



In the  
**Reserve Bank of India**  
10/3/8, Nrupathunga Road,  
Bengaluru-560001

Present

**Eugene E Karthak**  
**Regional Director**

Date: July 18, 2017  
**C.A. No. BGL 217/2017**

In the matter of

**M/s Nusyn Digital Solutions Private Limited**  
Unit No. 1, Level 5, Navigator Building, ITPL  
Bengaluru 560066  
**(Applicant)**

In exercise of the powers under section 15 (1) of the Foreign Exchange Management Act, 1999, and the Regulations/Rules/Notifications/Orders framed there under, I pass the following

#### **ORDER**

The applicant has filed a compounding application dated March 02, 2017, received in Reserve Bank of India, Bengaluru on March 03, 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 reporting receipt of foreign inward remittances towards subscription to equity, (ii) issue of shares to the foreign investor, a person resident outside India beyond 180 days of the receipt of the inward remittance, and (iii) delay in submission of Form FC-GPRs to the Reserve Bank after issue of shares to a person resident outside India, in terms of paragraphs 9(1)(A), 8 and 9(1)(B), 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 03, 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, M/s Nusyn Digital Solutions Private Limited, is a limited company, incorporated on February 04, 2011, under the Companies Act, 1956. The activity undertaken by the company is “to carry on the business of providing of digital signage solution software, hardware and accessories related to digital signage.” The applicant had received funds towards share application money from foreign investor namely, Scala Holdings B V, as shown below:

Sl. No	Date of Receipt	Amount (INR)	Date of Reporting to RBI/AD
1	05-04-2011	2,18,705.00	28-01-2013
2	13-04-2011	19,76,243.00	28-01-2013
3	17-05-2011	22,21,400.00	28-01-2013
4	06-06-2011	22,08,975.00	28-01-2013
5	07-07-2011	22,07,625.00	28-01-2013
6	09-08-2011	22,35,000.00	28-01-2013
7	22-09-2011	24,04,875.00	28-01-2013
8	12-10-2011	24,09,950.00	28-01-2013
	<b>Total</b>	<b>1,58,82,773.00</b>	

The applicant reported receipt of remittances to the Authorized Dealer Bank with a delay ranging from one year, two months and seventeen days to one year, eight months and twenty four days approximately, beyond the stipulated time of 30 days in respect of all remittances indicated above. 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. It is observed that the company had allotted equity shares to the foreign investors in nine installments against the inward remittances received on eight occasions and there is a delay in allotment of shares in respect of remittances received on eight occasions in contravention of paragraph 8 to Schedule 1 to



Notification No. FEMA 20 dated May 03, 2000, and as amended from time to time. The amount of contravention is **Rs.157,82,780.97** and the period of delay ranges from two years, nine months and three days to three years, three months and ten days approximately. 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 20/2000-RB, was introduced by issue of Foreign Exchange management (Transfer or issue of Security by a person resident outside India) (Third Amendment) Regulations, 2007 notified, vide Notification No. FEMA 170/2007 – RB dated November 13, 2007 in the official Gazette of the Government of India. Further, in terms of paragraph 5 of AP (DIR Series) Circular No. 20 dated December 14, 2007, in all cases where, as on November 28, 2007, 180 days have elapsed since receipt of funds and the equity instruments have not been issued, the companies are required to approach the Foreign Exchange Department of the Regional Office concerned of the Reserve Bank of India through their AD Category–I bank with a definite action plan either for allotment of equity instruments or for refund of the advance, with full details, for specific approval.

4. The company allotted equity shares and filed FC-GPRs with RBI / AD as indicated below:

Sl. No.	Date of Allotment	Amount (INR)	Date of reporting to RBI/AD
1	07-04-2011	1,00,000.00	07-01-2015
2	12-01-2015	157,82,780.97	11-02-2015 ( AD)
	<b>Total</b>	<b>158,82,780.97</b>	



The applicant filed the Form FC-GPRs on allotment of shares with the Reserve Bank / Authorized Dealer with a delay of three years and eight months approximately, beyond the prescribed period of 30 days in respect of one allotment of shares indicated in Sr. No. 1 above. Whereas, in terms of Paragraph 9(1)(B) of Schedule I to Notification No. FEMA 20/2000-RB dated May 3, 2000, 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 persons resident outside India.

5. The applicant was given an opportunity for personal hearing, vide the Reserve Bank's letter No. FE.BG.FID (CEFA) No.154/22.09.119/2017-18 dated June 14, 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 17, 2017. Ms Vinuta Undale, Consultant, and Ms Archana Choudhary, Consultant, represented the applicant. The authorized representatives of the applicant admitted the contraventions as stated in paragraph 2, 3 and 4 above committed by the applicant for which compounding has been sought. The representative of the applicant requested that as the contraventions were not intentional, and were beyond the control of the applicant, a lenient view may be taken 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 as other documents and submissions made in this context by the applicant during personal hearing and thereafter.

6. I have given my careful consideration to the documents on record (read with para 8.3 of Master Direction No.4/2015-16 dated January 1, 2016, (updated as on May 26, 2016) on Compounding of Contraventions under FEMA, 1999. Accordingly, I hold that the applicant has contravened the following FEMA provisions issued in terms of:

- (a) Paragraph 9(1)(A) of Schedule I to Notification No. FEMA 20/2000-RB, due to delay in reporting of foreign inward remittances received towards subscription to equity as detailed in paragraph 2 above. The contravention



relates to an amount of **Rs.158,82,773.00**, and the period of delay ranges from one year, two months and seventeen days to one year, eight months and twenty four days approximately.

(b) Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB due to delay in allotment of shares within the stipulated period of 180 days from the date of receipt of amount of consideration. The contravention relates to an amount of **Rs.157,82,781.00** and the duration of the contravention ranges from two years, nine months and three days to three years, three months and ten days approximately.

(c) Paragraph 9(1) (B) of Schedule I to Notification No. FEMA 20/2000-RB, due to delay in submission of Form FC-GPRs to the Reserve Bank, after issue of shares to persons resident outside India as detailed in paragraph 4 above. The contravention relates to an amount of **Rs.1,00,000.00**, and the period of delay is three years and eight months 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 case as stated in the foregoing paragraphs, I am persuaded to take a lenient view on the amount for which the contravention are to be compounded, and I consider that an amount of **Rs.1,49,168.00 (Rupees One Lakh Forty Nine Thousand One Hundred and Sixty Eight only)** will meet the ends of justice.

8. Accordingly, I compound the admitted contraventions namely, contraventions of Paragraphs 9(1)(A), 8 and 9(1)(B) of Schedule I 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 **Rs.1,49,168.00 (Rupees One Lakh Forty Nine Thousand One Hundred and Sixty Eight only)**, which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 2<sup>nd</sup> Floor, 10/3/8, Nrupatunga Road, Bengaluru – 560001, by a demand draft drawn in favour of



the "Reserve Bank of India", and payable at Bengaluru 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, the Eighteenth day of July, 2017.

Sd/-

(Eugene E Karthak)  
Regional Director