



In the

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

Present

N Sara Rajendra Kumar
General Manager

Date: September 22, 2017
C.A. HYD 234

In the matter of

M/s. Munchem India Private Limited
D No. 54-15-14
Srinagar Colony, Gunadala
Vijayawada
Andhra Pradesh 520 008

(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 August 04, 2017 received on August 17, 2017 for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued thereunder. 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 towards subscription to equity to a person resident outside India in terms of Paragraph 9 (1) (A) and Paragraph 9 (1) (B) 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



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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 resident company incorporated as Private Limited Company under the Companies Act, 2013 on December 21, 2015 (CIN:U74120AP2015PTC097956). The company is engaged in the business of data processing, hosting and related activities.
- b) The applicant had received foreign inward remittances from single foreign investor towards advance for subscription to equity shares as indicated below.

S.No.	Name of Remitter	Date of inward remittance	Amount of remittance (INR)	Date of Reporting
1	Munchem Inc	13.01.2016	499990	06.06.2016
2	Munchem Inc	28.01.2016	796284	05.05.2016
3	Munchem Inc	19.02.2016	941049	05.05.2016
4	Munchem Inc	05.04.2016	652700	27.05.2016
5	Munchem Inc	28.04.2016	655000	27.05.2016
6	Munchem Inc	03.06.2016	662500	02.07.2016
7	Munchem Inc	29.06.2016	802200	20.08.2016
8	Munchem Inc	09.08.2016	791160	20.08.2016
	TOTAL		58,00,883	

The applicant reported receipt of remittances towards share subscription amounting to **Rs. 58,00,883** /- to the Regional Office of Reserve Bank of India out of which remittance amounting to **Rs. 36,92,223/-** was reported with



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a delay ranging from 22 days to 3 months 24 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 issuance of shares	Number of shares / CCPS issued	Total Value (INR)	Date of reporting
1	Munchem Inc	19.01.2016	16666	399984	11.08.2016
2	Munchem Inc	19.01.2016	9999	99990	09.08.2016
3	Munchem Inc	04.02.2016	33178	796272	11.08.2016
4	Munchem Inc	08.03.2016	39210	941040	11.08.2016
5	Munchem Inc	06.04.2016	27195	652680	11.08.2016
6	Munchem Inc	02.05.2016	27291	654984	11.08.2016
7	Munchem Inc	04.06.2016	27607	662568	13.04.2017
8	Munchem Inc	30.06.2016	33425	802200	04.03.2017
9	Munchem Inc	09.08.2016	32965	791160	04.03.2017
		TOTAL	247536	58,00,878	

The applicant filed form FCGPRs for the allotment of shares amounting to Rs. 58,00,878 /- as indicated above with a delay ranging from 2 months 10 days to 9 months 10 days approximately beyond the prescribed limit. Whereas in terms of Paragraph 9(1) (B) of schedule 1 to Notification no.



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FEMA 20/2000-RB, an Indian company issuing shares in accordance with these Regulations has to submit to 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.

3. (a) The applicant was given an opportunity for personal hearing vide Reserve Bank's letter No. HY.FE.FID/550/14.66.003/2017-18 dated September 19, 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 September 22, 2017 during which Shri Ajay Kumar Rayudu, Associate Company Secretary 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 not willful or with a malafide intention but was on account of lack of awareness of reporting requirements of FEMA. 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 as well the submissions made in this context by the applicant during the personal hearing.

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



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Rs. 36,92,223 /- and the delay ranges from 22 days to 3 months 24 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 after issue of shares to persons resident outside India and the contravention relates to an amount of Rs. 58,00,878 /- and the period of contravention ranges from 2 months 10 days to 9 months 10 days approximately.

5. 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 Rs. 25,410/- (Rupees Twenty Five Thousand Four Hundred Ten Only) will meet the ends of justice.

6. Accordingly, I compound the admitted contraventions, namely, the contraventions of Paragraph 9 (1) (A) and paragraph 9 (1) (B) 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 Rs. 25,410/- (Rupees Twenty Five Thousand Four Hundred Ten 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



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the Foreign Exchange (Compounding Proceedings) Rules, 2000 dated May 3, 2000 shall apply.

The application is disposed accordingly.

Dated this 22nd day of September 2017

Sd/-

(N Sara Rajendra Kumar)
General Manager