



BEFORE THE MADURAI BENCH OF MADRAS HIGH COURT

DATED : 14.09.2023

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THE HONOURABLE MR.JUSTICE G.R.SWAMINATHAN

**WP(MD)Nos.19241, 19275 of 2015
and
WMP(MD)Nos.7788 & 7789 of 2016**

P.V.Subramania Raja

... Petitioner in both cases

Vs.

- 1.The Director of Handlooms and Textiles,
Kuralagam, Chennai – 600 108.
- 2.The General Manager,
The Tamil Nadu Cooperative Spinning Mills
Federation Limited (KH-279),
Kuralagam, Chennai – 600 108.
- 3.The Registrar of Cooperative Societies,
M.V.Natarajan Maaligai,
Door No.170, Periyar EVR Road,
Kilpauk, Chennai.
- 4.The Deputy Registrar of Cooperative
Societies cum Managing Director,
Madurai District Co-operative Spinning Mills
Limited, Melur – 625 106.
- 5.The Managing Director,
Q948 Sivakasi Agricultural Producers
Cooperative Marketing Society Limited,
Door No.83B, Gnanagiri Road,
Coronation Colony, Sivakasi – 626 189.

... Respondents in both cases



Prayer in WP(MD)No.19275 of 2014 : Writ Petition filed under Article 226 of the Constitution of India, praying this Court to issue a Writ of Certiorarified Mandamus, calling for the records relating to the impugned order dated 16.06.2014 passed by the fifth respondent and quash the same and consequentially issuing suitable direction to the fifth respondent to pay the sum of Rs.32,77,989/- (Rupees Thirty Two Lakhs Seventy Seven Thousand and Nine Hand eighty Nine only) to the petitioner towards interest calculated till April, 2013 as fixed by the arbitrator in arbitration award dated 02.05.2005 in arbitration case number 2 of 2005 confirmed by this Court by order dated 05.01.2007 in OP No.533 of 2005 and by order dated 12.04.2013 in OSA No. 71 of 2007 and OSA No.171 of 2007.

Prayer in WP(MD)No.19241 of 2014 : Writ Petition filed under Article 226 of the Constitution of India, praying this Court to issue a Writ of Certiorarified Mandamus, calling for the records relating to the impugned order dated 16.06.2014 passed by the fifth respondent and quash the same and consequentially issuing suitable direction to the fifth respondent to pay the sum of Rs.55,70,216- (Rupees Fifty Five Lakhs and Seventy Thousand Two Hundred and Sixteen Only) to the petitioner towards interest calculated till April, 2013 as fixed by the arbitrator in arbitration award dated 02.05.2005 in arbitration case number 2 of 2005 confirmed by this Court by order dated 05.01.2007 in OP No.533 of 2005 and by order dated 12.04.2013 in OSA No. 71 of 2007 and OSA No.171 of 2007.

in both cases : -

For Petitioner : Mr.J.Barathan



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For Respondents

: Mr.D.Gandhiraj,
Spl Government Pleader for R1 to R4

Mr.D.Shanmugaraja Sethupathi for R5

COMMON ORDER

The petitioner represents four entities, namely, NCM Cotton Company, NCM Cotton Agency, NCM Cotton Corporation and N.S.Annamaraja. The said entities are dealers in cotton. They had supplied cotton to the fourth respondent society on various dates up to 1994. The fifth respondent society had inturn sold them to the cooperative spinning mills in various districts. For the supplies received from the entities represented by the petitioner, the society had made certain advance payments. The advances were received by the suppliers with an understanding that it would carry interest @ 18% p.a. The cooperative spinning mills defaulted in making payments to the society. As a result, the society also could not settle the claims of the aforesaid four entities. It is not as if the four entities represented by the petitioner alone were singled out for non-payment. There were several such suppliers. Espousing their cause,, one K.Kanniah Raj filed a Public Interest Litigation before the Madras High Court (WP No.12316 of 1999). Pursuant to the interim orders passed by the Hon'ble First Bench, the principal amount payable by the various cooperative spinning mills was directed to be paid to



the societies in seven installments. The direction given by the Hon'ble First Bench was complied with. The fifth respondent society had received the principal amount from the cooperative spinning mills. When the matter was listed for final hearing, it was submitted that the interest should also be paid; since the societies had made the advance payments out of the funds disbursed by the federation to which the societies were liable to pay interest. The case went for arbitration. The learned Arbitrator went into the issue of interest and gave direction for payment of interest to the societies with 18% p.a with effect from 01.07.1996. The government ultimately made available the requisite funds based on which the amounts as awarded by the arbitrator were also paid to the societies. The fifth respondent society thus received not only the principal amount but also the interest.

2.The grievance of the petitioner is that they had been left high and dry. The society did not in turn pass on the financial benefit to the petitioner. The stand of the fifth respondent is that since the petitioner had received the advance amounts with an undertaking to pay 18% interest, it got adjusted as against the dues payable by the society. Challenging the said stand of the fifth respondent, these writ petitions have been filed.

3.The learned counsel on either side projected the stand set out in the respective pleadings.



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4.I carefully considered the rival contentions and went through the materials on record. I wanted to know at the outset if the fifth respondent was acting as a broker or liaison agent between the petitioner and the cooperative spinning mills. It is stated that the relationship between the society and the mills was independent. Of course, the society was also rendering financial service to the petitioner. But then, the liability of the society to pay the petitioner for the supplies received from them was independent of that. When for the advances given by the society to the petitioner would carry interest @ 18% p.a, equity and fairness demand that the amount payable by the society for the supplies received from the petitioner also would carry interest at the same rate. I would have probably taken a different view if the society had acted as a mere broker. When the fifth respondent on it's own showing was a buyer, they ought to have adopted the same yardstick. After all, the society was clearing a portion of the liability owed by them to the petitioner.

5.The petitioner had supplied goods worth about Rs.2,17,77,335/-. I am more than satisfied that the repayment by the society has been to the tune of Rs.1,98,71,191/-. Of course, the learned counsel for the petitioner would state that for almost Rs.9.00 lakhs and all, the figure is accounted in



form of ticket slips. Therefore, the question of revisiting this figure does not arise at all. Thus, as on 31.12.1995, the society owed to pay Rs.19,06,165/-.

Since the amount paid by the society to the petitioner would carry interest at the rate of 18% p.a and since I have already held that the amount payable by the society to the petitioner would also carry the same rate of interest, the question of adjusting will not arise at all.

6.Since the arbitrator had chosen to award interest only with effect from 01.07.1996, in my view, the same should be taken as the cut of date for adjusting the mutual claims and liabilities. As on 01.07.1996, the society had to pay a sum of Rs.19,06,165/- to the petitioner. When pursuant to the direction given by this Court, that too at the instance of the public interest litigation, the society got not only its principal amount back but also interest, it is only just and proper that the society accepts the petitioner's claim also.

7.Since the society has received both the principal as well as the interest amount from the mills concerned, the fifth respondent society is directed to pay the petitioner the principal amount of Rs.19,06,165/- together with interest at the rate of 6% p.a with effect from 01.07.1996. This amount shall be paid by the fifth respondent within a period of six weeks from the date of receipt of copy of this order.



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8. These writ petitions are allowed. No costs. Connected miscellaneous petitions are closed.

14.09.2023

Index : Yes / No
Internet : Yes/ No
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G.R.SWAMINATHAN, J.

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