



In the

**Reserve Bank of India**  
10/3/8, Nrupathunga Road  
Bengaluru-560001

Present

**Shri Jose J Kattoor**  
**Regional Director, Karnataka and**  
**Chief General Manager, Bengaluru**

Date: February 26, 2020  
**C.A. BGL 508/2019**

In the matter of

**M/s Gokaldas Intimatewear Private Limited**  
#7 & 12, Industrial Suburb, 2<sup>nd</sup> Stage,  
Yeshwantpur,  
Bengaluru - 560022

**(Applicant)**

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

#### **ORDER**

The applicant has filed a compounding application dated November 05, 2019, received at this office of Reserve Bank of India, Bengaluru on November 06, 2019, and addendum to the application dated January 18, 2020, received on January 18, 2020, 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, (i) delay in reporting receipt of foreign inward remittance towards subscription to equity, (ii) delay in submission of form FC-GPR to the Reserve Bank, after issue of shares to a person resident outside India, in terms of Paragraphs 9(1)(A) and 9(1)(B), 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 03, 2000, and as amended from time to time (hereinafter referred to as Notification No. FEMA



20/2000-RB), and (iii) taking on record in its books by the applicant without prior approval, the transfer of shares from Non-Resident investor to Resident investor, in terms of Regulation 4 to Notification No. FEMA 20/2000-RB.

2. The relevant facts of the case are as follows: M/s Gokaldas Intimatewear Private Limited, was incorporated on November 16, 2001, under the Companies Act, 1956. The activity undertaken by the company is to carry out the business of designing, manufacturing, importing, exporting and dealing/ distributing all kinds of readymade garments. The applicant had received funds towards share application money from the non-resident investors, namely, M/s Barbara SA, France and M/s Varena Holdings Limited, Cyprus, as shown below:

**Table – 1**

Sl. No	Date of Receipt	Amount (INR)	Date of Reporting to RBI /AD
1	03-01-2002	41,03,744.00	26-06-2002
2	06-05-2002	60,38,757.00	16-12-2002
3	17-09-2002	82,98,430.00	16-12-2002
4	14-11-2002	15,59,069.00	15-03-2003
5	01-07-2003	1,00,00,000.00	25-07-2003
6	16-04-2004	1,04,96,000.00	26-04-2004
7	16-09-2019	29,94,59,956.00	Not applicable, since, reporting of inward remittance in form ARF was discontinued from September 01, 2018
	<b>Total</b>	<b>33,99,55,956.00</b>	

The applicant reported receipt of remittance to the Reserve Bank / Authorized Dealer Bank, with a delay ranging from one month and twenty-nine days to six months and eleven days, beyond the stipulated period of 30 days in respect of the remittances indicated at serial numbers 1, 2, 3 and 4, in the Table-1 above. 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 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 had allotted equity shares to the non-resident investor and filed form FC-GPR with Reserve Bank/AD Bank as indicated below:

**Table – 2**

Sl. No.	Date of Allotment	Number of equity shares allotted	Amount (INR)	Date of reporting to RBI/AD
1	23-01-2002	4,00,000	40,00,000.00	26-06-2002
2	30-05-2002	6,00,000	60,00,000.00	16-12-2002
3	19-09-2002	4,00,000	40,00,000.00	16-12-2002
4	03-10-2002	4,40,000	44,00,000.00	16-12-2002
5	21-02-2003	1,60,000	16,00,000.00	15-03-2003
6	19-12-2003	10,00,000	1,00,00,000.00	26-12-2003
7	27-05-2005	10,49,600	1,04,96,000.00	13-06-2005
8	16-09-2019	27,52,518	29,94,60,195.81	18-09-2019
	<b>Total</b>	<b>68,02,118</b>	<b>33,99,56,195.81</b>	

The applicant had filed form FC-GPR on allotment of shares with the Bengaluru Regional Office of the Reserve Bank of India / Authorized Dealer Bank, with a delay ranging from one month fourteen days to five months and seventeen days, beyond the prescribed period of 30 days in respect of allotment of shares indicated at serial numbers 1, 2, 3 and 4 in the Table - 2 above. Whereas, in terms of Paragraph 9(1)(B) of Schedule I to Notification No. FEMA 20/2000-RB dated May 3, 2000, an Indian company issuing shares in accordance with these Regulations, has to submit to the Reserve Bank of India, a report in form FC-GPR, along with documents prescribed therein, within 30 days from the date of issue of shares to persons resident outside India.

4. A resident shareholder of the applicant company, M/s Hinduja Investments Pvt Ltd, Bengaluru, had purchased 40,49,600 equity shares from the non-resident investor of the applicant, M/s. Barbara S.A, France, for an amount of



₹4,04,96,000.00, on December 28, 2007. The details of the transaction are indicated below:

**Table – 3**

No. of shares transferred	Amount of consideration received (in ₹)	Date of transfer	Date on which transfer was taken on record by the applicant company	Date on which share transfer approved by RBI
40,49,600	4,04,96,000.00	28-12-2007	28-12-2007	11-09-2019

The applicant company had recorded, the said transfer of shares in its books without obtaining prior approval from Reserve Bank of India. Whereas in terms of Regulation 4 of Notification No. FEMA 20/2000- RB, dated May 3, 2000, 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 a 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. The amount of contravention is **₹4,04,96,000.00**, and the period of contravention is eleven years eight months and fourteen days.

5. The applicant was given an opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID (CEFA) No.1887/22.05.676/2018-19 dated February 06, 2020, for further submission in person, and/or producing documents, if any, in support of the application. The applicant's authorized representatives, Mr. Sumir Hinduja, Director and Mr. Ganapati Hegde, Authorized Person, who appeared for the personal hearing on February 20, 2020, admitted the contraventions as stated in Paragraphs 2, 3 and 4 above, committed by the applicant, for which compounding has been sought. During the personal hearing, it was submitted that the delay in seeking approval or reporting was not willful or with malafide intention, but was mainly due to inadvertence, and the



same would not be repeated. In view of the above, the authorized representatives requested to take a lenient view in disposal of the application. 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 and thereafter.

6. I have given my careful consideration to the documents on record and submission made by the applicant 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 I to Notification No. FEMA 20/2000-RB, due to delay in reporting of foreign inward remittances received towards subscription to equity as detailed in Paragraph 2 above. The contravention relates to an amount of **₹2,00,00,000.00**, and the period of delay ranges from one month twenty-nine days to six months and eleven days;

(b) Paragraph 9 (1) (B) of Schedule I 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 person resident outside India as detailed in Paragraph 3 above. The contravention relates to an amount of **₹1,84,00,000.00**, and the period of delay ranges from one month fourteen days to five months and seventeen days; and

(c) Regulation 4 of Notification No. FEMA 20/2000-RB, due to taking on record in its books by the applicant without approval, the transfer of shares by Resident to Non-Resident as detailed in Paragraph 4 above. The contravention relates to an amount of **₹4,04,96,000.00**, and the period of delay is eleven years eight months and fourteen days.

7. It has been declared in the compounding application dated November 05, 2019, 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



undertaking dated November 04, 2019, furnished as part of 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 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.

8. 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 **₹6,35,335.00 (Rupees Six Lakh Thirty Five Thousand Three Hundred and Thirty Five only)**, will meet the ends of justice.

9. Accordingly, I compound the admitted contraventions namely, contraventions of Paragraphs 9(1)(A), 9(1)(B) of Schedule I to Notification No. FEMA 20/2000-RB, and Regulation 4 to Notification No. FEMA 20/2000-RB, by the applicant, based on the facts discussed above, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, on payment of an amount of **₹6,35,335.00 (Rupees Six Lakh Thirty Five Thousand Three Hundred and Thirty Five only)**, which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 2<sup>nd</sup> Floor, 10/3/8, Nrupathunga Road, Bengaluru – 560001, by a demand draft drawn in favour of the “Reserve Bank of India” and payable at Bengaluru 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, the Twenty Sixth day of February 2020.

**Sd/-**

**(Jose J Kattoor)**  
**Regional Director, Karnataka and**  
**Chief General Manager, Bengaluru**