IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NO. OF 2026
(Arising out of SLP (C) No.22769 of 2023)

UHL Power Company Limited ...Appellant(s)

Versus

The State of Himachal Pradesh ...Respondent(s)

O R D E R

Leave granted.

2. At the stage of execution, dispute arose as to how the interest component must be calculated as per the partial modification made by this Court to the order of the High Court under Section 37 of the Arbitration and Conciliation Act, 1996[1]; which interfered with the Arbitration Award. Whether compound interest is applicable or not, was the essential question raised.

3. Heard Sri Jaideep Gupta, learned Senior Counsel for the appellant and Sri Navin Pahwa, learned Senior Counsel for the respondent.

4. Sri Jaideep Gupta, learned Senior Counsel for the appellant, specifically read the judgment of this Court,

[1] Hereinafter referred to as 'the Act'

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produced as Annexure P4, and vehemently submitted that the entire pre-claim interest capitalized annually has been given a go-by, which seriously prejudices the appellant herein. The claim of Rs.26,08,89,107.35/- has been reduced to Rs.9,10,26,558.74/- by the High Court, which was interfered with by this Court. The challenge made from the execution ended in the impugned judgment, which directed the order of the High Court to be followed, which is grossly irregular.

5. Sri Navin Pahwa, learned Senior Counsel for the respondent, however, submits that there can be no claim set up for interest on the pre-claim amounts and whatever interest has been granted for the period when the matter was pending in arbitration, was paid, @9% and after the date of Arbitration Award till payment; @18%. There is no further cause to be agitated, is the contention.

6. To better understand, we must look at the reliefs granted at the various stages. In the Arbitration Award, in addition to an amount of Rs.26,08,89,107.35/- on account of expenses incurred, interest @9% from the date of filing the claim before the Arbitration Tribunal till the date of the Award i.e.12.05.2003, was granted. There were also amounts granted under the head of general damages and costs. The counter

claim raised by the State was declined by the Arbitrator. In the appeal by the State against the Award and the rejection of the counter claim, the award was set aside and the counterclaim stood allowed under Section 34 of the Act. Under Section 37 of the Act, the Division Bench of the High Court found that there is no question of compound interest being payable and it was, hence, that the interest was awarded at only 6% for the expenses incurred. The amounts awarded under general damages and costs were deleted completely. The counter claim also was declined.

7. Before this Court, considering the change in law, it was held that the grant of interest component as coming out from paragraph 54(a) of the order under Section 37 of the Act, shall stand modified and the interest granted by the Tribunal, restored. The question was as to whether the restoration was with respect to the interest of 9% and 18% respectively for the period when the arbitration was pending and after the Award was made, or did it reckon the capitalised interest for the pre-claim period as allowed by the Arbitrator.

8. To understand the question referred, we must look at the Award and the order passed under Section 37 of the Act, with respect to the specific quantum on which the dispute is

raised. Insofar as the damages, the Arbitral Tribunal indicated three aspects as having been claimed by the appellant, which are as under:

> *'(i) Rs.26,08,89,107.35 as expenses as per Annexure-A*
> *(ii) Rs.20 crores as general damages and*
> *(iii) Rs.186.27 crores for loss of expected profits'*

In fact, Annexure A was a computation produced by the claimant, which has been accepted *in toto* without referring to how the quantum has been arrived at. In this context, we must briefly notice the facts which led to the arbitration.

9. By an advertisement dated 29.10.1990, the State of Himachal Pradesh invited offers for the development of ten hydro-electric projects in the State in consonance with the policy guidelines issued by the Government of India. A Memorandum of Understanding was signed with the appellant herein on 10.02.1992. The facts indicate that to examine the feasibility of a 70 MW Hydro Electric Plant on uhl, a tributary of the river Beas, surveys were conducted for 5 ½ years. On the project report of Hydro Electric Plant with capacity of 100 MW, with an enhanced project value of over 40%, an implementation agreement was signed on 22.08.1997. The project met with rough weather and eventually a request for arbitration was made on 11.07.2000, which resulted in

appointment of an Arbitrator under Section 11 of the Act by the High Court on 10.01.2003.

10. To understand the quantum on expenses, we extract the following from paragraph 51 of the judgment of the High Court:

> *'51. xxx xxx xxx*
>
> *A chart submitted by appellant before learned Tribunal to which our attention was drawn by learned counsel for the respondent / State gave a break-up of the claim with regard to expenses and interest. The chart reveals that the expenditure claimed from the years 1991-92 to 2002-03 was ₹9,10,26,558.74 on which compound interest was claimed @ 14% per annum for the years 1991-92 to 1994-95, 15% per annum for the years 1995-96 and 1996-97, 16% per annum for the years 1997-98 and 1999-2000 at 12% per annum for the years 2000-01 to 2002-03, Both the principal amounts and the rates of interest were accepted by learned Tribunal but in our considered view learned Arbitrator / Tribunal fell in error in awarding compound interest in the first instance and thereafter interest on interest both pendente lite and future till realization.'*

11. From the above extract, it is seen that from 1991-92 to 2002-03, interest has been granted for the expenses incurred in the total period between 1992-2003. We are unable to countenance as to how the interest was granted at varying rates for different periods and for what reason it was capitalised. No reasoning comes forth from the Award. The

quantum of expense was during the project and it cannot definitely commence from the very inception in the year 1992; which presumably led to the High Court to reduce the Award on account of expenses to Rs.9,10,26,558.74/-, being the principal amount, with simple interest @6% per annum, from the date of filing of the claim till the date of realization of the awarded amount. The future interest was also consequently deleted.

12. In the appeal before the Hon'ble Supreme Court, this Court found so in paragraph 6, which is extracted hereunder:

> *'6. As the judgment in the case of S.L. Arora(2010) 3 SCC 690, on which reliance has been placed by the Division Bench of the High Court of Himachal Pradesh, has since been overruled by a three-Judge Bench of this Court in the case of Hyder Consulting (UK) Ltd.(2015) 2 SCC 189, the findings returned by the Appellate Court in the impugned judgment to the effect that the Arbitral Tribunal is not empowered to grant compound interest or interest upon interest and only simple interest can be awarded in favour of UHL on the principal amount claimed, is quashed and set aside. As a result, the findings returned in para 54(a) of the impugned judgment insofar as it relates to grant of the interest component, are reversed while restoring the arbitral award on the above aspect in favour of UHL.'*
>
> *(underlining by us for emphasis)*

13. The argument of the learned Senior Counsel for the appellant is based on the portion of the order underlined as above, with reference to paragraph 2, wherein the appellants

contention of an Award of a sum of Rs.26,08,89,107.35/- was granted, being the pre-claim expenses with the interest capitalized annually, was recorded.

14. The High Court interfered with the expenses computed and the capitalised interest reckoned for the pre-claim component to bring it down to the principal amount claimed. The High Court also reduced the interest component for the period when the arbitration was pending and by inference deleted the post award interest too. The modification made, in addition to deletion of the counter claim was in Paragraph 54(a) of the judgment of the High Court under Section 37 of the Act as extracted below:

> *(a) ₹9,10,26,558.74, is awarded as the actual principal amount along with simple interest at the rate of 6% per annum from the date of the filing of the claim till the date of the realization of the awarded amount; and'*

15. Juxtaposed with the above extract, when we read the order of this Court, we can only come to a conclusion that the grant of interest alone was restored as per the Award, which would be @9% between the date of claim and the date of Award and later @18%. It goes without saying that the Award @9% and @18% would stand capitalized annually in the two

periods i.e., the interest component of each year would be added to the principal amount, for computing the further interest for the next year and so on. In so far as the pre-claim period, we cannot understand this Court to have restored the capitalized interest.

16. With the above observation, the impugned order is modified, and the execution shall be in accordance with our directions.

17. The appeal is allowed.

18. Pending application(s), if any, shall stand rejected.

..... J.
(J. B. PARDIWALA)

..... J.
(K. VINOD CHANDRAN)

NEW DELHI;
OCTOBER 13, 2026.

ITEM NO.40 COURT NO.5 SECTION III-B

S U P R E M E C O U R T O F I N D I A
RECORD OF PROCEEDINGS

Petition for Special Leave to Appeal (C) No. 22769/2023
[Arising out of impugned final judgment and order dated 24-08-2023 in OMPM No. 0023/2023 passed by the High Court of Himachal Pradesh at Shimla]

UHL POWER COMPANY LIMITED Petitioner(s)

VERSUS

THE STATE OF HIMACHAL PRADESH Respondent(s)

FOR ADMISSION and I.R. and IA No.208681/2023-EXEMPTION FROM FILING C/C OF THE IMPUGNED JUDGMENT,IA No. 208681/2023 - EXEMPTION FROM FILING C/C OF THE IMPUGNED JUDGMENT, IA No. 216280/2023 - PERMISSION TO FILE ADDITIONAL DOCUMENTS/FACTS/ANNEXURES

Date : 13-10-2026 This matter was called on for hearing today.

CORAM :
HON'BLE MR. JUSTICE J.B. PARDIWALA
HON'BLE MR. JUSTICE K. VINOD CHANDRAN

For Petitioner(s) : Mr. Jaideep Gupta, Sr. Adv.
Mr. Santosh Kumar, Sr. Adv.
Mr. Devansh Malhotra, Adv.
Raibat Sinha, Adv.
Sampriti Baksi, Adv.
Ms. Racheeta Chawla, Adv.
Rishi Agarwal, Adv.
Ms. Riddhi Bose, Adv.
Ms. Dharitry Phookan- 1812, AOR

For Respondent(s) : Mr. Navin Pahwa, Sr. Adv.
Mr. Anup Kumar Rattan, AG
Mr. Kartikeya Rastogi, DAG
Mr. Inderdeep Kaur Rana, Adv.
Mr. Tushar Shahi, Adv.
Ms.Tamanna Kavdia, Adv.
Mr. Akshay Girish Ringe- 2334, AOR

UPON hearing the counsel the Court made the following
O R D E R

1. Leave granted.
2. The appeal is allowed in terms of the signed order.
3. Pending application(s), if any, shall stand disposed of.

(CHANDRESH) (POOJA SHARMA)
ASTT. REGISTRAR-cum-PS COURT MASTER (NSH)
(Signed order is placed on the file)