



In the

**Reserve Bank of India**  
Foreign Exchange Department  
Fort Glacis, Rajaji Salai  
Chennai 600 001

Present

**V R Venkatesh**  
**General Manager**

Date : February 4, 2019  
**C.A. 830/2018**

In the matter of

**M/s. Conwood Agencies Pvt Ltd**  
DB House, Gen A K Vaidya Marg  
Goregaon East  
Mumbai – 400 063

**(Applicant)**

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

### **Order**

The applicant has filed a compounding application dated September 17, 2018 (received at Reserve Bank on September 25, 2018) 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) contravention of Regulation 5 of Notification No.FEMA 20/2000-RB dated May 03, 2000, and (ii) delay in reporting the transfer of shares from resident to non-resident i.e., delay



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in submission of FC-TRS in terms of Regulation 10 A (b) (i) read with paragraph 10 of Notification No. FEMA 20/2000-RB amended vide AP (DIR) Series Circular No.63 dated April 22, 2009.

2. The relevant facts of the case are as follows: The applicant company was incorporated on August 28, 1975 under the provisions of the Companies Act 1956 (Registration No. U99999MH1975PTC018511). Being the Resident shareholder in M/s ETA Engineering Pvt Ltd., the company has sold 500000 equity shares at a negotiated price of ₹10/- each amounting to ₹50,00,000.00 against the Fair value of ₹15.88/- to Mr. S M Salahuddin, a non-resident Indian on 15.11.2006. The shortfall of ₹29,40,000/- was brought in by way of inward remittance as detailed below:

No of Shares	Difference b/n Fair price and negotiated Price ₹	Amount of shortfall (INR)	Date of Transfer	Date of receipt of shortfall
500000	5.88	29,40,000.00	15.11.2006	18.12.2018

The shortfall was brought in with a delay of 12 years one month three days approximately. Whereas in terms of Regulation 5 of Notification No. FEMA 20/2000-RB the price of shares issued to persons resident outside India shall not be less than the fair valuation of shares.

3. The applicant reported the transfer in form FC-TRS to the Authorised Dealer bank as detailed below:

No of Shares	Negotiated Price ₹	Amount Involved (INR)	Date of Transfer	Date of filing FC TRS with AD
500000	10	50,00,000.00	15.11.2006	05.11.2015

The applicant filed the form FC TRS on the date indicated above with a delay of Eight years nine months 21 days approximately beyond the prescribed period of 60 days. Whereas in terms of Regulation 10 A (b) (i) read with paragraph 10 of Notification No. FEMA 20/2000-RB amended vide A.P (DIR Series) Circular No.63 dated April 22, 2009, the form FC-TRS should be submitted to the AD Category – I bank within 60 days from



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the date of transfer. The onus of submission of the form FC-TRS within the given timeframe would be on the transferor / transferee, resident in India.

4. The applicant was advised about the contraventions vide memorandum dated July 2, 2018. The applicant has filed a compounding application dated September 17, 2018. It has been declared in the compounding application 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 September 17, 2018 furnished 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 informed of initiation of any such enquiry/investigation/adjudication proceedings against it/him/her thereafter. 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.

5. The applicant vide email dated January 29, 2019 has requested to waive off the personal hearing and issue the compounding order. The applicant, in the compounding application, had admitted to the contraventions as stated in para 2 and 3 above for which compounding has been sought. It had been submitted that the delay was unintentional. 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.

6. I have given my careful consideration to the documents on record and submission made by the applicant in the compounding application. Accordingly, I hold that the applicant has contravened the following FEMA provisions issued in terms of:

(a) Regulation 5 of Notification No.FEMA 20/2000-RB dated May 03, 2000, issued under the FEMA 1999, as then applicable. The contravention relates to an



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amount of ₹29,40,000.00 and the duration of the contravention being 12 years one month three days approximately.

(b) Regulation 10 A (b) (i) read with paragraph 10 of Notification No. FEMA 20/2000-RB amended vide A.P (DIR Series) Circular No.63 dated April 22, 2009 due to delay in filing form FC-TRS with the Authorised Dealer. The contravention relates to an amount of ₹50,00,000.00 and the duration of the contravention being eight years nine months 21 days approximately.

7. In terms of Section 13 of the FEMA, if any person contravenes any provision of the Act, or contravenes any rule, regulation, notification, direction or order issued in exercise of the powers under this Act, or contravenes any condition subject to which an authorization is issued by the Reserve Bank, he, upon adjudication, shall be liable to a penalty up to thrice the sum involved in such contravention. However, considering the circumstances which led to the delay and other relevant facts of the case, I consider that an amount of **₹1,43,860/-** (Rupees one lakh forty three thousand eight hundred and sixty only) will meet the ends of justice.

8. Accordingly, I compound the admitted contravention namely, the contravention of (i) Regulation 5 of Notification No.FEMA 20/2000-RB dated May 03, 2000, issued under the FEMA 1999, as then applicable and (ii) Regulation 10 A (b) (i) read with paragraph 10 of Notification No. FEMA 20/2000-RB amended A.P (DIR Series) Circular No.63 dated April 22, 2009, by the applicant on the facts discussed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 on payment of an amount of **₹1,43,860/-** (Rupees one lakh forty three thousand eight hundred and sixty only) which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, Chennai - 600 001 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at Chennai 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.



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The application is disposed of accordingly.

Dated this Fourth day of February, 2019.

**Sd/-**  
**V R Venkatesh**  
**General Manager**