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Modified Central Acts.

Act No. XV of 1948

[PASSED BY THE DOMINION LEGISLATURE]

An Act to establish the Industrial Finance Corporation of India.

(Received the assent of the Governor General on the 27th March 1948)

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:—

1. Short title, extent and commencement.—(1) This Act may be called the Industrial Finance Corporation Act, 1948. *(except the state of Jammu & Kashmir)*

(2) It extends to ^{whole} all the Provinces of India, and shall extend to such acceding States as shall by their Instrument of Accession accept the subject-matter of this Act as a matter with respect to which the Dominion Legislature may make laws for such States.

(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; *[a central Act or an Act of the Legislature of a state]*

(c) "industrial concern" means any public limited company or co-operative society incorporated by an Act of the Legislature or under any law for the time being in force and registered in India and engaged in the manufacture or processing of goods, or in mining or in the generation or distribution of electricity or any other form of power; *[or in Shipping]*

(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 (II of 1934);

(g) "underwriting" means contracting, with or without conditions, to subscribe for stocks, shares, bonds or debentures of an industrial concern with a view to the resale of the whole or any part thereof.

3. Establishment and incorporation of Corporation.—(1) A Corporation to be called the Industrial Finance Corporation of India shall be established for 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 and hold property, both movable and immovable, and shall by the said name sue and be sued.

Share capital and shareholders.—(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 total value of five crores of rupees shall be issued in the first instance, and

1. Brought into force from 1-7-1948, see notification No. F. 10(1) (a) F. 1/48, dt. 15-6-48,

9. of 9. Ec. p. 853.

2. See S. 10(1) A.O. 1950.

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.

(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 per cent. 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.

(5) If any shares referred to in sub-section (3) remain unallotted, they shall be subscribed for by the Central Government and the Reserve Bank in such proportion as may be agreed on between them:

Provided that the Central Government and the Reserve Bank may dispose of the shares subscribed for by them in pursuance of this sub-section to any scheduled bank, insurance company, investment trust or other like financial institution or any co-operative bank to which shares of the Corporation may be transferred under sub-section (7).

(6) If and when the remaining shares or any part thereof are issued, the Central Government and the Reserve Bank shall, and the institutions referred to in sub-section (3) of this section may, subscribe for such shares in the same proportion as for the first issue, and the provisions of sub-sections (4) and (5) of this section shall also apply to such shares.

(7) Shares of the Corporation shall not be transferable except to the Central Government, 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.

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.

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, with the assistance of an Executive Committee and a Managing Director, 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 Central Government.

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

(5) If the Board fails to carry out the instructions on the question of policy laid down by the Central Government, 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.—(1) Subject to such general or special directions as the Board may from time to time give, the Executive Committee shall be competent to deal with any matter within the competence of the Board.

(2) The minutes of every meeting of the Executive Committee shall be laid before the Board at its next following meeting.

8. Advisory Committee.—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 discharge of its functions and in particular for the purpose of securing that those functions are exercised with due regard to the circumstances, conditions prevailing in and requirements of particular areas.

9. Managing Director.—The Managing Director shall—

(a) be a whole time officer of the Corporation;

(b) perform such duties as the Board may, by regulations, entrust or delegate to him;

(c) hold office for four years and be eligible for re-appointment;

(d) receive such salary and allowances as the Board, with the approval of the Central Government, may determine.

10. Board of Directors.—The Board of Directors shall consist of the following, namely:—

(a) three Directors nominated by the Central Government;

(b) two Directors nominated by the Central Board of 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 Central Government, the Reserve 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;

(f) one Managing Director appointed by the Central Government after consideration of the recommendation—

(i) in the case of the first appointment, of the Central Board of the Reserve Bank;

(ii) in the case of subsequent appointments, of the Board.

Provided that on the first constitution of the Board the Directors referred to in clauses (c), (d) and (e) shall be nominated by the Central Government to represent the classes of shareholders respectively specified in the said clauses, and Directors nominated under this proviso shall for the purposes of this Act be deemed to be elected Directors:

Provided further that all Directors of the Board first constituted other than the Managing Director shall retire at the end of the first year.

Term of office and retirement of Directors.—(1) A nominated Director shall hold office during the pleasure of the Central Government.

(2) An elected Director shall hold office for four 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 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 three 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 other than the Managing Director and not being servants of the Government, shall be paid such fees for attending meetings of the Board and if they are members thereof, of the Executive Committee, as may be prescribed.

(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) is a salaried official of the Corporation other than a Managing Director; or

(b) is, or at any time has been, adjudicated insolvent or has suspended payment 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. Director's absence from three consecutive meetings.—A person shall cease to be a Director if he absents himself from three consecutive meetings of the Board without leave of absence.

14. Appointment of officers, advisers, etc.—The Corporation may appoint such officers, advisers and employees as it considers necessary for the efficient performance of its functions.

15. Chairman of the Board.—(1) The Chairman of the Board shall be one of the Directors (not being the Managing Director) nominated in this behalf by the Central Government after considering, except in the case of the nomination of the first Chairman, the recommendation of the Board:

Provided that the nomination of the Chairman for any period (other than the first period) shall be made only after the vacancies in the office of Directors occurring by efflux of time in that period have been filled by nomination or election, as the case may be.

(2) The Chairman shall hold office for two years or until his successor is nominated:

Provided that a Chairman shall, so long as he remains a Director, be eligible for renomination as Chairman.

16. Executive Committee.—(1) The Executive Committee shall consist of the Managing Director (who shall be Chairman of the Committee), two Directors elected by the nominated Directors and two Directors elected by the elected Directors.

(2) A Director elected to be a member of the Executive Committee shall hold office as such for the rest of his term of office as Director for which he is so elected.

17. Meetings of Board and Committee.—(1) Meetings of the Board and of the Executive Committee 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 Managing Director.

(2) To constitute a quorum at a meeting of—

(a) 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;

(b) the Executive Committee, not less than three members shall be present, of whom at least one shall be a nominated Director and one an elected Director.

(3) At a meeting of the Board or of the Executive Committee, each Director or member of the Committee, as the case may be, shall have one vote, and in the event of an equality of votes, the Chairman 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) If for any reason the Chairman is unable to be present at a meeting—

(a) of the Board, a Director (other than the Managing Director) authorised by the Chairman in writing in this behalf shall preside at that meeting and in default of such authorisation the Board may elect a Chairman to preside at that meeting

(b) of the Executive Committee, a member authorised in writing by the Managing Director shall preside at that meeting and in default of such authorisation the Executive Committee may elect a Chairman to preside at that meeting.

18. Offices and agencies.—The Corporation shall establish its head office in Delhi and offices in Bombay, Calcutta, Kanpur and Madras, and may, with the previous sanction of the Central Government, 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.

20. Investment of funds.—The Corporation may invest its funds in the securities of the Central Government or of any Provincial Government.

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

Provided that the total amount of bonds and debentures issued and outstanding and of the contingent liabilities of the Corporation in the form of guarantees given by it or underwriting agreements entered into by it shall not at any time exceed five times the amount of the paid up share capital and the reserve fund of the Corporation.

(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.

22. Deposits with the Corporation.—The Corporation may accept deposits from the public repayable after the expiry of a period which shall not be less than five years from the date of the making of the deposit, and on such other terms as it thinks fit:

Provided that the total amount of such deposits shall not at any time exceed ten crores of rupees.

23. Business which the Corporation may transact.—(1) 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, on such terms and conditions as may be agreed upon, loans raised by industrial concerns which—

(i) are repayable within a period not exceeding twenty-five years and

(ii) are floated in the public market;

(b) underwriting the issue of stock, shares, bonds or debentures by industrial concerns;

(c) receiving in consideration of the services mentioned in clauses (a) and (b) such commission as may be agreed upon;

(d) retaining as part of its assets any stock, shares, bonds or debentures which it may have to take up in fulfilment of its underwriting liabilities, so however that it disposes of the stock, shares, bonds or debentures so acquired as early as practicable and in any case within a period of seven years from the date of such acquisition;

(e) granting loans or advances to, or subscribing to debentures of, industrial concerns, repayable within a period not exceeding twenty-five years from the date on which they are granted or subscribed to, as the case may be; and

(f) 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.

(2) No accommodation shall be given under sub-clauses (a) and (e), unless it is secured by a sufficient pledge, mortgage, hypothecation or assignment of Government or other securities, stocks, shares or secured debentures, bullion, movable or immovable property or other tangible assets in the manner prescribed by regulations.

24. Limit of accommodation.—The Corporation shall not enter into any arrangement under clauses (a) and (e) of sub-section (1) of section 23 with a single industrial concern for an amount equivalent in the aggregate to more than ten per cent. of the paid up share capital of the Corporation but in no case exceeding fifty lakhs of rupees.

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 interests of the Corporation and securing that the accommodation granted by it is put to the best use by the industrial concern.

(2) Where one of the conditions imposed is that a Director shall be appointed by the Corporation on the Board of Directors of the industrial concern to protect the interests of the Corporation, such condition shall be valid notwithstanding anything contained in the Indian Companies Act, 1913 (VII of 1913), or any other law for the time being in force.

26. Prohibited business.—The Corporation shall not—

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

(b) subscribe directly to the shares or stock of any company having limited liability;

Provided that nothing in clause (b) shall affect the right of the Corporation to acquire any shares, bonds or debentures of a company having limited liability in fulfilment of any underwriting agreement entered into by the Corporation.

27. Loans in foreign currency.—(1) The Corporation may, for the purpose of making loans or advances to industrial concerns requiring to be financed in foreign currency, borrow, with the previous consent of the Central Government, such currency through the International Bank for Reconstruction and Development or otherwise, and may pledge, mortgage, hypothecate or assign to the said Bank or other foreign lender all or any part of the security taken by the Corporation from the industrial concerns for the loans or advances granted in foreign currency.

(2) All loans and advances made to industrial concerns in foreign currency shall be repaid in the currency in which they are made or its equivalent in Indian currency at the rate of exchange prevailing at the time of repayment.

28. Rights 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 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 of the concern, as well as the right to sell 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 of sale and realization under sub-section (1) shall vest in the transferee all rights in or to the property transferred as if the sale 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.

(4) Where the Corporation takes over the management 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 owner of the concern.

29. Power to call for repayment before agreed period.—Notwithstanding any agreement to the contrary, the Corporation may by notice require any industrial concern, to which it has granted any loan or advance, forthwith to discharge 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, in the opinion of the Board, by more than twenty per cent., and further security to the satisfaction of the Board is not given; or

(e) if, without the permission of the Board, machinery 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 in the opinion of the Board to protect the interests of the Corporation.

30. Special provisions for enforcement of claims by the Corporation.—(1) here by reason of the breach of any condition of an agreement between the

Corporation and an industrial concern the Corporation becomes entitled to call for the immediate payment of any loan or advance granted by it, before the due date or where the due date has expired, and the industrial concern fails to repay such loan or advance, any officer of the Corporation generally or especially authorised by the Board in this behalf may apply to the District Judge within the local limits of whose jurisdiction the industrial concern carries on the whole or a substantial part of its business 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 District Judge 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 his 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 District Judge 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 District Judge may, if he thinks fit, examine the officer making the application.

(6) At the same time as he passes an order under sub-section (3), the District Judge shall issue to the industrial concern a notice accompanied by copies of the order, the application and the evidence, if any, recorded by him, calling upon it 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 District Judge 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 District Judge shall proceed to investigate the claim of the Corporation and the provisions of the Code of Civil Procedure (V of 1908), shall as far as practicable apply to such proceedings.

(9) On an investigation made under sub-section (8) the District Judge 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 he is satisfied that it is not necessary in the interests of the Corporation, or

(d) confirming or dissolving the injunction, or

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

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

Provided further that unless the Corporation intimates to the District Judge 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 High 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 (V of 1908) for the attachment or sale of 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 High Court, and upon such appeal, the High 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) The functions of a District Judge under this section shall, in a Presidency-town, be exercised by the Chief Judge of the Small Cause Court.

31. Act XVIII 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 (XVIII 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, the rate of such dividend shall not exceed the rate guaranteed by the Central Government under section 5:

Provided further that under no circumstances shall any such dividend exceed the rate of five per cent. per annum and if in respect of any financial year after the reserve fund becomes equal to the share capital of the Corporation there is, after declaring a dividend at that rate any surplus in the net profits, such surplus shall be paid to the Central Government.

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 two 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 qualified under section 144 of the Indian Companies Act, 1913 (VII of 1913), to act as auditors of companies who shall be appointed by the Central Government on such remuneration as the Central Government may fix, and such remuneration shall be paid 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 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.

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 (XXVI of 1881), as at the close of business on the preceding working day, to all shareholders within ten days from the date to which the statement relates.

(2) The Corporation shall furnish in the prescribed form to the Central Government and to the Reserve Bank at least once in every year or as frequently as the Central Government or the Reserve Bank may require a 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 and the Reserve Bank within two 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 the Central Legislature.

36. Acquisition of shares by the Central Government.—In the event of the Central Government at any time deciding to acquire the shares held by shareholders other than the Central Government and the Reserve 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.

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 servant of the Corporation or for any loss or expense resulting to the Corporation by the insufficiency or 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.

39. Declaration of fidelity and secrecy.—Every Director, auditor, officer or servant 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 (XI 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 shall not be treated as the income, profits and gains of the Corporation, and any interest on debentures or bonds 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.

41. Offences.—(1) Whoever in any bill of lading, warehouse receipt or other instrument given to the Corporation whereby 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.

42. Power of Central Government to make rules.—The Central Government may 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.

43. Power of Board to make regulations.—(1) The Board may, after consultation with the Reserve Bank and with the previous sanction of the Central Government, make regulations not inconsistent with this Act 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 and of the Executive Committee, fees for attending meetings thereof and the conduct of business thereat;

(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 manner of determining the sufficiency of the security taken under sub-section (2) of section 23;

(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 of officers and servants and agents of the Corporation;

(l) the disclosure of interest, direct or indirect, of a Director in any industrial concern;

(m) taking over the management of and managing an industrial concern committing a breach of its agreement with the Corporation;

(n) appointment of *ad hoc* committees for technical and other advice for purposes of this Act; and

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

(3) All regulations made under this section shall be published in the official Gazette and shall come into force on such publication and shall also be laid on the table of the Legislature.

THE SCHEDULE

(See section 39)

Declaration of Fidelity and Secrecy

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

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 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 Corporation and relating to the business of the Corporation.

Signed before me.

Signature.....

Signature.....

Designation.....

Date.....

JW
28/3/12