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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

Date of decision: 21st Sep, 2026
Date of uploading: 23rd Sep, 2026

\# **CNR No. DLHC010103062026**

\+ FAO (COMM) 77/2026, CM APPL. 16966/2026 & CM APPL. 16967/2026

AMARSONS COMMERCIAL PRIVATE LTD .....Appellant
Through: Mr. Abhik Chimni, Ms. Pallavi Garg & Ms. Pranjal Abrol, Advocates.

versus

SENTISS PHARMA PRIVATE LIMITED .....Respondent
Through: Mr. Shiva Sambyal & Mr. Tarun Kumar, Advocates.

CORAM:
HON'BLE MR. JUSTICE DINESH MEHTA
HON'BLE DR. JUSTICE ADITI CHOUDHARY

J U D G M E N T

DINESH MEHTA, J. (*ORAL*)

1. The present appeal under Section 37 of the Arbitration and Conciliation Act, 1996 *(hereinafter referred to as 'the Act of 1996')* is confined to the rate of interest awarded by the learned Arbitrator as affirmed by the Court only; it does not assail other components of the impugned award.

2. Mr. Abhik Chimni, learned counsel for the appellant, at the outset submitted that so far as the quantum of the award is concerned, the appellant is not assailing the same and it is impugning the rate of post award interest awarded by the learned Arbitrator.

3. While inviting Court's attention towards award dated 28.02.2022, learned counsel submitted that the Arbitrator has awarded interest at the rate of 18% per annum from the date of award till the date of payment, in spite of the fact that there was no stipulation about post-award interest in the agreement between the parties. He argued that in absence of any agreement between the parties, the

post-award interest could have been awarded as per Section 31(7)(b) of the Act of 1996, which prescribes rate of 2% above the current rate of interest.

4. Learned counsel submitted that at the relevant time the rate of interest prescribed by Reserve Bank of India was 9.71% (applicable to Private Sector Banks) and therefore, the learned Arbitrator could have awarded interest at the rate of 11.71% per annum.

5. He argued that the Arbitrator has wrongly exercised the discretion so vested in him and in spite of the fact that the appellant had raised such contention regarding stipulated interest before the Court in the application for setting aside the arbitral award, the Court did not consider the same in accordance with law and upheld the interest @18% albeit with some modification about change of date of applicability.

6. Mr. Shiva Sambyal, learned counsel for the respondent, invited Court's attention towards the judgment of Hon'ble the Supreme Court in the case of ***State of Haryana and Others v. S.L. Arora and Company*** reported in **2010 3SCC 690**, particularly paragraph 23 and submitted that the interest as awarded by the learned Arbitrator and modified by the Court is correct in the eyes of law.

7. He submitted that while modifying the award, the learned Court has made the interest payable from the date after three months from the date of award.

8. Heard learned counsel for the parties.

9. The short question before us is, as to whether the learned Arbitrator was legally justified in awarding post-award interest at the rate of 18% per annum. For deciding this issue, we do not need to dilate much upon the facts and law.

10. It would be relevant to reproduce Section 31(7)(a) & 31(7)(b) of the Act of 1996:

a) Unless otherwise agreed by the parties, where and insofar 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.*

11. A simple look at clause (b) of Section 31(7) reveals that an arbitral award in absence of an agreement shall carry interest at the rate of 2% above the current rate or prevailing rate interest on the date of award.

12. Learned counsel has filed a chart of the prevailing rates of interest, as published by the RBI on its website. The same is taken on record.

13. The award was passed in February, 2022, when the rate of interest in Private Sector Banks was 9.71%. This being the position, the rate of interest should be 11.71% (9.71+2) post the date of award, i.e., 28.02.2022 till the date of payment.

14. Now we move on to the judgment cited by learned counsel for the respondent. Paragraph no.23 of the judgment in the case of ***S.L. Arora and Company (supra)*** reads thus:

"23. The difference between clauses (a) and (b) of Section 31(7) of the Act may conveniently be noted at this stage. They are:

(i) Clause (a) relates to pre-award period and clause (b) relates to post-award period. The contract binds and prevails in regard to interest during the pre-award period. The contract has no application in regard to interest during the post-award period.

(ii) Clause (a) gives discretion to the Arbitral Tribunal in regard to the rate, the period, the quantum (principal which is to be subjected

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to interest) when awarding interest. But such discretion is always subject to the contract between the parties. Clause (b) also gives discretion to the Arbitral Tribunal to award interest for the post-award period but that discretion is not subject to any contract; and if that discretion is not exercised by the Arbitral Tribunal, then the statute steps in and mandates payment of interest, at the specified rate of 18% per annum for the post-award period.

(iii) While clause (a) gives the parties an option to contract out of interest, no such option is available in regard to the post-award period.

In a nutshell, in regard to pre-award period, interest has to be awarded as specified in the contract and in the absence of contract, as per discretion of the Arbitral Tribunal. On the other hand, in regard to the post-award period, interest is payable as per the discretion of the Arbitral Tribunal and in the absence of exercise of such discretion, at a mandatory statutory rate of 18% per annum."

15. We have to bear in mind that the judgment in ***S.L. Arora and Company (supra)*** was rendered as per erstwhile Section 31 of the Act of 1996, as it stood prior to the amendment brought about with effect from 23.10.2015. Under the unamended provision, the statutory rate prescribed for the post-award period, in the absence of a direction to the contrary by the Arbitral Tribunal, was 18% per annum. However, Section 31(7)(b) was subsequently substituted/amended with effect from 23.10.2015, whereby the said statutory rate of 18% per annum was substituted by a rate of 2% in addition to the current rate of interest prevalent on the date of the award. Consequently, the reliance placed by the learned counsel for the respondent on ***S.L. Arora and Company (supra),*** is of little help to his cause, as the provision governing the rate of interest has undergone a change.

16. The learned Arbitrator, therefore, was not justified in awarding post-award interest at the rate of 18% per annum, which was the rate prevalent prior to 23.10.2015.

17. The award of the learned Arbitrator as modified by the order dated 31.01.2026 thus apparently contrary to the provision of Section 31(7)(b) of the Act of 1996, is liable to be set aside on the grounds mentioned in Section 34 o f the Act of 1996. The award dated 28.02.2022 so also the order dated 31.03.2026 are, therefore, set aside to the extent of rate of interest. The award of the Arbitrator stands modified to 11.71% from the date of award.

18. The appeal is allowed, accordingly.

19. All interlocutory applications stand disposed of.

20. It is informed by learned counsel for the appellant that he has deposited the principal amount awarded by the arbitrator, in terms of interim order dated 18.03.2026. The respondent shall be free to take the FDR from the Registrar General of this Court and encash the same.

21. Insofar as the interest part is concerned, the appellant shall pay interest calculated at the rate of 11.71% per annum from the date of award till the date of furnishing of the FDR directly to the respondent by 31.10.2026.

22. In case, the amount of interest is not paid by the above date, the same shall carry interest at the rate of 15% per annum.

DINESH MEHTA
(JUDGE)

ADITI CHOUDHARY
(JUDGE)

SEPTEMBER 21, 2026/*nk*