

# ORBIT'S

# LEGAL PULSE



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*Don't decrease the goal.  
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# Policy Insights



## Balancing Growth and Rights: Maharashtra's New Labour Law Amendments

The latest action by the Maharashtra government to extend working hours was taken by the Maharashtra Cabinet on 4<sup>th</sup> September 2025, which approved amendments to the Factories Act, 1948, and the Maharashtra Shops and Establishments Act, 2017. These amendments permit private sector employees to work a 10-hour workday and factories to have a potential 12-hour workday, provided workers give their consent and to double overtime pay.

The amendments will be made to the Factories Act, 1948, and the Maharashtra Shops and Establishments (Regulation of Employment and Conditions of Service) Act, 2017. Key aspects are as under:

- **10-Hour Workday for the Private Sector:**

Under the revised framework, employees in shops and establishments with 20 or more workers will now be allowed to work up to 10 hours a day, compared to the earlier cap of 9 hours. The overtime ceiling has been raised from 125 to 144 hours, while emergency duty hours may extend to 12.

- **12-Hour Workday for Factories:**

For factories, the maximum workday can go up from 9 to 12 hours under specific conditions, with rest breaks permitted after six hours instead of five. The overtime limit for factory workers has also been enhanced from 115 to 144 hours per quarter, but crucially, written consent from workers will be mandatory before they are asked to work overtime.

- **Consent for Overtime:**

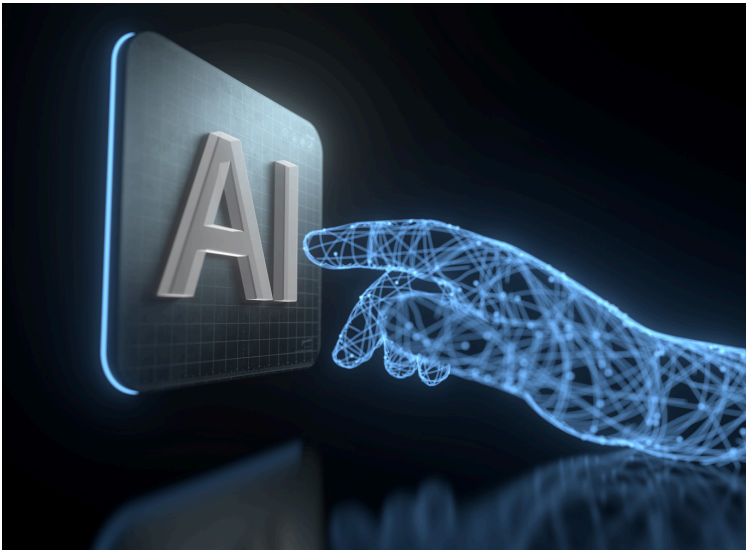
As per the revised framework, in case a worker is to be engaged overtime, written consent of the workers' is required.

- **Exemptions for Small Establishments:**

The government has also provided relief to smaller establishments. Units employing fewer than 20 workers will no longer be required to register under the Act, although they will still need to notify the authorities. This measure is expected to reduce compliance burdens on small businesses.

### **Government Rationale:**

As per the state government, the rationale behind these amendments is multifold including to attract investment and stimulate economic growth, to provide industries with greater flexibility in operations, and to encourage more employment opportunities. At the same time, measures such as mandatory consent and double overtime pay are being emphasized as safeguards to protect workers' rights and to avoid the exploitation. Overall, the amendments seek to strike a balance between the demands of a growing economy and the rights of employees, aligning Maharashtra's labour laws with contemporary industry practices while ensuring worker welfare remains the core objective.



## **RBI framework: Enabling AI in the financial sector in a responsible and ethical manner**

In August 2025, the Reserve Bank of India (RBI) appointed committee published a thorough report on the application of artificial intelligence (AI) in the banking industry. With the title "Framework for Responsible and Ethical Enablement (FREE) of Artificial Intelligence," it covers important topics including technological risk, governance and controls, operational risks, resilience, and IT outsourcing. The paper is the outcome of lengthy discussions between the committee and other stakeholders with the goal of obtaining a variety of

viewpoints regarding the prospects, difficulties, and adoption of AI in the financial services industry. Government leaders, business organizations, policymakers, and eminent academics are among those contacted.

### **Analysis:**

The first section of the study outlines the main advantages and disadvantages of implementing AI in the banking industry. After that, it looks at the state of AI policy around the world, the strategies used by different nations, and analysis of two surveys carried out by the Department of Supervision (DoS) and the FinTech Department (FTD). Through seven guiding principles, or "sutras," it also presents a framework for the ethical deployment of AI:

- (i)Trust,
- (ii)People First,
- (iii)Innovation,
- (iv)Fairness,
- (v)Accountability,
- (vi)Explainability, and
- (vii)Resilience.

Structured around six pillars: **Infrastructure, Policy, Capacity, Governance, Protection, and Assurance**—these concepts are converted into practical suggestions for regulators, governmental agencies, self-regulatory organizations (SROs), and regulated firms. Data infrastructure and governance for the financial industry, innovation sandboxes, domestic AI models for financial services, AI policy and governance, risk management, consumer protection, liability management, and cybersecurity are some of the main areas of focus.

Furthermore, by facilitating more trustworthy digital marketplace tools and more equitable AI-driven credit evaluations, the Report may also help MSMEs by strengthening the Open Network for Digital Commerce (ONDC) and Open Credit Enablement Network (OCEN). Small firms may benefit from increased visibility and financial access as a result, and the report's focus on accountability and transparency helps reduce the possibility of bias and abuse.

### **Conclusion:**

In conclusion, the RBI has created the conditions for AI adoption that is not only technologically sophisticated but also moral, inclusive, and resilient by fusing enabling infrastructure, explicit governance demands, and a forward-looking regulatory tone. The sector's capacity to overcome significant resource and capability constraints will be put to the test in the upcoming phase. If properly executed, FREE-AI has the potential to establish India as a global leader in creating a financial ecosystem that fosters advanced AI without undermining public confidence.

# Emerging Trends



## Insight on Project Finance Direction- Land Acquisition

In order to revamp the infrastructure financing, Reserve Bank of India has released the **Project Finance Directions 2025 (“Directions”)**, to establish a robust and milestone-based framework for Project Finance, effective from **October 01, 2025**. The Directions cover various concepts including financial closure, credit events, regulated entities etc. Among the various strategic mandates, the Directions emphasise on advance land acquisition which is one of the most consequential elements in Project Finance but often understated.

Infrastructure projects in India have often experienced delays due to delay in land availability and acquisition. These delays not only escalate the project costs incurred but also erode investor’s confidence and put strain on public resources. The Direction has very well identified this concern and made the advance land acquisition as a prerequisite for financial closure, positioning it as a non-negotiable aspect of project construction readiness.

### **Regulatory Shift Towards Pre-Project Land Security :**

As per the Directions 2025, the Lender (particularly Regulated Entities) are directed to appraise projects only after ensuring that the substantial land has been acquired; however, sector-specific threshold has been set out in the Direction. This implies that the Borrower has to secure possession of the lands before approaching the Lenders to get finance for the project. The purpose of this prerequisite is to decrease the risk infrastructure investment tackles. It upfront resolved the most contentious issue i.e. availability of land. This also aligns with the global practice, where the financial institutions emphasized asset readiness as an essential element for project viability.

### **De-Risking Projects, Empowering Lenders :**

From a Lender’s perspective, delaying land acquisition is often considered as a material risk to both project timelines and cash flows. Upfront land acquisition enables having more accurate project appraisal, better cost estimates and disbursements schedules. It will also help to enforce accountability on sponsors to determine project preparedness and not just speculative approach to land procurement. This is also relevant for sectors including roads, energy where land parcels and right of way are essential for timely execution and makes the projects more viable.

### **Institutional Readiness and Public Sector Role :**

The Directions have included a very important change by putting onus on concessioning authorities and government authorities as well, to make upfront land acquisition. However, there are certain changes required to make it align with the Directions, such as institutional mechanism under the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 needs to be streamlined to minimize litigation. Authorities such as NHAI and state infrastructure bodies, are now expected to serve as a model by achieving substantial land acquisitions prior to bid invitation and financial closure.

### **Conclusion :**

By mandating upfront land acquisition, the Directions have tried to address the ground realities that have been undermined India’s infrastructure development pace. This regulatory change will not only enhance project credibility and viability but also making it evident that as a nation India is ready to create a de-risked environment for infrastructure investment not only for domestic player but also for international financiers. The purpose of the Directions is very clear that now securing land is no longer a post approval activity but a foundational requirement for project viability.

# Judicial Precedents



## Supreme Court Reasserts Boundaries of Property Transfers

In a recent ruling *Ramesh Chand (D) through LRs v. Suresh Chand & Anr.*, the Supreme Court of India restated once again the difference between legitimate property transfers and mere contractual or testamentary documents (*Ramesh Chand (D) through LRs v. Suresh Chand & Anr.*, Civil Appeal No. 6377 of 2012).

The verdict repealed concurrent trial court and High Court findings and reinforces the three fundamental principles of law of property, (i) the sole role of registered sale deeds in effecting transfer of ownership, (ii) the narrow reach of the part performance doctrine under Section 53A of the Transfer of Property Act, 1882 (TP Act) (iii) and the evidentiary burdens in establishing a Will under the Indian Succession Act, 1925.

### The Facts & Dispute

The case involved one of the properties in Ambedkar Basti, Delhi, belonging to one Kundan Lal. Following his death in 1997, his two sons, the appellant and the plaintiff, clashed over title. The plaintiff alleged ownership over a 1996 Agreement to Sell, a General Power of Attorney, a receipt, an affidavit, and a registered Will made in his favour. He claimed that his brother held the property as a mere licensee and subsequently illegally sold half of it to another party. In contrast, the appellant claimed that the sale document was never signed, the Will was never constituted, and he had been in possession since 1973. He pleaded that the documents be declared void. Although the trial court and High Court had inclined in favour of the plaintiff, the Supreme Court adopted a rigorous approach.

### Key Legal Findings

- **Agreement to Sell is not a Sale.**

Relying on the citation of *Suraj Lamp & Industries v. State of Haryana (2012) 1 SCC 656*, the Court reaffirmed that an agreement to sell does not pass title. Section 54 of TP Act provides that immovable property worth more than ₹100 can be transferred only by way of registered sale deed. At most, such an agreement gives rise to a right to seek specific performance. On this basis, reliance by the plaintiff on the agreement and supporting documents alone was not enough to transfer title.

- **General Power of Attorney is not an Instrument of Transfer.**

The Court emphasized that a General Power of Attorney (GPA) only establishes an agency relationship. Whilst in irrevocable language or for sale, it does not in itself bring about a transfer of ownership. Here, the GPA only granted management of the property and could not take the place of a registered conveyance.

- **Wills Require Strict Proof**

Whereas the plaintiff was also dependent upon a registered Will, the Court indicated the stringent test under Section 63 of the Succession Act and Section 68 of the Evidence Act. There is at least one attesting witness to establish execution. Importantly, suspicious circumstances i.e., disinheritance of three children without reason were never rebutted. Registration does not override these defects. The Will was therefore found unproven.

- **Section 53A Protection Demands Possession**

The plaintiff's effort to utilize the doctrine of part performance under Section 53A of the TP Act also failed. As he himself had filed a case for the possession, he was clearly not in possession of the property. Without possession of the property, Section 53A protection is not available.

#### **Implications of the Ruling :**

The decision firmly restates the findings in the Suraj Lamp case, marking the end to the previous practice of "General Power of Attorney sales" and off the book's transfers in urban colonies. It makes it fully clear that the title to the immovable properties cannot be based on informal arrangements, receipts, and affidavits, but must be reinforced by a properly executed and registered as a sale deed.

Similarly, the Court's demand for strict proof of Wills is meaningful in a society where property disputes rely on disputed testamentary documents. By emphasizing that suspicious circumstances should be properly explained, the Court has strengthened the evidentiary discipline enforced in probate and succession disputes.

Lastly, the judgment shows the limitations of Section 53A of TP Act. Although good to use as a shield against eviction, Section 53A cannot be used without possession, nor can it be used as a sword to assert the ownership.

#### **Conclusion :**

In leaving aside the claim of the plaintiff, the Supreme Court brought back clarity regarding the transfer of property or title can be made only by way of a registered conveyance deed as per Section 54 of Transfer of Property Act and General Power of Attorney and Agreements to sell cannot take its place and Wills should be proved with caution. This ruling not merely settles the inter-se conflict of brothers but also strengthens the legal framework against informal, unequal, and suspicious property deals.



## **Wife Right Over The Joint Ownership Of Property**

On September 22, the Delhi High Court [*ABC v. XYZ (Neutral Citation: 2025:DHC:8356-DB)*] dismissed a husband's petition seeking divorce and upheld the wife's entitlement to maintenance and Property rights. The judgement comes after a prolonged legal battle spanning over 17 years, with the Court emphasizing the importance of ensuring financial security for a spouse who has been engaged in long-standing litigation without independent means of income.

The bank received the sale proceeds to the extent ₹1.09 crore, which was deposited into the joint account.

#### **Findings of the courts:**

A family court had directed that the entire amount be released to the husband, subsequently, the wife challenged this decision. Both parties also contested several other orders issued by the family court over the years. After reviewing the matter, the High Court observed that when a property is purchased jointly by a married couple, the law presumes that both have contributed to it, regardless of whether one spouse has a steady income or not.

#### **Acquisition of Property**

The couple, married in 1999 under the Hindu Marriage Act 1955 and the property in question was purchased by them in joint names. The husband filed for divorce in the year 2007 on various grounds. The wife sought interim maintenance and asserted her claim over the jointly owned property in question. The property in question, located in Mumbai was purchased in joint names of the husband and wife's names and the same sold by the bank due to default committed by the husband.

Once the property is in joint names, the husband cannot claim exclusive ownership under the plea of *Benami Property Act 1988*.

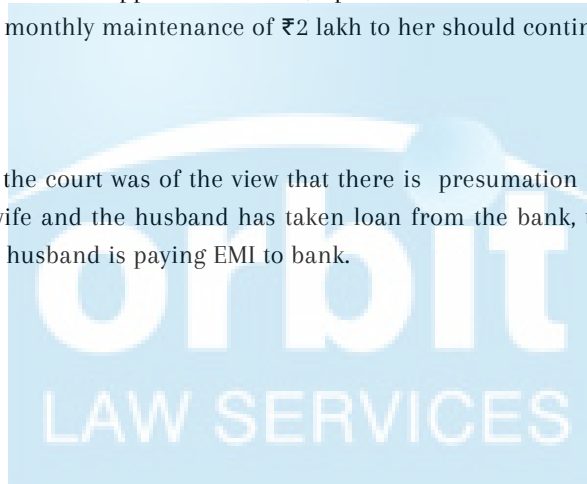
The court observed that when a husband and wife purchase property during their marriage, it is generally presumed to be bought using shared family funds, with both considered equal contributors, even if one spouse doesn't have an income. The wife, in her petition to the High Court, argued that half of the surplus amount rightfully belonged to her. She claimed it formed part of her stridhan, property that, under Hindu law, is considered a woman's absolute and exclusive ownership, and therefore, she alone had rights over it.

#### **Final Judgement of the High Court:**

The Delhi High Court dismissed the husband's appeal for divorce, upheld the wife's claim to 50% of the proceeds from the jointly owned property, and ordered that the monthly maintenance of ₹2 lakh to her should continue.

#### **Ratio of the Case:**

Based on the above facts of the case, the court was of the view that there is presumption in law that any property purchased in the joint name of the husband and wife and the husband has taken loan from the bank, the wife cannot be denied her right in that joint property merely because the husband is paying EMI to bank.





## Know Your Laws



### RELEVANCE OF MUTATION: OWNERSHIP TRANSFER VERSUS REVENUE RECORDS

The term '**Mutation**' refers to the process of keeping records of change in ownership and title of an immovable property in the revenue/local body records that is maintained by the local government authority or the land registry authority. Though mutation itself does not confer or transfer ownership, it is a necessary process to reflect the new owner's possession or claim to the property and updates the official records for taxation or fiscal purposes and the same has been outlined in various legal precedents.

#### What Mutation Really Proves?

A mutation entry is evidence of possession generally for fiscal purposes. When the revenue department updates its records to reflect ownership either conferred by way of succession, sale, gift, or partition, it tries to indicate to the State, the person who is now liable to pay taxes or land revenue etc. It also helps in maintaining accurate agricultural/municipal/revenue records and enables the government to identify landholders for subsidies or acquisition, in suitable cases.

But mutation does not in itself prove ownership. Courts have time and again reiterated that **mutation cannot by itself confer title**. If a buyer purchases immovable property through a registered sale deed, title passes under the provisions of the Transfer of Property Act and validated under the provisions of the Registration Act. Mutation is only a consequential update of relevant government records. If a person's name is entered in jamabandi or khatauni (terms used in specific states which reflect the ownership in government records) without a valid underlying transaction, it does not make him the owner. Conversely, if owner's name is missing from revenue records but they hold a registered deed, their ownership stands unaffected (however necessary steps should be taken to update the relevant records).

#### Role Of Mutation in Enforcing Security:

In banking sector, mutation plays an important role in enforcing security over the immovable property offered as security/collateral. It is an essential element to prove the borrower's or other obligor's ownership over the property. Through verification of mutation records done during the due diligence, the bank or lender reasonably opines that the owner of such property has clear title over the property. Bank's interest is protected by preventing fraudulent transactions and unauthorized encumbrances, as the details of the charge are recorded in public records, serving as notice to third parties. In cases of default, these records are critical in enforcing the bank's rights, as they provide

evidence that the lender holds a legitimate claim over the property. Furthermore, once the loan is repaid, mutation enables the removal of the bank's charge, ensuring a smooth transfer of ownership and clean title. Thus, mutation not only strengthens the lender's security but also promotes transparency and trust in property transactions, making it an indispensable tool in the enforcement and management of secured lending.

However to update mutation record to reflect creation of charge in favour of bank in case security is created over the property, it is not necessary to update the name of charge holder in the record. Such failure to update the record will not affect bank's right of enforcement. Courts have clarified that if there is a conflict of records, title derived from a valid registered instrument or lawful inheritance prevails over the mutation entry. In case of **Jitendra Singh v. State of Madhya Pradesh** (MANU/SCOR/28181/2021), Supreme Court of India while upholding decision of Madhya Pradesh High Court, observed that it is well-settled position of law that, "**Mutation Entry does not confer any right, title or interest in favour of the person and it is only recorded for the fiscal purpose**".

Further, in case of **Balwant Singh v. Daulat Singh (by Legal Representative)** (1997) 7 SCC

137, the Supreme Court had an occasion to consider the effect of mutation, observed and held that mutation of property in revenue records neither creates nor extinguishes title to the property nor has it any presumptive value on title. Such entries are relevant only for the purpose of collecting land revenue.

Therefore, from the legal precedents as set out by the Hon'ble Supreme Court, it is not necessary to update or reflect the name of the bank or any charge holder in the revenue records, as such mutation has no bearing on the validity or enforceability of the bank's rights and does not affect the underlying title to the property.

#### Conclusion:

Thus in light of the above, it can be said that mutation is a supporting tool, not a conclusive one, its role in the creation of security is limited to identify the ownership as reflected in the mutation records. It helps lenders to verify the ownership possession, assist with due diligence, and mitigating risks associated with property over which charge is created. However, it must be read in concurrence with title deeds, encumbrance certificates, and registration documents. Its role is procedural and evidentiary providing clarity and confidence but not replacing deeper legal ownership verification.



## DECODING SECURITY INTEREST IN PROJECT FINANCE

The nature of project finance is a risk oriented, and such risk is required to be shared by the lenders, promoters/sponsors and other stakeholders during the construction or operation stage of the project under their respective project contracts. Such project finance is based on “non-recourse” or “limited recourse” towards the promoters/sponsors for recovery of debt from promoters or sponsors.

#### Mitigation of Risk :

In order to mitigate the risk right from construction stage to revenue generation, the risk allocation is divided among the stakeholders, investors, lenders and other parties including concessioning authorities through contractual and other arrangements. In other words, project financing is also called contractual based financing.

For the purpose of implementation the projects, promoters/ sponsors are required to incorporate special purpose project company (**“Project Company”**) to set up the project, and such company is required to do only the business as per the project contracts and lenders completely rely on the future cash flow as projected to be generated by the Project Company. The debt service by the Project Company is solely dependent upon the generation of cash flow only. The whole cash flow of the Project Company is ring-fenced through escrow account or trust and retention account, which is the company's account but under the control and managed as an independent account by the account bank to service the debt obligation towards the lender in accordance with water fall mechanism as agreed by the lenders. Such mechanism protects the operation and maintenance (O&M) of the project as under the waterfall mechanism debt services is always below Operation and Maintenance expenses of the Project. The purpose of ring-fencing the cash flow and management of cash flow based on Water fall Mechanism is to protect the interest of all stakeholders.

#### Security Package :

In view of the nature of financing, the main security for lenders is the Project Company's contract, licenses, or ownership rights to natural resources; physical assets, cash flow, bank accounts etc. The lenders do not expect to be able to get their debt recovery by selling the Project Company's assets (in some projects it is sovereign assets) and due to “non-recourse” or “limited recourse”- limited guarantee financing, lenders stipulate security interest with intent to take control of the Project Company by way of **four layers of security ( Security Package) rather than to enforce the security interest by way of traditional methods – sale of assets**. The relevance of four layers security packages is as under:-

- Control of Cash flow of the Project Company.
- Ability to step into the Project under Project Documents or Substitution Agreement
- Mortgage and Assignment of the project assets and project contracts in favour of other project company/ nominated company
- Security over the Project Company's shares

Sometime Letter of Comfort, Guarantee from Sponsors or Promoters are also taken for limited purpose of risk mitigation.

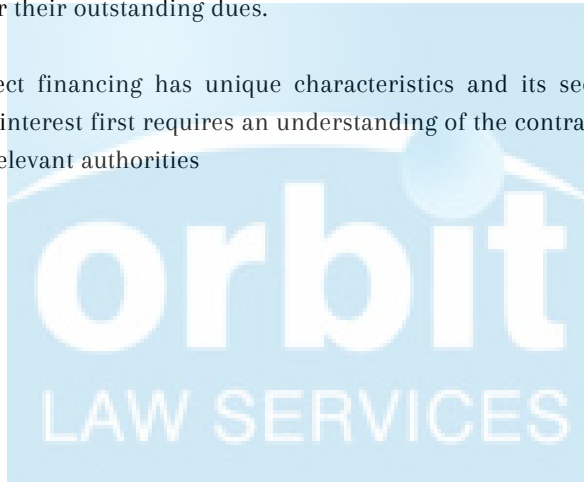
**Mode of Security Creation :**

Under the applicable Indian Laws, the security interest or charges to be created over the Security Package can be established through various methods such as by way of mortgage, hypothecation, assignment of project contract by way of charge and pledge of shares or personal or corporate guarantee and substitution agreement. Such security documents grant the lenders right to transfer the project in favour of third party without intervention of courts and tribunals, subject to compliances as required under applicable laws and contractual documents pertain to the projects.

**Spirit of Security Package:**

The Security interest serves as the shield and not sword for the lenders, it protects lenders' interest in the event of default by the Project Company. With complete recourse to the project, it allows lenders to assume control over project assets and prevents the creation of third parties interest on the project assets or secured assets. It safeguards the project from other creditors/ host government; prevents disposal of assets by the Project Company without prior approval of the lenders. The lenders have the right to sell the Project Company as ongoing concern. Most importantly it enhances the negotiating strength of the secured lenders during the restructuring and default management with the promoters / sponsors and third parties, before any court or tribunals while exercising their right to recover their outstanding dues.

Therefore, security interest in project financing has unique characteristics and its security structure differs from project to project. The enforcement of security interest first requires an understanding of the contractual obligations and arrangements with various stakeholders, including the relevant authorities



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