The Parties

Bhandari Motors Pvt. Ltd. ("Bhandari Motors") is a private limited company under the Companies Act, 2013. It has a factory in Nashik, Maharashtra, where it makes and sells passenger cars. It is a subsidiary of Bhandari Group Holdings Ltd. ("Bhandari Holdings"), a business group based in Mumbai with interests in automobile manufacturing, real estate and logistics.

Namrata Engineering Pvt. Ltd. ("Namrata Engineering") is an industrial automation company with its head office in New Delhi and its main factory in Ludhiana, Punjab. Over the last ten years it has built a good name across India for its robotic assembly systems. To build and ship the machine described below, it borrowed money from banks.

The Agreement

Bhandari Motors is preparing the nationwide launch of its flagship hybrid SUV, the "Bhandari Astra". The launch was postponed once last year and is now planned for the coming festive season. Customers have already booked the vehicle and been given delivery dates. Bhandari Motors also plans to expand its plant for future EV models.

In mid-2023, Bhandari Motors decided to modernize the bodyshell welding line at its Nashik plant so that it could build the Astra in large numbers.

In 2023 Bhandari Motors reached out to Namrata Engineering. Namrata Engineering offered its robotic body-welding line, the AutoWeld-9000, which is designed for high-speed welding of automobile body shells. Initial discussions began in April 2023, and the first meetings were attended by representatives of Bhandari Holdings. After that, detailed technical and commercial negotiations covering price, technical features, installation needs, production capacity and payment terms were carried out between Namrata Engineering and Bhandari Motors.

On 25 June 2023, the two companies signed a Supply, Installation and Commissioning Agreement for a custom robotic welding line called the AutoWeld-9000.

The price was ₹40 Crores, payable in four stages. The first was an advance of ₹5 Crores, and the second was ₹10 Crores on delivery at Nashik. Both have been paid. The third was ₹15 Crores on successful commissioning and an output run, and the fourth was ₹10 Crores on final acceptance after a 90-day trial. Bhandari Motors has paid neither of these to Namrata engineering. So, ₹15 Crores has been paid, and ₹25 Crores remains unpaid.

Under the Supply, Installation and Commissioning Agreement signed between Bhandari Motors and Namrata Engineering, the AutoWeld-9000 was required to produce a minimum of 30 welded body-shells per hour.

Along with the machine, Namrata Engineering also provided detailed installation guidelines. These guidelines clearly specified the electrical supply requirements, voltage stability, and other site conditions that Bhandari Motors' Nashik plant was required to meet for the proper functioning of the machine.

What Went Wrong

Namrata Engineering installed and commissioned the AutoWeld-9000 at Nashik on 1 November 2023. In the trial runs, the line produced an average of only 16 body-shells per hour, almost half of the promised 30.

Each side blames the other. Bhandari Motors says the machine is defective and points to the weld-head sensor and control software. Namrata Engineering says the machine left its factory in good condition and that the problem is the power supply at the Nashik plant, which it says is unstable and does not meet the specification. Bhandari Motors says its site was ready and its power supply was adequate.

The disagreement quickly turned into a stand-off. Bhandari Motors refused to sign the commissioning certificate and stopped the third and fourth payments. Namrata Engineering answered by stopping all warranty service, spare parts and software updates. Since then, the line has been running far below its capacity, and Bhandari Motors has managed only a small pilot batch of Astra vehicles, using manual welding to fill the gap.

The two companies now accuse each other of bad faith. Namrata Engineering says Bhandari Motors has kept using the line while refusing to pay for it, and is blaming the machine to avoid its bills. Bhandari Motors says Namrata Engineering walked away from a stalled line and is blaming the plant to cover its own defects.

After the failure, Bhandari Motors' plant maintenance team and Namrata Engineering's quality-control team each reviewed their own records, but neither side has shared its findings, and each suspects the other of holding something back.

The Accident of 18 November 2023

On 18 November 2023, the line stalled during a trial run, and a joint team went in to inspect the weld-head assembly. The team included Bhandari Motors technicians and one commissioning engineer from Namrata Engineering. While they were inspecting it, the robotic arm suddenly started a cycle by itself and jerked forward.

Mr. Vinod Kamble, a senior line technician, injured his right hand temporarily and is unable to work. Bhandari Motors paid him interim compensation at once and says it will seek to recover this from Namrata Engineering, which denies any liability. Mr. Kamble has since sent a legal notice to both companies claiming compensation. He is not a party to this mediation, and the question here is how the two companies will share the cost between themselves.

It is not yet clear what made the arm move. Both the machine's safety system and the safety steps taken by the team before going in are in question. Namrata Engineering says its engineer asked the team to wait until the arm was properly isolated, and Bhandari Motors says it heard no such warning. The workers' union at the Nashik plant is following the matter closely and has said it may take action if Mr. Kamble and his family are not looked after.

From the Dispute to the Mediation Chamber

Disputes having arisen between the parties regarding performance, payment, and related liabilities under the Agreement, the parties have mutually agreed to refer all outstanding commercial issues to confidential, pre-institution mediation in accordance with Section 12A of the Commercial Courts Act, 2015, read alongside the Commercial Courts (Pre-Institution Mediation and Settlement) Rules, 2018. The parties shall jointly approach the competent Legal Services Authority to facilitate the appointment of a mediator. The entire process, including all statements, documents, and negotiations exchanged during the proceedings, shall remain strictly confidential, privileged, and without prejudice to the rights of either party in any subsequent legal proceedings.