



In the

RESERVE BANK OF INDIA
Foreign Exchange Department
Secretariat Road
Saifabad, Hyderabad 500 004

Present

Shri. Subrata Das
Regional Director (Andhra Pradesh and Telangana) and
Chief General Manager (Hyderabad)

Date: March 15, 2019
C.A. HYD 390

In the matter of

M/s. Celon Laboratories Private Limited
Plot No. 2, Aleap Industrial Estate
Gajularamaram, Hyderabad – 500 072.

(Applicant)

In exercise of the powers conferred under sub-section 1 of Section 15 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 compounding application dated December 27, 2018 received on December 27, 2018 for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued thereunder. The contraventions sought to be compounded are (i) receiving consideration amount from third party for the allotment of shares to resident outside India on Non-repatriation basis and (ii) Transfer of shares to non-resident under non-repatriation, which were originally held on repatriation basis in terms of Regulation 4 of Foreign Exchange Management (Transfer or Issue of Security by a Person



Compounding of contraventions under FEMA 1999
M/s Celon Laboratories Private Limited
CA No. HYD 390

Resident Outside India) Regulations, 2000 notified vide Notification No. FEMA.20/2000-RB dated May 03, 2000 (hereinafter referred to as Notification No. FEMA 20/2000-RB) as then applicable.

2. The relevant facts of the case are as follows:

a) The applicant is a resident company originally incorporated as M/s. Medvin Labs Private Limited under the Companies Act, 1956 on 23.01.2001 and later changed its name to M/s. Galen Labs Private Limited on 09.10.2002 and further to M/s. Celon Laboratories Private Limited with effect from 29.05.2007. Later the company changed its name to M/s. Celon Laboratories Limited on 05.06.2007 and finally to M/s. Celon Laboratories Private Limited with effect from 18.08.2015 (CIN: U24232TG2001PTC036097). The company is engaged in the business of manufacturing, marketing and distributing pharmaceutical formulations in the oncology and critical care segments.

b) Allotment of 10,72,500 shares to NRIs on non-repatriation basis where consideration was received from the third party:

SI No	Name of the Remitter	Amount received	Name of the allottee	Date of allotment	Date of compounding application
1	DNA Biotec Limited	23,00,000	Vijay Kumar Vasireddy	20.09.2008	27.12.2018
2	DNA Biotec Limited	69,25,000	Vimal Kumar Kavuru	20.09.2008	27.12.2018
3	DNA Biotec Limited	15,00,000	Sudha	20.09.2008	27.12.2018
	Total	1,07,25,000			

The applicant has allotted 10,72,500 equity shares of ₹ 10/- each amounting to ₹ 1,07,25,000/- on non-repatriation basis and the considerations for the above said



Compounding of contraventions under FEMA 1999
M/s Celon Laboratories Private Limited
CA No. HYD 390

allotments was received from M/s. DNA Biotec Limited, a resident company on behalf of above mentioned NRIs.

- c) Transfer of 7,16,834 shares on non-repatriation basis which were originally held on repatriation basis in M/s Celon Organics Private Limited:

Sl No	Name of the transferor	Name of the transferee	Date of transfer	Amount	Date of compounding application
1	Vijay Kumar Vaisreddy	Kavuru Vimal Kumar	26.06.2010	48,62,000	27.12.2018
2	Vasireddy Hemalatha	Kavuru Vimal Kumar	26.06.2010	23,06,340	27.12.2018
			Total	71,68,340	

Mr. Vijay Kumar Vasireddy and Mrs. Vasireddy Hemalatha, both NRIs were issued 4,86,200 and 2,30,634 equity shares of Rs. 10/- each respectively in M/s. Celon Organics Private Limited on repatriation basis. These shares were later transferred to Mr. Kavuru Vimal Kumar, NRI on 26.06.2010 without any consideration/sale proceeds on non-repatriation basis. Whereas in terms of Regulation 4 of Notification No. FEMA 20/2000-RB, an Indian entity shall not issue any security to a person resident outside India or shall not record in its books any transfer of security from or to such person, provided that the Reserve Bank may, on an application made to it and for sufficient reasons, permit an entity to issue any security to a person resident outside India or to record in its books transfer of security from or to such person, subject to such conditions as may be considered necessary. Here the total amount of contravention is ₹ 1,78,93,340/- and the period of contravention ranges from 8 years 6 months 1 day to 10 years 3 months 7 days approximately.

3. (a) The applicant was given an opportunity for personal hearing vide Reserve Bank's letter No. HY.FE.FID/1897/14.66.003/2018-19 dated March 11, 2019 for



further submission in person and/or producing documents, if any, in support of the application.

(b) The applicant vide their mail dated March 11, 2019 stated that they are foregoing appearing for the personal hearing and requested that the compounding application may be disposed off on the basis of merits in terms of the facts/submission made therein along with the compounding application. The application for compounding is, therefore, being considered on the basis of the averments made in the application.

4. I have given my careful consideration to the documents on record. Accordingly, I hold that the applicant has contravened the following FEMA provisions issued in terms of Regulation 4 of Notification No. FEMA 20/2000-RB:-

(a) Receiving inward remittance from third party for allotting shares on non-repatriation basis to a person resident outside India and the contravention relates to an amount of ₹ 1,07,25,000/- with the delay of 10 years 3 months 7 days approximately.

(b) Transfer of shares on non-repatriation basis to NRI, which were originally held on repatriation basis by a person resident outside India and the contravention relates to an amount of ₹ 71,68,340/- with the delay of 8 years 6 months 1 day approximately.

5. It has been declared in the compounding application dated December 27, 2018 that the particulars given by the applicant in the application are true and correct to the best of their knowledge and belief. It has been declared in the declaration dated December 27, 2018 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 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.

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 contravention is to be compounded and I consider that an amount of **₹ 2,15,470 /-** (**Rupees Two Lakh Fifteen Thousand Four Hundred Seventy Only**) will meet the ends of justice.

7. Accordingly, I compound the admitted contraventions, namely, the contraventions of Regulation 4 of 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 **₹ 2,15,470/- (Rupees Two Lakh Fifteen Thousand Four Hundred Seventy Only)** which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 1st Floor, Saifabad, Hyderabad - 500004 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at Hyderabad 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 15th day of March 2019

(Sd/-)

(Subrata Das)

Regional Director (Andhra Pradesh and Telangana) and
Chief General Manager (Hyderabad)