



In the

**RESERVE BANK OF INDIA**

Foreign Exchange Department

Central Office Cell, 1<sup>st</sup> floor

6, Sansad Marg

New Delhi - 110 001

Present

**R.K. Moolchandani**

**Chief General Manager**

Date: October 11, 2019

C.A. No.100 /2019

In the matter of

**LS Cable & System Ltd.**

**Office No. 328 & 329**

**3<sup>rd</sup> Floor, DLF Star Tower**

**Sector – 30, NH - 8**

**Gurgaon - 122002**

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 M/s LS Cable & System Ltd, has filed an application dated March 28, 2019 (received in RBI on April 18, 2019) for compounding of contravention of the provisions of Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued thereunder. The contravention sought to be compounded relate to the activity (making payment on behalf of foreign entities) of Indian Project office which does not



form part of the contract secured by the foreign entity for which the project office was established.

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

The brief details of the case are as follows:

- a. The applicant, M/s L S Cable & Systems Ltd (LS Cable), a company incorporated in South Korea on October 25, 1969 is engaged in the business of manufacturing electric wires and cables for power distribution
- b. In India, L S Cable is engaged in executing various turnkey projects involving supplying, laying, jointing, testing & commissioning of cables.
- c. For execution of onshore supply and service contracts, LS Cable has established various Project Offices in India.
- d. Reserve Bank of India vide letter FE.CO.FID/914/10.05.000/2014-15 dated December 19, 2014 has allowed the company to maintain single bank account in the name of the Project Office (PO) for handling all the projects in India.
- e. LS Cable has similar projects in Bhutan and Bangladesh and had accordingly set offices in Bhutan and Bangladesh also.
- f. LS Cable Bhutan and LS Cable Bangladesh required funds in order to procure the materials/equipment from India for carrying out their activities.
- g. At that time, LS Cable Bhutan and LS Cable Bangladesh had paucity of funds for purchasing the said materials/equipment and their transportation, etc. Since surplus funds were lying in the bank account of Bamnauli Project office (Indian PO) and payment were to be made in India, India PO made payments directly to Indian vendors of LS Cable Bhutan PO and LS Cable Bangladesh PO for purchase of material and its transportation, insurance and custom clearance.
- h. The above activity (making payment on behalf of foreign entities) of Bamnauli Project office does not relate to the contract secured by the foreign entity for which the project office was established. Hence, the same amounts to contravention of the Regulation 4(f) of Notification No.FEMA.22(R)/RB-2016 dated March 31, 2016
- i. Further, the above payments amounting to ₹ 3,39,73,901/- (Rupees Three crore thirty nine lakh seventy three thousand nine hundred one only) were made by



the Bamnauli Project office (Indian PO) from May 19, 2017 to August 07, 2018. The payment of ₹ 3,24,65,812/- (₹ 1,84,67,701/- towards exports of goods and ₹ 1,39,98,111/- towards payments) has been qualified by the Statutory Auditor in the AAC for the year ending March 31, 2018.

- j. The abovementioned transactions/payments were made in contravention of the Regulation 4(f) of Notification No.FEMA.22(R)/RB-2016 dated March 31, 2016 as amended from time to time.
- k. The above contravention was regularized vide RBI letter No. FE.CO.FID/627/10.01.001/2018-19 dated February 25, 2019 and the applicant was granted post facto approval subject to compounding of the contravention.
- l. The total amount which is paid by the Indian PO on behalf of Bhutan and Bangladesh offices i.e. ₹ 3,39,73,901/- (Rupees Three crore thirty nine lakh seventy three thousand nine hundred one only) has been considered as the amount of contravention.
- m. The first payment was made on May 19, 2017 and contravention was regularized on February 25, 2019. Hence the period of contravention has been treated from May 19, 2017 to February 25, 2019 i.e. 1 year 9 months and 6 days.
- n. The amount and period of contravention is as follows:  
**Amount:** ₹ 3,39,73,901/- (Rupees Three crore thirty nine lakh seventy three thousand nine hundred one only)  
**Period:** 1 year 9 months and 6 days i.e from May 19, 2017 to February 25, 2019.

**Contravention:**

3. The applicant has contravened Regulation 4(f) of Notification No.FEMA.22(R)/RB-2016 dated March 31, 2016 as amended from time to time.

The above contravention was regularized by RBI vide letter No. FE.CO.FID/627/10.01.001/2018-19 dated February 25, 2019.

4. The applicant was given an opportunity for personal hearing vide email dated October 7, 2019 for further submission in person and /or producing documents, if any, in support of the application. Applicant's representative Mr Pankaj Sood accompanied



by three officials appeared representing the applicant, for the personal hearing on October 11, 2019. The representatives of the applicant admitted the contravention committed by the applicant for which they have sought compounding and submitted that the contravention was not intentional and requested to take a lenient view.

5. 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 also been declared in the undertaking furnished with the compounding application that the applicant is 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 contravention which is being compounded in this order is 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 for compounding is, therefore, being decided on the basis of the averments/submission made in the application as well as other documents and also submissions made in this context by Mr. Pankaj Sood and other three representatives during the personal hearing.

6. I have given my careful consideration to the documents on record and submission made by the applicant. Accordingly, I hold that the applicant has contravened Regulation 4(f) of Notification No.FEMA.22(R)/RB-2016 dated March 31, 2016 as amended from time to time. The contravention amount i.e. total amount which is paid by the Indian PO on behalf of Bhutan and Bangladesh offices comes to ₹ 3,39,73,901/- (Rupees Three crore thirty nine lakh seventy three thousand nine hundred one only) and the period of contravention stands at 1 year 9 months and 6 days i.e from May 19, 2017 – date of first payment to February 25, 2019 – date of Regularization.

7. In terms of Section 13 of the FEMA, 1999, 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, after considering the submissions made by the applicant



and the entire facts and circumstances of the case, I consider that payment of an amount of ₹ 1,48,909/- (Rupees One lakh forty eight thousand nine hundred nine only) will meet the ends of justice in the circumstances of this case.

8. Accordingly, I compound the admitted contravention namely the contravention of Regulation 4(f) of Notification No.FEMA.22(R)/RB-2016 dated March 31, 2016 as amended from time to time, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 on payment of an amount of ₹ 1,48,909/- (Rupees One lakh forty eight thousand nine hundred nine only) which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, Central Office Cell, 1<sup>st</sup> Floor, 6, Sansad Marg, New Delhi – 110 001 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at 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 03, 2000, as amended from time to time, shall apply.

The application is disposed accordingly.

Dated this the Eleventh day of October 2019.

**R.K. Moolchandani**  
**Chief General Manager**