



Enforcing Contractual Security in Arbitration: A Case Analysis of Belvedere Resources DMCC Versus OCL Iron and Steel Ltd and Others

Author by: Lokesh Bhola, Managing Partner and Sanjana Manchanda, Associate

Introduction

The case of *Belvedere Resources DMCC vs. OCL Iron and Steel Ltd. and Others* adjudicated by the Hon'ble Delhi High Court on 1st July 2025, raises critical questions regarding interim measures in arbitration, the jurisdictional authority of Courts and obligations arising from commercial contracts. The present dispute is with respect to a Coal Supply Contract entered between Belvedere Resources DMCC, a UAE-based company and SM Niryat Pvt. Ltd. (later merged into OCL Iron and Steel Ltd.). Certain disputes arose between the parties and thus the Petitioner invoked Arbitration proceedings. In the meantime, the Petitioner filed a Petition under Section 9 of the Arbitration and Conciliation Act, 1996, seeking urgent interim reliefs.

Procedural History and Relevant Facts

Belvedere Resources entered into discussions with SM Niryat Pvt. Ltd. in 2022 for the sale of coal. The negotiations between the parties took place via WhatsApp and various emails, culminating in an offer and acceptance on 31.10.2022. The contract terms were consistent with the industry-standard ScoTA (Standard Coal Trading Agreement), which contained a binding arbitration clause under SIAC rules. It is relevant to note here that the ScoTA was not signed between the parties, however, there was offer and acceptance between the parties.

Despite finalizing the terms, SM Niryat failed to remit the advance payment and sought to delay the shipment, eventually cancelling the contract on 15.11.2022. Belvedere subsequently invoked Arbitration and filed a Petition under Section 9 of the Arbitration and Conciliation Act, before the Hon'ble Delhi High Court seeking security of USD 2.77 million (~INR 23.34 Cr), along with injunctions and asset disclosures from the respondents.

Crucially, SM Niryat had merged into OCL Iron and Steel Ltd. vide Order, dated 30.01.2024. It was the case of the Petitioner that since OCL was as a successor, thus OCL was also liable for performance of obligations and liabilities of SMN's.

Issues involved:

1. Whether a valid Arbitration Agreement existed between the parties, considering the communications through email as well as whatsapp between the parties?
2. Whether the Delhi High Court had territorial jurisdiction to entertain the Petition under Section 9 of the Act?
3. Whether the Respondents should be directed to furnish security?

Analysis and application of Law to Facts

1. Existence of a Valid Arbitration Agreement

The Court observed that a binding arbitration clause existed. Even though the ScoTA was not physically signed, the Court emphasized that under *Section 7(4)(b)* of the Act, an arbitration agreement can be established through communication exchanges like emails and electronic communication. The Court cited the *Cox & Kings Ltd. v. SAP India (P) Ltd.* and *Trimex*



International v. Vedanta Aluminium, reaffirming that mutual consent evidenced through written communication suffices to form an arbitration agreement.

Held: Yes, there was a valid arbitration agreement.

2. Territorial Jurisdiction of the Delhi High Court

While the petitioner argued that OCL had a corporate office in Delhi and held shares in a Delhi-based company, the Court rejected the claim. It ruled that the mere presence of a branch office does not confer jurisdiction. Jurisdiction depends on where the *cause of action arose* or where the *contractual obligations were carried out*, neither of which occurred in Delhi.

All material correspondence and the repudiation happened in Kolkata. The contract was between a Dubai-based company and an Indian entity with offices primarily in Kolkata. Hence, Delhi courts lacked territorial jurisdiction.

Held: Delhi High Court has no jurisdiction over this matter.

3. Claim for Interim Relief and Security

The petitioner sought interim relief on the grounds of potential dissipation of assets, citing:

- The amalgamation of SMN into OCL,
- Delayed filings of affidavits by OCL,
- OCL's emergence from insolvency (CIRP),
- Alleged concealment of financial status.

However, the Court ruled that:

- A claim for *damages*, unless adjudicated, is not a "debt" and thus not enforceable for interim relief. Citing *Union of India v. Raman Iron Foundry*, it reiterated that damages do not become payable until determined by a competent court or tribunal.
- *Order XXXVIII Rule 5 CPC* applies only where there is evidence that a party is deliberately disposing of assets to frustrate recovery. The petitioner could not establish such conduct by OCL.
- The financial condition of OCL or past insolvency alone isn't sufficient to warrant attachment or security without concrete evidence of mala fide intent to defeat a potential award.

Held: Petitioner's claim is not crystallized as a debt; hence, no interim relief or attachment can be granted.

Conclusion

This judgment provides important clarity on how interim relief works under arbitration law and highlights key legal principles. It confirms that even electronic communications, like emails or messages, can create a valid arbitration agreement as long as they show both sides agreed on the crucial terms and conditions. It also makes clear that a court cannot assume it has the right to hear a case just because a company has an office or some presence in that area; the court must look at where the main events of the dispute took place. Additionally, the judgment explains that if someone is claiming damages that haven't yet been decided by a court or tribunal, they cannot ask for asset protection under Section 9 unless there is strong proof that the other side might hide or sell off assets. While Belvedere Resources had a strong case showing the contract was breached, the court stressed that clear legal procedures and evidence are needed before



giving interim protection. By rejecting the petition even though an arbitration agreement existed, the court showed a fair and careful approach, making sure legal rights are protected without unnecessarily disrupting business operations.
