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# NEWSLETTER JANUARY 2026

## Supreme Court has Redrawn the Limits of Non-Signatory Participation in Arbitration

### **AJAY MADHUSUDAN PATEL V. JYOTRINDRA S. PATEL AND KAMAL GUPTA V. L.R. BUILDERS (P) LTD.**

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The Supreme Court of India, through its decisions in Ajay Madhusudan Patel and Kamal Gupta, has clarified the contours of non-signatory participation in arbitration at different stages of the arbitral process. In Ajay, the Court held that non-signatories are not automatically excluded from arbitration and may be referred where a prima facie case of consent emerges from the factual matrix, leaving the final determination of party status to the arbitral tribunal under Section 16. In contrast, Kamal adopted a strict approach after the constitution of the tribunal, holding that non-signatories cannot be permitted, even as observers, in arbitral proceedings, and that courts become functus officio after appointing an arbitrator under Section 11. Permitting such presence would violate the statutory confidentiality mandate under Section 42-A of the Arbitration and Conciliation Act, 1996.



The dispute arose from a family arrangement agreement executed between two family groups, though obligations under the agreement extended to entities affiliated with a third, non-signatories. That consent may be inferred from conduct, commercial relationships, and integrated transactions. In Kamal, however, a non-signatory sought access to arbitral proceedings after the tribunal was constituted. The Court rejected this, emphasising privity of contract, Sections 2(1)(h), 35, 42-A, and the bar on judicial intervention under Section 5.

Taken together, these rulings signal a calibrated framework for Indian arbitration. While Ajay promotes flexibility and commercial realism at the reference stage, Kamal reinforces procedural discipline, finality of referral orders, and confidentiality. Going forward, parties and tribunals must navigate this balance carefully, ensuring that legitimate non-signatories are addressed at the threshold, as post-reference access to the arbitral process is firmly foreclosed.

## **The Commercial Courts Act bars appeals under the Delhi High Court Act in commercial and arbitration matters.**

### **M/S RAMACIVIL CONSTRUCTION WORK & ANOTHER V. UNION OF INDIA**

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The Delhi High Court held that Section 13(2) of the Commercial Courts Act overrides Section 10 of the Delhi High Court Act, and therefore no appeal lies in commercial matters, including arbitration-related enforcement proceedings, unless expressly permitted under the Commercial Courts Act. The Court clarified that the phrase “any other law for the time being in force” in Section 13(2) squarely includes Section 10 of the DHC Act, thereby restricting intra-court appeals.

The case involved two interconnected appeals arising from enforcement proceedings of arbitral awards between Ramacivil and the Union of India. One appeal challenged denial of interest for the period during which the award amount was deposited in court, while the other challenged a contrary order granting such interest in a similar matter. The Division Bench examined the maintainability of appeals under both Section 13 of the Commercial Courts Act and Section 10 of the DHC Act. It held that under the proviso to Section 13, appeals are permitted only against orders listed under Order XLIII Rule 1(j) and 1(ja) CPC, which did not apply to the impugned orders. The Court further held that Section 21 and Section 13(2) of the Commercial Courts Act give it overriding effect over all other laws, including the DHC Act.



This judgment brings clarity and finality to the appellate framework in commercial and arbitration matters. It reinforces the legislative intent to limit multiple layers of appeals and ensure expeditious resolution of commercial disputes, while firmly excluding the application of general appellate provisions under the Delhi High Court Act in such cases.



## **Supreme Court reiterates limits of Section 37 jurisdiction and restores arbitral award wrongly set aside by High Court.**

### **RAMESH KUMAR JAIN V. BHARAT ALUMINIUM COMPANY LIMITED (BALCO)**

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The Supreme Court held that the Chhattisgarh High Court exceeded its limited jurisdiction under Section 37 of the Arbitration and Conciliation Act by re-appreciating evidence and substituting its own interpretation for that of the arbitral tribunal. The Court reaffirmed that arbitral awards cannot be interfered with merely because the court considers the reasoning erroneous or prefers a different interpretation, and that reassessment of evidence lies outside the scope of Sections 34 and 37.

The dispute arose from a contract for mining and transportation of bauxite, where the contractor was directed to perform additional work without any agreed rate being fixed.

Applying the principle of quantum meruit, the sole arbitrator awarded reasonable compensation for the extra work. While the Commercial Court upheld the award, the High Court set it aside under Section 37, terming it patently illegal and based on guesswork. The Supreme Court disagreed, holding that patent illegality refers only to glaring defects going to the root of the award, such as decisions based on no evidence or in direct conflict with contractual prohibitions. Relying on Section 70 of the Indian Contract Act, the Court held that the arbitrator merely filled a contractual vacuum to prevent unjust enrichment.



This judgment strengthens India's pro-arbitration stance by clearly delineating the narrow scope of judicial interference at the appellate stage. It sends a strong message that courts must respect arbitral autonomy and refrain from acting as appellate forums, thereby reinforcing finality, certainty, and efficiency in arbitration proceedings.

## Questions on party eligibility to invoke arbitration must be decided by the arbitral tribunal.

### **ANDHRA PRADESH POWER GENERATION CORPORATION LTD. V. TECPRO SYSTEMS LTD. & ORS.**

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The Supreme Court held that disputes relating to whether a person is a valid party to an arbitration agreement or is eligible to invoke the arbitration clause must be left to the Arbitral Tribunal for determination. It reaffirmed that at the referral stage under Section 11 of the Arbitration and Conciliation Act, courts are limited to a prima facie examination of the existence of an arbitration agreement and should not delve into contested factual or legal issues.

The dispute arose out of an EPC contract awarded to a consortium for works at APGENCO's Rayalaseema Thermal Power Plant. Although the arbitration clause formed part of the contract, APGENCO objected when Tecpro Systems invoked arbitration in its individual capacity, arguing that only the consortium could do so, especially after Tecpro ceased to be the lead member and entered insolvency proceedings. The Telangana High Court referred the matter to arbitration under Section 11(6). Upholding this decision, the Supreme Court relied on Cox and Kings Ltd. v. SAP India Pvt. Ltd. and held that issues relating to the continuance of the consortium, authority to invoke arbitration, and maintainability of claims fall within the Tribunal's jurisdiction under Section 16.



This ruling strengthens the principle of kompetenz-kompetenz and minimal judicial intervention in arbitration. It clarifies that referral courts must avoid conducting a mini-trial at the Section 11 stage, thereby ensuring that arbitral tribunals remain the primary forum for resolving jurisdictional and eligibility disputes in complex commercial arbitrations.

## Pendency of MSME Conciliation Does Not Bar Interim Relief Under Section 9

### **RISHI CHEMICAL WORKS PRIVATE LTD. V. ENVIRO CLEANROOM PROJECTS PRIVATE LTD.**

The Calcutta High Court held that the pendency of conciliation proceedings under the MSME Act does not bar the grant of limited interim relief under Section 9 of the Arbitration and Conciliation Act, where such relief is necessary to preserve the subject matter of the dispute. The Court clarified that Section 9 can be invoked to protect and document the existing status of works and materials, without interfering with or undermining the ongoing conciliation process.

.Rishi Chemical Works Pvt. Ltd. engaged the respondent contractor for setting up a clean room laboratory at its Haridwar unit and made payments exceeding Rs. 1.01 crore.

Although possession was handed over, the petitioner alleged that the works were incomplete and defective, causing losses. While conciliation proceedings were pending before the MSME Council, the petitioner approached the High Court under Section 9 seeking the appointment of a Special Officer to inspect and document the status of the laboratory. The respondent objected, arguing that Section 9 relief was not maintainable during MSME conciliation proceedings.



The ruling reinforces that courts can grant narrowly tailored interim measures under Section 9 to preserve the subject matter of a dispute, even when MSME conciliation proceedings are pending. It provides clarity that such reliefs, when limited to inspection and preservation, do not amount to impermissible evidence gathering or bypassing the statutory conciliation framework. This judgment will guide parties in construction and MSME-related disputes on seeking protective interim relief without stalling or conflicting with conciliation proceedings.

## **Contract labour cannot claim direct employment without clear proof of an employer–employee relationship.**

### **INDRAPRASTHA GAS LIMITED V. AMBRISH KUMAR**

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The Delhi High Court held that a workman engaged through a contractor cannot be treated as an employee of the principal employer unless a direct employer–employee relationship is proved through clear and credible evidence. The Court reiterated that the burden of proof lies on the claimant and that documents lacking authenticity or official endorsement are insufficient to establish such a relationship. Accordingly, the Labour Court's award directing reinstatement with back wages was set aside.

The dispute arose from the termination of a Driveway Sales Man who claimed to have been directly employed by Indraprastha Gas Limited since 2001. While the Labour Court had treated the contractual arrangement as a sham and ordered reinstatement, the High Court noted that the workman failed to produce any appointment letter, proof of recruitment, or statutory employment records. On the contrary, IGL relied on contractual agreements, wage registers, and PF and ESI records maintained by the contractor. The Court placed reliance on *Gopal v. BSNL* and *Vinay Sharma v. IGL* to reaffirm that government entities cannot bypass prescribed recruitment procedures and that contract labour cannot seek regularisation without proof of direct employment.



This judgment reinforces the evidentiary threshold required to establish an employer–employee relationship in contract labour disputes. It provides clarity to public sector undertakings and principal employers that genuine contractual arrangements will be upheld if supported by proper documentation. For workmen, the ruling underscores the importance of foundational proof before seeking relief under beneficial labour legislation.



## Resignation leads to forfeiture of past service and bars pension under CCS Rules.

### **ASHOK KUMAR DABAS (DEAD THROUGH LEGAL HEIRS) V. DELHI TRANSPORT CORPORATION**

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The Supreme Court held that resignation from service results in forfeiture of past service under the Central Civil Services (Pension) Rules, 1972, and consequently disentitles an employee from claiming pensionary benefits. The Court clearly distinguished resignation from voluntary retirement and ruled that once resignation is accepted, pension cannot be claimed, regardless of the length of service rendered.

The case concerned a DTC employee appointed as a conductor in 1985 who resigned from service after nearly 30 years.

His resignation was accepted, and his subsequent attempt to withdraw it was rejected. While the Central Administrative Tribunal and the Delhi High Court denied pensionary benefits, they allowed provident fund dues. Before the Supreme Court, the employee's legal heirs argued that the resignation should be treated as voluntary retirement. Rejecting this plea, the Court relied on Rule 26 of the CCS (Pension) Rules and the precedent in *BSES Yamuna Power Ltd. v. Ghanshyam Chand Sharma*, holding that resignation and voluntary retirement operate in distinct fields.



The Court partly allowed the appeal by granting gratuity and leave encashment but upheld denial of pension.

This decision reinforces the strict legal distinction between resignation and voluntary retirement in service jurisprudence. It clarifies that long years of service alone do not create a right to pension unless statutory conditions for voluntary retirement are strictly followed. The ruling serves as a caution to employees of government and public sector bodies to carefully consider the legal consequences of resignation, particularly in relation to pension entitlements.



## **Supreme Court rules that acceptance of a compassionate appointment bars any later claim for a higher post.**

### **THE DIRECTOR OF TOWN PANCHAYAT & ORS. V. M. JAYABAL & ANR.**

The Supreme Court held that once a dependent accepts a compassionate appointment, the right to appointment stands fully exercised and the appointee cannot later seek elevation to a higher post. The Court underlined that compassionate appointment is a limited exception to the normal recruitment process and cannot be expanded to allow post-acceptance claims for higher rank or seniority.

The case arose from the appointment of a dependent of a deceased employee who had served as a sweeper. In line with the applicable scheme, the dependent was appointed to the same post. He later approached the High Court seeking appointment as a Junior Assistant on the ground of eligibility and parity with others who were allegedly granted higher posts. The High Court allowed the claim. Setting aside the judgment, the Supreme Court relied on *State of Rajasthan v. Umrao Singh* and held that eligibility alone does not confer a right to a higher compassionate appointment. The Court also rejected the plea of parity, terming it a case of negative equality.



This judgment reinforces the settled principle that compassionate appointment is meant to provide immediate financial relief and not career advancement. It clarifies that courts should not dilute scheme limitations by allowing repeated or upgraded claims, thereby preventing misuse of compassionate appointment policies and preserving their exceptional nature.

## Related IP disputes must be consolidated to avoid parallel proceedings and conflicting rulings.

### **SURINDER KUMAR V. RAHUL KHANNA**

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The Delhi High Court held that intellectual property disputes involving the same or overlapping subject matter should be heard together, even if some proceedings are pending before non-commercial courts. It clarified that the Court's power to transfer cases under Section 24 of the Code of Civil Procedure remains unaffected by the Intellectual Property Division Rules and can be exercised to ensure consistent and effective adjudication of IP disputes.

The dispute arose from competing trademark and copyright claims over the mark "PRAKASH" used on electrical insulation tapes. While a trademark and copyright infringement suit and counterclaim were pending before the district court, a related copyright rectification petition concerning the same artwork was already before the High Court's IPD. Rejecting the objection that consolidation under the IPD Rules was limited to commercial courts, the Court relied on a harmonious reading of Section 24 CPC and Rule 26 of the IPD Rules, noting that all proceedings stemmed from the same IP rights and shared common evidence.



This decision strengthens judicial efficiency in IP litigation by discouraging fragmented proceedings across multiple forums. It underscores the High Court's proactive role in consolidating related IP disputes, reducing the risk of inconsistent outcomes, and ensuring that interconnected intellectual property rights are resolved comprehensively by a single forum.

## **No intra-court appeal lies against a Single Judge's decision in a statutory patent appeal.**

### **ITALFARMACO SPA V. DEPUTY CONTROLLER OF PATENTS & DESIGNS**

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The Madras High Court held that an intra-court appeal under Clause 15 of the Letters Patent is not maintainable against an order passed by a Single Judge while deciding a statutory patent appeal under the Patents Act. The Court clarified that Section 13 of the Commercial Courts Act strictly limits appellate remedies and does not permit a second appeal within the High Court.

The case arose after the Patent Office rejected Italfarmaco's patent application, following which the company filed a statutory appeal under Section 117A of the Patents Act. A Single Judge of the High Court dismissed the appeal and upheld the rejection. Italfarmaco then sought to challenge this decision through an intra-court appeal, contending that the Single Judge's order should be treated as an original order. Rejecting this plea, the Division Bench held that patent appeals are specifically governed by Section 117A, which provides only one appeal to the High Court, and that the Commercial Courts Act prevails over the Letters Patent.



This ruling reinforces the legislative intent behind the Commercial Courts Act to ensure speedy resolution of commercial and IP disputes by limiting multiple layers of appeal. It brings clarity to patent litigation by confirming that once a statutory patent appeal is decided by a Single Judge, the matter attains finality at the High Court level, preventing prolonged and duplicative appellate proceedings.

## DFS Deepens Accountability to Strengthen Grievance Redressal Across the BFSI Sector

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The Department of Financial Services has stepped up efforts to strengthen grievance redressal across the BFSI sector. The focus is on quicker resolution, accountability at the top level, and fixing root causes rather than closing complaints mechanically. By combining leadership reviews, regulator coordination, digital feedback tools, and performance rankings, DFS aims to build stronger customer trust in banks, financial institutions, and insurers.

### Key Highlights

- Direct senior-level oversight: The Secretary (FS) personally reviews 20 randomly selected grievances every month in the presence of top management of BFSI entities.
- Scale of review: 15 review meetings held so far, covering 300 grievances, with similar reviews now being conducted by Joint Secretaries and CEOs internally.
- CPGRAMS capacity-building: Workshops conducted with all PSBs, RBI, and PFRDA to improve quality of grievance handling and address root causes. IRDAI workshop scheduled.
- Technology-driven feedback: Banks directed to collect customer feedback using digital tools like QR codes, emails, and voice-based systems.
- Performance rankings: DFS introduced rankings of banks and public sector insurers based on quality and timeliness of grievance resolution, driving better turnaround times and transparency.
- NBFC outreach: Launch of the Financial Institutions Interaction Program, starting with NBFCs, based on grievance trends on the CPGRAMS portal.

The DFS initiative signals a clear shift from procedural grievance handling to outcome-driven accountability in the BFSI sector. With senior leadership directly reviewing complaints and institutions being ranked on the quality and timeliness of resolution, grievance redressal is likely to become a core governance priority rather than a back-office function. The emphasis on root-cause analysis through CPGRAMS workshops and regulator coordination may reduce recurring complaints and lead to more consistent customer service standards. Over time, this approach is expected to improve turnaround times, transparency, and internal controls, while also strengthening consumer confidence and trust in banks, financial institutions, insurers, and NBFCs.



# The Banking Laws (Amendment) Act, 2025

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India's banking system has evolved alongside the country's economic growth, moving from a branch-led, paper-based framework to a digitally enabled financial ecosystem anchored in inclusion, transparency, and governance. Landmark initiatives such as Aadhaar-based identification and the Pradhan Mantri Jan Dhan Yojana have brought millions into formal banking, deepening household reliance on financial institutions. In this backdrop of rising scale, digital complexity, and customer participation, the Banking Laws (Amendment) Act, 2025 marks a significant regulatory milestone. The Act modernises governance standards, strengthens depositor protection, enhances audit quality in public sector banks, and aligns statutory procedures with contemporary banking practices and technology-driven operations.

## Key Amendments

- **Modernised Nomination Framework:** Depositors can now nominate up to four persons, either simultaneously with percentage allocation or successively, ensuring clarity in asset succession and faster settlement of claims for bank deposits, lockers, and articles in safe custody.
- **Redefinition of "Substantial Interest":** The threshold has been revised from ₹5 lakh to ₹2 crore, reflecting inflation and current economic realities, while improving governance oversight and regulatory relevance.
- **Strengthened Governance in Cooperative Banks:** The maximum tenure of directors in cooperative banks has been extended from 8 to 10 years, aligning governance norms with the 97th Constitutional Amendment and reinforcing democratic functioning.
- **Audit Reforms in Public Sector Banks:** PSBs are now empowered to determine auditor remuneration, enabling them to attract better audit talent and improve audit quality. Unclaimed shares, interest, and bond redemption amounts may be transferred to the Investor Education and Protection Fund.
- **Improved Procedural and Reporting Efficiency:** Statutory reporting timelines have been rationalised by aligning them with month-end or fortnight-end dates, reducing manual intervention and supporting automation-driven compliance.

The Banking Laws (Amendment) Act, 2025 is expected to have a far-reaching impact on India's financial ecosystem. For depositors, clearer nomination rules and smoother claim settlements will reduce disputes and ease financial distress for families. For banks, improved audit autonomy, updated governance thresholds, and streamlined compliance timelines will enhance operational efficiency and accountability. At a systemic level, the reforms strengthen transparency, align regulation with digital banking realities, and reinforce public confidence in financial institutions. Together, these changes position India's banking sector to support inclusive growth, manage rising complexity, and remain resilient in an increasingly technology-led economy.

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