

RICHARDSON AND CRUDDAS LIMITED (ACQUISITION AND TRANSFER OF UNDERTAKING) RULES, 1974

CONTENTS

1. Short title and commencement
2. Definitions
3. Manner of calling upon persons to prefer claims
4. Form of claim
5. Form of fresh certificates to be issued by the Custodian under Section 21

RICHARDSON AND CRUDDAS LIMITED (ACQUISITION AND TRANSFER OF UNDERTAKING) RULES, 1974

STATEMENT OF OBJECTS AND REASONS Messrs Richardson and Cruddas Limited is an old engineering company engaged in the production of goods needed by the defence establishments, railways, steel plants and power projects and has three workshops at Bombay, Madras and Nagpur. The registered office of that company being at Calcutta., an application was made in December, 1957 to the Calcutta High Court by the Life Insurance Corporation of India alleging mismanagement. On that application, the Calcutta High Court appointed a Special Officer to manage the affairs of this company and to investigate into the alleged irregularities and mismanagement. The Special Officer's enquiry revealed large scale issue of duplicate and spurious shares and other mismanagement including misappropriation of the company's funds. With the approval of the Court, the Special Officer prepared a provisional share register disallowing the claims of some shareholders. Consequently, the holders of the shares whose claims were rejected filed suits against the company for registration of their names as shareholders and, in the alternative, for damages. The matters relating to the share disputes are pending before the Calcutta High Court. 2. The company had suffered considerable losses due to mismanagement. For about 15 years, the company has been managed under the orders of the Court. The company has been subjected to voluminous litigation arising out of the issue of duplicate shares and claims of over Rs. I crore towards damages are pending. If the damages were awarded against the company, it

would have no means of carrying on its business. The company has been doing valuable work for various Government Projects. For utilising the expertise and the experience built up over several years and for ensuring continued employment of over 2000 workers, it is necessary that proper arrangements are made for the management and development of the company. 3. Government have, from time to time, extended guarantees to the State Bank of India for extending cash credit facilities to the company amounting to Rs. 217 lakhs and have also given direct loans to it amounting to Rs. 160 lakhs for meeting its working capital and other needs. It is difficult for the Government to continue these guarantees and advances indefinitely without making arrangements for its long-term management which would ensure adequate Government control over its operations. This aspect has also been emphasised by the Public Accounts Committee from time to time. 4. The position of a large number of shareholders who were holding genuine shares has remained uncertain for a number of years. A decision on the conflicting claims for membership through the normal processes is likely to take a long time. In the absence of a decision on these claims, it is not possible for the company to provide for its proper management, by a duly constituted Board of Directors. The business of the company has been carried on with the help of Government guarantees but these cannot be continued indefinitely. It is, therefore, considered necessary to enact a special legislation to solve the legal and other special problems relating to this company. 5. In view of the above, it is felt that for ensuring the continuity of production and supply of goods it is expedient in the public interest to acquire the undertaking of Messrs. Richardson and Cruddas Limited together with its liabilities, by legislation on payment of an amount of Rs. 30 lakhs and to form a new Government company to be called Richardson and Cruddas (1972) Limited, to which the undertaking of the first mentioned company shall become vested after such acquisition. The proposed legislation also provides for the constitution of a Tribunal for adjudicating the claims of various persons to the shares of the company, and for the appointment of a Custodian to receive the amount, reconstruct the share register under order of the Tribunal and distribute the amount in accordance with the orders of the Tribunal. New Delhi; The 12th December, 1972. C. SUBRAMANIAM. [Gazette of India dated 19-12-1972, Pt. II S.2, Extraordinary P. 1815, (No. 79).]

1. Short title and commencement :-

(1) These rules may be called the Richardson and Cruddas Limited (Acquisition and Transfer of Undertaking) Rules, 1974.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. Definitions :-

In these rules, unless the context otherwise requires,-

(a) "Act" means the Richardson and Cruddas Limited (Acquisition and Transfer of Undertaking) Act, 1972 (78 of 1972);

(b) "Form" means a form appended to these rules :

(c) "Section" means a section of the Act.

3. Manner of calling upon persons to prefer claims :-

The Tribunal shall in addition to publishing the notification under Section 14 , cause an advertisement to be published in one issue each of a daily newspaper in the English language and in the regional language circulating in each of the States and the Union territories and in such of the commercial weeklies as may be fixed by the Tribunal calling upon every person who claims to have any interest in any share to prefer his claim within thirty days from the date of publication of the advertisement.

4. Form of claim :-

Every claim preferred under sub-section (1) of Section 14 shall be in Form 1 and shall be sent to the Tribunal by registered post acknowledgement due.

5. Form of fresh certificates to be issued by the Custodian under Section 21 :-

The fresh share certificates to be issued by the Custodian under Section 21 shall be in Form II or Form III, as the case may be.