



In the

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

Present

Usha Nambeesan
Assistant General Manager

Date: January 09, 2020
C.A. BGL 511/2019

In the matter of

M/s Packetpath Technologies Private Limited
D.No.624, 3rd Cross,
RT Nagar, HMT Layout
Bengaluru 560032

(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 November 06, 2019, received at this office of Reserve Bank of India, Bengaluru, on November 14, 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 allotment of shares to person resident outside India, prior to receipt of amount of consideration, in terms of Paragraph 2 of Schedule I to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017, notified, vide Notification No. FEMA 20(R)/2017-RB, dated November 07, 2017, and as amended from time to time (hereinafter referred to as Notification No. FEMA 20(R)/2017-RB).



2. The relevant facts of the case are as follows: The applicant, M/s Packetpath Technologies Private Limited, was incorporated on November 26, 2018, under the Companies Act, 2013, as per the Certificate of Incorporation issued by the Registrar of Companies, Ministry of Corporate Affairs. The company is engaged in the business of providing technology services and products including various web services, internet products, development and marketing of business management software, building software applications and technology applications for computer and mobile phones.

3. The company had allotted 51,000 equity shares worth ₹51,000.00, on November 26, 2018, to the non-resident investor, M/s. Packet Path LLC, USA. However, the amount of consideration of ₹51,000.00, pertaining to the aforesaid share allotment was received on July 22, 2019, with a delay of seven months and twenty-six days from the date allotment of shares. Whereas, in terms of Paragraph 2 of Schedule 1 to Notification No. FEMA 20 (R)/2017- RB, dated November 07, 2017, capital instruments shall be issued to the person resident outside India making such investment within sixty days from the date of receipt of the consideration.

4. The applicant was given an opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID (CEFA) No.1646/22.12.019/2019-20, dated January 03, 2020, for further submission in person and/or producing documents, if any, in support of the application. The applicant's authorized representative, Mr. Suresh Kumar Reddy K V, Practicing Company Secretary, who appeared for the personal hearing on January 07, 2020, admitted the contravention as stated in paragraph 3 above, committed by the applicant, for which compounding has been sought. 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.

5. 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 following FEMA provision issued in terms of:

Paragraph 2 of Schedule I to Notification No. FEMA 20(R)/2000-RB, as the applicant allotted shares to the non-resident investor, prior to the receipt of amount of consideration as detailed in paragraph 3 above. The contravention relates to an amount of **₹51,000.00**, and the period of contravention is seven months and twenty six days.

6. It has been declared in the compounding application dated November 06, 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.

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 contravention is to



be compounded and I consider that an amount of **₹3,325.00 (Rupees Three Thousand Three Hundred and Twenty Five only)**, will meet the ends of justice.

8. Accordingly, I compound the admitted contravention namely, contravention of Paragraph 2 of Schedule I to Notification No. FEMA 20(R)/2017-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 **₹3,325.00 (Rupees Three Thousand Three Hundred and Twenty Five 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” 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 Ninth day of January 2020.

Sd/-

(Usha Nambeesan)
Assistant General Manager