



In the

RESERVE BANK OF INDIA
Foreign Exchange Department
11th floor, Central Office Building
Shahid Bhagat Singh Road
Mumbai - 400 001

Present

Ajay Kumar Misra
Chief General Manager

Date: June 29, 2018
CA No 4641 / 2018

In the matter of

Inventurus Knowledge Solutions Private Limited
M/s Mindspace Business Park (SEZ) Pvt. Ltd.
Unit No. 801, Building No. 5 & 6, 8th Floor
Mindspace, Airoli, Navi Mumbai - 400708

(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 application dated February 21, 2018 (received in the Reserve Bank on February 22, 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) taking on record the transfer of shares from resident Indians to non – resident Indians, without filing of certified form FC-TRS, (ii) delay in reporting the receipt of funds for issue of shares, beyond the stipulated time period and (ii) delay in filing of form FC-GPR beyond the stipulated time period. The above amount to the contravention of Regulation 4, Paragraphs



9(1)(A) and 9(1)(B) of Schedule 1 of 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 amended from time to time (hereinafter referred to as Notification No. FEMA 20/2000-RB).

2. The relevant facts are as under: The applicant was incorporated as Inventurus Knowledge Solutions Private Limited, on September 05, 2006, under the Companies Act, 1956 (CIN: U72200GA2006PTC004816). It is engaged in the business of providing knowledge based solutions for transactions and voice based business outsourcing services of all types. The applicant had received foreign inward remittance for issue of equity shares. However, there was a delay in reporting certain inward remittances which were remitted in various dates during the period from 2007 to 2017, in contravention of Paragraph 9(1)(A) of Schedule I of Notification No. FEMA 20/2000-RB. The details are provided in the table below:

Name of the remitter	Date of receiving the inward remittance	Amount of inward remittance (INR)	Date of reporting of inward remittance
Mr. Patrick Kline, USA	18.03.2014	7,59,959	26.04.2014
Mr. Jeffrey Freimark, USA	08.05.2007	97,049	06.10.2016
Mr. Jeffrey Freimark, USA	27.06.2007	97,677	06.10.2016
Mr. Jeffrey Freimark, USA	05.09.2008	2,16,731	06.10.2016
Mr. Jeffrey Freimark, USA	23.01.2007	1,00,105	06.10.2016
Mr. Joseph Bernardello, USA	16.01.2007	79,20,190	06.10.2016
Mr. Joseph Bernardello, USA	13.04.2017	3,07,970	07.06.2017
Mr. Jeffrey Freimark, USA	05.09.2008	20,67,085	16.03.2018



Mr. Jeffrey Freimark, USA	26.12.2008	8,23,507	16.03.2018
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Further, there was delay in filing Forms FC-GPR, resulting in a contravention of Paragraph 9(1)(B) of Schedule I of Notification No. FEMA 20/2000-RB. The details are provided in the table below:

Date of allotment of shares	Date of filing of Form FC-GPR	Amount (INR) for which shares were issued
30.10.2006	13.10.2016	5,05,000
16.11.2006	13.10.2016	82,25,700
04.02.2009	16.03.2018	28,44,525.40

Further, the applicant took on record the share transfer from Mr. Nitin Gupta and Ms. Ashwini Timblo to Mr. Joseph Benardello, without the requisite filing of certified Form FC-TRS, as follows:

No. of shares	Amount (INR)	Date of transfer	Date of regularization
118300	92,67,622	03.11.2006	20.04.2018
225000	1,76,26,500	04.02.2009	20.04.2018

Such taking on record, of transfer of shares, without the filing of certified Form FC-TRS was in contravention of Regulation 4 of Notification No. FEMA 20/2000-RB. The reporting requirement under Form FC-TRS, was introduced vide AP (DIR Series) Circular No. 16, dated October 4, 2004.

The resident individuals, Mr. Nitin Gupta and Ms. Ashwini Timblo, involved in the abovementioned share transfers, have been separately advised of their FEMA contraventions vide letter FED.PNJ.378/02.01.986/2017-18 dated January 10, 2018. Thus, the contraventions pertaining to these two resident individuals are not a part of this compounding application.



3. Regulation 4 of Notification No.FEMA.20/2000-RB dated May 03, 2000 as amended from time to time states that, "Save as otherwise provided in the Act or Rules or Regulations made thereunder, an Indian entity shall not issue any security to a person resident outside India or to record in its books transfer of security from or to such person...."

According to Para 9(1)(A) of Schedule 1 of Notification No.FEMA.20/2000-RB dated May 03, 2000 as amended from time to time, "An Indian company issuing shares or convertible debentures in accordance with these Regulations shall submit through AD bank to the Regional Office concerned of the Reserve Bank under whose jurisdiction the Registered office of the company operates, not later than 30 days from the date of receipt of the amount of consideration received by Indian company for issue of shares and convertible debentures, a report in form specified in Annex C to this Schedule along with a copy/ies of Foreign Inward Remittance Certificate/s (FIRC), Know Your Customer (KYC) report on the non-resident investor and details of the Government approval, if any".

Further, Para 9(1)(B) of Schedule 1 of Notification No.FEMA.20/2000-RB dated May 03, 2000 as amended from time to time states that "An Indian company issuing shares or convertible debentures in accordance with these Regulations shall submit through AD bank to the Regional Office concerned of the Reserve Bank under whose jurisdiction the Registered office of the company operates, not later than 30 days from the date of issue of shares, a report in the Form FC-GPR as specified by the Reserve Bank from time to time....".

4. The applicant was given an opportunity for personal hearing vide letter No. FE.CO.CEFA/10327/15.20.67/2017-18 dated June 15, 2018 for further submission in person and/or producing documents, if any, in support of the application. The personal hearing was held on June 26, 2018 during which Shri Arindrajit Datta, AVP- Finance and Accounts and Shri Gururaj Mejari, Director, Finance and Accounts, represented the applicant. The representatives of the applicant submitted that the applicant had inadvertently failed to comply with the FEMA regulations and requested that a lenient view may be taken in the matter.



It has also been declared in the compounding application dated February 21, 2018, that the particulars given by the applicant in the application are true and correct to the best of their/his/her knowledge and belief. Further, it has been declared in the declaration dated February 13, 2018, furnished along 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 been informed of initiation of any such enquiry/investigation/adjudication proceedings against it/him/her thereafter. It has further been declared that the applicant has not filed any appeal under section 17 or section 19 of FEMA, 1999. 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. The application is, therefore, being considered on the basis of the averments made in the application, the documents produced and submissions made during the personal hearing and thereafter.

5. I have given my careful consideration to the documents on record and submissions made by the applicant during the personal hearing. It was observed that the applicant has contravened the provisions of Regulation 4, Paragraphs 9(1)(A) and 9(1)(B) of Schedule I of Notification No.FEMA.20/2000-RB. The amount of contravention is as follows:

(i) Regulation 4 of Notification No.FEMA.20/2000-RB – Amount of contravention – Rs. 2,68,94,122/-; Period of contravention ranges from 9 years 2 months to 11 years 5 months approximately.

(ii) Para 9(1)(A) of Schedule 1 of Notification No.FEMA.20/2000-RB – Amount of contravention – Rs. 1,23,90,273 /-; Period of contravention ranges from 6 days to 9 years 8 months approximately.

(iii) Para 9(1)(B) of Schedule 1 of Notification No.FEMA.20/2000-RB – Amount of contravention – Rs. 1,15,75,225 /-; Period of contravention ranges from 9 years to 9 years 11 months approximately.



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. After considering the submissions made by the applicant and the entire facts and circumstances of the case I am persuaded to take a lenient view on the amount for which the contravention is to be compounded and it stands to reason that payment of an amount of Rs. Rs. 8,11,042/- (Rupees eight lakh eleven thousand and forty two only) will meet the ends of justice in the circumstances of this case.

7. Accordingly, I compound, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 the admitted contravention committed by the applicant namely, Regulation 4, Paragraphs 9(1)(A) and 9(1)(B) of Schedule I of Notification No.FEMA.20/2000-RB, on payment of a sum of Rs. 8,11,042/- (Rupees eight lakh eleven thousand and forty two only), which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 5th Floor, Amar Building, Fort, Mumbai 400001 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at 'Mumbai' 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 the twenty ninth day of June, 2018

Sd/-

Ajay Kumar Misra
(Chief General Manager)