



In the

Reserve Bank of India
Foreign Exchange Department
Fort Glacis, No.16, Rajaji Salai
Chennai 600 001

Present

P Ramesh
Assistant General Manager

Date: December 04, 2018
C.A.849/2018

In the matter of

M/s. E-IT Solutions India Pvt Ltd.
No.49/2A, R K Shanmugham Road
K K Nagar
Chennai- 600 078

(Applicant)

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

Order

The applicant has filed a compounding application dated November 01, 2018 (received at Reserve Bank on November 08, 2018) 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) delay in submission of Form FC-GPR on allotment of shares with Reserve Bank and (ii) allotment of shares prior to receipt of consideration, in terms of Paragraphs 9 (1) B



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and 8 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 3, 2000 as then applicable (hereinafter referred to as Notification No. FEMA 20/2000-RB).

2. The relevant facts of the case are as follows: The applicant company was incorporated on February 26, 2014 under the provisions of the Companies Act, 1956 (Registration No: U72900TN2014PTC095195) and is engaged in the business of tax consultancy. The applicant received two foreign inward remittances amounting to ₹5,17,187.00 from i) Mr. Ramkumar Ranganathan, USA ii) Mr. Prabhakara Rao Nalamothu, USA on 09.10.2015 and 12.10.2015 towards subscription to equity shares and reported the same to Reserve Bank within the prescribed period.

3. The company allotted equity shares and filed FC-GPR as indicated below:

Sl. No.	No. of shares	Face Value (in Rs.)	Amount (INR)	Date of allotment	Reported to RBI on
1	10000	10	1,00,000	26.02.2014	18.05.2018

The applicant filed form FC-GPR as indicated above with delay of four years one month 22 days approximately beyond the prescribed limit in respect of allotment. Whereas in terms of paragraph 9 (1) B of Schedule I 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 FC-GPR along with documents prescribed therein within 30 days from the date of issue of shares to person resident outside India.

4. The company allotted 10000 shares of ₹10/- each on 26.02.2014. The consideration towards the above allotment was received by way of inward remittance as detailed below:

Sl. No.	Date of receipt	Amount (INR)	Date of Allotment
1	09.10.2015	51,000.00	26.02.2014
2	12.10.2015	49,000.00	26.02.2014



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The company received the consideration by way of inward remittance with delay ranging from one year seven months 13 days to one year seven months 16 days approximately. Whereas in terms of paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB, a company issuing the shares or convertible debentures under this Schedule to a person resident outside India shall receive the amount of consideration for such shares by way of inward remittance through normal banking channels or by debit to NRE/FCNR account of the person concerned maintained with an authorized dealer/authorized bank.

5. The applicant was advised about the contraventions vide memorandum dated September 11, 2018. The applicant has filed a compounding application dated November 01, 2018. It has been declared in the compounding application 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 November 01, 2018 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/him/her thereafter. 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. The applicant vide letter dated November 01, 2018 chose not to appear for the personal hearing for any further submission in person and/or producing documents, if any, in support of the application. The applicant, in the compounding application, had admitted the contraventions as stated in para 3 and 4 above for which compounding has been sought. It had been submitted that the delays were unintentional. The application for compounding is, therefore, being considered on the basis of the



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averments made in the application as well as other documents and submissions made in this context by the applicant.

7. I have given my careful consideration to the documents on record and submission made by the applicant in the compounding application. Accordingly, I hold that the applicant has contravened the following FEMA provisions issued in terms of:

(a) Paragraph 9 (1) B of Schedule 1 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 persons resident outside India and the contravention relates to an amount of ₹1,00,000.00 with duration of contravention being four years one month 22 days approximately; and

(b) Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB due to allotment of shares prior to receipt of consideration. The contravention relates to an amount of ₹1,00,000.00 with the duration of contravention ranging from one year seven months 13 days to one year seven months 16 days approximately.

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 ₹ 44,521/- (Rupees forty four thousand five hundred and twenty one only) will meet the ends of justice.

9. Accordingly, I compound the admitted contraventions namely, the contraventions of paragraphs 9 (1) B and 8 of Schedule 1 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 ₹ 44,521/- (Rupees forty four thousand five hundred and twenty one only) which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, Fort



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Glacis, No.16, Rajaji Salai, Chennai - 600 001 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at Chennai 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 Fourth day of December, 2018.

-Sd/-

P Ramesh

Assistant General Manager