

Repealed by Act 36 of 1957.

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THE INDUSTRIAL FINANCE CORPORATION (AMEND-  
MENT) ACT, 1952

No. LXXVIII OF 1952



[29th December, 1952]

An Act further to amend the Industrial Finance Corporation  
Act, 1948.

BE it enacted by Parliament as follows:—

1. **Short title.**—This Act may be called the Industrial Finance Corporation (Amendment) Act, 1952.

2. **Amendment of section 2, Act XV of 1948.**—In clause (c) of section 2 of the Industrial Finance Corporation Act, 1948 (hereinafter referred to as the principal Act), after the words “or processing of goods” the words “or in shipping” shall be inserted.

3. **Amendment of section 10, Act XV of 1948.**—Section 10 of the principal Act shall be re-numbered as sub-section (1) of that section, and—

(a) in sub-section (1) as so re-numbered,—

(i) in clause (a), for the word “three” the word “four” shall be substituted;

(ii) after clause (f), the following clause shall be inserted, namely:—

“(g) One Deputy Managing Director appointed by the Corporation.”;

(b) after sub-section (1) as so re-numbered, the following sub-section shall be inserted, namely:—

“(2) The Deputy Managing Director shall have the right to attend any meeting of the Board or of the Executive Committee and take part in its discussions but shall not have the right to vote at any such meeting:

Provided that when the Managing Director is for any reason unable to attend any such meeting, the Deputy Managing Director shall have the right to vote for him at that meeting.”

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4. Amendment of section 11, Act XV of 1948.—In section 11 of the principal Act,—

(i) in sub-section (1), for the words “the Central Government” the words “the authority appointing him” shall be substituted;

(ii) in the third proviso to sub-section (2), after the words “Provided further that” the word “such” shall be inserted;

(iii) in sub-section (4), after the words “the Managing Director” the words “and the Deputy Managing Director” shall be inserted.

5. Amendment of section 12, Act XV of 1948.—In section 12 of the principal Act,—

(i) for clause (a), the following clause shall be substituted, namely:—

“(a) except in the case of the Managing Director or the Deputy Managing Director, is a salaried official of the Corporation; or”;

(ii) in clause (b), after the word “payment” the words “of his debts” shall be inserted.

6. Substitution of new section for section 13 in Act XV of 1948.—For section 13 of the principal Act, the following section shall be substituted, namely:—

“13. *Removal of Director from office.*—(1) The Central Government may at any time remove the Managing Director from office after giving him a reasonable opportunity of showing cause against the action proposed to be taken in regard to him.

(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.”

7. Insertion of new section 13A in Act XV of 1948.—After section 13 of the principal Act, the following section shall be inserted, namely:—

“13A. *Casual vacancy of Managing Director.*—If 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 consideration of the recommendation of the Board, appoint another person to act in his place.”

8. Amendment of section 14, Act XV of 1948.—In section 14 of the principal Act, for the words “such officers” the words “a Deputy Managing Director and such other officers” shall be substituted.

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**9. Amendment of section 17, Act XV of 1948.**—In sub-section (3) of section 17 of the principal Act,—

(i) after the words “as the case may be, shall” the words, brackets and figures “subject to the provisions of sub-section (2) of section 10” shall be inserted;

(ii) after the words “the Chairman” the words “or in his absence, any other person presiding” shall be inserted.

**10. Amendment of section 19, Act XV of 1948.**—To section 19 of the principal Act, the words “or in consultation with the Reserve Bank, with a scheduled bank or a State Co-operative Bank” shall be added.

**11. Amendment of section 21, Act XV of 1948.**—After sub-section (2) of section 21 of the principal Act, the following sub-section shall be inserted, namely:—

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

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

(b) against bonds and debentures issued by the Corporation under sub-section (1) or against such other security as may be required by the Reserve Bank maturing and repayable within a period not exceeding eighteen months from the date on which the money is so borrowed:

Provided that the amount borrowed by the Corporation under clause (b) shall not at any time exceed three crores of rupees in the aggregate.”

**12. Amendment of section 23, Act XV of 1948.**—In section 23 of the principal Act,—

(i) after clause (e) of sub-section (1), the following clause shall be inserted, namely:—

“(ee) acting as agent for the Central Government or, with its approval, for the International Bank for Reconstruction and Development in the transaction of any business with an industrial concern in respect of loans or advances granted, or debentures subscribed, by either of them.”;

(ii) in sub-section (2), for the words, brackets and letters “sub-clauses (a) and (e)” the words, brackets, letters and figure “clauses (a) and (e) of sub section (1)” shall be substituted.

**13. Amendment of section 24, Act XV of 1948.**—In section 24 of the principal Act, for the words “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”, the following shall be substituted, namely:—

“for an amount exceeding one crore of rupees in the aggregate:

Provided that the aforesaid limit of one crore of rupees shall not apply to any such arrangement when any loans, advances or debentures

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are, on the recommendation of the Corporation, guaranteed by the Central Government as to the repayment of the principal and the payment of the interest."

14. Amendment of section 25, Act XV of 1948.—To sub-section (2) of section 25 of the principal Act, the words "or in any instrument relating to the industrial concern" shall be added.

15. Amendment of section 26, Act XV of 1948.—In section 26 of the principal Act, after clause (b), the following clause shall be inserted, namely:—

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

16. Substitution of new section for section 27 in Act XV of 1948.—For section 27 of the principal Act, the following section shall be substituted, namely:—

"27. *Loans in foreign currency.*—(1) Notwithstanding anything contained in the Foreign Exchange Regulation Act, 1947 (VII 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 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 to industrial concerns out of foreign currency borrowed under sub-section (1) shall be granted in Indian currency and shall be repayable by such concerns in the Indian currency.

(4) Any loss or profit accruing to the Corporation in connection with any borrowing of foreign currency under sub-section (1) or its repayment on account of any fluctuations in the rates of exchange shall be re-imbursed by, or paid to, the Central Government, as the case may be."

17. Amendment of section 28, Act XV of 1948.—After sub-section (3) of section 28 of the principal Act, the following sub-section shall be inserted, namely:—

"(3A) Where the management of an industrial concern is taken over by the Corporation or any property is sold or realised by it under the provisions of sub-section (1), all costs, charges and expenses properly incurred by it as incidental to such management, sale or realisation shall be recoverable from the industrial concern, and the money which is received by it from such management, sale or realisation 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."

**18. Amendment of section 29, Act XV of 1948.**—In section 29 of the principal Act,—

(i) for the words beginning with the words “Notwithstanding any agreement to the contrary” and ending with the words “its liabilities to the Corporation”, the following shall be substituted, namely:—

“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,—”;

(ii) in clause (d), for the words beginning with the words “or depreciates in value” and ending with the words “is not given” the following shall be substituted, namely:—

“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;”;

(iii) in clause (e), for the words “machinery or other equipment” the words “any machinery, plant or other equipment” shall be substituted;

(iv) in clause (f), the words, “in the opinion of the Board” shall be omitted.

**19. Amendment of section 30, Act XV of 1948.**—In section 30 of the principal Act,—

(i) in sub-section (1), for the words beginning with the words “Where by reason of the breach” and ending with the words “to repay such loan or advance”, the following shall be substituted, namely:—

“Where an industrial concern, in breach of any agreement, makes any default in repayment of any loan or advance or any instalment thereof 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 69 of the Transfer of Property Act, 1882 (IV of 1882),”;

(ii) for sub-section (13), the following sub-section shall be substituted, namely:—

“(13) The functions of a District Judge under this section shall, in a presidency town, be exercised by the High Court.”

**20. Insertion of new sections 30A to 30E in Act XV of 1948.**—After section 30 of the principal Act, the following sections shall be inserted, namely:—

“30A. *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 by the Corporation, the Corporation may, by order notified in the Official Gazette, appoint as many persons as it thinks fit to be the directors of that industrial concern.

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(2) The power to appoint directors under this section includes the power to appoint any individual, firm or company to be the managing agents 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 30A,—

(a) all persons holding office as directors of the industrial concern immediately before the issue of the notified order shall be deemed to have vacated their offices as such;

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

(c) the managing agent, if any, appointed under section 30A shall be deemed to have been duly appointed in pursuance of the Indian Companies Act, 1913 (VII of 1913) and the memorandum and articles of association of the industrial concern and the provisions of the said Act and of the memorandum and articles shall, subject to the other provisions contained in this Act, apply accordingly, but no such managing agent shall be removed from office except with the previous consent of the Corporation;

(d) the directors appointed under section 30A 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 as from the date of the notified order;

(e) the directors appointed under section 30A shall be, for all purposes, the directors of the industrial concern duly constituted under the Indian Companies Act, 1913 (VII of 1913) and shall alone be entitled to exercise all the powers of the directors of the industrial concern, whether such powers are derived from the said Act or from the memorandum or articles of association of the industrial concern or from any other source.

30C. *Powers and duties of directors.*—(1) Subject to the control of the Corporation, the directors appointed under section 30A 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 appointed under section 30A may, with the previous approval of the Corporation, make an application to a Court for the purpose of cancelling or varying any contract or agreement entered into, at any time before the issue of the notified order under section 30A, 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.

30D. *No right to compensation for termination of contract of managing agents.*—(1) Notwithstanding anything contained in any law for the time being in force, no managing agent, managing director or any other director 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 agent or managing director or any other director to recover from the industrial concern moneys recoverable otherwise than by way of such compensation.

30E. *Application of Act VII of 1913.*—(1) Where the management of an industrial concern, being a company as defined in the Indian Companies Act, 1913 (VII of 1913), 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 Indian Companies Act, 1913 (VII of 1913) shall continue to apply to such concern in the same manner as it applied thereto before the issue of the notified order under section 30A."

**21. Amendment of section 32, Act XV of 1948.**—In the first proviso to sub-section (2) of section 32 of the principal Act, after the words, brackets and figures "given in pursuance of sub-section (2) of section 21" the words, brackets and figures "or sub-section (2) of section 27" shall be inserted.

**22. Insertion of new section 32A in Act XV of 1948.**—After section 32 of the principal Act, the following section shall be inserted, namely:—

"32A. *Special reserve fund.*—(1) All dividends accruing on the shares of the Corporation held by the Central Government and the Reserve Bank shall, instead of being paid to them, be credited to a special reserve fund until the aggregate of the sums so credited exceeds fifty lakhs of rupees.

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(2) No shareholder of the Corporation other than the Central Government or the Reserve Bank shall have any claim to the special reserve fund referred to in sub-section (1)."

**23. Amendment of section 33, Act XV of 1948.**—In sub-section (1) of section 33 of the principal Act, for the word "two" the word "three" shall be substituted.

**24. Amendment of section 34, Act XV of 1948.**—In section 34 of the principal Act,—

(i) for sub-section (1), the following sub-section shall be substituted, namely:—

"(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 144 of the Indian Companies Act, 1913 (VII of 1913), one of whom shall be appointed by the Central Government in consultation with the Comptroller and Auditor-General of India and the other elected in the prescribed manner by the parties mentioned in sub-section (3) of section 4, and such remuneration as the Central Government may fix shall be paid to the auditors by the Corporation."

(ii) in sub-section (4), after the words "The Central Government may" the words "in consultation with the Comptroller and Auditor-General of India" shall be inserted;

(iii) after sub-section (4), the following sub-sections shall be inserted, namely:—

"(5) The Corporation shall send a copy of every report of the auditors to the Comptroller and Auditor-General of India at least one month before it is placed before the shareholders.

(6) Notwithstanding anything contained in the preceding sub-sections, the Comptroller and Auditor-General of India may, either of his own motion or on a request received in this behalf from the Central Government, undertake such audit and at such times as he may consider necessary:

Provided that where the Central Government is required to make any payment on account of the guarantee given by it under section 5 or sub-section (2) of section 21 or sub-section (2) of section 27, as the case may be, such audit shall be undertaken by 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."

**25. Amendment of section 35, Act XV of 1948.**—In section 35 of the principal Act,—

(i) in sub-section (2), for the words "a classification" the words "a statement showing the classification" shall be substituted;

(ii) in sub-section (3), for the word "two" the word "three" shall be substituted.



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**26. Amendment of section 38, Act XV of 1948.**—In sub-section (2) of section 38 of the principal Act, for the words "or servant" the words "or other employee" shall be substituted.

**27. Amendment of section 39, Act XV of 1948.**—In section 39 of the principal Act, for the words "or servant" the words "or other employee" shall be substituted.

**28. Amendment of section 40, Act XV of 1948.**—In the first proviso to section 40 of the principal Act,—

(i) after the words, brackets and figures "in pursuance of sub-section (2) of section 21" the words, brackets and figures "or sub-section (2) of section 27" shall be inserted;

(ii) after the words "debentures or bonds" the words, brackets and figures "or on foreign currency borrowed under sub-section (1) of section 27" shall be inserted.

**29. Insertion of new section 41A in Act XV of 1948.**—After section 41 of the principal Act, the following section shall be inserted, namely:—

"41A. *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 not in derogation of, any other law for the time being applicable to an industrial concern."

**30. Amendment of section 43, Act XV of 1948.**—In section 43 of the principal Act,—

(a) in sub-section (1), after the words "with this Act" the words "and the rules made thereunder" shall be inserted;

(b) in sub-section (2),—

(i) in clause (k), for the words "officers and servants and agents" the words "officers, other employees, advisers and agents" shall be substituted;

(ii) for clause (m), the following clause shall be substituted, namely:—

"(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 under section 30C;"

(iii) in clause (n), for the words "*ad hoc*" the word "advisory" shall be substituted and the word "and" at the end shall be omitted;

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(w) after clause (n); the following clause shall be inserted, namely:—

“(nn) the election of an auditor under sub-section (1) of section 34”.

31. **Amendment of the Schedule, Act XV of 1948.**—In the Schedule to the principal Act, the word “Signature”, where it occurs for the second time, and the word “Designation” shall be omitted.