

**IN THE HIGH COURT OF PUNJAB AND HARYANA AT CHANDIGARH****Date of Decision : March 12, 2025
CR No.3256 of 2015****M/s Randhir Singh & Company
Octroi Contractor and another****. . . . Petitioner**

Vs.

Municipal Council, Jind and others

. . . . RESPONDENTS**CORAM: HON'BLE MR. JUSTICE DEEPAK GUPTA****Present:-** Mr. A.K. Kansal, Advocate for the petitioners.
Mr. Jagdish Manchanda, Advocate for the respondents.**DEEPAK GUPTA, J.**

Impugned order dated 24.03.2015 (*Annexure P-6*), holding the petitioner liable to pay ₹60,01,938.01 to the respondent, passed by the Executing Court, Jind has been assailed by the petitioners by way of present petition filed under Article 227 of the Constitution of India, alleging the same to be illegal and based upon incorrect interpretation of law.

2. As the paper book would reveal that contract for collection of octroi for the period w.e.f. 01.07.1995 to 30.06.1996 was allotted to the petitioner-firm being the highest bidder by the Municipal Council, Jind, i.e. respondent No.1 herein. Contract money was of ₹80,11,000/-. The dispute arose between the parties, which was referred by learned Civil Judge, Jind for arbitration. The Financial Commissioner and Secretary to Government of Haryana, Local Government Department was appointed as Arbitrator, who gave his Award dated 21.04.1998 (*Annexure P-1*). Although the Award was initially challenged under Section 34 of the Arbitration and Conciliation Act, 1996, but the objections were dismissed and the Award attained finality.

3. Execution was filed for implementation of the Award by the Municipal Council, Jind, wherein an order dated 03.04.2010 was passed by

the Executing Court, issuing arrest warrants against the Judgment Debtors-petitioners. However, that order was set aside by this Court vide order dated 16.10.2014 in CR No.2591 of 2010 (*Annexure P-3*).

4. Now dispute pertains to the calculation of the amount as awarded by the Arbitrator.

5. Perusal of the Award (*Annexure P-1*) would reveal that under para 20 of the same, an amount of ₹22,00,759.16/- was awarded to the Municipal Council, Jind, as deficiency amount. The claim of the Municipal Council, Jind for an amount of ₹1,99,108.75 as interest on deficiency amount for period from 01.07.1995 to 30.06.1996 was declined as per para 21 of the Award.

6. Parties differ on the interpretation of last para 22 of the Award, which reads as under:-

“22. The Municipal Council has claimed interest on the deficiency amount from 1.7.96 to 15.5.97 also. Since, the contractor M/s Randhir Singh and Company was expected to deposit deficiency amount by 30.6.96 which was not done inspite of the orders of the learned Civil Court, the interest on the amount of Rs. 22,00,759.16 paise is allowed from the period 1.7.96 to 15.5.97 which comes to Rs. 3,46,619.56 paise. The Municipal Council has also claimed future interest w.e.f. 16.5.97 till realization on the amount of the award. This interest is also allowed. Thus, the contractor M/s Randhir Singh and company is liable to pay Rs. 22,00,759.16 paise as balance of deficiency amount, plus interest from 1.7.96 to 15.5.97 (*wrongly mentioned as '96'*) amounting to Rs. 3,46,619.56 paise plus the future interest w.e.f. 16.5.97 till the date of realization. There are no orders as to cost.”

7. The above-said portion of the Award of the Arbitrator would reveal that apart from the amount ₹22,00,759.16, the Decree Holder-Municipal Council, Jind has been allowed interest w.e.f. 01.07.1996 to 15.07.1997, which comes to ₹3,46,619.56. The dispute is as to whether the future interest w.e.f. 16.05.1997 till realization as allowed by the Arbitrator is

payable only on the amount of ₹22,00,759.16; or also on the amount of ₹3,46,619.56 which is the interest component.

8. It has not been disputed before this Court that principal amount of ₹22,00,759.16 plus the interest component of ₹3,46,619.56 total amounting to ₹25,47,378.72 has already been paid by the petitioners-Judgment Debtors up to 12.07.2010. It has also not been disputed that even the future interest w.e.f. 16.05.1997 till the date of payment, i.e. 12.07.2010 on the amount of ₹22,00,759.16, total amounting to ₹51,93,000/- has also already been paid by the Judgment Debtors, which is even reflected in the order dated 19.10.2015 of the Executing Court/District Judge, Jind, copy of which has been placed on file.

9. The dispute is now confined as to whether the Municipal Council, Jind/Decree Holder is entitled for interest on the amount of ₹3,46,619.56, i.e. the pre-award interest component as per the Award of the Arbitrator.

10. The order dated 20.02.2024 passed by this Court in this petition would reveal that in order to contend that future interest of the above-said interest component was not payable, petitioners/Judgment Debtors had relied upon "***State of Haryana and others v. S.L. Arora and Company***", 2010 (3) SCC 690. On the other hand, the counsel for the respondent/Decree Holder had relied upon "***Morgan Securities And Credits Pvt. Ltd. v. Videocon Industries Ltd.***"2023(1) SCC 602, wherein ***S.L. Arora's case (supra)*** was also referred.

11. It will be relevant to reproduce the conclusion drawn by three Judges Bench of Hon'ble Supreme Court in ***Morgan Securities and Credits Pvt. Ltd.'s case (supra)***, which is as under:-

"22. In view of the discussion above, we summarise our findings below:

(i) The judgment of the two-judge Bench in ***SL Arora (supra)*** was referred to a three-judge Bench in ***Hyder Consulting (supra)*** on the question of whether

post-award interest could be granted on the aggregate of the principal and the pre-award interest arrived at under Section 31(7)(a) of the Act;

(ii) Justice Bobde's opinion in *Hyder Consulting (supra)* held that the arbitrator may grant post award interest on the aggregate of the principal and the pre-award interest. The opinion did not discuss the issue of whether the arbitrator could use their discretion to award post-award interest on a part of the 'sum' awarded under Section 31(7)(a):

(iii) The phrase unless the award otherwise directs in Section 31(7)(b) only qualifies the rate of interest;

(iv) According to Section 31(7)(b), if the arbitrator does not grant post award interest, the award holder is entitled to post-award interest at eighteen percent.

(v) Section 31(7)(b) does not fetter or restrict the discretion that the arbitrator holds in granting post-award interest. The arbitrator has the discretion to award post-award interest on a part of the sum:

(vi) The arbitrator must exercise the discretionary power to grant post-award interest reasonably and in good faith, taking into account all relevant circumstances; and

(vii) By the arbitral award dated 29 April 2013, a post-award interest of eighteen percent was awarded on the principal amount in view of the judgment of this Court in *SL Arora (supra)*. In view of the above discussion, the arbitrator has the discretion to award post-award interest on a part of the sum'; the 'sum' as interpreted in *Hyder Consulting (supra)*. Thus, the award of the arbitrator granting post award interest on the principal amount does not suffer from an error apparent."

12. It has been conceded before this Court by Ld. Counsel for the petitioners that in view of the above pronouncement of Hon'ble Supreme Court, the payment of future interest is to be considered in the light of the aforesaid directions and not in the light of *S.L. Arora's case (supra)*.

13. In present case, since the arbitrator did not specify the rate of interest, so, in view of Para 22 (iv) in *Morgan Securities and Credits Pvt. Ltd.'s case (supra)*, said rate of interest is to be taken as 18% per annum.

14. As noticed earlier that amount of ₹3,46,619.56 is the pre-award interest component and not the post award interest component. The Arbitrator in his Award dated 21.04.1998 (*Annexure P-1*) has allowed future interest w.e.f. 16.05.1997 till the date of realization, without clearly stating as to whether this future interest is payable only on ₹22,00,759.16 or also on the amount of ₹3,46,619.56. In the absence of any such clarification in the Award, it is held in view of Para 22 (i) in *Morgan Securities and Credits Pvt. Ltd.'s case (supra)* that the future interest will be payable on the entire amount as awarded by the Arbitrator, i.e. ₹22,00,759.16, which was the deficiency amount; and also the pre-award interest component of ₹3,46,619.56.

15. As such, the present petition is hereby disposed of by holding that the petitioner is liable to pay interest @ 18% per annum on the pre-awarded interest component amount of ₹3,46,619.56 also from 15.06.1997 till the date of payment.

Disposed of accordingly.

March 12, 2025

Sarita

(DEEPAK GUPTA)

JUDGE

Whether speaking/reasoned?

Yes/No

Whether reportable?

Yes/No