

SAGUS SPEAKS



This Newsletter covers key Regulatory & Policy Updates, Government Notifications and Judicial Pronouncements.

REGULATORY AND POLICY UPDATES

SEBI Introduces Framework for Retention of Liquidation Proceeds and ‘Inoperative Fund’ Status for AIFs

The Securities and Exchange Board of India (“SEBI”), through its circular dated 16.06.2026 (“AIF Circular”)¹, has introduced a framework permitting Alternative Investment Funds (“AIFs”) and their schemes to retain liquidation proceeds beyond the end of their permissible fund life in specified circumstances.

The salient features of the AIF Circular are as follows:

- (i) Retention of liquidation proceeds: An AIF or its scheme may retain liquidation proceeds beyond the

end of its permissible fund life if any one of the following conditions are satisfied:

- (a) where the AIF or scheme has received a litigation, tax, regulatory or similar notice indicating a potential liability.
- (b) where at least 75% of the investors by value consent to retention on account of anticipated litigation or tax liabilities. In such cases the manager of AIF shall disclose the amount being retained and estimated time period for which it is proposed to be retained to the investors of the fund while seeking their consent for retention.

¹ [Guidelines for winding up of AIFs with respect to retention of proceeds and ‘Inoperative Fund’ status.](#)

- (c) where amounts are retained towards residual winding-up related operational expenses, subject to prescribed conditions and timelines. In such cases, the time period for such retention shall not exceed 3 years from the end of permissible fund life of the AIF. Further, the implementation standards for standardising the operational heads under which monies may be retained, shall be formulated by the Standard Setting Forum of AIFs in consultation with SEBI.
- (ii) All monies retained shall be invested in accordance with Regulation 15(1)(f) of the SEBI (Alternative Investment Funds) Regulations, 2012 (“AIF Regulations”).
- (iii) Whenever the liabilities are satisfied and the retained monies are distributed to the investors of the fund, the scheme shall be wound up in terms of Regulation 29 of AIF Regulations.
- (iv) **Inoperative Fund Status:** The AIF Circular also provides a mechanism for eligible AIFs to obtain an “Inoperative Fund” status. An AIF may apply for such status where one or more of its schemes have retained monies in accordance with the AIF Circular, or where it seeks to retain its registration solely in anticipation of a favourable outcome in pending litigation. Upon being categorised as an Inoperative Fund, the AIF cannot launch new schemes or charge management fees and monies so retained shall be invested in accordance with Regulation 15 (1) (f) of the AIF Regulations. Further, the inoperative fund shall apply to SEBI for surrender of its certificate of registration only after the liabilities are satisfied and the pending retained monies are distributed to the investors in all its schemes.
- (v) **Annual Reporting Requirements:** Further, AIFs that retain monies beyond their permissible fund life and AIFs designated as Inoperative Funds are required to submit an annual status report to SEBI and investors detailing retained amounts, outstanding liabilities and the status of resolution thereof.

The AIF Circular is also applicable to venture capital funds registered under the erstwhile SEBI (Venture Capital Funds) Regulations, 1996.

The AIF Circular has come into effect on the date of notification, i.e., 16.06.2026.

SEBI approves open market buy-backs, utilization of intraday borrowings by mutual funds and amendments to SDI Regulations

SEBI through its press release having no. 33/2026, dated 19.06.2026 (“Press Release”)², has notified the key decisions taken at the 214th meeting of its Board.

The Board, inter alia, approved the following:

- (i) **Re-introduction of Open Market buy-backs through stock exchanges:** The Board has approved amendments to the SEBI (Buy-back of Securities) Regulations, 2018 to re-introduce open market buy-backs through stock exchanges with effect from 01.08.2026 considering the revised taxation framework as an additional route for companies to undertake buy-backs. To undertake the buy-back, there shall be dissemination of information about open market buy-back to shareholders through electronic means in addition to making a public announcement. The open market buy-back process should be completed within 66 working days from opening of buy-back with at least 40% of funds earmarked utilized during first half of buy-back period. Buy-backs proposed to be undertaken shall be in compliance with minimum public shareholding requirements. Further, the appointment of Merchant Banker is made discretionary on part of the company for undertaking buy-back.
- (ii) **Utilization of intraday borrowings by mutual funds:** The Board has approved an amendment to the SEBI (Mutual Funds) Regulations, 2026 (“Mutual Fund Regulations”), which allows intraday borrowing to bridge pay-in/pay-out settlement timing differences, forex settlements and market-to-market payments on derivatives, over and above the existing 20% of net assets allowed for unitholder payouts. The intra-day borrowing above this limit shall only be allowed for unitholder pay-outs under Regulation 42(1) of the Mutual Fund Regulations.
- (iii) **Amendments to SDI Regulations:** The Board has approved amendments to the SEBI (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008 (“SDI Regulations”) to align the framework with the securitisation framework prescribed by Reserve Bank of India (“RBI”), which inter alia permit single-asset securitisation for RBI-regulated entities, shift the responsibility for periodic and other related disclosures to the servicer and limit the

² [Key decisions taken in the SEBI Board Meeting dated 19th June, 2026.](#)

originator's representation on the Board of Trustees of the special purpose distinct entity.

RBI notifies Reserve Bank of India (Trade Receivables Discounting System) Directions, 2026

RBI by notification dated 23.06.2026 has notified the RBI (Trade Receivables Discounting System) Directions, 2026 ("TReDS Directions")³. The TReDS Directions apply to all entities authorised by RBI to operate Trade Receivables electronic Discounting System ("TReDS") platforms under the Payment and Settlement Systems Act, 2007.

The salient features of the TReDS Directions are as follows:

- (i) Authorisation of TReDS platforms: An entity seeking authorisation to operate a TReDS platform has to obtain authorisation from the RBI in accordance with the Master Direction on Authorisation to Operate a Payment System ("PS Directions"), be incorporated in India under the Companies Act, 2013 with its Memorandum of Association authorising operation of a TReDS platform, obtain a no objection certificate from the relevant financial sector regulator and submit the application within 45 days where it is regulated by such authority, and comply with the Consolidated FDI Policy of the Government of India and applicable foreign exchange management regulations where foreign direct investment is involved.
- (ii) Capital requirements: Every applicant has to maintain a minimum net worth of INR 25 crore and submit a statutory auditor's certificate in the prescribed format under the PS Directions. Existing authorised TReDS entities must comply with this requirement by 31.03.2028 and maintain the prescribed minimum net worth on an ongoing basis.
- (iii) Scope of activities: The TReDS platform shall facilitate uploading, acceptance, bidding, discounting and settlement of invoices or bills and establish mechanisms to verify the genuineness of uploaded invoices or bills.
- (iv) Operational requirements: The TReDS Directions require the platform to, inter alia:
 - (a) Ensure that accepted factoring units have the same legal sanctity and enforceability as

physical instruments or written agreements under the applicable laws.

- (b) Execute master agreements containing provisions relating to the buyer's unconditional payment obligation, the seller's declaration regarding absence of multiple financing, and registration of assignment of receivables with the Central Registry of Securitisation Asset Reconstruction and Security Interest of India.
- (c) Undertake customer due diligence of buyers in accordance with the applicable know your customer directions.
- (d) Verify that sellers qualify as Micro, Small and Medium Enterprises ("MSME") and ensure that payments are credited only to the seller's bank account.
- (e) Facilitate transparent bidding by multiple financiers and enable assignment of receivables, intimation to banks and payment by the buyer to the financier on the due date.
- (f) Permit further discounting or re-discounting of factoring units by financiers, subject to applicable RBI directions.
- (g) Ensure that factoring units discounted through TReDS are on a "without recourse" basis to the seller and that defaults by buyers shall not be the responsibility of the TReDS platform.
- (h) Permit financiers to avail insurance and guarantee facilities, subject to the conditions prescribed under the TReDS Directions.
- (i) Maintain custody of all master agreements executed on the platform.
- (v) Clearing and settlement: The TReDS platform shall facilitate settlement between financiers and sellers and between buyers and financiers through any authorised payment system. The settlement mechanism may also be used for both financed and unfunded transactions and related functionalities such as insurance premium collection, claim settlement and payment of fees or commissions.
- (vi) Reporting requirements: Every authorised TReDS entity shall submit returns to RBI in accordance

³ [Reserve Bank of India \(Trade Receivables Discounting System\) Directions, 2026.](#)

with the reporting requirements prescribed under the annexure to TReDS Directions.

The TReDS Directions have come into force on the day they were notified, i.e., 23.06.2026.

RBI notifies Reserve Bank of India (Credit Derivatives) Directions, 2026

RBI by notification dated 25.06.2026 has notified the RBI (Credit Derivatives) Directions, 2026 (“CD Directions”)⁴ to supersede the Operational Instructions - Transactions in Credit Default Swap (CDS) by Foreign Portfolio Investors dated 10.02.2022 (“Earlier Directions”).

The salient features of the CD Directions are as follows:

- (i) **Applicability:** The CD Directions apply to all credit derivative transactions undertaken in the Over-the-Counter (“OTC”) market and on recognised stock exchanges in India. Residents and persons resident outside India may participate in the credit derivatives market to the extent permitted under the CD Directions. The CD Directions apply prospectively to all transactions entered into after their commencement, while existing transactions shall continue to be governed by the Earlier Directions until expiry of the respective contracts.
- (ii) **Permitted products:** Market-makers and users may undertake transactions in Credit Default Swaps (“CDS”) and Total Return Swaps (“TRS”) subject to the conditions prescribed under the CD Directions.
- (iii) **Market-makers and User Classification:**
 - (a) Scheduled commercial banks (excluding Small Finance Banks, Payment Banks, Local Area Banks and Regional Rural Banks), Standalone Primary Dealers, Upper- and Middle-Layer Non-Banking Financial Companies (“NBFCs”) and specified financial institutions shall be eligible to act as market-makers.
 - (b) Users shall be classified by market-makers as either retail or non-retail. The CD Directions prescribe the categories of entities eligible to be classified as non-retail users, including regulated financial institutions, AIFs, Foreign Portfolio Investors (“FPIs”), and eligible resident companies with (a) minimum net worth of INR 500 crore; or (b) minimum turnover of

INR 1,000 crore, as per the latest audited financial statements.

- (iv) **Participation framework for CDS and TRS:** Resident retail users (other than individuals) may purchase CDS or TRS contracts only for hedging purposes, whereas non-retail users may undertake such transactions without any restriction on purpose. Specified regulated entities, including insurance companies, pension funds, mutual funds, AIFs and FPIs, may act as protection sellers in CDS transactions subject to the conditions prescribed under the CD Directions and approval of their respective regulators, wherever applicable. Market-makers shall not offer CDS or TRS contracts to individuals. The CD Directions prescribe specific conditions governing participation of persons resident outside India, including FPIs, in TRS transactions, investment limits, settlement requirements, and restrictions on eligible reference assets.
- (v) **Reference entities and eligible instruments:** The CD Directions permit resident entities issuing eligible debt instruments to act as reference entities. Money market debt instruments, rated INR corporate bonds and debentures, specified unrated infrastructure bonds and bonds with call/put options shall be eligible as reference obligations or reference assets. Structured obligations, asset-backed securities and mortgage-backed securities shall not qualify as eligible reference obligations or reference assets.
- (vi) **Operational requirements:**
 - (a) The CD Directions prohibit market participants from entering into CDS or TRS transactions where the reference entity is a related party to either counterparty, except where the counterparties are government-related entities. Further, market participants shall not undertake credit derivative transactions where regulatory restrictions prohibit them from assuming similar exposures in the cash market or where such transactions violate any applicable regulatory restriction.
 - (b) Market participants may exit credit derivative contracts by unwinding the contract with the original counterparty or assigning the contract to another eligible market participant through novation in accordance with the applicable RBI framework. The CD Directions further permit bilateral settlement or settlement through an RBI-approved clearing and settlement arrangement. Credit derivative contracts may be

⁴ [Reserve Bank of India \(Credit Derivatives\) Directions, 2026.](#)

cash settled, physically settled or, in the case of CDS contracts, settled through auction. TRS contracts undertaken by persons resident outside India, other than FPIs, shall be cash settled.

- (c) The CD Directions require market makers to ensure that users entering into credit derivative transactions for hedging purposes have an underlying exposure to the relevant reference asset or reference obligation. Further, the notional amount of the credit derivative contract shall not exceed the face value of the underlying exposure and the tenor of such contract shall not extend beyond the maturity of the underlying exposure or the immediately succeeding standard CDS or TRS maturity date. Users shall exit their hedging positions within one month of ceasing to hold the underlying exposure.
- (vii) Standardisation of contracts: The CD Directions require the Fixed Income Money Market and Derivatives Association of India to specify settlement basis and market conventions for credit derivative contracts based on international best practices. The CD Directions also require CDS contracts to constitute a direct claim against the protection seller and prohibit contractual terms that permit unilateral cancellation by the protection seller, delay credit event payments or provide recourse against the protection buyer for credit event losses.

(viii) Directions for exchange traded credit derivatives:

- (a) Recognised stock exchanges may offer standardised single-name CDS contracts and CDS contracts on credit indices with guaranteed settlement. Exchanges shall obtain prior approval of the RBI for product design, any modification thereto, eligible participants, and other related features. SEBI shall prescribe the operational guidelines for execution and settlement of such contracts. Exchange-traded CDS contracts shall reference only eligible entities and obligations specified under the CD Directions. Credit indices shall comprise only eligible debt instruments and shall be published or administered in accordance with the framework prescribed by the RBI or SEBI, as applicable. Retail users may participate in exchange-traded CDS only for hedging purposes. Such users shall: (a) hold exposure to the eligible reference obligation or the underlying debt instrument(s) forming part of

the credit index; (b) not purchase CDS contracts exceeding the face value of the reference obligation held by them; and (c) not purchase CDS contracts with a tenor extending beyond the maturity of the reference obligation or the immediately succeeding standard CDS maturity date.

- (b) FPIs may participate in exchange-traded CDS as protection buyers or protection sellers, subject to the conditions prescribed under the CD Directions. Exchanges shall report the gross notional amount of protection sold by FPIs to Clearing Corporation of India Limited on a daily basis or at such intervals as may be specified by the RBI. Further, FPIs shall not sell protection through CDS contracts where the reference obligation comprises specified short-term debt instruments or indices referencing such instruments.
- (c) Exchanges may offer futures contracts on credit indices with guaranteed settlement, subject to prior approval of the RBI. Such contracts shall use only eligible credit indices constituted and administered in accordance with the requirements prescribed under the CD Directions and the applicable directions issued by SEBI. FPIs participating in futures on credit indices shall be subject to comply with the prescribed investment limits for corporate debt securities. Further, the aggregate gross short position of an FPI shall not exceed its consolidated long position in eligible corporate debt securities and futures on credit indices. FPIs shall also not participate in futures contracts where the underlying credit index includes money market debt instruments or specified short-term debt instruments.

The CD Directions have come into force, since the day they were issued, i.e., 25.06.2026.

GOVERNMENT NOTIFICATIONS

MCA issues relaxation for delayed filing of Form DPT-3

The Ministry of Corporate Affairs (“MCA”), by circular dated 19.06.2026⁵, has granted relaxation in payment of additional fees for delayed filing of Form DPT-3 (Return of Deposits) for the financial year ended 31.03.2026.

⁵ Relaxation in paying additional fees in case of delay in filing DPT-3 for Financial Year ended on 31 March 2026 up to

31st July 2026-reg.

The due date for filing Form DPT-3 for the financial year 2025-2026 continues to remain 30.06.2026. However, considering the capacity enhancement/ restoration activities being undertaken at the Data Centre following the fire incident that occurred on 05.06.2026, MCA has permitted companies to file Form DPT-3 without payment of additional fees up to 31.07.2026.

JUDICIAL PRONOUNCEMENTS

Supreme Court holds that a person seeking specific performance under the Specific Relief Act needs to specifically aver and prove his continuous readiness and willingness to perform his obligations

Supreme Court through its judgement dated 23.06.2026 in the matter of Mohammed Khaleel (D) Through LRs & Ors. 6v Jayamma held that a person seeking specific performance under The Specific Relief Act, 1963 (“Specific Relief Act”) needs to specifically aver and prove his continuous readiness and willingness to perform his obligations.

The court also observed that as per Section 16 (c) of the Specific Relief Act, the term ‘readiness’ refers to the financial capacity, and the term ‘willingness’ reflects the conduct and intention of the party seeking relief to perform the contract. In addition to this the Court also reiterated that continuous readiness and willingness to perform the part of the contract is a condition precedent to grant a relief of specific performance.

High Court of Delhi holds that specific contractual provisions prevail over general contractual provisions

The High Court of Delhi, through its judgment dated 22.06.2026 in *Grew Energy Private Limited v. NTPC Renewable Energy Limited*⁷, held that where a specific provision governs a particular default, recourse must be had to such provision in preference to general provision.

NTPC Renewable Energy Limited (“NTPC”) had awarded contracts for supply of Solar PV Modules to Grew Energy Private Limited (“Grew”). Although Grew accepted the Notifications of Award, it failed to execute the formal contract agreement and furnish the Contract Performance Guarantee (“CPG”). Thereafter, NTPC *inter alia* terminated the awards, encashed the bid security, issued a fresh tender and suspended Grew from participating in future tenders for six months. Grew challenged the termination notice contending that, failure

to execute the contract agreement or furnish the CPG only entitled NTPC to annul the awards and forfeit the bid security.

The Court observed that NTPC had invoked Clause 42.0 of the General Purchase Conditions (“GPC”) and terminated the contract however Clause 34.0 of the Special Purchase Conditions (“SPC”) prescribed the consequence for failure to execute the contract agreement and furnish the CPG, which was annulment of the award and forfeiture of the Bid Security. Accordingly, held that NTPC could not invoke Clauses of the GPC for the same default. Consequently, the Court set aside *inter alia* the termination notice to the extent it was founded on the GPC as provisions in the SPC prevailed over the provisions in the GPC.

High Court of Delhi holds that reasonable and limited restriction does not violate Article 14 or 19 of the Constitution

The High Court of Delhi, through its judgment dated 19.06.2026 in *M/s EG Communications Pvt. Ltd. & Ors. v. Election Commission of India & Ors.*⁸, dismissed a challenge to the directions prohibiting political advertisements at Delhi Metro stations during the operation of the Model Code of Conduct (“MCC”) on the ground that it is not violative of Articles 14 and 19 of the Constitution of India, 1949 (“Constitution”).

M/s EG Communications Pvt. Ltd. (“EGC”), who held advertising licences, challenged the insertion of a clause prohibiting political advertisements at the Delhi Metro stations during the operation of the MCC period, contending that it was arbitrary, discriminatory and violative of Articles 14 and 19 of the Constitution.

The Court held that the restriction was reasonable and limited to political advertisements during the MCC period and did not prevent EGC from carrying on their advertising business otherwise. EGC is free to display advertisements that are not political in nature, even during operation of the MCC. It further held that letters and instructions by the Election Commission under Article 324 of the Constitution are binding. Accordingly, the appeal was dismissed.

High Court of Delhi holds that writ jurisdiction cannot be invoked to bypass statutory remedies

The High Court of Delhi, through its judgment dated 17.06.2026 in *Anuj Goyal v. National Company Law Tribunal, New Delhi & Ors.*⁹, dismissed a writ petition by holding that High Courts ought to ordinarily refrain from invoking their extraordinary jurisdiction under

⁶ Civil Appeal No. 2187 of 2011

⁷ W.P.(C) 8148/2026

⁸ LPA 16/2020

⁹ W.P.(C) 8240/2026

Articles 226 and 227 of the Constitution, where proceedings are pending before the competent tribunal.

Mr. Anuj Goyal, a homebuyer and member of the Committee of Creditors, had filed a transfer application before the National Company Law Tribunal (“NCLT”). However, since Mr. Anuj Goyal was under the impression that the the transfer application would become infructuous if the NCLT pronounced orders on the resolution plan, he approached the High Court seeking urgent intervention.

The Court held that Mr. Anuj Goyal had already availed alternative statutory remedies and had approached multiple forums seeking substantially similar reliefs. The Court further held that since there existed other remedies, the petition was devoid of merit. Therefore, the High Court dismissed the writ petition with costs by holding that the petition amounted to forum shopping.

High Court of Delhi held that a garnishee order cannot be passed in the absence of a crystallised or admitted liability

The High Court of Delhi, through its judgment dated 15.06.2026 in *NBCC India Limited v. GNC Infra LLP & Anr.*¹⁰, allowed a petition challenging an order directing NBCC India Limited (“NBCC”) to deposit the suit amount before the Trial Court, holding that a garnishee order cannot be passed unless there exists a crystallised or admitted liability of the garnishee towards the judgment-debtor.

In the present matter, the principal question that arose for consideration was whether, in the absence of any crystallised liability, the Learned Trial Court was justified in directing NBCC to deposit the suit amount in the form of a Fixed Deposit Receipt (“FDR”) before the Learned Trial Court.

The Court observed that a garnishee is, in law, a debtor of the judgment-debtor. A decree holder may proceed against a garnishee only where the judgment-debtor has an enforceable right to recover its debt from the garnishee. Where the garnishee has not admitted the debt, the Court cannot compel the garnishee to deposit any amount on account of the judgment-debtor. In addition to this the Court also held that, since the suit was still pending and NBCC had neither admitted nor incurred any crystallised liability, the direction to deposit the suit amount was unsustainable. Accordingly, the impugned order was set aside.

¹⁰ CM(M) 1181/2022

¹¹ RSA 17/2025

High Court of Delhi dismisses a Regular Second Appeal under Section 100 of CPC as not maintainable in the absence of a substantial question of law

The High Court of Delhi, through its judgment dated 16.06.2026 in *Smt. Khatiza Begam v. Ms. Salma Khan*¹¹, dismissed a Regular Second Appeal under Section 100 of the Code of Civil Procedure, 1908 (“CPC”), by relying on the settled law that the jurisdiction of the Second Appellate Court is confined to cases involving a substantial question of law and cannot be invoked for re-appreciation of evidence or factual findings.

The instant second appeal arose from a decree for possession passed in favour of Ms. Salma Khan by the First Appellate Court. Smt. Khatiza Begam challenged the findings on ownership, possession and appreciation of documentary evidence.

The Court held that the First Appellate Court had comprehensively examined the evidence on record and concluded that Ms. Salma Khan had established a better possessory title than Smt. Khatiza Begam. The grounds urged in the second appeal were found to be purely factual and aimed at seeking re-appreciation of evidence. Since no substantial question of law arose for consideration, the Court being the Second Appellate Court held that the second appeal was not maintainable under Section 100 of CPC and accordingly dismissed it.

High Court of Delhi held that there is no mandatory requirement of filing an application seeking liberty to file a replication under Order VIII Rule 9 of CPC where it is necessary to respond to new pleas raised in the written statement

The High Court of Delhi, through its judgment dated 15.06.2026 in *Sunita v. Bajinder Kumar*¹², dismissed a petition challenging the Trial Court’s order permitting *inter alia* the filing of a replication under Order VIII Rule 9 of the CPC, holding that leave to file a replication may be granted where it is necessary for effective adjudication of issues.

In the present matter, Ms. Sunita contended that the Trial Court had mechanically permitted the filing of the replication without any application seeking leave to place the same on record.

The Court observed that while a replication cannot ordinarily be filed as a matter of course, there is no mandatory requirement that leave must be sought through a separate application. It is further clear that the replication is required to be placed before the Court and

¹² CM(M) 169/2026

the Court, upon due application of mind, may either grant or decline such leave. Therefore, the Court held that, since the Trial Court in the present matter had considered Mr. Bajinder Kumar's explanation and found the replication necessary for proper adjudication of the dispute, no interference under Article 227 of the Constitution of India, 1949 was warranted. Accordingly, the petition was dismissed.

High Court of Calcutta affirms that trade license cannot be insisted upon as a precondition for registration of a partnership firm of advocates

The High Court of Calcutta in the matter titled as *Dr. Arjun Chowdhury v. State of West Bengal & Ors.*¹³, through its judgement dated 18.06.2026, held that the Registrar, Office of the Registrar of Firms, Societies and Non-Trading Corporations ("Registrar") cannot insist upon production or submission of a trade licence as a precondition for registration of a partnership firm formed for carrying on the professional practice of law. The Court observed that once the requirements under Section 58 of the Indian Partnership Act, 1932 ("Act") are duly complied with, Section 59 of the Act casts a statutory obligation upon the Registrar to register the firm.

In the present matter, the Petitioner, an advocate by profession and partner of M/s Pinava Legal, an unregistered partnership firm of advocates, challenged the refusal of the Respondent authorities to register the firm under the Act, on the ground of non-production of a trade licence. The Petitioner contended that all requirements under Section 58 of the Act had been complied with and that the Act does not prescribe submission of a trade licence for registration of a partnership firm. Pursuant thereto, the Registrar contended that production of an initial and current trade licence formed part of the comprehensive list of documents required for registration.

The Court observed that Section 58 of the Act lays down the mode and requirements for registration of a partnership firm and does not provide for production or submission of a trade licence. The Court further observed that where the Registrar is satisfied that the requirements of Section 58 of the Act have been duly complied with, Section 59 of the Act mandates registration of the firm. While relying on administrative guidelines, the Court found that no provision of the Bengal Partnership Rules, 1933 had the requirement of submitting a trade licence for registration of a partnership firm formed for carrying on the legal profession. The Court further held that even if such a requirement were contained in the guidelines, the same must be in accord with the parent statute and cannot travel beyond it. Accordingly, the Court directed the Registrar to process the Petitioner's application.

¹³ WPA/805/2026

Karnataka High Court held that a public servant assuming charge of a statutory office cannot evade responsibility for pending proceedings by attributing defaults to their predecessor

The High Court of Karnataka, through its judgment dated 15.06.2026 in *Sri. Shivakumar C.L. v. State Information Commissioner & Anr.*¹⁴, dismissed a writ petition challenging the Karnataka Information Commission's orders imposing penalty under the Right to Information Act, 2005 ("RTI Act").

In the present case, Sri. Shivakumar C.L., was transferred and posted as Secretary of the Bangalore Development Authority on 07.05.2025 and assumed charge on 08.05.2025. The RTI Application was filed on 06.02.2023 and the first appeal had been preferred on 09.03.2023 which was much prior to the assumption of office by Sri. Shivakumar C.L. Therefore, it was contended by Sri. Shivakumar C.L. that all actions, omissions and decisions relating to the RTI proceedings during the said period were attributable exclusively to the predecessors.

The Court observed that a public servant assuming charge of a statutory office cannot ignore pending proceedings merely because they originated during the tenure of his predecessor. Since Sri. Shivakumar C.L. failed to attend the proceedings before the Karnataka Information Commission or ensure compliance even after assuming charge, the continued default was attributable to his own inaction. In addition to this the court also observed that proceedings under the RTI Act are not mere administrative communications that may be ignored at the discretion of public authorities. The efficacy of the statutory framework established under the RTI Act depends substantially upon the cooperation of Public Information Officers and First Appellate Authorities with the Commission. Non-participation in proceedings before the Commission strikes at the very foundation of the mechanism created by Parliament for ensuring transparency and accountability in public administration. Accordingly, the Court upheld the Karnataka Information Commission's orders and dismissed the writ petition.

NCLT Kolkata held that acknowledgment of liability by Principal Borrower extends limitation period for Personal Guarantor

The NCLT, Special Bench, Kolkata through its judgment dated 18.06.2026, in *Indian Bank vs. Santosh Jhawar, Personal Guarantor of M/s Burgundy Life Style Pvt.*

¹⁴ WP No. 15040 of 2026

*Ltd.*¹⁵, held that an acknowledgment of liability by Principal Borrower extends the limitation period for Personal Guarantor and maintainability of a Section 95 proceeding is not conditioned upon prior initiation of Corporate Insolvency Resolution Process (“CIRP”) against the Principal Borrower.

In the present matter, Indian Bank (“Financial Creditor”), had sanctioned working capital facilities to M/s Burgundy Life Style Pvt Ltd. (“Principal Borrower”) and to secure such facilities, a Deed of Guarantee was executed by, inter alia, Mr. Santosh Jhawar, personal guarantor (“PG”). The Financial Creditor filed an application under Section 95 of the Insolvency and Bankruptcy Code, 2016 (“IBC”) read with Rule 7(2) of the Insolvency and Bankruptcy (Application to Adjudicating Authority for Insolvency Resolution Process for Personal Guarantors to Corporate Debtors) Rules, 2019 (“Personal Guarantor Rules”) against the PG, pursuant to which the Resolution Professional submitted his report under Section 99 of IBC recommending initiation of insolvency resolution process against the PG. The PG opposed the petition on, inter alia, grounds of limitation that the default admittedly occurred on 31.03.2016 and last settlement proposal was made on 21.05.2019, however, the petition was filed on 10.06.2024.

On the ground of limitation, NCLT held that liability of guarantor is co-extensive with the Principal Borrower and an acknowledgment of liability by Principal Borrower extends limitation period for PG. NCLT noted that since letters of One Time Settlement were issued by Principal Borrower even on 06.03.2020 and Principal Borrower had acknowledged debt in its audited balance sheets for FY 2019-20 and 2021-22 even though it does not contain the name of the Financial Creditor, the petition has been filed within limitation period of three years. Further, on the ground of no prior initiation of CIRP against the Principal Borrower, NCLT held that the maintainability of a Section 95 proceeding is not conditioned upon prior or parallel initiation of CIRP against the Principal Borrower, and consequently, no explanation is warranted for the Financial Creditor's choice to proceed directly against PG.

Accordingly, NCLT admitted the application and initiated CIRP against the PG.

¹⁵ I.A. (IB) No. 1690/KB/2024 in C.P. (IB) No. 193/KB/2024

ABOUT SAGUS LEGAL

Sagus Legal is a full-service law firm that provides comprehensive legal advisory and advocacy services across multiple practice areas. We are skilled in assisting businesses spanning from start-ups to large business conglomerates including Navratna PSUs, in successfully navigating the complex legal and regulatory landscape of India. Our corporate and M&A, dispute resolution, energy, infrastructure, banking & finance, and insolvency & restructuring practices are ranked by several domestic and international publications. We also have an emerging privacy and technology law practice.

**Delhi Office:**

Ground Floor, B-7/8
Safdarjung Enclave, Delhi-110029

Gurugram Office:

I-46, Emaar Emerald Hills,
Sector 65, Gurugram – 122001

Email: info@saguslegal.com**Phone No.:** +91 1146552925**Website:** <https://www.saguslegal.com/>**Satellite Office:**

Bhubaneswar, Odisha

The contents of this Newsletter are for general information only. It shall not be construed as legal advice. For any specific legal or factual query/ opinion, kindly obtain appropriate professional advice.