Press Release
16.07.2026

RBI issued compounding order for FEMA violations in case of Apothecon Pharmaceuticals Private Limited

The Reserve Bank of India (RBI) has issued a compounding order on 06.07.2026 u/s 15 of Foreign Exchange Management Act, 1999 (FEMA), in the case of M/s Apothecon Pharmaceuticals Private Limited which has resulted into closure of investigation against the company for the compounded contraventions of the below mentioned provisions of FEMA, 1999. The said order has been passed by RBI after issuance of "No Objection" by the Directorate of Enforcement (ED).

In this case, based on the credible information received, investigation was taken up by ED for following contraventions of FEMA, 1999 for which compounding has been done by RBI:-

1. Delay in reporting of Form ARF for the receipt of foreign inward remittance in contravention of Paragraph 9(1) (A) of Schedule 1 of Notification No. FEMA 20/2000-RB, covering Rs. 9, 91, 26,630/-

2. Delay in filing of form FCGPR in contravention of Para 9(1) (B) of Schedule 1 of Notification No. FEMA 20/2000-RB, covering 29, 97, 36,399/-.

3. Issuing shares prior to remittance in contravention of Para 8 of Schedule 1 of Notification No. FEMA 20/2000-RB, covering Rs.18, 48,280/-.

4. Issuing shares beyond 180 days after receipt of funds in contravention of Para 8 of Schedule 1 of Notification No. FEMA 20/2000-RB, covering 2, 24, 99,550/-.

5. Delay in reporting form FCGPR Part B for FY 2009-10 in contravention of Paragraph 9(1) (B) of Schedule 1 of Notification No. FEMA 20/2000-RB r/w A.P. (Dir Series) Circular no. 40 dated 20.04.2007 and A.P. (Dir Series) Circular No. 44 dated 30.05.2008.

6. Delay in filing FLA Return for the FY 2010-11 to FY 2016-17 in contravention of Paragraph 9(2) of Schedule 1 of Notification No. FEMA 20/2000-RB.

7. Delay in filing FLA Return for the FY 2017-18 in contravention of Para 13.1(3) of Notification No. FEMA 20(R)/2017-RB.

8. Delay in Filing FLA Return for the FY 2022-23 in contravention of Regulation 4(2) of Notification No. FEMA 395/2019-RB.

9. Allotting shares without prior approval of Govt. of India in contravention of Para 3 of Schedule 1 of Notification No. FEMA 20/2000-RB, covering Rs 20, 84, 82,000/-

10. Allotting shares without prior approval of Govt. of India in contravention of Regulation 16.B of FEMA 20/2017-RB, covering Rs.12,95,47,514.21/-

11. Allotting shares without prior approval of Govt. of India in contravention of Para 3(b) of Schedule 1 of FEM (Non-Debt Instrument) Rules, 2019 covering Rs.8,94,04,500/-

The case is under investigation by ED and in the meantime the company filed an application before the RBI for compounding of the said contraventions under FEMA as per the provisions of Section 15 of the Act. On reference from RBI, the ED issued no objection for such compounding in line with the true spirit of the Act. Accordingly, the RBI, on the basis of no objection issued by ED, has compounded the said contraventions vide compounding order dated 06.07.2026 with a one-time payment of Rs. 40, 52,622/-.

In this connection, it may be noted that as a matter of policy, the Enforcement Directorate issues an NOC where the contravention is eligible for compounding, the prescribed conditions are fulfilled and no investigation or other legal impediment exists. This facilitates voluntary compliance, reduces avoidable litigation and promotes ease of doing business.

As FEMA is primarily a civil legislation, vide Section 15, it provides for compounding of contraventions punishable under Section 13 to facilitate voluntary compliance, reduce litigation and ensure expeditious disposal of cases. The procedure for compounding is prescribed under the Foreign Exchange (Compounding Proceedings) Rules, 2024, notified under Section 46 read with Section 15 of FEMA, which lay down the manner of filing applications, examination of cases and passing of compounding orders. As per the Rules, certain contraventions are not compoundable which include the contraventions related to a serious contravention **suspected of money-laundering, terror financing or affecting the sovereignty and integrity of the nation**. The said Regulations are available in public domain at https://static.pib.gov.in/WriteReadData/specificdocs/documents/2024/sep/doc2024912392301.pdf

Under Rule 3 of the Foreign Exchange (Compounding Proceedings) Rules, 2024, the **Reserve Bank of India (RBI) is the competent authority to compound eligible contraventions falling within its jurisdiction.** RBI has also issued Master Directions on Compounding of Contraventions under FEMA, prescribing a compounding matrix for determining the compounding amount based on factors such as the nature, gravity, duration and amount involved in the contravention which are summarised as under-

Type of contravention	**Formula**
Reporting/ submission Contraventions	Fixed amount: INR 10,000/- (applied once for each regulation/ rule contravened, in a compounding application) plus Variable amount: Ranging from Rs.1000 per year to Rs.200000 based on amount under contravention
Submission of AAC/ APR/ FLAR/ Share certificate	INR 10,000 per AAC/ APR/ FCGPR (B) / FLA Return delayed. Delayed/Non receipt of share certificate – INR.10000/- per year, the total amount being subject to ceiling of 300% of the amount invested.
Allotment/ Refunds Non-allotment of shares or allotment/ refund after the stipulated period for Foreign Investment	Fixed Amount: INR 30,000/- (applied once for each regulation/ rule contravened, in a compounding application) plus variable amount as percentage of "amount under contravention" ranging from 0.30% to 0.75%.
Any contravention pertaining to issuance of any guarantee (other than reporting contraventions)	Fixed Amount: INR 5,00,000/- (applied once for each regulation/ rule contravened, in a compounding application) plus variable amount as percentage of "amount under contravention" ranging between 0.050% to 0.075%.
All other non-reporting contraventions	Fixed Amount: INR 50,000/- (applied once for each regulation/ rule contravened, in a compounding application) plus variable amount as percentage of "amount under contravention" ranging between 0.50% to 0.75%.

The Notification is available in public domain at https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12736&Mode=0

While applying for compounding, the applicant may submit that the contravention was inadvertent, corrective action has been taken, robust compliance mechanisms have been instituted, and adequate safeguards have been implemented to prevent recurrence. Wherever required under the prescribed procedure, RBI obtains a No Objection Certificate (NOC) from the Enforcement Directorate (ED) before processing the compounding application. In terms of Section 15(2) of FEMA, upon payment of the compounding amount within the prescribed period, no further proceedings shall be initiated or continued in respect of the compounded contravention, and the proceedings stand concluded.

Once RBI compounds the contraventions, the ED drops the proceedings and close the investigation. Major cases where ED has closed the investigations are brought to the notice of public at large through Press Releases so that in the case of similar pending investigations, application for compounding, if applicable, may be filed by the offenders before the RBI.