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When Finality Cannot Be Undone: Fraud, Functus Officio, And The Limits Of Recall Applications

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A Case Commentary on Lamba Exports Pvt. Ltd. v. Dhir Global Industries Pvt. Ltd.

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Judgment by: Justice Vikram Nath & Justice Sandeep Mehta

Abstract

The Supreme Court of India's judgment in Lamba Exports Pvt. Ltd. v. Dhir Global Industries Pvt. Ltd. (2026 INSC 275) offers a masterclass in jurisdictional discipline. By firmly rejecting an attempt to reopen a dismissed Special Leave Petition through a miscellaneous application premised on subsequent insolvency proceedings, the Court reaffirms the doctrine of functus officio, circumscribes the fraud exception to recall, and reinforces the sanctity of the Committee of Creditors' commercial wisdom under the IBC. This article examines each pillar of the judgment and draws out its broader implications for litigants navigating concurrent civil and insolvency proceedings.

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Introduction: A Battle on Two Fronts

Commercial litigation in modern India increasingly unfolds on multiple, overlapping fronts. A single underlying asset, in the present case, an industrial property at Udyog Vihar, Phase-IV, Gurugram, may simultaneously be the subject of a specific performance suit in civil court, an interim injunction appeal before the High Court, a Special Leave Petition before the Supreme Court, and a Corporate Insolvency Resolution Process before the National Company Law Tribunal. Each of these forums operates under distinct procedural codes, substantive laws, and timelines.

The judgment in Lamba Exports Pvt. Ltd. v. Dhir Global Industries Pvt. Ltd. (2026 INSC 275), delivered by a bench of Justices Vikram Nath and Sandeep Mehta on March 23, 2026, is significant precisely because it addresses a litigant's attempt to use developments in one forum (the NCLT/IBC proceedings) to undo finality achieved in another forum (the Supreme Court's dismissal of an SLP). The Court's emphatic rejection of this manoeuvre provides an important doctrinal clarification on three distinct legal questions: the maintainability of post-disposal miscellaneous applications, the scope of the fraud exception to the functus officio rule, and the non-justiciability of the Committee of Creditors' commercial decisions.

The Factual Matrix

The Agreement to Sell and the Civil Suit

The dispute originates from an Agreement to Sell dated August 13, 2021, between the petitioner (Lamba Exports Pvt. Ltd.) and Respondent No. 1 (Dhir Global Industries Pvt. Ltd.), concerning a suit property valued at Rs. 21 crore. The petitioner claimed to have paid Rs. 30 lakhs as earnest money and a further Rs. 1.2 crore to Respondent No. 4 (the secured creditor/bank) towards an upfront amount for a proposed One Time Settlement (OTS) of the respondent's loan. The petitioner's position was that the Agreement to Sell was unconditional, while the respondent contended that it was contingent upon the bank accepting the OTS.

When the OTS was rejected by the bank and the respondents sought to rescind the agreement, the petitioner filed Civil Suit No. 1248 of 2022 before the Civil Judge, Gurugram, seeking specific performance. An interim injunction was initially granted in the petitioner's favour but was reversed by the Additional District Judge, whose order was upheld by the Punjab and Haryana High Court in Civil Revision No. 3916 of 2022.

The SLP and Its Dismissal

The petitioner then approached the Supreme Court by way of Special Leave Petition (Civil) No. 12264 of 2024. On June 4, 2024, the Court issued notice and directed the petitioner to deposit Rs. 13 crore with the registry (with a further undertaking to deposit an additional Rs. 13 crore), resulting in a total deposit of Rs. 26 crore. The SLP was ultimately dismissed on February 25, 2025.

Subsequent Developments and the Miscellaneous Application

After the dismissal of the SLP, significant events unfolded in the insolvency arena. The respondent-company reportedly proposed an OTS to the bank on February 14, 2025, just eleven days before the SLP was dismissed. This settlement was concluded on March 21, 2025 for Rs. 34.85 crore, and the Committee of Creditors approved the withdrawal of the CIRP under Section 12A of the IBC on April 5, 2025.

Armed with these facts, the petitioner filed Miscellaneous Application No. 1256 of 2025, seeking recall of the order dated February 25, 2025, on the twin grounds that the respondent had suppressed the pendency of the OTS proposal and that the subsequent settlement amounted to fraud practiced upon the Court.

"A post-disposal miscellaneous application can be entertained only in rare situations… The present case does not fall within that limited class."

The Court's Analysis: Three Pillars of Rejection

The Doctrine of Functus Officio and Maintainability

The Court's first and perhaps most fundamental holding concerns the very maintainability of the miscellaneous application. The doctrine of functus officio, literally, 'having performed one's office', provides that once a court has finally disposed of a matter, it loses jurisdiction over it. The court has done its duty and is done.

Justice Vikram Nath, writing for the bench, relied upon two recent pronouncements. In Jaipur Vidyut Vitran Nigam Ltd. v. Adani Power Rajasthan Ltd. [(2024) 19 SCC 353], the Supreme Court had held in unambiguous terms that once a matter is disposed of, the court becomes functus officio and does not retain jurisdiction to entertain an application except in narrow, recognised situations. This position was reinforced in Ajay Kumar Jain v. State of Uttar Pradesh & Anr. [2024 INSC 958], where the Court additionally deprecated the growing and troubling practice of filing miscellaneous applications in disposed-of proceedings.

The recognised narrow exceptions permitting post-disposal applications include: correction of clerical or arithmetical errors, enforcement of directions in an executory order that have become impossible to implement due to subsequent events, and cases of fraud practiced upon the court. Crucially, the order of February 25, 2025 was a non-speaking dismissal of the SLP, it was not an executory order. There were no directions to be implemented. This immediately foreclosed the most commonly available avenue for recall.

What is doctrinally instructive here is the Court's firm statement that the issuance of notice in the miscellaneous application itself does not cure the defect of maintainability. A court does not restore jurisdiction over a disposed-of matter merely by issuing notice on a subsequent application. This is an important corrective against the occasional practice of treating the issuance of notice as an implied acceptance of maintainability.

The Fraud Exception: Strict Standards, Not Mere Assertion

The petitioner's primary substantive argument was that the respondent had fraudulently suppressed the OTS proposal (dated February 14, 2025) from the Court when the SLP was heard on February 25, 2025. The petitioner argued that this constituted

fraud practiced upon the court, which is one of the recognised exceptions that can warrant recall even after disposal.

The Court acknowledged the general principle without quarrel: fraud vitiates all proceedings, and a court is not powerless where its order has been obtained by fraud. This proposition finds roots in the well-established maxim fraus omnia corrumpit. However, the Court made clear that the fraud exception is a serious one and cannot be triggered merely by assertion.

The Court's reasoning proceeds on two levels. First, the order of February 25, 2025 was a non-speaking, single-line dismissal of the SLP. The order did not indicate that the dismissal turned upon any specific representation that is now alleged to have been suppressed. Without such a nexus, a causal link between the alleged suppression and the outcome, the foundational premise of the fraud exception collapses. The concealment must have been material in the sense that it actually influenced the court's decision.

Second, and more practically, the developments relied upon, the OTS proposal, the settlement, the CoC approval, are subsequent events in a separate, parallel statutory forum. They do not, even at their highest, demonstrate that the Court was deceived into dismissing the SLP. The grievance, if any, arising from these events would need to be pursued in the appropriate forum (the NCLT or its appellate hierarchy), not by reopening a concluded SLP.

The Non-Justiciability of the CoC's Commercial Wisdom

A significant portion of the judgment addresses the petitioner's implicit invitation to compare the financial attractiveness of its own offer against the OTS that was accepted by the CoC. The Court firmly declines this invitation, and in doing so, reaffirms one of the core architectural principles of the Insolvency and Bankruptcy Code, 2016.

Section 12A of the IBC permits withdrawal of the CIRP after constitution of the CoC, subject to approval by at least 90% of the voting share of the CoC. The legislative design is deliberate: the decision whether to accept a settlement and withdraw the process is vested in the collective commercial wisdom of the financial creditors, not in the adjudicatory authority.

The Court cited three landmark precedents on this issue. In K. Sashidhar v. Indian Overseas Bank [(2019) 12 SCC 150], the Court had held that the legislature has consciously made the commercial wisdom of financial creditors non-justiciable. In Essar Steel (India) Ltd. Committee of Creditors v. Satish Kumar Gupta [(2020) 8 SCC 531], the Court had elaborated that the adjudicating authority cannot make inquiries beyond limited statutory parameters and cannot issue directions in relation to the CoC's exercise of commercial wisdom. And in Vallal RCK v. Siva Industries & Holdings Ltd. [(2022) 9 SCC 803], the Court had reiterated that where a Section 12A withdrawal has received requisite approval, the scope of interference remains narrow.

The Court was careful, however, to add a nuance that should not be overlooked: the primacy of commercial wisdom does not render every action in the insolvency process immune from all scrutiny in all situations. Where a challenge is brought before a competent forum on legally sustainable grounds, statutory illegality, jurisdictional infirmity, breach of the IBC's procedural requirements, the courts will consider it on merits. The door is not shut permanently; it is simply the wrong door that the petitioner was knocking on.

The Merger Doctrine: A Clarification in Passing

One ancillary but practically important clarification in the judgment concerns the doctrine of merger. The petitioner had argued that because the SLP was dismissed, the High Court order merged with the Supreme Court's order, and therefore the entire matter was still alive before the Supreme Court. The Court briskly and correctly rejected this submission.

The well-settled position in Indian constitutional jurisprudence is that a refusal of special leave to appeal, whether by speaking or non-speaking order, does not attract the doctrine of merger. The High Court order continues to have independent existence and can, where appropriate, be challenged before alternative forums. However, the Court was equally careful to note that the absence of merger cuts both ways: it does not mean the SLP can be reopened through a miscellaneous application. The two doctrines operate in different dimensions. Absence of merger means the High Court order retains its independent validity; it does not revive Supreme Court jurisdiction over a disposed-of petition.

Broader Implications: Lessons for Practitioners

Concurrent Proceedings Require Concurrent Strategy

Perhaps the most practical lesson from this case is the danger of sequential, reactive litigation strategy. The petitioner was simultaneously (or potentially simultaneously) a party to civil proceedings at the trial court level, the High Court level, the

Supreme Court level, and insolvency proceedings before the NCLT. Each forum has its own timelines, procedural requirements, and substantive law. A development in one forum, such as an OTS proposal or a CIRP withdrawal, must be immediately flagged in all related proceedings rather than relied upon after the fact.

If the petitioner had received actual knowledge of the OTS proposal before the SLP was dismissed, the appropriate course would have been to bring it to the Court's attention immediately and seek an adjournment or a specific direction. Using it retrospectively as a ground for recall, especially in a non-executory dismissal order, is precisely the kind of litigation strategy that this judgment forecloses.

The Fraud Exception Demands Precision

This judgment reinforces that the fraud exception to the functus officio rule is not a catch-all for disappointed litigants. For fraud to justify recall, practitioners must be able to demonstrate: (i) that specific representations were made to the court; (ii) that those representations were false or that material information was suppressed; and (iii) that the court's decision was actually influenced by, i.e., turned upon, the fraudulent representation or suppression. Where the court's order is a non-speaking dismissal, establishing the third element is particularly challenging since the order does not record the court's reasoning.

IBC Challenges Require the Right Forum

If the petitioner genuinely believes that the OTS process was conducted improperly, whether because it was not given an opportunity to participate, or because the CoC's approval suffered from a procedural or substantive infirmity, the remedy lies before the NCLT (as the Adjudicating Authority), the National Company Law Appellate Tribunal, or ultimately the Supreme Court in its capacity as an appellate court from the NCLAT. These forums are equipped with the statutory tools and substantive expertise to examine such challenges. A civil revision-based SLP before the Supreme Court is emphatically not such a forum.

The Court's clarification that it has expressed no opinion on the NCLT order dated May 14, 2025 or on Civil Suit No. 1248 of 2022 is a deliberate and generous safeguard, leaving the petitioner's legal rights intact before the appropriate forums.

Conclusion: The Architecture of Finality

Lamba Exports v. Dhir Global Industries is a judgment about the architecture of finality in Indian litigation. Finality is not a technicality; it is a systemic necessity. Without the ability to conclude proceedings definitively, courts would be perpetually subject to re-agitation through creative miscellaneous applications, and every adverse order would become the starting point of another round of litigation rather than an endpoint.

The Supreme Court's judgment achieves three things simultaneously: it upholds the functus officio doctrine as a jurisdictional rule rather than a mere procedural nicety; it demonstrates that the fraud exception, while alive, requires rigorous evidentiary foundation; and it reinforces the IBC's structural commitment to the collective commercial wisdom of the CoC as a decision-making framework that is deliberately insulated from judicial micromanagement.

The message is clear: choose the right forum, bring the right evidence, at the right time. Once the doors of a court have closed on a disposed-of matter, they do not reopen on the basis of subsequent events alone, however significant those events might appear in retrospect.

For more details, write to us at: contact@indialaw.in

Reference:

[2026 INSC 275] M/S.LAMBA EXPORTS PVT. LTD Vs. M/S.DHIR GLOBAL INDUSTRIES PVT. LTD. & ORS.

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