



In the
RESERVE BANK OF INDIA
Foreign Exchange Department
6, Sansad Marg
New Delhi-110001

Present
P S Khual
General Manager
Date: January 17, 2020
CA No. NDL 525/2019

In the matter of
Readers Digest Book and Home Entertainment (India) Private Limited
G 41, Ground Floor, West Patel Nagar, New Delhi 110008
(Applicant)

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 has filed the compounding application dated August 19, 2019 (received at Reserve Bank of India, New Delhi on August 27, 2019) for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (hereinafter referred to as FEMA) and the regulations issued thereunder. The contraventions sought to be compounded are those of (i) delay in reporting foreign inward remittance received for issue of shares, (ii) delay in issue of shares beyond 180 days from the date of receipt of remittance, in terms of paragraphs 9(1)A and 8 of 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 (hereinafter referred to as FEMA 20/2000-RB), as then applicable, and (iii) delay in issue of shares beyond 60 days from the date of receipt of remittance, in terms of paragraph 2(2) of Schedule 1 to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 notified vide Notification No. FEMA 20(R)/2017-RB dated



November 7, 2017 (hereinafter referred to as FEMA 20(R)/2017-RB), as then applicable.

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

(a) The applicant company, incorporated on June 2, 2005, is engaged in the business of printing and publishing of periodicals books, journals, directories, atlases, maps, sheet music, schedules & pamphlets, etc.

(b) Contraventions of paragraphs 9(1)(A) and 8 of Schedule 1 to FEMA 20/2000-RB had earlier been compounded vide Compounding Order CA 1006/2010 dated July 1, 2010 by Reserve Bank of India.

(c) The applicant had received foreign inward remittance of ₹67,37,100.00 on April 26, 2016 from its foreign investor, M/s Trusted Media Brands Inc., USA and reported the same on August 12, 2016 with a delay of 2 months and 17 days beyond the prescribed period, in contravention of paragraph 9(1)(A) of Schedule 1 to FEMA 20/2000-RB, as then applicable. Whereas, in terms of paragraph 9(1)(A) of Schedule 1 to FEMA 20/2000-RB, an Indian company issuing shares or convertible debentures or warrants in accordance with these Regulations shall submit through AD bank to the Regional Office concerned of the Reserve Bank under whose jurisdiction the Registered office of the company operates, not later than 30 days from the date of receipt of the amount of consideration received by Indian company for issue of shares or convertible debentures or warrants, a report in Advance Reporting Form as specified by Reserve Bank from time to time along with the documents prescribed therein.

(d) The applicant had issued 12,95,485 equity shares on July 2, 2019 for a consideration of ₹1,29,54,850.00 against the foreign inward remittance mentioned at 2(c) above and another foreign inward remittance amounting to ₹62,17,750.00 received on January 29, 2018, as detailed hereunder:

(i) Against the inward remittance of ₹67,37,100.00 received on April 26, 2016, shares were issued without RBI approval and with delay of 2 years, 8 months and 9 days beyond the prescribed period, in contravention of paragraph 8 of Schedule 1 to FEMA 20/2000-RB, as then applicable. Whereas, in terms of paragraph 8 of Schedule 1 to FEMA 20/2000-RB, equity instruments should be issued within 180 days of the receipt of inward remittance. In case, the equity instruments are not issued within 180 days from the date of receipt of the inward remittance, the amount of consideration so received should be refunded to the non-resident investor. Provided that 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.

(ii) Against the inward remittance of ₹62,17,750.00 received on January 29, 2018, shares were issued with delay of 1 year, 3 months and 2 days beyond the prescribed period, in contravention of paragraph 2(2) of Schedule 1 to FEMA 20(R)/2017-RB dated November 7, 2017, as then applicable. Whereas, in terms of paragraph 2(2) of Schedule 1 to FEMA 20 (R)/2017-RB dated November 7, 2017, an Indian company has to issue capital instruments within sixty days from the date of receipt of consideration.

(e) Thus, there are contraventions of paragraphs 9(1)(A) and 8 of Schedule 1 to FEMA 20/2000-RB and paragraph 2(2) of Schedule 1 to FEMA 20(R)/2017-RB, as then applicable.

3. The applicant was given an opportunity for personal hearing for further submission in person and/ or by producing documents, if any, in support of the application. Shri Sameer Rehman Khan and Ms. Mudita Dhek, both Consultant, appeared for personal hearing on January 16, 2020 on behalf of the applicant. The representatives of the applicant admitted the contraventions committed by the applicant for which compounding has been sought. During the personal hearing, they submitted that contraventions were without any *malafide* or wilful intention but were mainly due to reorganization in the managerial position and lack of professional guidance with regard to FEMA compliances. The application for compounding is, therefore, being considered on the basis of averments made in the application as well as other documents and submissions made during the personal hearing.

4. I have given my careful consideration to the documents on record and submissions made by the applicant during the personal hearing. Accordingly, I hold that the applicant has contravened the following FEMA provisions:

(a) Paragraph 9(1)(A) of Schedule 1 to FEMA 20/2000-RB, as then applicable, on account of delay in reporting of foreign inward remittance received for issue of shares as detailed in paragraph 2(c) above. The contravention relates to an amount of ₹67,37,100.00 (Rupees Sixty Seven Lakh Thirty Seven Thousand and One Hundred only) and the period of delay is 2 months and 17 days.



(b) Paragraph 8 of Schedule 1 to FEMA 20/2000-RB, as the applicable, on account of delay in issue of shares beyond the prescribed period of 180 days from the date of receipt of inward remittance as detailed in paragraph 2(d)(i) above. The contravention relates to an amount of ₹67,37,100.00 (Rupees Sixty Seven Lakh Thirty Seven Thousand and One Hundred only) and period of delay is 2 years, 8 months and 9 days.

(c) Paragraph 2(2) of Schedule 1 to FEMA 20(R)/2017 RB, as then applicable, on account of delay in issue of shares beyond the prescribed period of 60 days from the date of receipt of inward remittance, as detailed in paragraph 2(d)(ii) above. The contravention relates to an amount of ₹62,17,750.00 (Rupees Sixty Two Lakh Seventeen Thousand Seven Hundred and Fifty only) and period of delay is 1 year, 3 months and 2 days.

5. It has been declared in the compounding application dated August 19, 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 also been declared in the declaration 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. 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.

6. In terms of Section 13 of 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 **₹2,08,602.00 (Rupees Two Lakh Eight Thousand Six**



Hundred and Two only) will meet the ends of justice in the circumstances of this case.

7. Accordingly, I compound the admitted contraventions of paragraphs 9(1)(A) and 8 of Schedule 1 to FEMA 20/2000-RB, as then applicable, and paragraph 2(2) of Schedule 1 to FEMA 20 (R)/2017-RB, as then applicable, by the applicant based on the facts detailed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, on payment of an amount of of **₹2,08,602.00 (Rupees Two Lakh Eight Thousand Six Hundred and Two only)** which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 6, Sansad Marg, New Delhi - 110001 by a demand draft drawn in favour of the “Reserve Bank of India” and payable at New 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 3, 2000 shall apply.

The application is disposed accordingly.

Dated this the 17th day of January 2020.

Sd/-
(P S Khual)
General Manager