



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: May 21, 2019  
**C.A. BGL 397/2019**

In the matter of

**M/s Ruman Enterprises Private Limited**  
No.3, Cleveland Road, Frazer Town  
Bengaluru - 560005  
**(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 March 08, 2019, received at this office of Reserve Bank of India, Bengaluru on March 21, 2019, 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 remittances towards subscription to equity, (ii) allotment of shares beyond 180 days from the date of receipt of inward remittance, and (iii) delay in submission of form FC-GPRs to the Reserve Bank, after issue of shares to a person resident outside India, in terms of Paragraphs 9(1)(A), 8 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).



2. The relevant facts of the case are as follows: The applicant, M/s Ruman Enterprises Private Limited, was incorporated on June 29, 2007, under the Companies Act, 1956, as per the Certificate of Incorporation issued by the Registrar of Companies, Karnataka. The company is engaged in the business of computer consultancy and computer facilities management activities. The applicant had received funds towards share application money from the foreign investor, namely, M/s Fujairah Steel Barrels and Drums LLC, UAE, as shown below:

**Table – 1**

Sl. No.	Date of Receipt	Amount (INR)	Date of reporting to RBI/AD
1	02-08-2008	1,14,01,435.00	15-11-2007
2	05-08-2008	1,14,30,820.00	15-11-2017
	<b>Total</b>	<b>2,28,32,255.00</b>	

The applicant reported receipt of remittances to the Reserve Bank of India / Authorized Dealer Bank, with a delay ranging from nine years two months and eleven days to nine years two months and fourteen days, beyond the stipulated period of 30 days, in respect of remittances as indicated 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 received inward remittances of ₹1,14,01,435.00, and ₹1,14,30,820.00, amounting to **₹2,28,32,255.00**, from the non-resident investor, M/s Fujairah Steel Barrels and Drums LLC, UAE, on August 02, 2008, and August 05, 2008, respectively, and allotted 22,83,225 equity shares worth **₹2,28,32,250.00**, on November 12, 2014, with a delay beyond the stipulated period of 180 days, from the date of inward remittances, without prior approval of Reserve Bank of India. Whereas, in terms of Paragraph 8 of Schedule 1 to



Notification No. FEMA 20/2000- RB, dated May 3, 2000, and as amended from time to time, if the shares are not issued within 180 days from the date of receipt of the inward remittance, the amount of consideration so received shall be refunded or shares shall be allotted to the person concerned, provided, the Reserve Bank may, on an application made to it and for sufficient reasons, permit to refund the amount of consideration received towards issue of security or permit to allot shares, if such amount is outstanding beyond a period of 180 days from the date of receipt. The amount of contravention is ₹2,28,32,250.00, and the period of delay ranges from five years nine months and eleven days to five years nine months and fourteen days.

4. The applicant company allotted equity shares and filed form FC-GPRs with Reserve Bank/AD as indicated below:

**Table – 2**

Sl. No.	Date of Allotment	Number of shares allotted	Amount (INR)	Date of reporting to RBI/AD
1	12-11-2014	2283225	2,28,32,250.00	22-02-2018
	<b>Total</b>		<b>2,28,32,250.00</b>	

The applicant filed the form FC-GPR on allotment of shares with the Bengaluru Regional Office of the Reserve Bank of India / Authorized Dealer Bank with a delay of three years two months and ten days, beyond the prescribed period of 30 days, in respect of allotment of shares as indicated 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 person/s resident outside India.

5. The applicant was given an opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID (CEFA) No. 6141/22.11.049/2018-19, dated May 15, 2019, for further submission in person, and/or producing documents, if any, in



support of the application. The applicant's authorized representatives Mr. Yahsaan, Manager, and Mr. Syed Jaffer, Compliance Executive, who appeared for the personal hearing on May 21, 2019, admitted the contraventions as stated in paragraphs 2, 3 and 4 above, committed by the applicant, for which compounding has been sought. The representatives of the applicant requested that as the contraventions were not intentional or with a malafide intention, and was mainly due to inadvertence, a lenient view may be taken 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 **₹2,28,32,255.00**, and the period of delay ranges from nine years two months and eleven days to nine years two months and fourteen days;

(b) Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, due to delay in allotment of shares, beyond 180 days, from the date of receipt of inward remittances, without prior approval from Reserve Bank of India as detailed in paragraph 3 above. The total amount of contravention is **₹2,28,32,250.00**, and the period of delay ranges from five years nine months and eleven days to five years nine months and fourteen days; and

(c) Paragraph 9 (1) (B) of Schedule I to Notification No. FEMA 20/2000-RB, due to delay in submission of form FC-GPRs to the Reserve Bank after issue of shares to person/s resident outside India, as detailed in paragraph 4



above. The contravention relates to an amount of **₹2,28,32,250.00**, and the period of delay is three years two months and ten days.

7. It has been declared in the compounding application dated March 08, 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 March 25, 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 **₹13,59,052.00, (Rupees Thirteen Lakh Fifty Nine Thousand and Fifty Two only)**, will meet the ends of justice.

9. Accordingly, I compound the admitted contraventions namely, contraventions of Paragraphs 9(1)(A), 8 and 9(1)(B) of Schedule I 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 **₹13,59,052.00, (Rupees Thirteen Lakh Fifty Nine Thousand and Fifty Two 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 First day of May 2019.

**Sd/-**

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