



In the

Reserve Bank of India
10/3/8, Nrupathunga Road
Bengaluru-560001

Present

Shri Eugene E Karthak
Regional Director

Date: March 09, 2018
C.A. BGL 268/2017

In the matter of

M/s Prestige Mysore Retail Ventures Private Limited
The Falcon House, No.1
Main Guard Cross Road
Bengaluru - 560001
(Applicant)

In exercise of the powers under section 15(1) of the Foreign Exchange Management Act, 1999, and the Regulations / Rules / Notifications / Orders framed there under, I pass the following

ORDER

The applicant has filed a compounding application dated November 27, 2017, received at this office of Reserve Bank of India, Bengaluru on December 01, 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) delay in reporting receipt of foreign inward remittances towards subscription to equity, (ii) non-issue of equity instruments to the foreign investor, a person resident outside India, within 180 days of the receipt of the inward remittance, and (iii) delay in submission of Form FC-GPRs to the Reserve Bank, after issue of shares to a person resident outside India, in terms of paragraphs 9(1)(A), 8 and 9(1)(B), respectively, 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 May 03, 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: M/s Prestige Mysore Retail Ventures Private Limited, was incorporated on December 26, 2007, under the Companies Act, 1956. The activity undertaken by the company is construction and development of retail malls. The applicant had received funds towards share application money from the foreign investors, namely, M/s Pinnacle Three Limited, Mauritius, and M/s Capita Retail Mysore Mall (Mauritius) Limited, Mauritius, as shown below:

Table – 1

Sl. No	Date of Receipt	Amount (INR)	Date of Reporting to RBI /AD
1	31-01-2008	39,24,81,002.00	11-02-2008
2	28-03-2011	171,50,000.00	27-04-2011
3	21-12-2011	306,74,000.00	07-03-2012
4	01-10-2012	264,60,000.00	16-01-2013
5	28-12-2012	245,00,000.00	17-04-2013
6	27-11-2013	245,00,000.00	26-12-2013
7	27-10-2015	343,00,000.00	25-11-2015
8	30-12-2015	200,00,000.00	27-01-2016
9	15-03-2016	600,00,000.00	07-05-2016
10	05-07-2016	490,00,000.00	25-11-2016
11	24-11-2016	588,00,000.00	18-07-2017
	Total	73,78,65,002.00	

The applicant reported receipt of remittances to the Reserve Bank of India / Authorized Dealer Bank, with a delay ranging from twenty three days to six months and twenty four days approximately, beyond the stipulated period of 30 days in respect of remittances as indicated at serial number 3, 4, 5, 9, 10 and 11, in the Table-1 above. Whereas, in terms of paragraph 9(1)(A) of Schedule I 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.



3. The Company had received an inward remittance of Rs.39,24,81,002.00, from the non-resident investor, M/s Pinnacle Three Limited, Mauritius, on January 31, 2008. However, the company had allotted 2,11,63,191 equity shares to the foreign investor on September 12, 2008, beyond 180 days from the date of inward remittance, with prior approval from Reserve Bank of India. The company was accorded approval vide Reserve Bank's letter No. FE.BG.FID.No.819 /21.06.001/2008-09 dated August 19, 2008. Whereas, in terms of paragraph 8 of Schedule 1 to Notification no. FEMA 20/2000- RB, dated May 3, 2000, and as amended from time to time, read with A.P. (DIR Series) Circular No. 20 dated December 14, 2007, the shares have to be issued/amount refunded within 180 days of receipt of inward remittance. The amount of contravention is **Rs.39,24,81,002.00**, and the period of delay is one month and fourteen days approximately.

4. The applicant company had allotted equity shares to the foreign investors and filed Form FC-GPRs with Reserve Bank/AD Bank as indicated below:

Table – 2

Sl. No.	Date of Allotment	Amount (INR)	Date of reporting to RBI/AD
1	12-09-2008	3924,81,001.90	15-10-2008
2	16-09-2011	171,50,000.00	14-10-2011
3	13-06-2012	306,74,000.00	13-07-2012
4	27-03-2013	509,60,000.00	30-04-2013
5	24-05-2014	245,00,000.00	24-07-2014
6	24-12-2015	343,00,000.00	22-01-2016
7	30-12-2015	200,00,000.00	27-01-2016
8	15-03-2016	600,00,000.00	20-05-2016
9	05-07-2016	490,00,000.00	25-11-2016
10	24-11-2016	588,00,000.00	18-07-2017
	Total	7378,65,001.90	

The applicant had filed Form FC-GPRs on allotment of shares with the Bengaluru Regional Office of the Reserve Bank of India / Authorized Dealer



Bank with a delay ranging from three days to six months and twenty four days approximately, beyond the prescribed period of 30 days in respect of allotment of shares as indicated at serial number 1, 4, 5, 8, 9 and 10, in the Table - 2 above. Whereas, in terms of Paragraph 9(1)(B) of Schedule I to Notification No. FEMA 20/2000-RB dated May 3, 2000, an Indian company issuing shares in accordance with these Regulations has to submit to the Reserve Bank of India, a report in Form FC-GPR, along with documents prescribed therein, within 30 days from the date of issue of shares to person/s resident outside India.

5. The applicant was given an opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID (CEFA) No. 3305/22.06.702/2017-18 dated March 02, 2018, for further submission in person, and/or producing documents, if any, in support of the application. The applicant's authorized representatives, Mr. M Sridhar, Company Secretary, and Mr. Shreyas D, Assistant Company Secretary, who appeared for the personal hearing on March 07, 2018, admitted the contraventions as stated in paragraphs 2, 3 and 4 above, committed by the applicant, for which compounding has been sought. During the personal hearing, it was submitted that the delay was not willful or with malafide intention, but was mainly due to inadvertence, and the same would not be repeated. In view of the above, they 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 other documents and submissions made in this context by the applicant during personal hearing and thereafter.

6. I have given my careful consideration to the documents on record and submission made by the applicant during the personal hearing. Accordingly, I hold that the applicant has contravened the following FEMA provisions issued in terms of:

- (a) Paragraph 9 (1) (A) of Schedule I to Notification No. FEMA 20/2000-RB, due to delay in reporting of foreign inward remittances received towards subscription to equity as detailed in paragraph 2 above. The contravention



relates to an amount of **Rs.24,94,34,000.00**, and the period of delay ranges from twenty three days to six months and twenty four days approximately;

(b) Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, as the applicant had allotted the shares to the foreign investors, beyond the stipulated period of 180 days from the date of receipt of inward remittance, as detailed in paragraph 3 above. The contravention relates to an amount of **Rs.39,24,81,002.00**, and the period of delay is one month and fourteen days approximately; and

(c) Paragraph 9 (1) (B) of Schedule I to Notification No. FEMA 20/2000-RB, due to delay in submission of Form FC-GPRs to the Reserve Bank after issue of shares to persons resident outside India, as detailed in paragraph 4 above. The contravention relates to an amount of **Rs.63,57,41,001.90**, and the period of delay ranging from three days to six months and twenty four days approximately.

7. It has been declared in the compounding application dated November 27, 2017, 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 undertaking dated February 12, 2018, furnished with the compounding application that the applicant was not under any enquiry/investigation/adjudication 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. It has further been declared that the applicant has not filed any appeal under Section 17 or Section 19 of FEMA, 1999. 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 other 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.



8. 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.13,84,950.00 (Rupees Thirteen Lakh Eighty Four Thousand Nine Hundred and Fifty only)**, will meet the ends of justice.

9. Accordingly, I compound the admitted contraventions namely, contraventions of Paragraphs 9(1)(A), 8 and 9(1)(B) of Schedule I 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.13,84,950.00 (Rupees Thirteen Lakh Eighty Four Thousand Nine Hundred and Fifty only)**, which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 2nd Floor, 10/3/8, Nrupathunga Road, Bengaluru – 560001, by a demand draft drawn in favour of the “Reserve Bank of India” and payable at Bengaluru 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 Ninth day of March, 2018.

Sd/-

(Eugene E Karthak)
Regional Director