



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

Present

Ms. M Ramakumari
Deputy General Manager

Date: November 12, 2019
C.A. BGL 474/2019

In the matter of

M/s Vervenest Technologies Private Limited
3478J, HAL 2nd Stage, Indiranagar
Bengaluru - 560008

(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 July 24, 2019, received at the office of Reserve Bank of India, Bengaluru, on August 02, 2019, for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999, (the FEMA) and the Regulations issued there under. The contravention sought to be compounded is delay in reporting the receipt of foreign inward remittance in form ARF towards subscription to equity, in terms of Paragraph 9(1)(A), 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, M/s Vervenest Technologies Private Limited, was incorporated on April 28, 2016, under the Companies Act, 2013, as per the Certificate of Incorporation issued by the Registrar of Companies, Ministry of Corporate Affairs, Government of India. The



business activity undertaken by the company is to provide information technology and computer service activities to its clients. The applicant had received funds towards share application money from the non-resident investor, namely, M/s Applab Systems INC, USA, as shown below:

Table -1

Sr. No.	Date of Receipt	Total Amount (INR)	Date of Reporting to RBI / AD Bank
1	07-09-2017	31,54,684.50	ARF not reported
	Total	31,54,684.50	

The company had not reported the inward remittance mentioned in Table – 1 above, in form ARF, complete in all respects, to AD/RBI. Since, reporting in form ARF was discontinued with effect from September 01, 2018, (date on which Single Master Form (SMF) reporting in FIRMS portal was implemented) the delay/contravention period for non-reporting of the said inward remittance has been considered till August 31, 2018. 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 applicant was given an opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID (CEFA) No.1206/22.11.140/2019-20, dated November 08, 2019, for further submission in person and/or producing documents, if any, in support of the application. The applicant's authorized representative, Mr. Sriram Viswanathan, who appeared for the personal hearing on November 12, 2019, admitted the contravention as stated in paragraph 2 above, committed by the applicant, for which compounding has been sought. During the personal hearing, the representative of the applicant requested that as the contravention was not intentional or with a malafide intention, and was mainly due to inadvertence, a lenient view may be taken 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 as other documents and submissions made in this context, by the applicant during personal hearing and thereafter.

4. I have given my careful consideration to the documents on record and submission made by the applicant during the personal hearing. Accordingly, I hold that the applicant has contravened the FEMA provisions issued in terms of Paragraph 9(1)(A) of Schedule I to Notification No. FEMA 20/2000-RB, due to delay/ non-reporting of foreign inward remittance, received towards subscription to equity as detailed in paragraph 2 above. The contravention relates to an amount of **₹31,54,684.50**, and the period of delay is ten months and twenty four days.

5. It has been declared in the compounding application dated July 24, 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 as part of 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 contravention which is being compounded in this order is 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.

6. 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 **₹12,300.00 (Rupees Twelve Thousand Three Hundred only)**, will meet the ends of justice.



7. Accordingly, I compound the admitted contravention namely, contravention of Paragraph 9(1)(A) 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 **₹12,300.00 (Rupees Twelve Thousand Three Hundred only)**, which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 2nd Floor, 10/3/8, Nrupathunga Road, Bengaluru – 560001, by a demand draft drawn in favour of the “Reserve Bank of India”, 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 Twelfth day of November 2019.

Sd/-

(M Ramakumari)
Deputy General Manager