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Article

Legal reforms in India's oil & gas sector to unlock strategic investment potential

By **Noorul Hassan**

The article in this issue of Corporate Amicus discusses how India's oil and gas industry presents significant opportunities for foreign investors, particularly in the light of India's rising energy demand. It, for this purpose, analyses the key legal reforms under the Oilfields (Regulation and Development) Amendment Act, 2025, which came into force on 15 April 2025. The author highlights how these reforms significantly reduce the legal and operational friction typically associated with entering emerging markets and also complement the existing investor-oriented frameworks in India's upstream oil and gas sector. The author highlights that whether in exploration, refining, natural gas, or renewable integration, the Indian market offers not only scale and opportunity but also a supportive, legally secure environment designed for strategic partnership and sustainable growth. According to him, for foreign investors, particularly those offering specialized expertise, cutting-edge technology, and long-term capital, this is an ideal time to enter the Indian energy landscape.

Legal reforms in India's oil & gas sector to unlock strategic investment potential

By Noorul Hassan

India's oil and gas sector is undergoing a significant change. As one of the world's fastest-growing major economies, the country's energy demand continues to rise due to industrial growth, urbanization, and expanding transportation needs. However, domestic production has not kept pace, resulting in high import dependence. To address this, the government is focused on boosting domestic exploration and production, while also updating the legal and policy framework to attract foreign investment and technical expertise.

A key development in this effort is the Oilfields (Regulation and Development) Amendment Act, 2025 ('Oilfields Amendment Act'), which came into force on 15 April 2025 and introduces a more streamlined, centralized, and investor-oriented regulatory structure. The said Act aims to bring India's upstream oil and gas regulations closer to international standards and improve the overall ease of doing business for global investors.

India's oil and gas industry presents significant opportunities for foreign investors, particularly in the light of its rising energy demand. Despite being one of the fastest-growing economies, India's domestic crude oil production falls short of meeting its consumption needs. This gap creates a compelling market for investment in exploration, production, and infrastructure. The government's ongoing efforts to increase refining capacity and improve natural gas utilization further enhance the investment landscape. For instance, India is aiming to increase its refining capacity to 310 million tonnes per annum by 2028, with major projects like the West Coast Refinery – a collaboration with Saudi Arabia, already in progress. This expansion is creating demand for technology solutions, particularly in areas like refinery upgrades, emission control, and clean fuel development—areas where foreign expertise is critical.

As a result, foreign investors with sector-specific expertise in these areas will find a favourable policy environment designed to facilitate large-scale, technology-driven investments.

Key legal reforms under the Oilfields Amendment Act

The Oilfields Amendment Act proposes to bring about fundamental changes aimed at simplifying processes, protecting investors, and promoting sustainable energy development.

1. **Transition to 'Petroleum Leases':** The Oilfields Amendment Act replaces the outdated concept of 'mining leases' (*as defined under the Oilfields Act, 1948*) with 'petroleum leases', clearly encompassing the full spectrum of oil and gas activities—exploration, production, and transportation. This change brings India's legal terminology in line with global upstream practices.
2. **Centralized Regulatory Authority:** The central government is now exclusively empowered to regulate and grant petroleum leases. This move significantly reduces jurisdictional overlap and red tape at the state level, offering a single-window mechanism for licensing—highly attractive for foreign investors seeking predictability and consistency.
3. **Enhanced Investor Protection:** The Oilfields Amendment Act ensures that existing lease agreements will not be altered to the lessee's disadvantage. This provision enhances contractual sanctity and provides reassurance for foreign investors planning long-term capital deployment.
4. **Decriminalisation of offences:** Violations of regulatory provisions now attract monetary fines instead of imprisonment—up to INR 25 lakh, with an additional INR 10 lakh per day for ongoing violations. This alters the very nature of offences without any threat of imprisonment.
5. **Formal Dispute Adjudication Framework:** The Central Government is authorized to appoint a senior officer (Joint Secretary or above) as the Adjudicating Authority, with appeals routed through the Appellate Tribunal under the Petroleum and Natural Gas Regulatory Board Act, 2006.

For international energy companies—particularly those from hydrocarbon-rich regions such as the Middle East, North America, and Europe—these reforms significantly reduce the legal and operational friction typically associated with entering emerging markets. The centralized lease model defined regulatory pathways, and decriminalisation of offences regime make India a more bankable and transparent jurisdiction for upstream investment.

The Oilfields Amendment Act also complements existing investor-oriented frameworks in India that aim to attract private and foreign participation in India's upstream oil and gas sector such as:

- The Hydrocarbon Exploration and Licensing Policy (HELP), which offers unified licensing and revenue-sharing contracts.
- The Open Acreage Licensing Policy (OALP), allowing investors to bid on exploration blocks year-round.
- The Discovered Small Fields (DSF) Scheme, which allows for the commercial development of marginal or previously uneconomical oilfields.

Together, these initiatives represent a legal and economic environment where foreign players with domain expertise can operate with greater certainty, reduced entry barriers, and more responsive governance.

Additionally, the Oilfields Amendment Act also addresses renewable energy deployment within oilfield operations, enabling oil and gas companies to align with India's broader energy transition goals. This provision ties into initiatives such as the National Green Hydrogen Mission, which targets the production of 5 million metric tonnes of green hydrogen by 2030. Therefore, for foreign investors who are active in clean energy or with capabilities in carbon capture, hydrogen, or biofuels, this opens opportunities for integrated energy models that combine conventional operations with sustainable energy innovation.

Way forward

India's growing energy appetite, combined with robust legal reforms and a transparent licensing regime, makes it one of the most promising destinations for global investment in the oil and gas sector. For foreign investors—particularly those offering specialized expertise, cutting-edge technology, and long-term capital—this is an ideal time to enter the Indian energy landscape. Whether in exploration, refining, natural gas, or renewable integration, the Indian market offers not only scale and opportunity but also a supportive, legally secure environment designed for strategic partnership and sustainable growth.

[The author is a Partner in Corporate and M&A practice at Lakshmikumaran & Sridharan Attorneys, Hyderabad]

Notifications & Circulars

- Stockbrokers permitted to operate in GIFT-IFSC under Separate Business Units
- Disclosure requirements for Infrastructure Investment Trusts revised
- Disclosure requirements for Real Estate Investment Trusts revised
- Cybersecurity and Cyber Resilience Framework (CSCRF) for Regulated Entities clarified
- Timeline extended for provisions on Offshore Derivative Instruments and Foreign Portfolio Investors
- Investments by FPIs in corporate debt securities through the general route relaxed
- Reserve Bank of India (Digital Lending) Directions, 2025 notified

Stockbrokers permitted to operate in GIFT-IFSC under Separate Business Units

The Securities and Exchange Board of India *vide* Circular No. SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/61 dated 2 May 2025, has introduced a measure for ease of doing business by facilitating SEBI registered stock brokers to undertake securities market related activities in Gujarat International Finance Tech-city – International Financial Services Centre (‘**GIFT-IFSC**’) under a Separate Business Unit (‘**SBU**’). This eliminates the requirement of obtaining specific approval from SEBI for this purpose. These activities can be carried out under an SBU of the stock broking entity or if the branch qualifies as an SBU.

Key safeguards are prescribed to ring-fence SBU activities from Indian securities market activities:

- Securities market activities of the SBU in GIFT-IFSC must be segregated and ring-fenced from the stockbroker's Indian activities.
- An arms-length relationship must be maintained between these activities.
- The SBU shall exclusively engage in securities market activities permitted by the IFSCA.
- Stockbrokers must prepare and maintain a separate account for the SBU on an arms-length basis.
- The net worth of the SBU shall be segregated from the net worth of the stockbroker in the Indian securities market. The stockbroker's net worth criteria must be satisfied after excluding the SBU account.
- Existing subsidiaries or joint ventures in GIFT-IFSC, formed after obtaining SEBI approval, have the option to dismantle and carry out services under an SBU.
- Indian Grievance Redressal Mechanism and Investor Protection Fund (IPF) of the stock exchanges and SCORES shall not be available for investors availing SBU services, as SBU activities are under the jurisdiction of another regulatory authority.

Disclosure requirements for Infrastructure Investment Trusts revised

The Securities and Exchange Board of India *vide* Circular No. SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/63 dated 7 May 2025 (‘**Circular**’), has revised the guidelines related to disclosure of financial information in offer documents/placement memoranda and continuous disclosures and compliances by

Infrastructure Investment Trusts ('**InvITs**'). Revisions have been made to Chapter 3 (*Disclosure of financial information*) and Chapter 4 (*Continuous disclosures and compliances*) of the Master Circular for InvITs dated 15 May 2024 ('**Master Circular**'), based on the report of a Working Group, inputs from Bharat InvITs Association, and recommendations of the Hybrid Securities and Advisory Committee ('**HySAC**'). Notably, Paragraph 7 of Annexure 5 and Paragraph 7 of Annexure 6 to the Master Circular have been revised to enhance financial disclosure requirements in placement documents and letters of offer. Key changes include mandatory disclosure of pro forma financials in case of material acquisitions/divestments, the option to incorporate public financial disclosures by reference, and detailed requirements for audited or carved-out statements of acquired assets. **Annexure-A** of the Circular contains the revised Chapter 3 and Chapter 4 of the Master Circular issued for InvITs, as mentioned above.

Disclosure requirements for Real Estate Investment Trusts revised

The Securities and Exchange Board of India *vide* Circular No. SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/64 dated 7 May 2025, has revised the guidelines related to disclosure of financial information in offer documents and continuous disclosures and compliances by Real Estate Investment Trusts ('**REITs**'). Revisions have been made to Chapter 3 (*Disclosure of financial information*) and Chapter 4 (*Continuous disclosures and compliances*) of the Master Circular for InvITs dated 15 May 2024 ('**Master Circular**'), based on the report of a Working Group, inputs from Bharat InvITs Association, and recommendations of the Hybrid Securities and Advisory Committee ('**HySAC**'). Notably, Paragraph 7 of Annexure 5 and Paragraph 7 of Annexure 6 to the Master Circular have been revised to enhance financial disclosure requirements in placement documents and letters of offer. Key changes include mandatory disclosure of pro forma financials in case of material acquisitions/divestments, the option to incorporate public financial disclosures by reference, and detailed requirements for audited or carved-out statements of acquired assets. **Annexure-A** of this Circular contains the revised Chapter 3 and Chapter 4 of the Master Circular, as mentioned above.

Cybersecurity and Cyber Resilience Framework (CSCRF) for Regulated Entities clarified

The Securities and Exchange Board of India *vide* Circular No. SEBI/HO/ ITD-1/ITD_CSC_EXT/P/CIR/2025/60 dated 30 April 2025, has issued important clarifications and revisions to the Cybersecurity and Cyber Resilience Framework ('**CSCRF**') applicable to SEBI-regulated entities (‘**REs**’). Following discussions with various REs, SEBI has revised the categorisation criteria and applicable thresholds for different classes of REs. The categorisation of a regulated entity is determined at the beginning of the financial year, based on data from the preceding financial year, and shall remain fixed for the duration of that financial year. This categorisation is subject to validation by the respective reporting authority.

Key revisions and clarifications include:

- New rules classify REs (Stockbrokers, Investment Advisors, Research Analysts, etc.) with updated criteria like client numbers, AUM, or activities.
- Investment Advisors/Research Analysts not registered elsewhere are exempt from cybersecurity rules; others follow the highest category.
- BSE Ltd. is the reporting authority for Investment Advisors/Research Analysts cybersecurity compliance for five years.
- KYC Registration Agencies are now Qualified REs, not Market Infrastructure Institutions.
- Specific exemptions from mandatory Market-SOC/SOC apply to smaller AIF/VCF managers (<100 clients) and Registrar to an Issue and Share Transfer Agents (<100 clients).
- If an RE has multiple registrations, the highest category rules apply.
- Mandatory Hardware Security Module (HSM) required for Market Infrastructure Institutions/Qualified REs; alternatives allowed for others based on risk.
- Compliance deadline is 30 June 2025; specific cyber audit rules apply from FY 2025-26.

Timeline extended for provisions on Offshore Derivative Instruments and Foreign Portfolio Investors

The Securities and Exchange Board of India *vide* Circular No. SEBI/HO/AFD/AFD-POD-3/P/CIR/2025/71 dated 16 May 2025, has extended the timeline for implementation of specific provisions of a previous Circular dated 17 December 2024. The previous circular had introduced measures to address regulatory arbitrage concerning Offshore Derivative Instruments (‘**ODIs**’) and Foreign Portfolio Investors (‘**FPIs**’) with segregated portfolios. Specifically, the provisions contained in Paragraphs 2.2 to 2.7 of the previous circular required additional disclosures from ODI subscribers and FPIs with segregated portfolios.

In response to representations from market participants, SEBI has now extended the deadline for compliance with these provisions—including the requirement for depositories to establish supporting systems—until **17 November 2025**, instead of the initial five-month timeline. All other provisions of the previous circular dated 17 December 2024 remain unchanged. The extension aims to facilitate a smooth and effective implementation process.

Investments by FPIs in corporate debt securities through the general route relaxed

The Reserve Bank of India *vide* Notification No. RBI/2025-26/35, FMRD.FMD.No.01/14.01.006/2025-26 dated 8 May 2025 has decided to withdraw the requirement for investments by Foreign Portfolio Investors (‘**FPIs**’) in corporate debt securities through the General Route to comply with the short-term investment limit and the concentration limit. This relaxation is aimed at providing greater ease of investment to FPIs. These directions are effective immediately.

Reserve Bank of India (Digital Lending) Directions, 2025 notified

The Reserve Bank of India *vide* Notification No. RBI/2025-26/36, DOR.STR.REC.19/21.07.001/2025-26 dated 8 May 2025 has issued comprehensive Directions for digital lending activities by Regulated Entities (‘**REs**’). These Directions consolidate previous guidelines and introduce new measures to address concerns in the digital lending ecosystem.

1. ***Due diligence & Oversight*:** REs must vet Lending Service Providers (‘**LSPs**’), define roles through contracts, monitor their activities, and conduct regular reviews. REs shall remain fully responsible for the LSPs’ conduct.

2. ***RE–LSP arrangements*:** LSPs must present an unbiased digital display of all loan offers (with RE name, amount, tenor, Annual Percentage Rate (‘**APR**’), Key Facts Statement (‘**KFS**’) link). All content must be objective and non-preferential.

3. ***Disclosures to borrowers*:** Borrowers must receive digitally signed KFS and loan documents automatically post-sanction. Website and Digital Lending App (‘**DLA**’) must disclose product details,

LSPs, grievance redressal, and privacy policies. Borrowers must be informed in advance about recovery agents.

4. ***Cooling-off period*:** Borrowers must get at least one day to exit the loan by repaying the principal and the proportionate APR, with only a reasonable processing fee retained

5. ***Grievance redressal*:** REs and LSPs must appoint nodal officers and contact details must be prominently displayed on all websites. The facility to file complaints must be enabled via DLA / website, with escalation to RBI's Centralized Information Management System (**'CIMS'**) if unresolved.

6. ***Reporting requirements*:** Lending via RE or LSP DLAs must be reported to Credit Information Companies (**'CICs'**). All DLAs must be reported to RBI's CIMS portal by 15 June 2025.

7. ***Eligibility and restrictions on DLG arrangements*:** REs may enter into Default Loss Guarantee (DLG) arrangements only with LSPs or other REs that are companies under the Companies Act, 2013 and must have a Board-approved DLG policy in place. DLG arrangements must not substitute for proper credit appraisal. Certified declarations on DLG exposure, portfolio count, and past defaults are required. DLG is not permitted for revolving credit facilities or credit cards, or where credit guarantees under government-backed schemes already exist. NBFC-P2P entities are prohibited from offering DLG.

8. ***DLG Structure, Cap, and Disclosure requirements*:** DLG agreements must specify the extent of coverage, the form of guarantee (cash deposit, fixed deposit, or bank guarantee), conditions for invocation, and disclosure obligations. The DLG amount must not exceed 5% of the total disbursed amount in the underlying loan portfolio. This cap applies to both explicit guarantees and implicit arrangements where a third party assumes default risk without formal documentation.

9. ***NPA recognition*:** DLG does not affect Non-Performing Asset classification—the borrower will still owe the full amount even if DLG payment compensates. If the borrower repays the amount post-invocation, the recovered money may be shared as per the DLG contract. A DLG once invoked cannot be reinstated.

10. ***Capital treatment and Validity*:** DLG does not reduce the risk-weighted capital requirements of REs. In cases where the guarantor is a bank or NBFC, any unpaid DLG commitments will be treated as a liability and reduce their capital accordingly. REs may invoke the DLG within 120 days from the loan due date, unless the borrower repays the outstanding amount. The DLG agreement must remain valid until the maturity of the last loan in the covered portfolio. LSPs are required to disclose data on DLG-backed portfolios and outstanding DLG amounts on a monthly basis, within 7 working days from the end of each month.

These Directions repeal all previous circulars on digital lending and DLG and are to be complied with immediate effect. Specific provisions for multiple lender arrangements shall be effective from 1 November 2025, and reporting of DLAs to RBI shall be effective from 15 June 2025. Reporting on the CIMS portal must be completed by 15 June 2025.

Ratio Decidendi

- Limitation runs from pronouncement and not from delivery of judgment copy – Supreme Court reiterates strict timelines under Commercial Courts Act
- Petition challenging stamp duty show-cause notice is not maintainable where no jurisdictional error proven – *Allahabad High Court*
- Insolvency – Adjudicating Authority cannot infer interest liability without explicit agreement – Reference to interest in invoice is not material – *NCLAT, New Delhi*
- Insolvency – Date of default cannot be modified in subsequent petitions to avoid the bar under IBC Section 10A – *NCLAT, New Delhi*
- Subsequent application to remove the Party from the array of parties is barred after finality of Impleadment Order – *Supreme Court*
- Individual creditors are not empowered to file an application for avoidance of preferential transactions under IBC Section 43 – *NCLAT, New Delhi*
- Plaint cannot be rejected entirely if there exists another cause of action which is maintainable – *Supreme Court*

Limitation runs from pronouncement and not from delivery of judgment copy – Supreme Court reiterates strict timelines under Commercial Courts Act

In a significant reiteration of procedural discipline under the Commercial Courts Act, 2015, ('**Act**') the Hon'ble Supreme Court has dismissed a petition for condonation of 301 days' delay in filing a commercial appeal, holding that the limitation period commences from the date of pronouncement of the judgment, and not from the date on which a certified copy is received, unless a timely and *bona fide* attempt is made to procure the same.

In this case, the appellants had challenged the Jharkhand High Court's refusal to condone the delay in filing an appeal against a decree passed by the Commercial Court, Ranchi. The primary contention was that the limitation period under Section 13(1-A) of the Act should begin only when a free copy of the judgment is issued under Order XX Rule 1 of the Civil Procedure Code, 1908 ('**CPC**'), as amended for commercial disputes.

Rejecting the contention, the Apex Court has held that the mandate under Order XX Rule 1 CPC to issue judgment copies *via* electronic or other means is directory and not mandatory. Further, it was also held that the period of limitation starts from the date of pronouncement, and litigants must act diligently to obtain the judgment if not provided.

The Court emphasized that the Act is premised on expedition and procedural rigour. It clarified that failure to act within prescribed timelines, particularly by State instrumentalities with dedicated legal departments, will not be condoned, absent exceptional circumstances.

Referring to *Government of Maharashtra* v. *Borse Brothers Engineers & Contractors Pvt. Ltd.* (Civil Appeal No. 995 of 2021), the Court reiterated that delay in excess of the statutory limit (60 days + 60 days grace period) may be condoned only by exception and never as a matter of course. Given the appellants' inaction for over eight months, including failure to even apply for a certified copy within a reasonable time, the Court found no sufficient cause under Section 5 of the Limitation Act, 1963.

The Court affirmed the High Court's ruling and dismissed the special leave petition, reinforcing a precedent that commercial litigants, particularly public sector undertakings, must proactively comply with procedural mandates.

[*Jharkhand Urja Utpadan Nigam Ltd. & Anr.* v. *Bharat Heavy Electricals Ltd.* – Judgment dated 15 April 2025 in SLP (C) No. 9580 of 2025, Supreme Court of India]

Petition challenging stamp duty show-cause notice is not maintainable where no jurisdictional error proven

The Allahabad High Court has held that a writ petition challenging a show cause notice issued by stamp authorities is not maintainable unless the notice is *ex facie* without jurisdiction or amounts to a premeditated exercise, rendering any subsequent representation a mere formality.

In the present case, the petitioner sought to quash stamp duty recovery proceedings initiated by the Collector, Gautam Budh Nagar, contending that the issue of stamp duty sufficiency was already pending before an arbitral tribunal, and thus the Collector lacked jurisdiction to proceed concurrently. Alternatively, the petitioner sought a direction to keep proceedings in abeyance until the arbitral award was rendered.

The State and private respondents raised objections on grounds of maintainability, procedural delay, and the availability of alternate remedies. The Court found that the show cause notices in question were neither conclusively prejudicial nor beyond jurisdiction. Citing the Supreme Court's seven-judge bench ruling in Interplay between Arbitration and Stamp Act [(2024) 6 SCC 1], the Court clarified that although arbitrators may impound documents, the Indian Stamp Act, 1899, does not bar stamp authorities from initiating independent proceedings in cases of suspected deficit.

Relying on settled precedent including *Siemens Ltd.* v. *State of Maharashtra* [(2006) 12 SCC 33] and *Oryx Fisheries* v. *Union of India* [(2010) 13 SCC 427], the Court reiterated that a writ against a show cause notice is maintainable only when such notice is vitiated by bias, issued with a predetermined mind, or issued by an authority lacking jurisdiction. The petitioner failed to establish any such grounds.

The Court further held that the principles of natural justice are satisfied where a notice sets out specific imputations and allows the recipient to meaningfully respond. Accordingly, the writ petition was dismissed as premature.

[*DLF Home Developers Pvt. Ltd.* v. *State of U.P. & Ors.* – Judgment dated 9 May 2025 in Writ - C No. 13451 of 2025, Allahabad High Court]

Insolvency – Adjudicating Authority cannot infer interest liability without explicit agreement – Reference to interest in invoice is not material

The National Company Law Appellate Tribunal ('**NCLAT**'), New Delhi Bench, has held that while adjudicating an application under Section 9 of the Insolvency and Bankruptcy Code, 2016 ('**IBC**'), the Adjudicating Authority cannot infer liability to pay interest in delayed payments unless such liability is expressly stipulated by contract.

In the present case, the appellant, suspended Director of Corporate Debtor, contested the initiation of Corporate Insolvency Resolution Process ('**CIRP**') by Operational Creditor, for an alleged default of INR 1,29,08,449/-, which included an interest of INR 40,92,148/-. The Operational Creditor relied on interest clauses contained in the invoices.

The Appellate Tribunal rejected the premise that reference to interest in invoices alone could form the basis of a binding obligation, absent mutual agreement. It reiterated that unlike 'financial debt' under Section 5(8) of the IBC, 'operational debt' under Section 5(21) of the IBC does not include interest unless contractually provided. It further observed that the Adjudicating Authority does not have the jurisdiction to interpret or imply contractual terms, and doing so, such as interpreting a vague statement as '18% per annum interest', amounts to overreach.

Accordingly, the appeal was allowed, and the NCLT Mumbai's admission order was set aside.

[*Shitanshu Bipin Vora Suspended Director of Exclusive Linen Fabrics Pvt. Ltd.* v. *Shree Hari Yarns Pvt. Ltd.* – Judgment dated 16 April 2025 in Company Appeal (AT) (Insolvency) No. 2204 of 2024, NCLAT, New Delhi]

Insolvency – Date of default cannot be modified in subsequent petitions to avoid the bar under IBC Section 10A

The National Company Law Appellate Tribunal ('**NCLAT**') ruled that once a default date is established in prior proceedings, it cannot be modified in subsequent petitions to avoid the bar under Section 10A of the Insolvency and Bankruptcy Code, 2016.

In the present case the Financial Creditor had initially filed a petition under Section 7 of the IBC against the Corporate Debtor for an alleged default of INR 1.5 crore loan. The first petition citing 4 February 2021 as the default date was dismissed by the NCLT as it fell under Section 10A period (25 March 2020 – 25

March 2021). Following dismissal, the petitioner filed a fresh application alleging a new default date of 1 August 2019.

NCLT dismissed the second petition, holding that the change in the default date was an attempt to circumvent Section 10A. It noted that the parties and the debt remained identical, and there was no fresh cause of action.

The Tribunal also invoked the bar under *res judicata* and Order II Rule 2 CPC. It further ruled that without fresh contractual developments or installment terms, the default could not be shifted to predate the Section 10A bar.

[*Rolta Pvt. Ltd.* v. *Varanium Cloud Ltd.* – Judgement dated 21 May 2025 in Company Appeal (AT) (Ins) No. 357 of 2024, NCLAT, New Delhi]

Subsequent application to remove the Party from the array of parties is barred after finality of Impleadment Order

The Supreme Court has clarified that once an impleadment order under Order I Rule 10 of the Civil Procedure Code, 1908 (‘**CPC**’) attains finality, any subsequent application seeking deletion of the party is barred by the principles of *res judicata*, including constructive *res judicata*.

In the present case, the appellant was impleaded as a legal heir of the original defendant in a civil suit following a Trial Court order passed after due inquiry under Order XXII CPC. No objections were raised at that stage, and the impleading order remained unchallenged. However, the appellant later filed an application under Order I Rule 10 seeking deletion from the array of parties, claiming that under Muslim personal law, he could not be considered a legal heir as his father had predeceased the grandmother (original defendant).

Both the Trial Court and the High Court rejected this application, and the appellant approached the Supreme Court.

The Supreme Court affirmed the lower courts’ findings, holding that once the impleading was made after due process and was not challenged, the appellant was barred from subsequently seeking deletion. The Supreme Court further clarified that while Order I Rule 10 empowers the court to add or strike out parties at any stage, this cannot be used to reopen settled issues. It was held that permitting such deletions post-finality undermines judicial discipline and the integrity of the proceedings.

[*Sulthan Said Ibrahim* v. *Prakasan & Ors.* – Judgment dated 23 May 2025 in Civil Appeal No. 7108 of 2025, Supreme Court]

Individual creditors are not empowered to file an application for avoidance of preferential transactions under IBC Section 43

The National Company Law Appellate Tribunal ('**NCLAT**') in a significant interpretation of Section 43 of the Insolvency and Bankruptcy Code, 2016 ('**IBC**'), has held that only the Resolution Professional ('**RP**') or Liquidator is authorized to file an application to avoid preferential transactions.

In the present case, Mr. Ramprasad Gupta, a homebuyer, filed an application under Section 43 of the IBC seeking to declare certain transactions of the corporate debtor as preferential. The NCLT rejected his plea, emphasizing that Section 43(1) explicitly mandates that only the RP or Liquidator can file such applications.

The NCLAT upheld the NCLT's reasoning, affirming that individual financial creditors lack standing to challenge preferential transactions directly. The ruling reinforces the integrity of the insolvency process by centralizing such actions in neutral hands and preventing fragmentation of proceedings.

[*Ramprasad Vishvanath Gupta* v. *Dinesh Kumar Deora Resolution Professional of M/S Snehanjali and S.B. Developers Pvt. Ltd. & Ors.* – Judgement dated 21 May 2025 in Company Appeal (AT) (Ins) No. 442 of 2025, NCLAT, New Delhi]

Plaint cannot be rejected entirely if there exists another cause of action which is maintainable

The Supreme Court has held that a plaint cannot be rejected in its entirety under Order VII Rule 11 of the Civil Procedure Code, 1908 ('**CPC**') solely because one relief is barred, provided other reliefs arise from distinct, triable causes of action.

In the present case, the appellant had purchased agricultural land and later borrowed INR 7.5 crore from the respondent *vide* two unregistered instruments that were executed i.e., an agreement to sell and a power of attorney ('**PoA**') authorizing the respondent to sell the land. The PoA was later revoked. Despite revocation, the respondent executed sale deeds, including to himself.

The appellant filed an Original Civil Suit bearing No. 122 of 2022 before the District Court, Jodhpur seeking multiple reliefs *inter alia* a declaration that the sale deeds were void, recovery of possession, and a permanent injunction. During the pendency of the aforesaid suit, Respondent Nos. 1 to 4 filed an application under Order VII Rule 11 CPC seeking rejection of the plaint which was dismissed by the Additional District Judge, Jodhpur.

Challenging this order, Respondent Nos. 1 to 4 filed a Civil Revision Petition No. 99 of 2023 before the Rajasthan High Court.

However, Rajasthan High Court dismissed the entire suit at the threshold, holding that the claim for declaration was barred in law.

On appeal, the Supreme Court reversed the High Court's decision and held that at the stage of Order VII Rule 11, a court must evaluate whether any part of the plaint discloses a triable issue.

The Court held that at the stage of deciding an application under Order VII Rule 11 CPC, the plaint must be read as a whole, and if it discloses any cause of action, or if any issue is triable on the face of the pleadings, the plaint cannot be rejected. Selective severance of reliefs is impermissible where different causes of action are independently pleaded and supported by distinct facts

The Court emphasized that complete dismissal without analysing other reliefs contradicts settled procedural jurisprudence.

[*Vinod Infra Developers Ltd.* v. *Mahaveer Lunia & Ors.* – Judgment dated 23 May 2025 in Civil Appeal No. 7109 of 2025, Supreme Court]

News Nuggets

- Drug manufacturers invited to apply under the PLI Scheme
- CCPA issues notice to cab aggregator over its 'advance tip' feature
- IBC likely to be amended – Prior CCI approval may be scrapped
- Tightening of rules on firms with indirect foreign ownership being considered
- IndusInd Bank and AIC STPINEXT sign pact to support startups and MSMEs

Drug manufacturers invited to apply under the PLI Scheme

The Department of Pharmaceuticals under the Ministry of Chemicals and Fertilisers has invited applications until 14 June 2025, under the Production Linked Incentive Scheme (**PLI Scheme**) from drug manufacturers. This is for setting up manufacturing units for as many as 11 key pharmaceuticals including the drugs such as Neomycin, Gentamycin, Erythromycin, Streptomycin, Tetracycline, Ciprofloxacin etc. Notably, the PLI Scheme comes with certain conditions with incentives being provided based on the available capacity, a defined ceiling for each product and the timeline of the production.

[*Source*: Economic Times, published on 25 May 2025]

CCPA issues notice to cab aggregator over its 'advance tip' feature

The Central Consumer Protection Authority ('**CCPA**') has issued a notice to the ride hailing platform over its 'advance tip' feature that has been introduced as a feature for availing faster services by the consumers. The CCPA, while calling it an unethical and unfair trade practice, has been reportedly looking for such practices by other ride hailing platforms too.

[*Source*: ET Brand Equity, published on 22 May 2025]

IBC likely to be amended – Prior CCI approval may be scrapped

The government of India is working on making amendments to the Insolvency and Bankruptcy Code, 2016 ('**IBC**'). Accordingly, it is being planned that the bidders will no longer be required to obtain the approval from the Competition Commission of India before the submission of their plan involving combinations, to the Committee of Creditors (CoC).

[*Source*: Business Standard, published on 20 May 2025]

Tightening of rules on firms with indirect foreign ownership being considered

As per certain sources of the *Business Standard*, India has been planning to tighten foreign ownership rules, which could redefine how India views foreign-owned companies, whether directly or indirectly, making them subject to Foreign Direct Investment (FDI) regulations when it comes to share transfers or restructurings. Accordingly, there may be introduction of a new category of entities i.e., 'Foreign-owned and Controlled Entities' ('**FOCE**'), which will be defined as Indian company or investment fund that is controlled by persons resident outside India. Any transfer of the indirect shareholding in these FOCEs will need to be reported and they will have to comply with sectoral foreign investment caps amongst other requirements.

[*Source*: Business Standard, published on 19 May 2025]

IndusInd Bank and AIC STPINEXT sign pact to support startups and MSMEs

IndusInd Bank has signed a pact with AIC STPINEXT, a special purpose vehicle of Software Technology Parks of India ('**STPI**') under the Ministry of Electronics and Information Technology whereunder IndusInd Bank is set to offer tailormade banking solutions/services to early-stage startups associated with STPIs/STPINEXT. These services would include expert guidance, and conducting of workshops around financial management including banking basics, equity infusion, Employee Stock Ownership Plan (ESOPs), segment-based funding etc.

[*Source*: Business Standard, published on 19 May 2025]

NEW DELHI 7th Floor, Tower E, World Trade Centre, Nauroji Nagar, Delhi – 110029 Phone : +91-11-41299800, +91-11-46063300 ----- 5 Link Road, Jangpura Extension, Opp. Jangpura Metro Station, New Delhi 110014 Phone : +91-11-4129 9811 ----- B-6/10, Safdarjung Enclave New Delhi -110 029 Phone : +91-11-4129 9900 E-mail : Lsdel@lakshmisri.com , Iprdel@lakshmisri.com	**MUMBAI** 2nd floor, B&C Wing, Cnergy IT Park, Appa Saheb Marathe Marg, (Near Century Bazar)Prabhadevi, Mumbai - 400025 Phone : +91-22-24392500 E-mail : lsbom@lakshmisri.com
CHENNAI Door No.27, Tank Bund Road, Nungambakkam, Chennai 600034. Phone : +91-44-2833 4700 E-mail : lsmds@lakshmisri.com	**BENGALURU** 4th floor, World Trade Center, Brigade Gateway Campus, 26/1, Dr. Rajkumar Road, Malleswaram West, Bangalore-560 055. Phone : +91-80-49331800 Fax:+91-80-49331899 E-mail : lsblr@lakshmisri.com
HYDERABAD 'Hastigiri', 5-9-163, Chapel Road, Opp. Methodist Church, Nampally, Hyderabad - 500 001 Phone : +91-40-2323 4924 E-mail :lshyd@lakshmisri.com	**AHMEDABAD** B-334, SAKAR-VII, Nehru Bridge Corner, Ashram Road, Ahmedabad - 380 009 Phone : +91-79-4001 4500 E-mail : lsahd@lakshmisri.com
PUNE 607-609, Nucleus, 1 Church Road, Camp, Pune-411 001. Phone : +91-20-6680 1900 E-mail : lspune@lakshmisri.com	**KOLKATA** 6A, Middleton Street, Chhabildas Towers, 7th Floor, Kolkata – 700 071 Phone : +91 (33) 4005 5570 E-mail : lskolkata@lakshmisri.com
CHANDIGARH 1st Floor, SCO No. 59, Sector 26, Chandigarh -160026 Phone : +91-172-4921700 E-mail :lschd@lakshmisri.com	**GURUGRAM** OS2 & OS3, 5th floor, Corporate Office Tower, Ambience Island, Sector 25-A, Gurugram-122001 phone: +91-0124 - 477 1300 Email: lsgurgaon@lakshmisri.com
PRAYAGRAJ (ALLAHABAD) 3/1A/3, (opposite Auto Sales), Colvin Road, (Lohia Marg), Allahabad -211001 (U.P.) Phone : +91-532-2421037, 2420359 E-mail : lsallahabad@lakshmisri.com	**KOCHI** First floor, PDR Bhavan, Palliyil Lane, Foreshore Road, Ernakulam Kochi-682016 Phone : +91-484 4869018; 4867852 E-mail : lskochi@laskhmisri.com
JAIPUR 2nd Floor (Front side), Unique Destination, Tonk Road, Near Laxmi Mandir Cinema Crossing, Jaipur - 302 015 Phone : +91-141-456 1200 E-mail : lsjaipur@lakshmisri.com	**NAGPUR** First Floor, HRM Design Space, 90-A, Next to Ram Mandir, Ramnagar, Nagpur - 440033 Phone: +91-712-2959038/2959048 E-mail : lsnagpur@lakshmisri.com

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Lakshmikumaran
Sridharan
attorneys

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