



Arbitral award amount is inclusive of pre-award interest

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In a recent case,[1] the Supreme Court of India discussed the concepts of imposing pre-award and post-award interest on the arbitral award amount under the Arbitration and Conciliation Act, 1996 ("The Act").

Facts

The claim in the execution petition was for the payment of Rs.8,92,15,993/- which included the pre-award and post-award interest, on the principal amount of Rs.2,30,59,802/-

Issue

Section 31(7) of the Act deals with imposition of interest on arbitral award. There are two stages in which an arbitrator can impose interest on the arbitral award amount:

From the date of cause of action to the date on which award is made, or any period between them. [pre-award interest-Section 31(7)(a)]

From the date on which award is made to the date on which payment is made [post-award interest-Section 31(7)(b)]

The issue before the Supreme Court was whether the award amount on which post-award interest needs to be charged is inclusive of pre-award interest or not?

Decision

The case was referred to a three judge bench of the Supreme Court. The majority of the bench held that while calculating post-award interest, the pre-award interest should be considered as a part of the award amount itself and there is no need to distinguish between award amount and pre-award interest. Post-award interest is charged on the collective sum of the principal amount and pre-award interest. Hence, post-award interest is inclusive of pre-award interest.

[1] *M/s. Hyder Consulting (UK) Ltd v Governor State of Orissa, through Chief Engineer, Civil Appeal 3148 of 2012*