

The Industrial Reconstruction Bank (Transfer of Undertakings and Repeal) Act, 1997

(ACT NO. 07 OF 1997)

(*As on the 1st June, 2026*)

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AMENDING ACT

The Banking Laws (Amendment) Act, 2012 (4 of 2013).

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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.

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THE INDUSTRIAL RECONSTRUCTION BANK (TRANSFER OF UNDERTAKINGS AND REPEAL) ACT, 1997

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THE INDUSTRIAL RECONSTRUCTION BANK (TRANSFER OF UNDERTAKINGS AND REPEAL) ACT, 1997

ACT NO. 7 OF 1997

[19*th March*, 1997.]

An Act to provide for the transfer and vesting of the undertakings of the Industrial Reconstruction Bank of India to and in the Company to be formed and registered as a Company under the Companies Act, 1956, and for matters connected therewith or incidental thereto and also to repeal the Industrial Reconstruction Bank of India Act, 1984.

BE it enacted by Parliament in the Forty-eighth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

1. Short title and commencement.—(*1*) This Act may be called the Industrial Reconstruction Bank (Transfer of Undertakings and Repeal) Act, 1997.

(*2*) It shall be deemed to have come into force on the 24th day of January, 1997.

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

(*a*) "appointed day" means such date as the Central Government may, by notification in the Official Gazette, appoint under section 3;

(*b*) "Company" means the Industrial Investment Bank of India Limited to be formed and registered under the Companies Act, 1956 (1 of 1956);

(*c*) "Reconstruction Bank" means the Industrial Reconstruction Bank of India established under sub-section (*1*) of section 3 of the Industrial Reconstruction Bank of India Act, 1984 (62 of 1984).

CHAPTER II

TRANSFER AND VESTING OF THE UNDERTAKING OF RECONSTRUCTION BANK IN COMPANY

3. Undertakings of the Reconstruction Bank to vest in Company.—On such date[1] as the Central Government may, by notification in the Official Gazette, appoint, there shall be transferred to, and vest in, the Company, the undertakings of Reconstruction Bank.

4. General effect of vesting of undertakings in Company.—(*1*) The Central Government, being the shareholder of the Reconstruction Bank immediately before the appointed day, shall be deemed to be registered, on and from the appointed day, as a shareholder of the Company.

(*2*) The undertakings of the Reconstruction Bank which are transferred to, and which vest in, the Company under section 3 shall be deemed to include all business, assets, rights, powers, authorities and privileges and all properties, movable and immovable, real and personal, corporeal and incorporeal, in possession or reservation, present or contingent of whatever nature and wheresoever situate including lands, buildings, vehicles, cash balances, deposits, foreign currencies, disclosed and undisclosed reserves, reserve fund, special reserve fund, benevolent reserve fund, any other fund, stocks, investments, shares, bonds, debentures, security, management of any industrial concern, loans, advances and guarantees given to industrial concerns, tenancies, leases and book debts and all other rights and interests arising out of such property as were immediately before the appointed day in the ownership, possession or power of the Reconstruction Bank in relation to its undertakings, within or without India, all books of account, registers, records and documents relating thereto and shall also be deemed to include all borrowings, liabilities and obligations of whatever kind within or without India then subsisting of the Reconstruction Bank in relation to its undertakings.

1. 27th March, 1997, *vide* notifn. No. S.O. 242(E), dated 25th March, 1997, *see* Gazette of India, Extraordinary, Part II, sec. 3(*ii*).

(*3*) All contracts, deeds, bonds, guarantees, powers of attorney, other instruments and working arrangements subsisting immediately before the appointed day and affecting the Reconstruction Bank shall cease to have effect or to be enforceable against the Reconstruction Bank and shall be of as full force and effect against or in favour of the Company in which the undertakings of the Reconstruction Bank have vested by virtue of this Act and enforceable as fully and effectually as if instead of the Reconstruction Bank, the Company had been named therein or had been a party thereto.

(*4*) Any proceeding or cause of action pending or existing immediately before the appointed day by or against the Reconstruction Bank in relation to its undertakings may, as from the appointed day, be continued and enforced by or against the Company in which the undertakings of the Reconstruction Bank have vested by virtue of this Act as it might have been enforced by or against the Reconstruction Bank if this Act had not been enacted and shall cease to be enforceable by or against the Reconstruction Bank.

5. Provisions in respect of officers and other employees of Reconstruction Bank.—(*1*) Every officer or other employee of the Reconstruction Bank (except a Director of the Board or the Chairman and Managing Director) serving in the employment immediately before the appointed day shall, in so far as such officer or other employee is employed in connection with the undertakings which have vested in the Company by virtue of this Act, become, as from the appointed day, an officer or, as the case may be, other employee of the Company and shall hold his office or service therein by the same tenure, at the same remuneration, upon the same terms and conditions, with the same obligations and with the same rights and privileges as to leave, leave fare concession, welfare scheme, medical benefit scheme, insurance, provident fund, other funds, retirement, voluntary retirement, gratuity and other benefits as he would have held under the Reconstruction Bank if its undertakings had not vested in the Company and shall continue to do so as an officer or, as the case may be, other employee of the Company or until the expiry of a period of six months from the appointed day if such officer or other employee opts not to continue to be the officer or other employee of the Company within such period.

(*2*) Where an officer or other employee of the Reconstruction Bank opts under sub-section (*1*) not to be in employment or service of the Company, such officer or other employee shall be deemed to have resigned.

(*3*) Notwithstanding anything contained in the Industrial Disputes Act, 1947 (14 of 1947) in any other law for the lime being in force, the transfer of the services of any officer or other employee of the Reconstruction Bank to the Company shall not entitle such officer or other employee to any compensation under this Act or under any other law for the time being in force and no such claim shall be entertained by any court, tribunal or other authority.

(*4*) The officers and other employees who have retired before the appointed day from the service of the Reconstruction Bank and are entitled to any benefits, rights or privileges shall be entitled to receive the same benefits, rights or privileges from the Company.

(*5*) The trust of the provident fund or the gratuity fund of the Reconstruction Bank and any other bodies created for the welfare of officers or employees would continue to discharge their functions in the Company as was being done hitherto in the Reconstruction Bank and any tax exemption granted to the provident fund or the gratuity fund would continue to be applied to the Company.

(*6*) Notwithstanding anything contained in this Act or in the Companies Act, 1956 (1 of 1956) or in any other law for the time being in force or in the regulations of the Reconstruction Bank, no Director of the Board, Chairman and Managing Director or any other person entitled to manage the whole or substantial part of the business and affairs of the Reconstruction Bank shall be entitled to any compensation against the Reconstruction Bank or the Company for the loss of office or for the premature termination of any contract of management entered into by him with the Reconstruction Bank.

CHAPTER III

MISCELLANEOUS

6. Concession, etc., to be deemed to have been granted to Company.—With effect from the appointed day, all fiscal and other concessions, licences, benefits, privileges and exemptions granted to the Reconstruction Bank in connection with the affairs and business of the Reconstruction Bank under any law for the time being in force shall be deemed to have been granted to the Company.

7. Tax exemption or benefit to continue to have effect.—(*1*) Notwithstanding anything contained in the Income-tax Act, 1961 (43 of 1961) or any other enactment for the time being in force relating to tax or income, profits or gains, the Company shall not be liable to pay income-tax or any other tax for a period of five years computed from the appointed day in respect of any income, profits or gains derived, or any amount received by the Company.

(*2*) The transfer and vesting of the undertakings or any part thereof in terms of section 3 shall not be construed as a transfer within the meaning of the Income-tax Act, 1961 (43 of 1961) for the purposes of capital gains.

8. Guarantee to be operative.—Any guarantee given for or in favour of the Reconstruction Bank with respect to any loan, lease finance or other assistance shall continue to be operative in relation to the Company.

9. Arrangement with Company on appointment of directors to prevail.—(*1*) Where any arrangement entered into by the company with an industrial or other concern provides for the appointment by the company of one or more directors of such concern, such provision and any appointment of directors made in pursuance thereof shall be valid and effective notwithstanding anything to the contrary contained in the Companies Act, 1956 (1 of 1956) or in any other law for the time being in force or in the memorandum, articles of association or any other instrument relating to such concern, and any provision regarding share qualification, age limit, number of directorships, removal from office of directors and such like conditions contained in any such law or instrument aforesaid, shall not apply to any director appointed by the company in pursuance of the arrangement as aforesaid.

(*2*) Any director appointed in pursuance of sub-section (*1*) shall—

(*a*) hold office during the pleasure of the company and may be removed or substituted by any person by order in writing by the company;

(*b*) not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the discharge of his duties as a director or anything in relation thereto;

(*c*) not be liable to retirement by rotation and shall not be taken into account for computing the number of directors liable to such retirement.

10. Act 18 of 1891 to apply to the books of Company.—The Company shall be deemed to be a bank for the purposes of the Bankers' Books Evidence Act, 1891.

11. Shares, bonds and debentures to be deemed to be approved securities.—Notwithstanding anything contained in any other law for the time being in force, the shares, bonds and debentures of the Company shall be deemed to be approved securities for the purposes of the Indian Trusts Act, 1882 (2 of 1882), the Insurance Act, 1938 (4 of 1938) [1]***.

12. Substitution in Acts, rules or regulations of company in place of the Reconstruction Bank.—In every Act, rule or regulation in force on the appointed day,—

1. The words and figures "and the Banking Regulation Act, 1949(10 of 1949)" omitted by Act 4 of 2013, s. 17 and the Sch. (w.e.f. 18-1-2013).

(*a*) for the words "Industrial Reconstruction Bank of India", wherever they occur, the words "Industrial Investment Bank of India Limited" shall be substituted;

(*b*) for the words "Reconstruction Bank", wherever they occur, the words "Industrial Investment Bank" shall be substituted.

13. Repeal and saving of Act 62 of 1984.---(*1*) On the appointed day, the Industrial Reconstruction Bank of India Act, 1984 shall stand repealed.

(*2*) Notwithstanding the repeal of the Industrial Reconstruction Bank of India Act, 1984,--

(*a*) the Company shall, so far as may be, comply with the provisions of Chapter VII of the Act so repealed for any of the purposes related to the annual accounts and audit of the Reconstruction Bank;

(*b*) the provisions of Chapter VIII of the Act so repealed will continue to be applicable in respect of the arrangements entered into by the Reconstruction Bank with an industrial concern under section 18 thereof up to the appointed day and the Company will be entitled to act upon and enforce the same as fully and effectually as if this Act had not been enacted.

CHAPTER IV

AMENDMENT TO THE INDUSTRIAL RECONSTRATION BANK OF INDIA ACT, 1984

14. [*Insertion of new section 4A*]. *Rep. by the Repealing and Amending Act*, 2001 (30 *of* 2001), *s*. 2 *and sch. I* (*w.e.f.* 2-9-2001).

15. Repeal and Saving.—(*1*) The Industrial Reconstruction Bank (Transfer of Undertakings and Repeal) Ordinance, 1997 (Ord. 7 of 1997) is hereby repealed.

(*2*) Notwithstanding such repeal, anything done or any action taken under the Ordinance so repealed, shall tie deemed to have been done or taken under the corresponding provisions of this Act.

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STATEMENT OF OBJECTS AND REASONS

The Industrial Reconstruction Bank of India (IRBI) was set up under the Industrial Reconstruction Bank of India Act, 1984 (62 of 1984), with the main functions of acting as a principal credit and reconstruction agency for industrial revival, to co-ordinate similar work of other institutions engaged therein, to assist and promote industrial development and to rehabilitate industrial concerns. Subsequently, the Sick Industrial Companies (Special Provisions) Act, 1985 was enacted with a view to securing timely detection of sick and potentially sick companies owning industrial undertakings and speedy determination and enforcement of such measures as may be required for such companies. With the passing of the Sick Industrial Companies (Special Provisions) Act, 1985, *inter-alia*, the Board for Industrial and Financial Reconstruction (IFR) was set up in 1987. With the setting up of the Board, the burden of reconstruction is being shared by different stake holders including development financial institutions and banks. Thus it became necessary to redefine the role and functions of the Industrial Reconstruction Bank of India.

2. As the Industrial Reconstruction Bank of India was predominantly engaged in reconstruction and rehabilitation of sick companies, its assets structure got heavily burdened with non-performing assets. Provisioning in accordance with the Reserve Bank of India guidelines has adversely affected the Industrial Reconstruction Bank of India's profitability and performance parameters. Several changes in the financial sector during the last five years have also made it vital for financial institutions to raise funds largely from the capital market. The Industrial Reconstruction Bank of India's ability to compete in the existing financial regime would, therefore, depend on its ability to access the capital market so as to mobilise resources competitively and transmute them into quality loan assets.

3. To deal with these problems and in particular to ensure greater flexibility and consequent ability of the Industrial Reconstruction Bank of India to respond to the needs of the fast changing financial system, the Industrial Reconstruction Bank (Transfer of Undertakings and Repeal) Ordinance, 1997 was promulgated by the President on 24th day of January, 1997. The Ordinance provides for the establishment of a new Company under the Companies Act, 1956 to be known as the Industrial Investment Bank of India Limited to which the entire business and functions of the Industrial Reconstruction Bank of India as well as assets and liabilities and the staff of the industrial Reconstruction Bank of India will be transferred on the appointed day to be notified by the Government. The aforesaid Ordinance also seeks to repeal the Industrial Reconstruction Bank of India Act, 1984. Conversion of the Industrial Reconstruction Bank of India from a statutory authority into a company would also assist it to reshape its business strategy achieve greater managerial autonomy and operational flexibility, to enter the capital market for equity and debt and to create a more level playing field across other broadly similar financial institutions.

4. The Bill seeks to replace the Industrial Reconstruction Bank (Transfer of Undertakings and Repeal) Ordinance, 1997.

NEW DELHI;

The 14*th February,* 1997. P. CHIDAMBARAM.

Verified by PRS Legislative Research