



In the

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

Present

Shri. Subrata Das
Regional Director (Andhra Pradesh and Telangana) and
Chief General Manager (Hyderabad)

Date: August 22, 2019
C.A. HYD 429

In the matter of

M/s. Relisys Medical Devices Limited
Survey No. 312, Pocharam Road, Mangalpally Village
Ibrahimpattam, Andhra Pradesh – 501 510

(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 thereunder, I pass the following

Order

The applicant has filed the compounding application dated May 24, 2019 received by us on May 31, 2019, for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (FEMA) and the regulations issued thereunder. The contraventions sought to be compounded are (i) delay in reporting of receipt of foreign inward remittances towards subscription of equity, (ii) delay in submission of form FC-GPR to the Reserve Bank after issue of shares to a person resident outside India, (iii) delay in refund of un-allotted share application money after 180 days without the prior approval of RBI, (iv) conversion of CCDs into equity shares at a price less than the fair market value of equity shares determined at the time of issue of CCDs by the applicant and (v) delay in filing the Annual Return in



respect of the Foreign Liabilities and Assets (FLA Return), in terms of Paragraph 9(1)(A), Paragraph 9(1)(B), Paragraph 8, Paragraph 5 and Paragraph 9(2) of Schedule 1 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 3rd May 2000 (hereinafter referred to as Notification No. FEMA 20/2000-RB) as then applicable.

2. The relevant facts of the case are as follows:

- a) The applicant is a resident company incorporated as M/s Care Polymed Private Limited Company (Subsequently converted into Public Limited Company M/s. Care Polymed Limited on June 25, 1998) under the Companies Act, 1956 on October 13, 1997. Later the company has changed its name to M/s. Relisys Medical Devices Limited (CIN: U85101TG1997PLC028153) with effect from May 27, 2003. The company is engaged in the business of manufacture of rubber surgical and medical equipments (Medical and cardiac devices and disposals).
- b) The applicant had received foreign inward remittances from the following foreign investors towards subscription to equity shares as indicated below.

SI No	Name of Remitter	Total Amount (INR)	Date of Receipt	Date of Reporting
1	Lakshmikanth Prabhala	449800	14.10.2003	19.12.2003
2	Samitha Neravetla	449800	14.10.2003	19.12.2003
3	Srilatha Reddy Basani	449800	14.10.2003	19.12.2003
4	Ganesh Prabhala	453018	24.11.2003	19.12.2003
5	Lakshmikanth Prabhala	453018	24.11.2003	19.12.2003
6	Sudhakar Bandu	906235	24.11.2003	19.12.2003
7	Ramakrishna Neravetla	452176.50	27.11.2003	19.12.2003
8	Frances Dileep Reddy Basani	452176.50	27.11.2003	19.12.2003



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9	Ravi Kumar Addepalli & Ajitha Gollapudi	448661	23.12.2003	05.01.2004
10	Ramakrishna Nervetla	681434	12.07.2004	11.08.2004
11	IT Beans Consultancy Inc	505117	27.07.2004	11.08.2004
12	IT Beans Consultancy Inc	506543	08.09.2004	15.10.2004
13	Sastry V Srikonda	452558	08.10.2004	15.12.2004
14	Sastry V Srikonda	2567	27.12.2005	27.12.2005
15	Ramesh Bangalore & Lakshmi C. Bangalore	452558	08.10.2004	15.12.2004
16	Ramesh Bangalore & Lakshmi C. Bangalore	2567	27.12.2005	27.12.2005
17	IT Beans Consulting Inc	981114	23.12.2004	31.01.2005
18	Kishore Kondapi	887593	04.01.2005	31.01.2005
19	Kishore Kondapi	477363	01.03.2005	13.04.2005
20	Sanjay Reddy G	549234	12.04.2005	13.04.2005
21	Mudumba Sreenivasu	436000	15.04.2005	11.05.2005
22	Niamatali Habiboolaa	2520080	09.05.2005	11.05.2005
23	Vardhan J Reddy & Smt.Jaya K Reddy	1101750	10.01.2006	13.02.2006
24	Vardhan J Reddy & Smt.Jaya K Reddy	3298500	06.02.2006	13.02.2006
25	Pranaya Realtors Inc	2217325	27.02.2006	12.04.2006
26	Rajendar Reddy Abbaredy	774200	22.03.2006	12.04.2006



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27	Pranaya Realtors Inc	3205748	27.03.2006	12.04.2006
28	Niamatali Habiboola	312336	21.12.2006	22.01.2007
29	Demin Shen	194500	13.02.2009	17.04.2009
30	Persona Ventures Corporation Co IIM Ltd	4405500	15.03.2007	21.03.2007
31	Madhavi G Reddy	2513750	05.03.2009	18.04.2009
32	Raju Reddy	13470903	28.06.2011	07.07.2011
33	India Life Sciences Fund II LLC	60001000	23.02.2015	09.03.2015
34	India Life Sciences Fund II LLC	53334240	*15.04.2019	Not applicable
	Total	15,77,99,165		

*** Reporting of inward remittances is not required for the remittances received after September 01, 2018**

The applicant reported receipt of remittances towards share subscription amounting to ₹ 10,44,64,925/- from 19.12.2003 to 09.03.2015 to the Regional Office of Reserve Bank of India as indicated above, out of which remittances amounting to ₹ 1,05,59,197/- was reported with a delay ranging from 2 days to 1 month 8 days approximately. Whereas in terms of Paragraph 9(1)(A) of Schedule 1 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.



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c) The applicant allotted equity shares and filed form FC-GPRs as indicated below.

Sl No	Name of investor	Date of allotment of shares	Number of shares/CCPS/CDs allotted	Amount for which shares allotted (INR)	Date of reporting
1	Ganesh Prabhala	24.01.2004	18049	451225	26.02.2004
2	Lakshmikanth Prabhala		36098	902450	
3	Ramakrishna Nervetla		18049	451225	
4	Samitha Neravetla		18049	451225	
5	Frances Dileep Reddy Basani		18049	451225	
6	Srilatha Reddy Basani		18049	451225	
7	Sudhakar Bandu		36098	902450	
8	Ravi Kumar Addepalli & Ajitha Gollapudi		18049	451225	
9	Ramakrishna Neravetla	23.12.2004	27257	681425	10.05.2005
10	Sastry. V. Srikonda		18205	455125	
11	Ramesh Bangalore		18205	455125	



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12	Kishore Kondapi	19.03.2005	31390	784750	10.05.2005
13	Pavani Nalam		15000	375000	
14	Sunitha Srinivas Devanahalli		50000	1250000	
15	Srikanth Reddy Vari		25000	625000	
16	Raja Gopal Ankatha		12500	312500	
17	Sanjay Reddy Goskonda		18.07.2005	10985	
18	Sreenivas Mudumba	8720		436000	
19	Niamatali Habiboola	50414		2520700	
20	Dr. Vardhan J Reddy	09.09.2006	44002	4400200	06.10.2006
21	Padma Pabbathi Reddy	11.09.2006	5161	774150	06.10.2006
22	Nimatali Habiboolaa	21.03.2007	12604	315100	16.05.2007
23	Persona Ventures Corporations	31.03.2007	22026	4405200	16.05.2007
24	Pranaya Realtors Inc	31.03.2007	54230	5423000	30.05.2007
25	Demin Shen	31.03.2009	972	194400	28.07.2009
26	Raju Reddy	01.12.2011	192441 (CCDs)	13470870	15.04.2013
27	Indian Life Sciences Fund II LLC	23.02.2015	100	1000	20.03.2015
28	Indian Life Sciences Fund II LLC		600000 (CCPS)	60000000	
29	Indian Life Sciences Fund II LLC	19.04.2019	666678	53334240	*06.05.2019
	TOTAL			15,52,75,285	

* Reported through FIRMS portal



The applicant filed form FC-GPRs for the allotment of shares amounting to ₹ 10,19,41,045/- from 26.02.2004 to 20.03.2015 as indicated above, out of which allotment of shares amounting to ₹ 3,32,59,745/- were reported with delays ranging from 3 days to 1 year 3 months 15 days approximately beyond the prescribed limit. 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 FC-GPR along with documents prescribed therein within 30 days from the date of issue of shares to person resident outside India.

d) The applicant has refunded the un-allotted share application money of ₹ 25,13,750/- on March 07, 2015 along with the interest amount of ₹ 21,44,316/-. As payment of interest is not permitted under FEMA 20, we have vide our letter No. HY FE.FID/1603/14.66.003/2018-19 dated February 04, 2019 advised the applicant to unwind the transaction by bringing back the interest paid. The applicant had brought back the interest amount of ₹ 21,44,316/- on May 16, 2019 as indicated below.

SI No	Name of investor	Total Amount(INR)	Date of Receipt	Date of bringing back the interest paid
1	Madhavi Reddy	25,13,750	05.03.2009	16.05.2019

Whereas in terms of Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB dated May 03, 2000 read with A.P (DIR Series) Circular No. 20 dated December 14, 2007, if the shares are not issued within 180 days from the date of receipt of the inward remittance, the amount of consideration so received shall be refunded to the person concerned, provided the Reserve Bank may on an application made to it and for sufficient reasons permit to refund the amount of consideration received towards issue of security, if such amount is outstanding beyond a period of 180 days from



the date of receipt. Here, the amount of contravention is ₹ 25,13,750/- and the period of contravention is 9 years 8 months 15 days approximately.

e) The applicant has received inward remittance of ₹ 5,134/- after allotment of shares with a delay of 1 year 5 days approximately as indicated below.

Sl No	Name of Remitter	Amount (INR)	Date of Allotment	Date of Receipt
1	Sastry V Srikonda	2,567	23.12.2004	27.12.2005
2	Ramesh Bangalore & Lakshmi C. Bangalore	2,567	23.12.2004	27.12.2005
Total		5,134		

Whereas in terms of Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB dated May 03, 2000, an investee company has to allot shares or convertible debentures within 180 days from the date of receipt of inward remittance or the date of debit to NRE / FCNR (B) or Escrow account, as the case may be. Here, the applicant has received the inward remittance after the allotment of shares.

f) The applicant has converted 1,92,441 CCDs on August 06, 2013 into 4,29,419 equity shares of ₹10 each at a premium of ₹ 21.37 each which is lower than the fair value of ₹ 64.22 per share determined at the time of issuance of CCDs on December 01, 2011 as per Chartered Accountant Certificate dated June 10, 2011, which has resulted in excess allotment of 2,19,658 equity shares by the applicant. Subsequently, the applicant has cancelled the excess allotment of 2,19,658 equity shares as advised by NCLAT vide their order dated May 23, 2018, which was effected on July 07, 2018. Whereas in terms of Paragraph 5 of Schedule 1 to Notification No. FEMA 20/2000-RB, Price of shares issued to persons resident outside India under this Schedule, shall not be less than the valuation of shares done as per any internationally accepted pricing methodology for valuation of shares on arm's length basis, duly certified by a Chartered Accountant or a SEBI registered



Merchant Banker. Here, the amount of contravention is ₹ 68,90,671.46 and the period of contravention is 4 years 11 months 01 day approximately.

g) The company has delayed in filing FLA Return (Foreign liabilities and Assets) as shown below. Here the period of contravention ranges from 15 days to 20 days approximately.

SI No	Particulars	Financial year	Due date of filing the return	Date of actual filing
1	FLA Return	2011-12	15.07.2012	30.07.2012
2	FLA Return	2012-13	15.07.2013	04.08.2013

Whereas in terms of Para 9(2) of Schedule I to Notification No. FEMA 20/2000-RB dated May 03, 2000 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/ 359 /14.66.003/2018-19 dated August 08, 2019 for further submission in person and/or producing documents, if any, in support of the application.

(b) The applicant vide e-mail dated August 15, 2019 stated that they are foregoing appearing for the personal hearing and requested that the compounding application may be disposed off 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 9(1)(A) of Schedule 1 to Notification No. FEMA 20/2000-RB for delay in reporting the receipt of consideration towards issue of shares amounting to ₹ 1,05,59,197/- and the period of contravention ranges from 2 days to 1 month 8 days approximately.

(b) 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 of India after issue of shares to persons resident outside India and the contravention relates to an amount of ₹ 3,32,59,745/- and the period of contravention ranges from 3 days to 1 year 3 months 15 days approximately.

(c) Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB read with A.P (DIR Series) Circular No. 20 dated December 14, 2007 for delay in refund of unallotted share application money of ₹ 25,13,750/- to the foreign investor and the period of contravention is 9 years 8 months 15 days approximately and for delay in receipt of share application money of ₹ 5,134/- after allotment of shares and the period of contravention is 1 year 5 days approximately.

(d) Paragraph 5 of Schedule 1 to Notification No. FEMA 20/2000-RB for conversion of CCDs into equity shares at a price less than the fair market value of equity shares determined at the time of issuance of CCDs. Here, the amount of contravention is ₹ 68,90,671.46 and the period of contravention is 4 years 11 months 01 day approximately.

(e) Paragraph 9(2) of Schedule I to Notification No. FEMA 20/2000-RB for delay in filing of Annual Return on Foreign Liabilities and Assets to Reserve Bank of India for two financial years viz, 2011-12 and 2012-13 with delays ranging from 15 days to 20 days approximately.

5. It has been declared in the compounding application dated May 24, 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 May 24, 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.

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 **₹ 2,72,721/- (Rupees Two Lakh Seventy Two Thousand Seven Hundred Twenty One Only)** will meet the ends of justice.

7. Accordingly, I compound the admitted contraventions, namely, the contraventions of Paragraph 9(1)(A), Paragraph 9(1)(B), Paragraph 8, Paragraph 5 and Paragraph 9(2) of Schedule 1 to Notification No. FEMA-20/2000-RB by the applicant on the facts discussed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 on payment of an amount **₹ 2,72,721/- (Rupees Two Lakh Seventy Two Thousand Seven Hundred Twenty One 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



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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 22nd day of August 2019.

Sd/-

(Subrata Das)

Regional Director (Andhra Pradesh and Telangana) and
Chief General Manager (Hyderabad)