

# GRC BULLETIN

OCTOBER - 2024, VOLUME: I

## Case Law

Supreme Court Upholds Post-Award Interest: Key Ruling in Arbitration Dispute

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## JUDICIAL INSIGHT

### Case Title

R.P. Garg Vs. The Chief General Manager, Telecom Department & Ors. [Civil Appeal No. 10472 of 2024 arising out of SLP (C) No. 2792 of 2020]

# SUPREME COURT UPHOLDS POST-AWARD INTEREST: KEY RULING IN ARBITRATION DISPUTE

### Facts of the Case:

- A contract was established on 17.10.1997 between R.P. Garg and the Telecom Department of Haryana for the purpose of trenching and laying underground cables. According to the contract terms, the appellant was required to provide a security deposit of ₹10 lakhs.
- Disputes arose regarding the non-payment of bills submitted by the appellant for the work carried out.
- These disputes were referred to an arbitrator appointed under the Arbitration and Conciliation Act, 1996. On 08.03.2001, the arbitrator issued an award, granting the appellant's claims but rejecting interest due to a contractual clause prohibiting such payment.
- The appellant objected during the execution of the award, requesting post-award interest. However, the Civil Judge, Senior Division, on 10.10.2002, dismissed the claim for post-award interest, upholding the arbitrator's decision.
- The appellant appealed to the District Judge, and on 04.03.2003, the appeal was granted. The court allowed post-award interest at 18% per annum, allowing the appellant to recover the interest from the trial court.
- The Telecom contested the District Court's order in the High Court. On 14.05.2019, the High Court overturned the District Court's decision, stating that the contract clause prohibiting interest also applied to post-award interest, citing the Supreme Court judgment in Jaiprakash Associates Ltd. V. Tehri Hydro Development Corporation (India) Ltd. (2019) 17 SCC 786.

### ISSUE:

Whether the appellant was entitled to post-award interest despite the clause in the contract prohibiting interest payments.

### SUPREME COURT'S VERDICT:

- The appellant contended that post-award interest is obligatory unless the award specifies otherwise, as per Section 31(7)(b) of the Arbitration and Conciliation Act. Therefore, despite the contractual clause prohibiting interest, this provision governs



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post-award interest, and the appellant was entitled to it from the date of the award to the date of payment.

- The Telecom Department upheld the contract's clause prohibiting any interest payments, including post-award interest. They justified their position by referring to the High Court's reliance on Jaiprakash Associates Ltd. v. Tehri Hydro Development Corporation (India) Ltd., which disallowed interest where the contract explicitly forbade it.
- The High Court was found to have made a mistake by relying on the contract clause that prohibited interest. The clause specifically prohibited interest on certain payments such as earnest money or security deposits, and did not cover post-award interest granted under Section 31(7)(b).
- The Court made it clear that there is a difference between pre-award and post-award interest. While parties are allowed to choose whether interest should be paid before the award according to Section 31(7)(a), post-award interest is required under Section 31(7)(b) unless the award itself directs otherwise.
- The Term "unless the award otherwise directs" only pertains to the interest rate and not to the entitlement itself. Therefore, even if the contract prohibits pre-award interest, parties cannot opt out of post-award interest, as it is guaranteed by statute.
- The Supreme Court accepted the appeal, reinstating the District Court's ruling that granted post-award interest at an annual rate of 18%. It overturned the decision of the High Court and affirmed that the appellant was eligible for post-award interest as per Section 31(7)(b) of the Arbitration and Conciliation Act, 1996.
- The Telecom Department was instructed to pay interest at 18% from the date of the award until the amount is recovered. The Court emphasized that parties are unable to exclude post-award interest provisions, which are safeguarded by statute.

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