The Industries (Development and Regulation) Act, 1951

[ACT NO. 65 OF 1951]

(*As on the 2nd November, 2025*)

LIST OF AMENDING ACTS

1.The Industries (Development and Regulation) Amendment Act, 1953 (26 of 1953). 2.The Industries (Development and Regulation) Amendment Act, 1956 (71 of 1956). 3. The Repealing and Amending Act, 1957 (36 of 1957).

4.The Industries (Development and Regulation) Amendment Act, 1961 (51 of 1961). 5.The Industries (Development and Regulation) Amendment Act, 1962 (37 of 1962). 6.The Industries (Development and Regulation) Amendment Act, 1965 (6 of 1965). 7.The Industries (Development and Regulation) Amendment Act, 1971 (72 of 1971). 8.The Industries (Development and Regulation) Amendment Act, 1973 (67 of 1973). 9.The Industries (Development and Regulation) Amendment Act, 1974 (32 of 1974). 10.The Industries (Development and Regulation) Amendment Act, 1979 (17 of 1979). 11.The Industries (Development and Regulation) Amendment Act, 1984 (4 of 1984).

12.The Delegated Legislation Provisions (Amendment) Act, 1985 (4 of 1986). 13.The Industries (Development and Regulation) Amendment Act, 2016 (27 of 2016).

LIST OF ABBREVIATIONS USED

Cl.,cls.	*for*	Clause, clauses.
Ins.	,,	Inserted.
Notifn.	,,	Notification.
S., ss.	,,	Section, sections.
Sch.	.	Schedule.
Subs.	,,	Substituted.
w.e.f.	,,	with effect from.

THE INDUSTRIES (DEVELOPMENT AND REGULATION) ACT, 1951

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THE INDUSTRIES (DEVELOPMENT AND REGULATION) ACT, 1951

ACT NO. 65 OF 1951

[31*st October*, 1951.]

An Act to provide for the development and regulation of certain industries.

BE it enacted by Parliament as follows:—

CHAPTER I

PRELIMINARY

1. Short title, extent and commencement.—(*1*) This Act may be called the Industries (Development and Regulation) Act, 1951.

(*2*) It extends to the whole of India [1]***

(*3*) It shall come into force on such date[2] as the Central Government may, by notification in the Official Gazette, appoint.

2. Declaration as to expediency of control by the Union.—It is hereby declared that it is expedient in the public interest that the Union should take under its control the industries specified in the First Schedule.

3. Definitions.—In this Act, unless the context otherwise requires,—

(*a*) "Advisory Council" means the Central Advisory Council established under section 5;

[3][(*aa*) "ancillary industrial undertaking" means an industrial undertaking which, in accordance with the proviso to sub-section (*1*) of section 11B and the requirements specified under that sub-section, is entitled to be regarded as an ancillary industrial undertaking for the purposes of this Act;]

[4][[5][(*ab*)] "current assets" means bank balances and cash and includes such other assets or reserves as are expected to be realised in cash or sold or consumed within a period of not more than twelve months in the ordinary course of business, such as, stock-in-trade, amounts due from sundry debtors for sale of goods and for services rendered, advance tax payments and bills receivable, but does not include sums credited to a provident fund, a pension fund, a gratuity fund or any other fund for the welfare of the employees, maintained by a company owning an industrial undertaking;

[5][(*ac*)]"current liabilities" means liabilities which must be met on demand or within a period of twelve months from the date they are incurred; and includes any current liability which is suspended under section 18FB;]

(*b*) "Development Council" means a Development Council established under section 6;

[6][(*bb*) "existing industrial undertaking" means—

(*a*) in the case of an industrial undertaking pertaining to any of the industries specified in the First Schedule as originally enacted, an industrial undertaking which was in existence on the commencement of this Act or for the establishment of which effective steps had been taken before such commencement, and

(*b*) in the case of an industrial undertaking pertaining to any of the industries added to the First Schedule by an amendment thereof, an industrial undertaking which is in existence on

1. The words "except the State of Jammu and Kashmir" omitted by Act 51 of 1961, s. 2 (w.e.f. 11-12-1961).

2. 8th May, 1952, *vide* notifn. No. S.R.O. 811 (E), dated 8th May, 1952, *see* Gazette of India, Extraordinary, Part II, sec. 3(*i*). 15th February, 1962, *vide* notifn. No. S.R.O. 458/IDRA/1/1/62 (E), in respect of the State of Jammu and Kashmir, dated 7th February, 1962, *see* Gazette of India, Extraordinary, Part II, sec. 3(*ii*) and this Act has been extended in its application to the Union territory Goa, Daman and Diu by the Act 11 of 1963, s. 3 and the Sch. (w.e.f 1-2-1963). 3. Ins. by Act 4 of 1984, s. 2 (w.e.f. 12-1-1984).

4. Ins. by Act 72 of 1971, s. 2 (w.e.f. 1-11-1971).

5. Cls. (*aa*) and (*ab*) re-lettered as clause (*ab*) and (*ac*) thereof by Act 4 of 1984, s. 2 (w.e.f. 12-1-1984).

6. Ins. by Act 26 of 1953, s. 2 (w.e.f. 1-10-1953).

the coming into force of such amendment or for the establishment of which effective steps had been taken before the coming into force of such amendment;]

(*c*) "factory" means any premises, including the precincts thereof, in any part of which a manufacturing process is being carried on or is ordinarily so carried on—

(*i*) with the aid of power, provided that fifty or more workers are working or were working thereon on any day of the preceding twelve months; or

(*ii*) without the aid of power, provided that one hundred or more workers are working or were working thereon on any day of the preceding twelve months and provided further that in no part of such premises any manufacturing process is being carried on with the aid of power;

[1][(*cc*) "High Court" means the High Court having jurisdiction in relation to the place at which the registered office of a company is situate;]

(*d*) "industrial undertaking" means any undertaking pertaining to a scheduled industry carried on in one or more factories by any person or authority including Government;

[2][(*dd*) "new article", in relation to an industrial undertaking which is registered or in respect of which a licence or permission has been issued under this Act, means—

(*a*) any article which falls under an item in the First Schedule other than the item under which articles ordinarily manufactured or produced in the industrial undertaking at the date of registration or issue of the licence or permission, as the case may be, fall;

(*b*) any article which bears a mark as defined in the Trade Marks Act, 1940 (5 of 1940), or which is the subject of a patent, if at the date of registration or issue of the licence or permission, as the case may be, the industrial undertaking was not manufacturing or producing such article bearing that mark or which is the subject of that patent;]

(*f*) "owner" in relation to an industrial undertaking means the person who, or the authority which, has the ultimate control over the affairs of the undertaking, and, where the said affairs are entrusted to a manager, managing director or managing agent, such manager, managing director or managing agent shall be deemed to be the owner of the undertaking;

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

(*h*) "Schedule" means a Schedule to this Act;

(*i*) "scheduled industry" means any of the industries specified in the First Schedule;

[3][(*j*) "small scale industrial undertaking" means an industrial undertaking which, in accordance with the requirements specified under sub-section (*1*) of section 11B, is entitled to be regarded as a small scale industrial undertaking for the purposes of this Act;]

[1][[4][(*k*)] words and expressions used herein but not defined in this Act and defined in the Companies Act, 1956 (1 of 1956), have the meanings respectively assigned to them in that Act.]

4. [*Saving*.]*Omitted by the Industries* (*Development and Regulation*) *Amendment Act,* 1953 (26 *of* 1953), *s.* 3 (*w.e.f.* 1-10-1953).

CHAPTER II

THE CENTRAL ADVISORY COUNCIL AND DEVELOPMENT COUNCILS

5. Establishment and constitution of Central Advisory Council and its functions.—(*1*) For the purpose of advising it on matters concerning the development and regulation of scheduled industries, the Central Government may, by notified order, establish a Council to be called the Central Advisory Council.

1. Ins. by Act 72 of 1971, s. 2 (w.e.f. 1-11-1971).

2. Ins. by Act 26 of 1953, s. 2 (w.e.f. 1-10-1953).

3. Ins. by Act 4 of 1984, s. 2 (w.e.f. 1-11-1971).

4. Cl. (*j*) re-lettered as clause (*k*) thereof by s. 2, *ibid.* (w.e.f. 12-1-1984).

(*2*) The Advisory Council shall consist of a Chairman and such other members, not exceeding thirty in number, all of whom shall be appointed by the Central Government from among persons who are in its opinion capable of representing the interests of—

(*a*) owners of industrial undertakings in scheduled industries;

(*b*) persons employed in industrial undertakings in scheduled industries;

(*c*) consumers of goods manufactured or produced by scheduled industries;

(*d*) such other class of persons including primary producers, as in the opinion of the Central Government, ought to be represented on the Advisory Council.

(*3*) The term of office of, the procedure to be followed in the discharge of their functions by, and the manner of filling casual vacancies among, members of the Advisory Council, shall be such as may be prescribed.

(*4*) The Central Government shall consult the Advisory Council in regard to—

(*a*) the making of any rules, other than the first rules to be made under sub-section (*3*);

[1]* * * * *

and may consult the Advisory Council in regard to any other matter connected with the administration of this Act in respect of which the Central Government may consider it necessary to obtain the advice of the Advisory Council.

6. Establishment and constitution of Development Councils and their functions.—(*1*) The Central Government may, by notified order, establish for any scheduled industry or group of scheduled industries, a body of persons to be called a Development Council which shall consist of members who in the opinion of the Central Government are—

(*a*) persons capable of representing the interests of owners of industrial undertakings in the scheduled industry or group of scheduled industries;

(*b*) persons having special knowledge of matters relating to the technical or other aspects of the scheduled industry or group of scheduled industries;

(*c*) persons capable of representing the interests of persons employed in industrial undertakings in the scheduled industry or group of scheduled industries;

(*d*) persons not belonging to any of the aforesaid categories, who are capable of representing the interests of consumers of goods manufactured or produced by the scheduled industry or group of scheduled industries.

(*2*) The number and the term of office of, and the procedure to be followed in the discharge of their functions by, and the manner of filling casual vacancies among members of a Development Council shall be such as may be prescribed.

(*3*) Every Development Council shall be, by virtue of this Act, a body corporate by such name as may be specified in the notified order establishing it, and may hold and transfer property and shall by the said name sue and be sued.

(*4*) A Development Council shall perform such functions of a kind specified in the Second Schedule as may be assigned to it by the Central Government and for whose exercise by the Development Council it appears to the Central Government expedient to provide in order to increase the efficiency or productivity in the scheduled industry or group of scheduled industries for which the Development Council is established, to improve or develop the service that such industry or group of industries renders

1. Cl. (*b*) Omitted by Act 26 of 1953, s. 4 (w.e.f. 1-10-1953).

or could render to the community, or to enable such industry or group of industries to render such service more economically.

(*5*) A Development Council shall also perform such other functions as it may be required to perform by or under any other provision of this Act.

7. Reports and accounts of Development Councils.—(*1*) A Development Council shall prepare and transmit to the Central Government and the Advisory Council, annually, a report setting out what has been done in the discharge of its functions during the financial year last completed.

(*2*) The report shall include a statement of the accounts of the Development Council for that year, and shall be transmitted as soon as accounts therefor have been audited, together with a copy of any report made by the auditors on the accounts.

(*3*) The statement of account shall be in such form as may be prescribed, being a form which shall conform to the best commercial standards, and the statement shall show the total of remuneration and allowances paid during the year to members and officers of the Council.

(*4*) A copy of each such report of a Development Council, or made by the auditors on its accounts, shall be laid before Parliament by the Central Government.

8. Dissolution of Development Councils.—(*1*) The Central Government may, if it is satisfied that a Development Council should cease to continue in being, by notified order, dissolve that Development Council.

(*2*) On the dissolution of a Development Council under sub-section (*1*), the assets of the Development Council, after its liabilities, if any, are met therefrom, shall vest in the Central Government for the purposes of this Act.

9. Imposition of cess on scheduled industries in certain cases.—(*1*) There may be levied and collected as a cess for the purposes of this Act on all goods manufactured or produced in any such scheduled industry as may be specified in this behalf by the Central Government by notified order a duty of excise at such rate as may be specified in the notified order, and different rates may be specified for different goods or different classes of goods:

Provided that no such rate shall in any case exceed two annas per cent. of the value of the goods.

Explanation.—In this sub-section, the expression "value" in relation to any goods shall be deemed to be the wholesale cash price for which such goods of the like kind and quality are sold or are capable of being sold for delivery at the place of manufacture and at the time of their removal therefrom, without any abatement or deduction whatever except trade discount and the amount of duty then payable.

(*2*) The cess shall be payable at such intervals, within such time and in such manner as may be prescribed, and any rules made in this behalf may provide for the grant of a rebate for prompt payment of the cess.

(*3*) The said cess may be recovered in the same manner as an arrear of land revenue.

(*4*) The Central Government may hand over the proceeds of the cess collected under this section in respect of the goods manufactured or produced by any scheduled industry or group of scheduled industries to the Development Council established for that industry or group of industries, and where it does so, the Development Council shall utilise the said proceeds—

(*a*) to promote scientific and industrial research with reference to the scheduled industry or group of scheduled industries in respect of which the Development Council is established;

(*b*) to promote improvements in design and quality with reference to the products of such industry or group of industries;

(*c*) to provide for the training of technicians and labour in such industry or group of industries;

(*d*) to meet such expenses in the exercise of its functions and its administrative expenses as may be prescribed.

CHAPTER III

REGULATION OF SCHEDULED INDUSTRIES

10. Registration of existing industrial undertakings.—[1][(*1*) The owner of every existing industrial undertaking, not being the Central Government, shall, within such period as the Central Government may,

by notification in the Official Gazette, fix in this behalf with respect to industrial undertakings generally or with respect to any class of them, register the undertaking in the prescribed manner.]

(*2*) The Central Government shall also cause to be registered in the same manner every existing industrial undertaking of which it is the owner.

[2][(*3*) Where an industrial undertaking is registered under this section, there shall be issued to the owner of the undertaking or the Central Government, as the case may be, a certificate of registration [3][containing the productive capacity of the industrial undertaking and such other particulars as may be prescribed].]

[4][*4*) The owner of every industrial undertaking to whom a certificate of registration has been issued under this section before the commencement of the Industries (Development and Regulation) Amendment Act, 1973 (67 of 1973), shall, if the undertaking falls within such class of undertakings as the Central Government may, by notification in the Official Gazette, specify in this behalf, produce, within such period as may be specified in such notification, the certificate of registration for entering therein the productive capacity of the industrial undertaking and other prescribed particulars.

(*5*) In specifying the productive capacity in any certificate of registration issued under sub-section (*3*), the Central Government shall take into consideration the productive or installed capacity of the industrial undertaking as specified in the application for registration made under sub-section (*1*), the level of production immediately before the date on which the application for registration was made under sub-section (*1*), the level of the highest annual production during the three years immediately preceding the introduction in Parliament of the Industries (Development and Regulation) Amendment Bill, 1973, the extent to which production during the said period was utilised for export and such other factors as the Central Government may consider relevant including the extent of under-utilisation of capacity, if any, during the relevant period due to any cause.]

[5][**10A. Revocation of registration in certain cases.—**If the Central Government is satisfied that the registration of any industrial undertaking has been obtained by misrepresentation as to an essential fact or that any industrial undertaking has ceased to be registrable under this Act by reason of any exemption granted under this Act becoming applicable thereto or that for any other reason the registration has become useless or ineffective and therefore requires to be revoked, the Central Government may after giving an opportunity to the owner of the undertaking to be heard revoke the registration.]

11. Licensing of new industrial undertakings.—(*1*) No person or authority other than the Central Government, shall, after the commencement of this Act, establish any new industrial undertaking, except under and in accordance with a licence issued in that behalf by the Central Government:

Provided that a Government other than the Central Government may, with the previous permission of the Central Government, establish a new industrial undertaking.

(*2*) A licence or permission under sub-section (*1*) may contain such conditions including, in particular, conditions as to the location of the undertaking and the minimum standards in respect of size to

1. Subs. by Act 26 of 1953, s. 5, for sub-section (*1*) (w.e.f. 1-10-1953).
2. Ins. by s. 5, *ibid*. (w.e.f. 1-10-1953).
3. Subs. by Act 67 of 1973, s. 2, for "containing such particulars as may be prescribed" (w.e.f. 7-2-1974).
4. Ins. by s. 2, *ibid*. (w.e.f. 7-2-1974).
5. Ins. by Act 26 of 1953, s. 6 (w.e.f. 1-10-1953).

be provided therein as the Central Government may deem fit to impose in accordance with the rules, if any, made under section 30.

[1][**11A. Licence for producing or manufacturing new articles.—**The owner of an industrial undertaking not being the Central Government which is registered under section 10 or in respect of which a licence or permission has been issued under section 11 shall not produce or manufacture any new article unless—

(*a*) in the case of an industrial undertaking registered under section 10, he has obtained a licence for producing or manufacturing such new article; and

(*b*) in the case of an industrial undertaking in respect of which a licence or permission has been issued under section 11, he has had the existing licence or permission amended in the prescribed manner.]

2[**11B. Power of Central Government to specify the requirements which shall be complied with by small scale industrial undertakings.—**(*1*) The Central Government may, with a view to ascertaining which ancillary and small scale industrial undertakings need supportive measures, exemptions or other favourable treatment under this Act to enable them to maintain their viability and strength so as to be effective in—

(*a*) promoting in a harmonious manner the industrial economy of the country and easing the problem of unemployment, and

(*b*) securing that the ownership and control of the material resources of the community are so distributed as best to subserve the common good,

specify, having regard to the factors mentioned in sub-section (*2*), by notified order, the requirements which shall be complied with by an industrial undertaking to enable it to be regarded, for the purposes of this Act, as an ancillary, or a small scale, industrial undertaking and different requirements may be so specified for different purposes or with respect to industrial undertakings engaged in the manufacture or production of different articles:

Provided that no industrial undertaking shall be regarded as an ancillary industrial undertaking unless it is, or is proposed to be, engaged in—

(*i*) the manufacture of parts, components, sub-assemblies, toolings or intermediates; or

(*ii*) rendering of services, or supplying or rendering, not more than fifty per cent. of its production or its total services, as the case may be, to other units for production of other articles.

(*2*) The factors referred to in sub-section (*1*) are the following, namely:—

(*a*) the investment by the industrial undertaking in—

(*i*) plant and machinery, or

(*ii*) land, buildings, plant and machinery;

(*b*) the nature of ownership of the industrial undertakings;

(*c*) the smallness of the number of the workers employed in the industrial undertaking;

(*d*) the nature, cost and quality of the product of the industrial undertaking;

(*e*) foreign exchange, if any, required for the import of any plant or machinery by the industrial undertaking; and

(*f*) such other relevant factors as may be prescribed.

(*3*) A copy of every notified order proposed to be made under sub-section (*1*) shall be laid in draft 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 disapproving the issue of the proposed notified order or both Houses agree in making any modification in

1. Ins. by Act 26 of 1953, s. 7 (w.e.f. 1-10-1953).
2. Ins. by Act 4 of 1984, s. 3 (w.e.f. 12-1-1984).

the proposed notified order, the notified order shall not be made, or, as the case may be, shall be made only in such modified form as may be agreed upon by both the Houses.

(*4*) Notwithstanding anything contained in sub-section (*1*), an industrial undertaking which, according to the law for the time being in force, fell, immediately before the commencement of the Industries (Development and Regulation) Amendment Act, 1984 (4 of 1984), under the definition of an ancillary, or small scale, industrial undertaking, shall, after such commencement, continue to be regarded as an ancillary, or small scale, industrial undertaking for the purposes of this Act until the definition aforesaid is altered or superseded by any notified order made under sub-section (*1*).]

12. Revocation and amendment of licences in certain cases.—(*1*) If the Central Government is satisfied, either on a reference made to it in this behalf or otherwise, that any person or authority, to whom or to which, a licence has been issued under section 11, has, without reasonable cause, failed to establish or to take effective steps to establish the new industrial undertaking in respect of which the licence has been issued within the time specified therefor or within such extended time as the Central Government may think fit to grant in any case, it may revoke the licence.

(*2*) Subject to any rules that may be made in this behalf, the Central Government may also vary or amend any licence issued under section 11:

Provided that no such power shall be exercised after effective steps have been taken to establish the new industrial undertaking in accordance with the licence issued in this behalf.

[1][(*3*) The provisions of this section shall apply in relation to a licence issued under section 11A or where a licence has been amended under that section, to the amendment thereof, as they apply in relation to a licence issued under section 11.]

[2][**13. Further provision for licensing of industrial undertakings in special cases.—**(*1*) No owner of an industrial undertaking, other than the Central Government, shall—

(*a*) in the case of an industrial undertaking required to be registered under section 10, but which has not been registered within the time fixed for the purpose under that section, carry on the business of that undertaking after the expiry of such period, or

(*b*) in the case of an industrial undertaking the registration in respect of which has been revoked under section 10A [3]***, carry on the business of the undertaking after the revocation, or

(*c*) in the case of an industrial undertaking to which the provisions of this Act did not originally apply but became applicable after the commencement of this Act for any reason, carry on the business of the undertaking after the expiry of three months from the date on which the provisions of this Act became so applicable, or

(*d*) effect any substantial expansion of an industrial undertaking which has been registered[4][or in respect of which a licence or permission has been issued], or

(*e*) change the location of the whole or any part of an industrial undertaking which has been registered,

except under, and in accordance with, a licence issued in that behalf by the Central Government, and, in the case of a State Government, except under and in accordance with the previous permission of the Central Government.

(*2*) The provisions of sub-section (*2*) of section 11 and of section 12 shall apply, so far as may be, in relation to the issue of licences or permissions to any industrial undertaking referred to in this section as they apply in relation to the issue of licences or permissions to a new industrial undertaking.

Explanation.—For the purposes of this section, "substantial expansion" means the expansion of an existing industrial undertaking which substantially increases the productive capacity of the undertaking, or which is of such a nature as to amount virtually to a new industrial undertaking, but does not include

1. Ins. by Act 26 of 1953, s. 8 (w.e.f. 1-10-1953).

2. Subs. by s. 9, *ibid*., for section 13 (w.e.f. 1-10-1953).

3. The words "on the ground that it had been obtained by misrepresentation as to an essential fact" omitted by Act 71 of 1956, s. 2 (w.e.f. 1-3-1957).

4. Ins. by s. 2, *ibid*. (w.e.f. 1-3-1957).

any such expansion as is normal to the undertaking having regard to its nature and the circumstances relating to such expansion.]

14. Procedure for the grant of licence or permission.—Before granting any licence or permission under [1][section 11, section 11A [2][section 13 or section 29B]], the Central Government may require such officer or authority as it may appoint for the purpose, to make a full and complete investigation in respect of applications received in this behalf and report to it the result of such investigation and in making any such investigation, the officer or authority shall follow such procedure as may be prescribed.

15. Power to cause investigation to be made into scheduled industries or industrial undertakings.— Where the Central Government is of the opinion that—

(*a*) in respect of any scheduled industry or industrial undertaking or undertakings—

(*i*) there has been, or is likely to be, a substantial fall in the volume of production in respect of any article or class of articles relatable to that industry or manufactured or produced in the industrial undertaking or undertakings, as the case may be, for which, having regard to the economic conditions prevailing, there is no justification; or

(*ii*) there has been, or is likely to be, a marked deterioration in the quality of any article or class of articles relatable to that industry or manufactured or produced in the industrial undertaking or undertakings, as the case may be, which could have been or can be avoided; or

(*iii*) there has been or is likely to be a rise in the price of any article or class of articles relatable to that industry or manufactured or produced in the industrial undertaking or undertakings, as the case may be, for which there is no justification; or

(*iv*) it is necessary to take any such action as is provided in this Chapter for the purpose of conserving any resources of national importance which are utilised in the industry or the industrial undertaking or undertakings, as the case may be; or

[3][(*b*) any industrial undertaking is being managed in a manner highly detrimental to the scheduled industry concerned or to public interest;]

the Central Government may make or cause to be made a full and complete investigation into the circumstances of the case by such person or body of persons as it may appoint for the purpose.

[4][**15A. Power to investigate into the affairs of a company in liquidation.—**(*1*) Where a company, owning an industrial undertaking, is being wound up by or under the supervision of the High Court and the business of such company is not being continued, the Central Government may, if it is of opinion that it is necessary, in the interests of the general public and, in particular, in the interests of production, supply or distribution of articles or class of articles relatable to the concerned scheduled industry, to investigate into the possibility of running or re-starting the industrial undertaking, make an application to the High Court praying for permission to make, or cause to be made, an investigation into such possibility by such person or body of persons as that Government may appoint for the purpose.

(*2*) Where an application is made by the Central Government under sub-section (*1*), the High Court shall, notwithstanding anything contained in the Companies Act, 1956 (1 of 1956), or in any other law for the time being in force, grant the permission prayed for.]

16. Powers of Central Government on completion of investigation under section 15.—(*1*) If after making or causing to be made any such investigation as is referred to in section 15 the Central Government is satisfied that action under this section is desirable, it may issue such directions to the industrial undertaking or undertakings concerned as may be appropriate in the circumstances for all or any of the following purposes, namely:—

(*a*) regulating the production of any article or class of articles by the industrial undertaking or undertakings and fixing the standards of production;

1. Subs. by Act 26 of 1953, s. 10, for "section 11 or section 13 (w.e.f. 1-10-1953).
2. Subs. by Act 71 of 1956, s. 3, for "or section 13" (w.e.f. 1-3-1957).
3. Subs. by Act 26 of 1953, s. 11, for clause (*b*) (w.e.f. 1-10-1953).
4. Ins. by Act 72 of 1971, s. 3 (w.e.f. 1-11-1971).

(*b*) requiring the industrial undertaking or undertakings to take such steps as the Central Government may consider necessary to stimulate the development of the industry to which the undertaking or undertakings relates or relate;

(*c*) prohibiting the industrial undertaking or undertakings from resorting to any act or practice which might reduce its or their production, capacity or economic value;

(*d*) controlling the prices, or regulating the distribution, of any article or class of articles which have been the subject-matter of investigation.

(*2*) Where a case relating to any industry or industrial undertaking or undertakings is under investigation, the Central Government may issue at any time any direction of the nature referred to in sub-section (*1*) to the industrial undertaking or undertakings concerned , and any such direction shall have effect until it is varied or revoked by the Central Government.

17. [**Special provisions for direct control by Central Government in certain cases**.]—*Omitted by the Industries (Development and Regulation) Amendment Act*, 1953 (26 *of* 1953), *s*. 12 (*w.e.f.* 1-10-1953).

18. Power of person or body of persons appointed under section 15 to call for assistance in any investigation.—(*1*) The person or body of persons appointed to make any investigation under section 15 [1][or section 15A] may choose one or more persons possessing special knowledge of any matter relating to the investigation to assist him or it in holding the investigation.

(*2*) The person or body of persons so appointed shall have all the powers of a civil court under the Code of Civil Procedure, 1908 (5 of 1908), for the purpose of taking evidence on oath (which he or it is hereby empowered to administer) and of enforcing the attendance of witnesses and compelling the production of documents and material objects, and the person or body of persons shall be deemed to be a civil court for all the purposes of section 195 and Chapter XXXV of the Code of Criminal Procedure, 1898 (5 of 1898).

[2][CHAPTER IIIA

DIRECT MANAGEMENT OR CONTROL OF INDUSTRIAL UNDERTAKINGS BY CENTRAL GOVERNMENT IN CERTAIN CASES

18A. Power of Central Government to assume management or control of an industrial undertaking in certain cases.—(*1*) If the Central Government is of opinion that—

(*a*) an industrial undertaking to which directions have been issued in pursuance of section 16 has failed to comply with such directions, or

(*b*) an industrial undertaking in respect of which an investigation has been made under section 15 (whether or not any directions have been issued to the undertaking in pursuance of section 16), is being managed in a manner highly detrimental to the scheduled industry concerned or to public interest,

the Central Government may, by notified order, authorise any person or body of persons to take over the management of the whole or any part of the undertaking or to exercise in respect of the whole or any part of the undertaking such functions of control as may be specified in the order.

(*2*) Any notified order issued under sub-section (*1*) shall have effect for such period not exceeding five years as may be specified in the order:

[3][Provided that if the Central Government is of opinion that it is expedient in the public interest that any such notified order should continue to have effect after the expiry of the period of five years aforesaid, it may from time to time issue directions for such continuance for such period, not exceeding two years at a time, as may be specified in the direction, so however that the total period of such continuance (after the expiry of the said period of five years) does not exceed[4][twelve years]; and where any such direction is issued, a copy thereof shall be laid, as soon as may be, before both Houses of Parliament.]

1. Ins. by Act 72 of 1971, s. 4 (w.e.f. 1-11-1971).

2. Ins. by Act 26 of 1953, s. 13 (w.e.f. 1-10-1953).

3. Subs. by Act 6 of 1965, s. 2, for the proviso (w.e.f. 29-3-1965). 4. Subs. by Act 32 of 1974, s. 2, for "ten years" (w.e.f. 29-6-1974).

Explanation.—The power to authorise a body of persons under this section to take over the management of an industrial undertaking which is a company includes also a power to appoint any individual, firm or company to be the managing agent of the industrial undertaking on such terms and conditions as the Central Government may think fit.

[1][**18AA. Power to take over industrial undertakings without investigation under certain circumstances.—**(*1*) Without prejudice to any other provision of this Act, if, from the documentary or other evidence in its possession, the Central Government is satisfied, in relation to an industrial undertaking, that—

(*a*) the persons in charge of such industrial undertaking have, by reckless investments or creation of incumbrances on the assets of the industrial undertaking, or by diversion of funds, brought about a situation which is likely to affect the production of articles manufactured or produced in the industrial undertaking, and that immediate action is necessary to prevent such a situation; or

(*b*) it has been closed for a period of not less than three months (whether by reason of the voluntary winding up of the company owning the industrial undertaking or for any other reason) and such closure is prejudicial to the concerned scheduled industry and that the financial condition of the company owning the industrial undertaking and the condition of the plant and machinery of such undertaking are such that it is possible to re-start the undertaking and such re-starting is necessary in the interests of the general public,

it may, by a notified order, authorise any person or body of persons (hereafter referred to as the "authorised person") to take over the management of the whole or any part of the industrial undertaking or to exercise in respect of the whole or any part of the undertaking such functions of control as may be specified in the order.

(*2*) The provisions of sub-section (*2*) of section 18A shall, as far as may be, apply to a notified order made under sub-section (*1*) as they apply to a notified order made under sub-section (*1*) of section 18A.

(*3*) Nothing contained in sub-section (*1*) and sub-section (*2*) shall apply to an industrial undertaking owned by a company which is being wound up by or under the supervision of the Court.

(*4*) Where any notified order has been made under sub-section (*1*), the person or body of persons having for the time being, charge of the management or control of the industrial undertaking, whether by or under the orders of any court or any contract, instrument or otherwise, shall, notwithstanding anything contained in such order, contract, instrument or other arrangements forthwith make over the charge of management or control, as the case may be, of the industrial undertaking to the authorised person.

(*5*) The provisions of sections 18B to 18E (both inclusive) shall, as far as may be, apply to, or in relation to, the industrial undertaking, in respect of which a notified order has been made under sub-section (*1*), as they apply to an industrial undertaking in relation to which a notified order has been issued under section 18A.]

18B. Effect of notified order under section 18A.—(*1*) On the issue of a notified order under section 18A authorising the taking over of the management of an industrial undertaking,—

(*a*) all persons in charge of the management, including persons holding office as managers or directors of the industrial undertaking immediately before the issue of the notified order, shall be deemed to have vacated their offices as such;

(*b*) any contract of management between the industrial undertaking and any managing agent or any director thereof holding office as such immediately before the issue of the notified order shall be deemed to have been terminated;

1. Ins. by Act 72 of 1971, s. 5 (w.e.f. 1-11-1971).

(*c*) the managing agent, if any, appointed under section 18A shall be deemed to have been duly appointed as the managing agent in pursuance of the Indian Companies Act, 1913 (7 of 1913), and the memorandum and articles of association of the industrial undertaking, and the provisions of the said Act and of the memorandum and articles shall, subject to the other provisions contained in this Act, apply accordingly, but no such managing agent shall be removed from office except with the previous consent of the Central Government;

(*d*) the person or body of persons authorised under section 18A to take over the management shall take all such steps as may be necessary to take into his or their custody or control all the property, effects and actionable claims to which the industrial undertaking is or appears to be entitled, and all the property and effects of the industrial undertaking shall be deemed to be in the custody of the person or, as the case may be, the body of persons as from the date of the notified order; and

(*e*) the persons, if any, authorised under section 18A to take over the management of an industrial undertaking which is a company shall be for all purposes the directors of the industrial undertaking duly constituted under the Indian Companies Act, 1913 (7 of 1913), and shall alone be entitled to

exercise all the powers of the directors of the industrial undertaking, whether such powers are derived from the said Act or from the memorandum or articles of association of the industrial undertaking or from any other source.

(*2*) Subject to the other provisions contained in this Act and to the control of the Central Government, the person or body of persons authorised to take over the management of an industrial undertaking, shall take such steps as may be necessary for the purpose of efficiently managing the business of the industrial undertaking and shall exercise such other powers and have such other duties as may be prescribed.

(*3*) Where any person or body of persons has been authorised to exercise any functions of control in relation to an industrial undertaking, the undertaking shall be carried on pursuant to any directions given by the authorised person in accordance with the provisions of the notified order, and any person having any functions of management in relation to the undertaking or part thereof shall comply with all such directions.

(*4*) The person or body of persons authorised under section [1][18A] shall, notwithstanding anything contained in the memorandum or articles of association of the industrial undertaking, exercise his or their functions in accordance with such directions as may be given by the Central Government so, however, that he or they shall not have any power to give any other person any directions under this section inconsistent with the provisions of any Act or instrument determining the functions of the authority carrying on the undertaking except in so far as may be specifically provided by the notified order.

18C. Contracts in bad faith, etc., may be cancelled or varied.—Without prejudice to the provisions contained in section 18B, the person or body of persons authorised under section 18A to take over the management of an industrial undertaking may, with the previous approval of the Central Government, make an application to any court having jurisdiction in this behalf for the purpose of cancelling or varying any contract or agreement entered into, at any time before the issue of the notified order under section 18A, between the industrial undertaking and any other person and the court may, if satisfied after due inquiry that such contract or agreement had been entered into in bad faith and is detrimental to the interests of the industrial undertaking, make an order cancelling or varying (either unconditionally or subject to such conditions as it may think fit to impose) that contract or agreement, and the contract or agreement shall have effect accordingly.

18D. No right to compensation for termination of office or contract.—Notwithstanding anything contained in any law for the time being in force, no person who ceases to hold any office by reason of the provisions contained in clause (*a*) of section 18B, or whose contract of management is terminated by reason of the provisions contained in clause (*b*) of that section, shall be entitled to any compensation for the loss of office or for the premature termination of his contract of management:

Provided that nothing contained in this section shall affect the right of any such person to recover from the industrial undertaking moneys recoverable otherwise than by way of such compensation.

1. Subs. by Act 36 of 1957, s. 3 and Sch. II, for "18" (w.e.f. 17-9-1957).

18E. Application of Act 7 of 1913.—(*1*) Where the management of an industrial undertaking, being a company as defined in the Indian Companies Act, 1913 (7 of 1913) is taken over by the Central Government, then, notwithstanding anything contained in the said Act or in the memorandum or articles of association of such undertaking,—

(*a*) it shall not be lawful for the shareholders of such undertaking or any other person to nominate or appoint any person to be a director of the undertaking;

(*b*) no resolution passed at any meeting of the shareholders of such undertaking shall be given effect to unless approved by the Central Government;

(*c*) no proceeding for the winding up of such undertaking or for the appointment of a receiver in respect thereof shall lie in any court except with the consent of the Central Government.

(*2*) Subject to the provisions contained in sub-section (*1*), and to the other provisions contained in this Act and subject to such other exceptions, restrictions and limitations, if any, as the Central Government may, by notification in the Official Gazette, specify in this behalf, the Indian Companies Act, 1913 (7 of

1913), shall continue to apply to such undertaking in the same manner as it applied thereto before the issue of the notified order under section 18A.

18F. Power of Central Government to cancel notified order under section 18A.—If at any time it appears to the Central Government on the application of the owner of the industrial undertaking or otherwise that the purpose of the order made under section 18A has been fulfilled or that for any other reason it is not necessary that the order should remain in force, the Central Government may, by notified order, cancel such order and on the cancellation of any such order the management or the control, as the case may be, of the industrial undertaking shall vest in the owner of the undertaking.

[1][CHAPTER IIIAA

MANAGEMENT OR CONTROL OF INDUSTRIAL UNDERTAKINGS OWNED BY COMPANIES IN LIQUIDATION

18FA. Power of Central Government to authorise, with the permission of the High Court, persons to take over management or control of industrial undertakings.—(*1*) If the Central Government is of opinion that there are possibilities of running or re-starting an industrial undertaking, in relation to which an investigation has been made under section 15A, and that such industrial undertaking should be run or re-started, as the case may be, for maintaining or increasing the production, supply or distribution of articles or class of articles relatable to the scheduled industry, needed by the general public, that Government may make an application to the High Court praying for permission to appoint any person or body of persons to take over the management of the industrial undertaking or to exercise in respect of the whole or any part of the industrial undertaking such functions of control as may be specified in the application.

(*2*) Where an application is made under sub-section (*1*), the High Court shall make an order empowering the Central Government to authorise any person or body of persons (hereinafter referred to as the "authorised person",) to take over the management of the industrial undertaking or to exercise functions of control in relation to the whole or any part of the industrial undertaking (hereinafter referred to as the "concerned part") for a period not exceeding five years:

Provided that if the Central Government is of opinion that it is expedient in the interests of the general public that the authorised person should continue to manage the industrial undertaking, or continue to exercise functions of control in relation to the concerned part, as the case may be, after the expiry of the period of five years aforesaid, it may make an application to the High Court for the continuance of such management or functions of control, for such period, not exceeding two years at a time, as may be specified in the application and thereupon the High Court may make an order permitting the authorised person to continue to manage the industrial undertaking or to exercise functions of control in relation to the concerned part:

1. Ins. by Act 72 of 1971, s. 6 (w.e.f. 1-11-1971).

Provided further that the total period of such continuance (after the expiry of the initial period of five years) shall not, in any case, be permitted to exceed [1][twelve years].

(*3*) Where an order has been made by the High Court under sub-section (*2*), the High Court shall direct the Official Liquidator or any other person having, for the time being, charge of the management or control of the industrial undertaking, whether by or under the orders of any Court, or any contract or instrument or otherwise, to make over the management of such undertaking or the concerned part, as the case may be, to the authorised person and thereupon the authorised person shall be deemed to be the Official Liquidator in respect of the industrial undertaking or the concerned part, as the case may be.

(*4*) Before making over the possession of the industrial undertaking or the concerned part to the authorised person, the Official Liquidator shall make a complete inventory of all the assets and liabilities of the industrial undertaking or the concerned part, as the case may be, in the manner specified in section 18FG and deliver a copy of such inventory to the authorised person, who shall, after verifying the correctness thereof, sign on the duplicate copy thereof as evidence of the receipt of the inventory by him.

(*5*) On taking over the management of the industrial undertaking, or on the commencement of the exercise of functions of control in re art, the authorised person shall take

immediate steps to so run the industrial undertaking or the concerned part as to ensure the maintenance of production.

(*6*) The authorised person may, on such terms and conditions and subject to such limitations or restrictions as may be prescribed, raise any loan for the purpose of running the industrial undertaking or the concerned part, and may, for that purpose, create a floating charge on the current assets of the industrial undertaking or the concerned part, as the case may be.

(*7*) Where the authorised person is of opinion that the replacement or repair of any machinery of the industrial undertaking or the concerned part is necessary for the purpose of efficient running of the industrial undertaking or such part, he shall, on such terms and conditions and subject to such limitations or restrictions as may be prescribed, make such replacement or repair, as the case may be.

(*8*) The loan obtained by the authorised person shall be recovered from the assets of the industrial undertaking or the concerned part, in such manner and subject to such conditions as may be prescribed.

(*9*) For the purpose of running the industrial undertaking, or exercising functions of control in relation to the concerned part, the authorised person may employ such of the former employees of the industrial undertaking whose services became discharged by reason of the windingup of the company owning such undertaking and every such person employed by the authorised person shall be deemed to have entered into a fresh contract of service with the company.

(*10*) The proceedings in the winding up of the company in so far as they relate to—

(*a*) the industrial undertaking, the management of which has been taken over by the authorised person under this section, or

(*b*) the concerned part in relation to which any function of control is exercised by the authorised person under this section,

shall, during the period of such management or control, remain stayed, and, in computing the period of limitation for the enforcement of any right, privilege, obligation or liability in relation to such undertaking or the concerned part, the period during which such proceedings remained stayed shall be excluded.

CHAPTER IIIAB

POWER TO PROVIDE RELIEF TO CERTAIN INDUSTRIAL UNDERTAKINGS

18FB. Power of Central Government to make certain declarations in relation to industrial undertakings, the management or control of which has been taken over under section 18A, section 18AA or section 18FA.—(*1*) The Central Government may, if it is satisfied, in relation to an industrial undertaking or any part thereof, the management or control of which has been taken over under

1. Subs. by Act 32 of 1974, s. 2, for "ten years" (w.e.f. 29-6-1974).

section 18A, whether before or after the commencement of the Industries (Development and Regulation) Amendment Act, 1971 (72 of 1971), or under section 18AA or section 18FA, that it is necessary so to do in the interests of the general public with a view to preventing fall in the volume of production of any scheduled industry, it may, by notified order, declare that—

(*a*) all or any of the enactments specified in the Third 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 industrial undertaking, as may be specified in such notified order, 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 industrial undertaking or the company owning such undertaking is a party or which may be applicable to such industrial undertaking or company) immediately before the date of issue of such notified order 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 notified order.

(*2*) The notified order made under sub-section (*1*) shall remain in force, in the first instance, for a period of one year, but the duration of such notified order may be extended from time to time by a further notified order by a period not exceeding one year at a time:

Provided that no such notified order shall, in any case, remain in force—

(*a*) after the expiry of the period for which the management of the industrial undertaking was taken over under section 18A, section 18AA or section 18FA, or

(*b*) for more than[1][eight years] in the aggregate from the date of issue of the first notified order,

whichever is earlier.

(*3*) Any notified order 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 notified order made under that sub-section shall, in accordance with the terms of the notified order, 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 notified order ceasing to have effect—

(*a*) any right, privilege, obligation or liability so remaining suspended or modified shall become revived and enforceable as if the notified order 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 proceedings became 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 IIIAC

LIQUIDATION OR RECONSTRUCTION OF COMPANIES

18FC. Power of Central Government to call for report on the affairs and working of managed company.—Where the management or control of an industrial undertaking has been taken over under section 18A, whether before or after the commencement of the Industries (Development and Regulation) Amendment Act, 1971 (72 of 1971), or under section 18AA or section 18FA, the Central Government

1. Subs. by Act 17 of 1979, s. 2, for "five years" (w.e.f. 30-12-1978).

may, at any time during the continuance of such management or control, call for a report from the authorised person on the affairs and working of the industrial undertaking and in submitting the report the authorised person shall take into account the inventory and the lists of members and creditors prepared under section 18FG.

18FD. Decision of Central Government in relation to managed Company.—(*1*) If, on receipt of the report submitted by the authorised person, the Central Government is satisfied,—

(*a*) in relation to the company owning the industrial undertaking, which is not being wound up by the High Court, that the financial condition and other circumstances of the company are such that it is not in a position to meet its current liabilities out of its current assets, that Government may, if it considers necessary or expedient in the interests of the general public so to do, by order, decide that the industrial undertaking should be sold as a running concern as provided in section 18FE and proceedings should simultaneously be started for the winding up, by the High Court, of the company;

(*b*) in relation to the company, owning the industrial undertaking, which is being wound up by the High Court, that its assets and liabilities are such that in the interests of its creditors and contributories

the industrial undertaking should be sold as a running concern as provided in section 18FE, it may, by order, decide accordingly.

(*2*) Notwithstanding anything contained in sub-section (1), if, on receipt of the report submitted by the authorised person, the Central Government is satisfied that—

(*a*) in the interests of the general public, or

(*b*) in the interests of the shareholders, or

(*c*) to secure the proper management of the company owning the industrial undertaking,

it is necessary so to do, that Government may, by order, decide to prepare a scheme for the reconstruction of the company owning the industrial undertaking:

Provided that no such scheme shall be prepared in relation to a company which is being wound up by or under the supervision of the High Court, except with the previous permission of that Court.

(*3*) The powers exercisable by the Central Government under section 18F, in relation to an undertaking taken over under section 18A, shall also be exercisable in relation to an undertaking taken over under section 18AA or section 18FA, but such powers shall not be exercised after the making of an order under sub-section (*1*) or, as the case may be, under sub-section (*2*) of this section.

18FE. Provisions where Government decides to follow the course of action specified in section 18FD (1).—(*1*) The provisions hereinafter laid down shall apply where the Central Government decides that the course of action specified in sub-section (*1*) of section 18FD should be followed, namely:—

(*a*) the decision of the Central Government that the course of action specified in clause (*a*) of sub-section (*1*) of section 18FD should be followed in relation to a company owning an industrial undertaking shall be deemed to be a ground specified in section 433 of the Companies Act, 1956 (1 of 1956), on which the company may be wound up by the High Court;

(*b*) the authorised person shall, as soon as may be, after the decision specified in clause (*a*) of sub-section (*1*) of section 18FD has been taken by the Central Government, present an application to the High Court for the winding up of the company owning the industrial undertaking;

(*c*) when an application is made by the authorised person, under clause (*b*), for the winding up, by the High Court, of the company owning the industrial undertaking, the High Court shall order the winding up of the company and shall, notwithstanding anything contained in the Companies Act, 1956 (1 of 1956), appoint the authorised person as the Official Liquidator in relation to such undertaking;

(*d*) whenever the Central Government decides under clause (*b*) of sub-section (*1*) of section 18FD that the industrial undertaking should be sold as a running concern, it shall cause a copy of its decision to be laid before the High Court;

(*e*) until the industrial undertaking referred to in clause (*a*) or clause (*b*) of sub-section (*1*) of section 18FD is sold or purchased in pursuance of this section, the authorised person shall continue to function as the Official Liquidator in relation to the said undertaking in the winding up proceedings of the company, and, thereafter the Official Liquidator appointed by the Central Government under section 448 of the Companies Act, 1956 (1 of 1956), shall take over and function as the Official Liquidator in the said proceedings.

(*2*) The authorised person shall make a report to the Central Government as to what should be the reserve price for the sale of the industrial undertaking as a running concern.

(*3*) In making a report under sub-section (*2*), the authorised person shall have regard to—

(*a*) the financial condition of the company owning the industrial undertaking on the date on which the order under section 18FD is made—

(*i*) as disclosed in its books of account,

(*ii*) as disclosed in its balance-sheet and profit and loss account during a period of five years immediately preceding the said date;

(*b*) the condition and nature of the plant, machinery, instruments and other equipment from the point of view of their suitability for profitable use in the running of the industrial undertaking;

(*c*) the total amount of liability on account of secured and unsecured debts including overdrafts, if any, drawn on banks, liabilities on account of terminal benefits to the employees and other borrowings and other liabilities of the company; and

(*d*) other relevant factors including the factor that the industrial undertaking will be sold free from all incumbrances.

(*4*) Notice of the reserve price determined by the authorised person shall be given in such manner as may be prescribed to the members and creditors of the company owning such industrial undertaking to make representations within a specified time to the Central Government through the authorised person and the Central Government shall, after considering the representations received and the report of the authorised person, determine the reserve price.

(*5*) The authorised person shall thereafter, with the permission of the High Court, invite tenders from the public in such manner as may be determined by the High Court for the sale of the industrial undertaking as a running concern subject to the condition that it will be sold to the person offering the highest price which shall not be less than the reserve price determined under sub-section (*4*):

Provided that the High Court shall not refuse to grant such permission if it is satisfied that the company is not in a position to meet its current liabilities out of its current assets.

(*6*) The industrial undertaking shall be sold to the highest bidder, as a running concern, only if the price offered by him therefore is not less than the reserve price.

(*7*) Where no offer of price is equal to, or more than, the reserve price, the industrial undertaking shall be purchased by the Central Government at the reserve price.

(*8*) (*a*) The amount realised from the sale of the industrial undertaking as a running concern together with any other sum which may be realised from any contributory, purchaser or any other person from whom any money is due to the company shall be utilised in accordance with the provisions of the Companies Act, 1956 (1 to 1956), in discharging the liabilities of the company and distributing the balance, if any, amongst the members of the company.

(*b*) In other respects, the provisions of the Companies Act, 1956 (1 of 1956), relating to the winding up of a company by the High Court shall, as far as may be, apply.

(*9*) When an industrial undertaking is sold to any person under sub-section (*6*), or purchased by the Central Government under sub-section (*7*), there shall be transferred to and vested in the purchaser, free from all incumbrances, all such assets relating to the industrial undertaking as are referred to in sub-clause (*i*) of clause (*a*) of section 18FG and existing at the time of the sale or purchase.

18FF. Provisions where Government decides to follow the course of action specified in section 18FD (2).—(*1*) Where in any case the Central Government decides that the course of action specified in sub-section (*2*) of section 18FD should be followed, it shall, subject to the provisions of that sub-section, cause to be prepared, by the authorised person, a scheme for the reconstruction of the company, owning the industrial undertaking, in accordance with the provisions hereinafter contained and the authorised person shall submit the same for the approval of that Government.

(*2*) The scheme for the reconstruction of the company owning the industrial undertaking may contain provisions for all or any of the following matters, namely:—

(*a*) the constitution, name and registered office, the capital, assets, powers, rights, interests, authorities and privileges, the liabilities, duties and obligations of the company on its reconstruction;

(*b*) any change in the Board of directors, or the appointment of a new Board of directors of the company on its reconstruction and the authority by whom, the manner in which and the other terms and conditions on which, such change or appointment shall be made and in the case of appointment of a new Board of directors or of any director, the period for which such appointment shall be made;

(*c*) the vesting of controlling interest, in the reconstructed company, in the Central Government either by the appointment of additional directors or by the allotment of additional shares;

(*d*) the alteration of the memorandum and articles of association of the company, on its reconstruction, to give effect to such reconstruction;

(*e*) subject to the provisions of the scheme, the continuation by or against the company, on its reconstruction, of any action or proceedings pending against the company immediately before the date of its reconstruction;

(*f*) the reduction of the interest or rights which the members and creditors have in or against the company before its reconstruction to such extent as the Central Government may consider necessary in the interests of the general public or in the interests of the members and creditors or for the maintenance of the business of the company:

Provided that nothing contained in this clause shall be deemed to authorise the reduction of the interest or rights of any creditor (including Government) in respect of any loan or advance made by that creditor to the company after the date on which the management of the industrial undertaking of the company has been taken over under section 18A, section 18AA, or section 18FA;

(*g*) the payment in cash or otherwise to the creditors in full satisfaction of their claim—

(*i*) in respect of their interest or rights in or against the company before its reconstruction; or

(*ii*) where their interest or rights in or against the company has or have been reduced under clause (*f*), in respect of such interest, or rights as so reduced;

(*h*) the allotment to the members of the company for shares held by them therein before its reconstruction [whether their interest in such shares has been reduced under clause (*f*) or not], of shares in the company on its reconstruction and where it is not possible to allot shares to any members, the payment in cash to those members in full satisfaction of their claim—

(*1*) in respect of their interest in shares in the company before its reconstruction; or

(*2*) where such interest has been reduced under clause (*f*), in respect of their interest in shares as so reduced;

(*i*) the offer by the Central Government to acquire by negotiations with the members of the company their respective shares on payment in cash to those members who may volunteer to sell their shares to the Central Government in full satisfaction of their claim—

(*1*) in respect of their interest in shares in the company before its reconstruction; or

(*2*) where such interest has been reduced under clause (*f*), in respect of their interest in shares as so reduced;

(*j*) the conversion of any debentures issued by the company after the taking over of the management of the company under section 18A or section 18AA or section 18FA or of any loans obtained by the company after that date or of any part of such debentures or loans, into shares in the company and the allotment of those shares to such debenture-holders or creditors, as the case may be;

(*k*) the increase of the capital of the company by the issue of new shares and the allotment of such new shares to the Central Government;

(*l*) the continuance of the services of such of the employees of the company as the Central Government may specify in the scheme in the company itself, on its reconstruction, on such terms and conditions as the Central Government thinks fit;

(*m*) notwithstanding anything contained in clause (*l*), where any employees of the company whose services have been continued under clause (*l*) have, by notice in writing given to the company at any time before the expiry of one month next following the date on which the scheme is sanctioned by the High Court, intimated their intention of not becoming employees of the company, on its reconstruction, the payment to such ployees whose services have not been

continued on the reconstruction of the company, of compensation, if any, to which they are entitled under the Industrial Disputes Act, 1947 (14 of 1947), and such pension, gratuity, provident fund and other retirement benefits ordinarily admissible to them under the rules or authorisations of the company immediately before the date of its reconstruction;

(*n*) any other terms and conditions for the reconstruction of the company;

(*o*) such incidental, consequential and supplemental matters as are necessary to secure that the reconstruction of the company shall be fully and effectively carried out.

(*3*) (*a*) A copy of the scheme, as approved by the Central Government, shall be sent in draft to the company, to the registered trade unions, if any, of which the employees of the company are members and to the creditors thereof for suggestions and objections, if any, within such period as the Central Government may specify for this purpose.

(*b*) The Central Government may make such modifications, if any, in the draft scheme as it may consider necessary in the light of the suggestions and objections received from the company, from the registered trade unions of which the employees of the company are members and from any members or creditors of the company.

(*4*) The scheme shall thereafter be placed before the High Court for its sanction and the High Court, if satisfied that the scheme is in the interests of the general public or in the interests of the shareholders or for securing the proper management of the company and that the scheme is designed to be fair and reasonable to the members and creditors of the company, may, after giving a reasonable opportunity to the company and to its members and creditors of showing cause, sanction the scheme without any modification or with such modifications as it may consider necessary.

(*5*) The scheme, as so sanctioned by the High Court, shall come into force on such date as that Court may specify in this behalf:

Provided that different dates may be specified for different provisions of the scheme.

(*6*) The sanction accorded by the High Court under sub-section (*4*) shall be conclusive evidence that all the requirements of this section relating to the reconstruction of the company have been complied with, and a copy of the sanctioned scheme certified by the High Court to be a true copy thereof, shall, in all legal proceedings (whether original or in appeal or otherwise), be admitted as evidence to the same extent as the original scheme.

(*7*) On and from the date of the coming into operation of the scheme or any provision thereof, the scheme or such provision shall be binding on the company and also on all the members and other creditors and employees of the company and on any other person having any right or liability in relation to the company.

(*8*) On the coming into operation of the scheme or any provision thereof, the authorised person shall cease to function, and the management of the reconstructed company shall be assumed by the Board of directors as provided in the scheme.

(*9*) Copies of the scheme shall be laid before each House of Parliament, as soon as may be, after the scheme has been sanctioned by the Court.

(*10*) The provisions of this section and of any scheme made thereunder shall have effect notwithstanding anything contained in sections 391 to 394A (both inclusive) of the Companies Act, 1956 (1 of 1956).

18FG. Preparation of inventory of assets and liabilities and list of members and creditors of managed company.—For the purposes of this Act, the authorised person shall, as soon as may be, after taking over the management of the industrial undertaking of a company under section 18A or section 18AA or section 18FA,—

(*a*) prepare a complete inventory of—

(*i*) all properties, movable and immovable, including lands, buildings, works, workshops, stores, instruments, plant, machinery, automobiles and other vehicles, stocks of materials in the course of production, storage or transit, raw materials, cash balances, cash in hand, deposits in bank or with any other person or body or on loan, reserve funds, investments and book debts and all other rights and interests arising out of such property as were immediately before the date of taking over of the industrial undertaking in the ownership, possession, power or control of the company, whether within or without India; and all books of account, registers, maps, plans, sections, drawings, records, documents or titles of ownership of property, and all other documents of whatever nature relating thereto; and

(*ii*) all borrowings, liabilities and obligations of whatever kind of the company including liability on account of terminal benefits to its employees subsisting immediately before the said date;

(*b*) prepare separately a list of members, and a list of creditors, of such company as on the date of taking over of the management of the industrial undertaking showing separately in the list of creditors, the secured creditors and the unsecured creditors:

Provided that where the management of the industrial undertaking of a company has been taken over under the said section 18A before the commencement of the Industries (Development and Regulation) Amendment Act, 1971 (72 of 1971), the aforesaid functions shall be performed by the authorised person within six months from such commencement.

18FH. Stay of suits and other proceedings.—In the case of a company in respect of which an order under section 18FD has been made, no suit or other legal proceeding shall be instituted or continued against the company except with the previous permission of the Central Government or any officer or authority authorised by that Government in this behalf.]

CHAPTER IIIB

CONTROL OF SUPPLY, DISTRIBUTION, PRICE, ETC., OF CERTAIN ARTICLES

18G. Power to control supply, distribution, price, etc., of certain articles.—(*1*) The Central Government, so far as it appears to it to be necessary or expedient for securing the equitable distribution and availability at fair prices of any article or class of articles relatable to any scheduled industry, may, notwithstanding anything contained in any other provision of this Act, by notified order, provide for regulating the supply and distribution thereof and trade and commerce therein.

(*2*) Without prejudice to the generality of the powers conferred by sub-section (*1*), a notified order made thereunder may provide—

(*a*) for controlling the prices at which any such article or class thereof may be bought or sold;

(*b*) for regulating by licences, permits or otherwise the distribution, transport, disposal, acquisition, possession, use or consumption of any such article or class thereof;

(*c*) for prohibiting the withholding from sale of any such article or class thereof ordinarily kept for sale;

(*d*) for requiring any person manufacturing, producing or holding in stock any such article or class thereof to sell the whole or part of the articles so manufactured or produced during a specified period or to sell the whole or a part of the articles so held in stock to such person or class of persons and in such circumstances as may be specified in the order;

(*e*) for regulating or prohibiting any class of commercial or financial transactions relating to such article or class thereof which in the opinion of the authority making the order are, or if unregulated are likely to be, detrimental to public interest;

(*f*) for requiring persons engaged in the distribution and trade and commerce in any such article or class thereof to mark the articles exposed or intended for sale with the sale price or to exhibit at some easily accessible place on the premises the price-lists of articles held for sale and also to similarly exhibit on the first day of every month, or at such other time as may be prescribed, a statement of the total quantities of any such articles in stock;

(*g*) for collecting any information or statistics with a view to regulating or prohibiting any of the aforesaid matters; and

(*h*) for any incidental or supplementary matters, including, in particular, the grant or issue of licences, permits or other documents and the charging of fees therefor.

(*3*) Where, in pursuance of any order made with reference to clause (*d*) of sub-section (*2*), any person sells any article, there shall be paid to him the price therefor—

(*a*) where the price can consistently with the controlled price, if any, be fixed by agreement, the price so agreed upon;

(*b*) where no such agreement can be reached, the price calculated with reference to the controlled price, if any, fixed under this section;

(*c*) where neither clause (*a*) nor clause (*b*) applies, the price calculated at the market rate prevailing in the locality at the date of sale.

(*4*) No order made in exercise of any power conferred by this section shall be called in question in any court.

(*5*) Where an order purports to have been made and signed by an authority in exercise of any power conferred by this section, a court shall, within the meaning of the Indian Evidence Act, 1872 (1 of 1872), presume that such order was so made by that authority.

Explanation.—In this section, the expression "article or class of articles" relatable to any scheduled industry includes any article or class of articles imported into India which is of the same nature or description as the article or class of articles manufactured or produced in the scheduled industry.]

CHAPTER IV

MISCELLANEOUS

19. Powers of inspection.—(*1*) For the purpose of ascertaining the position or working of any industrial undertaking or for any other purpose mentioned in this Act or the rules made thereunder, any person authorised by the Central Government in this behalf shall have the right—

(*a*) to enter and inspect any premises;

(*b*) to order the production of any document, book, register or record in the possession or power of any person having the control of, or employed in connection with, any industrial undertaking; and

(*c*) to examine any person having the control of, or employed in connection with, any industrial undertaking.

(*2*) Any person authorised by the Central Government under sub-section (*1*) shall be deemed to be a public servant within the meaning of section 21 of the Indian Penal Code (45 of 1860).

20. General prohibition of taking over management or control of industrial undertakings.—After the commencement of this Act, it shall not be competent for any State Government or a local authority to take over the management or control of any industrial undertaking under any law for the time being in force which authorises any such Government or local authority so to do.

21. Certain administrative expenses of Development Councils to be paid from moneys provided by Parliament.—Such administrative expenses as relate to the emoluments of officers of a Development Council who are appointed by or with the approval of the Central Government, shall be defrayed out of moneys provided by Parliament.

22. Power of the Central Government to issue directions to Development Councils.—In the exercise of its functions under this Act, every Development Council shall be guided by such instructions as may be given to it by the Central Government and such instructions may include directions relating to the manner in which, and the purpose for which, any proceeds of the cess levied under section 9 which may have been handed over to it, shall be expanded.

[1][**23. Decision of Central Government final respecting certain matters.—**If, for the purposes of this Act, any question arises as to whether—

(*a*) there has been a substantial expansion of an industrial undertaking, or

(*b*) an industrial undertaking is producing or manufacturing any new article,

the decision of the Central Government thereon shall be final.]

24. Penalties.—[2][(*1*) If any person contravenes or attempts to contravene or abets the contravention of—

(*i*) the provisions of sub-section (*1*) [3][or sub-section (*4*)] of section 10 or of sub-section (*1*) of section 11 or of section 11A or of sub-section (*1*) of section 13 [4][or of [5][sub-sections (*2*), (*2A*), (*2D*), (*2F*) and (*2G*) of section 29B]], or

(*ii*) any direction issued under section 16 or sub-section (*3*) of section 18B, or

(*iii*) any order made under section 18G, or

(*iv*) any rule the contravention of which is made punishable under this section,

[6][he shall be liable to penalty which may extend to twenty-five lakh rupees.]]

(*2*) If the person contravening any of the said provisions is 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 contravention 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 provided in this Act, if he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence.

(*3*) Notwithstanding anything contained in sub-section (*2*), where an offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or

1. Subs. by Act 26 of 1953, s. 14, for section 23 (w.e.f. 1-10-1953).
2. Subs. by s. 15, *ibid*., for sub-section (*1*) (w.e.f. 1-10-1953).
3. Ins. by Act 67 of 1973, s. 3 (w.e.f. 7-2-1974).
4. Ins. by Act 71 of 1956, s. 4 (w.e.f. 1-3-1957).
5. Subs. by Act 4 of 1984, s. 4, for "sub-section (*2*) of section 29B" (w.e.f. 12-1-1984).
6. Subs. by Act 18 of 2023, s. 2 and Schedule, for long line (w.e.f. 12-12-2023).

connivance of, or is attributable to any neglect on the part of, any director or manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also 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.

[1][**24A. Adjudication**.—(*1*) The Central Government, for the purposes of determining the penalties under section 24, shall authorise the District Magistrate or the Additional District Magistrate, having jurisdiction, to be the adjudicating officer, to hold an inquiry and impose penalty in the manner, as may be prescribed.

(*2*) The adjudicating officer may summon and enforce the attendance of any person acquainted with the facts and circumstances of the case to give evidence or to produce any document, which in the opinion of the adjudicating officer, may be useful for, or relevant to, the subject-matter of the inquiry and if, on such inquiry, he is satisfied that the person concerned has failed to comply with the provisions of this Act, he may impose such penalty as he thinks fit in accordance with the provisions of section 24:

Provided that no such penalty shall be imposed without giving the person concerned a reasonable opportunity of being heard.

24B. Appeal.—(*1*) Whoever aggrieved by the order, passed by the adjudicating officer under section 24A, may prefer an appeal to an officer not below the rank of Joint Secretary to the Government of India, to be an appellate authority, within thirty days from the date of receipt of order, in such form and manner as may be prescribed.

(*2*) An appeal may be admitted after the expiry of the period of thirty days if the appellant satisfies the appellate authority that he had sufficient cause for not preferring the appeal within that period.

(*3*) The appellate authority may, after giving the parties to the appeal an opportunity of being heard, pass such order as he may think fit.

(*4*) An appeal under sub-section (*1*) shall be disposed of within sixty days from the date of filing.

24C. Recovery.—Notwithstanding anything contained in this Act, if penalty imposed by the adjudicating officer under section 24A or order of the appellate authority under section 24B, as the case may be, is not deposited, the amount shall be recovered as an arrear of land revenue.]

2[**25. Delegation of powers.—**(*1*) The Central Government may, by notified order, direct that any power exercisable by it under this Act (other than the power given to it by sections 16 3[,18A, 18AA and 18FA]) shall, in relation to such matters and subject to such conditions, if any, as may be specified in the direction, be exercisable also by such officer or authority (including in the said expressions any Development Council, State Government or officer or authority subordinate to the Central Government) as may be specified in the direction.

(*2*) Any power exercisable by a State Government by virtue of a direction under sub-section (*1*) may, unless otherwise provided in such direction, be exercised also by such officer or authority subordinate to that State Government as it may, by notified order, specify in this behalf.

26. Power to issue directions.—The Central Government may give directions to any State Government as to the carrying into execution in the State of any of the provisions of this Act or of any order or direction made thereunder.

1. Subs. by Act 18 of 2023, s. 2 and Sch., for section 24A (w.e.f. 12-12-2023).
2. Subs. by Act 26 of 1953, s. 17, for sections 25 to 29 (w.e.f. 1-10-1953).
3. Subs. by Act 72 of 1971, s. 7, for "and 18A" (w.e.f. 1-11-1971).

27. [*Cognizance of offences.*] *Omitted by the Jan Vishwas (Amendment of Provisions) Act*, 2023 (18 *of* 2023), *s.* 2 *and Schedule* (*w.e.f.* 12-12-2023).

28. Burden of proof in certain cases.—Where any person is 1[imposed penalty] for contravening any order made under section 18G which prohibits him from doing an act or being in possession of a thing without lawful authority or without a permit, licence or other document, the burden of proving that he has such authority, permit, licence or other document shall be on him.

29. [*Jurisdiction of courts.*] *Omitted by the Jan Vishwas (Amendment of Provisions) Act*, 2023 (18 *of* 2023), *s.* 2 *and Schedule* (*w.e.f.* 12-12-2023).

29A. [*Special provision regarding fines.*] *Omitted by the Jan Vishwas (Amendment of Provisions) Act*, 2023 (18 *of* 2023), *s.* 2 *and Schedule* (*w.e.f.* 12-12-2023).

29B. Power to exempt in special cases.—2[(*1*)] If the Central Government is of opinion, having regard to the smallness of the number of workers employed or to the amount invested in any industrial undertaking or to the desirability of encouraging small undertakings generally or to the stage of development of any scheduled industry, that it would not be in public interest to apply all or any of the provisions of this Act thereto, it may, by notification in the Official Gazette, exempt, subject to such conditions as it may think fit to impose, any industrial undertaking or class of industrial undertakings or any scheduled industry or class of scheduled industries as it may specify in the notification from the operation of all or any of the provisions of this Act or of any rule or order made thereunder.

3[(*2*) Where any notification under sub-section (*1*) granting any exemption is cancelled, no owner of any industrial undertaking to which the provisions of section 10, section 11, section 11A or clause (*d*) of sub-section (*1*) of section 13 would have applied, if the notification under sub-section (*1*) had not been issued, shall carry on the business of the undertaking after the expiry of such period as may be specified in the notification cancelling the exemption except under and in accordance with a licence issued in this behalf by the Central Government and, in the case of a State Government, except under and in accordance with the previous permission of the Central Government.

[4][*2A*) In particular, and without prejudice to the generality of the provisions of sub-section (*1*), the Central Government may, if it is satisfied, after considering the recommendations made to it by the Advisory Committee constituted under sub-section (*2B*), that it is necessary so to do for the development and expansion of ancillary, or small scale, industrial undertakings, by notified order, direct that any article or class of articles specified in the First Schedule shall, on and from such date as may be specified in the notified order (hereafter in this section referred to as the "date of reservation"), be reserved for exclusive production by the ancillary, or small scale, industrial undertakings (hereafter in this section referred to as "reserved article").

(*2B*) The Central Government shall, with a view to determining the nature of any article or class of articles that may be reserved for production by the ancillary, or small scale, industrial undertakings, constitute an Advisory Committee consisting of such persons as have, in the opinion of that Government, the necessary expertise to give advice on the matter.

(*2C*) The Advisory Committee shall, after considering the following matters, communicate its recommendations to the Central Government, namely:—

(*a*) the nature of any article or class of articles which may be produced economically by the ancillary, or small scale, industrial undertakings;

(*b*) the level of employment likely to be generated by the production of such article or class of articles by the ancillary, or small scale, industrial undertakings;

(*c*) the possibility of encouraging and diffusing entrepreneurship in industry;

(*d*) the prevention of concentration of economic power to the common detriment; and

1. Subs. by Act 18 of 2023, s. 2 and Schedule, for "prosecuted" (w.e.f. 12-12-2023). 2. S. 29B re-numbered as sub-section (*1*) thereof by Act 71 of 1956, s. 5 (w.e.f. 1-3-1957). 3. Ins. by s. 5, *ibid*. (w.e.f. 1-3-1957).

4. Ins. by Act 4 of 1984, s. 5 (w.e.f. 12-1-1984).

(*e*) such other matters as the Advisory Committee may think fit.

(*2D*) The production of any reserved article or class of reserved articles by any industrial undertaking (not being an ancillary, or small scale, industrial undertaking) which, on the date of reservation, is engaged in, or has taken effective steps for, the production of any reserved article or class of reserved articles, shall, after the commencement of the Industries (Development and Regulation) Amendment Act, 1984 (4 of 1984), or, as the case may be, the date of reservation, whichever is later, be subject to such conditions as the Central Government may, by notified order, specify.

(*2E*) While specifying any condition under sub-section (*2D*), the Central Government may take into consideration the level of production of any reserved article or class of reserved articles achieved, immediately before the date of reservation, by the industrial undertaking referred to in sub-section (*2D*), and such other factors as may be relevant.

(*2F*) Every person or authority, not being the Central Government, who, or which, is registered under section 10 or to whom, or to which, a licence has been issued or permission has been granted under section 11 for the production of any article or class of articles which has, or have, been subsequently reserved for the ancillary, or small scale, industrial undertakings, shall produce, such registration certificate, licence or permission, as the case may be, within such period as the Central Government may, by notified order, specify in this behalf, and the Central Government may enter therein all or any of the conditions specified by it under sub-section (*2D*), including the productive capacity of the industrial undertakings and other prescribed particulars.

(*2G*) The owner of every industrial undertaking (not being an ancillary or small scale, industrial undertaking) which, immediately before the commencement of the Industries (Development and Regulation) Amendment Act, 1984 (4 of 1984), or the date of reservation, whichever is later,—

(*a*) was engaged in the production of any article or class of articles, which has, or have, been reserved for the ancillary, or small scale, industrial undertakings, or

(*b*) had before such commencement or before the date of such reservation, as the case may be, taken effective steps for commencing the production of such reserved article or class of reserved articles,

without being registered under section 10 or in respect of which a licence or permission has not been issued under section 11, shall refrain from the production of such reserved article or class of reserved articles, on and from the date of expiry of three months from such commencement or from the date of such reservation, whichever is later.

(*2H*) Every notified order made under sub-section (*2A*) 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 notified order or both Houses agree that the notified order should not be made, the notified order 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 notified order.]

(*3*) The provisions of this Act shall apply, so far as may be, in relation to the issue of a licence or permission to any industrial undertaking referred to in sub-section (*2*) as they apply in relation to the issue of a licence or permission to a new industrial undertaking.]

29C. Protection of action taken under the Act.—(*1*) No suit, prosecution or other legal proceeding shall lie against any person for anything which is in good faith done or intended to be done under this Act or any rule or order made thereunder.

(*2*) No suit or other legal proceeding shall lie against the Government for any damage caused or likely to be caused by anything which is in good faith done or intended to be done in pursuance of this Act or any rule or order made thereunder.]

[1][**29D. Debts incurred by the authorised person to have priority.—**Every debt arising out of any loan obtained by the authorised person for carrying on the management of, or exercising function of control in relation to, an industrial undertaking or part thereof, the management of which has been taken over under section 18A or section 18AA or section 18FA,—

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

(*b*) shall be a preferential debt within the meaning of section 530 of the Companies Act, 1956 (1 of 1956),

and such debts shall rank equally among themselves and be paid in full out of the assets of the industrial undertakings unless such assets are insufficient to meet them, in which case they shall abate in equal proportions.]

[2][**29E. Validation.—**Notwithstanding anything contained in any judgment, decree or order of any court, tribunal or other authority, any power exercised, or action taken or done or purported to have been taken or done, by the Central Government or, as the case may be, the State Government, shall be deemed to be, and shall always deemed to have been, for all purposes, as validly taken or done or omitted to be done, as if the amendment made to the First Schedule by the Industries (Development and Regulation) Amendment Act, 2016 (27 of 2016) had been in force at all material times and no suit or claim or other proceedings shall be instituted, maintained or continued in any court, tribunal or other authority as such.]

30. Power to make rules.—(*1*) The Central Government may, subject to the condition of previous publication, make rules for carrying out the purposes 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 constitution of the Advisory Council and Development Councils, the term of office and other conditions of service of, the procedure to be followed by, and the manner of filling casual vacancies among members of the Advisory Council or a Development Council;

(*b*) the form of the statement of account to be furnished by a Development Council;

(*c*) the intervals at which, the time within which, and the manner in which the cess leviable under section 9 shall be payable and the rebate for the prompt payment of such cess;

(*d*) the expenses which a Development Council may meet from the proceeds of the cess levied under section 9 which may have been handed over to it;

(*e*) the appointment by or with the approval of the Central Government of any officers of a Development Council;

(*f*) the facilities to be provided by any industrial undertaking for the training of technicians and labour;

(*g*) the collection of any information or statistics in respect of any scheduled industry;

(*h*) the manner in which industrial undertakings may be registered under section 10 and the levy of a fee therefor;

(*i*) the procedure for the grant or issue of licences and permissions under [3][section 11, section 11A [4][section 13 or section 29B]], the time within which such licences or permissions shall be granted or issued including, in particular, the publication of notices calling for applications and the holding of such public inquiry in relation thereto as may be necessary in the circumstances;

(*j*) the fees to be levied in respect of licences and permissions issued under this Act;

(*k*) the matters which may be taken into account in the granting or issuing of licences and permissions, including in particular, the previous consultation by the Central Government with the

1. Ins. by Act 72 of 1971, s. 8 (w.e.f. 1-11-1971).

2. Ins. by Act 27 of 2016, s. 2 (w.e.f. 14-5-2016).

3. Subs. by Act 26 of 1953, s. 18, for "section 11 or section 13" (w.e.f. 1-10-1953).

4. Subs. by Act 71 of 1956, s. 6, for "or section 13" (w.e.f. 1-3-1957).

Advisory Council or any Development Council or both in regard to the grant or issue of any such licences or permission;

(*l*) the procedure to be followed in making any investigation under this Act;

(*m*) the conditions which may be included in any licences and permissions;

(*n*) the conditions on which licences and permissions may be varied or amended under section 12;

(*o*) the maintenance of books, accounts and records relating to an industrial undertaking;

(*p*) the submission of special or periodical returns relating to an industrial undertaking by persons having the control of, or employed in connection with, such undertaking, and the forms in which, and the authorities to which, such returns and reports shall be submitted;

[1][(*pp*) any matter which is to be or may be prescribed for giving effect to the provisions of Chapter IIIAA or Chapter IIIAC;]

[2][(*ppa*) the manner of holding inquiry and imposing penalty under sub-section (*1*) of section 24A;

(*ppb*) the form and manner of preferring appeal under sub-section (*1*) of section 24B;]

(*q*) any other matter which is to be or may be prescribed under this Act.

(*3*) Any rule made under this section may provide that a contravention thereof shall be [3][liable to penalty] under section 24.

[4][(*4*) Every rule made under this section 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.]

31. Application of other laws not barred.—The provisions of this Act shall be in addition to and not, save as otherwise expressly provided in this Act, in derogation of any other Central Act for the time being in force, relating to any of the scheduled industries.

32.[*Amendment of section* 2, *Act* 14 *of* 1947.]*Rep. by the Repealing and Amending Act* 1957 (36 *of* 1957), *s*. 2 *and Sch. I* (*w.e.f.* 17-9-1957).

1. Ins. by Act 72 of 1971, s. 9 (w.e.f. 1-11-1971).

2. Ins. by Act 18 of 2023, s. 2 and Schedule (w.e.f. 12-12-2023).

3. Subs. by s. 2 and Schedule, *ibid*., for "punishable" (w.e.f. 12-12-2023).

4. Subs. by Act 4 of 1986, s. 2 and the Schedule, for sub-section (*4*) (w.e.f. 15-5-1986).

[1][THE FIRST SCHEDULE

[*See* sections 2 and 3(*i*)]

Any industry engaged in the manufacture or production of any of the articles mentioned under each of the following headings or sub-headings, namely:—

1. METALLURGICAL INDUSTRIES:

A. Ferrous:

(1) Iron and steel (Metal).

(2) Ferro-alloys.

(3) Iron and Steel castings and forgings.

(4) Iron and Steel structurals.

(5) Iron and Steel pipes.

(6) Special steels

(7) Other products of iron and steel.

B. Non-ferrous:

[2][(1) Precious metals, including gold and silver, and their alloys;

(1A) Other non-ferrous metals and their alloys.]

(2) Semi-manufactures and manufactures.

2. FUELS:

(1) Coal, lignite, coke and their derivatives.

(2) Mineral oil (crude oil), motor and aviation spirit, diesel oil, kerosene oil, fuel oil, diverse hydrocarbon oils and their blends including synthetic fuels, lubricating oils and the like.

(3) Fuel gases—(coal gas, natural gas and the like).

3. BOILERS AND STEAM GENERATING PLANTS:

Boilers and steam generating plants.

4. PRIME MOVERS (OTHER THAN ELECTRICAL GENERATORS):

(1) Steam engines and turbines.

(2) Internal combustion engines.

5. ELECTRICAL EQUIPMENT:

(1) Equipment for generation, transmission and distribution of electricity including transformers.

(2) Electrical motors.

(3) Electrical fans.

(4) Electrical lamps.

(5) Electrical furnaces.

(6) Electrical cables and wires.

(7) X-ray equipment.

1. Subs. by Act 71 of 1956, s. 7, for Sch. I (w.e.f. 1-3-1957).
2. Subs. by Act 37 of 1962, s. 2, for item (1) (w.e.f. 16-9-1962).

(8) Electronic equipment.

(9) Household appliances such as electric irons, heaters and the like.

(10) Storage batteries.

(11) Dry cells.

6. TELECOMMUNICATIONS:

(1) Telephones.

(2) Telegraph equipment.

(3) Wireless communication apparatus.

(4) Radio receivers, including amplifying and public address equipment.

(5) Television sets.

(6) Teleprinters.

7. TRANSPORTATION:

(1) Aircraft.

(2) Ships and other vessels drawn by power.

(3) Railway locomotives.

(4) Railway rolling stock.

(5) Automobiles (motor cars, buses, trucks, motor cycles, scooters and the like).

(6) Bicycles.

(7) Others, such as fork lift trucks and the like.

8. INDUSTRIAL MACHINERY:

A. Major items of specialised equipment used in specific industries:—

(1) Textile machinery (such as spinning frames, carding machines, power looms and the like) including textile accessories.

(2) Jute machinery.

(3) Rayon machinery.

(4) Sugar machinery.

(5) Tea machinery.

(6) Mining machinery.

(7) Metallurgical machinery.

(8) Cement machinery.

(9) Chemical machinery.

(10) Pharmaceuticals machinery.

(11) Paper machinery.

B. General items of machinery used in several industries, such as the equipment required for various 'unit processes':—

(1) Size reduction equipment—crushers, ball mills and the like.

(2) Conveying equipment—bucket elevators, skip hoist, cranes, derricks and the like.

(3) Size separation units—screens, classifiers and the like.

(4) Mixers and reactors—kneading mills, turbo mixers and the like.

(5) Filtration equipment—filter presses, rotary filters and the like.

(6) Centrifugal machines.

(7) Evaporators.

(8) Distillation equipment.

(9) Crystallisers.

(10) Driers.

(11) Power driven pumps—reciprocating, centrifugal and the like.

(12) Air and gas compressors and vacuum pipes (excluding electrical furnaces).

(13) Refrigeration plants for industrial use.

(14) Fire-fighting equipment and appliances including fire engines.

C. Other items of Industrial Machinery:—

(1) Ball, roller and tapered bearings.

(2) Speed reduction units.

(3) Grinding wheels and abrasives.

9. MACHINE TOOLS:

Machine Tools.

10. AGRICULTURAL MACHINERY:

(1) Tractors, harvesters and the like.

(2) Agricultural implements.

11. EARTH-MOVING MACHINERY:

Bulldozers, dumpers, scrapers, loaders, shovels, drag lines, bucket wheel excavators, road rollers and the like.

12. MISCELLANEOUS MECHANICAL AND ENGINEERING INDUSTRIES:

(1) Plastic moulded goods.

(2) Hand tools, small tools and the like.

(3) Razor blades.

[1][(4) Pressure Cookers.

(5) Cutlery.

(6) Steel furniture.]

13. COMMERCIAL, OFFICE AND HOUSEHOLD EQUIPMENT:

(1) Typewriters.

(2) Calculating machines.

(3) Air conditioners and refrigerators.

(4) Vacuum cleaners.

(5) Sewing and knitting machines.

(6) Hurricane lanterns.

1. Ins. by Act 17 of 1979, s. 3 (w.e.f. 30-12-1978).

14. MEDICAL AND SURGICAL APPLIANCES:

Surgical instruments—sterilisers, incubators and the like.

15. INDUSTRIAL INSTRUMENTS:

(1) Water meters, steam meters, electricity meters and the like.

(2) Indicating, recording and regulating devices for pressure, temperature, rate of flow, weights, levels and the like.

(3) Weighing machines.

16. SCIENTIFIC INSTRUMENTS:

Scientific instruments.

17. MATHEMATICAL, SURVEYING AND DRAWING INSTRUMENTS:

Mathematical, surveying and drawing instruments.

18. FERTILISERS:

(1) Inorganic fertilisers.

(2) Organic fertilisers.

(3) Mixed fertilisers.

19. CHEMICALS (OTHER THAN FERTILISERS):

(1) Inorganic heavy chemicals.

(2) Organic heavy chemicals.

(3) Fine chemicals including photographic chemicals.

(4) Synthetic resins and plastics.

(5) Paints, varnishes and enamels.

(6) Synthetic rubbers.

(7) Man-made fibers including regenerated cellulose-rayon, nylon and the like.

(8) Coke oven by-products.

(9) Coal tar distillation products like naphthalene, anthracene and the like.

(10) Explosives including gunpowder and safety fuses.

(11) Insecticides, fungicides, weedicides and the like.

(12) Textile auxiliaries.

(13) Sizing materials including starch.

(14) Miscellaneous chemicals.

20. PHOTOGRAPHIC RAW FILM AND PAPER:

(1) Cinema film.

(2) Photographic amateur film.

(3) Photographic printing paper.

21. DYE-STUFFS:

Dye-stuffs.

22. DRUGS AND PHARMACEUTICALS:

Drugs and Pharmaceuticals.

23. TEXTILES (INCLUDING THOSE DYED, PRINTED OR OTHERWISE PROCESSED):

(1) Made wholly or in part of cotton, including cotton yarn, hosiery and rope.

(2) Made wholly or in part o nd rope.

(3) Made wholly or in part of wool, including wool tops, woollen yarn, hosiery, carpets and druggets.

(4) Made wholly or in part of silk, including silk yarn and hosiery.

(5) Made wholly or in part of synthetic, artificial (man-made) fibers, including yarn and hosiery of such fibers.

24. PAPER AND PULP INCLUDING PAPER PRODUCTS:

(1) Paper—writing, printing and wrapping.

(2) Newsprint.

(3) Paper board and straw board.

(4) Paper for packaging (corrugated paper, kraft paper, paper bags, paper containers and the like).

(5) Pulp—wood pulp, mechanical, chemical, including dissolving pulp.

25. SUGAR:

Sugar.

[1][26. FERMENTATION INDUSTRIES (OTHER THAN POTABLE ALCOHOL):]

(1) Alcohol.

(2) Other products of fermentation industries.

27. FOOD PROCESSING INDUSTRIES:

(1) Canned fruits and fruit products.

(2) Milk foods.

(3) Malted foods.

(4) Flour.

(5) Other processed foods.

28. VEGETABLE OILS AND VANASPATI:

(1) Vegetable oils, including solvent extracted oils.

(2) Vanaspati.

29. SOAPS, COSMETICS AND TOILET PREPARATIONS:

(1) Soaps.

(2) Glycerine.

(3) Cosmetics.

(4) Perfumery

(5) Toilet preparations.

30. RUBBER GOODS:

(1) Tyres and tubes.

(2) Surgical and medicinal products including prophylactics.

(3) Footwear.

1. Subs. by Act 27 of 2016, s. 3, for "26. FERMENTATION INDUSTRIES:" (w.e.f. 14-5-2016).

(4) Other rubber goods.

31. LEATHER, LEATHER GOODS AND PICKERS:

Leather, leather goods and pickers.

32. GLUE AND GELATIN:

Glue and gelatin.

33. GLASS:

(1) Hollow ware.

(2) Sheet and plate glass.

(3) Optical glass.

(4) Glass wool.

(5) Laboratory ware.

(6) Miscellaneous ware.

34. CERAMICS:

(1) Fire bricks.

(2) Refractories.

(3) Furnace lining bricks—acidic, basic and neutral.

(4) Chinaware and pottery.

(5) Sanitary ware.

(6) Insulators.

(7) Tiles.

[1][(8) Graphite Crucibles.]

35. CEMENT AND GYPSUM PRODUCTS:

(1) Portland cement.

(2) Asbestos cement.

(3) Insulating boards.

(4) Gypsum boards, wall boards and the like.

36. TIMBER PRODUCTS:

(1) Plywood.

(2) Hardboard, including fiber-board, chip-board and the like.

(3) Matches.

(4) Miscellaneous (furniture components, bobbins, shutters and the like).

37. DEFENCE INDUSTRIES:

Arms and ammunition.

1. Ins. by Act 17 of 1979, s. 3 (w.e.f. 30-12-1978).

38. MISCELLANEOUS INDUSTRIES:

[1][(1)] Cigarettes.

[2][(2) Linoleum, whether felt based or jute based.]

[3][(3) Zip fasteners (metallic and non-metallic).

(4) Oil Stoves.

(5) Printing, including litho printing industry.]

Explanation 1.—The articles specified under each of the headings Nos. 3, 4, 5, 6, 7, 8, 10, 11 and 13 shall include their component parts and accessories.

Explanation 2.—The articles specified under each of the headings Nos. 18, 19, 21, and 22 shall include the intermediates required for their manufacture.]

1. Item “Cigarettes” re-numbered as item (*1*) thereof by Act 67 of 1973, s. 4 (w.e.f. 7-2-1974).
2. Ins. by s. 4, *ibid*. (w.e.f. 7-2-1974).
3. Ins. by Act 17 of 1979, s. 3 (w.e.f. 30-12-1978).

THE SECOND SCHEDULE

[*See* section 6(*4*)]

Functions which may be assigned to Development Councils:—

(1) Recommending targets for production, co-ordinating production programmes and reviewing progress from time to time.

(2) Suggesting norms of efficiency with a view to eliminating waste, obtaining maximum production, improving quality and reducing costs.

(3) Recommending measures for securing the fuller utilisation of the installed capacity and for improving the working of the industry, particularly of the less efficient units.

(4) Promoting arrangements for better marketing and helping in the devising of a system of distribution and sale of the produce of the industry which would be satisfactory to the consumer.

(5) Promoting standardisation of products.

(6) Assisting in the distribution of controlled materials and promoting arrangements for obtaining materials for the industry.

(7) Promoting or undertaking inquiry as to materials and equipment and as to methods of production, management and labour utilisation, including the discovery and development of new materials, equipment and methods and of improvements in those already in use, the assessment of the advantages of different alternatives and the conduct of experimental establishments and of tests on a commercial scale.

(8) Promoting the training of persons engaged or proposing engagement in the industry and their education in technical or artistic subjects relevant thereto.

(9) Promoting the retaining in alternative occupations of personnel engaged in or retrenched from the industry.

(10) Promoting or undertaking scientific and industrial research, research into matters affecting industrial psychology and research into matters relating to production and to the consumption or use of goods and services supplied by the industry.

(11) Promoting, improvements and standardisation of accounting and costing methods and practice.

(12) Promoting or undertaking the collection and formation of statistics.

(13) Investigating possibilities of decentralising stages and processes of production with a view to encouraging the growth of allied small scale and cottage industries.

(14) Promoting the adoption of measures for increasing the productivity of labour, including measures for securing safer and better working conditions and the provision and improvement of amenities and incentives for workers.

(15) Advising on any matters relating to the industry (other than remuneration and conditions of employment) as to which the Central Government may request the Development Council to advise and undertaking inquiries for the purpose of enabling the Development Council so to advise, and

(16) Undertaking arrangements for making available to the industry information obtained and for advising on matters with which the Development Councils are concerned in the exercise of any of their functions.

[1][THE THIRD SCHEDULE

(*See* section 18 FB)

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 (

1. Ins. by Act 72 of 1971, s. 10 (w.e.f. 1-11-1971).

STATEMENT OF OBJECTS AND REASONS

The object of this Bill is to provide the Central Government with the means of implementing their industrial policy which was announced in their resolution No. 1 (3)-44 (13) 48 dated 6th April, 1948 and approved by the Central Legislature. The Bill brings under Central control the development and regulation of a number of important industries the activities of which affect the country as a whole and the development of which must be governed by economic factors of all India import. The planning of future development on sound and balanced lines is sought be secured by the licensing of all new undertakings by the Central Government. The Bill confers on Government power to make rules for the registration of existing undertakings, for regulating the production and development of the industries in the Schedule and for consultation with Provincial Governments on these matters. Provision has also been made for the constitution of a Central Advisory Council, prior consultation with which will be obligatory before the Central Government takes certain measures such as the revocation of a licence or taking over the control and management of any industrial concern.

NEW DELHI: SYAMA PRASAD MOOKERJEE.
The 21*st* M*arch*, 1949.