



Original Application No.953 of 2023

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C.SARAVANAN, J.

Heard the learned counsel for the applicant and the learned Senior Counsel for the respondent.

2. Earlier this Court by an order dated 23.11.2023 had ordered status quo. The Status Quo was ordered primarily elicit the response from the respondent for settling the dispute. However, the parties have not been able to arrive at any settlement.

3. The applicant appears to have invested huge amount in showroom pursuant to Letter of Intent (LOI) dated 01.03.2021. The respondent has threatened to terminate the arrangement under the aforesaid Letter of Intent (LOI) dated 01.03.2021. The Clause for Letter of Intent (LOI) provided for different eventuality for terminating the contract. Clause 12 reads as under:

“12. Term and Termination :

i. This LOI shall be valid till the date of execution of the Dealership Agreement or upon the termination of the LOI by the parties herein in the manner and for the reasons set out in this LOI, whichever is earlier.



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ii. This LOI may be terminated by either the Company or the Proposed Dealer by giving 30 days' notice in writing to the other party without any reason.

iii. The Company shall have the right to terminate the LOI and re-assign the Dealership to other parties at the sole discretion of the Company in case a) there is any change in the ownership or control of the Proposed Dealer, b) in the event of the Proposed Dealer being declared bankrupt/insolvent by any competent court of law, c) in the event of any of the representations made herein by the Proposed Dealer being false or becoming false, d) the Proposed Dealer violates any material provision of this LOI and such default is not corrected to the satisfaction of the Company within 15 (fifteen) days of receipt of intimation regarding such violation, e) there is delay of payment to the Company without prior written approval of the Company, f) the Proposed Dealer (if a company) makes a composition with its creditors, g) Unable to fulfill any of its obligations under clause 5 of this LOI including but not limited to achieving the sales targets due to any reason such as lack of sufficient manpower, lack of sufficient sales promotional activity, lack of sufficient funds w.r.t. running business, etc.

iv. Upon termination of this LOI, for the reasons mentioned in Clause 12(iii) above or if the Proposed Dealer terminates the LOI without any cause, 50% of the Security Deposit shall be forfeited by the Proposed Dealer as compensation payable to the Company and balance Security Deposit, after making necessary deductions towards any pending dues, charges or other amounts payable by the Proposed Dealer to the Company as per the terms of LOI, shall be refunded to the Proposed Dealer. Such



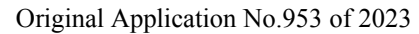
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compensation shall be deemed to be a genuine pre-estimate of the loss that will be caused to the Company in the event of such termination. The Company shall not be liable to pay any other amount apart from the remaining Security Deposit mentioned herein. The Proposed Dealer acknowledges and confirms that in the event of termination of the LOI, the Proposed Dealer shall not be entitled to make any claim for damages, loss of business or future profits from the Company.”

4. Under the Letter of Intent (LOI), a dealer has to first set up a showroom thereafter to formalize the arrangement in the Letter of Intent by entering into a dealership agreement. There is a lockin period for the applicant from terminating the Letter of Intent (LOI). As per Clause 12 of Letter of Intent (LOI) shall be valid till the date of execution of the Dealership agreement or upon the termination of the LOI by the parties herein in the manner and for the reasons set out in this LOI, whichever is earlier. Letter of Intern (LOI) can also be terminated either by the respondent or by applicant by giving 30 days' notice in writing to the other party without any reason and the respondent has a right to re-assign the Dealership to other parties at the sole discretion of the respondent.



6. Therefore, there can be no injunction to restrain the respondent from terminating the contract in view of Section 14(1)(d) of the Specific Relief Act.

“19. Dispute Resolution :

The Company and the Proposed Dealer agree that they will first attempt to resolve any dispute regarding this LOI through mutual consultation. However, if such consultations do not result in amicable settlement of the dispute within 30 days after one party has given written notice to the other to commence such consultations, then either party may refer the dispute to arbitration. Any dispute, controversy or



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*claim arising out of or relating to this LOI or breach, termination or invalidity thereof, shall be settled by arbitration in accordance with the Arbitration and Conciliation Act, 1996 as at present in force. The arbitration proceeding shall be conducted by a sole arbitrator to be appointed by mutual consent of both the parties. In case of disagreement between the parties in appointment of sole arbitrator, the same shall be appointed as per Arbitration and Conciliation Act, 1996 (as amended from time to time). The language of arbitration proceeding shall be English and the venue of arbitration shall be **Chennai**. The award of the arbitral tribunal shall be final and binding on the parties. Each party shall bear arbitration proceeding expenses at its own cost."*

8. Considering the same, this application stands dismissed. However, liberty is given to the applicant to work out the remedy for purported loss that the applicant may have suffered or is likely to suffer due to termination of the dealership under the Letter of Intent (LOI) dated 01.03.2021.

9. With the above liberty, this Original Application stands dismissed.

20.12.2023

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