



In the

RESERVE BANK OF INDIA
Foreign Exchange Department
5th Floor, Amar Building
Sir P M Road
Mumbai - 400 001

Present

R.K. Moolchandani
Chief General Manager

Date: June 12, 2019
CA No 4878 / 2019

In the matter of

Century Plyboards (India) Limited
'Century House', P-15/1
Taratala Road, Kolkata - 700088

(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 application dated January 11, 2019 (received in the Reserve Bank on January 15, 2019), for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued there under. The applicant has sought to be compounded for disinvesting its stake in an overseas Joint Venture (JV) by way of sale of shares within one year of the operation of the overseas JV, without prior approval of the Reserve Bank of India, in contravention of Regulation 16(1)(v) of Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004 notified vide Notification No. FEMA 120/2004-RB



dated July 7, 2004 as amended from time to time (hereinafter referred to as Notification No. FEMA 120/2004-RB).

2. The relevant facts are as under: The applicant was incorporated as Century Plyboards (India) Private Limited (CIN L20101WB1982PLC034435), under the Companies Act, 1956, on January 05, 1982. Its name was subsequently changed to Century Plyboards (India) Limited on June 05, 1996. The applicant is engaged in the business of trading in veneer, plywood etc.

The applicant invested SGD 2,29,000 (Rs. 1,07,41,245/-) on 19.01.2016 in an overseas joint venture (JV) viz., Innovation Pacific Singapore Pte. Ltd., in Singapore (incorporated on 28.10.2015). The applicant divested its stake by sale of shares on 24.08.2016, without prior RBI approval, when the overseas entity had not been in operation for one year, in contravention of Regulation 16(1)(v) of Notification No. FEMA 120/2004-RB. The disinvestment was taken on record on 26.12.2018.

3. Regulation 16(1)(v) of Notification No. FEMA 120/2004-RB provides for transfer by way of sale of shares, provided that, "the overseas concern has been in operation for at least one full year and the Annual Performance Report together with the audited accounts for that year has been submitted to the Reserve Bank".

4. The applicant was given an opportunity for personal hearing vide letter No. FE.CO.CEFA/6401/15.20.67/2018-19 dated April 26, 2019 for further submission in person and/or producing documents, if any, in support of the application. In the absence of the Compounding Authority, owing to administrative exigencies, a meeting was held with an official of the Bank acting as a representative of the Compounding Authority, on June 06, 2019, during which Shri Sundeep Jhunjunwala, Company Secretary of the applicant represented the applicant. The representative of the applicant submitted that they had informed the AD Bank about disinvestment in the overseas JV as early as 14.09.2016, and that the AD bank had delayed informing RBI about the same. They also submitted documentary evidence to the same effect. Since the personal hearing with the Compounding Authority could not be held,



the representative of the applicant was offered another mutually convenient date for personal hearing. However, he stated that being satisfied with the meeting held with the RBI official, he was willing to forego the opportunity for personal hearing. He, further, followed it up with a mail dated June 10, 2019, confirming this position.

It has also been declared in the compounding application dated January 11, 2019, that the particulars given by the applicant in the application are true and correct to the best of their knowledge and belief. Further, it has been stated in the declaration furnished along 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 been informed of initiation of any such enquiry/investigation/adjudication proceedings against it 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.

The application is, therefore, being considered on the basis of the averments made in the application, the documents produced and submissions made during the meeting with the RBI official, acting as the representative of the Compounding Authority.

5. I have given my careful consideration to the documents on record and submissions made by the applicant during the personal hearing. It was observed that the applicant has contravened the provisions of Regulation 16(1)(v) of Notification No.FEMA.120/2004-RB. The amount of contravention is Rs. 1,07,41,245/- and period of contravention is 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. After considering the submissions made



by the applicant and the entire facts and circumstances of the case, it stands to reason that payment of an amount of Rs. 1,03,706/- (Rupees one lakh three thousand seven hundred and six only) will meet the ends of justice in the circumstances of this case.

7. Accordingly, I compound, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 the admitted contravention committed by the applicant namely, Regulation 16(1)(v) of Notification No.FEMA.120/2004-RB, on payment of a sum of Rs. 1,03,706/- (Rupees one lakh three thousand seven hundred and six only), which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 5th Floor, Amar Building, 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.

The application is disposed accordingly.

Dated this the 12th day of June, 2019

Sd/-
R.K. Moolchandani
(Chief General Manager)