



# Recent developments in India's corporate & commercial laws

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Monthly Newsletter  
March 2026

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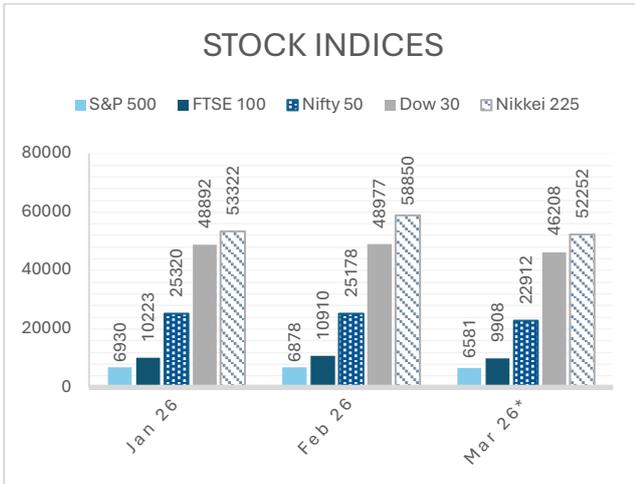
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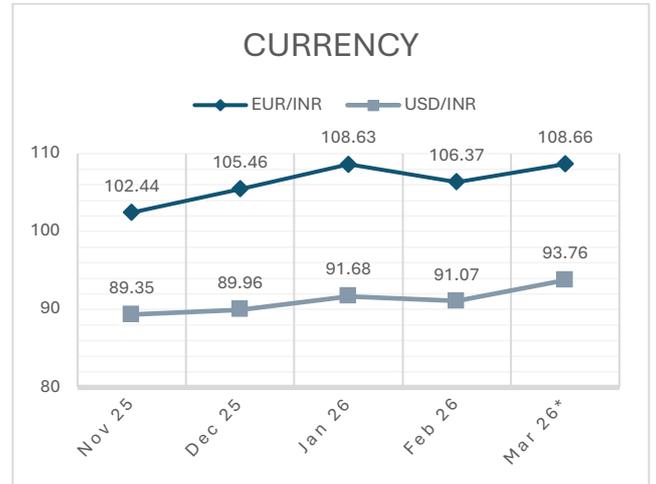
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# Indian economy | March 2026

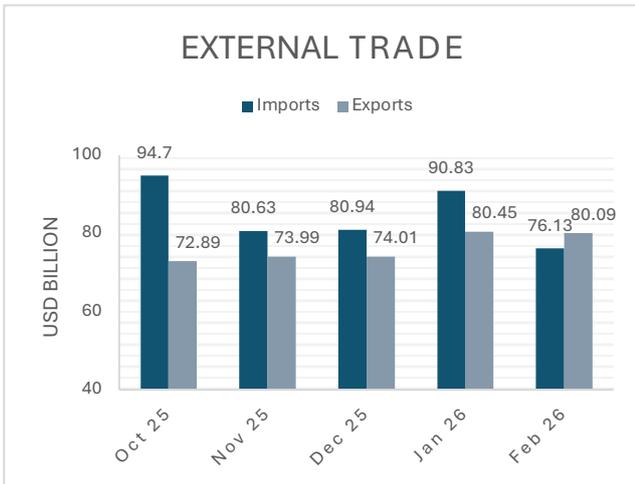
## Snapshot of key indicators



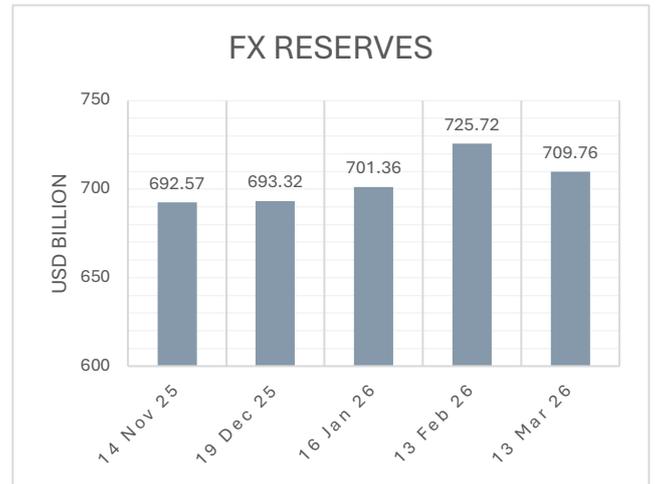
Source: S&P Dow Jones, FTSE Russel, NSE, and Nikkei



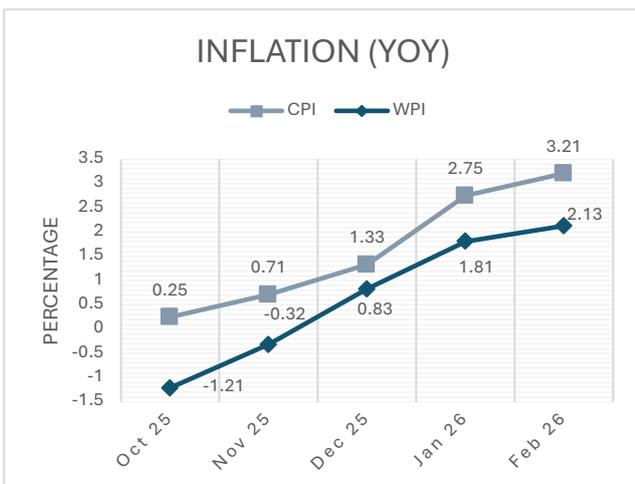
Source: Reserve Bank of India



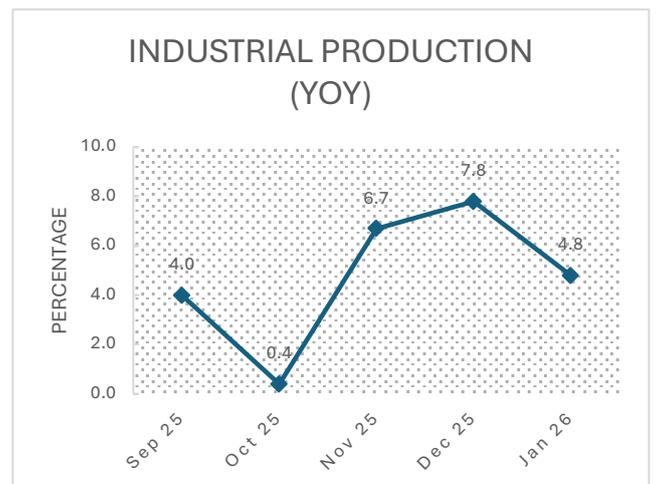
Source: Ministry of Commerce and Industry



Source: Reserve Bank of India



Source: Ministry of Statistics and Programme Implementation



Source: Ministry of Statistics and Programme Implementation

\* As per the latest available data for March 2026

# Easing FDI restrictions through clarity on beneficial ownership

## Amendment to Press Note 3

Press Note 3, which governs India's Foreign Direct Investment (FDI) policy for investments from countries sharing land borders with India, has been significantly amended to introduce greater clarity in ownership assessment and streamline approval timelines, while continuing to preserve national security safeguards.

Introduced in April 2020, Press Note 3 required prior Government approval for:

- Investments from entities incorporated in countries sharing land borders with India; and
- Investments where the beneficial owner is situated in, or is a citizen of, such countries.

While the objective was to safeguard domestic companies from opportunistic acquisitions, the absence of precise criteria for 'beneficial ownership' led to inconsistent regulatory approaches and practical challenges for global investors. In practice, even minor indirect holdings triggered approval requirements, with applications often remaining pending for extended periods.

### Key amendments

- [Alignment of beneficial ownership with the Prevention of Money Laundering Act, 2002 \(PMLA\)](#)
  - Beneficial ownership is now linked to the ultimate natural person exercising ownership or control, based on established thresholds and governance rights under the PMLA.
  - This provides a uniform reference point for investors, authorised dealer banks, and regulators, addressing long-standing interpretational inconsistencies. The clarification is particularly relevant for institutional investors and listed entities, where ownership structures are widely dispersed.
- [10% threshold and automatic route relief](#)
  - The amended framework introduces a clear threshold for beneficial ownership. Investments routed through entities not based in land-bordering countries may proceed under the automatic route, where beneficial ownership from such jurisdictions is 10% or less, and the investment does not confer control.
  - This change is expected to ease restrictions on global funds and asset managers, whose structures often include small passive investments from multiple jurisdictions.
  - The Government approval will continue to be required where an investment confers control, irrespective of ownership thresholds.



- [Time-bound approval mechanism](#)
  - A notable procedural reform is the introduction of a 60-day approval timeline for investments in identified strategic sectors.
  - The fast-track mechanism applies to sectors such as capital goods and electronic components; semiconductor and related manufacturing (including polysilicon, ingots, and wafers).
  - The initiative is aimed at supporting India's manufacturing and supply chain priorities, while providing greater certainty in deal execution timelines.
- [Additional compliance considerations](#)
  - The revised framework contemplates reporting of beneficial ownership information to the Department for Promotion of Industry and Internal Trade (DPIIT), even for investments under the automatic route.

By reducing regulatory uncertainty and streamlining transaction timelines, the amendments foster a more conducive investment environment. This recalibration of India's FDI policy thoughtfully addresses operational challenges while safeguarding core national security interests.

With the introduction of a clear beneficial ownership threshold and a more straightforward interpretational framework, the Government signals a decisive shift towards a more practical, predictable, and investor-friendly regime, striking a balanced integration of integrity and safeguards that underscore its commitment to a sustainable and secure investment ecosystem.

## RBI enhances consumer protection for digital payment frauds

### Draft Amendment Directions for 'Review of Framework of Limiting Customer Liability in Digital Transactions'

Since the issuance of the original 2017 framework on limiting the liability of customers in unauthorised electronic banking transactions, the digital payments ecosystem in India has undergone a substantial transformation – the widespread adoption of Unified Payments Interface (UPI), mobile banking, and card-based transactions has not only increased transaction volumes but also altered the nature of fraud. Notably, fraudulent activity has shifted from system-based vulnerabilities to social engineering techniques, including phishing, coercion, and deception, where customers are often manipulated into authorising transactions themselves.

Recognising the inadequacy of the existing framework to address such 'authorised but fraudulent' transactions, the Reserve Bank of India (RBI) has proposed a revised framework under the Responsible Business Conduct (RBC) Directions, 2026 that ultimately derives statutory authority under the Payment and Settlement Systems Act, 2007 and the Information Technology Act, 2000.

#### Key proposed changes

- The amendments will apply to transactions undertaken on or after July 1, 2026 across all commercial banks, small finance banks, payment banks, and cooperative banks.
- The amendments will apply to transactions involving 'trickery or coercion', thereby extending protection beyond purely unauthorised transactions to include cases of social engineering fraud, addressing a key gap arising from the shift in fraud patterns.
- Banks have the onus of establishing customer negligence, thereby reversing the earlier implicit burden of proof on the customer.
- Customers have zero liability (100% protection) in cases involving bank deficiency (such as system failures) or third-party breaches, provided such incidents are reported within 5 days.
- *Bona fide* victims of small-value fraudulent electronic banking transactions (up to INR 50,000) will be awarded compensation of 85% of the net loss (capped at INR 25,000), subject to timely reporting (within 5 days) and limited to once per lifetime.



- The 85% compensation payment is split as 65%, 10%, and 10% between the RBI, the customer's bank, and the beneficiary's bank, respectively, for net losses up to INR 29,412, while higher losses (compensated at INR 25,000) have a pre-defined contribution split. This pilot co-sharing model has been introduced for 1 year (to be reviewed thereafter).
- Banks are mandated to send real-time transaction alerts, including instant SMS (for transactions exceeding INR 500) and email alerts (for all transactions).
- Banks are mandated to examine complaints and respond within 30 days to ensure faster complaint resolution.

#### Challenges

- The introduction of partial compensation may create moral hazard risks and reduce customer vigilance in digital transactions.
- Banks may face operational challenges in distinguishing genuine cases of social engineering fraud from collusive or fraudulent claims, increasing the complexity of assessment and dispute resolution.
- The requirement for shared liability between banks may lead to coordination challenges, particularly in managing high volumes of low-value claims.
- The 'once-in-a-lifetime' compensation cap may give rise to ambiguity or perceived unfairness in cases involving multiple independent fraud incidents.

The framework reflects a clear shift towards a consumer-centric liability regime by recognising that consent obtained through deception cannot be treated as valid consent. Over time, liability may progressively shift entirely onto banks, which is likely to result in tighter safeguards such as enhanced monitoring and additional risk controls. While such measures may affect transactional convenience, they are expected to strengthen systemic security and reinforce a broader shift towards consumer protection and institutional accountability.

# Overhaul of the mutual fund classification structure

## SEBI's February 2026 Circular on mutual fund schemes

Reshaping the categorisation and rationalisation of mutual fund schemes, the Securities and Exchange Board of India (SEBI) has issued a Circular ([2026 Circular](#)) on February 26, 2026, replacing earlier provisions under the Master Circular for Mutual Funds dated June 27, 2024 ([2024 Master Circular](#)). These changes aim to simplify investor choices, enhance transparency, and ensure that mutual fund schemes are more accurately aligned with their stated objectives.

This regulatory reset not only redefines scheme categorisation but also introduces tighter portfolio norms, rationalises overlapping products, and creates new investment avenues, marking a pivotal shift for both investors and asset managers.

### Key features

- [Revised scheme categorisation](#)
  - Mutual fund schemes are now categorised into equity schemes, debt schemes, hybrid schemes, life cycle funds (a new category), and 'other schemes', a category including fund of funds and passive products such as index funds and Exchange-Traded Funds (ETFs).
  - Solution-oriented schemes, including retirement and children's funds, have been discontinued. Existing schemes must be merged into other schemes with similar risk profiles.
  - Residual portions (assets beyond core allocations) are now subject to stricter regulatory limits.
- [Equity schemes](#)
  - Several equity scheme sub-categories, including dividend yield, value, contra, and focused funds, are now required to maintain at least 80% allocation to equity and equity-related instruments, compared to the earlier 65% threshold.
  - Focused funds continue to be restricted to a maximum of 30 stocks, thereby reinforcing their concentrated investment approach.
  - Sectoral and thematic funds are now clearly distinguished, and each must allocate at least 80% of assets to the specified sector or theme.
  - Portfolio overlap between sectoral or thematic funds and other equity schemes, excluding large-cap funds, must not exceed 50%, calculated on a quarterly basis using daily averages.
  - Existing sectoral and thematic schemes are required to comply with the overlap limits over a 3-year glide path, failing which they will be subject to mandatory merger.
  - Mutual funds are now permitted to offer both value funds and contra funds simultaneously, provided that the portfolio overlap between the two does not exceed 50%.
- [Debt schemes](#)
  - Debt schemes may now introduce sectoral debt funds focused on financial services, energy, infrastructure, housing, and real estate sectors, with at least 80% of their assets invested in the chosen sector.
  - The launch of these funds is contingent upon the availability of sufficient investment-grade instruments within the sector while being exempt from the standard 20% sectoral exposure limits.
  - Infrastructure investment trusts are permitted only in ultra-short duration funds and remain excluded from overnight, liquid, low duration, and money market funds.
- [Hybrid schemes](#)
  - Hybrid schemes must continue to operate as open-ended funds with a minimum allocation of 65% to equity and equity-related instruments.
  - Investments in infrastructure investment trusts are now prohibited for hybrid schemes.
  - Debt investments within hybrid schemes are restricted to Government securities with maturities of less than 1 year or Government bond repurchase agreements.
  - These changes are intended to preserve the low-risk profile of such schemes.
- [Life cycle funds](#)
  - Life cycle funds have been introduced as a new category designed to support goal-based investing.
  - These funds are required to be open-ended with pre-determined maturities ranging from 5 to 30 years in multiples of five.
  - Life cycle funds must follow a glide path strategy that dynamically allocates investments across asset classes over time.
  - The investment universe for these funds includes equity, debt, infrastructure investment trusts, exchange-traded commodity derivatives, and gold and silver ETFs.
- [Disclosure and compliance mandates](#)
  - Mutual funds are now required to disclose category-wise portfolio overlaps for equity, debt, and hybrid schemes on their websites, using the 2026 Circular's overlap formula to ensure consistency and comparability.
  - Mutual funds are required to align nomenclature, objectives, and benchmarks without treating such changes as fundamental attributes.
  - Fund of funds with multiple underlying investments must comply with the standardised framework introduced in June 2025, specifying sub-categories, benchmarks, and launch limits per asset management company.



## Selective capital reduction is permissible

### Pannalal Bhansali v. Bharti Telecom Ltd

The Supreme Court recently held that a company is permitted to undertake selective reduction of share capital under Section 66 of the Companies Act, 2013 (**Act**), including the extinguishment of shares held by a specific class of shareholders, provided the process is approved in accordance with statutory requirements and is not shown to be unfair or prejudicial.<sup>1</sup>

Bharti Telecom Ltd, a closely held entity whose primary asset was its shareholding in a listed subsidiary, approved a scheme of capital reduction involving the cancellation and payout of shares held by identified minority shareholders, through a special resolution passed by a 99.90% majority, including a significant proportion of the affected shareholders. This was subsequently sanctioned by the National Company Law Tribunal and upheld by the National Company Law Appellate Tribunal.

The aggrieved minority shareholders challenged the reduction on grounds of unfair valuation, procedural irregularities, and lack of disclosure, contending that the process amounted to a forced exit at an unreasonably low price.

The Supreme Court upheld the capital reduction and confirmed that selective reduction, whereby shares of a particular class of shareholders are extinguished while others are retained, is legally permissible under Section 66 of the Act.

Reduction of share capital may be effected ‘in any manner’, including selective extinguishment, so long as it is approved by a valid special resolution and confirmed by the Tribunal.

A capital reduction scheme is contingent on it not being against public interest, or unfairly discriminatory or prejudicial to any class of shareholders. In this regard, the Court noted that prejudice must be something more than not receiving the desired share value – there should be an attempt to force a class of shareholders to divest themselves of their holding at a rate far below what is reasonable, fair and just.

Rejecting the objection to the valuation methodologies, the Court further clarified that valuation is not statutorily mandated, judicial interference in valuation is limited, and, as such, it cannot be rejected unless it is shown to be ‘especially unreasonable’. The application of the Discount for Lack of Marketability (**DLOM**) was justified given the absence of marketability of the unlisted shares.

The decision affirms the wide latitude available to companies in structuring capital reduction. It underscores that challenges to such schemes must meet a high threshold, requiring clear evidence of unfairness or arbitrariness, and signals judicial deference to majority-approved corporate actions in the absence of demonstrable prejudice.

<sup>1</sup> Pannalal Bhansali v. Bharti Telecom Ltd, 2026 INSC 213

# Roadmap to the future of electricity production in India

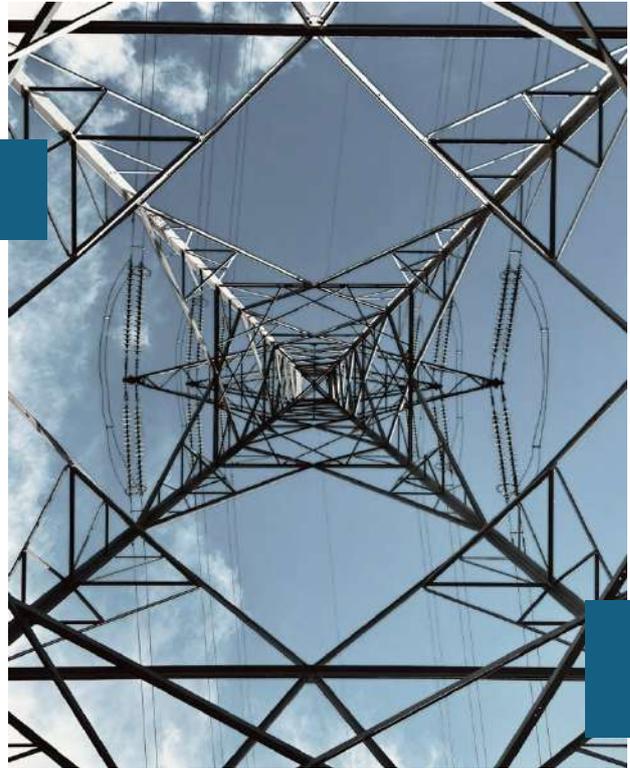
## Draft National Electricity Policy, 2026

The Ministry of Power has released the Draft National Electricity Policy (**NEP**), 2026, replacing the erstwhile 2005 Policy, which had been introduced at a time when India's power sector faced foundational challenges such as demand-supply deficits and inadequate infrastructure.

While the sector has undergone a significant transformation, persistent structural challenges – particularly the financial stress of Distribution Company (**DISCOMs**), non-cost-reflective tariffs, and cross-subsidisation – continue to impact sectoral sustainability. Addressing these new realities, the Draft NEP 2026 provides a forward-looking roadmap focused on reliability, affordability, competitiveness, and environmental sustainability.

### Key aspects

- **Long-term consumption and climate targets:** The policy aims to increase per capita electricity consumption to 2,000 kWh by 2030 and over 4,000 kWh by 2047, while aligning with India's commitments of reducing emissions intensity by 45% by 2030 and achieving net-zero emissions by 2070.
- **Resource adequacy planning framework:** DISCOMs and State Load Despatch Centres are required to prepare Utility-level and State-level Resource Adequacy Plans, which will be consolidated into a national plan by the Central Electricity Authority to ensure systematic capacity planning.
- **Tariff and financial reforms:** The policy proposes indexed tariffs, automatic annual tariff revisions in case of delays, and progressive recovery of fixed costs through demand charges to reduce cross-subsidisation and improve financial sustainability.
- **Reduction of cross-subsidy burden:** The policy contemplates exemption from cross-subsidies and surcharges for manufacturing industries, railways, and metro rail to enhance cost competitiveness.
- **Regulatory and operational flexibility:** Regulatory Commissions may exempt distribution licensees from Universal Service Obligation for consumers with loads of 1 MW or above.
- **Acceleration of renewable energy adoption:** The policy promotes renewable capacity addition through market-based mechanisms and encourages captive renewable energy projects.
- **Peer-to-peer energy trading:** It enables trading of surplus distributed renewable energy and storage through aggregators, enhancing market efficiency and consumer participation.
- **Expansion of energy storage systems:** Distribution licensees are permitted to deploy storage systems for smaller consumers, while bulk consumers can develop their own storage, supported by Viability Gap Funding (**VGF**) and promotion of battery energy storage systems and pumped storage.
- **Hydropower and water-energy synergy:** The policy emphasises storage-based hydropower development for clean energy generation alongside benefits such as flood moderation and irrigation support.
- **Integration of renewable and conventional systems:** The policy targets parity in scheduling and deviation settlement between renewable and conventional energy sources by 2030.
- **Balanced role of thermal power:** Thermal generation will continue to support grid stability, with provisions for integrating storage, repurposing older plants, and exploring alternative uses such as district cooling and industrial applications.
- **Nuclear energy expansion:** The policy supports advanced nuclear technologies, including small modular reactors, and sets a target of 100 GW nuclear capacity by 2047 to strengthen non-fossil baseload generation.
- **Transmission and market reforms:** It calls for modernised transmission systems, fair right-of-way compensation, utilisation-based connectivity, and strengthened market surveillance to support renewable integration.
- **Distribution sector modernisation:** The policy targets single-digit AT&C losses, promotes shared distribution networks, and introduces Distribution System Operators to enable integration of renewables, storage, and vehicle-to-grid systems.
- **Grid resilience and infrastructure upgrades:** It mandates N-1 redundancy in large cities by 2032, underground cabling in congested areas, and improved grid governance aligned with national grid standards.
- **Digitalisation and cybersecurity:** The policy emphasises strong cybersecurity frameworks, domestic data storage, real-time data visibility, and a transition to indigenous Supervisory Control and Data Acquisition (**SCADA**) systems and software by 2030.



## Consolidation of the capital raising framework

### SEBI's Master Circular for ICDR Regulations

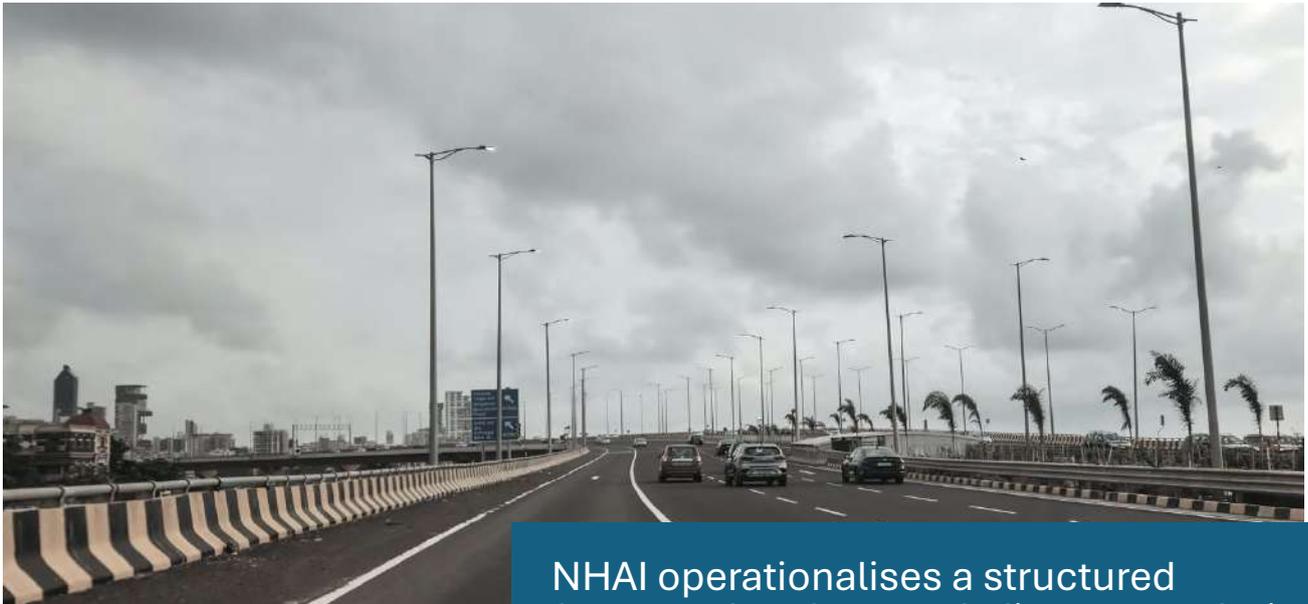
The Securities and Exchange Board of India (**SEBI**) has recently updated the Master Circular for compliance with the provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (**ICDR Regulations**), consolidating all operative circulars and directions into a single reference framework governing capital raising in the Indian securities market.

#### Key highlights

- **Monetary penalties for non-compliance:** Stock exchanges must impose monetary penalties for defaulting on the prescribed timelines for certain actions under the ICDR Regulations, including bonus issues, conversion of convertible securities, listing applications, and obtaining trading approval. Fines may extend to INR 20,000 per day until compliance, and would be credited to the Investor Protection Fund. Further, in cases of bonus issue delays, trading approval for promoters' shares may be withheld until fines are paid, though approvals for public shareholders may proceed in the investor's interest.
- **Streamlined rights issue framework:** Timelines and procedures for rights issues have been streamlined to reduce delays and uncertainty – including the requirement of advance notice to stock exchanges before the record date, completion of the issue within 23 working days of board approval, and an issue period of 7 to 30 days. Rights Entitlements (**REs**) must be credited in dematerialised form before issue opening and will be tradable on stock exchanges with T+1 settlement. Applications are permitted only through the Applications Supported by Blocked Amount (**ASBA**) mechanism, and withdrawal is not allowed after closure.



- **[Disclosure standards in offer documents:](#)** Standardised formats have been prescribed for offer documents and abridged prospectuses in terms of Regulation 34(1) and Schedule VI of ICDR Regulations. Issuers and merchant bankers must ensure disclosures are accurate and not misleading, and qualitative claims must be supported by Key Performance Indicators and quantitative data. Uniform front-page disclosures and QR codes linking to prospectus documents are required to enhance investor access and informed decision-making.
- **[Online filing system, guidelines on offer documents, and audio-visual presentation of disclosures:](#)** All filings related to public issues, rights issues, institutional placement programme, schemes of arrangement, takeovers and buybacks, and all offer documents must be filed through SEBI's Intermediary Portal. Guidelines for returning the draft offer document and its resubmission as per Schedule VI of ICDR Regulations have been issued. Audio-visual presentations of key public issue disclosures from DRHP/RHP for main board IPOs have been made mandatory to curb reliance on influencer misinformation, featuring bilingual summaries.
- **[Compensation to Retail Individual Investors \(RIIs\):](#)** A uniform framework for compensation to RIIs in case of application failures due to bank-related errors has been introduced, incorporating a formula linked to listing gains and probability of allotment.
- **[Non-Convertible Debt instruments \(NCDs\) with warrants:](#)** A streamlined procedure for issuance of NCDs together with warrants under the Qualified Institutions Placement (QIP) mechanism has been prescribed. Where the NCD component exceeds specified thresholds, issuance must be conducted through the Electronic Book Provider platform in accordance with the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021, while the warrants portion must comply with Chapter VI of the ICDR Regulations governing QIPs. Additionally, 40% of the total issue size must consist of 'warrants portion'.
- **[Framework for the process of recognition of investors for the purpose of Innovators Growth Platform:](#)** Under Regulation 283(1), eligible investors include individuals with at least INR 50 lakh annual income and INR 5 crore liquid net worth, and body corporates with a net worth of INR 25 crore. Recognition is granted by stock exchanges or depositories for a period of 3 years, subject to continued eligibility, and merchant bankers are required to conduct due diligence on Innovators Growth Platform Investors status at the time of listing.
- **[Issue Summary Document \(ISD\) and dissemination of issue advertisements:](#)** Phased roll-out of ISDs began in March 2023 for IPOs, extended to further issues for April and buybacks/delisting for May, with lead managers uploading ads in PDF on exchanges from March 1, 2023. ISDs have now been introduced in XBRL format. This standardises data disclosure for public/further issues, buybacks, open offers under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, and delisting, filed pre- and post-issue *via* stock exchanges for dissemination to depositories and public websites.
- **[Coordinated timelines:](#)** The Master Circular emphasises coordinated timelines for listing and commencement of trading of securities following public issues. Merchant bankers, registrars, stock exchanges, depositories, and bankers to the issue must synchronise activities such as finalisation of the basis of allotment, credit of securities to demat accounts, unblocking of ASBA funds, and completion of listing formalities.
- **[Use of Unified Payment Interface \(UPI\) in public issue:](#)** ASBA remains the mandatory payment mechanism for public and rights issues, requiring funds to be blocked in investor accounts until allotment. For retail investors, UPI is integrated with ASBA to improve efficiency, with strict requirements that applications be made only through the investor's own bank account or linked UPI ID. Third-party payments are prohibited, and investor details are validated in real time.
- **[Timeline for listing of shares in public issue:](#)** The Master Circular enables and reduces the time taken for listing of specified securities after the closure of public issue to a T+3 basis (T refers to the record date). The compensation to investors for the delay in unblocking of ASBA application monies (if any) shall be computed from T+3 days.
- **[Withdrawal of NOC requirement for release of issue proceeds:](#)** The Master Circular eliminates the earlier requirement that issuers obtain a no-objection certificate for release of 1% of retained issue proceeds, aligns fund release mechanisms with the updated ICDR framework, and reduces post-issue compliance burdens under Regulation 38(1) of the ICDR Regulations.
- **[Enabling T+2 trading of bonus shares:](#)** To align corporate action processing with the shortened settlement cycle in Indian markets, the Circular enables trading of bonus shares on a T+2 basis. Issuers, registrars, depositories, and stock exchanges must coordinate to ensure timely credit of bonus shares to investors' demat accounts.
- **[Redemption of Indian Depository Receipts \(IDRs\) into underlying equity shares:](#)** The Master Circular provides operational guidelines for the redemption of IDRs into underlying equity shares of the issuing company. It outlines the responsibilities of depositories, custodians, and intermediaries in facilitating conversion and transfer, while requiring compliance with applicable disclosure and procedural norms.
- **[Adjustment of differential pricing at allotment:](#)** The Master Circular clarifies the treatment of differential pricing where the final issue price differs from the application price paid by investors. Any excess or shortfall must be adjusted at the allotment stage through prescribed reconciliation mechanisms to ensure accurate settlement of investor payments. Intermediaries are required to incorporate appropriate processes within allotment and settlement systems to prevent discrepancies, thereby promoting fairness and operational consistency in price discovery outcomes.



## NHAI operationalises a structured framework to fast-track dispute resolution

### Policy Circular to implement Vivad se Vishwas-III

In a significant move to streamline dispute resolution in the highways sector, the National Highways Authority of India (NHAI) has issued a Policy Circular, laying down a detailed Standard Operating Procedure (SoP) for implementing the Vivad se Vishwas-III (VsV-III) Scheme aimed at resolving long-pending contractual disputes and unlocking substantial capital tied up in litigation.

The VsV-III Scheme builds on earlier initiatives such as VsV-II (2023), which laid the foundation for resolving contractual disputes but left several cases, particularly those involving arbitral awards and Court proceedings, outside its scope. Addressing these gaps, the present Circular establishes a structured, time-bound mechanism for dispute settlement.

#### Key features

- **Eligibility of claims**
  - **Enhanced eligibility with defined timelines:** The scheme covers arbitral awards passed up to October 31, 2025 and court orders under Sections 34 and 37 of the Arbitration and Conciliation Act, 1996 (Act) issued on or before November 30, 2025, thereby bringing previously excluded disputes within its ambit.
  - **Restriction to monetary claims:** Only disputes involving purely monetary claims are eligible under the scheme, while awards requiring specific performance are excluded to ensure clarity and ease of enforcement.
  - **Financial threshold with flexibility mechanism:** Disputes involving awards up to INR 500 crore are eligible, with an option for higher-value claims to participate by accepting settlement calculations capped at INR 500 crore, balancing fiscal discipline with incentivised participation.
  - **Exclusion of settled cases:** Cases that have already been resolved through conciliation are excluded to prevent duplication and maintain procedural integrity.
- **Digitised and time-bound processing framework**
  - **Fully digitised claims process:** The Circular introduces a digital interface through the Government e-Marketplace (GeM) platform for claim submission, processing, and settlement offers, with a deadline of March 31, 2026, enhancing transparency and administrative efficiency.
  - **Streamlined institutional framework and timelines:** The General Manager (Legal) acts as the Nodal Officer, with Technical Divisions evaluating claims within 1 week, financial scrutiny by GM (Finance) within 3 days, and final approval by the concerned Member, enabling settlement offers to be issued typically within 2 weeks.
  - **Defined response and settlement timelines:** Contractors must respond to settlement offers within 30 days, withdraw pending legal proceedings within 45 days of acceptance, and execute settlement agreements within the following 30 days, ensuring time-bound closure.
- **A binding and enforceable settlement mechanism**
  - **Binding and flexible settlement mechanism:** NHAI may modify settlement offers prior to acceptance, but once accepted, the settlement becomes binding and final, while rejected offers allow continuation of litigation.
  - **Legal enforceability of settlements:** The Model Settlement Agreement grants settlements the same legal status as an arbitral award under the Act, strengthening enforceability and stakeholder confidence.
  - **Provision for legal consultation:** Technical divisions are required to consult NHAI's legal counsel in cases involving interpretational complexities, ensuring consistency and legal robustness in decision-making.

## Landowners are not liable for developer-induced delays

### Sriganesh Chandrasekaran v. Unishire Homes LLP

In a significant ruling concerning Joint Development Agreements (**JDA**s), the Supreme Court held that a landowner cannot be held liable for construction delays caused solely by the developer under a JDA, and cannot be made jointly and severally liable for deficiency in service where the delay is entirely attributable to the developer.<sup>2</sup>

The landowners executed a JDA and a General Power of Attorney (**GPA**) authorising the developer to undertake development of a residential project. The developer obtained necessary approvals, entered into agreements with buyers, and undertook to deliver possession within a stipulated timeline. However, owing to a delay of over 6 years in completion of the project, flat buyers approached the consumer commission, which directed the developer to complete construction, deliver possession, and compensate buyers for the delay. The landowners were not held liable, constraining the flat buyers to approach the Supreme Court of India.

Noting that the entire responsibility for construction, execution of sale agreements, receipt of consideration, and delivery of possession was exclusively vested with the developer, the Supreme Court held that liability for delay must correspond to the party responsible for the obligation under the contractual framework. The landowners had no role in the construction or performance of these obligations

Further, indemnity clauses under the JDA protected the landowners from liabilities arising out of the developer's acts or omissions, and the GPA did not create a principal-agent relationship so as to fasten liability on the landowners.

In the absence of any act or omission attributable to the landowners, the Court held that delay compensation could not be imposed on them. However, it clarified that both landowners and developers remain jointly responsible for the transfer of title and execution of sale deeds in favour of purchasers.

The ruling reinforces that liability in joint development arrangements follows the contractual allocation of responsibilities and cannot be extended to landowners in the absence of their involvement in construction or delay. It underscores the importance of clear contractual structuring while limiting unwarranted liability exposure for landowners in real estate transactions.



<sup>2</sup> Sriganesh Chandrasekaran v. Unishire Homes LLP, 2026 SCC OnLine SC 279

# RBI cracks down on mis-selling and dark marketing patterns

## Draft Amendment Directions for 'Advertising, Marketing and Sales of Financial Products and Services by Regulated Entities'

Historically, regulatory guidance on the suitability and appropriateness of financial products with the customer's needs and risk profile has remained fragmented and limited in scope, predominantly focused on the distribution of insurance products.

However, the rapid proliferation of digital banking channels, third-party product tie-ups, and aggressive sales practices have exposed systemic vulnerabilities as customers are increasingly being 'nudged' or induced into purchasing complex, high-risk, or unnecessary financial products without adequate understanding. To address this, the Reserve Bank of India (RBI) has proposed a comprehensive framework governing the marketing of financial products by all Regulated Entities (REs).

### Key proposed changes

- **Enhanced scope:** The framework applies across all commercial banks, small finance banks, payment banks, cooperative banks, regional rural banks, and All-India Financial Institutions, to ensure regulatory consistency and a uniform standard of conduct across the financial ecosystem.
- **Mandatory assessment of suitability:** REs must assess whether a product aligns with a customer's financial profile, risk appetite, and needs before offering or selling it, effectively moving from a transactional to an advisory standard.
- **Strengthened consent architecture:** Consent must be explicit, informed, and product-specific. Bundled or implied consent mechanisms are not permitted, and customers must have clear visibility and control over the services and communications they subscribe to, including ease of withdrawal.
- **A 'no mis-selling' regime:** REs are expressly prohibited from engaging in mis-selling, including selling products that are unsuitable or inappropriate for a customer, even where customer consent has been obtained.
- **Prohibition on bundling and forced linkages:** REs are restricted from conditioning the sale of one product on the purchase of another (tying), or compelling customers to purchase third-party products as a condition for availing core financial services.
- **Regulation of digital interfaces and dark patterns:** Manipulative user interface practices, such as false urgency, basket sneaking, forced action, and similar tactics, are prohibited, aligning financial sector conduct with broader consumer protection standards.

- **Comprehensive governance over agents:** REs are required to implement robust frameworks governing the appointment, training, monitoring, and conduct of agents, including ensuring clear accountability and preventing misrepresentation.
- **Advertising and disclosures:** Marketing materials must be clear, factual, and not misleading, with appropriate disclosures on pricing, risks, and the RE's role in relation to third-party products.
- **Verification and feedback mechanisms:** REs must implement systems to verify, on a sample basis, whether customers have understood the product features and risks, thereby introducing a feedback loop into the sales process.
- **Formalised grievance redressal and compensation framework:** In cases of established mis-selling, REs are required to provide refunds and compensate customers for financial losses, supported by structured complaint-handling mechanisms.
- **Tighter regulation of agency and referral models:** The framework clarifies the permissible scope of agency and referral arrangements, restricts referral activities to regulated financial products, and imposes due diligence and transparency obligations on REs.

### Challenges

- The framework is likely to impose significant compliance and operational burdens, particularly in redesigning digital journeys, documenting suitability assessments, and maintaining audit trails of consent.
- REs may face challenges in supervising large and decentralised agent networks, despite being accountable for agent conduct.
- The restriction on bundled sales models may impact fee-based income streams, especially for institutions dependent on cross-selling third-party products.
- Interpretational ambiguity around concepts such as suitability and compensation for loss may lead to disputes and potential litigation.

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