



In the

**Reserve Bank of India**  
10/3/8, Nrupathunga Road  
Bengaluru-560001

Present

**Ms. Shilpi Kumari**  
**Assistant General Manager**

Date: November 26, 2019  
**C.A. BGL 479/2019**

In the matter of

**M/s DTDS Smart-Core Private Limited**  
183, 1<sup>st</sup> Main Road  
1<sup>st</sup> Block BEL Layout, Vidyaranyapura  
Bengaluru 560097

**(Applicant)**

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

**ORDER**

The applicant has filed a compounding application dated August 14, 2019, received at this office of Reserve Bank of India, Bengaluru, on August 16, 2019, for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999, (the FEMA) and the regulations issued there under. The contravention sought to be compounded is allotment of shares to persons resident outside India, prior to receipt of amount of consideration, in terms of Paragraph 2 of Schedule I 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 07, 2017, and as amended from time to time (hereinafter referred to as Notification No. FEMA 20(R)/2017-RB).



2. The relevant facts of the case are as follows: The applicant, M/s DTDS Smart-Core Private Limited, was incorporated on October 24, 2018, under the Companies Act, 2013, as per the Certificate of Incorporation issued by the Deputy Registrar of Companies, Ministry of Corporate Affairs, Government of India. The activity undertaken by the company is wholesale of electronic valves and tubes, semiconductor devices, microchips, integrated circuits and printed circuits.

3. The company had allotted 9999 equity shares worth ₹99,990.00, to the non-resident investor, M/s Smart-Core DTDS Limited, Hong Kong, on October 24, 2018. However, the amount of consideration of ₹99,990.00, pertaining to the aforesaid share allotment was received on January 28, 2019, with a delay of three months and four days from the date of allotment of shares.

Whereas, in terms of Paragraph 2 of Schedule 1 to Notification No. FEMA 20 (R)/2017- RB, for issue of equity shares by an Indian company against any funds payable by it to the investor, the amount of consideration shall be paid as inward remittance from abroad through banking channels or out of funds held in NRE/ FCNR(B)/ Escrow account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016. Further, capital instruments shall be issued to the person resident outside India making such investment within sixty days from the date of receipt of the consideration.

4. The applicant was given an opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID (CEFA) No. 1350 /22.11.724/2019-20, dated November 22, 2019, for further submission in person and/or producing documents, if any, in support of the application. The applicant's authorized representative, Mrs. Kiran Gupta, Company Secretary, who appeared for the personal hearing on November 26, 2019, admitted the contravention as stated in paragraph 3 above, committed by the applicant, for which compounding has been sought. The representative of the applicant requested that, as the contravention was not intentional or with a malafide intention and was mainly due to inadvertence,



a lenient view may be taken in disposal of the application. 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 during personal hearing and thereafter.

5. I have given my careful consideration to the documents on record and submission made by the applicant during the personal hearing. Accordingly, I hold that the applicant has contravened the FEMA provision issued in terms of Paragraph 2 of Schedule I to Notification No. FEMA 20(R)/2017-RB, dated November 07, 2017, as the applicant had allotted shares to the non-resident investor, prior to the receipt of amount of consideration as detailed in paragraph 3 above. The contravention relates to an amount of **₹99,990.00**, and the period of contravention is three months and four days.

6. It has been declared in the compounding application dated August 14, 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 as part of 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 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.

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. 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 an amount of **₹2,630.00 (Rupees Two Thousand Six Hundred and Thirty only)**, will meet the ends of justice.

8. Accordingly, I compound the admitted contravention namely, contravention of Paragraph 2 of Schedule I to Notification No. FEMA 20(R)/2017-RB, by the applicant, based on the facts discussed above, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, on payment of an amount of **₹2,630.00 (Rupees Two Thousand Six Hundred and Thirty only)**, which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 2<sup>nd</sup> Floor, 10/3/8, Nrupathunga Road, Bengaluru – 560001, by a demand draft drawn in favour of the “Reserve Bank of India”, payable at Bengaluru, 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 of accordingly.

Dated this, the Twenty Sixth day of November 2019.

**Sd/-**

**(Shilpi Kumari)**  
**Assistant General Manager**