# Legal Case Summary

Case Title: Dresser Rand S.A. vs Bindal Agro Chem Ltd. and K.G. Khosla Compressors Ltd.

Citation: AIR 2006 SC 871, (2006) 1 SCC 751

Date of Judgment: 12 January 2006

Bench: Justice Arun Kumar, Justice R.V. Raveendran

Author of Judgment: Justice R.V. Raveendran

## Parties Involved

Appellant: Dresser Rand S.A.

Respondents: Bindal Agro Chem Ltd. and K.G. Khosla Compressors Ltd.

## Background / Facts of the Case

Bindal Agro Chem Ltd. (BINDAL) invited bids for equipment for its fertilizer project and engaged in discussions with Dresser Rand S.A. (DR). Letters of Intent (LOIs) were issued by K.G. Khosla (KGK) but no formal purchase order or letter of credit was ever executed. DR initiated arbitration claiming breach, but BINDAL and KGK filed suits to declare there was no arbitration agreement.

## Legal Issues Raised

1. Whether there was a valid arbitration agreement between DR and BINDAL or KGK.

2. Whether the Letters of Intent could be considered as binding contracts incorporating arbitration clauses.

3. Whether BINDAL and KGK were estopped from denying the arbitration agreement.

## Judgment / Decision

The Supreme Court held that no concluded arbitration agreement existed. The Letters of Intent were only an indication of future intent to contract and not binding agreements. The arbitration clause in BINDAL’s general conditions did not form part of the LOIs. Hence, the application under Section 3 of the Foreign Awards Act was rightly rejected.

## Final Order

• Appeals dismissed.

• No arbitration agreement found to exist between the parties.

• No estoppel or acquiescence could substitute a formal agreement.

## Case Timeline

• 12.06.1991: LOIs issued by KGK

• 1993: Arbitration initiated by DR before ICC

• 01.06.1993 & 28.06.1993: BINDAL and KGK filed suits in Delhi HC

• 14.02.2002: Single Judge of HC granted injunction against arbitration

• 04.03.2003: Division Bench upheld injunction and removed bank guarantee condition

• 12.01.2006: Supreme Court dismissed appeals

## Relevant Legal Principles & Precedents

• Section 3 of the Foreign Awards (Recognition and Enforcement) Act, 1961

• Article II of the Convention on Recognition and Enforcement of Foreign Arbitral Awards

• Rickmers Verwaltung v. Indian Oil Corporation (1999) 1 SCC 1

• Renusagar Power Co. v. General Electric Co. (1984) 4 SCC 679

• Rajasthan Coop. Dairy v. Maha Laxmi Marketing (1996) 10 SCC 405

## Key Takeaways

- Letters of Intent do not constitute binding contracts unless explicitly stated.

- Arbitration clauses must be clearly incorporated in binding agreements.

- Courts cannot create arbitration agreements where none exist.