



In the

RESERVE BANK OF INDIA
Foreign Exchange Department
11th floor, Central Office Building
Shahid Bhagat Singh Road
Mumbai - 400 001

Present

Shekhar Bhatnagar
Chief General Manager

Date: August 29, 2017
C.A. 4355/2017

In the matter of

Wilton Weavers Private Limited
Saktheeswaram Junctionveloorvattom, Cherthala
Alappuzha, Kerala 688 524

(Applicant)

In exercise of the powers conferred 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 April 10, 2017 (received at Reserve Bank of India on April 26, 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 foreign inward remittances; (ii) delay in reporting allotment of shares after receipt of the funds and; (iii) delay in allotment of shares against the receipt of the foreign inward remittances in contravention of paragraphs 9(1)(A), 9(1)(B) and 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 3rd May 2000 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: Wilton Weavers Private Limited (WWPL), the applicant, was incorporated on September 06, 1999 under the Companies Act, 1956 (CIN U17115KL1999PTC013276). The applicant is engaged in the business of manufacturing and exporting of floor coverings made from fibers. WWPL received the following foreign inward remittances amounting to Rs. 19,41,56,792/- during 1999 to 2010 from non-resident investors, towards share subscription:-

Table A

Sr. No	Name of remitter	Date of remittance	Amount in INR	Date of reporting to RBI	Date of allotment of shares
1	BIC Carpets NV, Belgium	06-12-1999	91,53,200	04-03-2013	22-07-2005
2	Toulmonde Bochart	11-02-2000	38,87,158	26-03-2013	
3	Toulmonde Bochart	23-02-2000	36,01,648	26-03-2013	
4	Toulmonde Bochart	26-09-2000	26,00,000	26-03-2013	
5	Toulmonde Bochart	03-10-2000	90,000	26-03-2013	
6	BIC Carpets NV, Belgium	05-12-2000	10,53,237	04-03-2013	
7	Toulmonde Bochart	03-08-2001	21,40,740	26-03-2013	
8	BIC Carpets NV, Belgium	03-08-2001	21,40,740	04-03-2013	
9	Toulmonde Bochart	01-03-2006	1,31,26,243	19-04-2013	25-10-2008
10	MIDELCO NV/BIC Carpets	14-03-2006	1,31,73,796	18-03-2013	
11	MIDELCO NV/BIC Carpets	06-02-2007	1,49,14,831	28-09-2007	
12	Toulmonde Bochart	09-02-2007	1,44,16,513	28-09-2007	
13	Toulmonde Bochart	28-05-2008	67,07,215	25-06-2008	
14	MIDELCO NV/BIC Carpets	17-06-2008	66,07,103	07-07-2008	
15	Toulmonde Bochart	09-01-2009	64,49,678	30-03-2013	31-03-2010
16	MIDELCO NV/BIC Carpets	30-03-2009	43,76,736	18-03-2013	21-12-2009
17	Toulmonde Bochart	13-04-2009	2,62,34,000	30-03-2013	31-03-2010
18	MIDELCO NV	08-06-2009	2,62,78,715	18-03-2013	21-12-2009
19	MIDELCO NV	09-12-2009	23,90,891	18-03-2013	
20	Toulmonde Bochart	09-02-2010	62,99,479	30-03-2013	22-01-2013
21	Toulmonde Bochart	12-03-2010	25,86,623	30-03-2013	
22	MIDELCO NV/BIC Carpets	23-07-2010	85,89,935	05-02-2011	07-01-2013



23	Toulmonde Bochart	08-11-2010	87,70,208	30-03-2013	22-01-2013
24	Toulmonde Bochart	13-12-2010	85,68,103	30-03-2013	
			19,41,56,792		

The remittances at serial Nos. 1, 2 and 3 of Table A above were received prior to the implementation of FEMA, 1999 while the remittances at serial Nos. 13 and 14 were reported within the prescribed period of 30 days. Thus, WWPL reported the foreign inward remittances in 19 instances amounting to Rs.16,42,00,468/- with delay ranging from six months to over 12 years approximately as given above. The delay was in contravention of Paragraph 9(1)(A) of Schedule 1 to FEMA 20/2000-RB.

2.2 Further, there was delay in the allotment of shares by the applicant against receipt of foreign remittances at serial Nos. 15 to 18 and serial Nos. 20 to 24 of Table A above amounting to Rs.9,81,53,477/-, with the period of delay ranging from 15 days to two and a half years approximately beyond the prescribed period of 180 days in contravention of Paragraph 8 of Schedule I of Notification No 20/2000- RB read with Foreign Exchange Management (Transfer or Issue of Security by A Person Resident Outside India) (Third Amendment) Regulations, 2007 issued vide Notification No. FEMA 170/2007-RB dated November 13, 2007. The remittances at serial Nos. 1 to 12 of Table A above were received before November 29, 2007, the date when the Notification No. FEMA 170/2007-RB came into effect. The shares against the remittances at serial Nos. 13, 14 and 19 of Table A above were allotted within the prescribed period of 180 days.

2.3 WWPL allotted equity shares to the non-resident investors as under:-

Table B

Sr.No	Name of Investor	Date of allotment of shares	Amount (INR) for which shares allotted	Date of reporting to RBI	No. of shares allotted
1	BIC Carpets NV, Belgium	22-07-2005	1,23,19,500	04-03-2013	1,23,195
2	Toulmonde Bochart	22-07-2005	1,23,19,500	26-03-2013	1,23,195
3	Toulmonde	25-10-2008	3,42,50,000	19-04-2013	3,42,500



	Bochart				
4	MIDELCO NV/BIC Carpets	25-10-2008	3,47,23,500	24-11-2008	3,47,235
5	MIDELCO NV/BIC Carpets	21-12-2009	3,30,46,300	20-01-2010	3,30,463
6	Toulmonde Bochart	31-03-2010	3,26,83,700	30-03-2013	3,26,837
7	MIDELCO NV/BIC Carpets	07-01-2013	85,90,000	15-02-2013	85,900
8	Toulmonde Bochart	22-01-2013	2,62,24,400	30-03-2013	2,62,244
		Total	19,41,56,900		19,41,569

WWPL reported the allotment of equity shares in Form FC-GPR amounting to Rs.19,41,56,900/-, out of which allotment of shares in six instances amounting to Rs.12,63,87,100/- was reported with delay ranging eight days to seven and a half years approximately. The delay was in contravention of Paragraph 9(1)(B) of Schedule 1 to FEMA 20/2000-RB. RBI, Kochi vide letter KOC.FED.NRFID/195/65.23.27/2016-17 dated January 18, 2017 advised the applicant of the above contraventions.

3. During the course of its operations, WWPL committed the following contraventions of FEMA provisions as laid down under Notification No. FEMA 20/2000-RB as amended:-

3.1 Whereas, in terms of Paragraph 9 (1) (A) of Schedule 1 to Notification No. FEMA 20/2000-RB, an Indian company issuing shares or convertible debentures in accordance with these Regulations should report foreign inward remittances 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.

WWPL reported the inward remittances beyond the prescribed period in 19 instances as per the details given in Table A above thereby contravening the said FEMA provision. The amount of contravention was Rs.16,42,00,468/- and the period of contravention ranges six months to over twelve years approximately.

3.2 Whereas in terms of Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB read with Notification No. FEMA 170/2007-RB dated November 13,



2007, if the shares are not issued within 180 days from the date of receipt of the inward remittance, the amount of consideration so received shall be refunded to the person concerned, provided that the Reserve Bank may, on an application made to it and for sufficient reasons permit to refund the amount of consideration received towards issue of security, if such amount is outstanding beyond a period of 180 days from the date of receipt.

WWPL allotted the shares against receipt of foreign remittances beyond the prescribed period of 180 days in nine instances as given in Table A above amounting to Rs.9,81,53,477/-, with the period of delay ranging from 15 days to two and a half years approximately thereby contravening the said FEMA provision.

3.3 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.

WWPL reported the allotment of shares in Form FC-GPR beyond the prescribed period in six instances as per the details given in Table B above thereby contravening the said FEMA provision. The amount of contravention was Rs.12,63,87,100/- and the period of contravention ranges eight days to seven and a half years approximately.

4. The applicant was given an opportunity for personal hearing vide the Reserve Bank's letter No. FE.CO.CEFA/131/15.20.67/2017-18 dated July 10, 2017 for further submission in person and/or producing documents, if any, in support of the application. The applicant vide email dated July 15, 2017 submitted that it did not wish to attend the personal hearing and that the case be disposed on the basis of the documents submitted. 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 submitted along with the application.

5. I have given my careful consideration to the documents on record. Accordingly, I hold that the applicant has contravened the FEMA provisions issued in terms of



Paragraphs 9(1)(A), 9(1)(B) and 8 of Schedule I to Notification No. FEMA 20/2000-RB as per the details given at paragraphs 2 and 3 above.

6. 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.26,46,345/- (Rupees twenty six lacs forty six thousand three hundred and forty five only) will meet the ends of justice.

7. Accordingly, I compound the admitted contraventions namely, the contraventions of paragraphs 9(1)(A), 9(1)(B) and 8 of Schedule I to Notification No. FEMA-20/2000-RB by the applicant as stated above on the facts discussed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 on payment of an amount of Rs.26,46,345/- (Rupees twenty six lacs forty six thousand three hundred and forty five only) which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 5th Floor, Amar Building, Fort, Mumbai – 400 001 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at "Mumbai" 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 twenty ninth day of August, 2017.

Sd/-

(Shekhar Bhatnagar)
Chief General Manager