



In the

**RESERVE BANK OF INDIA**  
Foreign Exchange Department  
6, Sansad Marg  
New Delhi-110001

Present

**Sh.T.K.Singh**  
**General Manager**

Date: April 10, 2017  
C.A.NDL 239/2017

In the matter of

**LPS Ejot Fastening Systems Private Limited**  
A-501-502, Millennium Plaza, Sector 27, Gurgaon 122001

**(Applicant)**

In exercise of the powers under Section 15 (1) of Foreign Exchange Management Act, 1999 and the Regulations/Rules/Notifications/Orders made thereunder, I pass the following order.

**Order**

The applicant has filed a compounding application dated January 24, 2017 (received in Reserve Bank of India on February 1, 2017) for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (hereinafter referred to as FEMA) and the regulations issued thereunder. The contraventions sought to be compounded are those of (i) delay in reporting of inflow of funds received from a person resident outside India for allotment of shares in terms of Paragraph 9(1)(A) 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 3rd May, 2000 as amended from time to time (hereinafter referred to as FEMA 20/2000- RB) and (ii) delay in submission of form FC-GPR after allotment of shares in terms of Paragraph 9(1)(B) of Schedule 1 to FEMA 20/2000- RB

2. The relevant facts of the case are as follows:

- a) The applicant company was incorporated under the Companies Act, 1956 on January 1, 2014 and allotted registration No. U28112HR2014PTC051722 by Registrar of Companies. The company is engaged in the business of manufacturing metal fasteners.
- b) The company had received a total of 7 foreign inward remittances from March 3, 2014 to December 21, 2016 for issue of equity shares, out of which, on 3 occasions the company had reported inward remittances with a delay ranging from 3 months and 13 days to 2 years and 14 days (as detailed hereunder) beyond the prescribed period in contravention of Paragraph 9(1)(A) of Schedule 1 to Notification No. FEMA 20/2000-RB dated May 3, 2000.

<b>Contravention of Para 9(1) (A) of Schedule 1 to Notification No. FEMA 20/2000-RB</b>			
<b>S.No.</b>	<b>Date of Receipt</b>	<b>Amount (Rs.)</b>	<b>Date of reporting to RBI</b>
1	03.03.2014	49,438.20	15.07.2014
2	22.05.2014	24,99,438.20	05.07.2016
3	13.03.2015	50,00,000.00	08.04.2016
		<b>75,48,876.40</b>	

Whereas in terms of Paragraph 9 (1) (A) of Schedule 1 to FEMA 20/2000-RB, an Indian company issuing shares or convertible debentures in accordance with these Regulations should report to Reserve Bank of India, receipt of amount of consideration towards share subscription not later than 30 days from the date of receipt of the said amount.

- c) The company had allotted equity shares on 4 occasions, out of which, on 3 occasions company reported it in form FC-GPR with a delay ranging from 4 months and 22 days to 1 year and 9 months (as detailed hereunder) beyond the prescribed period in contravention of Paragraph 9(1) (B) of Schedule 1 to Notification No. FEMA 20/2000-RB dated May 3, 2000.

<b>Contravention of Para 9(1) (B) of Schedule 1 to Notification No. FEMA 20/2000-RB</b>				
<b>S. No.</b>	<b>Date of Allotment</b>	<b>No. of Shares Allotted</b>	<b>Amount (Rs.)</b>	<b>Date of reporting to RBI</b>
1	15.05.2014	5000	50,000.00	05.11.2014
2	05.06.2014	250000	25,00,000.00	04.04.2016

3	16.03.2015	500000	50,00,000.00	11.05.2016
			<b>75,50,000.00</b>	

Whereas, in terms of Paragraph 9(1)(B) of Schedule 1 to 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 a person resident outside India.

Thus, there are contraventions of Paragraph 9(1) (A) and 9(1) (B) of Schedule 1 to FEMA Notification No 20 /2000-RB dated May 3, 2000.

3. The applicant was given an opportunity for personal hearing for further submission in person and/or by producing documents, if any, in support of the application. Sh. Suresh Kumar, Practicing Company Secretary appeared for the personal hearing on April 07, 2017 on behalf of the company. The representative of the applicant company admitted the contraventions committed by them for which the company has sought compounding. He stated that the concerned person who was handling foreign exchange and financial matters left the organisation. He further stated that the company was also not aware of the FEMA compliances which led to these contraventions and as such requested for 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 submissions made in this context by the applicant during the personal hearing.

4. I have given my careful consideration to the documents on record and submissions made by the applicant during the personal hearing. Accordingly, I hold that the applicant has contravened the following FEMA provisions:

(a) Paragraph 9 (1) (A) of Schedule 1 to FEMA 20/2000-RB due to delay in reporting the inflow of funds from a person resident outside India. The contravention relates to an amount of Rs.75,48,876.40 and the duration of contravention is ranging from 3 months and 13 days to 2 years and 14 days.

(b) Paragraph 9 (1) (B) of Schedule 1 to FEMA 20/2000-RB due to delay in filing of form FC-GPR with RBI. The contravention relates to an amount of

Rs.75,50,000.00 and duration of contravention ranges from 4 months and 22 days to 1 year and 9 months, beyond the prescribed period of 30 days.

5. 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 **Rs.44,885/-(Rupees Forty four thousand eight hundred and eighty five only)** will meet the ends of justice.

6. Accordingly, I compound the admitted contraventions, namely, the contraventions of Paragraph 9 (1)(A) , 9 (1)(B) and 8 of Schedule 1 to FEMA 20/2000- RB by the applicant on the facts detailed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, on payment of an amount of Rs.44,885/- (Rupees forty four thousand eight hundred and eighty five only) which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 6, Sansad Marg, New Delhi-100001 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at New Delhi 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 the 10th day of April, 2017.

Sd/-

**(T.K.Singh)**  
**General Manager**