



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: May 09, 2019
C.A. BGL 371/2019

In the matter of

M/s Quicko Technosoft Labs Private Limited
Ground, 2nd and 3rd Floor, No.443, Sector-4
17th Cross, HSR Layout
Bengaluru - 560102
(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 January 26, 2019, received at this office of Reserve Bank of India, Bengaluru on January 29, 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, (ii) delay in refund of excess share application money to the foreign investors/persons resident outside India, and (iii) 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), 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, 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: M/s Quicko Technosoft Labs Private Limited, was incorporated on October 14, 2010, under the Companies Act, 1956, as per the Certificate of Incorporation issued by the Registrar of Companies, Karnataka. The activity undertaken by the company is software publishing, consultancy and supply services. The applicant had received funds towards share application money from the foreign investors, namely, M/s TA Venture Holding Limited, Cyprus, M/s The Indian Dream Capital, Mauritius, M/s Helion Venture Partners III LLC, Mauritius, Mr. Vispi Daver, USA, Mr. Vatsal Sonecha, USA, M/s Dreamplus Global Seed Program L.P, Korea, M/s The Rajaram Family 2012 Irrevocable Trust, USA, Mr. Bernd Leukert, Germany, and Mr. Richard T Wagner, USA, as shown below:

Table – 1

Sl. No	Date of Receipt	Amount (INR)	Date of Reporting to RBI /AD
1	20-10-2014	6,05,415.00	19-11-2014
2	31-10-2014	6,81,851.00	07-01-2015
3	16-01-2015	4,49,95,939.84	04-02-2015
4	16-01-2015	15,00,000.00	04-08-2015
5	30-01-2015	38,85,378.00	04-02-2015
6	25-02-2015	27,602.00	02-03-2015
7	27-02-2015	15,00,137.64	04-08-2015
8	30-10-2015	1,94,94,000.00	13-11-2015
9	21-03-2017	8,80,39,250.00	03-04-2017
10	22-03-2017	34,01,060.00	25-05-2017
11	24-03-2017	17,00,530.00	03-04-2017
12	24-03-2017	1,02,09,875.00	08-04-2017
13	06-04-2017	17,00,530.00	27-04-2017
14	13-04-2017	76,52,385.00	10-05-2017
	Total	18,53,93,953.48	



The applicant reported receipt of remittances to the Reserve Bank / Authorized Dealer Bank, with a delay ranging from one month and four days to five months and twenty days, beyond the stipulated period of 30 days in respect of remittances as indicated at serial numbers 2, 4, 7 and 10, 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 equity shares to the foreign investors in terms of Paragraph 8 of Schedule 1 to Notification No. FEMA.20/2000 RB dated May 03, 2000. However, after share allotment, there was an excess share application money, which the company refunded to the foreign investors with a delay. Below mentioned are the instances where the company has refunded the excess share application money to the foreign investors beyond the stipulated period of 180 days with the approval of Reserve Bank of India:

- i) The company had received an inward remittance of ₹6,05,415.00, from the non-resident investor M/s TA Venture Holding Limited, Cyprus, on October 20, 2014. The company had allotted 1,097 CCPs worth ₹6,03,350.00, and the excess share application money of **₹2,065.00**, was refunded on July 14, 2016, to the non-resident investor, beyond 180 days from the date of receipt of inward remittance, with prior approval of Reserve Bank of India. The company was given approval vide Reserve Bank's letter FE.BG.FID.No.6302/21.09.246/2015-16 dated January 07, 2016.
- ii) The company had received an inward remittance of ₹6,81,851.00, from the non-resident investor M/s The Indian Dream Capital, Mauritius, on October 31, 2014. The company had allotted 1,235 CCPs worth ₹6,79,250.00, and the excess share application money of **₹2,601.00**, was refunded on July 27, 2016, to the non-resident investor, beyond 180



days from the date of receipt of inward remittance, with prior approval of Reserve Bank of India. The company was given approval vide Reserve Bank's letter FE.BG.FID.No.6302/21.09.246/2015-16 dated January 07, 2016.

- iii) The company had received an inward remittance of ₹15,00,000.00, from the non-resident investor Mr. Vispi Daver, USA, on January 16, 2015. The company had allotted 643 CCPs worth ₹14,99,476.00, and the excess share application money of **₹524.00**, was refunded on February 08, 2018, to the non-resident investor, beyond 180 days from the date of receipt of inward remittance, with prior approval of Reserve Bank of India. The company was given approval vide Reserve Bank's letter FE.BG.FID.No.2452/21.09.246/2017-18 dated January 01, 2018.
- iv) The company had received an inward remittance of ₹38,85,378.00, and ₹27,602.00, amounting to ₹39,12,980.00, from the non-resident investor M/s The Indian Dream Capital, Mauritius, on January 30, 2015, and February 25, 2015, respectively. The company had allotted 1,677 CCPs worth ₹39,10,764.00, and the excess share application money of **₹2,216.00**, was refunded on July 19, 2016, to the non-resident investor, beyond 180 days from the date of receipt of inward remittance, with prior approval of Reserve Bank of India. The company was given approval vide Reserve Bank's letter FE.BG.FID.No.7477/21.09.246/2015-16 dated February 10, 2016.
- v) The company had received an inward remittance of ₹15,00,137.64, from the non-resident investor Mr. Vatsal Sonecha, USA, on February 27, 2015. The company had allotted 643 CCPs worth ₹14,99,476.00, and the excess share application money of **₹661.64**, was refunded on February 08, 2018, to the non-resident investor, beyond 180 days from the date of receipt of inward remittance, with prior approval of Reserve Bank of India. The company was given approval vide Reserve Bank's letter FE.BG.FID.No.2452/21.09.246/2017-18 dated January 01, 2018.



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 instances, the delay in refund of excess share application money ranges from ten months and twenty five days to two years six months and twenty four days.

4. The company had allotted shares to the foreign investors and filed form FC-GPRs 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
1	15-11-2014	1097 CCPs	6,03,350.00	12-02-2015
2	15-11-2014	1235 CCPs	6,79,250.00	12-02-2015
3	27-02-2015	1677 CCPs	39,10,764.00	08-04-2015
4	27-02-2015	100 equity 19195 CCPs	4,49,95,940.00	06-04-2015
5	27-02-2015	1286 CCPs	29,98,952.00	15-02-2016
6	31-10-2015	6687 CCPs	1,94,92,605.00	02-12-2015
7	28-03-2017	13150 CCPs	8,80,39,250.00	25-04-2017
8	28-03-2017	508 CCPs	34,01,060.00	31-05-2017
9	28-03-2017	254 CCPs	17,00,530.00	25-04-2017
10	28-03-2017	1525 CCPs	1,02,09,875.00	25-04-2017
11	13-04-2017	254 CCPs	17,00,530.00	05-05-2017
12	13-04-2017	1143 CCPs	76,52,385.00	11-05-2017
	Total		18,53,84,491.00	

The applicant had 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 two days to ten months and seventeen days, beyond the prescribed period of 30 days in respect of allotment of shares as indicated at serial numbers 1 to 6 and 8, 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 persons resident outside India.

5. The applicant was given an opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID.(CEFA) No. 5428/22.09.246/2018-19, dated May 02, 2019, for further submission in person, and/or producing documents, if any, in support of the application. The applicant's authorized representatives, Ms. Shilpa Bafna, Chartered Accountant and Consultant, Mr. Amit Sharma, Senior Manager-Finance, who appeared for the personal hearing on May 08, 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, 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.

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 remittances received towards subscription to equity as detailed in Paragraph 2 above. The contravention



relates to an amount of **₹70,83,048.64**, and the period of delay ranges from one month and four days to five months and twenty days;

(b) Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB, as the applicant refunded the excess share application money to foreign investors with a delay beyond the stipulated period of 180 days from the date of receipt of amount of consideration as detailed in Paragraph 3 above. The contravention relates to an amount of **₹8067.64**, and the period of contravention ranges from ten months and twenty five days to two years six months and twenty four 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 resident outside India as detailed in Paragraph 4 above. The contravention relates to an amount of **₹7,60,81,921.00**, and the period of delay ranges from two days to ten months and seventeen days.

7. It has been declared in the compounding application dated January 26, 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 dated January 26, 2019, 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 **₹35,238.00 (Rupees Thirty Five Thousand Two Hundred and Thirty Eight 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 **₹35,238.00 (Rupees Thirty Five Thousand Two Hundred and Thirty Eight 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 Ninth day of May 2019.

Sd/-

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