



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

Present

N Mohana
General Manager

Date: May 25, 2017
C.A.627/2016

In the matter of

M/s. Chennai Ferrous Industries Ltd.
OPG Nagar Periya Obulapuram Village,
Nagaraja Kandigai,
Madharapakkam Road,
Gummidipoondi- 601 201
(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 December 26, 2016 (received at Reserve Bank on January 02, 2017) for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued there under. The contravention sought to be compounded is delay in submission of Form FC-GPR on allotment of shares with Reserve Bank, in terms of



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Paragraph 9 (1) B 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 May 07, 2010 under the provisions of the Companies Act, 1956 (Registration No. L27310TN2010PLC075626) and is engaged in Business of manufacture of direct reduced iron and other spongy ferrous products in primary forms; other than in the integrated steel plants.

3. Pursuant to the order of the Honourable High Court of Madras dated 04.01.2013 sanctioning the Scheme of Arrangement between Kanishk Steel Industries Ltd.(demerged Company), Gita Renewable Energy Ltd. (First Resulting Company-Energy Division) and Chennai Ferrous Industries Ltd. (Second Resulting Company-Sponge Iron Division) and their respective shareholders, the company was vested with the sponge Iron Division of the Demerged Company with effect from 28.02.2013. As per the order, the existing shareholders of the Demerged Company were allotted shares in the resulting company on 19.04.2013 at the share exchange ratio of 1 share of the company for 8 shares of the Demerged Company. Out of the 3554509 shares, 640513 shares were allotted to the shareholders resident outside India. The company allotted equity shares and filed FC-GPR as indicated below:

| Sl. No | No. of shares allotted | Face Value (in Rs.) | Amount (INR) | Date of allotment of shares | Reported to RBI on |
|---------------|-------------------------------|----------------------------|---------------------|------------------------------------|---------------------------|
| 1 | 640513 | 10 | 64,05,130 | 19.04.2013 | 19.06.2014 |

The applicant filed form FC-GPR as indicated above with a delay of one year one month approximately beyond the prescribed limit. 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-



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GPR along with documents prescribed therein within 30 days from the date of issue of shares to person resident outside India.

4. The applicant vide letter dated May 24, 2017 chose not to appear for any personal hearing for any further submission in person and/or producing documents, if any, in support of the application. The applicant, in the compounding application, had admitted the contravention as stated in para 3 above for which compounding has been sought. It had been submitted that the delays were unintentional. 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.

5. I have given my careful consideration to the documents on record and submission made by the applicant in the compounding application. Accordingly, I hold that the applicant has contravened the following FEMA provisions issued in terms of:

(a) 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 and the contravention relates to an amount of ₹ 64,05,130/- with the duration of contravention being one year one month approximately.

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 contraventions are to be compounded and I consider that an amount of ₹ 17,560/- (Rupees seventeen thousand five hundred and sixty only) will meet the ends of justice.



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7. 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 on the facts discussed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 on payment of an amount of **₹ 17,560/-** (Rupees seventeen thousand five hundred and sixty 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 Twenty fifth day of May, 2017.

Sd/-

N Mohana
General Manager