



CASE OVERVIEW: ORAVEL STAYS PRIVATE LIMITED VS. ZOSTEL HOSPITALITY PRIVATE LIMITED

Case Title: Oravel Stays Private Limited vs. Zostel Hospitality Private Limited.

Court: The High Court of Delhi

Date of Judgment: May 13, 2025 [[Read Judgement Here](#)]

Bench: Justice Sachin Datta

The judgment rendered by the Delhi High Court on 13.05.2025, in the case of “**Oravel Stays Private Limited vs. Zostel Hospitality Private Limited [O.M.P. (COMM) 151/2021 & IA No.5479/2021]**” provides a definitive legal analysis on the enforceability of "non-binding" agreements and the scope of judicial review under the Indian arbitration framework. The ruling sets a crucial precedent concerning the sanctity of contractual terms and the principle of party autonomy.

Factual Background of the Dispute:

The origin of the litigation was a failed transaction of 2015, where the parties executed a Term Sheet for the proposed acquisition of assets of Zostel's Hospitality Private Limited (“**Zostel**”) by Oravel Stays Private Limited (“**Oravel**”) (operating under the brand OYO). A key provision of this document stipulated that, apart from clauses on confidentiality and dispute resolution, the Term Sheet was non-binding and was contingent upon the execution of a definitive agreement. When the transaction did not conclude, Zostel initiated arbitration proceedings, contending that the parties' subsequent conduct transformed the non-binding document into an enforceable contract.

The Arbitral Tribunal's Finding:

The Arbitral Tribunal issued an award in favor of Zostel, holding that the parties' conduct had, de facto, created a binding agreement. However, the tribunal's award was notably inconclusive, as it merely declared Zostel's "entitlement" to seek specific performance of the share transfer, rather than granting the relief outright. This equivocal finding became a central point of contention in the High Court's review.



Delhi High Court's Decisive Ruling:

The Delhi High Court, while exercising its jurisdiction under Section 34 of the Arbitration and Conciliation Act, 1996, set aside the arbitral award on three primary legal grounds:

1. **Absence of *Consensus ad Idem*** (“meeting of the minds”): The Court meticulously examined the Term Sheet and concluded that there was no "meeting of the minds" on essential commercial terms. The court ruled that if a deal is clearly called "non-binding" and key requirements for it to become official were never met, it's not an enforceable contract. The Court underscored that a tribunal cannot override the parties' clear intent as expressed in the contractual terms and pass a direction for its enforceability at an appropriate forum.

“110. In the absence of any agreement between the parties on the aforesaid basic aspects, it is inconceivable as to how the Respondent/ Claimant could be held "entitled" to specific performance. Evidently, it was on account of this difficulty that the learned arbitrator, instead of frontally dealing with the same, seeks to adopt the circuitous route of relegating the parties to another round of litigation for "specific performance and execution of definitive agreements".

111. Having itself noticed that there was no consensus ad idem in respect of crucial aspects of the transaction, there was no occasion to hold that the respondent/ claimant is "entitled to specific performance". It is trite that there can be no specific performance in a situation where there is no agreement between the parties as to the most material terms.”

2. **Conflict with Indian Public Policy:** The High Court ruled that the arbitral award was in direct contravention of the fundamental public policy of India. It reasoned that directing Zostel to enforce an incomplete and expressly non-binding agreement would result in undermining established principles of contract law, thereby creating legal uncertainty and undermining commercial predictability.

“115. There can be no quarrel with the proposition that upholding the "entitlement" of a party to seek specific performance notwithstanding absence of an agreement on material terms, is a violation of 'fundamental principles that constitute the basis for administration of justice and enforcement of law and contracts in India'.”



116. The impugned award also permits/ directs the respondent/claimant to take "appropriate proceedings for specific performance and execution of definitive agreements". It has been found in the award itself that there is no consensus ad idem in respect of the terms of the envisaged "definitive agreements". Thus, the impugned award, in effect, permits/ sanctions proceedings for specific performance, of an agreement of which the material terms have not been agreed upon. Again, the same is contrary to 'fundamental principles that constitute the basis for administration of justice and enforcement of law and contracts in India'.

3. **Incomplete Adjudication:** The Court found that the Arbitral Tribunal had failed in its duty to fully and finally resolve the dispute submitted to it. By leaving the issue of specific performance for future adjudication, the tribunal had rendered an incomplete award, which is a valid ground for setting aside under the Arbitration and Conciliation Act, 1996.

"97. It was open to the arbitral tribunal to either grant or refuse specific performance. Considering that the respondent/ claimant has been held "entitled" to specific performance, it was incumbent on the arbitral tribunal itself to issue all consequential directions in this regard. Inexplicably however, the impugned award seeks to relegate the respondent/claimant to "appropriate proceedings for specific performance" for execution of definitive agreements.

98. The above conclusion of the learned arbitrator is quite incongruous. The same tantamounts to an omission to fully adjudicate the most central issue that arose before it, and virtually sets at nought the entire adjudication exercise before the arbitral tribunal."

Conclusion and Legal Implications of the Judgment:

This judgment serves as a strong legal precedent in relation to cases where the very existence of a contract is under dispute. The ruling provides a critical safeguard for commercial entities by setting a precedent that a term sheet will not be construed as a binding agreement unless all conditions are met and the parties' intent to be bound is unequivocally established.



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