

LEXPORT NEWSLETTER

JUNE 2026 | WEEK 1

Dear Readers,

This weekly newsletter offers you a concise analysis of important developments, notable judgments, and noteworthy regulatory amendments and developments in the corporate and financial sectors.

This newsletter will cover updates inter alia from **Banking Laws & FEMA, Corporate Laws, Securities Laws and Capital Markets, Competition Laws, Indirect Taxes, Customs and Foreign Trade, Intellectual Property Laws, and Arbitration Laws.**

Acknowledging the significance of these updates and the need to stay informed, this newsletter provides a concise overview of the various changes brought in by our proactive regulatory authorities and the courts.

Feedback and suggestions will be much appreciated. Please feel free to write to us at mail@lexport.in.

Regards,
Team Lexport



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Indirect Tax

CUSTOMS NEW AMENDMENT

Notification No. 49/2026-Customs (N.T.) – Fixation of Tariff Values for Edible Oils, Brass Scrap, Gold, Silver and Areca Nut

The Central Board of Indirect Taxes and Customs (CBIC), vide Notification No. 49/2026-Customs (N.T.) dated May 29, 2026, revised the tariff values applicable to certain imported commodities under Section 14(2) of the Customs Act, 1962, with effect from May 30, 2026. The notification substitutes the existing tariff value tables for edible oils, brass scrap, gold, silver and areca nut.

Key Takeaways:

i) Tariff values for various edible oils, including crude palm oil, RBD palm oil, palmolein and crude soybean oil, have been revised. ii) The tariff value for brass scrap (all grades) has been fixed at USD 7,655 per metric tonne. iii) The tariff value for gold remains unchanged at USD 1,423 per 10 grams, while silver is fixed at USD 2,368 per kilogram. iv) The tariff value for areca nut continues to remain unchanged at USD 9,155 per metric tonne.

The notification is significant for importers as customs duties on these notified goods are calculated with reference to the prescribed tariff values rather than transaction values, thereby directly impacting the customs duty incidence on imports of these commodities.



Soumya Shrivastava



M/s Punj Lloyd Ltd. – Varaha Infra Ltd. (JV) v. Union of India & Ors.

In a significant judgment delivered on May 25, 2026, the Rajasthan High Court reiterated that where an effective statutory appellate remedy is available under Section 107 of the CGST Act, 2017, writ jurisdiction should be exercised only in exceptional circumstances such as violation of natural justice, lack of jurisdiction, infringement of fundamental rights, or challenge to the vires of a statute.

Key Takeaways:

i) A writ petition challenging a show cause notice or adjudication order is ordinarily not maintainable when an efficacious statutory appeal is available under Section 107 of the CGST Act.
ii) Where the taxpayer participates in adjudication proceedings and a reasoned order is passed after granting an opportunity of hearing, allegations of violation of natural justice cannot ordinarily be sustained.
iii) Objections regarding the validity of a consolidated show cause notice, interpretation of Section 74, or competence of the adjudicating authority are issues that can be effectively raised before the appellate authority.
iv) The Court reaffirmed the settled principle that writ jurisdiction should not be invoked to bypass the statutory appellate mechanism except in exceptional cases.

The Court consequently declined to interfere with the show cause notice and Order-in-Original, holding that the petitioner must pursue the statutory appellate remedy. The writ petition was dismissed as not maintainable in the absence of any exceptional ground warranting exercise of writ jurisdiction.



Soumya Shrivastava



Indirect Tax

M/s. Pei Industries, M/s. Maa Jagdambe Engg Works & M/s. Ansh Associates v. Union of India & Ors.

In a significant judgment delivered on May 29, 2026, the Delhi High Court held that the existence of a statutory appellate remedy under the CGST Act bars invocation of writ jurisdiction where the dispute essentially concerns appreciation of evidence and adjudication on facts. The Court further clarified that proceedings under Sections 73 and 74 of the CGST Act operate in distinct fields and are governed by different considerations.

Key Takeaways:

- i) Proceedings under Sections 73 and 74 of the CGST Act are independent and distinct; therefore, exoneration in proceedings under Section 73 does not automatically preclude action under Section 74.
- ii) Questions relating to scrutiny, appreciation or re-appreciation of evidence fall within the domain of the adjudicating and appellate authorities and are not ordinarily amenable to writ jurisdiction.
- iii) The appellate authority possesses wide powers to reconsider evidence and, where necessary, permit production of additional evidence while deciding the appeal.
- iv) The requirement of making a statutory pre-deposit for filing an appeal cannot, by itself, constitute a valid ground for bypassing the statutory appellate mechanism and invoking writ jurisdiction.

The Court dismissed the writ petition and relegated the petitioners to the statutory remedy of appeal, emphasizing that disputes involving factual examination and evidentiary appreciation must ordinarily be adjudicated through the appellate framework prescribed under the CGST Act.



Soumya Shrivastava



M/s PP Jewellers & Diamonds Pvt. Ltd. v. Commissioner of Customs, Delhi

In a significant judgment delivered on April 30, 2026, the CESTAT New Delhi reiterated that statements recorded under Section 108 of the Customs Act cannot be relied upon as substantive evidence unless the mandatory procedure prescribed under Section 138B is followed. The Tribunal set aside the customs demand founded primarily on untested third-party statements.

Key Takeaways:

- i) Statements recorded under Section 108 of the Customs Act become admissible in adjudication proceedings only after compliance with the conditions prescribed under Section 138B of the Act.
- ii) The adjudicating authority must first examine the maker of the statement as a witness and determine its admissibility before relying upon it as evidence.
- iii) Where statements are relied upon against a noticee, an effective opportunity of cross-examination must ordinarily be granted.
- iv) Demands and penalties founded substantially on uncorroborated statements recorded during investigation cannot be sustained in the absence of compliance with statutory evidentiary requirements.

The Tribunal emphasized that procedural safeguards under Section 138B are mandatory and cannot be bypassed. As the Revenue failed to establish its case through legally admissible evidence, the impugned demand and penalties were set aside, reaffirming the importance of due process in customs adjudication.



Soumya Shrivastava



Indirect Tax

M/s. Shalom Forwarders v. Commissioner of Customs, Tuticorin

In a significant judgment delivered on June 2, 2026, the CESTAT Chennai set aside the revocation of a Customs Broker licence, forfeiture of security deposit and penalty imposed under the Customs Brokers Licensing Regulations, 2018 (CBLR). The Tribunal held that denial of effective cross-examination vitiated the proceedings and that substantial KYC compliance by the Customs Broker was sufficient to discharge its obligations under Regulation 10(n).

Key Takeaways:

- i) Denial of cross-examination of persons whose statements and investigation reports formed the basis of the proceedings amounted to a violation of principles of natural justice and rendered the revocation proceedings unsustainable.
- ii) Verification of IEC, GSTIN, PAN, Aadhaar and other Government-issued credentials through official portals constitutes substantial compliance with Regulation 10(n) of the CBLR, 2018.
- iii) Regulation 10(n) does not mandate compulsory physical verification of an importer's premises or continuous surveillance over the importer's business activities after KYC verification has been completed.
- iv) In the absence of evidence establishing deliberate connivance, conscious facilitation, mens rea, pecuniary gain or active involvement in the alleged import irregularity, the extreme punishment of licence revocation, forfeiture of security deposit and penalty cannot be sustained.

The Tribunal observed that a Customs Broker acts as a trade facilitator and cannot be expected to function as an investigative agency. Holding that the allegations were based largely on assumptions rather than legally sustainable evidence, the Tribunal set aside the impugned order in its entirety and restored the appellant's licence with consequential reliefs.



Soumya Shrivastava



M/s. Kayem Exim Private Limited & M/s. Eskay Enterprises v. Commissioner of Customs, Chennai

In a significant judgment delivered on June 2, 2026, the CESTAT Chennai held that the declared transaction value of imported used garments cannot be rejected merely on the basis of alleged contemporaneous imports without reliable evidence establishing comparability. While the Tribunal restored the declared value, it upheld confiscation of the goods for import of restricted second-hand garments without the requisite DGFT licence.

Key Takeaways:

- i) Mere existence of an enhanced value at the time of customs clearance does not prevent an importer from subsequently challenging the valuation, as there is no estoppel in taxation matters.
- ii) For rejection of transaction value under Rule 12 of the Customs Valuation Rules, the Department must establish valid grounds supported by cogent evidence and demonstrate comparability in terms of quality, condition, quantity and commercial level.
- iii) Import of second-hand garments without a valid DGFT licence constitutes a violation of the Foreign Trade Policy and renders the goods liable to confiscation under Section 111(d) of the Customs Act; however, in the absence of misdeclaration, confiscation under Section 111(m) cannot be sustained.
- iv) Redemption fine and penalty must be proportionate to the nature of the contravention, the margin of profit involved and the absence of fraudulent intent, and should not assume a punitive character.

The Tribunal restored the declared transaction value, set aside the valuation enhancement and confiscation under Section 111(m), while sustaining confiscation under Section 111(d). Considering the absence of mens rea and the nature of the trade, the redemption fine was reduced to 10% of the declared value and the penalty was restricted to 5% of the declared value.



Soumya Shrivastava



Indirect Tax

Rashtriya Ispat Nigam Ltd. v. Commissioner of Central Excise & Service Tax

In a significant judgment delivered on June 3, 2026, the CESTAT Hyderabad held that demurrage charges and dispatch money arising from charter party agreements are not taxable as port services or declared services, and that consulting engineering services cannot be subjected to reverse charge when the foreign contractor's Indian establishment has already discharged the tax on a forward charge basis.

Key Takeaways:

i) Demurrage and dispatch are contractual incidents of a charter party governing transportation and turnaround time, adjusted against freight, and do not constitute consideration for any separate standalone service. ii) Demurrage charges paid to foreign vessel owners cannot be classified as "Port Services" under Section 66A of the Finance Act, 1994, unless the recipient or provider acts as a port or an authorized person performing port operations. iii) The Revenue cannot split up contingent penal or incentive clauses in a transportation contract to tax them independently as a declared service. iv) Under Section 66A, where a foreign contractor has a registered office and permanent establishment in India that discharges service tax on forward charge, the Revenue cannot demand a second layer of tax from the recipient under the reverse charge mechanism.

The Tribunal accordingly allowed all the appeals, set aside the impugned orders along with the related penalties, and granted consequential relief to the appellant. The ruling clarifies critical boundaries regarding the taxability of maritime contractual adjustments and reaffirms the statutory protection against double taxation under the reverse charge mechanism.



Soumya Shrivastava



Commissioner of Central Tax v. M/s Prakash Arts Pvt. Ltd.

In a significant judgment delivered on June 3, 2026, the CESTAT Hyderabad held that the allotment of specific railway space to an advertising agency for erecting hoardings constitutes a renting of immovable property service under forward charge, rather than a support service taxable under the reverse charge mechanism.

Key Takeaways: i) "Support services" under Section 65B(49) contemplate outsourced infrastructural, operational, or marketing functions that an entity ordinarily carries out itself, which is inapplicable when the government merely lets out space on a principal-to-principal basis. ii) Permitting the exclusive use of a specified area or location in an immovable property for a license fee falls squarely within the category of "Renting of Immovable Property Service," even if possession or control is not fully transferred. iii) In the absence of a statutory obligation to declare non-reverse charge transactions in ST-3 returns, the non-disclosure of license fees paid to the government does not amount to suppression of material facts. iv) Once a tax demand fails on merits, extended period of limitation and penalties cannot survive independently.

The Tribunal accordingly dismissed the Revenue's appeal, affirming the adjudicating authority's order to drop the show-cause proceedings and cancel all consequential penalties. The ruling provides crucial clarity on the distinction between business support and property renting, protecting taxpayers from erroneous reverse charge demands.



Soumya Shrivastava



Indirect Tax

M. Kirupakaran v. Commissioner of GST & Central Excise

In a significant judgment delivered on May 29, 2026, the CESTAT Chennai held that the extended period of limitation cannot be invoked when the Department has prior knowledge of the facts, and that penalties cannot be sustained mechanically without explicit proposals in the show-cause notice.

Key Takeaways: i) The extended period of limitation for suppression of facts with intent to evade duty cannot be sustained if the Department became aware of the relevant operations during a timely preventive visit. ii) Allegations of suppression are legally unsustainable when an assessee files periodical returns and pays duty under a specific tariff heading recorded by the adjudicating authority. iii) An appellate authority cannot mechanically confirm or levy a statutory penalty, such as under Rule 26 of the Central Excise Rules, if no such penalty was proposed in the underlying show-cause notice.

iv) Where differential duty and interest are remitted well before the issuance of a show-cause notice, the mechanical imposition of penalties is erroneous.

The Tribunal accordingly allowed the appeal and set aside the cryptic, non-speaking appellate order with consequential benefits. The ruling highlights the critical necessity for quasi-judicial discipline, adherence to the scope of show-cause notices, and strict compliance with statutory limitation periods.



Soumya Shrivastava



M/s. Sudhan Spinning Mills (P) Ltd. v. Commissioner of GST & Central Excise

In a significant judgment delivered on May 29, 2026, the CESTAT Chennai held that a manufacturer is not required to reverse CENVAT credit on common input services by including the value of exempted goods cleared for export under the DEPB scheme.

Key Takeaways: i) Clearances of exempted final products exported without payment of duty under incentive schemes must be excluded from the value of exempted clearances for the purpose of credit reversal under Rule 6(3) of the CENVAT Credit Rules, 2004.

ii) An assessee manufacturing goods chargeable to a nil rate of duty remains eligible to avail CENVAT credit on inputs and input services under the exception clauses of Rule 6 if the final goods are exported.

iii) Turnover relating to goods cleared for job work cannot be included in the value of exempted goods for credit reversal if it leads to double jeopardy.

iv) Judicial discipline mandates that coordinate benches follow binding precedents on the same legal controversy when the Revenue fails to differentiate the facts.

The Tribunal accordingly allowed the appeal, set aside the impugned order, and granted consequential benefits to the appellant. The ruling reinforces the principle that export goods should not carry the burden of domestic taxes, ensuring the structural integrity of beneficial CENVAT credit provisions.



Soumya Shrivastava



Direct Tax

Seyadu Beedi Company v. Assistant Commissioner of Income Tax

In a significant judgment delivered on June 1, 2026, the Madras High Court held that a partnership firm cannot claim ownership or depreciation on properties under Section 53A of the Transfer of Property Act without a registered instrument, and that a shift in the final assessment from an unexplained investment to an unexplained credit does not violate natural justice if the factual basis was fully disclosed.

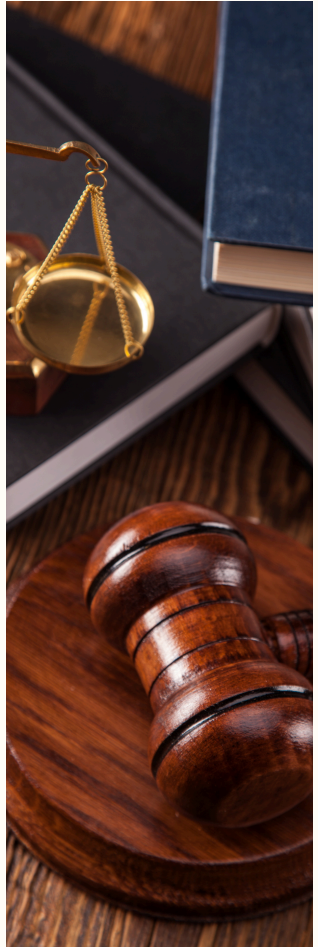
Key Takeaways:

- i) Section 53A of the Transfer of Property Act does not effect a transfer of title or ownership but operates merely as a limited shield to protect possession.
- ii) Following statutory amendments, unregistered or unwritten contracts carry no legal efficacy for part performance claims, and Section 32 of the Income-tax Act contains no provision treating a person in possession as the owner for depreciation benefits.
- iii) Reassessing a disputed amount under Section 68 instead of Section 69 does not require a fresh show-cause notice if the final treatment is a natural corollary of the same discrepancies examined during the personal hearing process.
- iv) Challenges involving mixed questions of law and fact must be pursued through the statutory appellate remedy rather than invoking writ jurisdiction under Article 226.

The Court accordingly rejected the writ challenges concerning jurisdictional error and natural justice, disposing of the petitions with liberty to file a statutory appeal. The ruling establishes rigorous compliance standards for asset ownership documentation within partnership firms while clarifying the procedural scope of assessing officers.



Soumya Shrivastava



Direct Tax

T943 Vickrapandiyam Primary Agricultural Co-operative Credit Society Ltd. v. Chief Commissioner of Income Tax

In a significant judgment delivered on June 1, 2026, the Madras High Court held that applications for the condonation of delay in filing returns by eligible co-operative societies cannot be rejected on hyper-technical grounds when beneficial CBDT circulars exist to alleviate genuine hardships.

Key Takeaways:

- i) Revenue authorities cannot construe beneficial circulars narrowly by demanding a hyper-technical, day-to-day explanation of procedural delays, as such circulars are designed to facilitate substantive relief rather than deny it.
- ii) Delays resulting from the non-completion of statutory audits or administrative disruptions constitute a "genuine hardship" that warrants a liberal and purposive interpretation.
- iii) Where there is no allegation of tax evasion, a procedural delay in filing returns must not be leveraged to deny a taxpayer's substantive entitlement to statutory deductions.
- iv) The public-interest role of the co-operative movement and directive principles under Article 43B require the State to advance substantial justice over technical restrictions.

The Court accordingly allowed the writ petitions, set aside the restrictive orders, and directed that the condonation applications stand allowed for all pending assessment and appellate proceedings. The judgment underscores the supremacy of substantive entitlement over procedural lapses and reinforces the judicial policy of a liberal construction of administrative relief mechanisms.



Soumya Shrivastava



Intellectual Property Rights

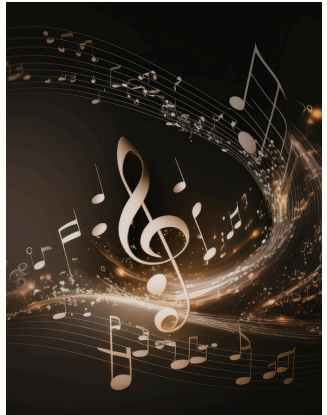
Delhi High Court Restores Jyothy Labs' Trademark Opposition After Registry Admits Service Failure

The Delhi High Court set aside an order of the Trade Marks Registry that had dismissed Jyothy Labs' opposition and allowed a competing trademark application to proceed to registration. The Registry had treated the opposition as abandoned on the ground that Jyothy Labs failed to file evidence within the prescribed period under Rule 45 of the Trade Marks Rules, 2017. Before the Court, Jyothy Labs argued that it had never received the counter statement and was therefore deprived of the opportunity to file its evidence. Significantly, the Trade Marks Registry itself acknowledged that the counter statement had not been served due to a technical glitch in its system. Justice Tushar Rao Gedela held that the mandatory requirement of serving the counter statement had not been complied with, resulting in a denial of due process to the opponent. The Court accordingly quashed the impugned order, directed fresh service of the counter statement, and restored the opposition proceedings, allowing Jyothy Labs an opportunity to file its evidence and contest the application on merits.

Jyothy Labs Limited v The Registrar of Trade Marks & Anr., C.A.(COMM.IPD-TM) 29/2026 (Delhi High Court).



Anushka Tripathi



Delhi High Court Protects "Bachpan Ka Pyar" Hook Line, Orders Revenue Disclosure by YouTube Channels

The Delhi High Court granted an ex parte ad interim injunction in favour of Ivy Entertainment Pvt. Ltd. in a copyright dispute concerning the viral song "Bachpan Ka Pyar" and its distinctive hook line, "Jaane Meri Janeman Bachpan Ka Pyar Bhool Nahi Jaana Re." The plaintiff claimed ownership of the song and related intellectual property through a chain of assignments originating from the original creators and later acquired as part of a portfolio of over 1,250 musical works.

The Court noted allegations that several YouTube channels had incorporated the hook line, tune, rhythm and underlying expression of the song into new musical works without authorization, generating substantial views and revenue. Justice Tushar Rao Gedela found a prima facie case of infringement and held that such unauthorized exploitation appeared to unjustly enrich the defendants while causing financial loss to the plaintiff. Accordingly, the Court restrained the defendants from using the song or its hook line and directed the identified channel operators to disclose all revenue earned from exploitation of any part of "Bachpan Ka Pyar."

Ivy Entertainment Pvt. Ltd. v Rahul Singh & Ors., CŞ(COMM) 510/2026 (Delhi High Court).



Anushka Tripathi



Intellectual Property Rights

Hon'ble Delhi High Court Upholds Injunction Against "REDDY" Mark in Pharmaceutical Dispute

A Division Bench of the Hon'ble Delhi High Court dismissed Reddy Pharmaceuticals Ltd.'s appeal and upheld the permanent injunction restraining it from using the mark "REDDY" for pharmaceutical products. The Hon'ble Court held that Dr. Reddy's Laboratories had established extensive prior use, goodwill, and reputation in the pharmaceutical sector, giving the mark "Dr. Reddy's" significant trademark significance. Applying the test of imperfect recollection, the Hon'ble Court found "REDDY" deceptively similar to the dominant feature of the plaintiff's mark and likely to cause confusion, particularly in relation to medicinal products. The Hon'ble Court further held that the defendant's adoption of the mark was dishonest, noting its prior commercial relationship with the plaintiff and knowledge of the plaintiff's reputation. Rejecting the defence under Section 35 of the Trade Marks Act, the Court found no bona fide use of the surname "REDDY". The Hon'ble Court also upheld findings of passing off, copyright infringement in the plaintiff's packaging artwork, and protection of the plaintiff's domain name rights. Consequently, the appeal was dismissed and the IPAB's order removing the defendant's "REDDY" trademark from the Register was affirmed. [Reddy Pharmaceuticals vs Dr. Reddy'S Laboratories (RFA(OS) 138/2013)]



Anyana Singh



Hon'ble Delhi High Court Protects Ching's "SCHEZWAN CHUTNEY" Mark

The Hon'ble Delhi High Court granted an ex-parte ad-interim injunction in favour of Capital Foods Pvt. Ltd., proprietor of the well-known "SCHEZWAN CHUTNEY" mark sold under the Ching's brand. The Hon'ble Court found that the defendants' use of marks such as "SCHEZWAN HOT CHUTNEY" and "SCHEZWAN SAUCE HOT CHUTNEY" was deceptively similar to the plaintiff's registered trademark and trade dress. Observing that the mere insertion of the word "Hot" did not distinguish the competing products, the Hon'ble Court held that an unwary consumer with imperfect recollection was likely to be confused. The Hon'ble Court further noted that the plaintiff's mark had acquired substantial goodwill, reputation, and secondary significance through extensive use and promotion. Prima facie, the defendants' adoption was found to be dishonest and aimed at riding upon the plaintiff's reputation. Holding that continued use would dilute the plaintiff's goodwill and cause irreparable harm, the Hon'ble Court restrained the defendants from using the impugned marks and directed disclosure of sales records relating to the infringing products. [Capital Foods Private Limited vs Fivestar Dehydration Pvt Ltd & Anr (CS(COMM) 501/2026)]



Anyana Singh

Litigation

Lexport Interpreting India for commerce

Quick Bites

Privacy Can Coexist With Transparency



The Delhi High Court recognised the Right to be Forgotten as part of Article 21 while clarifying that masking protects identity without removing judicial reasoning.

Cause Title: Laksh Vir Singh Yadav v. Union of India & Ors., W.P.(C) 1021/2016 & connected matters, Neutral Citation 2026-DHC-4891

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Hardik Jain

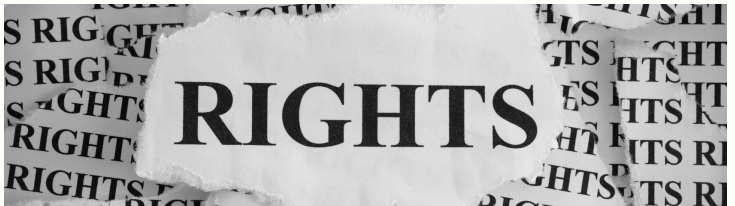
Laksh Vir Singh Yadav v. Union of India & Ors.

In a significant judgment delivered on May 29, 2026, the Delhi High Court officially recognized the "Right to be Forgotten" as a constitutionally protected facet of informational privacy under Article 21 of the Constitution of India, holding that individuals have a right to seek the removal or restriction of personal data from public digital spaces when it serves no legitimate public purpose.

Key Takeaways:

- i) The Right to be Forgotten flows naturally from the right to privacy under Article 21, but it must be balanced against competing constitutional values like freedom of speech, open justice, and the public's right to know.
- ii) A clear distinction is drawn between deactivation via de-indexing (which merely removes a webpage or judicial record from name-based internet search results) and masking (which replaces names and identifiers with neutral placeholders like "ABC").
- iii) Masking operates as a calibrated mechanism rather than censorship; only personal identifiers are hidden to protect reputation, while the legal reasoning, findings, and case numbers remain fully visible to the public.
- iv) The complete, unredacted versions of judgments will be permanently preserved in internal court archives, remaining fully accessible to courts, parties, and advocates for institutional and precedential functions.
- v) Upon receiving a court's masking order, search engine operators (like Google) and legal databases (like Indian Kanoon) are legally obligated to de-index the judgment or disable name-based search functionalities.

The Court consequently established that relief will depend on a case-by-case proportionality assessment evaluating the nature of the information, its continuing relevance, and its impact on individual dignity while directing that such masking applications must be disposed of expeditiously to prevent ongoing digital harm.



Litigation



Smt. Manju Chawla and Others Vs. Indore Municipal Corporation, Indore and Another, 2026:MPHC-IND:15157

The Madhya Pradesh High Court quashed the revocation of building permission and the consequential demolition notice issued by the Indore Municipal Corporation, holding that a validly granted building sanction cannot be withdrawn in the absence of fraud, misrepresentation, or concealment by the applicant. The Court found that the Corporation's own officials had verified the site conditions and sanctioned the construction, and therefore the petitioners could not be penalized for any alleged error attributable to the authorities. It observed that after the petitioners had substantially altered their position and invested significant resources in construction, the Corporation's belated revocation of permission after nearly two years was arbitrary, unreasonable, and unsustainable in law. The Court further held that such action violated the petitioners' constitutional right to property under Article 300A and accordingly set aside the impugned revocation and demolition orders.



Shyam Kishor Maurya

Smt. Shanti Singh and Others Vs. The State of Madhya Pradesh and Others, 2026:MPHC-JBP:34768

The Madhya Pradesh High Court allowed the writ petition and directed the authorities to release compensation for land acquired for a National Highway project, holding that the right to receive compensation is a constitutional guarantee flowing from Article 300A of the Constitution. The Court observed that once acquisition is completed and compensation has been determined, the State is under a bounden duty to ensure prompt payment, and administrative or procedural delays cannot justify withholding the amount. It held that depriving landowners of their property without timely disbursement of compensation constitutes an arbitrary exercise of power and violates Article 14 of the Constitution. Accordingly, finding no justification for the continued withholding of the adjudicated compensation amount, the Court directed the respondents to release and disburse the same within eight weeks.



Shyam Kishor Maurya



Litigation

Supreme Court Releases Draft AI Regulations for Courts; Lawyers May Use AI with Disclosure Requirements

The Supreme Court of India has released the draft Regulations for Use of Artificial Intelligence (AI) in Courts, 2026 and invited comments from stakeholders and the public. The proposed framework permits the use of AI for legal research, drafting, translation, transcription, and case management while ensuring that judicial decision-making remains exclusively in the hands of judges.

Under the draft regulations, lawyers may use AI tools to assist in preparing pleadings and evidence, provided such use is disclosed to the court. The framework also prohibits AI from determining legal outcomes, predicting bail decisions, or replacing human judicial reasoning. The proposed regulations are guided by principles of transparency, accountability, data protection, judicial independence, and human oversight in the justice delivery system. The Supreme Court has invited suggestions on the draft regulations before finalizing the framework.

Citation:

Source: Bar & Bench, "Lawyers can use AI if... Supreme Court releases draft regulations for use of AI in courts, invites inputs", 4 June 2026.



Anirban Roy



Corporate

MCA Allows Limited CSR Spending Through Social Stock Exchange Instruments

The Ministry of Corporate Affairs (MCA) has notified the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2026, introducing a new avenue for companies to undertake a portion of their CSR activities through investment in Zero Coupon Zero Principal (ZCZP) Instruments issued by eligible Not-for-Profit Organisations (NPOs) listed on the Social Stock Exchange (SSE).

The amendment, notified on May 27, 2026, integrates SEBI-regulated social finance instruments into the CSR framework and aims to strengthen transparency, accountability, and funding opportunities within the social sector.

ZCZP instruments are unique securities that do not provide interest payments or repayment of principal. Instead, they enable corporates and other contributors to channel funds towards social impact projects undertaken by eligible NPOs. The amendment formally incorporates the concepts of "Not-for-Profit Organisation" and "Zero Coupon Zero Principal Instrument" into the CSR regime by linking them to SEBI's existing regulatory framework.

A key feature of the amendment is the introduction of Rule 4A, which permits companies to fulfil a portion of their CSR obligations through subscription to ZCZP instruments. However, expenditure through this route is capped at 10% of the company's total CSR obligation for a financial year, ensuring that companies continue to undertake the majority of their CSR activities through traditional implementation mechanisms.

The amendment also provides a compliance benefit by exempting companies from conducting impact assessments for projects funded through ZCZP instruments. Responsibility for project execution, reporting, and compliance remains with the issuing NPO.

To ensure accountability, NPOs must utilise funds within three financial years from issuance, and any unspent amount upon termination of the instrument's listing must be transferred to a fund specified under Schedule VII of the Companies Act, 2013.

The reform marks a significant step in linking corporate CSR spending with India's growing social finance ecosystem and the Social Stock Exchange framework.



Akshita Agarwal



Corporate

Supreme Court Rejects 'Vote-Cast-First' Rule in Company AGMs; Valid Authority Determines Voting Rights

The Supreme Court has clarified that where rival groups within a society dispute the authority to exercise voting rights attached to shares held in a company, the validity of the vote must be determined based on lawful authorisation and the society's governing documents, and not merely on which vote was cast first.

The ruling arose from a dispute concerning voting rights attached to shares held by certain societies in Birla Corporation Limited. Internal disputes within the societies had led competing factions to claim authority to nominate representatives and vote at the company's Annual General Meetings (AGMs). To address the conflict, the Calcutta High Court had directed that, in cases of competing claims, the vote cast first in time would prevail.

Setting aside this approach, the Supreme Court held that the Companies Act, 2013 and the Companies (Management and Administration) Rules, 2014 do not recognise chronology as a basis for determining the validity of votes. Instead, the statutory framework requires that voting rights be exercised only by a person duly authorised to act on behalf of the member entity.

The Court observed that giving precedence to the first vote cast would effectively substitute chronology for authority and undermine the internal governance structure established under the society's constitutive documents. It further noted that while the law prevents a member from changing or recasting a valid remote e-vote, it does not permit courts to determine validity solely on the basis of priority in time.

The judgment reinforces the principle that corporate voting rights held by juristic entities such as societies must be exercised strictly in accordance with their governing documents and applicable statutory provisions, ensuring certainty and legitimacy in corporate decision-making processes.

Case Title: Hindustan Medical Institution vs. Birla Corporation Limited & Ors.

Citation: 2026 LiveLaw (SC) 583



Akshita Agarwal



Corporate

Corporate Veil Can Be Lifted to Include Assets of Group Companies In CIRP Of Holding Company

The Supreme Court, in *Alpha Corp Development Pvt. Ltd. v. GNIDA & Ors.*, held that during the Corporate Insolvency Resolution Process (CIRP) of a holding company, the corporate veil may be lifted to include assets of its subsidiary companies where they function as part of a single economic enterprise. The case arose from the insolvency of Earth Infrastructures Limited (EIL), whose stalled NCR real estate projects were executed through subsidiaries holding land rights, while EIL remained the principal developer. The Court set aside the NCLAT's decision excluding subsidiary assets from EIL's CIRP, observing that the subsidiaries were merely a front and EIL was the driving force behind the projects. Restoring the NCLT-approved resolution plans, the Court enabled completion of the housing projects, safeguarded homebuyers' interests, and balanced the rights of GNIDA, thereby advancing the objectives of the Insolvency and Bankruptcy Code.



Rishav Sagar



SEBI Penalises Portfolio Manager for Outsourcing Core Investment Activities to AI Consultant

SEBI's recent Order reiterates that portfolio managers cannot outsource core investment functions, regardless of how such arrangements are contractually described. Under the SEBI Outsourcing Circular, 2011 and Regulation 24(10) of the PMS Regulations, 2020, only support and ancillary functions may be outsourced, while investment-related activities and compliance functions must remain with the registered intermediary. In the case under review, a portfolio manager engaged an AI and technology company under a "technology consulting" arrangement. However, SEBI's inspection and forensic audit revealed that the third party was involved in critical investment processes, including portfolio implementation, trade allocation, timing, and client-level transaction decisions. SEBI held that "investment decisions" extend beyond selecting securities and include all downstream determinations affecting execution. Consequently, the arrangement was treated as an impermissible outsourcing of core investment activities. SEBI imposed restrictions on onboarding new clients, directed cessation of the outsourcing arrangement, and levied penalties totalling ₹42 lakh. The Order underscores that substance prevails over form and that both entities and responsible officers may face liability for non-compliant outsourcing structures.



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Lexport is a full-service Indian law firm offering consulting, 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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