



In the

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

Present

Shri G Jeyakumar
Deputy General Manager

Date: December 11, 2017
C.A. BGL 245/2017

In the matter of

M/s Bigtec Innovations Private Limited
2nd Floor, Golden Heights, 59th C Cross
4th M Block, Rajajinagar
Bengaluru - 560010
(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 July 14, 2017, received at this Office of the Reserve Bank of India, Bengaluru, on July 18, 2017, for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999, (the FEMA), and the Regulations issued there under. The contravention sought to be compounded is allotment of shares as swap without prior approval of the Government, in terms of Paragraph 2, Sub Para 4(v), 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 3, 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: M/s Bigtec Innovations Private Limited, is a company originally incorporated as M/s Bigtec Holdings Private Limited on November 28, 2008, under the Companies Act, 1956 as per the certificate of incorporation issued by the Registrar of Companies, Karnataka. Subsequently name of the company has been changed to M/s Bigtec Innovations Private Limited with effect from November 20, 2014, under the Companies Act, 2013, as per the certificate of incorporation issued by the Registrar of Companies, Karnataka. The Company is mainly engaged in the business of management consultancy activities.

3. M/s Bigtec Innovations Private Limited is the Holding company of M/s Bigtec Private Limited. The subsidiary company shares were swapped and all the shareholders of the subsidiary company were allotted shares in the Holding company in the ratio 2:1. The subsidiary company had two Overseas Bodies Corporates as shareholders, namely M/s Sujay Limited and M/s Chewbacca Services Limited. M/s Bigtec Innovations Private Limited had allotted 1,78,128 equity shares each on October 20, 2015, as swap to M/s Sujay Limited and M/s Chewbacca Services Limited in lieu of 1,78,128 shares of M/s Bigtec Private Limited held by them without the approval of Foreign Investment Promotion Board (FIPB). Whereas in terms of Paragraph 2, Sub Para 4(v) of Schedule 1 to Notification No. FEMA 20/2000-RB, a company engaged in a sector where foreign investment requires Government approval, may issue shares to a non-resident through swap of shares only with the approval of the Government. The post facto approval for the above allotment as swap was granted by FIPB vide their letter dated April 26, 2017. In the FIPB approval, the company was advised to approach the Reserve Bank for compounding within 90 days of the approval.

4. The applicant was given an opportunity for personal hearing, vide Reserve Bank's letter No.FE.BG.FID (CEFA) No.2000/22.08.983/2017-18 dated December 04, 2017, for further submission, in person and/or producing documents, if any, in support of the application. The applicant's authorized



representatives, Shri Suresh Kini K, General Manager, and Ms. Rashmi Jadhav, Associate Chartered Accountant, who appeared for the personal hearing on December 07, 2017, admitted the contravention as stated in Paragraph 3 above, committed by the applicant, for which compounding has been sought. During the personal hearing, it was submitted that the contravention was not willful or with malafide intention, but was mainly due to inadvertence, and the same would not be repeated. In view of the above, they requested to take a lenient view 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 2, Sub Para 4(v), of Schedule 1 to Notification No. FEMA 20/2000-RB due to allotment of shares as swap without prior approval of Government. The contravention relates to an amount of Rs. 35,62,560.00/- and the duration of the contravention is one year, six months and six days approximately;

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. 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 **Rs.69,600.00 (Rupees Sixty Nine Thousand Six Hundred only)**, will meet the ends of justice.



7. Accordingly, I compound the admitted contravention namely, contravention of Paragraph 2, Sub Para 4(v) 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 **Rs.69,600.00 (Rupees Sixty Nine Thousand Six 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” 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 Eleventh day of December, 2017.

Sd/-

(G Jeyakumar)
Deputy General Manager