



Case No. 70 of 2013

**In re:**

CA Sreeram Mushty, Chartered Accountant,  
M S Sastri Chambers, 27-31-16, Palaparthiwari Street, ...Informant  
Governorpet, Vijaywada-520002

And

Shriram Chits Limited,  
3-6-478, Anand Estates Liberty Road, ...Opposite Party  
Himayath Nagar, Hyderabad – 500029.

**CORAM:**

Mr. Ashok Chawla  
Chairperson

Dr. Geeta Gouri  
Member

Mr. Anurag Goel  
Member

Mr. M. L. Tayal  
Member

Mr. Justice (Retd.) S. N. Dhingra  
Member

Mr. S.L.Bunker  
Member

Present: Informant in person

**Order under Section 26(2) of the Competition Act, 2002**

Opposite Party(“OP”) was a registered chit fund company belonging to Shriram Group. Informant claimed to be the biggest subscriber of OP with more than 150 chits plus, on account of his consistent good track record.

2. Briefly stated, Informant was aggrieved by OP’s wrongful invoking of clause 17 of the standard chit fund agreement that allegedly constituted two unfair



discretionary trade practices coupled with breach of trust and confidence in May 1999 even when there were no arrears to be paid in that particular month. Also the OP subsequently adjusted liquid funds in the form of deposits and un-bid chits at their comfort and convenience.

3. Informant was aggrieved by the conduct of OP. The present dispute of the Informant related to a chit group BLX-01 launched by OP in October, 1996 with fund value of Rs. 25 lakhs. It was submitted that Informant and his associates participated in the said chit group with tickets vide ticket nos. 26, 30, and 35, each of Rs. 50,000 per month for 50 months period. Allegedly, the prize money of ticket no. 35 was released by the OP in October 1996 and was deposited in a fixed deposit with OP's group company. Prize money of the ticket no. 26 was also released with personal guarantees in January 1997. The Informant argued that there were no arrears on any prized or non-prized chits of the OP on him when the prized money of ticket no. 30 was to be released in 1998. Despite that OP created a lot of hardship for him in releasing the prize money which was released only after two months, as per their convenience and exercised the right of lien without taking Informant's consent or giving him any notice.

4. The Informant was further aggrieved by OP's practice of adjusting the fixed deposits of the Informant (the prize money of ticket no. 35 of BLX 01) with its group company, without the consent of the Informant, as the Informant failed to pay subsequent instalments on time. Subsequently, the OP declared the Informant as default subscriber with effect from October, 1999 and accordingly denied the dividends on non-prized chits or prized chits to the Informant as per clause 17 of the standard chit agreement. The Informant alleged that the said acts of the OP were unfair and discriminatory which amounted to abuse of its dominant position within the meaning of section 4(2)(a)(i) of the Act.

5. The Commission perused the information on record and heard the Informant. The allegations of the Informant in the present case relate to the chit fund transactions with the OP wherein the OP declared Informant as defaulter and denied to pay the dividend as per clause 17 of the standard chit agreement. The OP also adjusted the fixed deposits of the Informant with one of its group companies against the chit fund transactions. The Informant argued that such conduct of OP was in contravention of the provisions of the Act as it amounted to abuse of dominant position by the OP. The relevant product market in this case



appears to be 'market for chit fund service'. Chit fund is a kind of saving instrument offered by chit fund companies which is different from the products offered by banks in India. The procedures of chit fund transactions are flexible and do not require proper documentation like conventional banking transaction which are very stringent. One can easily avail credit from the chit fund companies without any collateral security. The rate of interest is also relatively high in comparison to other saving instruments. Therefore, the uniqueness of the chit fund transactions make chit fund instrument different from the ones offered by banks and other financial institutions, hence the market determined above seems to be correct. As far as the geographic market is concerned, the state of Andhra Pradesh would be the geographic market in the present case as the chit fund companies require prior registration with the state government before starting operations and also need to operate under the regulations of respective state governments. Therefore, the relevant market will be '*market for chit fund services in the state of Andhra Pradesh*'.

6. The Informant alleged that OP was dominant in the relevant market without giving any data regarding market share of OP in that particular market or considering other factors for the said purpose. Though OP appears to be one of the leading companies in the chit fund business in the relevant market, there were several other companies offering similar services. Nearly 65.55% of the chit fund business in India (excluding Kerala) was shared by the Margadarsi Chit Funds and Sriram Chits with auction turnovers of Rs. 7500 crore (41.67%) and Rs. 4300 crores (23.88%) respectively. From the website of OP, it was seen that it was disbursing over Rs. 50,000 crores to chit subscribers and Small/Medium Enterprises in India besides having 7000 branches, 80,000 agents and 12000 employees. There is no bifurcation of this information state-wise; as such no information is available with regard to the state of Andhra Pradesh. Besides these facts, there is nothing in the information provided by Informant or information available in public domain to support the contention of the Informant regarding dominance of OP. Therefore, on the basis of present facts, it cannot be said that OP was dominant in the relevant market.

7. As OP does not appear to be a dominant player in the relevant market, the question of abuse does not arise. Even if it is assumed that OP was a dominant player in the relevant market, the conduct in the particular case does not fall



within the realm of section 4 for the purpose of abuse. Dispute appears to be *inter se* contractual in nature and appropriate remedies lie somewhere else.

8. It may be noted that a similar case against the same OP Case No. 37/2012, CA Sreeram Murthy v. Shriram Chits Ltd. was closed by the Commission under Section 26(2) observing as under:

‘The opposite party (Shriram Chits) may be a large chit fund company in Andhra Pradesh and may be dominant. 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.’

9. In view of above, the present case deserves to be closed under section 26(2) of the Act and the same is hereby closed. The Secretary is directed to inform the parties accordingly.

New Delhi

Dated: 02/01/2014

Sd/-  
(Ashok Chawla)  
Chairperson

Sd/-  
(Dr. Geeta Gouri)  
Member

Sd/-  
(Anurag Goel)  
Member

Sd/-  
(M.L. Tayal)  
Member

Sd/-  
(S. N. Dhingra)  
Member

Sd/-  
(S.L. Bunker)  
Member