

4C. Payment of amount.—The Reserve Bank shall be given by the Development Bank, in cash, for the transfer to, and vesting in, the Development Bank of the shares of every Financial Corporation which have been subscribed by the Reserve Bank, an amount equal to the face value of the shares of the Financial Corporation so subscribed.]

[4D. Issue of redeemable preference shares.—(1) On and after the commencement of the State Financial Corporations (Amendment) Act, 2000, the Financial Corporation may—

- (a) issue redeemable preference shares on such terms and in such manner as the Board may decide; and
- (b) convert, such number of equity shares as it may decide into redeemable preference shares, with the prior approval of the State Government and the Small Industries Bank, by a resolution passed in the general meeting of the shareholders:

Provided that such conversion shall in no case reduce the equity shares held by the parties referred to in clauses (a), (b) and (c) of sub-section (3) of section 4 to less than fifty-one per cent. of the issued equity capital of the Financial Corporation.

(2) The redeemable preference shares referred to in sub-section (1) shall—

- (a) carry such fixed rate of dividend as the Financial Corporation may specify at the time of such issue or conversion; and
- (b) neither be transferable nor carry any voting rights.

(3) The redeemable preference shares referred to in sub-section (1) shall be redeemed by the Financial Corporation in such instalments and in such manner as the Board may determine.

4E. Reduction of share capital.—(1) The Financial Corporation, with the prior approval of the State Government and the Small Industries Bank, may, by resolution passed in a general meeting of the shareholders, reduce its share capital in any way.

(2) Without prejudice to the generality of the foregoing power, the share capital may be reduced by—

- (a) extinguishing or reducing the liability on any of its equity shares in respect of share capital not paid-up; or
- (b) either with or without extinguishing or reducing liability on any of its equity shares, cancelling any paid-up share capital which is lost or is unrepresented by available assets; or
- (c) either with or without extinguishing or reducing liability on any of its equity shares, paying off any paid-up share capital which is in excess of the wants of the Financial Corporation.

4F. Restriction on exercising of voting right.—Every shareholder of the Financial Corporation holding equity shares shall have a right to vote in respect of such shares on every resolution and his voting right on a poll shall be in proportion to his share of the paid-up equity capital of the Financial Corporation:

1. Ins. by Act 39 of 2000, sec. 6 (w.e.f. 5-9-2000).

Provided, however, that no shareholder, other than a shareholder referred to in clauses (a), (b) and (c) of sub-section (3) of section 4, shall be entitled to exercise voting rights in respect of any equity share held by him in excess of ten per cent. of the issued equity capital.

4G. Proxy voting.—In a general meeting referred to in clause (b) of sub-section (1) of section 4D and sub-section (1) of section 4E, the resolution for conversion or reduction of share capital shall be passed by shareholders entitled to vote, voting in person, or, where proxies are allowed, by proxy, and the votes cast in favour of the resolution are not less than three times the number of votes, if any, cast against the resolution by shareholders so entitled and voting.

4H. Transfer of share capital to Small Industries Bank.—On such date as the Central Government may, by notification in the Official Gazette, notify (hereinafter referred to as the notified date) all the shares of every Financial Corporation subscribed by the Development Bank and the amount outstanding in respect of loans in lieu of capital provided by the Development Bank as on the date immediately preceding the notified date, shall stand transferred to, and vested in, the Small Industries Bank, such transfer shall be at such rate and be paid in cash or such other manner as may be mutually agreed upon between the Development Bank and the Small Industries Bank.]

[5. Transfer of shares.—(1) Save as otherwise provided in sub-section (2), the shares of the Financial Corporation shall be freely transferable.

(2) Nothing contained in sub-section (1) shall entitle the parties referred to in clauses (a) (b) and (c) of sub-section (3) of section 4 to transfer any of the shares held by them in the Financial Corporation if such transfer will result in reducing the aggregate value of shares held by them to less than fifty-one per cent. of the issued equity capital of the Financial Corporation.

(3) The Board may refuse to register the transfer of any shares in the name of the transferee on any one or more of the following grounds, and on no other ground, namely:—

- (a) the transfer of the shares is in contravention of the provisions of the Act or regulations made thereunder or any other law;
- (b) the transfer of the shares, in the opinion of the Board, is prejudicial to the interests of the Financial Corporation or to the public interest;
- (c) the transfer of shares is prohibited by an order of a court, tribunal or any other authority under any law for the time being in force.

4. The Board shall, before the expiry of two months from the date on which the instrument of transfer of shares of the Financial Corporation is lodged with it for the purpose of registration of such transfer, not only form, in good faith, its opinion as to whether such registration ought not or ought to be refused on any of the grounds referred to in sub-section (3) but also,—

- (a) if it has formed the opinion that such registration ought not to be so refused, effect such registration; and

1. Subs. by Act, 39 of 2000, sec. 7, for section 5 (w.e.f. 5-9-2000).