



In the

Reserve Bank of India
10/3/8, Nrupathunga Road
Bengaluru-560001

Present

Shri. P J Thomas
Regional Director, Karnataka and
Chief General Manager, Bengaluru

Date: December 05, 2018
C.A. BGL 318/2018

In the matter of

M/s Streparava India Private Limited
Survey No.193, Plot No.318 (P1)
Bommasandra – Jigani Link Road
Industrial Area, Anekal Taluk
Bengaluru - 560105

(Applicant)

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

ORDER

The applicant has filed a compounding application dated August 01, 2018, received at this office of Reserve Bank of India, Bengaluru on August 02, 2018, and addendum to the application dated November 19, 2018, received on November 19, 2018, 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 remittances towards subscription to equity, (ii) allotment of shares beyond 180 days from the date of receipt of inward remittance, and (iii) delay in submission of Form FC-GPRs to the Reserve Bank, after issue of shares to a person resident outside India, in terms of Paragraphs 9(1)(A), 8 and 9(1)(B) 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 May 03, 2000, and as amended from time to time (hereinafter referred to as Notification No. FEMA 20/2000-RB).

2. The relevant facts of the case are as follows: The applicant, M/s Streparava India Private Limited, was originally incorporated as M/s Sansera + Streparava Engineering Private Limited, on June 28, 2007, under the Companies Act, 1956, as per the Certificate of Incorporation issued by the Registrar of Companies, Karnataka. Subsequently, name of the company has changed to M/s Streparava India Private Limited, with effect from September 13, 2013, under the Companies Act, 1956, as per the Certificate of Incorporation issued by the Registrar of Companies, Karnataka. The company is engaged in the business of manufacturing automobiles parts. The applicant had received funds towards share application money from the foreign investor, namely, M/s Streparava Holding S.P.A, Italy, as shown below:

Table – 1

Sl. No	Date of Receipt	Amount (INR)	Date of Reporting to RBI /AD
1	21-04-2008	4,90,000.00	19-05-2008
2	19-06-2010	1,96,00,000.00	12-07-2010
3	24-12-2010	3,54,82,159.85	22-01-2011
4	04-04-2011	3,07,85,000.00	03-05-2011
5	21-01-2013	49,85,125.00	10-05-2016
6	23-08-2013	8,51,07,878.00	23-10-2014
7	19-11-2013	12,62,95,790.00	10-10-2014
8	29-01-2014	8,49,15,754.00	10-10-2014
9	06-05-2014	8,33,85,830.50	23-10-2014
10	17-04-2015	3,35,05,308.60	05-05-2015
11	03-07-2015	7,00,45,446.75	20-07-2015
	Total	57,45,98,292.70	



The applicant reported receipt of remittances to the Reserve Bank of India / Authorized Dealer Bank, with a delay ranging from four months and eighteen days to three years two months and twenty days, beyond the stipulated period of 30 days in respect of remittances as indicated at serial numbers 5 to 9, in Table-1 above. 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.

3. The company allotted equity shares to the foreign investors, in terms of Paragraph 8 of Schedule 1 to Notification No. FEMA.20/2000 RB dated May 03, 2000. However, in the instances mentioned below, the company allotted shares beyond 180 days from the date of receipt of inward remittances.

(i) The Company had received an inward remittance of ₹ 49,85,125.00, from the non-resident investor, M/s Streparava Holding S.P.A, Italy, on January 21, 2013. However, the company allotted 38,687 equity shares to the non-resident investor on August 22, 2016, beyond 180 days from the date of receipt of inward remittance with prior approval of Reserve Bank of India. The approval was given vide Reserve Bank's letter FE.BG.FID.No. 625/21.06.827/2016-17 dated August 01, 2016. The amount of contravention is ₹ 49,85,125.00, and the period of delay is three years one month and two days; and

(ii) The Company had received inward remittances amounting to ₹ 37,97,05,252.50, in four tranches from the non-resident investor, M/s Streparava Holding S.P.A, Italy, during the period from August 23, 2013 to May 06, 2014. However, the company allotted 24,81,733 equity shares to the non-resident investor on March 04, 2015, beyond 180 days from the date of receipt of inward remittance without prior approval of Reserve Bank of India. The amount of contravention is ₹ 37,97,05,252.50, and the period of delay ranges from four months and two days to one year and thirteen days.



Whereas, in terms of Paragraph 8 of schedule 1 to Notification No. FEMA 20/2000-RB dated May 03, 2000, as amended from time to time, read with A.P. (DIR Series) Circular No.20 dated December 14, 2007, an Indian company accepting FDI has to receive the share application money from the non-resident investor prior to the allotment of shares, and the shares have to be issued/amount to be refunded within 180 days of from the date of receipt of inward remittance.

4. The applicant company allotted equity shares and filed Form FC-GPRs with Reserve Bank/AD as indicated below:

Table – 2

Sl. No.	Date of Allotment	Number of equity shares allotted	Amount (INR)	Date of reporting to RBI/AD
1	14-07-2008	49000	4,90,000.00	05-08-2008
2	10-12-2010	98000	196,00,000.00	15-12-2010
3	20-06-2011	177410	354,82,000.00	09-08-2011
4	28-09-2011	153925	307,85,000.00	03-11-2011
5	04-03-2015	2481733	3797,05,149.00	04-04-2015
6	28-05-2015	218988	335,05,164.00	24-06-2015
7	15-09-2015	455491	700,45,405.98	06-10-2015
8	22-08-2016	38687	49,85,206.82	06-09-2016
	Total	3673234	5745,97,925.80	

The applicant filed the Form FC-GPRs on allotment of shares with the Bengaluru Regional Office of the Reserve Bank of India / Authorized Dealer Bank with a delay ranging from one day to twenty days, beyond the prescribed period of 30 days in respect of allotment of shares as indicated at serial numbers 3 to 5, in the Table - 2 above. Whereas, in terms of Paragraph 9(1)(B) of Schedule I to Notification No. FEMA 20/2000-RB dated May 3, 2000, an Indian company issuing shares in accordance with these Regulations has to submit to the Reserve Bank of India, a report in Form FC-GPR, along with documents prescribed therein, within 30 days from the date of issue of shares to person/s resident outside India.



5. The applicant was given an opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID (CEFA) No. 1581/22.06.827/2018-19 dated December 04, 2018, for further submission in person, and/or producing documents, if any, in support of the application. The applicant's authorized representatives Ms. Sowmya M Somaiah, Practicing Company Secretary, and Mr. Mahesh C, Manager (Accounts & Finance), who appeared for the personal hearing on December 05, 2018, admitted the contraventions as stated in paragraphs 2, 3 and 4 above, committed by the applicant, for which compounding has been sought. During the personal hearing, it was submitted that the delay was not willful or with malafide intention, but was mainly due to inadvertence, and the same would not be repeated. In view of the above, they requested to take a lenient view in disposal of the application. 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 during personal hearing and thereafter.

6. I have given my careful consideration to the documents on record and submission made by the applicant during the personal hearing. Accordingly, I hold that the applicant has contravened the following FEMA provisions issued in terms of:

(a) Paragraph 9 (1) (A) of Schedule I to Notification No. FEMA 20/2000-RB, due to delay in reporting of foreign inward remittances received towards subscription to equity as detailed in paragraph 2 above. The contravention relates to an amount of ₹ 38,46,90,377.50, and the period of delay ranges from four months and eighteen days to three years two months and twenty days;

(b) Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, due to allotment of shares beyond 180 days from the date of receipt of inward remittances, as detailed in paragraph 3 above. The total amount of contravention is ₹ 38,46,90,377.50, and the period of delay ranges from four months and two days to three years one month and two days; and



(c) Paragraph 9 (1) (B) of Schedule I to Notification No. FEMA 20/2000-RB, due to delay in submission of Form FC-GPR to the Reserve Bank after issue of shares to person/s resident outside India, as detailed in paragraph 4 above. The contravention relates to an amount of ₹ **44,59,72,149.00**, and the period of delay ranges from one day to twenty days.

7. It has been declared in the compounding application dated August 01, 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 undertaking, 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, 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.

8. 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 ₹ **17,84,270.00, (Rupees Seventeen Lakh Eighty Four Thousand Two Hundred and Seventy only)**, will meet the ends of justice.

9. Accordingly, I compound the admitted contraventions namely, contraventions of Paragraphs 9(1)(A), 8 and 9(1)(B) of Schedule I to Notification No. FEMA 20/2000-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 ₹ 17,84,270.00, (**Rupees Seventeen Lakh Eighty Four Thousand Two Hundred and Seventy only**), which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 2nd Floor, 10/3/8, Nrupathunga Road, Bengaluru – 560001, by a demand draft drawn in favour of the “Reserve Bank of India” and payable at Bengaluru 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, the Fifth day of December, 2018.

(P J Thomas)
Regional Director, Karnataka and
Chief General Manager, Bengaluru