

Legal Aspects of Contract Drafting and Breach Under Indian Law

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Abstract— A contract is one of the most pivotal things in business world. In contract there has terms and conditions which is agreed and consent by Both parties or all parties which are included into contracts. Precise and proper drafting helps to have clarity in contract and it can avoid disputes and ensures the satisfactions of the parties who are involved in contracts. This paper will explain the legal aspects of contract drafting and consequences of breach under Indian law. It will also discuss the remedies available in case of breach. The study shows that precise and proper drafting is essential or it's necessity to have clarity and smoothness in contracts. For better and pleasant transactions. In this paper has contained all the or best of knowledge information and knowledge related to contract. Why it's necessary, what should be in contract and how it should be and even it's violated then what remedies would be etc. Often about related to or about contract has in this page and utilized appropriate, precise and correct information or knowledge. Contract is more used in business to ensure strong evidence of business acceptance and have proper, clear and True business work between parties, that's why contract is significant.

I. INTRODUCTION

Contract drafting is the art of making complex things or concepts into clear, concise and enforceable documents. It's one of the cornerstones in legal practice and it has so often things like it ensures rights are protected, disputes should be minimizer and obligations should be clarified. Contract is process of creating written agreement. Contract ensures that all parties understand their rights and duties, their obligations and acceptance of offers with the legal capacity, and to reduce possible disputes. The contract must or essential comply with applicable local, state, or national laws (e.g., in India, the Indian Contract Act

of 1872), like this allows countries has their law to follow related to contract. Contract is enforced almost in every country or nation in the world, especially in India as having Indian contract act of 1872. Drafting simply means the process of legal document either by pen, pencil, and paper or either by using computer, laptop or other electronic devices. But the Goal of drafting should be accurate, concise, and to the point when it comes to legal principles and the facts that are related or relevant to the particular issue for which the draft is being prepared. Drafting such document like contract required legal knowledge and good practice of contract drafting. During contract drafting a person should be aware of format of drafts and perfection, to avoid mistakes which can arise disputes. Mostly these drafts are created by advocates or peoples who are from legal field who has legal knowledge. Meanwhile several contract drafts make before ensure a final contract draft to avoid mistakes, fulfil necessary things and see legal things etc. Contract drafting must have legal language and formation of an outline, arrangement of facts, style and words to be used in contract drafts all of this plays a vital role in making of contract drafts.

II. RESEARCH METHODOLOGY

This research is based on doctrinal methods of researches, which has involved in-depth analysis of legal principles, statutes and judicial precedents. This is one of the methods which has been used to the study of legal concepts relating to contract drafting and breach under the Indian law. This research mostly relies on secondary sources like data including textbooks, legal commentaries, research articles and online legal databases.

And primary legal sources referred to in this study is the Indian Contract Act, 1872, which has formed the foundation of contract law in India. It has various of provisions of the act have been critically analyzed to understand the essential of a valid contract, the importance of proper drafting and the implications of breach. In addition to statutory analysis, relevant case laws have been examined to understand the interpretation and application of legal principles by courts in practical situations.

The research also incorporating the academic opinions and perspectives, interpretations of reputed scholars to provide a broader perspective on the subjects. And online sources including like legal websites and Journals, have been used for to gather more information and contemporary views on contract law. Care has been taken to ensure that all sources used are reliable and relevant to the study.

The scope of this research is limited due to the legal aspects of the contract drafting and breach within the Indian context. It does not include often empirical research for like interviews or surveys, as utmost it concentrated on theoretical research and analytical examination of legal provision. The core objective of this Methodology is to provide a clear, structured, and comprehensive understanding of the subject, enabling the better interpretation of legal issues related to contracts and their enforcements.

III. MAIN CONTENT/BODY

1. Meaning of Contract: Contract means a legal document on which parties, terms and conditions has mentioned and in legal language everything explicitly said. Contract is legally enforceable agreement, according to section 2(h) a Contract is lawful agreement. In some other words an agreement enforceable by law is Contract.

Contract = Agreement + Legal enforceability Or
Contract = legally enforceable agreement.

A type of agreement which is enforceable by law is a contract under section 2(h) of the Indian contract act. Enforceable by law means if somebody aggrieved then he may approach the court for remedies.

When an offer is made with intention to create a legal obligation it becomes an offer for entering into a contract. Thus, an agreement becomes a contract when there is free consent of the parties, capacity of the parties to contract, lawful consideration and lawful

object or subject matter (Section 10 of the context. Contract means the deal or offers which has accepted and made into written document to have as proof or evidence of deal. Contract holds value because of deal, terms, conditions, time, legal language and proper format it has with the acceptance of parties with their signatures. Contract is necessary because of its existence in Indian law. An agreement alone is not sufficient. It must also be legally enforceable. The agreement becomes a contract because it is enforceable by law. More simple way that contract means when two parties involved in writing agreement which contains certain obligations (promises) which will be performed by the party, which is enforceable by the law, that it becomes a contract. Enforceable by law means when agreement is acquired by force of law only to those parties who are into it, and if violation has done by those then it will attract strict legal action.

2. Essential Of Valid Contract

In Valid contract essential there has section 10 which States conditions which is required for a contract to be Valid.

1) Offer: It's very basic to understand that it must that there should be a offer from party, without offer no contract can be arising. However, in some cases this principle could not applied. For good instance, Jack talks about a situation on which offer and acceptance can't be traced for instance, a commercial agreement reached after multiple rounds of negotiations.

- Acceptance of the offer: another that offer should be accepted by person to person to that was intended. So, if A offer B then it should be accepted by B only.
- Acceptance in ad-idem: Thirdly that though acceptance is important, there must be "Consensus ad-idem". Consensus ad-idem means meeting of minds. It's means that parties of the contract should accept the terms of the contracts in the all of same sense. Thus, parties to the contract must have the same understanding of the terms of the contract.
- Free consent, according to section 10 of contract act "agreement are contracts if they are made by free consent" it means that contract if they are made by free consent" it means that contract must

be entered into out of party's own volition and without being forced, or deceived into.

- It must to be have intention before getting into a legal relationship
- Certainty, contracts must be certain and it should not have any ambiguous and vague. (Section 29)
- A contract should not declare a void and it's must that not to declared void. (Section 10 of contract act)

Offer and Acceptance:

Offer and acceptance form the basis of contract. There will be contract if there have offer and it must be accepted. An offer which once accepted that it becomes promise.

Offer: Offer is one of the first thing for formation of contract. A person who makes an offer is called "offeror" / "proposer" and a person to whom it is offered is called "offeree" / "proposee".

Chitty on contracts, defines an offer as an expression of willingness to contract made with an intention that is to become binding on the person making it as soon as it is accepted by the person to whom it is addressed. According to the Section 2 (a) of the contract act, an offer / proposal is:

When one person signifies to another his willingness to do or to abstain from doing anything, with a view to obtaining the assent of that order to such act or abstinence, he is said to make a proposal.

An offer simply could be mean willingness, to something to do like a positive act or not to do something like a negative act. It must note that if offer is not made, to get the acceptance of other party, then it cannot be construed as contract offer under the contract act. An offer must be made with the object of getting a favorable response from the intended acceptor. Thus, there may be 'positive' or 'negative' acts which the proposer may be willing to do.

- Pointers on offers:
 - b) Offer must be communicated or told to the offeree. The mode of communication should be or could be any but it should be reasonable. The offer must be clear, specific, and we'll capable of being understood.
 - c) An offer should be lawful and not to do something illegal or unlawful.

d) Offer could be express or it can be implied. An express offer is one which is made in words, whereas an implied offer is inferred from the conduct of the offeror. In implied offer what matters is whether the offeror had any intention to make an offer or not.

e) An offer can be revoked at any time before it's acceptance by the intended acceptor.

An offer must be made with an intention to get acceptance contract.

A promise consists of an offer and an acceptance of that offer. Once these two conditions are satisfied there is a promise and when both parties have to perform their respective promises, it becomes a situation of reciprocal promise.

Contract act defines an offeror as "promisor" and the person who is accepting the offer as "promisee".

- Offer and Invite for Offers

There is slight difference between offer and into an invitation to make an offer. An invitation to others by making it an offer is not an offer within the meaning of "Offer" under the Contract Act since long.

Sometimes a person may not make offers to sell they goods but making a statement of it or such conducts in that such way, to make other persons to make the offers eventually to him. This is a invitation to offer.

Such Situations generally including advertisements, more tenders, goods on display, expression of interest (Eofs) and auction. In the case of auctions when the auctioneer starts the bid by quoting a price, it is basically for others to make him an offer with that amount in addition to the minimum price, which the auctioneer had announced.

Similarly, when a company to floats the tender for construction of a building, it basically is asking other (builders) to make them an offer by quoting the price of construction.

This is Majorly because an offer is an offer to buy and there is no offer to sell.

2) Acceptance

As stated earlier often, one of the second step in the formation of a contract is the acceptance of the offer.

Acceptance frequently means explicitly when one person to whom offer was made, and has given his assents to such offer – Section 2(b) of Contract Act.

Once the offer is accepted and such acceptance has communicated consciously, to the offeror, the parties

are bound by their respective promises, which they have made. Just like an offer, even acceptance can be revoked before the communication of acceptances reaches the offeror.

The most important aspect of acceptance is that feature is performance of an offer, in ignorance of the said offer in not an acceptance, because it was ignored. So, due to that reason ignored offer isn't acceptable. Therefore, an act done, amounting to acceptance unambiguously, but acceptor being unaware of the offer it is not a valid acceptance and acceptable.

In the Case of Lalman Shukla v Gauri Dutt (1913) (viii), the defendant's boy had gone missing, accordingly, his servant-plaintiff was sent to search for the boy, in the meantime a missing poster was released by the defendant, promising to pay a certain sum, to the person who finds the boy. The servant, unaware of such an offer succeeded to find the boy. Once he discovered that such an offer existed, he asked for the consideration, but the same was denied. The court ruled in favour of the Defendant, by holding that Plaintiff was ignorant to offer and thus the performance does not amount to acceptance or acceptable.

Pointers On Acceptance

1. Acceptance should be absolute, clear, pure, and unqualified (unconditional), and must be made with the whilst the offer is subsisting.
2. Acceptance to offers can be expressed or implied i.e. conducting in that manner which implies acceptance in such manner indirect way. Eg. If a watch is taken by someone to test it, before even making the final purchases and the person is pledges it, this amounts to an implied acceptance.
3. Acceptance must be well communicated in appropriate reasonable manner. Or if any, must be communicated through a reasonable medium, like telephone, mail, whatsapp message, automatic reply to emails, if there are no exceptions inclusive.
4. Traditionally acceptance was sure made through posts or letters. If any acceptance is intended to be made through a post or to make ensure such acceptance, it will deem accepted when the letter of acceptance is posted and it is out of the reach of the acceptor

However, with the advent of instant communication like telephone, offer is accepted, when the offeror hears the acceptance on his part.

5. Acceptance or communication of acceptance by a third person or a stranger is not a valid acceptance, if a conduct mentions a specific person to whom acceptance is to be communicated explicitly, then acceptance shall be deemed to be valid if it is made to that person only it is.
6. Acceptance can be either in express of words, gestures or can be implied i.e by conducting in a reasonable manner which signifies acceptance. Eg. A offered B to sell his watch like old one for Rs. 1000 and lends it for his satisfaction. B in turn pledges it or further sells it. The act of B is conducting amounting to a valid acceptance that's it.

Eg. In a contract of sale, acceptance is when an act by the purchaser does an act which is inconsistent with the ownership of the seller construed.

3) Consideration:

A contract is formed when a person, A, makes an offer to another person, B when such offers has accepted by the other person, it becomes an agreement which is acceptable.

Consideration means value given for the performance of a promise. It needs not only necessarily be money, however it should be something which has been agreed by the parties and has some value.

Usually, a contract without consideration is void, however, exceptions to this rule are specified or mentioned in section 25 of the contract Act. Which has been made up.

As per section 2(d) of contract Act consideration is the act of doing something or to abstain from doing something by promisor, either in past present and future as well.

Considerations totally means mutual performance of promises. It flows from both sides of the parties. THEREFORE, charity is not considered under the contract act or can't be have considerations. If something is done in good faith on the basis of a promise, it constitutes consideration for that promise. Consideration need not be adequate; however, it must have some value. Consideration for a promise includes either performance of an act or non-performance

(abstinence) of a certain act. Performances of an act also includes the act of paying money.

Pointers on valid Consideration

1. It has to be at the desire of the promisor with their all-own means and has possession, which means that it should originate from the promisor out of his own accord in genuine manner and not at the instance any other third party. Accordingly, the performance of a legal duty is thus not a well consideration.
2. Consideration could be:
 1. Past Consideration, When the promisor has received consideration before even the date of the performance of the contract by any party, e.g. Advance money paid or sent.
 2. Present Consideration, when consideration is provided immediately at sudden when the contract is made or executed well. Thus, it is also called “executed consideration”.
 3. Future Consideration, when consideration is paid after making of the contract. In consideration of given for ‘construction contracts’-constructed building is given after the execution of the contract. Means contract and construction.
4. It must be legal and not illegal or void or impossible to perform well.
5. Consideration is not void just because it is inadequate or not well enough, provided it was at the desire of the promisor.
6. It must be real, True, Genuine, and not Illusionary. Consideration can be tangible or intangible-e.g. Performance of service like teaching, labour.

Privity of Consideration

In India, consideration for a promise might or should be flow from the promise or any third person, who is not a party to the contract, as long as it is the desire of the promisor.

According to Section 2(d),” when at the desire of the promisor the promisee or any other person any does something or abstains from doing something... “Thus, Indian law does not recognise privity of consideration must flow from the promise, even if it was for the benefit of the plaintiff. English Law recognises privity of consideration.

IV. IMPORTANCE OF DRAFTING:

Drafting in the Indian Contract Act is crucial and significant for several reasons:

For instances:

- **Legal Enforceability:** A well-drafted contract ensures very well that it is legally enforceable, meaning it can be enforced in court if one party fails to fulfil their obligations. It is essential for enforceability as they comply with legal requirements and formalities.
- **Minimizing Disputes:** Clear and precise language well concise and explicitly mentioned language in contracts helps to minimize disputes by clearly defining the rights and duties of each party.
- **Risk Mitigation:** Contract well drafted can mitigate risks and liabilities by clearly outlining the terms of the agreement. That can reduce loss due to failure which can have due to risks.
- **Professionalism and Trust:** A well-drafted contract demonstrates professionalism and trust in business dealings, which can be crucial in establishing a good business relationship. And increment of credibility for the parties and contracts where it is totally beneficial for everyone mentioned or entailed in or related to contracts or drafts or agreements etc.
- **Protection of Rights:** Legal Drafting serves as a shield against injustice, unfairness, and exploitation by articulating rights, obligations, and remedies in clear and unambiguous terms, and try to serve and has justice.
- **Compliance and Regulation:** In an increasingly complex regulatory environment, legal drafting is instrumental in ensuring compliance with applicable laws, regulations, and standards.
- **Effective Advocacy:** Legal drafting extends to pleadings, motions, and legal memoranda uses in litigation and advocacy, influencing, judicial decisions and shaping legal arguments.

Mastering legal drafting is essential for success in the legal profession, as it transforms complex legal concepts into understandable and actionable documents.

Importance of Contract Drafting in India:

Proper contract drafting is essential because it:

- Clearly defines rights and obligations

- Prevents disputes and misunderstandings
- Provides legal remedies in case of breach
- Protects legal remedies in case of breach
- Protects Financial and Commercial interests
- Acts as strong evidence in courts and arbitration

A poorly or incompetently drafted contract can lead to litigations, Financial Loss, and Reputational Damage.

Types of Contracts Commonly Drafted in India

Some Frequently drafted contracts include:

- Business Agreements
- Employment Contracts
- Service Contracts
- Shareholder Agreements
- Partnership Deeds
- Non-Disclosure Agreements (NDA)
- Memorandum of Understanding (MoU)
- Lease and Rent Agreements
- Vendor and Supply Agreements

Each Contract requires customized drafting based on its purpose.

V. BREACH OF CONTRACT

- Types:

There are no really certain such things as ‘one-size-fits-all’ in a breach of contract. The breach is categorized into some of certain types depending on the time and manner in which the failure occurs. Indian law and Indian courts normally classify them in the following way:

1. Actual Breach of Contract

This is the simplest form it occurs when one of the parties does not fulfil their duties on the date of performance or when they do not fulfil their duties at all which are for, they’re liable and do that which is not appropriate.

For instances: A supplier accepts to deliver raw materials by 10th October but does not do so by 15th October. The non-performance in this case is an example of actual breach of contract.

2. Anticipatory Breach of Contract: Into Contrast with real breach, anticipatory breach is one of committed when one party is explains clearly in advance as explicitly that there is no scepticism even before date of due that he/she will not fulfil his/her part of the contract. This can be either in words or behaviour.

An event manager who was hired to arrange a wedding in December, informs the client in September that he will not able to do so. In this case, the client does not need to wait till December to take a breach lawsuit; the law says he can take legal action immediately.

3. Minor Breach of Contract:

Sometimes the breach does not destroy the entire contract but still cause inconvenience. This is known as a minor breach

Example: A website developer delivers the project one week late, but the website functions as promised. While the core purpose is achieved, the delay may still lead to claims for damages.

4. Material Breach of Contract:

This is more or much serious thing. A material breach undermines the very foundation of the agreement, making it difficult for the other party to proceed.

Example: A builder contracted to deliver a fully furnished flat hands over an incomplete structure. Such a failure strikes at the root of the agreement.

5. Fundamental Breach of Contract:

A fundamental breach is so severe that it makes the contract voidable at the option of the aggrieved party. In many cases, it entitles the aggrieved party not just to damage but also to terminate the contract entirely.

Example: A car rental service contracted to provide premium cars supplies old, poorly maintained vehicles instead. The contracts main object is defeated.

- Remedies:

The Indian Contract Act provides several remedies when contracts are breached. The aggrieved party doesn’t have to suffer silently-they can seek relief through the courts.

a) Damages:

This is the most common remedy. Damages can be:

- Compensatory damages: To cover direct losses.
- Consequential damages: To cover indirect losses, like lost profits.
- Liquidated damages: Pre-agreed amounts mentioned in the contract itself.

b) Specific Performance:

In some cases, damages may not be enough. Courts may order specific performance, compelling the

defaulting party to carry out their obligations. This is common in real estate deals where monetary compensation won't suffice.

c) Injunctions:

Courts may issue injunctions to restrain a party from doing something that violates the contract.

For instances, an injunction against using confidential trade secrets.

d) Rescission of Contract

The aggrieved party can also seek rescission, meaning the contract is cancelled, and both parties are restored to their pre-contractual position.

VI. CASE LAWS

1) M/S Murlidhar Chiranjilal vs. M/S Harishchandra Dwarkadas & Anr (1961)

This is one of the oldest cases in India dealing with a breach of contract. This case was brought before the Supreme Court as an appeal by special leave from the judgement and decree order of the High Court of Judicature, Madhya Bharat, Indore.

Appellant – M/s Murlidhar Chiranjilal

Respondent – M/s Harishchandra Dwarkadas

Facts of the Case

- The Appellant and the respondent had entered into a contract for the sale of canvas at Rs 1 per yard.
- The delivery of the canvas was to be made by the railway receipt from Kanpur to Calcutta, and the charges for the same, along with labour charges, were to be borne by the respondent.
- The railway receipt was agreed to be delivered on 5th August, 1947. However, the appellant failed to deliver the receipt
- On 8th August, 1947 the appellant intimated to the respondent that since the booking from Kanpur to Calcutta was closed, the contract could not be performed, and it had become impossible for the appellant to perform the said contract.
- The appellant then closed the contract and returned the advance taken from the respondent
- However, the respondent did not accept the impossibility of the performance of the contract by the appellant. The respondent informed the

appellant that they had committed a breach of contract and were liable to pay damages.

- The Trial court in this matter held that the contract had become impossible to perform, and the respondent was held responsible where the appellant had failed to perform the contract. The trial court also held that since the respondent could not prove the rate that was prevailing on the date of the breach of contract, as claimed by the respondent. Hence, the respondent was not entitled to damages.
- The respondent appealed in the High court and the court held that the contract had not become impossible to perform.
- The High Court further held that the respondent was entitled to damages as per the rate prevailing in Calcutta on 5th August 1947 i.e, the date of the breach of contract.
- Thereafter, an application for special leave was granted by Supreme Court.

Issues Involved:

The Issue related to the breach of contract that arose before the Hon'ble Supreme Court was whether the respondent was entitled to the damages at the rate at which they claimed them.

Judgement of the Court:

The Supreme Court held that there was a breach of contract as the contract was required to be performed on August 5, 1947, by delivery of railway receipt. However, the delivery was not done on the said date. The court further addressed the question of whether the respondent was entitled to damage or not. The court observed that the case involved the purchases of goods for resale, and the appellant and respondent had to prove the rate prevailing in Kanpur to calculate the amount of damage that would arise naturally in the usual course of things from such a breach. However, the respondent failed to prove the rate, therefore, they were not entitled to damages.

The Supreme Court set aside the High Court's decree and restored the trial court's order.

2) Karsandas H. Thacker vs. The Saran Engineering Co. Ltd. (1965)

In these cases, the Supreme Court of India opined that when there is any remote and indirect loss or damage sustained because of the breach of contract,

compensation in such a scenario will not be provided under section 73 of the Act.

Appellant – Karsandas H. Thacker

Respondent – Saran Engineering Co. Ltd.

Facts of the Case:

- The appellant had sued the respondent for breach of contract and recovery of damages amounting to Rs. 20,700.
- In July 1952, he and the respondent entered into a contract for the supply of 200 tonnes of scrap iron.
- The respondent failed to comply with the contract and did not deliver the scrap iron, and the respondent expressed their inability to fulfil the contract in a letter dated 30th January, 1953.
- Meanwhile, the appellant had entered into a contract with another company in Calcutta for the supply of 200 tonnes of scrap iron.
- Due to the breach of contract by the respondent, the appellant could not fulfil the contract made between him and the company for the supply of scrap iron.
- Because of this, the company had to purchase the necessary scrap iron from the open market.
- The company had acquired the difference amount of scrap iron from the appellant. The difference amount is the amount that the company had paid for the purchase of scrap iron and the amount they had previously paid to the appellant.
- On the other hand, the respondents stated that there was no contract between them and the appellant and that the appellant did not suffer any damages.
- They also stated that the controlled price of scrap iron was the same in July 1952 and January 1953, the days when they entered into the contract and the days when the respondent intimated the desirability of discontinuation, respectively.
- The respondent also contended that they were not liable to pay the amount that the appellant paid to the company in Calcutta because the appellant had not informed the respondent about their intention of purchasing the scrap iron for the company or for the purpose of export.
- The trial court was in favour of the plaintiff; it was held by the trial court that the appellant was entitled to damages because the respondent breached the contract.

- However, the High Court reversed the decree of the trial court.

Issues Involved:

In this case, the main issue that arose was whether there was a breach of contract or not.

Judgement of the Court: The Supreme Court held that the respondents did not know that the appellant was purchasing the scrap iron for export, as concluded by the High Court. Therefore, as provided under section 73 of the Act, the appellant was entitled to receive compensation is to be paid for the breach of contract when a loss is caused to the appellant in the usual course of business. However, under the Section, in the event of any rempote or indirect loss or damage suffered by the appellant, compensation shall not be given.

In the presence case, the loss suffered by the appellant from the breach of contract by the respondent would be nil, and hence, no loss was suffered by the appellant on account of the breach of contract.

3) Fateh Chand vs. Balkishan Das (1963)

This is another case of breach of contract, as held by the Supreme court. The following are the detail:

Petitioner: Fateh Chand

Respondent: Balkishan Das

Facts of the case

- The petitioner entered into a contract with the respondent on 21st March 1949, to sell leasehold rights in a piece of land and in the building constructed thereon to the respondent. Facts of the case
- The petitioner entered into a contract with the respondent on 21st March 1949, to sell leasehold rights in a piece of land and in the building constructed thereon to the respondent
- Under the contract, the petitioner received a sum of Rs. 25,000, and he delivered the possession of the building and the land to the respondent. However, the sale was completed after the expiration of the time period mentioned in the contract, and for this reason, both parties blamed each other.
- The petitioner initiated a suit in the court of a subordinate judge and claimed to forfeit the amount of Rs. 25,000 received by him. He also prayed for a decree to have possession of the building and land along with compensation for the

use and occupation of the building from the date of delivery of the building and the land.

- On the other hand, the respondent contended that the petitioner has breached the contract, therefore, he cannot forfeit the amount of Rs. 25,000 received by him and that the petitioner cannot claim any compensation.
- It was held by the trial judge that the petitioner had failed to put the respondent in possession of the property, and therefore he must deposit the amount if Rs. 25,000.
- However, the Punjab High Court (circuit bench) in delhi modified the decree passed by the trial court and held that the petitioner was entitled to retain Rs. 25,000 paid by the respondent under the sale agreement and also directed that the respondent pay compensation for using the property to the petitioner.
- An appeal was filed against the order passed by the Punjab High Court (Circuit Bench) in Delhi before the Supreme Court.

Issues Involved:

There were mainly two issues involved with respect to the breach of contract:

1. Which party committed the breach of contract?
2. Whether a clause of liquidated damages can be interpreted as a penalty clause.

Judgement of the court:

The Supreme Court was in favour of the High court, which found the respondent had committed a breach of contract and referred to section 74 of the Act. The court interpreted Section 74 of the Act, which states that “the contract contains any other stipulation by way of penalty”. The court viewed that this clause of the section as applicable to every contract that contain a penalty and was also applicable in cases of payment on breach of contract for money or delivery of property in the future or in cases of forfeiture of rights to contract for money or delivery of property in the future or in cases of forfeiture of rights to money for other property that has already been delivered. The court further viewed that under this section, there is an imposition on the courts not to enforce the penalty clause but only to award reasonable compensation.

VII. CONCLUSION:

Contract Drafting is a crucial aspect of legal practice as it establishes the rights, obligations, and expectations of the parties involved. A well-drafted contract minimizes ambiguity, reduces the likelihood of disputes, and ensures legal enforceability. Under Indian Law, particularly the Indian Contract Act, 1872, contracts must satisfy essential legal requirements to be valid and binding.

Breach of contract occurs when a party fails to perform its contractual obligations, resulting in legal consequences and remedies such as damages, specific performance, injunctions or rescission. The legal framework governing breach of contract aims to protect the interests of the aggrieved party while maintaining fairness and commercial certainty. Therefore, careful contract drafting and a clear understanding of the legal implications of breach are essential for effective risk management and the smooth functioning of commercial and personal transactions.

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