



# Dispute Resolution & ADR

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# Civil Courts can grant anti-arbitration injunctions in foreign-seated arbitrations

## Engineering Projects (India) Ltd v. MSA Global LLP

Delhi High Court | 2025 SCC OnLine Del 5072

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The Delhi High Court recently stayed proceedings in a foreign-seated arbitration on the ground that the co-arbitrator had failed to disclose his prior involvement with the counterparty. While the Court reiterated that such powers must be exercised only in exceptional cases – where the proceedings are found to be vexatious, oppressive, or a misuse of legal process – it emphasised that the neutrality of the arbitral tribunal, which lies at the core of fair adjudication, cannot be sacrificed at the altar of minimal judicial interference. Such relief, consistent with the cautious stance in jurisdictions like England, Singapore, and Hong Kong, is reserved for clear cases of abuse or procedural unfairness. Transparent disclosures and good-faith conduct are essential to avoid such disputes. Parties should first exhaust remedies under the arbitral rules and before the seat Court, ensuring intervention by the domestic Court remains a last resort.

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### SUMMARY OF FACTS

Engineering Projects (India) Ltd (EPL) entered into a contract with MSA Global LLP (MSA), which included a dispute resolution clause providing for arbitration under the aegis of the International Chamber of Commerce (ICC). Singapore was the chosen seat of arbitration.

A dispute arose concerning delays in performance, prompting the initiation of arbitration proceedings. MSA nominated Andre Yeap as its arbitrator in the 3-member tribunal.

Yeap had previously participated in arbitral proceedings alongside MSA's Managing Director, a fact he failed to disclose at the time of his appointment. EPL only discovered this non-disclosure after the tribunal issued an interim award in favour of MSA.

EPL challenged Yeap's appointment before the ICC Court, which, while acknowledging the non-disclosure as regrettable, dismissed the challenge on merits on the ground that it did not give rise to justifiable doubts regarding his impartiality or independence.

Against the ICC Court's order, EPL approached the High Court of Singapore, and in parallel, the Delhi High Court in the present matter, seeking an anti-arbitration injunction, while MSA sought enforcement of the interim award.

### DECISION OF THE COURT

The High Court held that Civil Courts, in exceptional cases, do have the jurisdiction to grant anti-arbitration injunctions, even in foreign-seated arbitrations, where the proceedings are found to be vexatious, oppressive, or a misuse of the legal process.

The Court clarified that the challenge did not rest solely on proving actual bias by the co-arbitrator. Rather, the focus was on Yeap's failure to disclose his prior association with MSA at the time of his appointment. This non-disclosure deprived EPL of the opportunity to raise timely objections, undermined the tribunal's impartiality, and eroded confidence in the arbitral process.

Noting that arbitration cannot be allowed to become a tool for sustained harassment or manipulation disguised as lawful proceedings, the Court found that an interim stay on the arbitration is warranted till the proper adjudication of the validity of Yeap's appointment. It is necessary to prevent irreparable harm and to uphold fairness, especially in cases where rigid application of statutory principles would undermine equity and the constitutional right to access justice.

# The highest *bona fide* sale exemplar will determine the market value for land acquisition

## Manohar v. State of Maharashtra

Supreme Court of India | 2025 SCC OnLine SC 1519

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The Supreme Court recently held that when several sale exemplars (sale deeds of comparable land that serve as evidence to determine the fair market value of land) are available, the highest *bona fide* transaction should be considered to determine the compensation payable for land acquisition, unless there are strong reasons to deviate. The judgment reinforces a valuation approach grounded in fairness and realism, which is particularly vital in cases involving land with strategic location or development potential. Averaging the market rates of nearby plots can significantly undervalue property. For future acquisitions, authorities, valuers, and Courts should ensure that valuation methods are transparent, reflect market realities, and avoid mechanical averaging – unless justified by narrow price variations or clear anomalies. Adopting such principles will help reduce litigation, restore confidence in the acquisition process, and secure timely and equitable compensation for landowners.

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### SUMMARY OF FACTS

In 1992, proceedings to acquire a land situated in Maharashtra were initiated, and an award was passed granting compensation to the landowners.

Aggrieved by the quantum of the compensation, the landowners approached the Reference Court.

Although the Reference Court acknowledged that 6 *bona fide* sale exemplars – relating to nearby lands with sale rates ranging from INR 25,000 to INR 72,000 per acre – were relevant, it ultimately relied on only 4 of these transactions that had an average rate of INR 40,000 per acre. Applying a 20% deduction to reflect the larger size of the acquired land compared to the sale exemplar plots, the Court determined the compensation for the acquired land at INR 32,000 per acre.

Aggrieved still, the landowner approached the Bombay High Court and then the Supreme Court of India.

### DECISION OF THE COURT

Reaffirming the principle that the compensation payable is determined by reference to the price which a seller might reasonably expect to obtain from a willing purchaser, the Supreme Court laid down that when several sale exemplars are available, the highest *bona fide* transaction should be considered for compensation, unless there are strong reasons to deviate.

Averaging is only permissible if price variations are marginal and not if sale prices have markedly different values.

The Reference Court erred in disregarding the highest *bona fide* sale exemplar of INR 72,000 per acre, and the same cannot be excluded as ‘abnormally high’ given the land’s prime location near the district headquarters and its industrial potential.

The Court reiterated that land valuation must consider not just its present condition, but also its future potential, with comparable nearby sale deeds serving as the basis for determining market value.

Although the matter could have been remitted to the High Court for fresh consideration, the Supreme Court decided to determine compensation itself, considering the long pendency of the matter.

# Registration alone may not confer a valid property title

## K Gopi v. Sub-Registrar

Supreme Court of India | 2025 SCC OnLine SC 740

In a significant ruling for property buyers, the Supreme Court clarified that mere registration of a sale deed does not by itself establish ownership, as the registering authority's role is confined to procedural compliance and does not extend to verifying the seller's title. The decision dispels the common misconception that registration alone confers a valid title and aligns with a recent decision holding that *bona fide* property holders are not obliged to seek cancellation of dubious transfer instruments to which they are not parties.<sup>1</sup> Buyers should therefore undertake thorough due diligence beyond registration, including review of key documents such as the previous Sale Deed, Mother Deed, and Encumbrance Certificate to confirm ownership history and liabilities. Additional checks should cover mutation records (Khata/property tax number), inheritance documents, RERA approvals, possession letters, completion certificates, utility bills, NOCs from family members, and proof of possession, to ensure the title is clear and marketable.

### SUMMARY OF FACTS

A sale deed was executed in favour of K Gopi. However, the Sub-Registrar refused its registration because the seller had not established his title and ownership over the subject property (**Order**).

The Order was upheld on the strength of Rule 55A(i) of the Tamil Nadu Registration Rules (**Rules**), which required the production of the previous transfer deed, by which the seller had acquired the subject property, and an Encumbrance Certificate along with the document that is presented for registration.

Aggrieved, Gopi approached the Supreme Court of India and challenged the constitutional validity of Rule 55A(i) of the Rules.

### DECISION OF THE COURT

The Court set aside the Order and declared Rule 55A(i) to be invalid for being beyond the scope of the Registration Act, 1908 (**Act**).

As Rule 55A(i) mandated the production of documents to establish the seller's ownership over the subject property, it essentially empowered the registering officer to verify the seller's title. Rule 55A(i), therefore, violated the provisions of the Act on the following grounds:

- The rule-making power of the Inspector General under Section 69 of the Act did not provide for framing Rules that conferred power on the registering authority to refuse registration of a transfer document.
- Sections 22A and 22B, introduced *vide* a 2008 Tamil Nadu State Amendment to the Act, which provided limited grounds for refusal of registration by the Registrar – pertaining to specific properties that were governed by other statutes enlisted therein; land converted as housing sites without permission for development; forged documents and prohibited transactions – also did not include the power to refuse registration on the failure to produce documents verifying the seller's title.

The registering officer is not concerned with the seller's title and ought to register the document on satisfaction of procedural requirements and payment of necessary stamp duty/registration charges.

Importantly, the execution and registration of a document have the effect of transferring only those rights, if any, that the seller possesses. If the seller has no right, title, or interest in the property, the registered document cannot effect any transfer.

<sup>1</sup> Hussain Ahmed Choudhury v. Habibur Rahman 2025 SCC OnLine SC 892

# Sales tax incentives for industrial expansion are non-taxable capital receipts

## Bajaj Auto Ltd v. CIT

Bombay High Court | 2025 SCC OnLine Bom 2560

In a significant ruling for the manufacturing and infrastructure sectors, the Bombay High Court recently held that sales tax incentives (in the form of exemptions/deferrals) linked to fixed capital investment for setting up or expanding industrial units in backward areas are ‘capital receipts’ (funds received that are not part of the regular business operations, generally arising from non-recurring or exceptional transactions) and not taxable ‘revenue receipts’ (income earned through the normal course of business or profession, which is taxable as part of the entity’s regular income). The judgment resolves the long-standing debate by reaffirming that the decisive factor is the purpose of the subsidy – not its form, timing, or mode of disbursement. Where the aim is to facilitate the establishment or expansion of industrial units, the benefit retains its capital nature even if granted after production begins. Companies should assess the nature of incentives at the outset, maintain comprehensive documentation of eligibility and compliance, align tax positions with the scheme’s objective, and periodically review incentive utilisation to mitigate litigation risks.

### SUMMARY OF FACTS

The Government of Maharashtra introduced sales tax incentive schemes to promote industrialisation in backward areas. Incentives were linked to the gross fixed capital investment for setting up new units, with benefits structured as sales tax exemptions/deferrals after the commencement of production, rather than direct cash disbursements.

Under the schemes, Reliance Industries Ltd (RIL) and Bajaj Auto Ltd (BAL) set up new manufacturing units, obtaining eligibility for sales tax exemption of up to 80% and 90% of their respective fixed capital investments.

In both cases, the Assessing Officer treated the incentives (exempted sales tax component) as revenue receipts rather than capital receipts, as the benefits accrued only after the commencement of production.

Appeals were filed before the Income Tax Appellate Tribunal, and thereafter, the Bombay High Court.

### DECISION OF THE COURT

The Bombay High Court held that the exempted sales tax components are to be treated as capital receipts and not revenue receipts, applying the following principles:

- **Purpose test:** If the subsidy is for setting up/expanding an industrial unit, it is on the capital account; if for running the business more profitably, it is on the revenue account.
- **Form test:** Whether given in cash, through tax exemption, or any other mechanism, the form of the subsidy is irrelevant and does not affect its nature.
- **Timing test:** Even if the subsidy is received after the commencement of production, it may still be classified as a capital receipt if its purpose was to promote industrialisation.

Both schemes aimed to promote industrialisation in backward areas by incentivising the setting up of new units, and the eligibility was directly linked to fixed capital investment, not production levels or operational profits. Adjustment against sales tax liability was merely the form of disbursement, not the purpose of the scheme.

Citing *Ponni Sugars*<sup>2</sup> and *Chaphalkar Brothers*<sup>3</sup>, the Court held that the timing and manner of benefit delivery did not alter its capital nature. Incentives under both schemes were held to be capital receipts, not chargeable to tax, and the Assessing Officer’s findings were set aside.

<sup>2</sup> Commissioner of Income Tax, Madras v. Ponni Sugars & Chemicals Ltd, (2008) 9 SCC 337

<sup>3</sup> Commissioner of Income Tax-I, Kolhapur v. Chaphalkar Brothers Pune, (2018) 13 SCC 358

# The law of limitation does not apply to conciliation under the MSMED Act, 2006

## Sonali Power Equipments Pvt Ltd v. Maharashtra SEB

Supreme Court of India | 2025 SCC OnLine SC 1467

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The Supreme Court held that even a time-barred claim can be referred to conciliation under the Micro, Small and Medium Enterprises Development Act, 2006 (**MSMED Act**), as the law of limitation does not extinguish a party's underlying right to recover the amount through a settlement process. The ruling reinforces party autonomy by allowing even time-barred claims to proceed through conciliation under the MSMED Act, enabling amicable settlements that preserve commercial relationships. Businesses should proactively consider conciliation as a means to secure enforceable settlements, while also engaging early to preserve arbitration as an alternative remedy, bearing in mind that it remains subject to the law of limitation.

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### SUMMARY OF FACTS

Sonali Power Equipments Pvt Ltd (**SPEPL**) supplied goods to the Maharashtra State Electricity Board (**MSEB**) for which certain payments remained outstanding.

Owing to a delay in payments, SPEPL approached the Industry Facilitation Council constituted under the Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993, which was subsequently transferred to the Micro and Small Enterprises Facilitation Council (**Council**) upon the enactment of the MSMED Act.

The Council allowed SPEPL's claims and granted interest on the delayed payments *vide* an award, which was subsequently set aside under Section 34 of the Arbitration and Conciliation Act, 1996 (**Arbitration Act**) on the ground that the claims were barred by limitation.

Aggrieved, SPEPL approached the Supreme Court of India on the applicability of the law of limitation to conciliation proceedings and arbitration proceedings under the MSMED Act.

### DECISION OF THE COURT

The Supreme Court held that while the Limitation Act, 1963, applies to arbitration proceedings initiated under the MSMED Act, it does not apply to conciliation, given the fundamental difference in the nature of the two proceedings.

In conciliation proceedings, parties themselves resolve their dispute through a settlement, with the conciliator assisting them in reaching a compromise through guided discussions, settlement proposals, and formulating settlement terms. It is not an adversarial process involving adjudication. The settlement terms are ultimately signed by the parties, which are final and binding, and enforceable as an arbitral award.

Therefore, even a time-barred claim can be referred to conciliation, as the expiry of the limitation period bars merely the remedy, not the underlying right to recover the amount, which can be enforced through a settlement reached in the conciliatory process.

Regarding arbitration, while Section 2(4) of the Arbitration Act excludes the applicability of the Limitation Act, 1963 to statutory arbitrations, Section 18(3) of the MSMED Act provides that all provisions of the Arbitration Act shall apply to arbitrations under the MSMED Act.

Taking into account the statement and objects of the MSMED Act and the scheme for recovery of delayed payments, and that the MSMED Act is a special legislation, it was held that Section 18(4) of the MSMED Act will prevail over Section 2(4) of the Arbitration Act, and the law of limitation will apply to arbitrations under the MSMED Act.

# Non-compete employment clauses are not enforceable

## Varun Tyagi v. Daffodil Software Pvt Ltd

Delhi High Court | 2025 SCC OnLine Del 4589

The Delhi High Court has held that employment clauses restricting an employee's future employment with competing businesses are invalid and unenforceable under Indian law. While narrowly drafted restrictions aimed at safeguarding confidential or proprietary information may be upheld subject to proof of actual misuse, a blanket bar on pursuing future professional opportunities cannot be imposed merely because an employee had access to sensitive information during their tenure. The judgment affirms an employee's right to seek better opportunities while recognising that employers can protect legitimate interests through precise, reasonable covenants. Accordingly, rather than relying on broad restraints, organisations should focus on strengthening mechanisms that protect confidential information during and after employment, such as digital watermarking, encryption, enforcing strict role-based and time-bound access controls, incorporating post-exit monitoring and audits for high-risk roles, and adding clauses providing for damages for post-employment breaches.

### SUMMARY OF FACTS

Varun Tyagi was employed by Daffodil Software Pvt Ltd (DSPL) in the research and development team, *vide* an employment agreement containing a non-compete clause that restricted Tyagi from joining any competitor for 3 years post-cessation of his employment with DSPL.

Tyagi subsequently resigned and joined a competitor.

DSPL filed a suit to enforce the non-compete clause and restrain Tyagi from working with his new employer.

### DECISION OF THE COURT

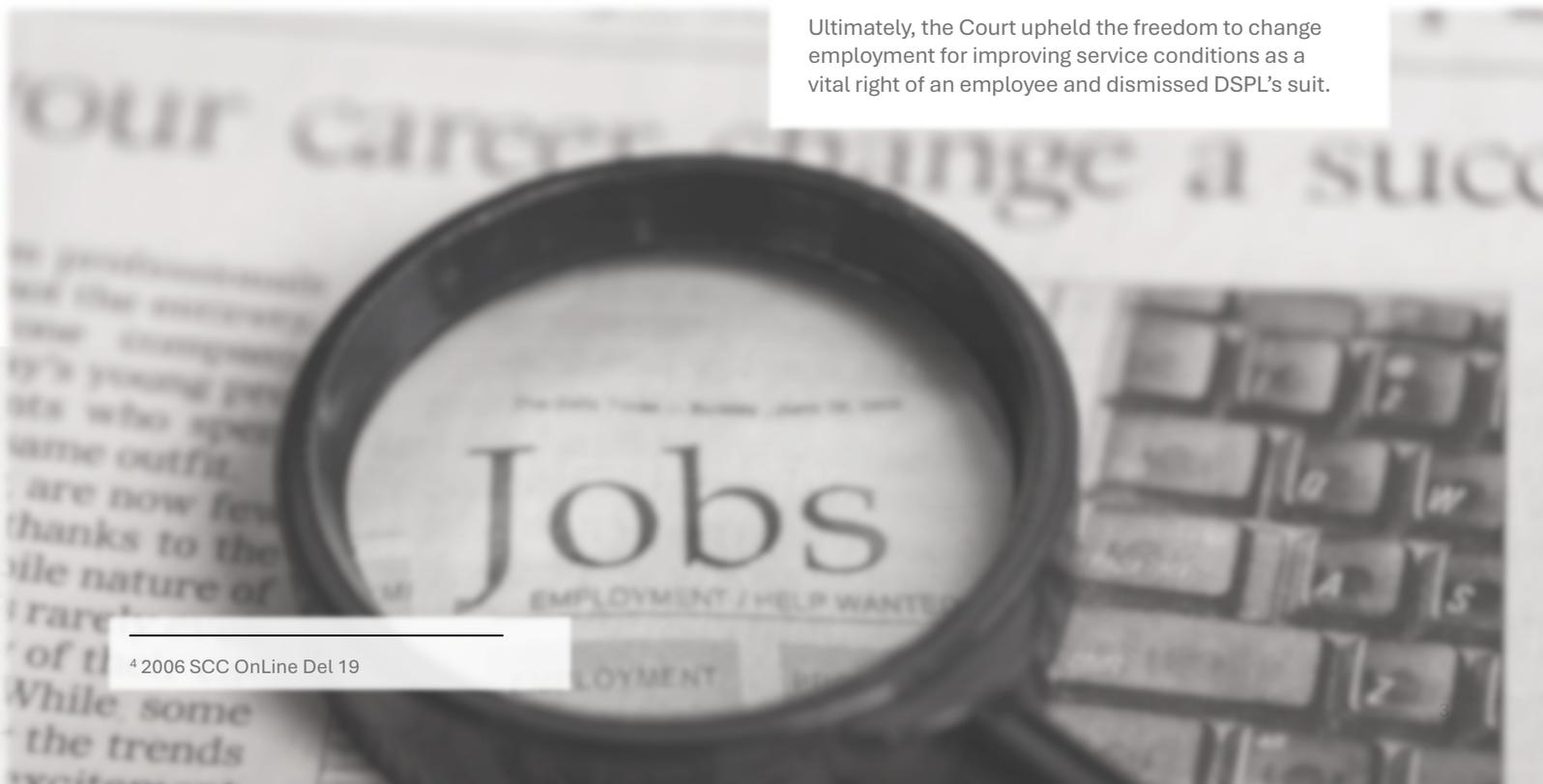
The Court held that employment terms restricting future employment are prohibited under Section 27 of the Indian Contract Act, 1872, which bars agreements in restraint of a lawful trade, profession or business.

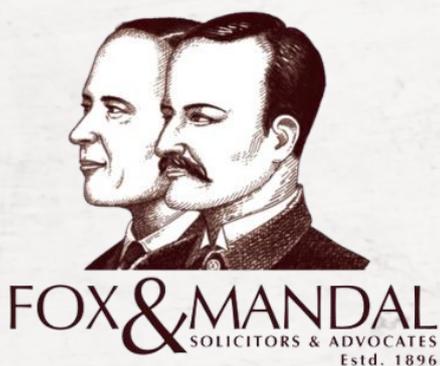
A negative post-termination covenant is permissible only for the protection of the employer's confidential or proprietary information, or to restrain the employee from soliciting the employer's clients.

Regarding confidentiality, the Court relied on *American Express Bank Ltd v. Priya Puri*<sup>4</sup> to clarify that merely having access and possession of confidential information cannot be used as a garb by the employer to perpetuate forced employment.

Ultimately, the Court upheld the freedom to change employment for improving service conditions as a vital right of an employee and dismissed DSPL's suit.

<sup>4</sup> 2006 SCC OnLine Del 19





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