THE SICK TEXTILE UNDERTAKINGS (NATIONALISATION) ACT, 1974

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THE FIRST SCHEDULE.
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THE SICK TEXTILE UNDERTAKINGS (NATIONALISATION) ACT, 1974

No. 57 of 1974

[21st December, 1974.]

An Act to provide for the acquisition and transfer of the sick textile undertakings, and the right, title and interest of the owners in respect of the sick textile undertakings, specified in the First Schedule with a view to re-organising and rehabilitating such sick textile undertakings so as to subserve the interests of the general public by the augmentation of the production and distribution, at fair prices, of different varieties of cloth and yarn, and for matters connected therewith or incidental thereto.

Be it enacted by Parliament in the Twenty-fifth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

1. (1) This Act may be called the Sick Textile Undertakings (Nationalisation) Act, 1974.

(2) The provisions of sections 32 and 33 shall come into force at once and the remaining provisions of this Act shall be deemed to have come into force on the 1st day of April, 1974.

2. (1) In this Act, unless the context otherwise requires,—

(a) “appointed day” means the 1st day of April, 1974;

(b) “bank” means—

(i) the State Bank of India constituted under the State Bank of India Act, 1955;

(ii) a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959;
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(iii) a corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970;

(iv) any other bank, being a scheduled bank as defined in clause (e) of section 2 of the Reserve Bank of India Act, 1934;

(c) "Commissioner" means a Commissioner of Payments appointed under section 17;

(d) "Custodian" means a Custodian appointed under section 5 of the Sick Textile Undertakings (Taking Over of Management) Act, 1972, and includes the person, or body of persons authorised by the Central Government to take over the management of a textile undertaking under the Industries (Development and Regulation) Act, 1951;

(e) "National Textile Corporation" means the National Textile Corporation Limited, formed and registered under the Companies Act, 1956;

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

(g) "Ordinance" means the Sick Textile Undertakings (Nationalisation) Ordinance, 1974;

(h) "owner", when used in relation to a sick textile undertaking, means any person or firm who or which is, immediately before the appointed day, the immediate proprietor or lessee or occupier of the sick textile undertaking or any part thereof, and in the case of a textile company which is, being wound up or the business whereof is being carried on by a liquidator or receiver, includes such liquidator or receiver, and also includes any agent or manager of such owner but does not include any person or body of persons authorised under the Industries (Development and Regulation) Act, 1951, or the Sick Textile Undertakings (Taking Over of Management) Act, 1972, to take over the management of the whole or any part of the sick textile undertaking;

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

(j) "sick textile undertaking" means a textile undertaking, specified in the First Schedule, the management of which has, before the appointed day, been taken over by the Central Government under the Industries (Development and Regulation) Act, 1951, or as the case may be, vested in the Central Government under the Sick Textile Undertakings (Taking Over of Management) Act, 1972;

(k) "specified date" means such date as the Central Government may, for the purpose of any provision of this Act, by notification, specify; and different dates may be specified for different provisions of this Act;

(l) "Subsidiary Textile Corporation" means a Textile Corporation formed by the National Textile Corporation as its subsidiary;

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

(n) "textile company" means a company specified in column (3) of the First Schedule as owning the textile undertaking specified in the corresponding entry in column (2) of that Schedule;

(o) "textile undertaking" means an undertaking engaged in the manufacture of textiles and to which the provisions of the Factories Act, 1948, apply.
(2) Words and expressions used but not defined in this Act and defined in the Industries (Development and Regulation) Act, 1951, shall have the meanings respectively assigned to them in that Act.

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

CHAPTER II

ACQUISITION OF THE RIGHTS OF OWNERS OF SICK TEXTILE UNDERTAKINGS

3. (1) On the appointed day, every sick textile undertaking and the right, title and interest of the owner in relation to every such sick textile undertaking shall stand transferred to, and shall vest absolutely in, the Central Government.

(2) Every sick textile undertaking which stands vested in the Central Government by virtue of sub-section (1) shall, immediately after it has so vested, stand transferred to, and vested in, the National Textile Corporation.

4. (1) The sick textile undertaking referred to in section 3 shall be deemed to include all assets, rights, lease-holds, powers, authorities and privileges and all property, movable and immovable, including lands, buildings, workshops, stores, instruments, machinery and equipment, cash balances, cash on hand, reserve funds, investments and book debts and all other rights and interests in, or arising out of, such property as were immediately before the appointed day in the ownership, possession, power or control of the owner of the sick textile undertaking, whether within or outside India, and all books of account, registers and all other documents of whatever nature relating thereto and shall also be deemed to include the liabilities and obligations specified in sub-section (2) of section 5.

(2) All property as aforesaid which have vested in the Central Government under sub-section (1) of section 3 shall, by force of such vesting, be freed and discharged from any trust, obligation, mortgage, charge, lien and all other incumbrances affecting it, and any attachment, injunction or decree or order of any court restricting the use of such property in any manner shall be deemed to have been withdrawn.

(3) Where any licence or other instrument in relation to a sick textile undertaking had been granted at any time before the date on which the Ordinance was promulgated, to an owner by the Central Government or a State Government or any other authority, the National Textile Corporation shall, on and from such date, be deemed to be substituted in such licence or other instrument in place of the owner referred to therein as if such licence or other instrument had been granted to it and shall hold such licence or the sick textile undertaking specified in such other instrument for the remainder of the period for which the owner would have held such licence or the sick textile undertaking under such other instrument.

(4) Every mortgagee of any property which has vested under this Act in the Central Government and every person holding any charge, lien or other interest in or in relation to any such property shall give, within such time and in such manner as may be prescribed, an intimation to the Commissioner of such mortgage, charge, lien or other interest.
(5) For the removal of doubts, it is hereby declared that the mortgagee of any property referred to in sub-section (2) or any other person holding any charge, lien or other interest in, or in relation to, any such property shall be entitled to claim, in accordance with his rights and interests, payment of the mortgage money or other dues, in whole or in part, out of the amount specified in relation to such property in the First Schedule, but no such mortgage, charge, lien or other interest shall be enforceable against any property which has vested in the Central Government.

(6) If, on the appointed day, any suit, appeal or other proceeding of whatever nature in relation to any matter specified in sub-section (2) of section 5 in respect of the sick textile undertaking, instituted or preferred by or against the textile company, is pending, the same shall not abate, be discontinued or be, in any way, prejudicially affected by reason of the transfer of the sick textile undertaking or of anything contained in this Act but the suit, appeal or other proceeding may be continued, prosecuted and enforced by or against the National Textile Corporation.

(7) Any person, who, on the date on which the Ordinance was promulgated, was in possession of, or had under his custody or control, the whole or any part of any sick textile undertaking referred to in section 3, the management of which could not be taken over by the Central Government by reason of any decree, order or injunction of any court or otherwise, shall deliver forthwith the possession of such undertaking or part and all books of account, registers and all other documents of whatever nature relating to such undertaking or part to the Central Government or the National Textile Corporation or such other person as the Central Government or the National Textile Corporation, as the case may be, may specify in this behalf.

5. (1) Every liability, other than the liability specified in sub-section (2) of the owner of a sick textile undertaking, in respect of any period prior to the appointed day, shall be the liability of such owner and shall be enforceable against him and not against the Central Government or the National Textile Corporation.

(2) Any liability arising in respect of—

(a) loans advanced by the Central Government, or a State Government, or both, to a sick textile undertaking (together with interest due thereon) after the management of such undertaking had been taken over by the Central Government,

(b) amounts advanced to a sick textile undertaking (after the management of such undertaking had been taken over by the Central Government), by the National Textile Corporation or by a State Textile Corporation, or by both, together with interest due thereon,

(c) wages, salaries and other dues of employees of the sick textile undertaking, in respect of any period after the management of such undertaking had been taken over by the Central Government,

shall, on and from the appointed day, be the liability of the Central Government and shall be discharged, for and on behalf of that Government, by the National Textile Corporation as and when repayment of such loans or amounts becomes due or as and when such wages, salaries or other dues become due and payable.
(7) For the removal of doubts, it is hereby declared that—

(a) save as otherwise expressly provided in this section or in any other section of this Act, no liability, other than the liability specified in sub-section (2), in relation to a sick textile undertaking in respect of any period prior to the appointed day, shall be enforceable against the Central Government or the National Textile Corporation;

(b) no award, decree or order of any court, tribunal or other authority in relation to any sick textile undertaking passed after the appointed day in respect of any matter, claim or dispute, in relation to any matter not referred to in sub-section (2), which arose before that day, shall be enforceable against the Central Government or the National Textile Corporation;

(c) no liability of any sick textile undertaking or any owner thereof for the contravention, before the appointed day, of any provision of law for the time being in force, shall be enforceable against the Central Government or the National Textile Corporation.

Explanation.—In this section, “State Textile Corporation” means a corporation, formed and registered under the Companies Act, 1956, in a State, which is in charge of the management of a sick textile undertaking either as a person 1 of 1956. authorised under the Industries (Development and Regulation) Act, 1951, or as the Custodian under the Sick Textile Undertakings (Taking Over of Manage- 65 of 1951. ment) Act, 1972 and includes the West Bengal State Textile Corporation Limited which has advanced amounts to sick textile undertakings in the State.

6. (1) The National Textile Corporation may, if it considers it necessary so to do, form subsidiary corporations under the Companies Act, 1956, and register them under that Act.

(2) The National Textile Corporation—may, by order in writing, transfer any sick textile undertaking or part thereof to a Subsidiary Textile Corporation and any such transfer shall be subject to such terms and conditions as may be specified in the said order.

(3) The Subsidiary Textile Corporation shall, on and from the date of such transfer, be deemed to be substituted in the licence or other instrument referred to in sub-section (3) of section 4 in place of the National Textile Corporation as if such licence or other instrument had been granted to the Subsidiary Textile Corporation, and shall hold such licence or other instrument for the remainder of the period for which the National Textile Corporation would have held such licence or other instrument.

(4) On the transfer to a Subsidiary Textile Corporation of any sick textile undertaking or any part thereof, the liabilities required to be discharged by the National Textile Corporation under sub-section (2) of section 5, shall, in so far as they relate to the sick textile undertaking or part thereof so transferred to the Subsidiary Textile Corporation, be discharged, on and from the date of such transfer, by the Subsidiary Textile Corporation as and when any such liability is required to be discharged.

(5) Save as otherwise expressly provided in this Act, references in this Act to the National Textile Corporation shall, in respect of any sick textile undertaking or any part thereof which is transferred to a Subsidiary Textile Corporation, be construed as references to the Subsidiary Textile Corporation.
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7. (1) An amount equal to the value of the assets of a sick textile undertaking transferred to, and vested in, the National Textile Corporation under sub-section (2) of section 3, shall be deemed to be the contribution made by the Central Government to the equity capital of the National Textile Corporation; and for the contribution so made, the National Textile Corporation shall issue (if necessary after amending its memorandum and articles of association) to the Central Government paid-up shares, in its equity capital, having a face value equal to the amount specified against the sick textile undertaking in the corresponding entry in column (4) of the First Schedule.

(2) Where any liability assumed by the Central Government under this Act is taken over by the National Textile Corporation under section 27, the Central Government shall surrender to that Corporation the shares issued to it under sub-section (1) having the face value equal to the amount to the extent to which the liability has been so taken over by the National Textile Corporation and thereupon the share capital of the National Textile Corporation shall, to the extent of the face value of the shares so surrendered, stand reduced.

CHAPTER III
PAYMENT OF AMOUNT

8. The owner of every sick textile undertaking shall be given by the Central Government, in cash and in the manner specified in Chapter VI, for the transfer to, and vesting in, it, under sub-section (1) of section 3, of such sick textile undertaking and the right, title and interest of the owner in relation to such sick textile undertaking, an amount equal to the amount specified against it in the corresponding entry in column (4) of the First Schedule.

9. (1) In consideration of the retrospective operation of the provisions of sections 3, 4 and 5, there shall be given, in cash, by the Central Government, to the owner of every sick textile undertaking, the management of which was taken over by the Central Government, an amount equal to an amount calculated at the rate specified in section 6 of the Sick Textile Undertakings (Taking Over of Management) Act, 1972, for the period commencing on the appointed day and ending on the date on which the Ordinance was promulgated.

(2) In addition to the amount referred to in section 8, there shall be given by the Central Government, in cash, to the owner of every sick textile undertaking, simple interest at the rate of four per cent. per annum on the amount specified against such owner in the corresponding entry in column (4) of the First Schedule for the period commencing on the date on which the Ordinance was promulgated, and ending on the date on which payment of such amount is made by the Central Government to the Commissioner.

(3) The amount representing interest calculated at the rate specified in sub-section (2) shall be given in addition to the amount specified in the First Schedule.

10. (1) Where in pursuance of any decree, order or injunction of a court or otherwise, the Central Government or the Custodian was prevented from taking over the management of any sick textile undertaking, the owner of such sick textile undertaking shall,—

(a) in the case of an undertaking the management of which was subsequently taken over by the Central Government at any time before the date on which the Ordinance was promulgated, within sixty days from such date; or
(b) in the case of any other sick textile undertaking, the management of which could not be taken over by the Central Government before the date on which the Ordinance was promulgated, within sixty days from such date,

render accounts in relation to the period commencing on the date of the notified order under the Industries (Development and Regulation) Act, 1951, or, as the case may be, on the date of commencement of the Sick Textile Undertakings (Taking Over of Management) Act, 1972, and ending on the date on which the management of the sick textile undertaking was taken over by the Central Government or the Custodian, as the case may be, with regard to the—

(i) assets and stores of the sick textile undertaking acquired or sold during the said period;

(ii) textile sold or despatched during the said period; and

(iii) income derived by the owner from the sick textile undertaking during the said period.

(2) If on examination of the accounts referred to in sub-section (1), any income is found to have been derived by the owner from the sick textile undertaking during the period referred to in that sub-section, such income shall be recoverable by the Central Government from the amount payable under section 8 to the owner of such sick textile undertaking and the debt due to the Central Government on this account shall rank as an unsecured debt.

(3) If no account is rendered by the owner of a sick textile undertaking within the period referred to in sub-section (1) or if the Central Government has any reason to believe that the account rendered by such owner is incorrect or false in material particulars, the Central Government may refer the matter to the Commissioner and thereupon the Commissioner shall determine the income derived by the owner from the sick textile undertaking during the period referred to in sub-section (1), and take steps to recover the said income from the amount payable to the owner of the sick textile undertaking under section 8, as if the debt due to the Central Government on this account were an unsecured debt.

(4) No mortgage, charge, lien or other incumbrance in relation to a sick textile undertaking or any asset thereof shall be binding on the Central Government or the National Textile Corporation if such mortgage, charge, lien or other incumbrance was created, at any time during the period in which the Central Government or the Custodian was prevented, by any decree, order or injunction of a court or otherwise, from taking over the management of the said sick textile undertaking.

CHAPTER IV

MANAGEMENT, ETC., OF SICK TEXTILE UNDERTAKINGS

II. The National Textile Corporation or any person which that Corporation may, by order in writing, specify, shall be entitled to exercise the powers of general superintendence, direction, control and management of the affairs and business of a sick textile undertaking, the right, title and interest of an owner in relation to which have vested in that Corporation under sub-section (2) of section 3, and do all such things as the owner of the sick textile undertaking is authorised to exercise and do.
12. On the vesting of the management of a sick textile undertaking in the National Textile Corporation all persons in charge of the management of such sick textile undertaking immediately before such vesting shall be bound to deliver to the National Textile Corporation all assets, books of account, registers or other documents in their custody relating to the sick textile undertaking.

13. The National Textile Corporation shall maintain the accounts of sick textile undertakings in accordance with the provisions of the Companies Act, 1 of 1956.

CHAPTER V

PROVISIONS RELATING TO EMPLOYEES OF SICK TEXTILE UNDERTAKINGS

14. (1) Every person who is a workman within the meaning of the Industrial Disputes Act, 1947, and has been, immediately before the appointed day, employed in a sick textile undertaking shall become, on and from the appointed day, an employee of the National Textile Corporation, and shall hold office or service in the National Textile Corporation with the same rights and privileges as to pension, gratuity and other matters as would have been admissible to him if the rights in relation to such sick textile undertaking had not been transferred to and vested in the National Textile Corporation and shall continue to do so unless and until his employment in the National Textile Corporation is duly terminated or until his remuneration, terms and conditions of employment are duly altered by the National Textile Corporation.

(2) Every person who is not a workman within the meaning of the Industrial Disputes Act, 1947, and who has been, immediately before the appointed day, employed in a sick textile undertaking shall, in so far as such person is employed in connection with the sick textile undertaking which has vested in the National Textile Corporation, become, as from the appointed day, an employee of the National Textile Corporation and shall hold his office or service therein by the same tenure, at the same remuneration and upon the same terms and conditions and with the same rights and privileges as to pension and gratuity and other matters as he would have held the same under the sick textile undertaking if it had not vested in the National Textile Corporation and shall continue to do so unless and until his employment in the National Textile Corporation is duly terminated or until his remuneration, terms and conditions of employment are duly altered by the National Textile Corporation:

Provided that in respect of any sick textile undertaking the management of which could not be taken over by the Central Government under the Sick Textile Undertakings (Taking Over of Management) Act, 1972, by reason of any decree, order or injunction of any court, any agent, director (including a managing or whole-time director, by whatever name called) or manager shall not become an employee of the National Textile Corporation.

(3) Notwithstanding anything contained in the Industrial Disputes Act, 1947, or in any other law for the time being in force, the transfer of the services of any officer or other person employed in a sick textile undertaking to the National Textile Corporation shall not entitle such officer or other employee to any compensation under this Act or any other law for the time being in force and no such claim shall be entertained by any court, tribunal or other authority.
(4) Where, under the terms of any contract of service or otherwise, any person whose services become terminated or whose services become transferred to the National Textile Corporation by reason of the provisions of this Act is entitled to any arrears of salary or wages or any payment for any leave not availed of or other payment, not being payment by way of gratuity or pension, such person may, except to the extent such liability has been taken over by the Central Government under section 5, enforce his claim against the owner of the sick textile undertaking but not against the Central Government or the National Textile Corporation.

15. (1) Where the owner of a sick textile undertaking has established a provident fund, superannuation, welfare or other fund for the benefit of the persons employed in such sick textile undertaking the monies relatable to the employees, whose services have become transferred by or under this Act to the National Textile Corporation shall, out of the monies standing, on the appointed day, to the credit of such provident fund, superannuation, welfare or other fund, stand transferred to, and shall vest in, the National Textile Corporation.

(2) The monies which stand transferred, under sub-section (1), to the National Textile Corporation shall be dealt with by that Corporation in such manner as may be prescribed.

16. Where any sick textile undertaking or any part thereof is transferred under this Act to a Subsidiary Textile Corporation, every person referred to in sub-section (1) and sub-section (2) of section 14 shall, on and from the date of such transfer, become an employee of the Subsidiary Textile Corporation, and the provisions of sections 14 and 15 shall apply to such employee as they apply to an employee of the National Textile Corporation as if references in the said sections to the National Textile Corporation were references to the Subsidiary Textile Corporation.

CHAPTER VI
COMMISSIONERS OF PAYMENTS

17. (1) For the purpose of disbursing the amounts payable to the owner of each sick textile undertaking, the Central Government shall, by notification in the Official Gazette,—

(a) appoint such number of persons as it may think fit to be Commissioners of Payments; and

(b) define the local limits within which the Commissioners of Payments shall exercise the powers conferred, and perform the duties imposed, on them by or under this Act.

(2) The Central Government may appoint such other persons as it may think fit to assist the Commissioner and thereupon the Commissioner may authorise one or more of such persons also to exercise all or any of the powers exercisable by him under this Act, and different persons may be authorised to exercise different powers.

(3) Any person authorised by the Commissioner to exercise any powers may exercise those powers in the same manner and with the same effect as if they have been conferred on that person directly by this Act and not by way of authorisation.

(4) The salaries and allowances of the Commissioner and other persons appointed under this section shall be defrayed out of the Consolidated Fund of India.
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(5) References in this Act to the Commissioner shall, where more than one Commissioner has been appointed, be construed as references to the Commissioner in relation to the sick textile undertaking within the local limits of the jurisdiction specified under clause (b) of sub-section (1).

18. (1) The Central Government shall, within thirty days from the specified date, pay in cash to the Commissioner, for payment to the owner of a sick textile undertaking, an amount equal to the amount specified against the sick textile undertaking in the First Schedule and shall also pay to the Commissioner such sums as may be due to the owner of a sick textile undertaking under subsections (1) and (2) of section 9.

(2) In relation to the sick textile undertakings, the management of which was taken over by the Central Government under the Industries (Development and Regulation) Act, 1951, there shall be paid by the Central Government [in addition to the amount referred to in sub-section (1)], to the Commissioner, in cash, an amount calculated at the rate specified in section 6 of the Sick Textile Undertakings (Taking Over of Management) Act, 1972, for the period commencing on the date on which such management was taken over by the Central Government and ending on the appointed day.

(3) In relation to the sick textile undertakings, the management of which was taken over by the Central Government under the Sick Textile Undertakings (Taking Over of Management) Act, 1972, there shall be paid by the Central Government [in addition to the amount referred to in sub-section (1)], to the Commissioner, in cash, such amount payable under section 6 of that Act as remains unpaid in relation to the period commencing on the date on which such management was taken over by the Central Government and ending on the appointed day.

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

(5) Separate records shall be maintained by the Commissioner in respect of each sick textile undertaking in relation to which payments have been made to him under this Act.

(6) Interest accruing on the amounts standing to the credit of the deposit account referred to in sub-section (4) shall inure to the benefit of the owners of the sick textile undertakings.

19. (1) The National Textile Corporation shall be entitled to receive, up to the specified date, to the exclusion of all other persons, any money due to the sick textile undertaking, realised after the appointed day, notwithstanding that the realisations pertain to a period prior to the appointed day.

(2) The National Textile Corporation may make a claim to the Commissioner with regard to every payment made by the Custodian after the appointed day but before the date on which the Ordinance was promulgated for discharging any liability of the owner of a sick textile undertaking in relation to any period prior to the appointed day, and every such claim shall have priority, in accordance with the priorities attaching, under this Act, to the matter in relation to which such liability has been discharged by the Custodian.

(3) Save as otherwise provided in this Act, the liabilities in relation to a sick textile undertaking in respect of any period prior to the appointed day which have not been discharged by the Custodian shall be the liabilities of the owner of that sick textile undertaking.