



In the

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

Present

Ms. Shilpi Kumari
Assistant General Manager

Date: January 29, 2020
C.A. BGL 500/2018

In the matter of

M/s Intello Labs Private Limited
3rd Floor, No. 22, Salarpuria Towers – I,
Hosur Road, Koramangala,
Bengaluru 560095

(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 September 20, 2019, received at this office of Reserve Bank of India, Bengaluru on September 25, 2019, and addendum to the application, dated January 08, 2020, 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) allotment of shares prior to the receipt of amount of consideration, (ii) delay in submission of form FC-GPR to the Reserve Bank, after issue of shares to a person resident outside India, and (iii) delay in filing the Annual Return on Foreign Liabilities and Assets.

The above transactions resulted in contravention of (i) Paragraph 8 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), (ii) Paragraph 9(1)(B) of Schedule I to Notification No. FEMA 20/2000-RB, and (iii) Paragraph 9(2) of Schedule I to Notification No. FEMA 20/2000-RB, and Regulation 13.1 (3) of 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 Intello Labs Private Limited, was incorporated on June 03, 2016, under the Companies Act, 2013, as per the Certificate of Incorporation issued by Central Registration Centre, Ministry of Corporate Affairs. The company is engaged in the business of developing user centric applications and technologies to be used in various domains like price comparison, travel and Internet of Things. The applicant had received funds, in terms of Regulation 13.1(1) of Notification No. FEMA 20(R)/2017-RB, towards share application money from the non-resident investors, namely, Vivek John Cherian, USA, Chandan Chatarjee, Finland and Amit Gupta, Finland, as shown below:

Table – 1

Sl. No.	Date of Receipt	Amount (INR)	Date of reporting to RBI/AD
1	07-05-2018	16,27,250.00	25-02-2019
2	06-06-2018	4,99,005.00	19-11-2018
3	29-06-2018	10,02,386.00	08-02-2019
4	17-07-2018	1,99,602.00	17-01-2019
	Total	33,28,243.00	

In respect of the delayed reporting of remittances, indicated in Table – 1 above, the company had paid Late Submission Fee (LSF) and regularized the contravention, in terms of Notification No. FEMA 20(R)/2000-RB, dated November 07, 2017.



3. The company had allotted shares prior to the receipt of amount of consideration in the below mentioned instances:

(a) The applicant company had allotted 65 equity shares worth ₹4,99,005.00, on November 10, 2016, to the non-resident investor, Chandan Chatarjee, Finland. However, the amount of consideration of ₹4,99,005.00, pertaining to the aforesaid share allotment was received on June 06, 2018, with a delay of one year six months and twenty-seven days from the date of allotment of shares. The amount of contravention is **₹4,99,005.00**, and the period of delay is one year six months and twenty-seven days;

(b) The applicant company had allotted 26 equity shares worth ₹1,99,602.00, on November 10, 2016, to the non-resident investor, Amit Gupta, Finland. However, the amount of consideration of ₹1,99,602.00, pertaining to the aforesaid share allotment was received on July 17, 2018, with a delay of one year eight months and seven days from the date of allotment of shares. The amount of contravention is **₹1,99,602.00**, and the period of delay is one year eight months and seven 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 A. P. (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, 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 is **₹6,98,607.00**, and the period of delay ranges from one year six months and twenty-seven days to one year eight months and seven days.

4. The applicant company had allotted equity shares and filed form FC-GPR 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	10-11-2016	26 – Equity	1,99,602.00	17-01-2019
2	10-11-2016	65 – Equity	4,99,005.00	19-11-2018
3	05-07-2018	77 – Equity	10,02,386.00	08-02-2019
4	05-07-2018	125 – Equity	16,27,250.00	25-02-2019
	Total	293 – Equity	33,28,243.00	

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 ranging from one year eleven months and nine days to two years one month and seven days, beyond the prescribed period of 30 days in respect of allotment of shares as indicated at serial numbers 1 and 2, in 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.

In respect of the reporting of allotment of shares, indicated at serial numbers 3 and 4, in Table – 2 above, the company had paid Late Submission Fee (LSF) and regularized the contravention, in terms of Notification No. FEMA 20(R)/2000-RB, dated November 07, 2017.

5. The applicant company has not filed the Annual Return on Foreign Liabilities and Assets (FLA Return) to the Reserve Bank of India for the financial years 2016-17 and 2017-18, on or before July 15 of the respective years. Whereas, in terms of Paragraph 9(2) of Schedule 1 to Notification No. FEMA 20/2000-RB, dated May 03, 2000, and Regulation 13.1(3) of FEMA 20(R)/2017-RB, dated November 07, 2017, all Indian companies which have received Foreign Direct Investment in the previous years including the current year, shall submit to the Reserve Bank of India, on or before the 15th day of July each year, a report titled



'Annual Return on Foreign Liabilities and Assets' as specified by the Reserve Bank from time to time.

6. The applicant was given an opportunity for personal hearing, vide Reserve Bank's e-mail dated January 21, 2020, and letter FE.BG.FID(CEFA) No.1748/22.11.480/2019-20, dated January 23, 2020, for further submission in person, and/or producing documents, if any, in support of the application. The applicant's authorized representative Ms. Himani Shah Modi, Co-Founder, who appeared for the personal hearing on January 24, 2020, admitted the contraventions as stated in paragraphs 3, 4 and 5 above, committed by the applicant, for which compounding has been sought. The representatives of the applicant requested that as the contraventions were 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.

7. 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 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, due to allotment of shares prior to receipt of amount of consideration as detailed in Paragraph 3 above. The total amount of contravention is **₹6,98,607.00**, and the period of delay ranges from one year six months and twenty-seven days to one year eight months and seven days;

(b) 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 **₹6,98,607.00**, and the



period of delay ranges from one year eleven months and nine days to two years one month and seven days; and

(c) Paragraph 9(2) of Schedule 1 to Notification No. FEMA 20/2000-RB, and Regulation 13.1(3) to Notification No. FEMA 20(R)/2017-RB, due to delayed filing of Annual Return on Foreign Liabilities and Assets for the Financial Years 2016-17 and 2017-18, as detailed in Paragraph 5 above.

8. It has been declared in the compounding application dated September 20, 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 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.

9. 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 **₹66,615.00, (Rupees Sixty Six Thousand Six Hundred and Fifteen only)**, will meet the ends of justice.

10. Accordingly, I compound the admitted contraventions namely, contraventions of (i) Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB, (ii) Paragraph 9(1)(B) of Schedule I to Notification No. FEMA



20/2000-RB, and (iii) Paragraph 9(2) of Schedule I to Notification No. FEMA 20/2000-RB and Regulation 13.1 (3) 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 **₹66,615.00, (Rupees Sixty Six Thousand Six Hundred and Fifteen 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 Twenty Ninth day of January, 2020.

Sd/-

(Shilpi Kumari)
Assistant General Manager