



In the

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

Present

Sindhu Pancholy
Deputy General Manager

Date: December 12, 2017
C.A.NDL 251/2017

In the matter of

UL Quality Assurance Private Limited
(Formerly known as STR Labs Private Ltd. and Tex Analysis Laboratory Private Ltd.)
Regd. Office: 3rd Floor, KalyaniPlatina, Block 1 No. 24, EPIP Zone, Phase II,
Whitefield Bangalore, Karnataka -560066
Corp Office: Plot No. 108, Sector 6, IMT Manesar, Gurgaon 122050

(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 had filed a compounding application dated July 12, 2017 (received in Reserve Bank of India on July 17, 2017) 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 that of delay in issue of shares with RBI approval i.e. beyond the prescribed period of 180 days in terms of Paragraph 8 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 amended from time to time (hereinafter referred to as FEMA



20/2000- RB(read with Paragraph 5 of AP(DIR Series) Circular No. 20 dated December 14, 2007).

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

- a) The applicant company was initially incorporated in the name of Tex Analysis Laboratory Private Limited under the Companies Act, 1956 on April 13, 2006 in the State of Maharashtra and allotted registration No. U33111MH2006PTC161142. Thereafter, on April 26, 2007, the company changed its name from Tex Analysis Laboratory Private Limited to STR Labs Private Limited. The company shifted its registered office from State of Maharashtra to National Capital Territory of Delhi and Haryana and allotted registration No. U33111HR2006PTC041021 by ROC NCT of Delhi and Haryana on August 6, 2010. Subsequently, on April 12, 2012, the company changed its name from STR Labs Private Limited to UL Quality Assurance Private Limited. Further the company obtained approval from ROC, Karnataka on September 29, 2016 for change of its registered office from National Capital Territory of Delhi and Haryana to State of Karnataka and was allotted registration No. U3111KA2006PTC097493. The company is engaged in the business of analyzing, examination, checking, reporting and testing on all kinds of textiles and other consumer products.
- b) The company had received foreign inward remittances amounting to Rs.5,28,63,921.94 in 12 tranches from 12.12.2006 to 03.07.2007, out of which, it had issued shares of Rs. 5,00,00,000.00 and balance Rs. 28,63,921.94 remained unutilized. Company had requested RBI twice for refund of above balance amount to the foreign investors and RBI's permission was also granted, however, the company was unable to refund the same. The company again approached RBI through its AD bank, vide letter dated 17.09.2014, seeking prior approval for allotment of shares against Rs. 28,63,921.94 i.e. the excess share application money, after the expiry of 180 days. On October 20, 2014, the company issued shares, with Reserve Bank's approval, with a delay of 6 years 9 months and 20 days, beyond the prescribed period of 180 days, in contravention of Paragraph 8 of Schedule 1 to FEMA Notification No 20 /2000-RB dated May 3, 2000 read with Paragraph 5 of A.P.(DIR Series) Circular No. 20 dated December 14, 2007. Whereas, in terms



of Paragraph 5 of A.P (DIR Series) Circular No. 20 dated 14.12.2007 in all cases where, as on November 28, 2007, 180 days have elapsed since the receipt of funds and equity instruments have not been issued, the companies were required to approach the Foreign Exchange Department of the Regional Office concerned of the Reserve Bank of India through their AD category- I bank with a definite action plan, either for allotment of equity instruments or for refund of the advance, with full details, for specific approval. In terms of Paragraph 8 of Schedule 1 to FEMA Notification No. 20/2000 RB, equity instruments should be issued within 180 days of the receipt of the inward remittances or date of debit to the NRE/FCNR (B) account as the case may be.

Thus, there is a contravention of Paragraph 8 of Schedule 1 to FEMA Notification No 20 /2000-RB dated May 3, 2000 and Paragraph 5 of AP (DIR Series) Circular No. 20 dated December 14, 2007, which is also construed as contravention of Paragraph 8 of Schedule 1 to FEMA Notification No 20 /2000-RB dated May 3, 2000 due to delay in allotment of shares beyond 180 days.

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. Ms. Aditi Choudhury and Sh. Atul Mittal, representatives of the company appeared for the personal hearing on December 12, 2017 on behalf of the company. The representatives of the applicant company admitted the contraventions committed by the company for which the company have sought compounding. They stated that the contravention took place due to restructuring happening at management level and also absence of experienced staff handling the transactions. They further stated that there has been no malafide intention by the company and requested for a lenient view in the matter. The application for compounding is, therefore, being considered on the basis of the averments made in the application as well as submissions made in this context by the applicant 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. Accordingly, I hold that the applicant has contravened Paragraph 8 of Schedule 1 to FEMA Notification No 20 /2000-RB dated May 3, 2000 and Paragraph 5 of AP (DIR Series) Circular No.



20 dated December 14, 2007, which is also construed as contravention of Paragraph 8 of Schedule 1 to FEMA Notification No 20 /2000-RB dated May 3, 2000 due to delay in allotment of shares beyond 180 days. The contravention relates to an amount of Rs. 28,63,921.94 and duration of contravention is 6 years 9 months and 20 days beyond the prescribed period of 180 days (i.e. from 28.11.2007 to 17.09.2014)

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. 51,480/-(Rupees Fifty one thousand four hundred eighty only)** will meet the ends of justice.

6. Accordingly, I compound the admitted contravention of Paragraph 8 of Schedule 1 to FEMA 20/2000-RB dated May 03, 2000 by the applicant on the facts detailed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, on payment of an amount of Rs. 51,480/-(Rupees Fifty one thousand four hundred eighty 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 of accordingly.

Dated this the 12th day of December, 2017.

Sd/-

(Sindhu Pancholy)
Deputy General Manager