



In the

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

Present

Shri. P Kalyan Chakravarthy  
Assistant General Manager

Date: January 29, 2019  
C.A. HYD 366

In the matter of

M/s. Greatfour Systems Private Limited  
M C Design House, 27, Rohini Layout  
Opp. Cyber Towers, Hi-Tech City  
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 6, 2018 for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (FEMA) and the regulations issued there under. The contraventions sought to be compounded are (i) delay in submission of Form FCGPR to the Reserve Bank after issue of shares to a person resident outside India, (ii) delay in receipt of consideration after allotment of shares to a person resident outside India and (iii) delay in filing the annual return in respect of the Foreign Liabilities and Assets, in terms of Paragraph 9(1)(B),



Paragraph 8 and 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 3<sup>rd</sup> 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, 2013 on February 23, 2016 (CIN: U72200TG2016FTC103471). The company is engaged in the business of “Computer consultancy and computer facilities management activities”.
- b) The applicant had received foreign inward remittances of ₹ 1,01.108/- from M/s Greatfour Systems Inc on 13.03.2017 towards share subscription and reported the same to the Regional Office of Reserve Bank of India within the prescribed time limit in terms of Paragraph 9(1)(A) of Schedule 1 to Notification No. FEMA 20/2000-RB dated May 03, 2000.
- c) The company allotted equity shares and filed form FC-GPR as indicated below:

SI No	Name of investor	Date of allotment of shares	Number of shares allotted	Amount for which shares allotted (INR)	Date of reporting to AD or RBI
1	Greatfour Systems Inc	23.02.2016	9,990	99,900	22.06.2017
<b>Total</b>				<b>99,900</b>	



The applicant filed form FCGPR for the allotment of shares amounting to ₹ 99,900/- as indicated above, which was reported with a delay of 1 year 2 months 29 days approximately beyond the prescribed limit. Whereas in terms of Paragraph 9(1)(B) of Schedule 1 to Notification No. FEMA 20/2000-RB, an Indian company issuing shares in accordance with these Regulations has to submit to Reserve Bank a report in form FCGPR along with documents prescribed therein within 30 days from the date of issue of shares to person resident outside India.

d) The applicant allotted shares to the foreign investor prior to the receipt of consideration of share application money as shown below:

SI No	Name of Remitter	Amount (INR)	Date of Allotment	Date of Receipt
1	Greatfour Systems Inc	99,900	23.02.2016	13.03.2017
<b>Total</b>		<b>99,900</b>		

The applicant received the inward remittance of ₹ 99,900/- after the allotment of shares with a delay of 1 year 17 days approximately in contravention of Paragraph 8 of Schedule 1 to FEMA Notification No. 20/2000-RB dated May 03, 2000 as amended from time to time.

e) The applicant has delayed in filing Annual Return on Foreign Liabilities and Assets (FLA Return) for two financial years viz. 2016-17 and 2017-18 with delays ranging from 5 months 27 days to 1 year 5 months 27 days approximately. Whereas in terms of Para 9(2) of Schedule 1 of 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/ 1446 /14.66.003/2018-19 dated January 21, 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 January 24, 2019 during which Shri. T. Srinivasulu, Chartered Accountant 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 not wilful or with a malafide intention but was on account of administrative reasons. 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(1)(B) of Schedule 1 to Notification No. FEMA 20/2000-RB for delay in submission of Form FC-GPR to Reserve Bank of India after issue of shares to persons resident outside India and the contravention relates to an amount of ₹ 99,900/- and the period of contravention is 1 year 2 months 29 days approximately.

(b) Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB for delay in receipt of consideration after allotment of shares to the non-resident investor and the contravention relates to an amount of ₹ 99,900/- and the period of contravention is 1 year 17 days approximately.

(c) Paragraph 9(2) of Schedule 1 to Notification No. FEMA 20/2000-RB and Regulation 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 two financial years and the delay ranges from 5 months 27 days to 1 year 5 months 27 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 furnished 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 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 **₹ 36,737/- (Rupees Thirty Six Thousand Seven Hundred Thirty Seven Only)** will meet the ends of justice.

7. Accordingly, I compound the admitted contraventions, namely, the contraventions of Paragraph 9(1)(B), Paragraph 8, Paragraph 9(2) of Schedule 1 to Notification No. FEMA-20/2000-RB and Regulation 13.1(3) of Schedule I 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 **₹ 36,737/- (Rupees Thirty Six Thousand Seven Hundred Thirty Seven Only)** which shall be deposited by the applicant with the Reserve Bank of India, Foreign



Compounding of contraventions under FEMA 1999  
M/s Greatfour Systems Private Limited  
CA No. HYD 366

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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 29<sup>th</sup> day of January 2019.

Sd/-

(P Kalyan Chakravarthy)

Assistant General Manager