



In the
Reserve Bank of India
10/3/8, Nrupathunga Road
Bengaluru-560001

Present

Shri Jose J Kattoor
Regional Director, Karnataka and
Chief General Manager, Bengaluru

Date: August 27, 2019
C.A. BGL 428/2019

In the matter of

M/s GS Farm Taaza Produce Private Limited
1000, Second Floor, C Wing Indiqube ZETA
Sarjapur Main Road, Kaikondra Halli
Bengaluru – 560102
(Applicant)

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

Order

The applicant has filed a compounding application dated May 07, 2019, received at the office of Reserve Bank of India, Bengaluru, on May 10, 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 receipt of foreign inward remittances towards subscription to equity, and (ii) delay in submission of form FC-GPR to the Reserve Bank, after issue of shares to a person resident outside India, in terms of Paragraphs 9(1)(A) and 9(1)(B), 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 03, 2000, and as amended from time to time (hereinafter referred to as Notification No. FEMA 20/2000-RB).

2. The relevant facts of the case are as follows: The applicant, M/s GS Farm Taaza Produce Private Limited, was incorporated on June 26, 2015, under the



Companies Act, 2013, as per the Certificate of Incorporation issued by the Assistant Registrar of Companies, Karnataka. The activity undertaken by the company is wholesale trading of fruits and vegetables. The applicant had received funds towards share application money from the foreign investors, namely, M/s EVP Investments (Cayman) II Ltd, Caymen Islands, Sripada Shivananda and Malini S Bhattacharaya, USA, Gayatri Rallapalli and Muralidhar S Vempaty, USA, Murali Abburi, and Mukaya Panich, Singapore, Kiran R Garlapati and Swathi Marri, USA, Preetham Kothapally, USA, Marc A Haugen and Jill P Goldring, USA, Musunuru Raja Kumar, UK, Sreenivas R Garlapati and Nandini Garlapati, Canada, Thomas Rohrs and Marion Rohrs Cottee, USA, Warren C Kocmond Jr. and Susan Kocmond, USA, and M/s EVP Investment (Mauritius) Limited, Mauritius, as shown below:

Table -1

Sr. No.	Date of Receipt	Total Amount (INR)	Date of Reporting to RBI / AD Bank
1	07-06-2016	3,31,85,000.00	11-07-2016
2	18-08-2016	3,31,75,000.00	26-08-2016
3	26-12-2016	33,79,188.75	30-12-2016
4	31-12-2016	16,85,000.00	25-07-2017
5	31-12-2016	67,38,382.40	24-01-2017
6	31-12-2016	33,70,000.00	24-01-2017
7	30-12-2016	67,40,000.00	02-03-2017
8	31-01-2017	33,80,689.50	07-02-2017
9	30-01-2017	34,71,470.00	10-02-2017
10	03-03-2017	33,24,868.73	14-03-2017
11	07-03-2017	66,30,350.00	03-05-2017
12	09-03-2017	16,60,423.63	27-03-2017
13	05-04-2017	2,59,59,052.93	Not reported
	Total	13,26,99,425.94	

The applicant reported receipt of remittances to the Reserve Bank / Authorized Dealer Bank, with a delay ranging from four days to one year three months and twenty six days, beyond the stipulated time of 30 days, in respect of the



remittances as indicated at serial numbers 1, 4, 7, 11 and 13, in the Table 1 above. Whereas, in terms of Paragraph 9(1)(A) of Schedule I to Notification No. FEMA 20/2000-RB, 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. The company had not reported the inward remittance mentioned at serial number 13, in the Table – 1 above, to AD/RBI. Since, inflow reporting in form ARF was discontinued with effect from September 01, 2018, (date on which Single Master Form (SMF) reporting in FIRMS portal was implemented) the delay/contravention period for non-reporting of the said inward remittance has been considered till August 31, 2018.

3. The company had allotted shares and filed form FC-GPR with Reserve Bank/AD Bank as indicated below:

Table-2

Sl. No.	Date of Allotment	Number of equity shares allotted	Amount (INR)	Date of reporting to RBI/AD Bank
1	20-06-2016	24996	3,31,84,689.60	08-08-2016
2	18-08-2016	24988	3,31,74,068.80	27-09-2016
3	02-01-2017	16504	2,19,10,710.40	30-03-2017
4	01-02-2017	5160	68,50,416.00	28-03-2017
5	17-03-2017	8748	1,16,13,844.80	04-04-2017
6	15-04-2017	19553	2,59,58,562.80	25-07-2017
	Total	99949	13,26,92,292.40	

The applicant filed form FC-GPR, on allotment of shares, with the Bengaluru Regional Office of the Reserve Bank of India / Authorized Dealer Bank, with a delay ranging from ten days to two months and ten days, beyond the prescribed period of 30 days, in respect of the allotment as indicated at serial numbers 1, 2, 3, 4 and 6, in the Table - 2 above. Whereas, in terms of Paragraph 9(1)(B) of Schedule I to Notification No.FEMA. 20/2000-RB, dated May 3, 2000, an Indian company issuing shares in accordance with these Regulations, has to submit to Reserve Bank of India, a report in form FC-GPR, along with documents



prescribed therein, within 30 days, from the date of issue of shares to persons resident outside India.

4. The applicant was given opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID(CEFA).No. 584/22.10.672/2019-20, dated August 23, 2019. However, the company sought to be exempted from the personal hearing with the Compounding Authority vide their email dated August 24, 2019.

The application is, therefore, being considered on the basis of the averments made in the compounding application and the documents submitted therein.

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

(a) Paragraph 9(1)(A) of Schedule I to Notification No. FEMA 20/2000-RB, due to delay in reporting of foreign inward remittances, received towards subscription to equity as detailed in paragraph 2 above. The contravention relates to an amount of **₹7,41,99,402.93**, and the period of delay ranges from four days to one year three months and twenty six; and

(b) Paragraph 9(1)(B) of Schedule I to Notification No. FEMA 20/2000-RB, due to delay in submission of form FC-GPR to the Reserve Bank, after issue of shares to persons resident outside India as detailed in paragraph 3 above. The contravention relates to an amount of **₹12,10,78,447.60**, and the period of delay ranges from ten days to two months and ten days.

6. It has been declared in the compounding application dated May 07, 2019, that the particulars given by the applicant company in the application are true and correct to the best of their knowledge and belief. It has further been declared in the undertaking dated August 21, 2019, furnished along with the compounding application that the applicant company 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 is subject to the veracity of the above declarations made by the applicant company 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.

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 contraventions are to be compounded and I consider that an amount of **₹1,23,060.00 (Rupees One lakh Twenty Three Thousand and Sixty only)**, will meet the ends of justice.

8. Accordingly, I compound the admitted contraventions namely, contraventions of Paragraphs 9(1)(A) and 9(1)(B) of Schedule I to Notification No. FEMA 20/2000-RB, by the applicant, based on the facts discussed above, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, on payment of an amount of **₹1,23,060.00 (Rupees One lakh Twenty Three Thousand and Sixty only)**, which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 2nd Floor, 10/3/8, Nrupathunga Road, Bengaluru – 560001, by a demand draft drawn in favour of the “Reserve Bank of India”, payable at Bengaluru, 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 of accordingly.

Dated this, the Twenty Seventh day of August 2019.

Sd/-

(Jose J Kattoor)
Regional Director, Karnataka and
Chief General Manager, Bengaluru