



In the

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

Present

R.Subramanian  
Regional Director

Date: September 04, 2017  
C.A. HYD 218

In the matter of

Verdant Life Sciences Private Limited  
Plot No.55, Jawaharlal Nehru Pharma City  
Thanam Revenue Village  
Parwada Mandal - 530012  
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 May 30, 2017 received on June 02, 2017 for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued thereunder. The contravention sought to be compounded is failure to obtain the specific and prior approval of the Government of India before issue of shares to person resident outside India in terms of Paragraph 3 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:

The applicant is a resident company incorporated on 09.06.2008 under Companies Act, 1956(CIN: U24232AP2008PTC059563). The company is engaged in the business of bulk manufacturing of pharmaceutical products and chemicals.

b) The applicant issued shares of the company to non-residents without obtaining prior approval of Foreign Investments Promotion Board, Government of India (herein after referred to as FIPB), for inward remittance received towards share application money. The amount of contravention is ₹1,15,86,098/- and the period of contravention is 1 year 6 months 25 days approximately as detailed below:-

Sr No	Name of the Remitter	Amount Received (₹)	Date of inward remittance	Date of obtaining FIPB approval
1	Venigalla Sambasiva Rao & V.Mahalakshmi	1,15,86,098	19.12.2011	13.08.2013

Whereas in terms of Paragraph 3 of Schedule 1 of Notification FEMA 20/2000-RB, a company in India proposing to issue shares or convertible debentures under this Schedule, to a person resident outside India, shall obtain prior approval of FIPB.

The company has obtained post facto FIPB approval vide approval F.C No.54 (2013)/60 (2013) dated 13.08.2013 subject to compounding by RBI for the inward remittance received, after issue of Press Note 3 of 2011 (effective from 08.11.2011).

3. (a) The applicant was given an opportunity for personal hearing vide Reserve Bank's letter No.HY.FE.FID/414/14.66.003/2017-18 dated August 23, 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 August 30, 2017 during which Shri G. Ravindra Babu, Director, Shri D.V.K. Phanindra, Practicing Company Secretary and Shri Chaitanya Krishna Murthy, represented the applicant. The applicant admitted the contraventions for which the compounding has been sought.



During the personal hearing it was submitted that the contraventions were neither wilful nor with a malafide intention, as they were unaware of the provisions of FEMA in respect of Press Note 3 of 2011 (effective from 08.11.2011). 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.

4. I have given my careful consideration to the documents on record. Accordingly, I hold that the applicant has contravened the FEMA provisions issued in terms of Paragraph 3 of schedule 1 of Notification No. FEMA 20/2000-RB as the applicant had not obtained prior and specific approval from the FIPB, Government of India for the remittance of ₹1,15,86,098/- and the period of contravention is 1 year 6 months 25 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 upto 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 ₹1,13,724/- (Rupees One Lakh Thirteen Thousand Seven Hundred Twenty Four Only) will meet the ends of justice.

6. Accordingly, I compound the admitted contravention, namely, the contravention of Paragraph 3 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 ₹ 1,13,724/- (Rupees One Lakh Thirteen Thousand Seven Hundred Twenty Four 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 the Foreign Exchange (Compounding Proceedings) Rules, 2000 dated May 3, 2000 shall apply.



Compounding of contraventions FEMA 1999  
M/s Verdant Life Sciences Private Limited  
CA.No.HYD 218

The application is disposed accordingly.

Dated this 04th day of September 2017

Sd/-

(R.Subramanian)  
Regional Director