



In the

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

Present

N Mohana
General Manager

Date : August 09, 2018
C.A.814/2018

In the matter of

M/s. MyRain Irrigation Pvt Ltd.,
2/367, 1st Floor, Kannanenthal Main Road,
Gokul Nagar, Iyer Bunglow,
Madurai- 625 014

(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 June 28, 2018 (received at Reserve Bank on July 10, 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 shares (ii) delay in submission of Form FC-GPR on allotment of shares to Reserve Bank;



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(iii) delay in allotment of shares and (iv) taking on record the transfer of shares in the books of the company without certified FC-TRS in terms of Paragraph 9 (1) A, Paragraph 9 (1) B and Paragraph 8 respectively, of Schedule I and Regulation 4 of 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 26, 2006 under the provisions of the Companies Act, 1956 (Registration No. U51398TN2006PTC060663) and is engaged in Business of wholesale of textiles, fabrics, yarn, household linen, articles of clothing, floor coverings and tapestry, sports clothes. The applicant received foreign inward remittances from i) M/s MAS Investments Pvt Ltd., Sri Lanka, ii) M/s MAS Brands Holdings Pvt Ltd., Sri Lanka towards subscription to equity shares and reported the same to the Reserve Bank as detailed below:

Sl. No	Amount of Foreign Inward Remittance ₹	Date of receipt	Reported to RBI on
1	29,52,937.50	26.09.2007	04.12.2007
2	35,25,390.00	18.10.2007	04.12.2007
3	1,16,73,575.16	29.10.2007	04.12.2007
4	1,48,62,810.00	12.11.2007	04.12.2007
5	2,94,30,000.00	26.11.2007	04.12.2007
6	1,96,30,000.00	11.12.2007	21.01.2008
7	92,30,855.29	19.12.2007	21.01.2008
8	35,05,586.33	24.12.2007	09.04.2008
9	1,37,53,075.00	15.02.2008	09.04.2008
10	1,61,40,000.00	14.03.2008	09.04.2008
11	42,36,050.00	16.05.2008	14.12.2015
12	61,62,474.65	03.07.2008	01.08.2008
13	32,07,560.00	06.10.2008	12.01.2009
14	98,76,000.00	25.11.2008	12.01.2009
15	40,57,275.67	05.06.2009	24.06.2009
16	1,00,43,760.16	09.11.2009	02.07.2010
17	36,72,502.54	23.12.2009	02.07.2010



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18	99,50,535.44	03.02.2010	02.07.2010
19	1,25,10,524.40	23.03.2010	02.07.2010
20	81,62,034.10	05.04.2010	02.07.2010
21	17,44,047.81	07.05.2010	02.07.2010
22	45,95,590.06	25.05.2010	02.07.2010
23	5,07,224.07	27.07.2010	13.09.2010
24	1,08,89,324.47	19.04.2011	30.06.2011
25	19,66,148.15	11.07.2011	23.09.2011
26	82,97,886.10	08.09.2011	23.09.2011
27	75,29,408.82	02.11.2011	17.11.2011
28	34,04,888.60	09.03.2012	26.04.2012
29	56,42,447.37	08.05.2012	04.06.2012
30	1,97,21,985.92	29.10.2012	28.11.2012
31	1,10,57,222.00	08.01.2013	11.02.2013
32	1,04,43,321.00	24.01.2013	20.02.2013
33	68,90,684.00	22.04.2013	20.05.2013
34	67,93,706.00	09.07.2013	18.07.2013
35	1,81,28,834.00	28.10.2013	27.11.2013
36	61,67,717.00	03.03.2014	27.03.2014
37	61,67,717.00	03.03.2014	27.03.2014
38	1,65,75,000.00	06.05.2016	03.06.2016
39	31,20,68,790.00	21.07.2017	11.08.2017

The applicant reported receipt of remittances to the Reserve Bank on dates indicated above with delay ranging from three days to seven years five months 28 days approximately beyond the stipulated time of 30 days in respect of the remittances at Sl. Nos. 1 to 3, 6 to 9,11,13,14,16 to 25, 28 and 31. 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	9130556	10	9,13,05,560.00	26.12.2007	11.02.2008
2	3339866	10	3,33,98,660.00	16.06.2008	18.08.2008
3	423605	10	42,36,050.00	12.11.2008	24.03.2009



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4	1924603	10	1,92,46,030.00	31.12.2008	24.03.2009
5	4973430	10	4,97,34,300.00	15.06.2010	09.12.2010
6	550910	10	55,09,100.00	23.11.2010	31.12.2010
7	1285547	10	1,28,55,470.00	15.09.2011	19.10.2011
8	1582729	10	1,58,27,290.00	23.01.2012	15.02.2012
9	904733	10	90,47,330.00	30.07.2012	03.09.2012
10	1972198	10	1,97,21,980.00	14.03.2013	02.04.2013
11	2150054	10	2,15,00,540.00	24.06.2013	04.07.2013
12	1368439	10	1,36,84,390.00	07.10.2013	06.11.2013
13	1510736	10	1,81,28,832.00	24.04.2014	23.05.2014
14	948880	10	1,23,35,345.11	30.04.2014	15.12.2014
15	1275000	10	1,65,75,000.00	29.06.2016	04.07.2016
16	6648714	10	31,20,64,040.30	07.08.2017	12.02.2018

The applicant filed the form FC-GPRs as indicated above with delay ranging from four days to six months 16 days approximately beyond the stipulated time of 30 days in respect of the allotments at Sl. Nos. 1 to 7, 9,14 and 16. 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 shares on 15.06.2010 and 23.11.2010 against remittances as detailed below:

Sl. No.	Date of receipt	Amount (INR)	Date of allotment
1	05.06.2009	40,57,275.67	15.06.2010
2	09.11.2009	1,00,43,760.16	15.06.2010
3	07.05.2010	4,06,380.12	23.11.2010

The company allotted shares with delay ranging from 16 days to six months 12 days approximately 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.



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5. The applicant was advised about the contraventions vide memorandum dated February 06, 2018. The applicant has filed a compounding application dated March 28, 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 28, 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.

6. The applicant was given an opportunity for personal hearing vide Reserve Bank's mail dated July 31, 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 August 03, 2018 during which Mr. Mahadevan R and Ms. Anweshaa Majumdar from PricewaterhouseCooper Pvt Ltd represented the applicant. The authorized representatives 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 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 ₹ 16,00,94,831.08 with duration of contravention ranging from three days to seven years five months 28 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 ₹ 54,97,31,885.41 with the duration of contravention ranging from four days to six months 16 days approximately; and
- (c) Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB due to delay in allotment of shares without prior approval of Reserve Bank. The contravention relates to an amount of ₹1,45,07,415.95 with the duration of contravention ranging from 16 days to six months 12 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 ₹ 3,68,043/- (Rupees three lakh sixty eight thousand and forty three 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 3,68,043/-



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(Rupees three lakh sixty eight thousand and forty three 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 Third day of August, 2018.

Sd/-

Dr. K Balu

Chief General Manager