



In the

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

Present

**Ms. Usha Nambeesan**  
**Assistant General Manager**

Date: September 06, 2019  
**C.A. BGL 433/2019**

In the matter of

**M/s Bestinet India Private Limited**  
No.4, Aanand Towers, 1st and 2nd Floor  
Rajaram Mohan Roy Road, Sampangiramanagar  
Bengaluru - 560027  
**(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 May 08, 2019, received at this office of Reserve Bank of India, Bengaluru on May 30, 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) allotment of shares prior to the receipt of amount of consideration, and (ii) delay in submission of form FC-GPR to the Reserve Bank, after issue of shares to a person resident outside India, in terms of Paragraphs 8 and 9(1)(B), respectively, of Schedule I 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 03, 2000, and as amended from time to time (hereinafter referred to as Notification No. FEMA 20/2000-RB).



2. The relevant facts of the case are as follows: The applicant, M/s Bestinet India Private Limited was incorporated on April 17, 2017, under the Companies Act, 2013, as per the Certificate of Incorporation issued by the Registrar of Companies, Government of India, Ministry of Corporate Affairs. The company is engaged in the business of providing information technology and computer service activities to its clients. The applicant had received funds towards share application money from the foreign investor, namely, M/s Bestinet SDN BHD, Malaysia, as shown below:

**Table – 1**

<b>Sl. No.</b>	<b>Date of Receipt</b>	<b>Amount (INR)</b>	<b>Date of reporting to RBI/AD</b>
1	08-12-2017	38,57,434.69	13-04-2018
	<b>Total</b>	<b>38,57,434.69</b>	

3. The company had allotted 99,999 equity shares worth ₹9,99,990.00, to the non-resident investor, M/s Bestinet SDN BHD Malaysia, towards subscription to Memorandum of Association, on April 17, 2017. However, the amount of consideration for the said allotment was received only on December 08, 2017. The company had received an inward remittance of ₹38,57,434.69, on December 08, 2017, which included the share application money of ₹9,99,990.00, pertaining to the aforesaid allotment. The remaining share application money was utilized to allot 285744 equity shares on February 05, 2018.

Whereas, in terms of Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000- RB dated May 3, 2000, and as amended from time to time, if the shares are not issued within 180 days from the date of receipt of the inward remittance, the amount of consideration so received shall be refunded to the person concerned, provided the Reserve Bank may, on an application made to it and for sufficient reasons permit 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.



4. The applicant company had allotted equity shares and filed form FC-GPR with Reserve Bank/AD as indicated below:

**Table – 2**

Sl. No.	Date of Allotment	Number of shares allotted	Amount (INR)	Date of reporting to RBI/AD
1	17-04-2017	99999	9,99,990.00	07-07-2018
	<b>Total</b>		<b>9,99,990.00</b>	

The applicant filed the form FC-GPR on allotment of shares with the Bengaluru Regional Office of the Reserve Bank of India / Authorized Dealer Bank with a delay of one year one month and twenty days, beyond the prescribed period of 30 days in respect of allotment of shares as indicated in the Table - 2 above. Whereas, in terms of Paragraph 9(1)(B) of Schedule I to Notification No. FEMA 20/2000-RB, dated May 3, 2000, an Indian company issuing shares in accordance with these Regulations has to submit to the Reserve Bank of India, a report in form FC-GPR, along with documents prescribed therein, within 30 days from the date of issue of shares to person/s resident outside India.

5. The applicant was given opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID(CEFA).No. 652/22.11.412/2019-20, dated September 03, 2019. However, the company sought to be exempted from the personal hearing with the Compounding Authority vide their email dated September 04, 2019.

The application is, therefore, being considered on the basis of the averments made in the compounding application and the documents submitted therein.

6. 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 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, due to delay in receipt of amount of consideration, as detailed in paragraph 3 above. The total amount of contravention is ₹9,99,990.00, and the period of delay is seven months and twenty one days; and

(b) Paragraph 9 (1) (B) of Schedule I to Notification No. FEMA 20/2000-RB, due to delay in submission of form FC-GPR to the Reserve Bank after issue of shares to person/s resident outside India, as detailed in paragraph 4 above. The contravention relates to an amount of ₹9,99,990.00, and the period of delay is one year one month and twenty days.

7. It has been declared in the compounding application dated May 08, 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 dated May 08, 2019, 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 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 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.

8. 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 contraventions are to be compounded, and I consider that an amount of ₹44,170.00, (**Rupees Forty Four Thousand One hundred and Seventy only**), will meet the ends of justice.



9. Accordingly, I compound the admitted contraventions namely, contravention of Paragraphs 8 and 9(1)(B) of Schedule I to Notification No. FEMA 20/2000-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 **₹44,170.00, (Rupees Forty Four Thousand One hundred and Seventy 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 Sixth day of September 2019.

**Sd/-**

**(Usha Nambeesan)**  
**Assistant General Manager**