



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)No.19783 of 2014

R.M.Veeraiah

... Petitioner

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,
Pudukottai District Co-operative Spinning Mills
Limited, T.R.(H97), Aranthangi – 614 616.

5.The Managing Director,
A1244 Rajapalayam Agricultural Producers
Cooperative Marketing Society Limited,
Rajapalayam – 626 117.

... Respondents



Prayer : 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 20.06.2014 passed by the fifth respondent and quash the same and consequentially issuing suitable direction to the fifth respondent to pay the sum of Rs.12,61,199/- (Rupees Twelve Lakhs Sixty One Thousand One Hundred and Ninety Nine Only) to the petitioner towards interest calculated till February, 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.

For Petitioner : Mr.S.Kadarkarai

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

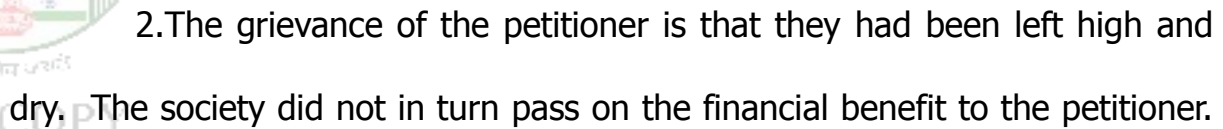
Mr.D.Shanmugaraja Sethupathi for R5

ORDER

The petitioner represents two entities, namely, Sri Balamurugan Trading Companies and Sri Balamurugan Traders. 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 in turn 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 paid to the societies. The fifth respondent society thus received not only the principal amount but also the interest.



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

<https://www.mhc.tn.gov.in/judis>



taken a different view if the society had acted as 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.9,42,939/-. I am more than satisfied that the repayment by the society has been to the tune of Rs.6,74,000/-. Thus, as on 31.12.1995, the society owed to pay Rs.2,68,939/-. 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 off date for adjusting the mutual claims and liabilities. As on 01.07.1996, the society had to pay a sum of Rs.2,68,939/- 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.2,68,939/- 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.

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

14.09.2023

Index : Yes / No
Internet : Yes/ No
skm

To

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5. The Managing Director, A1244 Rajapalayam Agricultural Producers Cooperative Marketing Society Limited, Rajapalayam – 626 117.



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G.R.SWAMINATHAN, J.

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