



In the

Reserve Bank of India
10/3/8, Nrupathunga Road
Bengaluru-560001

Present

Shri Jose J Kattoor
Regional Director, Karnataka and
Chief General Manager, Bengaluru

Date: November 27, 2019
C.A. BGL 480/2019

In the matter of

M/s Truebell Marketing and Distribution Private Limited
Unit No. 308, 3rd Floor
Prestige Towers No. 5, Residency Road
Bengaluru 560001

(Applicant)

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

ORDER

The applicant has filed a compounding application dated August 07, 2019, received at this office of Reserve Bank of India, Bengaluru on August 19, 2019, and addendum to the application dated October 26, 2019, received on November 08, 2019, 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) delay in reporting of form FC-GPRs to the Reserve Bank, after issue of shares to a person resident outside India, and (ii) allotment of shares, prior to the receipt of amount of consideration, in terms of Paragraphs 9(1)(B) and 8, respectively, of Schedule I 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 03, 2000, and as amended from time to time (hereinafter referred to as Notification No. FEMA 20/2000-RB).



2. The relevant facts of the case are as follows: The applicant, M/s Truebell Marketing and Distribution Private Limited, was incorporated on March 23, 2017, under the Companies Act, 2013, as per the Certificate of Incorporation issued by the Deputy Registrar of Companies, Ministry of Corporate Affairs, Government of India. The business activity of the company is to operate as a FMCG distribution company for Travel Retail Stores. The applicant had received funds towards share application money from the non-resident investor, namely, Mr. Bhushant Jitendra Gandhi, UAE, as shown below:

Table – 1

Sl. No.	Date of Receipt	Amount (INR)	Date of reporting to RBI/AD
1	29-08-2017	1,73,80,120.62	04-05-2018
2	11-09-2017	86,75,133.60	04-05-2018
	Total	2,60,55,254.22	

3. The applicant company had allotted equity shares, to the non-resident investor, Mr. Bhushant Jitendra Gandhi, UAE, and filed form FC-GPRs with Reserve Bank/AD as indicated below:

Table – 2

Sl. No.	Date of Allotment	Number of shares allotted	Amount (INR)	Date of reporting to RBI/AD
1	20-04-2017	76000	76,000.00	05-06-2019
2	20-10-2017	684000	2,59,78,320.00	24-09-2019
	Total	7,60,000	2,60,54,320.00	

The applicant filed the form FC-GPRs on allotment of shares with the Bengaluru Regional Office of the Reserve Bank of India / Authorized Dealer Bank with a delay ranging from one year ten months and five days to two years and sixteen days, beyond the prescribed period of 30 days in respect of allotment of shares as indicated in the Table - 2 above. Whereas, in terms of Paragraph 9(1)(B) of Schedule I to Notification No. FEMA 20/2000-RB, dated May 3, 2000, an Indian company issuing shares in accordance



with these Regulations has to submit to the Reserve Bank of India, a report in form FC-GPR, along with documents prescribed therein, within 30 days from the date of issue of shares to person/s resident outside India.

4. The company had allotted 76,000 equity shares worth ₹76,000.00, to the non-resident investor, Mr. Bhushant Jitendra Gandhi, UAE, on April 20, 2017. However, the amount of consideration for the said allotment was received only on August 29, 2017, with a delay of four months and nine days, after the allotment of equity shares. The company had received an inward remittance of ₹1,73,80,120.62, on August 29, 2017, which included the share application money of ₹76,000.00, pertaining to the aforesaid allotment. The remaining share application money was utilized to allot 684000 equity shares on October 20, 2017.

Whereas, in terms of Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000- RB dated May 3, 2000, and as amended from time to time, if the shares are not issued within 180 days from the date of receipt of the inward remittance, the amount of consideration so received shall be refunded to the person concerned, provided the Reserve Bank may, on an application made to it and for sufficient reasons permit to refund the amount of consideration received towards issue of security, if such amount is outstanding beyond a period of 180 days from the date of receipt.

5. The applicant was given an opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID (CEFA) No.1240/22.11.888/2019-20, dated November 13, 2019, for further submission in person, and/or producing documents, if any, in support of the application. The applicant's authorized representative Mr. Jose Thomas, Practicing Company Secretary, who appeared for the personal hearing on November 25, 2019, admitted the contraventions as stated in paragraphs 3 and 4 above, committed by the applicant, for which compounding has been sought. During the personal hearing, it was submitted that the delay was not willful or with malafide intention, but was mainly due to inadvertence, and the same would not be repeated. In view of the above, the



representative requested to take a lenient view in disposal of the application. 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 during personal hearing and thereafter.

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

(a) Paragraph 9 (1) (B) of Schedule I to Notification No. FEMA 20/2000-RB, due to delay in reporting of form FC-GPRs to the Reserve Bank, after issue of shares to a person resident outside India as detailed in Paragraph 3 above. The contravention relates to an amount of **₹2,60,54,320.00**, and the period of delay ranges from one year ten months and five days to two years and sixteen days; and,

(b) Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, due to allotment of shares to the non-resident investor, prior to the date of receipt of amount of consideration, as detailed in paragraph 4 above. The amount of contravention is **₹76,000.00**, and the period of delay is four months and nine days.

7. It has been declared in the compounding application dated August 07, 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 undertaking dated July 31, 2019, furnished as part of 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, 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 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.

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 **₹1,10,808.00, (Rupees One Lakh Ten Thousand Eight Hundred and Eight only)**, will meet the ends of justice.

9. Accordingly, I compound the admitted contraventions namely, contraventions of Paragraphs 9(1)(B) and 8 of Schedule I to Notification No. FEMA 20/2000-RB, by the applicant, based on the facts discussed above, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, on payment of an amount of **₹1,10,808.00, (Rupees One Lakh Ten Thousand Eight Hundred and Eight only)**, which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 2nd Floor, 10/3/8, Nrupathunga Road, Bengaluru – 560001, by a demand draft drawn in favour of the “Reserve Bank of India”, payable at Bengaluru 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 of accordingly.

Dated this, the Twenty Seventh day of November 2019.

Sd/-

(Jose J Kattoor)
Regional Director, Karnataka and
Chief General Manager, Bengaluru