IN THE HIGH COURT OF JUDICATURE AT MADRAS

Dated: 07.10.2025

Coram:

THE HONOURABLE MR.JUSTICE M.DHANDAPANI

W.P.No.6720 of 2023
and
W.M.P.No.6778 of 2023

Margadarsi Chits Pvt. Ltd.,
No.36/17, "Ashirwad", 3rd Floor,
D.B.Road, R.S.Puram,
Coimbatore-641 002. .. Petitioner

Vs.

1. State of Tamil Nadu,
 Represented by Secretary to Government,
 Commercial Tax and Registration (G) Department,
 Secretariat, Chennai-600 009.

2. Chit Arbitrator,
 Chit Arbitration Court,
 District Registered Office,
 Coimbatore Corporation Marriage Hall,
 1 Floor, Syrian Church Road,
 Coimbatore-641 001.

3. M/s.QMax Spinners India Pvt. Ltd.,
 Rep. by its Managing Director Mr.V.Janarthanan,
 No.1/53, Pothiyampalayam Road,
 Arasur Post, Cooimbatore-641 407.

4. V.Srinivasan

5. R.Nagarajan

6. Z.Mohamed Irfan

7. V.Janarthanan

8. N.Jeyapremraj .. Respondents

Writ Petition filed under Article 226 of the Constitution of India, praying for issuance of a Writ of Certiorari calling for the entire records in G.O.(D).No.222, Commercial Taxes and Registration (G) Department, dated 07.11.2022 from the file of the first respondent, quash the same and confirm the order dated 26.09.2019 in A.R.C.No.7 of 2017 on the file of the Deputy Registrar of Chits (Chit Arbitrator), Coimbatore.

For petitioner : Mr.D.Shivakumaran

For respondents: Mr.Staln Abimanyu, Addl.G.P. for R-1
MrJ.T.Rajasuriya for R-3

ORDER

The petitioner has filed the present Writ Petition praying for issuance of a Writ of Certiorari calling for the entire records in G.O.(D).No.222, Commercial Taxes and Registration (G) Department, dated 07.11.2022 from the file of the first respondent, quash the same and confirm the order dated 26.09.2019 in A.R.C.No.7 of 2017 on the file of the Deputy Registrar of Chits (Chit Arbitrator), Coimbatore.

2. The third respondent joined as a subscriber in the registered Chit Group LT009DCB - Ticket No.19 and the value of the chit is Rs.25 lakhs and the monthly subscription is Rs.50,000/- and the duration of the chiti s 50 months. The chit commenced on 05.07.2013 and terminated on 20.08.2017. In the 13th

auction held on 20.07.2014, the third respondent was the successful bidder at Rs.16,25,000/- after discount of Rs.8,75,000/- and they received Rs.15,84,800/- after providing respondents 4 to 8 as guarantee/sureties. The respondents 3 to 8 jointly executed a promissory note for Rs.18,50,000/- on 13.10.2014 towards the future instalments and also to repay the same with 24% interest per annum in case of default. The respondents 4 to 8 also executed guarantee agreements, dated 13.10.2014 guaranteeing the repayment of all the future subscriptions payable. After paying the 25th instalment on 18.07.2015, the third respondent defaulted in payment of the monthly subscription. Hence, a statutory notice calling upon the respondents 3 to 8 to pay the entire arrears with interest @ 24% p.a. as per the chit agreement and promissory note, was issued on 18.11.2015. Since the respondents 3 to 8, despite receipt of notice, neither settled the money due, nor replied, and hence, the petitioner raised a dispute in A.R.C.No.7 of 2017 before the second respondent. On receipt of the notice in the arbitration case, the respondents 3 and 7 herein entered appearance on 09.05.2017. Since the respondents 3 to 8 have not denied their liability and failed to settle the balance due, the Chit Arbitrator passed an Award, dated 26.09.2019 directing the respondents 3 to 8 to pay jointly and severally the balance of the principal amount of Rs.12,50,000/- along with interest at Rs.4,22,466/- thereon and the cost of Rs.52,860/-, totalling R.17,25,326/- with interest @ 24% per annu from 05.01.2017 on Rs.12,50,000/- till realisation. As against the said Award, the third respondent preferred an appeal before the first respondent under Section 70 of the Chit Funds Act. The petitioner also initiated execution proceedings, which is also pending. The Appellate Authority, viz., the first respondent held that the sum of Rs.10,00,000/- paid after the Award, has to be appropriated towards principal and also reduced the rate of interest from the contract rate of 24% p.a. to 12% p.a. without any justifiable cause or reason and partly allowed the appeal on 07.11.2022. During the pendency of the appeal, the third respondent made payment of Rs.1,99,000/- on 17.11.2021, Rs.1,99,000/- on 18.11.2021, Rs.99,500/- on 21.11.2021 and Rs.2,500/- on 22.11.2021, totalling to Rs.5,00,000/-. After passing the order dated 07.11.2022, the third respondent made payment of Rs.1,99,999/- on 09.12.2022, Rs.1,99,999/- on 10.12.2022 and Rs.70,200/- on 12.12.2022/-, totalling to Rs.4,70,198/- as if the earlier payment of Rs.5,00,000/- is apportioned towards principal and for the remaining amount as per the appellate authority's order, a sum of Rs.4,70,198/- was paid. Now, the respondents 3 to 8 are taking a stand before the Executing Court as if they have settled the entire money due to the writ petitioner, whereas the actual amount due from the respondents 3 to 8 as per the chit agreement is Rs.25,94,315/-. Hence, the present Writ Petition is filed for the relief stated supra.

3. In support of his submissions, learned counsel for the petitioner relied on a decision of the Honourable Supreme Court in the case of Industrial Credit and Development Syndicate Vs. Smithaben H.Patel, reported in 1999 (3) SCC 80.

4. Per contra, learned Additional Government Pleader appearing for the first respondent and the learned counsel for the third respondent, contended that the interest awarded for 24% is contrary to Section 63 of the Chit Fund Act and the maximum interest is only 12% and thereby, the interest was reduced from 24% to 12%. During the pendency of the appeal before the first respondent, the third respondent paid the necessary amount after making deductions thereunder. Such factual findings rendered by the first respondent need not be interfered with and the first respondent prayed that the writ petition may be dismissed.

5. It is to be noted that the prized subscriber defaulted from 26th to 50th instalments and therefore, the Chit Company filed a case under Section 64 of the Chit Funds Act before the Deputy Registrar of Chits, Coimbatore and direction was sought for to the defaulter subscriber and the guarantors to pay arrears with interest. The Deputy Registrar of Chits admitted the case as No.07 of 2017 and heard the case and an Award was passed under Section 69 of the Chit Funds Act, directing the defaulters, jointly or severally to pay the amount. Aggrieved by the Award passed by the Deputy Registrar of Chits, in ARC.No.7 of 2017 on

26.09.2019, M/s.Qmax Spinners India Private Limited represented by its Managing Director filed an appeal under Section 70 of the Chit Funds Act before the first respondent. During the course of inquiry, counter objections were filed by the Chit Company, wherein, it was stated that the Arbitrator followed due procedures laid down in the Chit Funds Act and gave more than sufficient opportunities to the opponents and then only, the Award was passed, which is valid and correct. As per the provisions of the Chit Funds Act and as per the order of this Court, a defaulted prized subscriber is not entitled to the dividend and the same was also discussed by the Arbitrator in the Award.

6. Further, Section 63 of the Chit Funds Act deals with non-prized subscriber and in case of prized subscriber, it should be based on the chit agreement executed by the first opponent at the time of joining the chit which was also duly approved by the concerned officials under the Chit Funds Act and the Arbitrator had followed due procedures laid down under the Chit Funds Act and conducted the case and passed the order. The necessary amount was earlier agreed to by both parties. The Government decided to partially allow the appeal filed against the Award passed by the Deputy Registrar of Chits, Coimbatore in ARC.No.7 of 2017, dated 26.09.2019 by the appellant-M/s.Qmax Spinners India Private Limited, represented by its Managing Director under Section 70 of the Chit Funds Act. The order was passed in G.O(D).No.22, Commercial Taxes and

Registration (G) Department, dated 07.11.2022, directing the appellant to pay Rs.2,92,247/- to M/s.Margadarasi Chits Private Limited, Coimbatore within a period of 3 months from the date of receipt of the order, against which, the present Writ Petition is filed by the petitioner.

7. Further, the appellant paid Rs.10 lakhs even after passing of the Award and earlier, the balance principal amount to be paid to the Chit Company by the appellant is Rs.2,50,000/- (Rs.12,50,000 minus Rs.10,00,000/-), which is agreed by both parties. As per the provisions of the Chit Funds Act, 1982 and as per the order of this Court, a defaulted prized subscriber is not entitled to the dividend, which was also observed by the Arbitrator in the Award and hence, the Award passed by the arbitrator is legally valid. Section 63 of the Chit Funds Act deals with non-prized subscriber and in case of prized subscriber, it is based on the chit agreement executed by the first opponent at the time of joining the chit, which was also duly approved by the concerned officials under the Chit Funds Act and the Arbitrator had followed due procedures laid down under the Chit Funds Act.

8. Hence, for the reasons stated above, the present Writ Petition is liable to be dismissed, and accordingly, the same is dismissed. There shall be no order as to costs. Consequently, the miscellaneous petition is closed.

07.10.2025

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To

1. State of Tamil Nadu,
   Represented by Secretary to Government,
   Commercial Tax and Registration (G) Department,
   Secretariat, Chennai-600 009.

2. Chit Arbitrator,
   Chit Arbitration Court,
   District Registered Office,
   Coimbatore Corporation Marriage Hall,
   1 Floor, Syrian Church Road,
   Coimbatore-641 001.

M.DHANDAPANI, J

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