



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

Present  
**Md. Shakir Hasan**  
**Assistant General Manager**

Date: May 22, 2019  
CA No. NDL 372/2019

In the matter of  
**Contec Critical Solutions Private Limited**  
D-68A, First Floor, Freedom Fighter Enclave, Neb Sarai, New Delhi-110068  
**(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 January 3, 2019 (received at Reserve Bank of India, New Delhi on January 11, 2019) for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (hereinafter referred to as FEMA) and the regulations issued thereunder. The contraventions sought to be compounded are those of (i) delay in reporting foreign inward remittance received for issue of shares, and (ii) delay in refund of share application money beyond 180 days, in terms of paragraphs 9(1)(A) and 8 respectively 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 3, 2000 (hereinafter referred to as FEMA 20/2000-RB), as amended from time to time.



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

(a) The applicant company, incorporated on February 13, 2017, is engaged in the business of importing, manufacturing, distribution, supplying and trading all sorts of innovative cleaning products (including cleanroom wipes, dry and pre-saturated wipes, mopping systems, disinfectants) for use in critical environment.

(b) The applicant had received foreign inward remittance of ₹2,924.24 on September 22, 2017 from its foreign investor, M/s Contec Inc, U.S.A. and reported it on October 24, 2017 with a delay of 2 days beyond the prescribed period in contravention of paragraph 9(1)(A) of Schedule 1 to FEMA 20/2000-RB, as then applicable. Whereas, in terms of paragraph 9(1)(A) of Schedule 1 to FEMA 20/2000-RB, an Indian company issuing shares or convertible debentures or warrants in accordance with these Regulations shall submit through AD bank to the Regional Office concerned of the Reserve Bank under whose jurisdiction the Registered office of the company operates, not later than 30 days from the date of receipt of the amount of consideration received by Indian company for issue of shares or convertible debentures or warrants, a report in Advance Reporting Form as specified by Reserve Bank from time to time along with documents prescribed therein.

(c) The applicant had refunded the excess share application money to its foreign investors viz. M/s Contec Inc, U.S.A. and M/s Contec Holding Company, Mauritius with delay of 1 day and 7 months & 25 days respectively beyond the prescribed period of 180 days from the date of receipt of foreign inward remittances, as detailed below, in contravention of paragraph 8 of Schedule 1 to FEMA 20/2000-RB, as then applicable.

| Sl. No. | Date of receipt | Excess Amount (₹)  | Date of refund/ seeking refund approval from RBI | Remarks              |
|---------|-----------------|--------------------|--|----------------------|
| 1       | 22.09.2017      | 424.24             | 22.03.2018                                       | Without RBI approval |
| 2       | 26.09.2017      | 380554.58          | 19.11.2018                                       | With RBI approval    |
|         | <b>Total</b>    | <b>3,80,978.82</b> |  |                      |

Whereas, in terms of paragraph 8 of Schedule 1 to FEMA 20/2000-RB, a company in India issuing shares or convertible debentures or warrants under this Schedule to a person resident outside India shall receive the amount of consideration for such shares or convertible debentures or warrants by inward remittance through normal



banking channels, or by debit to NRE/ FCNR(B) account of the person concerned maintained with an authorised dealer/ authorised bank, or by debit to a non-interest bearing Escrow account (in Indian Rupees) maintained in India with an AD bank in accordance with Foreign Exchange Management (Deposit) Regulations, 2000. Provided that if the shares or convertible debentures or warrants are not issued within 180 days from the date of receipt of the inward remittance or date of NRE/ FCNR(B)/ Escrow account the amount of consideration so received shall be refunded to the person concerned by outward remittance through normal banking channels or by credit to his NRE/ FCNR(B)/ Escrow account, as the case may be. Provided further that the Reserve Bank may, on an application made to it and for sufficient reasons permit an Indian company to refund the amount of consideration received towards issue of security, if such amount is outstanding beyond a period of 180 days from the date of receipt.

(d) Thus, there are contraventions of paragraphs 9(1)(A) and 8 of Schedule 1 to FEMA 20/2000-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. Ms Simran Khattar, Company Secretary, appeared for personal hearing on May 21, 2019 on behalf of the applicant. The representative of the applicant admitted the contraventions committed by the applicant for which compounding has been sought. During the personal hearing, she submitted that contraventions were without any *malafide* or wilful intention but were mainly due to inadvertence for delay in reporting the foreign inward remittance and non-availability of the authorised signatory at his usual place of business for signing the refund related documents as called for by the AD bank for delay in refund of excess share application money. She 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 following FEMA provisions:

(a) Paragraph 9(1)(A) of Schedule 1 to FEMA 20/2000-RB, on account of delay in



reporting foreign inward remittance received towards subscription of shares as detailed in paragraph 2(b) above. The contravention relates to an amount of ₹2,924.24 (Rupees Two Thousand Nine Hundred Twenty Four and Paise Twenty Four only) and the period of delay is 2 days.

(b) Paragraph 8 of Schedule 1 to FEMA 20/2000-RB, due to delay in refund of share application money beyond 180 days, as detailed in paragraph 2(c) above. The contravention relates to an amount of ₹3,80,978.82 (Rupees Three Lakh Eighty Thousand Nine Hundred Seventy Eight and Paise Eighty Two only) and the periods of delay are 1 day and 7 months & 25 days.

5. It has been declared in the compounding application dated January 3, 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 January 3, 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 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. 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 contraventions, 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 **₹46,726/- (Rupees Forty Six Thousand Seven Hundred and Twenty Six only)** will meet the ends of justice in the circumstances of this case.



7. Accordingly, I compound the admitted contraventions of paragraphs 9(1)(A) and 8 of Schedule 1 to FEMA 20/2000-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 **₹46,726/- (Rupees Forty Six Thousand Seven Hundred and Twenty Six 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 22<sup>nd</sup> day of May 2019.

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