

## HR Law Hotline

May 27, 2025

### RESIGNATION AT A PRICE: SUPREME COURT ENDORSES LOCK-IN CLAUSES FOR PSUS

This article was first published in [www.lexology.com](https://www.lexology.com) (May, 23, 2025).



- The SC's decision in the Vijaya Bank case serves as a landmark precedent for assessing the validity of lock-in clauses and liquidated damages provisions in employment contracts, particularly in the public sector context.
- This judgment confirms that lock-in clauses imposing a minimum service period, coupled with a reasonable financial consequence for premature exit, are enforceable.
- The SC clarified that such negative covenants are not violative of Section 27 of the Contract Act or the fundamental rights under Articles 14 and 19 of the Constitution, as the objective is in furtherance of the employment contract and not to restrain future employment.

With Public sector undertakings ("PSUs") increasingly facing stiff competition from its private counterparts, incorporating clauses mandating minimum service tenures and stipulating damages has been a step to retain talent and reduce attrition. These lock-in clauses restrict employees' ability to leave the organization within a specified period, otherwise requiring them to pay damages in case of early departures from the employers' organizations.

Recently, in a matter questioning the enforceability of lock-in and damages clauses, the Supreme Court's ("SC") decision in **Vijaya Bank & Anr. v. Prashant B Narnaware ("Vijaya Bank Case")** reaffirmed the enforceability of such clauses, highlighting their significance for PSUs seeking to protect their legitimate business interests.

Please click [here](#) for our detailed article.

#### Authors

- **Somya Bhargava**, **Kajol Pokkhriyal** and **Deepti Thakkar**

You can direct your queries or comments to the relevant member.

#### DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

## Research Papers

### Mergers & Acquisitions

July 11, 2025

### New Age of Franchising

June 20, 2025

### Life Sciences 2025

June 11, 2025

## Research Articles

### 2025 Watchlist: Life Sciences Sector India

April 04, 2025

### Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?

February 04, 2025

### INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

## Audio

### CCI's Deal Value Test

February 22, 2025

### Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

### Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

## NDA Connect

Connect with us at events, conferences and seminars.

## NDA Hotline

[Click here to view Hotline archives.](#)

## Video

### Reimagining CSR: From Grant Giving to Blended Finance & Outcome Based Funding

June 16, 2025

### Courts vs Bankruptcy code: The

