



In the

RESERVE BANK OF INDIA
Foreign Exchange Department
11th floor, Central Office Building
Shahid Bhagat Singh Road
Mumbai - 400 001

Present

Ajay Kumar Misra
Chief General Manager

Date: July 11, 2019
CA No 4890 / 2019

In the matter of

Mindtree Limited
Global Village, RVCE Post, Mysore Road
Bengaluru-560059

(Applicant)

In exercise of the powers conferred under section 15 (1) of Foreign Exchange Management Act, 1999 and the Regulations/Rules/Notifications/Orders made thereunder, I pass the following

Order

The applicant has filed the application dated February 06, 2019 (received in the Reserve Bank on February 12, 2019), for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued thereunder. The applicant has sought to be compounded for (i) delay in reporting the issuance of shares under the Employee Stock Options Plans (ESOP) beyond the stipulated time period and (ii) delay in reporting the issuance of bonus shares beyond the stipulated time period, in contravention of Regulations 8(3) and 6B of 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 3, 2000 as amended from time to time (hereinafter referred to as Notification No. FEMA 20/2000-RB).

2. The relevant facts are as under: The applicant was incorporated as Mindtree Limited (CIN: L72200KA1999PLC025564), on August 05, 1999. The applicant is an international information technology consulting and implementation company that delivers business solutions through global software development.

The applicant company issued shares under ESOP (value - Rs. 1,96,00,000/-), to foreign nationals/ Non-resident Indians (NRIs), but delayed the reporting of the same, beyond the stipulated time period, in contravention of Regulation 8(3) of Notification No. FEMA 20/2000-RB. The details (where reporting was delayed) are provided in the table below:

S.No.	Shares allotted to	No. of shares allotted	Date of allotment	Amount for which shares allotted (INR)	Due date of reporting to RBI	Actual date of reporting
1	Dr. Albert Heironimus	35000	20.05.2014	1,96,00,000	19.06.2014	26.06.2014

Further, the applicant delayed in reporting the issuance of bonus shares (total value - Rs. 40,12,500/-) beyond the stipulated time period, in contravention of Regulation 6B of Notification No. FEMA 20/2000-RB. The details (where reporting was delayed) are provided in the table below:



S.No	Shares allotted to	No. of shares allotted	Date of allotment	Amount for which shares allotted (INR)	Due date of reporting to RBI	Actual date of reporting
1	Rajmohan Ramchan dran Nair	15000	22.09.2014	40,12,500	21.10.2014	29.10.2014

3. In terms of Regulation 8(3) of Notification No.FEMA.20/2000-RB, which dealt with '*Issue of shares under Employees' Stock Options Scheme to persons resident outside India*', as then applicable, "The issuing company shall furnish to the Reserve Bank, within thirty days from the date of issue of shares under the scheme, a report.....".

Further, in terms of Regulation 6B of the above mentioned Notification, "A company issuing right shares or bonus shares or warrants in terms of these Regulations shall report to the Reserve Bank in Form FC-GPR as stipulated in Paragraph 9(1)(B) of Schedule 1 to these Regulations".

4. The applicant was given an opportunity for personal hearing vide letter No. FE.CO.CEFA/7550/15.20.67/2018-19 dated June 24, 2019 for further submission in person and/or producing documents, if any, in support of the application. The personal hearing was held on July 05, 2019 during which Ms. Vedavalli.S, Company Secretary and Ms. Nischitha.N, Assistant Company Secretary, represented the applicant. The representatives of the applicant submitted that the applicant had inadvertently failed to comply with the FEMA regulations due to ignorance and requested that a lenient view may be taken in the matter.

It has been declared in the compounding application dated February 06, 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 declaration furnished along with the compounding application that the applicant was under enquiry by the Directorate of Enforcement (DoE), in connection with trade



related transactions of the company and that all the details required by DoE at the time had been furnished by the applicant.

RBI, vide its letter reference No. FED.CO.CEFA/4994/15.20.67/2018-19 dated 21.02.2019, had sought a No Objection Certificate (NOC) from DoE to proceed with the compounding process. DoE, vide its letter ref. No. RBI/SDE/WR/B-223/2019/335 dated 30.04.2019, conveyed their no objection to compounding of the abovementioned contraventions.

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 is also keeping in mind the NOC received from DoE. Further, 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.

The application is, therefore, being considered on the basis of the averments made in the application, the documents produced, and submissions made during the personal hearing.

5. I have given my careful consideration to the documents on record and submissions made by the applicant during the personal hearing. It was observed that the applicant has contravened the provisions of Regulations 8(3) and 6B of Notification No.FEMA.20/2000-RB. The amounts and periods of contraventions are as follows:

- (i) Regulation 8(3) of Notification No.FEMA.20/2000-RB: Amount of contravention: Rs. 1,96,00,000/- and the Period of contravention: 7 days.
- (ii) Regulation 6B of Notification No.FEMA.20/2000-RB: Amount of contravention: Rs. 40,12,500/- and the Period of contravention: 8 days.

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. After considering the submissions made by the applicant and the entire facts and circumstances of the case I am persuaded to compound the contraventions, in line with the Guidance Note on Computation Matrix prescribed as part of Master Direction – Compounding of



Contraventions, framed in accordance with the Foreign Exchange (Compounding Proceedings) Rules 2000. Accordingly, it stands to reason that payment of an amount of Rs. 24,750/- (Rupees twenty four thousand seven hundred and fifty only) will meet the ends of justice in the circumstances of this case.

7. Accordingly, I compound, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 the admitted contraventions committed by the applicant namely, Regulations 8(3) and 6B of Notification No.FEMA.20/2000-RB, on payment of a sum of Rs. 24,750/- (Rupees twenty four thousand seven hundred and fifty only), which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 5th Floor, Amar Building, Fort, Mumbai 400001 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at 'Mumbai' 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 accordingly.

Dated this the 11th day of July, 2019

Sd/-
(Ajay Kumar Misra)
Chief General Manager