



In the

**RESERVE BANK OF INDIA**  
Foreign Exchange Department  
5th floor, Amar Building  
Fort, Mumbai - 400 001

Present

**Shekhar Bhatnagar**  
**Chief General Manager**

Date: July 12, 2018  
C.A. 4619/2018

In the matter of

**PC Jeweller Limited**  
**C - 54, Preet Vihar, Vikas Marg, Delhi East, Delhi 110 092**

**(Applicant)**

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

**Order**

The applicant has filed the application dated January 15, 2018 (received in the Reserve Bank on January 17, 2018) for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued thereunder. The contraventions sought to be compounded relate to (i) making outward remittances to the overseas entity without submission of Form ODI and; (ii) making outward remittances to the overseas entity under the automatic route when the same was permitted only with prior approval in contravention of the provisions contained in regulations 6(2)(vi) and 6(2)(iii) respectively of Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004, notified vide Notification No. FEMA 120/2004-RB dated July 7, 2004 as amended from time to time (hereinafter referred to as Notification No. FEMA 120/2004-RB).

2. The relevant facts of the case are as follows: The applicant, a listed Indian company, was incorporated as P Chand Jewellers Private Limited on April 13, 2005 (CIN:



L36911DL2005PLC134929) under the Companies Act, 1956. Its name was subsequently changed to PC Jewellers Private Limited on October 16, 2007 and then to PC Jeweller Private Limited on December 09, 2009. The status of the applicant company was changed to public limited company on August 02, 2011. PC Jeweller Limited (PJL) is engaged in the business of manufacturing and export of jewellery. The applicant set up a wholly-owned subsidiary (WOS) namely, P. C. Jeweller Global DMCC in UAE on June 08, 2016 and made remittances amounting to USD 200,00,500 to the overseas WOS, under the automatic route (details provided in table A below):-

**Table A**

<b>Sr. No</b>	<b>Date of transaction</b>	<b>Amount (USD)</b>	<b>Amount (₹)</b>	<b>Date of reporting</b>	<b>Purpose</b>
1.	15-07-2016	27,270	18,54,360	15-07-2016	Equity
2.	18-07-2016	500	33,745	13-12-2017	Equity
3.	14-09-2016	99,72,730	66,78,83,701	14-09-2016	Equity
4.	25-10-2016	100,00,000	66,88,00,000	25-10-2016	Equity
	Total	2,00,00,500	1,33,85,71,806		

The remittances were reported in form ODI-Part-I within the prescribed time except in one instance (at serial number 2 in table A above) wherein the applicant reported the remittance with delay beyond the prescribed time on December 13, 2017. The company had to remit USD 500 to compensate for the shortfall in the first remittance on account of deduction of the bank charges. The applicant thus contravened regulation 6(2)(vi) of Notification No. FEMA 120/2004-RB.

The applicant was under investigation by Directorate of Revenue Intelligence (DRI) which was concluded in July 2014 and a show cause notice (SCN) dated July 08, 2014 was issued to the applicant. The applicant filed an appeal against the SCN to Commissioner (customs) Imports in January 2015 which is pending till date. The applicant was not eligible to undertake overseas direct investment (ODI), under the automatic route pending disposal of the appeal and prior approval of RBI should have been obtained. The applicant thus contravened regulation 6(2)(iii) of Notification No. FEMA 120/2004-RB. The transactions were subsequently approved by RBI on February 26, 2018.

3. Whereas in terms of regulation 6(2)(vi) of Notification No. FEMA 120/2004-RB, an Indian Party making direct investment in a joint-venture (JV)/WOS outside India has to submit Form ODI Part-I, duly completed, to the designated branch of an Authorized Dealer, the applicant did not report the investment made in the overseas entity (WOS) within the prescribed time period of 30 days in one instance as given in table A above.



In terms of regulation 6(2)(iii) of Notification No. FEMA 120/2004-RB, an Indian Party may make direct investment in a JV/WOS outside India subject to the condition that the Indian Party is not on the Reserve Bank's exporters' caution list / list of defaulters to the banking system circulated by the Reserve Bank and/or is not under investigation by any investigation / enforcement agency or regulatory body.

Whereas the applicant made ODI in the overseas WOS when the appeal filed by the applicant in connection with a DRI investigation was still pending and thus contravened the said provisions under FEMA.

4. The applicant was given an opportunity for personal hearing vide our letter No. FE.CO.CEFA No.97/15.20.67/2018-19 dated July 10, 2018 for further submission in person and/or producing documents, if any, in support of the application. Shri Sanjeev Bhatia, CFO, PJI vide email dated July 11, 2018 advised that the applicant had no objection to an ex-parte order and that the case be disposed on the basis of the documents submitted earlier and 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 other documents and submissions made in this context by the applicant.

5. RBI, vide letter No. FE.CO.CEFA/8434/15.20.67/2017-18 dated April 12, 2018 requested Directorate of Enforcement (DoE) to convey within 30 days as to whether the investigation pertained to the contraventions sought to be compounded and whether it had any objection to compounding by RBI under the specific provisions. After RBI's reminder dated May 15, 2018, DoE vide letter F.No.RBI/SDE/WR/B-140/2018/886 dated June 07, 2018 expressed its inability to quote the applicability of the conditions specified in the proviso to rule 8(2) of the Foreign Exchange (Compounding Proceedings) Rules, 2000. Accordingly, this order is only in respect of the contraventions stated in para 2 and 3 above and the contraventions are compounded without prejudice to any action initiated or proposed to be initiated by any Authority including the DoE/DRI under any Law including under the FEMA or PMLA against the Applicant or any other person involved in the contravention compounded by the Reserve Bank.

6. I have given my careful consideration to the documents on record and submissions made by the applicant. Accordingly, I hold that the applicant contravened the regulations 6(2)(vi) and 6(2)(iii) of Notification No. FEMA 120/2004-RB dated July 7, 2004. The amount and period of contravention was as under:



i) Regulation 6(2)(vi) - The amount of contravention was USD 500 (₹33,745) and the period of contravention was 1 year and 4 months approximately.

(ii) Regulation 6(2)(iii) - The amount of contravention was USD 2,00,00,500 (₹1,33,85,71,806/-) and the period of contravention ranges from 1 year and 3 months to 1 year and 6 months 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 contravention is to be compounded and I consider that payment of an amount of ₹74,13,478/- (Rupees seventy four lakhs thirteen thousand four hundred and seventy eight only) will meet the ends of justice.

8. Accordingly, I compound the admitted contravention namely, the contravention of the regulations 6(2)(vi) and 6(2)(iii) of Notification No. FEMA 120/2004-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 ₹74,13,478/- (Rupees seventy four lakhs thirteen thousand four hundred and seventy eight only) which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 5<sup>th</sup> 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 accordingly.

Dated this the twelfth day of July, 2018.

**Sd/-**

**(Shekhar Bhatnagar)**  
**Chief General Manager**