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IN THIS ISSUE

- I SPECIAL GUEST POST BY: MR. SAVAR MAHAJAN (COUNSEL), CHANDHIOK & MAHAJAN
- II INSOLVENCY & BANKRUPTCY LAW
- III SECURITIES LAW
- IV COMPANY LAW
- V ARBITRATION LAW
- VI MISCELLANEOUS

State Bank of India vs. Doha Bank : Corporate Guarantee as Financial Debt under the IBC

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The Hon'ble Supreme Court ("**SC**") in *State Bank of India and ors. v. Doha Bank Q.P.S.C. and Anr.*, 2026 INSC 423, has recently reiterated the principles of *China Development Bank v Doha Bank Q.P.S.C & Ors.*, (2025) 7 SCC 729 and reaffirmed that a corporate guarantee executed by the corporate debtor constitute "financial debt" within the meaning of Section 5(8) of the Code.

This decision, arising from an appeal under Section 62 of the Code, concerns a fundamental question: the validity and enforceability of corporate guarantees within the insolvency framework. This Judgement offers important clarifications on several intersecting questions of insolvency law, stamp law, and procedural fairness.

In the facts of this case a claim was submitted by State Bank of India along with some other financial institutions ("**Consortium**"), on account of the corporate guarantees issued by Reliance Infratel Limited ("**Corporate Debtor**"). Basis this, the Interim Resolution Professional issued a notice of the committee of creditors to State Bank of India to attend the same.

However, Doha Bank sought a declaration from the IRP that these corporate guarantees are preferential, undervalued and fraudulent as provided under Sections 43, 45 and 66 of the Code and sought derecognition of the Consortium as financial creditors of the Corporate Debtor.

The IRP rejected the objections, stating that claims have been verified based on legally valid documents. Doha Bank filed an application before the NCLT seeking the above declarations and the said application was allowed by the NCLT *vide* order dated 2 March 2021. The said order was preferred in appeal before NCLAT by the Consortium and the same was upheld *vide* order dated 14 October 2022, where the following was held:

1. The corporate guarantees were executed at a time when the Corporate Debtor was already in default and facing severe financial distress. The Corporate Debtor was declared NPA on 22 December 2017 with effect from 26 August 2016, indicating that the default existed well before the guarantees were issued.
2. There was no evidence that the beneficiary lenders disclosed the existence of these guarantees during the restructuring of the Corporate Debtor's debt;
3. The guarantees were neither reflected in the Corporate Debtor's financial statements for FY 2016-17 and 2017-18, nor produced before the NCLT;
4. There was no material on record to show that the guarantees were physically verified by the IRP/RP at New Delhi, apart from a brief reply affidavit of the RP;
5. The guarantees were required to be duly stamped under the Maharashtra Stamp Act, 1958, before being produced as evidence.

This has culminated in the present appeal.

KEY FINDINGS

1. CORPORATE GUARANTEES AS FINANCIAL DEBT

The SC unequivocally reaffirmed that a liability arising from a corporate guarantee squarely falls within the ambit of financial debt under Section 5(8) of the IBC, and the amount of any liability in respect of a guarantee for money borrowed against the payment of interest constitutes a "financial debt."

This clearly settles any residual uncertainty about the status of guarantee-backed claims in CIRP proceedings.

2. TIMING OF GUARANTEE EXECUTION

One of the most practically significant findings concerns the timing objection raised by Doha Bank. The account of the Corporate Debtor was first declared NPA on 26 August 2016 however the same was subsequently restructured, pursuant to which this corporate guarantee was executed on 03 March 2017.

The SC noted that the RBI Master Circular dated 01 July 2015 **mandates that asset classification is reckoned from the date the account first became NPA,** meaning this guarantee was executed before the NPA declaration, and the timing could not be questioned.

This reasoning is pragmatically sound and prevents retroactive challenge of restructuring-linked security arrangements.

3. NON-DISCLOSURE IN FINANCIAL STATEMENTS

The SC has further held that mere non-disclosure of a corporate guarantee in the financial statements of the Corporate Debtor for financial years 2016-17 and 2017-18 before NCLT cannot deprive the financial creditors of their right to make a claim on the basis of such guarantees. It notes that **this non-disclosure, at best, could be treated as a default committed by the Corporate Debtor.**

An appeal being a continuation of original proceedings, documents relevant to the dispute can be produced at the appellate stage, and no adverse inference can be drawn regarding the genuineness of guarantees merely because they were not produced before the NCLT.

4. INSUFFICIENCY OF STAMPING

Relying on the Constitution Bench ruling in *Interplay Between Arbitration Agreements* [(2024) 6 SCC 1], SC held that non-stamping or improper stamping of an instrument **does not render it invalid or void**, and that the non-payment of stamp duty is a curable defect and does not go to the root of validity of the instrument. Accordingly, SC held that technical stamping deficiencies cannot be weaponized by opposing parties to defeat otherwise legitimate claims.

5. VERIFICATION AND APPELLATE PRODUCTION OF DOCUMENTS

It noted that though the Court's intervention on concurrent findings of fact is ordinarily impermissible,

Thus, the SC held that the tribunals grossly erred in rejecting the claim of the consortium of lenders at the instance of a rival lender, on account of grounds relating including (i) timing circumstances of execution of guarantee, (ii) improper disclosure of financial statements, (iii) insufficient stamping, (iv) production of documents at the appellate stage. This case serves as an important reminder that procedural and technical objections cannot be marshalled to frustrate substantively valid creditor claims under the IBC.

CONCLUSION

This judgment strengthens creditor certainty in insolvency proceedings, affirms the broad scope of “financial debt,” and reinforces that a curable technical defect, whether in stamping or document production cannot defeat meritorious claims. It is a welcome addition to IBC jurisprudence.



INSOLVENCY & BANKRUPTCY

The Insolvency and Bankruptcy Board of India (“IBBI”) has issued circular notifying International Valuation Standards (“IVS”) as applicable valuation standards under the Insolvency and Bankruptcy Code, 2016 (“IBC”). [\[Link\]](#)

The IBBI has issued a circular dated April 1, 2026 notifying the IVS, as issued and updated by the International Valuation Standards Council (“**IVSC**”), as the applicable valuation standards for all valuations conducted under the IBC. The circular is based on various provisions under the IBBI regulations, including Regulation 35(1)(c) of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016, and Regulation 3(1)(b) of the IBBI (Voluntary Liquidation Process) Regulations, 2017.

Prior to this circular, there was no notified valuation standard uniformly applicable across all insolvency processes. This resulted in appointed valuers adopting varying assumptions and methodologies regarding valuations, leading to inconsistency and disputes in valuation outcomes. The absence of a common benchmark limited the ability of adjudicating authorities to assess the adequacy and reliability of valuation reports.

The circular now mandates all valuations conducted under the IBC to comply with the IVS, as updated from time to time by the IVSC. This introduces a globally recognised benchmark for valuation methodology, assumption, disclosure and reporting standards of all class of assets including land, building, plant and machinery, securities or financial assets.

This notification is expected to strength valuation practices under the IBC ensuring consistency, compatibility and professional accountability among the registered valuers. It is also likely to reduce disputes arising from differing valuation approaches. It will also provide adjudicating authorities a clearer benchmark for evaluating valuation reports.

SECURITIES LAW



Securities and Exchange Board of India (“SEBI”) clarifies that a family trust cannot be a sponsor of a mutual fund. [\[Link\]](#)

Through an informal guidance issued on April 20, SEBI has clarified that a family trust cannot be the sponsor for a mutual fund. The interpretation came as a response to the query of First Water Capital Advisory LLP raised under the new SEBI (Mutual Funds) Regulations, 2026 (“**Mutual Funds Regulations**”).

Earlier, there was no clear guidance on whether a family trust was eligible to become a sponsor to a mutual fund. However, SEBI has clarified its stance through the response.

As per Regulation 2(1)(xx) of the Mutual Funds Regulations, “Sponsor” means any person who, acting individually or in concert with another body corporate, established a mutual fund or a mutual fund lite. Thus, a sponsor is clearly a body corporate which either individually or with another body corporate established a mutual fund. Given that a family trust is not a body corporate, it cannot be a sponsor of a mutual fund.

Restricting sponsorship to body corporates ensures that entities establishing mutual funds remain subject to established regulatory and compliance standards, thereby strengthening investor protection. The exclusion of family trusts from sponsorship of Mutual Funds will lead to changes in the investment structures of such trusts. This will require family offices and high-net-worth families that currently use trust-based structures to reconsider their investment and fund management arrangements. The clarification also reflects SEBI’s clear approach of maintaining defined eligibility criteria for investments.

SEBI amends Alternative Investment Funds Regulations, 2012 (“AIF Regulations”), introducing changes to Social Impact Funds and inoperative funds. [\[Link\]](#)

Through the Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2026 (“**Amendment Regulations**”), SEBI has introduced changes regarding Social Impact Funds and the framework governing inoperative Alternative Investment Funds (“**AIFs**”).

Pursuant to the changes introduced in the third proviso to Regulation 10(c) of the AIF Regulations, the minimum investment amount required for Social Impact Funds has been reduced from INR 2, 00, 000 to INR 1,000. This change broadens access Social Impact Funds and is likely to encourage greater participation from investors interested in impact investment.

Regulation 29(7) has been amended, which now states that the winding up of an AIF will be subject to such conditions as may be specified by the SEBI from time to time, as compared to the previous requirements of “satisfying all liabilities”. Additionally, SEBI has introduced Regulation 29(10A), which provides that an AIF may be classified as an inoperative fund as per the manner and the conditions specified by SEBI.

The changes to Regulation 29(7) are significant because under the earlier framework, the higher threshold acted as a significant barrier for retail and small-scale investors seeking to participate in impact-oriented investments. The reduction of the threshold to INR 1,000 addresses this concern by making social impact investing more accessible and inclusive. Further, the previous regulations did not contain a dedicated framework for AIFs that had ceased active operations but had not formally completed the winding-up process. This led to a legal vacuum regarding the treatment, compliance obligations, and status of those funds.

While the Amendment Regulations have introduced the framework for inoperative funds, SEBI has not yet published a circular to set forth the operational mechanism and the conditions that will pertain to such funds. With the recent amendments aimed at broadening access to social impact investments and introducing a clearer regulatory framework for inoperative or dormant AIFs, SEBI has taken a significant step towards enhancing investor participation and strengthening regulatory oversight within the alternative investment ecosystem.



ARBITRATION LAW



The Supreme Court (“SC”) held that an unsuccessful party in arbitration may seek interim relief even at the post-award stage. [*Home Care Retail Marts Pvt. Ltd. v. Haresh N. Sanghavi*]. [[Link](#)]

Recently, the SC held that an unsuccessful party can seek interim relief even at the post-award stage. In the current case, the issue of differing views amongst various High Courts (“HC”) on the scope of Section 9 of the Arbitration and Conciliation Act, 1996 (“A&C Act”) came before the SC. The main issue in this case was who qualifies as “a party” entitled to seek interim protection under Section 9 once an arbitral award has been rendered, but enforcement is yet to take place.

The Bombay, Delhi, Madras, and Karnataka HCs had read the provision restrictively, confining its post-award operation to award-holders alone on the ground that interim measures at that stage serve only to safeguard the fruits of a successful award. The Telangana, Gujarat, and Punjab & Haryana HCs disagreed, holding that the provision draws no such line between successful and unsuccessful parties.

The SC sided with the latter view, anchoring its reasoning firmly in the text of the statute. Section 9 opens with “a party”, a term given a precise meaning by Section 2(h) of the A&C Act as “a party to an arbitration agreement”. Neither provision carves out any distinction based on the outcome of arbitral proceedings, and the Court held that it is not open to a court to introduce such a qualification through interpretation as doing so would cross the line from construing the statute to rewriting it.

The Court further observed that Sections 34 and 36 of the A&C Act, which deal respectively with challenges to awards and their enforcement or stay, operate in an entirely different domain from Section 9, which is concerned with protecting the subject matter or the amount in dispute. An unsuccessful party has no recourse to either of those provisions for safeguarding its interests in the underlying subject matter, and denying it access to Section 9 would leave it without any remedy during the pendency of challenge proceedings.

The judgment widens the field of post-award interim relief under the Act, though it is careful to pair that expansion with a note of restraint. A losing party invoking Section 9 faces a materially higher bar, and relief is reserved for situations that are rare and compelling.

MISCELLANEOUS



The Hon'ble Supreme Court ("SC") clarifies the rights of borrowers in bank fraud classification cases [*State Bank of India v. Amit Iron Pvt. Ltd. and Ors.*]. [\[Link\]](#)

The Hon'ble SC in its recent judgment has clarified the procedure that banks must follow before classifying a borrower's account as "fraud" under the Banking Regulation Act, 1949 along with the 'Reserve Bank of India Frauds Classification and Reporting by Commercial Banks and Select FIs Directions, 2016' and the 'Reserve Bank of India Fraud Risk Management in Commercial Banks (including Regional Rural Banks and All India Financial Institutions Directions, 2024' ("**RBI Master Directions**").

Earlier, there was ambiguity regarding the procedure banks were required to follow before classifying a borrower's account as "fraud" under the RBI's Master Directions 2016 and 2024. Relying on the Hon'ble SC's judgment in *State Bank of India v. Rajesh Agarwal*, several HCs interpreted the ruling to mean that borrowers were entitled to copies of forensic audit reports. Further, they would also be given a mandatory personal or oral hearing before the classification of the said bank account as fraudulent in nature. This created uncertainty regarding the procedural requirements necessary to satisfy the principles of natural justice.

To resolve this ambiguity, the Hon'ble SC held that borrowers do not possess an automatic right to a personal hearing. The Court observed that fraud classification proceedings are primarily based on evidence such as financial records, transaction details, and audit findings. Therefore, a written opportunity to respond is generally sufficient to satisfy the requirements of natural justice.

The Hon'ble SC further clarified that banks may withhold only those parts of the forensic audit report that involve confidential information or third-party rights. However, proper reasons for doing so must be given. The Court therefore set aside the HC's decisions that had made personal hearings compulsory, and held that borrowers must still be given forensic audit reports before their accounts are classified as fraud. The Court also observed that the RBI's 2024 Master Directions correctly reflect these procedural safeguards.

This judgment will clarify and make the fraud classification process more consistent for banks. They would have to follow a fair procedure by issuing show-cause notices and providing forensic audit reports. The banks would also have to consider the borrower's written reply and pass a reasoned order. However, they will not be required to give a personal or oral hearing in every case. It will help banks take timely actions and act promptly in fraud cases.



International Financial Services Centres Authority (“IFSCA”) introduces Pension Fund Regulations for International Financial Services Centres (“IFSCs”) ecosystem. [\[Link\]](#)

The IFSCA has notified the IFSCA (Pension Fund) Regulations, 2026 (“**Pension Regulations**”), which provide a comprehensive and detailed regime for the registration, functioning, investment and supervision of pension funds in IFSCs. The Pension Regulations create an independent pension system for IFSCs, which differs from the existing domestic pension system.

Before these regulations, there was no specific regulatory regime specifically for pension funds in IFSCs. The pension fund architecture in IFSCs were governed by the Pension Fund Regulatory and Development Authority (“**PFRDA**”) and was very restrictive in terms of foreign exposure. The PFRDA Act, 2013 had made it clear that pension funds cannot invest in foreign funds (directly or indirectly) in any capacity. This meant pension investments were still highly focused on the domestic market, and there was little scope for geographical diversification.

The IFSCA Regulations establish an independent regulatory framework for pension funds established in IFSCs, which contains specific requirements on registration, governance, investment management, risk management, disclosures and protection of subscribers of pension funds. Interestingly, Regulation 49 of the Pension Regulations states that the pension schemes approved by the IFSCA shall be exempted from the applicability of the PFRDA in so far as there is any inconsistency.

The biggest change in the regulations is with regard to global investment flexibility. Regulation 20 of the Pension Regulations allow pension funds to invest in the domestic and overseas markets with specific geographical cap. Investments in India can be as high as 100% of the assets under management while exposure in any foreign jurisdiction is limited to 20% (except for the United States, where the exposure limit is raised to 50%). Limits are for both direct and indirect exposure.

These regulations are a major shift in government's thinking in the previous domestic pension approach of international diversification as the wrong part of the long-term investment for retirement. This has contributed to the IFSC pension sector aligning itself more with the international pension jurisdictions with the introduction of calibrated global exposures as a pillar of risk management.

At the same time, the framework does not adopt an unrestricted liberalisation model. Prescribed exposure limits, required risk governance framework and concentration limits provide a sense of pragmatic risk/return trade-off. The overall approach of the regulation is also embedded in the regulations, namely the development of parallel financial systems in IFSCs which are separate from the domestic financial system, but are still subject to specialised supervision.



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