



In the

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

Present

P Ramesh
Assistant General Manager

Date : July 07, 2017
C.A.687/2017

In the matter of

M/s.TVS Logistics Services Ltd.,
7B, West Veli Street,
Madurai 625001

(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 30, 2017 (received at Reserve Bank on February 08, 2017) for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued there under. The contravention sought to be compounded is issue of ineligible instruments in terms of Regulation 2(ii) read with Regulation 5(1) of Foreign



M/s. TVS Logistics Services Ltd. – C.A.687/2017

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 April 16, 2004 under the provisions of the Companies Act, 1956 (Registration No. U63011TN2004PLC054655) and is engaged in business of motorised road freight transport. The applicant received foreign inward remittances from (i) Mr. Mohr Holgar, Germany (ii) Mr. David Martinez Balsa, Spain (iii) Mr. Sandra Juani Solans, Spain (iv) J Arun, UK towards subscription to equity shares.

3. The company, under a scheme of allotment of shares drawn up in the year January 2009, has allotted 16344 shares of ₹10/- each at a premium of ₹ 65/- on 01.01.2009 to four employees of the overseas associate companies, as part of providing incentives to the employees, on receipt of initial aggregate amount of ₹ 81,720/- at ₹ 5/- per share (₹ 2/- towards face value and ₹ 3/- towards premium per share). Thus, the company has allotted partly paid shares, an ineligible instrument on the date of allotment to the employees as detailed below:

Sl. No.	Date of Allotment	No. of Shares	Amount (INR)	Date of regularisation
1.	01.01.2009	16344	81,720	21.12.2016

The company regularized the above transaction by forfeiture on account of non-payment of the calls in arrears by the non-resident employees on 21.12.2016 with delay of seven years 11 months 20 days approximately. Whereas in terms of Regulation 2(ii) read with Regulation 5(1) of Notification No. FEMA 20/2000-RB, Capital means equity shares, preference shares, convertible preference shares, and convertible debentures.

4. The applicant was given an opportunity for personal hearing vide Reserve Bank's mail dated July 06, 2017 for further submission in person and/or producing documents,



M/s. TVS Logistics Services Ltd. – C.A.687/2017

if any, in support of the application. The applicant vide return mail has requested to consider the submissions made in their application and excuse them for not appearing in person. The applicant, in the compounding application, had admitted the contraventions as stated in para 3 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.

5. 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) Regulation 2(ii) read with Regulation 5(1) of Notification No. FEMA 20/2000-RB due to issue of ineligible instruments. The contravention relates to an amount of ₹ 81,720/- and the duration of contravention is seven years 11 month 20 days approximately.

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 ₹ 65,376/- (Rupees sixty five thousand three hundred and seventy six only) will meet the ends of justice.

7. Accordingly, I compound the admitted contravention namely, the contravention of Regulation 2(ii) read with Regulation 5(1) of Notification No. FEMA 20/2000-RB by the applicant on the facts discussed above in terms of the Foreign Exchange



M/s. TVS Logistics Services Ltd. – C.A.687/2017

(Compounding Proceedings) Rules, 2000 on payment of an amount of **65,376/-** (Rupees sixty five thousand three hundred 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.

Dated this Seventh day of July, 2017.

Sd/-

P Ramesh
Assistant General Manager