



In the

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

Present

**Arundhati Mech**  
**Regional Director**

Date : February 27, 2017  
**C.A.583/2016**

In the matter of

**M/s. Growrite Substrates (India) Pvt Ltd.,**  
Plot No. 6, D. No. 368, 2<sup>nd</sup> Floor,  
Belly Area, Sunshine Apartments, Z Block,  
Anna Nagar,  
Chennai- 600040

**(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 September 14, 2016 (received at Reserve Bank on September 16, 2016) 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



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(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 with 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 May 13, 2008 under the provisions of the Companies Act, 1956 (Registration No. U74999TN2008PTC067711) and is engaged in Business of manufacture of carpets, and other floor coverings made of jute, mesta and coir. The applicant received foreign inward remittances from (i) M/s.P EN R International BV, Netherland (ii) M/s P EN R Holding BV, Netherland, (iii) Euro Substrates (Pvt ) Ltd., Sri Lanka (iv) C A T A D Fernando, Sri Lanka towards subscription to equity shares and reported the same to the Reserve Bank as below:

Sl. No.	Amount of Inward Remittance in Rs.	Date of receipt	Reported to RBI on
1	29,01,833.00	03.02.2009	03.08.2009
2	31,19,621.00	03.07.2009	03.08.2009
3	17,67,156.00	25.09.2009	20.10.2009
4	41,65,465.00	25.09.2009	20.10.2009
5	59,940.00	23.10.2009	04.01.2010
6	34,065.00	18.12.2009	04.01.2010
7	36,88,797.00	23.01.2014	04.02.2014
8	24,79,160.00	05.02.2014	13.02.2014
9	935.00	06.08.2014	18.08.2014
10	49,56,221.00	10.09.2015	21.09.2015
11	33,04,471.00	10.09.2015	22.09.2015
12	1,37,56,576.00	22.09.2015	25.09.2015
13	1,32,11,204.00	16.11.2015	20.11.2015
14	21,60,000.00	08.02.2016	03.03.2016
15	40,50,000.00	08.02.2016	29.04.2016

The applicant reported receipt of remittances to the Reserve Bank on dates indicated above and with delay ranging from one day to five months approximately beyond the



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stipulated time of 30 days in respect of the remittances at Sr. Nos. 1, 2, 5 and 15. 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-GPR as indicated below:

Sl. No.	No. of shares/CCPs allotted	Face Value (in Rs.)	Amount (INR)	Date of allotment of shares	Reported to RBI on
1	290000	10	29,00,000	03.08.2009	31.08.2009
2	901500	10	90,15,000	29.10.2009	24.11.2009
3	8500	10	85,000	28.12.2009	21.01.2010
4	2816807	10	2,81,68,070	28.03.2013	23.08.2013
5	616795	10	61,67,950	28.04.2014	28.05.2014
6	518927	10	72,64,978	11.08.2015	31.12.2015
7	1572662	10	2,20,17,268	09.11.2015	21.12.2015
8	943657	10	1,32,11,198	28.12.2015	28.01.2016
9	443571	10	62,09,994	18.03.2016	14.05.2016

The applicant filed the form FC-GPR as indicated above with delay ranging from one day to three months 28 days approximately beyond the prescribed limit of 30 days in respect of allotments at Sr. Nos. 4,6,8 and 9. 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 8500 (5000+3500) shares of ₹10/- each on 28.12.2009 against the remittance of ₹ 59,940/- and ₹ 34,065/- received on 23.10.2009 and 18.12.2009. The shortfall of 935/- was brought in by way of inward remittance on 06.08.2014 with delay of four years seven months nine days. Whereas in terms of paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB, read with AP (Dir Series) Circular



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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.

5. The applicant was given an opportunity for personal hearing vide Reserve Bank's mail dated February 22, 2017 for further submission in person and/or producing documents, if any, in support of the application. The applicant failed to appear for the personal hearing on February 27, 2017. The applicant, in the compounding application, had admitted the contraventions as stated in para 2 to 4 above for which compounding has been sought. It had been submitted that the delays were 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 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 ₹ 1,01,31,394.00 and the duration ranging from one day to five months 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 ₹ 5,48,54,240.00 and the duration of contravention ranging from one day to three months 28 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 ₹ 935.00 and the duration of contravention being four years seven months nine days approximately.



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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 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 ₹ 46,448/- (Rupees forty six thousand four hundred and forty eight only) will meet the ends of justice.

8. 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 ₹ 46,448/- (Rupees forty six thousand four 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 Twenty Seventh day of February, 2017.

**Sd/-**

**Arundhati Mech**  
**Regional Director**