



In the

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

Present

Shri. P Kalyan Chakravarthy
Assistant General Manager

Date: February 19, 2020
C.A. HYD 464

In the matter of

M/s K- Source Private Limited
Plot No 4 & 5, Flat No 104
Block B, Supreme Enclave Kavuri Hills
Madhapur, Hyderabad – 500 081

(Applicant)

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

Order

The applicant has filed the compounding application dated October 22, 2019 received on October 28, 2019 for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued thereunder. The contraventions sought to be compounded are (i) delay in submission of form FC-GPR to the Reserve Bank after issue of shares towards subscription to equity to a person resident outside India; (ii) delay in receipt of consideration after allotment of shares towards MoA (iii) delay in filing of FLA returns in terms of Paragraph 9(1)(B), Paragraph 8 and Paragraph 9(2) respectively of Schedule 1 to



Foreign Exchange Management Regulations, 2000 notified vide Notification No. FEMA.20/2000-RB dated May 03, 2000 (hereinafter referred to as Notification No. FEMA 20/2000-RB) as then applicable and Regulation 13.1(3) of FEMA 20(R) dated November 7, 2017(hereinafter referred to as Notification No. FEMA 20(R) /2017-RB) as then applicable respectively.

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 11/03/2015, with CIN: U72900TG2015FTC097951. The company is engaged in providing software support and maintenance to the clients.
- b) The applicant received a remittance amounting to ₹ 1,02,939.38 towards share subscription from M/s. K-Source Inc. on 22.08.2016 and reported to Reserve Bank of India within the stipulated time.
- c) The applicant filed form FCGPR for the allotment of shares with a delay of 4 years 5 months 16 days approximately beyond the prescribed limit as indicated below.

S No	Name of investor	Date of allotment of shares	No. of Shares allotted	Amount for which shares allotted (INR)	Date of reporting
1	K-Source Inc	11.03.2015	9,999	99,990	27.09.2019

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.



Compounding of contraventions under FEMA 1999
M/s K-Source Private Limited
CA No HYD 464

- d) The applicant allotted shares amounting to ₹ 99,990/- to M/s K-Source Inc on 11.03.2015, towards subscription to Memorandum of Association. However, the inward remittance was received only on 22.08.2016 with a delay of 1 year 3 months 11 days approximately in contravention of Paragraph 8 of Schedule 1 to FEMA Notification No. 20/2000-RB dated May 03, 2000 as then applicable, as indicated below.

S No	Name of investor	Date of allotment	No of Equity Shares allotted	Amount for which shares allotted (INR)	Date of receipt of remittance
1	K-Source Inc	11.03.2015	9,999	99,990	22.08.2016

- e) The applicant had filed Foreign Liabilities and Assets (FLA) returns for the financial years from 2014-15 to 2018-19 with delays ranging from 5 months 10 days to 4 years 6 months 6 days approximately.

S.No	Financial Year	Due date to file	Actual Date of filing
1	2014-15	15.07.2015	21.01.2020
2	2015-16	15.07.2016	10.01.2020
3	2016-17	15.07.2017	10.01.2020
4	2017-18	15.07.2018	10.01.2020
5	2018-19	31.07.2019*	10.01.2020

**Due date for filing for the financial year 2018-19 extended from July 15, 2019 to July 31, 2019.*

Whereas, in terms of Paragraph 9(2) of Schedule I to Notification No. FEMA 20/2000-RB dated May 03, 2000 as then applicable and Regulation 13.1(3) to Notification No. FEMA 20(R)/2017-RB dated November 07, 2017 as then applicable, 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/1797/14.66.003/2019-20 dated February 06, 2020 for further submission in person and/or producing documents, if any, in support of the application.

(b) The applicant appeared for the personal hearing on February 17, 2020 during which Shri. P. Srikant Kumar, Practicing 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 not wilful or with a malafide intention but was due to inadvertence. 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 after issue of shares to persons resident outside India and the contravention relates to an amount of ₹ 99,990/- and the period of contravention is 4 years 5 months 16 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 towards MoA and the contravention



relates to an amount of ₹ 99,990/- the period of contravention is 1 year 3 months 11 days approximately.

(c) Paragraph 9(2) of Schedule 1 to Notification No. FEMA 20/2000-RB and Regulation 13.1(3) of Notification No. FEMA 20(R)/2017-RB for delay in filing of FLA returns for five financial years viz, 2014-15 to 2018-19 and the period of contravention ranges from 5 months 10 days to 4 years 6 months 6 days approximately.

5. It has been declared in the compounding application dated October 22, 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 been declared in the declaration dated December 17, 2019 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. It has further been declared that the applicant has not filed any appeal under section 17 or section 19 of FEMA 1999. Accordingly, the above contraventions which are being compounded under 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



Compounding of contraventions under FEMA 1999
M/s K-Source Private Limited
CA No HYD 464

that an amount of ₹ 77,375/- (**Rupees Seventy Seven Thousand Three Hundred Seventy Five Only**) will meet the ends of justice.

7. Accordingly, I compound the admitted contraventions, namely, the contraventions of Paragraph 9(1)(B), Paragraph 8 and Paragraph 9 (2) of Schedule 1 to Notification No. FEMA 20/2000-RB as then applicable and Regulation 13.1(3) of FEMA 20(R) dated November 7, 2017(hereinafter referred to as Notification No. FEMA 20(R) /2017-RB) as then applicable by the applicant on the facts discussed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 on payment of an amount of ₹ 77,375/- (**Rupees Seventy Seven Thousand Three Hundred Seventy Five Only**) which shall be deposited by the applicant with the Reserve Bank of India, 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 of accordingly.

Dated this 19th day of February 2020

Sd/-

(P Kalyan Chakravarthy)
Assistant General Manager