



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 02, 2019
C.A. BGL 368/2019

In the matter of

M/s Crowdanalytix Solutions Private Limited
2nd Floor, 2621, 27th Main
Sector-1, 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 16, 2019, received at this office of Reserve Bank of India, Bengaluru on January 18, 2019, and addendum to the application, dated April 30, 2019, received on May 01, 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 Crowdanalytix Solutions Private Limited, was originally incorporated as M/s. qualifiedLINK Technologies Private Limited on November 29, 2010, under the Companies Act, 1956, as per the Certificate of Incorporation issued by the Deputy Registrar of Companies, Karnataka. Subsequently the name of the company has been changed as M/s. CrowdANALYTIX Solutions Private Limited, on March 19, 2012, as per the fresh Certificate of Incorporation upon change of name, issued by the Registrar of Companies, Karnataka. The activity undertaken by the company is developing software products and web applications to provide consultancy services to companies located in India and the rest of the world. The applicant had received funds towards share application money from the foreign investors, namely, M/s Accel India III (Mauritius) Ltd, Mauritius, M/s Saif Partners India IV Ltd, Mauritius, Mr. Sanjeev Rao, USA, M/s SV Tech Holdings, LLC, USA, M/s WGG International Limited, Mauritius, M/s Poetzscher-Rao Family Trust, USA, and Mr. Nathaniel Fry, USA, as shown below:

Table – 1

Sl. No	Date of Receipt	Amount (INR)	Date of Reporting to RBI /AD
1	17-05-2012	181,99,871.00	04-06-2012
2	17-05-2012	181,99,871.00	04-06-2012
3	14-08-2013	208,24,935.10	14-09-2013
4	14-08-2013	208,24,935.10	19-09-2013
5	03-09-2014	179,98,593.60	29-09-2014
6	03-09-2014	179,98,593.60	09-10-2014
7	05-04-2016	165,74,719.20	05-05-2016
8	11-04-2016	16,45,537.50	09-05-2016
9	18-04-2016	16,49,375.00	27-06-2016
10	19-08-2016	201,02,385.00	26-09-2016



11	31-01-2017	167,49,205.78	20-02-2017
12	10-02-2017	184,24,670.34	15-03-2017
13	18-02-2017	165,99,137.00	18-03-2017
14	08-03-2017	66,18,511.90	15-03-2017
15	23-02-2017	16,63,225.00	15-03-2017
	Total	2140,73,566.12	

The applicant reported receipt of remittances to the Reserve Bank / Authorized Dealer Bank, with a delay ranging from one day to one month and nine days, beyond the stipulated period of 30 days in respect of remittances as indicated at serial numbers 3, 4, 6, 9, 10 and 12, 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 received certain foreign inward remittances during the period February 2017, to March 2017, and 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 ₹1,65,99,137.00, from the non-resident investor M/s. Poetzscher-Rao Family Trust, USA, on February 18, 2017. The company had allotted 3,051 CCPs worth ₹1,65,96,890.82, and the excess share application money of ₹2,246.18, was refunded on April 30, 2019, to the non-resident investor.



- ii) The company had received an inward remittance of ₹16,63,225.00, from the non-resident investor Mr. Sanjeev Rao, USA, on February 23, 2017. The company had allotted 305 CCPs worth ₹16,59,145.10, and the excess share application money of **₹4,079.90**, was refunded on May 02, 2019, to the non-resident investor.
- iii) The company had received an inward remittance of ₹66,18,511.90, from the non-resident investor Mr. Nathaniel Fry, USA, on March 08, 2017. The company had allotted 1,216 CCPs worth ₹66,14,821.12, and the excess share application money of **₹3,690.78**, was refunded on April 30, 2019, to the non-resident investor.

The company was accorded approval to refund the excess share application money of **₹10,016.86**, vide Reserve Bank's letter FE.BG.FID.No.4394/21.08.209/2018-19, dated April 09, 2019. 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 one year seven months and twenty six days to one year eight months and thirteen 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	18-05-2012	69586 CCPs	363,99,740.74	04-07-2012
2	14-10-2013	51274 CCPs	416,49,870.20	10-12-2013
3	15-09-2014	24548 CCPs	359,97,187.20	03-02-2015
4	12-05-2016	13549 CCPs	198,68,253.60	09-06-2014
5	26-08-2016	13562 CCPs	201,02,385.00	08-11-2016
6	29-03-2017	11038 CCPs	600,44,733.16	10-05-2017
	Total	183557 CCPs	2140,62,169.90	

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 twelve days to three months and nineteen days, beyond the prescribed period of 30 days in respect of allotment of shares as indicated at serial numbers 1, 2, 3, 5 and 6, 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. 5369/22.08.209/2018-19, dated April 29, 2019, for further submission in person, and/or producing documents, if any, in support of the application. The applicant's authorized representative, Mr. Aravind Venugopalan, Director, who appeared for the personal hearing on May 02, 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 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.

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 **₹9,98,24,894.14**, and the period of delay ranges from one day to one month and nine 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 **₹10,016.86**, and the period of contravention ranges from one year seven months and twenty six days to one year eight months and thirteen 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 **₹19,41,93,916.30**, and the period of delay ranges from twelve days to three months and nineteen days.

7. It has been declared in the compounding application dated January 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 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 **₹79,108.00 (Rupees Seventy Nine Thousand One Hundred and 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 **₹79,108.00 (Rupees Seventy Nine Thousand One Hundred and 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 Second day of May 2019.

Sd/-

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