



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 366/2019

In the matter of

M/s Aujas Networks Private Limited
No.4025/26, 2nd, 23rd Floor, K R Road
Jayanagar, 7th Block West
Bengaluru - 560082
(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 17, 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 allotment of shares 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 Aujas Networks Private Limited, was incorporated on February 08, 2008, under the Companies Act, 1956. The activity undertaken by the company is providing risk management services including information risk advisory, secure development life cycle, identity and access management, data protection and privacy services. The applicant had received funds towards share application money from a foreign investor, namely, M/s. IDG Ventures India I LLC, Mauritius, as shown below:

Table – 1

Sl. No	Date of Receipt	Amount (INR)	Date of Reporting to RBI /AD
1	21-02-2008	39,54,000.00	11-03-2008
2	31-03-2008	79,72,000.00	11-04-2008
3	07-05-2008	6,57,28,000.00	15-05-2008
4	18-06-2009	4,09,40,000.00	16-02-2018
5	13-01-2010	3,46,87,200.00	11-03-2010
6	02-07-2010	1,15,62,400.00	26-07-2010
7	24-08-2010	70,26,000.00	25-09-2010
8	23-09-2010	3,93,44,000.00	08-10-2010
9	25-02-2011	90,58,000.00	17-03-2011
10	30-03-2011	1,35,87,000.00	25-04-2011
11	17-06-2011	67,19,552.00	15-07-2011
12	30-06-2011	3,17,03,500.00	07-09-2011
13	18-07-2011	73,948.00	26-07-2011
14	07-12-2011	51,35,500.00	17-12-2011
15	06-02-2012	48,71,000.00	16-02-2012
16	24-02-2012	1,56,69,200.00	07-03-2012
17	01-06-2012	1,10,00,000.00	09-06-2012
18	02-07-2013	1,32,08,600.00	01-08-2013
19	02-07-2013	5,91,400.00	01-08-2013
20	21-10-2013	81,00,000.00	24-02-2014



21	21-11-2013	81,00,000.00	10-12-2013
	Total	33,90,31,300.00	

The applicant reported receipt of remittances to the Reserve Bank / Authorized Dealer Bank, with a delay ranging from two days to eight years six months and twenty nine days, beyond the stipulated period of 30 days in respect of remittances as indicated at serial numbers 4, 5, 7, 12 and 20, 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 inward remittances amounting to ₹7,76,54,000.00, in three tranches from the non-resident investor M/s. IDG Ventures India I LLC, Mauritius, during the period February 21, 2008 to May 07, 2008. The company had allotted 10 equity shares and 1,28,560 CCPS worth ₹7,40,56,320.00, on June 07, 2008, and the excess share application money of ₹35,97,680.00, was utilized during the allotment of 6,246 CCPs issued on November 19, 2009, to the investor with a delay beyond the stipulated period of 180 days from the date of receipt, without prior approval from Reserve Bank of India. 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/shares have to be issued to the person concerned, provided the Reserve Bank may, on an application made to it and for sufficient reasons permit to refund/ to allot shares, if such amount is outstanding beyond a period of 180 days from the date of receipt. The amount of contravention is ₹35,97,680.00, and the period of delay is one year and sixteen 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	07-06-2008	10 Equity & 128560 CCPS	740,56,320.00	11-07-2008
2	19-11-2009	6246 CCPS	35,97,696.00	20-01-2010
3	19-11-2009	71076 CCPS	409,39,776.00	25-02-2010
4	31-12-2009	2000 Equity (Bonus shares)	2,000.00	15-03-2012
5	23-01-2010	43359 CCPS	346,87,200.00	18-05-2010
6	29-10-2010	72415 CCPS	579,32,000.00	13-01-2011
7	22-03-2011	11322 CCPS	90,57,600.00	16-05-2011
8	15-06-2011	16984 CCPS	135,87,200.00	11-11-2011
9	15-07-2011	48029 CCPS	384,23,200.00	11-11-2011
10	29-09-2011	93 CCPS	74,400.00	11-11-2011
11	11-01-2012	6418 CCPS	51,34,400.00	10-02-2012
12	19-03-2012	25676 CCPS	205,40,800.00	18-04-2012
13	12-06-2012	13750 CCPS	110,00,000.00	11-07-2012
14	17-07-2013	17250 CCPS	138,00,000.00	07-11-2013
15	08-11-2013	10125 CCPS	81,00,000.00	05-12-2013
16	22-11-2013	10125 CCPS	81,00,000.00	05-12-2013
	Total	2010 equity & 481428 CCPS	33,90,32,592.00	

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 four days to two years one month and fourteen days, beyond the prescribed period of 30 days in respect of allotment of shares as indicated at serial numbers at 1 to 10, and 14, 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. 5368/22.06.798/2018-19 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. Suriyanarayanan P S, 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 **₹12,24,56,700.00**, and the period of delay ranges from two days to eight years six months and twenty nine days;

(b) Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB, as the applicant allotted shares to the non-resident investor 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 **₹35,97,680.00**, and the period of contravention is one year and sixteen 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 **₹28,61,57,392.00**, and the period of delay ranges from four days to two years one month and fourteen 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 **₹5,92,345.00, (Rupees Five Lakh Ninety Two Thousand Three Hundred and Forty Five 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 **₹5,92,345.00, (Rupees Five Lakh Ninety Two Thousand Three Hundred and Forty Five 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