



In the

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

Present

Shri. Eugene E Karthak
Regional Director

Date: March 26, 2018
C.A. BGL 265/2017

In the matter of

M/s Paybooks Technologies India Private Limited
No.23/48, 1st Main Road
Behind CBI Office, Ganganagar
Bengaluru - 560032

(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 November 17, 2017, received at this office of Reserve Bank of India, Bengaluru on November 21, 2017, (also addendum dated March 19, 2018, received on March 20, 2018) 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, 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, 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 Paybooks Technologies India Private Limited, was originally incorporated as M/s Payoda Computing India Private Limited on June 13, 2012, under the Companies Act, 1956, as per the certificate of incorporation issued by the Registrar of Companies, Karnataka. Subsequently, the name of the company has been changed to M/s Paybooks Technologies India Private Limited with effect from April 29, 2016, under the Companies Act, 2013, as per the certificate of incorporation issued by the Registrar of Companies, Karnataka. The company is engaged in the business of cloud based payroll software, providing end to end cloud payroll and outsourced activities. The applicant had received funds towards share application money from the foreign investors, namely, Mr Srinivas Ayyalaraju and Ms Aparna Ayyalaraju, USA, Mr Murugappan Nagamanikkam, USA, Mr Sangeet Batra, Singapore, and Mr Mohammed Salman Niaz, Singapore, as shown below:

Table – 1

Sl. No	Date of Receipt	Amount (INR)	Date of Reporting to RBI /AD
1	28-03-2013	2,51,236.45	30-06-2014
2	05-04-2013	2,53,348.08	30-06-2014
3	05-04-2013	1,000.00	10-10-2013
4	16-04-2013	5,00,000.00	10-10-2013
5	16-04-2013	5,00,000.00	10-10-2013
6	19-04-2013	4,99,000.00	10-10-2013
7	20-04-2013	5,00,000.00	10-10-2013
8	10-05-2013	5,00,000.00	10-10-2013
9	13-05-2013	5,00,000.00	10-10-2013
10	21-05-2013	5,00,000.00	10-10-2013
11	23-05-2013	5,00,000.00	10-10-2013
12	22-04-2015	10,00,000.00	18-06-2015
13	23-04-2015	5,71,250.00	18-06-2015
14	24-04-2015	5,26,896.42	04-11-2016
15	15-10-2015	15,71,520.00	21-12-2015
16	29-09-2015	5,27,856.52	09-01-2017



17	20-01-2016	10,00,000.00	24-02-2016
18	23-01-2016	5,000.00	19-07-2016
19	24-01-2016	9,95,000.00	19-07-2016
20	27-01-2016	5,00,000.00	24-02-2016
21	28-01-2016	10,00,000.00	19-07-2016
22	25-01-2017	32,91,484.10	18-05-2017
	Total	1,54,93,591.57	

The applicant reported receipt of remittances to the Reserve Bank / Authorized Dealer Bank with a delay ranging from five days to one year five months and eleven days approximately, beyond the stipulated period of 30 days, in respect of remittances as indicated at serial numbers 1 to 19, 21 and 22 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, in the instances mentioned here below, the company had refunded excess share application money beyond 180 days from the date of receipt of inward remittances, with the prior approval of RBI.

(i) The company had received an inward remittance of Rs.2,51,236.45, on March 28, 2013, from the foreign investors, Mr. Srinivas Ayyalaraju and Ms. Aparna Ayyalaraju, USA, and allotted 25,000 equity shares for total consideration of Rs.2,50,000.00. The excess share application money of Rs.1,236.45, was refunded with a delay beyond stipulated period, on August 22, 2017, to the non-resident investor. The amount of contravention is Rs.1,236.45, and the period of delay is three years ten months and twenty nine days approximately;



(ii) The company had received an inward remittance of Rs.2,53,348.08, on April 05, 2013, from the foreign investors, Mr. Srinivas Ayyalaraju and Ms. Aparna Ayyalaraju, USA, and allotted 25,000 equity shares for total consideration of Rs.2,50,000.00. The excess share application money of Rs.3,348.08, was refunded with a delay beyond stipulated period on August 22, 2017, to the non-resident investor. The amount of contravention is Rs.3,348.08 and the period of delay is three years ten months and twenty days approximately;

(iii) The company had received an inward remittance of Rs.5,26,896.42, on April 24, 2015, from the foreign investor, Mr. Srinivas N Ayyalaraju, USA, and allotted 1,405 equity shares for total consideration of Rs.5,26,875.00. The excess share application money of Rs.21.42 was refunded with a delay beyond stipulated period on August 22, 2017, to the non-resident investor. The amount of contravention is Rs.21.42, and the period of delay is one year ten months and one day approximately; and

(iv) The company had received an inward remittance of Rs.5,27,856.52, on September 29, 2015, from the foreign investors, Mr. Srinivas Ayyalaraju and Ms. Aparna Ayyalaraju, USA, and allotted 1,407 equity shares for total consideration of Rs.5,27,625.00. The excess share application money of Rs.231.52 was refunded with a delay beyond stipulated period on August 22, 2017, to the non-resident investor. The amount of contravention is Rs.231.52, and the period of delay is one year four months and twenty six day approximately.

The company was given approval to refund the total excess share application money of Rs.4,837.47, to the foreign investors, vide our letter Ref No. FE.BG.FID. No.166/21.09.01/2017-18 dated July 17, 2017, subject to compounding, 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 A.P. (DIR Series) Circular No. 20 dated December 14, 2007, the shares have to be issued/amount refunded within 180 days of receipt of inward remittance.

4. The applicant company allotted equity shares and filed Form FC-GPRs with Reserve Bank/AD as indicated below:



Table – 2

Sl. No.	Date of Allotment	Amount (INR)	Date of reporting to RBI/AD
1	31-03-2013	2,50,000.00	11-09-2014
2	01-04-2013	2,50,000.00	11-09-2014
3	01-10-2013	40,00,000.00	11-09-2014
4	15-05-2015	15,71,250.00	20-04-2016
5	15-05-2015	5,26,875.00	24-11-2016
6	12-11-2015	15,71,520.00	20-04-2016
7	12-11-2015	5,27,625.00	23-02-2017
8	04-02-2016	10,00,000.00	29-08-2016
9	04-02-2016	25,00,000.00	29-08-2016
10	31-01-2017	32,91,480.00	19-06-2017
	Total	1,54,88,750.00	

The applicant filed the 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 three months and seventeen days to one year five months and ten days approximately, beyond the prescribed period of 30 days, in respect of all the allotments indicated in 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.

5. The applicant was given an opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID (CEFA) No. 3598/22.09.012/2017-18 dated March 22, 2018, for further submission in person, and/or producing documents, if any, in support of the application. The applicant's authorized representatives Mr. Samira Rao M R, Director, and Mr. Guruprasad R, Accounts Head, who appeared for the personal hearing on March 23, 2018, 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, it was submitted that the delay 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.

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 **Rs.1,49,93,591.57**, and the period of delay ranges from five days to one year five months and eleven days approximately;

(b) Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, as the applicant has refunded the excess amount of **Rs.4,837.47**, received towards share application money, with a delay ranging from one year four months and twenty six days to three years ten months and twenty nine days approximately as detailed in paragraph 3 above; and

(c) 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 4 above. The contravention relates to an amount of **Rs.1,54,88,750.00**, and the period of delay ranges from three months and seventeen days to one year five months and ten days approximately.

7. It has been declared in the compounding application dated November 17, 2017, 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 March 19, 2018, furnished as part of 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 **Rs.46,950.00 (Rupees Forty Six Thousand Nine Hundred and Fifty 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, on the facts discussed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, on payment of an amount of **Rs.46,950.00 (Rupees Forty Six Thousand Nine Hundred and Fifty 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 Twenty Sixth day of March, 2018.

Sd/-

(Eugene E Karthak)
Regional Director