

2025:PHHC:110800-DB



**IN THE HIGH COURT OF PUNJAB AND HARYANA AT
CHANDIGARH**

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FAO-CARB-15-2025 (O&M)

Date of decision: 12.08.2025

Union of India

...Appellant

Versus

M/s Triveni Construction and another

...Respondents

**CORAM: HON'BLE MR. JUSTICE HARSIMRAN SINGH SETHI
HON'BLE MR. JUSTICE VIKAS SURI**

Present: Mr. Lalit Attri, Advocate for the appellant.

Mr. Jagdeep Singh Rana, Advocate
for the respondents.

VIKAS SURI, J.

1. The present appeal has been filed by the Union of India, under Section 37 of the Arbitration and Conciliation Act, 1996 (for short, 'the Arbitration Act') read with Section 13 of the Commercial Courts Act, 2015, for setting aside the judgment dated 21.01.2025 passed by the learned Additional District Judge-Commercial Court, Pathankot, whereby the petitions filed under Section 34 of the Arbitration Act, both by the appellant as well as the respondent No.1, for setting aside the arbitration award dated 19.03.2018, were dismissed.

2. Tersely, respondent No.1 invoked the process of arbitration for adjudication of its claims, which culminated in the Award dated 19.03.2018 (Annexure A-2), whereby a sum of Rs.2,15,44,109/- was



awarded in favour of respondent No.1 and against the appellant-Union of India. The said amount was to be paid within six weeks from the date of the award failing which it was to carry interest @ 12% per annum from the date of the award till its realization.

2.1. Aggrieved by the aforesaid award, both the appellant-Union of India as well as respondent No.1-M/s Triveni Construction, filed their petition under Section 34 of the Arbitration Act for setting aside the impugned award. The appellant alleged that the award is illegal and against public policy; and being a result of misconduct, the same was required to be set aside. It was further urged that the amounts awarded under the various claims are un-contractual.

2.2 On the other hand, respondent No.1-M/s Triveni Construction impugned the award *inter alia* on the ground that Claim Nos.18 and 19 had not been decided which pertain to payment of interest on the claims and on account of cost of arbitration. It was further averred that pre-litigation and pendente lite interest had not been awarded nor any finding had been given in that regard. Moreover, an amount of Rs.2 lakh was also claimed towards the delay that had occurred because of non appointment of the Arbitrator despite the repeated requests of respondent No.1. Interest had also been claimed on an amount of Rs.6 lakh paid by respondent No.1 on account of the share to be borne by the appellant towards the fee of the Arbitrator from the date of payment till the date of realization, which had not been accounted for in the award. A claim of Rs.11 lakh as Arbitrator fee along with expenses was also raised.

3. Upon notice of the petitions under Section 34 of the Arbitration Act and on consideration of the respective submissions



advanced on behalf of the Union of India and the contractor-M/s Triveni Construction, the learned Additional District Judge-Commercial Court, Pathankot, concluded that the award passed by the Arbitrator was based on logical reasoning and does not suffer from any illegality or error nor the learned Arbitrator had mis-conducted the proceedings nor the same was against public policy. Both the petitions were, thus, dismissed holding that no ground was made out as per Section 34 of the Arbitration Act, which could warrant setting aside the impugned award, vide judgment dated 21.01.2025.

4. Still aggrieved by the dismissal of its petition under Section 34 *ibid*, the appellant-Union of India has carried the matter to this Court by way of the present appeal.

5. Learned counsel for the appellant argued that the Court below has failed to appreciate that the interest awarded is on the higher side and against the settled principles of awarding interest. It is further submitted that Section 34 of the Code of Civil Procedure, 1908 (for short, 'CPC'), in candid terms, provides for payment of future interest at the rate not exceeding 6% per annum from the date of the decree to the date of payment, or to such earlier date as the Court thinks fit. It is further submitted that even the earlier provision for payment of interest @ 18% per annum under the Arbitration Act was substituted by way of amendment w.e.f. 23.10.2015. It is, thus, prayed that the rate of interest be reduced from 12% to 6% per annum from the date of the award till its realization.

6. Per contra, learned counsel appearing for the respondent No.1-caveator has defended the impugned judgment dated 21.01.2025



whereby even the petition filed by the said respondent, under Section 34 of the Arbitration Act for setting aside the Arbitrator's Award dated 19.03.2018, was dismissed. As such, the respondent-contractor has not preferred any appeal against the impugned judgment. Refuting the submissions of learned counsel for the appellant, it is contended on behalf of respondent No.1-M/s Triveni Construction that reference to the provision of Section 34 CPC is misconceived as the interest has been awarded by the learned Arbitrator under Section 31 (7) of the Arbitration Act. It is further submitted that the rate of interest prevalent on the date of award was 10% and as such, the interest @ 2% higher than the said rate has been rightly awarded by the learned Arbitrator.

7. We have heard learned counsel for the parties at some length and perused the record with their able assistance.

8. It would be apposite to refer to the provision of Section 31 (7) of the Arbitration Act, as it stands after being amended by the Arbitration and Conciliation (Amendment) Act, 2015 (Act No.3 of 2016) w.e.f. 23.10.2015, which reads as thus:-

“(7) (a) Unless otherwise agreed by the parties, where and in so far as an arbitral award is for the payment of money, the arbitral tribunal may include in the sum for which the award is made interest, at such rate as it deems reasonable, on the whole or any part of the money, for the whole or any part of the period between the date on which the cause of action arose and the date on which the award is made.

(b) A sum directed to be paid by an arbitral award shall, unless the award otherwise directs, carry interest at the rate of two per cent. higher than the



current rate of interest prevalent on the date of award, from the date of award to the date of payment.

Explanation.—The expression “current rate of interest” shall have the same meaning as assigned to it under clause (b) of section 2 of the Interest Act, 1978 (14 of 1978).”

9. Perusal of the aforesaid statutory provision would show that the arbitrator’s award is to carry interest @ 2% over and above the current rate of interest prevalent on the date of the award, from the date of the award till its realization, unless the award otherwise directs. The appellant has not brought on record any material in support of its contention that the interest awarded by the learned Arbitrator is on the higher side. On the contrary, learned counsel for respondent No.1-contractor submitted that in March, 2018 the lending rate of scheduled banks was about 10% and hence, post award interest has been correctly awarded by the learned Arbitrator, being 2% higher than the said rate.

10. The argument raised by the learned counsel for the appellant while making reference to Section 34 CPC, is only to be noticed for being rejected. It is well settled that special law would prevail over general law. The Civil Procedure Code is general law whereas the Arbitration Act is special law, which is applicable to the present case. Therefore, the provisions for awarding interest under the Arbitration Act would have precedence over Section 34 CPC, which would not be applicable to arbitration proceedings. It is not the case of the appellant that the Arbitration Act is silent about awarding interest and thus, recourse has to be taken to the Civil Procedure Code. Even otherwise, the proviso to



Section 34 CPC carves out an exception that where the sum adjudged has arisen out of a commercial transaction, the rate of further interest may exceed 6% per annum but shall not exceed the contractual rate of interest and where there is no contractual rate, the rate at which moneys are lent or advanced by scheduled banks in relation to commercial transactions. Admittedly, the arbitration award arises from a commercial transaction between the appellant and respondent No.1.

11. Sub-section 7 of Section 31 of the Arbitration Act, provides for interest for the period between the date of cause of action and the date on which the award is made, and also for post award period, till the date of payment. In the present case, the learned Arbitrator has not awarded *pendente lite* interest but only post award interest. The component of interest prior to the award, which has not been awarded, is deemed to have been declined. The contesting parties have not referred to any clause from the contract that prohibits payment of interest. The Hon'ble Supreme Court in Civil Appeal No.10472 of 2024 titled as ***R.P. Garg vs. Chief General Manager, Telecom Department and others***, decided on 10.09.2024, held that the interest under Section 31 (7)(b) of the Arbitration Act is not affected by contractual clauses prohibiting interest, unlike *pendente lite* interest under Section 31 (7)(a) *ibid*. It has been further held that Clause (b) of Section 31 (7) is distinct from Clause (a) and the expression 'unless the award otherwise directs' in Clause (b), relates only to the rate of interest and not the entitlement of interest.

12. Learned counsel for the appellant has not been able to rebut the aforesaid settled proposition of law and neither has he referred to any material on record to show that the rate of interest on the date of the



award was lesser than that awarded by the learned Arbitrator, after factoring in the increase by 2% as provided under Section 31 (7)(b) of the Arbitration Act.

13. No other argument has been raised.

14. In the light of the above discussion and the appellant having failed to show any illegality or perversity in the impugned judgment, we are of the considered opinion that no ground is made out for interference in the impugned order dated 21.01.2025.

15. The present appeal being bereft of merit, is dismissed.

16. Pending applications, if any, stand disposed of accordingly.

(HARSIMRAN SINGH SETHI)
JUDGE

(VIKAS SURI)
JUDGE

12.08.2025
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Whether speaking/reasoned :	Yes	No
Whether Reportable :	Yes	No