



In the

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

Present

R. Subramanian
Regional Director

Date: March 08, 2018
C.A. HYD 260

In the matter of

M/s CLT Apparel India Private Limited
Plot No.18, Brandix India Apparel City SEZ
Pudimadaka Road, Atchuthapuram Mandal
Visakhapatnam - 531011

(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 October 20, 2017 received by us on November 01, 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 of India after issue of shares towards subscription to equity and (iii) neither the shares were issued nor amount refunded to the overseas investor within 180 days from the date of receipt of inward remittance in



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terms of Paragraph 9(1)(A), Paragraph 9(1)(B) and Paragraph 8 respectively 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 (hereinafter referred to as Notification No. FEMA 20 /2000-RB) as then applicable.

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

a) M/s. CLT Apparel India Private Limited (herein referred to as company) was a company originally incorporated as M/s. BIAC Clothing India Private Limited under the Companies Act, 1956 on February 10, 2010 and changed its name to M/s. CLT Apparel India Private Limited on April 22, 2010 (CIN: U18101AP2010PTC066977). In terms of Scheme of Amalgamation vide Honorable High Court of Judicature at Hyderabad for the State of Telangana and the State of Andhra Pradesh order dated 06.11.2014 with M/s.Brandix Apparel India Private Limited, the company was merged with the latter. Pursuant to the amalgamation, the compounding application was filed by M/s.Brandix Apparel India Private Limited. The company was engaged in the business of manufacture and sale of apparels.

b) The company had received foreign inward remittances from the foreign investor as indicated below:

Sl. No	Name of Remitter	Total Amount (INR)	Date of Receipt	Date of Reporting
1	Brandix International Ltd Sri Lanka	1402500.00	08-09-2010	05-10-2010
2	BLK Apparel Mauritius Ltd	15487057.50	20-10-2010	27-10-2010
3	BLK Apparel Mauritius Ltd	4439556.00	01-11-2010	29-11-2010
4	BLK Apparel Mauritius Ltd	22170000.00	10-11-2010	29-11-2010
5	BLK Apparel Mauritius Ltd	2035797.50	02-12-2010	13-01-2011



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6	BLK Apparel Mauritius Ltd	5858649.30	08-12-2010	11-04-2011
7	BLK Apparel Mauritius Ltd	2238552.20	04-01-2010	02-02-2011
8	BLK Apparel Mauritius Ltd	9075546.20	18-01-2010	02-02-2011
9	BLK Apparel Mauritius Ltd	3187105.88	07-02-2011	02-03-2011
10	BLK Apparel Mauritius Ltd	4529547.00	25-02-2011	11-04-2011
11	BLK Apparel Mauritius Ltd	3822850.20	09-03-2011	11-04-2011
12	BLK Apparel Mauritius Ltd	2885556.00	05-04-2011	23-04-2011
13	BLK Apparel Mauritius Ltd	16368357.60	21-04-2011	04-05-2011
14	BLK Apparel Mauritius Ltd	6229555.00	04-05-2011	17-05-2011
15	BLK Apparel Mauritius Ltd	4464553.50	06-06-2011	21-07-2011
16	BLK Apparel Mauritius Ltd	3684756.00	29-06-2011	09-08-2011
17	BLK Apparel Mauritius Ltd	4573468.50	27-07-2011	09-08-2011
18	BLK Apparel Mauritius Ltd	5962023.00	15-09-2011	11-12-2011
19	BLK Apparel Mauritius Ltd	18048755.50	26-09-2011	03-02-2012
20	BLK Apparel Mauritius Ltd	4871012.85	11-10-2011	08-11-2011
21	BLK Apparel Mauritius Ltd	2316985.00	28-11-2011	19-12-2011
22	BLK Apparel Mauritius Ltd	2458460.70	04-01-2012	19-01-2012
23	BLK Apparel Mauritius Ltd	2033146.50	06-02-2012	23-02-2012
24	BLK Apparel Mauritius Ltd	1156893.90	03-05-2012	28-05-2012
25	BLK Apparel Mauritius Ltd	14388957.00	06-07-2012	19-07-2012
	Total	16,36,89,642.83		

The company reported receipt of remittances towards share subscription amounting to **Rs.16,36,89,642.83/-** to the Regional Office of Reserve Bank of India on dates indicated as above out of which remittances amounting to **Rs.5,97,21,030.40/-** were reported with delays ranging from 3 days to 11 months 30 days approximately beyond the prescribed limit. 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.



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

SI No	Name of investor	Date of allotment of shares	Number of shares/CC PS allotted	Amount for which shares allotted (INR)	Date of reporting
1	BLK Apparel Mauritius Ltd	13-04-2011	309741	15487050	30-05-2011
2	BLK Apparel Mauritius Ltd	26-04-2011	88791	4439550	30-05-2011
3	BLK Apparel Mauritius Ltd	03-05-2011	1058360	52918000	30-05-2011
4	BLK Apparel Mauritius Ltd	19-09-2011	672655	33632750	19-10-2011
5	BLK Apparel Mauritius Ltd	20-01-2012	91469	4573450	21-05-2013
6	BLK Apparel Mauritius Ltd	10-02-2012	623975	31198750	22-05-2013
7	BLK Apparel Mauritius Ltd	11-09-2013	400749	20037450	09-10-2013
	Total		3245740	16,22,87,000	

The company filed form FC-GPRs for the allotment of shares amounting to **Rs.16,22,87,000/-** as indicated above out of which shares amounting to **Rs.5,56,98,800/-** were reported with delays ranging from 4 days to 1 year 3 months 1 day 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 of India a report in Form FC-GPR along with



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documents prescribed therein within 30 days from the date of issue of shares to a person resident outside India.

d. (i) The company has delayed in refund of the share application money to the non-resident investor beyond the prescribed period of 180 days from the date of receipt of remittance amounting to **Rs.14,02,500/-** and the period of delay is 4 months 7 days as indicated below:-

SI No	Name of Remitter	Total Amount (INR)	Date of Receipt	Date of seeking approval for refund
1	BLK International Ltd, Srilanka	1402500	08-09-2010	15.07.2011
	Total	14,02,500		

Whereas in terms of Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, if the shares are not issued within 180 days from the date of receipt of the inward remittance, the amount of consideration so received shall be refunded to the person concerned, provided the Reserve Bank may on an application made to it and for sufficient reasons permit to refund the amount of consideration received towards issue of security, if such amount is outstanding beyond a period of 180 days from the date of receipt. The amendment in Paragraph 8 of Schedule 1 to Notification No. FEMA 20/20000-RB was introduced by issue of Foreign Exchange Management (Transfer or Issue of Security by a Person outside India) (Third Amendment Regulation, 2007 notified, vide Notification No. FEMA 170/2007-RB dated 13th November, 2007 in the official Gazette of the Govt. of India.

(ii) The company has also delayed in allotment of shares beyond the stipulated period of 180 days in respect of remittances aggregating to **Rs.2,00,37,458.10/-** and



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the delay ranges from 8 months 6 days to 1 year 2 months 8 days approximately as indicated below:

Sl No	Name of Remitter	Total Amount (INR)	Date of Receipt	Date of allotment
1	BLK Apparel Mauritius Ltd.	2458460.70	04.01.2012	11.09.2013
2	BLK Apparel Mauritius Ltd.	2033146.50	06.02.2012	11.09.2013
3	BLK Apparel Mauritius Ltd.	1156893.90	03.05.2012	11.09.2013
4	BLK Apparel Mauritius Ltd.	14388957	06.07.2012	11.09.2013
	Total	2,00,37,458.10		

The applicant issued the shares after the receipt of inward remittances with delays ranging from 8 months 6 days to 1 year 2 months 8 days approximately. The delay in issuance of shares beyond the prescribed period is in contravention of Paragraph 8 of Schedule 1 to FEMA Notification No.20/2000 RB dated May 03, 2000 in terms of which an Indian company in accordance with these regulations has to issue the shares within 180 days from the date of receipt of consideration.

3. (a) The applicant was given an opportunity for personal hearing vide Reserve Bank's letter No. HY.FE.FID/1518/14.66.003/2017-18 dated February 28, 2018 for further submission in person and/or producing documents, if any, in support of the application.

(b) The applicant appeared for personal hearing on March 05, 2018 during which Shri Hathy Rasool, Authorized representative of the company represented the applicant. The authorized representative of the applicant admitted the contraventions for which the compounding has been sought. During the personal hearing, it was submitted that the delay was on account of labour issues and ignorance of FEMA Regulations but was not wilful or with malafide intention. In view of the foregoing, the



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representative of the applicant 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 the submissions made in this context by the applicant during the personal hearing.

4. I have given my careful consideration to the documents on record. Accordingly, I hold that the transferor company on whose behalf the application for compounding has been received, 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 **Rs.5,97,21,030.40/-** and the delay ranges from 3 days to 11 months 30 days approximately.

(b) Paragraph 9(1)(B) of Schedule 1 to Notification No. FEMA 20/2000-RB for delay in submission of Form FC-GPR to Reserve Bank of India after issue of shares to persons resident outside India and the contravention relates to an amount of **Rs.5,56,98,800/-** and the period of delay ranges from 4 days to 1 year 3 months 1 day approximately.

(c) Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB:

(i) for delay in refund of unallotted share application money and the contravention relates to an amount of **Rs.14,02,500/-** with a delay of 4 months 7 days approximately.

(ii) for delay in allotment of shares in respect of the remittances aggregating to **Rs.2,00,37,458.10/-** with a delay ranging from 8 months 6 days to 1 year 2 months 8 days approximately.



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5. It has been declared in the compounding application dated 20.10.2017 filed by the transferee company, M/s Brandix Apparel India Private Ltd 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 declaration dated 21.10.2017 furnished with the compounding application that the applicant was not under any investigation 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. 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 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.

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 contravention is to be compounded and I consider that an amount of **Rs.2,26,260/- (Rupees Two Lakhs Twenty Six Thousand Two Hundred Sixty Only)** will meet the ends of justice.

7. Accordingly, I compound the admitted contraventions, namely, the contraventions of Paragraph 9(1)(A), Paragraph 9(1)(B) and Paragraph 8 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.2,26,260/- (Rupees Two Lakhs Twenty Six Thousand Two 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



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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, Rule 10 of the Foreign Exchange (Compounding Proceedings) Rules, 2000 dated May 3, 2000 shall apply.

The application is disposed accordingly.

Dated this 8th day of March 2018

Sd/-

(R. Subramanian)
Regional Director