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

CR-3536-2009 (O&M)
Date of Decision: January 19, 2026

M/s Oswal Worsted Spinners Limited
...Petitioner

Versus

M/s Indian Acrylics Limited

...Respondent

CORAM: HON'BLE MRS. JUSTICE ARCHANA PURI

Present: Mr.Aalok Jagga, Mr.Harkirat Singh Jagdev, Mr.Aryaman Jagga and Mr.A.P.S.Madaan, Advocates for the petitioner.

Mr.Akshay Bhan, Senior Advocate with Mr.H.V.Gupta, Advocate for the respondent.

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ARCHANA PURI, J.

Challenge in the present revision petition is to the order dated 02.04.2009 passed by learned District Judge, thereby, allowing the application filed by the respondent under Section 151 read with Section 152 CPC, for correction of the judgment/decree dated 20.02.2002.

The facts germane, to be noticed, are as herein given:-

That, initially, respondent-M/s Indian Acrylics Limited (hereinafter called plaintiff) had filed a suit for recovery of Rs.14,20,922.68 against M/s Oswal Worsted Spinners Limited (hereinafter called defendant), on the averments that the defendant purchased acrylic fibres from the plaintiff from March 1993 to October 1993 of the value of Rs.1,30,73,118/- and made the payments thereof. After adjusting the same, a sum of Rs. 3,67,410.85/ is due, as a price of acrylic fibre. However, the defendant was to pay interest @ 2% per month, in the event of default of payment, beyond the period of 7 days and on this account, defendant is liable to pay Rs.10,53,511.83/-.

The suit was contested by the defendant. Issues were framed. Evidence was led and on appraisal of the evidence, it was held by the trial Court that the plaintiff is entitled to recover Rs.3,66,185.25, on account of supply of acrylic fibre and besides the same, the plaintiff is also entitled to charge interest @ 24% per annum, on delayed payment and thus, the plaintiff is entitled to recover Rs.10,53,511.83, as interest. Hence, the trial Court decreed the suit for the recovery of Rs.3,66,185.25, as price of the goods and further held the plaintiff entitled to interest @ 24% per annum, amounting to Rs.10,53,511.85, as on 19.08.1995, and further awarded interest @ 24% per annum, on the said amount from the date of institution of the suit till realization, vide judgment and decree dated 18.11.1998.

Being aggrieved, the defendant preferred Civil appeal No.125 of 18.12.1998, which was decided by learned District Judge, on 20.02.2002, whereby, the trial Court decree was modified to the effect that respondent company shall be entitled to interest @ 18% per annum, on the decretal amount of Rs.3,66,185.25 and shall also be entitled to future interest @ 18% per annum, from the date of the institution, till realization.

Still not satisfied, both the plaintiff as well as the defendant, filed respective appeals i.e. RSA-3266-2002 and RSA-2374-2002 respectively. However, both the said appeals were dismissed by the Coordinate Bench vide order dated 31.08.2004.

During the pendency of the appeal before the First Appellate Court, the plaintiff had filed an execution petition claiming amounts, as per the judgment and decree of the trial Court, whereby objections were raised that the trial Court decree has been modified by the First Appellate Court and interest is payable only @ 18% per annum. However, the executing Court, on appraisal of the material before it, had concluded that the trial Court decree awarded a sum of Rs.10,53,511.85, as interest @ 24% per annum, as on 19.08.1995. Since the interest was reduced to @ 18% per annum by the First Appellate Court, therefore, this amount stood reduced by 1/4th and after calculation, the amount payable, was worked upon as Rs.7,90,134/- and after calculating the interest on the said amount and on the amount of Rs.3,66,185.85, learned Executing Court concluded that a sum of Rs.33,61,774.35 is payable by the defendant.

Being aggrieved by the aforesaid order, the defendant filed revision petition i.e. CR-1586-2006, which was decided on 04.09.2008, while making the observations, as herein given:-

> *"Be that as it may, it was not permissible for the learned Executing Court to have gone behind the decree or give any other interpretation, when the decree is clear and specific.*
>
> *The decree was passed qua principal amount along with the interest only. However, keeping in view the fact that the whole amount has been paid and the dispute is whether the amount of interest was deliberately left out or it was on account of the omission which deserves to be adjudicated.*
>
> *With the consent of the parties. (sic) This revision*

petition is disposed of with the direction that the decree holder, if so advised may move an application for correction of the judgment and decree passed by the learned Lower Appellate Court in accordance with the law.

To secure the interest of petitioner the decree holder shall furnish bank Guarantee within 15 days of receipt of certified copy of the order, for refund of amount in difference as per the decree passed by trial court and as the of Lower appellate Court.

The competent Court, thereafter, can entertain the application to be moved by the decree holder, and in the event of dismissal of said application, it shall be open to petitioner to invoke the Bank Guarantee. In case no such application is moved within two months of receipt of certified copy of this order, it shall be open to petitioner to invoke Bank Guarantee."

Consequent thereupon, the plaintiff had moved an application under Section 151 read with Section 152 CPC, for correction of the judgment and decree dated 20.02.2002 passed by the First Appellate Court, whereby, plaintiff was found entitled to principal amount of Rs.3,66,185.25, towards the price of goods and further, the plaintiff was also held entitled to interest @ 18% per annum, instead of @ 24% per annum, on delayed payment and the amount, on that account, was claimed by the plaintiff as Rs.10,53,511.83 and this amount was to be reduced to Rs.7,90,134/-. Thus, the total decretal amount comes to Rs.11,56,319.35, on which future interest shall be @ 18% per annum, from the date of filing of the suit till realization and the judgment and decree dated 20.02.2002 be corrected, by granting a sum of Rs. Rs.7,90,134.10, as interest, on the delayed payment.

However, reply was filed thereby, refuting the claim for correction as asserted. In fact, it was pleaded that the Regular Second Appeals filed by the parties have since been dismissed and therefore, the said application, as such, is not maintainable. the judgment passed by the Appellate Court dated 20.02.2002 is clear, specific and unambiguous and do not call for any correction.

After hearing counsel for the parties, on the said application and on appraisal of the material coming on record, learned District Judge, more particularly, considering paragraph No.9 of the judgment, passed by the First Appellate Court, in the backdrop of the observations made by the trial Court, had concluded that the respondent-company would be entitled to interest @ 18% per annum, on delayed payment, instead of 24%. Thereupon, also taking into consideration, the concluding paragraph of the judgment i.e. paragraph No.11, it was held that the First Appellate Court had only reduced the rate of interest from 24% per annum to 18 % per annum, payable on delayed payment and also awarded future interest @ 18% per annum, from the date of institution of the suit till realization. It was also observed that nowhere, the amount was declined, which was payable as interest on the delayed payment. Further, taking into consideration, about the extent of amount payable, on account of supply of goods and the interest, though worked upon, till the date of institution of the suit, the Court concluded that non-mentioning of the amount payable by way of interest, on account of delayed payment, in the operative part, is only an omission and it cannot be said that the amount payable on said account was intentionally left out.

Thus, taking into consideration, the totality of the facts and more particularly, the order dated 31.08.2004, passed by this Court in the RSAs, it was concluded that the correction is to be made in the operative part of the judgment and consequently, in the decree dated 20.02.2002, passed by the Court and the operative part of the judgment be read as that "respondent company is entitled to decretal amount of Rs.3,66,185.25, as price of the goods and is further entitled to interest @ 18% per annum, on delayed payment (which the respondent company calculated to Rs.10,53,511.85 @ 24% per annum as on 19.08.1995) and shall also be entitled to future interest @ 18% per annum from the date of institution of the suit till its realization". Thus, necessary correction was ordered to be made accordingly, in the judgment and the decree sheet.

Still not satisfied with the correction, so ordered, the petitioner-defendant has filed the present revision petition.

Upon notice, respondent made appearance through counsel.

Counsel for the parties heard.

During the course of arguments, learned counsel for the petitioner assiduously submitted that the no such correction was required to be made, as the First Appellate Court had denied the interest, on the alleged delayed payment. In fact, the respondent intends to seek compounding of the interest. Learned First Appellate Court had correctly decreed the suit for recovery of Rs.3,66,185.25, the price of the goods supplied, plus interest @ 18% per annum, from the date of filing of the suit, till realization. It is submitted that since the RSAs filed by the rival parties, have also been dismissed by the Court, therefore, the revisional Court, as such, could not pass an order, giving an option to the plaintiff to file an application for correction of the judgment.

On the other hand, learned counsel for the respondent has refuted the claim of the petitioner. He submits that it was omission on the part of the Court, though, it had given a detailed discussion, with regard to the working upon of the principal amount and the interest on the delayed payment, which accidentally, was omitted in the concluding paragraph. Otherwise also, with regard to CR-1586-2006, learned counsel has drawn attention to the concluding three paragraphs, wherein, it was only with the consent of the parties, the option was given to file an application for correction of the judgment and decree passed by the learned lower Appellate Court, in accordance with law and therefore, now the petitioner, as such, cannot say about the such application, to be not maintainable, more particularly, when the omission, as such, with regard to the interest on delayed payment, was never noticed by the Courts, while dealing with the RSAs.

Also, it is submitted that apart from the price of the goods supplied, the amount of interest on delayed payment, was capitalized towards principal, on the date of filing of the suit and therefore, it never remained interest and thus, it cannot be said that the compounding of the interest was allowed by the Court.

At this juncture, beneficial reference is made to ***Central Bank of India vs. Ravindra, 2002(1) RCR (Civil) 49***, wherein, the Constitution Bench had considered the reference made, with regard to the interpretation of the liability of the borrower to pay interest on the principal sum, to include interest that became merged with the principal sum adjudged or principal sum as lent. Therein, it was observed, as herein given:-

> *"39. Mulla on the Code of Civil Procedure (1995 Edition) sets out three divisions of interest as dealt in Section 34 of CPC. The division is according to the period for which interest is allowed by the Court, namely - (1) interest accrued due prior to the institution of the suit on the principal sum adjudged; (2) additional interest on the principal sum adjudged, from the date of the suit to the date of the decree, at such rate as the Court deems reasonable; (3) further interest on the principal sum adjudged, from the date of the decree to the date of the payment or to such earlier date as the Court thinks fit, at a rate not exceeding 6 per cent per annum. Popularly the three interests are called pre-suit interest, interest pendente lite and interest post-decree or future interest. Interest for the period anterior to institution of suit is not a matter of procedure; interest pendente lite is not a matter of substantive law* ***[See, Secretary, Irrigation Department, Government of Orissa and others v. G.C. Roy, (supra)]****. Pre-suit interest is referable to substantive law and can be sub-divided into two sub-heads; (i) where there is a stipulation for the payment of interest at a fixed rate; and (ii) where there is no such stipulation. If there is a stipulation for the rate of interest, the Court must allow that rate upto the date of the suit subject to three exceptions; (i) any provision of law applicable to money lending transactions, or usury laws or any other debt law governing the parties and having an overriding effect on any stipulation for payment of interest voluntarily entered into between the parties; (ii) if the rate is penal, the Court must award at such rate as it deems reasonable; (iii) even if the rate is not penal the Court may reduce it if the interest is excessive and the transaction was substantially unfair. If there is no express stipulation for*

payment of interest the plaintiff is not entitled to interest except on proof of mercantile usage, statutory right to interest, or an implied agreement. Interest from the date of suit to date of decree is in the discretion of the Court. Interest from the date of the decree to the date of payment or any other earlier date appointed by the Court is again in the discretion of the Court - to award or not to award as also the rate at which to award. These principles are well established and are not disputed by learned counsel for the parties. We have stated the same only by way of introduction to the main controversy before us which has a colour little different and somewhat complex. The learned counsel appearing before us are agreed that pre-suit interest is a matter of substantive law and a voluntary stipulation entered into between the parties for payment of interest would being the parties as also the Court excepting in any case out of the three exceptions set out hereinbefore.

"Such Principal Sum"-meaning of:

40. Let us paraphrase the relevant part of Section 34(1) as under and then deal with the question posed before us:

> *"Where and in so far as a decree is for the payment of money, the Court may, in the decree, order interest at such rate as the Court deems reasonable to be paid on the principal sum adjudged,*
>
> *from the date of the suit to the date of the decree,*
>
> *in addition to any interest adjudged on such principal sum for any period prior to the institution of the suit,*
>
> *with further interest at such rate not exceeding six per cent per annum, as the Court deems reasonable on such principal sum, from the date of the decree to the date of payment, or to such earlier date as the Court thinks fit."*

41. A few points are clear from a bare reading of the provision. While decreeing a suit if the decree be for payment of money, the Court would adjudge the principal sum on the date of the *suit. The Court may also be called upon to adjudge interest due and payable by the defendant to the plaintiff for the pre-suit period which interest would, on the findings arrived at and noted by us hereinabove, obviously be other than such interest as has already stood capitalised and having shed its character as interest, has acquired the colour of the principal and having stood amalgamated in the principal sum would be adjudged so. The principal sum adjudged would be the sum actually loaned plus the amount of interest on periodical rests which according to the contract between the parties or the established banking parties has stood capitalised. Interest pendente lite and future interest (i.e. interest post-decree not exceeding 6 per cent per annum) shall be awarded on such principal sum i.e. the principal sum adjudged on the date of the suit. It is well settled that the use of the word 'may' in Section 34 confers a discretion on the Court to award or not to award interest or to award interest at such rate as it deems fit. Such interest, so far as future interest is concerned may commence from the date of the decree and may be made to stop running either with payment or with such earlier date as the Court thinks fit. Shortly hereinafter we propose to give an indication of the circumstances in which the Court may decline award of interest or may award interest at a rate lesser than the permissible rate. It was submitted by the learned amicus and other counsel for the borrowers, that the expression "on such principal sum" as occurring twice in the latter part of Section 34(1), which refers to interest pendente lite and post-decree, should be interpreted to mean principal sum arrived at by excluding the interest even if it has stood capitalised. This would be consistent with the legislative intent as reflected in the report of Joint Committee and sought to be fulfilled by 1956 Amendment. For two reasons this contention has to be rejected. Firstly, entertaining such a plea amounts to begging the question. As we have already held* *that the interest once capitalised ceases to be interest and becomes a part of principal sum or capital. That being so the interest forming amalgam with the principal, in view of having been capitalized, is principal sum and therefore the question of awarding interest on interest does not arise at all. xx xx xx xx"*

Further, it was observed, as herein given:-

"44. We are of the opinion that the meaning assigned to the expression 'the principal sum adjudged' should continue to be assigned to "principal sum"at such other places in Section 34(1) where the expression has been used qualified by the adjective "such" that is to say, as "such principal sum". Recognition of the method of capitalisation of interest so as to make it a part of the principal consistently with the contract between the parties or established banking prac-tice does not offend the sense of reason, justice and equity. As we have noticed such a system has a long established practice and a series of judicial precedents upholding the same. Secondly, the underlying principle as noticed in several decided cases is that when interest is debited to the account of the borrower on periodical rests, it is debited because of its having fallen due on that day. Nothing prevents the borrower from paying the amount of interest on the date it falls due. If the amount of interest is paid there will be no occasion for capitalising the amount of interest and converting it into principal. If the interest is not paid on the date due, from that date the creditor is deprived of such use of the money which it would have made if the debtor had paid the amount of interest on the date due. The creditor needs to be compensated for deprivation. As held in ***Pazhaniappa Mudaliar and Ors. v. Narayana Ayyar and others (supra)*** *the fact-situation is analogous to one as if the creditor has advanced money to the borrower equivalent to the*

> *amount of interest debited. We are, therefore, of the opinion that the expression "the principal sum ad-judged" may include the amount of interest, charged on periodical rests, and capitalised with the principal sum actually advanced, so as to become an amalgam of principal in such cases where it is permissible or obligatory for the Court to hold so. Where the principal sum (on the date of suit) has been so adjudged, the same shall be treated as "principal sum" for the purpose of "such principal sum" - the expression employed later in Section 34 of C.P.C.*

While relying upon the Central Bank of India's case (supra), the Hon'ble Kerala High Court in case titled ***Catholic Syrian Bank Ltd. vs. K.T. Mathai & others, 2002 (4) RCR (Civil) 356***, also held that the principal amount in a suit for recovery is the original amount plus interest as on date of filing of the suit.

Now, adverting to the case in hand, it is pertinent to mention that initially, the suit was filed for recovery against the petitioner-defendant for an amount of Rs.14,20,922.68, wherein, it was asserted about sum of Rs.3,67.410.85 as the amount of goods supplied and the amount of Rs.10,53,511.83 was worked upon as interest on the delayed payment. On appraisal of the evidence, brought on record, the suit for recovery of Rs.3,66,185.25, on account of supply of goods was decreed and while charging interest @ 24% per annum, on delayed payment, the plaintiff was held entitled to Rs.10,53,511.83. This judgment was assailed by the petitioner-defendant before the First Appellate Court and the interest part was reduced.

In this regard, close perusal of the judgment passed by the First Appellate Court, more particularly, while considering the manner of transaction having taken place, between the parties, it was concluded that the trial Court rightly concluded the respondent-plaintiff to be entitled to recovery of Rs.3,66,185.25 from the petitioner-defendant i.e. M/s Oswal Worsted Spinner Limited. In paragraph No.9, it was observed, as herein given:-

> *"9. As per clause 17 of the terms and conditions of the sale typed on the back of the bills Ex. P4 to P24, the respondent company was entitled to charge interest @ 24% p.a. on the delayed payment. It is proved on record that the material vide these bills was supplied by the respondent company and the same was received by the appellant without any objection or protest, and the payment against these bills was never made in time. Though no cross examination has been effected on PW1 Vipin Rai with regard to the liability of interest, even then I find that the claim of interest at the rate of 24% p.a. is on the higher side and in such like transactions, to my mind, grant of interest at the rate of 105 p.a. would meet the ends of justice, and the finding of learned Lower Court with regard to interest is hereby modified and it is made clear that instead of 24% p.a. the respondent company would be entitled to interest at the rate of 18% p.a., on the delayed payment."*

As such, it was concluded that the respondent-plaintiff shall be entitled to interest @ 18% per annum, on the delayed payment.

Keeping in view the aforesaid observations, it is pertinent to mention that in the concluding paragraph No.11, it was observed as herein given:-

> *"11. No other point was urged nor any survives for consideration, and I the final analysis, while affirming the findings of the learned Lower Court, the decree is modified to the effect that the respondent company shall be entitled to interest at the rate of 18% p.a. on the decretal amount of Rs.3,66,185.25 and shall also be entitled to future interest at the rate of 18% p.a. from the date of institution of the suit till its realization. Decree sheet be prepared accordingly. The appeal is disposed of accordingly subject to this modification. Lower Court record be returned. File of this Court be consigned."*

When both the aforesaid paragraphs are read in unison, it becomes evident that the First Appellate Court had only reduced the rate of interest from 24% per annum to 18% per annum, payable on the delayed amount and also awarded future interest @ 18% per annum, from the date of institution of the suit, till realization.

Close perusal of the entire judgment reveals that nowhere, the First Appellate Court had denied the amount, which was payable as interest, on delayed payment, which was claimed to be Rs.10,53,511.83 @ 24% per annum. However, the same was though awarded by the trial Court, but the First Appellate Court had only reduced the extent of rate of interest from 24% per annum to 18% per annum. Therefore, it becomes evident that it was the amount of Rs.10,53,511.83, which was accordingly required to be reduced. However, inadvertently, the same did not find mention in the concluding paragraph.

Taking into consideration the binding thread of the judgment, it is evident that non-mentioning of the amount, payable by way of interest, on account of delayed payment, skipped in the concluding part of the judgment, which cannot be said to be, in any manner, to have been intentionally left out, keeping in view the observations, more particularly, made in paragraph No.9 of the said judgment. Consequently, in this view of the matter, the revision petition i.e. CR-1586-2006 was allowed.

However, now it is stated that the application, as such, is not maintainable, but suffice to consider the order passed in CR-1586-2006, wherein, specifically it has been observed that it was with the consent of the parties, this revision is disposed with a direction that the decree holder, if so advised, may move an application for correction of the judgment and decree passed by the learned lower Appellate Court, in accordance with law.

No matter, much emphasis has been laid upon the dismissal of the RSAs filed by the rival parties vide order dated 31.08.2004, copy whereof is Annexure P-3, but however, with regard to the same, it is pertinent to mention that the omission of the payment, as such, was never looked into by the Court concerned, while disposing of both the RSAs. It took into consideration only about the reduction of the rate of interest from 24% per annum to 18% per annum, which as such, was never in dispute. Considering the same, the omission as such, coming forth in the operative part of the judgment passed by the First Appellate Court, is only a bonafide omission and in any manner, it cannot be said that the interest on the delayed payment, as now submitted by learned counsel for the petitioner, was denied by the First Appellate Court.

Even though, it is now submitted that this correction in itself amounts to compounding of the interest, but however, it is not so, as the interest calculated on the delayed payment, on being capatalized, at the time of filing of the suit, as such, no longer, carries the character as interest. However, on filing of suit together with the principal amount, the payment of interest, as such, sheds its character as interest and has acquired the colour of principal and stood amalgamated in the principal sum and precisely, on this account, it cannot be said that there is compounding of interest.

Considering the tone and tenor of the judgment, in any case, it cannot be concluded about denial of amount of interest, on the delayed payment. However, in consonance with the reduction of the interest, the amount, as such, has been worked upon by learned District Judge, while disposing of an application under Section 151 read with Section 152 CPC, which is in consonance with the observations made by the First Appellate Court, in its judgment and hence, the impugned order, as such, brooks no interference.

Hence, the revision petition sans merit and the same is hereby dismissed.

January 19, 2026 **(ARCHANA PURI)**
Vgulati **JUDGE**

Whether speaking/reasoned **Yes**
Whether reportable **Yes/No**