



In the

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

Present

Shri K S Praveen
Assistant General Manager

Date: December 13, 2018
C.A. BGL 323/2018

In the matter of

M/s Core Providers India Private Limited
The Guard, First Floor, 2/1, Hennur Main Road
Opposite Nirmla Sishu Bhavan, Richards Town
Bengaluru 560084
(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 28, 2018, received at this office of Reserve Bank of India, Bengaluru, on August 31, 2018, 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 inward remittances, in terms of Paragraph 8 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 Core Providers India Private Limited, was incorporated on February 16, 2016, under



the Companies Act, 2013, as per the Certificate of Incorporation issued by the Registrar of Companies, Karnataka. The company is engaged in the business of providing software consultancy and other information technology enabled services.

3. The company had allotted 9999 equity shares worth ₹99,990.00, to the non-resident investor, M/s Core Providers LLC, USA, as subscription to Memorandum of Association, on February 16, 2016. However, the inward remittance of ₹1,01,683.20, pertaining to the aforesaid allotment was received after the allotment of shares, on July 11, 2017. The amount of contravention is **₹99,990.00**, and the period of delay is one year four months and twenty five days. Whereas, in terms of Paragraph 8 of schedule 1 to Notification No. FEMA 20/2000-RB dated May 03, 2000, as amended from time to time, read with A.P. (DIR Series) Circular No.20 dated December 14, 2007, an Indian company accepting FDI has to receive the share application money from the non-resident investor prior to the allotment of shares, and the shares have to be issued/amount to be refunded within 180 days of from the date of receipt of inward remittance.

4. The applicant was given an opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID (CEFA) No. 1547 /22.10.639/2018-19 dated December 03, 2018, for further submission in person and/or producing documents, if any, in support of the application. The applicant's authorized representative, Mr. T Srinivasulu, Chartered Accountant, who appeared for the personal hearing on December 13, 2018, admitted the contraventions 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 contraventions were 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 following FEMA provisions issued in terms of:

(a) Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB, as the applicant 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 one year four months and twenty five days.

6. It has been declared in the compounding application dated August 28, 2018, 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 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 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.

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 **₹14,000.00 (Rupees Fourteen Thousand only)** will meet the ends of justice.



8. Accordingly, I compound the admitted contravention namely, contravention of Paragraph 8 of Schedule I to 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 **₹14,000.00 (Rupees Fourteen Thousand only)** which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 2nd Floor, 10/3/8, Nrupathunga Road, Bengaluru - 560001 by a demand draft drawn in favour of the “Reserve Bank of India” and 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 Thirteenth day of December 2018.

(K S Praveen)
Assistant General Manager