



In the

**RESERVE BANK OF INDIA**  
Foreign Exchange Department  
5<sup>th</sup> Floor, Amar Building  
Sir P M Road  
Mumbai - 400 001

Present

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

Date: October 18, 2019  
CA No 4918/ 2019

In the matter of

**Yalamanchili Software Exports Limited**  
**11/6, Balaji Avenue, 1<sup>st</sup> street, T.Nagar**  
**Chennai 600 017.**

**(Applicant)**

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

### **Order**

The applicant has filed the application dated April 19, 2019 (received in the Reserve Bank on April 23, 2019, read with addendum dated October 15, 2019 received via email) for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued thereunder, for (i) delay in receipt of share certificates (ii) delay in filing Form ODI with respect to certain remittances made during 2006-2008 and (iii) delay in submission of Annual Performance Reports (APR) for the years 2007 to 2016, in contravention of Regulations 15(i), 6(2)(vi) and 15(iii) respectively of Foreign Exchange Management (Transfer or Issue of any Foreign Security)



Regulations, 2004 notified vide Notification No. FEMA 120/2004-RB dated July 7, 2004 as amended from time to time (hereinafter referred to as Notification No. FEMA 120/2004-RB).

2. The relevant facts are as under:

The applicant company was incorporated on February 16, 2001 (CIN U72200TN2001PLC046643) and is engaged in business of providing IT services. The company had invested in a wholly owned subsidiary (WOS) "Yalamanchili International Pte Ltd.", Singapore, in the year 2006. Though the company had reported the investment and received the share certificates, it had inadvertently missed to file the Forms ODI at the time of certain remittances during 2006 – 2008 amounting to SGD 1,66,475/- (equivalent to INR 51,36,862/-). The non-reporting of Form ODI on seven occasions, was noticed only post disinvestment of shares held in WOS in November 2016 and subsequently reported to RBI on August 5, 2017. Further, for five of these remittances, the share certificate was received from the WOS with a delay i.e beyond six months and APRS for the years 2007- 2016 were all submitted with delays. The division (OID) has taken on record the above mentioned contraventions, subject to compounding.

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 Regulation 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 6(2)(vi) *ibid*, an Indian party may make direct investment in a Joint Venture or Wholly Owned Subsidiary outside India



provided it “submits duly completed Part I of the Form ODI, as prescribed by the Reserve Bank from time to time, to the designated branch of an authorised dealer”.

4. The applicant was given an opportunity for personal hearing vide letter No. FE.CO.CEFA/1820/15.20.67/2019-20 dated October 10, 2019 for further submission in person and/or producing documents, if any, in support of the application. The applicant sought to forego the option of personal hearing with the Compounding Authority vide e-mail dated October 15, 2019. The application is, therefore, being considered on the basis of the averments made in the application and the documents adduced with the compounding application.

5. It has been declared in the compounding application dated April 19, 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 furnished along 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 been informed of initiation of any such enquiry/investigation/adjudication proceedings against it thereafter. 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. I have given my careful consideration to the documents on record and submissions in the compounding application. It was observed that the applicant has contravened the provisions of Regulations 6(2)(vi), 15(i) and 15(iii) of Notification No.FEMA.120/2004-RB. The quantum of remittances reported with delays was Rs 51,36,862/- with the delays ranging from 8.4 years to 11.2 years. Delays of upto one year were observed in submission of Share



certificates on five occasions and all 11 APRs were submitted beyond the due date.

7. 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. After considering the submissions made by the applicant and the entire facts and circumstances of the case, it stands to reason that payment of an amount of Rs. 2,72,499/- (Rupees Two lakhs seventy two thousand four hundred and ninety nine only) will meet the ends of justice in the circumstances of this case.

8. Accordingly, I compound, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 the admitted contraventions committed by the applicant namely, Regulations 15(i), 6(2)(vi) and 15(iii) of Notification No.FEMA.120/2004-RB, on payment of a sum of Rs. 2,72,499/- (Rupees Two lakhs seventy two thousand four hundred and ninety nine only) which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 5th Floor, Amar Building, Fort, Mumbai 400001 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at 'Mumbai' 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 18<sup>th</sup> day of October, 2019

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