



In the

RESERVE BANK OF INDIA
Foreign Exchange Department
11th floor, Central Office Building
Shahid Bhagat Singh Road
Mumbai - 400 001

Present

Shekhar Bhatnagar
Chief General Manager

Date: January 19, 2018
C.A. 4556/2017

In the matter of

Mandrem Hotels Private Limited
H. NO. 102, GENERAL BERNARD GUEDES ROAD,
OPP. FOREST DEPT. OFFICE, PANAJI 403001, Goa

(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 November 06, 2017 (received at Reserve Bank of India on November 08, 2017) for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued there under. The contravention sought to be compounded relate to delay in reporting allotment of shares after receipt of the funds from the overseas investor in contravention of paragraph 9(1)(B) 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 then applicable (hereinafter referred to as Notification No. FEMA 20/2000-RB).

2. The relevant facts of the case are as follows: Mandrem Hotels Private Limited (MHPL) is an unlisted private limited company which was incorporated on



February 24, 2009 under the Companies Act, 1956 (CIN U55101GA2009PTC006019). The applicant is engaged in the business of hotels, motels, restaurants, coffee shops, packed foods and tourism services. MHPL received Foreign Direct Investment (FDI) amounting to Rs.30,32,50,000/- on August 11, 2014 from M/s Blue Bay Hospitality Limited, Mauritius and 2,34,730 equity shares of Rs.100/- each were allotted at a premium of Rs.1191.91 per share to the foreign investor on October 06, 2014. The allotment of shares was reported with delay of about 1 year 03 months approximately in Form FC-GPR on January 29, 2016. The delay was in contravention of Paragraph 9(1)(B) of Schedule 1 to FEMA 20/2000-RB.

3. 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 Reserve Bank a report in Form FC-GPR along with documents prescribed therein within 30 days from the date of issue of shares to person resident outside India.

MHPL reported the allotment of shares in Form FC-GPR beyond the prescribed period thereby contravening the said FEMA provision. The amount of contravention was Rs.30,32,50,000/- and the period of contravention was one year three months approximately.

4. The applicant was given an opportunity for personal hearing vide the Reserve Bank's letter No. FE.CO.CEFA/4669/15.20.67/2017-18 dated November 24, 2017 for further submission in person and/or producing documents, if any, in support of the application. Shri Rishal Sawhney, Director, MHPL along with Shri R. Balasubramaniam, Chartered Accountant represented the applicant during the personal hearing held on January 17, 2018. The representatives of the applicant admitted the contraventions for which compounding has been sought and submitted that the delay was inadvertent and unintentional. They requested that in view thereof, the matter may be viewed leniently. 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 submitted along with the application.



5. RBI vide letter FE.PNJ.359/02.01.966/2016-17 dated September 12, 2016 advised the applicant of the above contravention and to opt for compounding within 45 days from the date of the letter. As the company did not opt for compounding of the contravention, RBI vide letter FE.PNJ.180/02.01.003/2017-18 dated October 06, 2017 referred the matter to Directorate of Enforcement (DoE). Further, RBI vide letter FE.CO.CEFA./4492/15.20.67/2017-18 dated November 15, 2017, requested DoE to kindly confirm whether the contravention sought to be compounded by MHPL was subject of DoE investigation and whether it had any objection to compounding by RBI. DoE vide letter F No.RBI/SDE/WR/B-176/2017/2945 dated December 15, 2017 replied that there was no investigation being carried out against MHPL. Accordingly, the above contraventions which are being compounded in this Order is without prejudice to any other action which may be taken by any authority under the extant laws. I have given my careful consideration to the documents on record and submissions made by the applicant during the personal hearing and thereafter. Accordingly, I hold that the applicant has contravened the FEMA provisions issued in terms of Paragraph 9(1)(B) of Schedule I to Notification No. FEMA 20/2000-RB, as then applicable, as per the details given at paragraphs 2 and 3 above.

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.1,35,000/- (Rupees one lakh thirty five thousand only) will meet the ends of justice.

7. Accordingly, I compound the admitted contravention namely, the contravention of paragraph 9(1)(B) of Schedule I to Notification No. FEMA-20/2000-RB 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.1,35,000/- (Rupees one lakh thirty five thousand 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 nineteenth day of January, 2018.

Sd/-

(Shekhar Bhatnagar)
Chief General Manager