

**SICK TEXTILE UNDERTAKINGS (TAKING OVER OF
MANAGEMENT) ACT, 1972**

72 of 1972

[23rd December, 1972]

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SICK TEXTILE UNDERTAKINGS (TAKING OVER OF MANAGEMENT) ACT, 1972

72 of 1972

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An Act to provide for the taking over, in the public interest, of the management of the sick textile undertakings, pending nationalisation of such undertakings, for the expeditious rehabilitation of such undertakings so that such rehabilitation may subserve the interests of the general public by the augmentation of the production and distribution, at fair prices, of cheaper varieties of cloth, and for matters connected therewith or incidental thereto. BE it enacted by Parliament in the Twenty-third Year of the Republic of India as follows:--

CHAPTER 1 PRELIMINARY

1. Short title and commencement :-

Section

(1) This Act may be called the Sick Textile Undertakings (Taking Over of Management) Act, 1972.

(2) It shall be deemed to have come into force on the 31st day of October, 1972.

2. Definitions :-

Section

In this Act, unless the context otherwise requires,

(a) "appointed day" means the 31st day of October, 1972;

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

(c) "owner", in relation to a textile undertaking, means the company, individual, body of individuals or firm by which it is owned;

(d) "sick textile undertaking" means the textile undertaking which falls within one or more of the following categories, namely:

(i) which is owned by a textile company which is being wound up,

whether voluntarily or by or under the supervision of any Court, or in respect of which a provisional liquidator has been appointed by a Court,

(ii) which had remained closed for a period of not less than three months immediately before the appointed day and the closure of which is prejudicial to the textile industry, and the condition of the undertaking is such that it may, with reasonable inputs, be restarted in the interests of the general public,

(iii) which has been leased to Government or any other person or the management of which has been taken over by Government or any other person under any leave or licence granted by any Receiver or Liquidator by or under the orders of, or with the approval of, any Court.

(iv) the management of which was authorised by the Central Government, by a notified order made under section 18A, or in pursuance of an order made by the High Court under section 18FA, of the Industries (Development and Regulation) Act, 1951, 65 of 1951 to be taken over by a person or body of persons, but such management could not be taken over by such person or body of persons, before the appointed day,

(v) the management of which ought to be [according to the report made after investigation by any person or body of persons appointed after the 1st day of January, 1970, under section 15 or section 15A of the Industries (Development and Regulation) Act, 1951, 65 of 1951] taken over under section 18A of that Act, but in relation to which no notified order authorising any person or body of persons to take over the management of such undertaking was made before the appointed day,

(vi) in respect of which an investigation was caused to be made, before the appointed day, by the Central Government under section 15 or section 15A of the Industries (Development and Regulation) Act, 1951, 65 of 1951 and the report of such investigation was not received by the Central Government before the appointed day; and includes any textile undertaking which is deemed, under sub-section (2) of section 4, to be a sick textile undertaking;

(e) "textile" includes yarn or fabrics made either wholly or partly of cotton, wool, jute, synthetic and artificial (man-made) fibres;

(f) "textile company" means a company specified in the third

column of the First Schedule as owning the textile undertaking specified in the corresponding entry in the second column of that Schedule;

(g) "textile undertaking" means an undertaking engaged in the manufacture of textiles and to which the provisions of the Factories Act, 1948, 63 of 1948 apply;

(h) words and expressions used but not defined in this Act and defined in the Industries (Development and Regulation) Act, 1951, 65 of 1951 shall have the meanings respectively assigned to them in that Act;

(i) words and expressions used but not defined either in this Act or in the Industries (Development and Regulation) Act, 1951, 65 of 1951 but defined in the Companies Act, 1956, shall have the meanings respectively assigned to them in the Companies Act, 1956, 65 of 1951.

3. Act to override all other enactment, etc. :-

Section The provisions of this Act shall have effect notwithstanding anything inconsistent therewith contained in any enactment (other than this Act) or any judgment, decree or order of any Court, tribunal or other authority or any instrument having effect by virtue of any, enactment other than this Act.

CHAPTER 2

MANAGEMENT OF SICK TEXTILE UNDERTAKINGS

4. Management of sick textile undertakings to vest in Central Government on the appointed day :-

Section

(1) On and from the appointed day, the management of all the sick textile undertakings specified in the First Schedule shall Vest in the Central Government.

(2) If, after the commencement of this Act, any investigation is ordered, under section 15 or section 15A of the Industries (Development and Regulation) Act, 1951, 65 of 1965 in relation to any textile undertaking, and it is reported after such investigation that the management of such textile undertaking ought to be taken over under section 18A of that Act, the Central Government may, if it is satisfied after consideration of such report and other relevant matters that such undertaking ought to be declared to be a sick textile undertaking, make a declaration to that effect and further

declare that the management of such textile undertaking ought to be taken over by it under this Act and on and from the date of such declaration,

(i) the textile undertaking specified in such declaration shall be deemed to be a sick textile undertaking,

(ii) the management of such textile undertaking shall be deemed, for the purposes of this Act, to vest in the Central Government, and

(iii) the textile undertaking and the textile company owning it shall be deemed to be included in the First Schedule, and thereupon the provisions of this Act shall become applicable thereto subject to the modification that for the words "appointed day", wherever they occur, the words, brackets and figures "date of the declaration made by the Central Government under sub-section (2) of section 4" shall be substituted.

(3) The sick textile undertaking shall be deemed to include all assets, rights, powers, authorities and privileges of the textile company, in relation to the said sick textile undertaking, and all property, movable and immovable, including lands, buildings, workshops, stores, instruments, machinery, automobiles and other vehicles and goods under production or in transit, cash balances, reserve fund, investments 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 textile company, whether within or outside India, and all books of account, registers and all other documents of whatever nature relating thereto.

(4) Any contract, whether express or implied, or other arrangement (whether under any statute or otherwise) in so far as it relates to the management of the business and affairs of the sick textile undertaking, and in force immediately before the appointed day, or any order made by any Court in so far as it relates to the management of the business and affairs of the sick textile undertaking and in force immediately before the appointed day, shall be deemed to have terminated on the appointed day.

(5) All persons in whom the management of the business and affairs of the sick textile undertaking vests immediately before the appointed day, shall, as from that day, cease to

or be so vested.

(7) The Central Government may take, or cause to be taken, all necessary steps for securing the possession of the sick textile undertaking which has vested in it under section 4.

(8) No resolution passed at any meeting of the shareholders of any textile company on or after the appointed day regarding the business of the textile company, in so far as it relates to the sick textile undertaking, shall be given effect to unless approved by the Central Government.

5. Appointment of Custodian to take over the management of the sick textile undertaking :-

Section

(1) The Central Government may, as soon as it is convenient administratively so to do, appoint an individual or a Government company as the Custodian of a sick textile undertaking for the purpose of taking over the management of such undertaking and the Custodian so appointed shall carry on the management of such undertaking for and on behalf of the Central Government.

(2) The Central Government may also appoint a Government company as the Custodian-General for exercising supervision and control over all the sick textile undertakings, the management of which has vested in it under this Act, and, on such appointment, every Custodian appointed under sub-section (1) shall act under the guidance, control and supervision of the Custodian-General.

(3) On the appointment of a Custodian under sub-section (1), the charge of management of the sick textile undertaking shall vest in such Custodian and all persons in charge of the management of such undertaking immediately before such appointment shall cease to be in charge of such management and shall be bound to deliver to the Custodian all assets, books of account, registers or other documents in their custody relating to the sick textile undertaking.

(4) The Central Government may issue such directions (including directions as to initiating, defending or continuing any legal proceedings before any Court, tribunal or other authority) to the Custodian or Custodian-General as to his or its powers and duties as the Central Government deems desirable and the Custodian or the Custodian-General may apply to the Central Government at any time for instructions as to the manner in which the Custodian or the Custodian-General shall conduct the management of the

undertaking of the company or in relation to any matter arising in the course of such management.

(5) Any person who, on the appointed day, has in his possession or under his control any books, papers or other documents relating to the sick textile undertaking, the management of which has vested in the Central Government under this Act, shall, notwithstanding anything contained in any other law for the time being in force, be liable, to account for the books, papers and other documents, to the Custodian and shall deliver them up to the Custodian or to such other person as may be authorised by the Central Government or the Custodian in this behalf.

(6) Every person in charge of the management of a sick textile undertaking, immediately before the appointed day, shall, within ten days from that day or within such further period as the Central Government may allow in this behalf, furnish to the Custodian a complete inventory of all the properties and assets (including particulars of book debts, investments and belongings) forming part of the sick textile undertaking immediately before the appointed day and of all liabilities and obligations of the sick textile undertaking subsisting immediately before that day and also of all agreements entered into by the textile company, in relation to the sick textile undertaking, and in force immediately before that day.

(7) The Custodian and Custodian-General shall hold office during the pleasure of the Central Government and shall receive from the funds of the sick textile undertaking such remuneration as may be fixed by the Central Government.

6. Payment of amount :-

Section

(1) The owner of every textile undertaking shall be given by the Central Government an amount, in cash, for vesting in it, under sub-section (1), or sub-section (2), as the case may be, of section 4, the management of the sick textile undertaking of such company.

(2) For every month during which the management of the sick textile undertaking remains vested in the Central Government under this Act, the amount referred to in sub-section (1) shall be computed at the rate of--

(i) fifty paise per one thousand spindles or any part thereof, in the

case of a sick textile undertaking having spindles only;

(ii) one rupee per one hundred looms or any part thereof, in the case of a sick textile undertaking having looms only;

(iii) fifty paise per one thousand spindles or any part thereof, and one rupee per one hundred looms or any part thereof, in the case of a sick textile undertaking having both spindles and looms,

CHAPTER 3

POWERS TO PROVIDE RELIEF TO SICK TEXTILE UNDERTAKINGS

7. Power of Central Government to make certain declarations in relation to sick textile undertakings :-

Section

(1) The Central Government may, if satisfied, in relation to a sick textile undertaking or any part thereof, the management of which has vested in it under this Act, that it is necessary so to do in the interests of the general public with a view to preventing the fall in the volume of production of the textile industry, by notification, declare that--

(a) all or any of the enactments specified in the Second Schedule shall not apply or shall apply with such adaptations, whether by way of modification, addition or omission (which does not, however, affect the policy of the said enactments) to such sick textile undertaking, as may be specified in such notification, or

(b) the operation of all or any of the contracts, assurances of property, agreements, settlements, awards, standing orders or other instruments in force (to which such sick textile undertaking or the company owning such undertaking is a party or which may be applicable to such sick textile undertaking or company) immediately before the date of issue of the notification shall remain suspended or that all or any of the rights, privileges, obligations and liabilities accruing or arising thereunder before the said date, shall remain suspended or shall be enforceable with such adaptations and in such manner as may be specified in the notification.

(2) The notification made under sub-section (1) shall remain in force, in the first instance, for a period of one year, but the duration of such notification may be extended from time to time by a further notification by a period not exceeding one year at a time: Provided that no such notification shall, in any case, remain in force after the expiry of three years from the commencement of this Act.

(3) Any notification made under sub-section (1) shall have effect notwithstanding anything to the contrary contained in any other law, agreement or instrument or any decree or order of a Court, tribunal, officer or other authority or of any submission, settlement or standing order.

(4) Any remedy for the enforcement of any right, privilege, obligation or liability referred to in clause (b) of sub-section (1) and suspended or modified by a notification made under that sub-section shall, in accordance with the terms of the notification, remain suspended or modified and all proceedings relating thereto pending before any Court, tribunal, officer or other authority shall accordingly remain stayed or be continued subject to such adaptations, so, however, that on the notification ceasing to have effect--

(a) any right, privilege, obligation or liability so remaining suspended or modified shall become revived and enforceable as if the notification had never been made;

(b) any proceeding so remaining stayed shall be proceeded with subject to the provisions of any law which may then be in force, from the stage which had been reached when the proceeding become stayed.

(5) In computing the period of limitation for the enforcement of any right, privilege, obligation or liability referred to in clause (b) of sub-section (1), the period during which it or the remedy for the enforcement thereof remained suspended shall be excluded.

CHAPTER 4

MISCELLANEOUS

8. Textile companies not to wound up :-

Section

(1) No proceeding for the winding up of a textile company, within the meaning of this Act, shall lie in any Court or be continued whether by or under the supervision of any Court or voluntarily, except with the consent of the Central Government.

(2) In computing the period of limitation prescribed by any law for the time being in force for any application which may be made in the course of winding up of any textile company in respect of any matter arising out of any transaction in relation to a sick textile undertaking, the time during which the making of such application

was barred by this Act, shall be excluded.

9. Contracts, etc., in bad faith may be cancelled or varied :-

Section

(1) If the Central Government is satisfied, after such inquiry as it may think fit, that any contract or agreement entered into, at any time within twelve months immediately preceding the appointed day, between the owner of any sick textile undertaking or his agent and any other person, in relation to such sick textile, undertaking, has been entered into in bad faith or is detrimental to the interests of the sick textile undertaking, it may make an order cancelling or varying (either unconditionally or subject to such conditions as it may think fit to impose) the contract or agreement and thereafter the contract or agreement shall have effect accordingly: Provided that no contract or agreement shall be cancelled or varied except after giving to the parties to the contract or agreement a reasonable opportunity of being heard.

(2) Any person aggrieved by an order made under sub-section (1) may make an application to the principal Court of civil jurisdiction within the local limits of whose jurisdiction the registered office of the sick textile undertaking is situated for the variation or reversal of such order and, thereupon such Court may confirm, modify or reverse such order.

10. Power to terminate the contract of employment :-

Section If the Custodian or Custodian-General is of opinion that any contract of employment entered into by the owner of any sick textile undertaking or his agent, in relation to such sick textile undertaking, at any time before the appointed day, is unduly onerous, he may, by giving to the employee one month's notice in writing or the salary or wages for one month in lieu thereof, terminate such contract of employment.

11. Management of sick textile undertakings pending taking over physical possession by the Custodian :-

Section

(1) Pending the taking over by a Custodian, appointed under section 5, of the physical possession of any sick textile undertaking, the person in charge of the management of such undertaking immediately before the appointed day shall, on and from the appointed day, be in charge of the management of such undertaking for and on behalf of the Central Government; and the

management of such undertaking shall be carried on by such person subject to the provisions contained in sub-section (2) and such directions, if any, as the Central Government may give to him, and no other person, including the textile company, shall, so long as such management continues, exercise any powers of management in relation to the sick textile undertaking.

(2)

(a) No person in charge, under sub-section (1), of a sick textile undertaking shall; or

(b) No person in charge of the textile undertaking of a company in relation to which any investigation has been ordered, after the commencement of this Act, under section 15 or section 15A of the Industries (Development and Regulation) Act, 1951, 65 of 1965 shall, without the previous approval of the person specified by the Central Government in this behalf in respect of that undertaking (hereinafter referred to as the "authorised person"),--

(i) incur any expenditure from the assets appertaining to the textile undertaking otherwise than for the purpose of making routine payments of salaries or commissions to employees, agents or for the purpose of meeting the routine day to day expenditure;

(ii) transfer or otherwise dispose of any such assets or create any charge, hypothecation, lien or other incumbrance thereon;

(iii) invest in any manner any monies forming part of such assets;

(iv) acquire any immovable property out of the monies forming part of such assets;

(v) enter into any contract of service or agency, whether expressly or by implication, for purposes connected wholly or partly with the textile undertaking or vary the terms and conditions of any contract relating to any such transaction subsisting on the appointed day.

(3) The approval of the authorised person may be given either generally in relation to certain classes of transactions relating to the textile undertaking or specially in relation to any of its transactions.

12. Protection of action taken in good faith :-

Section

(1) No suit, prosecution or other legal proceeding shall lie against

the Custodian-General or any Custodian in respect of anything which is in good faith done or intended to be done under this Act.

(2) No suit or other legal proceeding shall lie against the Central Government, the Custodian-General or any Custodian for any damage caused, or likely to be caused, by anything which is in good faith done or intended to be done under this Act.

13. Delegation of powers :-

Section

(1) The Central Government may, by notification, direct that all or any of the powers exercisable by it under this Act may also be exercised by any person or persons as may be specified in the notification.

(2) Whenever any delegation of power is made under sub-section (1), the person to whom such power has been delegated shall act under the direction, control and supervision of the Central Government.

14. Debts incurred for the purposes of textile undertaking to have priority :-

Section Every debt arising out of any loan advanced to a sick textile undertaking by the Central Government or a State Government for carrying on the management of any sick textile undertaking specified in the First Schedule,

(a) shall have priority over all other debts, whether secured or unsecured, incurred before the management of such textile undertaking was taken over under this Act;

(b) shall be a preferential debt within the meaning of section 530 of the Companies Act, 1956, and such debts shall rank equally among themselves and be paid in full out of the assets of the sick textile undertaking unless such assets are insufficient to meet them, in which case they shall abate in equal proportions.

15. Penalties :-

Section

If any person--

(a) fails to deliver to the Custodian any assets, books of account, registers or any other documents in his custody relating to any sick textile undertaking, the management of which has vested in the

Central Government, or

(b) retains any property of such sick textile undertaking or removes or destroys it, or

(c) fails to comply with the provisions of section 5, or

(d) fails to comply with any direction made under this Act, he shall be punishable with imprisonment for a term which may extend to seven years, and shall also be liable to fine.

16. Offences by companies :-

Section

(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, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and 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 by a company and it is proved that the offence 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 of the company, 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.

17. Power to make rules :-

Section

(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 :-

Section

(1) The Sick Textile Undertakings (Taking Over of Management) Ordinance, 1972, 9 of 1972 is hereby repealed.

(2) Notwithstanding such repeal, anything done or any action taken, including any order issued, appointment made or direction given under the said Ordinance shall be deemed to have been done or taken under the corresponding provisions of this Act.

SCHEDULE 1

THE FIRST SCHEDULE

SCHEDULE 2

THE SECOND SCHEDULE

Schedule 2

**THE SECOND
SCHEDULE**

(See section 7)

1. The Industrial Employment

(Standing Orders) Act, 1946, 20 of 1946.

2. The Industrial
Disputes Act, 1947, 14
of 1947.

3. The Minimum Wages
Act, 1948, 11 of 1948.