



In the

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

Present

**Lamneichong Chongloi**  
**General Manager, Jaipur**

Date: May 8, 2019  
C.A. JAI 17/2019

In the matter of

**M/s. Acetone Designs Private Limited**  
106/106, Mansarovar  
Jaipur -302020  
Rajasthan

**(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 February 26, 2019 received at Reserve Bank of India, Jaipur on February 27, 2019 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 and (iii) Delay in refund of excess share amount after 180 days from the date of receipt of inflow of funds 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, as then applicable. (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 May 28, 2015 under the provisions of the Companies Act, 2013 (Registration Number U72900RJ2015PTC047615) and is engaged in the business of “other information technology and computer service activities n.e.c”. The applicant received foreign inward remittances on various occasions from 2015 to 2018 from (i) Shri Kushal Chand Sacheti, USA and (ii) Adhip Sacheti, Hong Kong towards subscription to equity shares and reported the same to the Reserve Bank of India. However, the company delayed FDI reporting on three occasions – as per the details mentioned below in Table ‘A’:

**Table ‘A’**

Sr.No	Amount of Inward Remittance in ₹	Date of Receipt	Date of Reporting	Delay in reporting in days (Para 9(1)(A))
1	26,20,000.00	31/12/2015	25/02/2016	26
2	32,90,000.00	04/11/2016	04/09/2017	274
3	31,99,156.40	04/07/2017	23/12/2017	142
Total	91,09,156.40			26 to 274 days

The applicant reported receipt of above mentioned remittances to the Reserve Bank of India, Jaipur on the dates indicated above with a delay ranging from 26 days to 274 days beyond the stipulated period of 30 days. Whereas, in terms of paragraph 9(1)(A) of Schedule I 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 applicant reported allotment of shares to the Reserve Bank of India, Jaipur on the dates indicated below (Table B) with a delay ranging from 137 days to 337 days



beyond the stipulated period of 30 days. Whereas, in terms of paragraph 9(1)(B) of Schedule I 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.

**Table 'B'**

Sr.no.	Amount (₹) of Shares	Date of Allotment of Shares	Date of Reporting	Delay in reporting in days (Para 9(1)(B))
1	26,20,000.00	27/02/2016	12/08/2016	137
2	32,90,000.00	05/11/2016	07/11/2017	337
3	31,90,000.00	14/07/2017	15/01/2018	155
Total	91,00,000.00			137 days to 337days

4. It is observed that the company allotted shares on July 14, 2017 amounting to ₹ 31,90,000.00 (Rupees Thirty one lakh and ninety thousand only) against the FDI of ₹ 31,99,156.40 (Rupees Thirty one lakh ninety nine thousand one hundred fifty six and paise forty only) received on 04-07-2017. The balance amount of ₹ 9,156.40 (Rupees Nine thousand one hundred fifty six and paise forty only) was refunded to the investor on January 03, 2018 with a delay of three days beyond the prescribed period of 180 days from receipt of the amount of consideration. This delay in refund of balance amount is in contravention of Paragraph 8 of Schedule I to FEMA 20/2000-RB dated May 3, 2000.

5. The applicant was given an opportunity for personal hearing vide Reserve Bank's letter FE.JP.No.900/2/06.10.430/2018-19 dated April 22, 2019 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 company vide its e-mail dated May 03, 2019 had submitted that their authorised representative, Shri Prashant Gautam, Director, Acetone Designs will be present for the personal hearing. Accordingly, Shri Gautam visited the Bank on May 07, 2019 at 11:00



a.m. to present the case. During the meeting Shri Gautam accepted that his company had applied for compounding for contraventions of para 9(1)(A), 8 and 9(1)(B) of Schedule I to FEMA 20/2000 - RB dated May 03, 2000. He also submitted that the delays were a result of procedural lapse and the company had no wilful or malafide intention. Shri Gautam 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.

6. It has been declared in the declaration dated February 26, 2019, furnished with the compounding application that the applicant was not under enquiry/investigation/adjudication by Directorate of Enforcement. Accordingly, the above contraventions which are being compounded in this order is without prejudice to any other action, which may be taken by any authority under the extant laws if the said declarations are subsequently discovered to be false and/or incorrect.

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

(a) Paragraph 9 (1) A of Schedule I to Notification No. FEMA 20/2000-RB i.e. 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 ₹ 91,09,156.40 (Rupees Ninety one lakh nine thousand one hundred fifty six and paisa forty only) with duration of contravention ranging from 26 days to 274 days.

(b) Paragraph 9 (1) B of Schedule I to Notification No. FEMA 20/2000-RB i.e. 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 ₹ 91,00,000.00 (Rupees Ninety one lakh only) with the duration of contravention ranging from 137 days to 337days.



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(c) Paragraph 8 of Schedule I to Notification No. FEMA 2012000-RB due to delay in refund of balance amount with the approval of Reserve Bank of India. The contravention relates to an amount of ₹ 9,156.40 (Rupees Nine thousand one hundred fifty six and paise forty only) with the duration of contravention three days;

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 pay 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 view that an amount of ₹ 28,154.00 (Rupees Twenty eight thousand one hundred fifty four only) will meet the ends of justice.

9. Accordingly, I compound the admitted contraventions namely contravention of paragraphs 9 (1)(A), 8 and 9(1)(B) of Schedule I 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 of ₹ 28,154.00 (Rupees Twenty eight thousand one hundred fifty four only) which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, Jaipur – 302004 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 8<sup>th</sup> day of May 2019

-Sd/-

**(Lamneichong Chongloi)**  
General Manager, Jaipur