MEHTA & MEHTA
Corporate Legal Firm

VEDANAM
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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.

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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 - INTRADAY BORROWING FACILITY AVAILED BY MUTUAL FUNDS

SEBI has issued a circular dated July 10, 2026, permitting mutual funds to avail intraday borrowing facilities to address liquidity mismatches arising from differences in market settlement timings, pursuant to amendments made to the SEBI (Mutual Funds) Regulations, 2026. The facility may be used for unitholder payouts (including redemptions and IDCW), investment-related pay-ins, MTM obligations, foreign exchange settlements, and repayment of existing borrowings. The borrowing quantum is restricted to specified receivables and, additionally, may be used to meet redemption and other unitholder payout obligations. AMCs must ensure repayment of such borrowings by the end of the day, obtain approval of a Board-approved policy governing the facility, maintain scheme-wise records of liquidity mismatches, and comply with applicable regulatory provisions. Any cost or loss arising from intraday borrowing shall be borne by the AMC. The circular will come into effect from September 1, 2026.

SEBI Update - Intraday borrowing facility availed by mutual funds

SEBI UPDATE - EXTENDING FACILITY OF CREATING STANDING INSTRUCTIONS FOR SYSTEMATIC WITHDRAWAL PLAN (SWP)/ SYSTEMATIC TRANSFER PLAN (STP) FOR MUTUAL FUND UNITS HELD IN DEMAT FORM

SEBI has issued a circular regarding extending the facility of creating standing instructions for Systematic Withdrawal Plans (SWP) and Systematic Transfer Plans (STP) to Mutual Fund units held in demat form, which was previously unavailable. Under the new framework, implementation will take place in two phases: Phase I will enable unit-based SWP/STP mandates by 31 January 2027, while Phase II will introduce amount-based SWP/STP mandates by 30 April 2027. Depositories have been designated as nodal facilitators and are required to jointly publish a standard operational framework by 31 October 2026, undertake necessary regulatory and system changes, and disseminate the circular on their websites. The measure aims to enhance investor convenience and promote ease of doing business in the securities market.

SEBI Update - Extending facility of creating standing instructions for Systematic Withdrawal Plan (SWP)/ Systematic Transfer Plan (STP) for Mutual Fund units held in demat form

SEBI UPDATE - OPERATIONALISATION OF FREEZING OF HOLDINGS OF PROMOTER AND PROMOTER GROUP INCLUDING THEIR ASSOCIATES (PROMOTER HOLDINGS) AT THE ISIN LEVEL UNDER REGULATION 24(I)(EA) OF THE SEBI (BUY-BACK OF SECURITIES) REGULATIONS, 2018

SEBI has issued a circular dated 21 July 2026 operationalising Regulation 24(i)(ea) of the SEBI (Buy-back of Securities) Regulations, 2018, pursuant to the amendment notified on 1 July 2026. The circular mandates that holdings of promoters, promoter group and their associates shall remain frozen at the ISIN level from the date of the board resolution or shareholders' special resolution approving a buy-back until the closure of the buy-back offer, while permitting tendering of securities in buy-backs undertaken through the tender offer route and invocation of pre-existing encumbrances. Depositories have been directed to establish the necessary operational framework and system enhancements, including procedures for freezing promoter holdings, facilitating tendering and handling invocation/release of encumbrances, by 1st August 2026. Listed companies, stock exchanges, depositories, merchant bankers and RTAs are required to ensure compliance with the circular, which has come into effect immediately.

SEBI Update - Operationalisation of freezing of holdings of promoter and promoter group including their associates (promoter holdings) at the ISIN level under Regulation 24(i)(ea) of the SEBI (Buy-back of Securities) Regulations, 2018

SEBI UPDATE - CERTIFICATION REQUIREMENTS FOR DISTRIBUTION OF SPECIALIZED INVESTMENT FUNDS (SIFS)

SEBI has issued a circular dated 21 July 2026 revising the certification requirements for the distribution of Specialized Investment Funds (SIFs). Under the revised framework, individuals engaged in the sale and/or distribution of SIF products must obtain the NISM Series-V-D – Mutual Fund–Specialized Investment Fund Distributors Certification, which will also qualify them to distribute mutual fund products without the need for a separate NISM Series V-A certification. Distributors engaged solely in mutual fund distribution must continue to hold the NISM Series V-A certification. Further, the requirement to hold the NISM Series XIII – Common Derivatives Certification for SIF distribution will cease to apply after 21 September 2026. Existing SIF distributors holding a valid NISM Series XIII certification on or before that date may continue distributing SIFs until the expiry of their certification, provided they also maintain a valid NISM Series V-A certification during the transition period. AMFI and AMCs have been directed to ensure compliance with the revised certification framework, which comes into effect immediately.

SEBI Update - Certification Requirements for Distribution of Specialized Investment Funds (SIFs)

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

The Reserve Bank of India has issued the Reserve Bank of India (Commercial Banks – Credit Facilities) Fifth Amendment Directions, 2026, effective immediately, amending the Commercial Banks – Credit Facilities Directions, 2025. The amendment introduces an explanation to paragraph 78 clarifying that where a project can be operationalised as multiple independent and viable units, banks may, at their discretion, finance such units as separate projects with independent financial closure, subject to each unit being appraised beforehand for its standalone viability. Further, an explanation has been inserted in paragraph 80 to clarify that, for electricity generation projects involving both generation facilities and associated transmission (evacuation) infrastructure, the right of way requirement for the transmission component may be determined in accordance with sub-paragraph (3).

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

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

The Reserve Bank of India has issued the Reserve Bank of India (Small Finance Banks – Credit Facilities) Fourth Amendment Directions, 2026, with immediate effect, amending the Small Finance Banks – Credit Facilities Directions, 2025. The amendment inserts an explanation under paragraph 78 clarifying that where a project can be operationalised as multiple independent and viable units, a Small Finance Bank may, at its discretion, finance such units as separate projects with independent financial closure, subject to an ex-ante appraisal of each unit's standalone viability. Additionally, an explanation has been added to paragraph 80 specifying that, for electricity generation projects that include both generation and transmission (evacuation infrastructure) components, the right of way requirement for the transmission portion may be determined in accordance with sub-paragraph (3).

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

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

The Reserve Bank of India has issued the Reserve Bank of India (Non-Banking Financial Companies – Credit Facilities) Second Amendment Directions, 2026, effective immediately, amending the Non-Banking Financial Companies – Credit Facilities Directions, 2025. The amendment introduces an explanation to paragraph 70 clarifying that where a project can be operationalised as multiple independent and viable units, an NBFC may, at its discretion, finance such units as separate projects with .

independent financial closure, subject to each unit being appraised beforehand for its standalone viability. Further, an explanation has been inserted in paragraph 72 to clarify that, for electricity generation projects comprising both generation and transmission (evacuation infrastructure) components, the right of way requirement for the transmission component may be determined in accordance with sub-paragraph (3)

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

RBI UPDATE - RESERVE BANK OF INDIA (ALL INDIA FINANCIAL INSTITUTIONS – CREDIT FACILITIES) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (All India Financial Institutions – Credit Facilities) Second Amendment Directions, 2026, with immediate effect, amending the All India Financial Institutions – Credit Facilities Directions, 2025. The amendment inserts an explanation under paragraph 39 clarifying that where a project can be operationalised as multiple independent and viable units, an All India Financial Institution (AIFI) may, at its discretion, finance such units as separate projects with independent financial closure, subject to an ex-ante appraisal of each unit's standalone viability. Additionally, an explanation has been added to paragraph 41 specifying that, for electricity generation projects comprising both generation and transmission (evacuation infrastructure) components, the right of way requirement for the transmission portion may be determined in accordance with sub-paragraph (3).

RBI Update - Reserve Bank of India (All India Financial Institutions – Credit Facilities) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (URBAN COOPERATIVE BANKS – CREDIT FACILITIES) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (Urban Cooperative Banks – Credit Facilities) Second Amendment Directions, 2026, effective immediately, amending the Urban Cooperative Banks – Credit Facilities Directions, 2025. The amendment inserts an explanation under paragraph 67 clarifying that where a project can be operationalised as multiple independent and viable units, an Urban Cooperative Bank may, at its discretion, finance such units as separate projects with independent financial closure, subject to an ex-ante appraisal of each unit's standalone viability. Additionally, an explanation has been added to paragraph 69 specifying that, for electricity generation projects involving both generation and transmission (evacuation infrastructure) components, the right of way requirement for the transmission portion may be determined in accordance with sub-paragraph (3).

RBI Update - Reserve Bank of India (Urban Cooperative Banks – Credit Facilities) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (LOCAL AREA BANKS – INCOME RECOGNITION, ASSET CLASSIFICATION AND PROVISIONING) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (Local Area Banks – Income Recognition, Asset Classification and Provisioning) Second Amendment Directions, 2026, effective October 1, 2026, amending the Reserve Bank of India (Local Area Banks – Income Recognition, Asset Classification and Provisioning) Directions. The amendment inserts a new chapter on Income Recognition in case of acquisition of Specified Non-Financial Assets (SNFA), providing that any accrued but unrealised interest or charges relating to the extinguished exposure prior to acquisition of an SNFA shall not be recognised as income. It further requires banks to reverse any such unrealised income recognised on SNFAs outstanding as on September 30, 2026, through the Profit and Loss account by September 30, 2027. Additionally, the amendment clarifies that income realised from an SNFA shall be recognised as non-interest/other income in the year of realisation, while expenses incurred towards its upkeep shall be recognised in the year in which they are incurred.

RBI Update - Reserve Bank of India (Local Area Banks – Income Recognition, Asset Classification and Provisioning) Second Amendment Directions, 2026

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

The Reserve Bank of India has issued the Reserve Bank of India (Regional Rural Banks – Income Recognition, Asset Classification and Provisioning) Second Amendment Directions, 2026, effective October 1, 2026, amending the Reserve Bank of India (Regional Rural Banks – Income Recognition, Asset Classification and Provisioning) Directions. The amendment inserts provisions on Income Recognition in case of acquisition of Specified Non-Financial Assets (SNFA), providing that any accrued but unrealised interest or charges relating to the extinguished exposure prior to acquisition of an SNFA shall not be recognised as income. It further mandates the reversal, through the Profit and Loss account by September 30, 2027, of any such unrealised income recognised on SNFAs outstanding as on September 30, 2026. Additionally, the amendment clarifies that income realised from an SNFA shall be recognised as non-interest/other income in the financial year of realisation, while expenses incurred towards its upkeep shall be recognised in the financial year in which they are incurred.

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

RBI UPDATE - RESERVE BANK OF INDIA (RURAL CO-OPERATIVE BANKS – INCOME RECOGNITION, ASSET CLASSIFICATION AND PROVISIONING) THIRD 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) Third Amendment Directions, 2026, effective October 1, 2026, amending the Reserve Bank of India (Rural Co-operative Banks – Income Recognition, Asset Classification and Provisioning) Directions. The amendment inserts provisions on Income Recognition in case of acquisition of Specified Non-Financial Assets (SNFA), providing that any accrued but unrealised interest or charges relating to the extinguished exposure prior to acquisition of an SNFA shall not be recognised as income. It further requires banks to reverse, through the Profit and Loss account by September 30, 2027, any such unrealised income recognised on SNFAs outstanding as on September 30, 2026. Additionally, the amendment clarifies that income realised from an SNFA shall be recognised as non-interest/other income in the financial year of realisation, while expenses incurred towards its upkeep shall be recognised in the financial year in which they are incurred.

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

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

RBI UPDATE - RESERVE BANK OF INDIA (SMALL FINANCE BANKS – INCOME RECOGNITION, ASSET CLASSIFICATION AND PROVISIONING) SECOND AMENDMENT DIRECTIONS, 2026

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RBI Update - Reserve Bank of India (Small Finance Banks – Income Recognition, Asset Classification and Provisioning) Second Amendment Directions, 2026

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

RBI UPDATE - RESERVE BANK OF INDIA (LOCAL AREA BANKS – RESOLUTION OF STRESSED ASSETS) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (Local Area Banks – Resolution of Stressed Assets) Second Amendment Directions, 2026, effective October 1, 2026, amending the Reserve Bank of India (Local Area Banks – Resolution of Stressed Assets) Directions, 2025. The amendment introduces a prudential framework governing the acquisition, valuation, disposal and disclosure of Specified Non-Financial Assets (SNFAs) acquired by banks in satisfaction of stressed loan exposures. It defines SNFAs, permits their acquisition only against non-performing exposures on a non-recourse basis, prescribes valuation at the lower of the extinguished exposure's net book value or the asset's distress sale value, and requires banks to adopt a board-approved policy governing their acquisition and disposal. Further, the amendment mandates disposal of SNFAs within a maximum period of seven years, prohibits their sale back to the borrower or related parties, and prescribes separate disclosure and reporting requirements, with legacy SNFAs required to comply with the framework by September 30, 2027.

RBI Update - Reserve Bank of India (Local Area Banks – Resolution of Stressed Assets) Second Amendment Directions, 2026

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RBI UPDATE - RESERVE BANK OF INDIA (RURAL CO-OPERATIVE BANKS – RESOLUTION OF STRESSED ASSETS) SECOND AMENDMENT DIRECTIONS, 2026

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RBI Update - Reserve Bank of India (Rural Co-operative Banks – Resolution of Stressed Assets) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (URBAN CO-OPERATIVE BANKS – RESOLUTION OF STRESSED ASSETS) THIRD AMENDMENT DIRECTIONS, 2026

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RBI Update - Reserve Bank of India (All India Financial Institutions – Resolution of Stressed Assets) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (NON-BANKING FINANCIAL COMPANIES – RESOLUTION OF STRESSED ASSETS) SECOND AMENDMENT DIRECTIONS, 2026

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RBI Update - Reserve Bank of India (Non-Banking Financial Companies – Resolution of Stressed Assets) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (SMALL FINANCE BANKS – RESOLUTION OF STRESSED ASSETS) SECOND AMENDMENT DIRECTIONS, 2026

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RBI Update - Reserve Bank of India (Small Finance Banks – Resolution of Stressed Assets) Second Amendment Directions, 2026

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RBI Update - Reserve Bank of India (Commercial Banks – Resolution of Stressed Assets) Third Amendment Directions, 2026

WHETHER A HOMEBUYER CAN INVOKE WRIT JURISDICTION UNDER ARTICLE 226 TO SEEK DIRECTIONS CONCERNING RERA GRIEVANCES, SARFAESI SALE, PMLA ATTACHMENT, IBC LIQUIDATION, CRIMINAL INVESTIGATION, AND REVENUE REGISTRATION MATTERS WHEN SPECIFIC STATUTORY REMEDIES ARE AVAILABLE?

"Vandana Parvez Vs. Government of India and Ors. – Madras High Court"

Facts of the Case

The petitioner, a homebuyer in the Aavisa Golf Township project, filed multiple writ petitions seeking directions regarding CBI and ED investigations, quashing of a SARFAESI auction sale, restraint on the liquidator under the IBC, and prevention of further transfers of project properties. She alleged that the promoters had collected substantial amounts from homebuyers but failed to provide the promised amenities and infrastructure. Various proceedings concerning the project were already pending before RERA, criminal courts, the Enforcement Directorate, and other statutory authorities.

Contentions:

The petitioner contended that despite the availability of statutory remedies, the writ petitions were maintainable as her property rights were being adversely affected. She sought protection of her interests and requested the Court to prevent further alienation of project assets. The respondents relied on the existence of specialized statutory forums and remedies under the respective enactments.

Issue:

Whether the High Court could entertain writ petitions involving grievances arising under different statutes such as RERA, SARFAESI, PMLA, and IBC when specific statutory remedies and forums were available.

Decision:

The Madras High Court held that the petitioner, acting as an individual homebuyer, could not invoke writ jurisdiction to combine multiple disputes governed by separate statutory frameworks. The Court observed that challenges to SARFAESI actions must be raised before the DRT, PMLA matters must follow the statutory adjudication and appellate mechanism, and issues relating to liquidation under the IBC must be addressed before the NCLT. Since the petitioner had already approached RERA and other competent authorities, the writ petitions were not maintainable.

Conclusion:
The Court dismissed all the writ petitions, reiterating that where effective alternative remedies exist under special statutes, parties must approach the designated forums and cannot bypass them through writ proceedings under Article 226 of the Constitution.

"WHETHER THE PROVIDENT FUND AUTHORITIES COULD LEVY INTEREST UNDER SECTION 7Q AND DAMAGES UNDER SECTION 14B FOR DELAYED REMITTANCE WHERE THE EARLIER DUES HAD BEEN DIRECTED BY THE HIGH COURT TO BE LIQUIDATED BY INSTALMENTS AND THE RECORDED DUES ALREADY INCLUDED INTEREST AND DAMAGES?"

"Vandana Parvez Vs. Government of India and Ors. – Madras High Court"

Facts of the Case

The petitioners challenged orders dated 2 July 2021 and 9 July 2021 whereby the EPFO sought to recover interest under Section 7Q and damages under Section 14B of the EPF Act for delayed remittance of provident fund dues. Earlier, a Division Bench of the High Court had permitted liquidation of the provident fund dues through instalments and the Recovery Officer subsequently certified that the certificate dues had been substantially liquidated. Despite this, the EPFO initiated fresh proceedings for recovery of interest and damages for the same period.

Contentions:
The petitioners argued that the dues determined under Section 7A already included interest and damages and, once the High Court had fixed a mode of payment through instalments, the EPFO could not impose further liability under Sections 7Q and 14B. The EPFO contended that interest and damages for delayed payment were statutory liabilities, mandatory in nature, and recoverable notwithstanding the instalment facility granted by the Court.

Issue:
Whether the EPFO could levy additional interest under Section 7Q and damages under Section 14B on provident fund dues that were already covered by a judicially sanctioned instalment arrangement and had earlier been treated as inclusive of interest and damages.

Decision:

The Calcutta High Court held that the Division Bench order, read together with the submissions recorded therein, clearly indicated that the dues under recovery already included interest and damages as on the date of the order. The Court found that the delay in payment thereafter resulted from the instalment facility granted by the High Court and not from any default attributable to the petitioners. Therefore, imposing further interest and damages for the same dues period would amount to an impermissible additional levy.

Conclusion:

The Court quashed the impugned orders dated 2 July 2021 and 9 July 2021, holding that the EPFO had wrongly interpreted the earlier Division Bench order and could not recover further interest and damages on dues that had already been settled under the judicial instalment scheme.

"WHETHER AN APPLICANT CLAIMING TO BE A SECURED OPERATIONAL CREDITOR SHOULD BE DIRECTED TO SUBMIT ITS CLAIM TO THE NEWLY APPOINTED RESOLUTION PROFESSIONAL FOR CONSIDERATION UNDER THE INSOLVENCY AND BANKRUPTCY CODE, 2016 AND THE IBBI REGULATIONS?"

"Dakshin Gujarat Vij Company Ltd. Vs. Naren Sheth, RP of Jaybharat Textiles ; Real Estate Ltd. – NCLT, Ahmedabad Bench"

Facts of the Case:

Dakshin Gujarat Vij Company Ltd. filed an application under Section 60(5) of the Insolvency and Bankruptcy Code, 2016 seeking a direction to the Resolution Professional (RP) to admit its claim as a secured operational creditor and include it in the resolution plan. The applicant's claim arose from electricity dues assessed under Section 126 of the Electricity Act, 2003 for unauthorized use of electricity by the Corporate Debtor. After obtaining a recovery decree from the Civil Court, the applicant came to know about the ongoing CIRP and subsequently
submitted its claim to the RP. However, the RP neither acknowledged nor rejected the claim.

Contentions:

The applicant contended that despite receiving the claim, the RP failed to consider it, did not communicate any decision regarding its admission or rejection, and proceeded with the resolution process without including the claim. It was further argued that the RP failed to discharge his statutory duties by not informing the Civil Court or the applicant about the commencement of CIRP and had no authority to ignore the claim merely because it was submitted belatedly. No reply was filed by the RP despite opportunities granted by the Tribunal.

Issue:
Whether the applicant's claim was required to be considered in the CIRP and whether directions should be issued for its consideration in light of the appointment of a new Resolution Professional.

Decision:
The NCLT noted that no reply had been filed by the RP and that, pursuant to a separate order, the Committee of Creditors had been reconstituted and a new Resolution Professional had been appointed. Considering these developments, the Tribunal held that the applicant's claim should be examined by the newly appointed RP in accordance with the provisions of the IBC and the applicable IBBI Regulations.

Conclusion:
The Tribunal directed the applicant to submit its claim along with supporting documents before the newly appointed Resolution Professional for consideration under the IBC framework. The application was accordingly disposed of without issuing any direct direction for admission of the claim.

"WHETHER A SECTION 7 APPLICATION FOUNDED ON A DISPUTED CORPORATE GUARANTEE ALLEGING FRAUD, FORGERY AND FABRICATION CAN BE ADMITTED IN SUMMARY INSOLVENCY PROCEEDINGS WHEN THE GUARANTEE DOCUMENTS ARE ALREADY UNDER CHALLENGE IN PENDING CIVIL AND CRIMINAL PROCEEDINGS?"

UC Inclusive Credit Pvt. Ltd. Vs. Ganesh Benzoplast Ltd. – NCLT, Mumbai Bench

Facts of the Case:

UC Inclusive Credit Pvt. Ltd. filed an application under Section 7 of the Insolvency and Bankruptcy Code, 2016 seeking initiation of CIRP against Ganesh Benzoplast Ltd. as a corporate guarantor for a loan of ₹5 crore granted to Agarwal Bulkactives Pvt. Ltd. The applicant alleged that the respondent had executed a corporate guarantee and board resolution authorising the guarantee. Upon default by the principal borrower and invocation of the guarantee, the applicant claimed an outstanding amount of ₹6.25 crore. The respondent denied executing the guarantee and alleged that the guarantee deed and board resolution were forged and fabricated. The validity of the guarantee was already under challenge in a pending commercial suit, and several civil and criminal proceedings concerning alleged fraudulent acts of the former CEO were also pending.

Contentions:

The applicant contended that the loan had been duly disbursed, the guarantee was validly executed and invoked, and the respondent was liable as a corporate guarantor. The respondent argued that the guarantee and supporting board resolution were forged, unauthorised, and never approved by its board. It was further submitted that serious allegations of fraud and forgery requiring detailed evidence could not be adjudicated in summary insolvencyproceedings under the IBC.

Issue:

Whether debt and default could be established against the respondent as a corporate guarantor when the execution and validity of the corporate guarantee and board resolution were seriously disputed on grounds of fraud, forgery, and fabrication.

Decision:

The NCLT held that proceedings under Section 7 are summary in nature and limited to determining the existence of debt and default. Since the respondent had categorically disputed the execution and validity of the corporate guarantee and supporting documents, and such issues required detailed evidentiary examination, the Tribunal could not adjudicate them in insolvency proceedings. The Tribunal observed that although debt and default may have existed against the principal borrower, the same could not be conclusively established against the respondent in the absence of an undisputed and valid guarantee.

Conclusion:

The Tribunal dismissed the Section 7 application, holding that allegations of fraud, forgery, and fabrication relating to the corporate guarantee must be adjudicated by the appropriate civil forum and cannot be determined in the summary jurisdiction exercised under the Insolvency and Bankruptcy Code.

"WHETHER AN ADMISSION ORDER UNDER SECTION 9 OF THE INSOLVENCY AND BANKRUPTCY CODE, 2016 CAN BE SET ASIDE AND THE CIRP CLOSED WHERE THE OPERATIONAL CREDITOR'S CLAIM IS FULLY SETTLED, NO SURVIVING CREDITOR CLAIMS REMAIN, AND THE PARTIES STATE THAT A PRIOR DISPUTE EXISTED BEFORE THE SECTION 8 NOTICE?"

"Mrunal Kanubhai Patel Vs. Vanshita Transport Thr. Its Prop. Nilesh V. Thakkar and Anr. – NCLAT, Principal Bench, New Delhi"

Facts of the Case:
The appellant, a suspended director of the Corporate Debtor, challenged the NCLT order admitting a Section 9 application and initiating CIRP for an operational debt of ₹1.47 crore. The appellant contended that a genuine dispute regarding transportation distance measurements existed prior to the issuance of the Section 8 demand notice. During the pendency of the appeal, the parties entered into a settlement agreement whereby the Operational Creditor received the entire claimed amount in full and final settlement and agreed to the setting aside of the admission order. The IRP also confirmed that the only other claim received during CIRP, filed by EPFO, had been fully paid.

Contentions:
The appellant argued that there was a pre-existing dispute concerning the basis of the Operational Creditor's claim and that the NCLT had failed to properly consider the same. It was further submitted that the entire claim had been settled. The Operational Creditor confirmed receipt of the full settlement amount and gave unconditional consent for setting aside the CIRP order. The IRP informed the Tribunal that the EPFO claim had also been discharged and no other creditor claims remained pending.

Issue:
Whether the CIRP initiated under Section 9 should be closed in view of the full settlement between the parties, the existence of a prior dispute before issuance of the Section 8 notice, and the absence of any outstanding creditor claims.

Decision:

The NCLAT held that the parties had amicably settled the dispute and the Operational Creditor had received its entire claim in full and final satisfaction. The Tribunal also noted that the plea regarding the existence of a prior dispute had not been controverted and was reflected in the settlement agreement itself. Since the sole EPFO claim had also been paid and no other claims were pending, there remained no impediment to closing the CIRP.

Conclusion:

The NCLAT allowed the appeal, set aside the NCLT order admitting the Section 9 application, and closed the CIRP. The Tribunal held that the combination of a complete Settlement, acknowledgment of a prior dispute, and discharge of all creditor claims justified termination of the insolvency proceedings.

Segment reporting in financial statements under the Companies Act 2013 –mconsequences of non- reporting

Segment reporting

1. Companiesmay be operating either in a single segment or diversified operating segments for their products and services. The companies which are operating in multiple operating segments i.e. more than one single segment, are required to make the disclosure in respect of each of the operating segment in the disclosures accompanying its financial statements for reporting to the shareholders of the company. It can be said that segment reporting is the reporting of the operating segment of a company who operates more than one single segment and make the disclosures in the financial statements.

Purpose of Segment reporting

2. The purpose of segment reporting is to help the stake holders of the company to understand the financial statements in respect of each sector in which the company is operating and its performance, better assess the company's prospects for future cash flows, and make more informed judgments about the company as a whole, while making their investment decisions.

Provisions governing the Segment reporting

3. Sub-section (1) of section 129 provides that the companies are required to present the financial statements giving the true and fair view of the state of affairs of the company and also comply with the accounting standards notified under section 133 of the Companies Act 2013 and the financial statements shall have to be in the form or forms as may be specified for different class or classes of companies as per Schedule III of the Companies Act 2013. Accounting standard AS-17 / IndAS 108 issued by the Institute of Charted Accountants of India specifies for segment reporting.

The segment reporting is compulsory for all commercial, industrial and business reporting enterprises, whose turnover for the accounting period exceeds Rs. 50 crore and for all type of insurance companies whether the shares are traded publicly or not.

Segment reporting as per SEBI regulations (for listed companies)

4. As per the SEBI (Listing Obligation and Disclosure Requirements) Rules 2014, all listed companies are required to report segment reporting in accordance with Accounting standard AS 17/ IndAS 108 as applicable as specified in section 133 of the Companies Act 2013. The requirement under the SEBI (Listing Obligation and Disclosure Requirements) Rules 2014 (LODR regulations) applicable to listed public companies are as under:-

- As per LODR regulations the listed companies are required to furnish the unaudited quarterly result to the concerned stock exchange (s) within 45 days of the end of respective quarter.

- The company is also required to intimate to the Stock Exchange (s) within 15 minutes of the closure of board meeting in which unaudited/ audited financial statements are placed.

- The listed companies are also required to publish its financial statements in one English newspaper and one regional language newspaper within 48 hours of board meeting.

Quarterly unaudited financial results with limited review

4.1 All listed companies are required to furnish in terms of the provisions of Regulations 30 (read with Part A of Schedule Ill) and 33 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015, the following to the stock exchange (s) which are duly approved and taken on record by the board of directors of the company in its board meeting:-

(a) Unaudited standalone financial results for each quarter (applicable for single operating segment companies) and

(b) In addition to the above consolidated financial results for each quarter (applicable for multiple operating segment companies)

(c) Limited review reports (separately for standalone & consolidated) for each quarter and

(d) Press release

The consolidated financial results is required to include the required disclosures relating to segment-wise
revenue, results and capital employed.

Audited financial statements

4.2 Similarly, the listed companies are required to submit the above information to the stock exchange (s) where the company's securities are listed, i.e.the annual audited standalone financial statements by single segment operating companies and annual audited consolida ed financial statements in case of multiple operating segment companies fc r the financial year within sixty days from the end of the financial year along with the audit report and statement of audit qualifications if any in the audit report. The audited consolidated financial statements is required to include the disclosure on segment reporting which is discussed in serial no. 6 and 7 below.

Determination of Segment

5. As per the Accounting standard, those companies who have aggregate of the results of two or more segments for their similar products, services, processes, customers, distribution methods at least 10% of the revenues, 10% of the profit or loss, or 10% of the combined assets of the entity are required to prepare the financial statement including segment reporting,

Segment reporting by Companies operating in a single Segment

6. The companies which are operating in a single segment are required to make the disclosure to the effect that the company is operating in a single reportable segment in a manner consistent with the internal reporting provided to the chief operating decision maker who is in an organization is the Chief Executive Officer / Managing Director of the company.

The required disclosure in case of single reportable segment could be as illustrated below:-

Illustrative segment reporting in case of single operating segment companies

Sl. no	Heading	Illustrative reporting
Notes to Financial Statements		
1	Under the heading Significant Accounting Policies Segment Reporting	Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the Company's Managing Director. Refer note no………………for segment information presented.

2	Under the heading Segment reporting	(a) Description of segments and principal activities operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Managing Director has been identified as the chief operating decision maker (CODM). The Company operates in only one business segment i.e. -----------name the segment /products and or services....... This is the principal activity for the company. The segment revenue is measured in the same way in Statement of Profit and Loss. The Company's revenue from geographical locations other than India are insignificant to the total revenue of the company The company does not have any customer contributing to 10% or more to the total revenue. (b) Non-current assets - All the non-current assets are located within India.

Segment reporting by Companies operating in multiple segments

7. The companies which are operating in multiple segments i.e. more than one single segment are required to make the disclosures relating to the operation of the different segments and the suggested / illustrative disclosure is as under:-

Illustrative segment reporting in case of Multiple operating segment companies

Sl. no	Heading	Illustrative reporting
Notes to Financial Statements		
	Under the heading Significant Accounting Policies Segment Reporting	Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the Company's Managing Director who examines performance both from a product as well as from a geographical perspective and has identified ....state the number of .... operative reportable segments from which significant risks and rewards are derived via.............provide the name of segments ....(identified)

2	Under the heading Segment reporting	Segment information based on consolidated financial statements is required to be given in the respective note no................to consolidated financial statements, which are attached to the financial statements which could be as under:- The Company's Managing Director, examines the Group's performance both from a product and geographical perspective and has identified two reportable operative business segments. The Group's significant source of risk and rewards are derived from -------------- -mention the na me of the identified segments .... the performance of which is reviewed by the committee on a periodic basis and hence considered as individual operative segments. The business segments comprise the following: i. Identified segment no.1 ii. Identified segment no 2 etc.....

The companies which are operating in multiple segments i.e. more than one single segment are required to make the disclosures relating to the operation of the different segments and the suggested / illustrative disclosure is as under:- Illustrative segment reporting in case of Multiple operating segment companies

Segment information

8. Segment information is based on the consolidated financial statements.

Segment wise revenue, results and capital employed for the year ended----------............DD / MM/YY........

Notes to consolidated financial statements for the year ended ....DD/MM/YY ------

The Managing Director of the company examines the Group's performance both from a product and geographical perspective and has identified two reportable operative business segments. The Group's significant source of risk and rewards are derived from .... Name the business segment (1) and (2) etc.............. the performance of which is reviewed by the Managing Director on a periodic basis and hence considered as individual operative segments.

(a) Business Segment

Rs. In.........

Particulars		Segment one(name the segment)	Segment two (name the segment)	Consolidated
Revenue				
External sales and other income				
Inter segment sales and other income				
Total revenue (including revenue from contracts with customers)				
Segment result				
Finance costs				
Tax expense				
Non-controlling interest				
Profit for the year				
Segment assets				
Investments in associate of subsidiary				
Total assets				
Segment liabilities				
Unallocated corporate liabilities				
Total liabilities				

Capital employed				
Reconciliation of segment liabilities				
Total segment liabilities as above				
Add: Considered as part of capital employed Sales tax deferral Deferred tax liabilities Government grant (current and non- current)				
Total liabilities as per Balance Sheet				
Capital expenditure				
Depreciation and write downs				
Non-cash expenses other than depreciation				

(B) Geographic segment

Particulars	**Domestic (India)**	**International (rest of the World)**	**Consolidated**
Segment revenue: External sales and other income			
Segment assets			
Capital expenditure			

Note: - The similar information is required to be provided for the previous year also in the same format as above.

Auditors' Report

9. The independent auditors' report submitted by the statutory auditors' to the members of the company would also state in their report that in their opinion, the financial statements of the company audited by them Penal provisions of Companies Act 2013 comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

Summing up of the earlier paragraphs

10. Segment reporting is compulsory for all those companies, whose turnover for the accounting period exceeds Rest. 50 crore if they are operating more than one single operating segment.

In case of companies operating only one single segment also, the disclosure is mandatory as per the provisions
of the Companies Act 2013.

Things which can go wrong

11. The companies which are operating in multiple reportable segments would definitely prepare their financial statements including the segment reporting as required under the Companies Act 2013 read with relevant accounting standard and chances of any default or violation is unlikely to arise.

However, in case single reportable segment company is concerned that too by a private limited company or closely held unlisted public company, there are possibilities exist for non-compliance. Suppose, the concerned company has not made the disclosure with respect to segment reporting in the financial statements in a particular year, what could be the consequences, since the company has considered that the business of the company consists of only a single reportable segment and hence there is no need to make any disclosure on segment reporting.

Can the company, prepare the financial statements without making the disclosure on segment reporting since the company has only single reportable segment and claim that the company followed the accounting policies adopted for segment reporting are in conformity with the provisions of the Companies Act 2013 read with relevant accounting standard and conclude that there is no violation or default.

The company will not be in a position to take a stand that there is no default / violation since the disclosure is still required to be made in the financial statements by the single reportable segment company. The readers may refer serial no 5 of this article where this topic has been elaborately discussed along with illustrative reporting called for, in the notes to financial statements in respect of single operating reportable segment company is concerned.

Penal provisions as per the Companies Act 2013 in case of default

12. As per sub-section (7) of section 129 of the Companies Act 2013, the penal provision is that for any contravention of the provisions of section 129, the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person charged by the board with the duty of complying with the requirements of this section and in the absence of any of the officers mentioned above, all the directors shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

Regulatory action

13. From the financial statements submitted by the company via e-form, the regulator can go through the same and ascertain as to whether the company has complied with the required disclosures which are required to be made as per the provisions of the Companies Act 2013 in respect of segment reporting.

Under section 206 and 207 of the Companies Act 2013, the Registrar of Companies has power to call for information from company, carry out inspection under sub-section (5) of section 206 and conduct necessary enquiries to ascertain the facts from the company. Once the regulator ascertain the violation / default after carrying out their scrutiny by going through the documents submitted by the company or by undertaking inspection, the regulator would issue show cause notice initially, which would then be followed by penal actions against the company and its defaulting officers.

Issue of show cause notice

14. After the establishment of violation / default, the regulatorwill issue show cause notice to the company and its defaulting officers, calling upon them to show cause within a specified time limit from the date of issue of show cause notice as to why legal action under section 129(7) of the Companies Act 2013 for non-disclosure of segment reporting.

The regulator would also draw the attention of the company and its defaulting officers that as per section 441 of the Companies Act 2013 where under offence in question can be compounded by appropriate authority xnamely RD / NCLT

Action from the company

15. If the concerned company in question, has not made the disclosure with respect to segment reporting in the financial statements on the plea that the company operates only a single reportable segment, the fact remains, the required disclosure called for has not been made which amount to default / violation. In such a case, the company may not be in a possible to defend themselves.

Then, the option available for the company is going for compounding of offences by filing the compounding of offences application with the regulator in order to get over the violation as per the provisions of section 441 of the Companies Act 2013 by admitting the offence.

Resolving the compounding of offences application

16. Upon filing the compounding application, the company will be required to spend its lot of time and money for getting the matter resolved. The company needs to follow up the matters after the e-filing of compounding application by lodging the physical copies of the application with the concerned Registrar of Companies and attending the hearing / hearings from time to time as and when the hearings are scheduled and finally getting the order from the regulator. Thereafter the company is required to follow the directions of the order and ensure that the compounding fees are remitted as per the order following by necessary further filing of e- forms, thereupon the matter will stand resolved.

Disclosure requirement

17. The company is required to report in its extract of annual return annexed to the board report the details of compounding of offences under the headings "Penalties / Punishment / Compounding of offences pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014. The disclosure would call for the (a) brief description of default / violation, (b) applicable section of the Companies Act 2013, (c) details of compounding fees imposed by the regulator, (d) the authority by whom imposed such as Regional Director, National Company Law Tribunal or Court and (e) details of appeals made if any by the company**.**

Above disclosure would finally result into

18. All the stakeholders of the company, readers, investors, and analyst – all the people who are the recipient of the annual report would know the non-compliance committed by the company and the compounding fees details, which would obviously affect the reputation of the company and the image in the market place.

Conclusion

19. Sub-section (7) of section 129 of the Companies Act 2013 while spelling out the penal provisions, it also names the , Chief Financial Officer (CFO) amongst others who are liable for penal action. The chief financial officer of the company who manages the entire affairs of the finance department of any company, who is also a key managerial person has to ensure strict adherence to section 129 with reference to all the provisions of section 129 of the Companies Act 2013 read with Schedule III of the Companies Act and the applicable accounting standards is strictly adhered to. It is needless to mention that the Chief Financial officer has to take extreme care and exercise diligence in ensuring that the absolute compliance while complying with the applicable accounting standards and also the disclosure required in the financial statements.

Though the company secretary is not responsible for the financials as such, yet he is being the compliance officer, he has also got a responsibility to ensure that the required compliance is met with. Section 205 of the Companies Act 2013 spells out that the responsibility of company secretary is to to ensure that the company complies with all relevant statutory and regulatory requirements amongst others. Therefore, the company secretary needs to work along with the Chief Financial Officer with reference to compliance of provisions of the Companies Act 2013 and ensure that the company is in absolute compliance, whatsoever is called for under the applicable regulations.

In case of listed companies, the Chief Financial officer who has got the prime responsibly of managing the finance department of the company is required to issue a certificate along with the Chief Executive officer in compliance with Regulation 17(8) of the SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 read with Part B of Schedule II, wherein, one of the certification is that the financial statements together present a true and fair view of the company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.

To conclude, the absolute compliance in complying with the requirement of Accounting standards along withapplication laws and regulations are to be ensured primarily by the Chief Financial officer supplemented by the company secretary in ensuring that the required disclosures are met with.

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