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02<sup>nd</sup> March 2026

## **IBBI amends CIRP Regulations; substitutes 'fair value' definition and revises valuation process**

The Insolvency and Bankruptcy Board of India (IBBI) has notified the *Insolvency Resolution Process for Corporate Persons (Amendment) Regulations, 2026* on 25 February 2026, further amending the CIRP framework under the Insolvency and Bankruptcy Code, 2016. The amendments significantly refine the valuation framework, enhance disclosure requirements in the Information Memorandum, and introduce clarity in the treatment of real estate allottees, strengthening transparency and procedural robustness in corporate insolvency resolution.

### **Analysis**

#### ➤ **Revised Definition of “Fair Value”**

The amendment substitutes the definition of fair value under Regulation 2. Fair value is now defined as the estimated realizable value of the corporate debtor or its assets on the insolvency commencement date, based on a willing buyer–seller, arm’s length transaction with proper marketing and no compulsion. It expressly includes all assets (tangible and intangible) along with their synergies.

- Regulation 27 mandates that the Resolution Professional appoint two sets of registered valuers within seven days of appointment, with a maximum timeline of forty-seven days from the insolvency commencement date.
- The revised framework under Regulation 35 adopts an asset-class-based valuation approach, requiring each set to include one registered valuer per asset class, with one designated as the Coordinating Valuer. Valuers must disclose their methodology to the Committee of Creditors and conduct physical verification of assets before submitting reports. A third valuer may be appointed where estimates differ by 25% or more or if required by the CoC, with such variation defined as “significantly different.” The fair value and liquidation value are determined as the average of the two closest estimates, and valuation reports must be maintained in Board-prescribed formats.
- The disclosure requirements under Regulation 36 have been expanded to include details of receivables, Joint Development Agreements, assets under attachment (along with authority and status), and particulars of allottees whose claims are reflected in records but have not been filed.



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- Regulation 38A now mandates that where details of real estate allottees who have not filed claims are included in the Information Memorandum, the Resolution Plan must specifically provide for their treatment.
- Key Takeaways
  - Valuation framework significantly tightened with asset-class segregation and defined averaging formula.
  - 25% variance rule introduces objective trigger for third valuation.
  - Enhanced Information Memorandum disclosures increase transparency and reduce litigation risks.
  - Mandatory treatment of non-claiming allottees strengthens homebuyer protection.
  - Greater oversight of RPs and valuers through documentation and structured methodology.
- The notification is attached herein.

[Click Here](#)

### **IBBI amends Pre-Pack CIRP Regulations; revises 'fair value' definition and introduces asset-class-based valuation framework**

The Insolvency and Bankruptcy Board of India has notified the Insolvency and Bankruptcy Board of India (Pre-Packaged Insolvency Resolution Process) (Amendment) Regulations, 2026 on 25 February 2026, amending the pre-pack CIRP framework under the Insolvency and Bankruptcy Code, 2016. The amendments overhaul the valuation mechanism, introduce an asset-class-based approach, and strengthen procedural transparency in determination of fair value and liquidation value.

#### **Analysis**

##### ➤ **Revised Definition of "Fair Value"**

The amendment substitutes the definition of fair value under Regulation 2. Fair value is now defined as the estimated realizable value of the corporate debtor or its assets on the insolvency commencement date, determined through a willing buyer-seller, arm's length transaction, after proper marketing and without compulsion. It expressly clarifies that valuation must consider the total realizable value of all assets, including tangible and intangible assets along with their underlying synergies.



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- Regulation 38 has been amended to require the appointment of two sets of registered valuers, replacing the earlier requirement of two individual valuers, thereby institutionalising a set-based valuation structure.
- The revised framework under Regulation 39 introduces an asset-class-based valuation mechanism, mandating that each set of valuers include one registered valuer per asset class, with one designated as the Coordinating Valuer in consultation with the Committee.
- The Resolution Professional is required to facilitate a meeting where valuers explain the valuation methodology to the Committee of Creditors prior to computation, enhancing transparency and informed decision-making.
- Each valuer must conduct physical verification of inventory and fixed assets and submit valuation reports in accordance with standards notified by the Board, ensuring greater reliability of valuation outcomes.
- The Coordinating Valuer computes the fair value after considering asset-level valuations (including synergies), and the average of the two closest estimates is taken as the final fair value, with a similar averaging mechanism prescribed for liquidation value across asset classes.
- A new sub-regulation (1A) under Regulation 39 mandates that valuers prepare valuation reports and maintain documentation in Board-prescribed formats, strengthening auditability and regulatory oversight.
- Key Takeaways
  - Shift to set-based and asset-class-driven valuation enhances accuracy and reduces subjectivity.
  - Formal role of Coordinating Valuer streamlines consolidation of valuation outputs.
  - Mandatory methodology disclosure improves CoC oversight and transparency.
  - Physical verification requirement strengthens credibility of valuation reports.
  - Standardised documentation and formats increase regulatory control and audit readiness.
- The notification is attached herein.

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## **SEBI Caution on Stock Market Scams through Account Handling Services (PR No. 14/2026)**

SEBI, through its Press Release dated 26 February 2026, has issued a public caution regarding the growing incidence of stock market scams involving so-called “account handling” services. The regulator has observed that certain unregistered persons are misleading investors by promising risk-free profits and offering to operate investors’ demat and trading accounts. The advisory aims to alert investors and reinforce the importance of dealing only with SEBI-registered intermediaries.

### **Analysis**

- A pattern of fraud has been identified by the Securities and Exchange Board of India wherein individuals falsely present themselves as expert fund managers, Portfolio Management Service (PMS) providers, or professional account handlers, and lure investors by promising assured or risk-free returns and showcasing purported high-profit past trades.
- They often insist on a minimum capital commitment and charge a percentage share of profits, while also seeking access to the investor’s trading credentials to execute trades directly in the investor’s account.
- SEBI’s advisory functions as both a warning and a compliance reminder. It emphasizes due diligence by investors and reinforces the broader regulatory theme of safeguarding retail participants in increasingly digitised securities markets.
- A key red flag is the asymmetric risk structure, where the fraudster shares in profits but bears no losses, which are entirely borne by the investor since trades are executed in the investor’s own account. Additionally, such operators are typically unregistered and fall outside the regulatory oversight of Securities and Exchange Board of India, thereby limiting available investor protection mechanisms.
- SEBI has clarified that such account handlers are not registered with it and do not fall within its regulatory purview, and has cautioned investors against sharing their trading credentials with any third party; it has further reiterated that investors should verify the registration status of intermediaries through its official portal and transact only through authentic trading applications of duly registered entities.



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➤ Key Takeaways

- SEBI has flagged a rise in scams involving unregistered “account handling” service providers.
  - Fraudsters typically promise assured profits and demand access to investors’ trading credentials.
  - Losses are borne entirely by investors, while fraudsters claim a share of profits.
  - Such operators are not regulated by SEBI, limiting investor protection.
  - Investors should transact only through SEBI-registered intermediaries and verified trading apps.
- The notification is attached herein.

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### **Oppression and Mismanagement: NCLT Chennai Directs Orderly Exit of Minority Shareholders**

The National Company Law Tribunal, Chennai Bench, has reaffirmed the breadth of its equitable jurisdiction under Sections 241 and 242 of the Companies Act, 2013, in a dispute arising out of a complete breakdown of trust between promoters of a closely held company. The decision was rendered by a Bench comprising Jyoti Kumar Tripathi, Judicial Member, and Ravichandran Ramasamy, Technical Member, in proceedings initiated by minority shareholders against Adroit Automation India Private Limited.

The petition was filed under Sections 241–242 alleging oppression and mismanagement. The Tribunal examined whether the conduct of the majority shareholders, coupled with an admitted settlement for exit that remained unimplemented, justified intervention and moulding of relief. Emphasising that its powers are remedial and equitable in nature, the Tribunal ultimately directed a structured buyout of the petitioners’ shares while declining to order an investigation or forensic audit.

### **Brief Facts of the Case**

The petitioners collectively held 44,700 equity shares out of 1,64,000 shares in the respondent company, which operates in the field of contract manufacturing for automobile, textile, and general machining industries. They alleged that from 2016–2017 onwards they were excluded from management and decision-making, denied access to premises and financial records, and removed as bank signatories. It was further alleged that borrowings were raised without notice, scrap recovery was not reflected in the books, and machinery worth approximately ₹1.20 crores was moved without board approval.



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A Conciliation Settlement Agreement dated 24 November 2018 recorded the parties' intention to facilitate the petitioners' exit at fair value through independent valuation. However, disputes arose regarding delays, disclosures, and alleged manipulation of accounts. The respondents denied wrongdoing, asserted cooperation in the valuation process, and expressed willingness to purchase the petitioners' shares.

### **Conclusion**

The Tribunal found that serious disputes between the promoters had led to an irretrievable breakdown of mutual trust, rendering continued association impracticable. It held that the cumulative conduct complained of amounted to oppression and mismanagement within the meaning of Sections 241–242.

Recognising the admitted intention of the parties to separate and the necessity of preserving the company as a going concern, the Tribunal considered independent valuation appropriate. Valuers were appointed to assess the company's land, building, plant, machinery, and shares, and their reports were taken on record.

Declining to direct an investigation or forensic audit, the Tribunal exercised its powers under Section 242 to mould relief. It directed the second and third respondents to jointly purchase the entire shareholding of the petitioners at the value determined through the valuation process and ordered compliance within the stipulated time. The ruling highlights the Tribunal's pragmatic approach in resolving promoter deadlocks through equitable exit mechanisms rather than prolonged corporate paralysis.

**Cause Title:** S. Veemaraj v. Adroit Automation India Private Limited  
**Case No.:** CP (CA) No. 723 of 2019

### **Winding Up as Principal Relief Renders Oppression Petition Not Maintainable: NCLT Amaravati**

The National Company Law Tribunal, Amaravati Bench, has delivered an important ruling clarifying the maintainability of petitions filed under Sections 241 and 242 of the Companies Act, 2013. The decision was rendered by a Bench comprising Kishore Vemulapalli, Judicial Member, and Umesh Kumar Shukla, Technical Member, in a petition filed by Veera Bhoga Vasanta Rayalu Sabbavarapu against Sunray Green Space (P.) Ltd. and others.

The Tribunal was called upon to decide a preliminary but fundamental question: whether a company petition under Sections 241 and 242 is maintainable when winding up is sought as the principal and substantive relief. The petitioners, who held 35% of the paid-up share



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capital, had initially sought multiple reliefs including winding up of the company on just and equitable grounds and distribution of its assets. When objections to maintainability were raised, the petitioners filed a memo stating that they would not press the winding-up prayer. The Tribunal confined itself to the issue of maintainability and declined to examine the merits of the allegations.

In a detailed order, the Bench held that a petition invoking winding-up jurisdiction as a principal relief is not maintainable under Sections 241 and 242, and that such a defect cannot be cured by subsequently abandoning the foundational relief after objections are raised.

#### **Brief Facts of the case**

The petitioners, holding 35% of the paid-up share capital and satisfying the threshold under Section 244, instituted a company petition under Sections 241 to 244 alleging oppression and mismanagement in the affairs of the first respondent company. Among various reliefs sought, a substantive and principal prayer was made for winding up of the company on just and equitable grounds and for distribution of its assets among members. The respondents objected to the maintainability of the petition at the threshold, contending that a petition under Sections 241 and 242 cannot be maintained where winding up is sought as the main relief. During the course of hearing, the petitioners filed a memo stating that they would not press the winding-up prayer. The respondents opposed this move, arguing that it was impermissible and prejudicial. The Tribunal noted that even in rejoinders, the petitioners had consistently asserted that the conduct complained of “calls for winding up,” thereby treating it as a substantive relief.

#### **Conclusion**

The Tribunal analysed the statutory framework of Sections 241 and 242 and observed that Section 242(1)(b) contemplates situations where facts may justify winding up on just and equitable grounds, but the Tribunal instead grants alternative relief to avoid prejudice to members. Such relief operates in substitution of winding up and not in addition to it.

It held that where winding up is pleaded as the principal and substantive relief, the petition falls outside the scope of Sections 241 and 242. Maintainability must be assessed with reference to the reliefs sought at the time of filing and not on the basis of subsequent concessions or withdrawals. A petition invoking a jurisdiction not legally available at inception is inherently defective.

The Tribunal further held that the prayer for winding up in the present case was not incidental or ancillary but formed the core basis of the petition. Subsequent abandonment of that prayer, after objections were raised, could not cure the inherent defect and would materially alter the character of the proceedings to the prejudice of the respondents.



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Accordingly, the petition was dismissed on the ground of maintainability alone, without any opinion on the merits of the allegations.

**Cause Title:** Veera Bhoga Vasanta Rayalu Sabbavarapu v. Sunray Green Space (P.) Ltd.  
**Case No.:** CP/7/241/AMR/2024

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