



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

Present

Smt. K S Jyotsna
General Manager

Date: February 18, 2019
C.A. BGL 348/2018

In the matter of

M/s Clonect Solutions Private Limited
#75, Ground Floor, 17th Main, 3rd Cross
Koramangala, 2nd Block
Bengaluru - 560034
(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 30, 2018, received in the office of Reserve Bank of India, Bengaluru, on December 04, 2018, 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 receipt of foreign inward remittances 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 Clonect Solutions Private Limited, was incorporated on January 24, 2014, 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 writing, modifying and testing of computer programmes to meet the needs of clients. The applicant had received funds towards share application money from the foreign investors, namely, Mr. Rachit Agarwal, UAE, Mr. Eshwarahally Somakeshva Vikas, Germany, and M/s Thinkuvate Clonect Pte Limited, Singapore, as shown below:

Table -1

Sr. No.	Date of Receipt	Total Amount (INR)	Date of Reporting to RBI / AD Bank
1	01-10-2016	10,00,000.00	01-11-2016
2	03-10-2016	5,56,850.00	31-10-2016
3	05-10-2016	7,00,000.00	31-10-2016
4	13-10-2016	8,00,000.00	31-10-2016
5	03-10-2016	25,47,375.00	06-12-2016
6	27-12-2016	46,60,930.00	14-02-2017
7	12-01-2017	16,22,595.00	14-02-2017
		1,18,87,750.00	

The applicant reported receipt of remittance to the Reserve Bank / Authorized Dealer Bank, with a delay ranging from one day to one month and four days, beyond the stipulated time of 30 days in respect of the remittances indicated at serial numbers 1, 5, 6 and 7, 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 applicant was given an opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID (CEFA) No. 2827 /22.10.488/2018-19 dated February 11, 2019, for further submission in person and/or producing documents, if any, in support of the application. The applicant's authorized representatives, Mr. Shailesh Kumar Agarwal, Director, Mr. Manoj K, Assistant



Manager – Finance, and Ms. Jayanthi Srinivasan, External Consultant, who appeared for the personal hearing on February 15, 2019, admitted the contravention as stated in paragraph 2 above, committed by the applicant, for which compounding has been sought. The representatives 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 following FEMA provision 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 **₹98,30,900.00**, and the period of delay ranges from one day to one month and four days.

5. It has been declared in the compounding application dated November 30, 2018, 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 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 **₹11,265.00, (Rupees Eleven Thousand Two Hundred and Sixty Five 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 on the facts discussed above, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, on payment of an amount of **₹11,265.00, (Rupees Eleven Thousand Two Hundred and Sixty 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 Eighteenth day of February, 2019.

Sd/-

(K S Jyotsna)
General Manager