



In the

**RESERVE BANK OF INDIA**  
Foreign Exchange Department  
Secretariat Road  
Saifabad, Hyderabad 500 004

Present

P Kalyan Chakravarthy  
Assistant General Manager

Date: July 04, 2018  
C.A. HYD 304

In the matter of

M/s. Rain Industries Limited  
Rain Center, 34  
Srinagar Colony  
Hyderabad – 500 073

**(Applicant)**

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

**Order**

The applicant has filed the compounding application dated April 27, 2018 received on April 30, 2018 for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued thereunder. The contravention sought to be compounded is allotment of shares to the non-resident investor under wrong category in terms of Regulation 5(1) of 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 03, 2000 (hereinafter referred to as Notification No. FEMA.20/2000-RB) as then applicable.



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2. The relevant facts of the case are as follows:

- a) The applicant is a resident company incorporated as M/s. Rain Commodities Limited under the Companies Act, 1956 on 15.03.1974 and later changed its name to M/s. Rain Industries Limited with effect from 08.07.2013 (CIN: L26942TG1974PLC001693). The company is engaged in the business of manufacture and sale of Cement, Calcined Petroleum Coke, Chemicals, Generation and Supply of Electricity.
- b) The present contravention for which compounding was sought pertains to M/s. Rain Calcining Limited (RCL) that was taken over by the applicant with effect from 25.10.2007. RCL had received a foreign inward remittance of ₹ 3,61,000/- from Mr. Siddiqui Dawood on 20.02.1997 towards allotment of shares under Initial Public Offering (IPO). At the time of subscription to IPO, the foreign investor has declared his nationality as British and was allotted 36100 shares of ₹ 10/- each on 21.03.1997 under NRI category.
- c) Consequent upon amalgamation of RCL with the applicant, shares were allotted to the existing shareholders of RCL in the ratio of 2:7 with further division of One equity share of ₹ 10/- each into Five equity shares of ₹ 2/- each. Accordingly, 51570 equity shares were issued to Mr. Dawood Siddiqui.
- d) The applicant has received an application from Mr. Rafique Dawood, son and legal heir of late Mr. Dawood Siddiqui, for transmission of 51570 shares held by his father. The applicant later approached FIPB on 15.06.2016 seeking approval for the transmission of above shares to Mr. Rafique Dawood who is a citizen of Pakistan.
- e) Ministry of Commerce and Industry, Department of Industrial Policy and promotion (FIF-Section), Govt. of India, vide their approval No. 02(2018)/SIA-CoC/4239/2016 dated April 13, 2018 conveyed its approval for the transfer of 51570 shares held by Late Mr. Sidduqui Dawood to Mr. Rafique Dawood subject to Compounding of Contravention of FDI Policy (Para 3.1.1)/FEMA provision



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(Sub Regulation (1) (iii) of Regulation 5 of FEMA 20/2000) for initial allotment of shares done under wrong category.

3. (a) The applicant was given an opportunity for personal hearing vide Reserve Bank's letter No. HY.FE.FID/2263/14.66.003/2017-18 dated June 25, 2018 for further submission in person and/or producing documents, if any, in support of the application.

(b) The applicant appeared for personal hearing on June 28, 2018 during which Shri. S Venkat Ramana Reddy, Company Secretary represented the applicant. The authorized representative of the company admitted the contraventions for which the compounding has been sought. During the personal hearing it was submitted that the delay was not wilful or with a malafide intention but was on account of ignorance and lack of knowledge. In view of the foregoing, the representative of the applicant requested to take a lenient view in disposal of the application. The application for compounding is, therefore, being considered on the basis of the averments made in the application as well the submissions made in this context by the applicant during the personal hearing.

4. I have given my careful consideration to the documents on record. Accordingly, I hold that the applicant has contravened the following FEMA provisions issued in terms of:-

(a) Regulation 5(1) of Notification No. FEMA.20/2000-RB for allotment of shares to the non-resident investor under wrong category. Here the contravention relates to an amount of ₹ 3,61,000/- and the period of contravention is 17 years 10 months 12 days approximately.

5. It has been declared in the compounding application dated April 27, 2018 that the particulars given by the applicant in the application are true and correct to the best of their knowledge and belief. It has been declared in the declaration dated April 27, 2018 furnished with the compounding application that the applicant was not under any enquiry/investigation/adjudication by any agency as on the date of the application and has, in this regard, not informed of initiation of any such



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enquiry/investigation/adjudication proceedings against it thereafter. Accordingly, the above contraventions which are being compounded in this Order are subject to the veracity of the above declarations made by the applicant and this order is without prejudice to any other action which may be taken by any authority under the extant laws if the said declarations are subsequently discovered to be false and/or incorrect.

6. 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 contravention is to be compounded and I consider that an amount of **₹ 52,708/- (Rupees Fifty Two Thousand Seven Hundred Eight Only)** will meet the ends of justice.

7. Accordingly, I compound the admitted contraventions, namely, the contraventions of Regulation 5(1) of Notification No. FEMA.20/2000-RB by the applicant on the facts discussed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 on payment of an amount of **₹ 52,708/- (Rupees Fifty Two Thousand Seven Hundred Eight Only)** which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 1st Floor, Saifabad, Hyderabad - 500004 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at Hyderabad 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.

The application is disposed accordingly.

Dated this 04<sup>th</sup> day of July 2018

Sd/-



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**(P Kalyan Chakravarthy)**  
**Assistant General Manager**