



In the

RESERVE BANK OF INDIA
Foreign Exchange Department
Secretariat Road
Saifabad, Hyderabad 500 004

Present

N Sara Rajendra Kumar
General Manager

Date: February 15, 2019
C.A. HYD 383

In the matter of

M/s. CNO IT Services (India) Private Limited
Office No. 208, Level 2, Oval Building
iLabs Centre, Hitech City, Madhapur
Hyderabad – 500 081

(Applicant)

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

Order

The applicant has submitted the compounding application dated December 5, 2018 received by us on December 19, 2018 for compounding of contraventions of the provisions of Foreign Exchange Management Act, 1999 (FEMA) and the regulations issued there under. The contraventions sought to be compounded are (i) delay in filing the Annual Return in respect of the Foreign Liabilities and Assets (FLA Return) in terms of Paragraph 9(2) 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 3rd May 2000 as then



applicable (herein after referred to as Notification no. FEMA 20/2000-RB) and Regulation 13.1(3) of Schedule I to Notification No. FEMA 20(R)/2017-RB dated November 07, 2017 as amended from time to time.

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

a) The applicant is a resident company incorporated as Private Limited Company under the Companies Act, 1956 on February 11, 1998 (CIN: U72200TG1998FTC028878). The company is engaged in the business of “Providing software support and maintenance to the clients”.

b) The applicant had received foreign inward remittances amounting to ₹ 50,00,000/- from M/s Consec Inc and reported the allotment of 20 equity shares and 4,99,780 equity shares amounting to ₹ 200/- and ₹ 49,97,800/- to M/s Consec Inc and CIHC Inc respectively, in the year 1998 and was reported in the year 1999.

c) The company has delayed in filing FLA Return (Foreign liabilities and Assets) as shown below:

SI No	Particulars	Financial year	Due date of filing the return	Date of actual filing
1	FLA Return	2006-07	15.07.2007	13.10.2018
2	FLA Return	2007-08	15.07.2008	13.10.2018
3	FLA Return	2008-09	15.07.2009	13.10.2018
4	FLA Return	2009-10	15.07.2010	13.10.2018
5	FLA Return	2010-11	15.07.2011	13.10.2018
6	FLA Return	2011-12	15.07.2012	13.10.2018
7	FLA Return	2012-13	15.07.2013	13.10.2018
8	FLA Return	2013-14	15.07.2014	13.10.2018
9	FLA Return	2014-15	15.07.2015	13.10.2018
10	FLA Return	2015-16	15.07.2016	13.10.2018
11	FLA Return	2016-17	15.07.2017	13.10.2018



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12	FLA Return	2017-18	15.07.2018	06.02.2019
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Whereas in terms of Para 9(2) of Schedule I to Notification No. FEMA 20/2000-RB dated May 03, 2000 as then applicable and Regulation 13.1(3) of Schedule I to Notification No. FEMA 20(R)/2017-RB dated November 07, 2017 as amended from time to time, "All Indian companies which have received Foreign Direct Investment in the previous year(s) including the current year shall submit to the Reserve Bank of India, on or before the 15th day of July of each year, [a report titled 'Annual Return on Foreign Liabilities and Assets' (FLA) as specified by the Reserve Bank from time to time].

3. (a) The applicant was given an opportunity for personal hearing vide Reserve Bank's letter No. HY.FE.FID/1655/14.66.003/2018-19 dated February 11, 2019 for further submission in person and/or producing documents, if any, in support of the application.

(b) The applicant appeared for personal hearing on February 13, 2019 during which Shri. Lokesh Agarwal, Practising Company Secretary, represented the applicant. The authorized representative of the applicant admitted the contraventions for which the compounding has been sought. During the personal hearing it was submitted that the delay was due to lack of professional knowledge over FEMA compliances. In view of the foregoing, the representative of the applicant requested to take a lenient view in disposal of the application. The application for compounding is, therefore, being considered on the basis of the averments made in the application.

4. I have given my careful consideration to the documents on record. Accordingly, I hold that the applicant has contravened the following FEMA provisions issued in terms of:-

(a) Paragraph 9(2) of Schedule I to Notification No. FEMA 20/2000-RB and Paragraph 13.1(3) of Schedule I to Notification No. FEMA 20(R)/2017-RB for delay in filing of Annual Return on Foreign Liabilities and Assets to Reserve Bank of India



for twelve financial years with delays ranging from 6 months 23 days to 11 years 2 months 29 days approximately.

5. It has been declared in the compounding application dated December 5, 2018 that the particulars given by the applicant in the application are true and correct to the best of their knowledge and belief. It has been declared in the declaration dated December 5, 2018 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 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.

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 contravention is to be compounded and I consider that an amount of **₹ 1,20,000/- (Rupees One Lakh Twenty Thousand Only)** will meet the ends of justice.

7. Accordingly, I compound the admitted contraventions, namely, the contraventions of Paragraph 9(2) of Schedule 1 to Notification No. FEMA-20/2000-RB and Regulation 13.1(3) of Schedule 1 to Notification No. FEMA-20(R)/2017-RB by the applicant on the facts discussed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 on payment of an amount **₹ 1,20,000/- (Rupees One Lakh Twenty Thousand Only)** which shall be deposited by the applicant with the Reserve Bank of India,



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Foreign Exchange Department, 1st Floor, Saifabad, Hyderabad - 500004 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at Hyderabad 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 15th day of February 2019

Sd/-

(N Sara Rajendra Kumar)

General Manager