

THE INTEREST ON DELAYED PAYMENTS TO SMALL SCALE  
AND ANCILLARY INDUSTRIAL UNDERTAKINGS  
(AMENDMENT) ACT, 1998

No. 23 OF 1998

[10th August, 1998.]

An Act to amend the Interest on Delayed Payments to Small Scale and  
Ancillary Industrial Undertakings Act, 1993.

BE it enacted by Parliament in the Forty-ninth Year of the Republic of India as  
follows:—

- Short title. 1. This Act may be called the Interest on Delayed Payments to Small Scale and  
Ancillary Industrial Undertakings (Amendment) Act, 1998.
- Amendment  
of section 2. 2. In the Interest on Delayed Payments to Small Scale and Ancillary Industrial  
Undertakings Act, 1993 (hereinafter referred to as the principal Act), in section 2, in  
clause (f), for the words "or Union territory", the following shall be substituted, namely:—  
32 of 1993.
- "or Union territory and includes,—
- (i) the National Small Industries Corporation, being a company, registered  
under the Companies Act, 1956; 1 of 1956.
- (ii) the Small Industries Development Corporation of a State or a Union  
territory, by whatever name called, being a company registered under the Com-  
panies Act, 1956." 1 of 1956.

3. In section 3 of the principal Act, the following proviso shall be inserted, namely:—

Amendment of section 3.

“Provided that in no case the period agreed upon between the supplier and the buyer in writing shall exceed one hundred and twenty days from the day of acceptance or the day of deemed acceptance.”.

4. For section 4 of the principal Act, the following section shall be substituted, namely:—

Substitution of new section for section 4.

‘4. Where any buyer fails to make payment of the amount to the supplier, as required under section 3, the buyer shall, notwithstanding anything contained in any agreement between the buyer and the supplier or in any law for the time being in force, be liable to pay interest to the supplier on that amount from the appointed day or, as the case may be, from the date immediately following the date agreed upon, at one and half time of Prime Lending Rate charged by the State Bank of India.

Date from which and rate at which interest is payable.

*Explanation.*—For the purposes of this section, “Prime Lending Rate” means the Prime Lending Rate of the State Bank of India which is available to the best borrowers of the bank.’.

5. Section 6 of the principal Act shall be renumbered as sub-section (J) thereof and after sub-section (J) as so renumbered, the following sub-section shall be inserted, namely:—

Amendment of section 6.

“(2) Notwithstanding anything contained in sub-section (J), any party to a dispute may make a reference to the Industry Facilitation Council for acting as an arbitrator or conciliator in respect of the matters referred to in that sub-section and the provisions of the Arbitration and Conciliation Act, 1996 shall apply to such dispute as if the arbitration or conciliation were pursuant to an arbitration agreement referred to in sub-section (J) of section 7 of that Act.”.

26 of 1996.

6. After section 7 of the principal Act, the following sections shall be inserted, namely:—

Insertion of new sections 7A, 7B and 7C.

“7A. The State Government may, by notification in the Official Gazette, establish one or more Industry Facilitation Councils at such places exercising such jurisdiction and for such areas, as may be specified in the notification.

Establishment of Industry Facilitation Council.

7B. (1) The Industry Facilitation Council shall consist of one or more members to be appointed from amongst the following categories:—

Composition of Industry Facilitation Council.

(i) Director of Industries by whatever name called or any other officer not below the rank of such Director, of the State Government;

(ii) representatives of banks and financial institutions;

(iii) office-bearers or representatives of State Industry Associations; and

(iv) persons having special knowledge in the field of Industry, Finance, Law, Trade and Commerce.

(2) The person appointed under clause (i) of sub-section (1) shall be the Chairperson of the Industry Facilitation Council.

(3) The composition of the Industry Facilitation Council, the manner of filling vacancies among, and the procedure to be followed in the discharge of their functions by, the members shall be such as may be prescribed by rules by the State Government.

7C. Every notification issued and every rule made by the State Government under this Act shall be laid, as soon as may be after it is issued or made, before the State Legislature.”.

Laying of rules before State Legislature.