



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

J. K. Pandey
Chief General Manager

Date: November 20, 2018

C.A. No. 784/2018

In the matter of

Indsec Securities and Finance Limited
301/302, 215 "Atrium" A Wing
Andheri Kurla Road, Chakala
Andheri (East), Mumbai – 400 093

(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 08, 2018 (received at the Reserve Bank of India on August 13, 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 delay in submission of Form FC-GPR to the Reserve Bank after issue of shares to a person resident outside India in terms of paragraph 9 (1) (B) 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 July 28, 1993 under the Companies Act 1956, as Indsec Securities and Finance Limited. Its main activities are (i) to buy, sell, trade, exchange, deal, barter, swap, borrow, lend, assure, underwrite, guarantee, give comfort for pledge, hypothecate, charge, mortgage, procure or mobilize funds for or arrange placement of or otherwise engage in India or abroad in trade and investment, instruments of all kinds and types, whether securities or not, including shares, stocks, securities, debentures, bonds, cumulative convertible preference shares, certificates of deposits, commercial paper, participation certificates, bill of exchange, letter of credit, promissory notes, cheques whether negotiable or not, currencies, drafts, traveller cheques, factoring of debts, all kinds of units, coupons, warrants, option and such other derivatives, issued or to be issued by companies, Governments, corporations, banks, cooperative firms, organizations, mutual benefit societies in India or abroad and trade in either as a principal, broker, agent, dealer, stockiest, trader, consignee or any other capacity. ii) To carry on the business of investment company and for that purpose to invest, acquire, hold, sell underwrite, transfer, dispose of, make markets and otherwise deal and act on its own and/or on behalf of individuals, firms, companies, bodies, corporate and any other persons, including non-resident Indians and foreign institutional investors in relation to shares, stocks, debentures, stock, government subscribers, bonds, units. iii) To carry on the business of merchant banking and portfolio management subject to securities and Exchange Board of India (Merchant Banking) Rules and Regulations, 1992 and such other approvals as may be required of any other law in this regard iv) To carry on the business of finance company and financial industrial enterprises and to lend and advance money to any firm, person or body corporate and to provide financial service related to money market and foreign currencies, fix and other deposits, estates, properties, commodities, bullions, bills of exchange, promissory notes and other negotiable instruments, factoring, project advisory services, loan syndication,



advice on risk management, mergers and acquisitions operate cash management / brokerage account, investment planning and to carry on and execute the above operations in India and / or abroad.

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

Sr. No.	No. of shares	FV in INR	Amount involved in INR	Date of allotment	Date of filing	Delay
1	1916250	10	1,91,62,500.00	23-04-2001	31-07-2017	Not applicable
2	23620098	10	23,62,00,980.00	20-03-2002	31-07-2017	15Y 3M 10D
		Total	25,53,63,480.00			

The applicant filed form FC-GPR as indicated at serial No. 02 above with a delay of 15 Years 03 Months 10 Days, approximately. 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.

4. The applicant was given an opportunity for personal hearing vide e-mail dated October 30, 2018, 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 12, 2018, during which Shri Nandkishor Gupta, Managing Director, Shri Diamond Dand, Chief Finance Officer of the applicant company and Shri Rajesh P Shah, FCA, consultant, represented the applicant in the cabin of Shri J. K. Pandey, Chief General Manager, Mumbai Regional Office. 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.



5. 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 provision issued in terms of:

(a) 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.23,62,00,980.00 (Rupees Twenty-Three Crore Sixty-Two Lakh Nine Hundred Eighty Only) and the delay of 15 Years 03 Months 10 Days, approximately.

6. It has been declared in the compounding application dated August 08, 2018, that the particulars given by the applicant in the application are true and correct to the best of their/his/her knowledge and belief. It has further been stated in the declaration 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 enquiry/investigation/ adjudication proceedings against it/him/her thereafter. It has further been declared that the applicant has not filed any appeal under section 17 or section 19 of FEMA, 1999. 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.

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.15,43,000/- (Rupees Fifteen Lakh Forty Three Thousand Only) will meet the ends of justice.



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8. Accordingly, I compound the admitted contravention namely, the contravention of paragraph 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.15,43,000/- (Rupees Fifteen Lakh Forty Three Thousand 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.

9. The above order is passed only in respect of contravention 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: November 20, 2018.

Compounding Authority

Sd/-
(J. K. Pandey)
Chief General Manager