

**IRON AND STEEL COMPANY (ACQUISITION OF SHARES)
ACT, 1976**

89 of 1976

[2nd September, 1976]

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STATEMENT OF OBJECTS AND REASONS Due to mismanagement, there was a progressive decline in the production of the undertakings of the Indian Iron and Steel Company Limited. The condition of the plant and equipment was also not satisfactory and required immediate replacement. Financial difficulties faced by the company were also such that the company was not in a position either to make the necessary replacements or to undertake any plant rehabilitation scheme. In the circumstances, the management of the undertakings of the company was taken over by the Central Government in the public interest for a limited period under a Parliamentary Legislation. There was considerable improvement in the performance of the undertakings of the company after the management thereof had been taken over by the Central Government and the company, for the first time, achieved the target of production in 1975-76. In the circumstances, restoration of the management of the company to the same top management which had been responsible for the said state of affairs would have been prejudicial to the public interest. The financial condition of the company was very unsatisfactory. The burden of interest on loans and advances made to the company had reached the level of rupees 10 crores per year and was expected to reach rupees 14 crores per year within the next three years. It was not, therefore, possible to make the undertakings of the company viable without financial assistance from the Central Government. Direct financial assistance of the order required by the company, to enable it to restructure the capital base of the company could not be made available by the Central Government unless it had acquired a controlling interest in the company, to make the necessary replacements and planned rehabilitation of the machinery and equipment. Since the company was engaged in the production of goods vital to the needs of the country, liquidation of the company (for insolvency) would have been against the public interest. Having regard to these facts and the mounting burden of interest charges the Indian Iron and Steel Company (Acquisition of Shares) Ordinance, 1976 (10 of 1976) was promulgated by the President to provide for the acquisition of the privately held shares in the company. The Bill seeks to replace the said ordinance.-Gaz. of India, 16-8-1976, Pt. II, S. 2, Ext., p. 1102. (ACT 39 OF 1977) - Under the Indian Iron and Steel Company (Acquisition of Shares) Act, 1976, with effect from the 17th July, 1976, Government

acquired the shares of the Indian Iron and Steel Company Limited, held by parties other than the State Governments and public sector institutions, in order to enable the Government to make the necessary additional investment in that Company to make it a viable unit. 2. According to the definition of the term "shareholder" in the Act, the amount due in respect of shares was payable only to those persons who immediately before the appointed day (17th July, 1976) were registered by the Indian Iron and Steel Company as the holders of any shares. Representations had been received that on the basis of the existing definition, the amount would not be payable to persons who are holding the shares as on the appointed day on the basis of legal transactions, if they were not registered as the shareholders in the books of the Company as on that date. As the shares of the Company were listed on the Stock Exchanges, transfer of these shares from one party to another was taking place frequently and these transfers could not be registered in the Company's books before the appointed day, nor was it necessary that such transfer should be registered immediately after the transfer. In order to avoid hardship to genuine holders of the shares, it is proposed that the definition of the term "shareholder" should be suitably enlarged so as to include the following categories also :- (i) persons who, immediately before the appointed day, were registered by the Company as the holder of any share and their legal representatives; (ii) persons who had acquired a share of the Company and had lodged the instrument of transfer with the Company before the appointed day; and (iii) any other person claiming in pursuance of a document duly executed before the appointed day, in the form prescribed for the purpose, under the Companies Act, 1956, and lodged with the Commissioner of Payments on or before such date as the Central Government, may, by notification, specify in this behalf. 3. The other proposals connected with the above relate to empowering of the Commissioner to inquire into disputes as to the persons entitled to any amount due (which would also enable the Commissioner to refer the matter in certain cases, where he is himself unable to decide that question, to the principal civil court of original jurisdiction . within the local limits of whose jurisdiction the registered office of the Company is situated) and the making of a provision for the deposit of the amount incourt where the dispute has been referred to by the Commissioner to a civil court. Provision has also been made to safeguard the interests of a person lawfully entitled to receive the amount by providing that the liability of any

person who has received the same would still continue as against the person lawfully entitled to receive it. 4. An Ordinance to give effect to the above objects was promulgated by the President on the 13th day of October, 1977, 5. The Bill seeks to replace that Ordinance. - See Gaz. of India, 23-11-1977, Pt. II-S. 2, Ext., p. 731. ACT 59 OF 1981.- Under the Indian Iron and Steel Company (Acquisition of Shares) Act, 1976, Government acquired, with effect from 17th July, 1976, the shares of the Indian Iron and Steel Company Limited, held by parties other than State Governments and public sector institutions with a view to securing the proper management of the affairs of the Company and the continuity and development of goods manufactured by such Company. 2. Section 7 of the Act as it originally, stood enabled any shareholder having a claim in relation to any share acquired under the Act to prefer such claim within thirty days from a date to be specified by the Central Government by notification. The Indian Iron and Steel Company (Acquisition of Shares) Act, 1977, amended the definition of "shareholder" to include inter alia, a person who claims under a proper instrument of transfer of any share duly executed under the provisions of the Companies Act and delivers such instrument to the Commissioner of Payments appointed under the Act before a date to be specified by the Central Government by notification. Consequently, the , period by which a claim could be preferred by a shareholder under section 7 of the Act was also extended by the said Amendment Act to a date after the date specified by notification for delivering the instrument of transfer to the Commissioner of Payments. The Commissioner of Payments was also empowered to receive a claim within a further period of thirty days if the claimant was prevented by sufficient cause from preferring the claim within the aforesaid date. Although wide publicity was given and individual notices were sent to all the registered shareholders of the Company by the Commissioner of Payments, a large number of shareholders have either not filed, their claims at all or filed their claims after the specified date. Many claims filed after the specified date have also been rejected by the Commissioner .as time-barred. As the Act does not empower the Central Government to condone the delay in the delivery of instruments of transfer or in the filing of claims to the Commissioner, it has not been possible to provide any relief to such shareholders. 3. Representations have been received from a large number of shareholders who could not deliver the instruments of transfer of prefer claims to the Commissioner before the specified

date that another opportunity might be given to them to prefer claims before the Commissioner. As it is not the intention of the Government to deny payment of amount to any legitimate shareholder, it is considered that in the interest of justice. Government should give a final opportunity to all such shareholders to deliver instruments of transfer or file claims to the Commissioner before the expiry of 120 days from the commencement of the proposed Amendment Act and to authorise the Commissioner to entertain claims within a further period of 120 days if he is satisfied that the claimant was prevented by sufficient cause from preferring the claim within the aforesaid period of 120 days. 4. It is also proposed to provide that every claim preferred before the commencement of the proposed legislation and after the specified period shall be deemed to have preferred under the provisions proposed to be amended so as to enable the claims which have become time barred being considered without the shareholders filing fresh claims in respect of such shares. 5. Section 11 of the Act provides that any money paid to the Commissioner of Payments which remains undisbursed or unclaimed for a period of three years from the last day on which the disbursement was made by the Commissioner shall be transferred by him to the General Revenue Account of the Central Government and a claim on any money so transferred may be preferred to the Central Government by the person entitled to such payment. It is considered that this period of three years is unduly long and would cause hardship to the claimants who are unable, to prefer their claims even after another opportunity is afforded to them to prefer their claims and to those whom the Commissioner is unable for one reason or other to disburse the money in respect of the claims preferred by them. It is, therefore, considered reasonable that the above period of three years should be reduced to six months. 6. The Bills seeks to achieve the above objects. (Gaz. of India, 23-11-1981, Pt. II-S. 2, Extra, p. 758.)

CHAPTER 1
PRELIMINARY

1. Short title and commencement :-

(1) The Act may be called the Iron and Steel Company (Acquisition of Shares) Act, 1976.

(2) It shall be deemed to have come into force on the 17th day of July, 1976.

2. Definitions :-

In this Act, unless the context otherwise requires,-

- (a) "appointed day" means the 17th day of July, 1976;
- (b) "bank" means a banking company within the meaning of the Banking Regulation Act, 1949;
- (c) "company" means the Indian Iron and Steel Company Limited, being a company within the meaning of the Companies Act, 1956 and having its registered office at IISCO House, 50, Chowringhee Road, Calcutta;
- (d) "Commissioner" means the Commissioner of Payments appointed under section 5;
- (e) "notification" means a notification published in the Official Gazette;
- (f) "prescribed" means prescribed by Rules made under this Act;
- (g) "share" means a share, whether equity or preference in the capital of the Company, and includes a share pledged by any shareholder with any bank or other creditor, but does not include any share in the capital of the Company held by -
 - (i) any State Government;
 - (ii) the State Bank of India) established under section 3 of the State Bank of India Act, 1955 and its subsidiary banks;
 - (iii) the Steel Authority of India Limited, a company formed and registered under the Companies Act, 1956, and having its registered office at Hindustan Times House, Kasturba Gandhi Marg, New Delhi;
 - (iv) the Life Insurance Corporation of India, established under section 3 of the Life Insurance Corporation Act, 1956;
 - (v) the Unit Trust of India, established under section 3 of the Unit Trust of India Act, 1963,
 - (vi) any corresponding new bank within the meaning of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970;
 - (vii) any general insurance company nationalised by the General Insurance Business (Nationalisation) Act, 1972;

¹ [(h) "shareholder" means,

(i) a person who, immediately before the appointed day, was registered by the Company as the holder of any share and includes his legal representative; or

(ii) a person who, before the appointed day, had lodged with the Company a proper instrument of transfer of any share in the form prescribed under section 108 of the Companies Act, 1956, and executed in accordance with the provisions of that section; or

(iii) a person who claims under a proper instrument of transfer of any share in the form prescribed under section 108 of the Companies Act, 1956, and delivers such instrument, duly executed, to the Commissioner [before the expiry of one hundred and twenty days from the date of commencement of the Indian Iron and Steel Company (Acquisition of Shares) Amendment Act, 1981.]

(i) "specified date" means such date as the Central Government may, for the purpose of any provision of this Act, by notification, specify.

1. 19-11-1976 notified as specified date - See Gaz. of India, 20-11-1976, Pt. II-Section 3 (ii), p. 4008 (S. O. 4392, dt. 4-11-1976).

CHAPTER 2

ACQUISITION OF THE SHARES OF THE COMPANY

3. Transfer and vesting of shares of the Company in the Central Government :-

(1) On the appointed day, all the shares of the Company shall, by virtue of this Act, stand transferred to, and vested in, the Central Government.

(2) The Central Government shall be deemed, on and from the appointed day, to have been registered in the Register of members of the Company as the holder of each share which stands transferred to, and vested in, it by virtue of the provisions of sub-section (1).

(3) All the shares which have vested in the Central Government under sub-section (1), shall, by force of such vesting, be freed and discharged of all trusts, liabilities, obligations, mortgages, charges, liens and other incumbrances affecting them, and any attachment, injunction or any decree or order of the Court, tribunal or other authority restricting the use of such shares in any manner, shall be

deemed to have been withdrawn.

(4) For the removal of doubts, it is hereby declared that the provisions of sub-sections (1) and (2) shall not be deemed to affect -

(a) any right of the Company subsisting, immediately before the appointed day, against any shareholder to recover from such shareholder any sum of money on the ground that the shareholder has not paid or credited to the Company the whole or any part of the value of the shares held by him, or on any other ground whatsoever; or

(b) any right of the shareholder subsisting, immediately before the appointed day, against the Company to receive any dividend or other payment due from the Company.

4. Payment of amount :-

(1) For the transfer To, and vesting in the Central Government, under section 3 , of the shares of the Company, there shall be given by the Central Government to the shareholders of the company, in cash and in the manner specified in section 6 , an amount of rupees seven crores, twenty three lakhs, ninety five thousand and one hundred and thirty seven and fifteen paise.

(2) The amount referred to in sub-section (1), 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 amount is made by the Central Government to the Commissioner.

5. Appointment of Commissioner of Payments :-

(1) The Central Government shall, for the purpose of disbursing the amounts payable to the Company under section 4 , by notification, appoint a 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.

6. Payment by the Central Government to the Commissioners :-

(1) The Central Government shall, within thirty days from the specified ¹ date, pay, in cash to the Commissioner, for payment to the shareholders of the Company,-

(a) an amount equal to the amount specified in sub-section (1) of section 4 ; and

(b) an amount equal to the amount determined under sub-section (2) of section 4 .

(2) A deposit account shall be opened by the Central Government in favour of the Commissioner, in the Public Account of India, and every amount paid under this Act to the Commissioner shall be deposited by him to the credit of the said deposit account and the said deposit account shall be operated by the Commissioner.

(3) The interest accruing on the amount standing to the credit of the deposit account, referred to in sub-section (2), shall enure to the benefit of the shareholders of the Company:

1. Substituted for the words "three years" by Act 1381 (59 of 1981), S. 4 (not yet enforced.)

7. Claims to be made to the Commissioner :-

(1) Every shareholder, having a claim in relation to any share acquired by this Act, shall prefer such claim before the Commissioner ¹ [before the expiry of one hundred and twenty days from the date of commencement of the Indian Iron and Steel Company (Acquisition of Shares) Amendment Act, 1981.] [Provided that if the Commissioner is satisfied that the claimant was prevented by sufficient cause from preferring the claim before the expiry of the said period of one hundred and twenty days, he may entertain the claim within a further period of one hundred and twenty days and not thereafter.]

[(1A) Every claim preferred under sub-section (1) as it stood before the commencement of the Indian Iron and Steel Company (Acquisition of Shares) Amendment Act, 1981, after the expiry of the period or date specified therein shall be deemed to have been preferred under the said sub-section as amended by the said Amendment Act and shall be dealt with (even if it had been disallowed before such commencement) as if it had been preferred within time.]

(2) Every shareholder of a preference share shall have a preferential claim with regard to the amount paid by the Central Government to the Commissioner.

1. Substituted for the words "three years" by Act 1381 (59 of 1981), S. 4 (not yet enforced.)

7A. Power of Commissioner to inquire into disputes as to persons entitled to any amount :-

Where there is any dispute as to the person or persons who are entitled to any amount payable under this Act (including any dispute as to who are the legal representatives of any deceased claimant to the amount), the Commissioner may, after making such inquiry as he may deem fit, make the payment to such person as appears to him to be best entitled to receive the amount: Provided that if the Commissioner is unable to determine as to who is the person entitled to the amount and considers that the matter could more appropriately be dealt with by the principal civil court of original jurisdiction within the local limits of whose jurisdiction the registered office of the Company is situated, he may refer such dispute to the said court, whose decision thereon shall be final : Provided further that nothing contained herein shall affect the liability of any person, who may receive the whole or any part of the amount allowed under this Act, to pay the same to the person lawfully entitled thereto.]

7B. Deposit of amount of Court :-

Where any dispute has been referred under section 7A by the Commissioner to the civil court referred to therein, he shall deposit the amount in that court.]

8. Examination of claims :-

On receipt of the claims made under section 7 , the Commissioner shall separately arrange the claims in relation to preference shares and in relation to the equity shares and examine the claims in

relation to each such share.

9. Admission or rejection of claims :-

(1) After examining the claims, the Commissioner shall fix a certain date on or before which every claimant shall file the proof of his claim or be excluded from the benefit of the disbursements made by the Commissioner.

(2) Not less than fourteen days' notice of the date so fixed shall be given by advertisement in one issue of the daily newspaper in the English language and in one issue of such daily newspaper in the regional language as the Commissioner may consider suitable, and every such notice shall call upon the claimant to file the proof of his claim with the Commissioner within the time specified in the advertisement.

(3) Every claimant, who fails to file the proof of his claim within the time specified by the Commissioner, shall be excluded from the disbursement made by the Commissioner.

(4) The Commissioner shall after such investigation as may, in his opinion be necessary, and after giving the Company an opportunity of refuting the claim and after giving the claimant a reasonable opportunity of being heard, in writing, admit, or reject the claim in whole or in part.

(5) The Commissioner shall have the power to regulate his own procedure in all matters arising out of the discharge of his functions, including the place or places at which he will hold his sittings and shall, for the purpose of making an investigation under this Act, have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908, while trying a suit, in respect of the following matters, namely :-

(a) the summoning and enforcing the attendance of any witness and examining him on oath;

(b) the discovery and production of any document or other material object producible as evidence;

(c) the reception of evidence on affidavits;

(d) the issuing of any commission for the examination of witnesses.

(6) Any investigation before the Commissioner shall be deemed to be a judicial proceeding within the meaning of sections 193 and

Section 228 of the Indian Penal Code, 1860 and the Commissioner shall be deemed to be a civil court for the purposes of S.345 of Code of Criminal Procedure, 1973.

(7) A claimant, who is dissatisfied with the decision of the Commissioner may prefer an appeal against the decision to the principal civil court of original jurisdiction within the local limits of whose jurisdiction the registered office of the Company is situated.

10. Disbursement of money by the Commissioner to claimants :-

(1) After admitting a claim under this Act, the amount due in respect of each share acquired by virtue of this Act shall be paid by the Commissioner at the rate of rupees thirty-two and paise seventy-five per preference share, and at the rate of rupees four and paise seventy per equity share to the person or persons to whom such sums are due, and on such payment, the liability of the Central Government in respect of the share so acquired shall stand discharged.

(2) The Commissioner shall also apportion amongst the shareholders, the amount paid to him by way of interest under subsection (3) of section 6 , and such apportionment shall be made on the basis of the amount due to each shareholder.

11. Undisbursed or unclaimed amount to be deposited to the general revenue accounts :-

Any money paid to the Commissioner which remains undisbursed or unclaimed for a period of ¹ [six months] from the last day on which the disbursement was made, shall be transferred by the Commissioner to the general revenue account of the Central Government; but a claim to any money so transferred may be preferred to the Central Government by the person entitled to such payment and shall be dealt with as if such transfer had not been made, the order, if any for payment of the claim be treated as an order-for the refund of revenue,

1. Substituted for the words "three years" by Act 1381 (59 of 1981), S. 4 (not yet enforced.)

12. Power of inspection :-

For the purposes of ascertaining whether any person claiming payment under this Act is a shareholder, the Commissioner shall have the right to -

(a) require any person, having the possession, custody or control, of any register or record of the Company, to produce such register on record before the Commissioner.

(b) require any person to make any statement or furnish any information which may be requ by the Commissioner.

CHAPTER 3

MISCELLANEOUS

13. Act to have overriding effect :-

The provisions of this Act shall have effect notwithstanding anything inconsistent therewith contained in any law, other than this Act or in any instrument having effect by virtue of any law other than this Act.

14. Penalties :-

If any person,-

(a) makes any claim for any payment under this Act, knowing or having reason to believe that such claim is false or without any basis; or

(b) when required under this Act so to do :-

(i) omits or fails to produce any register or record of the Company; or

(ii) makes any statement or furnishes any information which is false in any material particular and which he knows or believes to be false or does not believe to be true;

(c) makes any such statement as aforesaid in any book of account, record, register, return or other document, he shall be punishable with imprisonment for a term which may extend to two years, or with fine which may extend to two thousand rupees, or with both.

15. Offences by companies :-

(1) Where an offence under this Act has been committed by a company, every person who, at the time the offence was committed, was in charge of, and was responsible to, the company for the conduct of the business of the company as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against be punished accordingly: Provided that nothing contained in this sub-section shall render any such person liable to any punishment, if he proves that the offence was

committed without his knowledge or that he had exercised all due diligence to prevent the commission of such offence.

(2) Notwithstanding anything contained in sub-section (1), where any offence under this Act has been committed with the consent or connivance of, or is attributable to any neglect on the part of any director, manager, secretary or other officer, such director, manager, secretary or other officer shall be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly. Explanation.- For the purposes of this section,-

(a) "company" means any body corporate and includes a firm or other association of individuals; and

(b) "director", in relation to a firm, means a partner in the firm.

16. Limitation of cognizance of offences :-

No court shall take cognizance of an offence punishable under this Act, except with the previous sanction of the Central Government or of an officer authorised by that Government in this behalf.

17. Power to make rules :-

(1) The Central Government may, by notification, make rules to carry out the provisions of this Act.

(2) Every rule made by the Central Government under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

18. Repeal and saving :-

The Indian Iron and Steel Company (Acquisition of Shares) Ordinance, 1976, is hereby repealed: Provided that notwithstanding such repeal anything done or any action taken under the said Ordinance shall be deemed to have been done or taken under the

corresponding provision of this Act.