



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

Present

Shri Jose J Kattoor
Regional Director, Karnataka and
Chief General Manager, Bengaluru

Date: August 09, 2019
C.A. BGL 418/2016

In the matter of

M/s Surewaves MediaTech Private Limited
3rd floor, Ashok Chambers
25, 6th Cross, Srinivagulu
Intermediate Ring Road, Koramangala
Bengaluru - 560047
(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 April 16, 2019, received at the office of Reserve Bank of India, Bengaluru, on April 16, 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 remittances towards subscription to equity, and (ii) delay in submission of form FC-GPRs to the Reserve Bank, after issue of shares to a person resident outside India, in terms of Paragraphs 9(1)(A) 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 Surewaves MediaTech Private Limited, was originally incorporated as M/s Indusedge Innovations Private Limited on June 01, 2006, under the Companies Act, 1956, as per the Certificate of Incorporation issued by the Registrar of Companies, Karnataka. Subsequently the name of the company was changed to M/s Surewaves MediaTech Private Limited, with effect from September 26, 2010, under the Companies Act, 1956, as per the fresh Certificate of Incorporation issued by the Registrar of Companies, Karnataka. The activity undertaken by the company is Software development and Information Technology related services. The applicant had received funds towards share application money, in terms of Paragraph 9(1)(A) of Schedule I to Notification No. FEMA 20/2000-RB, from the foreign investors, namely, Mr. Kapil K Rastogi, USA, Mr. Harshad A Patel, USA, Mr. Bhiku G Patel, USA, Mr. Divyesh N Patel, USA, Mr. Rajeev Menon, USA, M/s. Canaan IX Mauritius, Mauritius, and M/s. CMDB II, Mauritius, as shown below:

Table -1

Sr. No.	Date of Receipt	Total Amount (INR)	Date of Reporting to RBI / AD Bank
1	15-10-2007	10,40,065.95	05-12-2007
2	05-11-2007	25,11,534.90	05-12-2007
3	05-11-2007	25,11,534.90	05-12-2007
4	06-11-2007	25,10,080.00	05-12-2007
5	23-12-2010	1,12,58,874.00	13-04-2011
6	23-12-2013	14,54,75,000.00	23-01-2014
7	02-07-2014	12,95,25,000.00	20-10-2014
8	30-11-2016	6,65,00,000.00	20-12-2016
	Total	36,13,32,089.75	

The applicant reported receipt of remittances to the Reserve Bank / Authorized Dealer Bank, with a delay ranging from one day to two months and twenty two days, beyond the stipulated time of 30 days, in respect of the remittances as 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 company had allotted shares and filed form FC-GPRs, in terms of Paragraph 9(1)(B) of Schedule I to Notification No. FEMA 20/2000-RB, with Reserve Bank/AD Bank as indicated below:

Table-2

Sl. No.	Date of Allotment	Number of shares allotted	Amount (INR)	Date of reporting to RBI/AD Bank
1	24-12-2007	8573216 CCPs	85,73,216.00	15-07-2008
2	20-06-2011	5003944 CCPs	1,12,58,874.00	19-07-2011
3	23-12-2013	100 equity & 30690828 CCPs	14,54,74,998.72	10-02-2014
4	02-07-2014	10362000 CCPs	12,95,25,000.00	20-10-2014
5	06-12-2016	5320000 CCPs	6,65,00,000.00	05-01-2017
	Total		36,13,32,088.72	

The applicant filed form FC-GPRs, on allotment of shares, with the Bengaluru Regional Office of the Reserve Bank of India / Authorized Dealer Bank, with a delay ranging from nineteen days to five months and twenty two days, beyond the prescribed period of 30 days, in respect of the allotments as indicated at serial numbers 1, 3 and 4, 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 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 persons resident outside India.



4. The applicant was given an opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID (CEFA) No. 457/22.07.091/2019-20, dated August 07, 2019, for further submission in person and/or producing documents, if any, in support of the application. The applicant's authorized representative, Mr. Pradeepa B R, Company Secretary, who appeared for the personal hearing on August 09, 2019, admitted the contraventions as stated in paragraphs 2 and 3 above, committed by the applicant, for which compounding has been sought. During the personal hearing, the representative 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.

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 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 remittances, received towards subscription to equity as detailed in paragraph 2 above. The contravention relates to an amount of ₹28,72,98,939.95, and the period of delay ranges from one day to two months and twenty two days; and

(b) Paragraph 9(1)(B) of Schedule I to Notification No. FEMA 20/2000-RB, due to delay in submission of form FC-GPRs to the Reserve Bank, after issue of shares to persons resident outside India as detailed in paragraph 3 above. The contravention relates to an amount of ₹28,35,73,214.72, and the period of delay ranges from nineteen days to five months and twenty two days.

6. It has been declared in the compounding application dated April 16, 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.

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 contraventions are to be compounded and I consider that an amount of **₹1,02,200.00 (Rupees One Lakh Two Thousand Two Hundred only)**, will meet the ends of justice.

8. Accordingly, I compound the admitted contraventions namely, contraventions of Paragraphs 9(1)(A) 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 **₹1,02,200.00 (Rupees One Lakh Two Thousand Two Hundred 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 Ninth day of August 2019.

Sd/-

(Jose J Kattoor)
Regional Director, Karnataka and
Chief General Manager, Bengaluru