



In the

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

Present

R Kesavan
Chief General Manager

Date : May 25, 2017
C.A.636/2016

In the matter of

M/s. Srinala Leathers India Pvt Ltd.,
28/2A Ammoor Road. Manthangal,
Ranipet-632402

(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 January 19, 2017 (received at Reserve Bank on January 30, 2017) 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 with



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Reserve Bank and (iii) delay in refund of excess inward remittance 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 February 24, 2000 under the provisions of the Companies Act, 1956 (Registration No. U19129TN2000PTC044244) and is engaged in Business of wholesale trade in hides, skins and leather. The applicant received foreign inward remittances from ((i) M/s.Alfeia SRL, Italy (ii) M/s Rivar S A, Luxembourg (iii) M/s International Splits Company SRL, Italy (iv) Dawson Enterprises Ltd., Hong Kong (v) Mr. Pierraccioni Franco, Italy towards subscription to equity shares and reported the same to the Reserve Bank as below:

Sl. No	Amount of Foreign Inward Remittance (in Rs.)	Date of receipt	Reported to RBI on
1	10,00,000.00	14.09.2000	14.12.2015
2	10,00,000.00	20.09.2000	14.12.2015
3	20,00,000.00	21.10.2000	14.12.2015
4	15,66,300.00	09.11.2005	09.08.2006
5	12,28,399.40	18.11.2005	09.08.2006
6	19,46,115.00	23.11.2005	09.08.2006
7	15,93,000.00	23.11.2005	09.08.2006
8	10,40,948.00	22.12.2005	09.08.2006
9	13,84,408.00	22.12.2005	09.08.2006
10	19,89,195.00	13.06.2008	15.07.2008
11	22,65,450.00	15.07.2008	18.07.2008
12	10,06,470.00	28.07.2008	01.08.2008
13	7,91,845.00	12.08.2008	14.08.2008
14	1,00,24,808.28	23.03.2010	28.04.2010
15	20,24,549.40	31.03.2010	30.04.2010
16	20,66,750.00	08.07.2010	18.08.2010
17	20,07,508.00	18.11.2010	16.12.2010
18	10,00,000.00	12.07.2012	19.12.2012



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The applicant reported receipt of remittances to the Reserve Bank on dates indicated above with delay ranging from two days to 15 years two months approximately beyond the stipulated time of 30 days in respect of the remittances at Sr. Nos. 1 to 10, 14,16 and 18. 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	300000	10	30,00,000	30.06.2001	20.08.2009
2	100000	10	10,00,000	06.06.2002	20.08.2009
3	1350000	10	1,35,00,000	09.03.2006	09.08.2006
4	600000	10	60,00,000	13.08.2008	28.05.2009
5	1406675	10	1,40,66,750	15.09.2010	22.09.2010
6	193325	10	19,33,250	18.02.2011	31.03.2011
7	100000	10	10,00,000	12.12.2012	07.01.2013

The applicant filed the form FC-GPR as indicated above with delay ranging from 13 days to eight years 21 days approximately beyond the stipulated time of 30 days in respect of the allotments at Sr. Nos.1 to 4 and 6. 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 600000 shares of ₹ 10/- each on 13.08.2008 against 4 remittances amounting to ₹ 60,52,960/- received between 13.06.2008 and 12.08.2008. The excess amount of ₹ 52,960/- remaining after allotment was refunded on 10.11.2009 as detailed below:

Sl. No.	Date of receipt	Amount (INR)	Date of refund
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1	12.08.2008	52,960	10.11.2009
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The company refunded the excess amount with delay of eight months 29 days beyond the prescribed period of 180 days 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.

5. The applicant was given an opportunity for personal hearing vide Reserve Bank's mail dated May 22, 2017 for further submission in person and/or producing documents, if any, in support of the application. The applicant appeared for the personal hearing on May 25, 2017 during which Shri A Mubarak Basha, Manager of the company and Shri N Balachandran, Company Secretary represented the applicant. The authorized representative of the applicant admitted the contraventions 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 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.

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 ₹ 2,78,39,923.68 with duration ranging from two days to 15 years two months approximately;



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(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 ₹ 2,54,33,250/- with the duration of contravention ranging from 13 days to eight years 21 days approximately; and

(c) Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB due to delay in refund of excess inward remittance without prior approval of Reserve Bank. The contravention relates to an amount of ₹ 52,960/- with the duration of contravention being eight months 29 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 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 ₹ **1,57,076/-** (Rupees one lakh fifty seven thousand and seventy six 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 ₹ **1,57,076/-** (Rupees one lakh fifty seven thousand and seventy six 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.



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Dated this Twenty fifth day of May, 2017.

Sd/-

R Kesavan
Chief General Manager