



In the

RESERVE BANK OF INDIA
Foreign Exchange Department
Secretariat Road
Saifabad, Hyderabad 500 004

Present

Shri. Subrata Das
Regional Director (Andhra Pradesh and Telangana) and
Chief General Manager (Hyderabad)

Date: April 12, 2019
C.A. HYD 381

In the matter of

M/s. Ratna Natural Stones Private Limited
1-5-530, Flat No.B-9
4th Floor Indian Bank Flats, Golconda X Roads
Hyderabad – 500 020

(Applicant)

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

Order

The applicant has submitted the compounding application dated December 17, 2018 received by us on December 18, 2018 for compounding of contraventions of the provision of the Foreign Exchange Management Act, 1999 (FEMA) and the regulations issued thereunder. The contraventions sought to be compounded are (i) delay in reporting of receipt of foreign inward remittances towards subscription of equity, (ii) delay in submission of Form FCGPR to the Reserve Bank after issue of shares to a person resident outside India, (iii) delay in allotment of shares to a



person resident outside India, (iv) delay in receipt of consideration after allotment of shares to a person resident outside India and (v) delay in filing the annual return in respect of the Foreign Liabilities and Assets, in terms of Paragraph 9(1)(A), Paragraph 9(1)(B), Paragraph 8 and Paragraph 9(2) 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 3rd May 2000 as then applicable (hereinafter referred to as Notification No. FEMA 20/2000-RB) and Regulation 13.1(3) of Schedule I to Notification No. FEMA 20(R)/2017-RB dated November 07, 2017 as amended from time to time.

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

- a) The applicant is a resident company incorporated as Private Limited Company under the Companies Act, 1956 on June 5, 2006 (CIN: U14102TG2006PTC050249). The company is engaged in the business of “Quarrying of Granite”.
- b) The applicant had received foreign inward remittances from the following foreign investors as indicated below:

SI No	Name of Remitter	Amount (INR)	Date of Receipt	Date of Reporting
1	Aruna Prasad Kancherla	1,37,000	29.09.2006	14.09.2007
2	Aruna Prasad Kancherla & Parvathy Kancherla	22,43,231	21.11.2006	14.09.2007
3	Aruna Prasad Kancherla	57,33,859	02.01.2007	14.09.2007
4	Choice Home Gallery (on behalf of Aruna Prasad Kancherla & Rambabu Chirumamilla)	35,35,735	23.02.2007	14.09.2007
5	Prime Choice Properties Inc. (on behalf of Aruna	25,65,343	11.04.2007	14.09.2007



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	Prasad K & Rambabu Chirumamilla)			
6	Aruna Prasad Kancherla & Parvathy Kancherla	20,26,095	22.05.2007	14.09.2007
7	Prime Choice Properties Inc. (on behalf of Aruna Prasad K & Rambabu Chirumamilla)	10,13,507	07.06.2007	14.09.2007
8	Prime Choice Properties Inc. (on behalf of Aruna Prasad K & Rambabu Chirumamilla)	40,66,593	29.06.2007	14.09.2007
9	Prime Choice Properties Inc. (on behalf of Aruna Prasad K & Rambabu Chirumamilla)	40,31,597	10.07.2007	14.09.2007
10	Choice Home Gallery (on behalf of Aruna Prasad K & Rambabu Chirumamilla)	26,23,646	17.09.2007	03.12.2007
11	Rambabu Chirumamilla	5,00,000	28.12.2007	16.05.2008
12	Rambabu Chirumamilla	2,00,000	02.01.2008	16.05.2008
13	Gopi Krishna Koganti	12,00,000	14.02.2008	16.05.2008
14	Ramesh B Cherukuri	4,04,957	02.05.2008	03.07.2018
15	Ramesh B Cherukuri	3,41,184	12.06.2008	03.07.2018
16	Ramesh B Cherukuri	2,12,645	26.06.2008	03.07.2018
17	Prime Choice Properties Inc.	21,59,568	03.07.2008	03.07.2018



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18	Ramesh B Cherukuri	4,32,141	08.07.2008	03.07.2018
19	Ramesh B Cherukuri	2,95,706	04.08.2008	03.07.2018
20	Ramesh B Cherukuri	38,80,369	18.08.2008	03.07.2018
21	Gopi Krishna Koganti	2,90,000	22.02.2008	16.05.2008
22	CPC Trading	89,52,564	22.07.2010	03.07.2018
23	CPC Trading	1,10,93,168	31.07.2012	10.09.2012
Total		5,79,38,908		

The applicant reported receipt of remittances towards share subscription amounting to **Rs 5,79,38,908/-** to the Regional Office of Reserve Bank of India, with delays ranging from 11 days to 10 years 1 month 2 days approximately as indicated above. Whereas in terms of Paragraph 9(1)(A) of Schedule 1 to Notification No. FEMA 20/2000-RB, an Indian company issuing shares or convertible debentures in accordance with these Regulations should report to the Reserve Bank of India as per the prescribed procedure not later than 30 days from the date of receipt of the amount of consideration.

- c) The company allotted equity shares and filed form FC-GPRs as indicated below:

Sl No	Name of investor	Date of allotment of shares	Number of shares/CC PS allotted	Amount for which shares allotted (INR)	Date of reporting to AD or RBI
1	Aruna Prasad Kancherla	22.10.2007	7,65,777	76,57,770	25.03.2011
2	Aruna Prasad Kancherla & Parvathy Kancherla		2,24,323	22,43,230	
3	Rambabu Chirumamilla		9,99,900	99,99,000	



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4	Aruna Prasad Kancherla	10.12.2007	1,31,150	13,11,500	25.03.2011
5	Rambabu Chirumamilla		1,31,150	13,11,500	
6	CPC Trading	17.01.2013	9,64,600	1,10,92,900	30.01.2013
7	Aruna Prasad Kancherla		2,02,609	20,26,090	11.01.2018
8	Choice Home Gallery (on behalf of Aruna Prasad Kancherla & Rambabu Chirumamilla)		3,53,638	35,36,380	
9	Prime Choice Properties Inc. (on behalf of Aruna Prasad Kancherla & Rambabu Chirumamilla)		2,75,069	27,50,690	
10	Gopi Krishna Koganti		1,49,000	14,90,000	
11	Ramesh B Cherukuri		5,56,700	55,67,000	
12	CPC Trading	29.08.2017	8,95,283	89,52,830	16.01.2018
Total				5,79,38,890	



The applicant filed form FCGPRs for the allotment of shares amounting to **Rs 5,79,38,890/-** as indicated above, out of which **Rs 4,68,45,990/-** were reported with delays ranging from 3 months 14 days to 3 years 4 months 4 days approximately beyond the prescribed limit. Whereas in terms of Paragraph 9(1)(B) of Schedule 1 to

Notification No. FEMA 20/2000-RB, an Indian company issuing shares in accordance with these Regulations has to submit to Reserve Bank a report in form FCGPR along with documents prescribed therein within 30 days from the date of issue of shares to person resident outside India.

d) The applicant has delayed in allotment of shares amounting to **₹ 2,37,30,964/-** to the foreign investor beyond the stipulated period of 180 days from the date of receipt of remittances. Period of contravention ranges from 6 years 7 months 11 days to 10 years 7 days approximately as shown below:

Sl No	Name of Remitter	Amount (INR)	Date of Receipt	Date of Allotment
1	Choice Home Gallery (on behalf of Aruna Prasad Kancherla & Rambabu Chirumamilla)	3535735	23.02.2007	29.08.2017
2	Aruna Prasad Kancherla & Parvathy Kancherla	2026095	22.05.2007	29.08.2017
3	Gopi Krishna Koganti	1200000	14.02.2008	29.08.2017
4	Ramesh Cherukuri	404957	02.05.2008	29.08.2017
5	Ramesh Cherukuri	341184	12.06.2008	29.08.2017
6	Ramesh Cherukuri	212645	26.06.2008	29.08.2017



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7	Prime Choice Properties Inc.	2159568	03.07.2008	29.08.2017
8	Ramesh Cherukuri	432141	08.07.2008	29.08.2017
9	Ramesh Cherukuri	295706	04.08.2008	29.08.2017
10	Ramesh Cherukuri	3880369	18.08.2008	29.08.2017
11	Gopi Krishna Koganti	290000	22.02.2009	29.08.2017
12	CPC Trading	8952564	22.07.2010	29.08.2017
Total		2,37,30,964		

* Delays calculated in terms of AP DIR Circular No. 20 dated December 14, 2007

e) The applicant has also delayed in receiving inward remittance of ₹ 7,00,000/- after allotment of shares with delays ranging from 2 months 7 days to 2 months 12 days

SI No	Name of Remitter	Amount (INR)	Date of Allotment	Date of Receipt
1	Rambabu Chirumamilla	500000	22.10.2007	28.12.2007
2	Rambabu Chirumamilla	200000	22.10.2007	02.01.2008
Total		7,00,000		

approximately as shown below:

Whereas in terms of Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB read with A.P (DIR Series) Circular No. 20 dated December 14, 2007, 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. The amendment in Paragraph 8 of Schedule 1 to Notification No.



FEMA 20/2000-RB was introduced by issue of Foreign Exchange Management (Transfer or Issue of Security by a Person outside India) (Third Amendment Regulation, 2007 notified, vide Notification No. FEMA 170/2007-RB dated 13th November, 2007 in the official Gazette of the Govt. of India.

f) The company has delayed in filing FLA Return (Foreign liabilities and Assets) as shown below, with delays ranging from 8 months 4 days to 11 years 8 months 19 days

SI No	Particulars	Financial year	Due date of filing the return	Date of actual filing
1	FLA Return	2006-07	30.06.2007	19.03.2019
2	FLA Return	2007-08	30.06.2008	19.03.2019
3	FLA Return	2008-09	30.06.2009	19.03.2019
4	FLA Return	2009-10	30.06.2010	19.03.2019
5	FLA Return	2010-11	15.07.2011	19.03.2019
6	FLA Return	2011-12	15.07.2012	19.03.2019
7	FLA Return	2012-13	15.07.2013	19.03.2019
8	FLA Return	2013-14	15.07.2014	19.03.2019
9	FLA Return	2014-15	15.07.2015	19.03.2019
10	FLA Return	2015-16	15.07.2016	19.03.2019
11	FLA Return	2016-17	15.07.2017	19.03.2019
12	FLA Return	2017-18	15.07.2018	19.03.2019

Whereas in terms of Para 9(2) of Schedule I to Notification No. FEMA 20/2000-RB dated May 03, 2000 as then applicable and Regulation 13.1(3) of Schedule I to Notification No. FEMA 20(R)/2017-RB dated November 07, 2017 as amended from time to time, "All Indian companies which have received Foreign Direct Investment in the previous year(s) including the current year shall submit to the Reserve Bank of



India, on or before the 15th day of July of each year, [a report titled 'Annual Return on Foreign Liabilities and Assets' (FLA) as specified by the Reserve Bank from time to time].

3. (a) The applicant was given an opportunity for personal hearing vide Reserve Bank's letter No. HY.FE.FID/ 2136 /14.66.003/2018-19 dated April 08, 2019 for further submission in person and/or producing documents, if any, in support of the application.

(b) The applicant vide e-mail dated April 09, 2019 stated that they are foregoing appearing for the personal hearing and requested that the compounding application may be disposed of on the basis of merits in terms of the facts/submission made therein along with the compounding application. The application for compounding is, therefore, being considered on the basis of the averments/ submissions made in the application.

4. I have given my careful consideration to the documents on record. Accordingly, I hold that the applicant has contravened the following FEMA provisions issued in terms of:-

(a) Paragraph 9(1)(A) of Schedule 1 to Notification No. FEMA 20/2000-RB for delay in reporting the receipt of consideration towards issue of shares amounting to ₹ 5,79,38,908/- and the delay ranges from 11 days to 10 years 1 month 2 days approximately.

(b) Paragraph 9(1)(B) of Schedule 1 to Notification No. 20/2000-RB for delay in submission of Form FC-GPR to Reserve Bank of India after issue of shares to persons resident outside India and the contravention relates to an amount of ₹ 4,68,45,990/- and the delay ranges from 3 months 14 days to 3 years 4 months 4 days approximately.

(c) Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB for delay in

(i) allotment of shares to the non-resident investor and the contravention relates to an amount of ₹ 2,37,30,964/- and the period of contravention ranges from 6 years 7 months 11 days to 10 years 7 days approximately.



(ii) receipt of consideration after allotment of shares to the non-resident investor and the contravention relates to an amount of ₹ 7,00,000/- and the delay ranges from 2 months 7 days to 2 months 12 days approximately.

(d) Paragraph 9(2) of Schedule I to Notification No. FEMA 20/2000-RB and Paragraph 13.1(3) of Schedule I to Notification No. FEMA 20(R)/2017-RB for delay in filing of Annual Return on Foreign Liabilities and Assets to Reserve Bank of India for twelve financial years with delays ranging from 8 months 4 days to 11 years 8 months 19 days approximately.

5. It has been declared in the compounding application dated December 17, 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 been declared in the declaration dated December 17, 2018 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 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 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 ₹ 7,66,743/- (**Rupees Seven Lakh Sixty Six Thousand Seven Hundred Forty Three Only**) will meet the ends of justice.



7. Accordingly, I compound the admitted contraventions, namely, the contraventions of Paragraph 9(1)(A), Paragraph 9(1)(B), Paragraph 8 and Paragraph 9(2) 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 and Regulation 13.1(3) of Schedule I to Notification No. FEMA 20(R)/2017-RB by the applicant on the facts discussed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 on payment of an amount **₹ 7,66,743/- (Rupees Seven Lakh Sixty Six Thousand Seven Hundred Forty Three Only)** which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 1st Floor, Saifabad, Hyderabad - 500004 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at Hyderabad 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 12th day of April 2019

Sd/-

(Subrata Das)

Regional Director (Andhra Pradesh and Telangana) and
Chief General Manager (Hyderabad)