[2026] 10 S.C.R. 450 : 2026 INSC 1135

MS Sharma Enterprises
v.
National Building Construction Corporation

(Civil Appeal No. 13782 of 2026)

15 October 2026

[Aravind Kumar and Vipul M. Pancholi,* JJ.]

Issue for Consideration

Whether Clause 26 of the Special Conditions of the Contract operated as a contractual bar within the meaning of s.31(7)(a) of the Arbitration and Conciliation Act, 1996 barring the Arbitral Tribunal from awarding pre-reference and *pendente lite interest* on the substantive claims allowed in favour of the appellant.

Headnotes†

Arbitration and Conciliation Act, 1996 – ss.31(7)(a), 34 – Division Bench dismissed the appeal preferred by the appellant u/s.37, upholding the judgment of the Single Judge by the petition filed by the respondent u/s.34 was partly allowed by setting aside the arbitral award to the extent it awarded pre-reference and *pendente lite* interest in favour of the appellant – Whether Clause 26 of the Special Conditions of the Contract (SCC) operated as a contractual bar within the meaning of s.31(7)(a) barring the Arbitral Tribunal from awarding pre-reference and *pendente lite interest* on the substantive claims allowed in favour of the appellant – Challenge to:

Held: No error in the impugned judgment – Contention on behalf of the appellant that the concluding phrase "or otherwise" of Clause 26 of the SCC must be interpreted applying the principles of *ejusdem generis* and *noscitur a sociis* to take colour from the preceding expressions concerning delay in releasing monthly or final payments and the expression "or otherwise" is restricted to withholding interest on delayed interim bills and cannot operate as an absolute bar against the grant of interest on substantive claims allowed by the Arbitral Tribunal, rejected – Doctrine of *ejusdem generis* becomes applicable only where

* Author

the preceding terms of the general phrase follow a specific class forming a genus, thereby imparting the specific character to the subsequent general phrase – Where the provisions in a contract are disjunctively joined by the word "or", every such phrase has to be examined independently due to its wide amplitude – In Clause 26 of the SCC, the preceding terms of the phrase "or otherwise" do not constitute a single, narrow genus restricted to delayed running payments and also include balance payments, withheld deposits and amounts withheld due to disputes – Consequently, the expression "or otherwise" is residuary in nature and has been consciously incorporated with wide amplitude to encompass every other conceivable circumstance under which a claim for interest might be asserted against the Corporation – The words "or otherwise" cannot be restricted by reference to the preceding expressions and are words of extension and not limitation – Thus, restricting the scope of the expression "or otherwise" to only delays in monthly or final payments would render the term redundant and would amount to rewriting the contract entered into between the parties – Furthermore, s.31(7)(a) is expressly subject to the contract between the parties whereas, s.31(7)(b) provides for grant of post-award interest unless the arbitral tribunal orders otherwise – Therefore, High Court rightly recognized this statutory distinction and restricted its interference to setting aside the pre-reference and *pendente lite interest*, while maintaining the award of post-award interest in favour of the appellant – Thus, the Arbitrator, being a creature of the contract, acted beyond his jurisdiction in granting pre-reference and *pendente lite interest* in contravention of Clause 26 of the SCC, which attracts s.31(7)(a) of the 1996 Act – High Court rightly acted u/ss.34 and 37 in setting aside the arbitral award to that limited extent, while maintaining the substantive claims of the appellant and post-award interest in favour of the appellant. [Paras 11-14, 17, 18]

Case Law Cited

Oil and Natural Gas Corporation Ltd. v. G&T Beckfield Drilling Services Pvt. Ltd. **[2025] 9 SCR 507 : 2025 SCC OnLine SC 1888 – held not applicable.**

Sayeed Ahmed and Company v. State of Uttar Pradesh & Ors. **[2009] 10 SCR 841 : (2009) 12 SCC 26;** *Ferro Concrete*

Construction (India) Pvt. Ltd. v. State of Rajasthan **[2025] 4 SCR 529 : 2025 SCC OnLine SC 708;** *Jaiprakash Associates Limited (JAL) Through its Director v. Tehri Hydro Development Corporation (India) Limited (THDC) Through its Director* **[2019] 2 SCR 41 : (2019) 17 SCC 786;** *Union of India v. Larsen & Toubro Limited,* **2026 INSC 203;** *Union of India v. Manraj Enterprises* **[2021] 7 SCR 413 : (2022) 2 SCC 331;** *Union of India v. Bright Power Projects (India) Private Limited* **[2015] 6 SCR 488 : (2015) 9 SCC 695;** *Sree Kamatchi Amman Constructions v. Divisional Railway Manager (Works)* **[2010] 10 SCR 487 : (2010) 8 SCC 767;** *Lilavati Bai v. State of Bombay* **[1957] 1 SCR 721 : (1957) 1 SCC 411 – referred to.**

List of Acts

Punjab Police Rules, 1934.

List of Keywords

Section 37 of the Arbitration and Conciliation Act, 1996; Section 31(7)(a) of the Arbitration and Conciliation Act, 1996; Section 31(7)(b) of the Arbitration and Conciliation Act, 1996; Section 34 of the Arbitration and Conciliation Act, 1996; Pre-reference interest; *Pendente lite* interest; Special Conditions of the Contract (SCC); "or otherwise"; Principles of *ejusdem generis*; *Noscitur a sociis;* Contractual prohibitions on interest; Contract prohibited granting *pendente lite* interest; Contractual bar.

Case Arising From

CIVIL APPELLATE JURISDICTION: Civil Appeal No. 13782 of 2026

From the Judgment and Order dated 20.03.2026 of the High Court at Delhi at New Delhi in FAO (OS) (COMM) No. 18 of 2026

Appearances for Parties

Advs. for the Appellant(s):
Siddhartha Dave, Sr. Adv., Ms. Anusurya Salwan, Deepak Goel, Nishant Kumar, Shailesh Sharma.

Advs. for the Respondent(s):
Ms. Shilpi Chowdhary, Amarkant Patel, Akhilanad Tripathi.

MS Sharma Enterprises v.
National Building Construction Corporation

Judgment / Order of the Supreme Court

Judgment

Vipul M. Pancholi, J.

1. Leave granted.

2. The present appeal challenges the final judgment and order dated 20.03.2026 passed by the Division Bench of the High Court of Delhi in FAO(OS) (COMM) No. 18 of 2026. By the impugned judgment, the Division Bench dismissed the appeal preferred by the appellant under Section 37 of the Arbitration and Conciliation Act, 1996 (hereinafter referred to as "the 1996 Act"), upholding the judgment of the learned Single Judge dated 19.11.2025 in O.M.P. (COMM) No. 215 of 2022. The learned Single Judge had partly allowed the petition filed by the respondent under Section 34 of the 1996 Act by setting aside the arbitral award dated 28.07.2016 to the extent it awarded pre-reference and *pendente lite* interest in favour of the appellant.

3. The dispute between the parties has a long history spanning over three decades. As per the pleadings of the parties, the factual matrix of the present case is as under:

   3.1. The respondent, National Building Construction Corporation Limited (hereinafter referred to as "NBCC") was awarded works by the Indian Railway Construction Company Limited (hereinafter referred to as "IRCON"). On 11.01.1991, the respondent awarded a sub-contract to the appellant, M/s Sharma Enterprises, for executing flooring and cladding works at Vashi Railway Station-cum-Commercial Complex, New Bombay (now Navi Mumbai), for an agreed contractual sum of Rs.9,50,73,603.20. The works were to be completed within a period of two years, with the stipulated completion date being 10.01.1993.

   3.2. The execution of the sub-contracted flooring and cladding works was intrinsically dependent upon the completion of civil works by M/s Mohinder Singh & Co., which is the civil contractor engaged by the respondent. On account of delays and non-completion of civil works, the appellant could execute only limited areas. The appellant completed the priority platform

areas in time for inauguration on 09.05.1992. However, on 22.09.1992, the respondent issued notices and formally terminated the contract, subsequently encashing the bank guarantees of the appellant.

3.3. The appellant invoked the arbitration clause being Clause 10 of Special Conditions of the Contract (hereinafter referred to as "the SCC") and sought the appointment of an arbitrator, however, the respondent did not appoint an arbitrator. Thereafter, the appellant approached the High Court under Section 20 of the Arbitration Act, 1940 (hereinafter referred to as "the 1940 Act") for appointment of an arbitrator. Following several rounds of litigation, this Court, by order dated 03.08.2011 in Civil Appeal No. 6341 of 2011, appointed the learned Arbitrator to adjudicate all claims and counter-claims of the parties.

3.4. On 28.07.2016, the learned Arbitrator rendered an award holding that the respondent had wrongfully terminated the contract and had failed to provide the requisite work fronts. Consequently, the learned Arbitrator:

- Allowed Claim No. 1(a) for executed work to the extent of Rs.45,653.15,
- Allowed Claim No. 1(b) towards extra items (differing varieties/shades of granite and specialised cladding) to the tune of Rs.26,03,465/-,
- Allowed Claim No. 2 towards bank guarantee extension charges to the extent of Rs.2,77,500/-,
- Allowed Claim No. 3 directing refund of the encashed bank guarantee towards security deposit amounting to Rs.19,01,480/-,
- Awarded costs of litigation quantified at Rs.5,00,000/- under Claim No. 6,
- Rejected all counter-claims preferred by the respondent, and
- Awarded interest under Claim No. 7 at the rate of 10% per annum on the awarded sums (except costs) with effect from 22.09.1992 until actual payment, i.e., pre-reference, *pendente lite* and post-award periods.

3.5. In *M/s Sharma Enterprises v. N.B.C.C. (India) Ltd.* (Civil Appeal Nos. 7701-7702 of 2021, decided on 15.12.2021), this Court resolved the issue of the applicable statutory framework to the proceedings and held that the arbitration proceedings were governed by the 1996 Act and not the 1940 Act.

3.6. Thereafter, the respondent challenged the arbitral award dated 28.07.2016 under Section 34 of the 1996 Act before the High Court in O.M.P. (COMM) No. 215 of 2022. By judgment dated 19.11.2025, the learned Single Judge upheld the arbitral award on all substantive claims, holding that the findings of the learned Arbitrator were findings of fact based on appraisal of evidence, requiring no interference under Section 34 of the 1996 Act. However, the learned Single Judge set aside the award of pre-reference and *pendente lite* interest on the ground that Clause 26 of the SCC operated as an absolute bar against the grant of interest, relying upon the decision of this Court in ***Sayeed Ahmed and Company v. State of Uttar Pradesh & Ors.***[1]

3.7. The appellant challenged the judgment dated 19.11.2025 passed by the learned Single Judge under Section 37 of the 1996 Act before the Division Bench of the High Court in FAO(OS) (COMM) No. 18 of 2026. *Vide* the impugned judgment dated 20.03.2026, the Division Bench dismissed the appeal and held that the inclusion of the phrase "*or otherwise*" in Clause 26 of the SCC was analogous to the phrase "*or any other respect whatsoever*" interpreted in ***Sayeed Ahmed (supra)***, thereby constituting a comprehensive bar on *pendente lite* interest.

3.8. Aggrieved thereby, the appellant has filed the present appeal.

4. Mr. Siddhartha Dave, learned senior counsel appearing on behalf of the appellant, submitted that the present appeal challenges the impugned judgment, affirming the judgment of the learned Single Judge, in so far as it sets aside the arbitral award with respect to payments of interest under Claim No. 7 of the arbitral award by holding that Clause 26 of the SCC barred payment of interest. Learned counsel made the following submissions:

1 (2009) 12 SCC 26.

4.1. It is submitted that the arbitral tribunal held that the termination of contract by the respondent was illegal and arbitrary, directed the return of the bank guarantee amounts and further awarded claim towards cost of extra items executed by the appellant. It is stated that there was no specific bar to award *pendente lite* interest on the said claims. It is further contended that the respondent did not rely upon Clause 26 of the SCC before the Arbitral Tribunal to dispute the award of interest.

4.2. It is submitted that Clause 26 of the SCC can neither be read in isolation nor can be given an artificially expansive meaning. It is stated that the settled principles of *ejusdem generis* and *noscitur a sociis* are applicable in the present case. The concluding words of Clause 26 of the SCC "*or otherwise*" follow and qualify the preceding expressions relating to the holding up of balance payments or deposits and delay in making monthly or final payments. It is contended that "*or otherwise*" cannot be construed as an absolute prohibition against *pendente lite* interest, as such an interpretation would convert a clause dealing with delayed contractual payments into a blanket prohibition against *pendente lite* interest on every claim arising under the contract.

4.3. It is further submitted that the courts below wrongly interpreted Clause 26 of the SCC as prohibiting interest, because had the parties intended to impose such an absolute prohibition, the parties would have employed clear and unequivocal language to that effect.

4.4. Reliance is placed upon ***Oil and Natural Gas Corporation Ltd. v. G&T Beckfield Drilling Services Pvt. Ltd.***[2] and ***Ferro Concrete Construction (India) Pvt. Ltd. v. State of Rajasthan***,[3] to urge that there is a distinction between a clause barring interest on delayed payments and a clause expressly prohibiting *pendente lite* interest.

4.5. It is submitted that the High Court wrongly equated Clause 26 of the SCC with the provisions in ***Sayeed Ahmed (supra)***

2 2025 SCC OnLine SC 1888.

3 2025 SCC OnLine SC 708.

and ***Jaiprakash Associates Limited (JAL) through its Director v. Tehri Hydro Development Corporation (India) Limited (THDC) through its Director***,[4] wherein the clause expressly prohibited interest and extended "*in any other respect whatsoever*".

4.6. Further reliance is placed upon the decision of this Court in ***Union of India v. Larsen & Toubro Limited***,[5] wherein interest was explicitly barred on all sums and for pre-award periods, however Clause 26 of the SCC does not provide such a restriction.

4.7. It is further submitted that *pendente lite* interest is awarded in exercise of statutory power under Section 31(7)(a) of the 1996 Act and such power can be excluded only by clear and express contractual language, whereas Clause 26 of the SCC neither expressly bars interest in arbitration proceedings nor excludes the jurisdiction of the Arbitral Tribunal to award *pendente lite* interest.

4.8. Learned counsel for the appellant lastly submitted that the disputes relate to the year 1992 and the parties have gone through several rounds of litigation, therefore the learned arbitrator rightly awarded interest in favour of the appellant and thus, the impugned judgment is to be set aside.

5. Ms. Shilpi Chowdhary, learned counsel appearing on behalf of the respondent, opposed the present appeal and made the following submissions:

5.1. Section 31(7)(a) of the 1996 Act provides for pre-award interest subject to "*unless otherwise agreed by the parties*" and thus, where parties agree to exclude interest, the contract stipulation binds the Arbitral Tribunal and pre-reference and *pendente lite* interest cannot be awarded contrary to the agreement. Reliance is placed upon ***Oil and Natural Gas Corporation Ltd. (supra)***.

5.2. It is further submitted that Clause 26 of the SCC is not confined to delayed monthly or final payments. The expression "*or*

4 (2019) 17 SCC 786.

5 2026 INSC 203.

otherwise" is residuary in nature and covers situations not specifically contemplated in the preceding expressions and it cannot be confined to the immediately preceding contingency, as that would add a restriction to which the parties never agreed.

5.3. Reliance is placed upon the decision of ***Union of India v. Manraj Enterprises***,[6] wherein this Court held that where expressions are separated by 'or' and are independent, the latter expression cannot be restricted by applying *ejusdem generis*. Further reliance is placed upon the three-judge bench decision in ***Jaiprakash Associates Limited (supra)***, wherein this Court held that *ejusdem generis* can apply only where the preceding expressions constitute a distinct genus or category. It is submitted that in Clause 26 of the SCC, the expressions preceding "*or otherwise*" do not constitute such a distinct genus, and thus, the principles of *ejusdem generis* and *noscitur a sociis* are not applicable in the present case.

5.4. Further reliance is placed upon the decision in the case of ***Larsen & Toubro Limited (supra)***, wherein this Court reaffirmed the principles in ***Manraj Enterprises (supra)*** and ***Union of India v. Bright Power Projects (India) Private Limited***,[7] and held that Section 31(7)(a) of the 1996 Act gives paramount importance to the contract and restricts the power of an arbitrator to award pre-award or *pendente lite* interest contrary to the agreement.

5.5. It is further urged that while the clause in ***Oil and Natural Gas Corporation Ltd. (supra)*** merely addressed "*delayed payment or disputed claim*", the clauses in ***Sayeed Ahmed (supra)*** and ***Jaiprakash Associates Limited (supra)*** contained a wider prohibition. However, Clause 26 of the SCC is materially wider and by expressly concluding with the words "*or otherwise*" operates as an all-inclusive bar on interest.

5.6. It is submitted that the reliance placed by the appellant upon ***Ferro Concrete Construction (supra)*** is misplaced as it is based on the 1940 Act and there was no residual clause unlike the present case.

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6 (2022) 2 SCC 331.

7 (2015) 9 SCC 695.

5.7. Learned counsel for the respondent lastly submitted that neither equity can enlarge a contractual entitlement, nor prolonged litigation can convert an expressly excluded right into an enforceable one and therefore, the present appeal is to be dismissed.

6. We have heard learned counsel appearing on behalf of the parties and perused the record. The question that falls for our determination is whether Clause 26 of the SCC operates as a contractual bar within the meaning of Section 31(7)(a) of the 1996 Act barring the Arbitral Tribunal from awarding pre-reference and *pendente lite* interest on the substantive claims allowed in favour of the appellant.

7. For convenience, it is apposite to examine Clause 26 of the SCC, which reads as follows:

> *"**26.** The sub-contractor shall be paid monthly running bill for the quantity already executed upto the end of previous month subject to the approval of quantity measured unless otherwise specified. The amount so payable in the estimated value of works shall be paid upto date, less the amount already paid. If the monthly interim payment which become payable is not paid due to any reason, then 75% of the works executed and measured shall be paid to the sub-contractor as advance on written request. The payment to the sub-contractor will be released within seven days of NBCC receiving its payment from the clients i.e. CIDCO/IRCON.*
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> *No claim for interest will be entertained by the corporation in respect of any balance payments or any deposit which may be held up with the corporation due to any dispute between the Corporation and sub-contractor or in respect of any delay on the part of the corporation in making monthly or final payments or otherwise."*
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> *Emphasis supplied.*

8. Section 31(7) of the 1996 Act provides for the statutory mechanism governing the award of interest in arbitral proceedings, which is reproduced hereunder:

> *"**31.** Form and contents of arbitral award.—*
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> *… (7) (a) Unless otherwise agreed by the parties, where and in so far 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.*
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> *(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.*
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> *Explanation.—The expression 'current rate of interest' shall have the same meaning as assigned to it under clause (b) of section 2 of the Interest Act, 1978 (14 of 1978)."*

9. Upon perusal of Section 31(7)(a) of the 1996 Act, it is clear that the power of an Arbitral Tribunal to award interest for the pre-award period, i.e., from the date on which the cause of action arose up to the date on which the award is made (including both pre-reference and *pendente lite* periods), is expressly subject to the opening words - "*Unless otherwise agreed by the parties*". Section 31(7) of the 1996 Act has to be construed harmoniously with Section 28(3) of the 1996 Act, which provides for the Arbitral Tribunal to decide in accordance with the contractual terms governing the parties.

10. The principles governing contractual prohibitions on interest under Section 31(7)(a) of the 1996 Act have been recently considered by this Court in ***Larsen & Toubro Limited (supra)***, wherein this Court examined Clause 16(3) read with Clause 64(5) of the General Conditions of Contract. Clause 16(3) expressly prohibited interest on "*earnest money and security deposits or amounts payable to the Contractor under the Contract*", reinforced by Clause 64(5) which provided that "*where the arbitral award is for the payment of money, no interest shall be payable on whole or any part of the money for any period till the date on which the award is made*". Reaffirming the law laid down in ***Sayeed Ahmed (supra)***, ***Sree Kamatchi Amman***

Constructions v. Divisional Railway Manager (Works),[8] ***Bright Power Projects (supra)*** and ***Manraj Enterprises (supra)***, this Court in ***Larsen & Toubro Limited (supra)*** held that:

> *"**35.** On perusal of Section 28(3) and Section 31(7)(a) of the Act, it is clear that the statutory scheme itself subordinates the discretion of the arbitrator to the contractual provisions governing interest.*
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> *…*
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> ***43.** Now, at this stage, it is pertinent to observe that this Court, thereafter, in the case of Manraj Enterprises (supra) had an occasion to consider similar issues involved in the present matter and had considered all the aforementioned decisions, including the decisions rendered in the cases of Bright Power Projects (India) (P) Ltd. (supra), Raveechee and Company (supra) and Ambica Construction vs. Union of India, (2017) 14 SCC 323 (a three-judge bench judgment of this Court). After considering the aforesaid decisions as well as several other decisions referred on the issue, this Court has observed in para 8 and 11 as under: …*
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> > *"11. In the said decision in Bright Power Projects [Union of India v. Bright Power Projects (India) (P) Ltd., (2015) 9 SCC 695 : (2015) 4 SCC (Civ) 702] , this Court also considered Section 31(7) (a) of the 1996 Act. It is specifically observed and held that Section 31(7) of the 1996 Act, by using the words "unless otherwise agreed by the parties" categorically specifies that the arbitrator is bound by the terms of the contract insofar as award of interest from the date of cause of action to date of the award is concerned. It is further observed and held that where the parties had agreed that no interest shall be payable, the Arbitral Tribunal cannot award interest. Thus, the aforesaid decision of a three-Judge Bench of this Court is the answer to the submission made on behalf of the respondent*

8 (2010) 8 SCC 767.

> *that despite the bar under Clause 16(2) which is applicable to the parties, the Arbitral Tribunal is not bound by the same. Therefore, the contention raised on behalf of the respondent that dehors the bar under Clause 16(2), the Arbitral Tribunal independently and on equitable ground and/or to do justice can award interest pendente lite or future interest has no substance and cannot be accepted. Once the contractor agrees that he shall not be entitled to interest on the amounts payable under the contract, including the interest upon the earnest money and the security deposit as mentioned in Clause 16(2) of the agreement/contract between the parties herein, the arbitrator in the arbitration proceedings being the creature of the contract has no power to award interest, contrary to the terms of the agreement/contract between the parties and contrary to Clause 16(2) of the agreement/contract in question in this case."*
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> …
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> ***45.*** *The provisions of the Act of 1996, including provisions contained in Section 31(7)(a) give paramount importance to the contract entered into between the parties and categorically restrict the power of an arbitrator to award pre-award/pendente lite interest when the parties have themselves agreed to the contrary. Thus, the AT cannot award pre-award/pendente lite interest, even in the form of compensation, in view of specific Clause 16(3) of GCC read with Clause 64(5) of GCC."*
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> *Emphasis supplied.*

11. It is contended on behalf of the appellant that the concluding phrase "*or otherwise*" of Clause 26 of the SCC must be interpreted applying the principles of *ejusdem generis* and *noscitur a sociis* to take colour from the preceding expressions concerning delay in releasing monthly or final payments and the expression "*or otherwise*" is restricted to withholding interest on delayed interim bills and cannot operate as an absolute bar against the grant of interest on substantive claims allowed by the Arbitral Tribunal.

12. However, we are unable to agree with the said contention. The doctrine of *ejusdem generis* becomes applicable only where the preceding terms of the general phrase follow a specific class forming a genus, thereby imparting the specific character to the subsequent general phrase. At this stage, it is relevant to note that where the provisions in a contract are disjunctively joined by the word "or", every such phrase has to be examined independently due to its wide amplitude. The same issue was considered in ***Manraj Enterprises (supra)*** and subsequently reiterated in paragraphs 38 and 39 of ***Larsen & Toubro Limited (supra)***:

> "***38.*** *This Court in the decision rendered in the case of Manraj Enterprises (supra) has considered a similar submission canvassed on behalf of the party concerned and thereafter observed and held in para 12.1 as under:*
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> > *"12.1. It is required to be noted that Clause 16(1) is with respect to earnest money/security deposit. However, Clause 16(2) is specifically with respect to interest payable upon the earnest money or the security deposit or amounts payable to the contractor under the contract. The words used in Clause 16(2) is "or". Therefore, the expression "amounts payable to the contractor under the contract" cannot be read in conjunction with "earnest money deposit" or "security deposit" by applying the principle of ejusdem generis. The expression "amounts payable to the contractor under the contract" has to be read independently and disjunctively to earnest money deposit and security deposit as the word used is "or" and not "and" between "earnest money deposit", "security deposit" and "amounts payable to the contractor under the contract". Therefore, the principle of ejusdem generis is not applicable in the present case."*
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> ***39.*** *Thus, it can be said that the rule of ejusdem generis is a tool of interpretation and is applicable only where the general words follow a specific class forming a genus. The expression "amounts payable to the contractor under the contract" used in Clause 16(3) is independent,*

distinct and of wide amplitude, and cannot be read down to defeat its plain meaning. Thus, the submission canvassed by the learned counsel for the respondent cannot be accepted."

Emphasis supplied.

13. Applying these principles to Clause 26 of the SCC in the present case, the Clause enumerates the following separate and distinct events disjunctively joined by the conjunction "or":

    (i) any balance payments or any deposits - which may be held up with the corporation due to any dispute arising between the Corporation and the sub-contractor, OR

    (ii) in respect of any delay on the part of the corporation in making monthly or final payments, OR

    (iii) otherwise.

14. On careful consideration, it can be inferred that the preceding terms of the phrase "*or otherwise*" do not constitute a single, narrow genus restricted to delayed running payments and also include balance payments, withheld deposits and amounts withheld due to disputes. Consequently, the expression "*or otherwise*" is residuary in nature and has been consciously incorporated with wide amplitude to encompass every other conceivable circumstance under which a claim for interest might be asserted against the Corporation. In ***Lilavati Bai v. State of Bombay***,[9] the Constitution Bench of this Court held that the words "*or otherwise*" cannot be restricted by reference to the preceding expressions and were held to be words of extension and not limitation. Thus, restricting the scope of the expression "*or otherwise*" to only delays in monthly or final payments would render the term redundant and would amount to rewriting the contract entered into between the parties.

15. The reliance placed by the appellant upon ***Oil and Natural Gas Corporation Ltd. (supra)*** is also misplaced. In the said decision, the contractual clause was narrowly worded as "*no interest shall be payable by ONGC on any delayed payment / disputed claim*", and

9 (1957) 1 SCC 411.

did not incorporate any residuary expression and thus, this Court observed that a stipulation merely restricting interest on delayed payments cannot be construed as an absolute bar on *pendente lite* interest. However, in the said case, this Court itself recognized that where the contract prohibits granting *pendente lite* interest either expressly or by necessary implication as in the case of ***Sayeed Ahmed (supra)*** and ***Jaiprakash Associates Limited (supra)***, the power of the arbitral tribunal to grant *pendente lite* interest stands excluded.

16. In contrast, in the present case, Clause 26 of the SCC concludes with the residuary phrase "*or otherwise*". In ***Sayeed Ahmed (supra)***, the clause provided "*G1.09. No claim for interest or damages will be entertained by the Government with respect to any money or balance which may be lying with the Government or any become due owing to any dispute, difference or misunderstanding between the Engineer-in-Charge on the one hand and the contractor on the other hand or with respect to any delay on the part of the Engineer-in-Charge in making periodical or final payment or any other respect whatsoever.*" A similar clause was in question in the decision of ***Jaiprakash Associates Limited (supra)***. Therefore, the High Court rightly concluded that incorporating the residuary term "*or otherwise*" stands on identical footing with the terminology "*or any other respect whatsoever*" interpreted in ***Sayeed Ahmed (supra)*** and ***Jaiprakash Associates Limited (supra)***, thereby operating as a contractual prohibition against granting pre-reference as well as *pendente lite* interest.

17. At this stage, it is also imperative to observe the distinction between pre-award interest under Section 31(7)(a) and post-award interest under Section 31(7)(b) of the 1996 Act, i.e., Section 31(7)(a) is expressly subject to the contract between the parties whereas, Section 31(7)(b) provides for grant of post-award interest unless the arbitral tribunal orders otherwise. This Court in ***Larsen & Toubro Limited (supra)*** observed as under:

> *"**47.** With regard to the post-award interest, Section 31(7) (b) of the Act provides that unless the award otherwise directs, the sum awarded shall carry interest from the date of the award till payment. The legislative intent underlying this provision is twofold:*

first, to compensate the successful party for delayed realization of the award, and second, to ensure prompt compliance with the award by the judgment-debtor.

48. *Recently, this Court in the case of R.P. Garg (supra), has observed and held in para 9, 11 and 12 as under:*

> *"... 11. So far as the entitlement of the post-award interest is concerned, sub-Section (b) of Section 31(7) provides that the sum directed to be paid by the Arbitral Tribunal shall carry interest. The rate of interest can be provided by the Arbitrator and in default the statutory prescription will apply. Clause (b) of Section 31(7) is therefore in contrast with clause (a) and is not subject to party autonomy. In other words, clause (b) does not give the parties the right to "contract out" interest for the post-award period. The expression 'unless the award otherwise directs' in Section 31(7)(b) relates to rate of interest and not entitlement of interest. The only distinction made by Section 31(7)(b) is that the rate of interest granted under the Award is to be given precedence over the statutorily prescribed rate. The assumption of the High Court that payment of the interest for the post award period is subject to the contract is a clear error. …"*
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> *Emphasis supplied.*

Therefore, the High Court rightly recognized this statutory distinction and restricted its interference to setting aside the pre-reference and *pendente lite* interest, while maintaining the award of post-award interest in favour of the appellant.

18. In light of the aforesaid analysis and discussion, the learned Arbitrator, being a creature of the contract, acted beyond his jurisdiction in granting pre-reference and *pendente lite* interest in contravention of Clause 26 of the SCC, which attracts Section 31(7)(a) of the 1996 Act. Thus, the High Court rightly acted under Sections 34 and 37 of the 1996 Act in setting aside the arbitral award dated 28.07.2016 to that limited extent, while maintaining the substantive claims of the appellant and post-award interest in favour of the

appellant. Therefore, we find no error in the impugned judgment dated 20.03.2026 passed by the Division Bench of the High Court of Delhi in FAO(OS) (COMM) No. 18 of 2026, affirming the judgment of the learned Single Judge dated 19.11.2025 in O.M.P. (COMM) No. 215 of 2022.

19. Accordingly, the present appeal is dismissed.

20. Pending applications, if any, shall stand disposed of.

Result of the case: Appeal dismissed.

†*Headnotes prepared by:* Divya Pandey