SECTION – 372A (INTER CORPORATE LOANS & INVESTMENTS)

Approval by BOD

Conditions:
- Upto limit
- Prior approval
- Unanimous resolution
- Only at BM

LIMIT:
Higher of
- 60% of Paid up capital & free reserves, or
- 100% of free reserves

Approval by Shareholders

Conditions:
- Above Limit
- SR in GM
- Disclosure in notice of GM
  - Limit
  - Purpose
  - Source of funding
  - Detail of recipient
  - Other relevant details
- SR not required even if limit exceeds:
  - Only in case of guarantee
  - Exceptional circumstances
  - Unanimous resolution passed by board
  - Board resolution is confirmed by Shareholder within 12 months
    a) In a EGM
    b) In a coming AGM
    held immediately after passing board's resolution whichever is earlier

Approval by Public Financial Institution (PFI)

Prior Approval is required
Exceptions:
- No default in repayment of loan taken from PFI, **and**
- Limit of 60% not exceeds

Prohibitions:
- No ICLI, if default of sec. 58A is made

Exceptions:
- If after making default, it has been made good

Meaning of Inter corporate loans & Investments (ICLI):
When a Public Company:
- Invest in any other company
- Give loan to any other company
- Give guarantee or security to
  -Any person giving loan to any other Co.
  -Any Co. giving loan to any other person

Rate of Interest should not be less than prevailing bank rate

Non Applicability:
- Banking Co.
- Insurance Co.
- Housing Finance Co.
- Co. whose object is financing industrial enterprises or providing infrastructure facilities
- Co. whose principal business is acquisition of shares, stock, debentures or other securities
- Private Co.
- **Holding Co.**
  - Giving loan to its 100% subsy
  - Invest in its 100% subsy
  - Giving guarantee or security to others who give loan to its 100% subsy

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