



In the  
**RESERVE BANK OF INDIA**  
Foreign Exchange Department  
5th floor, Amar Building  
P M Road  
Mumbai - 400 001

Present  
**Sharmila Thakur**  
**General Manager**

Date: September 20, 2019  
CA No 4936 / 2019

In the matter of  
**Match – IT Consultants Pvt Ltd**  
**17, Madhava Nilayam**  
**Hastinapuri Colony, Sainikpuri**  
**Secunderabad**  
**Telangana - 500094**

**(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 filed the application dated May 9, 2019 (received in the Reserve Bank on May 14, 2019), for compounding of contravention 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 non-receipt of share certificate or other evidence of investment within six months, non-submission and delayed submission of Annual Performance Reports (APRs) and undertaking disinvestment with write-off without obtaining valuation of the overseas company. The above are in contravention of Regulations 15 (i), 15(iii) and 16(1)(iii) of Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 respectively, notified vide Notification No 120/2004-RB dated July 7, 2004, as



amended from time to time (hereinafter referred to as Notification No FEMA 120-RB 2004).

2. The relevant facts of the case are follows:

The applicant company was incorporated as Organon Infotech Private Ltd (CIN U72200TG2000PTC03276), under the Companies Act 1956 on April 18, 2000 and its name was subsequently changed to Match-It Consultants Private Ltd on November 8, 2008. It is engaged in the business of human resources provision and management of human resource functions.

The applicant made an investment of TZS 200,000,000 (equivalent to INR 64,04,375 and USD12,000) on October 10, 2012 towards investment in an overseas Joint Venture (JV) – Oanisha (Match It) International Co Ltd in Tanzania. Despite receiving money as remitted by the applicant, the foreign subsidiary did not respond positively in fulfilling their obligations including submitting the statutory requirements like financial statements, share certificates etc to the Indian Party (IP) in order to comply with ODI requirements. The IP endeavoured to establish communication with the foreign subsidiary to obtain required documents required for regulatory filings but to no avail. The applicant has filed a Police Case in Tanzania against the management of the Tanzanian JV. The company filed APRs for 2012 and 2013 with delay and was unable to file APRs thereafter in the absence of access to JV's financials. In the light of the circumstances, as a special case, RBI exempted the company from obligations under Regulations 15(i) and 15(iii) i.e submitting the share certificate and filing APRs respectively as well as Regulation 16(1)(iii) requiring the JV to furnish valuation at the time of disinvestment. The Indian company wrote off the entire investment in its books.

3.(a) Regulation 15(i) of Notification No FEMA 120-RB, 2004, obliges an Indian Party, which has acquired foreign security in terms of the Regulations to receive share certificates or any other document as an evidence of investment in the foreign entity to the satisfaction of the Reserve Bank within six months.

(b) According to paragraph 15(iii) *ibid*, an Indian Party, which has acquired foreign security in terms of the Regulations in Part- I, shall “submit to the Reserve Bank every



year within 60 days from the date of expiry of the statutory period as prescribed by the respective laws of the host country for finalisation of the audited accounts of the Joint Venture/Wholly Owned Subsidiary outside India or such further period as may be allowed by Reserve Bank, an annual performance report in form APR ...”.

(c) According to Regulation 16(1)(iii) of Notification No FEMA 120-RB 2004 as amended from time to time, an Indian party may disinvest any share or security held by him in a Joint Venture or Wholly Owned Subsidiary outside India provided that the share price is not less than the value certified by a Chartered Accountant /Certified Public Accountant as the fair value of the shares based on the latest audited financial statements of the Joint Venture or Wholly Owned Subsidiary.

4. The applicant was given an opportunity for personal hearing vide letter No. FE.CO.CEFA/945/15.20.67/2018-19 dated August 19, 2019. The meeting was held on August 27, 2019 in which the company was represented by Mr Mahadev Tirunagari, Company Secretary and Mr K Naveen, Senior Manager. It was explained that the company lost contact with the JV partners after a Director appointed by them left the company and thereafter their attempts to receive information and financial documents met with no response. Mr Tirunagari submitted copy of a document dated March 26, 2013, evidencing a notarised transfer of shares worth USD 125,000 in the JV to the applicant company Match-It Consultants Pvt Ltd. Taking cognisance of the document, the undersigned decided to accept the same in lieu of share certificate as evidence of investment and drop the compounding of contravention of Regulation 15(i).

5. I have carefully considered the documents on record and submission made by the applicant in his application and during the personal hearing. Accordingly, I hold that the applicant has contravened the provisions of Regulation 15(iii) and 16(1)(iii) of Notification No FEMA 120-RB 2004 as amended from time to time. The amount and period of contravention is as follows: APRs for 2012 and 2013 were submitted with delay in 2017 and subsequent five APRs till reporting of disinvestment in 2019 were not submitted. The company reported full write off of the investment INR 64,04,375/-



in its books in 2019 without submission of a valuation certificate based on audited balance sheet of the JV and approached RBI for compounding the same year.

6. In terms of provisions of section 13 of FEMA, any person contravening any provision of the Act shall be liable to pay up to three times the sum involved in the contravention upon adjudication. However, taking into account the relevant facts and circumstance 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 Rs.152,375/- (Rupees One Lakh Fifty Two Thousand Three Hundred and Seventy Five only) will meet the ends of justice.

7. Accordingly, I compound the admitted contravention namely, the contravention of Regulations 15(iii) and 16(1)(iii) of Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 notified vide Notification No 120/2004-RB dated July 4, 2004, as amended from time to time, by the applicant, based on the facts discussed above in terms of Foreign Exchange (Compounding Proceedings) Rules, 2000 on payment of Rs.152,375/- (Rupees One Lakh Fifty Two Thousand Three Hundred and Seventy Five only) which shall be deposited by the applicant with the Reserve Bank of India, 5<sup>th</sup> Floor, Amar Building, Sir P M Road, Mumbai-400001 by a Demand Draft drawn in favour of "Reserve Bank of India" and payable at "Mumbai" within a period of 15 days from the date of the 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 shall apply. The application is disposed accordingly.

Dated this 20th day of September 2019.

**Sd/-**  
**(Sharmila Thakur)**  
**General Manager**