



In the

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

Present

K Ravi
Deputy General Manager

Date : November 30, 2018
C.A.811/2017

In the matter of

M/s. Stilla Enterprises India Pvt Ltd.,
334, Purasawalkam High Road,
Kellys,
Chennai-600 010

(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 July 03, 2018 (received at Reserve Bank on July 19, 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 and (ii) delay in submission of Form FC-GPR on allotment of shares to Reserve in terms



M/s. Stilla Enterprises India Pvt Ltd.–C.A.811/2017

of Paragraph 9 (1) A and Paragraph 9 (1) B 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 October 10, 2008 under the provisions of the Companies Act, 1956 (Registration No. U19200TN2008PTC069506) and is engaged in business of finishing of upper leather, lining leather and garment leather etc.. The applicant received foreign inward remittances from Mr. Gianni Piccolo, Italy towards subscription to equity shares and reported to Reserve Bank as detailed below:

Sl. No	Amount of Foreign Inward Remittance ₹	Date of receipt	Reported to RBI on
1	10,25,749.00	19.01.2009	22.11.2017
2	2,55,397.00	04.03.2009	22.11.2017
3	2,60,889.00	04.05.2009	22.11.2017
4	5,89,800.00	26.04.2010	20.05.2013

The applicant reported receipt of remittances to the Reserve Bank on dates indicated above with delay ranging from two years 11 months 24 days to eight years nine months three days 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	10256	100	10,25,600.00	02.02.2009	20.01.2017



M/s. Stilla Enterprises India Pvt Ltd.–C.A.811/2017

2	2552	100	2,55,200.00	27.03.2009	20.01.2017
3	2612	100	2,61,200.00	08.05.2009	20.01.2017
4	5896	100	5,89,600.00	17.05.2010	17.05.2013

The applicant filed the form FC-GPRs as indicated above with delay ranging from two years 11 months to seven years 10 months 18 days approximately beyond the stipulated time of 30 days in respect of the allotments. 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 applicant was advised about the contraventions vide memorandum dated January 04, 2018. The applicant has filed a compounding application dated July 03, 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 October 24, 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./ 375 /25.27.999/2017-18 dated July 26, 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. DoE vide its letter F.No.T-2/62/CEZO/C/2017 dated August 13, 2018 has confirmed its 'no objection' to compounding by RBI in the matter. 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.

5. The applicant was given an opportunity for personal hearing vide Reserve Bank's mail dated November 27, 2018 for further submission in person and/or producing additional documents, if any, in support of the application. The applicant vide email dated November 30, 2018 has informed that they would not be able to attend the personal hearing. The applicant, in the compounding application, had admitted the contraventions as stated in para 2 and 3 above for which compounding has been sought. It had been submitted that the delay was unintentional. 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.

6. I have given my careful consideration to the documents on record and submission made by the applicant in the compounding application. 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 ₹ 21,31,835.00 with duration of contravention ranging from two years 11 months 24 days to eight years nine months three days approximately; and

(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 ₹ 21,31,600.00 with the duration of contravention ranging from two years 11 months to seven years 10 months 18 days approximately.

7. 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



M/s. Stilla Enterprises India Pvt Ltd.–C.A.811/2017

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 **₹1,00,385/-** (Rupees one lakh three hundred and eighty five only) will meet the ends of justice.

8. Accordingly, I compound the admitted contraventions namely, the contraventions of paragraphs 9 (1) A and 9 (1) B 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 **₹1,00,385/-** (Rupees one lakh three hundred and eighty five 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 Thirtieth day of November, 2018.

Sd/-

K Ravi

Deputy General Manager