



In the

RESERVE BANK OF INDIA
Foreign Exchange Department
11th floor, Central Office Building
Shahid Bhagat Singh Road
Mumbai - 400 001

Present

Ajay Kumar Misra
Chief General Manager

Date: March 12, 2019
CA No 4821 / 2018

In the matter of

Eaton India Innovation Center LLP
No. 2, EVR Street
Sedarapet, Pondicherry - 605111

(Applicant)

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

Order

The applicant has filed an application dated November 16, 2018 (received in the Reserve Bank on November 22, 2018), for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued thereunder. The applicant has sought to be compounded for: (a) delay in reporting the receipt of remittances in Form Foreign Direct Investment (FDI) – Limited Liability Partnership (LLP) - (I), beyond the stipulated time period of 30 days, and (b) delay in reporting the transfer of capital contribution between a resident and a non-resident, in Form FDI – LLP(II) in contravention of Regulation 5(9) read with para 6(i) of Schedule 9 of 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 as amended from time to time (hereinafter referred to as Notification No. FEMA 20/2000-RB), read with para 7 of Master



Directions – Reporting under Foreign Exchange Management Act, 1999 (hereinafter referred to as Master Directions on Reporting), as updated from time to time.

2. The relevant facts as provided in the application are, as under: The applicant is a Limited Liability Partnership (LLP) (LLPIN - AAE-7927), incorporated pursuant to an LLP agreement dated November 2, 2015. The original LLP agreement was between Eaton Technologies Private Limited, Eaton Power Quality Private Limited and Cooper Crouse-Hinds Pte. Ltd. - a company incorporated under the laws of Singapore. The original LLP agreement was amended on March 22, 2017 as Eaton Technologies Private Limited and Eaton Power Quality Private Limited, after giving their consent for admitting ETN Asia International Limited - a corporation company formed under the laws of Mauritius, resigned from being partners of the LLP. The applicant is engaged in the business of providing IT and IT enabled services, including Research and Technology Development services, engineering design and services and testing and validation services.

The applicant has received foreign inward remittances from ETN Asia International Limited and Cooper Crouse-Hinds Pte. Ltd. as follows:

S.No.	Name of investor	Amount received (Rs.)	Date of receipt	Reporting to RBI
1	ETN Asia International Limited	25,92,80,000	29.03.2017	21.11.2017
2	Cooper Crouse-Hinds Pte. Ltd.	40,04,40,000	12.01.2016	10.02.2016

The applicant delayed the reporting of receipt of FDI in Form FDI – LLP(I) (for inward remittance mentioned in Serial No. 1), beyond the stipulated time period, in contravention of paragraph 6(i) of Schedule 9 of FEMA 20/2000 –RB, read with para 7 of Master Directions on Reporting.

Further, the applicant transferred capital contribution from Eaton Technologies Private Limited and Eaton Power Quality Private Limited, to ETN Asia International Limited (Mauritius) as follows:



S.No.	Transfer from	Transfer to	Amount (INR)	Date of transfer	Date of reporting
1	Eaton Technologies Private Limited	ETN Asia International Limited	10,98,483.75	31.03.2017	07.10.2017
2	Eaton Technologies Private Limited	ETN Asia International Limited	4281.97	09.03.2018	30.05.2018
3	Eaton Power Quality Private Limited	ETN Asia International Limited	10,98,483.75	31.03.2017	03.10.2017
4	Eaton Power Quality Private Limited	ETN Asia International Limited	4273.26	13.03.2018	30.05.2018

The applicant delayed the reporting of transfer of capital in Form FDI –LLP(II), beyond the stipulated time period, in contravention of paragraph 6(i) of Schedule 9 of FEMA 20/2000 –RB, read with para 7 of Master Directions on Reporting.

3. Regulation 5(9) of Notification No. FEMA 20/2000-RB states that, “A person resident outside India (other than a citizen of Pakistan or Bangladesh) or an entity incorporated outside India, (other than an entity in Pakistan or Bangladesh), not being a registered Foreign Institutional Investor or Foreign Venture Capital Investor or Qualified Foreign Investor registered with SEBI or Foreign Portfolio Investor registered in accordance with SEBI guidelines, may contribute foreign capital either by way of capital contribution or by way of acquisition/ transfer of profit shares in the capital structure of an LLP under Foreign Direct Investment, subject to the terms and conditions as specified in Schedule 9.”

Regulation 6(i) of Schedule 9 of Notification No. FEMA 20/2000-RB and para 7 of Master Directions on Reporting provide the reporting requirements with regard to receipt of foreign remittances in LLPs.

4. The applicant was given an opportunity for personal hearing vide letter No. FE.CO.CEFA/4394/15.20.67/2018-19 dated February 15, 2019 for further submission in person and/or producing documents, if any, in support of the application. The personal hearing was held on February 28, 2019 during which Shri Ishan Kulkarni,



Company Secretary of the applicant LLP, represented the applicant. The representative of the applicant submitted that the applicant had inadvertently failed to comply with the FEMA regulations and requested that a lenient view may be taken in the matter.

It has also been declared in the compounding application dated November 16, 2018, that the particulars given by the applicant in the application are true and correct to the best of their knowledge and belief. It has also been declared in the declaration furnished along 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 been 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.

The application is, therefore, being considered on the basis of the averments made in the application, the documents produced, and submissions made during the personal hearing.

5. I have given my careful consideration to the documents on record and submissions made by the applicant during the personal hearing. It was observed that the applicant has contravened the provisions of Regulation 5(9) read with para 6(i) of Schedule 9 of Notification No. FEMA 20/2000-RB, read with para 7 of Master Directions on Reporting. The amount and period of contravention are as follows:

(i) Delay in reporting receipt of inward remittance: Amount of contravention - Rs. 25,92,80,000/- and the period of contravention - 7 months approximately.

(ii) Delay in reporting transfer of capital contribution between resident and non-resident: Amount of contravention - Rs. 22,05,522.73/- and the period of contravention - ranges from 18 days to 5 months approximately.

6. 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. 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 Rs. 70,583/- (Rupees seventy thousand five hundred and eighty three only) will meet the ends of justice in the circumstances of this case.

7. Accordingly, I compound, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 the admitted contravention committed by the applicant namely, Regulation 5(9) read with para 6(i) of Schedule 9 of Notification No. FEMA 20/2000-RB, read with para 7 of Master Directions on Reporting, on payment of a sum of Rs. 70,583/- (Rupees seventy thousand five hundred and eighty three only), which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 5th Floor, Amar Building, 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.

The application is disposed accordingly.

Dated this the twelfth day of March, 2019

Sd/-
(Ajay Kumar Misra)
Chief General Manager