



In the  
**Reserve Bank of India**  
Foreign Exchange Department  
Fort Glacis, No.16, Rajaji Salai  
Chennai 600 001

Present

**K Ravi**  
**Deputy General Manager**

Date: December 19, 2019  
**C.A.954/2019**

In the matter of

**M/s. Congruent Info-Tech Pvt Ltd.**  
**(Formerly RX Solutions Pvt Ltd)**  
Type II/4, Dr. V S I Estate  
Thiruvanmiyur  
Chennai – 600 041

**(Applicant)**

In exercise of the powers 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 August 26, 2019 (received at Reserve Bank on August 27, 2019) for compounding of contraventions of the provisions



of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued there under. The contraventions sought to be compounded are (i) violation of pricing guidelines in issue of shares (ii) delay in refund of consideration (iii) transfer of shares from resident to non-resident by way of gift without Reserve Bank's approval and (iv) taking on record the transfer of shares in the books of the company without Reserve Bank's approval, in terms of Paragraph 5, Paragraph 8 of Schedule I, Regulation 10 A (a) and Regulation 4 of 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 then applicable (hereinafter referred to as Notification No. FEMA 20/2000-RB) respectively.

2. The relevant facts of the case are as follows: The applicant company was incorporated on June 26, 2000 under the provisions of the Companies Act, 1956 (Registration No. U72900TN2000PTC045256) and is engaged in the business of writing, modifying, testing of computer program to meet the needs of a particular client excluding web-page designing. The applicant received foreign inward remittance of ₹13,32,900.00 from Shri Mani Krishna Murthy, USA towards subscription to shares and reported the same to the Reserve Bank.

3. The company had allotted 10000 equity shares at a Face Value of ₹10/- each amounting to ₹1,00,000.00 against the Fair Value of ₹92.50/- to person resident outside India on October 09, 2003. The shortfall of ₹8,25,000.00 was brought in by way of inward remittance as detailed below:

<b>No of Shares</b>	<b>Difference between Fair price and face value ₹</b>	<b>Amount of shortfall (₹)</b>	<b>Date of allotment of shares</b>	<b>Date of receipt of shortfall</b>
10000	82.50	8,25,000.00	09.10.2003	01.07.2019

The shortfall was brought in with a delay of 15 years 8 months 22 days approximately, after the allotment of shares. Whereas in terms of Paragraph 5 of Schedule I to



Notification No. FEMA 20/2000-RB the price of shares issued to persons resident outside India shall not be less than the fair value of shares.

4. The company refunded an amount of ₹10,30,900.00 without permission of Reserve Bank as detailed below:

SI. No.	Deemed date of receipt	Amount (₹)	Date of refund
1	29.11.2007	10,32,900.00	05.04.2011

The company refunded the consideration of ₹10,32,900.00 with a delay of 2 years 10 months 9 days approximately beyond the stipulated time of 180 days without prior approval of Reserve Bank. Whereas in terms of paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB read with A.P(DIR Series) Circular No.20 dated December 14, 2007 the shares have to be issued/amount refunded within 180 days from the date of receipt of the inward remittance.

5. The resident shareholder Shri V S Krishna Murthy has transferred 20000 shares of fair value ₹92.50/- each to non-resident, Shri Mani Krishna Murthy, USA on October 09, 2003 by way of gift without Reserve Bank's approval as detailed below:

No of Shares	Fair Value ₹	Amount Involved (₹)	Date of transfer	Date upto which contravention exists
20000	92.50	18,50,000.00	09.10.2003	27.08.2019

The duration of contravention is 15 years 10 months 18 days from the date of transfer of shares to date of submission of compounding application. Whereas in terms of Regulation 10 A (a) of Notification No. FEMA 20/2000-RB, a person resident in India who proposes to transfer to a person resident outside India any security by way of gift shall make an application to Reserve Bank.

6. The company has taken the transfer of 20000 shares of ₹92.50/- each amounting to ₹18,50,000.00 on record on October 10, 2003 without Reserve Bank's approval as detailed below:



<b>Transferor (Resident)</b>	<b>No of Shares</b>	<b>Transferee (Non Resident)</b>	<b>Amount Involved (₹)</b>	<b>Date of taking on record transfer of shares in the books of the company</b>	<b>Date upto which contravention continued</b>
Shri V S Krishna Murthy	20000	Shri Mani Krishna Murthy	18,50,000/-	10.10.2003	27.08.2019

The duration of contravention is 15 years 10 months 17 days from the date of taking on record the transfer of shares to date of submission of compounding application. Whereas in terms of Regulation 4 read with Regulation 10(A)(a) of Notification No. FEMA 20/ 2000-RB the company can take the transfer of shares by way of gift, on record, after the approval of Reserve Bank. Further, save as otherwise provided in the Act, Rules or Regulations made there under, an Indian entity shall not record in its books any transfer of security from or to such person provided that the Reserve Bank may on an application made to it and for sufficient reasons, permit an entity to issue any security to a person resident outside India or to record in its books transfer of security from or to such person, subject to such conditions as may be considered necessary.

7. The applicant was advised about the contraventions vide memorandum dated July 15, 2019. The applicant has filed a compounding application dated August 26, 2019 wherein it has been declared in the compounding application 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 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/him/her 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.



8. The applicant was given an opportunity for personal hearing vide Reserve Bank's mail dated December 17, 2019 for further submission in person and/or producing documents, if any, in support of the application. The applicant vide mail dated December 18, 2019 chose not to appear for the personal hearing scheduled on December 19, 2019. The applicant, in the compounding application, has admitted the contraventions as stated in paragraphs 3 to 6 above for which compounding has been sought. It had been submitted that the delays were unintentional. In view of the above, they requested Reserve Bank to take a lenient view in the matter. The application for compounding is, therefore, being considered on the basis of the averments made in the application as well as other documents and submissions made in this context by the applicant.

9. I have given my careful consideration to the documents on record and submission made by the applicant in the compounding application. Accordingly, I hold that the applicant has contravened the following FEMA, 1999 provisions issued in terms of:

- (a) Paragraph 5 of Schedule I to Notification No. FEMA 20/2000-RB due to violation of pricing guidelines in issue of shares as detailed in paragraph 3 above. The contravention relates to an amount of ₹8,25,000.00 with the duration of contravention being 15 years 8 months 22 days approximately;
- (b) Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB read with A.P(DIR Series) Circular No.20 dated December 14, 2007 due to delay in refund of receipt of consideration as detailed in paragraph 4 above. The contravention relates to an amount of ₹10,32,900.00 with the duration of contravention being 2 years 10 months 9 days approximately;
- (c) Regulation 10 A (a) of Notification No. FEMA 20/2000-RB, due to transfer of shares by way of gift without prior approval from Reserve Bank as detailed in paragraph 5 above. The contravention relates to an amount of ₹18,50,000.00 and the duration of the contravention being 15 years 10 months 18 days approximately and
- (d) Regulation 4 read with Regulation 10(A)(a) of Notification No. FEMA 20/2000-RB due to taking on record transfer of shares by way of gift without Reserve Bank's approval as detailed in paragraph 6 above. The contravention relates to an amount



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of ₹18,50,000.00 with the duration of contravention being 15 years 10 months 17 days approximately.

**10.** In terms of Section 13 of the FEMA, 1999, 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 contraventions are to be compounded and I consider that an amount of **₹2,15,519/-** (Rupees two lakhs fifteen thousand five hundred and nineteen only) will meet the ends of justice.

**11.** Accordingly, I compound the admitted contraventions namely, the contraventions of paragraph 5 and paragraph 8 of Schedule I, Regulation 10(A)(a) and Regulation 4 of 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 of **₹2,15,519/-** (Rupees two lakhs fifteen thousand five hundred and nineteen only) which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, Fort Glacis, No.16, Rajaji Salai, Chennai - 600 001 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at Chennai 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 Nineteenth day of December, 2019.

**Sd/-**

**K Ravi**

**Deputy General Manager**