



In the

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

Present

R. Subramanian
Regional Director

Date: January 29, 2018
C.A. HYD 243

In the matter of

M/s. Airis Pharma Private Limited
Plot No.64 &65, Sy No.342,
ALEAP Industrial Estate, Gajularamaram Village,
Quthbullapur, Hyderabad - 500078
Telangana

(Applicant)

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

Order

The applicant has filed the compounding application dated September 06, 2017 received on September 07, 2017 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 the Reserve Bank of India after issue of shares to a person resident outside India and (iii) failure to obtain specific and prior approval of Government of India, Department of Industrial Policy and Promotion (erstwhile Foreign Investment and Promotion Board) for issue of shares to a person resident outside India, in



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terms of Paragraph 9(1)(A), Paragraph 9(1)(B) and Paragraph 3 respectively 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 and as amended from time to time (hereinafter referred to as Notification No. FEMA 20 /2000-RB) as then applicable.

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

- a. The applicant is a resident company incorporated as a Private Limited Company under the Companies Act, 1956 on 19.08.2013 (CIN:U24232TG2013PTC089550). The company is engaged in the business of development and formulations of Generic drug products including its research, development and manufacture.
- b. The applicant had received foreign inward remittances from two foreign investors towards advance for subscription to equity shares as indicated below:

Sl No	Name of Remitter	Total Amount (INR)	Date of Receipt	Date of Reporting
1	Kishore Kumar Ganji	1000000	25-09-2013	25-10-2013
2	Mohan R Patalolla	1549380	29-01-2014	04-02-2014
3	Kishore Kumar Ganji	1000000	12-03-2014	23-04-2014
4	Kishore Kumar Ganji	1000000	13-03-2014	23-04-2014
5	Kishore Kumar Ganji	1000000	20-03-2014	23-04-2014
6	Kishore Kumar Ganji	1000000	23-03-2014	23-04-2014
7	Kishore Kumar Ganji	1000000	16-04-2014	23-07-2014
8	Kishore Kumar Ganji	1000000	19-04-2014	23-07-2014
9	Kishore Kumar Ganji	1000000	28-04-2014	23-07-2014
10	Kishore Kumar Ganji	1000000	13-05-2014	23-07-2014
11	Kishore Kumar Ganji	1000000	28-05-2014	23-07-2014



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12	Kishore Kumar Ganji	1000000	14-06-2014	23-07-2014
13	Mohan R Patalolla	700000	18-06-2014	28-08-2014
14	Kishore Kumar Ganji	1000000	24-06-2014	23-07-2014
15	Mohan R Patalolla	1000000	27-06-2014	28-08-2014
16	Mohan R Patalolla	3000000	03-07-2014	28-08-2014
17	Mohan R Patalolla	1000000	09-07-2014	28-08-2014
18	Kishore Kumar Ganji	1000000	15-07-2014	27-08-2014
19	Kishore Kumar Ganji	1000000	18-07-2014	27-08-2014
20	Mohan R Patalolla	2300000	22-07-2014	28-08-2014
21	Kishore Kumar Ganji	1000000	05-08-2014	27-08-2014
22	Kishore Kumar Ganji	1000000	06-08-2014	27-08-2014
23	Kishore Kumar Ganji	1000000	16-08-2014	27-08-2014
24	Kishore Kumar Ganji	1000000	31-08-2014	09-10-2014
25	Mohan R Patalolla	5723977	10-09-2014	16-09-2014
26	Kishore Kumar Ganji	1000000	07-10-2014	08-11-2014
27	Kishore Kumar Ganji	1000000	08-10-2014	08-11-2014
28	Mohan R Patalolla	3023839	17-10-2014	27-10-2014
29	Kishore Kumar Ganji	1000000	29-10-2014	08-11-2014
30	Kishore Kumar Ganji	1000000	05-11-2014	08-11-2014
31	Kishore Kumar Ganji	1000000	21-11-2014	29-01-2015
32	Mohan R Patalolla	2141388	10-12-2014	09-01-2015
33	Kishore Kumar Ganji	1000000	05-01-2015	29-01-2015
34	Kishore Kumar Ganji	1000000	03-02-2015	29-04-2015
35	Kishore Kumar Ganji	1000000	13-02-2015	29-04-2015
36	Mohan R Patalolla	1836888	27-02-2015	23-03-2015
37	Kishore Kumar Ganji	1000000	30-03-2015	29-04-2015



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38	Kishore Kumar Ganji	1000000	02-04-2015	28-05-2015
39	Kishore Kumar Ganji	1000000	07-04-2015	28-05-2015
40	Kishore Kumar Ganji	1000000	25-04-2015	28-05-2015
41	Mohan R Patalolla	2513372	29-04-2015	26-05-2015
42	Kishore Kumar Ganji	1000000	30-04-2015	28-05-2015
43	Mohan R Patalolla	2220465	26-05-2015	27-07-2015
44	Kishore Kumar Ganji	1000000	10-06-2015	27-08-2015
45	Kishore Kumar Ganji	1000000	17-06-2015	27-08-2015
46	Mohan R Patalolla	2206819	01-07-2015	30-07-2015
47	Kishore Kumar Ganji	1000000	30-07-2015	27-08-2015
48	Mohan R Patalolla	1611855	14-08-2015	15-09-2015
49	Mohan R Patalolla	1631847	03-09-2015	15-09-2015
50	Kishore Kumar Ganji	1000000	23-09-2015	29-10-2015
51	Kishore Kumar Ganji	1000000	29-09-2015	29-10-2015
52	Kishore Kumar Ganji	500000	01-10-2015	29-10-2015
53	Kishore Kumar Ganji	500000	30-10-2015	15-03-2016
54	Kishore Kumar Ganji	500000	30-10-2015	20-01-2016
55	Kishore Kumar Ganji	500000	02-11-2015	20-01-2016
56	Mohan R Patalolla	1619352	04-11-2015	21-12-2015
57	Kishore Kumar Ganji	500000	01-12-2015	20-01-2016
58	Kishore Kumar Ganji	1000000	02-12-2015	20-01-2016
59	Mohan R Patalolla	3923215	22-12-2015	21-01-2016
60	Kishore Kumar Ganji	2000000	16-06-2016	12-07-2016
61	Mohan R Patalolla	1986838	14-07-2016	03-08-2016
62	Kishore Kumar Ganji	1000000	08-08-2016	03-09-2016
63	Kishore Kumar Ganji	1000000	08-08-2016	03-09-2016



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64	Kishore Kumar Ganji	1000000	23-08-2016	20-09-2016
65	Kishore Kumar Ganji	1000000	23-08-2016	20-09-2016
66	Mohan R Patalolla	1989837	23-08-2016	30-09-2016
67	Kishore Kumar Ganji	1000000	03-09-2016	30-09-2016
68	Kishore Kumar Ganji	1000000	03-09-2016	30-09-2016
69	Kishore Kumar Ganji	1000000	22-09-2016	27-07-2017
70	Kishore Kumar Ganji	1000000	22-09-2016	01-08-2017
71	Kishore Kumar Ganji	1000000	29-09-2016	31-10-2016
72	Kishore Kumar Ganji	1000000	30-09-2016	31-10-2016
73	Kishore Kumar Ganji	2000000	14-10-2016	31-10-2016
74	Kishore Kumar Ganji	1000000	17-11-2016	12-08-2017
75	Kishore Kumar Ganji	1000000	17-11-2016	12-08-2017
76	Kishore Kumar Ganji	2000000	29-11-2016	12-08-2017
77	Kishore Kumar Ganji	1000000	01-02-2017	12-08-2017
78	Kishore Kumar Ganji	3000000	24-02-2017	12-08-2017
79	Kishore Kumar Ganji	3000000	31-03-2017	12-08-2017
80	Kishore Kumar Ganji	3000000	18-04-2017	31-08-2017
81	Kishore Kumar Ganji	3000000	20-04-2017	31-08-2017
82	Kishore Kumar Ganji	3000000	26-04-2017	31-08-2017
	Total	11,54,79,072		

The applicant reported receipt of remittances towards share subscription amounting to **₹11,54,79,072/-** to the Regional Office of Reserve Bank of India on dates indicated as above out of which remittances amounting to **₹6,64,41,509/-** were reported with delays ranging from 1 day to 9 months 10 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 in accordance with these Regulations should report to the Reserve Bank of India



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as per the prescribed procedure not later than 30 days from the date of receipt of the amount of consideration.

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

Sl No	Name of investor	Date of allotment of shares	Number of shares allotted	Amount for which shares allotted (INR)	Date of reporting
1	Kishore Kumar Ganji	23-03-2014	20000	1000000	21-04-2014
2	Kishore Kumar Ganji	05-07-2014	80000	4000000	24-07-2014
3	Mohan R Patalolla	05-07-2014	30987	1549350	24-07-2014
4	Kishore Kumar Ganji	12-10-2014	140000	7000000	08-11-2014
5	Mohan R Patalolla	03-11-2014	34000	1700000	02-12-2014
6	Kishore Kumar Ganji	27-12-2014	200000	10000000	23-01-2015
7	Mohan R Patalolla	27-12-2014	300956	15047800	23-01-2015
8	Kishore Kumar Ganji	31-03-2015	40000	2000000	30-04-2015
9	Mohan R Patalolla	31-03-2015	42827	2141350	11-05-2015
10	Kishore Kumar Ganji	01-08-2015	140000	7000000	30-08-2015
11	Mohan R Patalolla	01-08-2015	131415	6570750	30-08-2015
12	Kishore Kumar Ganji	07-12-2015	60000	3000000	06-01-2015



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13	Mohan R Patalolla	07-12-2015	44136	2206800	06-01-2015
14	Mohan R Patalolla	10-02-2016	64874	3243700	10-03-2016
15	Kishore Kumar Ganji	19-03-2016	110000	5500000	15-04-2016
16	Mohan R Patalolla	19-03-2016	110851	5542550	15-04-2016
17	Kishore Kumar Ganji	12-12-2016	360000	18000000	04-09-2017
18	Mohan R Patalolla	12-12-2016	79533	3976650	04-09-2017
19	Kishore Kumar Ganji	03-02-2017	20000	1000000	04-09-2017
20	Kishore Kumar Ganji	31-03-2017	120000	6000000	04-09-2017
21	Kishore Kumar Ganji	25-04-2017	120000	6000000	04-09-2017
22	Kishore Kumar Ganji	31-05-2017	60000	3000000	04-09-2017
		Total	2309579	11,54,78,950	

The applicant filed form FC-GPRs for the allotment of shares amounting to ₹11,54,78,950/- as indicated above out of which shares amounting to ₹4,01,18,000/- were reported with delays ranging from 11 days to 7 months 24 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 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 resident outside India.



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- d. The company allotted shares to the non-resident investors without obtaining specific Government approval as tabulated below:

SI No	Name of Remitter	Total Amount (INR)	Date of Receipt	Date of Government approval
1	Mohan R Patalolla	1549380	29-01-2014	12-06-2017
2	Kishore Kumar Ganji	1000000	12-03-2014	12-06-2017
3	Kishore Kumar Ganji	1000000	13-03-2014	12-06-2017
4	Kishore Kumar Ganji	1000000	20-03-2014	12-06-2017
5	Kishore Kumar Ganji	1000000	23-03-2014	12-06-2017
6	Kishore Kumar Ganji	1000000	16-04-2014	12-06-2017
7	Kishore Kumar Ganji	1000000	19-04-2014	12-06-2017
8	Kishore Kumar Ganji	1000000	28-04-2014	12-06-2017
9	Kishore Kumar Ganji	1000000	13-05-2014	12-06-2017
10	Kishore Kumar Ganji	1000000	28-05-2014	12-06-2017
11	Mohan R Patalolla	700000	18-06-2014	12-06-2017
12	Kishore Kumar Ganji	1000000	14-06-2014	12-06-2017
13	Kishore Kumar Ganji	1000000	25-06-2014	12-06-2017
14	Mohan R Patalolla	1000000	27-06-2014	12-06-2017
15	Mohan R Patalolla	3000000	03-07-2014	12-06-2017
16	Mohan R Patalolla	1000000	09-07-2014	12-06-2017
17	Kishore Kumar Ganji	1000000	15-07-2014	12-06-2017
18	Kishore Kumar Ganji	1000000	18-07-2014	12-06-2017
19	Mohan R Patalolla	2300000	22-07-2014	12-06-2017
20	Kishore Kumar Ganji	1000000	05-08-2014	12-06-2017
21	Kishore Kumar Ganji	1000000	06-08-2014	12-06-2017
22	Kishore Kumar Ganji	1000000	16-08-2014	12-06-2017
23	Kishore Kumar Ganji	1000000	31-08-2014	12-06-2017



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24	Mohan R Patalolla	5723977	10-09-2014	12-06-2017
25	Kishore Kumar Ganji	1000000	07-10-2014	12-06-2017
26	Kishore Kumar Ganji	1000000	08-10-2014	12-06-2017
27	Mohan R Patalolla	3023839	17-10-2014	12-06-2017
28	Kishore Kumar Ganji	1000000	29-10-2014	12-06-2017
29	Kishore Kumar Ganji	1000000	05-11-2014	12-06-2017
30	Kishore Kumar Ganji	1000000	21-11-2014	12-06-2017
31	Mohan R Patalolla	2141388	10-12-2014	12-06-2017
32	Kishore Kumar Ganji	1000000	05-01-2015	12-06-2017
33	Kishore Kumar Ganji	1000000	03-02-2015	12-06-2017
34	Kishore Kumar Ganji	1000000	13-02-2015	12-06-2017
35	Mohan R Patalolla	1836888	27-02-2015	12-06-2017
36	Kishore Kumar Ganji	1000000	30-03-2015	12-06-2017
37	Kishore Kumar Ganji	1000000	02-04-2015	12-06-2017
38	Kishore Kumar Ganji	1000000	07-04-2015	12-06-2017
39	Kishore Kumar Ganji	1000000	27-04-2015	12-06-2017
40	Mohan R Patalolla	2513372	29-04-2015	12-06-2017
41	Kishore Kumar Ganji	1000000	30-04-2015	12-06-2017
42	Mohan R Patalolla	2220465	26-05-2015	12-06-2017
43	Kishore Kumar Ganji	1000000	10-06-2015	12-06-2017
44	Kishore Kumar Ganji	1000000	17-06-2015	12-06-2017
45	Mohan R Patalolla	2206819	01-07-2015	12-06-2017
46	Kishore Kumar Ganji	1000000	30-07-2015	12-06-2017
47	Mohan R Patalolla	1611855	14-08-2015	12-06-2017
48	Mohan R Patalolla	1631847	03-09-2015	12-06-2017
49	Kishore Kumar Ganji	1000000	23-09-2015	12-06-2017



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50	Kishore Kumar Ganji	1000000	29-09-2015	12-06-2017
51	Kishore Kumar Ganji	500000	29-09-2015	12-06-2017
52	Kishore Kumar Ganji	500000	30-10-2015	12-06-2017
53	Kishore Kumar Ganji	500000	30-10-2015	12-06-2017
54	Kishore Kumar Ganji	500000	02-11-2015	12-06-2017
55	Mohan R Patalolla	1619352	04-11-2015	12-06-2017
56	Kishore Kumar Ganji	500000	01-12-2015	12-06-2017
57	Kishore Kumar Ganji	1000000	02-12-2015	12-06-2017
58	Mohan R Patalolla	3923215	22-12-2015	12-06-2017
	Total	7,65,02,397		

The applicant received foreign investments in brownfield pharmaceutical sector during the period from 29.01.2014 to 22.12.2015 and allotted shares to the non-resident investors without obtaining prior approval of Government of India when foreign investment in brownfield pharmaceutical sector was under 100% Government route. The applicant thus contravened FEMA provisions in terms of Paragraph 3 of Schedule 1 to Notification No. FEMA 20/2000-RB as applicable at that time. The applicant obtained post-facto approval of Government of India vide Approval No. 3/SIA/NFC/2016-FC1 dated June 12, 2017 subject to compounding by Reserve Bank of India for the foreign investment received during the period 29.01.2014 to 22.12.2015. The amount of contravention is ₹7,65,02,397/- and the period of contravention ranges from 1 year 5 months 21 days to 3 years 4 months 14 days approximately. A Company Secretary's Certificate dated 14.12.2017, indicating that the terms and conditions of the government approval have been complied with has also been submitted by the company.

3. (a) The applicant was given an opportunity for personal hearing vide Reserve Bank's letter No. HY.FE.FID/1223/14.66.003/2017-18 dated January 09, 2017 for



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further submission in person and/or producing documents, if any, in support of the application.

(b). The applicant appeared for personal hearing on January 23, 2018 during which Shri G. Padmakar, Authorized representative of the company and Shri P. Naveen, Chartered Accountant represented the applicant. The authorized representative of the applicant admitted the contraventions for which the compounding has been sought. During the personal hearing, it was submitted that the delay was due to their administrative delays but was not wilful or with malafide intention. In view of the foregoing, the representative of the applicant requested to take a lenient view 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 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 submission of Advance Reporting Form to Reserve Bank of India after receipt of inward remittance from a person resident outside India and the contravention relates to an amount of ₹6,64,41,509/- with delays ranging from 1 day to 9 months 10 days approximately.

(b) Paragraph 9(1)(B) of Schedule 1 to Notification No. FEMA 20/2000-RB for delay in submission of Form FC-GPR to Reserve Bank of India after issue of equity shares to persons resident outside India and the contravention relates to an amount of ₹4,01,18,000/- with delays ranging from 11 days to 7 months 24 days approximately.



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(c) Paragraph 3 of Schedule 1 to Notification No. FEMA 20/2000-RB for delay in obtaining specific and prior Government approval for issue of shares to a person resident outside India under approval route and the contravention relates to an amount of ₹7,65,02,397/- with delays ranging from 1 year 5 months 21 days to 3 years 4 months 14 days approximately.

5. It has been declared in the compounding application dated 06.09.2017 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 06.09.2017 furnished with the compounding application that the applicant was not under any investigation 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.

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 **₹5,82,122/-** (Rupees Five Lakhs Eighty Two Thousand One Hundred Twenty Two Only) will meet the ends of justice.

7. Accordingly, I compound the admitted contraventions, namely, the contraventions Paragraph 9(1)(A), Paragraph 9(1)(B) and Paragraph 3 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 **₹5,82,122/-** (Rupees Five Lakhs Eighty Two Thousand One Hundred Twenty Two Only) which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 1st Floor, Saifabad, Hyderabad - 500004 by



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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 accordingly.

Dated this 29th day of January 2018

Sd/-

(R. Subramanian)
Regional Director