders (Torrent, Vantage, Jindal) to SEML's resolution plan for SKS Power. The Supreme Court upheld CoC's commercial wisdom, ruling post-bid clarifications were not modifications. Judicial review is limited to statutory compliance. It warned against delay tactics by bidders and, noting the plan's implementation, dismissed appeals and affirmed NCLAT

FACTS:

CIRP was initiated against SKS Power Generation (Chhattisgarh) Ltd., attracting multiple resolution applicants, including Torrent, Vantage, Jindal, and SEML. The bidding process concluded on 19.04.2023 under the Process Note and RFRP. Subsequently, on 08.05.2023, the CoC directed the Resolution Professional to seek clarifications from all applicants. SEML clarified issues relating to bank guarantees and a ₹240 crore payment. The appellants alleged that this amounted to post-deadline modification, conferring an unfair advantage on SEML. However, the NCLT held that there was no modification or discrimination and that the CoC acted within its commercial wisdom. The NCLAT affirmed these findings. The resolution plan was approved and implemented, leading to appeals before the Supreme Court under Section 62 of the IBC.

ISSUES:

- Whether clarifications by SEML (10.05.2023) amounted to modification/enhancement of its resolution plan and whether seeking clarifications by RP/CoC constituted "material irregularity" under Section 61(3)?
- Whether CoC's approval violated Process Note / RFRP terms?
- Whether judicial interference is permissible after plan approval and implementation?

JUDGMENT:

The Supreme Court held that no modification was made to SEML's resolution plan, as the clarifications merely removed ambiguities and were uniformly sought from all applicants. It found no "material irregularity" under Section 61(3), noting that the RP acted on CoC instructions. Reaffirming that CoC's commercial wisdom is non-justiciable, the Court limited judicial review to Section 30(2) compliance. It upheld dismissal of appeals, stressing Section 62's narrow scope. Warning again.

S. RAJENDRAN V. DEPUTY COMMISSIONER OF INCOME TAX (BENAMI PROHIBITION) & ORS. (2026)
COURT: SUPREME COURT OF INDIA
DATE: 24 FEBRUARY 2026

SYNOPSIS

The Supreme Court examined proceedings under the Benami Act, assessing compliance with mandatory safeguards under Sections 24, 26, and 27. It stressed strict procedural adherence, valid "reason to believe," independent application of mind, and disclosure of material. The Court considered whether jurisdictional errors and natural justice violations vitiated the proceedings and rendered them invalid.

FACTS

Proceedings were initiated under the Prohibition of Benami Property Transactions Act, 1988 alleging that the appellant held property benami. The Initiating Officer formed a "reason to believe" and issued notice under Section 24(1), followed by a provisional attachment under Section 24(3). The matter was then referred to the Adjudicating Authority under Section 24(5). The appellant challenged the process, alleging lack of proper material disclosure, mechanical recording of satisfaction, and violation of natural justice. Despite this, adjudication proceeded under Section 26, exposing the property to confiscation. The High Court ultimately upheld the authorities' actions.

ISSUES

- Whether "reason to believe" under Section 24 was validly recorded based on relevant material?
- Whether failure to furnish material to the notice violates principles of natural justice?
- Whether provisional attachment and reference were legally sustainable?

ORDER

The Supreme Court held that "reason to believe" must rest on tangible material and cannot be mechanical or vague, with proper application of mind being essential. Authorities must record reasons showing a rational nexus with evidence, and failure to supply relevant material violates natural justice. Provisional attachment is not automatic and requires strict compliance.

The Court affirmed that procedural safeguards are mandatory; non-compliance renders proceedings invalid. It stressed independent adjudication, criticized the High Court's approach, and underscored that property rights cannot be interfered with casually.

OMKARA ASSETS RECONSTRUCTION PVT. LTD. V. AMIT CHATURVEDI (2026)
COURT: SUPREME COURT OF INDIA
DATE: 24 FEBRUARY 2026

SYNOPSIS

In Omkara Assets Reconstruction Pvt. Ltd. v. Amit Chaturvedi, the Supreme Court held that a defunct Scheme of Arrangement cannot bar CIRP under IBC. Emphasizing IBC's overriding effect (Section 238), it ruled insolvency proceedings are independent. Setting aside NCLAT's stay, it restored CIRP and permitted the IRP to proceed.

FACTS.

A financial creditor initiated CIRP under Section 7 IBC for ₹154 crore arising from loans (1999–2000), with default since 2003. The corporate debtor relied on a pending SOA approved in 2008, but it lapsed due to delay, withdrawal of consent, and non-compliance. Despite later sanction and recall litigation, creditors pursued SARFAESI/DRT remedies. NCLT admitted CIRP, NCLAT stayed it, but the Supreme Court revived CIRP proceedings.

ISSUES

- Whether a pending or approved SOA under the Companies Act can bar initiation of CIRP under the IBC, considering its overriding effect under Section 238 and the independent nature of insolvency proceedings.
- Whether the SOA remained valid despite delay, creditor withdrawal, and non-compliance with statutory requirements, including filing before the Registrar.
- Whether NCLAT was justified in staying CIRP on grounds of judicial discipline and whether the High Court retained jurisdiction post-2016 transfer rules.
- Whether IBC-driven revival should prevail over outdated or ineffective restructuring schemes

.

ORDER / JUDGMENT

The Supreme Court held the SOA defunct due to delay, non-compliance, and creditor withdrawal, rendering it obsolete. It affirmed IBC's overriding effect and CIRP's independence, criticizing misuse of judicial discipline. Setting aside NCLAT's stay, it restored CIRP, allowed IRP control, and emphasized revival, financial probity, and economic interest.

KITPLY INDUSTRY LTD. V. STATE OF UTTAR PRADESH & ORS. (2026)
COURT: SUPREME COURT OF INDIA
DATE: 05 FEBRUARY 2026

SYNOPSIS

In Kitply Industry Ltd. v. State of Uttar Pradesh, the Supreme Court held that post-approval of a resolution plan under IBC, the corporate debtor is cleansed of past liabilities and cannot face Section 138 NI Act prosecution. Liability survives only against erstwhile directors/signatories. Proceedings against the company were quashed and appeals allowed

FACTS.

The case concerns cheque dishonour complaints under Section 138 NI Act against M/s Kitply Industry Ltd. and its signatories. Proceedings saw multiple remands and challenges to summoning orders up to the High Court. During pendency, CIRP was initiated and a resolution plan approved, transferring management. The High Court again remanded the matter, which was challenged before the Supreme Court, leading to a stay on proceedings.

ISSUES

- Whether M/s Kitply Industry Limited, after approval of a resolution plan and change of management pursuant to a corporate insolvency resolution process, can be held liable for the dishonour of cheques issued prior to the new management taking charge?
- Whether the impleadment of the company in the criminal complaints under Section 138 of the Negotiable Instruments Act, 1881, has any effect on the new management post-resolution?

.

ORDER / JUDGMENT

- Effect of Corporate Insolvency Resolution Process and Change of Management

The Court noted that during pendency, CIRP was initiated against M/s Kitply Industry Ltd., and a resolution plan approved by the NCLT led to takeover by new management. Relying on Ajay Kumar Radhe Shyam Goenka v. Tourism Finance Corporation of India Ltd., it held the company cannot be held liable for cheque dishonour committed prior to the change in management.

- Liability of the Company and Its Directors/Signatories

The Court held that the complainant would be entitled to proceed only against the erstwhile Directors-in-charge/cheque-signatories of the company, in light of the law laid down by the Supreme Court in Ajay Kumar Radhe Shyam Goenka.

- Effect of Impleadment Order Post-Resolution

The Court held that the impleadment of the company by the later order dated 24.09.2024 shall have no effect on the new management of M/s Kitply Industry Limited.

GUIDE TO BRSR PREPARATION

In our last article, we have covered ESG journey in India along with applicability and overview of BRSR. Since the BRSR season is almost here, in this article we have tried compiling all crucial steps to guide the company on preparation part of the BRSR reporting for FY 2025-26.

The Securities and Exchange Board of India (SEBI) introduced the Business Responsibility and Sustainability Reporting (BRSR) for to be submitted by top 1,000 listed entities in India based on market capitalization from Financial Year 2022-23. This report forms part of the company's annual report, also to be submitted to the stock exchanges where company is listed.

SEBI has given the format for BRSR along with detailed guidelines for BRSR reporting.

Let's have a look at the BRSR format first.

- **Format of BRSR is divided into three sections**

- Section A is about General Disclosures of the company

Brief description of the company, market served, details on operation, finance, product / service, employees, CSR activities, assurance provider etc.

- Section B is about Management and Process related disclosures by the company

Details of the company's operations & cover the structures, policies and management processes relating to National Guidelines on Responsible Business Conduct (NGRBC) principles concerning governance, leadership & stakeholders' engagement. In case the business entity chooses not to adopt or report on any of the principles the same should be stated along with the reasons.

- Section C is about Principle-wise Performance Disclosures based on 9 principles of National Guidelines on Responsible Business Conduct

Businesses are required to report on how well businesses are performing against 9 principles of National Guidelines on Responsible Business Conduct (NGRBC), showing their commitments to responsible business through action and results.

- Ethics & transparency

2. Sustainable goods & services
3. Employee well-being
4. Stakeholder engagement
5. Human rights
6. Environment
7. Public & regulatory policy
8. Inclusive growth & CSR
9. Customer value

The questions in the report are divided into two categories- Essential & Leadership.
Essential indicators are mandatory to disclose & Leadership indicators can be voluntarily disclosed by the company.

• Steps for the preparation of BRSR:-

- In-depth understanding of the BRSR format

Read each question of each section along with guidance notes provided by SEBI. Understand each principle of National Guidelines on Responsible Business Conduct and what information is required. BRSR consists of quantitative + qualitative data and ESG metrics (energy, water consumption, waste management, emissions, diversity, human rights, life cycle assessment, Environmental impact etc.)

- Decide the reporting boundaries

Decide whether report will be made on standalone basis i.e. only for the entity or on a consolidated basis i.e. for the entity and all the entities which form a part of its consolidated financial statements, taken together.

- Train the internal team for BRSR

Provide a training to the Board of Directors, department Heads- HR, Operations & Marketing Head, CFO, Finance Head, IT Head, EHS Head, Procurement Head, CSR Head, various branches and Plant in-charge at various location/s on BRSR and information requirements in detail.

You may hire any agency experts to provide an in-depth training on BRSR preparation and BRSR Assurance readiness.

Create a cross-functional team consisting of Company Secretary, CFO, Sustainability/ESG team, HR, Operations / Plant heads, EHS, Finance, Procurement / SCM, IT who will be providing the on-time data for BRSR preparation.

Identify Board committee (CSR / ESG / Risk) with defined roles & responsibilities for BRSR and Approval of BRSR policy framework.

- Materiality assessment & Gap Assessment

Identify material issues i.e. key issues for a business in terms of risk and opportunity pertaining to environmental and social matters. This is a crucial task to identify & provide a disclosure in the report. Perform a gap analysis for any Policy not aligned to NGRBC principles.

- Map BRSR Requirements with Internal Data

Create a **BRSR mapping sheet** with

Question---- Name of the department for required information---- Department owner--- Supportive Document
For Examples:
Data related to Energy & emissions to be collected from EHS / Plant
Data related to Diversity, employee details & wages to be collected from HR

- Data collection & collation

Make a document with questions and information required clearly from each department, factory, branches, it will ease the understanding of the department Heads.

Although providing information for questions given under leadership indicators is voluntary to company, make sure that information collected is backed by the validated supportive documents for each of the principles.
Make sure for Consistency with Annual Report, Consistency with CSR disclosures and Same numbers across all public documents.

- Set up a system to receive timely information from Value Chain Partners

Identify value chain partners- top upstream and downstream partners individually comprising 2% or more of the purchases and sales. Conduct training and awareness sessions for value chain partners.
Collect data on complaints/Grievances on any of the principles of NGRBC

received during the year, assessment of Health & safety practices, working conditions, sexual harassment, discrimination at workplace, environmental impacts.

- Validate the data and internal checks

Tally the numbers received for quantitative disclosure and information received from each department, plants, branches with calculations sheet and other supportive documents. It's a crucial step to validate the data and information received rather than just copy pasting to make BRSR ready for checks by assurance provider.

- Draft the response received

Draft the structured response for each of the questions given in BRSR for Essential and leadership indicators.

- Assurance Readiness-

Understand about BRSR Core. Provide a brief about the company and business line to assurance provider.
Hold an introductory meeting of respected Board members, department heads, branches and factories personnel with an assurance provider.
Keep all supportive documents- hardcopies, emails in structured manner for purpose of efficient Assurance process.

Common Mistakes to Avoid-

- Mismatching data with Annual Report, Annual Return and CSR Report
- Lack of checking on applicability or Incorrect "Not Applicable" responses
- Copy-pasting ESG content
- Keeping no evidence for quantitative information

Link for latest BRSR Format & Guidance note for BRSR by SEBI given in Master Circular for compliance with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 by listed entities, Last updated on January 30, 2026
https://www.sebi.gov.in/legal/master-circulars/jan-2026/master-circular-for-compliance-with-the-provisions-of-the-securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-regulations-2015-by-listed-entities_99432.html

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