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INFORM: Infrastructure Projects & Finance

MAY 2024

We bring you the latest updates on the dynamic intersection of infrastructure projects with banking and finance. Join us to navigate the evolving landscape of infrastructure curated to empower you with strategic intelligence.

>>> HIGHLIGHTS

CASE LAWS:

1. Contractual Clauses Must Provide for Broad Panel of Arbitrators
2. Arbitral Award Granted Outside Contractual Terms Undermines Sanctity of Contracts
3. Payment Cannot Be Directed Based on Unfinalised Payment Certificate
4. Adherence To Principles of Natural Justice a Must in Debarment or Blacklisting

NOTIFICATIONS/CIRCULARS:

1. Commercial Banks to Shift Statutory Return Submission to CIMS Portal
2. Regulations on Gold Price Risk Hedging in Overseas Markets Relaxed
3. Lenders to Issue Key Facts Statement to Borrowers Starting October 1
4. Master Circular Released on Credit Facilities for Scheduled Castes (SCs) & Scheduled Tribes (STs)
5. Small Finance Banks Permitted to Expand Hedging Avenues with Rupee Interest Rate Derivatives
6. RBI Advises Vigilance Against Unauthorized Forex Trading
7. Draft Guidelines Issued for Offline Payment Aggregators (PA-Ps)
8. Revised Guidelines Issued for Asset Reconstruction Companies
9. New Guidelines for Bitumen Selection on Indian Highways
10. Lenders to Align Lending Practices with Fair Practice Code
11. Voluntary transition of Small Finance Banks to Universal Banks
12. Draft Guidelines Issued on 'Digital Lending – Transparency in Aggregation of Loan Products from Multiple Lenders'

QUICK READS:

1. End of Toll Fee Exemption Hoardings on National Highways Anticipated
2. NTPC Green Teams Up with Leading Banks for Rs 10,000 Crore IPO in Renewable Energy Sector
3. Edelweiss Alternatives Acquires LT Infra Projects
4. Leveraging Land Value for Infrastructure Boost
5. Cost Overruns Plague 448 Infrastructure Projects,
6. Registration Certificate of Acemoney (India) Revoked Over Irregular Lending Practices

>>> CASE LAWS



Contractual Clauses Must Provide for Broad Panel of Arbitrators

In Telex Advertising v. Central Railway [2024 BHC-OS 6304] dated March 27, 2024, the High Court of Bombay held that the independence and impartiality of an arbitrator is fundamental to arbitration proceedings and that the absence of a broad panel of arbitrators to choose from is violative of Section 12(5) of the Arbitration and Conciliation Act, 1996.

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Arbitral Award Granted Outside Contractual Terms Undermines Sanctity of Contracts

In Union of India through Garrison Engineer AF v. Yauk Engineers [2024 AHC 59078] dated April 5, 2024, the Allahabad High Court held that an arbitrator being a creature of the contract undermines the sanctity of contracts and trust in the arbitration process by granting an award that goes beyond the confines of clear and explicit contractual terms.

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Payment Cannot Be Directed Based on Unfinalized Payment Certificate

In National High Authority of India v. Ssangyong Engineering and Construction Co. Ltd. [O.M.P (COMM) 340/2021 & I.A. 14705/2021], dated April 8, 2024 delivered by the High Court of Delhi, it was held that directing a payment on the basis of a payment certificate not determined as final by the tribunal was illegal and against public policy.

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Adherence To Principles of Natural Justice a Must in Debarment or Blacklisting

The High Court of Delhi on April 10, 2024, in the case of Oasis Projects Ltd. v. National Highway and Infrastructure Development Corpn. Ltd. [ARB. A. (COMM.) 39/2023 and I.A. 24552/2023], held that the debarment and blacklisting of an entity would result in a civil death of its business and therefore the principles of natural justice had to be adhered to before making such a decision.

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NOTIFICATIONS/CIRCULARS



Commercial Banks Directed to Shift Statutory Return Submission to CIMS Portal

In a directive issued on April 15, 2024, the Reserve Bank of India (RBI) has instructed all commercial banks to shift their submission of Form A, Form VIII, and Form IX from the eXtensible Business Reporting Language (XBRL) Portal to the Centralized Information Management System (CIMS) Portal.

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Regulations Relaxed on Gold Price Risk Hedging in Overseas Markets

In alignment with the Statement on Developmental and Regulatory Policies introduced as part of the Bi-monthly Monetary Policy Statement for 2023-24 on February 08, 2024, the Reserve Bank of India (RBI) has issued a circular dated April 15, 2024, granting resident entities greater flexibility in managing their exposure to gold price fluctuations.

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Lenders Directed to Issue Key Facts Statement to Borrowers

In a move aimed at fostering transparency and empowering borrowers to make well-informed financial decisions, the Reserve Bank of India (RBI) has issued a circular dated April 15, 2024, regarding the Key Facts Statement (KFS) for Loans and Advances.

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Master Circular Released on Credit Facilities for Scheduled Castes (SCs) & Scheduled Tribes (STs)

The Reserve Bank of India (RBI) holds a pivotal role in shaping India's financial landscape, with a crucial aspect of its mandate focusing on ensuring fair access to credit facilities, especially for marginalized communities such as Scheduled Castes (SCs) and Scheduled Tribes (STs).

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Small Finance Banks Permitted to Expand Hedging Avenues with Rupee Interest Rate Derivatives

In a move to bolster the risk management capabilities of Small Finance Banks (SFBs), the Reserve Bank of India (RBI) has announced a significant policy shift. Effective immediately, SFBs are now authorized to utilize permissible rupee interest rate derivative products for hedging purposes, in terms of the Rupee Interest Rate Derivatives (Reserve Bank) Directions, 2019.

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Authorized Dealer Banks to Exercise Vigilance Against Unauthorized Forex Trading

The Reserve Bank of India (RBI) has advised Authorised Dealer Category-I (AD Cat-I) Banks to exercise heightened vigilance to prevent the misuse of banking channels in facilitating unauthorized foreign exchange (forex) trading.

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Draft Guidelines for Offline Payment Aggregators (PA-Ps)

On April 16, 2024, the Reserve Bank of India (RBI) unveiled draft guidelines aimed at regulating payment aggregators (PAs) facilitating offline payments at physical point of sale (PA-P). Two draft directions were issued: one introducing new regulations covering various aspects, including PA-P, and the other proposing amendments to existing regulations for PAs.

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Revised Guidelines Issued for Asset Reconstruction Companies

In its latest move to bolster the stability of the financial sector, the Reserve Bank of India (RBI) has issued revised guidelines for Asset Reconstruction Companies (ARCs) through the Master Direction – Reserve Bank of India (Asset Reconstruction companies) Directions, 2024. Effective immediately, these new guidelines entail a significant increase in the minimum capital requirement for ARCs to commence securitization.

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New Guidelines for Bitumen Selection for Pavements on Indian Highways

The Ministry of Road Transport and Highways has released a circular outlining recommended bitumen types and grades tailored to different climates and traffic conditions for projects on National Highways and Expressways in India. These guidelines will apply to all new projects for which bids are received 60 (sixty) days after the issue of this circular dated April 19, 2024.

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Lenders to Align Lending Practices with Fair Practice Code

Taking cognisance of unfair practices adopted by lenders in charging of interest, the Reserve Bank of India (RBI) has directed regulated entities (REs) to carry out a review and address such issues. RBI issued this direction vide circular dated April 29, 2024, which highlights that the guidelines on the Fair Practices Code call for fairness and transparency in charging of interest by lenders.

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Voluntary Transition of Small Finance Banks to Universal Banks

The Reserve Bank of India (RBI) has detailed a transition path for Small Finance Banks (SFBs) seeking to convert into Universal Banks. These instructions are effective immediately and shall apply to all Small Finance Banks. Interested SFBs are instructed to submit their applications for transition, along with requisite documents, to the Department of Regulation, RBI, Central Office, Mumbai.

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Draft Guidelines on ‘Digital Lending – Transparency in Aggregation of Loan Products from Multiple Lenders’

The Reserve Bank of India (RBI) has issued draft guidelines titled "Digital Lending – Transparency in Aggregation of Loan Products from Multiple Lenders". These guidelines are a follow-up to the "Guidelines on Digital Lending" issued on September 02, 2022, and the Statement on Developmental and Regulatory Policies released on December 08, 2023.

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>>> QUICK READS



End of Toll Fee Exemption Hoardings on National Highways Anticipated

Authorities contemplate the removal of toll fee exemption hoardings along National Highways (NHs). Streamlining toll plaza operations by removing these hoardings is expected to not only enhance efficiency but also reduce congestion, thereby facilitating smoother traffic flow.

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NTPC Green Teams Up with Leading Banks for Rs 10,000 Crore IPO in Renewable Energy Sector

NTPC Green, a subsidiary of NTPC Limited, is embarking on a major journey into renewable energy. In January, NTPC obtained authorization from the Department of Investment and Public Asset Management (DIPAM) to publicly list its green energy division, NTPC Green Energy Ltd (NGEL), aiming to raise funds of up to Rs 10,000 crore.

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Edelweiss Alternatives Acquires LT Infra Projects

Edelweiss Alternatives, a subsidiary of the Edelweiss Group, has entered the infrastructure sector with a significant acquisition. The company has acquired L&T Infrastructure Development Projects (LTIDPL) which owns various road assets and power transmission lines for a remarkable Rs. 6,000 crores.

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Leveraging Land Value for Infrastructure Boost

The Ministry of Road Transport and Highways (MoRTH) has launched a comprehensive examination of global best practices to identify effective financing methods for its ambitious expressway projects, with a final decision expected after the new government assumes office.

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Cost Overruns Plague 448 Infrastructure Projects

Out of 1,897 projects assessed in the Quarterly Project Implementation Status Report (QPISR), 448 projects faced cost overruns amounting to a staggering Rs 5,55,352.41 crore, representing 65.2% of their sanctioned cost.

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Registration Certificate of Acemoney Revoked Over Irregular Lending Practices

The Reserve Bank of India (RBI) has taken a significant step by cancelling the license of Acemoney (India), a Delhi-based non-banking financial company (NBFC). The RBI highlighted that the company's activities violated regulations pertaining to excessive interest rates and the safeguarding of customer information.

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