



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: July 25, 2019
C.A. BGL 413/2019

In the matter of

M/s Pronk Multiservice India Private Limited
No. 35, Electronic City, Phase-2
KIADB Industrial Area, Near SBI Bank
Opp. to SEMICON Tech Park
Bengaluru – 560100
(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 April 05, 2019, received at this office of Reserve Bank of India, Bengaluru on April 10, 2019, and addendum to the application dated July 22, 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) delay in 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 Pronk Multiservice India Private Limited, was incorporated on April 13, 2011, 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 manufacturing of wooden boxes, barrels, vats, tubs, packing cases, etc. The applicant had received funds towards share application money from the non-resident investors, namely, M/s Pronk Multiservice Middle East LLC, UAE, and M/s Pronk Multiservice Global Holding Ltd, Turks and Caicos Island, UK, as shown below:

Table – 1

Sl. No.	Date of Receipt	Amount (INR)	Date of reporting to RBI/AD
1	28-06-2011	8,95,686.00	03-09-2012
2	21-06-2011	4,46,187.00	03-09-2012
3	29-07-2011	8,78,592.00	07-06-2012
4	05-08-2011	15,56,775.00	07-06-2012
5	24-08-2011	4,61,932.00	07-06-2012
6	21-09-2011	12,95,577.00	07-06-2012
7	28-10-2011	4,84,146.00	30-05-2013
8	02-11-2011	10,78,848.00	03-06-2013
9	28-11-2011	51,49,352.00	12-12-2011
10	18-01-2012	30,16,390.00	25-01-2012
11	07-02-2012	32,02,504.00	27-02-2012
12	26-03-2012	30,43,122.00	25-04-2012
13	02-05-2012	41,98,058.00	21-05-2012
14	05-06-2012	44,48,542.00	11-06-2012
15	16-08-2012	10,80,416.00	01-09-2012
16	05-09-2012	27,49,824.00	08-10-2012
17	21-09-2012	13,29,199.00	08-10-2012
18	25-09-2012	42,12,651.00	08-10-2012
19	15-11-2012	41,01,975.00	06-12-2012



20	26-12-2012	27,35,709.00	18-01-2013
21	14-05-2013	27,13,100.00	28-05-2013
22	14-06-2013	11,41,372.00	26-06-2013
23	25-06-2013	14,77,750.00	01-07-2013
24	03-07-2013	44,75,937.00	10-07-2013
25	30-08-2013	61,85,158.00	05-09-2013
26	24-09-2013	62,13,921.00	07-10-2013
27	27-11-2013	24,67,610.00	02-12-2013
28	12-12-2013	30,53,725.00	16-12-2013
29	27-01-2014	15,49,737.00	21-04-2014
30	10-02-2014	15,39,442.00	06-03-2014
31	28-02-2014	30,73,526.00	20-03-2014
32	22-05-2014	43,53,969.00	11-06-2014
	Total	846,10,732.00	

The applicant reported receipt of remittances to the Reserve Bank of India / Authorized Dealer Bank, with a delay ranging from three days to one year six months and three days, beyond the stipulated period of 30 days in respect of the remittances as indicated at serial numbers 1 to 8, 16, and 29, 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 investors in terms of Paragraph 8 of Schedule 1 to Notification No. FEMA.20/2000-RB, dated May 03, 2000. However, on some occasions the company had allotted shares beyond 180 days from the date of receipt of inward remittances without prior approval of Reserve Bank, as mentioned below:

- i) The company had received share application money amounting to ₹3,19,54,117.00, in sixteen tranches, during the period June 21, 2011, to December 26, 2012, from the non-resident investors, M/s. Pronk Multiservice Middle East LLC, UAE, and M/s. Pronk Multiservice Global



Holding Ltd, Turks & Caicos Island, UK. The company had allotted 31,95,412 equity shares worth ₹3,19,54,120.00, on June 06, 2013, to the non-resident investors, beyond 180 days from the date of receipt of remittances, on twelve occasions, without prior approval of Reserve Bank of India. The amount of contravention is ₹1,95,74,583.00, and the period of contravention ranges from two days to one year two months and sixteen days.

ii) The company had received part of share application money of ₹14,77,750.00, on June 25, 2013, from the non-resident investor M/s Pronk Multiservice Middle East LLC, UAE, and allotted 23,87,410 equity shares worth ₹2,38,74,100.00, to the non-resident investor, on December 27, 2013, with a delay of five days, beyond the stipulated period of 180 days from the date of inward remittance, without prior approval of Reserve Bank of India.

iii) The company had received share application money amounting to ₹1,05,16,674.00, in four tranches, during the period January 27, 2014, to May 22, 2014, from the non-resident investor, M/s Pronk Multiservice Middle East LLC, UAE. The company had allotted 10,51,667 equity shares worth ₹1,05,16,670.00, on September 10, 2014, to the non-resident investor, beyond 180 days from the date of receipt of remittances, on three occasions, without prior approval of Reserve Bank of India. The amount of contravention is ₹61,62,701.00, and the period of contravention ranges from fourteen days to one month and fifteen days.

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, read with AP (Dir series) Circular No. 20, dated December 14, 2007, 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 to the person concerned, provided the Reserve Bank may, on an application made to it and for sufficient reasons, permit to allot shares or refund the amount of consideration received



towards issue of security, if such amount is outstanding beyond a period of 180 days from the date of receipt.

4. The applicant company had 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	31-03-2012	14,41,136	1,44,11,360.00	04-05-2012
2	06-03-2013	31,95,412	3,19,54,120.00	14-05-2013
3	01-11-2013	2,71,310	27,13,100.00	27-01-2014
4	27-12-2013	23,87,410	2,38,74,100.00	27-01-2014
5	10-09-2014	10,51,667	1,05,16,670.00	31-10-2014
	Total	83,46,935	834,69,350.00	

The applicant filed the form FC-GPRs on allotment of shares with the Bengaluru Regional Office of the Reserve Bank of India / Authorized Dealer Bank, with a delay ranging from one day to one month and twenty six days, beyond the prescribed period of 30 days in respect of the allotment of shares as mentioned 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. 301/22.08.136/2019-20, dated July 24, 2019, for further submission in person, and/or producing documents, if any, in support of the application. The applicant's authorized representatives, Mr. Ashu Goel, CFO, and Mr. Loksha K, Assistant Manager, Accounts & Finance, who appeared for the personal hearing on July 25, 2019, 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 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 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 **₹1,13,97,304.00**, and the period of delay ranges from three days to one year six months and three 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, as detailed in paragraph 3 above. The total amount of contravention is **₹2,72,15,034.00**, and the period of delay ranges from two days to one year two months and sixteen 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-GPR 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 **₹8,34,69,350.00**, and the period of delay ranges from one day to one month and twenty six days.

7. It has been declared in the compounding application dated April 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, furnished as part of 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 **₹1,89,456.00, (Rupees One Lakh Eighty Nine Thousand Four Hundred and Fifty Six 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 **₹1,89,456.00, (Rupees One Lakh Eighty Nine Thousand Four Hundred and Fifty Six only)**, which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 2nd 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 Fifth day of July 2019.

Sd/-

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