



In the

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

Present

R Subramanian  
Regional Director

Date: April 24, 2018  
C.A. HYD 272

In the matter of

M/s. VSoft Technologies Private Limited  
4<sup>th</sup> Floor, Block-1  
My Home Hub  
Madhapur  
Hyderabad - 500 081

**(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 December 07, 2017 received on December 13, 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 Reserve Bank of India after issue of shares towards subscription to equity (iii) issue of shares by way of swap without the Government of India (erstwhile FIPB) approval and (iv) taking on record the transfer of shares to the foreign entity without prior approval of Reserve Bank of India in terms of Paragraph 9(1)(A), Paragraph 9(1)(B), Paragraph 3 of Schedule 1 and Regulation 4 respectively of Foreign



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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 (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 M/s. VSoft Offshore Private Limited under the Companies Act, 1956 on 27.05.2004 (CIN: U74140TG2004PTC043342) and later changed its name to M/s. VSoft Technologies Private Limited on 19.04.2007. The company is engaged in the business of providing computer consultancy and computer facilities management activities.
- 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 to AD
1	Lakshmi Narasimha Murthy Veeraghanta	102308	12.07.2004	15.09.2004
2	VSoft Holdings, Mauritius	21022308	17.09.2012	13.06.2015
3	VSoft Holdings, Mauritius	29984100	12.07.2013	13.06.2015
	<b>Total</b>	<b>5,11,08,716</b>		

The applicant received the foreign inward remittances amounting to Rs. **5,11,08,716/-** as indicated above and the same were reported to Reserve Bank of India with delays ranging from 1 month 4 days to 2 years 7 months 27 days approximately beyond the prescribed period of 30 days. Whereas in



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terms of Paragraph 9(1)(A) of Schedule 1 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.

- c) Meanwhile, the applicant has taken over another Indian Company, M/s. VSoft Infosol Private Limited vide High Court's Order dated March 26, 2010. Pursuant to the Order, the company allotted shares to M/s. VSoft Holdings, Mauritius at a share exchange ratio of 223:100. The foreign entity holds 49400 shares in M/s. VSoft Infosol Private Limited and hence they were allotted 110162 shares by the applicant post-merger.
- d) As a part of acquisition and consolidation plan, the applicant has acquired M/s. VSoft Corporation, USA in which M/s. VSoft Holdings, Mauritius has 100% shareholding. Subsequently, the applicant has allotted 1,11,11,000 shares to M/s. VSoft Holdings, Mauritius by way of swap towards acquisition of M/s. VSoft Corporation, USA for consideration other than cash on 24.09.2015.
- e) The company allotted the following shares in total and filed form FC-GPRs as indicated below:

Sl No	Name of investor	Date of allotment of shares	Number of shares/CCPS allotted	Amount for which shares allotted (INR)	Date of reporting
1	Lakshmi Narasimha Murthy Veeraghanta	20.08.2004	9999	99990	15.09.2004
2	Lakshmi Narasimha Murthy Veeraghanta	31.07.2005	*199980	1999800	13.09.2006



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3	VSoft Holdings, Mauritius	30.04.2010	110162	1101620	21.05.2010
4	VSoft Holdings, Mauritius	04.03.2013	894186	21022313	26.02.2015
5	VSoft Holdings, Mauritius	03.10.2013	1275163	29979082	26.02.2015
6	VSoft Holdings. Mauritius	24.09.2015	11111100	999999000	30.06.2016
	<b>Total</b>			<b>1,05,42,01,805</b>	

\* The applicant has allotted bonus shares at ₹ 10/- per share with a proportion of 20 equity shares for each share held by the existing share holder.

The applicant filed form FCGPRs for issue of shares amounting to Rs. 1,05,42,01,805/- as indicated above out of which shares amounting to Rs.1,05,30,00,195/- were reported with delays ranging from 8 months 7 days to 1 year 10 months 23 days approximately beyond the stipulated period of 30 days. 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 FCGPR along with documents prescribed therein within 30 days from the date of issue of shares to person resident outside India.

- f) The applicant has allotted 1,11,11,000 shares to the non-resident investor, M/s. VSoft Holdings, Mauritius by way of swap without obtaining prior approval of the Government of India (erstwhile FIPB) as per the extant rules. FIPB, on an application being made to it by the company, granted its post facto approval vide letter no. F. no. 021(2016)204(205) dated April 06, 2016 subject to compounding of the above contravention by Reserve Bank of India. Details of the said transaction are tabulated below:



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Sl No	Date of swapping of shares	Number of shares	Amount (INR)	Date of FIPB approval
1	24.09.2015	11111100	999999000	06.04.2016
	<b>Total</b>		<b>99,99,99,000</b>	

Whereas in terms of Paragraph 3 of Schedule 1 to Notification No. FEMA 20/2000-RB, an Indian company which is otherwise not eligible to issue shares to a person resident outside India, may issue shares to a person resident outside India provided it has secured prior approval of Secretariat for Industrial Assistance or, as the case maybe of the Foreign Investment Promotion Board of the Government of India and the terms and conditions of such an approval are complied with. Here the amount of contravention is Rs. **99,99,99,000/-** and the period of contravention is 6 months 12 days approximately.

- g) The applicant has taken on their record the transfer of 209979 equity shares held by the foreign investor, Mr. Lakshmi Narasimha Murthy Veeraghanta, Non-Resident Indian to another foreign investor, M/s. VSoft Holdings, Mauritius on 04.11.2006 without prior permission of Reserve Bank of India. The applicant then approached Reserve Bank of India, Central Office, Mumbai for regularization/post-facto approval for the above transfer and the Central Office vide its letter no. FED.CO.FID. No. 4851/10.21.408(2)/2017-18 dated November 30, 2017 has conveyed its post facto approval for transfer of 209979 equity shares. Details of the transaction are shown below:



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Sl No	Date of transfer of shares	Number of shares	Amount (INR)	Date of taking on record the transfer of shares	Post facto approval by RBI
1	04.11.2006	209979	2099790	04.11.2006	30.11.2017
	<b>Total</b>		<b>20,99,790</b>		

Whereas in terms of Regulation 4 of Notification No. FEMA 20/2000-RB, an Indian entity shall not issue any security to a person resident outside India or shall not record in its books any transfer of security from or to such person, provided that the Reserve Bank may, on an application made to it and for sufficient reasons, permit an entity to issue any security to a person resident outside India or to record in its books transfer of security from or to such person, subject to such conditions as may be considered necessary. Here the amount of contravention is Rs. **20,99,790/-** and the period of contravention is 11 years 27 days approximately.

3. (a) The applicant was given an opportunity for personal hearing vide Reserve Bank's letter No. HY.FE.FID/1776/14.66.003/2017-18 dated April 16, 2018 for further submission in person and/or producing documents, if any, in support of the application.

(b) The applicant appeared for personal hearing on April 18, 2018 during which Ms. Monisha Kapoor, Company Secretary 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 not wilful or with a malafide intention but was on account of lack of proper guidance on compliance requirements. In view of the foregoing, the representative of the applicant requested to take a lenient view in disposal of the



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application. The application for compounding is, therefore, being considered on the basis of the averments made in the application as well 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 reporting the receipt of consideration towards issue of shares amounting to Rs. 5,11,08,716/- and the delay ranges from 1 month 4 days to 2 years 7 months 27 days approximately.

(b) Paragraph 9(1)(B) of Schedule 1 to Notification No. 20/2000-RB for delay in submission of Form FC-GPR to Reserve Bank of India after issue of shares to persons resident outside India and the contravention relates to an amount of Rs. 1,05,30,00,195/- and the delay ranges from 8 months 7 days to 1 year 10 months 23 days approximately.

(c) Paragraph 3 of Schedule 1 to Notification No. FEMA 20/2000-RB for issue of shares to the foreign investor by way of swap without prior approval of Government of India and the contravention relates to an amount of Rs. 99,99,99,000/- and the period of contravention is 6 months 12 days approximately.

(d) Regulation 4 of Notification No.20/2000-RB for taking on record transfer of shares from non-resident Indian to non-resident company without prior permission of Reserve Bank of India and the contravention relates to an amount of ₹ 20,99,790/- and the period of contravention is 11 years 27 days approximately.



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5. It has been declared in the compounding application dated December 07, 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 07, 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 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. 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 Rs. **55,77,565/- (Rupees Fifty Five Lakh Seventy Seven Thousand Five Hundred Sixty Five Only)** will meet the ends of justice.

7. Accordingly, I compound the admitted contraventions, namely, the contraventions of Paragraph 9(1)(A), Paragraph 9(1)(B), Paragraph 3 of Schedule 1 and Regulation 4 of 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 Rs. **55,77,565/- (Rupees Fifty Five Lakh Seventy Seven Thousand Five Hundred Sixty Five Only)** which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 1st Floor, Saifabad, Hyderabad - 500004 by 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





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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 24<sup>th</sup> day of April 2018

Sd/-

(R Subramanian)  
Regional Director