



PERFECT PROPOSAL AT HAND: ELEVATE YOUR BUSINESS BRAND!



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A business Proposal is a document, which is drafted with an intent to secure a contract or a project. Usually, it elegantly introduces products and services offered, accompanied by a breakdown of professional fees. Presenting your product or services through a comprehensive business proposal along with clear terms and conditions is paramount for successful business engagements. A well-drafted and presented business proposal serves as a powerful tool to persuade potential clients, investors, or partners to engage with your business.

In legal terms, “proposal” is the main ingredient of a valid contract. The term “proposal” of the Indian Contract Act is synonymous to the term “Offer” in English law. Section 2(a) of the Indian Contract Act, 1872 defines proposal as “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 other to such act or abstinence, he is said to make a proposal”.[1]

Here are some features and advantages of well drafted business proposals:

1. Clarity of Terms:

A properly drafted business proposal clearly outlines terms and conditions of the proposed agreement or contract or partnership without using unnecessary jargons. It communicates your message effectively, making it easy for the reader to understand. This clarity helps prevent misunderstandings and disputes by ensuring that all parties have the same understanding of their rights, obligations, and responsibilities.

[1] The article reflects the general work of the authors and the views expressed are personal. No reader should act on any statement contained herein without seeking detailed professional advice.

2. Risk Allocation:

Business proposals often include provisions for risk allocation, specifying which party is responsible for certain risks or liabilities. By outlining these responsibilities upfront, the proposal helps to mitigate the risk of legal disputes and facilitates smoother resolution in case of unforeseen events. Risk related to delivery, transit, insurance are critical and identified by way of CIF, FOB modes.

3. Compliance with Legal Requirements:

Your proposal should also be clear on aspects related to adherence to legal and ethical standards and provide for provisions related to data privacy regulations, intellectual property ownership, standard of services or regulatory compliances for avoiding potential conflicts.

4. Evidence of Intent:

A business proposal serves as documentary evidence of the parties' intent to enter into a contractual relationship or partnership. It demonstrates that the parties have engaged in good-faith negotiations and have reached a preliminary agreement on key terms, which may be valuable in the event of a legal dispute.

5. Confidentiality and Non-Disclosure:

Business proposals often contain provisions for confidentiality and non-disclosure to protect sensitive information shared during the negotiation process. These provisions help safeguard proprietary information, trade secrets, and other confidential data from unauthorized disclosure or misuse.

6. Dispute Resolution Mechanisms:

Business proposals may include provisions for dispute resolution mechanisms such as arbitration, mediation, or litigation. By establishing procedures for resolving disputes in a timely and cost-effective manner, the proposal helps mitigate the risk of prolonged legal battles and preserves the parties' business relationship.

7. Legal Protection:

Ultimately, a well-drafted business proposal provides legal protection for all parties involved by setting clear expectations, minimizing risks, and ensuring compliance with relevant laws and regulations. It serves as a foundational document that helps safeguard the parties' interests and rights throughout the lifecycle of the proposed venture or partnership.

In case of *United India Insurance Co. Ltd vs M/S. Orient Treasures Pvt. Ltd*[2], it was observed that an appeal was filed under the Consumer Protection Act, 1986 against an order by the National Consumer Disputes Redressal Commission (NCDRC) by the Appellant i.e. United India Insurance Co. Ltd. against the respondent, owner of jewellery business. The respondent's jewellery shop was burglarized, and they claimed insurance coverage for the stolen goods. However, the insurance company denied the claim, citing policy clauses stating that items in window displays at night or outside the safe after business hours were not covered.

The respondent filed a complaint with the NCDRC, seeking compensation. The Commission partially allowed the complaint, directing the insurance company to pay a certain sum. Both parties appealed against the decision.

The appellant argued that the burglary occurred at night and the stolen items were in the display window or outside the safe, thus not covered by the policy. The respondent contended that the clauses in the insurance policy were ambiguous and should be interpreted in their favour under the *contra proferentem* rule[3].

The Hon'ble Court examined the clauses in the proposal form, duly accepted by respondent and found them clear and unambiguous, stating that insurance coverage was not provided for items in the display window at night or outside the safe after business hours. Therefore, the appellant was not liable to compensate for the loss. The Hon'ble Court dismissed the respondent's appeal and allowed the insurance company's appeal, setting aside the NCDRC's order and dismissing the complaint.

[2] Supreme Court: Civil Appeal No. 140 of 2007 (SCC)

[3] The rule implies that when there are ambiguous terms in the contract, the ambiguity should be interpreted against the drafter of the contract who is deemed to be aware of the consequences of imprecise drafting.

8. Enforceability:

A properly drafted business proposal can be legally enforceable, particularly if it includes elements of a valid contract such as offer, acceptance, consideration, and intention to create legal relations. In case of breach of obligations or non-performance, the proposal can serve as the basis for legal action to seek remedies or damages, especially in those cases where contract is not concluded amongst the Parties for various reasons.

9. Flexibility and Customization:

While templates can be helpful, a well-drafted proposal is flexible enough to be customized for each unique opportunity. It allows you to tailor your message and solution to the specific needs and preferences of each client or investor.

10. Professional Image:

A meticulously drafted proposal, when presented, demonstrates proactive initiative, conveying professionalism and earnest commitment to securing the contract, thereby fostering confidence and trust in the proposing party's capabilities.

**Conclusion:**

The advantages of business proposals from a legal standpoint are manifold and far-reaching. From clarity and specificity to risk mitigation and compliance assurance, the proposal serves as a legal armor, protecting the interests of all parties involved and laying the groundwork for a mutually beneficial and legally sound business relationship. In an era marked by increasing legal scrutiny and complexity, harnessing the power of business proposals as legal instruments is not just advisable; it's essential for navigating the intricacies of business transactions.

In the light of advantages discussed above, it becomes evident that the cornerstone of securing successful business contracts lies in the meticulous drafting of proposals.



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