



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

Present

Shri K S Praveen
Assistant General Manager

Date: June 13, 2019
C.A. BGL 398/2019

In the matter of

M/s Zastra Innovations Private Limited
837, S-3 II Floor, 3rd Cross HRBR Layout
1st Block, Kalyan Nagar
Bengaluru - 560043
(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 March 13, 2019, received at the office of Reserve Bank of India, Bengaluru, on March 21, 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 remittance towards subscription to equity, (ii) delay in submission of form FC-GPR to the Reserve Bank, after issue of shares to a person resident outside India, and (iii) delay in filing the Annual Return on Foreign Liabilities and Assets, in terms of Paragraphs 9(1)(A), 9(1)(B) and 9(2), 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 Zastra Innovations Private Limited, was incorporated on April 27, 2016, under the



Companies Act, 2013, as per the Certificate of Incorporation issued by the Deputy Registrar of Companies, Government of India, Ministry of Corporate Affairs. The business activity undertaken by the Company is to provide Software and Information Technology services to its clients. The applicant had received funds towards share application money from the foreign investor, namely, M/s Materials Design INC, USA, as shown below:

Table -1

| Sr. No. | Date of Receipt | Total Amount (INR) | Date of Reporting to RBI / AD Bank |
|----------------|------------------------|---------------------------|---|
| 1 | 26-07-2016 | 99,990.00 | 30-03-2017 |
| | | 99,990.00 | |

The applicant reported receipt of remittance to the Reserve Bank / Authorized Dealer Bank, with a delay of seven months and five days, beyond the stipulated time of 30 days in respect of the remittance indicated 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.

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 shares allotted | Amount (INR) | Date of reporting to RBI/AD Bank |
|----------------|--------------------------|----------------------------------|---------------------|---|
| 1 | 22-08-2016 | 9999 | 99,990.00 | 30-03-2017 |
| | Total | | 99,990.00 | |

The applicant filed the form FC-GPR, on allotment of shares, with the Bengaluru Regional Office of the Reserve Bank of India / Authorized Dealer Bank, with a delay of six months and nine days, beyond the prescribed period of 30 days, in



respect of the allotment as indicated 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 company has received foreign inward remittances during the Financial Year 2016-17. The company has filed the Annual Return on Foreign Liabilities and Assets (FLA Return) to the Reserve Bank of India on July 13, 2018, for the financial year 2016-17, with a delay beyond the prescribed time limit, i.e. on or before July 15, of the respective year. Whereas, in terms of Paragraph 9(2) of Schedule 1 to Notification No. FEMA 20/2000-RB, dated May 03, 2000, an Indian company which has received Foreign Direct Investment in the previous years 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' as specified by the Reserve Bank from time to time.

5. The applicant was given an opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID (CEFA) No. 6813/22.11.232/2018-19, dated June 07, 2019, for further submission in person and/or producing documents, if any, in support of the application. The applicant's authorized representatives, Mr. Girinath Gopinathan Pillai, Director, and Mr. Chittaranjan G Gokhale, Consultant, who appeared for the personal hearing on June 13, 2019, admitted the contraventions as stated in paragraphs 2, 3 and 4 above, committed by the applicant, for which compounding has been sought. During the personal hearing, the representatives of the applicant requested that as the contraventions were not intentional or with a malafide intention, and was mainly due to inadvertence, a lenient view may be taken in disposal of the application. The application for compounding is, therefore, being considered on the basis of the averments made in the application, as well as other documents and



submissions made in this context, by the applicant during personal hearing and thereafter.

6. I have given my careful consideration to the documents on record and submission made by the applicant during the personal hearing. Accordingly, I hold that the applicant has contravened the following FEMA provisions 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 remittance, received towards subscription to equity as detailed in paragraph 2 above. The contravention relates to an amount of **₹99,990.00**, and the period of delay is seven months and five days;

(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 **₹99,990.00** , and the period of delay is six months and nine days; and

(c) Paragraph 9(2) of Schedule 1 to Notification No. FEMA 20/2000-RB, dated May 03, 2000, due to delayed filing of Annual Return on Foreign Liabilities and Assets for the Financial Year 2016-17.

7. It has been declared in the compounding application dated March 13, 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 undertaking dated March 13, 2019, 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. 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 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.

8. 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 **₹15,575.00 (Rupees Fifteen Thousand Five Hundred and Seventy Five only)**, will meet the ends of justice.

9. Accordingly, I compound the admitted contraventions namely, contraventions of Paragraphs 9(1)(A), 9(1)(B) and 9(2) 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 **₹15,575.00 (Rupees Fifteen Thousand Five Hundred and Seventy Five 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” and 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 Thirteenth day of June 2019.

Sd/-

(K S Praveen)
Assistant General Manager