



In the

RESERVE BANK OF INDIA
Foreign Exchange Department
3rd Floor, Main Building
Ram Bagh Circle, Tonk Road
Jaipur-302 004

Present

Arnab Roy
Regional Director

Date: August 30, 2017
C.A. JAI 7/2017

In the matter of

M/s. Walled City Hotels Private Limited
Narpat Niwas, Old Pali Road, Jodhpur

(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 March 20, 2017 (received at Reserve Bank of India, Jaipur on March 31, 2017) followed by Addendum dated August 03, 2017 (received at Reserve Bank of India, Jaipur on August 11, 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 Reserve Bank (iii) allotment of shares after 180 days from the date of receipt of inflow of funds; and (iv) issue of shares below the fair value, in terms of paragraph 9(1)(A), paragraph, 9(1)(B), paragraph 8 and paragraph 5 respectively, 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 May 3, 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: The applicant was incorporated on August 20, 2007 under the provisions of the Companies Act, 1956 (Registration Number U55101RJ2007PTC024864) and is engaged in the business of hotels, holiday resorts, motels, inns, holiday homes etc. and other amusements facilities. The applicant received foreign inward remittances from (i) Mr. Boyar Jonathan, United Kingdom (ii) Mr. Nicholas T. Allan, United Kingdom (iii) Mr. Roddrick Patric Abell Sale, United Kingdom and (iv) An Indian Room with a view PTE Ltd, Singapore towards subscription to equity shares and reported the same to the Reserve Bank of India as below:

S.no	Amount of Inward Remittance in Rs.	Date of Receipt	Date of Reporting
1	36405000.00	11-09-2007	15-02-2008
2	26292500.00	11-09-2007	15-02-2008
3	246839.11	12-09-2007	15-02-2008
4	3161.00	25-09-2007	15-02-2008
5	4981371.60	24-06-2008	16-10-2008
6	19878750.00	06-08-2008	16-10-2008
7	207845.40	07-08-2008	16-10-2008
8	5000000.00	27-06-2008	16-10-2008
9	19383589.18	29-07-2008	16-10-2008
10	616410.82	06-08-2008	16-10-2008
11	3749000.00	22-12-2009	20-01-2010
12	2000000.00	13-01-2010	18-11-2011
13	3498345.50	08-12-2009	18-11-2011
14	2000000.00	19-01-2010	18-11-2011
15	401414.00	27-01-2010	18-11-2011
16	3384000.00	06-07-2011	23-01-2012
17	3384000.00	07-07-2011	23-01-2012
18	393087.00	15-07-2011	23-01-2012
19	399180160.00	14-08-2015	05-09-2015
20	2068786.00	27-07-2016	01-09-2016

The applicant reported receipt of remittances to the Reserve Bank of India, Jaipur on the dates indicated above and with a delay ranging from six days to one year ten months and 11



days approximately beyond the stipulated time of 30 days in respect of the Remittances at Sr. No. 1 to Sr. No.10, Sr. No. 12 to Sr. no. 18 and Sr. No.20. Whereas, in terms of paragraph 9(1)(A) of Schedule 1 to Notification No. FEMA 20/2000-RB dated May 03,2000, 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 FCGPR as indicated below:

S.no	Date of Allotment	Amount (INR)	Date of Reporting
1	25-09-2007	65020285	15-02-2008
2	11-08-2008	50000000	16-10-2008
3	15-09-2011	11640055	23-01-2012
4	06-01-2012	7158813	02-04-2012
5	12-10-2015	393077700	28-12-2015

The applicant filed the form FC-GPR on allotment of shares with Reserve Bank of India, Jaipur with a delay of one month six days to three months and 21 days approximately beyond the stipulated time of 30 days in respect of abovementioned allotments. Whereas, in terms of paragraph 9(1)(B) of Schedule 1 to Notification No. FEMA 20/2000-RB dated May 03, 2000, 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 issue of shares to person resident outside India.

4. Against seven remittances received between 08.12.2009 and 07.07.2011 the company allotted shares as detailed below:

S.no	Date of receipt	Amount (INR)	Date of issue of shares
1	08-12-2009	3498345.50	15-09-2011
2	22-12-2009	3749000.00	15-09-2011
3	13-01-2010	2000000.00	15-09-2011
4	19-01-2010	2000000.00	15-09-2011
5	27-01-2010	401414.00	15-09-2011
6	06-07-2011	3384000.00	06-01-2012
7	07-07-2011	3384000.00	06-01-2012

The company allotted shares with a delay ranging from three days to one year three months and nine days approximately beyond the prescribed period of 180 days without taking prior



approval of RBI. Whereas, in terms of paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB dated May 03, 2000, shares should be allotted within 180 days from the date of receipt of inward remittance.

5. Company issued 2500 shares on 25-09-2007 to Mr. Roddrick Patric Abell Sale below the fair value which was in contravention to paragraph 5 of Schedule 1 to Notification No. FEMA 20/2000-RB dated May 03, 2000. The differential amount of Rs.20,68,786.00 was brought in by way of inward remittance on 27-07-2016.

6. The applicant was given an opportunity for personal hearing vide the Reserve Bank's letter FE.JP(CEFA).No.126/06.10.160/2017-18 dated August 24, 2017 for further submission in person and/or producing documents, if any, in support of its application for compounding of contravention of the provisions of FEMA, 1999. The applicant Shri Nikhilendra Singh, Managing Director himself appeared for the personal hearing on August 28, 2017. The applicant admitted the contraventions as stated in para 2, 3, 4 and 5 above committed by the applicant for which compounding has been sought. During the personal hearing, it was submitted that the delay was not willful or with a malafide intention. In view of the above, he 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 personal hearing and thereafter.

7. I have given my careful consideration to the documents on record available with me and submissions made by the applicant during the personal hearing. Accordingly, I hold that the applicant has contravened the following provisions of FEMA, 1999:

(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 ₹ 13,01,45,097.00 with duration of contravention ranging from six days to one year ten months and 11 days 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 of India after issue of shares to persons resident outside India. The contravention relates to an amount of ₹ 52,68,96,853.00 with the duration of contravention ranging from one month six days to three months and 21 days approximately;

(c) Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB due to delay in allotment of shares without prior approval of Reserve Bank of India. The contravention



relates to an amount of ₹ 1,84,16,759.00 with the duration of contravention ranging from three days to one year three months and nine days approximately; and

(d) Paragraph 5 of Schedule I to Notification No. FEMA 20/2000-RB due to allotment of shares below the fair value. The contravention relates to an amount of ₹ 20, 68,786.00 with the duration of contravention being eight years and 10 months approximately.

8. In terms of Section 13 of the Foreign Exchange Management Act, 1999, any person contravening any provision of the Act shall be liable to a penalty upto 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 that an amount of ₹ 3,41,339.00 will meet the ends of justice.

9. Accordingly, I compound the admitted contraventions namely contravention of paragraphs 9 (1)(A), 9(1)(B), 8 and 5 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 ₹ 3,41,339.00 which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, Jaipur by way of a demand draft drawn in favour of the "Reserve Bank of India" and payable at Jaipur 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 03, 2000 shall apply.

The application is disposed of accordingly.

Dated this 30th day of August 2017

Sd/-

(Arnab Roy)

Regional Director