



In the

Reserve Bank of India
Foreign Exchange Department
Fort Glacis, No.16, Rajaji Salai
Chennai 600 001

Present

R Kesavan
Chief General Manager

Date : April 20, 2017
C.A.633/2016

In the matter of

M/s. Zamil Steel Engineering India Pvt Ltd.,
Nelson Tower, 4th Wing, 117,
Nelson Manikam Road, Aminjikarai,
Chennai- 600029

(Applicant)

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

Order

The applicant has filed a compounding application dated January 09, 2017 (received at Reserve Bank of India on January 13, 2017) for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued there under. The contraventions sought to be compounded are



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(i) delay in reporting of inflow of funds received from a person resident outside India for allotment of shares (ii) delay in submission of Form FC-GPR on allotment of shares with Reserve Bank and (iii) allotment of shares prior to receipt of consideration in terms of Paragraph 9 (1) A, Paragraph 9 (1) B and Paragraph 8 respectively, of Schedule I 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 and 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 October 27, 2000 under the provisions of the Companies Act, 1956 (Registration No. U74210TN2000PTC045992) and is engaged in Business of architectural, engineering and other technical consultancy activities. The applicant received foreign inward remittances from M/s Zamil Industrial Investment Company, Saudi Arabia towards subscription to equity shares and reported the same to the Reserve Bank as below:

Sl. No	Amount of Foreign Inward Remittance (in Rs.)	Date of receipt	Reported to RBI on
1	46,49,837.00	09.11.2000	19.12.2000
2	23,27,336.00	08.01.2001	31.01.2001
3	23,13,343.00	12.02.2001	22.02.2001
4	16,75,704.00	26.04.2001	30.11.2001
5	1,00,789.05	17.10.2001	18.12.2002
6	23,82,500.00	20.11.2001	18.12.2002
7	2,86,78,359.61	22.05.2009	01.08.2009
8	90,46,259.04	03.06.2010	23.08.2010

The applicant reported receipt of remittances to the Reserve Bank on dates indicated above with delay ranging from 10 days to one year one month one day approximately beyond the stipulated time of 30 days in respect of the remittances at Sr. Nos. 1 and 4 to 8. Whereas, in terms of paragraph 9 (1) A of Schedule I to Notification No. FEMA 20/2000-RB, an Indian company issuing shares or convertible debentures in



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accordance with these Regulations should report 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.

3. The company allotted equity shares and filed FC-GPR as indicated below:

Sl. No.	No. of shares/CCPs allotted	Face Value (in Rs.)	Amount (INR)	Date of allotment of shares	Reported to RBI on
1	46498	100	46,49,800	18.11.2000	19.12.2000
2	23273	100	23,27,300	09.01.2001	31.01.2001
3	23133	100	23,13,300	21.02.2001	22.02.2001
4	57094	100	57,09,400	30.03.2001	05.07.2010
5	33243	100	33,24,300	27.08.2001	05.07.2010
6	16757	100	16,75,700	27.08.2001	30.11.2001
7	24840	100	24,84,000	16.09.2002	18.12.2002
8	286783	100	2,86,78,300	23.05.2009	25.06.2009

The applicant filed the form FC-GPR as indicated above with delay ranging from one day to nine years two months five days approximately beyond the stipulated time of 30 days in respect of the allotments at Sr. Nos. 1 and 4 to 8. Whereas in terms of paragraph 9 (1) B of Schedule I 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 company allotted 57094 shares and 33243 shares of ₹100/- each prior to receipt of consideration as detailed below:

Sl. No.	Date of receipt	Amount (INR)	Date of refund
1	03.06.2010	57,09,400	30.03.2001
2	03.06.2010	33,24,300	27.08.2001

The company allotted shares as indicated above against remittances received with delay ranging from eight years nine months six days to nine years two months three days approximately. Whereas in terms of paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB, read with AP (Dir Series) Circular No.20 dated December 14, 2007



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the shares have to be issued/amount refunded within 180 days from the date of receipt of the inward remittance.

5. The applicant was given an opportunity for personal hearing vide Reserve Bank's mail dated April 17, 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 April 19, 2017 during which Shri N Sivagurunathan, Manager Accounts, Shri Kapil Manocha and Ms Swati Raghuvanshi, Ernst & Young LLP represented the applicant. The authorized representatives of the applicant admitted the contraventions as stated in para 2 to 4 above committed by the applicant for which compounding has been sought. During the personal hearing, it was submitted that the delays were unintentional. In view of the above, they requested to take a lenient view in the matter. 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 made in this context by the applicant during personal hearing.

6. I have given my careful consideration to the documents on record and submission made by the applicant in the compounding application and during the personal hearing. 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 delay in reporting of receipt of inward remittances towards subscription of equity shares as detailed in paragraph 2 above. The contravention relates to an amount of ₹ 4,65,33,448.70 with the duration ranging from 10 days to one year one month one day approximately;

(b) Paragraph 9 (1) B of Schedule 1 to Notification No. FEMA 20/2000-RB due to delay in submission of Form FC-GPR to the Reserve Bank after issue of shares to persons resident outside India. The contravention relates to an amount of ₹ 4,65,21,500/- with the duration of contravention ranging from one day to nine years two months five days approximately; and



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(c) Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB due to allotment of shares prior to receipt of consideration. The contravention relates to an amount of ₹ 90,33,700/- with the duration of contravention ranging from eight years nine months six days to nine years two months three 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 ₹ **2,25,758/-** (Rupees two lakh twenty five thousand seven hundred and fifty eight only) will meet the ends of justice.

8. Accordingly, I compound the admitted contraventions namely, the contraventions of paragraphs 9 (1) A, 9 (1) B and 8 of Schedule 1 to 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 ₹ **2,25,758/-** (Rupees two lakh twenty five thousand seven hundred and fifty eight only) which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, Fort Glacis, No.16, Rajaji Salai, Chennai - 600 001 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at Chennai 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 of accordingly.

Dated this Twentieth day of April, 2017.

Sd/-

R Kesavan



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Chief General Manager