



In the

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

Present

Shri C Nageswara Rao  
Deputy General Manager

Date: May 10, 2019  
C.A. HYD 398

In the matter of  
M/s Sai Ganga Panakeia Private Limited  
Vill-20, Ground floor, Krupa Patel Villas  
Ashok Manipuri Colony,  
Sainikpuri Secunderabad 500062

**(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 has filed the compounding application dated January 7, 2019 received on January 10, 2019 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 (ii) delay in submission of Form FC-GPR to Reserve Bank of India after issue of shares towards subscription to equity in terms of Paragraph 9(1)(A), Paragraph 9(1)(B) respectively of Schedule 1 to Foreign



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Exchange Management Regulations, 2000 notified vide Notification No. FEMA.20/2000-RB dated May 03, 2000 (hereinafter referred to as Notification No. FEMA 20/2000-RB) as then applicable and (iii) delay in refund of share application money to foreign investors (iv) delay in filing of FLA returns in terms of Paragraph 2 and Regulation 13.1(3) of Schedule 1 to FEMA 20(R) dated November 7, 2017(hereinafter referred to as Notification No. FEMA 20R/2017-RB) as amended from time to time.

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, 1956 on 09.12.2011 (CIN: U73100TG2011PTC077912). The company is engaged in research of ayurvedic concepts of medicine, allopathic and homeopathic medicines and manufacture of medicines and formulations.
- b) The applicant had received foreign inward remittances for subscription to equity shares as indicated below:

| S.No | Name of remitter                             | Amount (INR)      | Date of Receipt | Date of reporting |
|------|--|-------------------|-----------------|-------------------|
| 1    | Panacea Contract Research Consulting Limited | 652687.72         | 25/05/2017      | 10/07/2017        |
| 2    | Panacea Contract Research Consulting Limited | 507846            | 14/07/2017      | 27/07/2017        |
| 3    | Thenuka Kantharajah, Germany                 | 1238100           | 01/11/2018      | *                 |
|      | <b>Total</b>                                 | <b>2398633.72</b> |                 |                   |

**\*Reporting is not required as the remittance is received after September 1, 2018**

The applicant reported receipt of remittances towards share subscription amounting to ₹11,60,533.72 to the Regional Office of Reserve Bank of India on dates as indicated above out of which remittance of ₹652687.72 was reported with a delay of



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16 days approximately. 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.

c) The company allotted shares and filed form FC-GPRs as indicated below.

| S.No | Name of investor                             | Date of allotment of shares | No. of Shares allotted | Amount for which shares allotted (INR) | Date of reporting to RBI |
|------|--|-----------------------------|------------------------|--|--------------------------|
| 1    | Panacea Contract Research Consulting Limited | 23/07/2017                  | 23                     | 1160532.85                             | 09/07/2018               |
|      |  | Total                       |                        | 11,60,532.85                           |                          |

The applicant filed form FCGPRs for the allotment of shares amounting to ₹11,60,532.85 as indicated above which was reported with delay of 10 months 17 days approximately 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 FCGPR along with documents prescribed therein within 30 days from the date of issue of shares to person resident outside India.

d) The company has refunded the share application money to the foreign investor as shown below:

| S.No | Name of investor             | Date of receipt of remittance | Amount of remittance received and refunded | Date of request for refund |
|------|------------------------------|-------------------------------|--|----------------------------|
| 1    | Thenuka Kantharajah, Germany | 01/11/2018                    | 1238100                                    | 22/01/2019                 |

The applicant refunded share application money ₹ 12,38,100/- as indicated above with a delay of 7 days approximately beyond the prescribed limit. Whereas in terms



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of Paragraph 2 of Schedule 1 of FEMA 20(R)/2017-RB dated November 07, 2017, where such capital instruments are not issued within sixty days from the date of receipt of the consideration the same shall be refunded to the person concerned by outward remittance through banking channels or by credit to his NRE/ FCNR (B) accounts, as the case may be within fifteen days from the date of completion of sixty days.

e) The company has delayed in filing FLA Return (Foreign liabilities and Assets) for

| SI No | Particulars | Financial year | Due date of filing | Date of actual filing |
|-------|-------------|----------------|--------------------|-----------------------|
| 1     | FLA Return  | 2017-18        | 15-07-2018         | 02-04-2019            |

1 year as shown below:

The company had filed FLA returns for the year 2017-18 with delay of 8 months 18 days approximately. Whereas, in terms of Regulation 13.1(3) of Schedule I to FEMA 20(R) dated November 7, 2017, 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/2469/14.66.003/2018-19 dated May 6, 2019 for further submission in person and/or producing documents, if any, in support of the application.

(b) Shri P. Ravi Shankar, Managing Director and Shri DVR Sastry, Director of the company, appeared for personal hearing on May 8, 2019. They admitted the contraventions for which the compounding has been sought. During the personal hearing it was submitted that the delay was not wilful or with a malafide intention but was on account of administrative lapses. In view of the above, the applicant requested to take a lenient view in disposal of the application. The application for



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compounding is, therefore, being considered on the basis of the averments made in the application as well the submissions made in this context by the applicant during the personal hearing.

4. 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 amounting to ₹ **652687.72** and the delay is 16 days approximately.

(b) Paragraph 9(1)(B) of Schedule 1 to Notification No. 20/2000-RB for delay in submission of Form FC-GPR to Reserve Bank of India after issue of shares to persons resident outside India and the contravention relates to an amount of ₹ **11,60,532.85** and the period of contravention is 10 months 17 days approximately.

(c) Paragraph 2 of Schedule I to Notification No. FEMA 20(R)/2017-RB for delay in refund of share application money ₹ **12,38,100/-** and the period of contravention is 7 days approximately.

(d) Regulation 13.1(3) of Schedule I to Notification No. FEMA 20(R)/2017-RB for delay in filing of FLA returns for the year 2017-18 and the period of contravention is 8 months 18 days approximately.

5. It has been declared in the compounding application dated January 7, 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 declaration dated January 7, 2019 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



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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 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 **₹ 88,571/-(Rupees Eighty Eight Thousand Five Hundred Seventy One Only)** will meet the ends of justice.

7. Accordingly, I compound the admitted contraventions, namely, the contraventions of Paragraph 9(1)(A) and Paragraph 9(1)(B) respectively of Schedule 1 to FEMA.20/2000-RB, Paragraph 2 and Regulation 13.1(3) of Schedule 1 to Notification no. FEMA 20(R)/2017-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 **₹ 88,571/-(Rupees Eighty Eight Thousand Five Hundred Seventy One 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 3, 2000 shall apply.

The application is disposed of accordingly.

Dated this 10<sup>th</sup> day of May 2019

Sd/-

(C Nageswara Rao)



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Deputy General Manager