



In the

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

Present

R Kesavan
Chief General Manager

Date : July 13, 2017
C.A.652/2016

In the matter of

M/s. Chain-Sys (India) Pvt Ltd.,
Plot No.8, Door No.85,
Ponniamma Nagar, Ayanambakkam,
Chennai-600 095

(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 March 03, 2017 (received at Reserve Bank on March 13, 2017) 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



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reporting of inflow of funds received from a person resident outside India for allotment of shares (ii) delay in submission of Form FC-GPR on allotment of shares with Reserve Bank and (iii) allotment of shares prior to receipt of full consideration in terms of Paragraph 9 (1) A, Paragraph 9 (1) B 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 July 20, 2000 under the provisions of the Companies Act, 1956 (Registration No. U72200TN2000PTC045410) and is engaged in Business of computer consultancy and computer facilities management activities. The applicant received foreign inward remittances from M/s.Chain-Sys Corporation, USA towards subscription to equity shares and reported the same to the Reserve Bank as below:

Sl. No	Amount of Foreign Inward Remittance (in Rs.)	Date of receipt	Reported to RBI on
1	6,35,403	08.01.2004	07.03.2014
2	46,02,600	30.11.2011	08.02.2012
3	52,92,006	01.02.2013	25.02.2013
4	53,22,101	06.02.2013	26.02.2013
5	40,34,681	18.06.2013	24.07.2013
6	2,21,286	08.09.2016	27.09.2016

The applicant reported receipt of remittances to the Reserve Bank on dates indicated above with delay ranging from six days to 10 years 27 days approximately beyond the stipulated time of 30 days in respect of the remittances at Sr. Nos. 1,2 and 5. 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. The company allotted equity shares and filed FC-GPR as indicated below:

SI. No.	No. of shares/CCPs allotted	Face Value (in Rs.)	Amount (INR)	Date of allotment of shares	Reported to RBI on
1	38900	10	8,55,800	18.01.2004	07.03.2014
2	148471	10	46,02,601	21.03.2012	12.07.2012
3	365228	10	1,06,14,110	11.03.2013	01.06.2013
4	134489	10	40,34,681	06.12.2013	21.12.2013

The applicant filed the form FC-GPR as indicated above with delay ranging from one month 20 days to 10 years 17 days approximately beyond the stipulated time of 30 days in respect of the allotment at Sr. Nos.1 to 3. Whereas in terms of paragraph 9 (1) B of Schedule I 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.

4. The company allotted 38900 shares of ₹10/- each at a premium of ₹12/- on 18.01.2004 against remittance of ₹ 6,35,403/- received on 08.01.2004. The shortfall was brought in by way of inward remittance as detailed below:

SI. No.	Date of receipt	Amount (INR)	Date of allotment
1	08.09.2016	2,20,397.00	18.01.2004

The shortfall was brought in with delay of 12 years seven months 21 days approximately beyond the prescribed period of 180 days. Whereas in terms of paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB, read with AP (Dir Series) Circular No.20 dated December 14, 2007 the shares have to be issued/amount refunded within 180 days from the date of receipt of the inward remittance.

5. The applicant was given an opportunity for personal hearing vide Reserve Bank's mail dated July 10, 2017 for further submission in person and/or producing documents, if any, in support of the application. The applicant appeared for the personal hearing on July 13, 2017 during which Shri Balamurugan. A of the company and Shri S. Neeraj,



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Company Secretary, represented the applicant. The authorized representatives of the applicant admitted the contraventions as stated in para 2 to 4 above committed by the applicant for which compounding has been sought. During the personal hearing, it was submitted that the delays were unintentional. In view of the above, they requested to take a lenient view in the matter. 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 during the personal hearing.

6. I have given my careful consideration to the documents on record and submission made by the applicant in the compounding application and 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 inward remittances towards subscription of equity shares as detailed in paragraph 2 above. The contravention relates to an amount of ₹ 92,72,684/- with duration of contravention ranging from six days to 10 years 27 days approximately;
- (b) Paragraph 9 (1) B of Schedule 1 to Notification No. FEMA 20/2000-RB due to delay in submission of Form FC-GPR to the Reserve Bank after issue of shares to persons resident outside India. The contravention relates to an amount of ₹ 1,60,72,511/- with the duration of contravention ranging from one month 20 days to 10 years 17 days approximately; and
- (c) Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB due to allotment of shares prior to receipt of full consideration. The contravention relates to an amount of ₹ 2,20,397/- with the duration of contravention being 12 years seven months 21 days approximately.

7. 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



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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 ₹ 83,813/- (Rupees eighty three thousand eight hundred and thirteen only) will meet the ends of justice.

8. Accordingly, I compound the admitted contraventions namely, the contraventions of paragraphs 9 (1) A, 9 (1) B 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 ₹ 83,813/- (Rupees eighty three thousand eight hundred and thirteen only) which shall be 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 Thirteenth day of July, 2017.

Sd/-

R Kesavan
Chief General Manager