



In the

**RESERVE BANK OF INDIA**  
Foreign Exchange Department  
11th floor, NCOB  
Shahid Bhagat Singh Marg  
Mumbai - 400 001

Present

**Ajay Kumar Misra**  
**Chief General Manager**

Date: February 07, 2020  
CA No 5018/ 2019

In the matter of

**IndoSpace Capital Advisors Pvt Limited**  
**One IndiaBulls Centre,**  
**16<sup>th</sup> floor, Tower 2A,**  
**Senapati Bapat Marg,**  
**Mumbai 400013.**

**(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 September 18, 2019 (received in the Reserve Bank on October 01, 2019), for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued thereunder. The contravention sought to be compounded is: taking on record the transfer of shares of the company, from a non-resident entity (50% shareholding) and a resident entity (50% shareholding) to another non-resident entity



without obtaining the necessary approval from Government of India. The above transactions and actions resulted in contravention of Regulation 4 read with S.No. F.8 in Annex B of Schedule I (introduced vide Notification No.FEMA.375/2016-RB dated 09-09-2016) of 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 03, 2000 (hereinafter referred to as FEMA 20) and correspondingly, of Regulation 16 (S.No. F.10) of Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000 notified vide Notification No. FEMA 20(R)/2017-RB, dated November 07, 2017 (hereinafter referred to as FEMA 20(R)).

2. The relevant facts of the case are as under:

The applicant company was incorporated under the Companies Act 1956 (CIN: U74999MH2007PTC172299) in July 12, 2007 and is engaged in the business of providing investment advisory services.

Indospace Capital Holdings (Mauritius), a company incorporated under the laws of Mauritius, holds 100% of the total issued and subscribed capital in the applicant company. This shareholding in the applicant company was acquired by Indospace Capital Holdings (Mauritius) on May 03, 2017, from 'Everstone Capital Advisory Private Ltd'., a resident entity and 'Realterm Global Mauritius', a non-resident entity. The acquisition without prior government approval was a contravention of Regulation 4 read with S.No. F.8 in Annex B of Schedule I introduced vide Notification No FEMA 375/2016-RB dated 09.09.2016 of FEMA 20 and correspondingly, of Regulation 16 (S.No. F.10) of FEMA 20(R).

Department of Economic Affairs (DEA), Ministry of Finance vide their approval dated July 18, 2019 had advised the applicant company, to approach the Reserve Bank for compounding of the contraventions.

3. The applicant was given an opportunity for personal hearing vide letter No. FE.CO.CEFA/3809 /15.20.67/2019-20 dated January 23, 2020 for further submission in person and/or producing documents, if any, in support of the application. A personal



hearing was held on January 29, 2020 during which the applicant submitted that the contraventions committed by the company were inadvertent and it was also requested that a lenient view may be taken in the matter. The application is, therefore, being considered on the basis of the averments made in the application, the documents produced and submissions made during the personal hearing with the Compounding Authority.

4. It has been declared in the compounding application dated September 18, 2019, that the particulars given by the applicant in the application are true and correct to the best of their knowledge and belief. It has also been declared in the declaration furnished along with the compounding application that the applicant was not under any enquiry/investigation/adjudication by any agency as on the date of the application and has, in this regard, not been informed of initiation of any such enquiry/investigation/adjudication proceedings against it thereafter. Accordingly, the above contraventions which are being compounded in this Order are subject to the veracity of the above declarations made by the applicant and 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.

5. I have given my careful consideration to the documents on record and submissions made by the applicant. It was observed that the applicant has contravened the provisions of Regulation 4 read with S.No. F.8 in Annex B of Schedule I (introduced vide Notification No.FEMA.375/2016-RB dated 09-09-2016) of FEMA 20 and Regulation 16 (S.No. F.10) of FEMA 20(R).

The amount of contravention is Rs.18,50,00,000/- and the period of contravention is from May 03, 2017 (date of transaction) to July 18, 2019 (date of DEA approval).

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. Therefore, after considering the submissions made by the applicant with regard to the contraventions and the entire facts and circumstances of the case, I am



persuaded to compound the contraventions, in line with the Guidance Note on Computation Matrix prescribed as part of Master Direction – Compounding of Contraventions, framed in accordance with the Foreign Exchange (Compounding Proceedings) Rules 2000. Accordingly, it stands to reason that payment of an amount of Rs. 11,60,000/- (Rupees eleven lakhs sixty thousand only) will meet the ends of justice in the circumstances of this case.

7. Accordingly, I compound, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 the admitted contraventions committed by the applicant namely, Regulation 4 read with S.No. F.8 in Annex B of Schedule I (introduced vide Notification No.FEMA.375/2016-RB dated 09-09-2016) of FEMA 20 and Regulation 16 (S.No. F.10) of FEMA 20(R), on payment of a sum of Rs. 11,60,000/- (Rupees eleven lakhs sixty thousand only) which shall be deposited by the applicant with “The Chief General Manager – In – Charge, Reserve Bank of India, Foreign Exchange Department, 5th Floor, Amar Building, Fort, Mumbai 400001” by a demand draft drawn in favor 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 7<sup>th</sup> day of February, 2020

**Sd/-**

**(Ajay Kumar Misra)**

**Chief General Manager**