NC: 2026:KHC-D:1384
WP No. 100338 of 2026
C/W WP No. 100572 of 2026

HC-KAR

IN THE HIGH COURT OF KARNATAKA AT DHARWAD

DATED THIS THE 2ND DAY OF FEBRUARY, 2026

BEFORE

THE HON'BLE MRS JUSTICE K.S.HEMALEKHA

WRIT PETITION NO. 100338 OF 2026 (S-KSRTC)
C/W
WRIT PETITION NO. 100572 OF 2026 (S-KSRTC)

IN W.P. NO. 100338 OF 2026:

BETWEEN:

SRI. YALLAPPA
S/O HANAMANTAPPA PAMOJI,
AGE. 62 YEARS
OCC. RETIRED ASSISTANT ARTISAN,
R/O. HEBSUR ROAD,
BYAHATTI-580 023,
TQ. HUBBALLI, DIST. DHARWAD.

... PETITIONER

(BY SRI. VINAYKUMAR BHAT, ADVOCATE)

AND:

THE MANAGEMENT OF NWKRTC,
HUBBALLI-DHARWAD CITY DIVISION,
REPRESENTED BY ITS DIVISIONAL CONTROLLER,
5TH FLOOR, C.B.T. HUBBALLI-580 020.

... RESPONDENT

(BY SRI. M.M. KHANNUR, ADVOCATE)

THIS WRIT PETITION IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA, PRAYING TO ISSUE WRIT OF MANDAMUS OF POSITIVE NATURE, DIRECTING THE RESPONDENT TO PAY THE INTEREST AT THE RATE OF 12% P.A. ON THE BELATED PAYMENT OF TERMINAL BENEFIT I.E. LEAVE ENCASHMENT BENEFIT, BY FIXING OUTER LIMIT AS REQUESTED IN ANNEXURE-B DATED 01.07.2025 AND ETC.

IN W.P. NO. 100572 OF 2026:

BETWEEN:

SRI. MAKTUM HUSSAIN S/O. RAJESAB MANVI,
AGE. 67 YEARS, OCC. RETIRED CONDUCTOR,
R/O. HIREBANA, JANATA NAGAR,
LAXMESHWAR-582 116,
TQ. LAXMESHWAR, DIST. GADAG.

... PETITIONER

(BY SRI. VINAYKUMAR BHAT, ADVOCATE)

AND:

THE MANAGEMENT OF NWKRTC,
GADAG DIVISION,
REPRESENTED BY ITS DIVISIONAL CONTROLLER,
GADAG DIVISION, GADAG-582 103.

... RESPONDENT

(BY SRI. M.M. KHANNUR, ADVOCATE)

THIS WRIT PETITION IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA, PRAYING TO ISSUE WRIT OF MANDAMUS OF POSITIVE NATURE, DIRECTING THE RESPONDENT TO PAY THE INTEREST AT THE RATE OF 12% P.A. ON THE BELATED PAYMENT OF TERMINAL BENEFIT I.E. LEAVE ENCASHMENT BENEFIT, BY FIXING OUTER LIMIT AND ETC.

THESE WRIT PETITIONS ARE COMING ON FOR PRELIMINARY HEARING, THIS DAY, ORDER WAS MADE THEREIN AS UNDER:

CORAM: HON'BLE MRS JUSTICE K.S.HEMALEKHA

ORAL ORDER

Since both the writ petitions involve an identical question of law relating to entitlement of interest on delayed payment of terminal benefits, they are taken up together and disposed of by this common order.

2. **Brief facts**;

The petitioner in WP No.100338/2026 retired from services of the respondent-Corporation on 31.07.2023 on attaining the age of superannuation. The leave encashment payable to the petitioner was not released on the date of retirement and was paid only on 21.05.2024 after a delay of about 10 months without payment of any interest.

3. The petitioner in WP No.100572/2026 retired from service of the respondent-Corporation on 30.06.2017 upon attaining the age of superannuation and the leave encashment payable to the petitioner was not paid on the date of retirement and was only released on 23.02.2018

after a delay of eight [8] months without payment of interest.

4. Learned counsel for the petitioners submits that the leave encashment is admittedly a terminal benefit and the Corporation's own circular [Annexure-A] dated 09.07.1998 mandates payment on the date of retirement. Delay in payment, without any lawful justification entitles the petitioners to interest. It is submitted that the issue in regard to the interest payable for delayed payment is no longer *res integra* in view of the repeated decisions of this Court granting interest on delayed payment of terminal benefits.

5. Per contra, the learned counsel appearing for the respondent-Corporation though does not dispute the delay in payment of leave encashment, but submits that the circular does not specifically provide for payment of interest and therefore the petitioner is not automatically entitled to interest at this rate.

6. This Court has carefully considered the rival submissions and perused the material on record.

7. The Circular dated 09.07.1998 [Annexure-A] clearly prescribes the procedure and entitlement relating to the payment of terminal benefits to retiring employees of the Corporation. The terminal benefits covered under the circular including leave encashment and other retrial settlement benefits payable on retirement. The circular unequivocally mandates that the terminal benefits shall be paid on the retirement itself, and the responsibility to ensure timely settlement is cast upon the concerned administrative and divisional authorities of the corporation. Though, the circular mandates timely payment, it does not expressly provide for the rate of interest in cases of delayed payment. The said question fell for consideration before this Court in the case of ***Yallappa S/o. Ramappa Alagawadi Vs. The Management of NWKRTC***[1] while considering the interest on delayed payment of leave

[1] WP No.106898/2025 D.D.15.12.2025

encashment. Considering the various judgments of the Apex Court, it is held at paragraph No.16 as under;

> *"16. In the totality of the aforesaid circumstance, this Court cannot accede to the prayer of interest at punitive or elevated rates such as 9% or 10%, at the same time, denial of interest altogether would be manifestly unjust and contrary to settled law.* ***The balance must be stuck between the right of employees to be compensated for delay and the financial realities confronting a Public Corporation sustained by public funds. Wherefore, I deem it appropriate to direct payment of interest by the Corporation on every delayed payment of leave encashment not at 10%, not at 9%, not at 7% and not even at 5.48% as is projected by the Corporation, but at 6% per annum, which would be just and equitable and legally sustainable,*** *which aligns with various factors viz., the judgment of the Apex Court, several judgments of the coordinate benches, the judgments of the Division Bench of High Courts of Madras and Delhi, prevailing bank interest rates and the financial condition*

> *of the respondent-Corporation. To ensure compliance and prevent further delay, it is necessary to stipulate that failure to make payment within the prescribed time, shall attract enhanced interest at 9% per annum, from the date the amount fell due, until it reaches the doors of every petitioner."*

8. The silence in the circular regarding the rate of interest has been judicially filled by the decision of this Court, which is aligned with the judgment of the Apex Court and several judgments of the Co-ordinate Benches and the judgment of the Division Bench of the High Court of Madras and Delhi, prevailing bank interest, the financial condition of the respondent-Corporation and held that when an employee is deprived of retrial benefits due to administrative delay, interest must follow as a matter of law. Leave encashment is an admitted terminal benefit, payment ought to have been made on the date of retirement. The delay in payment is therefore *per se* contrary to the Corporation's own circular [Annexure-A], such delay constitutes the foundational basis for claiming

interest on the belated payment, at the same time, having regard to the facts and circumstances of the case, this Court is of the considered view that the ends of justice would be met by directing payment of interest at a reasonable rate with a determinant consequence in the event of further non-compliance. Accordingly, this Court pass the following;

ORDER

i) The writ petition is ***allowed in part***.

ii) A writ of mandamus is issued directing respondent-Corporation to pay interest at the rate of 6% per annum on the delayed payment of leave encashment to the petitioner within a period of twelve [12] weeks from the date of receipt of the copy of this order.

iii) In the event, respondent-Corporation fails to pay the said amount within the stipulated period of twelve [12] weeks, the petitioner shall be entitled to interest at the rate of 9% per annum calculated from the date of default till the date of actual payment.

Sd/-
JUSTICE K.S.HEMALEKHA

PJ/ CT:VH
LIST NO.: 1 SL NO.: 17