



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

Present

Md. Shakir Hasan
Assistant General Manager

Date: December 06, 2019

CA No. NDL 495/2019

In the matter of

Veronafiere Lems India Private Limited

DW -35, Deerwood Chase Nirvana Country, Sector-50, Gurugram,
Haryana - 122018

(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 July 10, 2019 (received at Reserve Bank of India, New Delhi on July 16, 2019) for compounding of contravention of the provisions of the Foreign Exchange Management Act, 1999 (hereinafter referred to as FEMA) and the regulations issued thereunder. The contravention sought to be compounded is of delay in refund of excess share application money beyond the prescribed period, in terms of paragraph 2(3) 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 amended from time to time.



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

(a) The applicant company, incorporated on January 21, 2010, is engaged in the business of organising trade fairs, events, conferences etc.

(b) The applicant had issued 15,000 equity shares for a consideration of ₹15,00,000/- to its foreign investor, M/s Veronafiore SPA, Italy, against inward remittance of ₹16,04,000/- received on April 17, 2018. The excess share application money amounting to ₹1,04,000/- was refunded by the applicant on November 15, 2018 with a delay of 4 months and 14 days beyond the prescribed period, in contravention of paragraph 2(3) of Schedule 1 to FEMA 20(R)/2017-RB, as then applicable. Whereas, in terms of paragraph 2(3) of Schedule 1 to FEMA 20(R)/2017-RB, where such capital instruments are not issued within sixty days from the date of receipt of the consideration the same shall be refunded to the person concerned by outward remittance through banking channels or by credit to his NRE / FCNR(B) accounts, as the case may be, within fifteen days from the date of completion of sixty days.

(c) Thus, there is contravention of paragraph 2(3) 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. The applicant, vide e-mail dated December 03, 2019, requested for exemption from being present for personal hearing and to undertake compounding on the basis of the application submitted and the documents enclosed therewith. The applicant has submitted that the contravention was without any *malafide* or wilful intention but was mainly due to lack of awareness about the change in time limit for issue/refund of share application money under FEMA 20(R)/2017-RB as against FEMA 20/2000-RB and requested for a lenient view in the matter. The application for compounding is, therefore, being considered on the basis of averments made in the application and documents submitted therewith.

4. I have given my careful consideration to the documents on record and submissions made by the applicant. Accordingly, I hold that the applicant has contravened the provision of paragraph 2(3) of Schedule 1 to FEMA 20(R)/2017-RB, as then applicable, on account of delay in refund of excess share application money



beyond the prescribed period as detailed in paragraph 2(b) above. The contravention relates to an amount of ₹1,04,000/- (Rupees One Lakh and Four Thousand only) and the period of delay is 4 months and 14 days.

5. It has been declared in the compounding application dated July 10, 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 dated November 14, 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. 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.

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 contraventions 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 contravention, 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 **₹50,520/- (Rupees Fifty Thousand Five Hundred and Twenty only)** will meet the ends of justice in the circumstances of this case.

7. Accordingly, I compound the admitted contravention of paragraph 2(3) 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 **₹50,520/- (Rupees Fifty Thousand Five Hundred and Twenty 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 6th day of December 2019.

Sd/-
(Md. Shakir Hasan)
Assistant General Manager