

SUPREME COURT OF INDIA

Surachan Chansrichawala

Vs.

U.O.I.

C.A.Nos.2816 of 2006

(Altamas Kabir and Harjit Singh Bedi JJ.)

02.05.2008

ORDER

1. Leave granted.

2. The appellant is the Chairman of a Non-Resident Indian Family Group known as Siam Vidhya Group, purportedly engaged in the business of banking, insurance, finance and allied activities outside India.

3. In 1994, on invitation from the Management of the Catholic Syrian Bank, the respondent No.5 herein the appellant Group wanted to bring in foreign exchange in the form of capital investment into the Bank.

4. The above-mentioned NRI Group had applied to the Foreign Investment Promotion Board for permission to acquire some shares of the Bank. On 18th February, 1997, requisite permission was granted by the Foreign Investment Promotion Board to acquire shares of the Catholic Syrian Bank on terms and conditions set out in the order granting permission. The said permission was granted for two years and required the appellant to obtain necessary permission both from SEBI as well as the Reserve Bank of India having particular regard to the provisions of the *Foreign Exchange Regulation Act, 1973*. Admittedly, after permission was granted by the Foreign Investment Promotion Board, the appellant started purchasing shares of the Bank and also applied to the Reserve Bank of India for necessary permission under Section 29 of the *Foreign Exchange Regulation Act*, which permission was refused by the Reserve Bank of India. The appellant was, thereafter, prosecuted for violation of the aforesaid Act. The said prosecution is the subject matter of challenge in the appeal.

5. During the pendency of the proceedings, upon considering the submissions made by the learned counsel appearing for the respective parties, this Court directed the Reserve Bank of India to consider the application of the appellant and to pass appropriate orders under Section 29 of the *Foreign Exchange Regulation Act, 1973*, after considering all relevant aspects of the matter. The appellant was given leave to make a comprehensive representation before the Reserve Bank of India in support of his claim.

6. The matter was thereafter considered by the Reserve Bank of India which has submitted its Report dated 27th November,2007, which has been annexed to the application, being I.A. No.4, which is being heard by us.

7. From the said Report, it appears that the Reserve Bank of India has considered the application made by the appellant and has agreed to the transfer of 21,42,736 shares of the Catholic Syrian Bank Ltd. in favour of 11 persons forming the Siam Vidhya Group, subject to the following conditions:

“a) The Siam Vidhya Group may hold up to 10% of the total paid up capital of the Catholic Syrian Bank Limited on a long term basis.

b) The shares in excess of 10% of the paid up capital shall be divested by the Siam Vidhya Group within a period of six months from the date of transfer.

c) Each sale of shares made by Siam Vidhya Group and registration of the transfer in the books of Catholic Syrian Bank Limited resulting in acquisition of 1% or more of the paid-up capital of the bank by a person or persons acting in concert directly or indirectly shall be with the prior approval of Reserve Bank of India from the 'fit & proper' angle.

d) The Siam Vidhya Group shall not have any representation on the Board of the Catholic Syrian Bank Limited.”

8. During the hearing of the application, it has been brought to our notice that pursuant to the conditions suggested by the Reserve Bank of India and agreed to by the appellant and the NRI Group represented by him, the aforesaid shares have been transferred to the said persons representing the Siam Vidhya Group. In that view of the matter all that remains is to dispose of the application and the prayers made therein.

9. As far as prayer 'A' is concerned, the same is allowed and the order of the Reserve Bank of India dated 28th November,2007, is taken on record.

10. Prayer 'B' is not pressed. As far as prayer 'C' is concerned, having regard to the settlement arrived at on the recommendation made by the Reserve Bank of India, the same has to be allowed. It is also submitted on behalf of the Reserve Bank of India that it does not wish to proceed any further with the various proceedings which were pending before it.

11. In view of the approval granted by the Reserve Bank of India and the Report submitted by it, the Reserve Bank of India is no longer interested in the pending proceedings and the same may be dropped along with the show cause notice. Such prayer is accordingly allowed.

12. Prayers 'D & F' are also not pressed, but it will be open to the appellant to make such further requests as may be permissible in law, having regard to the fact that steps have already been taken pursuant to the recommendations of the Reserve Bank of India.

13. As far as prayer `E' is concerned, we are told that a representation has been made in this behalf and the same is under consideration.

I.A. No.4 is accordingly disposed of.

14. Having regard to the Order passed by this Court and the Report submitted by the Reserve Bank of India, time for divesting shares in excess of 10% is extended by a further period of three months from today.

15. In view of this Order which is passed on I.A. No.4, the judgment of the Madras High Court in connection with writ petitions Nos. 26467 & 26468 of 2001 and writ appeal No. 899 of 2002 are hereby set aside. The Appeal is disposed of accordingly.