



In the

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

Present

**Shri K S Praveen**  
**Assistant General Manager**

Date: June 17, 2019  
**C.A. BGL 378/2019**

In the matter of

**M/s Extrude Hone India Private Limited**  
A-5, Jai Bharath Industrial Estate, Yeshwanthpur  
Bengaluru - 560022  
**(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 January 18, 2019, received at this office of Reserve Bank of India, Bengaluru on February 11, 2019, for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999, (the FEMA), and the regulations issued there under. The contravention sought to be compounded is delay in refund of share application money and delay in allotment of shares, beyond 180 days from the date of receipt of inward remittance, to a person resident outside India, in terms of Paragraph 8, 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 Extrude Hone India Private Limited, was incorporated on May 14, 2016, under the Companies Act, 2013, as per the Certificate of Incorporation issued by the



Deputy Registrar of Companies, Government of India, Ministry of Corporate Affairs. The company is engaged in the business of designing, production, industrial usage, marketing, sale and distribution of surface finishing equipment, consumable materials and related services. The applicant had received funds towards share application money from the non-resident investors, namely, M/s Madison Industries Holding BV, Netherlands, and M/s Madison Industries Cooperatief U.A, Netherlands, as shown below:

**Table – 1**

<b>Sl. No.</b>	<b>Date of Receipt</b>	<b>Amount (INR)</b>	<b>Date of reporting to RBI/AD</b>
1	19-09-2016	14,80,400.00	24-10-2016
2	24-10-2016	1,000.00	09-11-2016
3	20-03-2017	26,11,639.80	17-04-2017
4	26-04-2017	19,18,379.70	08-06-2017
	<b>Total</b>	<b>60,11,419.50</b>	

3. The company had allotted equity shares to the foreign investors, in terms of Paragraph 8 of Schedule 1 to Notification No. FEMA.20/2000 RB, dated May 03, 2000. However, in the instances mentioned here below, the company had refunded the share application money or allotted shares, to the non-resident investor, beyond the stipulated period of 180 days from the date of receipt of inward remittance.

i) The company had received an inward remittance of ₹14,80,400.00 on September 19, 2016, from the non-resident investor, M/s Madison Industries Holding BV, Netherlands, and allotted 10,079 equity shares worth ₹14,75,868.00. Subsequently, the excess share application money of ₹4,532.00, received on September 19, 2016, was utilized to allot 250 equity shares to the non-resident investor, M/s Madison Industries Holding BV, Netherlands, on June 22, 2017, with a delay beyond the stipulated period of 180 days from the date of receipt of inward remittance, without prior approval of Reserve Bank of India.



ii) The company had received inward remittances amounting to ₹19,26,963.50, in three tranches i.e., excess share application money of ₹4,532.00, from the remittance of ₹14,80,400.00, received on September 19, 2016, excess share application money of ₹4,051.80, from the inward remittance of ₹26,11,639.80, received on March 20, 2017 and the inward remittance of ₹19,18,379.70, received on April 26, 2017, respectively. The company had allotted 250 equity shares worth ₹19,23,000.00, on June 22, 2017, against the amount of consideration of ₹19,26,963.50, and leaving behind an excess share application money of ₹3,963.50. Subsequently, the excess amount of ₹3,963.50, was refunded to the investor on November 09, 2018, beyond the stipulated period of 180 days from the date of inward remittance, with prior approval of Reserve Bank of India. The approval was given vide Reserve Bank's Letter FE.BG.FID.No. 1257/21.10.304/2018-19, dated October 26, 2018.

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 or shares shall be allotted 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 or permit to allot shares, if such amount is outstanding beyond a period of 180 days from the date of receipt. In the above mentioned instances, the total amount of contravention is **₹8,495.50**, and the period of delay ranges from sixteen days to three months and four days.

4. The applicant was given an opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID (CEFA) No. 6810/22.10.304/2018-19, dated June 07, 2019, for further submission in person, and/or producing documents, if any, in support of the application. The applicant's authorized representative Mr. Parameshwar G Bhat, Company Secretary, who appeared for the personal hearing on June 13, 2019, admitted the contravention as stated in paragraph 3 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.

5. 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 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, due to delay in allotment of shares and delay in refund of excess share application money, beyond 180 days from the date of receipt of inward remittance, as detailed in paragraph 3 above. The total amount of contravention is **₹8,495.50**, and the period of delay ranges from sixteen days to three months and four days.

6. It has been declared in the compounding application dated January 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 undertaking, furnished 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 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.



7. 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 contravention is to be compounded, and I consider that an amount of **₹137.00, (Rupees One hundred and Thirty Seven only)**, will meet the ends of justice.

8. Accordingly, I compound the admitted contravention of Paragraphs 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 **₹137.00, (Rupees One hundred and Thirty Seven only)**, which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 2<sup>nd</sup> Floor, 10/3/8, Nrupathunga Road, Bengaluru – 560001, by a demand draft drawn in favour of the “Reserve Bank of India” and 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 Seventeenth day of June 2019.

**Sd/-**

**(K S Praveen)**  
**Assistant General Manager**