



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

Present

**B Sarangi**  
**Deputy General Manager**

Date : February 20, 2017  
**C.A.604/2016**

In the matter of  
**M/s. Continental Traffic Service Global Technologies Pvt Ltd.,**  
No.123, MTH Road, Ambattur OT,  
Chennai-600053

**(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 October 25, 2016 (received at Reserve Bank on November 17, 2016) 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, and (ii) delay in allotment of shares in terms of Paragraph 9 (1) A 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 May 24, 2007 under the provisions of the Companies Act, 1956 (Registration No. U74120TN2007PTC063643) and is engaged in Business of providing data entry services. The applicant received foreign inward remittances from M/s. Continental Traffic Service Inc., USA towards subscription to equity shares and reported the same to the Reserve Bank as given below:

Sl. No.	Amount of Foreign Inward Remittance (in Rs.)	Date of receipt	Reported to RBI on
1	6,01,435	27.11.2007	02.05.2009
2	4,25,453	02.01.2008	02.05.2009
3	4,62,886	19.02.2008	02.05.2009
4	4,71,474	08.04.2008	02.05.2009
5	10,33,063	09.05.2008	02.05.2009
6	2,79,087	17.09.2008	02.05.2009
7	3,63,606	21.11.2008	02.05.2009

The applicant reported receipt of remittances to the Reserve Bank on dates indicated above with delay ranging from four months 11 days to one year four months five days approximately beyond the stipulated time of 30 days in respect of the remittances. 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. Against the inward remittances the company allotted shares as indicated below:

Sl. No.	Date of receipt	Amount (INR)	Date of allotment of shares
1	27.11.2007	6,01,435	07.07.2010
2	02.01.2008	4,25,453	07.07.2010
3	19.02.2008	4,62,886	07.07.2010
4	08.04.2008	4,71,474	07.07.2010
5	09.05.2008	10,33,063	07.07.2010
6	17.09.2008	2,79,087	07.07.2010
7	21.11.2008	3,63,606	07.07.2010

The company allotted shares against the inward remittances with delay ranging from one year one month 16 days to two years one month 10 days beyond the stipulated period of 180 days with prior approval of Reserve Bank. Whereas in terms of paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB, read with A.P. (Dir Series) Circular No.20 dated December 14, 2007 the shares have to be allotted within 180 days from the date of receipt of the inward remittance.

4. The applicant was given an opportunity for personal hearing vide Reserve Bank's mail dated February 10, 2017 for further submission in person and/or producing documents, if any, in support of the application. The applicant vide letter dated February 16, 2017 have opted not to appear for the hearing on the said date. The applicant, in the compounding application, had admitted the contraventions as stated in para 2 above for which compounding has been sought. It had been submitted that the delays were 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.



5. 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 of ₹ 36,37,004/- and the duration ranging from four months 11 days to one year four months five days approximately; and

(b) Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB due to delay in allotment of shares with prior approval of Reserve Bank. The contravention relates to an amount of ₹ 36,37,004/- and the duration of contravention ranging from one year one month 16 days to two years one month 10 days 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. 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 ₹ 61,384/- (Rupees sixty one thousand three hundred and eighty four only) will meet the ends of justice.

7. Accordingly, I compound the admitted contraventions namely, the contraventions of paragraphs 9 (1) A 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 ₹ 61,384/- (Rupees sixty one thousand three hundred and eighty four only) which shall be



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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. 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 Twentieth day of February, 2017.

**Sd/-**

**B Sarangi**  
**Deputy General Manager**