



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: May 18, 2018
CA No 4629 / 2018

In the matter of

Reno Mercantile Private Limited
137/67, Chamiers Road
Chennai - 600028

(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 application dated January 24, 2018 (received in the Reserve Bank on January 29, 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) making an overseas investment in excess of 400% of net worth and (ii) delay in submission of Form ODI Part I beyond the stipulated time period. The above amount to the contravention of Regulations 6(2)(i) read with 2(o) and 6(2)(vi) of Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004 notified vide Notification No. FEMA



120/2004-RB dated July 7, 2004 as amended from time to time (hereinafter referred to as Notification No. FEMA 120/2004-RB).

2. The relevant facts are as under: The applicant is an Indian company incorporated in Chennai on 13.10.2009 (CIN: U51909TN2009PTC073172). It is engaged in the business of providing back office support for supply chain for companies in India and abroad. The applicant acquired the stake in M/s Vikasa Pte Ltd, Singapore, from Shri Sumanth Ramanujam and Ms. Prema Ramanujam, on 29.03.2017, for USD 4,728,998 (Rs. 30,85,79,037/-), when its net worth was only Rs. 0.93 crores. Overseas investment in excess of 400% of net worth by the applicant was in contravention of Regulation 6(2)(i) read with 2(o) of FEMA 120. After infusion of capital from its shareholders namely Shri Aditya Srikanth Ramanujam and M/s Rohini Holdings Private Limited, the investment came within 400% of net-worth as on 15.06.2017.

The applicant further delayed in submission of Form ODI Part I, in contravention of Regulation 6(2)(vi) of FEMA 120. The Form ODI Part I was submitted on January 10, 2018.

3. According to Regulation 6(2)(i) of Notification No.FEMA.120/2004-RB dated July 07, 2004 as amended from time to time, an Indian party is permitted to make Overseas Direct Investment in certain cases, provided "The total financial commitment of the Indian Party in Joint Ventures/ Wholly Owned Subsidiaries shall not exceed 400%, or as decided by the Reserve bank from time to time, of the net worth of the Indian Party as on the date of the last audited balance sheet." Regulation 2(o) further specifies that "Net worth means paid up capital and free reserves."

In terms of Regulation 6(2)(vi) of Notification No.FEMA.120/2004-RB dated July 07, 2004 as amended from time to time, an Indian party is permitted to make Overseas Direct Investment in certain cases, provided "The Indian Party submits Part I of Form ODI, duly completed, to the designated branch of an authorized dealer".



4. The applicant was given an opportunity for personal hearing vide letter No. FE.CO.CEFA/9114/15.20.67/2017-18 dated May 09, 2018 for further submission in person and/or producing documents, if any, in support of the application. The personal hearing was held on May 16, 2018 during which Shri T.T. Hayagreevan represented the applicant. The representative of the applicant submitted that the applicant had inadvertently failed to comply with the FEMA regulations due to ignorance and requested that a lenient view may be taken in the matter.

It has also been declared in the compounding application dated January 24, 2018, that the particulars given by the applicant in the application are true and correct to the best of their/his/her knowledge and belief. It has been subsequently declared in the declaration dated May 15, 2018, furnished as an addendum to 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 been informed of initiation of any such enquiry/investigation/adjudication proceedings against it/him/her 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. The application is, therefore, being considered on the basis of the averments made in the application, the documents produced and submissions made during the personal hearing.

5. I have given my careful consideration to the documents on record and submissions made by the applicant during the personal hearing. It was observed that the applicant has contravened the provisions of Regulations 6(2)(i) read with 2(o) and 6(2)(vi) of Notification No.FEMA.120/2004-RB dated July 7, 2004, as amended from time to time. The amount and period of contravention is as under:



Regulation 6(2)(i) read with 2(o): Amount of contravention is Rs. 27,13,79,037/- and the period of contravention is 3 months approximately.

Regulation 6(2)(vi): Amount of contravention is Rs. 30,85,79,037/- and the period of contravention is 9 months approximately.

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. After considering the submissions made by the applicant and the entire facts and circumstances of the case I am persuaded to take a lenient view on the amount for which the contravention is to be compounded and it stands to reason that payment of an amount of Rs. 14,91,895/- (Rupees fourteen lakh ninety one thousand eight hundred and ninety five only) will meet the ends of justice in the circumstances of this case.

7. Accordingly, I compound, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 the admitted contraventions committed by the applicant namely, Regulations 6(2)(i) read with 2(o) and 6(2)(vi) of Notification No.FEMA.120/2004-RB dated July 7, 2004, as amended from time to time, on payment of a sum of Rs. 14,91,895/- (Rupees fourteen lakh ninety one thousand eight hundred and ninety five 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 accordingly.

Dated this the eighteenth day of May, 2018

Sd/-

Shekhar Bhatnagar
(Chief General Manager)