



In the

Reserve Bank of India
Foreign Exchange Department
Central Vista, Sector 17, P.B.No.2
Chandigarh-160017

Present

Vikramjit Singh Randhawa
Assistant General Manager

Date: March 05, 2019

CA No. CHA 32/2019

In the matter of

SANOVITA INDIA PRIVATE LIMITED
(CIN U01409PB2016FTC045299)
#279-C, Bhai Randhir Singh Nagar,
Ludhiana, Punjab-141012

(Applicant)

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

Order

The applicant has filed a compounding application dated February 05, 2019 (received at Reserve Bank of India on February 07, 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 pertain to (i) delay beyond 30 days in reporting receipt of foreign inward remittance towards subscription to equity shares, (ii) delay beyond 30 days in submission of Form FC-GPR to the Reserve Bank after issue of shares to a person resident outside India and (iii) delay in refund of excess share application money to the foreign investor; in terms of Paragraph 9(1) (A), Paragraph 9(1) (B) and Paragraph 8 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 3, 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 company was incorporated on May 13, 2016 under the Companies Act 2013. The applicant is engaged in Research and experimental development on natural science and engineering.

3. The applicant company received following foreign inward remittances towards investment in equity shares from non-residents and reported the receipt of inward remittances to the Reserve Bank of India with delay as under:

Sl. No.	Amount of foreign inward remittance in INR	Date of receipt	Date of reporting to RBI	Delay beyond prescribed time of 30 days
1.	93,550.00	18.08.2016	17.01.2017	122 days
2.	7,83,970.00	31.01.2017	28.02.2018	363 days

The above two inflows amounting to INR 8,77,520 were reported to the Reserve Bank of India **with the delay ranging from 122 to 363 days**, in contravention of the provisions stipulated in the Paragraph 9(1) (A) of Schedule I to Notification No. FEMA 20/2000-RB dated May 3, 2000, in terms of which an Indian company issuing shares 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.

4. Further, the applicant issued shares to the non-resident investors but filed the Form FC-GPR for issue of shares with delay as indicated below.

Sr. No	Amount of foreign inward remittance in INR	Date of issue of shares	No. of shares issued	Amount of shares in INR	Date of submission of FC-GPR to RBI	Delay beyond prescribed time of 30 days
1	93,550.00	29.08.2016	7500	75,000.00	26.04.2017	210 Days
2	7,83,970.00	05.02.2017	75,000	7,50,000.00	22.06.2017	107 days

The applicant reported the allotment of shares to the Reserve Bank with delay ranging from **107 to 210 days**. The delay in reporting to the Reserve Bank in Form FC-GPR, beyond the prescribed period of 30 days in respect of allotment of the above shares, is in contravention of the provisions stipulated in the Paragraph 9(1) (B) of Schedule I to the Notification No. FEMA 20/2000-RB dated May 3, 2000.



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5. The applicant has delayed refund of excess share application money to the non-resident investor beyond the stipulated period of 180 days from the date of receipt of remittance, as per the details given below.

Date of receipt	Amount of foreign inward remittance (In INR)	Refund amount	Date of seeking approval from RBI	Delay beyond prescribed time of 180 days
18.08.2016	93,550.00	18,550.00	22.06.2017	128 days
31.01.2017	7,83,970.00	33,970.00	05.03.2018	218 days

Whereas in terms of Paragraph 8 of Schedule I to Notification No. FEMA 20/2000- RB dated May 3, 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. The amendment in Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB was introduced by issue of Foreign Exchange Management (Transfer or Issue of Security by A Person Outside India) (Third Amendment) Regulations, 2007 notified, vide Notification No. FEMA 170/2007-RB dated 13th November 2007 in the official Gazette of the Govt. of India.

6. The applicant was given an opportunity for personal hearing vide our letter No.CHD.FE.CG/FID/35/03.01.510/2018-19 dated February 20, 2019 for further submission in person and/or producing documents, if any, in support of the application. Mr. V P Chhabra, Practising Company Secretary and Mr. Rajesh K Bansal, Chartered Accountant of the company appeared for the personal hearing on March 01, 2019. During the personal hearing, the representatives of the applicant admitted the contravention committed by them for which they have sought compounding. The representative submitted that the contraventions were due to lack of awareness of the procedural requirements and were not intentional and requested for taking a lenient view in the matter. The application is, therefore, being considered on the basis of the averments made in the application, documents produced, and submissions made in this context by the applicant during personal hearing and thereafter.

7. It has been declared in the compounding application dated February 05, 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 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 contravention which is 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. I have given my careful consideration to the documents on record and submissions made by the applicant. Accordingly, I hold that the applicant has contravened the following FEMA provisions:

- a. **Paragraph 9 (1) (A) of Schedule I to Notification No. FEMA 20/2000-RB dated May 3, 2000** due to delay in reporting of receipt of foreign inward remittance towards subscription to equity to the Reserve Bank as detailed in paragraph 3 above. The contravention relates to an amount of **INR 8,77,520.00 with the delay** ranging from **122 to 363 days**
- b. **Paragraph 9 (1) (B) of Schedule I to Notification No. FEMA 20/2000-RB dated May 3, 2000** 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 4 above. The contravention relates to an amount of **INR 8,25,000.00** with delay ranging from **107 to 210 days**.
- c. **Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB dated May 3, 2000** due to delay in refund the excess amount as detailed in paragraph 5 above. The contravention relates to an amount of **INR 52,520.00** with delay of ranging from **128 to 218 days**.

9. 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 amount of penalty of **INR 26,492/- (Rupees Twenty Six Thousand Four Hundred Ninety Two only)** will meet the ends of justice.



10. Accordingly, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, I compound the admitted contraventions committed by the applicant, namely contravention of Paragraph 9(1)(A), 9(1)(B) and 8 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 3, 2000 on the facts discussed above, on payment of an amount of **INR 26,492/- (Rupees Twenty Six Thousand Four Hundred Ninety Two only)** which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, Central Vista, Sector 17, Chandigarh-160017 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at "Chandigarh" **within a period of 15 days from the date of this order**. In the 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: the 05th day of March 2019.

Sd/-

Vikramjit Singh Randhawa
Assistant General Manager