Without prejudice to the provisions of section 28 and section 47 and notwithstanding anything contained in any other provision of this Act or the provisions of the Companies Act, 1956 (1 of 1956), a person resident outside India (whether a citizen of India or not) or a person who is not a citizen of India but is resident in India, or a company (other than a banking company) which is not incorporated under any law in force in India or in which the non-resident interest is more than forty per cent or any branch of such company, shall not, except with the general or special permission of the Reserve Bank,

(a) carry on in India, or establish in India a branch, office or other place of business for carrying on any activity of a trading, commercial or industrial nature, other than an activity for the carrying on of which permission of the Reserve Bank has been obtained under section 28; or
(b) acquire the whole or any part of any undertaking in India or any person or company carrying on any trade, commerce or industry or purchase the shares in India of any such company.

2(a) Where any person or company (including its branch) referred to in sub-section (l) carries on any activity referred to in clause (a) of that sub-section at the commencement of this Act or has established a branch, office or other place of business for carrying on such activity at such commencement, then, such person or company (including its branch) may make an application to the Reserve Bank within a period of six months from such commencement or such further period as the Reserve Bank may allow in this behalf for permission to continue to carry on such activity or to continue the establishment of the branch, office or other place of business for carrying on such activity, as the case may be.

(b) Every application made under clause (a) shall be in such form and contain such particulars as may be specified by the Reserve Bank.
(c) Where any application has been made under clause (a) the Reserve Bank may, after making such inquiry as it may deem fit, either allow the application subject to such conditions, if any, as the Reserve Bank may think fit to impose or reject the application.

Provided that no application shall be rejected under this clause unless, the parties who may be affected by such rejection have been given a reasonable opportunity for making a representation in the matter.

(d) Where an application is rejected by the Reserve Bank under clause (c), the person or company (including its branch) concerned shall discontinue such activity or close down the branch, office or other place of business established for the carrying on of such activity, as the case may be, on the expiry of a period of ninety days or such other later date as may be specified by the Reserve Bank from the date of receipt by such person or company (including its branches) of the communication conveying such rejection.
(e) Where no application has been made under clause (a) by any person or company (including its branch), the Reserve Bank may, by order, direct such person or company (including its branch) to discontinue such activity or to close down the branch, office or other place of business established for the carrying on of such activity, as the case may be, on the expiry of such period as may be specified in the direction:

Provided that no direction shall be made under this clause unless the parties who may be affected by such direction have been given a reasonable opportunity for making a representation in the matter.

3 Notwithstanding anything contained in sub-section (2), the Reserve Bank may, having regard to-

(1) the fact that any person or company (including its branch), referred to in sub-section (1), is carrying on any activity referred to in clause (a) of that sub-section at the commencement of
this Act or has established a branch, office or other place of business for the carrying on of such activity at such commencement, in either case, in pursuance of any permission or licence granted by the Central Government; and

(ii) the nature of the activity which is being, or intended to be, carried on by such person or company (including its branch),

by order, exempt -

(a) such person or company (including its branch); or

(b) any class of such persons or companies (including their branches),

in relation to such activity as may be specified in the order, from the operation of the provisions of sub-section (2) subject to such conditions as may be specified in the order:

Provided that the reserve Bank shall not make any order under this sub-section in a case where the
activity which is being, or intended to be, carried on is solely of a trading nature.

4(a) Where at the commencement of this Act any person or company (including its branch) referred to in sub-section (1) holds any shares in India or any company referred to in clause (b) of that sub-section, then, such person or company (including its branch) shall not be entitled to continue to hold such shares unless before the expiry of a period of six months from such commencement or such further period as the Reserve Bank may allow in this behalf such person or company (including its branch) has made an application to the Reserve Bank in such form and containing such particulars as may be specified by the reserve Bank for permission to continue to hold such shares.

(b) Where an application has been made under clause (a), the reserve Bank may, after making such inquiry as it may deem fit, either allow the application subject to such conditions, if any, as the reserve Bank may think fit to impose or reject the application.
Provided that no application shall be rejected under this clause unless the parties who may be affected by such rejection have been given a reasonable opportunity for making a representation in the matter.

(c) Where an application has been rejected under clause (b), or where no application has been made under clause (a), the Reserve Bank may, if it is of opinion it is expedient so to do for the purpose of conserving the foreign exchange, direct such person or company (including its branch) to sell or procure the sale of such shares:

Provided that no direction shall be made under this clause unless notice of such direction for a period of not less than ninety days has been given to the person or company (including its branch) to be affected by such direction.

Explanation: For the purposes of this section, "company" has same meaning as in clause (b) of the Explanation to section 28.