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Sub: Government clarifies on Force Majeure Clause in view of West Asia Situation

Dear Madam / Sir,

In a significant move to protect the domestic industry from global geopolitical shocks, the Ministry of Finance has issued a fresh directive providing major relief to companies executing Government contracts. In an Office Memorandum dated April 29, 2026 ([Official Link](#)), the Department of Expenditure announced that the ongoing West Asia situation will be officially classified as a "War" under the Force Majeure Clause (FMC).

The decision is expected to benefit thousands of suppliers, consultants and contractors whose projects have been stalled or delayed by shipping disruptions, supply chain bottlenecks, and volatile energy costs arising from the conflict.

Key Highlights of the Directive

West Asia Conflict as "War": For the purpose of public procurement, the prevailing West Asia situation is to be treated as a "War" event, qualifying it for Force Majeure.

No Penalties for Delays: Procuring entities have been directed to re-fix delivery and completion dates without imposing Liquidated Damages (LD) or invoking "denial clauses," provided the delays are directly or consequentially linked to the conflict.

Deadline Extensions: Contracts originally scheduled for completion on or after February 28, 2026, may receive extensions ranging from two to four months without any additional cost to the contractor.

90-Day Termination Option: As per standard FMC rules, if a Force Majeure event prevents performance for more than 90 days, either party may choose to terminate the contract without any financial repercussion.

Eligibility and Procedure

The government clarified that this relief is not an "all-performance" waiver. To claim protection under the FMC, companies must meet specific criteria:

Notice Requirement: Firms must provide notice of the Force Majeure event within a

reasonable time, typically no later than 14 days after its occurrence.

No Prior Default: The relief applies only if the parties were not in default of their contractual obligations as of February 27, 2026.

Direct Attribution: Invocation of the clause is valid only for non-performances directly attributable to the West Asia disruptions.

An FM clause does not entirely excuse a party's non-performance but only suspends it for the duration of the FM, the memorandum mentions, emphasizing that all contractual obligations shall revive once the period of disruption concludes.

Impact on Industry

The order comes at a critical time when core sector growth in India has seen a slight contraction due to input shortages and logistics hurdles. By invoking Force Majeure, the government aims to prevent a wave of litigation and financial distress among its partners in the goods, services and construction sectors.

The memorandum issued serves as a formal instruction to all procuring entities—including central ministries and departments—to examine claims on a case-by-case basis and provide the necessary respite to the industry.

Regards,

Dr. Siddhartha Rajagopal
Executive Director

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