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ADVOCATES AND SOLICITORS

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Legal Updates, Insights and Summary Judgements

This update covers:

Recent Judgements

CIVIL

Indian Oil Corporation Limited & Ors. v. M/s Shree Niwas Ramgopal & Ors. [2025 INSC 832]

In the present case, the Supreme Court has clarified that where a partnership deed stipulates continuity of business despite a partner's death, the firm does not dissolve under Section 42 of the Indian Partnership Act, 1932, and it is not mandatory for all legal heirs of the deceased partner to join the reconstituted firm. The case originates from a dispute between the Indian Oil Corporation Limited (IOCL) and M/s Shree Niwas Ramgopal, a partnership firm that was a kerosene oil distributor for IOCL. M/s Shree Niwas Ramgopal, initially a proprietorship firm of Kanhaiyalal Sonthalia, was reconstituted as a partnership firm. The partners were Kanhaiyalal Sonthalia (55% share), and his two sons, Ramesh Sonthalia (35% share) and Gobinda Sonthalia (10% share). The partnership firm entered into a kerosene dealership agreement with IOCL on **May 11, 1990.** Clause 30 of this agreement stipulated that in the event of a partner's death, IOCL had three options: (i) continue the dealership with the existing firm, (ii) enter into a fresh agreement with a reconstituted firm, or (iii) terminate the agreement. Kanhaiyalal Sonthalia, the senior partner, passed away. His death led to disputes among his heirs regarding his 55% share in the firm.

Ananda Sonthalia, one of his legal heirs, wrote a letter to existing partners claiming a share in a partnership. Jagdish Prasad, another heir, expressed his lack of knowledge about his deceased father's assets and liabilities. Rakesh Sonthalia, another heir, informed the Chief Divisional Retail Sales Manager of IOCL that his father left a will bequeathing his 55% share in the firm to him. He applied for probate of the will through Miscellaneous Case No.11 of 2010 in the Civil Judge, Junior Division, Jangipur. The surviving partners and another heir, Bijoy Sonthalia, submitted a reconstitution proposal, but IOCL refused to extend the kerosene supply token beyond the deadline, insisting that all legal heirs of the deceased partner must join the reconstituted firm or express their unwillingness to join. The firm then filed a writ petition in the High Court. The Single Judge allowed the petition, directing IOCL to continue supplies until the firm was reconstituted and its rights were decided by a competent court, if necessary. IOCL, through its counsel, relied on its revised policy guidelines, specifically Clause 1.5, which it interpreted as mandating that all legal heirs of a deceased partner must join or consent to the reconstitution of the firm. The respondents (the partnership firm) contended that Clause 18 of their partnership deed, and Clause 30 of the dealership agreement did not require all heirs to join. They argued that the partnership would not be dissolved upon the death of a partner and the surviving partners could induct a competent heir. Since the dealership agreement was never terminated, the IOCL is not empowered to stop the supplies of the kerosene or to treat the business having come to an end.

The central issue was whether IOCL, a state instrumentality, acted legally and fairly in stopping the supply of kerosene to the partnership firm. The case also centered on the interpretation of IOCL's own policy guidelines and the partnership deed. Specifically, the question was whether all legal heirs of a deceased partner must join a reconstituted partnership firm for it to be recognized by IOCL, or if the surviving partners could continue the business and induct a competent heir as per the partnership deed.

The Supreme Court dismissed the Special Leave Petition, finding no error in the High Court's directions. The Court reasoned that IOCL's insistence on all legal heirs joining the reconstituted firm or providing a 'No Objection Certificate' was contrary to the spirit of the original partnership deed. The partnership deed stipulated that the firm would not cease to function upon a partner's death and that the surviving partners could admit any competent heir. The Court noted that Section 42 of the Partnership Act, which dissolves a firm on a partner's death, doesn't apply when a partnership deed specifies otherwise and there are more than two partners. The Court also found that IOCL had misconstrued its own guidelines, which don't mandate that all heirs must join. Since the dealership agreement was never terminated, IOCL had no right to stop supplies. The Court observed that none of the deceased partner's heirs were aggrieved by the High Court's directions, making IOCL's "hyper-technical approach" inappropriate. The judgment emphasized that IOCL should act to support the continuation of a running business rather than creating hindrances.

CIVIL

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Vikram Bhalchandra Ghongade v. Girls High School & Junior College, 2025 SCC OnLine SC 1429

Judgement

In the instant case, the Supreme Court ruled on whether the legal heirs of a deceased teacher in a government-aided school are entitled to gratuity under the Payment of Gratuity Act, 1972 ("**the Act of 1972**") or the Death-cum-Retirement Gratuity (DCRG) under the Maharashtra Civil Services (Pension Rules), 1982 ("**the Rules of 1982**"). The Court held that teachers in aided schools are governed by the Rules of 1982, as the gratuity scheme under these rules, when considered in toto, is more beneficial than the one provided under the Act of 1972.

The petitioner, the son of a teacher who died in service at an aided school, claimed gratuity under the Act of 1972. His claim was rejected by the controlling authority, the appellate authority, and the High Court, on the grounds that the service conditions of teachers in aided schools are governed by the Rules of 1982, framed under Article 309 of the Constitution. The petitioner argued that based on the precedent in Birla Institute of Technology v. State of Jharkhand ((2019) 4 SCC 513), teachers are covered by the Act of 1972, which he claimed was more beneficial and should apply in the absence of a specific exemption. The State contended that since aided school teachers receive pay, allowances, and pensionary benefits from the government, they are akin to government employees and are governed by the Rules of 1982 for DCRG. The State also insisted on the petitioner producing a legal heirship certificate, as the deceased's estranged husband was still alive.

The Supreme Court acknowledged that while *Birla Institute of Technology* affirmed teachers' eligibility for gratuity, the central issue here was the applicable statutory scheme. The Court observed that for monetary benefits, teachers in aided schools are akin to holding posts under the State Government. To determine which scheme was applicable, the Court compared the benefits under both laws as mandated by Section 4(5) of the Act of 1972, which allows for an alternative scheme if its terms are more favorable.

The Court concluded that the Rules of 1982 provide a more beneficial scheme when viewed holistically. It noted that under the Rules of 1982, DCRG is payable without any minimum service period, and the gratuity amount in case of death within the first few years of service is significantly higher than under the Act of 1972. Furthermore, the Rules of 1982 provide for a pension, which is not universally available under the Act of 1972. Therefore, the Court held that the Rules of 1982 apply to teachers in aided schools, as also provided under Rule 2(a) of the said rules. On the procedural issue, the Court dispensed with the requirement of a legal heirship certificate, stating that payment to a nominee (the petitioner) absolves the employer of liability, with the nominee holding the amount in trust for all legal heirs.

The Court allowed the petition with modifications, directing the petitioner to apply for DCRG under the Rules of 1982 by submitting a notarized indemnity affidavit. The authorities were directed to process the payment expeditiously with simple interest at 7% per annum, calculated from one month after the employee's date of death until the date of payment.

ARBITRATION

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BGM and M-RPL-JMCT (JV) Versus Eastern Coalfields Limited (Arising out of SLP (C) Diary No. 21451/2024))

The Supreme Court of India in the present case clarified the threshold for what constitutes a binding arbitration agreement, emphasizing the distinction between a mandatory obligation to arbitrate and a clause that merely enables parties to consider arbitration as a future option. The matter arose from a Civil Appeal filed by BGM and M-RPL-JMCT (JV) ("**Appellant**") against an order of the High Court of Calcutta, which had dismissed the Appellant's application under Section 11 of the Arbitration and Conciliation Act, 1996 (**"the Act"**) for the appointment of an arbitrator to resolve disputes with Eastern Coalfields Limited ("**Respondent**"). The dispute centred on the interpretation of Clause 13 of the General Terms and Conditions of their contract, which the Appellant contended was an arbitration agreement.

The Appellant's core argument was that Clause 13, which provides that "the *redressal of the dispute may be sought through Arbitration and Conciliation Act,* 1996", provides either party the option to invoke arbitration, and once invoked, it becomes binding on the other. It was further argued that, at the appointment stage, the Court's role is limited to a prima facie examination of the agreement's existence, with the final determination being left to the arbitral tribunal. The Respondent countered that the use of the word "may" in the Arbitration clause demonstrates a lack of consensus ad idem to be bound by arbitration and instead reflects a mere possibility for the parties to agree to arbitration in the future. The Respondent also referred to a separate clause (Clause 32) vesting jurisdiction in the District Court to argue against an intention to arbitrate.

The Supreme Court first analysed the scope of judicial review under Section 11 of the Act. Citing the seven-judge Constitution Bench decision in *Interplay Between Arbitration Agreements under Arbitration, 1996 & Stamp Act, 1899. In the Interplay Judgement[1]*, the Court held that while the inquiry is confined to a prima facie examination of the existence of an arbitration agreement, this does not mean a mechanical referral. The Court must scrutinize the clause to weed out frivolous claims and satisfy itself that an agreement, as contemplated under Section 7 of the Act, prima facie exists.

On the central issue of interpreting Clause 13, the Court extensively relied on its previous judgments in Jagdish Chander v. Ramesh Chander[1] and Mahanadi Coalfields Ltd. v. IVRCL AMR Joint Venture[2]. The Court reiterated the established principle that for a clause to be an arbitration agreement, it must disclose a clear determination and obligation to arbitrate, not merely contemplate the possibility of future arbitration. Language that requires a "further or fresh consent" or suggests that parties "may also agree" to arbitration does not create a binding obligation. Applying this legal standard, the Court found that the phrase "may be sought" in Clause 13 i.e., the Arbitration Agreement in the present case, did not create a binding commitment for either party to arbitrate. Instead, it was an enabling clause under which the parties could, by mutual agreement, choose to resolve their dispute through arbitration. Since there was no evidence of such a subsequent agreement, the Court concluded that no valid arbitration agreement existed between the parties.

The Court held that the High Court was justified in dismissing the application for the appointment of an arbitrator. Consequently, the appeal was dismissed. The issue regarding the conflict with the jurisdiction clause was rendered inconsequential.

[1] Interplay Between Arbitration Agreements under Arbitration, 1996 & Stamp Act, 1899 (2024) 6 SCC 1
[1] Jagdish Chander v. Ramesh Chander (2007) 5 SCC 719
[1] Mahanadi Coalfields Ltd. v. IVRCL AMR Joint Venture (2022) 20 SCC 636

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Ningbo Aux Imp and Exp Co Ltd v. Amstrad Consumer India Pvt Ltd & Anr. ,Commercial Arbitration Petition (L) No. 29646 of 2024 with Interim Application No. 2099 of 2025 with Interim Application No. 2097 of 2025 in Commercial Arbitration Petition (L) No. 29646 of 2024

The Bombay High Court in the present case clarified the limits of enforcing a foreign arbitral award, particularly against a third party who was not a signatory to the arbitration agreement. The matter originated from a Commercial Arbitration Petition filed by Ningbo Aux Imp and Exp Co Ltd ("**Petitioner**") seeking enforcement of a foreign award against Amstrad Consumer India Pvt Ltd ("**Respondent No. 1**") and a guarantor ("**Respondent No. 2**"). The Petitioner secured an ex-parte ad-interim order for disclosure of assets against both Respondents. Subsequently, Respondent No. 2 filed an Interim Application seeking its deletion from the proceedings and vacation of the disclosure order, asserting that it was not a party to either the arbitration agreement or the resultant arbitral proceedings.

Respondent No. 2's core argument was that since it was a stranger to the arbitration, the award was not binding on it, and any enforcement action, including interim orders for disclosure, was without jurisdiction. The Petitioner countered these submissions, contending that Respondent No. 2 had waived its right to object to the disclosure order by not raising this specific ground at the first hearing after the ex-parte order was passed. Relying on the Supreme Court's decision in *Budhia Swain And Ors v. Gopinath Deb And Ors[1]*, the Petitioner argued that the right to vacate an order is lost by waiver or estoppel if not exercised in a timely manner. The Petitioner also sought to bind Respondent No. 2 based on a guarantee certificate it had executed, despite admitting that its own attempt to implead Respondent No. 2 in the arbitral proceedings had been rejected by the arbitral institution's case manager.

[1] Sri Budhia Swain and Ors. V. Gopinath Deb & Ors. (1999) 4 SCC 396

The High Court analyzed the statutory framework for the enforcement of foreign awards under the Arbitration and Conciliation Act, 1996 ("**the Act**"). The Court placed reliance on Section 46 of the Act, which states that a foreign award is binding "on the persons as between whom it was made." It held that since Respondent No. 2 was not a party against whom the award was made, the foundational jurisdictional fact for enforcement was absent. The Court further noted that Respondent No. 2's position was even stronger than the grounds for refusal of enforcement under Section 48(1)(b) of the Act (which deals with a party being unable to present its case), as here, the arbitral institution had actively refused to make Respondent No. 2 a party to the proceedings. While addressing the Petitioner's reliance on Budhia Swain, the Court distinguished the precedent, highlighting that the same judgment affirms a court's inherent power to recall an order rendered in ignorance of a crucial fact or without jurisdiction. The Court concluded the ex-parte order was passed without jurisdiction over Respondent No. 2.

The judgment strongly reinforces the principle that the jurisdiction of a court to enforce a foreign arbitral award under Part II of the Act is strictly confined to the parties to the arbitration. The Court held that interim relief in aid of enforcement cannot be granted against a non-party, as such relief would not be in aid of a maintainable final prayer. It also serves as a crucial reminder that procedural arguments of waiver and estoppel cannot cure a fundamental lack of jurisdiction, and a party seeking ex-parte relief has a duty to make full and frank disclosure of all material facts, including failed attempts to implead a party in the underlying arbitration. Consequently, the Court allowed Respondent No. 2's application, vacated the disclosure order against it, and directed its deletion from the proceedings.

v[1] Sri Budhia Swain and Ors. V. Gopinath Deb & Ors. (1999) 4 SCC 396

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State v. Eluri Srinivasa Chakravarthi & Ors. (2025 SCC OnLine SC 1215, decided on 22 May 2025

Judgement

The Supreme Court in State v. Eluri Srinivasa Chakravarthi (2025 SCC OnLine SC 1215, decided on 22 May 2025) examined whether the Special Court and the High Court were justified in discharging multiple accused in a large-scale Minimum Support Price (MSP) cotton procurement fraud case, based on defence-invited documents, at the stage of Section 239 CrPC proceedings.

The case arose from an FIR registered by the CBI, Visakhapatnam, in June 2006 under Sections 120B, 420, 468, 471 IPC and Section 13(2) read with 13(1)(d) of the Prevention of Corruption Act, 1988. The allegations centred on a conspiracy involving a Cotton Corporation of India (CCI) officer (A-1), his son (A-3), and others to purchase cotton from genuine farmers at below-MSP prices, hoard it, and later sell it to CCI through benami farmers at MSP, causing wrongful gain of over ₹21 crore.

According to the chargesheet, many purported "farmers" had little or no land, bank accounts were opened and operated by A-3's associates, and signatures or thumb impressions on procurement documents were forged. The CBI claimed this diverted MSP benefits away from actual farmers and into the accused's control.

Before charges could be framed, the accused sought discharge under Section 239 CrPC, relying heavily on a CCI letter dated 31 January 2007 stating that purchases were in line with guidelines, no loss was caused, and no complaints were received. The Special Court accepted this and ordered discharge, finding no prima facie case. The High Court upheld this, holding that the letter negated the core allegation of wrongful loss.

The Supreme Court referred to State of Orissa v. Debendranath Padhi (2005) 1 SCC 568, which held that at the stage of framing charges or considering discharge, the court can only look at the police report and documents submitted under Section 173 CrPC, not defence material. The Bench also cited Sheoraj Singh Ahlawat v. State of U.P. (2013) 11 SCC 476, State of M.P. v. Rakesh Mishra (2015) 13 SCC 8, and State of Rajasthan v. Ashok Kumar Kashyap (2021) 11 SCC 191, reiterating that merits of the defence are irrelevant at this stage.

The Court held that both the Special Court and High Court had acted illegally by relying on the CCI letter procured at the instance of the defence to discharge the accused. It stressed that Section 239 CrPC is meant to weed out groundless cases based on the prosecution's own material, not to conduct a mini-trial or weigh the defence case.

The discharge orders were set aside. The matter was remitted to the Special Court to reconsider discharge strictly on the basis of the chargesheet and prosecution documents, uninfluenced by the CCI letter or observations in this judgment.

The appeals filed by the CBI were allowed, and all pending applications disposed of accordingly.

Case Summary

M/s. Alstom Transport India Limited vs. Commissioner of Commercial Taxes [WRIT PETITION NO.1779 OF 2025 (T-RES)]

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Facts

In this case, the petitioner is engaged in infrastructure projects for railways and metros, including design, manufacturing, installation, and software-related services. Between July 2017 and March 2023, employees from overseas group entities were seconded to work in India under formal employment agreements with the petitioner. These expats worked exclusively for the Indian entity and were assigned full-time roles in India.

The petitioner entered into individual employment agreements with the expats. Salaries were paid by the petitioner directly, with TDS deducted as per Indian Income Tax laws. The foreign entity continued to pay social security and retirement benefits in the home country, and these were reimbursed by the petitioner without any markup or service charge. The Petitioner, from November 2020 has voluntarily discharged IGST under the Reverse Charge Mechanism on the amounts reimbursed to the foreign entities and claimed ITC on the same. No invoice was issued by the foreign entity for any manpower services. However, the department issued a show cause notice demanding IGST for the entire period, alleging the arrangement to be import of "manpower supply services". The petitioner relies on CBIC Circular No. 210/4/2024-GST dated 26.06.2024, which clarifies that where no invoice is issued in related party services and full ITC is available, the value may be deemed 'Nil'.

Issue

Whether the secondment of expat employees constitutes a taxable "supply of manpower services" under GST law. Whether the relationship between the petitioner and the expats is that of employer-employee, and thus excluded from GST under Entry 1 of Schedule III of the CGST Act. Whether in the absence of any invoices and in light of Circular 210/4/2024-GST, the taxable value can be deemed as 'Nil' under Rule 28(1) of the CGST Rules.

Held

The Hon'ble High Court noted that expatriate employees were on the payroll of the petitioner and functioned under its direct control and supervision. Individual employment agreements were executed between the petitioner and the expats, who were assigned official email IDs, responsibilities, and benefits, similar to regular employees. The TDS on salaries was deducted and paid to the Indian Income Tax Department by the petitioner. The fact that social security contributions were reimbursed to the foreign entity does not override the actual functional employment by the petitioner.The Hon'ble Court held that there exists a clear employer-employee relationship, and services rendered during such secondment fall under Schedule III, which excludes such activities from the scope of supply under GST

Further, the Court heavily relied on Paragraph 3.7 of the CBIC Circular 210/4/2024-GST dated 26.06.2024, which clearly states that in case of related party transactions, where no invoice is raised and full ITC is available, the value of supply may be deemed as 'Nil' under Rule 28 of the CGST Rules. In this case, the petitioner did not raise any invoice, and full ITC was available and claimed. The Hon'ble Court held that the department's insistence on taxing the reimbursement ignores the binding CBIC Circular, which specifically deals with valuation in such related-party transactions.

The Court discussed the Supreme Court's ruling in Northern Operating Systems (NOS) case but clarified that NOS case was based on different facts, particularly where the foreign entity retained control and raised invoices for services. Here, the petitioner did not receive any invoice, the expats were fully integrated into the Indian entity, and there was no profit element or markup in reimbursements. The Court therefore quashed the impugned orders confirming IGST demand. Writ Petition is allowed.

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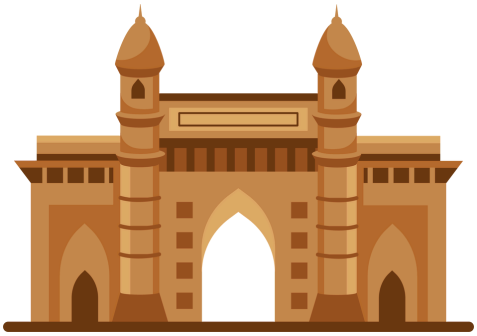

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