

MONTHLY LITIGATION NEWSLETTER

APRIL 2025

Dear Readers,

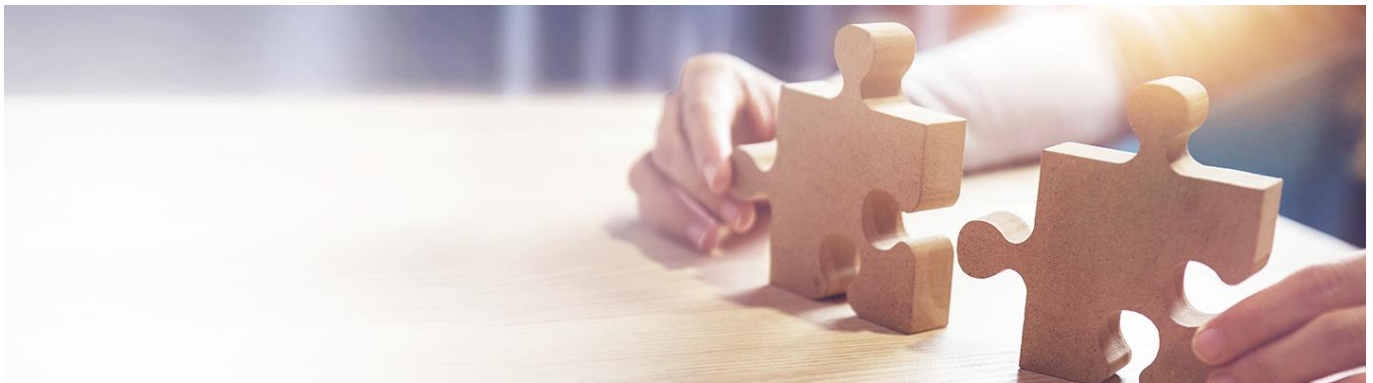
We bring you a concise analysis of important developments, recent publications and judgements and noteworthy regulatory amendments in the corporate and financial sectors on a monthly basis.

Our newsletter will cover updates on latest verdicts from the Supreme Court of India and various High Courts.

Perceiving the significance of these updates and the need to keep track of the same, we have prepared this newsletter providing a concise overview of the various changes brought in by our proactive regulatory authorities and the Courts!

Feedback and suggestions from our readers would be appreciated. Please feel free to write to us at mail@lexport.in.

Regards,
Team Lexport



ABOUT US

Lexport is a full-service Indian law firm offering Consultation, litigation, and representation services to a range of clients.

The core competencies of our firm's practice *inter alia* are Trade Laws (Customs, GST & Foreign Trade Policy), Corporate and Commercial Laws and Intellectual Property Rights.

The firm also provides Transaction, Regulatory and Compliance Services. Our detailed profile can be seen at our website www.lexport.in.

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PART A: COURT RULINGS**1. Rahee Jhajharia E to E JV Vs. MB Power (Madhya Pradesh Ltd.), Company Appeal (AT) (Insolvency) No. 2279 of 2024**

Issue:- Whether an application under Section 9 of the Insolvency and Bankruptcy Code, 2016 (IBC) can be sustained when the alleged operational debt is based on invoices and work orders addressed to a sister concern or group company, and not the corporate debtor itself?

The Hon'ble NCLAT held that a demand notice under Section 8 of the Code is invalid if based on dues of a sister concern or group company. In this case, invoices were addressed to Moser Baer Construction Pvt. Ltd., not the corporate debtor, making an application under Section 9 unsustainable. The Appellant initially sent a demand notice to EPC Thermal, later withdrew it, and then issued another to the Respondent for the same invoices, indicating an afterthought. The Tribunal found no privity of contract between the Appellant and the corporate debtor, as invoices and work orders were linked to Hindustan Thermal EPC. Attempts by the Respondent to reconcile disputes did not establish liability. Concluding that no creditor-debtor relationship existed, the Tribunal dismissed the application under Section 9.

Lexport Comment: The NCLAT rightly emphasized that insolvency proceedings cannot be initiated on claims arising from dues owed by a third party or without a clear creditor-debtor relationship

2. AMW Auto Component Limited Vs. Principal Commissioner of Income Tax Rajkot-1, R/Special Civil Application No. 1593 Of 2025

Issue:- Whether the Income Tax Department can initiate proceedings under Section 263 of the Income Tax Act, 1961, after the approval of a Resolution Plan under Section 31 of the Insolvency and Bankruptcy Code, 2016, when the tax liabilities were not included in the approved plan?

The Division Bench of Hon'ble Gujrat High Court noted that the Resolution Plan approved under Section 31 of the Code extinguished all tax liabilities under the Income Tax Act, 1961. Citing The Committee of Creditors of Essar Steel Ltd. Vs. Satishkumar Gupta (2020), it reiterated that a successful resolution applicant cannot face undecided claims post-approval. Similarly, in Ghanshyam Mishra and Sons Pvt. Ltd. Vs. Edelweiss Asset Reconstruction Company Ltd. (2021), the Supreme Court held that claims not included in the resolution plan are extinguished. It also emphasized that the 2019 amendment to Section 31 applies retrospectively, ensuring all statutory dues not in the plan are waived. Since tax liabilities were extinguished with the plan's approval on 12 October 2023, the notice under Section 263 of the Income Tax Act issued on 13 January 2025 was invalid. The Court set aside the notice and allowed the petition.

***Lexport Comment:** The Gujarat High Court's decision underscores the binding nature of an approved resolution plan under Section 31 of the IBC, holding that all prior tax liabilities, if not included in the plan, stand extinguished—thus protecting the successful resolution applicant from post-approval claims and reinforcing the objective of providing a clean slate.*

3. M/s JSW Steel Limited Vs. Pratishtha Thakur Haritwal & Ors., Contempt Petition (Civil) No. 629 Of 2023

Issue:- Whether statutory dues (such as taxes or other government levies) that were not submitted as claims before the Committee of Creditors (CoC) during the corporate insolvency resolution process under the Insolvency and Bankruptcy Code (IBC) can be enforced by government authorities after the resolution plan has been approved?

The Hon'ble Supreme Court of India noted that neither the state nor its authorities raised claims before the Committee of Creditors, making the petitioner's case covered by Ghanshyam Mishra and Sons Private Limited Vs. Edelweiss Asset Reconstruction Company Limited. Referring to this precedent, the Court held that all statutory dues not included in the resolution plan stood extinguished upon its approval. It cited Committee of Creditors of Essar Steel India Limited Vs. Satish Kumar Gupta, emphasizing that resolution applicants should not face undecided claims post-approval. Justices Gavai and Masih found the respondent-authorities' demand notices contemptuous, as they ignored clear legal precedent. However, the Court granted them the benefit of doubt since this was the first case post-Ghanshyam Mishra. Ultimately, the demand notices and related proceedings were quashed.

***Lexport Comment:** This judgment reinforces the sanctity and finality of resolution plans under the Insolvency and Bankruptcy Code, ensuring that resolution applicants are not burdened with undecided or belated statutory claims, thereby promoting certainty and commercial viability in the insolvency process.*

4. ASHOK SINGH Vs. STATE OF UTTAR PRADESH & ANR. [CRIMINAL APPEAL NO.4171 OF 2024]

Issue:- Whether the accused can rebut the statutory presumption under Section 139 of the Negotiable Instruments Act, 1881, solely by questioning the complainant's financial capacity, especially when such a defence was not raised in the reply to the statutory notice?

The Supreme Court reaffirmed that once a cheque's execution is admitted, the presumption under Section 139 of the Negotiable Instruments Act, 1881, cannot be rebutted merely by questioning the complainant's financial capacity, particularly when such a defence was not raised in the reply notice. In this case, the respondent's cheque for ₹22 lakh was dishonored with the remark "payment stopped by drawer," and the accused failed to respond to the statutory notice or rebut the presumption of a legally enforceable debt. The Allahabad High Court set aside the conviction by questioning the complainant's financial capacity, but the Supreme Court, relying on *Tedhi Singh vs Narayan Dass Mahant* (2022) 6 SCC 735, held that the complainant need not establish financial capacity unless specifically challenged. Restoring the trial court's conviction, the Court modified the sentence to a fine of ₹32 lakh, payable within four months, failing which the original sentence would apply.

***Lexport Comment:** The Supreme Court upheld the conviction, emphasizing that questioning the complainant's financial capacity without prior challenge in the reply notice does not rebut the presumption of a legally enforceable debt under Section 139 of the Negotiable Instruments Act.*

5. MC MEHTA V. UNION OF INDIA [WP (C) 13029/1985]

Issue:- Whether the Supreme Court's decision to impose a year-long ban on firecrackers in Delhi-NCR, in light of the worsening air quality and the failure of short-term bans, is justified, considering the arguments regarding trade and livelihood concerns raised by manufacturers?

The Supreme Court on April 3 imposed a year-long ban on firecrackers in Delhi-NCR, citing worsening air quality and the failure of short-term bans. A bench of Justices Abhay Oka and Ujjal Bhuyan rejected manufacturers' trade and livelihood arguments, emphasizing the right to health under Article 21. It also ruled out exemptions for green crackers, noting their emissions remain significant. Citing Article 51A, the Court held traders responsible for ensuring a pollution-free environment. This decision continues the Court's pollution monitoring under the MC Mehta case, which addresses firecrackers, stubble burning, vehicular pollution, and waste management. Earlier, it had directed Delhi, Uttar Pradesh, and Haryana to impose a complete ban, deeming partial restrictions ineffective.

***Lexport Comment:** The Supreme Court's decision to impose a year-long firecracker ban in Delhi-NCR reflects a prudent judicial approach, balancing the protection of public health and the environment with the constitutional right to a pollution-free living, while rejecting trade and livelihood concerns.*

6. THE MANAGEMENT OF WORTH TRUST Vs. THE SECRETARY, WORTH TRUST WORKERS UNION [Arising out of SPECIAL LEAVE PETITION (CIVIL) NO. 20474 OF 2019]

Issue:- Whether a factory operated by a charitable trust engaged in commercial activities can lawfully claim exemption from the statutory obligation to pay bonuses under the Payment of Bonus Act, 1965, on the ground of its charitable status?

The Supreme Court held that a factory run by a charitable trust cannot deny workers a bonus under the Payment of Bonus Act, 1965, citing its charitable status. A bench of Justices Sudhanshu Dhulia and K. Vinod Chandran rejected the trust's claim of exemption under Section 32, as it engaged in commercial activities, including manufacturing automobile parts and employing rehabilitated leprosy patients. The Court found no evidence linking the trust to the Indian Red Cross Society and ruled that its charitable work did not exempt it from statutory obligations. It directed the trust to pay all pending bonuses within a month, emphasizing a liberal interpretation of labor welfare laws.

Lexport Comment: The judgment affirms that charitable trusts engaged in commercial activities are not exempt from fulfilling statutory obligations under labor welfare legislation.

END OF THE NEWSLETTER
