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

FAO-CARB-7-2020 (O&M)
Date of Decision: 22nd April, 2026.

STATE OF PUNJAB AND ANOTHER**Appellant(s)**
V/s

FLOW TREATMENT INCORPORATE AND OTHERS**Respondent(s)**

CORAM: **HON'BLE MR. JUSTICE ASHWANI KUMAR MISHRA**
HON'BLE MR. JUSTICE ROHIT KAPOOR

Present Mr. Somesh Arora, Addl. A.G., Punjab,
for the appellants.

Mr. P.S. Rana, Advocate for respondent No.1

ASHWANI KUMAR MISHRA, J. (Oral)

CM-27-FCARB-2020

Delay of 132 days in filing of the appeal has been satisfactorily explained. Accordingly, application is allowed and delay of 132 days in filing the appeal is condoned.

FAO-CARB-7-2020 (O&M)

1. The present appeal is filed by the State of Punjab under the provisions of Section 37(1) (c) of the Arbitration and Conciliation Act, 1996 (hereinafter referred to as “the Act”) against judgment dated 17.08.2019 passed by the Additional District Judge, Bhatinda (hereinafter referred to as “the Commercial Court”), whereby the Objection Petition filed by the Appellants against the award of the Sole Arbitrator dated 12.02.2015 has been dismissed.

2. It transpires that the State of Punjab has awarded work of “Providing Small Bore Sewerage System and Sewage Treatment Plant” at

Village Nutt and Khokhar, Block Maur Rampura, District Bhatinda to respondent No.1 for a sum of ₹1,77,39,316/- vide letter dated 22.12.2006. The project in question was to be completed within six months from the date of allotment letter of work. The contract agreement No.344 of 2006-07, enumerating various terms and conditions, was duly entered into between the parties. However, the work pursuant to the contract could not be awarded only because sufficient funds were not sanctioned to accomplish the project and ultimately in terms of arbitration clause, a dispute was raised.

3. Application under Section 11 of the Act was allowed, and the Sole Arbitrator was appointed, who, vide award dated 12.02.2015, has awarded a sum of ₹17,73,931.60 to the claimant/respondent No.1 towards “loss of profit” which is 10% of the contract amount. The Arbitrator has also allowed interest @ 18% per annum on the awarded amount. Aggrieved by such award, the appellants filed objections under Section 34 of the Act before the Commercial Court, which were dismissed. Challenging the said dismissal, the State of Punjab has preferred the present appeal.

4. Though various submissions have been advanced with reference to the materials placed on record, but the thrust of the appellants’ submission is that the Arbitrator has grossly erred in awarding interest @ 18% on the amount quantified towards “loss of profit”. It is urged that this aspect of the matter though was pressed before the Commercial Court but the same has not been accorded consideration in a correct perspective.

5. During the course of hearing, learned State counsel has fairly stated that the appellants would be ready to pay the awarded amount along

with interest @ 9% per annum in place of 18% per annum awarded by the Arbitrator.

6. Learned counsel for respondent No.1, on the basis of instructions received from his client, who is present in Court today, states that the claimant has no objection to the modification of the awarded amount insofar as it relates to the rate of interest and agrees that the interest may be substituted at 9% per annum in place of 18%.

7. In view of the aforesaid consent arrived at between the parties during the course of hearing of the Appeal, this Appeal is partly allowed. The award of the Arbitrator, as confirmed with rejection of objection under Section 34 of the Act, awarding sum of ₹17,73,931.60 along with interest @ 18% per annum stands modified with the said awarded amount carrying interest @ 9% per annum.

8. The appellants shall ensure that in terms of the agreed terms, the amount shall be released to the claimant/respondent No.1 within a period of three months from today.

9. All pending applications, if any, in this case are disposed of accordingly.

[ASHWANI KUMAR MISHRA]
JUDGE

[ROHIT KAPOOR]
JUDGE

April 22, 2026
Ess Kay

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