



In the

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

Present

Shri. K S Praveen
Assistant General Manager

Date: June 03, 2019
C.A. BGL 376/2018

In the matter of

M/s EK7 Softech Analytics Private Limited
C-001, Akme Ballet, Doddanekundi, Outer Ring Road
Bengaluru - 560037
(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 December 21, 2018, received at this office of Reserve Bank of India, Bengaluru, on February 08, 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 delay in allotment of shares to the foreign investor/persons resident outside India, beyond 60 days from the date of receipt of the inward remittance 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 EK7 Softech Analytics Private Limited, was incorporated on February 22, 2018, under the Companies Act, 2013, as per the Certificate of Incorporation issued by the Deputy Registrar of Companies, Ministry of Corporate Affairs, Government of India. The company is engaged in the business of designing, development, customization, implementation, maintenance, testing, benchmarking and dealing in computer software and solutions.

3. The company had received an inward remittance of **₹50,000.00**, from the non-resident investor, Mr. Sunil Jose Mathews, Dubai, UAE, on May 28, 2018. However, the company had allotted 5000 equity shares worth **₹50,000.00**, to the non-resident investor, on August 16, 2018, with a delay beyond the prescribed time limit of 60 days, from the date of receipt of inward remittance. 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. 6420 /22.11.655/2018-19, dated May 23, 2019, for further submission in person and/or producing documents, if any, in support of the application. The applicant's authorized representative, Mr. Bimlendu Kumar, Practicing Company Secretary, who appeared for the personal hearing on May 27, 2019, 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:

(a) Paragraph 2 of Schedule I to Notification No. FEMA 20(R)/2000-RB, as the applicant allotted the shares to the non-resident investor with a delay beyond the stipulated period of 60 days from the date of receipt of amount of consideration, as detailed in paragraph 3 above. The contravention relates to an amount of **₹50,000.00**, and the period of contravention is twenty days.

6. It has been declared in the compounding application dated December 21, 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.

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 **₹274.00 (Rupees Two Hundred and Seventy Four 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, on the facts discussed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 on payment of an amount of **₹274.00 (Rupees Two Hundred and Seventy Four 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 Third day of June 2019.

Sd/-

(K S Praveen)
Assistant General Manager