



In the

RESERVE BANK OF INDIA
Foreign Exchange Department
5th Floor, Amar Building
Sir P M Road
Mumbai - 400 001

Present

Jyoti Kumar Pandey
Chief General Manager

Date: December 13, 2017
CA No. 4474/2017

In the matter of

Titan Company Limited
“Integrity” Corporate Office
First Floor, Block – A, #193, Veerasandra
Electronic City, Off Hosur Main Road
Bengaluru - 560100

(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 July 24, 2017 (received in the Reserve Bank of India on July 26, 2017) 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) routing of overseas investments made in a Wholly Owned Subsidiary (WOS) through AD other than the designated AD and (ii) making a remittance without obtaining a fair value certificate. The above amounts to contravention of Regulations 6(2)(v) and 6(6)(a) of Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 notified vide Notification No. FEMA 120/2004-RB dated July 7, 2004, as amended from time to time (hereinafter referred to as Notification No. FEMA 120/2004-RB).



2. The relevant facts of the case are as follows: The applicant was incorporated as Titan Watches Limited on July 26, 1984 under the Companies Act, 1956 (CIN L74999TZ1984PLC001456). Its name was changed to Titan Industries Limited and subsequently to Titan Company Limited on August 01, 2013. The applicant is engaged in carrying on the business of manufacturing, trading and servicing of watches, clocks, jewelry, eyewear, accessories etc. The applicant set-up a WOS, namely, Favre Leuba AG in Switzerland, on January 13, 2012. The applicant remitted CHF 360,000 (INR 2,30,52,291) on November 06, 2014, through Canara Bank, whereas the designated AD of the applicant was HDFC Bank. According to Regulation 6(2)(v) of Notification No. FEMA 120/2004-RB, all the transactions related to investment in one WOS have to be routed through the same branch of the same bank. The abovementioned remittance was, thus, in contravention of Regulation 6(2)(v) of Notification No. FEMA 120/2004-RB. The online reporting of the same by HSBC (forwarded to them by Canara Bank) was done on May 27, 2015. Further, the abovementioned remittance was undertaken without carrying out a fair valuation of the shares, in contravention of Regulation 6(6)(a) of Notification No. FEMA 120/2004-RB. The valuation certificate was submitted to the AD bank on April 28, 2015.

3. Regulation 6(2)(v) of Notification No. FEMA 120/2004-RB permits Overseas Direct Investment in certain cases provided that, "The Indian Party routes all transactions relating to the investment in a Joint Venture / Wholly Owned Subsidiary through only one branch of an authorized dealer to be designated by it".

Further, according to Regulation 6(6)(a) of Notification No. FEMA 120/2004-RB, "For the purposes of investment under this Regulation by way of remittance from India in an existing company outside India, the valuation of shares of the company outside India shall be made..."

4. The applicant was given an opportunity for personal hearing vide the Reserve Bank's letter No. FE.CO.CEFA/4038/15.20.67/2017-18 dated November 07, 2017 for further submission in person and/or producing documents, if any, in support of the application. The applicant was given a time of 7 days, vide the abovementioned letter, to fix a date for the personal hearing with the Compounding Authority. The applicant, vide an email dated November 24, 2017, intimated of a change of address for the applicant. Several



attempts were then made to reach the applicant over phone in order to fix a date for personal hearing, if the applicant so desired. However, the phone numbers provided along with the compounding application were found to be not in working order. An email was sent to the email address provided with the compounding application, on December 11, 2017. However, no response was received to the same. In view of all of the above, since the applicant has not fixed up a date for personal hearing, and it has not been possible to trace the applicant through either phone or email, the application is, therefore, being considered on the basis of the averments made in the compounding application and the documents submitted therein.

5. 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 the provisions of Regulations 6(2)(v) and 6(6)(a) of Notification No. FEMA 120/2004-RB dated July 7, 2004, as amended from time to time. The amount of contravention is Rs. 2,30,52,291/- and the period of contravention is six months respectively.

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. 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. 3,30,523/- (Rupees three lakh thirty thousand five hundred and twenty three only) will meet the ends of justice.

7. Accordingly, I compound the admitted contravention namely, the contravention of Regulations 6(2)(v) and 6(6)(a) of Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 notified vide Notification No. FEMA 120/2004-RB dated July 7, 2004, as amended from time to time, by the applicant as stated above on the facts discussed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 on payment of an amount of Rs. 3,30,523/- (Rupees three lakh thirty thousand five hundred and twenty three only), which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 5th Floor, Amar



Building, Fort, Mumbai 400001 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 of accordingly.

Dated this the thirteenth day of December, 2017

Sd/-

(Jyoti Kumar Pandey)
Chief General Manager