



In the

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

Present

C.N. Rao
Deputy General Manager

Date: July 13, 2017
C.A. HYD 204

In the matter of

M/s. PSK Research Foundation
D.No.139/1A, NH5
Opp.Acharya Nagarjuna University
Guntur – 522510
Andhra Pradesh

(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 April 13, 2017 received by us on April 19, 2017 for compounding of contravention 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 receipt of foreign inward remittances; (ii) delay in submission of Form FC-GPR to the Reserve Bank after issue of shares including shares towards subscription to Memorandum of Association, to a person resident outside India (iii) delay in receipt of remittance after issue of shares towards subscription to Memorandum of Association of the company beyond one year, in terms of Paragraph 9 (1) (A) , Paragraph 9 (1) (B) and Paragraph 8 respectively of Foreign Exchange Management (Transfer or issue of Security by a Person Resident outside India) Regulations, 2000 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 3rd May 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:

a) The applicant is a non-profit organization incorporated under Section 8 of the Companies Act 2013, on 07.11.2015. The company is engaged in the promotion of technology intensive research projects by providing incubation for prospective ideas and projects, to facilitate the research projects with infrastructure requirements, technical consultation and guidance, business consultation and guidance, and financially where necessary to help them to spin off into commercially viable businesses.

b) The applicant received foreign inward remittances from overseas investors towards advance for subscription to equity shares as detailed below:

Sl. No.	Name of Remitter	Total Amount (₹)	Date of Receipt	Date of Reporting
1	Venkat S Prabhala	9,98,850	25.05.2016	05.11.2016
2	Venkat S Prabhala	1,96,959	13.04.2016	05.11.2016
3	Venkat S Prabhala	13,25,120	16.07.2016	09.11.2016
4	Venkat S Prabhala	13,98,443	08.12.2016	10.01.2017
5	Venkat S Prabhala	3,33,250	13.02.2017	22.02.2017
6	Venkat S Prabhala	19,18,500	02.05.2017	30.05.2017
	Total	61,71,122		

The applicant reported receipt of remittances amounting to ₹.61,71,122/- to the Regional Office of Reserve Bank of India on dates indicated above and remittances amounting to ₹.39,19,372/- were reported with delays ranging from 3 days to 5 months 23 days approximately. 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:

Sl. No.	Name of Investor	Date of Issuance of Shares	No.of Shares issued	Total Value (₹)	Date of Reporting
1	Venkat S Prabhala	07.11.2015	8000	80,000	07.04.2017
2	Venkat S Prabhala	07.09.2016	252092	25,20,920	31.12.2016
3	Venkat S Prabhala	23.12.2016	137908	13,79,080	21.01.2017
4	Venkat S Prabhala	06.02.2017	1937	19,370	07.04.2017
5	Venkat S Prabhala	06.04.2017	5065	2,53,250	17.04.2017
	Total		4,05,002	42,52,620	

The applicant filed Form FC-GPRs for the allotment of shares amounting to ₹.42,52,620/- as indicated above to the Regional Office of Reserve Bank of India, Hyderabad out of which FCGPRs for allotment of shares amounting to ₹.26,20,290/- were reported with delays ranging from 1 month 2 days to 1 year 4 months 1 day approximately beyond the stipulated period. 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 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.

3. The applicant received inward remittance for allotment of shares towards subscription to Memorandum of Association as per following details.

Sl. No.	Name of investor	Date of Issuance of Shares	No. of Shares issued	Total Value (₹)	Date of Receipt of Remittance
1	Venkat Prabhala	07.11.2015	8000	80,000	13.02.2017



The company has issued shares of the value ₹.80,000/- on 07.11.2015 and received consideration thereof on 13.02.2017 i.e. with a delay of 1 year 3 months 6 days which is a contravention of Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB as amended from time to time.

4 a) The applicant was given an opportunity for personal hearing vide Reserve Bank's letter No. HY.FE.FID/17/14.66.003/2017-18 dated July 03, 2017 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 10, 2017 during which Shri. Kishore Prabhala, Director, Shri P. Prakash Reddy, Practicing Company Secretary, and Shri S.K. Nizamuddeen, Accountant, represented the applicant. The applicant admitted the contraventions for which the compounding has been sought. During the personal hearing it was submitted that the delay was due to administrative reasons in the initial period and was not willful or with malafide intention. In view of the foregoing, 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 as well the submissions made in this context by the applicant during the personal hearing.

5. I have given my careful consideration to the documents on record and submission made by the applicant during the personal hearing. 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 foreign inward remittances towards subscription to equity shares as detailed above. The contraventions relate to an amount of **₹39,19,372** /- and the duration of contravention ranges from 3 days to 5 months 23 days approximately.

(b) Paragraph 9 (1) (B) of Schedule 1 to Notification No. 20/2000-RB due to delay in submission of Form FC-GPR to Reserve Bank after issue of shares to persons resident outside India and the contravention relates to an amount of **₹.26,20,290** /- and the duration of contravention ranges from 1 month 2 days to 1 year 4 months 1 day approximately.

(c) Paragraph 8 of Schedule 1 to Notification No.20/2000-RB, as the company has issued shares of the value ₹.80,000/- on 07.11.2015 and received consideration thereof on 13.02.2017 , with a delay of 1 year 3 months 6 days approximately , which is a contravention.



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 ₹34,600/- (Rupees Thirty Four Thousand Six Hundred Only) will meet the ends of justice.

7. Accordingly, I compound the admitted contraventions namely, the contraventions of Paragraph 9 (1) (A) and 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 of ₹34,600/- (Rupees Thirty Four Thousand Six Hundred 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 favor 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 off accordingly.

Dated this 13th day of July 2017.

Sd/-

(C. N. Rao)
Deputy General Manager