

The Industrial Finance Corporation Act, 1948
(15 OF 1948)

13/626

[27th March, 1948]

An Act to establish the Industrial Finance Corporation of India.

Whereas it is expedient to establish an Industrial Finance Corporation for the purpose of making medium and long-term credits more readily available to industrial concerns in India, particularly in circumstances where normal banking accommodation is inappropriate or recourse to capital issue methods is impracticable;

It is hereby enacted as follows:-

FACT SHEET ▼

This Act has been extended to Goa, Daman and Diu by Regn. 12 of 1962, Section 3 and Sch.; Dadra and Nagar Haveli by Regn. 6 of 1963, Section 2 and Sch. I, and to the Laccadive, Minicoy and Amindivi Islands by Regn. 8 of 1965, Section 3 and Sch. Extended to Kohima and Mokokchung districts in the State of Nagaland by Act 52 of 1975, Section 21.

Brought into force on 1.7.1948, vide Noti. No. F-10(1)(a)-F.1/48, dated 15.6.1948.

1. Short title, extent and commencement .-(1) This Act may be called the Industrial Finance Corporation Act, 1948.

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

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

2. Interpretation .-In this Act, unless there is anything repugnant in the subject or context,-

(a) "Board "means the Board of Directors of the Corporation;

(b) "Corporation "means the Industrial Finance Corporation of India established by this Act;

[(ba) "Court "means the High Court (or where there is no High Court and the powers of the High Court are exercised by the Court of Judicial Commissioner, such Court) within the local limits of whose jurisdiction,-

(i) the defendant or respondent, or where there is more than one defendant or respondent, any one of them-

(1) has his registered office; or

- (2) carries on the whole or part of his business, at the time of the commencement of any legal proceedings against him under this Act; or
- (ii) the cause of action for such legal proceedings, wholly or in part, arises;]
- [(bb) "Development Bank "means the Industrial Development Bank of India established under the Industrial Development Bank of India Act, 1964 (18 of 1964);]
- [(c) "industrial concern "means any limited company or co-operative society incorporated by a Central Act or an Act of the Legislature of a State or under any law for the time being in force and registered in India which is engaged or to be engaged in-
- (i) the manufacture, preservation or processing of goods;
 - (ii) shipping;
 - (iii) mining;
 - (iv) the hotel industry;]
 - [(v) the generation, storage or distribution of electricity or any other form of energy;]
 - (vi) the transport of passengers or goods by road or by water or by air or by ropeway or by lift; (vii) the maintenance, repair, testing or servicing of [machinery or equipment] of any description or vehicles or vessels or motor-boats or trailers or tractors;
 - (viii) assembling, repairing or packing any article with the aid of machinery or power;
 - [(ix) the setting up of, or development of, an industrial area or an industrial estate;]
 - (x) fishing or providing shore facilities for fishing or maintenance thereof;
 - (xi) providing special or technical knowledge or other services for the promotion of industrial growth; [*]
 - [(xii) providing engineering, technical, financial, management, marketing or other services or facilities for industry;
 - (xiii) providing medical, health or other allied services;
 - (xiv) providing services relating to information technology, tele-communication or electronics;
 - (xv) leasing, sub-leasing or giving on hire or hire-purchase of industrial plants, equipments, machinery or other assets, including vehicles, ships and aircraft;

(xvi) such other activity as the Central Government may, having regard to the objects of this Act, by notification in the Official Gazette, specify in this behalf; or

(xvii) the research and development of any concept, technology, design, process or product, whether in relation to any of the matters aforesaid, including any activities specified under sub-clause (xvi), or any other matter.

Explanation .-For the purposes of sub-clause (i), the expression "processing of goods "includes any art or process for producing, preparing or making an article by subjecting any material to a manual, mechanical, chemical, electrical or any other like operation;]

(d) "prescribed "means prescribed by rules or regulations made under this Act;

(e) "Reserve Bank "means the Reserve Bank of India;

(f) "scheduled bank "means a bank for the time being included in the second Schedule to the Reserve Bank of India Act, 1934 (2 of 1934);

[(ff) "State co-operative bank "has the same meaning as in the Reserve Bank of India Act, 1934 (2 of 1934);]

[* * *]

3. Establishment and incorporation of Corporation .-(1) A Corporation to be called the Industrial Finance Corporation of India shall be established for the purposes of this Act.

(2) The Corporation shall be a body corporate by the name of the Industrial Finance Corporation of India, having perpetual succession and a common seal, with power, subject to the provisions of this Act, to [acquire, hold or dispose of]property, both movable and immovable, and shall by the said name sue and be sued.

4. Share capital and share-holders .-(1) The authorised capital of the Corporation shall be ten crores of rupees divided into twenty thousand fully paid-up shares of five thousand rupees each of which ten thousand shares of the total value of five crores of rupees shall be issued in the first instance, and the remaining shares may be issued with the sanction of the Central Government from time to time as and when the Corporation may deem fit.

[(1-A) On and from the commencement of the Industrial Finance Corporation (Amendment) Act, 1972 (74 of 1972), the authorised capital of the Corporation shall stand increased to twenty crores of rupees, divided into forty thousand shares of five thousand rupees each, and the shares representing the capital so increased may be issued, with the sanction of the Central Government, as and when the Corporation may deem fit.]

[(1-B) On or after the commencement of the Industrial Finance Corporation (Amendment) Act, 1982 (2 of 1982), the authorised capital of the Corporation may be increased to such amount not exceeding one hundred

crores of rupees as the Central Government may, from time to time, by notification in the Official Gazette, fix.

(1-C) The authorised capital increased under sub-section (1-B) shall be divided into such number of shares of five thousand rupees each as may be necessary and the shares representing the capital so increased may be issued with the sanction of the Central Government as and when the Corporation may deem fit.]

[(1-D) On or after the commencement of the Industrial Finance Corporation (Amendment) Act, 1986 (50 of 1986), the authorised capital of the Corporation may be increased to such amount not exceeding two hundred and fifty crores of rupees as the Central Government may, from time to time, by notification in the Official Gazette, fix.

(1-E) The authorised capital increased under sub-section (1-D) shall be divided into such number of shares of five thousand rupees each as may be necessary and the shares representing the capital so increased may be issued with the sanction of the Central Government as and when the Corporation may deem fit.]

(2) Of the capital issued in the first instance, the Central Government and the Reserve Bank shall each subscribe for two thousand shares.

(3) On application made before such date as may be notified by the Central Government in the Official Gazette in this behalf, scheduled banks may subscribe for two thousand five hundred shares, and insurance companies, investment trusts and other like financial institutions for two thousand five hundred shares, and co-operative banks for one thousand shares of the Corporation:

Provided that no institution shall be allotted more than ten percent of the shares reserved for the class of institutions to which it belongs.

(4) The allotment of shares to the applicants mentioned in sub-section (3) shall be made by the Board in accordance with the regulations made in this behalf.

[* * *]

(6) Shares of the Corporation shall not be transferable except to [the Development Bank], [the Reserve Bank], any scheduled bank, any insurance company, any investment trust or any other like financial institution or any co-operative bank in accordance with the regulations made in this behalf.

[(7)] [In this section and in section 4-A][the expression "insurance companies "or "insurance company "includes the Life Insurance Corporation of India established under section 3 of the Life Insurance Corporation Act, 1956 (31 of 1956)][, the General Insurance Corporation of India formed and registered under the Companies Act, 1956 (1 of 1956), its subsidiaries and such other institution or institutions dealing with general insurance business as may be notified by the Central Government in the Official Gazette in this behalf.]

[4-A. Transfer of shares and increase of capital .-(1) On such][date][as the Central Government may, by notification in the Official Gazette, appoint-

(a) all shares of the Corporation held by the Central Government and the Reserve Bank shall stand transferred to and vest in the Development Bank and as compensation therefor the Development Bank shall pay to the Central Government and to the Reserve Bank respectively the face value of the shares held by that Government and by that Bank;

(b) the capital issued by the Corporation shall be increased by such number of shares as the Central Government may specify in this behalf and all such shares shall stand allotted to and be subscribed by the Development Bank, so however that after such increase the Development Bank holds not less than fifty per cent. of the paid-up capital of the Corporation.

(2) If and when the remaining shares in the capital of the Corporation, or any part thereof, are issued, such further shares shall be offered to the holders of the shares of the Corporation in proportion, as nearly as circumstances admit, to the capital paid-up on those shares at the date of such further issue:]

[Provided that such holders shall have the right to renounce the shares so offered to them in favour of any scheduled bank, any insurance company, any investment trust or any other like financial institution or any co-operative bank, whether or not any such institution is a shareholder:

Provided further that if any such holder does not accept the shares so offered or does not exercise the right of renunciation in respect of any such shares in favour of any institution referred to in the preceding proviso within the time fixed therefor, the Board may allot such shares to any such institution with the concurrence of the Development Bank:

Provided also that if any such shares remain unallotted, they shall be subscribed for by the Development Bank.]

5. Guarantee by Central Government .-The shares of the Corporation shall be guaranteed by the Central Government as to the repayment of the principal and the payment of the annual dividend at such minimum rate as may be fixed by the Central Government by notification published in the Official Gazette at the time of issuing the shares.

[5-A. Shares of the Corporation to be deemed to be securities for certain purposes .-Notwithstanding anything contained in the Acts hereinafter mentioned in this section, the shares of the Corporation shall be deemed to be included among the securities enumerated in section 20 of the Indian Trusts Act, 1882 (2 of 1882), and be also deemed to be approved securities for the purposes of the Insurance Act, 1938 (4 of 1938), and the Banking Companies Act, 1949 (10 of 1949).]

6. Management .-(1) The general superintendence and direction of the affairs and business of the Corporation shall be entrusted to a Board of Directors which [* * *] may exercise all powers and do all acts and things which may be exercised or done by the Corporation.

(2) The Board in discharging its functions shall act on business principles due regard being had by it to the interests of industry, commerce and the general public.

(3) In the discharge of its said functions, the Board shall be guided by such instructions on questions of policy as may be given to it by [the Development Bank].

[(4) If any dispute arises between the Development Bank and the Board as to whether a question is or is not a question of policy, the dispute shall be referred to the Central Government whose decision thereon shall be final.]

(5) If the Board fails to carry out the instructions on the question of policy [given by the Development Bank], the Central Government shall have the power to supersede the Board and appoint a new Board in its place to function until a properly constituted Board is set up. The decision of the Central Government as to the grounds for superseding the Board shall not be questioned in any Court of law.

7. Powers of Executive Committee .-[Repealed by the *Industrial and State Financial Corporations (Amendment) Act, 1955 (28 of 1955), section 6 (w.e.f. 18-9-1955).*]

8. Advisory Committee .-[Repealed by the *Industrial and State Financial Corporations (Amendment) Act, 1955 (28 of 1955), section 6 (w.e.f. 18-9-1955).*]

9. Managing Director .-[Repealed by the *Industrial and State Financial Corporations (Amendment) Act, 1955 (28 of 1955), section 6 (w.e.f. 18-9-1955).*]

10. Board of Directors .- [(1)] The Board of Directors shall consist of the following, namely:-

[(a) a Chairman and a Managing Director to be appointed by the Central Government after consultation with the Development Bank:

Provided that the same person may be appointed to function both as Chairman and as Managing Director;]

(aa) four Directors nominated by [the Development Bank];

(b) two Directors nominated by [the Central Government];

[(bb) one Director nominated by the Reserve Bank;]

(c) two Directors elected in the prescribed manner by the scheduled banks who are shareholders of the Corporation;

(d) two Directors elected in the prescribed manner by the shareholders of the Corporation, other than [the Development Bank], the scheduled banks and co-operative banks;

(e) two Directors elected in the prescribed manner by the co-operative banks who are shareholders of the Corporation.

[* * *]

[(2) On the date appointed under sub-section (1) of section 4-A, the Directors holding office under clause (aa) or clause (b) immediately before the said date shall be deemed to have vacated their offices as such.]

[10-A. Chairman of the Board .-(1) The Chairman of the Board] [or the Managing Director and, in a case where the same person is appointed to function both as Chairman and as Managing Director, such person] shall receive such salary and allowances as may be determined [by the Development Bank] with the approval of the Central Government.

[(2) The Chairman and the Managing Director shall hold office for such term not exceeding five years as the Central Government may specify in this behalf and shall be eligible for re-appointment.]

[(2-A) Notwithstanding anything contained in sub-section (2), the Central Government shall have the right to terminate the term of office of the] [Chairman or the Managing Director] [at any time before the expiry of the term] [specified under] [sub-section (2) by giving him notice of not less than three months in writing or three months 'salary and allowances in lieu of such notice; and the] [Chairman or the Managing Director] [shall also have the right to relinquish his office at any time before the expiry of the term] [specified under] [sub section (2) by giving to the Central Government notice of not less than three months in writing.]

(3) The Chairman shall exercise such powers and discharge such duties as are assigned to him by this Act or as may be delegated to him by the Board.

[(3-A) The Managing Director shall exercise such powers and discharge such duties as are assigned to him by this Act or as may be delegated to him by the Board or the Chairman.]

(4) [Notwithstanding anything contained in sub-section (3), the Chairman or, in his absence, the Managing Director, is of opinion that circumstances exist which render it necessary for him to take immediate action in respect of any matter which is within the competence of the Board and that the interests of the Corporation may be prejudicially affected if such action is deferred until after the next meeting of the Board, then he may take such action in respect of that matter as he deems necessary and for such purpose, he may exercise all powers and do all acts and things which may be exercised or done by the Board] [* * *], but in every such case, he shall, as soon as may be, after the action is taken, make a written report to the Board] [* * *] [containing a statement of the action taken and the circumstances under which it was taken.]

11. Term of office and retirement of Directors .-(1) A nominated Director shall hold office during the pleasure of [the authority appointing him].

(2) An elected Director shall hold office for [three years]:

Provided that one out of the two Directors elected to represent the shareholders referred to in each of the clauses (c), (d) and (e) of section 10 shall retire at the end of two years after the first election; the Directors so to retire shall be determined by lot:

Provided further that an elected Director shall be required to continue in his office until his successor has been elected:

Provided further that [such] a Director shall be eligible for re-election for not more than two full consecutive terms after the rotation of elected Directors has begun.

(3) A casual vacancy in the office of an elected Director shall be filled by election and a Director so elected shall hold office for the unexpired portion of the term of his predecessor:

Provided that no casual vacancy occurring within [six months] of the date of expiry of the normal term of office of an elected Director need be filled under this sub-section.

[(4) Directors shall be paid such fees as may be prescribed for attending the meetings of the Board and, if they are members of][any Committee][appointed by the Corporation, for attending meetings of such Committee:

Provided that nothing in this sub-section shall apply to the Chairman] [, Managing Director][or to any other Director who is a servant of the Government][or of the Development Bank].

(5) No act or proceeding of the Board shall be questioned on the ground merely of the existence of any vacancy in, or any defect in the constitution of, the Board.

12. Disqualification .-No person shall be a Director who-

[(a) except in the case of][the Chairman,][or the Managing Director][, is a salaried official of the Corporation; or]

(b) is, or at any time has been, adjudicated insolvent or has suspended payment [of his debts] or has compounded with his creditors; or

(c) is found to be a lunatic or becomes of unsound mind; or

(d) is or has been convicted of any offence involving moral turpitude.

[13. Removal of Chairman and Directors from office .-][(1) The Central Government may][after consultation with the Development Bank][at any time remove the Chairman] [or the Managing Director] [from office:]

[Provided that no person shall be removed from his office, under this sub-section, unless he has been given an opportunity of showing cause against his removal.]

[(2) The Board may remove from office any Director who-

(a) is, or has become, subject to any of the disqualifications mentioned in section 12; or

(b) is absent without leave of the Board from more than three consecutive meetings of the Board without excuse sufficient in the opinion of the Board to exonerate the absence.]

[13-A. Casual vacancy of Chairman .-If the Chairman of the Board] [or the Managing Director] [is by infirmity or otherwise rendered incapable of carrying out his duties or is absent on leave or otherwise in circumstances not involving the vacation of his appointment, the Central Government may, after consultation] [with the Development Bank] [, appoint another person to act in his place during his absence.]

14. Central Committee .- [Repealed by the *Industrial Finance Corporation (Amendment) Act, 1972 (74 of 1972), section 6*].

[15. Advisory Committees .-The Corporation may from time to time appoint one or more Advisory Committee or Committees for the purpose of assisting the Corporation in the efficient performance of its functions and in particular, for the purpose of securing that those functions are exercised with due regard to the circumstances of, conditions prevailing in, and requirements of, particular areas or industries.]

[16. Staff of Corporation .-The Corporation may appoint such number of officers and other employees as it considers necessary or desirable for the efficient performance of its functions and determine the terms and conditions of their appointment and service.]

17. Meetings of the Board .-(1) Meetings of Board [* * *] shall be held at such times and at such places as may be prescribed:

Provided that until regulations have been made in this behalf such meetings shall be convened by [the Chairman].

(2) To constitute a quorum at a meeting of [* * *] the Board, not less than five Directors shall be present, of whom not less than two shall be nominated Directors and at least one an elected Director.

[* * *]

[(3) At a meeting of the Board] [each Director] [shall have one vote, and in the event of an equality of votes, the Chairman or, in his absence, any other person presiding shall have a second or casting vote.]

(4) No Director shall vote on any matter concerning an industrial concern in which he is directly or indirectly interested.

[(5) The Chairman or, if for any reason he is unable to attend a meeting of the Board, the Managing Director or, in the event of both the Chairman and the Managing Director being unable to attend such meeting, any other Director nominated by the Chairman in this behalf and in the absence of such nomination any Director elected by the Directors present from among themselves, shall preside at the meeting.]

[(6) If, for any reason, a Director nominated under clause (aa) or clause (b)] [or clause (bb)] [of section 10 is unable to attend any meeting of the Board,] [the Development Bank or the Central Government] [or the Reserve Bank,] [as the case may be, may depute any other person to attend the said

meeting and such person shall, for all purposes of the said meeting, be deemed to be a Director nominated under clause (aa) or clause (b) or [clause (bb)][, as the case be, of the said section.]

18. Offices and agencies .-The Corporation shall establish its head office in Delhi and offices in Bombay, Calcutta, Kanpur and Madras, and may, [* * *] establish offices or agencies in other places in India.

19. Deposit Accounts .-The Corporation may open Deposit Accounts with the Reserve Bank or with any agency of the Reserve Bank other than a Government treasury [or][* * *][with a scheduled bank or a State Co-operative Bank][or, with the approval of the Reserve Bank, with any bank outside India].

[20. Investment of funds .-The Corporation may invest its funds in the securities of the Central Government or of any State Government and may, with the approval of the Central Government, contribute to the initial capital of the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963),][and the Corporation may also subscribe to, or purchase,][the units of the said Unit Trust of India, or the shares, bonds or debentures of any financial or development institution or organisation.]

21. Borrowing powers .-(1) The Corporation may issue and sell bonds and debentures carrying interest for the purpose of raising its working capital: [* * *]

(2) Bonds and debentures of the Corporation shall be guaranteed by the Central Government as to the repayment of principal and the payment of interest at such rate as may be fixed by the Central Government on the recommendation of the Board at the time the bonds and debentures are issued:

[Provided that no such guarantee by the Central Government shall be required in respect of such bonds and debentures of the Corporation as are issued to the Development Bank.]

[(3) The Corporation may, for the purpose of carrying out its functions under this Act, borrow money from the Reserve Bank,-

(a) repayable on demand or on the expiry of fixed periods not exceeding ninety days from the date on which the money is so borrowed, against securities of the Central Government or of any State Government; or

(b) repayable on the expiry of fixed periods not exceeding eighteen months from the date on which the money is so borrowed, against securities of the Central Government of any maturity or against bonds and debentures issued by the Corporation under sub-section (1) and guaranteed by the Central Government and maturing within a period not exceeding eighteen months from the date on which the money is so borrowed:]

[* * *]

(4) The Corporation may also, for the purpose of carrying out its functions under this Act, borrow money from the Central Government [or the Development Bank][, the Life Insurance Corporation of India established under section 3 of the Life Insurance Corporation Act, 1956 (31 of 1956), the General Insurance Corporation of India formed and registered under the Companies Act, 1956 (1 of 1956), the Unit Trust of India established under section 3 of the Unit Trust of India Act, 1963 (52 of 1963), or, with the general or special approval of the Central Government, from any other authority, institution, organisation or trust within or outside India] on such terms and conditions as may be agreed upon.

[* * *]

[21-A. Bonds and debentures to be approved securities .- Notwithstanding anything contained in any other law for the time being in force, the bonds and debentures issued or sold by the Corporation shall be, and shall be deemed always to have been, approved securities for the purpose of the Indian Trusts Act, 1882 (2 of 1882), the Insurance Act, 1938 (4 of 1938), and the Banking Regulation Act, 1949 (10 of 1949).

21-B. Power to transfer rights .-The rights and interests of the Corporation (including any other rights incidental thereto) in relation to any loan or advance granted, or any amount recoverable, by it may be transferred by the Corporation, either in whole or in part, by the execution or issue of any instrument, or by the transfer of any instrument by endorsement or in any other manner in which the rights and interests in relation to such loan or advance may be lawfully transferred, and the Corporation may, notwithstanding such transfer, act as the trustee for the transferee.]

[21-C. Power to acquire rights .-The Corporation shall have the right to acquire, by transfer or assignment, the rights and interests of any public financial institution as defined in section 4-A of the Companies Act, 1956 (1 of 1956) (including any other rights incidental thereto), in relation to any loan or advance granted, or any amount recoverable, by such institution, either in whole or in part, by the execution or issue of any instrument, or by the transfer of any instrument by endorsement or in any other manner.]

[22. Deposits with the Corporation .-The Corporation may accept deposits repayable after the expiry of a period which shall not be less than twelve months from the date of the making of the deposit on such terms and conditions as may, generally or specially, be approved by the Development Bank.]

23. Business which the Corporation may transact .- [[*] [The Corporation shall, subject to the provisions of this Act, be authorised to carry on and transact the following kinds of business, namely:-]

(a) guaranteeing [* * *]-

(i) loans raised by industrial concerns which [* * *] are floated in the public market;

(ii) loans raised by industrial concerns from scheduled banks [[* * *] [Co-operative Banks or such other financial institutions as may be notified by the Central Government in this behalf];

[(b) guaranteeing deferred payments due from any industrial concern;]

[* * *]

(c) guaranteeing [* * *] loans raised from, or credit arrangements made with, any banks or financial institution in any country outside India by industrial concerns in foreign currency:

Provided that no such guarantee shall be given without the prior approval of the Central Government;

(d) underwriting the issue of stock, shares, bonds or debentures by industrial concerns [and retaining as part of its assets, any stocks, shares, bonds or debentures which it may have to take up in fulfilment of its obligations thereto];

[(da) transferring for consideration any instrument relating to loans and advances granted by it to industrial concerns;]

(e) acting as agent for the Central Government or, with its approval, for the International Bank for Reconstruction and Development [or any other international or national institution or organisation] in the transaction of any business with an industrial concern in respect of loans or advances granted, [or stocks, shares, bonds or debentures subscribed, by any of them or on their behalf];

[(f) subscribing to, or purchasing, the stock, shares or bonds of any industrial concern;]

(g) receiving in consideration of the services mentioned in clauses (a) to (f), such commission as may be agreed upon;

[* * *]

(i) granting loans or advances to, [or subscribing to, or purchasing, debentures of industrial concerns:]

Provided that nothing contained in this clause shall be deemed to preclude the Corporation from granting loans or advances to, or subscribing to [, or purchasing,] debentures of, an industrial concern, [the amounts outstanding thereon may be convertible at the option of the Corporation] into stock or shares of that concern within the period the loan, advance or debenture is repayable.

[*Explanation* .-In this clause, the expression "the amounts outstanding thereon ", used in relation to any][loan, advance or debenture][shall mean the principal, interest and other charges payable on such] [loan, advance or

debenture][as at the time when the amounts are sought to be converted into stocks or shares;]

[(j) undertaking research and surveys for evaluating or dealing with marketing or investments and undertaking and carrying on techno-economic studies in connection with the development of industry;]

[(k) providing technical [, legal, marketing] and administrative assistance to any industrial concern for the promotion, management or expansion of any industry;

[(l) providing consultancy and merchant banking services in and outside India;

[(m) performing functions entrusted to, or required of, the Corporation by this Act or by any other law for the time being in force;]

[[n)][acquiring with the approval of the Development Bank the undertaking including the business, assets and liabilities of any institution the principal object of which is the promotion or development of industry in India, or the grant of financial assistance for such promotion or development;][*]

[[o)][doing any kind of business which the Central Government may, on the recommendation of the Development Bank, authorise; and]

[(p)] generally, the doing of all such matters and things as may be incidental to or consequential upon the exercise of its powers or the discharge of its duties under this Act, [or under any other law for the time being in force];

[* * *]

24. Limit of accommodation .-[Repealed by *the Industrial Finance Corporation (Amendment) Act, 1982 (2 of 1982), section 13 (w.e.f. 12-3-1982).*]

25. Power to impose conditions for accommodation .-(1) In entering into any arrangement under section 23 with an industrial concern, the Corporation may impose such conditions as it may think necessary or expedient for protecting the interest of the Corporation, and securing that the accommodation granted by it is put to the best use by the industrial concern.

[(2) Where any arrangement entered into by the Corporation with an industrial concern provides for the appointment by the Corporation of one or more Directors of such industrial 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 the industrial 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 Corporation in pursuance of the arrangement as aforesaid.

(3) Any Director appointed in pursuance of sub-section (2) shall-

- (a) hold office during the pleasure of the Corporation and may be removed or substituted by any person by order in writing by the Corporation;
- (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 of 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.]

26. Prohibited business .- [(1)] The Corporation shall not-

- (a) accept deposits except as provided by this Act;

[* * *]

[(c) grant any loan or advance on the security of its own shares.]

[(2) The Corporation shall not enter into any kind of business with any industrial concern of which any of the Directors of the Corporation is a Director, manager, agent, employee or guarantor or in which one or more Directors of the Corporation together hold substantial interest:

Provided that this sub-section shall not apply to any industrial concern if any Director of the Corporation-

- (i) is nominated as a Director on the Board of such concern by Government, or a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956), or by a Corporation established by any other law, or
- (ii) is elected on the Board of such concern by virtue of shares held in the concern by Government, or a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956), or by a Corporation established by any other law, by reason only of such nomination or election, as the case may be.]

Explanation .- "Substantial interest ", in relation to an industrial concern, means the beneficial interest held by one or more of the Directors of the Corporation or by any relative [as defined in clause (41) of section 2 of the Companies Act, 1956 (1 of 1956) of such Director, whether singly or taken together, in the shares of the industrial concern, the aggregate amount paid-up on which either exceeds five lakhs of rupees or five per cent. of the paid-up share capital of the industrial concern, whichever is less.

(3) The provisions of sub section (2)-

- (i) shall not apply to any transaction relating to the business entered into prior to the commencement of the Industrial Finance Corporation (Amendment) Act, 1972 (74 of 1972), and all such business and any transaction in relation thereto may be implemented or continued as if that Act had not come into force;
- (ii) shall apply only so long as the conditions precedent to such disability as set out in the said sub-section continue;
- [(iii) shall not apply to any industrial concern in respect of which the Corporation is satisfied that it is necessary, in the public interest, to enter into business with that concern:

Provided that such business shall be entered into in accordance with and subject to such conditions and limitations as may be prescribed by regulations made in this behalf.]

[27. Loans in foreign currency .-(1) Notwithstanding anything contained in the Foreign Exchange Regulation Act, 1947 (7 of 1947), or in any other enactment for the time being in force relating to foreign exchange, the Corporation may, for the purpose of granting loans or advances to industrial concerns, borrow, with the previous consent of the Central Government, foreign currency from the International Bank for Reconstruction and Development] [or any bank or financial institution in India or in any foreign country] [or otherwise.

(2) The Central Government may, where necessary, guarantee all loans taken by the Corporation under sub-section (1) as to the repayment of the principal and the payment of the interest and other incidental charges.]

[(3) All loans and advances granted to industrial concerns by the Corporation out of foreign currency borrowed under sub-section (1) shall be expressed in terms of foreign currency as equivalent of Indian currency, calculated in accordance with the rate of exchange prevailing at the time of grant thereof, and the amount due thereunder shall be repayable in equivalent Indian currency, calculated in accordance with the rate of exchange prevailing at the time of repayment of such loan or advance.

(4) Any loss or profit in connection with any borrowing of foreign currency under sub-section (1) for the purpose of granting loans and advances under this Act or with its repayment to the concerned foreign lending agency, on account of any fluctuations in the rate of exchange accruing-

(a) during the period within which the loan or advance is repayable by the industrial concern or the period of actual repayment thereof by the concern, whichever is longer, shall be reimbursed by, or paid to, as the case may be, the recipients of such loans and advances;

(b) after the expiry of the period specified in clause (a),-

(i) shall be borne by the Corporation in respect of normal market fluctuations in foreign exchange;

(ii) shall be reimbursed by, or paid to, as the case may be, the Central Government in respect of fluctuations other than the normal market fluctuations in foreign exchange.

Explanation .-If any question arises as to whether any fluctuation as aforesaid is a normal market fluctuation or not, the same shall be decided by the Central Government whose decision thereon shall be final.]

28. Right of Corporation in case of default .-(1) Where any industrial concern which is under a liability to the Corporation under an agreement makes any default in repayment [of any loan or advance or any instalment thereof][or in meeting its obligations in relation to any guarantee given by the Corporation] or otherwise fails to comply with the terms of its agreement with the Corporation, the Corporation shall have the [right to take over the management, or possession, or both, of the concern], as well as the [right to transfer by way of lease or sale] and realise the property pledged, mortgaged, hypothecated or assigned to the Corporation.

(2) Any transfer of property made by the Corporation in exercise of its powers [* * *] under sub-section (1) shall vest in the transferee all rights in or to the property transferred [as if the transfer] had been made by the owner of the property.

(3) The Corporation shall have the same rights and powers with respect to goods manufactured or produced wholly or partly from goods forming part of security held by it, as it had with respect to the original goods.

[(3-A)] [Where any action has been taken against an industrial concern][under the provisions of sub-section (1), all costs, charges and expenses] [which, in the opinion of the Corporation, have been properly incurred by it] [as incidental thereto][shall be recoverable from the industrial concern, and the money which is received by it] [* * *][shall, in the absence of any contract to the contrary, be held by it in trust to be applied, firstly, in payment of such costs, charges and expenses and, secondly, in discharge of the debt due to the Corporation, and the residue of the money so received shall be paid to the person entitled thereto.]

(4) Where the Corporation takes over the management [or possession] of a concern under the provisions of sub-section (1), it shall be deemed to be the owner of such concern for purposes of suits by or against such concern and shall sue and be sued in the name [* * *] of the concern.

29. Power to call for repayment before agreed period .- [Notwithstanding anything in any agreement to the contrary, the Corporation may, by notice in writing, require any industrial concern to which it has granted any loan or advance to discharge forthwith in full its liabilities to the Corporation,-]

- (a) if it appears to the Board that false or misleading information in any material particular was given in the application for the loan or advance;
or

- (b) if the industrial concern has failed to comply with the terms of its contract with the Corporation in the matter of the loan or advance; or
- (c) if there is a reasonable apprehension that the industrial concern is unable to pay its debts or that proceedings for liquidation may be commenced in respect thereof; or
- (d) if the property pledged, mortgaged, hypothecated or assigned to the Corporation as security for the loan or advance is not insured and kept insured by the industrial concern to the satisfaction of the Corporation; [or depreciates in value to such an extent that, in the opinion of the Board, further security to the satisfaction of the Board should be given and such security is not given;] or
- (e) if without the permission of the Board, [any machinery, plant or other equipment], whether forming part of the security or otherwise, is removed from the premises of the industrial concern without being replaced; or
- (f) if for any reason it is necessary [* * *] to protect the interests of the Corporation.

30. Special provisions for enforcement of claims by the Corporation .-(1) [Where an industrial concern, in breach of any agreement, makes any default in repayment of any loan or advance or any instalment thereof] [or in meeting its obligations in relation to the guarantee given by the Corporation] [or otherwise fails to comply with the terms of its agreement with the Corporation or where the Corporation requires an industrial concern to make immediate repayment of any loan or advance under section 29 and the industrial concern fails to make such repayment, then, without prejudice to the provisions] [of section 28 of this Act and] [of section 69 of the Transfer of Property Act, 1882 (4 of 1882),] any officer of the Corporation generally or especially authorised by the Board in this behalf may apply to [the Court] for one or more of the following reliefs, namely:-

- (a) for an order for the sale of the property pledged, mortgaged, hypothecated or assigned to the Corporation as security for the loan or advance, or
- (b) for transferring the management of the industrial concern to the Corporation, or
- (c) for an *ad interim* injunction where there is apprehension of the machinery or the equipment being removed from the premises of the industrial concern without the permission of the Board.

(2) An application under sub-section (1) shall state the nature and extent of the liability of the industrial concern to the Corporation, the ground on which it is made and such other particulars as may be prescribed.

(3) When the application is for the reliefs mentioned in sub-clauses (a) and (c) of sub-section (1), [the Court] shall pass an *ad interim* order attaching the security or so much of the property of the industrial concern as would on being sold realise [in its estimation] an amount equivalent in value to the outstanding liability of the industrial concern to the Corporation together with the costs of the proceedings taken under this section with or without an *ad interim* injunction restraining the industrial concern from transferring or removing its machinery or equipment.

(4) Where the application is for the relief mentioned in sub-clause (b) of sub-section (1), [the Court] shall grant an *ad interim* injunction restraining the industrial concern from transferring or removing its machinery or equipment and issue a notice calling upon the industrial concern to show cause on a date to be specified in the notice why the management of the industrial concern should not be transferred to the Corporation.

(5) Before passing any order under sub-section (3) or sub-section (4), [the Court] may, if [it] thinks fit, examine the officer making the application.

(6) At the same time as [it] passes an order under sub-section (3), [the Court] shall issue to the industrial concern a notice accompanied by copies of the order, the application [and the evidence, if any, recorded by it calling upon the industrial concern to show cause] on a date to be specified in the notice why the *ad interim* order of attachment should not be made absolute or the injunction confirmed.

(7) If no cause is shown on or before the date specified in the notice under sub-sections (4) and (6), [the Court] shall forthwith make the *ad interim* order absolute and direct the sale of the attached property or transfer the management of the industrial concern to the Corporation or confirm the injunction.

(8) If cause is shown, [the Court] shall proceed to investigate the claim of the Corporation and the provision of the Code of Civil Procedure, 1908 (5 of 1908), shall as far as practicable apply to such proceedings.

(9) On an investigation made under sub-section (8), the Court shall pass an order-

- (a) confirming the order of attachment and directing the sale of the attached property, or
- (b) varying the order of attachment so as to release a portion of the property from attachment and directing the sale of the remainder of the attached property, or
- (c) releasing the property from attachment, if [it] is satisfied that it is not necessary in the interest of the Corporation, or
- (d) confirming or dissolving the injunction, or

(e) transferring the management of the industrial concern to the Corporation of rejecting the claim made in this behalf:

Provided that when making any order under clause (c), [the Court] may make such further orders as [it] thinks necessary to protect the interests of the Corporation, and may apportion the costs of the proceedings in such manner as [it] thinks fit:

Provided further that unless the Corporation intimates to [the Court] that it will not appeal against any order releasing any property from attachment, such order shall not be given effect to until the expiry of the period fixed under sub-section (11) within which an appeal may be preferred, or if an appeal is preferred, [unless the Court empowered to hear appeals from the decisions of the said Court otherwise directs], until the appeal is disposed of.

(10) An order of attachment or sale of property under this section shall be carried into effect as far as may be practicable in the manner provided in the Code of Civil Procedure, 1908 (5 of 1908), for the attachment or sale of property in execution of a decree, as if the Corporation were the decree-holder.

[(10-A) An order under this section transferring the management of an industrial concern to the Corporation shall be carried into effect, as far as may be practicable, in the manner provided in the Code of Civil Procedure, 1908 (5 of 1908), for the possession of immovable property or the delivery of movable property in execution of a decree, as if the Corporation were the decree-holder.]

(11) Any party aggrieved by an order under sub-section (7) or sub-section (9) may, within thirty days from the date of the order, [appeal to the Court empowered to hear appeals from the decisions of the Court which passed the order and the appellate Court may] after hearing the parties pass such orders as it thinks proper.

(12) Nothing in this section shall be construed, where proceedings for liquidation in respect of the industrial concern have commenced before an application is made under sub-section (1) as giving to the Corporation any preference over the other creditors of the industrial concern not conferred on it by any other law.

(13).[* * *]

[(14) For the removal of doubts, it is hereby declared that any Court competent to grant an *ad interim* injunction under this section shall also have the power to appoint a receiver and to exercise all other powers incidental thereto.

(15) All proceedings (whether by way of suits or appeals or other proceedings) under this Act pending before a District Judge or an Additional District Judge of a High Court at the commencement of the Industrial Finance Corporation (Amendment) Act, 1972 (74 of 1972), shall, on such commencement, be proceeded with and disposed of as if this section had not been amended by the said Act.

(16) Every suit or other proceedings which are disposed of in accordance with the provisions contained in sub-section (15) or in respect of which time for appeal has not expired at the commencement of the Industrial Finance Corporation (Amendment) Act, 1972 (74 of 1972), may, on such commencement, be appealed against as if this section had not been amended by the said Act.]

[30-A. Power of Corporation to appoint Directors of an industrial concern when management is taken over .-(1) When the management of an industrial concern is taken over the Corporation, the Corporation may, by order notified in the Official Gazette, appoint as many persons as it thinks fit to be the][Directors, or, as the case may be, the Administrator of that industrial concern] [and nothing in the Companies Act, 1956 (1 of 1956), or in any such law or instrument relating to the industrial concern in so far as it makes, in relation to a Director, any provision for the holding of any share qualification, age limit, restrictions on the number of directorships, retirement by rotation or removal from office shall apply to any Director appointed by the Corporation under this section].

[(2) The power to appoint Directors under this section includes the power to appoint any individual,][to be the Manager] [of the industrial concern on such terms and conditions as the Corporation may think fit.]

30-B. Effect of notified order appointing Directors .-On the issue of a notified order under section 30-A,-

[(a) all persons holding, immediately before the issue of the notified order, office as Directors of the industrial concern or any other offices entitling them to exercise powers of superintendence, direction and control of the industrial concern, shall be deemed to have vacated their offices as such;]

(b) any contract of management between the industrial concern and [* * *] any Director thereof holding office as such immediately before the issue of the notified order shall be deemed to have terminated;

[(c) the Manager, if any, appointed under section 30-A, shall be deemed to have been appointed in pursuance of the provisions of the Companies Act, 1956 (1 of 1956), and the memorandum and articles of association of the industrial concern or, as the case may be, of any law for the time being in force relating to co-operative societies and the memorandum or other instrument of the industrial concern, and the provisions of the said Act or law, and of the memorandum and articles of association or, as the case may be, memorandum or other instrument shall, subject to the other provisions contained in this Act, apply accordingly; but no such Manager shall be removed from office except with the previous consent of the Corporation;]

(d) the [Directors or, as the case may be, Administrator] appointed under section 30-A shall take such steps as may be necessary to take into their custody or under their control all the property, effects and actionable claims to which the industrial concern is, or appears to be, entitled, and all the property and effects of the industrial concern shall be deemed to be in the custody of the [Directors or, as the case may be, Administrator] as from the date of the notified order;

[(e) the Directors appointed under section 30-A shall, for all purposes, be the Directors of the industrial concern duly constituted under the Companies Act, 1956 (1 of 1956) or under any law for the time being in force relating to co-operative societies, and such Directors or, as the case may be, the Administrator appointed under section 30-A, shall alone be entitled to exercise all the powers of the Directors (by whatever name called) of the industrial concern, whether such powers are derived from the said Act or law or the memorandum or articles of association or, as the case may be, the memorandum or other instrument of the industrial concern.]

30-C. Powers and duties of Directors .-(1) Subject to the control of the Corporation, the Directors or Administrator appointed under section 30-A shall take such steps as may be necessary for the purpose of efficiently managing the business of the industrial concern and shall exercise such powers and have such duties as may be prescribed.

(2) Without prejudice to the generality of the powers vested in them under sub-section (1), the [Directors or Administrator] appointed under section 30-A may, with the previous approval of the Corporation, make an application to a Court for the purpose of cancelling or varying any contract of agreement entered into, at any time before the issue of the notified order under section 30-A, between the industrial concern 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 concern, 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.

30-D. No right to compensation for termination contract of managing agents .-(1) Notwithstanding anything contained in any law for the time being in force, [no Managing Director or any other Director or Manager or holder of any office having the powers of superintendence, direction and control of an industrial concern] shall be entitled to any compensation for the loss of office or for the premature termination under this Act of any contract of management entered into by him with such concern.

(2) Nothing contained in sub-section (1) shall affect the right of any such [Managing Director or any other Director or Manager or holder of office

referred to in that sub-section] to recover from the industrial concern moneys recoverable otherwise than by way of such compensation.

30-E. Application of Act 1 of 1956 .-(1) Where the management of an industrial concern, being a company as defined in the [Companies Act, 1956 (1 of 1956)], is taken over by the Corporation, then, notwithstanding anything contained in the said Act or in the memorandum or articles of association of such concern,-

- (a) it shall not be lawful for the shareholders of such concern or any other person to nominate or appoint any person to be a Director of the concern;
- (b) no resolution passed at any meeting of the shareholders of such concern shall be given effect to unless approved by the Corporation;
- (c) no proceeding for the winding up of such concern or for the appointment of a receiver in respect thereof shall lie in any Court, except with the consent of the Corporation.

(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 [Companies Act, 1956 (1 of 1956)], shall continue to apply to such concern in the same manner as it applied thereto before the issue of the notified order under section 30-A.

31. Act 18 of 1891 to apply to the books of the Corporation .-The Corporation shall be deemed to be a bank for the purposes of the Banker 's Books Evidence Act, 1891 (18 of 1891).

32. Disposal of profits .-(1) The Corporation shall establish a reserve fund.
(2) After making provision for bad and doubtful debts, depreciation of assets and all other matters which are usually provided for by bankers, the Corporation may out of its net annual profits declare a dividend:
Provided that for so long as the reserve fund is less than the paid up share capital of the Corporation and until there has been repaid to the Central Government such sums, if any, as that Government may have paid under the guarantee given in pursuance of section 5 or under any guarantee given in pursuance of sub-section (2) of section 21 [or sub-section (2) of section 27], the rate of such dividend shall not exceed the rate guaranteed by the Central Government under section 5.

[* * *]

[32-A. Special reserve fund .-(1) All dividends accruing on the shares of the Corporation held by the Central Government and the Reserve Bank immediately before the date appointed by the Central Government under sub-section (1) of section 4-A in respect of any completed accounting period, whether declared or not, shall be credited to a special reserve fund.

(2) All dividends accruing to the Development Bank shall, instead of being paid to it, be also credited to the said fund until the aggregate of the sums credited to the fund under sub-section (1) and this sub-section exceeds one crore of rupees.

(3) The Central Government, the Reserve Bank and the Development Bank only shall have claims to the said fund.]

[32-B. Benevolent reserve fund .-(1) The Corporation shall establish a special fund, to be called the benevolent reserve fund.

(2) To the benevolent reserve fund shall be credited-

- (a) any part of the annual profit which may, from time to time, be allocated to the fund;
- (b) all amounts received for the purposes of the fund by way of loans, gifts, grants, donations or benefactions from Government or any other source;
- (c) income or profits from investments made from the fund;
- (d) income accruing or arising to the fund by way of interest or otherwise.

(3) The benevolent reserve fund shall be used by the Corporation-

- (a) for meeting the cost of feasibility studies, project reports, market and techno-economic surveys and such other purposes which, in the opinion of the Corporation, may promote the development of industries;
- (b) in the field of development banking and in financial and industrial management-
 - (i) for undertaking and promoting research;
 - (ii) for training in India or abroad of personnel of financial institutions; and
 - (iii) for creating chairs in universities, academic institutions and research foundations;
- (c) for assisting projects promoted by technologists and new entrepreneurs-
 - (i) by subsidising the normal lending rate of interest of the Corporation in respect of loans or advances sanctioned to them;
 - (ii) by providing technical and managerial assistance to projects promoted by them especially in less industrially developed regions;
- (d) for rendering any assistance that may be ancillary or incidental to the aforementioned purposes.]

33. General meetings .-(1) A general meeting (hereinafter referred to as the annual general meeting) shall be held annually at a place in India where

there is an office of the Corporation within [four months] from the date on which the annual accounts of the Corporation are closed; and a general meeting may be convened by the Board at any other time.

(2) The shareholders present at the annual general meeting shall be entitled to discuss the annual accounts, the report of the Board on the working of the Corporation throughout the year and the auditors' report on the annual balance-sheet and accounts.

34. Audit .- [(1) The affairs of the Corporation shall be audited by not less than two auditors duly qualified to act as auditors of companies under sub-section (1) of] [section 226 of the Companies Act, 1956 (1 of 1956)] [, one of whom shall be appointed by] [the Development Bank] [and] [the other auditor or auditors] [elected in the prescribed manner by the parties mentioned in sub-section (3) of section 4, and such remunerations as] [the Development Bank] [may fix shall be paid to the auditors by the Corporation.]

(2) Every auditor shall be supplied with a copy of the annual balance-sheet of the Corporation, and it shall be his duty to examine it together with the accounts and vouchers relating thereto; and every auditor shall have a list delivered to him of all books kept by the Corporation, and shall at all reasonable times have access to the books, accounts and other documents of the Corporation, and may in relation to such accounts examine any Director or officer of the Corporation.

(3) The auditors shall make a report to the shareholders upon the annual balance-sheet and accounts, and in every such report they shall state whether in their opinion the balance-sheet is a full and fair balance-sheet containing all necessary particulars and properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Corporation, and in case they have called for any explanation or information from the Board whether it has been given and whether it is satisfactory.

(4) The Central Government may [in consultation with] [the Development Bank] at any time issue directions to the auditors requiring them to report to it upon the adequacy of measures taken by the Corporation for the protection of its shareholders and creditors or upon the sufficiency of their procedure in auditing the affairs of the Corporation, and may at any time enlarge or extend the scope of the audit or direct that a different procedure in audit be adopted or direct that any other examination be made by the auditors if in its opinion the public interest so requires.

(5).[* * *]

[(6) Without prejudice to anything contained in the preceding sub-sections, the Central Government may, at any time, appoint the Comptroller and Auditor-General of India to examine and report upon the accounts of the Corporation and any expenditure incurred by him in connection with such examination and report shall be payable by the Corporation to the Comptroller and Auditor-General of India.]

(7) Every audit report shall be forwarded to the Central Government and the Government shall cause the same to be laid before both Houses of Parliament.

[34-A. Appointment of local auditors .-The Board may, in consultation with the auditors appointed under section 34, appoint local auditors to audit the affairs of any office or agency of the Corporation and the report of such auditors shall be taken into consideration by the auditors appointed under section 34 for the purpose of auditing the affairs of the Corporation.]

35. Returns .-(1) The Corporation shall furnish a statement in the prescribed form of its assets and liabilities as at the close of business on the last Friday of each month, or if that day is a public holiday under the Negotiable Instruments Act 1881 (26 of 1881), as at the close of business on the preceding working day, to the Development Bank within ten days from the date to which the statement relates.

(2) The Corporation shall furnish in the prescribed form to the [Development Bank] and to the Reserve Bank at least once in every year or as frequently as the [Development Bank] or the Reserve Bank may require [a statement showing the classification] of its loans and investments and of loans guaranteed by it and underwriting agreements entered into by it.

(3) The Corporation shall furnish to the Central Government, [the Reserve Bank and the Development Bank] within [five months] of the close of the financial year a statement in the prescribed form of its assets and liabilities as at the close of that year together with a profit and loss account for the year and a report of the working of the Corporation during the year, and copies of the said statement, account and report shall be published in the Official Gazette and shall be laid before [Parliament].

36. Acquisition of shares by the Central Government .- [(1)] In the event of the Central Government at any time deciding to acquire the shares held by shareholders [other than the Development Bank] the shareholders shall be paid for the shares so acquired an amount equal to the paid-up value of the shares together with a premium calculated at the rate of one per cent. of the paid-up value for every year from the date of issue to the date of acquisition, subject to a maximum of ten per cent.

[(2) After the acquisition of the shares as provided by sub-section (1), the Central Government shall transfer the shares to the Development Bank on that bank paying an amount equal to the amount paid by the Central Government for such acquisition.

(3) After the transfer of the shares by the Central Government to the Development Bank under sub-section (2), the Central Government may direct by notification in the Official Gazette that with effect from such date as may be specified in the notification the entire undertaking of the Corporation, including all business, property, assets and liabilities, rights (including the right to recover loans and advances granted by the Corporation in accordance with the provisions of this Act), interests,

privileges and obligations of whatever nature, shall stand transferred to and vest in the Development Bank.

(4) For the purpose of giving effect to the transfer of the undertaking of the Corporation to the Development Bank, the Central Government shall, by order in writing, frame a scheme providing for all matters for which provision is necessary, and the scheme so framed shall be binding upon the Corporation, its creditors and employees and the Development Bank and shall have effect notwithstanding anything to the contrary contained in any law for the time being in force or in any contract or other instrument.

(5) The provisions of this section shall have effect notwithstanding anything contained in this Act or any other law or any instrument having force by virtue of such Act or other law.]

37. Liquidation of Corporation .-No provision of law relating to the winding up of companies or corporations shall apply to the Corporation, and the Corporation shall not be placed in liquidation save by order of the Central Government and in such manner as it may direct.

38. Indemnity of Directors .-(1) Every Director shall be indemnified by the Corporation against all losses and expenses incurred by him in or about the discharge of his duties, except such as are caused by his own wilful act or default.

(2) A Director shall not be responsible for any other Director or for any officer [or other employee] of the Corporation or for any loss or expense resulting to the Corporation by the insufficiency of deficiency of value of, or title to, any property or security acquired or taken on behalf of the Corporation, or by the wrongful act of any person under obligation to the Corporation, or by anything done in good faith in the execution of the duties of his office or in relation thereto.

[38-A. Protection of action taken by Directors appointed under sections 25 and 30-A .-No suit, prosecution or other legal proceeding shall lie against any Director][or Administrator][of any industrial concern appointed by the Corporation under section 25 or section 30-A for anything which is in good faith done or intended to be done by him as such Director][or Administrator].

39. Declaration of fidelity and secrecy .- [(1) The Corporation shall not, except as otherwise required by this Act or any other law for the time being in force, divulge any information relating to, or to the affairs of, its constituents except in circumstances in which it is, in accordance with the law or practice and usage, customary among bankers, necessary or appropriate for the Corporation to divulge such information.

(2) The Corporation may, for the purpose of efficient discharge of its functions under this Act, collect from, or furnish to-

(a) the Central Government;

(b) the State Bank of India constituted under section 3 of the State Bank of India Act, 1955 (23 of 1955), any subsidiary bank within the meaning of the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959), any corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970) or under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (40 of 1980), any other scheduled bank, any State Co-operative Bank or the Development Bank, such credit information or other information as it may consider useful for the purpose, in such manner and at such time as it may think fit.

Explanation .-For the purpose of this sub-section, the expression "credit information" shall have the same meaning as in clause (c) of section 45-A of the Reserve Bank of India Act, 1934 (2 of 1934), subject to the modification that the banking company referred to therein shall mean a bank referred to in clause (b) of this sub-section.]

[(3)] Every Director, [member of any Advisory or other Committee,] auditor, [local auditor,] officer [or other employee] of the Corporation shall, before entering upon his duties, make a declaration of fidelity and secrecy in the form set out in the Schedule.

40. Provision relating to income-tax and super-tax .-For the purposes of the Indian Income-tax Act, 1922 (11 of 1922), the Corporation shall be deemed to be a company within the meaning of that Act and shall be liable to income-tax and super-tax accordingly on its income, profits and gains:

Provided that any sum paid by the Central Government under the guarantee given in pursuance of section 5 or under any guarantee given in pursuance of sub-section (2) of section 21 [or sub-section (2) of section 27] shall not be treated as the income, profits and gains of the Corporation, and any interest on debentures or bonds [or on foreign currency borrowed under sub-section (1) of section 27] paid by the Corporation out of such sum shall not be treated as expenditure incurred by it:

Provided further that in the case of any shareholder, such portion of a dividend as has been paid out of any such sum advanced by the Central Government, shall be deemed to be his income from "interest on securities", declared to be income-tax free within the meaning of section 8 of the said Act.

[40-A. Delegation of powers .-The Board may, by general or special order, delegate to the Chairman][, Managing Director][or any officer of the Corporation, subject to such conditions and limitations, if any, as may be specified in the order, such of its powers and duties under this Act as it may deem necessary.]

[40-B. Removal of difficulties .-(1) If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order

published in the Official Gazette, make such provisions not inconsistent with the purposes of this Act as appear to it necessary or expedient for removing the difficulty.

(2) An order under sub-section (1) may be made so as to have retrospective effect from a date not earlier than the date appointed under sub-section (1) of section 4-A.]

41. Offences .-(1) Whoever in any bill of lading, warehouse receipt or other instrument given to the Corporation where by security is given or is purported to be given to the Corporation for any accommodation granted by it under this Act wilfully makes any false statement, or knowingly permits any false statement to be made, shall be punishable with imprisonment for a term which may extend to two years or with fine which may extend to two thousand rupees or with both.

(2) Whoever without the consent in writing of the Corporation uses the name of the Corporation in any prospectus or advertisement shall be punishable with imprisonment for a term which may extend to six months or with fine which may extend to one thousand rupees or with both.

(3) No Court shall take cognizance of any offence punishable under this Act otherwise than on a complaint in writing signed by an officer of the Corporation authorised by the Board in this behalf.

[41-A. Effect of Act on other laws .-The provisions of this Act and of any rules or orders made thereunder shall have effect notwithstanding anything inconsistent therewith contained in any other law for the time being in force or in the memorandum or articles of association of an industrial concern or in any other instrument having effect by virtue of any law other than this Act, but save as aforesaid the provisions of this Act shall be in addition to, and in derogation of, any other law for the time being applicable to an industrial concern.]

42. Power of Central Government to make rules .- [(1)][The Central Government may, in consultation with the Development Bank and by notification in the Official Gazette,] make rules not inconsistent with the provisions of this Act, to give effect to the provisions of this Act, and where there is any inconsistency between the rules and the regulations made under this Act the rules shall prevail.

[(2) 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.]

43. Power of Board to make regulations .-(1) The Board may, [with the previous approval of the Development Bank,][and by notification in the Official Gazette] make regulations not inconsistent with this Act [and the rules made thereunder] to provide for all matters for which provision is necessary or expedient for the purpose of giving effect to the provisions of this Act.

(2) In particular and without prejudice to the generality of the foregoing power, such regulations may provide for-

- (a) the holding and conduct of elections under this Act, including the final decision of doubts or disputes regarding the validity of elections;
- (b) the manner in which and the conditions subject to which the first allotment of shares of the Corporation shall be made;
- (c) the manner in which and the conditions subject to which the shares of the Corporation may be held and transferred, and generally all matters relating to the rights and duties of shareholders;
- (d) the manner in which general meetings shall be convened, the procedure to be followed thereat and the manner in which voting rights may be exercised;
- (e) the calling of meetings of the [Board], fees for attending meetings thereof and the conduct of business thereat;
- [(ee) the delegation of powers and functions of the Board to the Chairman][, Managing Director][or to officers of the Corporation;]
- (f) the manner and terms of issue and redemption of bonds and debentures by the Corporation;
- (g) the conditions which the Corporation may impose in granting loans or advances;
- [(h) the conditions and limitations subject to which the Corporation may enter into business under the proviso to clause (iii) of sub-section (3) of section 26;]
- (i) the manner and conditions subject to which the Corporation may borrow in foreign currency from foreign lenders;
- (j) the forms of returns and statements required under this Act;
- [(k) the duties and conduct, salaries, allowances and conditions of service of officers and other employees and of advisers and agents of the Corporation;]
- [(kk) the establishment and maintenance of provident or other benefit funds for employees of the Corporation;]
- (l) the disclosure of interest, direct or indirect, of a Director in any industrial concern;

[(m) the taking over of the management of any industrial concern on a breach of its agreement with the Corporation and the powers and duties of Directors][or Administrator][under section 30-C;]

(n) appointment of [advisory] committees for technical and other advice for purposes of this Act, [fees for attending meetings thereof and the conduct of business thereat]; [*]

[(nn) the election of an auditor under sub-section (1) of section 34;]

(o) generally, the efficient conduct of the affairs of the Corporation.

[(3) Every regulation 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 regulation or both Houses agree that the regulation should not be made, the regulation 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 regulation.]

[THE SCHEDULE

[See section 39(3)]

DECLARATION ON FIDELITY AND SECRECY

I do hereby declare that I will faithfully, truly and to the best of my skill and ability execute and perform the duties required of me as Director, member ofcommittee, auditor, officer or other employee (as the case may be) of the Industrial Finance Corporation of India and which properly relate to the officer or position held by me in or in relation to the said Corporation.

I further declare that I will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the Industrial Finance Corporation of India or to the affairs of any person having any dealing with the said Corporation, nor will I allow any such person to inspect or have access to any books or documents belonging to or in the possession of the said Corporation and relating to the business of the said Corporation or the business of any person having any dealing with the said Corporation.

Signed before me.

.....

Signature

Date]