



In the

RESERVE BANK OF INDIA
Foreign Exchange Department
11th Floor, Central Office Building
Shahid Bhagat Singh Marg
Mumbai - 400 001

Present

Neena Asthana Amin
Deputy General Manager

Date: November 28, 2019
CA No 4982/ 2019

In the matter of

M/s Tulsea Pictures Private Limited
3, S.H. Ram Building, 18th Road
Off Khar Road, Khar (W), Mumbai- 400 052
(Applicant)

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

Order

The applicant has filed the application dated July 22, 2019 (received at the Reserve Bank on July 29, 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 pertain to (i) borrowings from NRI without issuance of NCDs through public offer and (ii) utilizing borrowed funds for other than business purpose.



The above amount to the contravention of Regulations 5(1)(i) and 6 of Foreign Exchange Management (Borrowing and Lending in Rupees) Regulations, 2000 notified vide Notification No. FEMA 4/2000-RB dated May 03, 2000 as amended from time to time (hereinafter referred to as Notification No. FEMA 4/2000-RB).

2. The relevant facts are as under: The applicant company was incorporated as SND Corporate Services Private Limited on 21.08.2008 (CIN U92120MH2008PTC86034). Its name was changed to M/s Tulsea Pictures Private Limited on 26.08.2009. The company is engaged in business of creative arts and entertainment activities.

The applicant company appointed Mr. Datta Dave, an NRI, as one of the directors on the Board of the company w.e.f. 19.03.2010. The applicant company had raised an INR loan of Rs. 32, 96,432/- from Mr Datta Dave to meet its day-to-day expenses and other liabilities during the period from 04.11.2011 to 05.07.2014. As the loan in INR had been availed without issuing non-convertible debentures (NCD) through public offer, Regulation 5(1)(i) of FEMA 4/2000 dated May 03, 2000 was contravened by the applicant company. Further, out of the aforesaid amount, the applicant company had utilized Rs. 5,98,670/- for paying the lease rentals for a residential premises taken for Mr. Datta Dave and for meeting day-to-day expenses. This resulted in contravention of Regulation 6 of FEMA 4/ 2000 – RB dated May 03, 2000. The applicant company was granted permission to convert the loan amount into equity, subject to lender's consent and adherence to FDI/pricing norms for such conversion and reporting requirements. The applicant company allotted 55,056 equity shares to Mr. Datta Dave on 05.07.2018 against the outstanding loan amount of Rs. 26,97,762/-. As regards the contravention pertaining utilizing the borrowed funds for other than business purpose, the regularization is being done through compounding. Hence, the administrative action is complete.

3. The applicant was given an opportunity for personal hearing vide letter No. FED.CO.CEFA/2620/15.20.67/2019-20 dated November 21, 2019 for further submission in person and/or producing documents, if any, in support of the application. The personal hearing was held on November 27, 2019. The



representative of the applicant submitted that the failure to comply with the FEMA regulations was inadvertent and unintentional. The application is, therefore, being considered on the basis of the averments made in the application, the documents produced 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. It was observed that the applicant has contravened the provisions of Regulations 5(1)(i) and 6 of Notification No. FEMA 4/2004-RB dated May 03, 2000 as amended from time to time.

The total amount of contravention for Regulation 5(1)(i) is Rs. 32,96,432/- and that for Regulation 6 is Rs. 5,98,670/-. The period of contravention is approximately seven years.

5. It has been declared in the compounding application dated July 22, 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 Annexure of the Compounding Application dated July 22, 2019, that the applicant was not under any enquiry/investigation/adjudication by any agency as on the date of the application. 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. After considering the submissions made by the applicant and the entire facts and circumstances of the case, it stands to reason that payment of an amount of Rs. 1,29,213/- (Rupees One lakh twenty-nine thousand two hundred and thirteen only), will meet the ends of justice in the circumstances of this case.



7. Accordingly, I compound, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, the admitted contraventions committed by the applicant namely, Regulations 5(1)(i) and 6 of Notification No. FEMA 4/2004-RB dated May 03, 2000 as amended from time to time, on payment of a sum of Rs. 1,29,213/- (Rupees One lakh twenty-nine thousand two hundred and thirteen only), which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 5th Floor, Amar Building, Fort, Mumbai- 400 001 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at 'Mumbai' 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 28th of November, 2019

Sd/-

**(Neena Asthana Amin)
Deputy General Manager**