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09th March 2026

SEBI revises regulatory reporting framework for AIFs; introduces annual activity report and simplified quarterly reporting

The Securities and Exchange Board of India (SEBI), through a circular dated 4 March 2026, has revised the regulatory reporting framework applicable to Alternative Investment Funds (AIFs) under the SEBI (Alternative Investment Funds) Regulations, 2012. The revised framework introduces a comprehensive annual reporting requirement while rationalising the existing quarterly reporting system. The change aims to improve regulatory oversight while reducing compliance burden for AIFs by streamlining the reporting structure and shifting detailed disclosures to an annual activity report.

Analysis

- The circular introduces a comprehensive Annual Activity Report to be submitted by all AIFs through the SEBI Intermediary Portal within 30 days from the end of the financial year. The annual report will contain detailed information on the operational and investment activities of AIFs and will serve as the primary regulatory reporting document for the financial year.

- The first annual reporting requirement will apply for the financial year ending 31 March 2026, and the report must be filed by 31 May 2026 through the SEBI Intermediary Portal.

- While quarterly reporting continues, the framework now requires submission of a simplified Quarterly Activity Report within 15 days from the end of each quarter, thereby limiting the information required to be reported on a quarterly basis.

- The circular further clarifies that no quarterly report will be required for the quarter ending March, as the information for that period will be captured within the Annual Activity Report submitted after the end of the financial year.

- The revised reporting formats will be issued by the Standards Forum for AIFs under the aegis of the Indian Venture and Alternate Capital Association (IVCA), which will also provide implementation support and guidance to the AIF industry for transition to the updated reporting framework.

- The circular supersedes Clause 15.1 of Chapter 15 relating to reporting requirements under the SEBI Master Circular for AIFs dated 7 May 2024, thereby formally replacing the earlier quarterly reporting framework with the revised reporting structure.

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- The revised reporting framework will impact Alternative Investment Funds (AIFs) registered with the Securities and Exchange Board of India, including Category I, II and III AIFs, along with their investment managers, trustees, sponsors and fund administrators responsible for regulatory reporting under the SEBI (Alternative Investment Funds) Regulations, 2012. The Indian Venture and Alternate Capital Association (IVCA),

- through the AIF Standards Forum, will issue the revised reporting formats and support implementation across the AIF industry.

- **Key Takeaways**

- SEBI has introduced an annual activity report as the primary reporting mechanism for AIFs.

- Quarterly reporting will continue in a simplified format, with filings required within 15 days from the end of each quarter.

- Quarterly reporting for the March quarter has been dispensed with, as the annual report will capture the relevant information.

- The revised reporting formats will be issued by the AIF Standards Forum under IVCA, facilitating implementation of the updated regulatory reporting framework.

The notification is attached herein.

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SEBI introduces voluntary lock-in / debit freeze facility for mutual fund folios

The Securities and Exchange Board of India (SEBI), through its circular dated 6 March 2026, has introduced a voluntary lock-in / debit freeze facility for Mutual Fund folios to enhance the digital security of investor holdings. The framework applies to Mutual Funds, Asset Management Companies (AMCs), Trustee Companies, Registrar and Transfer Agents (RTAs**)** and will enable investors to temporarily freeze debits from their mutual fund folios across both demat and non-demat (Statement of Account) holdings. The facility will be operational through the MF Central platform and is scheduled to come into effect from 30 April 2026.

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Analysis

- The Securities and Exchange Board of India (SEBI) has introduced a voluntary debit freeze facility allowing investors to lock their mutual fund folios so that no units can be debited until the folio is unlocked, thereby enhancing security against unauthorised transactions and fraud in digital mutual fund holdings.

- The facility will be available for both demat and non-demat (Statement of Account) mutual fund folios, ensuring coverage across different modes through which investors hold mutual fund units.

- In the first phase, the facility will be implemented by RTAs through the inter-operable RTA platform MF Central, which was introduced to streamline mutual fund transactions and investor service requests.

- The facility will be available only to KYC-compliant investors with a registered email ID and mobile number, ensuring proper authentication and communication during the locking and unlocking process.

- The Association of Mutual Funds in India (AMFI) will prescribe the detailed operational process for locking and unlocking folios, and will also determine the financial and non-financial transactions that may be permitted during the lock-in period after consultation with SEBI.

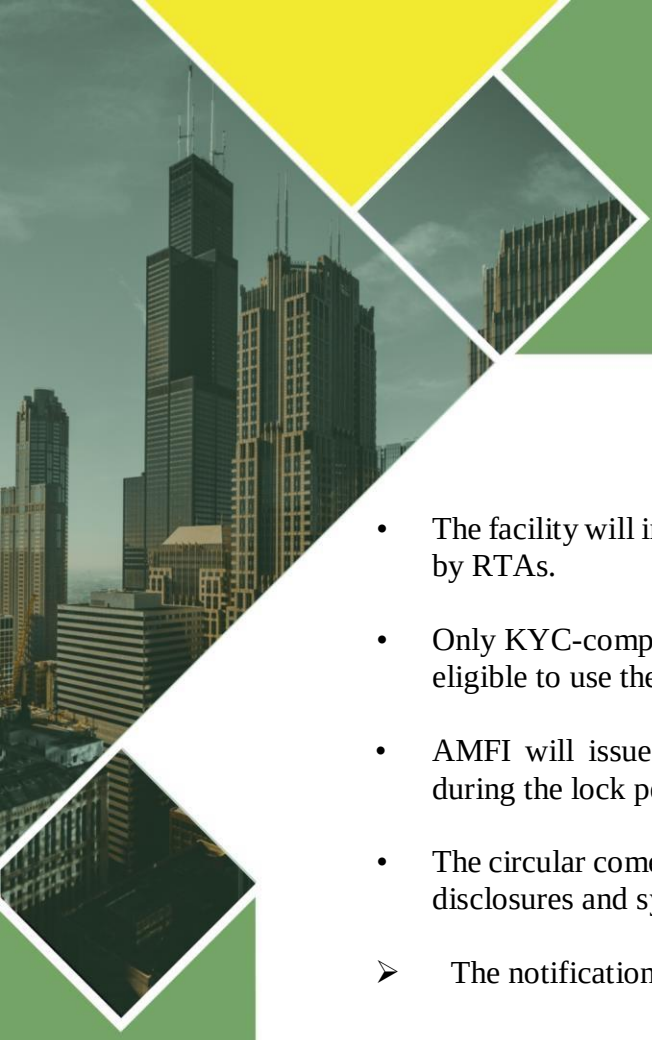
- AMCs and RTAs will be required to disclose the detailed procedure for availing the facility and its impact on financial and non-financial transactions on their websites and in the Statement of Additional Information (SAI) to ensure transparency for investors.

- The circular has been issued under Section 11(1) of the SEBI Act, 1992 read with Regulation 77 of the SEBI (Mutual Funds) Regulations, 1996, with the objective of protecting investor interests and strengthening the securities market framework**.**

- **Key Takeaways**

• SEBI has introduced a voluntary debit freeze mechanism for mutual fund folios to strengthen investor protection.

• Investors will be able to lock their folios to prevent any debit of units until the folio is unlocked.



- The facility will initially be made available through the MF Central platform operated by RTAs.
- Only KYC-compliant investors with registered email ID and mobile number will be eligible to use the facility.
- AMFI will issue detailed operational guidelines, including permitted transactions during the lock period.
- The circular comes into force on 30 April 2026, requiring AMCs and RTAs to update disclosures and systems accordingly.

➢ The notification is attached herein.

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Arbitral Tribunal Cannot Grant Pre-Award or Pendente Lite Interest When Contract Expressly Prohibits It: Supreme Court

The Supreme Court of India has held that an arbitral tribunal cannot award pre-award or pendente lite interest in the nature of compensation when the governing contract expressly prohibits the grant of such interest.

A Bench comprising Justice Sanjay Karol and Justice Vipul M. Pancholi set aside the portion of the order of the Allahabad High Court which had upheld the grant of pre-award interest to the respondents despite a clear contractual prohibition.

Referring to Section 37(1)(a) of the Arbitration and Conciliation Act, 1996, the Court reiterated that the grant of pre-award interest is not mandatory and remains subject to the terms of the contract between the parties. Where the contract expressly bars such interest, the arbitral tribunal cannot circumvent the restriction by awarding the amount in another form.

The Court observed:

"We are of the view that the AT has committed serious error by awarding pre-award/pendente lite interest qua Claim Nos. 1, 3 & 6, though AT has observed that the said amount are awarded by way of compensation, however, in view of the peculiar clause of GCC as well as provisions contained in Section 31(7)(a) of the Act of 1996 and the decisions rendered by this Court, the AT could not have awarded the pre-award/pendente lite interest."

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Background of the Dispute

The dispute arose out of a 2011 turnkey contract for the modernization of the Jhansi Workshop of the North Central Railway. The project, valued at approximately ₹93.08 crore, experienced a delay of nearly 40 months. Consequently, Larsen & Toubro Limited invoked arbitration seeking payment of outstanding dues, price variations, and financing charges.

In 2018, the Arbitral Tribunal awarded L&T a sum of ₹5.53 crore. Although the contract contained Clause 64(5) which expressly prohibited the payment of interest on any amount "for any period till the date on which the award is made," the tribunal nonetheless awarded certain amounts resembling interest for Claims 1, 3 and 6 by characterising them as "financing charges" or compensation.

The award was subsequently upheld by the Commercial Court as well as the Allahabad High Court, prompting the Union of India to challenge the decision before the Supreme Court.

Supreme Court's Findings

Allowing the appeal in part, the judgment authored by Justice Vipul M. Pancholi held that the arbitral tribunal could not grant pre-award or pendente lite interest in the guise of compensation when the contract specifically barred such payment.

The Court held:

"The AT is not justified in awarding pre-award/pendente lite interest, by way of compensation, while passing the award in favour of the respondent-claimant, and more particularly in view of Clause 16(3) and Clause 64(5) of the GCC. The award of such interest is not in accordance with the agreement, and liable to be set aside."

However, the Court clarified that the contractual prohibition did not extend to post-award interest. Accordingly, the grant of post-award interest was upheld, though the rate was modified.

The Court ruled:

"The AT is justified in awarding post-award interest in favour of the respondent claimant, however, the rate of post-award interest is modified from 12% per annum to 8% per annum from the date of award till realization."

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Conclusion

In view of the above findings, the Supreme Court partly allowed the appeal, setting aside the award of pre-award and pendente lite interest while sustaining the award of post-award interest at a reduced rate.

Case Title: *Union of India & Ors. v. Larsen & Toubro Limited (L&T)*

Case No.: Special Leave Petition (Civil) No. 14989 of 2023.

Corporate Debtor's Ability to Pay Not Relevant for Admission of Section 7 Insolvency Petition: Supreme Court

The Supreme Court of India has reaffirmed that the remedy available to a financial creditor under Section 7 of the Insolvency and Bankruptcy Code, 2016 for initiating the Corporate Insolvency Resolution Process (CIRP) is mandatory in nature. The Court held that once the existence of a financial debt and default is established, the adjudicating authority has no discretion to refuse admission of the insolvency application.

The Court clarified that, at the stage of admission of a Section 7 petition, the adjudicating authority is not required to examine the corporate debtor's ability or inability to repay the debt.

The Court observed:

"The Adjudicating Authority is not required to go into the inability of a corporate debtor to pay its debt. This is a clear departure from the scheme of winding up envisaged under Section 433(e) of the erstwhile Companies Act, 1956 which required the Adjudicating Authority to come to a finding with regard to the inability of the company to pay the debt and thereby arrive at a requisite satisfaction whether it is just and equitable to wind up the company. The Code restricts the scope of enquiry for admission of an insolvency process by a financial creditor merely to the existence of default of a debt due and payable and nothing more."

The Court further reiterated that once a financial creditor files an application under Section 7, the adjudicating authority must determine the existence of default from the records of the information utility or the evidence produced by the financial creditor within fourteen days of receiving the application.

At this stage, neither is the corporate debtor entitled to raise disputes concerning the debt, nor is the adjudicating authority required to examine such disputes. This

significantly limits the scope of inquiry during the time-bound admission process under the Code.

Bench and Procedural Background

The judgment was delivered by a Bench comprising Chief Justice Surya Kant, Justice Joymalya Bagchi and Justice Vipul M. Pancholi. The Court dismissed an appeal filed by the promoter of the corporate debtor challenging the admission of a Section 7 application.

The Court affirmed the decision of the National Company Law Appellate Tribunal, which had upheld the admission of the insolvency petition by the National Company Law Tribunal, Kolkata.

Background of the Dispute

The dispute arose from a common loan agreement dated June 19, 2013, under which REC Limited, a public sector financial institution, extended a loan of ₹1,859 crore to Hiranmaye Energy Limited for setting up a thermal power plant at Haldia in West Bengal.

Subsequently, an additional term loan of ₹446.97 crore was sanctioned in October 2015 due to cost overruns.

The loan account was classified as a Non-Performing Asset (NPA) on June 30, 2018, with the date of default recorded as March 31, 2018. Although restructuring proposals were approved in principle in February and September 2020, they were subject to several pre-implementation conditions, including securing a favourable tariff order, creation of a Debt Service Reserve Account, continuous operation of the plant, and infusion of priority debt and working capital.

However, these conditions were not fulfilled within the stipulated timelines. The tariff order from the West Bengal Electricity Regulatory Commission was issued only on May 31, 2021, long after the agreed deadline.

Consequently, REC filed an application under Section 7 of the IBC before the NCLT, Kolkata. The tribunal admitted the application on January 2, 2024, and the decision was upheld by the NCLAT on January 25, 2024. The promoter of the corporate debtor thereafter approached the Supreme Court challenging the admission of the insolvency proceedings.

Arguments Before the Supreme Court

Before the Court, the appellant contended that initiation of the CIRP under Section 7 is discretionary and not automatic, even where financial debt and default are established. The appellant relied on the judgment in Vidarbha Industries Power Ltd. v. Axis Bank Ltd. to argue that the adjudicating authority must consider relevant factors, including whether initiating insolvency proceedings is warranted in the facts of the case.

Supreme Court's Findings

Rejecting the appellant's submissions, the judgment authored by Justice Joymalya Bagchi distinguished the facts of the present case from the decision in *Vidarbha Industries*. In that case, the Court had considered a situation where an award passed in favour of the corporate debtor exceeded the claim of the financial creditor, making initiation of CIRP unwarranted.

However, in the present case, the Court noted that the corporate debtor continued to carry substantial outstanding liabilities.

The Court observed:

"In Vidarbha (supra), this Court had taken note of an award passed by APTEL in favour of the corporate debtor which far exceeded the claim of the financial creditor, and held in the setting of such facts, initiation of CIRP was unwarranted. In the present case, Appellant's contention regarding Corporate Debtor's viability is highly dubious. Though the Corporate Debtor strenuously demonstrates its commercial viability, the NCLAT has noted that the extent of outstanding liability as on 02.01.2024 was Rs. 3103.31 crore, which far exceeds the bills raised on WBSEDCL to the tune of Rs. 906 crore and EBITDA of Rs. 20 Crore per month during the CIRP."

The Court also relied on earlier precedents including Innoventive Industries Ltd. v. ICICI Bank and M. Suresh Kumar Reddy v. Canara Bank to reiterate that once default is established, the adjudicating authority has limited discretion to refuse admission of a Section 7 application.

Rejection of Section 10A Defence

The Court further rejected the appellant's attempt to seek protection under Section 10A of the IBC, which suspends initiation of insolvency proceedings for defaults occurring during the COVID-19 period between March 25, 2020 and March 24, 2021.

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The Court held that the date of default in the present case was March 31, 2018, which was prior to the period covered under Section 10A. The Court also clarified that the date of default cannot be shifted by relying on repayment schedules contemplated under restructuring proposals that were never implemented.

Endorsing the position taken by the financial creditor, the Court observed:

"Once the restructuring failed at that threshold stage, the date of default cannot be shifted by referring to repayment schedules contemplated under those unimplemented proposals."

Conclusion

Holding that the admission of the Section 7 application was lawful, the Supreme Court declined to interfere with the orders passed by the NCLT and NCLAT and dismissed the appeal.

Case Title: *Power Trust (Promoter of Hiranmaye Energy Ltd.) v. Bhuvan Madan (Interim Resolution Professional of Hiranmaye Energy Ltd.) & Ors.*

Case No.: Civil Appeal No. 2211 of 2024.

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