

LEXPORT NEWSLETTER

August 2026 | WEEK 2

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

Kitting of imported photocopier modules does not amount to manufacture: Supreme Court upholds CESTAT ruling

The Supreme Court upheld the CESTAT's finding that the activity undertaken by Xerox India Ltd. at its warehouses of grouping imported modules into sets of complete photocopier machines did not amount to "manufacture" under Section 2(f) of the Central Excise Act, 1944 read with Note 6 to Section XVI of the Central Excise Tariff Act, 1985. The Court noted that the imported photocopiers were received in CKD condition, with the work centre and other modules packed separately, and that the components were grouped into sets according to customer requirements and assigned unique identification numbers. The CESTAT had found that no fitting or assembly of parts took place at the warehouses and that the components were cleared in the same sets, with assembly of the photocopiers taking place at the customers' premises. The Supreme Court considered the Revenue's contention that the activity of kitting constituted assembly and held that, on the factual findings recorded by the Tribunal, there was no conversion of an incomplete machine into a complete machine at the warehouse. Accordingly, the Court upheld the CESTAT's order and dismissed the Revenue's appeals.

Commissioner of Central Excise, Hyderabad-IV
Versus M/s. Xerox India Ltd. & Ors., 2026 INSC 805 (Supreme Court)



Soumya Shrivastava



KITTING IS NOT MANUFACTURING: SUPREME COURT CLARIFIES THE DISTINCTION



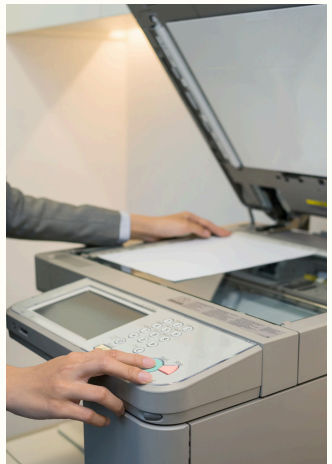
The Supreme Court has held that merely grouping imported photocopier modules into customer-specific sets does not amount to "manufacture" where no assembly or transformation takes place at the warehouse.

The ruling reinforces that the actual nature of the activity not merely the manner in which components are grouped or cleared determines whether manufacture has occurred.

CASE TITLE: Commissioner of Central Excise, Hyderabad-IV v. M/s. Xerox India Ltd. & Ors. 2026 INSC 805 | Supreme Court of India

Delhi | Bengaluru

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Indirect Tax

Natural justice cannot be invoked to bypass statutory GST appellate remedy: Bombay High Court

The Bombay High Court dismissed a writ petition challenging an Order-in-Original passed under the CGST Act, holding that the petitioner had an efficacious statutory remedy of appeal under Section 107 of the CGST Act. The petitioner had contended that the order was passed in violation of principles of natural justice as documents seized during the investigation had allegedly not been supplied. The Court noted that the impugned order recorded that the show cause notice and relied-upon documents had been forwarded to the petitioner's registered email address and were subsequently forwarded again at the petitioner's request. The Court also noted that a personal hearing notice had been issued and that the petitioner had submitted a detailed reply. It held that the petitioner had not identified the specific documents allegedly not supplied or demonstrated the prejudice caused on account of their non-supply. Relying on the principle that writ jurisdiction should not ordinarily be exercised where an alternative statutory remedy is available, the Court held that no exceptional circumstances were made out to warrant interference under Article 226. Accordingly, the petition was held not maintainable, with liberty granted to the petitioner to file an appeal under Section 107 within four weeks, subject to compliance with the statutory requirements, including pre-deposit.

Mahapuja Ltd. Through Its Director Keyur Jaswant Shah Versus The Office of The Commissioner of CGST & Central Excise, Mumbai Central Through Additional Commissioner, Writ Petition (L) No. 15871 of 2026 (Bombay High Court)



Soumya Shrivastava



Quick Bites

Natural Justice Cannot Bypass the Statutory GST Appeal



The Bombay High Court held that allegations of natural justice violations cannot ordinarily bypass the statutory GST appeal remedy under Section 107. Without demonstrated prejudice or exceptional circumstances, writ jurisdiction under Article 226 is not warranted.

Case Title: Mahapuja Ltd. v. Commissioner of CGST & Central Excise
W.P. (L) No. 15871 of 2026 | Bombay High Court

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Indirect Tax

Rule 96(10) omission applies to pending IGST refund claims despite GST Council recommendation for prospective operation: Supreme Court

The Supreme Court held that the omission of Rule 96(10) of the CGST Rules, 2017, with effect from 8 October 2024 by Notification No. 20/2024-Central Tax, applies to pending proceedings relating to refund of IGST paid on exported goods and services. The Court noted that the rule was omitted without any saving clause or sunset clause and, therefore, the pending proceedings could not continue under the omitted provision. The Court further observed that although the GST Council had recommended that the omission operate prospectively, such recommendation was advisory in nature and did not bind the rule-making authority. Relying on the Constitution Bench decision in *Kolhapur Canesugar Works Ltd. v. Union of India*, the Court held that proceedings under an omitted rule can continue only where there is a provision providing for their continuance or a legal device creating such a mechanism. Since no such saving provision was introduced under Rule 96(10) was omitted, the Court held that the omission applied to pending proceedings and declined to interfere with the High Court's judgment. Accordingly, the appeals filed by the Revenue were dismissed.

Goodluck India Ltd. Versus Union of India, SLP (C) Nos. 24550 of 2025 & connected matters, decided on 6 August 2026 (Supreme Court)



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RULE 96(10) OMISSION APPLIES TO PENDING IGST REFUND CLAIMS

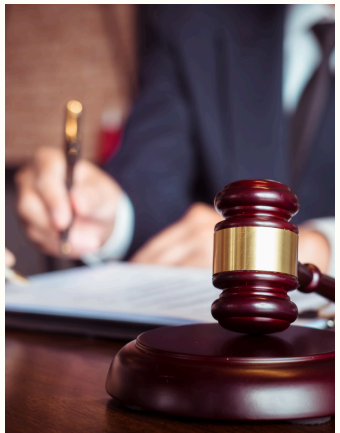


The Supreme Court held that the omission of Rule 96(10), without a saving clause, applies to pending refund proceedings. The GST Council's recommendation for prospective operation was held to be advisory and not binding on the rule-making authority.

Case Title: Goodluck India Ltd. v. Union of India, SLP (C) Nos. 24550 of 2025 & connected matters | Supreme Court | 6 August 2026

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Indirect Tax

GST return relaxation with waiver of interest, penalty and limitation cannot be granted based on works contract terms: Karnataka High Court

The Karnataka High Court set aside the directions issued by the Single Judge permitting a works contractor to file GST returns or amended returns without insisting on interest, penalty or limitation, holding that the contractual terms governing reimbursement of the additional GST burden could not override the statutory scheme under the GST enactments. The petitioner, who had entered into a works contract with the State prior to the introduction of GST, had sought reimbursement of the additional GST liability and relief from interest, penalty and limitation in filing the relevant returns. The Court held that the liability to levy, assess, recover and enforce GST had to be determined strictly in accordance with the applicable statutes and could not be altered by the terms of the contract. Accordingly, no directions could be issued permitting filing of revised returns contrary to the statutory provisions or waiving statutory interest and penalty or relaxing the limitation period for filing returns or revised returns. The Court further held that any reimbursement of incremental tax arising from the contract was a matter between the contractor and the concerned employer and could not be directed against the tax authorities or the State. Accordingly, the directions issued to the tax authorities/State were set aside.

State of Karnataka Versus Sudhanva Engineers and Builders, Writ Appeal No. 275 of 2025 (T-RES), decided on 9 June 2026 (Karnataka High Court)



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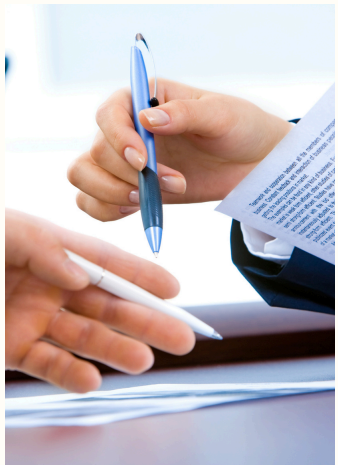
**GST Liability Cannot Be Altered
by Contractual Terms**

The Karnataka High Court held that contractual arrangements for reimbursement of additional GST cannot override statutory requirements relating to returns, interest, penalty or limitation. Tax liability must be determined strictly under the GST laws, independent of the underlying works contract.

Case Title: State of Karnataka v. Sudhanva Engineers & Builders, W.A. No. 275 of 2025 (T-RES) | Karnataka High Court | 9 June 2026

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Indirect Tax

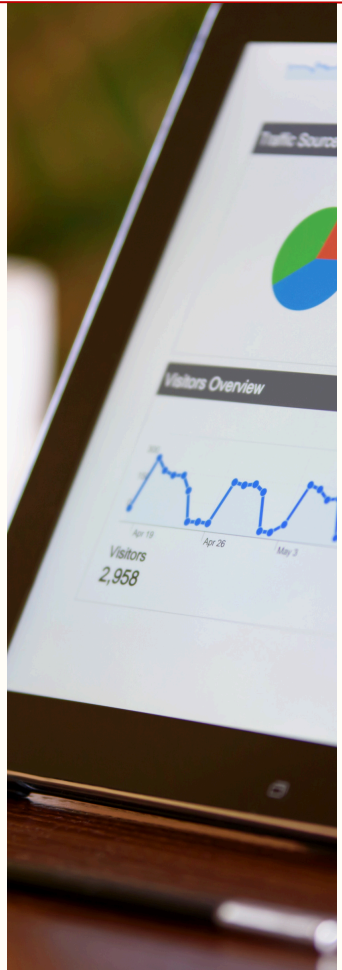
Refund of IGST paid on exports cannot be denied due to portal glitches; claims to be processed manually: Madras High Court

The Madras High Court quashed the order rejecting the petitioner's IGST refund claims on the ground of errors in the online system. The petitioner had filed refund claims in respect of four shipping bills, but the Customs system reflected errors for three bills stating that the "Eligible latest scroll amount" did not tally with the "Sum of eligible latest GST amount", while for the fourth bill the system showed that the scroll had already been generated. The respondent had stated that the IGST refund process was completely automated and that there was no provision for manual sanction of the refund. The Court held that the benefit of a refund claim statutorily recognised under the GST enactments could not be curtailed or denied merely due to technical issues arising from the web portal. Accordingly, the Court quashed the impugned order and directed the respondent to accept the requisite documents in physical form, process the refund claims manually and pass appropriate refund orders, preferably within six weeks.

Vishwanath Industries Infra Solutions Pvt. Ltd.
Versus Assistant Commissioner of Customs,
Tuticorin, W.P.(MD) No. 4849 of 2026 (Madras High Court)



Soumya Shrivastava



Intellectual Property Right

Bombay High Court Holds Minor Changes to Trademark Cannot Circumvent Interim Injunction

The Bombay High Court held that the Defendant, Abaad Masala & Co., could not circumvent an interim injunction by making minor changes to Sky Enterprise's registered marks. The original injunction restrained the defendant from using "White Chinese Pepper Masala" and "Black Chinese Pepper Masala", or any identical or deceptively similar marks. The defendant subsequently adopted "Frize White Spicy Pepper Masala" and "Frize Black Spicy Pepper Masala".

The Court found that merely replacing "Chinese" with "Spicy", while retaining the overall structure of the marks and substantially similar trade dress, did not create the required safe distance from the plaintiff's marks. The Court held that these were de minimis changes intended to circumvent the injunction and therefore amounted to non-compliance. Instead of ordering imprisonment or immediate attachment of property, the Court exercised its powers under Section 151 read with Order XXXIX Rule 2A CPC and directed the defendant to stop using the impugned marks. The defendant was also required to disclose its quarterly sales and inventory through an audited affidavit within four weeks. The Court further directed The defendant to destroy all packaging, stationery and promotional material bearing the impugned marks and remove related advertisements within eight weeks. Non-compliance could result in attachment of its properties.

Sky Enterprise Private Limited v. Abaad Masala & Co., Commercial IP Suit No. 279 of 2020



Anushka Tripathi

**Quick Bites**

Minor Trademark Changes Cannot Circumvent an Injunction



The Bombay High Court held that merely altering a few elements of an impugned mark, while retaining its overall structure and trade dress, does not create sufficient distance from an injunction. Cosmetic changes cannot be used to evade judicial restraints or avoid compliance with interim orders.

CASE TITLE: Sky Enterprise Pvt. Ltd. v. Abaad Masala & Co. | Commercial IP Suit No. 279 of 2020 | Bombay High Court

Delhi | Bengaluru

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Intellectual Property Right

Madras High Court Protects N. Ranga Rao's "CYCLE" Trademark Against Use for Edible Oils

The Madras High Court held that N. Ranga Rao & Sons Pvt. Ltd. was entitled to protection for its "CYCLE" trademark against the respondent's identical use of the mark for edible oils. The plaintiff had used "CYCLE" since 1954 in relation to incense sticks and allied products and established substantial goodwill and reputation through extensive sales, advertising, exports, registrations and enforcement actions.

The Court held that although "CYCLE" is an ordinary dictionary word, decades of extensive use had given it a secondary meaning and independent distinctiveness associated with the plaintiff. Importantly, the Court held that protection under Section 29(4) of the Trade Marks Act can extend to dissimilar goods where the registered mark has a reputation in India and the subsequent use is without due cause and takes unfair advantage of, or is detrimental to, its distinctive character or reputation. The respondent's claimed use of "CYCLE" for edible oils since 2009 did not defeat the plaintiff's rights, particularly as it failed to provide any satisfactory explanation for adopting the identical mark. The Court therefore set aside the Single Judge's dismissal and granted a permanent injunction restraining use of "CYCLE" and deceptively similar marks. The respondent was also directed to surrender all offending labels, packaging, blocks and dies for destruction within eight weeks. The claims for passing off and rendition of accounts were rejected, and there was no order as to costs.

N. Ranga Rao & Sons Private Ltd. v. Sree Annapoorna Agro Foods, O.S.A.(CAD) No. 3 of 2022



Anushka Tripathi



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**WHEN A COMMON WORD
BECOMES A PROTECTED BRAND**

The Madras High Court held that decades of extensive use can give an ordinary dictionary word distinctiveness and reputation. The Court protected "CYCLE" against identical use for dissimilar goods, finding the statutory requirements for extended trademark protection under Section 29(4) were satisfied.

CASE TITLE: N. Ranga Rao & Sons Pvt. Ltd. v. Sree Annapoorna Agro Foods, O.S.A. (CAD) No. 3 of 2022 | Madras High Court

Delhi | Bengaluru

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Litigation

Rawani Construction and Anr. v. IRCON International Limited and Anr.

The Delhi High Court, in *Rawani Construction and Anr. v. IRCON International Limited and Anr.*, decided on 12 August 2026, considered whether a partnership firm could be disqualified from a tender merely because an affidavit prescribed under the tender documents had been signed by an authorised partner holding a valid Power of Attorney, rather than by each of the partners individually. The petitions arose from the disqualification of the petitioners in a tender floated by IRCON International Limited for construction of an MSME Technology Centre at Nagpur. The tender documents contained an affidavit in Annexure IV, which expressly provided that it was to be "signed by the Authorized Representative of the Firm". However, Clause 7 of the Essential Qualifying Criteria separately stated that the affidavit was required to be signed by all partners of a partnership firm. Relying on the latter provision, IRCON disqualified the petitioners and did not open their financial bids.

The Division Bench comprising Justice V. Kameswar Rao and Justice Manmeet Pritam Singh Arora held that the disqualification could not be sustained, particularly where the tender documents themselves created an ambiguity regarding the manner of execution of the affidavit. The Court noted that Annexure IV specifically required the affidavit to be signed by the authorised representative and did not cross-reference Clause 7 of the Essential Qualifying Criteria. The Court therefore held that the petitioners' understanding that an authorised partner could execute the affidavit was reasonable and plausible. The ambiguity was attributable to the tendering authority in drafting the tender documents and could not be used to penalise a bidder who had acted in accordance with the prescribed format.

Importantly, the Court examined the legal nature of an affidavit and held that an affidavit is, by its very nature, a sworn declaration made by a deponent who verifies the contents as true and correct. It rejected the proposition that all partners were required to simultaneously swear a common affidavit containing declarations concerning their individual status. The Court recognised that the law permits one individual to swear an affidavit on behalf of another under due authorisation. Since the partners had expressly authorised one of their partners through a Power of Attorney to make the requisite declarations, the affidavit executed by the authorised partner was held to be legally valid and binding on the firm and its partners.

The Court further relied upon the principles of partnership law, observing that under the Indian Partnership Act, 1932, a partner acts as an agent of the firm and, in the ordinary course of business, his acts bind the firm and the other partners. Thus, an authorised partner was competent to swear the affidavit on behalf of the partnership firm and its partners. Even assuming that IRCON's interpretation of the tender condition was correct, the Court held that the underlying purpose of the affidavit requirement had nevertheless been completely satisfied. The affidavit furnished a binding undertaking on behalf of the firm, and requiring every partner to separately sign it would neither alter the bid nor confer any competitive advantage upon the petitioner or prejudice the other bidders.

The judgment also reinforces the principle that while courts ordinarily exercise restraint in interfering with tender decisions, such restraint does not extend to arbitrary or hyper-technical disqualification where the bidder has substantially complied with the tender requirement. The Court distinguished cases involving complete failure to satisfy an express eligibility condition from the present case, where the prescribed affidavit had in fact been submitted and the dispute concerned only the mode of its execution. Since there was no misrepresentation, no dispute regarding the petitioners' substantive eligibility and no prejudice to the tendering process, the Court held that the rejection of the bids on the stated ground was unsustainable.

Accordingly, the Court set aside the disqualification and directed IRCON to process and evaluate the petitioners' technical bids and, if technically eligible, their financial bids as well. The Court further clarified that the petitioners could not be disqualified in other similar tenders on the same ground. Significantly, while permitting IRCON to seek individual affidavits from the partners if it so desired, the Court directed the respondent to reconsider and clarify the format of Annexure IV and the instructions governing its execution. The judgment thus underscores that tender conditions must be clear and internally consistent, and that a tendering authority cannot insist upon a hyper-technical mode of compliance contrary to the prescribed format, particularly where the substantive purpose of the condition has been duly fulfilled.



Hardik Jain



Litigation

Sanskar Homes Pvt. Ltd. v. Government of NCT of Delhi & Anr.

The Delhi High Court, in *Sanskar Homes Pvt. Ltd. v. Government of NCT of Delhi & Anr.*, decided on 12 August 2026, examined the scope of the power of the Collector of Stamps under Section 33 of the Indian Stamp Act, 1899, particularly where the alleged deficiency in stamp duty is discovered from a photocopy of an instrument which was never produced before the competent authority. The dispute arose from a collaboration agreement between the petitioner and the owner of an immovable property for redevelopment of the property. The Collector of Stamps, relying upon a photocopy of the collaboration agreement received pursuant to a complaint, treated the agreement as a compulsorily registrable instrument, imposed stamp duty of approximately ₹77.74 lakh and a penalty of ₹5 lakh. The petitioner challenged the order, contending, inter alia, that the original agreement had never been produced before the authority and that a photocopy could not be impounded under Section 33 of the Stamp Act.

The Court, relying upon the statutory scheme and the Supreme Court's decisions in *District Registrar and Collector, Hyderabad v. Canara Bank* and other authorities, reiterated that the power of impounding under Section 33 is attracted only when an instrument not duly stamped is produced before an authority competent to receive evidence or a person in charge of a public office in the performance of his functions. The requirement of production is material and contemplates voluntary production of the instrument. An authority cannot, merely on the basis of information or a complaint, compel a party to produce an original document for the purpose of initiating stamp duty proceedings. The Court emphasised that the expression "produced or comes in the performance of his functions" cannot be interpreted as conferring an unrestricted power upon the Collector to call for and impound an instrument which has never been voluntarily placed before him.

A significant aspect of the judgment concerns the meaning of "instrument" under Section 2(14) of the Stamp Act. The Court reaffirmed the settled position that a photocopy or copy of an instrument is not itself an "instrument" for the purposes of the Stamp Act and cannot be validated by payment of deficient stamp duty and penalty. Referring to the principles laid down by the Supreme Court, the Court noted that stamp duty and penalty under the Act operate upon the original instrument and not upon secondary evidence or a photocopy of that instrument. In the present case, the collaboration agreement had never been produced by the petitioner before the Collector and the document available with the authority was admittedly only a photocopy supplied by a third party. Consequently, the photocopy could not form the basis for impounding the instrument or imposing stamp duty and penalty.

The Court further clarified that the existence of a transaction which may otherwise attract stamp duty does not, by itself, confer jurisdiction upon the Collector to proceed in the manner adopted in the present case. While the Court recognised that the true nature of an instrument must prevail over its nomenclature, and that a document styled as a "Collaboration Agreement" may, depending upon its substantive terms, create or transfer rights in immovable property, the exercise of statutory power must nevertheless conform strictly to the procedure prescribed by the Stamp Act. The Court held that the departmental circular relied upon by the Collector could not enlarge or supplement the statutory power of impounding. The power to impound an instrument or impose stamp duty and penalty must be exercised strictly in accordance with the Act and cannot be derived merely from an administrative circular or internal departmental instruction.

The Court also rejected the respondents' reliance on the doctrines of acquiescence and approbate and reprobate on the ground that the petitioner had deposited the demanded amount under protest to secure release of its sale deeds. Relying upon the settled principle that estoppel cannot operate against the provisions of a statute, the Court held that where the statute itself does not authorise the impounding of a photocopy or the imposition of stamp duty and penalty in such circumstances, the petitioner's subsequent conduct could not confer jurisdiction upon the authority where none existed in law. Thus, acceptance of the statutory benefit of release and registration of the sale deeds could not validate an otherwise impermissible exercise of statutory power.

Accordingly, the Delhi High Court set aside the Collector's order dated 14 July 2010, holding that there was no authority under the Indian Stamp Act to impose stamp duty and penalty upon a photocopy of a document which had never been produced before the competent authority in terms of Section 33. The Court further directed the respondents to refund the stamp duty and penalty deposited by the petitioner, together with simple interest at 5% per annum from 5 October 2010 until realisation. The judgment therefore reiterates an important limitation on the revenue authorities: the power to impound under Section 33 is a statutory power which must be exercised strictly within the four corners of the Stamp Act; a photocopy is not an "instrument", and an authority cannot circumvent the statutory requirement of production of the original by acting upon a copy or a third-party complaint.



Hardik Jain



Litigation

Tara Chand v. Sushma

The Delhi High Court, in *Tara Chand v. Sushma*, decided on 12 August 2026, considered the scope of the High Court's revisional jurisdiction under the proviso to Section 25-B(8) of the Delhi Rent Control Act, 1958, in a challenge to an eviction order passed by the Rent Controller. The principal challenge before the Court was to the finding that the respondent was the landlord and had a sufficient interest in the premises to maintain the eviction proceedings. The petitioner contended that the respondent had failed to produce documents establishing her ownership and that rent had allegedly been paid to another person, namely Ravinder.

The Court reiterated that the jurisdiction exercised by the High Court under the proviso to Section 25-B(8) of the DRC Act is supervisory and revisional in nature and cannot be equated with appellate jurisdiction. The legislative scheme deliberately excludes an appellate remedy against an order of the Rent Controller, and consequently, the High Court is required to examine the legality and propriety of the decision-making process rather than undertake a fresh adjudication on the merits. The High Court cannot substitute its own view for that of the Rent Controller merely because another view on the material available may be possible.

The Court further clarified that interference in revisional jurisdiction would be justified only where the impugned order suffers from a jurisdictional error, manifest illegality, material irregularity or perversity, or where the conclusion is wholly unreasonable or founded upon an erroneous proposition of law. Similarly, where a material plea has been left unconsidered or the decision-making process discloses an error apparent on the face of the record, the High Court may exercise its revisional powers. However, the Court emphasised that such jurisdiction cannot be converted into a mechanism for undertaking a roving inquiry or re-appreciating the evidence as a court of first appeal.

On the question of ownership, the Court reaffirmed that, for the purposes of proceedings under the DRC Act, a landlord is not required to establish an absolute or indefeasible title to the premises in the manner that may be necessary in a substantive title suit. What is required is that the landlord demonstrate a title or right in the property which is better than that of the tenant and sufficient to maintain the eviction proceedings. The Court found that the respondent's claim to the premises through inheritance, coupled with the material evidencing the origin of the tenancy and payment of rent to her predecessor, was sufficient to establish the requisite relationship of landlord and tenant.

The Court also applied the principle embodied in Section 116 of the Indian Evidence Act, 1872, which operates as an estoppel against a tenant disputing the title of the landlord under whom the tenancy was created. In the present case, the petitioner's assertion that rent had been paid to Ravinder was unsupported by any rent receipt or other documentary material, nor was there any material establishing that Ravinder had an independent right or title under which the tenancy had been created. The Court therefore found no basis to permit the petitioner to challenge the respondent's title in the manner sought.

Accordingly, the Court held that the findings of the Rent Controller regarding ownership and the existence of the landlord-tenant relationship did not suffer from any perversity, illegality or material irregularity warranting revisional interference. The petition was consequently dismissed. The judgment thus reinforces two important principles in rent control jurisprudence: first, the High Court's jurisdiction under Section 25-B(8) is narrowly confined to supervisory scrutiny of the Rent Controller's decision-making process; and second, for maintaining an eviction petition under the DRC Act, the landlord need not establish absolute title but only a title or right superior to that of the tenant.



Hardik Jain

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REVISION IS NOT AN APPEAL: DELHI HIGH COURT CLARIFIES ITS LIMITED SCOPE

The Delhi High Court held that revisional jurisdiction under Section 25B(8) of the DRC Act is supervisory, not appellate. The Court also reaffirmed that a landlord need only establish a right superior to the tenant, not absolute ownership, to maintain eviction proceedings.

Case Title: Tara Chand v. Sushma Proviso to Section 25-B(8), Delhi Rent Control Act, 1958 | Delhi High Court | 12 August 2026

Delhi | Bengaluru www.lexport.in

Litigation

Union of India v. Sterlite Technologies Limited

The Delhi High Court, in *Union of India v. Sterlite Technologies Limited*, decided on 12 August 2026, considered a petition under Section 34 of the Arbitration and Conciliation Act, 1996, challenging an arbitral award which had set aside a demand raised by the Department of Telecommunications against Sterlite Technologies Limited. The dispute arose from the respondent's Infrastructure Provider Category I ("IP-I") registration, under which it was permitted to establish and lease passive telecom infrastructure but was prohibited from providing telegraph services, including end-to-end bandwidth. Following an inspection of the respondent's premises at Pune, the Department alleged that the respondent had operated beyond the scope of its registration and raised a demand of approximately ₹8.55 crore towards alleged loss of Government revenue. The arbitral tribunal found the demand to be illegal, arbitrary and unjustified.

The High Court examined the contractual arrangements and the evidence concerning ownership and operation of the telecom equipment. The arbitral tribunal had found that the respondent was responsible for passive infrastructure, while the active equipment necessary for providing bandwidth services belonged to or was provided by the telecom service providers. The Court noted that the relevant Master Service Agreements expressly distinguished between passive infrastructure to be installed and maintained by the respondent and active or backhaul equipment to be provided and operated by the telecom service providers. The Court also rejected the contention that the respondent and its wholly owned subsidiary, Sterlite Networks Limited ("SNL"), could simply be treated as a single entity, observing that SNL was a separate legal entity and had itself obtained separate telecom registrations and licences.

A significant aspect of the judgment concerned the statutory basis for raising a monetary demand by a regulatory authority. The Court upheld the arbitral tribunal's finding that, in the absence of any statutory provision under the Indian Telegraph Act, 1885, or any express provision in the IP-I Registration Certificate authorising the recovery of damages for breach of its terms, the demand could not be sustained merely on the basis of the alleged violation. The Court emphasised that a demand raised by a statutory authority must have statutory backing. Further, even if the claim were treated as one for damages under Section 73 of the Indian Contract Act, 1872, the claimant would have to establish both breach and the actual loss or damage suffered, or demonstrate that such loss was incapable of precise proof. In the present case, the Department had neither pleaded nor established the requisite actual loss.

The Court also found the basis for the purported pan-India demand to be unsustainable. The Department had conducted an inspection only at the respondent's Pune premises but proceeded to raise a demand covering operations across India, without conducting inspections at other locations or producing material demonstrating that the alleged activity was being carried out nationwide. The Court agreed with the arbitral tribunal that such an inference could not provide a legitimate basis for a pan-India monetary demand. The Court further rejected the Department's reliance on correspondence allegedly amounting to an undertaking to pay, observing that the relevant communication expressly reserved the respondent's right to pursue legal remedies and sought details regarding the computation of the demand.

Importantly, the judgment reiterates the narrow scope of judicial interference under Section 34 of the Arbitration and Conciliation Act, 1996. The Court held that proceedings under Section 34 are not akin to a first appeal and that the Court cannot re-appreciate evidence merely because another factual or legal view may be possible. Where the arbitral tribunal has adopted a possible and plausible view after considering the contractual terms and evidence, that view cannot be substituted merely because an alternative interpretation is available. The Court relied upon the recent Supreme Court decisions in *Prakash Atlanta (JV) v. National Highways Authority of India*, *Ramesh Kumar Jain v. Bharat Aluminium Company Limited*, *Consolidated Construction Consortium Limited v. Software Technology Parks of India and Sepco Electric Power Construction Corporation v. GMR Kamalanga Energy Ltd.*, reiterating that the supervisory jurisdiction under Section 34 must remain confined to the grounds expressly contemplated by the statute.

Accordingly, the Court found that the arbitral tribunal had examined the dispute from multiple facets, considered the IP-I Registration Certificate, the relevant Master Service Agreements and the surrounding material, and had arrived at a plausible conclusion supported by reasons. There was no perversity, patent illegality or other ground warranting interference under Section 34, and the petition filed by the Union of India was dismissed. The judgment therefore reinforces two important principles: first, a statutory authority cannot impose a monetary liability without clear statutory or contractual authority for doing so; and second, a Section 34 court cannot reassess the merits of an arbitral dispute or substitute its own interpretation where the tribunal's view is a reasonable and plausible one.



Hardik Jain

Succession Law

Rajasthan High Court Holds Reasons Must Be Recorded Before Requiring Security Bond for Succession Certificate

The Rajasthan High Court has held that the power under Section 375 of the Indian Succession Act, 1925 to require an applicant to furnish a security bond while granting a succession certificate is discretionary and cannot be exercised mechanically. The Court observed that a District Judge must record at least some justification or reasons demonstrating why such a condition is necessary in the facts of the case.

The petitioners, being the sole surviving legal heirs of their deceased father, had obtained an order granting a succession certificate to realise the value of MRF shares standing in his name. However, the District Judge imposed a condition requiring them to furnish a joint security bond of ₹2.25 crore, in addition to a written undertaking, without assigning any reasons. Their subsequent application seeking deletion of the condition or substitution with an indemnity bond was also rejected without adequate justification.

Relying on precedents of the Delhi High Court and the Allahabad High Court, the Court reiterated that Section 375 confers discretion, not a mandatory obligation, to insist upon a security bond. Whether such a condition is warranted depends upon the facts of each case, including the existence of rival claimants or competing claims, and therefore cannot be imposed as a matter of routine.

Finding that there were no rival claimants, that the petitioners were the only surviving legal heirs, and that the trial court had failed to record any reasons for imposing the condition, the High Court held the requirement to furnish a ₹2.25 crore security bond to be onerous and unwarranted. Accordingly, it quashed the impugned orders and directed that the succession certificate be issued upon the petitioners furnishing a joint indemnity bond of the same value, together with the written undertaking, in place of the security bond.

Ajay Sarin & Anr. v. MRF Limited & Anr.



Meyank Pandey



Cyber Fraud

Allahabad High Court Clarifies Scope of Bank Account Freezing in Cyber Fraud Investigations

The Allahabad High Court has held that investigating agencies and banks cannot impose a blanket debit freeze on an entire bank account merely because a specific transaction is under suspicion in a cyber fraud investigation.

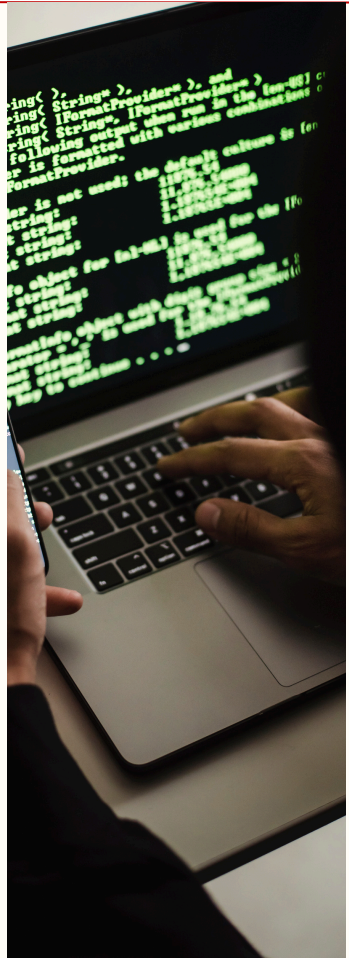
The Court observed that where the disputed transaction is confined to an identifiable amount, the restraint must remain proportionate and be limited to that amount alone. In the present case, the petitioner's bank accounts were frozen over an alleged fraudulent credit of ₹36,000, preventing him from carrying on his business despite his willingness to keep the disputed amount under lien. The Court directed the bank to immediately permit operation of the account after retaining a lien only over the disputed sum of ₹36,000. It also reiterated the principles laid down in *Khalsa Medical Store v. RBI*, emphasising that notices issued under Section 106 of the *Bharatiya Nagarik Suraksha Sanhita, 2023* must specify the amount sought to be frozen and cannot justify suspension of an entire account without following the prescribed statutory procedure.

Significantly, the Court directed all banks and financial institutions within its territorial jurisdiction to implement the Ministry of Home Affairs' Standard Operating Procedure governing frozen accounts, establish an effective grievance redressal mechanism, and prominently display details of the NCRP-CFCFRMS grievance process to ensure timely relief for affected account holders. This recent judgment reinforces that measures adopted to combat cyber fraud must maintain proportionality & be transparent and consistent with due process, while balancing the needs of investigation with the legitimate rights of customers to access undisputed funds.

Ritesh Yadav v. Reserve Bank of India & Ors.



Meyank Pandey



Corporate

SEBI's Closing Auction Session: Key Compliance and Market-Structure Changes

SEBI's Closing Auction Session (CAS), effective from August 3, 2026, replaces the earlier VWAP-based closing price mechanism for equity stocks having active derivative contracts. Introduced through SEBI's January 16, 2026 Circular under Section 11(1) of the SEBI Act, 1992 read with Regulation 51 of the SECC Regulations, 2018, CAS seeks to improve price discovery and align Indian markets with global practices.

Under CAS, continuous trading ends at 3:15 PM, followed by a 20-minute auction. The reference price is based on the 3:00–3:15 PM VWAP, with a $\pm 3\%$ price band. Order entry closes randomly between 3:28 and 3:30 PM, followed by matching until 3:35 PM. Existing stop-loss orders are cancelled, while derivatives continue trading until 3:40 PM. A post-close session operates from 3:50–4:00 PM.

The reform aims to aggregate liquidity, improve execution for large and passive orders, and reduce index-tracking errors. Importantly, CAS is implemented through SEBI's Circular and exchange-level Standard Operating Procedures (SOPs), rather than amendments to the ICDR or LODR Regulations.

Intermediaries must therefore update internal risk manuals, client disclosures, surveillance procedures and margin systems. Clearing corporations will also calculate derivative settlement prices using CAS-derived closing prices across recognised exchanges. Accordingly, CAS represents not merely a trading reform but a significant compliance and governance exercise requiring documented implementation and ongoing operational readiness.



Rishav Sagar

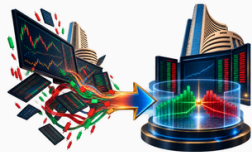
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CLOSING AUCTION SESSION: BEYOND PRICE DISCOVERY



SEBI's new Closing Auction Session reshapes the final phase of equity trading, impacting order execution, surveillance, risk management, margin systems and derivative settlement. For intermediaries, CAS is as much an operational readiness exercise as it is a market-structure reform.

Source: SEBI Circular dated January 16, 2026 – Introduction of Closing Auction Session (CAS) in the Equity Cash Segment.

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Corporate

Supreme Court: Trading While in Possession of UPSI Presumed to Constitute Insider Trading, Irrespective of Profit or Purpose

In Securities and Exchange Board of India v. Rajeev Vasant Sheth & Ors., 2026 LiveLaw (SC) 787 (Judgment dated 11 August 2026), the Supreme Court held that where a person is in possession of Unpublished Price Sensitive Information (UPSI) and trades in securities during the period when such information remains unpublished, the trade is presumed to have been motivated by the UPSI under the SEBI (Prohibition of Insider Trading) Regulations, 2015. The Court clarified that the person's motive for undertaking the trade, the purpose for which the sale proceeds are used, or whether the person actually made a profit or merely avoided a loss, is irrelevant to determining the contravention.

The case concerned the Chairman and Managing Director and two promoter-directors of Tara Jewels Limited, who sold substantial portions of their shareholding between 2 October and 29 November 2017 while in possession of adverse financial information, including a quarterly loss of approximately ₹166.80 crore and a significant decline in sales. The information was disclosed to the market only on 29 November 2017. SEBI found that the trades enabled the promoters to avoid losses of approximately ₹1.38 crore. The Securities Appellate Tribunal had set aside SEBI's order after accepting that the sales were undertaken to support financial restructuring and avoid NPA classification.

Setting aside the SAT's decision, the Supreme Court relied on the specific Note to Regulation 4(1) of the 2015 Regulations, which creates a presumption that trades undertaken while in possession of UPSI are motivated by such information. The Court distinguished its earlier decision in SEBI v. Abhijit Rajan, noting that the earlier case concerned the 1992 regulations, which did not contain the same restriction on considering the purpose of the transaction. The Court restored SEBI's directions restricting the promoters' access to the securities market and requiring disgorgement of the avoided losses with interest. The monetary penalty imposed on the principal promoter was, however, reduced from ₹25 lakh to ₹10 lakh.



Akshita Agarwal

Trading With UPSI: Motive May Not Matter



The Supreme Court held that a person trading while in possession of UPSI is presumed to have traded on the basis of that information. The trader's motive, purpose of the transaction, actual profit earned, or loss avoided is irrelevant. The ruling reinforces SEBI's strict approach to insider trading compliance.

Case Title: SEBI v. Rajeev Vasant Sheth & Ors.
2026 LiveLaw (SC) 787 | Supreme Court of India | 11 August 2026



Corporate

RBI Proposes Comprehensive Framework for Regulation of Loan Interest Rates

The Reserve Bank of India (RBI) has proposed the Draft RBI (Interest Rates on Loans and Advances) Directions, 2026, introducing a comprehensive and harmonised framework for loan pricing, effective April 1, 2027, with existing loans to migrate by April 1, 2029. The framework covers banks, cooperative banks, financial institutions, NBFCs and housing finance companies.

The proposed rules require interest to generally be charged at monthly rests and calculated on a daily reducing balance using the actual/actual day-count convention, effectively restricting flat-rate lending. For floating-rate loans, benchmarks, reset frequency and dates must be clearly disclosed; resets generally cannot exceed three months. Banks must link floating-rate personal and MSME loans to external benchmarks.

NBFCs and HFCs will, for the first time, face detailed interest-pricing regulation. Their benchmark methodology must be publicly disclosed, including through digital interfaces. Spreads may comprise credit-risk, operating-cost, term and business-strategy components, with significant restrictions on revisions for three years. Microfinance and small-value loans (up to ₹50,000) will require an internal APR ceiling to prevent usurious pricing.

Existing loans may transition only with borrower consent, without disadvantage or migration charges. The framework seeks greater transparency, standardised pricing and stronger borrower protection while significantly changing prevailing NBFC and fintech lending practices.



Rishav Sagar



RBI PROPOSES A NEW FRAMEWORK FOR LOAN INTEREST RATES



The RBI's proposed 2026 framework seeks to standardise loan interest pricing across banks, NBFCs and housing finance companies. It introduces greater transparency in benchmarks, spreads and resets, while requiring interest to generally be calculated on a daily reducing balance. The framework also strengthens borrower protection and reshapes lending practices across the financial sector.

Source: RBI, Draft (Interest Rates on Loans and Advances) Directions, 2026.



Corporate

SEBI Proposes Overhaul of Accredited Investor Framework

The Securities and Exchange Board of India (SEBI), through its Consultation Paper on Review of the Accredited Investor Framework, has proposed significant changes to simplify accreditation and widen the pool of eligible sophisticated investors. The existing framework recognises investors based primarily on income and net-worth thresholds and provides regulatory flexibilities in products such as AIFs, PMS, SIFs and Angel Funds.

A key proposal is to introduce manager-led accreditation, allowing investment managers to determine and record an investor's accredited status during onboarding. For investments managed by the same group, accreditation may remain valid for three years, subject to prescribed verification and safeguards. The existing Accreditation Agency route would continue, thereby preserving investor choice and portability.

SEBI has also proposed securities market assets as an additional eligibility criterion. Individuals holding securities market assets of at least ₹5 crore, and body corporates/trusts with at least ₹20 crore, may qualify for accreditation. Eligible assets would include equity, debt, REITs/InvITs, AIF units, mutual funds, futures open interest and certain overseas securities.

Further, SEBI proposes extending deemed accredited investor status to all Persons Resident Outside India (PROIs), including FPIs. These measures are intended to reduce compliance friction, deepen the pool of risk capital and facilitate wider participation by sophisticated investors. Public comments have been invited until September 3, 2026.



Rishav Sagar



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