



In the

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

Present

Gopal B Terdal
Assistant General Manager

Date: April 04, 2018

C.A. BGL 276/2017

In the matter of

M/s Soha Systems India Private Limited
C/o eLagaan Biztech Labs
1st Floor, 19 KNG Reddy Layout
Arekere MICO Layout, Bannerghatta Road
Bengaluru 560076
(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 December 15, 2017, received at this office of Reserve Bank of India, Bengaluru, on December 21, 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 delay in refund of excess share application money to the foreign investors, persons resident outside India, beyond 180 days of receipt of the inward remittances in terms of paragraph 8 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: The applicant, M/s Soha Systems India Private Limited, was originally incorporated as M/s BubblewrApp India Software Private Limited on December 19, 2014, under the Companies Act, 2013, 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 Soha Systems India Private Limited with effect from September 16, 2015, under the Companies Act, 2013. The company is engaged in the business of providing unique alternative to traditional remote access technologies such as VPN's, RDP and proxies.

3. The company had received inward remittances of Rs.1,05,045.30, from the non-resident investors, namely M/s. Bubblewrapp INC, USA, and Mr. Hanumantha Kavloru, USA, and 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.

- (i) The company had received an inward remittance of Rs.1,04,431.00, on February 12, 2015, from the non-resident investor, M/s Bubblewrapp INC, USA, and allotted 99,998 equity shares for total consideration of Rs.99,998.00. The excess share application money of Rs.4,433.00, was refunded with a delay beyond stipulated period, with prior approval from Reserve Bank on December 07, 2017, to the non-resident investor, M/s Akamai Technologies INC, USA, with which the non-resident investor, M/s Bubblewrapp INC, USA, is merged with effect from November 15, 2017. The company was given approval vide Reserve Bank's letter FE.BG.FID.No.3513/21.05.001/2016-17 dated November 29, 2016. The amount of contravention is Rs.4,433.00, and the period of delay is two years three months and twenty six days approximately; and



- (ii) The company had received an inward remittance of Rs.614.30, on February 12, 2015, from the non-resident investor, Mr. Hanumantha Kavuluru, USA, and allotted 1 equity share for total consideration of Rs.1.00. The excess share application money of Rs.613.30, was refunded with a delay beyond stipulated period on March 14, 2017, to the non-resident investor, with prior approval from Reserve Bank. The company was given approval vide Reserve Bank's letter FE.BG.FID.No.3511/21.05.001/2016-17 dated November 29, 2016. The amount of contravention is Rs.613.30, and the period of delay is one year seven months and three days approximately.

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 has to be refunded within 180 days from the date of receipt of inward remittance.

4. The applicant was given an opportunity for personal hearing, vide the Reserve Bank's letter FE.BG.FID (CEFA) No. 3597 /22.10.203/2017-18 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. Raghavendra Purnachar, Director, and Ms. Malini Satheese, Advocate & Legal Consultant, who appeared for the personal hearing on March 23, 2018, admitted the contraventions 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 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.



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 8 of Schedule I to Notification No. FEMA 20/2000-RB as the applicant refunded the excess share application money to the 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 **Rs.5,046.30**, and the period of delay ranges from one year seven months and three days to two years three months and twenty six days approximately .

6. It has been declared in the compounding application dated December 15, 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 December 15, 2017, 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.

7. 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 contravention are



to be compounded and I consider that an amount of **Rs. 1,130.00 (Rupees One Thousand One Hundred and Thirty only)** will meet the ends of justice.

8. Accordingly, I compound the admitted contraventions namely, contravention of Paragraph 8 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.1,130.00 (Rupees One Thousand One Hundred and Thirty 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 Fourth day, of April 2018.

Sd/-

(Gopal B Terdal)
Assistant General Manager