



Southern Star Chit Fund Private Limited

(A company incorporated under the Companies Act, 1956)

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**SOUTHERN STAR STANDS FOR SAFETY, SECURITY,
TRUST, COMMITMENT & SOCIAL UPLIFTMENT**

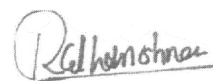
Rules & Regulations for the Chit Groups

- 1) **Objects of the Chit Scheme:** This chit Scheme is aimed to encourage saving habit among members and help them to meet their financial needs on the principles of cooperation, good faith and trusteeship among the members and the Company as the Foreman, who conducts Auction of Drawing chits.
- 2) **Company's Commission & Dividend:** To meet the expenses for conducting chits, etc. the company as the Foreman is entitled to a Commission of 3.5% of the Chit value every month and to get the 1st month Chit without any auction. Out of the total discounts of a particular group, 3.5% of the chit value shall be taken as Foreman's commission. The remaining discounts if any, shall be divided among the subscribers prized as well as un-prized in that particular group.
- 3) **Enrolment:** Members who intending to become subscribers shall be enrolled on receipt of application in prescribed form mentioning the Group number and details of the chit along with the 1st installment. The Foreman reserve the right to refuse admission and/or terminate the enrolment in between to any applicant without assigning any reason what soever on admission, every subscriber shall be given an enrollment number and a chit pass book with all details. In case of loss/torn of pass-book, a duplicate pass book will be issued against a payment of Rs. 50/-
- 4) **Last date for Installment & Penalty:** Last date for payment of monthly installment is 20th of each month. Subscribers who makes the payment after 20th are not eligible for dividend allowed for that month. However monthly instalment must be paid for participating the auction. If the auction date false before 20th of the month.
- 5) **Monthly Chit Auction:** Auction shall start with a discount of 3.5%. Chit auctions for all groups are conducted from second month onwards once in month. Chit amount will be paid to a successful bidder (i.e. Prized subscriber) offering the highest discount subject to the condition that the maximum discount shall not exceed 30% of the Chit value. If more than one subscriber agree to forego the maximum discount, the successful bidder will be decided by draw of lots. Only subscribers who have paid their chit installments up to date without any default will be eligible to participate in Chit auction. Nominated proxy will be allowed to attend the auction on prior approval through authority letter in case of absence of a subscriber. Non prized subscriber will be allowed to take part in the further auctions or to be included in the future draw of the chit.
- 6) **Payment to Prized Subscribers:** Chit amount will be paid to a successful bidder (prized subscriber) after 7 days from furnishing necessary securities to the satisfaction of the Foreman for the payment of future installments due from them & completion of necessary documents, in the form of account payee cheques. An amount of Rs. 200/- will be charged as documentation charges.
- 7) **Security for Payment of Chit:** The prized subscribers are required to furnish necessary securities to the satisfaction of the Foreman for the payment of future installments due from them. The security should be any one of the following:
 - a) Two permanent Government servants each drawing an unencumbered minimum monthly salary or income of Rs. 40,000/-.
 - b) Assignment of insurance policy provided the surrender value of the policy is at least one and half times the liability of the prized subscriber.
 - c) Deposits with the Foreman in the Chit or otherwise which should not be less than the subscriber's liability to the Foreman.
 - d) Bank Guarantee from a Nationalised or Scheduled Bank.
 - e) Deposit of the Title Deed of immovable property in Delhi/New Delhi creating an equitable mortgage in favour of the Foreman. The value of the property should be at least two times the liability of the subscriber to the Foreman.
 - f) Deposit of Gold ornaments worth at least one and half times the liability of the prized subscriber.
 - g) Assignment of Fixed Deposit Receipts/Government Bonds.
 - h) In addition to any one of the above Securities, the prized subscriber has also to give postdated cheques covering future Chit Dues etc. All expenses in connection with the inspection of securities, Registration charges, stamp duty or legal charges shall be borne by the subscriber.

- 8) **Additional Sureties:** The foreman shall be at liberty to call for the further or fresh security/surety or both from prized subscribers who have drawn chit amount when he finds that what is furnished is insufficient, inadequate or defective. If the foreman consider that additional security is required, the subscriber shall furnish such additional security within 15 days of such requisition failing which, the subscriber shall not be allowed any dividend and he/she shall be called upon to pay all the balance amounts at once, as if he/she was a defaulter.
- 9) **In case there is no subscriber present/forthcoming for the auction:** The Foreman shall take the draw amongst the non-prized subscribers with the Foreman's commission of 3.5% and the winner of the draw will be declared as prized subscriber and the successful subscriber will be obliged to take the chit value as per the rules of the company. Auctioned chits are not transferable.
- 10) **Failure of furnishing Security by the Prized Subscriber:** If the prized subscriber fails to furnish the required Security and draw the chit amount within 15 days of the auction/draw date, the Foreman shall have the power to cancel the bid or lot of such subscriber and the second last bid offered in that auction will be confirmed as successful bidder or to re-auction the amount amongst the other eligible subscribers. If the amount is confirmed at a lesser discount, the difference in discount shall be borne by the subscriber who fails to draw the amount first.
- 11) **Distribution of Auction Discount:** 3.5% of the chit amount will be the Foreman's Commission and the remaining auction discount will be distributed equally among all the subscribers as dividend in the subsequent month by way of reduction in monthly installment subject to the condition that defaulting subscribers will not be entitled for any dividend.
- 12) **Defaulting non-prized subscribers:** The defaulting subscribers who makes the payment in the subsequent month/s should pay the interest @ 2% per month on the defaulted installment/s for the period of default. He/she is also not eligible for the dividend of the default period. The Foreman may remove any subscriber in default for 3 months or more by giving a notice in writing. The defaulting subscriber will be entitled to a refund of the actual subscription paid by him less 3.5% of the Chit value as Foreman's Commission after the termination of the Chit.
- 13) **Defaulting prized subscribers:** If a prized subscriber failed to pay the chit installment in time, he/she should pay 2% interest per month on the full amount of the remaining Chit value. For e.g., a prized subscriber of a chit amount of Rs. 1,00,000/- defaulting an installment from 5th month, he/she will have to pay interest on balance of the chit value i.e. Rs. 80,000/- amounting to Rs. 1600/- p.m. as interest till he/she regularize the installment. The Company shall take legal action to recover the entire amount in case he/she continue to default.
- 14) **Transfer of Chits:** Generally chits are not allowed to sell, transfer or assign. If a subscriber who have paid the installments up to date and intends to transfer his/her chit to other person, he/she may apply for the same to the Company in the prescribed format. The Company will charge a transfer fee of Rs. 200/- per transfer and the company will have the right to refuse the transfer at their absolute discretion. In case of transfer, both the transferor and the transferee should sign the necessary document in the presence of the Foreman and Transferee should further give a declaration for having read and understood these rules and regulations.
- 15) **In the event of death** of a subscriber before the termination of the chit, the nominee/legal heirs/successors of the subscriber as per law, shall be eligible to continue the chit and also be liable to the company to the extent that of the original subscriber's liability to the Company. In case the nominee of a non-prized subscriber is not willing to continue the chit, then the subscription will be removed and refund (of the actual subscription paid by the diseased subscriber) to the nominee will be paid less 3.5% of the Chit value as Foreman's Commission after the termination of the Chit.
- 16) **Date and venue of Auction:** Date of 1st auction will be intimated to the respective subscribers on completion of the enrollment of each group. The Foreman will try to conduct the auction on 3rd Sunday afternoons every month, so that the subscribers need not take leave from office to participate in the auction. If such auction day falls on a public holiday, the auction will be held on next week of the same day.
- 17) **Mode of payments:** The Forman/company shall not responsible for any payment made to an un-authorized person, Subscriber shall pay the installments vide account payee cheques/pay-orders/DDS. In case of cash payment it is the responsibility of the subscriber to get a proper receipt for the same. A sum of Rs. 200/- will be charged as Bank charges in case of return of cheques by the bankers (dishonor of cheques).
- 18) **Amendment of Rules:** The Company reserve to itself the right to amend or decide rules on any matter that is necessary for the smooth and proper conduct of the chit and the same shall be binding for all existing as well as future subscribers.

For Southern Star Chit Fund Private Limited.

Signature of the Applicant



(K.RADHAKRISHNAN)
DIRECTOR