



In the
RESERVE BANK OF INDIA
Foreign Exchange Department
6, Sansad Marg
New Delhi-110001

Present
V.G. Sekar
Chief General Manager

Date: June 27, 2019
CA No. NDL 385/2019

In the matter of
Lamons Gasket and Bolt India Private Limited
Plot No. 12/7, Mathura Road, Faridabad, Haryana-121003
(Applicant)

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

ORDER

The applicant has filed the compounding application dated February 18, 2019 (received at Reserve Bank of India, New Delhi on February 21, 2019) for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (hereinafter referred to as FEMA) and the regulations issued thereunder. The contraventions sought to be compounded are those of (i) delay in reporting foreign inward remittance received for issue of shares, (ii) delay in filing form FC-GPR after issue of shares, and (iii) allotment of shares to person resident outside India, prior to receipt of inward remittance, in terms of paragraphs 9(1)(A), 9(1)(B) and 8 respectively of Schedule 1 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 3, 2000 (hereinafter referred to as FEMA 20/2000-RB), as amended from time to time.



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

(a) The applicant company, incorporated on July 29, 2011, is engaged in the business of manufacture of metallic, semi metallic and non-metallic industrial gaskets, seals, fasteners including studs, headed parts, nuts, washers and bolts, precision tools and precision machined parts, flange accessories etc.

(b) The applicant had reported the remittances received from its foreign investors viz. M/s Lamons Singapore Pte. Ltd., Singapore and M/s Rieke Lamons Bermuda Holdings Ltd., Bermuda on two occasions with delay of 8 months & 12 days and 9 months & 22 days beyond the prescribed period, as detailed below, in contravention of paragraph 9(1)(A) of Schedule 1 to FEMA 20/2000-RB, as then applicable.

Sl. No.	Date of receipt	Amount (₹)	Date of Reporting
1	06.09.2011	7,31,00,000.00	18.06.2012
2	18.04.2012	63,94,920.00	12.03.2013
	Total	7,94,94,920.00	

Whereas, in terms of paragraph 9(1)(A) of Schedule 1 to FEMA 20/2000-RB, an Indian company issuing shares or convertible debentures in accordance with these Regulations shall submit through AD bank to the Regional Office concerned of the Reserve Bank under whose jurisdiction the Registered office of the company operates, not later than 30 days from the date of receipt of the amount of consideration received by Indian company for issue of shares and convertible debentures, a report in form specified in Annex C to this Schedule along with documents prescribed therein.

(c) The applicant had reported the allotment of shares to its foreign investors viz. M/s Lamons Singapore Pte. Ltd., Singapore, M/s Rieke Lamons Bermuda Holdings Ltd., Bermuda and M/s Rieke Lamons International Holdings LLC, U.S.A., on two occasions with delay of 29 days and 11 months & 22 days beyond the prescribed period, as detailed below, in contravention of paragraph 9(1)(B) of Schedule 1 to FEMA 20/2000-RB, as then applicable.

Sl. No.	Date of allotment	Amount (₹)	Date of Reporting
1	29.07.2011	7,94,94,910.00	10.05.2013
2	26.05.2014	5,82,82,005.29	24.07.2014
	Total	13,77,76,915.29	



Whereas, in terms of paragraph 9(1)(B) of Schedule 1 to FEMA 20/2000-RB, an Indian company issuing shares or convertible debentures in accordance with these Regulations shall submit through AD bank to the Regional Office concerned of the Reserve Bank under whose jurisdiction the Registered office of the company operates, not later than 30 days from the date of issue of shares or convertible debentures, a report in the form FC-GPR as specified by the Reserve Bank from time to time together with documents prescribed therein.

(d) The applicant had allotted 79,49,491 equity shares as subscription to Memorandum of Association to its non-resident investors on July 29, 2011 for a consideration of ₹7,94,94,910/- (₹7,31,00,000/- received on September 6, 2011 and ₹63,94,910/- on April 18, 2012). The second tranche of ₹63,94,910/- was received with a delay of 6 months and 22 days beyond the prescribed period, in contravention of paragraph 8 of Schedule 1 to FEMA 20/2000-RB, as then applicable. Whereas, in terms of paragraph 8 of Schedule 1 to FEMA 20/2000-RB, an Indian company accepting FDI has to receive the share application money from the non-resident investor prior to the allotment of shares, and the shares have to be issued/ amount to be refunded, in case shares have not been issued, within 180 days from the date of receipt of inward remittance.

(e) Thus, there are contraventions of paragraphs 9(1)(A), 9(1)(B) and 8 of Schedule 1 to FEMA 20/2000-RB, as then applicable.

3. The applicant was given an opportunity for personal hearing for further submission in person and/ or by producing documents, if any, in support of the application. Shri Sanjeev Kashyap, Additional Director of the company and Shri Sunil Kumar & Shri Akash Chauhan, both consultants, appeared for personal hearing on June 26, 2019 on behalf of the applicant. The representatives of the applicant admitted the contraventions committed by the applicant for which compounding has been sought. During the personal hearing, they submitted that contraventions were without any *malafide* or wilful intention but were mainly due to lack of professional support and knowledge. They requested for a lenient view in the matter. The application for compounding is, therefore, being considered on the basis of averments made in the application as well as other documents and submissions made during the personal



hearing.

4. I have given my careful consideration to the documents on record and submissions made by the applicant during the personal hearing. Accordingly, I hold that the applicant has contravened the following FEMA provisions:

(a) Paragraph 9(1)(A) of Schedule 1 to FEMA 20/2000-RB, on account of delay in reporting of foreign inward remittance received towards subscription of shares as detailed in paragraph 2(b) above. The contraventions relate to an amount of ₹7,94,94,920/- (Rupees Seven Crore Ninety Four Lakh Ninety Four Thousand Nine Hundred and Twenty only) and the periods of delay are 8 months & 12 days and 9 months & 22 days.

(b) Paragraph 9(1)(B) of Schedule 1 to FEMA 20/2000-RB, on account of delay in filing form FC-GPR after issue of shares as detailed in paragraph 2(c) above. The contraventions relate to an amount of ₹13,77,76,915.29 (Rupees Thirteen Crore Seventy Seven Lakh Seventy Six Thousand Nine Hundred Fifteen and Paise Twenty Nine only) and the periods of delay are 29 days and 11 months & 22 days.

(c) Paragraph 8 of Schedule 1 to FEMA 20/2000-RB, on account of allotment of shares to person resident outside India, prior to receipt of inward remittance, as detailed in paragraph 2(d) above. The contravention relates to an amount of ₹63,94,910/- (Rupees Sixty Three Lakh Ninety Four Thousand Nine Hundred and Ten only) and the period of delay is 6 months and 22 days.

5. It has been declared in the compounding application dated February 18, 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 declaration dated February 18, 2019 furnished with the compounding application that the applicant is under investigation by DoE as on the date of the application. Accordingly, RBI vide letter ND.FED.FID.No.3108/06.04.9244/2018-19 dated March 6, 2019 had sought comments from DoE to be furnished within 30 days as to whether it had objection, if any, in terms of the proviso to Rule 8(2) of the Compounding Rules for compounding the contraventions sought to be compounded by the applicant. DoE vide its letter F.No.T-3/118/CDZO/2018/2277 dated April 2, 2019 has confirmed its 'no objection' to compounding by RBI in the matter. It has further been declared that the applicant



has not filed any appeal under Section 17 or Section 19 of FEMA. Accordingly, the above contraventions which are being compounded in this Order are without prejudice to any other action which may be taken by any authority under the extant laws.

6. In terms of Section 13 of 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. After considering the submissions made by the applicant and the entire facts and circumstances of the case I am persuaded to compound the contraventions, in line with the Guidance Note on Computation Matrix prescribed as part of Master Direction – Compounding of Contraventions, framed in accordance with the Foreign Exchange (Compounding Proceedings) Rules 2000. Accordingly, it stands to reason that payment of an amount of **₹1,73,495/- (Rupees One Lakh Seventy Three Thousand Four Hundred and Ninety Five only)** will meet the ends of justice in the circumstances of this case.

7. Accordingly, I compound the admitted contraventions of paragraphs 9(1)(A), 9(1)(B) and 8 of Schedule 1 to FEMA 20/2000-RB, as then applicable, by the applicant based on the facts detailed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, on payment of an amount of **₹1,73,495/- (Rupees One Lakh Seventy Three Thousand Four Hundred and Ninety Five only)** which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 6, Sansad Marg, New Delhi-110001 by a demand draft drawn in favour of the “Reserve Bank of India” and payable at New Delhi 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 the 27th day of June 2019.

Sd/-
(V.G. Sekar)



Chief General Manager