

**IN THE HIGH COURT OF ORISSA AT CUTTACK**

**ARBA No.31 of 2019**  
(Through hybrid mode)

***Sigma Data Tech***

....

***Appellant***

Mr. Laxmidhar Pangari, Senior Advocate

*-versus-*

***Union of India and another***

....

***Respondents***

Mr. G. Mohanty, Advocate

**CORAM: JUSTICE ARINDAM SINHA**

**ORDER**  
**08.04.2022**

**Order No.**

**7.**

1. Mr. Pangari, learned senior advocate appears on behalf of appellant and submits, his client is aggrieved by impugned judgment dated 8<sup>th</sup> August, 2019 passed by the Court below setting aside award of interest in award dated 31<sup>st</sup> August, 2017. He submits, the award was for principal and interest. Sub-section (7) in section 31, Arbitration and Conciliation Act, 1996, by clauses (a) and (b) empowered the arbitrator to grant interest. There can be no dispute with the statutory mandate. Proof of entitlement was established by his client on producing statement from the banker and thereupon there was award for interest. The Court below, on erroneous appreciation of principal and interest, erred in setting aside that part of the

award. He submits further, there was also award for fees and costs, on which the Court below did not say anything and, this Court in appeal should clarify that there was no interference on the award for fees and cost.

2. Mr. G. Mohanty, learned advocate appears on behalf of respondents and submits, it would appear from both the award and impugned judgment that the principal sum itself constituted interest. Case of his client before the Tribunal and the Court below was, there cannot be interest on interest. That is against public policy.

3. Perused impugned judgment and the award. Following from the award is reproduced below.

*“Being satisfied I came to a conclusion that by awarding interest at the rate of 9% per annum on Rs.17,56,668.00 paisa as interest on interest or compound interest from 1<sup>st</sup> November, 2004 till 31<sup>st</sup> July, 2017, which comes to Rs.55,10,402.00 paisa.”*

4. Clause (a) under section 31(7) empowers the Tribunal to include in the award, interest on a part or whole amount of money payable. It does appear that the Court below applied mind and found that payment for the work was made in substance. The principal sum constitutes compensation. Interest

is compensation for delay in payment. On the compensation there was award of interest. As such, the Court below upheld the challenge on the interest component as interest on interest. Respondent's submission is accepted that there cannot be award for interest on interest as against public policy.

5. So far as submission regarding award for fees and costs is concerned, there was no interference by the Court below. That part of the award remained untouched by the challenge mounted against it.

6. Mr. Pangari's further submission is regarding future interest also not interfered with in the challenge. It is made clear that direction in the award for future interest will be applicable to the upheld sum awarded thereby.

7. The appeal is disposed of.

***(Arindam Sinha)***  
***Judge***

*Sks*