



In the

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

Present

P Kalyan Chakravarthy
Assistant General Manager

Date: October 10, 2017
C.A. HYD 233

In the matter of

M/s. Applause App Quality India Private Limited
Rajapushpa Corporate Pvt. Ltd.
Level 4 Stone Ridge Centre, Hitech City
Kondapur Main Road, Opp. Google
Hyderabad 500084

(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 09, 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; (iii) Allotment of shares prior to receipt of share application money towards subscription to Memorandum of Association beyond the stipulated period of two months in terms of Paragraph 9 (1) (A), Paragraph 9 (1) (B) and Paragraph 8 respectively of Foreign Exchange Management (Transfer or issue of



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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 resident company incorporated as Private Limited Company under the Companies Act, 2013 on 01.05.2015. The company is engaged in the business of writing, modifying, testing of computer program to meet the needs of a particular client excluding webpage designing.
- b) The applicant had received foreign inward remittances from single foreign investor towards subscription to equity shares as indicated below.:-

S.No	Name of Remitter	Total Amount (INR)	Date of Receipt	Date of Reporting
1	Applause App Quality Inc	99990	04.04.2016	20.10.2016
2	Applause App Quality Inc	10	12.04.2016	14.10.2016
	Total	1,00,000		

The applicant reported receipt of remittances towards share subscription amounting to **Rs. 1,00,000 /-** to the Regional Office of Reserve Bank of India with a delay ranging from 5 months 2 days to 5 months 16 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.



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- c) The company allotted equity shares and filed form FC-GPRs as indicated below:-

SI No	Name of investor	Date of allotment of shares	Number of shares/CCPS allotted	Amount for which shares allotted (INR)	Date of reporting
1	Applause App Quality Inc	01.05.2015	9999	99990	10.11.2016
2	Applause App Quality Inc	01.05.2015	1	10	10.11.2016
	Total			1,00,000	

The applicant filed form FCGPRs for the allotment of shares amounting to Rs. 1,00,000 /- as indicated above with a delay of 1 year 5 months 10 days approximately beyond the prescribed limit. 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 FCGPR along with documents prescribed therein within 30 days from the date of issue of shares to person resident outside India.

- d) The applicant allotted shares prior to the receipt of share application money as shown below.

SI No	Name of Remitter	Date of receipt of funds	Amount (INR)	Date of allotment
1	Applause App Quality Inc	04.04.2016	99990	01.05.2015
2	Applause App	12.04.2016	10	01.05.2015



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	Quality Inc			
	Total		1,00,000	

The applicant received the inward remittances after the allotment of shares with a delay ranging from 9 months 3 days to 9 months 11 days approximately beyond the prescribed time limit in contravention of Paragraph 8 of Schedule 1 to FEMA Notification No. 20/2000-RB dated May 03, 2000 as amended from time to time.

3. (a) The applicant was given an opportunity for personal hearing vide Reserve Bank's letter No. HY.FE.FID/590/14.66.003/2017-18 dated September 26, 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 October 06, 2017 during which Shri Ashok Kumar Anchalia, Director 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 wilful or with a malafide intention and was on account of circumstances beyond the reasonable control of the applicant. 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:-



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(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 Rs. 1,00,000/- and the delay ranges from 5 months 2 days to 5 months 16 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 person resident outside India and the contravention relates to an amount of Rs. 1,00,000 /- and the period of contravention is 1 year 5 months 10 days approximately.

(c) Paragraph 8 of Schedule 1 to Notification No. 20/2000-RB for delay in receipt of share application money after the issue of shares to person resident outside India amounting to Rs.1,00,000/- and the delay ranges from 9 months 3 days to 9 months 11 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.54,300/- (Rupees Fifty Four Thousand Three Hundred Only) will meet the ends of justice.

6. Accordingly, I compound the admitted contraventions, namely, the contraventions of Paragraph 9 (1) (A), 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 Rs.54,300/- (Rupees Fifty Four Thousand Three Hundred



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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.

The application is disposed accordingly.

Dated this 10th day of October 2017

Sd/-

(P Kalyan Chakravarthy)
Assistant General Manager