



In the

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

Present

**Smt. K S Jyotsna**  
**General Manager**

Date: July 09, 2019  
**C.A. BGL 404/2019**

In the matter of

**M/s Sorting Hat Technologies Private Limited**  
#215, 2<sup>nd</sup> Floor, Park Plaza Building  
Double Road, Indira Nagar  
Bengaluru - 560038  
**(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 March 22, 2019, received at this office of Reserve Bank of India, Bengaluru on March 28, 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) delay in refund of excess share application money, 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 Sorting Hat Technologies Private Limited, was incorporated on August 06, 2015, under the Companies Act, 2013, as per the Certificate of Incorporation issued by the Registrar of Companies, Karnataka. The company is engaged in the business of providing software and Information Technology services to its clients. The applicant had received funds towards share application money from the foreign investors, namely, M/s Blume Ventures Fund II, Mauritius, Mr. Sujeet Kumar, Singapore, M/s Nexus Ventures IV Ltd, Mauritius, M/s Saif Partners India V Limited, Mauritius and M/s SCI Investments V, Mauritius, 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	19-01-2016	1,49,92,180.00	10-02-2016
2	22-01-2016	59,76,005.77	01-03-2016
3	29-08-2016	1,33,22,803.00	27-09-2016
4	12-01-2017	3,48,90,955.00	31-01-2017
5	12-01-2017	23,09,72,355.00	02-02-2017
6	08-05-2017	4,03,697.00	29-05-2017
7	13-09-2017	28,98,57,409.00	11-10-2017
8	20-09-2017	28,98,57,409.00	11-10-2017
9	19-09-2017	15,07,55,790.00	02-10-2017
10	10-04-2018	80,83,076.00	12-04-2018
11	06-04-2018	1,51,07,655.00	12-04-2018
12	25-04-2018	80,83,076.00	08-05-2018
13	19-07-2018	41,29,56,540.00	23-07-2018
14	23-07-2018	52,19,03,999.67	27-07-2018
15	01-08-2018	35,40,24,880.00	03-08-2018
	<b>Total</b>	<b>235,11,87,830.44</b>	

The applicant reported receipt of remittances to the Reserve Bank of India / Authorized Dealer Bank, with a delay of nine days, beyond the stipulated period



of 30 days in respect of the remittance as indicated serial number 2, 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 received an inward remittance of ₹59,76,005.77, on January 22, 2016, from the non-resident investor Mr. Sujeet Kumar, Singapore. The company had allotted shares worth ₹59,58,120.00, February 10, 2016, and the excess share application money of ₹17,885.77, was refunded on May 25, 2018, to the non-resident investor Mr. Sujeet Kumar, Singapore, beyond 180 days from the date of receipt of inward remittance, with prior approval from Reserve Bank. The company was given approval vide Reserve Bank's letter Ref No.FE.BG.FID.No.1557/21.10.329/2017-18, dated November 17, 2017. The amount of contravention is ₹17,885.77, and the period of delay is one year ten months and five 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, read with AP (Dir series) Circular No. 20, dated December 14, 2007, 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. In the above mentioned instance, the amount of contravention is ₹17,885.77, and the period of delay is one year ten months and five days.

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



Table – 2

Sl. No.	Date of Allotment	Number of shares allotted	Amount (INR)	Date of reporting to RBI/AD
1	28-01-2016	5 equities, 614 CCPs	1,49,92,180.00	25-02-2016
2	10-02-2016	10 equities, 236 CCPs	59,58,120.00	14-07-2016
3	26-09-2016	377 CCPs	1,33,22,803.00	20-10-2016
4	20-01-2017	10 equities, 3995 CCPs	23,09,72,355.00	10-02-2017
5	15-05-2017	7 CCPs	4,03,697.00	29-05-2017
6	21-09-2017	2711 CCPs	28,98,57,409.00	13-10-2017
7	21-09-2017	2711 CCPs	28,98,57,409.00	13-10-2017
8	21-09-2017	1410 CCPs	15,07,55,790.00	13-10-2017
9	25-04-2018	84 CCPs	80,83,076.40	08-05-2018
10	25-04-2018	157CCps	1,51,07,654.70	08-05-2018
11	25-04-2018	84 CCPs	80,83,076.40	18-05-2018
12	06-08-2018	1899 CCPs	41,29,56,540.00	10-08-2018
13	06-08-2018	2400 CCPs	52,19,04,000.00	10-08-2018
14	06-08-2018	1628 CCPs	35,40,24,880.00	16-08-2018
	<b>Total</b>	<b>25 equities 18313 CCPs</b>	<b>231,62,78,990.50</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 four months and three days, beyond the prescribed period of 30 days in respect of allotment of share as indicated at serial number 2, 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. 123/22.10.334/2019-20, dated July 08, 2019, for further submission in person, and/or producing documents, if any, in



support of the application. The applicant's authorized representative Mr. Samad Iqbal Shariff, Company Secretary, who appeared for the personal hearing on July 09, 2019, 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 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 remittance received towards subscription to equity as detailed in paragraph 2 above. The contravention relates to an amount of ₹59,76,005.77, and the period of delay is nine days;
- (b) Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, due to delay in refund of excess share application money, beyond 180 days from the date of receipt of inward remittance, as detailed in paragraph 3 above. The total amount of contravention is ₹17,885.77, and the period of delay is one year ten months and five 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 ₹59,58,120.00, and the period of delay is four months and three days.



7. It has been declared in the compounding application dated March 22, 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.

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 **₹26,803.00, (Rupees Twenty Six Thousand Eight Hundred and Three 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, based on the facts discussed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, on payment of an amount of **₹26,803.00, (Rupees Twenty Six Thousand Eight Hundred and Three 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 Ninth day of July 2019.

**Sd/-**

**(K S Jyotsna)**  
**General Manager**