

COMPETITION COMMISSION OF INDIA

Case No.37/2012

Dated: 04/10/2012

IN THE MATTER OF:

CA Sreeram Murthy

...Informant

V.

Shriram Chits Ltd.

... Opposite Party

ORDER UNDER SECTION 26(2) OF THE COMPETITION ACT, 2002

The present information was filed by Sh. Sreeram Murthy ('the informant'), a chartered accountant by profession, under section 19(1)(a) of the Competition Act, 2002 ('the Act') against Shriram Chits Fund Limited ('the opposite party') alleging contravention of section 4 of the Act.

2. As per the information, the Opposite Party is alleged to have auction turnover of around Rs.3000 crores and is stated to be the largest in the chit fund business in India. It is alleged by the informant that the opposite party was abusing its dominance by misleading the consumers through various anti-competitive practices in contravention of section 4 of the Act.

3. It is the case of the informant that sometime in the year 1993, he participated in a chit fund of Rs.25,000/- for a total period of 5 years managed and run by the opposite party by paying Rs.500/- per month, ~~however,~~ without knowing much about the intricacies of chit laws and rules. Subsequently, he invested in three more chit funds in the year 1996, of the value of Rs.25 lacs for each chit for a period of 50 months vide ticket nos. 35, 26 and 30 in chit group BLX-01 by paying Rs. 50,000/- per month.



4. It was further stated in the information that the prize money of the ticket no.35 was released in October, 1996 and thereafter, the informant deposited the said prize money in fixed deposit with the group companies of the opposite party. Subsequently, the informant experienced hardships when he was to receive the prize money in the remaining two chits in the year 1997 (ticket no.26) and 1998 (ticket no.30) from the opposite party. The informant submitted that there was no arrear on any prize or non prized chits when the prize money of the third chit i.e. ticket no. 30 was to be released to him. However, in May, 1999, the opposite party denied the release of prize money of some chits in time. According to the informant, the opposite party released the aforesaid prize money after two months, as per its convenience and exercised the right of lien without taking consent of the informant or giving any notice of the same to the informant.

5. Further, it is alleged that the opposite party started adjusting the fixed deposits of the informant (the prize money of ticket no. 35 of BLX 01 was converted to fixed deposit by informant), which the informant had with the group companies of the opposite party and gradually declared the informant as defaulter with effect from October, 1999 coupled with denial of dividends on non-prized chits or prized chits, which according to the informant amounted to abuse of dominance by the opposite party.

6. The informant stated that the opposite party initiated several civil suits in various courts against him and obtained decrees in 25 cases against him for alleged default of payments. Finally, the opposite party approached the informant in the year 2009 for settlement of its dues, limiting its claim to a sum of Rs.29 lacs to be paid by the informant in 7 years as full and final settlement and received around Rs.92,000/- from the informant. However, dispute again arose when the informant insisted the opposite party to give in writing the list of all decreed debts that would be restricted to as full and final settlement for the said dues. However, the opposite party denied this request of the informant. Contrary to the settlement between the informant and opposite party, as alleged by the informant, the opposite party filed execution petitions against the informant in various civil courts to enforce of the decrees. This action of the opposite



party, according to the informant, amounted to abuse of dominant position and warranted action under section 4(2) of the Act against the opposite party.

7. It was further submitted by the informant that the opposite party had also approached the Institute of Chartered Accountant of India for taking disciplinary action against the informant for his conduct alleging unbecoming demeanor on the part of informant, a professional chartered accountant. The proceeding initiated against him by the said body ended in favour of the informant as the Disciplinary Committee found no *prima facie* case against the informant. The informant also asserted that certain provisions of the Andhra Pradesh Chit Funds Act, 1971 are anti-competitive in nature being heavily loaded in favour of a foreman (a person who organizes the chits).

8. It is made out from the facts and circumstances of the matter that the informant had extensive chit transactions and failed to make payments with regard to the chit transactions to the opposite party. These transactions have been from 1993 onward and opposite party filed various civil suits in courts and obtained decrees against informant in 25 or more cases. The informant approached this Commission after he had a dispute with opposite party in implementation of a settlement between parties in respect of various decrees against him.

9. The opposite party may be a large chit fund company in the State of Andhra Pradesh and may be in dominance, however, mere dominance *per se* cannot be acted against by the Commission. To invoke the jurisdiction of the Commission a *prima facie* abuse or misuse of the dominance is to be shown as per the provisions of section 4 of the Act.

10. The relief sought by the informant is to direct the opposite party to settle the issues amicably with him which does not fall within the purview of the Act. There is no competition concern raised by the informant. The informant has already suffered various court decrees and cannot approach this Commission to give directions to opposite party for settling monetary claims.



12. In the light of the above facts and situation, the Commission finds that no *prima facie* case is made out against the opposite party. Therefore, the matter is hereby closed under section 26(2) of the Act.

Secretary is directed to inform all concerned accordingly.

Sd/-
Member (C)

Sd/-
Member (R)

Sd/-
Member (GG)

Sd/-
Member (AG)


Sd/-
Member (T)

Sd/-
Member (D)

Sd/-
Chairperson

Certified True Copy




RAMESH CHAND
Asstt. Director
Competition Commission of India
Government of India
New Delhi

5-10-12