



In the

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

Present

Shri P. Kalyan Chakravarthy
Assistant General Manager

Date: September 25, 2019
C.A. HYD 446

In the matter of

M/s. Chainflux Technologies Private Limited
H.No:2-9/5/21,Plot No.21,
Sruthi Sadan, Greenland Colony,
Gachibowli, Hyderabad-500032

(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 compounding application dated August 08, 2019 received on August 08, 2019 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 is (i) Delay in receipt of shortfall amount of consideration and (ii) Delay in filing of FLA returns in terms of Paragraph 2(2) and Regulation 13.1(3) respectively of Schedule I to FEMA 20(R) 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 April 02, 2018 (CIN: U72900TG2018PTC123447). The company is engaged in the business of “Writing, modifying, testing of computer program to meet the needs of a particular client excluding web-page designing”.
- b) The applicant had received inward remittances from a foreign investor as indicated below.

S.No	Name of remitter	Amount (INR)	Date of Receipt	Date of reporting
1	Natsoft Corporation	149410	27.04.2018	29.06.2018*
2		590	21.03.2019	Reporting not required
Total		1,50,000		

*Late Submission Fee of ₹ 100/- was paid.

The applicant reported receipt of remittances towards share subscription amounting to ₹ 1, 50,000/- to the Regional Office of Reserve Bank of India in terms of Regulation 13.1(1) of Schedule 1 to Notification No. FEMA 20(R)/2017-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.

- c) The applicant has received the shortfall amount of consideration of ₹ 590/- from the foreign investor with a delay of 9 months approximately as indicated below, in contravention of Paragraph 2 (2) of Schedule 1 to FEMA Notification No. 20(R) /2017-RB dated November 07, 2017 as amended from time to time.

Name of Remitter	Shortfall remittance (INR)	Date of Receipt	Date of allotment
NatSoft Corporation	590	21.03.2019	21.06.2018



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

Particulars	Financial year	Due date of filing	Date of actual filing
FLA Return	2018-19	31.07.2019	11.09.2019

Whereas, in terms of Regulation 13.1(3) of Schedule I to FEMA 20(R) dated November 7, 2017, 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/ 708 /14.66.003/2019-20 dated September 19, 2019 for further submission in person and/or producing documents, if any, in support of the application.

(b) The applicant vide mail dated September 20, 2019 stated that they are foregoing appearing for the personal hearing and requested that the compounding application may be disposed of on the basis of merits in terms of the facts/submission made therein along with the compounding 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 2(2) of Schedule 1 of FEMA 20(R)/ 2017-RB dated November 07, 2017, for delay in receipt of shortfall remittance ₹ 590/- and the period of contravention is 9 months approximately.

(c) Regulation 13.1(3) of Schedule I to Notification No. FEMA 20(R)/2017-RB for delay in filing of FLA returns to Reserve Bank of India for the financial year 2018-19 and the period of contravention is 1 month 11 days approximately.



5. It has been declared in the compounding application dated August 08, 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 August 08, 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 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 **₹ 10,044/- (Rupees Ten Thousand Forty Four Only)** will meet the ends of justice.

7. Accordingly, I compound the admitted contraventions, namely, the contraventions of Paragraph 2(2) 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 of **₹ 10,044/- (Rupees Ten Thousand Forty Four 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



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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 25th day of September 2019

Sd/-

(P. Kalyan Chakravarthy)
Assistant General Manager