



In the

Reserve Bank of India
Foreign Exchange Department
Mumbai Regional Office
Main Building, 3rd floor
Shahid Bhagat Singh Marg, Fort
Mumbai 400 001

Present

G. P. Borah
Chief General Manager

Date: December 12, 2017

C.A. No. 715/2017

In the matter of

M/s Ion Exchange Waterleau Limited
Ion House, Dr. E. Moses Road,
Mahalaxmi, Mumbai-400011

(Applicant)

In exercise of the powers conferred under section 15(1) of the Foreign Exchange Management Act, 1999 and the Regulations/Rules/Notifications/Orders made thereunder, I pass the following

Order

1. The applicant has filed the compounding application dated August 21, 2017 (received at the Reserve Bank of India on August 24, 2017) for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued thereunder. The contraventions sought to be compounded are (i) delay in reporting receipt of foreign inward remittance towards subscription to equity and (ii) delay in submission of Form FC-GPR to the Reserve Bank after issue of shares to a person resident outside India in terms of paragraphs



9(1)(A) and 9(1)(B) respectively, of Schedule 1 to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 notified vide Notification No. FEMA 20/2000-RB dated May 3, 2000 as amended from time to time (hereinafter referred to as Notification No. FEMA 20/2000-RB).

2. The relevant facts of the case are as follows: The applicant company was incorporated on November 24, 2005 under the Companies Act, 1956. Its main activity is 1) To carry on the business of design, engineering, procurement, supply construction and installation of Municipal sewage treatment plants and industrial wastewater treatment plants and/or projects and the operation & maintenance thereof. 2) To carry on the business of Industrial and Municipal solid waste disposal and management, sludge and bio-solid treatment, air pollution control technology, soil remediation technology and waste management projects. 3) To carry on the business of Process water and drinking water treatment and distribution projects. 4) To carry on all or any of business of manufacturing and selling water and waste water treatment plants, water treatment chemicals, resins and other specialty chemicals. 5) To carry on all or any of the business of manufacturer of and dealer in resins, organic solvents, water treatment chemicals, petro-chemicals, electro-chemicals, compounds and products thereof; designers, fabricators, manufacturers, contractors and dealers in water treatment machinery, equipment and plants, industrial and scientific apparatus and materials; process and design engineers, and without limiting the generality of the foregoing, in particular as process and design engineers for softening, purification or other treatment of water for industrial, municipal, domestic and other purposes to engage in all or any of the businesses of assemblers, processors, repairers, finishers and manufacturers of and dealers in industrial and municipal plant, machinery, equipment and tools of all description, and components and accessories thereof; and in any similar or allied business and either in connection with any of the said businesses or as distinct or separate businesses. 6) To act as engineers and consultants for environmental protection and prevention of water and atmospheric pollution, to act as environmental management consultants.



3. The applicant received foreign inward remittances from Waterleau Group NV, Belgium (Formerly known as Fifth Element NV, Belgium) towards equity / preference share capital and reported the same to the Reserve Bank of India as indicated below.

Sr. No.	Amount (in Rs.)	Date of receipt	Date of reporting
1	30,16,875	27-01-2006	10-05-2016
2	20,71,368	01-06-2006	10-05-2016
3	89,07,579	07-12-2006	10-05-2016
4	1,11,00,000	31-03-2010	28-11-2016
Total	2,50,95,822		

The applicant reported receipt of remittances to the Reserve Bank of India with a delay ranging from 6 years 6 months 27 days to 10 years 2 months 13 days approximately, in respect of remittances from serial no. 1 to 4 above. Whereas in terms of paragraph 9(1)(A) of Schedule 1 to Notification No. FEMA 20/2000-RB, an Indian company issuing shares or convertible debentures in accordance with these Regulations should report foreign inward remittances to the Reserve Bank of India as per the prescribed procedure not later than 30 days from the date of receipt of the amount of consideration.

4. The company allotted equity shares/preference shares/convertible preference shares and filed FC-GPR as indicated below:

Sr. No.	No. of shares	Face value (Rs.)	Amount (In Rs.)	Date of allotment	Date of reporting
1	300000	10	30,00,000	20-02-2006	10-05-2016
2	200000	10	20,00,000	31-07-2006	10-05-2016
3	890000	10	89,00,000	25-06-2007	10-05-2016
4	1110000	10	1,11,00,000	14-05-2010	07-12-2016
Total	2500000	Total	2,50,00,000		

The applicant filed form FC-GPR as indicated above with a delay ranging from 6 years 5 months 23 days to 10 years 1 month 20 days approximately,



at serial No. 1 to 4 above. Whereas, in terms of Paragraph 9(1)(B) of Schedule 1 to Notification No. FEMA 20/2000-RB, an Indian company issuing shares in accordance with these Regulations has to submit to Reserve Bank a report in Form FC-GPR along with documents prescribed therein within 30 days from the date of issue of shares to person resident outside India.

5. The applicant was given an opportunity for personal hearing vide e-mail dated November 14, 2017, for further submission in person and/or producing documents, if any, in support of the application. The applicant appeared for the personal hearing on November 16, 2017, during which Shri N. M. Ranadive, Executive Vice President (Finance) and Shri Bharat Mehta, General Manager (Finance & Commercial) represented the applicant. The representatives of the applicant admitted the contraventions for which compounding has been sought. During the personal hearing, it was submitted that the delay was inadvertent and unintentional. They requested that in view thereof, the matter may be viewed leniently. The application for compounding is, therefore, being considered on the basis of the averments made in the application as well as other documents and submissions submitted along with the application.

6. I have given my careful consideration to the documents on record and submissions made by the applicant during the personal hearing and thereafter. Accordingly, I hold that the applicant has contravened the following FEMA provisions issued in terms of:

(a) Paragraph 9(1)(A) of Schedule 1 to Notification No. FEMA 20/2000-RB due to the delay in reporting of receipt of foreign inward remittances towards subscription to equity as detailed in paragraph no. 3 above. The contravention relates to an amount of Rs.2,50,95,822/- (Rupees Two Crore Fifty Lakh Ninety Five Thousand Eight Hundred Twenty Two only) and the delay ranging from 6 years 6 months 27 days to 10 years 2 months 13 days, approximately.



(b) Paragraph 9(1)(B) of Schedule 1 to Notification No. FEMA 20/2000-RB due to the delay in submission of Form FC-GPR to the Reserve Bank of India after issue of shares to persons resident outside India and the contravention relates to an amount of Rs.2,50,00,000/- (Rupees Two Crore Fifty Lakh only) and the delay ranging from 6 years 5 months 23 days to 10 years 1 month 20 days, approximately.

7. In terms of Section 13 of the FEMA, any person contravening any provision of the Act shall be liable to a penalty up to thrice the sum involved in such contravention upon adjudication. However, taking into account the relevant facts and circumstances of the case as stated in the foregoing paragraphs, I am persuaded to take a lenient view on the amount for which the contraventions are to be compounded and I consider that an amount of Rs. 9,01,975/- (Rupees Nine Lakh One Thousand Nine Hundred Seventy Five only) will meet the ends of justice.

8. Accordingly, I compound the admitted contraventions namely, the contraventions of paragraphs 9(1)(A) and 9(1)(B) of Schedule 1 to Notification No. FEMA 20/2000-RB by the applicant as stated above on the facts discussed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 on payment of an amount of Rs. 9,01,975/- (Rupees Nine Lakh One Thousand Nine Hundred Seventy Five only) which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, Mumbai Regional Office, Main Building, 3rd floor, Shahid Bhagat Singh Marg, Fort, Mumbai-400001 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at "Mumbai" within a period of 15 days from the date of this order. In case of failure to deposit the compounded amount within the above mentioned period, Rule 10 of the Foreign Exchange (Compounding Proceedings) Rules, 2000 dated May 3, 2000 shall apply.



FED, MRO
M/s Ion Exchange Waterleau Limited
C.A. No.715 /2017

9. The above order is passed only in respect of contraventions of para 9(1)(A) and 9(1)(B) of Schedule 1 to Notification No. FEMA 20/2000-RB and does not restrict the right of any other authority to proceed against the Company for any other violations/contraventions noticed at any point of time.

The application is disposed of accordingly.

Dated: December 12, 2017.

Compounding Authority

Sd/-

(G. P. Borah)
Chief General Manager