



In the

**Reserve Bank of India
Foreign Exchange Department
Mumbai Regional Office
Main Building, 3rd floor
Shahid Bhagat Singh Marg, Fort
Mumbai 400 001**

**Present
Shri J.K. Pandey
Chief General Manager**

May 31, 2019

CA No MUM 865/2019

In the matter of

M/s MSL Driveline Systems Ltd (Formerly known as M/s Mahindra Sona Ltd)
1506, B Wing, One BKC, Bandra Kurla Complex,
Bandra East,
Mumbai 400 051

(Applicant)

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

Order

- 1** The applicant has filed the compounding application dated March 29, 2019, received at the Reserve Bank on March 29, 2019, for compounding of contravention/s of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued thereunder. The contraventions sought to be compounded are in respect of the following Regulations/ paras under 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 and as amended from time to time (hereinafter referred to as FEMA 20):



- I Para 9 (2) of Schedule 1 to FEMA 20: Delay in filing 'Annual Return on Foreign Liabilities and Assets' (FLA Returns).
- II Regulation 4 of FEMA 20: Taking on record by the applicant, the transfer of shares from a person resident outside India to a person resident in India or the transfer of shares from a person resident in India to a person resident outside India, without obtaining certified copies of form FC-TRS
- 2 Brief facts of the applicant company are as follows:

Date of Incorporation	September 30, 1994
Its main activities are:	Manufacture of diverse parts and accessories for motor vehicles such as brakes, gearboxes, axles etc

- 3 The company has not filed/delayed in filing the Annual Return on Foreign Liabilities and Assets (FLA return) to the Reserve Bank of India for the Financial Years 2006-07, 2007-08, 2008-09, 2009-10, 2010-11, 2011-12, 2012-13, 2014-15, 2015-16 and 2016-17. Whereas, in terms of Para 9(2) of FEMA 20, all Indian companies which have received Foreign Direct Investment in the previous years including the current year, shall submit to the Reserve Bank of India, on or before the due date (as applicable) each year, a report titled 'Annual Return on Foreign Liabilities and Assets' as specified by the Reserve Bank from time to time.
- 4 Shares of the company were transferred by Non Resident to Resident and/or by Resident to Non Resident on dates indicated in the table below.

Contravention under Regulation 4					
<small>(whereas, "Y" represents delay in number of years, "M" represents delay in number of months and "D" represents delay in number of days, LSF stands for : Late Submission Fees</small>					
Date of Inward Remittance	Date of transfer (DD-MM-YY) (2)	Remittance amount (in INR)	Date on which company took on record the transfer	Date of filing Form FCTRS (DD-MM-YY)	Delay under Regulation 4
09/03/05	3/9/2005	70,076,239.40	11/03/05	10/01/19	13Y 9M 30D
20/12/16	12/20/2016	157,904,880.00	13/02/17	20/02/17	0Y 0M 7D
TOTAL		227,981,119.00			



The company took on record the transfer of shares without obtaining certified copies of Form FC-TRS from the AD Bank. Whereas as per Regulation 4 of FEMA 20, an Indian entity shall not record in its books any transfer of security from or to such person without obtaining certified copies of form FCTRS. The contravention relates to amount of Rs. 227,981,119 (Rupees Twenty Two Crore Seventy Nine Lakh Eighty One Thousand One Hundred Nineteen and Zero Paise Only) and the delay ranges from minimum 0Y 0M 7D to maximum 13Y 9M 30D approximately.

- 5 The applicant was given an opportunity for personal hearing, for further submission in person and/or for producing documents, if any, in support of the application vide e-mail dated May 22, 2019. The applicant applied for waiver of personal hearing vide e-mail dated May 22, 2019. The applicant, in the compounding application, had admitted the contraventions as stated above for which compounding has been sought. It had been submitted that the contraventions were not wilful and were 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 thereafter. Accordingly, I hold that the applicant has contravened the following FEMA provisions issued in terms of:
 - I Para 9 (2) of Schedule 1 to FEMA 20, due to non-filing/delay in filing of Annual Return on Foreign Liabilities and Assets for the Financial Years 2006-07, 2007-08, 2008-09, 2009-10, 2010-11, 2011-12, 2012-13, 2014-15, 2015-16 and 2016-17.
 - II Regulation 4 of FEMA 20, for recording in its books a transfer of security from or to such person without obtaining certified copies of form FCTRS.
- 7 It has been declared in the compounding application dated March 29, 2019 that the particulars given by the applicant in the application are true and correct to the best of their/his/her knowledge and belief. It has also been declared in a declaration attached to 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. 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 Rs.814,167 (Rupees Eight Lakh Fourteen Thousand One Hundred Sixty Seven and Zero Paise Only) will meet the ends of justice.
- 9 Accordingly, I compound the admitted contravention/s namely, the contravention/s of Para 9 (2) of Schedule 1 to FEMA 20 and Regulation 4 of FEMA 20, by the applicant, on the facts discussed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 on payment of an amount of Rs. 814,167 (Rupees Eight Lakh Fourteen Thousand One Hundred Sixty Seven and Zero Paise Only) which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, Mumbai Regional Office, Main Building, 3rd floor, Shahid Bhagat Singh Marg, Fort, Mumbai-400001 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at Mumbai 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.
- 10 The above order is passed only in respect of contraventions of Para 9 (2) of Schedule 1 to FEMA 20 and Regulation 4 of FEMA 20 and does not restrict the right of any other authority to proceed against the Company for any other violations/contraventions noticed at any point of time.
- 11 The application is disposed of accordingly.
dated: May 31, 2019

Compounding Authority

(J.K. Pandey)
Chief General Manager

