

Provided that the Financial Corporation may, with the prior approval of the Small Industries Bank, exceed the limit under clause (i) or clause (ii) up to four times.]

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

¹[(2) Where any arrangement entered into by the Financial Corporation with an industrial concern provides for the appointment by the Financial 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 of office of directors and such like conditions contained in any such law or instrument aforesaid shall not apply to any director appointed by the Financial 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 Financial Corporation and may be removed or substituted by any person by order in writing by the Financial 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 or anything in relation thereto;
- (c) not be liable to retirement by rotation and shall not be taken into account for computing the number of directors liable to such retirement.]

28. Prohibited business.—²[(1)] The Financial Corporation shall not—

- ³(a) except as provided in section 8, accept deposits;
- (b) except as provided in clauses ⁴[(da)], (f) and (g) of sub-section (1) of section 25, subscribe to the shares or stock of any company;]
- (c) grant any loan or advance on the security of its own shares;
- ⁵[(d) grant any form of assistance to any industrial concern in respect of which the aggregate of the paid-up share capital and free reserves exceeds ten

1. Subs. by Act 77 of 1972, sec. 17, for sub-section (2) (w.e.f. 30-12-1972).

2. Section 28 re-numbered as sub-section (1) thereof by Act 77 of 1972, sec. 18 (w.e.f. 30-12-1972).

3. Subs. by Act 6 of 1962, sec. 13, for clauses (a) and (b) (w.e.f. 16-4-1962).

4. Ins. by Act 77 of 1972, sec. 18 (w.e.f. 30-12-1972).

5. Clause (d) ins. by Act 77 of 1972, sec. 18 (w.e.f. 30-12-1972) and subs. by Act 39 of 2000, sec. 20 (w.e.f. 5-9-2000).

crores of rupees or such higher amount not exceeding thirty crores of rupees as the State Government, on the recommendation of the Small Industries Bank, may, by notification in the Official Gazette, specify.]

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

Provided that this section shall not apply to any industrial concern if any director of the Financial Corporation—

- (i) is nominated as a director of the Board of such concern by the Government or a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956) or by a Corporation established by or under 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 or under 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 Financial 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 State Financial Corporations (Amendment) Act, 1972 (77 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 sub-section continue.]

29. Rights of Financial Corporation in case of default.—(1) Where any industrial concern, which is under a liability to the Financial Corporation under an agreement, makes any default in repayment of any loan or advance or any instalment thereof ²[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 Financial Corporation, the Financial Corporation shall have the ³[right to take over the management or

1. Ins. by Act 77 of 1972, sec. 18 (w.e.f. 30-12-1972).

2. Ins. by Act 77 of 1972, sec. 19 (w.e.f. 30-12-1972).

3. Subs. by Act 77 of 1972, sec. 19, for “right to take over the management of the industrial concern” (w.e.f. 30-12-1972).