



In the

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

Present

**Shri Jose J Kattoor**  
**Regional Director, Karnataka and**  
**Chief General Manager, Bengaluru**

Date: January 13, 2020  
**C.A. BGL 502/2019**

In the matter of

**M/s Demandfarm Solutions Private Limited**  
# 615/22, IV Cross, Raghavendra Colony Bilekahalli,  
Behind IIMB, Bannerghatta Road  
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 October 05, 2019, received at this office of Reserve Bank of India, Bengaluru on October 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 contraventions sought to be compounded are, (i) delay in reporting receipt of foreign inward remittances towards subscription to equity, (ii) delay in refunding the excess share application money and allotment of shares beyond 180 days from the date of receipt of inward remittance, 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, M/s Demandfarm Solutions Private Limited, was incorporated on February 06, 2012, under the Companies Act, 1956, as per the Certificate of Incorporation issued by the Registrar of Companies, Karnataka. The company is engaged in the business of providing technology support, procurement, management, technical and developmental services in diverse areas to facilitate better account management within complex business to business services environments. The applicant had received funds towards share application money from the non-resident investors, namely, Stephen W Goodroe, USA, Peter Hempstead, USA, and M/s Sanoch Management LLC, USA, 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	17-05-2013	1,36,77,044.27	08-01-2014
2	21-05-2013	1,37,10,000.00	22-08-2013
3	03-07-2013	1,48,99,523.20	20-01-2014
	<b>Total</b>	<b>4,22,86,567.47</b>	

The applicant reported receipt of remittances to the Reserve Bank of India / Authorized Dealer Bank, with a delay ranging from two months and two days to six months and twenty three days, beyond the stipulated period of 30 days in respect of remittances as indicated in 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 shares and refunded the excess share application money to the non-resident investor beyond the stipulated period of 180 days



from the date of receipt of inward remittances, with prior approval of the Reserve Bank in the below mentioned instances:

i) The company had received an inward remittance of ₹1,48,99,523.20, on July 03, 2013, from the non-resident investor M/s Sanoch Management LLC, USA and allotted 370 equity shares worth ₹1,36,75,200.00, on September 11, 2013, to the said investor, leaving behind an excess of ₹12,24,323.20. Subsequently, the company had allotted Compulsorily Convertible Debentures (CCDs) to the non-resident investor worth ₹12,24,323.10, on January 25, 2019, with a delay, beyond 180 days from the date of receipt of remittance. The amount of contravention is **₹12,24,323.10**, and the period of delay is five years and twenty six days;

ii) The company had received an inward remittance of ₹1,36,77,044.27, on May 17, 2013, from the non-resident investor Stephen W Goodroe, USA, and allotted 370 equity shares worth ₹1,36,75,200.00, on September 11, 2013, leaving behind an excess of ₹1,844.27. The excess share application money of ₹1,844.27 was refunded to the non-resident investor, on July 19, 2019, with a delay, beyond 180 days from the date of receipt of remittance. The amount of contravention is **₹1,844.27**, and the period of delay is five years eight months and six days; and

iii) The company had received an inward remittance of ₹1,37,10,000.00, on May 21, 2013, from the non-resident investor Peter Hempstead, USA, and allotted 370 equity shares worth ₹1,36,75,200.00 on September 11, 2013, leaving behind an excess of ₹34,800.00. The excess share application money of ₹34,800.00 was refunded to the non-resident investor, on July 19, 2019, with a delay, beyond 180 days from the date of receipt of remittance. The amount of contravention is **₹34,800.00**, and the period of delay is five years eight months and two days.

Whereas, in terms of Paragraph 8 of Schedule 1 to Notification no. FEMA 20/2000-RB, dated May 3, 2000, and as amended from time to time, if the shares are not issued within 180 days from the date of receipt of the inward remittance, the amount of consideration so received shall be refunded to the



person concerned, provided the Reserve Bank may, on an application made to it and for sufficient reasons permit to refund the amount of consideration received towards issue of security, if such amount is outstanding beyond a period of 180 days from the date of receipt. The total amount of contravention in the aforesaid instances is ₹12,60,967.37, and the period of delay ranges from five years twenty six days to five years eight months and six days.

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

Table – 2

Sl. No.	Date of Allotment	Number of equity shares allotted	Amount (INR)	Date of reporting to RBI/AD
1	11-09-2013	370	1,36,75,200.00	07-02-2014
2		370	1,36,75,200.00	
3		370	1,36,75,200.00	
	<b>Total</b>	<b>1100</b>	<b>4,10,25,600.00</b>	

The applicant filed the form FC-GPRs on allotment of shares with the Bengaluru Regional Office of the Reserve Bank of India / Authorized Dealer Bank with a delay of three months and twenty seven days, beyond the prescribed period of 30 days, in respect of the allotment of shares as indicated at serial numbers 1 to 3, 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 was given an opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID (CEFA) No.1619/22.08.773/2019-20, dated January 01, 2020, for further submission in person, and/or producing documents, if any, in support of the application. The applicant's authorized representative Mr. Aroop Prabhu, Corporate Consultant, who appeared for the personal



hearing on January 09, 2020, admitted the contraventions as stated in paragraphs 2, 3 and 4 above, committed by the applicant, for which compounding has been sought. During the personal hearing, it was submitted that the delay was not willful or with malafide intention, but was mainly due to inadvertence, and the same would not be repeated. In view of the above, the authorized representative 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 as other documents and submissions made in this context by the applicant during personal hearing and thereafter.

6. 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 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 remittances received towards subscription to equity as detailed in paragraph 2 above. The contravention relates to an amount of **₹4,22,86,567.47**, and the period of delay ranges from two months and two days to six months and twenty three days;

(b) Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, due to allotment of shares and refund of excess share application money beyond the stipulated period of 180 days from the date of receipt of inward remittance, as detailed in paragraph 3 above. The total amount of contravention is **₹12,60,967.37**, and the period of delay ranges from five years twenty six days to five years eight months and six 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 **₹4,10,25,600.00**, and the period of delay is three months and twenty seven days.



7. It has been declared in the compounding application dated October 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 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 contraventions which are 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.

8. 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 **₹1,42,595.00, (Rupees One Lakh Forty Two Thousand Five Hundred and Ninety Five only)**, will meet the ends of justice.

9. 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, on the facts discussed above, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, on payment of an amount of **₹1,42,595.00, (Rupees One Lakh Forty Two Thousand Five Hundred and Ninety Five 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”, 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 Thirteenth day of January 2020.

**Sd/-**

**(Jose J Kattoor)**  
**Regional Director, Karnataka and**  
**Chief General Manager, Bengaluru**