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Separate paging is given to this Part in order that it may be filed as a separate compilation

MINISTRY OF LAW AND JUSTICE
(Legislative Department)

New Delhi, the 30th May, 1986/Jyaistha 9, 1908 (Saka)

The following Act of Parliament received the assent of the President on the 30th May, 1986, and is hereby published for general information:—

**THE SWADESHI COTTON MILLS COMPANY LIMITED
(ACQUISITION AND TRANSFER OF UNDERTAKINGS)
ACT, 1986**

No. 30 of 1986

[30th May, 1986]

An Act to provide for the acquisition and transfer of certain textile undertakings of the Swadeshi Cotton Mills Company Limited, with a view to securing the proper management of such undertakings so as to sub-serve the interests of the general public by ensuring the continued manufacture, production and distribution of different varieties of cloth and yarn and thereby to give effect to the policy of the State towards securing the principles specified in clauses (b) and (c) of article 39 of the Constitution and for matters connected therewith or incidental thereto.

WHEREAS the Swadeshi Cotton Mills Company Limited has, through its six textile undertakings, been engaged in the manufacture and production of different varieties of cloth and yarn;

AND WHEREAS the management of the said textile undertakings was taken over by the Central Government under section 18AA of the Industries (Development and Regulation) Act, 1951;

65 of 1951.

AND WHEREAS large sums of money have been invested with a view to making the said textile undertakings viable;

AND WHEREAS further investment of very large sums of money is necessary for the purpose of securing the optimum utilisation of the available facilities for the manufacture, production and distribution of cloth and yarn by the said textile undertakings of the Company;

AND WHEREAS such investment is also necessary for securing the continued employment of the workmen employed in the said textile undertakings;

AND WHEREAS it is necessary in the public interest to acquire the said textile undertakings of the Swadeshi Cotton Mills Company Limited to ensure that the interests of the general public are served by the continuance by the said undertakings of the Company of the manufacture, production and distribution of different varieties of cloth and yarn which are vital to the needs of the country;

AND WHEREAS such acquisition is for giving effect to the policy of the State towards securing the principles specified in clauses (b) and (c) of article 39 of the Constitution;

BE it enacted by Parliament in the Thirty-seventh Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

1. (1) This Act may be called the Swadeshi Cotton Mills Company Limited (Acquisition and Transfer of Undertakings) Act, 1986.

(2) The provisions of sections 27 and 28 shall come into force at once, and the remaining provisions of this Act shall be deemed to have come into force on the 1st day of April, 1985.

2. In this Act, unless the context otherwise requires,—

(a) "appointed day" means the 1st day of April, 1985;

(b) "Commissioner" means the Commissioner of Payments appointed under section 15;

(c) "Company" means the Swadeshi Cotton Mills Company Limited, Kanpur, a company within the meaning of the Companies Act, 1956, and having its registered office at Swadeshi House, Civil Lines, Kanpur, in the State of Uttar Pradesh;

(d) "date of taking over" means the date on which the management of the textile undertakings of the Company was taken over by the Central Government by virtue of the order of the Government of India in the late Ministry of Industrial Development No. S.O. 265 (E), dated the 13th April, 1978, made under clause (a) of sub-section (1) of section 18AA of the Industries (Development and Regulation) Act, 1951;

(e) "National Textile Corporation" means the National Textile Corporation Limited, a company formed and registered under the Companies Act, 1956;

1 of 1956.

65 of 1951.

1 of 1956.

Short
title and
com-
mence-
ment.

Defini-
tions.

(f) "notification" means a notification published in the Official Gazette;

5 of 1986.

(g) "Ordinance" means the Swadeshi Cotton Mills Company Limited (Acquisition and Transfer of Undertakings) Ordinance, 1986;

(h) "prescribed" means prescribed by rules made under this Act;

(i) "specified date", in relation to any provision of this Act, means such date as the Central Government may, by notification in the Official Gazette and in the newspapers circulating in the locality in which the registered office of the Company is situated, specify for the purposes of that provision and different dates may be specified for different provisions of this Act;

(j) "Subsidiary Textile Corporation" means a textile corporation formed by the National Textile Corporation as its subsidiary;

(k) "textile undertakings" means the six textile undertakings of the Company specified below:—

- (i) the Swadeshi Cotton Mills, Kanpur;
- (ii) the Swadeshi Cotton Mills, Pondicherry;
- (iii) the Swadeshi Cotton Mills, Naini;
- (iv) the Swadeshi Cotton Mills, Maunath Bhanjan;
- (v) the Udaipur Cotton Mills, Udaipur;
- (vi) the Rae Bareli Textile Mills, Rae Bareli;

1 of 1956.

(l) words and expressions used herein and not defined but defined in the Companies Act, 1956, shall have the meanings respectively assigned to them in that Act.

CHAPTER II

ACQUISITION AND TRANSFER OF THE TEXTILE UNDERTAKINGS

3. (1) On the appointed day, every textile undertaking and the right, title and interest of the Company in relation to every such textile undertaking shall, by virtue of this Act, stand transferred to, and shall vest in, the Central Government.

Transfer and vesting of the textile undertakings.

(2) Every such textile undertaking which stands vested in the Central Government by virtue of sub-section (1) shall, immediately after it has so vested, stand transferred to, and vested in, the National Textile Corporation.

4. (1) The textile undertakings referred to in section 3 shall be deemed to include all assets, rights, lease-holds, powers, authorities and privileges and all property, movable and immovable, including lands, buildings, workshops, stores, instruments, machinery and equipment, cash balances, cash on hand, reserve funds, investments and book debts pertaining to the textile undertakings and all other rights and interests in, or arising out of, such property as were immediately before the appointed day in the ownership, possession, power or control of the Company in relation to the said undertakings, whether within or outside India, and all books of account, registers and all other documents of whatever nature relating thereto.

General effect of vesting.

(2) All property as aforesaid which have vested in the Central Government under sub-section (1) of section 3 shall, by force of such vesting, be freed and discharged from any trust, obligation, mortgage, charge, lien and all other incumbrances affecting it, and any attachment, injunction or decree or order of any court or other authority restricting the use of such property in any manner shall be deemed to have been withdrawn.

(3) Where any licence or other instrument had been granted at any time before the appointed day to the Company in relation to the textile undertakings by the Central Government or a State Government or any local authority, the National Textile Corporation shall, on and from such day, be deemed to be substituted in such licence or other instrument in place of the Company as if such licence or other instrument had been granted to the National Textile Corporation and that Corporation shall hold it for the remainder of the period for which the Company to which it was granted would have held it under the terms thereof.

(4) Every mortgagee of any property which has vested under this Act in the Central Government and every person holding any charge, lien or other interest in, or in relation to, any such property shall give, within such time and in such manner as may be prescribed, an intimation to the Commissioner of such mortgage, charge, lien or other interest.

(5) For the removal of doubts, it is hereby declared that the mortgagee of any property referred to in sub-section (2) or any other person holding any charge, lien or other interest in, or in relation to, any such property shall be entitled to claim, in accordance with his rights and interests, payment of the mortgage money or other dues, in whole or in part, out of the amounts specified in section 8 and section 9, but no such mortgage, charge, lien or other interest shall be enforceable against any property which has vested in the Central Government.

(6) If, on the appointed day, any suit, appeal or other proceeding of whatever nature in relation to any property which has vested in the Central Government, under section 3, instituted or preferred by or against the Company is pending, the same shall not abate, be discontinued or be, in any way, prejudicially affected by reason of the transfer of the textile undertakings or of anything contained in this Act, but the suit, appeal or other proceeding may be continued, prosecuted or enforced by or against the National Textile Corporation.

Company
to be
liable for
certain
prior
liabilities.

5. (1) Every liability of the Company in relation to the textile undertakings in respect of any period prior to the appointed day shall be the liability of the Company and shall be enforceable against it and not against the Central Government or the National Textile Corporation.

(2) For the removal of doubts, it is hereby declared that,—

(a) save as otherwise expressly provided in this section or in any other section of this Act, no liability of the Company in relation to the textile undertakings, in respect of any period prior to the appointed day shall be enforceable against the Central Government or the National Textile Corporation;

(b) no award, decree or order of any court, tribunal or other authority in relation to any textile undertaking, passed after the

appointed day, in respect of any matter, claim or dispute which arose before that day shall be enforceable against the Central Government or the National Textile Corporation;

(c) no liability incurred by the Company in relation to any textile undertaking before the appointed day, for the contravention of any provision of law for the time being in force, shall be enforceable against the Central Government or the National Textile Corporation.

6. (1) The National Textile Corporation may, by order in writing, transfer any of the textile undertakings or part thereof to a Subsidiary Textile Corporation and any such transfer shall be subject to such terms and conditions as may be specified in the said order.

(2) The Subsidiary Textile Corporation shall, on and from the date of such transfer, be deemed to be substituted in the licence or other instrument referred to in sub-section (3) of section 4 in place of the National Textile Corporation as if such licence or other instrument had been granted to the Subsidiary Textile Corporation, and shall hold such licence or other instrument for the remainder of the period for which the National Textile Corporation would have held such licence or other instrument.

(3) Save as otherwise expressly provided in this Act, references in this Act to the National Textile Corporation shall, in respect of any textile undertaking or part thereof which is transferred to a Subsidiary Textile Corporation, be construed as references to the Subsidiary Textile Corporation.

7. An amount equal to the value of the assets of the textile undertakings transferred to, and vested in the National Textile Corporation under sub-section (2) of section 3 shall be deemed to be the contribution made by the Central Government to the equity capital of the National Textile Corporation; and for the contribution so made, the National Textile Corporation shall issue (if necessary after amending its memorandum and articles of association) to the Central Government paid up shares, in its equity capital having a face value equal to the amount specified in section 8.

CHAPTER III

PAYMENT OF AMOUNTS

8. For the transfer to, and vesting in, the Central Government, under section 3, of the textile undertakings of the Company, and the right, title and interest of the Company in relation to such undertakings, there shall be given by the Central Government to the Company in cash and in the manner specified in Chapter VI, an amount of rupees twenty-four crores and thirty-two lakhs.

9. (1) For the deprivation of the Company of the management of the textile undertakings, there shall be given by the Central Government to the Company, in cash, an amount calculated at the rate of rupees ten thousand per annum for the period commencing on the date on which the management of the textile undertakings of the Company was taken over

Transfer of any textile undertaking or part thereof to a Subsidiary Textile Corporation.

Shares to be issued by National Textile Corporation for the value of assets transferred to it by the Central Government.

Payment of amount.

Payment of further amounts.

in pursuance of the order made by the Central Government under section 18AA of the Industries (Development and Regulation) Act, 1951 and ending on the appointed day.

65 of 1951.

(2) In consideration of the retrospective operation of the provisions of sections 3 and 4, there shall also be given by the Central Government to the Company, in cash, an amount calculated at the rate of rupees ten thousand per annum for the period commencing on the appointed day and ending on the date on which the Ordinance was promulgated.

(3) The amount specified in section 8 and the amounts determined in accordance with the provisions of sub-sections (1) and (2) shall carry simple interest at the rate of four per cent. per annum for the period commencing on the appointed day and ending on the date on which payment of such amounts is made by the Central Government to the Commissioner.

(4) The amounts determined in accordance with the provisions of sub-sections (1), (2) and (3) shall be given by the Central Government to the Company in addition to the amount specified in section 8.

(5) For the removal of doubts, it is hereby declared that the liabilities of the Company in relation to the textile undertakings which have vested in the Central Government under section 3 shall be discharged from the amount referred to in section 8 and also from the amounts determined under sub-sections (1), (2) and (3), in accordance with the rights and interests of the creditors of the Company.

CHAPTER IV

MANAGEMENT, ETC., OF THE TEXTILE UNDERTAKINGS

Management,
etc., of
the
textile
under-
takings.

10. The National Textile Corporation or any person which that Corporation may, by order in writing, specify, shall be entitled to exercise the powers of general superintendence, direction, control and management of the affairs and business of a textile undertaking, the right, title and interest of the Company in relation to which have vested in that Corporation under sub-section (2) of section 3, and do all such things as the Company is authorised to exercise and do.

Duty of
persons in
charge of
manage-
ment of
the textile
under-
takings
to deliver
all assets,
etc.

11. On the vesting of a textile undertaking in the National Textile Corporation, all persons in charge of the management of a textile undertaking immediately before such vesting shall be bound to deliver to the National Textile Corporation, all assets, books of account, registers or other documents in their custody relating to the textile undertaking.

CHAPTER V

PROVISIONS RELATING TO EMPLOYEES OF THE TEXTILE UNDERTAKINGS

Continu-
ance of
employees
of the
textile un-
dertak-
ings.

12. (1) Every person who has been, immediately before the appointed day, employed by the Company in relation to a textile undertaking, shall become, on and from the appointed day, an employee of the National Textile Corporation and shall hold office or service in that Corporation with the same rights and privileges as to pension, gratuity and other like matters as would have been admissible to him if the rights

in relation to such textile undertaking had not been transferred to, and vested in, the National Textile Corporation, and shall continue to do so unless and until his employment in that Corporation is duly terminated or until his remuneration, terms and conditions of employment are duly altered by that Corporation.

14 of 1947.

(2) Notwithstanding anything contained in the Industrial Disputes Act, 1947, or in any other law for the time being in force, the transfer of the services of any officer or other person employed in a textile undertaking to the National Textile Corporation shall not entitle such officer or other employee to any compensation under this Act or any other law for the time being in force and no such claim shall be entertained by any court, tribunal or other authority.

13. (1) Where the Company has established a provident fund, superannuation, welfare or other fund for the benefit of the persons employed in a textile undertaking, the moneys relatable to the officers and other employees whose services have been transferred by or under this Act to the National Textile Corporation shall, out of the moneys standing, on the appointed day, to the credit of such provident fund, superannuation, welfare or other fund, stand transferred to, and vest in, the National Textile Corporation.

Provident and other funds.

(2) The moneys which stand transferred under sub-section (1) to the National Textile Corporation, shall be dealt with by that Corporation in such manner as may be prescribed.

14. Where any textile undertaking or any part thereof is transferred under this Act to a Subsidiary Textile Corporation, every person referred to in section 12 shall, on and from the date of such transfer, become an employee of the Subsidiary Textile Corporation, and the provisions of sections 12 and 13 shall apply to such employee of the National Textile Corporation as if references in the said sections to the National Textile Corporation were references to the Subsidiary Textile Corporation.

Transfer of employees to a Subsidiary Textile Corporation.

CHAPTER VI

COMMISSIONER OF PAYMENTS

15. (1) The Central Government shall, for the purpose of disbursing the amounts payable under sections 8 and 9 to the Company, by notification, appoint a Commissioner of Payments.

Appointment of Commissioner of payments.

(2) The Central Government may appoint such other persons as it may think fit to assist the Commissioner and thereupon the Commissioner may authorise one or more of such persons also to exercise all or any of the powers exercisable by him under this Act and different persons may be authorised to exercise different powers.

(3) Any person authorised by the Commissioner to exercise any of the powers exercisable by the Commissioner may exercise those powers in the same manner and with the same effect as if they have been conferred on that person directly by this Act and not by way of authorisation.

(4) The salaries and allowances of the Commissioner and other persons appointed under this section shall be defrayed out of the Consolidated Fund of India.