

In the matter of XYZ Corporation vs ABC Ltd., the Hon'ble Supreme Court of India examined the question of breach of contract and commercial obligations.

FACTS: The appellant XYZ Corporation entered into a supply agreement with respondent ABC Ltd. for delivery of industrial equipment worth Rs. 2 crores. The contract specified delivery within 6 months. However, due to supply chain disruptions, XYZ Corporation could not deliver on time.

ARGUMENTS: The appellant argued that the delay was due to unprecedented circumstances beyond their control. The respondent contended that time was of essence and the delay caused significant business losses.

JUDGMENT: The Court held that commercial contracts must be performed with due diligence. While unforeseen circumstances may excuse performance in exceptional cases, mere commercial difficulty does not absolve contractual obligations. The Court awarded damages of Rs. 50 lakhs to the respondent and directed completion of the contract within 3 months.

RATIO: The principle established is that sanctity of contracts must be maintained in commercial transactions, and parties cannot escape liability merely on grounds of commercial inconvenience.