
**THE KARNATAKA CO-OPERATIVE TEXTILE MILLS
(ACQUISITION AND TRANSFER) ACT, 1986.**

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STATEMENT OF OBJECTS AND REASONS

Act 29 of 1986.- The Government of India took-over the management of the Karnataka Textile Mills (known as Mahadeva Textile Mills), a sick mill, under section 18AA of the Industrial (Development and Regulation) Act, 1951 and transferred the management of the said mill to the State Government and the State Government is managing these mills since 04.04.1979.

The period of limitation in respect of liabilities etc., of the sick mill was being extended by the Central Government from time to time and it has been decided that the final extended period shall 29.06.1986. As the Government of India was not in favour of entrusting the management to the National Textile Corporation, the State Government was requested to examine the future course of action .

Finally, the State Government decided to entrust the management to the newly constituted company viz., the Karnataka State Textile Corporation, Private Limited, by acquisition and transfer of the sick mills.

The acquisition and transfer of the Karnataka Co-operative Textile Mills, Dharwar was in public interest and to secure the proper management of the said mills so as to subserve the interest of the general public by ensuring continued manufacture, production and distribution of yarn and cloth, which are essential to the needs of the economy of the country as well as the continued employment of the approximately three thousand workers serving in the said mills. The buildings, machinery and equipments of the said Mills are very old, out-dated and on account of which, the Mills are sick and not economically viable and it is necessary to acquire the said Mills in public interest and to reduce un-employment.

As the Karnataka State Legislative Council was not in session and the matter was very urgent, the Karnataka Co-operative Textile Mills (Acquisition and Transfer) Ordinance, 1986 (Karnataka Ordinance 11 of 1986) was promulgated.

This Bill Seeks to replace the said Ordinance.

Hence the Bill.

(As in the Karnataka Legislative Assembly Bill No. 41 of 1986) (LAW 52 LGN 86).

II

Amending Act 20 of 2005: Writ Petition Nos.4227/99, 4590/99 and 4591/99 were filed by Smt.Susheela and others claiming to be the owners of the land leased to the Karnataka State Textile Ltd./Mahadev Textile Mills questioning the KSIIDC's publication of the advertisement for sale of properties belonging to the mill.

The Hon'ble High Court of Karnataka has held that the lessor is not the owner of the said land and issued a Writ of Mandamus, directing the State Government and the respondents not to auction or sell the landed property or land even under the Mill or otherwise, unless and until title of ownership in land is acquired by State Government is established as per law.

It is therefore, considered necessary to amend the Karnataka Co-operative Textiles Mills (Acquisition and Transfer) Act, 1986, suitably with effect from 30.6.86 to avoid loosing to Government land, keeping in view the orders passed by the Hon'ble High Court of Karnataka in the writ petitions, referred to above.

Hence the Bill.

(LC Bill No.5 of 2004)

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KARNATAKA ACT No. 29 OF 1986

(First published in the Karnataka Gazette Extraordinary on the First day of October, 1986)

THE KARNATAKA CO-OPERATIVE TEXTILE MILLS (ACQUISITION AND TRANSFER) ACT, 1986.

(Received the assent of the President on the Twenty-ninth day of September, 1986)

(As amended by Act 20 of 2005)

An Act to provide for acquisition and transfer of the Karnataka Co-operative Textile Mills, Dharwar in public interest and in order to secure the proper management of the said Mills, so as to subserve the interest of the general public, by ensuring continued manufacture, production and distribution of yarn and cloth which are essential to the needs of the economy of the country and for matters connected therewith or incidental thereto.

WHEREAS the owners of the Karnataka Co-operative Textile Mills M/s. The Karnataka Co-operative Textile Mills, Ltd., Dharwar had closed down the said Mills in the year 1969 and had subsequently with the permission of the State Government leased out the said Mills in 1970 to M/s. G.Mahadevappa & Sons, Hubli, a partnership firm and the lessee also closed down the Mills in 1979 as it was not able to manage the affairs of the said Mills properly;

WHEREAS the closure of the said Mills was prejudicial to the Scheduled industry, namely the cotton textile industry the Government of India, under section 18AA of the Industries (Development and Regulation) Act, 1951, issued a Notification No. S.O.170(E)18AA/IDRA/79, dated Thirtieth day of March, 1979 and authorised the State Government to take over the management of the said Mills initially for a period not exceeding five years and later for further periods, from time to time;

WHEREAS the officer appointed by the State Government took over the charge of the moveable and immoveable properties of the said Mills which were in possession of the lessee, with effect from the Fourth day of April, 1979;

WHEREAS the buildings, machinery and other production equipment of the said mills are very old, out-dated and outmoded, on account of which it is sick and is not economically viable and it is necessary to acquire the said mills for proper management and development of the said mills by making

improvement thereof and to ensure that the interests of the general public are served by continuance of the production and distribution of cloth and yarn which are essential to the needs of the economy and providing relief against unemployment and for matters connected therewith or incidental thereto;

BE it enacted by the Karnataka State Legislature in the Thirty-seventh year of the Republic of India, as follows:-

CHAPTER-I

PRELIMINARY

1. Short title and commencement.- (1) This Act may be called the Karnataka Co-operative Textile Mills (Acquisition and Transfer) Act, 1986.

(2) It shall come into force on such ¹[date]¹ as the Government may, by notification in the Official Gazette, appoint, and different dates may be appointed for different provisions of this Act.

1. Notification bringing the Act into force is not available.

2. Definitions.- In this Act, unless the context otherwise requires,-

(a) "appointed day" means the date of coming into force of this Act or any provision thereof;

(b) "Commissioner" means Commissioner of payment appointed under section 15 of this Act;

(c) "Company" means the Karnataka State Textile Mills Private Limited, a company registered under the provisions of the Companies Act, 1959;

(d) "Government" means the State Government;

(e) "Karnataka Co-operative Textile Mills" means the composite textile Mills formerly run under the name and style the New Karnataka Cotton Mills Hubli and purchased by the Karnataka Co-operative Textile Mills Ltd., Dharwar by an indenture dated 8th October, 1959 and leased out to M/s. Mahadevappa & Sons, Jayachamaraj Nagar, Hubli-20 a partnership firm by a registered lease deed, dated 29th August, 1970, who were running the Mills under the name and style "Mahadev Textile Mills, Hubli" and includes all moveable and immovable properties of the said composite Textile Mills owned by the Lessor or lessee and all other moveable or immovable properties owned by the lessor ¹[and the land belonging to the owner of land specified in the annexure appended to this Act, which is held on lease for the purpose of the Mills.]¹

1. Inserted by Act 20 of 2005 w.e.f. 30.06.1986.

(f) "lessee" means the partnership firm known as M/s. Mahadevappa & Sons, Jayachamaraj Nagar, Hubli-20;

(g) "lessor" means the Karnataka Co-operative Textile Mills Ltd., Dharwar, a Co-operative Society deemed to be registered under the Karnataka Co-operative Societies Act, 1959;

¹[(gg) "owner of land" means a person to whom the land specified in the annexure appended to this Act belonged and which is held on lease for the purpose of the Karnataka Co-operative Textile Mills and includes any person who claims title to such land as his heir or legal representative]¹

1. Inserted by Act 20 of 2005 w.e.f. 30.06.1986.

(h) "present management" means the State Government authorised by the Central Government under clause (b) of sub-section (1) of section 18AA of the Industries (Development and Regulation) Act, 1951 (Central Act 65 of 1951) as per Notification No.S.O.170(E)/18AA/IDRA/79, dated 30th March, 1979;

(i) "Schedule" means the Schedule appended to this Act;

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

CHAPTER II

ACQUISITION AND TRANSFER OF THE KARNATAKA CO-OPERATIVE TEXTILE MILLS LTD., DHARWAR

3. Declaration under Article 31C of the Constitution.- It is hereby declared that the provisions of this Act are for giving effect to the policy of the State toward securing the principles laid down in clauses (a) and (b) of Article 39 of the Constitution.

4. Transfer and vesting of the Mills in the Government.- On the appointed day, the Karnataka Co-operative Textile Mills (hereinafter referred to as the mills) and the rights, title and interest of the lessor and lessee ¹[and owner of land]¹ in relation to the mills, shall, by virtue of this Act, stand transferred to, and shall vest absolutely in the Government.

1. Inserted by Act 20 of 2005 w.e.f. 30.06.1986.

5. General effect of vesting.- (1) The mills shall be deemed to include all assets, rights, leaseholds, powers, authorities and privileges and all property, moveable and immoveable, including lands, buildings, workshops, stores, instruments, machinery and equipments, cash balance, cash on hand, reserve funds, investments and book debts and all other rights and interests, in or arising out of such property, as were immediately before appointed day, in the ownership, possession, power or control of the lessor or lessee ¹[or owner of land]¹ whether within or outside India, and all books of accounts, registers and other documents of whatever nature relating thereto.

1. Inserted by Act 20 of 2005 w.e.f. 30.06.1986.

(2) All properties aforesaid, which have vested in the Government under section 4 shall, by virtue of such vesting, be freed and discharged from any trust, obligation, mortgage, lease, charge, lien and all other encumbrance affecting them and any attachment, injunction or decree or order of any court restricting the use of such property, in any manner shall be deemed to have been withdrawn.

(3) Every mortgagee of any property ¹[and every owner of land having interest in, or in relation to the property]¹ which has vested under this Act in the Government and every person holding any charge, lease, 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, lease, charge, lien or other interest.

1. Inserted by Act 20 of 2005 w.e.f. 30.06.1986.

(4) For the removal of doubts, it is hereby declared that the mortgagee of any property ¹[and every owner of land having interest in, or in relation to the property]¹ referred to in sub-section (3) or any other person holding any charge, lease, lien or other interest in or in relation to, any such property shall be entitled to claim in accordance with his rights and interest, payment of the mortgage money ²[amount or other dues]² in whole or in part out of the amount specified in section 9 and also out of the amount determined under section 10 but no such mortgage, charge, lien or other interest shall be enforceable against any property which has vested in the Government.

1. Inserted by Act 20 of 2005 w.e.f. 30.06.1986.

2. Substituted by Act 20 of 2005 w.e.f. 30.06.1986.

(5) Any licence or other instrument granted to the lessor or lessee in relation to the mills which has vested in the Government under section 4, at

any time before the appointed day and in force immediately before that day shall continue to be in force on and after such day in accordance with its tenor in relation to and for the purposes of the mills, and on and from the date of vesting of the mills under section 8 in the Company, the Company shall be deemed to be substituted in such licence or other instrument in place of the lessor or lessee referred to therein as if such licence or other instrument had been granted to the Company and the Company shall hold it for the remainder of the period for which the lessor or lessee would have held it under the terms thereof.

(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 Government under section 4, instituted or preferred by or against the mills, is pending the same shall not abate, be discontinued or be in any way, prejudicially affected by reason of the transfer of the mills or anything contained in this Act but the suit, appeal or other proceeding may be continued, prosecuted and enforced by or against the Government or, where the mills is directed, under section 8 to vest in the Company, by or against the Company.

6. Lessor or lessee to be liable for certain prior liabilities.- (1) Every liability other than the liability specified in sub-section (2) of the lessor or lessee in relation to the mills in respect of any period prior to the appointed day, shall be the liability of such lessor or lessee, as the case may be, and shall be enforceable against them and not against the Government or where the mills is directed under section 8 to vest in the Company, against the Company.

(2) Any liability arising in respect of,-

- (a) loans taken by the present management (together with interest thereon);
- (b) wages, salaries and other dues of employees of the mills in respect of any period after the management of the mills had been taken over by the Government;

shall on and from the appointed day, be the liability of the Government and shall, on and from the date of vesting under section 8 in the Company, be the liability of the Company and shall be discharged by the Company as and when repayment of such loans or amounts become due or as and when such wages, salaries or other dues become due and payable.

(3) 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 the Act, no liability, other than the liability specified in sub-section (2), of the lessor or lessee in relation to the mills in respect of any period prior to the appointed day shall be enforceable against the Government, or where the mills is directed under section 8 to vest in the Company, against the Company.

(b) No award, decree or order of any court, tribunal or other authority in relation to the mills passed after the appointed day in respect of any matter, claim or dispute in relation to any matter not referred in sub-section (2), which arose before that day, shall be enforceable against the Government or where the mills is directed under section 8 to vest in the Company, against the Company.

(c) No liability incurred by the lessor or lessee before the appointed day for the contravention of any provisions of law for the time being in force shall be enforceable against the Government or where the mills is directed under section 8 to vest in the Company, against the Company.

7. Right of Government to recover backwages etc.- Notwithstanding anything contained in this Act the Government shall have the right to recover from the lessor or lessee all the amounts paid by the present management to the officers or other employees of the mills towards backwages, gratuity, retirement benefits and other dues on behalf of the lessor or lessee, as arrears of land revenue.

8. Power of the Government to direct vesting of the mills in the company.- (1) Notwithstanding anything contained in sections 4 and 5, the Government may, subject to such terms and conditions as it may think fit to impose, direct, by notification, that the mills which was vested in the Government under section 4, shall, instead of continuing to vest in the Government vest in the Company either on the date of notification or on such earlier or later date (not being a date earlier than the appointed date) as may be specified in the notification.

(2) Where the right, title and interest in relation to the mills vest in the Company under sub-section (1), the Company shall, on and from the date of such vesting, be deemed to have become the owner in relation to such mills and all the rights and liabilities of the Government in relation to the

mills shall, as provided under the Act, on and from the date of such vesting, be deemed to have become the rights and liabilities of the Company.

CHAPTER III

PAYMENT OF ACCOUNTS

9. Amount to be given to lessor, lessee and other interested persons.- For the transfer to and vesting in the Government, of the mills under section 4 and the right, title and interest in relation to the mills, the Government shall pay an amount of rupees 446.59 lakhs by depositing the same with the Commissioner and the said amount shall be paid to the lessor, lessee ¹[or owner of land or such other persons]¹ entitled thereto in the manner specified in Chapter V.

1. Substituted by Act 20 of 2005 w.e.f. 30.06.1986.

10. Payment of further amounts.- (1) The amount specified in section 9 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 Government to the Commissioner.

(2) The amount determined in accordance with the provisions of sub-section (1) shall be given by the Government to the lessor, lessee ¹[or owner of land or such other persons]¹ entitled thereto, as the case may be, in addition to the amount specified in section 9.

1. Substituted by Act 20 of 2005 w.e.f. 30.06.1986.

(3) For the removal of doubts, it is hereby declared that the liability of the lessor or lessee in relation to the mills which has vested in the Government under section 4 shall be discharged from the amount referred to in section 9, and also from the amounts determined under sub-section (1) in accordance with the rights and interest of the creditors of the lessor or lessee, as the case may be.

CHAPTER IV

MANAGEMENT OF THE MILLS

11. Management etc., of the mills.- The general superintendence, direction, control and management of the affairs and business of the mills, the right, title and interest in relation to the mills which has vested in the Government under section 4, shall, where a direction has been made by the Government under sub-section (1) of section 8, vest in the Company and

thereupon the Company shall be entitled to exercise to the exclusion of all other persons, all such powers and do all such things as the Company is authorised to exercise and do in relation to the mills.

12. Duties of persons in-charge of management of the mills.- (1) On the vesting of the management of the mills in the company all persons in charge of the management of the mills immediately before such vesting shall be bound to deliver to the company all assets, books of accounts, registers or other documents in their custody relating to the mills.

(2) The Government may issue such directions as it may deem desirable in the circumstances of the case to the Company and the Company may also, if it is considered necessary to do, apply to the Government at any time for instructions as to the manner in which, the management of the mills shall be conducted or in relation to any other matter arising in the course of such management.

13. Duty of persons to account for assets etc., in their possession.- Any person who has, on the appointed day, in his possession or under his control, any assets, books, documents, other papers relating to the mills which has vested in the Government or in the Company under this Act and which belong to the mills or would have so belonged if the mills had not vested in the Government or the Company, shall be liable to account for the said assets, books, documents and other papers to the Government or the Company or such person or persons as the Government or the Company may specify in this behalf.

(2) The Government or the Company may take or cause to be taken all necessary steps for securing possession of the mills which has vested in the Government or the company under this Act.

(3) The lessor or lessee, as the case may be, shall within such period as the Government may allow in this behalf, furnish to the Government a complete inventory of all properties and assets, as on the appointed day, pertaining to the mills which has vested in the Government under section 4, and for this purpose, the Government or the company shall afford to the lessor or lessee all reasonable facilities.

14. Accounts and audit.- The Company shall maintain the accounts of the mills in accordance with the provisions of the Companies Act, 1956.

CHAPTER V**COMMISSIONER OF PAYMENTS**

15. Appointment of Commissioner of payment.- (1) The Government shall for the purpose of disbursing the amounts payable under sections 9 and 10, by notification in the official Gazette, appoint a Commissioner of Payments.

(2) The 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 authorized 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 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 the State.

16. Payment by the Government to the Commissioner.- (1) The Government shall within thirty days from the specified date deposit in cash with the Commissioner for payment to the lessor, lessee ¹[owner of land and other interested persons]¹, -

1. *Substituted by Act 20 of 2005 w.e.f. 30.06.1986.*

(a) an amount equal to the amount specified in section 9; and

(b) an amount equal to the amount payable under section 10.

(2) A deposit account shall be opened by the Government in favour of the Commissioner in the public account of the State 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) Records shall be maintained by the Commissioner in respect of the mills in relation to which payments have been made to him under this Act.

(4) The interest accruing on the amount standing to the credit of the deposit account referred to in sub-section (2) shall ensure to the benefit of the lessor, lessee ¹[owner of land and other interested persons.]¹

1. *Substituted by Act 20 of 2005 w.e.f. 30.06.1986.*

17. Certain powers of the Government and the Company.- (1) The Government or the Company, as the case may be, shall be entitled to receive upto the specified date, to the exclusion of all other persons any money due in relation to the mills which has vested in the Government or the Company, and realised after the appointed day, notwithstanding that the realisation pertains to a period prior to the appointed day.

(2) The Government or the Company, as the case may be, make a claim to the Commissioner with regard to every payment made by the Government or the Company after the appointed day for discharging any liability of the lessor or lessee in relation to the mills in respect of any period prior to the appointed day and every such claim shall have priority in accordance with priorities attaching under this Act to the matters in relation to which such liability has been discharged by the Government or the Company.

(3) Save as otherwise provided in this Act, the liabilities of the lessor or lessee in relation to the mills in respect of any transaction prior to the appointed day, which have not been discharged on or before the specified date shall be the liabilities of the lessor or lessee, as the case may be.

18. Claims to be made to the Commissioner.- Every person having a claim with regard to any of the matters specified in the Schedule in relation to the mills before the appointed day, shall prefer such claim before the Commissioner within thirty days from the specified date:

Provided that if the Commissioner is satisfied that the claimant was prevented by sufficient cause from preferring the claim within the period of thirty days, he may entertain the claim within a further period of thirty days and not thereafter.

19. Priority of claims.- The claims made under section 18 shall have priorities in accordance with the following principles namely:-

(a) Category-I shall have precedence over all other categories and Category - II shall have precedence over category-III and so on;

(b) the claims specified in each of the categories shall rank equally and be paid in full, but if the amount is insufficient to meet such claims in full, they shall abate in equal proportions and be paid accordingly; and

(c) the question of discharging any liability with regard to a matter specified in a lower category shall arise only if surplus is left after meeting all the liabilities specified in the immediately higher category.

20. Examination of claims.- (1) On receipt of the claims made under section 18 the Commissioner shall arrange the claims in the order of priorities specified in the schedule and examine the same in accordance with such order.

(2) If, on examination of the claims, the Commissioner is of opinion that the amount paid to him under this Act is not sufficient to meet the liabilities specified in any lower category he shall not be required to examine the claims in respect of such category.

21. Admission or rejection of claims.- (1) After examining the claims with reference to the priorities, specified in the Schedule, the Commissioner shall fix a certain date on or before when every claimant shall file the proof of his claim.

(2) Not less than fourteen days notice of the date so fixed shall be given by advertisement in one issue of a daily news paper in the English language having wide circulation in the country and one issue of a daily newspaper in the Kannada language having wide circulation in the State 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 claimant a reasonable opportunity of being heard, determine the nature and extent of such claims and by order in writing admit or reject the claim in whole or in part. The Commissioner shall also decide any dispute as to the person or persons who are entitled to the amount and any dispute as to who are the legal representatives of any deceased claimant.

(5) The Commissioner shall have the power to regulate his own procedure in all matters arising out of the discharge of his functions, 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) summoning and enforcing the attendance of any witness and examining him on oath;

- (b) the discovery and production of any document;
- (c) the reception of evidence on affidavits;
- (d) the issuing of any commission for the examination of witness.

(6) Any investigation before the Commissioner shall be deemed to be a judicial proceeding within the meaning of sections 193 and 228 of the Indian Penal Code and the Commissioner shall be deemed to be a Civil Court for the purposes of section 195 and Chapter XXVI of the 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 District Court within the local limits of whose jurisdiction the Mills is situated.

22. Disbursement of the amount by the Commissioner to the claimants.- (1) After admitting a claim under this Act the amount due in respect of such claim shall be paid by the Commissioner to the person or persons to whom such amount is due and on such payment the liability of the mills in respect of such claims shall stand discharged.

1[22A. Disbursement of amount of the lessor etc.,- (1) If out of the amount paid to him in relation to the Mills, there is a balance left after meeting the liabilities specified in the Schedule, the Commissioner shall disburse such balance to the lessor, lessee and owner of land.

(2) Before making any payment to the lessor, lessee or owner of land in proportion to his interest in the Mills, the Commissioner shall satisfy himself as to the right of such lessor, lessee or owner of land to receive the whole or any part of such amount and in the event of there being a doubt or dispute as to the right of such lessor, lessee or owner of land to receive the whole or any part of the amount referred to in section 9 and 10 including apportionment of the amount among them, the Commissioner shall refer the matter to the Court and make disbursement in accordance with the decision of the Court.

(3) The court shall decide the apportionment of amount among the lessor, lessee or owner of land in relation to the Mills having due regard to the value on the appointed day of the property forming part of the Mills.

(4) Notwithstanding anything contained in this Act evidence shall be admissible to establish before the court right title and interest of the lessor, lessee or owner of land in relation to the Mills.

Explanation.- In this section 'Court' in relation to the Mills means the principal court of original jurisdiction within the local limits of whose jurisdiction the Mills is situated.]¹

1. Inserted by Act 20 of 2005 w.e.f. 30.06.1986.

23. Undisbursed or unclaimed amount to be deposited to the General Revenue Account.- Any amount paid to the Commissioner which remains undisbursed or unclaimed on the date immediately preceding the date on which the office of the Commissioner is finally wound up, shall be transferred by the Commissioner to the General Revenue Account of the Government, but a claim to any amount so transferred may be preferred to the Government by 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 being treated as an order for the refund of revenue.

CHAPTER VI

PROVISIONS RELATING TO THE EMPLOYEES OF THE MILLS

24. Transfer of service of officers or other employees of the mills.-

(1) Every person who has been immediately before the appointed day, employed in the mills shall become on and from the date of vesting specified under section 8, an employee of the Company and shall hold office or service under the Company with the same rights and privileges as to pension, gratuity and other matters as would have been admissible to him if there had been no such vesting and shall continue to do so unless and until his employment under the Company is duly terminated or until his remuneration and other conditions of service are duly altered by the Company.

(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 the mills to the Company shall not entitle such officer or other employee to any compensation under the Act or under any other laws for the time being in force and no such claim shall be entertained by any court, tribunal or other authority.

25. Transfer of provident fund, welfare fund, etc.- (1) Where the mills has established a provident fund, superannuation fund, welfare fund or any other fund for the benefit of the persons employed in the mills the money relatable to the officers or other employees, whose services have become transferred, by or under this Act to the Company shall, out of the money standing on the date of vesting specified under section 8 to the credit of such provident fund, superannuation fund, welfare fund or other fund, stand transferred to and vest in the Company.

(2) The money which stand transferred under sub-section (1) to the Company shall be dealt with by the Company in such manner as may be prescribed.

CHAPTER-VII

MISCELLANEOUS

26. Act to have overriding effect.- The provisions of this Act shall have effect notwithstanding anything inconsistent therewith contained in any other law for the time being in force or in any instrument having effect by virtue of any law, other than this Act or in any decree or order of any court, tribunal or other authority.

27. Contract to cease to have effect unless ratified by Company.- Every contract entered into by the lessor, lessee or the present management in relation to the mills which has vested in the Government under section 4, for any service, sale or supply and in force immediately before the appointed day, shall on and from the expiry of thirty days from the appointed day, cease to have effect unless such contract is, before the expiry of that period, ratified in writing by the Company and in ratifying such contract, the Company may make such alteration or modification therein as it may think fit:

Provided that the Company shall not omit to ratify a contract and shall not make any alteration or modification in a contract,-

(a) unless it is satisfied that such contract is unduly onerous or has been entered into in bad faith or is detrimental to the interests of the Company;

(b) except after giving to the parties to the contract a reasonable opportunity of being heard and except after recording in writing its reasons for refusal to ratify the contract or for making any alteration or modification therein.

28. Protection of action taken in good faith.- (1) No suit, prosecution or other legal proceedings shall lie against the Government or any officer or other employee of the Government or the Company or other person authorised by the Government or the Company for 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 Government or any officer or other employee of the Government or the Company or other person authorised by the Government or the Company for any damage caused or likely to be caused by anything which is in good faith done or intended to be done.

29. Penalties.- Any person who,-

- (a) having in his possession, custody or control, any property forming part of the mills, wrongfully withholds such property from the Government or the Company; or
- (b) wrongfully obtains possession, or retains any property forming part of the mills; or
- (c) wilfully withholds or fails to furnish to the Government or the Company or to any person or body of persons specified by the Government or the Company, as the case may be, any document or inventory relating to the mills which may be in his possession, custody or control; or
- (d) fails to deliver to the Government or the Company or any person or the body of persons specified by the Government or the Company, as the case may be, any document or inventory relating to the lessee, lessor or the present management, which may be in his possession, custody or control relating to the mills; or
- (e) wrongfully removes or destroys any property forming part of the mills; or
- (f) prefers any claim under this Act which he knows or has reasonable cause to believe to be false or grossly inaccurate,

shall be punishable with imprisonment for a term which may extend to two years or with fine which may extend to ten thousand rupees or with both.

30. Offences by Companies.- (1) Where any offence under this Act has been committed by a company, every person who, at the time the offence was committed was incharge 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 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 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 purpose of this section,-

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

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

31. Power to make rules.- (1) The Government may , by notification, make rules for carrying out the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:-

(a) the time within which, and the manner in which an intimation referred to in sub-section (3) of section 5 shall be given;

(b) salary and allowances and condition of service of the officers and servants of the Company;

(c) the manner in which the money in any provident fund or other fund under section 25 shall be dealt with;

(d) any other matter which is required to be, or may be prescribed.

(3) Every rule made by the Government under this Act shall be laid, as soon as may be after it is made, before each House of the State legislature, 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.

32. Power to remove difficulties.- If any difficulty arises in giving effect to the provisions of this Act, the Government may, by order, not inconsistent with the provisions of this Act, remove the difficulties:

Provided that no such order shall be made after the expiry of a period of two years from the appointed day.

33. Repeal and savings.- (1) The Karnataka Co-operative Textile Mills (Acquisition and Transfer) Ordinance, 1986 (Karnataka Ordinance 11 of 1986) is hereby repealed.

(2) Notwithstanding such repeal, anything done or any action taken under the said Ordinance shall be deemed to have been done or taken under this Act.

SCHEDULE

[See sections 18, 20 (1) and 21 (1)]

Order of priorities for the discharge of liabilities in relation to the mills.

CATEGORY-I

(a) wages, salaries and other dues payable to the employees of the mills.

(b) Deductions made from the salaries and wages of the employees for provident Fund, Employees State Insurance Contribution, premium relating to Life Insurance Corporation of India or for any other purpose;

(c) Arrears in relation to contributions to be made by the lessor or lessee to the Provident Fund, Employees State Insurance Fund, Life Insurance Corporation Premium and any other arrear under any law for the time being in force (excluding gratuity).

CATEGORY-II

Principal amount of secured loans advanced by,-

- (i) Central Government;
- (ii) State Government (including the amount which the Government has the right to recover under section 7);
- (iii) Banks;
- (iv) Public Financial Institutions;
- (v) Others.

CATEGORY-III

Principal amount of unsecured loans advanced by,-

- (i) Central Government;
- (ii) State Government (including the amount which the Government has the right to recover under section 7);
- (iii) Banks;
- (iv) Public Financial Institutions;

CATEGORY-IV

(a) Any credit availed of by the lessor or lessee in relation to the mills for the purpose of carrying on any trading or manufacturing operations;

(b) Any dues payable to the Karnataka Electricity Board or other Government or semi-Government Institutions for supply of goods or services;

(c) Arrears of interest on loans and advances or other dues falling under category II or III.

CATEGORY-V

(a) Revenue, taxes, cesses, rates or other dues to Central Government, State Government and local authorities.

(b) Any other loans or dues.

ANNEXURE

(See clause (gg) of section 2)

Landed Property vested with the Government as per section 4 and 5 of the Karnataka
Co-operative Textile Mills, (Acquisition and Transfer) Act, 1986.

Sl. No.	Property No.		Kind	Area			Boundaries
	R.S.No.	CTS.No.		A	G	Sq.Yrds.	
1	2	3	4	5	6	7	8
1.	107/1B & 107/2 (Own) (Agril.)	103A/1	Open land and some unauthorised Buildings at South end. (Purchased from Sri G.K.Desai & R.G.Desai R.S.No.107/1B) (Purchased from K.V. Desai, H.R.Deshpande & L.S. Deshpande. R.S.No.107/2)	4	25	25	East: CTS No. 211 ABC 212 to 468 belonging to the Mills. Unakal Road and Part of West: CTS No. 103A/1 Sold to Post & Telegraph Department Dharwar. Karwar Road. South: CTS No.103/C and Part of North: CTS No. 103A/1 (2 Acres 7 Guntas) purchased by HDMC and beyond that R.S.No.214 (Indira Glass House)

1	2	3	4	5	6	7	8
2.	108 & 108A (Own)	211 ABC & 212 to 468.	Housing Colony Girani Chawl	7	28	96	East: R.S.No. 108 & beyond that by a gutter which is now used by North & Police Line R.S.No. 107 West: South: Karwar Road
3.	15 (Lease hold)	98	Building of Mill No.II) Old Spinning Unit, Doubling, RPW, Winding Sizing, Weaving, Folding, Printing, Boiler, Machine shop, Reeling, Canteen, Security, Retail Shop etc, (Owner of Land Sri. Ballappa, Tammanna.Naik, Chitaguppi)	8	04	076	East: Road to Unakal and Karwar West: Road By Revision Survey No. 17- 16 & Part of 19 CTS No. 99 South: North: Nallaha & Karwar Road. By Survey No. 19 (CTS No.99)

1	2	3	4	5	6	7	8
4.	16, 17 & 19 (Part B) (Lease hold) (Agril)	99	Mill No. II. Building of Ginning & Pressing, Godowns and Open Land (Old Cattle Market.) Owner of the Land. Vittal Rao. Annaji, Deshpande. Ramachandram. Annaji, Deshpande.	14	28	00	East: Survey No.15 (CTS No.98) & Unakal Road. West: North: Revision Survey No. 18 & South: 19 Part (CTS No.100 & 102) R.S. No.25 (CTS No. 97) Nallaha.
5.	123 & 124 (Lease hold)	470	Mill.No.I. Buildings of Spinning Dept, Store, Time-Office, Administrative Offices, Dispensary etc., (Original Owner, Sri.Ballappa, Tammanna.Naik.C hitaguppi)	5	32	106	Boundaries of R.S.No. 123. East: 123. West: Unakal Road. Nallaha & Karwar road and North: Part of CTS No.472 South: Karwar Road. R.S.No.126, CTS No.472 & 471.

1	2	3	4	5	6	7	8
6	126 (Own.)	472	Open Land with the un-authorized Lime-Stone shop & Factory of R.P.Dhongadi, Water Tank & Gutter (Nallaha)	1	21	41	East: Unakal Road, West: R.S No.124 & Nallaha. North: R.S. No.125 (CTS No.470) South: Nallaha
7.	122 (Agril) (Lease hold)	479	Two buildings of Govt. Primary School & Open Land. (Original owner 1. Sri. K.V. Desai 2. Gundu Ramachandra Desai 3. Ramachandra Gundu Desai 4. Annaji Gundu Desai)	00	33	00	East: R.S.No.164 & 165 (CTS No. 480/1 & 484) West: Road to Unakal. North: Karwar Road. South: R.S. No. 117.
8	164 (Own)	480/1	Staff Quarters & Open Land.	1	02	41	East: C.T.S. No. 485 & 446 West: C.T.S. No.479 North: Karwar Road. South: R.S.No.117 (City Survey No.478)
9	164 (Own)	480/2	Staff Quarters & Open Land.	00	08	76	
10.	164 (Own)	483	Staff Quarters & Open Land.	00	25	04	
11	164 (Own)	484	Staff Quarters & Open Land.	00	25	87	

1	2	3	4	5	6	7	8	
12	165 (Own)	481	Open Land	00	28	62	East: North & West: South:	CTS No.445. CTS No. 480/1
13	165 (Own)	482	Open Land	00	08	104		CTS No. 478 & 566 (R.S.No. 117)
14.	166 (Agril) (own)	3475	Temple of Tulaja Bhavani	00	04	14	East: West: North: South:	R.S. No.166 (Part) R.S. No.126. R.S. No.166 (Part) Bed of Nallaha.
15.	125 (Lease hold)	470 (Part)	Open Land (Original Owners - Panchas of Muneshwar Math)	00	19	101	East: West & North: South:	Road to Unakal Survey No. 124 (CTS No. 470) Remaining portion of Survey No. 125 (CTS No.471)

NOTE: This Annexure does not include the properties sold by The Karnataka Co-operative Textile Mills Ltd., and the Properties acquired by various Government Authorities before, 1986.

1. Inserted by Act 20 of 2005 w.e.f. 30.06.1986.

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(The above translation of the ಕರ್ನಾಟಕ ಸಹ ಕಾರ್ಮಿಕರ ಸಂಘಗಳಿಗೆ (ಆರ್ಜನೆ ಮತ್ತು ವರ್ಗಾವಣೆ) ಅಧಿನಿಯಮ, 1986 was published in the official Gazette (Extraordinary) dated 24.09.1987 in Part IV - 2B as No. 631 under clause (3) of Article 348 of the Constitution of India.)

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