



In the

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

Present

AnupamSonal
Chief General Manager

Date: December 21, 2017
C.A.NDL 254/2017

In the matter of

ILSC India Private Limited
B-17, Shivalik, GF, Gitanjali Road, Malviya Nagar, New Delhi 110017

(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 compounding application dated August 4,2017 (received in Reserve Bank of India on August 9, 2017) 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 of inflow of funds received from a person resident outside India for allotment of shares in terms of Paragraph 9(1)(A) 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 3rd May, 2000 as amended from time to time (hereinafter referred to as FEMA 20/2000- RB)(ii) delay in submission of form FC-GPR after allotment of shares in terms of Paragraph 9(1)(B) of Schedule 1 to FEMA 20/2000- RB and (iii) delay in issue of shares without RBI approval beyond the prescribed period of 180 days in terms of Paragraph 8 of Schedule 1 to FEMA 20/2000-RB.



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

- a) The applicant company was incorporated under the Companies Act, 1956 on March 23, 2007 and allotted registration No. U80904DL2007PTC161063 by Registrar of Companies. The company is engaged in managing and maintaining training institutes, learning centres, coaching centres and also undertakes training programs in business and soft skills such as communication, interpersonal skills, management, marketing, sales, customer service, leadership, coaching, IT and IT enabled services.
- b) The company had received a total of 26 foreign inward remittances from May 17, 2007 to September 28, 2011 for issue of equity shares, out of which, on 25 occasions, the company had reported inward remittances with delay ranging from 1 month and 4 days to 6 years 8 months and 19 days (as detailed hereunder) beyond the prescribed period in contravention of Paragraph 9(1)(A) of Schedule 1 to Notification No. FEMA 20/2000-RB dated May 3, 2000.

Contravention of Para 9(1)(A) of Schedule 1 to Notification No. FEMA 20/2000-RB			
S.No.	Date of Receipt	Amount (Rs.)	Date of reporting to RBI
1	17.05.2007	12,00,000.00	20.07.2007
2	21.08.2007	12,00,000.00	17.01.2014
3	08.01.2008	6,00,000.00	17.01.2014
4	03.04.2008	3,00,000.00	22.01.2015
5	06.06.2008	3,00,000.00	22.01.2015
6	29.07.2008	4,00,000.00	22.01.2015
7	12.08.2008	3,00,000.00	22.01.2015
8	16.09.2008	8,82,000.00	02.02.2015
9	27.10.2008	5,00,000.00	23.02.2015
10	10.11.2008	6,14,285.00	23.02.2015
11	06.03.2009	8,00,000.00	23.02.2015
12	23.03.2009	4,16,983.00	23.02.2015
13	04.05.2009	1,42,400.00	23.06.2015
14	17.07.2009	84,000.00	19.02.2015
15	10.08.2009	8,00,000.00	19.02.2015
16	24.02.2010	8,00,000.00	19.02.2015
17	20.05.2010	7,93,363.87	19.02.2015
18	15.06.2010	10,00,000.00	19.02.2015



S.No.	Date of Receipt	Amount (Rs.)	Date of reporting to RBI
19	21.06.2010	96,000.00	19.02.2015
20	30.06.2010	10,00,000.00	19.02.2015
21	14.07.2010	10,00,000.00	19.02.2015
22	14.09.2010	3,22,335.23	23.06.2015
23	28.09.2010	30,67,587.38	23.06.2015
24	27.07.2010	10,11,377.00	19.02.2015
25	24.01.2011	7,00,000.00	19.02.2015
		1,83,30,331.48	

Whereas, in terms of Paragraph 9(1)(A) of Schedule 1 to FEMA 20/2000-RB, an Indian company issuing shares or convertible debentures in accordance with these Regulations should report to Reserve Bank of India, receipt of amount of consideration towards share subscription not later than 30 days from the date of receipt of the said amount.

- c) The company had allotted equity shares on 6 occasions, out of which, on 5 occasions, the company had reported it in form FC-GPR with a delay ranging from 12 days to 3 years and 6 months (as detailed hereunder) beyond the prescribed period in contravention of Paragraph 9(1)(B) of Schedule 1 to Notification No. FEMA 20/2000-RB dated May 3, 2000.

Contravention of Para 9(1)(B) of Schedule 1 to Notification No. FEMA 20/2000-RB				
S. No.	Date of Allotment	No. of Shares Allotted	Amount (Rs.)	Date of reporting to RBI
1	29.08.2007	120000	12,00,000.00	10.10.2007
2	29.04.2008	180000	18,00,000.00	29.11.2011
3	20.09.2008	218200	21,82,000.00	29.11.2011
4	26.03.2009	232951	23,29,510.00	29.11.2011
5	21.03.2011	1081303	1,08,13,030.00	29.11.2011
			1,83,24,540.00	

Whereas, in terms of Paragraph 9(1)(B) of Schedule 1 to 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 a person resident outside India.



- d) The company had received 26 foreign inward remittances, out of which, company issued shares for 12 foreign inward remittances, without Reserve Bank's approval, with a delay ranging from 8 days to 1 year 4 months and 18 days (as detailed hereunder) beyond prescribed period of 180 days in contravention of para 8 of Schedule 1 to FEMA Notification No 20 /2000-RB dated May 3, 2000.

Contravention of Para 8 of Schedule 1 to Notification No.FEMA20/2000-RB			
S.No.	Date of Receipt of remittance	Amount (Rs.)	Date of allotment of shares
1	21.08.2007	12,00,000.00	28.04.2008
2	27.07.2010	10,11,377.00	21.03.2011
3	17.07.2009	84,000.00	21.03.2011
4	10.08.2009	8,00,000.00	21.03.2011
5	24.02.2010	8,00,000.00	21.03.2011
6	20.05.2010	7,93,363.87	21.03.2011
7	15.06.2010	10,00,000.00	21.03.2011
8	21.06.2010	96,000.00	21.03.2011
9	30.06.2010	10,00,000.00	21.03.2011
10	14.07.2010	10,00,000.00	21.03.2011
11	04.05.2009	1,42,400.00	21.03.2011
12	14.09.2010	3,22,335.23	21.03.2011
		82,49,476.10	

Whereas, in terms of Paragraph 8 of Schedule 1 to FEMA notification No 20/2000-RB, equity instruments should be issued within 180 days of the receipt of the inward remittance. In case the equity instruments are not issued within 180 days from the date of receipt of the inward remittance or date of debit to the NRE/FCNR (B) account, the amount of consideration so received should be refunded immediately to the non-resident investor through normal banking channels or by credit to his NRE/FCNR (B) 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 issue shares/ refund the amount of consideration received towards issue of security, if such amount of consideration is outstanding beyond a period of 180 days from the date of receipt.

Thus, there are contraventions of Paragraph 9(1)(A), 9(1)(B) and 8 of Schedule 1 to FEMA Notification No 20 /2000-RB dated May 3, 2000.

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.



Sh.Amar GopalGambhir and Ms.Shivani Gupta, consultants appeared for the personal hearing on December 21, 2017 on behalf of the company. The representatives of the applicant company admitted the contraventions committed by the company for which the company has sought compounding. They stated that delay were due to procedural lapses, mainly because of non- availability of any professional person in the Company .They further stated that the company was also not aware of the FEMA compliances which led to these contraventions and as such requested for a lenient view in the matter.

The application for compounding is, therefore, being considered on the basis of the averments made in the application as well as submissions made in this context by the applicant 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 due to delay in reporting the inflow of funds from a person resident outside India. The contravention relates to an amount of Rs.1,83,30,331.48 and the duration of contravention is ranging from 1 month and 4 days to 6 years 8 months and 19 days.

(b) Paragraph 9(1)(B) of Schedule 1 to FEMA 20/2000-RB due to delay in filing of form FC-GPR with RBI. The contravention relates to an amount of Rs.1,83,24,540.00 and duration of contravention ranges from 12 days to 3 years and 6 months, beyond the prescribed period of 30 days.

(c) Paragraph 8 of Schedule 1 to FEMA 20/2000-RB due to delay in allotment of shares. The contravention relates to non obtention of RBI approval for allotment of shares for an amount of Rs.82,49,476.10 and duration of contravention ranges from 8 days to 1 year 4 months and 18 days, beyond the prescribed period of 180 days

5. 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 **Rs. 3,02,052/-(Rupees Three lakhs two thousand fifty two only)** will meet the ends of justice.

6. Accordingly, I compound the admitted contraventions, namely, the contraventions of Paragraph 9(1)(A), 9(1)(B) and 8 of Schedule 1 to FEMA 20/2000-RB by the applicant on the facts detailed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, on payment of an amount of Rs.3,02,052/-(Rupees Three lakhs two thousand fifty two 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 of accordingly.

Dated this the 21st day of December, 2017.

Sd/-

(Anupam Sonal)
Chief General Manager