



In the

**Reserve Bank of India**  
Foreign Exchange Department  
Fort Glacis, No.16, Rajaji Salai  
Chennai 600 001

Present

**Arundhati Mech**  
**Regional Director**

Date : April 13, 2018  
**C.A.775/2018**

In the matter of

**M/s. MS Transformers India Pvt Ltd.,**  
1/512, Avinashi Main Road,  
Neelambur Post,  
Sulur Taluk,  
Coimbatore-641062

**(Applicant)**

In exercise of the powers 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 March 16, 2018 (received at Reserve Bank on March 22, 2018 ) 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 of inflow of funds received from a person resident outside India for allotment of



M/s. MS Transformers India Pvt Ltd.–C.A.775/2018

shares (ii) delay in submission of Form FC-GPR on allotment of shares to Reserve Bank and (iii) delay in allotment of shares in terms of Paragraph 9 (1) A, Paragraph 9 (1) B and Paragraph 8 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 3, 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: The applicant company was incorporated on May 14, 2007 under the provisions of the Companies Act, 1956 (Registration No. U31102TZ2007PTC013710) and is engaged in business of Manufacture of electronic capacitors, resistors, chokes, coils, transformers (electronic) and similar components. The applicant received foreign inward remittances from M/s Manfred Schmelzer GmbH, Germany towards subscription to equity shares and reported the same to the Reserve Bank as detailed below:

Sl. No	Amount of Foreign Inward Remittance in ₹	Date of receipt	Reported to RBI on
1	12,97,100.00	05.01.2009	02.06.2009
2	6,43,825.00	16.01.2009	02.06.2009
3	6,43,550.00	26.01.2009	02.06.2009
4	6,24,625.00	05.02.2009	02.06.2009
5	3,12,713.00	19.02.2009	02.06.2009
6	3,28,738.00	09.03.2009	02.06.2009
7	6,73,950.00	06.04.2009	02.06.2009
8	5,26,120.00	24.04.2009	02.06.2009
9	6,60,425.00	25.05.2009	02.06.2009
10	3,38,425.00	26.06.2009	05.04.2016
11	5,42,680.00	30.07.2009	05.04.2016
12	6,50,299.00	17.08.2009	05.04.2016
13	3,83,955.00	01.09.2009	05.04.2016
14	5,58,160.00	29.09.2009	05.04.2016
15	4,51,864.00	05.11.2009	05.04.2016
16	3,46,688.00	27.11.2009	05.04.2016
17	3,23,013.00	28.01.2010	05.04.2016
18	2,51,340.00	16.02.2010	05.04.2016
19	3,09,650.00	18.03.2010	05.04.2016



M/s. MS Transformers India Pvt Ltd.–C.A.775/2018

20	1,20,485.00	12.04.2010	05.04.2016
21	9,78,570.00	23.04.2010	05.04.2016
22	3,66,681.00	09.06.2010	05.04.2016
23	2,93,113.00	02.07.2010	05.04.2016
24	8,62,505.00	11.10.2010	05.04.2016
25	4,99,080.00	25.01.2011	05.04.2016
26	4,91,400.00	28.04.2011	25.11.2014
27	5,15,700.00	07.09.2011	25.11.2014
28	6,73,850.00	02.11.2011	25.11.2014
29	4,32,180.00	25.11.2011	25.11.2014
30	3,42,645.00	13.12.2011	25.11.2014
31	6,72,175.00	13.07.2012	25.11.2014
32	4,33,965.00	14.12.2012	25.11.2014
33	1,83,287.00	03.05.2013	25.11.2014
34	12,64,313.00	30.09.2013	25.11.2014

The applicant reported receipt of remittances to the Reserve Bank on dates indicated above with delay ranging from eight days to six years eight months 10 days approximately beyond the stipulated time of 30 days in respect of the remittances except the remittance at Sr. No. 9. 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 allotted equity shares and filed FC-GPRs as indicated below:

Sl. No.	No. of share allotted	Face Value ₹	Amount ₹	Date of allotment of shares	Reported to RBI on
1	570000	10	57,00,000.00	26.05.2009	08.06.2009
2	327207	10	32,72,070.00	28.11.2009	13.04.2015
3	89505	10	8,95,050.00	24.05.2010	13.04.2015
4	312043	10	31,20,430.00	25.03.2011	06.04.2015
5	245577	10	24,55,770.00	10.08.2012	15.11.2012
6	110614	10	11,06,140.00	14.03.2013	06.03.2014
7	18328	10	1,83,280.00	03.09.2013	06.03.2014
8	126431	10	12,64,310.00	30.10.2013	06.03.2014

The applicant filed the form FC-GPRs as indicated above with delay ranging from two months five days to five years three months 15 days approximately beyond the



M/s. MS Transformers India Pvt Ltd.–C.A.775/2018

stipulated time of 30 days in respect of the allotments at Sl. Nos. 2 to 8. 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.

4. Against 10 remittances received between 25.05.2009 and 13.12.2011 the company allotted shares on 24.05.2010, 25.03.2011 and 10.08.2012 as detailed below:

Sl. No.	Date of Allotment	Amount (INR)	Date of Regularisation
1	26.05.2009	11,046.00	24.05.2010
2	12.04.2010	1,20,485.00	25.03.2011
3	23.04.2010	9,78,570.00	25.03.2011
4	09.06.2010	3,66,681.00	25.03.2011
5	02.07.2010	2,93,113.00	25.03.2011
6	28.04.2011	4,91,400.00	10.08.2012
7	07.09.2011	5,15,700.00	10.08.2012
8	02.11.2011	6,73,850.00	10.08.2012
9	25.11.2011	4,32,180.00	10.08.2012
10	13.12.2011	3,42,640.00	10.08.2012

The company allotted shares as indicated above with delay ranging one month 28 days to nine months 13 days beyond the prescribed period of 180 days without prior approval of Reserve Bank. Whereas in terms of paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB, read with AP (Dir Series) Circular No.20 dated December 14, 2007 the shares have to be issued/amount refunded within 180 days from the date of receipt of the inward remittance

5. The applicant was given an opportunity for personal hearing vide Reserve Bank's mail dated April 09, 2018 for further submission in person and/or producing documents, if any, in support of the application. The applicant appeared for the personal hearing on April 13, 2018 during which Shri L V Shyam Sundar, Practising Company Secretary represented the applicant. The authorized representative of the applicant admitted the contraventions as stated in para 2, 3 and 4 above committed by the applicant for which compounding has been sought. During the personal hearing, it was submitted that the



M/s. MS Transformers India Pvt Ltd.–C.A.775/2018

delays were unintentional. In view of the above, they requested to take a lenient view in the matter. 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 the personal hearing.

6. It has been declared in the compounding application dated March 16, 2018 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 March 16, 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/him/her 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 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.

7. I have given my careful consideration to the documents on record and submission made by the applicant in the compounding application and 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 1 to Notification No. FEMA 20/2000-RB due to delay in reporting of receipt of inward remittances towards subscription of equity shares as detailed in paragraph 2 above. The contravention relates to an amount of ₹ 1,73,36,644.00 with duration of contravention ranging from eight days to six years eight months 10 days approximately;

**(b)** Paragraph 9 (1) B of Schedule 1 to Notification No. FEMA 20/2000-RB due to delay in submission of Form FC-GPR to the Reserve Bank after issue of shares to persons resident outside India. The contravention relates to an amount of



M/s. MS Transformers India Pvt Ltd.–C.A.775/2018

₹ 1,22,97,050.00 with the duration of contravention ranging from two months five days to five years three months 15 days approximately; and

(c) Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB read with para 5 of AP (DIR Series) Circular No.20 dated December 14, 2007 due to delay in allotment of shares without prior approval of Reserve Bank. The contravention relates to an amount of ₹ 42,25,665.00 with the duration of contravention ranging from one month 28 days to nine months 13 days approximately.

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 ₹ **2,29,946/-** ( Rupees two lakh twenty nine thousand nine hundred and forty six only) will meet the ends of justice.

9. Accordingly, I compound the admitted contraventions namely, the contraventions of paragraphs 9 (1) A, 9 (1) B and 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 ₹ **2,29,946/-** (Rupees two lakh twenty nine thousand nine hundred and forty six only) which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, Fort Glacis, No.16, Rajaji Salai, Chennai - 600 001 by a demand draft drawn in favour of the “Reserve Bank of India” and payable at Chennai within a period of **15 days** from the date of this order.



M/s. MS Transformers India Pvt Ltd.–C.A.775/2018

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 Thirteenth day of April, 2018.

Sd/-

**Arundhati Mech**  
**Regional Director**