



**In the
Reserve Bank of India
Foreign Exchange Department
7th Floor, Gera's Imperium-II,
EDC Complex, Patto Plaza,
Panaji, Goa - 403 001**

Present

**Shri. Richard Gomes
Assistant General Manager**

Date: December 23, 2019

CA No: PAN24

In the matter of

**M/s Solidcreate Private Limited
Y. Parab Saw Mill, Munang Wado,
Assagao, Goa - 403507
(Applicant)**

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

Order

The applicant has filed a compounding application dated October 09, 2019 for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued there under. The contraventions sought to be compounded are (i) delay in reporting receipt of foreign inward remittance for issue of shares, (ii) delay in filing of form FC-GPR to the Reserve Bank, after issue of shares to a person resident outside India and (iii) delay in allotment of shares after the receipt of inward remittance and delay in receipt of inward remittances against issue of shares towards subscription to Memorandum of Association (MoA), in terms of paragraphs 9(1)(A), 9(1)(B) and 8



respectively, 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 3rd May 2000 as amended from time to time (hereinafter referred to as Notification No. FEMA 20/2000-RB) and delay in issue of shares against the inward remittances received in terms of paragraph 2 of FEMA 20(R) / 2017- RB dated November 07, 2017.

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

i) The applicant is a company registered as a private limited company, incorporated on December 22, 2016 under the Companies Act, 2013 (CIN:U74999GA2016PTC013079) with the main object of undertaking the business of manufacture of wooden furniture (NIC code: 31001).

ii) The applicant had received foreign inward remittance towards issue of equity shares as detailed below:

Name of the Remitter	FDI Amount (Rs.)	Date of Receipt	Reported to RBI on
Vyacheslav Mukhametshin	64,218/-	10-Oct-2017	14-Aug-2018

The applicant reported receipt of remittance to the Foreign Exchange Department, Panaji Regional Office of the Reserve Bank on the date indicated above with delay of 9 months and 4 days, beyond the stipulated period of 30 days. Whereas in terms of paragraph 9(1) (A) of Schedule-I 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.



iii) The applicant had allotted equity shares and filed form FC-GPRs as indicated below:

Sr. No.	Name of Investor	No. of Shares	Amount (Rs.)	Date of Allotment	Reported to RBI on
1	Salma Mur	9,999	99,990/-	22-Dec-2016	15-Mar-2017
2	K A Fedorovich	01	10/-	22-Dec-2016	08-Apr-2017
3		95	950/-	31-Mar-2017	02-May-2019

The applicant filed Form FC-GPRs in respect of shares allotted with delays ranging from 1 month 22 days to 2 years 1 day on three occasions, beyond the stipulated period of 30 days. Whereas in terms of paragraph 9(1)(B) of Schedule I to Notification No. FEMA 20/2000-RB, an Indian company issuing shares in accordance with these Regulations has to submit to the Reserve Bank of India, a report in Form FCGPR along with documents prescribed therein, within 30 days from the date of issue of shares to a person resident outside India.

iv) The applicant had issued shares towards subscription to MoA and allotted shares, beyond the stipulated time period, as indicated below.

No. of Shares	Amount (in Rs.)	Date of Credit	Date of Allotment
10,000	1,263/-	03-Mar-2017	22-Dec-2016
	10/-	22-Mar-2017	
1,019	64,197/-	10-Oct-2017	12-Oct-2018

The applicant had issued shares towards subscription to MoA and received the inward remittances pertaining to it, with delays ranging from 10 days to 29 days on two occasions, beyond the stipulated period of 60 days. Also, the applicant issued shares against an amount of remittance with delay of 6 months and 3 days, beyond the stipulated period of 180 days. Whereas in terms of paragraph 8 of Schedule-I to Notification No. FEMA 20/2000-RB, the shares have to be issued and / or amount refunded within 180 days from the date of receipt of inward remittance.



v) The applicant had issued shares against the inward remittances received as indicated below:

No. of Shares	Amount (in Rs.)	Date of Credit	Date of Allotment
12,165/-	1,27,451/-	05-Dec-2017	09-Aug-2018
	4,45,552/-	18-Dec-2017	
	1,93,407/-	15-Feb-2018	

The applicant issued shares against the amount of remittances with delays ranging from 3 months 23 days to 6 months 5 days, beyond the stipulated period of 60 days. Whereas in terms of paragraph 2 of FEMA 20(R) / 2017-RB dated November 07, 2017, shares have to be allotted within 60 days of receipt of inward remittance.

3. The applicant was given an opportunity for personal hearing vide Reserve Bank's letter no. PNJ.FED: 301 / 02.01.993 / 2019-20 dated November 08, 2019 for further submission in person and / or producing documents, if any, in support of the application. Mr. Ludovico Ferrao, authorized representative from the applicant company appeared for the personal hearing on November 12, 2019. He admitted the contraventions committed by the company for which compounding has been sought. During the personal hearing, he stated that the reporting delays were inadvertent and requested that a lenient view may be taken in the matter. It has been declared in the compounding application dated October 09, 2019 that the particulars given by the applicant in the application are true and correct to the best of their knowledge and belief and also that the applicant was not under any enquiry / investigation / adjudication by any agency such as Enforcement Directorate, CBI, etc. as on the date of the application. The applicant has also given an undertaking to inform RBI of initiation of any enquiry / investigation / adjudication proceedings against it thereafter. 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.

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.

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

i) Paragraph 9(1)(A) of Schedule I to Notification No. FEMA 20/2000-RB, due to the delay in reporting of receipt of foreign inward remittance towards subscription to equity. The contravention relates to an amount of **Rs. 64,218/-** and the duration of delay is 9 months 4 days.

ii) Paragraph 9(1)(B) of Schedule I to Notification No. FEMA 20/2000-RB, due to delay in submission of Form FC-GPRs to the Reserve Bank after issue of shares to persons resident outside India. The contravention relates to an amount of **Rs.1,00,950/-** and the duration of contravention ranges from 1 month 22 days to 2 years 1 day.

iii) Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB, due to delay in receipt of inward remittances against issue of shares towards subscription to MoA and delay in allotment of shares against receipt of inward remittance. The contravention relates to an amount of **Rs.65,470/-** and the duration of contravention ranges from 10 days to 6 months 3 days.

iv) Paragraph 2 of FEMA 20(R) / 2017-RB dated November 07, 2017, due to delay in allotment of shares against the inward remittances received. The contravention



relates to an amount of **Rs.7,66,410/-** and the duration of contravention ranges from 3 months 23 days to 6 months 5 days.

5. 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 contraventions are to be compounded and I consider that an amount of **Rs.77,195/- (Rupees Seventy Seven Thousand One Hundred Ninety Five only)** will meet the ends of justice.

6. Accordingly, I compound the admitted contraventions namely, the contraventions of paragraphs 9(1)(A), 9(1)(B) and 8 of Schedule I to Notification No. FEMA 20/2000-RB and paragraph 2 of 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 of **Rs.77,195/- (Rupees Seventy Seven Thousand One Hundred Ninety Five only)** which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, Gera Imperium II, 7th Floor, EDC Complex, Patto Plaza, Panaji, Goa 403 001 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 abovementioned 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 Twenty Third day of December 2019.

Sd/-

(Shri. Richard Gomes)
Assistant General Manager