



In the

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

Present

C Nageswara Rao
Deputy General Manager

Date: July 31, 2018
C.A. HYD 314

In the matter of

M/s. Oremus Corporate Services Private Limited
3rd Floor, at 6-3-249/3 Abhinandan Towers
Road No.1, Banjara Hills
Hyderabad – 500 034

(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 May 22, 2018 received by us on May 24, 2018 for compounding of contravention of the provision 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 receipt of foreign inward remittances towards subscription to equity, (ii) delay in submission of Form FCGPR to the Reserve Bank after issue of shares to a person resident outside India, (iii) delay in allotment of shares beyond 180 days from the date of receipt of remittance and (iii) refund of un allotted or excess share application money beyond 180 days from the date of receipt of remittance in terms of Paragraph



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9(1)(A), 9(1)(B) and 8 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 May 3, 2000 as then applicable (hereinafter referred to as Notification No. FEMA 20 /2000-RB).

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 July 23, 2002 (CIN: U74140TG2002PTC039358). The company is engaged in the business of Accounting, bookkeeping and auditing activities.
- (b) The applicant had received foreign inward remittances from overseas investor 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 | Ronald K ST Clair | 13,16,363.42 | 25.04.2011 | 14.06.2011 |
| 2 | Ronald K ST Clair | 4,52,875.50 | 24.08.2011 | 14.12.2011 |
| 3 | Ronald K ST Clair | 10,60,000 | 28.12.2011 | 05.06.2012 |
| 4 | Apaco Services Inc | 5,19,500 | 20.04.2012 | 22.05.2012 |
| 5 | Apaco Services Inc | 34,13,800 | 25.04.2012 | 22.05.2012 |
| 6 | Woronzow Enterprises Ltd | 63,70,000 | 30.08.2017 | 22.09.2017 |
| | Total | 1,31,32,538.92 | | |



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The applicant reported receipt of remittances towards share subscription amounting to ₹ 1,31,32,538.92 to the Regional Office of Reserve Bank of India out of which remittance amounting to ₹ 33,48,738.92 was reported with a delay ranging from 2 days to 4 months 9 days approximately as indicated above. Whereas in 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) The company allotted equity shares and filed Form FC-GPRs as indicated below:

| S No | Name of Investor | Date of allotment of shares | Number of shares allotted | Amount for which shares allotted (INR) | Date of reporting |
|------|--------------------------|-----------------------------|---------------------------|--|-------------------|
| 1 | Ronald K ST Clair | 15.10.2011 | 310 | 13,12,540 | 16.11.2011 |
| 2 | Ronald K ST Clair | 16.08.2017 | 358 | 15,15,772 | 14.09.2017 |
| 3 | Woronzow Enterprises Ltd | 30.08.2017 | 1713 | 63,68,934 | 25.09.2017 |
| | | Total | 2,381 | 91,97,246 | |

The applicant filed form FCGPRs for the allotment of shares amounting to ₹ 91,97,246/- as indicated above, out of which shares amounting to ₹ 13,12,540/- were reported with a delay of 2 days as indicated above. 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



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Reserve Bank 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.

d) The company has delayed in allotting shares to the non-resident investors beyond 180 days from the date of receipt of remittance as shown below.

| SI No | Name of Remitter | Amount (INR) | Date of Receipt | Date of allotment of shares |
|--------------|-------------------|---------------------|-----------------|-----------------------------|
| 1 | Ronald K ST Clair | 3823.42 | 25.04.2011 | 16.08.2017 |
| 2 | Ronald K ST Clair | 452875.50 | 24.08.2011 | 16.08.2017 |
| 3 | Ronald K ST Clair | 1060000 | 28.12.2011 | 16.08.2017 |
| Total | | 15,16,698.92 | | |

Whereas in terms of Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, the shares have to be issued within the stipulated period of 180 days from the date of receipt of the inward remittance. Here the amount of contravention is ₹ **15,16,698.92** and the period of contravention ranges from 5 years 1 month 22 days to 5 years 9 months 25 days approximately.

e) The company has delayed in refund of the excess share application money to the non-resident investors beyond 180 days from the date of receipt of remittance as shown below.

| SI No | Name of Remitter | Total Amount (INR) | Date of Receipt | Excess share application money (INR) | Date of seeking approval from RBI |
|-------|-------------------|--------------------|-----------------|--------------------------------------|-----------------------------------|
| 1 | Ronald K ST Clair | 1060000 | 28.12.2011 | 926.92 | 12.06.2017 |



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| | | | | | |
|---|--------------------|------------------|------------|---------------------|------------|
| 2 | Apaco services Inc | 519500 | 20.04.2012 | 299500 | 12.06.2017 |
| 3 | Apaco Services Inc | 3413800 | 25.04.2012 | 3413800 | 12.06.2017 |
| | Total | 49,93,300 | | 37,14,226.92 | |

Whereas in terms of paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, if the shares are not issued within 180 days from the date of receipt of the inward remittance, the amount of consideration so received shall be refunded to the person concerned, provided the Reserve Bank may on an application made to it and for sufficient reasons permit to refund the amount of consideration received towards issue of security, if such amount is outstanding beyond a period of 180 days from the date of receipt. The amendment in paragraph 8 of Schedule 1 to Notification No. FEMA 20/20000-RB was introduced by issue of Foreign Exchange Management (Transfer or Issue of Security by a Person outside India) (Third Amendment Regulation, 2007 notified, vide Notification No. FEMA 170/2007-RB dated 13th November, 2007 in the official Gazette of the Govt. of India. Here, the balance share application money is ₹ 37,14,226.92 and the period of contravention ranges from 4 years 7 months 21 days to 4 years 11 months 18 days approximately.

3. (a) The applicant was given an opportunity for personal hearing vide Reserve Bank's letter No. HY.FE.FID/138/14.66.003/2018-19 dated July 24, 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 July 30, 2018 during which Ms. Megha Saklani, Manager (Compliance), 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 purely unintentional and not malafide in nature but was on account of administrative reasons. 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.

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 ₹ **33,48,738.92** and the delay ranges from 2 days to 4 months 9 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 ₹ **13,12,540/-** with a delay of 2 days approximately.

(c) Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB for delay in the allotment of shares to the foreign investor and the contravention relates to an amount of ₹ **15,16,698.92** and the delay ranges from 5 years 1 month 22 days to 5 years 9 months 25 days approximately.

(d) Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB for delay in the refund of balance share application money to the foreign investor and the contravention relates to an amount of ₹ **37,14,226.92** and the delay ranges from 4 years 7 months 21 days to 4 years 11 months 18 days approximately.

5. It has been declared in the compounding application dated May 22, 2018 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 May 22, 2018 that the applicant was not under any enquiry/investigation/adjudication by any



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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 ₹ 1,01,356/- (**Rupees One Lakh One Thousand Three Hundred and Fifty Six 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) and Paragraph 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 ₹ 1,01,356/- (**Rupees One Lakh One Thousand Three Hundred and Fifty Six 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 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.



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Dated this 31st day of July 2018

Sd/-

(C Nageswara Rao)
Deputy General Manager