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THE LEGACY OUTREACH

EDITION XX

february 2026 - april 2026

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GAGAN ANAND

Managing Partner, Legacy Law Offices, LLP

As we step into 2026, we are pleased to present the XX Edition of our newsletter, marking the first issue of the year and continuing our effort to bring you timely and relevant legal insights.

The opening months of 2026 have already witnessed significant regulatory and legislative momentum across key sectors, particularly in infrastructure, insolvency, capital markets, and emerging areas such as technology and digital regulation. These developments reflect a sustained policy focus on enhancing transparency, strengthening institutional frameworks, and facilitating investment-led growth. At Legacy Law Offices LLP, we remain closely engaged with these shifts, ensuring that our clients are equipped with practical, forward-looking advice to navigate an increasingly complex legal and commercial environment.

In this edition, we have curated a selection of recent regulatory updates and legislative developments, alongside key highlights from the firm, including our recent engagements, events, and thought leadership contributions by our team members. Through this newsletter, we aim not only to inform but also to provide context and perspective on developments that are likely to shape business and legal strategy in the months ahead.

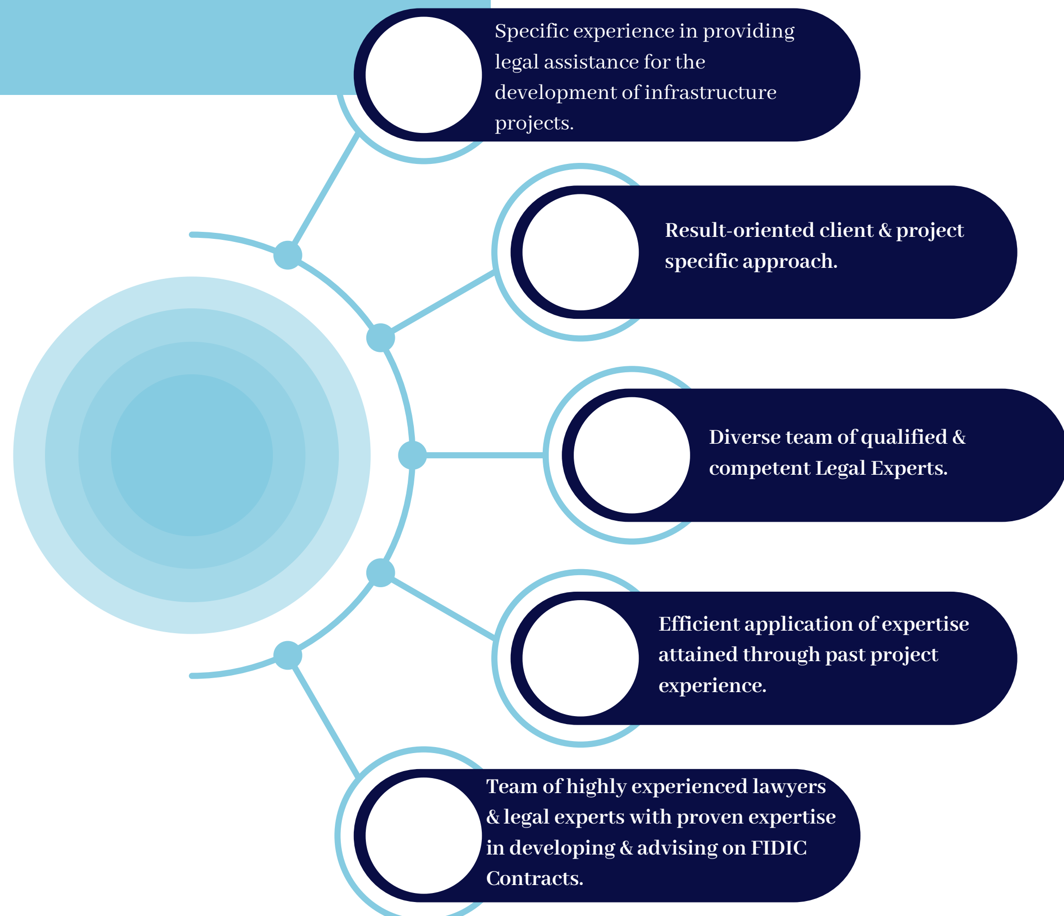
As we look forward to the year ahead, we remain committed to delivering high-quality legal services and strengthening our engagement with clients, peers, and stakeholders. We hope you find this edition insightful and valuable, and we look forward to continuing this dialogue through the year.

OUR VISION

Legacy Law Offices LLP has set itself apart from other law firms through its distinctive and customized legal services provided to our clients. Our firm is focused on our clients' demands for an unparalleled legal service model that provides worth. We understand that, for clients, value means ergonomic strategies for tracking and reporting, creative risk identification & mitigation, attaining economic efficiencies, and successful results.

At the outset, Legacy Law Offices LLP has successfully rendered quality legal services, including contract management, urban planning, project management, procurement services, dispute resolution (including mediation) and arbitration for various complex infrastructure projects, by providing rounded support to the authorities during the entire execution phase for more than 500 projects executed on modes including PPP, EPC, HAM, etc. The expertise held by the Law Firm in rendering legal services on FIDIC Conditions of Contract is vastly reflected in the various projects undertaken by the Firm, other than the factum of our Managing Partner's appointment to the very committee that forms the contracts.

We strive to provide a value-driven approach to each case by communicating and strategizing with our clients to meet their needs and goals.



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LANDMARK WIN: CIPLA MD GETS RELIEF FROM CRIMINAL PROSECUTION

HON'BLE HIGH COURT OF HIMACHAL PRADESH | 25th March 2026

We are pleased to share a **significant judicial development** wherein our firm successfully represented **Mr. Umang Vohra**, Managing Director of **Cipla Ltd.**, before the **Hon'ble High Court of Himachal Pradesh** in ***Umang Vohra v. Union of India (Judgment dated 25 March 2026).***

The Hon'ble Court, in a well-reasoned and reported judgment, quashed the criminal complaint and summoning order against Mr. Vohra, reaffirming critical principles governing vicarious liability in criminal law.

KEY LEGAL ISSUE:
The case raised an important question:
Can a Managing Director be subjected to criminal prosecution in the absence of specific allegations demonstrating their role in the day-to-day operations of the company?

COURT FINDINGS:
The Hon'ble High Court answered this in the negative, holding that:

- **Vicarious liability is not automatic:** Merely holding the position of Managing Director does not suffice to attract criminal liability.
- **Specific averments are mandatory:** The complaint must clearly establish how and in what manner the accused was responsible for the conduct of the company's business.
- **Absence of role = absence of liability:** In the present case, the complaint was completely silent on Mr. Vohra's involvement in day-to-day affairs.
- **Protection against abuse of process:** The Court reiterated that criminal proceedings cannot be used as a tool of harassment where foundational legal requirements are not met.

REAFFIRMATION OF ESTABLISHED JURISPRUDENCE:

The judgment draws strength from settled principles laid down by the Hon'ble Supreme Court, including:

- State of Haryana v. Bhajan Lal and others, 1992 Supp (1) SCC 335
- Rajiv Thapar & Ors v. Madan Lal Kapoor (2013) 3 SCC 330
- Other precedents governing the exercise of inherent powers under Section 482 CrPC / corresponding provisions under BNSS

The Court emphasized that inherent powers must be exercised to prevent abuse of process and secure the ends of justice.

This judgment is a strong reiteration that criminal law demands precision, not presumption. It provides much-needed clarity and protection to corporate leaders against unwarranted prosecutions, while upholding the integrity of statutory enforcement mechanisms.

The matter was led by **Mr. Gagan Anand**, Managing Partner, **Legacy Law Offices LLP** with invaluable assistance from **Mr. Ramanjit Singh**, Partner.

TRANSFORMING INDIA'S CAPITAL MARKETS FRAMEWORK: INSIGHTS FROM RECENT SEBI CIRCULARS AND SCRR AMENDMENTS

A CONSOLIDATED OVERVIEW OF SEBI MASTER CIRCULARS AND SCRR AMENDMENTS (2025–2026)

PRADYUN CHAKRAVARTY
ASSOCIATE PARTNER

SARTHAK SHARMA
ASSOCIATE ADVOCATE

ANUSHKA INDURKAR
ASSESSMENT INTERN

INTRODUCTION

The Indian capital markets regulatory landscape has undergone a significant consolidation and reform over the past year, driven by the Securities and Exchange Board of India ("SEBI") and the Ministry of Finance ("MoF"). The issuance of the updated master circulars under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations") and the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulation") alongside the amendment to the Securities Contracts (Regulation) Rules, 1957 ("SCRR"), reflects a broader regulatory objective, enhancing transparency, improving ease of doing business, and facilitating efficient capital formation.[1]

In particular, the recent amendments to the ICDR Regulations[2] seek to recalibrate the disclosure regime applicable to public issuances by mandating more timely, relevant and decision-useful disclosures in offer documents, with a view to enabling informed investor participation and deepening retail engagement in the IPO process. These changes are accompanied by measures addressing structural challenges faced by issuers, including rationalisation of lock-in requirements and greater flexibility in compliance at the time of listing. Concurrently, the updated LODR Master Circular (last updated January 30, 2026) ("LODR Master Circular") consolidates and streamlines ongoing disclosure and governance obligations of listed entities, including through integrated and system-driven filing mechanisms and enhanced transparency in shareholding and control structures. Further, the amendments to Rule 19(2)(b) of the SCRR[3] introduce a market capitalisation-linked framework for minimum public offer and minimum public shareholding, thereby easing dilution requirements for large issuers while preserving adequate public float and market liquidity.

These developments are particularly relevant for listed entities, issuers planning public offerings, and intermediaries navigating compliance obligations.

REGULATORY CONSOLIDATION THROUGH SEBI MASTER CIRCULARS

A key regulatory change has been SEBI's effort to streamline compliance by consolidating numerous circulars into comprehensive master circulars. The updated LODR Master Circular consolidates all relevant circulars issued up to December 30, 2025, replacing earlier instructions while preserving actions taken under them. Similarly, the ICDR Master Circular (last updated February 9, 2026) ("ICDR Master Circular") consolidates circulars issued up to December 31, 2025, ensuring that stakeholders can access a unified framework governing public issuances. This consolidation reduces fragmentation in regulatory guidance and enhances interpretational clarity, particularly for complex areas such as disclosures, corporate governance, and issue processes.

KEY CHANGES UNDER THE ICDR MASTER CIRCULAR

The SEBI (Issue of Capital and Disclosure Requirements) Amendment Regulations, 2026 ("ICDR Amendment Regulations, 2026") are anchored in the consultation paper[1] dated November 13, 2025, which proposed a series of reforms aimed at enhancing ease of doing business and strengthening retail investor participation in public issues. A key change introduced pursuant to these reforms is the introduction of the requirement for the preparation of an abridged prospectus at the draft stage, mandating issuers to submit a draft abridged prospectus alongside the draft offer document. This measure is intended to improve investor comprehension and accessibility of critical information at an earlier stage of the offering process. In addition, SEBI has substantially revised the structure and content of the abridged prospectus. SEBI has comprehensively revised the format of the abridged prospectus by prescribing structured disclosures, imposing specific word limits and prioritising material, decision-relevant information.

The revised format requires, Summary of the industry – Description of the industry in which the issuer operates, within 250 words; in addition to the names of the promoters, brief details including nature of entity and corporate details (wherever applicable), and experience and educational qualifications, in not more than 100 words each; summary for each object, in not more than 100 words per object in a tabular format; the aggregate shareholding, of each of the (i) promoter(s), (ii) members of the promoter group and (iii) top 10 shareholders (other than the promoter and promoter group) as on the date of draft offer document / offer document and as at allotment; summary of restated consolidated financial information including details of the share capital, net worth, revenue, earnings before interest tax, depreciation and amortization, profit after tax, earnings per share – basic and diluted, return on equity / net worth, net asset value per equity share, total borrowings and the cash flow from operating, investing and financing activities; summary of key performance indicators used to determine basis for offer price for the past three years and stub period, in tabular format (to the extent not included in the summary of financial information); summary of the top 10 risk factors; details of the weighted average cost of acquisition of the promoters and selling shareholders; names and designations of the members of the board of directors and key managerial personnel; auditors' qualifications, if applicable; and summary table of outstanding litigation. These changes are intended to enhance investor comprehension and facilitate informed decision-making, particularly for retail investors.

Another notable amendment is the deletion of the requirement to include the chapter titled "Summary of the Offer/Issue Document" from the Offer Documents. This change appears to be aligned with SEBI's broader objective of streamlining disclosures and avoiding duplication, particularly in light of the enhanced and standardised role of the abridged prospectus as the primary summary document for investors. By eliminating overlapping summary sections, SEBI seeks to ensure that investors are not required to navigate multiple sources for similar information, thereby improving clarity and usability of disclosures. At the same time, recognising the importance of critical financial information, SEBI has mandated that disclosures relating to contingent liabilities and related party transactions be specifically included as standalone sections within the offer document, typically positioned alongside the summary of consolidated financial information.

The amendment streamlines the Rights Issue process by prescribing tighter timelines and standardised procedures. The period for advance notice to stock exchange(s) under Regulation 42(2) of the LODR Regulations, 2015 is required to be at least 3 working days, and the issuance of newspaper advertisement and intimation to stock exchanges must be completed at least 2 days prior to the opening of the issue. In terms of Regulation 85 of the ICDR Regulations, Rights Issues are required to be completed within 23 working days from board approval, subject to adjustments where shareholder approval is required, and the issue shall remain open for a period of 7 to 30 days in accordance with Regulation 87 of the ICDR Regulations. The process also introduces system-based validation of bids involving stock exchanges, depositories and the registrar. Further, Rights Entitlements (REs) are required to be credited in dematerialised form prior to issue opening and are tradable on stock exchanges with T+1 settlement, enabling renunciation through on-market or off-market transfers. Applications are permitted only through the ASBA facility, and no withdrawal is allowed after closure of the issue.

The ICDR amendment also place significant emphasis on digitisation and investor protection by institutionalising technology-driven processes across the issuance framework. In particular, the mandatory use of the ASBA mechanism for applications, integration of UPI-based payment systems to facilitate retail participation, and increased reliance on online filing and processing systems collectively streamline the public issue process and reduce operational inefficiencies. Alongside these process enhancements, SEBI has introduced measures aimed at strengthening investor protection, including compensation mechanisms for retail investors in specified scenarios and enhanced disclosure requirements relating to key performance indicators (KPIs) and issue-related data.

KEY CHANGES UNDER THE LODR MASTER CIRCULAR

The updated framework under Regulation 30 and 30A of the LODR Regulations further strengthens the regime governing disclosure of material events and information by listed entities, with an emphasis on timeliness, accuracy and market transparency. The LODR Master Circular consolidates and clarifies the scope of events requiring disclosure, including financial defaults, regulatory actions, resignation of key managerial personnel and statutory auditors, and other material developments that may have a bearing on the operations or financial position of the entity. In particular, specific disclosure requirements have been prescribed in relation to defaults in payment of interest or repayment of principal on loans and unlisted debt securities, as well as disclosures relating to resignation of statutory auditors, including detailed reasons and confirmations to ensure accountability. Further, the introduction of provisions relating to verification of market rumours represents a significant step towards curbing misinformation and ensuring parity of information in the market, by requiring listed entities to confirm or deny material rumours within prescribed timelines.

The LODR Master Circular introduces detailed refinements to disclosure of shareholding patterns under Regulation 31 to enhance transparency in ownership and control. Listed entities are now required to disclose granular details of encumbrances, including pledges, non-disposal undertakings (NDUs) and other restrictions on transfer, along with the aggregate number of shares encumbered. The scope of disclosure has been expanded to include underlying outstanding convertible securities such as warrants and ESOPs, and an additional column capturing shareholding on a fully diluted basis has been introduced to reflect potential dilution. The amendments also clarify categorisation and computation of shareholding across promoter, public and non-promoter non-public categories, including treatment of depository receipts and employee benefit trusts, and mandate consolidation of holdings based on PAN. Further, disclosures for the promoter and promoter group entities with nil shareholding are required to ensure complete visibility of the promoter ecosystem.

SCRR AMENDMENT, 2026: RATIONALISING MINIMUM PUBLIC SHAREHOLDING

The amendment to Rule 19(2)(b) of the SCRR introduces a revised, market capitalisation-linked framework governing minimum public offer requirements and minimum public shareholding ("MPS") for IPO-bound companies. Moving away from a uniform dilution requirement, the amended regime prescribes a graduated structure combining percentage-based and absolute value thresholds, particularly for issuers with large post-issue capital.

The framework also provides increased flexibility in achieving MPS by introducing extended timelines, in certain cases permitting phased compliance over a period of up to five to ten years, with interim thresholds for public shareholding. These changes are aimed at addressing the practical challenges faced by large issuers in meeting upfront dilution requirements, while ensuring adequate public float, liquidity and price discovery in the market. The amendments have also been made applicable to certain listed entities that are not compliant with existing MPS requirements, thereby ensuring regulatory consistency and parity in treatment.

The Amendment Rules substitute Rule 19(2)(b) of the SCRR with a six-tiered MPS framework, as compared with the erstwhile regime: -

Post-Offer Capital (Calculated at Offer Price)	Erstwhile Provision	Amended Provision
< ₹ 16,000 million	Minimum public offer of at least 25%	No change – remains the same as earlier
₹ 16,000 million – ₹ 40,000 million	Minimum public offer of ₹ 4,000 million; MPS of 25% to be achieved within 3 years from listing	No change – remains the same as earlier
₹ 40,000 million – ₹ 500,000 million	Minimum public offer of 10%; MPS of 25% to be achieved within 3 years from listing	No change – remains the same as earlier
₹ 500,000 million – ₹ 1,000,000 million	Minimum Public Offer of 10% MPS of 25% to be achieved within 3 years from the date of listing	Minimum public offer of ₹ 10,000 million plus at least 8% of post-issue capital; MPS of 25% to be achieved within 5 years
₹ 1,000,000 million – ₹ 5,000,000 million	Minimum public offer of ₹ 50,000 million plus at least 5% of post-issue capital; MPS of 10% within 2 years and 25% within 5 years	Minimum public offer of ₹ 62,500 million and at least 2.75% of post-issue capital; where public shareholding is less than 15% at listing, MPS of 15% within 5 years and 25% within 10 years; where public shareholding is 15% or more at listing, MPS of 25% within 5 years
> ₹ 5,000,000 million	Minimum Public Offer of ₹ 50,000 million plus at least 5% of the Post-Offer Capital MPS of 10% to be achieved within 2 years from the date of listing and 25% to be achieved within 5 years from the date of listing	Minimum public offer of ₹ 150,000 million and at least 1% of post-issue capital (subject to minimum dilution of 2.5%); where public shareholding is less than 15% at listing, MPS of 15% within 5 years and 25% within 10 years; where public shareholding is 15% or more at listing, MPS of 25% within 5 years

The Amendment Rules clarify that the prescribed timelines for achieving MPS are applicable not only to newly listed entities but also to companies already listed as on the date of commencement of the amendments, while stock exchanges continue to retain the authority to impose fines or other penalties for any prior non-compliance with MPS requirements. In addition, a distinct framework has been introduced for companies listing in International Financial Services Centres (IFSC), where a uniform MPS requirement of 10% applies irrespective of post-issue capital, and the tiered MPS structure is not applicable. The amendments also address companies with superior voting rights ("SVR") shares, providing that where promoters or founders hold SVR shares, such shares are required to be listed on the same recognised stock exchange concurrently with the listing of ordinary equity shares offered to the public.

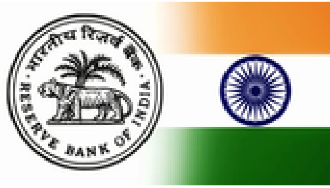
CONCLUSION

The recent amendments to the LODR Regulations, ICDR Regulations and the SCRR reflect a clear shift towards a more streamlined, disclosure-driven and investor-centric capital markets regime. While consolidation into master circulars enhances ease of compliance, substantive changes such as simplified disclosures, digitised processes and rationalised timelines are expected to improve transparency and retail participation. At the same time, the revised MPS framework under the SCRR provides greater flexibility to issuers, particularly large-cap companies, in structuring public offerings while maintaining market liquidity. Collectively, these developments are likely to reshape compliance and transaction practices and drive the next phase of growth in India's capital markets.

[1] Securities and Exchange Board of India, Master Circular for compliance with the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 by listed entities (last updated 30 January 2026).
[2] Securities and Exchange Board of India, Master Circular for SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (last updated 9 February 2026)
[3] Securities Contracts (Regulation) Amendment Rules, 2026
[4] Securities and Exchange Board of India, Consultation Paper on Amendments to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 with the objective of enhancing ease of doing business and increasing participation of retail investors in public issues (13 November 2025).

LEGAL SNIPPETS

In February 2026, the Critical Infrastructure (Resilience, Protection & Accountability) Bill, 2026 was introduced in the Rajya Sabha, proposing a comprehensive framework to strengthen accountability & safety in infrastructure development & operations. The Bill introduces criminal liability for infrastructure failures causing loss of life or public harm, addressing concerns over fragmented responsibility among stakeholders. It also envisages advanced monitoring systems, including real-time digital assessment of infrastructure assets. The proposed legislation is expected to significantly impact the infrastructure, EPC, & public procurement sectors through stricter compliance & risk allocation standards.

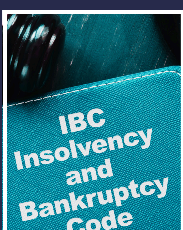


In February 2026, the Reserve Bank of India introduced amendments to the capital market exposure framework for banks, adopting a more principle-based and flexible approach. The revised norms permit financing for corporate acquisitions, enhance lending against securities, and remove certain caps, while strengthening safeguards through internal risk assessments and board-approved limits. These reforms are expected to boost market liquidity alongside improved risk management and financial stability.

In February 2026, the Reserve Bank of India issued draft amendment directions proposing a prudential framework for bank lending to REITs and InvITs. The draft allows banks to extend credit to REITs subject to exposure limits and safeguards, while aligning existing norms for InvITs. The framework aims to broaden financing avenues for infrastructure and real estate, while ensuring financial stability through enhanced oversight and compliance.

In March 2026, the Competition Commission of India issued a guidance note encouraging enterprises to undertake self-audits of their artificial intelligence (AI) systems to identify and mitigate potential competition law risks. The initiative reflects a shift towards preventive regulation in digital markets, requiring companies to assess risks such as algorithmic collusion, abuse of dominance, and data-driven market distortions. This development signals increased regulatory scrutiny of AI-driven business models and is expected to have significant implications for technology companies and digital infrastructure sectors.

In March 2026, the Central Government indicated that the Insolvency and Bankruptcy Code (Amendment) Bill, 2025 will be tabled during the Budget Session of Parliament, following the submission of the Select Committee's report. The proposed amendments aim to address persistent challenges under the Insolvency and Bankruptcy Code, 2016, including delays in resolution, value erosion of distressed assets, and low recovery rates. Key reforms include the introduction of a group insolvency framework, cross-border insolvency provisions, and expanded creditor initiation rights, alongside a proposed technology-driven system to streamline proceedings.



In March 2026, the Central Government indicated that the Insolvency and Bankruptcy Code (Amendment) Bill, 2025 is set to be tabled during the Budget Session of Parliament, following review by a select committee. The proposed amendments aim to address persistent challenges under the Insolvency and Bankruptcy Code, 2016, including delays in resolution, erosion of asset value, and low recovery rates for creditors. Key proposals include the introduction of a group insolvency framework, cross-border insolvency mechanisms, and enhanced creditor initiation rights, alongside plans to integrate technology-driven processes to improve efficiency. The reforms are expected to strengthen India's insolvency regime, improve timelines, and boost creditor confidence in large-scale restructurings.

NEED FOR CLEAR & CODIFIED FORCE MAJEURE CLAUSES IN CONSTRUCTION CONTRACTS

MUNIS NASIR
ASSOCIATE ADVOCATE

INTRODUCTION

In a rapidly expanding global construction industry, predictability often depends on inherently unpredictable factors. To navigate this predictability, contracts must contain express clauses that provide effective relief to the affected party in times of unexpected & unforeseen difficulties. Such unforeseen and unexpected difficulties are often defined as Force Majeure events.

Recent geo-political situations around the world have evolved the definition of Force Majeure events in Construction Contracts. Earlier, such provisions were often included as boiler plate clauses in the contract and were rarely invoked in disputes between the parties. Additionally in recent trends, the Force Majeure has expanded to include the armed conflicts, sanctions, global pandemic and political tensions among nations which contributes to impossibility of performance of contractual obligations as well as economic hardship between parties.

The intent of the inserting Force Majeure Clause in a construction contract is to protect the affected party from unforeseen events that are beyond the degree of its control and that have hindered the party in performing of its contractual obligations.

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FORCE MAJEURE CLAUSE MUST BE ROBUST AND CLEAR

Under the international Construction contracts, dispute pertaining to Force Majure event are often governed by FIDIC (Fédération Internationale des Ingénieurs-Conseils). The Force Majeure clause under FIDIC sets out the procedural requirements to be followed by an affected party in order to be entitled to relief.

Under Indian law, the concept of Force majeure is not codified and it finds reference from the Indian Contract Law, 1872. Section 32 of the Act deals with contingent contracts which covers occurrence or non-occurrence of events and their impact on contractual obligations. Moreover, Section 56 of the Act deals with the doctrine of frustration which outlines the impossibility of performance.

In the recent case of National Council of Education Research and Training vs. MS Murli Industries Ltd.[1], the Delhi High Court observed:

"The paragraphs reproduced above clearly show that in order to enforce a force majeure clause the doctrine of frustration has to be applied and that too narrowly. The force majeure clause is an exception clause which permits a party to wriggle out of its contractual obligations without there being any adverse consequences. The same is only due to the reason that the contract becomes incapable of performance due to events beyond the control of that party. If breakdown of a part of a machinery is to be construed as a force majeure event then the performance of every contract would be in jeopardy. It is incumbent upon a manufacturer to be prepared for breakdown of any part of the machinery."

The Indian courts in catena of judgments, have held that the applicability of force majeure depends on the specific wording of the force majeure clause in a construction contract. In contrast, International Construction Contracts typically uses FIDIC standard clauses where adjudication is largely based upon applicable law and the contractual obligations of the parties. Therefore, it becomes significant for the parties to consider possibilities of events under the domain of Force Majeure Event and insert the possibilities in Force Majeure clause well before the execution of contract.

CONCLUSION

The impact of force majeure event becomes more pronounced in international construction contracts, particularly where the contract spans multiple jurisdictions. An unclear Force Majeure clause can expose parties to significant risk . In contrast, a well-drafted clause enables parties to allocate risk effectively, address time and cost implications, and ensure compliance with procedural requirements necessary to obtain relief.

The Courts and the Arbitral Tribunals have increasingly begun scrutinizing the Force Majeure claims, not merely in terms of their invocation, but also in relation to compliance of the conditions laid down in the clause.

[1] National Council of Education Research and Training vs. MS Murli Industries Ltd., O.M.P. (COMM) 363/2020, Delhi High Court (India)

LEGACY SNIPPETS: FIRM UPDATES

Contributing to global dialogue on project execution

Mr. Gagan Anand, Managing Partner at Legacy Law Offices LLP, moderated a session at an International Bar Association forum in Genoa on advising inexperienced public owners during project execution, engaging with leading construction law practitioners across jurisdictions and sharing insights on best practices and dispute avoidance in infrastructure projects.

Mr. Gagan Anand, spoke at India International Disputes Week 2026 on infrastructure, construction, and energy disputes, with the Firm also participating as a Valued Partner supporting dialogue across the global dispute resolution community.

Mr. Gagan Anand, spoke at India International Disputes Week 2026 on infrastructure, construction, and energy disputes, with the Firm also participating as a Valued Partner supporting dialogue across the global dispute resolution community.

ARBITRATION IS NOT A "DO-OVER": UNDERSTANDING THE SUPREME COURT'S RULING IN RAJIV GADDH V. SUBODH PARKASH (SCC ONLINE SC 507)

INTRODUCTION

The Hon'ble Supreme Court of India, in the recent judgment of Rajiv Gaddh v. Subodh Parkash (SCC OnLine SC 507), has provided a definitive answer to a complex procedural question: Does a party have the right to seek the appointment of a new arbitrator if they previously walked away from the proceedings? This judgment serves as a stern warning against the abuse of judicial processes and clarifies the intersection between the Code of Civil Procedure (CPC) and the Arbitration and Conciliation Act,1996.

SWARNIMA JHA
ASSOCIATE ADVOCATE

Facts of the Case:

The dispute originated from a joint venture between Rajiv Gaddh (the appellant) and Subodh Parkash (the respondent) regarding the auction of 550 marlas of land in Hoshiarpur, Punjab. To manage their liabilities and joint interests, the parties executed three specific agreements on April 2, 2013. Each of these agreements contained an arbitration clause to resolve future disputes.

In 2015, the respondent invoked the arbitration clause, leading to the appointment of a sole arbitrator. After a series of recusals by previous arbitrators, Justice Aftab Alam was appointed in 2017. However, the proceedings did not go smoothly:

I.Non-Participation: After filing his statement of claim, the respondent stopped attending the hearings in 2019.

II.Allegations of Bias: The respondent sent an email to the arbitrator alleging bias and stated he would no longer participate in the proceedings.

III.The First Award: Despite the respondent's absence, the arbitrator passed an award on June 30, 2020.The arbitrator dismissed the respondent's claim but generously allowed a three-month window for the respondent to "revive" the claim by filing an amended statement. The respondent failed to comply.

The respondent then attempted to "reset" the clock. Following a 2021 Hon'ble Supreme Court judgment that upheld the validity of the original land auction, the respondent issued a fresh notice for arbitration, claiming a "new cause of action" had arisen. When the appellant refused, the respondent approached the Hon'ble Punjab and Haryana High Court, which allowed the appointment of a new arbitrator.

FINDINGS OF THE HON'BLE COURT:

The Supreme Court, led by Justice Alok Aradhe, focused on two primary legal pillars: Abandonment and Cause of Action.

1. The Principle of Abandonment

The Court examined Order 23 Rule 1 of the CPC, which dictates that if a plaintiff abandons a suit or withdraws a claim without the court's permission to file a fresh one, they are barred from suing again on that same subject matter. The Hon'ble Supreme Court found that this principle applies to Section 11 applications under the Arbitration Act. In this case, the respondent's conduct was clear. By explicitly stating in writing that he would not participate and failing to use the three-month "revival" window provided in the first arbitral award, he had effectively abandoned his claim.

2. The Myth of the "Fresh" Cause of Action

The respondent argued that the 2021 Supreme Court judgment regarding the auction validity created a new reason to arbitrate. However, the Hon'ble Court found that the 2021 case was about the bank's right to auction the land, whereas the current dispute was a private matter between two partners regarding their internal agreements. Therefore, no fresh cause of action existed; it was the same old dispute in a new wrapper.

THE DECISION:

The Hon'ble Supreme Court allowed the appeal and quashed the Punjab and Haryana High Court's order dated 08.11.2024. The Hon'ble Court held that the subsequent application for an arbitrator was based on the same cause of action as the first. Because the respondent had abandoned the previous proceedings without leave to refile, the second application was legally "not maintainable".

A litigant cannot be allowed to abuse the process of the Court by repeatedly filing the same claim violating the principle of Res-judicata.

OPINION:

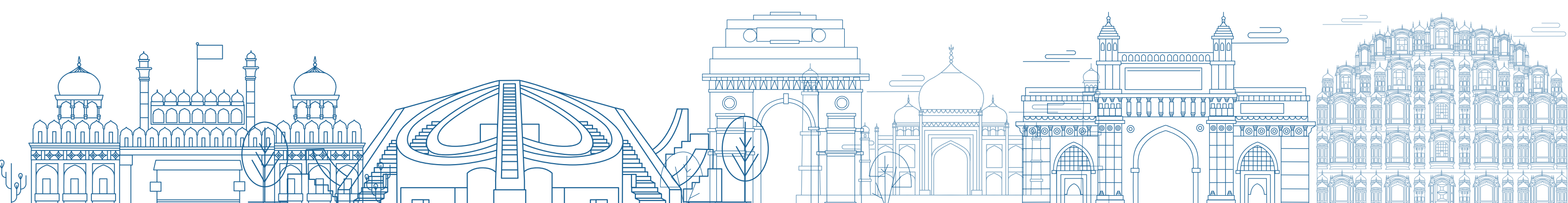
This judgment is a significant win for the finality of arbitration. If the Court had ruled otherwise, it would have created a loophole where any party unhappy with an arbitrator could simply "walk away" and ask the Hon'ble High Court for a new one, effectively bypassing the challenge procedures laid out in the Arbitration Act.

In essence, Rajiv Gaddh v. Subodh Parkash reinforces that in the eyes of the law, you don't get a "do-over" just because you decided to quit the first time. The judgment in Rajiv Gaddh v. Subodh Parkash centers on the principle that arbitration is not a trial-and-error process where a party can unilaterally abandon proceedings and later demand a "fresh start".

By applying Order 23 Rule 1 of the Code of Civil Procedure,1908 the Hon'ble Supreme Court established that a party who abandons a claim without seeking the court's permission to refile is legally barred from instituting a fresh application for the same cause of action. This prevents litigants from "arbitrator shopping" or bypassing the statutory challenge procedures for bias laid out in the Arbitration Act. Furthermore, the Court rejected the respondent's argument that a separate 2021 Supreme Court ruling regarding the validity of the underlying land auction created a "fresh cause of action".

The Court clarified that since the 2021 litigation involved the bank and the validity of the auction rather than the internal contractual disputes of the partners, the core dispute remained unchanged and was not revived by the external judgment. Ultimately, the Court ruled that allowing a second Section 11 application for an identical dispute would be an abuse of the judicial process and contrary to public policy.

This decision reinforces the finality of arbitration and ensures that the legal system is not used to facilitate repetitive litigation for those who fail to prosecute their original claims with due diligence.



KEY MILESTONES

A key milestone for the Firm, Legacy Law Offices LLP acted as Legal Counsel to the issuer on NTL India Limited's SME IPO, successfully securing in-principle approval in a highly complex and compliance-intensive mandate. Notably, this marks the Firm's seventh such approval within a single month an achievement that underscores its consistent performance, deep regulatory expertise, and strong execution capabilities in the capital markets space.

Our Firm was recently featured in **Bar & Bench** for its role in advising on the Initial Public Offering of **Apsis Aerocom Limited**, underscoring our continued involvement in significant capital markets transactions. This recognition reflects the Firm's growing footprint in the IPO space, where we provide comprehensive legal support across the transaction lifecycle from structuring and due diligence to regulatory compliance and documentation.

Our advisory on this mandate demonstrates our ability to navigate complex legal and regulatory frameworks while aligning with commercial objectives, ensuring a seamless execution process for our clients. It also highlights the trust placed in us by market participants and reinforces our commitment to delivering high-quality, solution-oriented legal services in the evolving capital markets landscape.

RECENT AWARDS & RANKINGS

FOR CLIENT SATISFACTION

LEGALONE BLUE RIBBON 15 : BANKING AND FINANCE (INDIA 2025)

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The views expressed in this or any previously published newsletter do not necessarily constitute the final opinion of Legacy Law Offices LLP on the issues reported herein.

Specialist advice must be sought about specific circumstances.

CONTACT DETAILS

DELHI
Legacy House, D-18, Nehru Enclave,
Kalkaji, New Delhi- 110019, India.
T +91 114 1752507-08
F +91 114 1752509

CHANDIGARH
Legacy House, #333, Sector 4, MDC,
Panchkula- 134114, India.
T +91 172 4801333, 4802333
F +91 172 2559335

MUMBAI
AGSL Floor Level 5,
Grande Palladium, 175, CST Road,
Off BKC, Kalina, Santacruz (East), \
Mumbai - 400098,
Maharashtra, India.

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