



In the

RESERVE BANK OF INDIA
Foreign Exchange Department
Secretariat Road
Saifabad, Hyderabad 500 004

Present

R. Subramanian
Regional Director

Date: December 14, 2017
C.A. HYD 240

In the matter of

M/s. Dropsa Spicelube India Private Limited
Flat No. 404
SaiBrindavan Residency
Pothinamallayapelem, Visakhapatnam
Andhra Pradesh 530041

(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 compounding application dated August 11, 2017 received on August 21, 2017 for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued thereunder. The contraventions sought to be compounded are (i) delay in reporting receipt of foreign inward remittances; (ii) delay in submission of Form FC-GPR to the Reserve Bank after issue of shares towards subscription to equity to a person resident outside India in terms of Paragraph 9 (1) (A) and Paragraph 9 (1) (B) of Foreign Exchange Management (Transfer or issue of Security by a Person Resident outside India) Regulations, 2000 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 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:

- a) The applicant is a resident company incorporated as Private Limited Company under the Companies Act, 2013 on 06.07.2015 (CIN: U24233AP2015PTC096933). The company is engaged in the business of manufacturing other purpose general machinery.
- b) The applicant had received foreign inward remittances from single foreign investor towards advance for subscription to equity shares as indicated below.

Sl No	Name of Remitter	Total Amount (INR)	Date of Receipt	Date of Reporting
1	Walter Frank Divisi	6530367	15.09.2015	26.07.2016
2	Walter Frank Divisi	6573356.25	10.12.2015	26.07.2016
3	Walter Frank Divisi	4893618.25	29.12.2015	26.07.2016
	Total	1,79,97,341.50		

The applicant reported receipt of remittances towards share subscription amounting to ₹1,79,97,341.50/- to the Regional Office of Reserve Bank of India with a delay ranging from 5 months 28days to 9 months11 days approximately as indicated above. Whereas in terms of Paragraph 9 (1) (A) of Schedule 1 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.



c) The company allotted equity shares and filed form FC-GPRs as indicated below:

SI No	Name of investor	Date of allotment of shares	Number of shares/CCPS allotted	Amount for which shares allotted (INR)	Date of reporting
1	Walter Frank Divisi	22-08-2015	9900	99000	16-11-2015
2	Walter Frank Divisi	24-09-2015	643136	6431360	16-11 -2015
3	Walter Frank Divisi	11-12-2015	657335	6573350	14-04-2016
4	Walter Frank Divisi	04-01-2016	489361	4893610	14-04-2016
	Total		1799732	1,79,97,320	

The applicant filed form FCGPRs for the allotment of shares amounting to ₹1,79,97,320/- as indicated above with a delay ranging from 23days to 3 months 4 days approximately beyond the prescribed limit. Whereas in terms of Paragraph 9(1) (B) of Schedule 1 to Notification no. FEMA 20/2000-RB, an Indian company issuing shares in accordance with these Regulations has to submit to Reserve Bank a report in form FCGPR along with documents prescribed therein within 30 days from the date of issue of shares to person resident outside India.

3. (a) The applicant was given an opportunity for personal hearing vide Reserve Bank's letter No. HY.FE.FID/1036/14.66.003/2017-18 dated December12, 2017 for further submission in person and/or producing documents, if any, in support of the application.



(b) The applicant vide their email dated December 12, 2017 stated that they were foregoing appearing for the optional personal hearing and requested the disposal of the compounding application based on the documents submitted along with the application. The application for compounding is, therefore, being considered on the basis of the averments made in the application.

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

(a) Paragraph 9(1)(A) of Schedule 1 to Notification No. FEMA 20/2000-RB for delay in reporting the receipt of consideration towards issue of shares amounting to ₹1,79,97,341.50/- and the delay ranges from 5 months 28 days to 9 months 11 days approximately.

(b) Paragraph 9(1)(B) of Schedule 1 to Notification No. 20/2000-RB for delay in submission of Form FC-GPR to Reserve Bank after issue of shares to persons resident outside India and the contravention relates to an amount of ₹1,79,97,320/- and the period of contravention ranges from 23 days to 3 months 4 days approximately.

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 contravention is to be compounded and I consider that an amount of **Rs. 38,160/-** (Rupees Thirty Eight Thousand One Hundred Sixty Only) will meet the ends of justice.



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6. Accordingly, I compound the admitted contraventions, namely, the contraventions of Paragraph 9 (1) (A) and Paragraph 9 (1) (B) of Schedule 1 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 Rs. **38,160/-**(Rupees Thirty Eight Thousand One Hundred Sixty Only)which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 1st Floor, Saifabad, Hyderabad - 500004 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at Hyderabad 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, Rule10 of the Foreign Exchange (Compounding Proceedings) Rules, 2000 dated May 3, 2000 shall apply.

The application is disposed of accordingly.

Dated this 14thDay of December 2017

Sd/-

(R. Subramanian)
Regional Director