



In the

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

Present

R Kesavan
Chief General Manager

Date: January 10, 2018
C.A.750/2017

In the matter of

M/s. Hsenid Business Solutions (India) Pvt Ltd.,
No.20, 2nd Street,
Raghavan Colony, Ashok Nagar,
Chennai- 600 083

(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 December 11, 2017 (received at Reserve Bank on December 18, 2017) 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 reporting of inflow of funds received from a person resident outside India for allotment of shares (ii) delay in submission of Form FC-GPR on allotment of shares



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with Reserve Bank and (iii) delay in allotment of shares in terms of Paragraph 9 (1) A, Paragraph 9 (1) B and Paragraph 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 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 company was incorporated on November 29, 2011 under the provisions of the Companies Act, 1956 (Registration No. U74900TN2011PTC083345) and is engaged in business of providing software support and maintenance to the clients. The applicant received foreign inward remittances from M/s.Hsenid Business Solutions Pvt Ltd., Colombo towards subscription to equity shares and reported the same to the Reserve Bank as detailed below:

Sl. No	Amount of Foreign Inward Remittance (in INR)	Date of receipt	Reported to RBI on
1	12,50,750.00	27.03.2012	23.04.2013
2	13,23,250.00	16.07.2012	23.04.2013
3	30,80,000.00	26.12.2014	30.03.2015
4	30,01,000.00	05.03.2015	22.04.2015
5	30,24,000.00	13.04.2015	27.05.2015
6	31,53,346.00	02.06.2015	10.06.2015
7	33,54,662.50	30.01.2016	03.02.2016
8	16,82,218.74	29.02.2016	03.03.2016
9	16,30,399.76	04.04.2016	27.05.2016
10	6,55,644.97	04.05.2016	31.05.2016
11	8,53,461.24	06.05.2016	27.05.2016
12	9,58,836.25	20.06.2016	05.07.2016
13	11,68,201.10	27.06.2016	05.07.2016
14	5,01,700.00	05.07.2016	05.08.2016
15	16,35,731.50	02.08.2016	27.08.2016
16	19,12,218.00	26.08.2016	13.09.2016
17	13,69,085.98	30.09.2016	11.10.2016
18	11,45,529.88	25.10.2016	09.11.2016
19	4,01,086.95	28.11.2016	15.12.2016
20	10,04,388.84	01.12.2016	15.12.2016



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21	9,95,405.04	02.01.2017	13.01.2017
22	6,58,417.46	06.02.2017	22.02.2017
23	3,25,731.50	14.02.2017	22.02.2017
24	1,31,87,524.08	08.03.2017	26.04.2017
25	5,20,605.01	08.03.2017	26.04.2017
26	3,19,763.90	16.03.2017	26.04.2017
27	5,03,574.68	07.04.2017	24.04.2017
28	16,33,701.70	14.06.2017	12.07.2017
29	10,04,701.70	14.06.2017	12.07.2017
30	7,54,418.73	29.06.2017	20.07.2017
31	9,39,855.21	29.07.2017	21.08.2017
32	6,25,147.53	11.08.2017	07.09.2017
33	6,25,127.59	18.08.2017	07.09.2017
34	3,10,613.58	28.08.2017	07.09.2017

The applicant reported receipt of remittances to the Reserve Bank on dates indicated above with delay ranging from one day to 11 months 26 days approximately beyond the stipulated time of 30 days in respect of the remittances at Sl. Nos.1 to 5, 9, 14 and 24 to 26. Whereas, in terms of paragraph 9 (1) A of Schedule I to Notification No. FEMA 20/2000-RB, an Indian company issuing shares or convertible debentures in accordance with these Regulations should report to the Reserve Bank of India as per the prescribed procedure not later than 30 days from the date of receipt of the amount of consideration.

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

Sl. No.	No. of share allotted	Face Value (in INR.)	Amount (INR)	Date of allotment of shares	Reported to RBI on
1	257400	10	25,74,000	18.03.2013	23.04.2013
2	608100	10	60,81,000	20.03.2015	10.06.2015
3	302400	10	30,24,000	27.04.2015	29.06.2015
4	315335	10	31,53,350	15.07.2015	05.12.2015
5	335466	10	33,54,660	03.02.2016	22.11.2017
6	168222	10	16,82,220	10.03.2016	18.11.2017
7	163040	10	16,30,400	30.05.2016	20.11.2017
8	150910	10	15,09,100	10.06.2016	17.11.2017
9	95884	10	9,58,840	20.07.2016	22.11.2017
10	116820	10	11,68,200	15.09.2016	17.11.2017
11	50170	10	5,01,700	16.09.2016	11.10.2016



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12	163573	10	16,35,730	19.09.2016	17.11.2017
13	191222	10	19,12,220	20.09.2016	17.11.2017
14	136909	10	13,69,090	11.11.2016	21.11.2017
15	114553	10	11,45,530	16.12.2016	02.01.2017
16	40109	10	4,01,090	04.01.2017	01.03.2017
17	100439	10	10,04,390	06.01.2017	01.03.2017
18	99541	10	9,95,410	30.01.2017	18.11.2017
19	65842	10	6,58,420	06.03.2017	26.04.2017
20	32573	10	3,25,730	08.03.2017	18.11.2017
21	1318752	10	1,31,87,520	10.04.2017	18.11.2017
22	52061	10	5,20,610	12.04.2017	10.05.2017
23	31976	10	3,19,760	17.04.2017	16.05.2017
24	50357	10	5,03,570	21.06.2017	18.11.2017
25	163370	10	16,33,700	24.07.2017	18.11.2017
26	100470	10	10,04,700	26.07.2017	18.11.2017
27	75442	10	7,54,420	21.08.2017	18.11.2017
28	93986	10	9,39,860	20.09.2017	18.11.2017
29	62515	10	6,25,150	22.09.2017	20.11.2017
30	62513	10	6,25,130	25.09.2017	18.11.2017
31	31061	10	3,10,610	27.09.2017	18.11.2017

The applicant filed the form FC-GPR as indicated above with delay ranging from 5 days to one year eight months 19 days approximately beyond the stipulated time of 30 days in respect of the allotments at Sl. Nos.1 to 10, 12 to 14,16 to 21 and 24 to 31. 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 shares on 18.03.2013 against remittances received as detailed below:

Sl. No.	Date of receipt	Amount (INR)	Date of allotment
1	27.03.2012	12,50,750	18.03.2013
2	16.07.2012	13,23,250	18.03.2013

The company allotted shares with delay ranging from two months two days to five months 21 days approximately without prior approval of Reserve Bank. Whereas in terms of paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB, read with AP



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(Dir Series) Circular No.20 dated December 14, 2007 the shares have to be issued/amount refunded within 180 days from the date of receipt of the inward remittance.

5. The applicant vide letter dated December 11, 2017 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 2 to 4 above for which compounding has been sought. It had been submitted that the delay was unintentional. 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.

6. It has been declared in the compounding application dated December 11, 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 December 11, 2017 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.

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) A of Schedule 1 to Notification No. FEMA 20/2000-RB due to delay in reporting of receipt of inward remittances towards subscription of equity shares as detailed in paragraph 2 above. The contravention relates to an amount



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of ₹ 2,78,38,992.75 with duration of contravention ranging from one day to 11 months 26 days approximately;

(b) 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. The contravention relates to an amount of ₹ 5,30,22,510/- with the duration of contravention ranging from 5 days to one year eight months 19 days approximately; and

(c) Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB due to delay in allotment of shares without prior approval of Reserve Bank. The contravention relates to an amount of ₹ 25,74,000/- with the duration of contravention ranging from two months two days to five months 21 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 ₹ 1,40,288/- (Rupees one lakh forty thousand two hundred and eighty eight only) will meet the ends of justice.

9. Accordingly, I compound the admitted contraventions namely, the contraventions of paragraphs 9 (1) A, 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 ₹ 1,40,288/- (Rupees one lakh forty thousand two hundred and eighty eight only) which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, Fort 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.



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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 Tenth day of January, 2018.

Sd/-

R Kesavan
Chief General Manager