



In the

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

Present

Shri. P. Kalyan Chakravarthy  
Assistant General Manager

Date: March 12, 2020  
CA HYD 489

In the matter of

M/s. SCH Coating Solutions Private Limited  
H. No. 11-1-128-130/ABC Ground Floor, Sitafalmandi  
Secunderabad, Hyderabad – 500 061

**(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 had filed the compounding application dated January 08, 2020, received on January 10, 2020, for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued thereunder. The contraventions sought to be compounded are (i) Delay in reporting receipt of foreign inward remittances towards the subscription of equity, (ii) Delay in submission of form FC-GPR to the Reserve Bank after issue of shares towards subscription to equity to a person resident outside India and (iii) Delay in receipt of amount of consideration after the allotment of shares and (iv) Delay in filing of FLA returns in terms of Paragraph 9(1)(A), Paragraph 9(1)(B), Paragraph 8,



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 May 03, 2000 as amended from time to time (hereinafter referred to as Notification No. FEMA 20/2000-RB) as then applicable and Regulation 13.1(3) to Notification No. FEMA 20(R)/2017-RB dated November 07, 2017 as then applicable respectively.

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 December 26, 2014 (CIN: U74900TG2014PTC096991). The company is engaged in the business of "Manufacture of caulking compounds and similar non-refractory filling or surfacing preparations, mastics, prepared paint or varnish removers, organic composite solvents and thinners and other related products n.e.c."

b) The applicant had received an inward remittance from a foreign investor as indicated below:

S No	Name of the remitter	Amount (₹)	Date of receipt	Date of reporting
1	Lee Jonathan Hitchens	90,000	23.03.2015	04.07.2016

The applicant reported receipt of remittance towards share subscription amounting to ₹ 90,000/- to the Regional Office of Reserve Bank of India with a delay of 1 year 2 months 11 days beyond the prescribed limit. 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-GPR as indicated below:

S No	Name of investor	Date of allotment of shares	No. of Shares allotted	Amount for which shares allotted (₹)	Date of reporting to RBI
1	Lee Jonathan Hitchens	26.12.2014	9,000	90,000	11.08.2017

The applicant filed form FC-GPR for the allotment of shares amounting to ₹ 90,000/- to the Regional Office of Reserve Bank of India, with a delay of 2 years 6 months 16 days 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 had received consideration amount of ₹ 90,000/- after the allotment of shares towards Subscription to Memorandum of Association, with a delay of 25 days beyond the prescribed limit as indicated below, in contravention of Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB dated May 03, 2000 as then applicable.

SI No	Name of Remitter	Amount (₹)	Date of Allotment	Date of Receipt
1	Lee Jonathan Hitchens	90,000	26.12.2014	23.03.2015

e) The applicant had filed FLA (Foreign Liabilities and Assets) returns for the financial years from 2014-15 to 2018-19 with delays ranging from 4 months 10 days to 4 years 4 months 25 days as indicated below:

S No	Financial Year	Due date for filing	Actual Date of filing
1	2014-15	15.07.2015	10.12.2019
2	2015-16	15.07.2016	10.12.2019



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3	2016-17	15.07.2017	10.12.2019
4	2017-18	15.07.2018	10.12.2019
5	2018-19	31.07.2019*	10.12.2019

*\*Due date of filing for the financial year 2018-19 extended from July 15, 2019 to July 31, 2019.*

Whereas in terms of Paragraph 9(2) of Schedule I to Notification No. FEMA 20/2000-RB dated May 03, 2000 as then applicable and Regulation 13.1(3) to Notification No. FEMA 20(R)/2017-RB dated November 07, 2017 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/1996/14.66.003/2019-20 dated March 06, 2020 for further submission in person and/or producing documents, if any, in support of the application.

(b) The applicant, vide e-mail dated March 10, 2020 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. It has been declared in the compounding application dated January 08, 2020 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 January 08, 2020 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.

5. 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 to persons resident outside India. The contravention relates to an amount of ₹ 90,000/- and the period of contravention is 1 year 2 months 11 days.
- (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 after issue of shares to persons resident outside India. The contravention relates to an amount of ₹ 90,000/- and the period of contravention is 2 years 6 months 16 days.
- (c) Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB for delay in receipt of amount of consideration after the allotment of shares. The contravention relates to an amount of ₹ 90,000/- and the period of contravention is 25 days.
- (d) Paragraph 9(2) of Schedule 1 to Notification No. FEMA 20/2000-RB and Regulation 13.1(3) to Notification No. FEMA 20(R)/2017-RB for delay in filing of FLA returns for five financial years viz, 2014-15 to 2018-19 and the period of contravention ranges from 4 months 10 days to 4 years 4 months 25 days.



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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 and I consider that an amount of **₹ 67,532/- (Rupees Sixty Seven Thousand Five Hundred Thirty Two 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 9(2) of Schedule 1 to Notification No. FEMA 20/2000-RB as then applicable and Regulation 13.1(3) to Notification No. FEMA 20(R)/2017-RB dated November 07, 2017 as then applicable by the applicant on the facts discussed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 on payment of an amount of **₹ 67,532/- (Rupees Sixty Seven Thousand Five Hundred Thirty Two 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 within the above mentioned period, Rule 10 of the Foreign Exchange (Compounding Proceedings) Rules, 2000 dated May 03, 2000 shall apply.

The application is disposed of accordingly.

Dated this 12<sup>th</sup> day of March 2020

Sd/-

(P. Kalyan Chakravarthy)  
Assistant General Manager