



In the

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

Present

Dr. K Balu
Chief General Manager

Date : June 01, 2018
C.A.777/2018

In the matter of

M/s.Checkpoint Apparel Labeling Solutions India Pvt Ltd.,
(formerly Shore to Shore Merchandise Identification Systems (P) Ltd.)
AID & AIE, Industrial Complex,
Anna Salai, Maraimalai Nagar, Chengalpet Taluk,
Kancheepuram Dist-603209

(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 22, 2018 (received at Reserve Bank on April 04, 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



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shares (ii) delay in submission of Form FC-GPR on allotment of shares to Reserve Bank and (iii) allotment of shares prior to receipt of full consideration 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 July 04, 1997 under the provisions of the Companies Act, 1956 (Registration No. U22219TN1997PTC047878) and is engaged in business of other printing activities like screen printing other than textile n.e.c. The applicant received foreign inward remittances from i) M/s Wing Hung Printing Co. Ltd., Hong Kong ii) M/s Shore to Shore Inc.,USA iii) M/s ADS Worldwide Ltd., UK towards subscription to equity shares. The company has received 17 foreign inward remittances amounting to ₹ 3,48,17,732.00 between 15.06.1998 and 03.10.2003 and allotted shares on three occasions between 03.06.1999 and 31.03.2004 amounting to ₹ 3,48,17,689.67 which have been acknowledged by Reserve Bank. Subsequently the company received nine remittances and reported to Reserve Bank as detailed below:

Sl. No	Amount of Foreign Inward Remittance ₹	Date of receipt	Reported to RBI on
1	69,21,485.00	12.07.2006	28.04.2007
2	46,43,978.00	28.08.2006	28.04.2007
3	44,14,896.00	28.02.2007	29.06.2017
4	40,86,591.00	14.05.2007	29.06.2017
5	40,95,590.00	23.08.2007	29.06.2017
6	9,79,265.00	02.11.2007	29.06.2017
7	29,40,750.00	14.11.2007	06.11.2017
8	9,62,614.00	06.12.2007	29.06.2017
9	1,85,040.00	01.12.2016	27.03.2017

The applicant reported receipt of remittances to the Reserve Bank on dates indicated above with delay ranging from two months 27 days to 10 years three months one day



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approximately beyond the stipulated time of 30 days in respect of the remittances. 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 applicant 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	231300	10	1,17,50,040.00	31.03.2007	30.04.2007
2	88297	10	44,14,850.00	31.03.2008	18.11.2017
3	58815	10	29,40,750.00	31.03.2008	07.11.2017
4	202481	10	1,01,24,050.00	31.03.2008	06.11.2017

The applicant filed the form FC-GPRs as indicated above with delay ranging from nine years six months five days to nine years six months 17 days approximately beyond the stipulated time of 30 days in respect of the allotments at Sl. Nos. 2 to 4. 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. The company allotted 231300 shares of ₹ 10/- each at a premium of ₹ 40/- on 31.03.2007 at a price less than the fair value of the shares (₹ 50.80). The shortfall was brought in by way of inward remittance as detailed below:

Sl. No.	Date of receipt	Amount (INR)	Date of allotment
1	01.12.2016	1,85,040.00	31.03.2007

The shortfall was brought in by way of inward remittance with a delay of nine years eight months one day approximately. 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.



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5. The applicant was advised about the contraventions vide memorandum dated January 31, 2018. The applicant has filed a compounding application dated March 22, 2018 wherein it has been declared in the compounding application 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 22, 2018 furnished with the compounding application that the applicant was not under investigation by Directorate of Enforcement (DoE) as on the date of the application. However, the company was one of the 116 companies who have not been able to complete the submission of requisite documents to enable us to take on record the filing of FC GPR and from whom we had failed to receive any reply despite follow up and hence were referred to Directorate of Enforcement vide letter dated May 10, 2016. Accordingly, Reserve Bank vide letter Che.FED.FID./ 3640 /25.27.999/2017-18 dated April 13, 2018 had sought comments from DoE to be furnished within 30 days as to whether it had objection, if any, in terms of the proviso to Rule 8(2) to Compounding Rules to compounding the contraventions sought to be compounded by the applicant. A reminder dated May 17, 2018 was issued to DoE in this regard giving them 7 days to respond. DoE has not furnished any response whatsoever. Accordingly the above contraventions which are being compounded in this order is without prejudice to any other action which may be taken by any authority under the extant laws.

6. The applicant was given an opportunity for personal hearing vide Reserve Bank's mail dated May 28, 2018 for further submission in person and/or producing additional documents, if any, in support of the application. The applicant appeared for the personal hearing on May 31, 2018 during which Shri M Alagar, Company Secretary in Practice represented the applicant. The authorized representative of the applicant admitted the contravention as stated in para 2 to 4 above committed by the applicant for which compounding has been sought. During the personal hearing, it was submitted that the delays were unintentional. In view of the above, they requested Reserve Bank to take a lenient view in the matter. The application for compounding is, therefore, being



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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.

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 ₹ 2,92,30,209.00 with duration of contravention ranging from two months 27 days to 10 years three months one day 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 ₹ 1,74,79,650.00 with the duration of contravention ranging from nine years six months five days to nine years six months 17 days approximately; and
- (c) Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB due to allotment of shares prior to receipt of full consideration. The contravention relates to an amount of ₹ 1,85,040.00 with the duration of contravention being nine years eight months one day approximately; and

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



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of ₹ 8,87,148/- (Rupees eight lakh eighty seven thousand one hundred and forty eight 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 ₹ 8,87,148/- (Rupees eight lakh eighty seven thousand one hundred and forty eight 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. 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 First day of June, 2018.

Sd/-

Dr. K Balu
Chief General Manager