

ANNEXURE

MCFPL - WINDING UP NOTICES-CLARIFICATIONS

The Office of the Commissioner & Inspector General of Regn. & Stamps, A.P, through their Registrars, Dy/Asst. Registrars had issued notifications on various dates winding up - 84 no. Chit groups across some of the branches in AP virtually threatening the continuance of chit business which were approved earlier. The proceedings have been initiated without any due process of law as required under section 48 of the Chit Funds Act 1982 vide section 48(h) holding that the Branch Managers have acted in prejudice to the interest of the subscribers.

At the outset, MCFPL strongly object to the proceedings and the basis on which the notifications have been issued motivated with malicious agenda to satisfy certain vested interests in the Govt. The Govt of AP virtually demolishing the fundamental right of carrying business in AP by any business group. The whole exercise of notifications winding up chit groups which are otherwise smoothly running in various branches arbitrarily and without any credible grounds. It is also submitted that such coercive steps against the directions of Hon'ble High Courts invoking contempt, have been initiated to merely justify the unscrupulous and absolutely misconceived Attachment Orders issued by the Govt of AP earlier, with a sole intention of defaming the company financially under the garb of protecting the interest of the subscribers.

The Deputy Registrars in their notices paraphrased the interim order of the Hon'ble High Court of Andhra Pradesh in response to our writ petition 40880/2022 stating "..... *the petitioner / branch manager will submit an explanation to the notice dated 20.12.2022 within a period of four weeks from today. On receipt of such reply, the respondent shall follow the procedure mandated under Section 46(3) of the Act and consider the same objectively. Till such time, the respondent shall not take any coercive steps against the petitioner. Respondents also adhere to the procedure adumbrated under the Act qua sanction, registration, receiving of documents, releasing of security strictly in accordance with the provisions of the Act*".

Further the Deputy Registrars went on to mention in their winding up notices that in view of the orders of the Hon'ble High Court and as the lapses are putting the subscriber's money at risk, directions were issued under Section 46(3) by the Assistant Registrar of Chits vide Letter no. CF/2057/3Chits/2022, dated 10.03.2023 to comply with the provisions of the Chit Funds Act, 1982, for which no reply has been submitted by MCFPL.

RS

MCFPL categorically denies all the alleged lapses which are totally arbitrary, imaginary and do not hold any merit substantially. MCFPL always ensured the protection of subscribers' money at all times thus ensuring no complaint or default in any of the chit series. Hence the question of any risk to subscribers' money does not arise. It is also pertinent here to mention that while the Assistant Registrars of Chits had sent a notice with directions under Section 46(3) on 10.03.2023, FIRs were filed against the Chairman, Managing Director and Seven Branch Managers **on the very same day** at alarming pace without affording an opportunity to the Company to respond so called issues. Thus, the very provisions of the said Section 46(3) of the Chit Funds Act, 1982 were absolutely neglected and intentionally bypassed rendering the Company with no opportunity to represent itself, so as to achieve their intended goals.

Further, replies were already submitted to the letters dt. 09.05.2023 and 18.05.2023 of the Registrars seeking information / details regarding payments of chit subscriptions by the company and details of security amounts collected respectively on 16.05.2023 and 24.05.2023. The letters were adequately replied with sufficient and consistent details in the lines which the company has been taking since this persecution and enquiry began in November 2022. The Registrars claim that such replies were "incoherent" to the information sought. As the Registrars already have already predetermined notion without applying their mind in understanding the details / replies furnished virtually turning a blind eye. All this action clearly shows that it is a contrived goal to file seven FIRs as per the directions of the powers that be to humiliate the management of MCFPL and demolish the business which otherwise carry the business with complete financial discipline over the sixty years without any default to subscribers. The entire persecution is only motivated politically by the vindictive and vengeful tactics of YSRCP Govt in AP which is trying with no apparent success to mute the voice of Eenadu and ETV, Media entities belong to the same Ramoji Group, who have refused to tow the line of the Govt and have been projecting the truth about the lawless affairs in AP.

Issue raised:1

- **It was observed that subscription amounts were not received in respect of chit subscription tickets held in the name of Margadarsi Chit Fund Pvt Ltd including mandated company chit and no cash/ bank receipts/ journal receipts were found in respect of the said Tickets & it is noticed that in reality no amounts are brought in by MCFPL towards the tickets subscribed by MCFPL.**

Fact:

- Section 2 of the Chit Funds Act, 1982, defines Subscriber includes a person who holds a fraction of a ticket and also a transferee of a ticket or fraction thereof by assignment in writing or by operation of law and ticket means a share of a subscriber in a chit.
- Further as per the provisions of Section 9 of Chit Funds Act, 1982 regarding the Commencement of a Chit are as follows
“(1) Every foreman shall, after all the tickets specified in the chit agreement are fully subscribed, file a declaration to that effect with the Registrar.



(2) As soon as may be after a declaration is filed under sub-section (1), the Registrar shall, after satisfying himself that all the requirements relating to sanction, registration of chit and other matters have been duly complied with, grant a certificate of commencement to the foreman.

(3) No foreman shall commence any auction or the draw of any chit or appropriate any gross chit amount unless a certificate of commencement referred to in sub-section (2) is obtained by him."

- It is clear beyond any doubt from above said provisions of Chit Funds Act, 1982 that for anyone to be defined as a subscriber, he has to only hold a ticket or even a fraction of it only but not be bound to make any payment to be classified as a subscriber when such details are submitted in Form V for obtaining commencement.
- Hence the Registrars observation that no amounts are brought in by MCFPL towards the tickets subscribed by MCFPL in connection with the permission accorded in Form V is completely erroneous and lacks any clarity as to how such observation is made contrary to the actual facts on record.

Issue raised:2

- **MCFPL has defaulted in payment of its chit subscriptions and it is observed that such default is a continuing one in relation to these tickets held by the company.**

Fact:

- The Company along with its one mandatory ticket subscribes to the unfilled vacant tickets on a temporary and short-term basis.
- The Foreman always holds the money it is entitled to in second month, in the account no.1 and never draws this money as a policy so as to strengthen cash flows of the branch and also to help the branch invest in vacant chits apart from holding its surplus income in commission month on month after meeting their expenses. These entries are effected through journal entries which is an accepted Accounting principles validated by even the highest Accounting Body in India, The Institute of Chartered Accountants of India.
- The payments to successful prized bidders clearly demonstrate the contribution of the company month on month which clearly demonstrates the contribution of the company by default.
- Also, when the vacant tickets held by the company are assigned to any other subscriber, the contribution made by the company for the entirety of the duration of such holding is paid by the subscriber to whom such chit is assigned. Hence the cash flow of the company is sufficiently replenished as and when such assignment takes place thereby strengthening the funds position of the branch.



Issue raised: 3

- Every month due to non-payment of subscriptions to the vacant chits as well as the subscriptions by the company towards the mandatory ticket held by the company and in respect of the tickets where subscribers are removed and substituted in the name of the company, there is a substantial gap between the receipts and payments relating to the chit group.

Fact:

- The Company is only a foreman who collects the monies from the subscribers and pays the prize amount to the successful bidder. It is the bounden responsibility on the foreman to make the payment of the prize amount to the prized subscriber even if there are defaults in payment of subscription amount by other subscribers of the group. Hence the foreman in many of cases where the collections are definitely less than the prize amount contributes the default amount apart from contributing the subscriptions of the tickets held by Foreman.
- This is a normal business practice followed consistently month on month in chit fund business. Hence, there is no question of shortfall due to non-payment of subscription amount by the company since the prize amounts are paid regularly and the track record of the company clearly demonstrates its strength appreciated by Registrars all these years.

Issue raised:4

- It is noticed that though the subscription of instalments is not made by MCFPL the foreman chit is fully credited to the account in the ledger and commission is charged on entire gross value of the chit.

Fact:

- It is once again reiterated that contribution is made diligently by the company in respect of the instalments of the tickets including the vacant tickets held by effecting journal entries which is an accepted accounting principle.
- Now, Section 21 (1) (a) of the Chit Funds Act, 1982 clearly gives the right to the foreman that he shall be entitled in the absence of any provision in the chit agreement to the contrary, to obtain the gross chit amount at the first instalment without deduction of the discount specified in the chit agreement, subject to the condition that he shall subscribe to a ticket in the chit.
- As stated above and as provided in the chit agreement, the foreman obtains the gross chit amount at the second instalment and the corresponding entries are passed in the ledger. Such amount is retained in the Bank Account no. I in the branch itself.
- Also, Section 21 (1) (b) also provides that the foreman is entitled to such amount not exceeding seven percent of the gross chit amount as may be fixed in the chit agreement, by way of commission, remuneration or for meeting the expenses of running the chit.
- In compliance with the Act, the company charges 5% of the gross chit amount as commission for its duties as a foreman and the Commission charged by the company has nothing to do with the subscriptions collected or not collected.



- No commission is charged by the company for its own ticket as well as vacant chits if held till the end as it is completely illogical. Such observation ought not to be have been made if the Registrar had verified the Financial Statements submitted to him year on year.

Issue raised: 5

- **In the light of the non payment of the subscriptions amount by MCFPL in respect of the chits subscribed by MCFPL, there is a deficit of cash flow and delay in payments of prize money to the prized subscriber. It is noticed that the deficit of cash flow and delay of payments to the successful bidder continued for the entire duration of the chit period till now. In the absence of any evidence of MCFPL bringing in funds to fill the deficit, it is to be concluded that subscription monies belonging to another group are being used / diverted to pay the successful bidders of this group. Such situation will have cascading effect on other groups as well.**

Fact:

- The company has been making the subscription payments by effecting journal entries as the amounts / funds are available in the Bank Account no. I itself. Hence there is no such misconception of cash deficit and such deficit resulting in delay of payments to the prized subscribers.
- It is completely denied that utilization of other group subscription amounts for payment of prize amounts of this group or any other group as well. The Registrars are continuously trying to push this misconceived notion only to justify their misinterpretation of three bank accounts being operated for each group. The Act stipulates a bank account with any scheduled bank only and it does not stipulate separate bank for each and every group which we have adequately clarified to the Registrars earlier. Thus, as per the Act, subscriptions collected from subscribers of various chit groups are remitted into designated bank account maintained as per chit agreement at the branch and the payments to successful bidders are also released from the same bank account as per the Act which are being filed with the Registrars from time to time.
- Further since the prize amounts are paid from Bank Account no. I and also the amounts are transferred to Account no II diligently, the question does not arise that one group subscriptions amounts are utilised for payment of prize amounts of other group.

Issue raised: 6

- **Due to non-payment of subscription amount by MCFPL towards the tickets held by MCFPL / defaults by the subscribers, the bid payments were delayed.**

Fact:

- Section 21 (1) (e) of the Act provides rights to the foreman to demand sufficient from any prized subscriber for security the due payment of future subscriptions payable by him.



- Subscribers offer to provide other securities including Future Subscriptions Deductions, Sureties / Guarantors, Security Amounts, LIC pledge, Bank Guarantee, Property Pledges etc for the future subscriptions payable by them. The company exercises its rights in this regard to scrutinise the strength of the securities provided as this is to ensure the interests of other non-prized subscribers in the group which is just and necessary. Payment of prize money is made immediately after submission of sufficient security. Where there is a delay on the part of the prized subscriber, the unpaid prize amount is deposited in a separate approved bank account as per Act before the next succeeding instalment and the intimation is made in writing to the fact of such deposit and the reasons there for to the prized subscriber and to the Registrar. There is no delay as alleged here as the company is well within its rights to demand sufficient security and the company diligently follows the Act in this regard.

Issue raised :7

- **Collection of instalments before commencement of the chit.**

Fact:

- The Company enrolls the subscribers upon obtaining the Previous Sanction Order (PSO) only. The subscriber enrolled makes the payment of subscription amount on his own discretion before the auction which in some cases the subscriber may remit advance subscription. The company never requests the subscribers for the subscription amount in excess of the first instalment to be made unless they opt for their own comfort. All such subscriptions are shown separately in the books of accounts as advance subscriptions under the head liabilities in the Balance Sheet.
- Also, the Chit Funds Act does not mention or has any clause preventing the subscription amount collected before commencement or also to be restricted to only the first instalment. It is the subscriber's choice to remit the subscription amount which may be in excess or equivalent to the first subscription.

Issue raised :8

- **It is noticed that prior to the commencement of the chit group instalments have been collected on gross amount of instalments as well as net of dividend amount instalments which tantamount to compromising the auction process.**

Facts

- It is absolutely a misconstrued observation that is being made into an infraction. First instalment collected is always the gross instalment amount. Any succeeding instalment after the first instalment is always based on the discount / bid in the first auction. Since the first auction has not taken place, it is improbable to estimate the second instalment to be paid as discount / bid cannot be projected.
- Hence the subscriber if he wishes makes gross instalment amount or an amount less than that also which is always kept in credit in his account and is adjusted once the auctions have taken place.

ART

Issue raised:9

- **Deposit of future instalments and issue of receipts, amounts are deducted from successful bidders and held as deposits with the company under the head "Security amounts received for due payment of future subscriptions." Receipt is being issued acknowledging the deposit of the amount (which in fact are withheld amounts) and interest @ 4% and 5% is being paid for periods less than 12 months and more than 12 months respectively. It is informed that the amounts are transferred to the bank account maintained by the Head Office of MCFPL. Even after the deposit of such future subscription amounts as above instances of further collections from the same subscribers are noticed from the records. It is evident that the said security amounts received for due payment of future subscriptions is in the nature of interest bearing deposits.**

Fact:

- As per the Act, the Foreman is entitled to demand sufficient surety and security for future instalments due when the chit is prized as per provisions of section 21 (1) (e) of the Act. In pursuance of the said obligation, the Foreman insists upon either surety or security from the subscriber. At the request of subscriber, the company deducts future instalments and hold it in security for the remaining period of instalments due and is refunded at the end with nominal interest/incentive offered as a gesture.
- The amount collected as security for future instalments is kept in a separate approved bank account and as mentioned before is refunded only at the end after termination of the chit period.
- Such amount provided a security by the Subscriber does not fall under the provisions of Section 22 of the Act since this amount is towards security for future instalments but not a future liability deduction as per Section 22 and the subscriber continues to pay the future instalments payable by him.
- As per Chapter III of Master directions of RBI issued in the year 2016, the companies engaged in chit fund business are classified as Misc Non Banking Companies. Hence the subscriptions received whether current or future instalments do not constitute "Deposit" as clearly clarified therein and is outside the scope of deposit. Further this view also finds support from the definition of deposit under section 45-1(bb) of Reserve Bank of India Act.
- The Registrar was adequately explained of this fact with all the relevant details in our letter dt. 24.05.2023.

Issued raised : 10

- **In cases as identified, the subscription instalment cheques were returned. But instead of cancelling the subscriber membership, MCFPL chose to continue the membership and the subscriber was made a successful prized bidder based on the cheques subsequently returned. It is further noticed that instead of cancelling the auction as well as membership, the company chose to declare the subscriber as prized subscriber and pending instalments were adjusted against the prized bid and balance amount was retained by the company to be set off against the future liability and such retained amount was used by MCFPL.**

NR

- As per clause VI of the Chit Agreement, each and every subscriber shall pay to the foreman the amount due for his ticket for each instalment on or before the due date of each such auction and shall get a receipt from the office. Where the payments are made by cheque they should be cashed well before the due date of payment. Only after the realization of cheque, the subscriber shall get the eligibility to participate in the auction.
- Such instances not only cast a doubt about the genuineness of the transactions but also indicate the prejudice on part of the foreman favoring certain members who are otherwise not eligible to obtain the bid amount. In the process it is noticed that MCFPL derived benefit in the form of retention of the bid amounts and advance instalment amounts.
- The instances as stated discern that the foreman is acting prejudicially to the interests of the other subscribers in order to selectively allow the defaulting subscribers to participate in the bid, effecting bid payment by adjusting their defaulting subscriptions and also the foreman is circulating the money of the subscribers of other groups for bid payments in this group for adjustment by taking advantage of single account maintained for all the chits maintained by him for subscribers amount.

Fact:

- Cheques are one among the various modes of payments of subscriptions by the subscribers. As in any business, Cheque Returns are prevalent / common and it is the risk that the company has to absorb since the subscribers are to be given their choice of payment options and the company equally places trust on the subscribers for the cheques issued by them to encash without any return and the company simply cannot cancel the subscriber's membership since there might be many genuine reasons for such return and also customer relations.
- However, notwithstanding anything mentioned in Clause VI of the chit agreement, the Branch Manager at his discretion may allow a subscriber to participate in the auction upon receipt of payment of subscription by cheque before it is realised. It is only to provide an opportunity to the subscriber based on mutual trust. But in few cases and as in the case no. 1 mentioned in the notice, the cheques issued prior to auction would be returned due to various reasons including non-matching of signatures, insufficient balance etc after the auction had taken place and such subscriber would have been declared as successful bidder.
- The defaulted subscriptions of such subscriber are adjusted and the remaining prize amount is paid only after obtaining requisite securities.
- In any case, the prize amount if it remains unpaid until the date of the succeeding instalment, the company deposits such prize amount forthwith in a **separate account with an approved bank** mentioned in the chit agreement and intimates in writing the fact of such deposit and the reasons there for to both the prized subscriber as well as the Registrar.



- The amount lying in such account no II if being unpaid due to subscriber not providing requisite security will be adjusted for his dues every six months as a practice and this is done in the interest of other subscribers of the group. As the amount is already transferred to Account no. II, such amount is not available for the company to use except for the purpose of adjusting the dues if any as stated above.
- The company does not resort to any favor for certain members who are otherwise not eligible to obtain the bid amount. There is no benefit the company obtains by retention of bid amounts as they are meticulously paid or transferred to Account no. II which is again as good as paid. Hence there is no incidence of circulating the money of the subscribers of other groups for bid payments in this group for adjustment by taking advantage of single account maintained for all the chits maintained by him for subscribers amount.

Issue raised : 11

- **Adjustment of one prize bid to multiple other subscribers.**

Fact:

- The company as a prudent practice verifies meticulously the past dues in the chit, dues in respect of any guaranteed chits by a subscriber before making the payment of prize amount to him.
- If there are any dues against him or any chit guaranteed by him, such dues are adjusted before making the payment of prize amount. All such adjustments are made after obtaining due authorisation and consent from the subscriber. In fact these measures are put in place to safeguard all the non prized subscribers of the group and the letters obtained from each such subscriber consenting to such adjustment are available.

Issue raised: 12

- **Defaulting Subscribers Against defaults, there are no entries in the books of records about securing of this amount by the foreman to meet the liability of the prized subscribers. In the absence of evidence of satisfaction of the liability by the foreman (as required by the Act) it is apparent that the amounts to prized bidders are paid out of other group subscription amounts.**

Fact:

- Default is an inherent risk in any business more so in financial sector in which our company operates chit fund business. As mentioned earlier, the company has an immaculate process and systems in place for adequately securing the future subscriptions payable by the prized subscribers.
- The prized subscribers liability are adequately backed by securities in compliance with the Chit Funds Act, 1982 and the company has always the option to invoke the liquidation of securities provided on exigent circumstances.
- Further irrespective of default from subscribers in any of the chits, the company from its own free reserves makes good such default and the prize amounts are paid without any hassle to the subscribers. Such reserves amounted to Rs. 1509 crs as on 31.03.2022 which the Registrar would appreciate and acknowledge from a plain reading of the Balance Sheet submitted for FY 2021-22.

AM

Issue raised: 13

- **Operation of Bank Accounts by persons other than the foreman of the chit group which is against the provisions of the Act.**

Facts

- The Branch Manager, who is an authorized representative of Foreman i.e., the Company is having full knowledge and control's bank accounts of the operations of the Branch and is in charge of all the chit operations in the Branch and each Branch is having three Bank Accounts as per the provisions of the Act and the Rules
- In order to have effective centralized control mechanism, only the dual Cheque signing powers are entrusted to the senior staff who are stationed in Registered Office of the Company in Hyderabad, but the cheques are issued only as per the instructions of the branch manager concerned and are forwarded to the branches concerned for disbursement to subscribers.
- It is thus clear that operations under the Act and the Rules are carried by the Branch only.

Issue raised: 14

- **Balance sheet and profit and loss account as per Schedule I & II of the Act are not filed.**

Facts

- MCFPL denies any non compliance in this regard. Section 24 of the Chit Funds Act, 1982 governs the preparation and submission of the Balance Sheet. It reads as follows "24. Balance sheet.—Without prejudice to the provisions of the Companies Act, 1956 (1 of 1956), every foreman shall prepare and file with the Registrar within such time as may be prescribed, a balance sheet as on the last date of each calendar year, or, as the case may be, the financial year of the foreman, and a profit and loss account relating to the year of account, in the forms set out in Parts I and II of the Schedule, or as near thereto as circumstances admit, in respect of the chit business and audited by auditors qualified to act as auditors under the Companies Act, 1956, or by a chit auditor appointed under section 61."
- Emphasis needs to be given to the term "or as near thereto as circumstances admit". We have been submitting every year the audited Balance Sheet and Profit and Loss Account which is prepared by us and audited/certified by statutory auditors, in conformity with IND AS (Indian Accounting Standards) which is stipulated by the Ministry of Corporate Affairs (MCA), Government of India. The audited/certified Balance Sheet and Profit and Loss Account along with detailed schedules are certified by auditors qualified to act as auditors under the Companies Act read with Section 24 of the Chit Fund Act, 1982. It contains much more disclosures and details than Part I and II of the Schedule as required under Section 24. Hence, there is no non-compliance in this regard.



- It is also submitted that individual bank accounts for each of the chit groups that are in thousands and furnishing of chit wise balance sheet and profit and loss account are practically impossible as per Rule 28(2) which is not mandated or empowered by Section 89 of the Act. *The Latin maxim "lex non cogitad impossibilia" that means that law cannot compel anyone to do so what is impossible and has been upheld by no less than the Apex court of the Country in cases such as LIC of India Vs. State of MP Vs. Narmada Bachao Andolaan 7SCC 639 CIT 219 ITR 410.*

Issue raised: 15

- **Subscriptions received in cash and bid payments made by cheque.**

Fact:

- Among the various modes of payment through which the subscriptions are received by MCFPL, cash payments by subscribers comprise the lowest proportion in terms of different channels enabled for making the subscription payments.
- Though MCFPL regularly encourages the subscribers to make the payments of subscription in modes other than cash preferably. However, the subscriber is always at his choice to make the subscription payment in the mode he chooses. However as pointed out in the order by the Registrar himself, the prize payments are always made by A/c payee crossed cheque and there is no exception to this whatsoever.
- While allowing the subscribers to pay the subscriptions in cash, the company complies with all the provisions of Income Tax Act rws 269ST of the Act and the guidelines issued by the Reserve Bank of India in respect of receipts or payments in the form of cash. Our systems and procedures have always been disciplined and there are no compromises made here categorically.
- The Registrars appear to be evasive in their remarks which are totally arbitrary, perverse and ambiguous with malicious intentions to justify the frivolous reasons for winding up the chit group.

Issue raised: 16

- **Self / Third Party Pledges accepted.**

Fact:

- As per Clause VII of the Chit Agreement entered between the foreman and the subscriber, the prized subscriber among various other option of securities, he can also opt to pledge a self-chit held by him or any third-party chit as security for the future subscriptions payable by him.
- The prized subscriber offers his consent with valid documentation authorising the foreman to accept such pledges as security and there is no provision or any reference in the Act barring the subscriber from providing pledges as security. It is the option of the subscriber which is permissible under the provisions of the Act and there is no violation absolutely by adopting this procedure.



- The Registrars have desperately tried to make out a non-existing infraction and thereby making baseless observations to fortify their frivolous arguments for winding up the chit group. This is absolutely in contrary to the interests of the subscribers whose investments are to be protected and secured by the company by adequately obtaining the relevant securities.

Issue raised: 17

- **Security / Surety Details not available in the ledger.**

Fact:

- The company categorically denies this observation made by the Registrars as the security provided by the prized subscribers for their future subscriptions due are completely ensured very meticulously.
- The ledger copies of the prized subscribers clearly consist the details of the security provided. The Registrars having already seen the details on their visits to our branches but deliberately resorting to making absolutely non-existent and imaginary observations without any verification.

Issue raised: 18

- **Payments are made by subscribers with delay after notices are issued by the company.**

Fact:

- The company knows as to how to run business having institutionalized over the sixty years and also know the attitude of its customers and their problems. In any case, in chit fund, Default is an inherent risk more so in financial sector in which our company operates. We proudly place on record that the company has been maintaining the best recovery system with Regular follow up with the subscribers in the form of letters and notices for payment in the event of delay from the subscribers.
- The foreman is responsible for safeguarding and protecting the interests of the subscribers in the group by regularly following up with the defaulting subscribers for payment of subscriptions.
- The company operates on mutual trust with the subscribers and conduct the group without any hassles. The subscribers have to be given a reasonable opportunity to make good their default and no compromise in follow up is made.
- The Registrars have made observations for the sake of justifying their erroneous actions causing huge financial risk to the subscribers with their mindless actions and evasive attitude so as to satisfy their higher ups leaving the interest to subscribers in peril.

RS

Issue raised: 19

- **Transfer of chits between subscribers.**

Fact:

- Section 35 of the Chit Funds Act, 1982 allows for transfer by a non-prized subscriber of his rights in the chit by duly giving in writing his request to the foreman which is communicated to the Registrars concerned promptly.
- In accordance with the Chit funds Act, the company allows for transfer of chit by a non-prized subscriber to the nominee as enrolled during the on boarding of the subscriber in exigent circumstances such as death.
- Also when the non prized subscriber requests for transfer of the chit with relevant reasons, the company after thorough verification allows the chit to be transferred. This is in complete compliance with the Act and it is highly surprising that the Registrar has gone on to such observation without giving a plain reading of the Act and blindly resorting to frivolous observations.

Issue raised: 20

- **No suits filed or membership cancelled even after instances of default in payments.**

Fact:

- The company has been continuously approaching the concerned officials in the Offices of the Registrar for filing suits against the Defaulting Subscribers. However the offices of the District Registrars have not proceeded on our requests to file the suits which is causing a delay in recovery in the recent past.
- Also, the company operates on mutual trust with the subscribers and they have to be given a reasonable opportunity to make good their default and in many cases the subscriber makes the payment of the default upon giving time. Hence suits are not filed in that period allowing the subscriber to make the payment and avoiding unnecessary hassles of going through suit file proceedings.

Issue raised: 21

- **Original auction cancelled and re-auction conducted. The reasons thereon are not mentioned in the ledger.**

Facts

- Section 22 (2) of the Chit Funds Act, 1982 provides that where any prized subscriber does not collect the prize amount in respect of any instalment of a chit within a period of two months from the date of the draw, it shall be open to the foreman to hold another draw in respect of such instalment.
- Further as contained in the chit agreement where any prized subscriber informs the foreman in writing about his inability to draw the prize amount, it shall be open to the foreman to hold another draw in respect of such instalment without waiting for two months.



- The written request of the subscriber unable to draw the amount is obtained by the foreman and the re-auction is conducted with due entry made in the account copy of the original prized subscriber regarding the re-auction. The foreman is well within his rights to conduct the re-auction as per the Act and the chit agreement as stated above.
- We fail to understand the logic and purpose of the Registrar in mentioning this infraction allegedly to have been made. This is entirely arbitrary and contrary to the actual facts.

Issue raised: 22

- **Subscribers joining in the middle and becoming the prized subscriber immediately upon making payments.**

Fact:

- When a vacant ticket held by the company or a cancelled chit is assigned to any other subscriber, the contribution made for the entirety of the duration of such vacant or cancelled chit holding is paid by the subscriber to whom such chit is assigned.
- The company ensures that for assignment or for allowing a subscriber to join in the middle of a chit, the entire instalments due including the current month auction is collected for allowing such subscriber to participate in the auction.
- This is a prudent business practice followed over the years and no subscriber is put to any risk here as in fact the entire subscriptions are received and cash flow of the branch is sufficiently replenished.
- The Registrar here is again attempting to make out an alleged infraction even when there is none committed or existing.

A. Narayan