



In the

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

Present

R Subramanian
Regional Director

Date: June 19, 2018
C.A. HYD 289

In the matter of

M/s. Rockworth Systems Furniture (India) Private Limited
800 West, Road R1 South
Sri City SEZ (Near NH5 Tada)
Satyavedu Mandal, Chittoor
Andhra Pradesh - 517 588

(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 February 14, 2018 received on February 22, 2018 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 Reserve Bank of India after issue of shares towards subscription to equity and (iii) delay in allotment of shares to the foreign investor beyond 180 days from the date receipt of foreign inward remittance and delay in receipt of foreign inward remittances after allotment of shares in terms of Paragraph 9(1)(A), Paragraph



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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 May 03, 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) The applicant is a resident company incorporated as Private Limited Company under the Companies Act, 1956 on 20.03.2008 (CIN: U30008AP2008PTC095504). The company is engaged in the business of manufacturing furniture made of wood.
- b) The applicant had received foreign inward remittances from various foreign investors towards advance for subscription to equity shares as indicated below.

Sl No	Name of Remitter	Total Amount (INR)	Date of Receipt	Date of Reporting
1	K P Sreedharan	2500000	28-01-2013	23-06-2014
2	K Damodaran	1000000	04-03-2013	23-06-2013
3	K Damodaran	1000000	17-04-2013	11-12-2013
4	K P Sreedharan	2500000	29-04-2013	11-12-2013
5	Vijin Velluva Veetil	500000	29-04-2013	11-12-2013
6	Rashid Mubarak Saif Al Reyami	27001870	04-05-2016	18-05-2016
7	Choyikandy Vanankandy Surajan	2500000	01-07-2016	05-07-2016



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8	Choyikandy Vanankandy Surajan	2000000	06-09-2016	22-09-2016
	Total	3,90,01,870		

The applicant received the foreign inward remittances amounting to ₹3,90,01,870/- as indicated above out of which remittances amounting to ₹75,00,000/- were reported to Reserve Bank of India with delays ranging from 2 months 20 days to 1 year 3 months 26 days approximately beyond the prescribed period of 30 days. 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.

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

SI No	Name of the investor	Date of allotment of shares	Number of shares/CC PS allotted	Amount for which shares allotted (INR)	Date of reporting
1	C V Surajan	28-02-2012	50000	5000000	25.08.2013
2	Rockworth Public Company Ltd.		399724	39972400	
3	K P Sreedharan		148000	14800000	
4	V V Vijin		10000	1000000	
5	Rashid Mubarak Saif Al Reyami	23-10-2012	150000	15000000	16-02-2016
6	K P Sreedharan	23-10-2012	50000	5000000	05-05-2016



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7	Rockworth Public Company Ltd.	18-12-2012	199326	19932600	30-05-2016
8	C V Surajan	18-12-2012	10000	1000000	31-05-2016
9	C V Surajan	18-12-2012	15000	1500000	06-05-2016
10	K P Sreedharan	10-07-2013	25000	2500000	24-08-2016
11	K Damodaran		10000	1000000	
12	K Damodaran	12-10-2013	10000	1000000	24-08-2016
13	K P Sreedharan	12-10-2013	25000	2500000	03-06-2016
14	V V Vijin	12-10-2013	5000	500000	24-08-2016
15	Rashid Mubarak Saif Al Reyami	03-07-2016	540000	27000000	01-08-2016
16	C V Surajan	30-08-2016	50000	2500000	22-09-2016
17	Rockworth Public Company Ltd.	03-07-2016	720000	36000000	01-08-2016
18	C V Surajan	20-10-2016	40000	2000000	26-10-2016
		Total		17,82,05,000	

The applicant filed form FCGPRs for issue of shares amounting to ₹17,82,05,000/- as indicated above out of which shares amounting to ₹11,07,05,000/- were reported with delays ranging from 1 year 4 months 28 days to 3 years 5 months 13 days approximately beyond the stipulated period of 30 days. 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



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report in form FCGPR along with documents prescribed therein within 30 days from the date of issue of shares to person resident outside India.

d). The company has delayed in allotting shares to the foreign investors beyond the stipulated period of 180 days in respect of remittances aggregating to ₹4,86,00,661/- and the delay ranges from 7 days to 27 days approximately as indicated below.

Sl No	Name of Remitter	Total Amount (INR)	Date of receipt	Date of allotment of shares
1	Al Reyami Office Furnishings & General Trading	8000000	06-04-2009	30-10-2009
2	Rockworth Public Company Ltd.	40600661	14-05-2010	17-11-2010
	Total	4,86,00,661		

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



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Regulation, 2007 notified, vide Notification No. FEMA 170/2007-RB dated 13th November, 2007 in the official Gazette of the Govt. of India.

3. (a) The applicant was given an opportunity for personal hearing vide Reserve Bank's letter No. HY.FE.FID/2187/14.66.003/2017-18 dated June 12, 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 June 14, 2018 during which Shri. Krishna Kumar Krishna Iyer, Chartered Accountant represented the applicant. The Authorized representative of the company admitted the contraventions for which

the compounding has been sought. During the personal hearing it was submitted that the delay was not wilful or with a malafide intention but was on account of lack of professional advice on FEMA compliances. In view of the foregoing, the 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 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 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 for delay in reporting the receipt of consideration towards issue of shares amounting to ₹ 75,00,000/- and the delay ranges from 2 months 20 days to 1 year 3 months 26 days approximately.



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(b) Paragraph 9(1)(B) of Schedule 1 to Notification No. 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 ₹ 11,07,05,000/- and the period of contravention ranges from 1 year 4 months 28 days to 3 years 5 months 13 days approximately.

(c) Paragraph 8 of Schedule 1 to Notification No.20/2000-RB for delay in allotment of shares to the foreign investors and the contravention relates to an amount of ₹ 4,86,00,661/- and the delay ranges from 7 days to 27 days approximately.

5. It has been declared in the compounding application dated February 14, 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 February 14, 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. 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.

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



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take a lenient view on the amount for which the contravention is to be compounded and I consider that an amount of **Rs. 6,94,407/- (Rupees Six Lakh Ninety Four Thousand Four Hundred Seven 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. 6,94,407/- (Rupees Six Lakh Ninety Four Thousand Four Hundred Seven 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 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 19th day of June 2018

Sd/-

(R Subramanian)
Regional Director