



In the

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

Present

**Shri K S Praveen**  
**Assistant General Manager**

Date: June 24, 2019  
**C.A. BGL 412/2019**

In the matter of

**M/s Daon Software India Private Limited**  
1<sup>st</sup> Floor No. 46, M K V Residency, Flat No.104  
4<sup>th</sup> Main BTM Layout 2<sup>nd</sup> Stage, N S Palya  
Bengaluru - 560076  
**(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 April 05, 2019, received at this office of Reserve Bank of India, Bengaluru on April 10, 2019, 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 remittance towards subscription to equity, (ii) allotment of shares prior to receipt of share application money, and (iii) delay in submission of form FC-GPR 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, Daon Software India Private Limited, was incorporated on April 30, 2010, under the Companies Act, 1956 as per the Certificate of Incorporation issued by the Registrar of Companies, Karnataka. The activity undertaken by the company is to carry on the business of identity management, biometric identity assurance software and services including verification, identification, watchlist management, investigation, identity issuance and any other related or allied fields. The applicant had received funds towards share application money from the foreign remitter, M/s Daon Limited, Ireland, remitted on behalf of the foreign investor Mr. Michael Patrick Walsh, Ireland, as shown below:

**Table – 1**

<b>Sl. No.</b>	<b>Date of Receipt</b>	<b>Amount (INR)</b>	<b>Date of reporting to RBI/AD</b>
1	11-02-2011	99,000.00	23-05-2011
	<b>Total</b>	<b>99,000.00</b>	

The applicant reported receipt of remittance to the Reserve Bank of India / Authorized Dealer Bank, with a delay of two months and ten days, beyond the stipulated period of 30 days in respect of remittance as indicated in the Table-1 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. The company had allotted 9,900 equity shares worth ₹99,000.00, to the non-resident investor Mr. Michael Patrick Walsh, Ireland, on April 30, 2010. However, the inward remittance of ₹99,000.00, pertaining to the aforesaid allotment was received after the allotment of shares i.e. on February 11, 2011. The amount of contravention is **₹99,000.00**, and the period of contravention is nine months and twelve days.



Whereas, in terms of Paragraph 8 of schedule 1 to Notification No. FEMA 20/2000-RB, dated May 03, 2000, as amended from time to time, read with A.P. (DIR Series) Circular No.20 dated December 14, 2007, an Indian company accepting FDI has to allocate shares within 180 days of receipt of the consideration amount or refund the same.

4. The applicant company allotted equity shares and filed form FC-GPR with Reserve Bank/AD as indicated below:

**Table – 2**

<b>Sl. No.</b>	<b>Date of Allotment</b>	<b>Number of equity shares allotted</b>	<b>Amount (INR)</b>	<b>Date of reporting to RBI/AD</b>
1	30-04-2010	9900	99,000.00	08-03-2019
	<b>Total</b>		<b>99,000.00</b>	

The applicant filed the Form FC-GPR on allotment of shares with the Bengaluru Regional Office of the Reserve Bank of India / Authorized Dealer Bank with a delay of eight years nine months and six days, beyond the prescribed period of 30 days in respect of allotment of shares as indicated in the Table - 2 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 the Reserve Bank of India, a report in Form FC-GPR, along with documents prescribed therein, within 30 days from the date of issue of shares to person/s resident outside India.

5. The applicant company was given an opportunity for personal hearing vide Reserve Bank's email dated June 18, 2019. The applicant company sought to be exempted from the personal hearing with the Compounding Authority vide their email dated June 19, 2019.

It has also been declared in the compounding application dated April 05, 2019, that the particulars given by the applicant in the application are true and correct to the best of their knowledge and belief. It has been declared in the



undertaking, furnished with the compounding application that the applicant was not under any enquiry/investigation/ adjudication by any agency as on the date of the application and has, in this regard, not informed of initiation of any such enquiry/investigation/adjudication proceedings against it thereafter. It has further been declared that the applicant has not filed any appeal under Section 17 or Section 19 of FEMA, 1999. Accordingly, the above contraventions which are being compounded in this order are subject to the veracity of the above declarations made by the applicant and this order is without prejudice to any other action which may be taken by any authority under the extant laws if the said declarations are subsequently discovered to be false and/or incorrect.

The application is, therefore, being considered on the basis of the averments made in the compounding application and the documents submitted therein.

6. 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 I to Notification No. FEMA 20/2000-RB, due to delay in reporting of foreign inward remittance received towards subscription to equity as detailed in paragraph 2 above. The contravention relates to an amount of **₹99,000.00**, and the period of delay is two months and ten days;

(b) Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, due to delay in receipt of amount of consideration, as detailed in paragraph 3 above. The total amount of contravention is **₹99,000.00**, and the period of delay is nine months and twelve days; and

(c) Paragraph 9 (1) (B) of Schedule I to Notification No. FEMA 20/2000-RB, due to delay in submission of form FC-GPR to the Reserve Bank after issue of shares to person/s resident outside India, as detailed in paragraph 4 above. The contravention relates to an amount of **₹99,000.00**, and the period of delay is eight years nine months and six days.



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 contraventions are to be compounded, and I consider that an amount of **₹52,200.00, (Rupees Fifty Two Thousand Two Hundred 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, based on the facts discussed above, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, on payment of an amount of **₹52,200.00, (Rupees Fifty Two Thousand Two Hundred 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, Nrupathunga 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 Twenty Fourth day of June 2019.

**Sd/-**

**(K S Praveen)**  
**Assistant General Manager**