



In the
RESERVE BANK OF INDIA
Foreign Exchange Department
6, Sansad Marg
New Delhi - 110001

Present
Md. Shakir Hasan
Assistant General Manager

Date: November 25, 2019
CA No. NDL 486/2019

In the matter of
ACS Logistics Private Limited
Unit No. 809, 8th Floor, Pearls Best Heights-II, NSP, Pitampura, Delhi - 110034
(Applicant)

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

ORDER

The applicant has filed the compounding application dated June 17, 2019 (received at Reserve Bank of India, New Delhi on July 2, 2019) for compounding of contravention of the provisions of the Foreign Exchange Management Act, 1999 (hereinafter referred to as FEMA) and the regulations issued thereunder. The contravention sought to be compounded is of issue of shares to person resident outside India prior to receipt of inward remittance, in terms of paragraph 2(2) of Schedule 1 to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 notified vide Notification No. FEMA 20(R)/2017-RB dated November 7, 2017 (hereinafter referred to as FEMA 20(R)/2017-RB), as amended from time to time.

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

(a) The applicant company, incorporated on December 18, 2018, is engaged in the business of providing telecommunication support services & other related support



services with regard to movers and packers including consignment tracking services.

(b) The applicant had issued 9,999 equity shares on December 20, 2018 to the subscriber to its Memorandum of Association, M/s GIGG Group INC., Canada. The consideration for the said shares amounting to ₹99,990/- was received on March 7, 2019, 2 months and 15 days after the date of issue of shares, in contravention of paragraph 2(2) of Schedule 1 to FEMA 20(R)/2017-RB, as then applicable. Whereas, in terms of paragraph 2(2) of Schedule 1 to FEMA 20(R)/2017-RB, an Indian company accepting FDI has to receive the share application money from the non-resident investor prior to the issue of shares, and shares have to be issued within sixty days from the date of receipt of the consideration.

(c) The issue of the aforesaid shares and subsequent shares on March 29, 2019 were reported in Form FC-GPR with delay on May 27, 2019 and June 4, 2019 respectively, in contravention of the provisions of Regulation 13.1(2) of FEMA 20(R)/2017-RB, as then applicable. The applicant had paid Late Submission Fee (LSF) for the said contraventions as required in terms of Regulation 13.2 of FEMA 20(R)/ 2017-RB, as then applicable.

(d) Thus, there is a contravention of paragraph 2(2) of Schedule 1 to FEMA 20(R)/ 2017-RB, as then applicable.

3. The applicant was given an opportunity for personal hearing for further submission in person and/ or by producing documents, if any, in support of the application. Shri Deepender Kumar, Chartered Accountant, appeared for personal hearing on November 22, 2019 on behalf of the applicant. The representative of the applicant admitted the contravention committed by the applicant for which compounding has been sought. During the personal hearing, he submitted that the contravention was without any malafide or wilful intention but was mainly due to delay in opening of the bank account of the applicant company. He requested for a lenient view in the matter. The application for compounding is, therefore, being considered on the basis of averments made in the application as well as other documents and submissions made during the personal hearing.

4. I have given my careful consideration to the documents on record and submissions made by the applicant during the personal hearing. Accordingly, I hold



that the applicant has contravened the provision of paragraph 2(2) of Schedule 1 to FEMA 20(R)/2017-RB, as then applicable, on account of issue of shares to person resident outside India prior to receipt of inward remittance as detailed in paragraph 2(b) above. The contravention relates to an amount of ₹99,990/- (Rupees Ninety Nine Thousand Nine Hundred and Ninety only) and the period of contravention is 2 months and 15 days.

5. It has been declared in the compounding application dated June 17, 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 also been declared in the declaration dated June 17, 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. Accordingly, the above contravention which is being compounded in this Order is 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 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. After considering the submissions made by the applicant and the entire facts and circumstances of the case I am persuaded to compound the contravention, in line with the Guidance Note on Computation Matrix prescribed as part of Master Direction – Compounding of Contraventions, framed in accordance with the Foreign Exchange (Compounding Proceedings) Rules, 2000. Accordingly, it stands to reason that payment of an amount of **₹2,500/- (Rupees Two Thousand and Five Hundred only)** will meet the ends of justice in the circumstances of this case.

7. Accordingly, I compound the admitted contravention of paragraph 2(2) of Schedule 1 to FEMA 20(R)/2017-RB, as then applicable, by the applicant based on



the facts detailed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, on payment of an amount of **₹2,500/- (Rupees Two Thousand and Five Hundred only)** which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 6, Sansad Marg, New Delhi - 110001 by a demand draft drawn in favour of the “Reserve Bank of India” and payable at New Delhi 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 accordingly.

Dated this the 25th day of November 2019.

Sd/-
(Md. Shakir Hasan)
Assistant General Manager