



In the
Reserve Bank of India
Foreign Exchange Department
3rd Floor
15, Netaji Subhas Road
Kolkata – 700 001

Present
H. Thangzaman
Chief General Manager

Date: July 17, 2018

C.A.070/2018

In the matter of

M/s Arohan Financial Services Private Limited

“Prafulla”, 195/1, Rajdanga Chakraborty para,
Kasba,
Kolkata-700 107
West Bengal

(Applicant)

In exercise of the powers under section 15 (1) of the Foreign Exchange Management Act, 1999 and the Regulations/Rules/Notifications/Orders made thereunder, I pass the following

Order

The applicant had filed a compounding application dated May 11, 2018 (received at Reserve Bank on May 11, 2018) for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued thereunder. The contraventions sought to be compounded are for delay in reporting receipt of foreign inward remittances towards subscription to equity and delay in submission of Form FC-GPR to the Reserve Bank after issue of shares to a



person resident outside India beyond the stipulated 30 days in terms of Paragraph 9(1)(A) and 9(1)(B) to Schedule 1 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) respectively.

2. The relevant facts of the case are as follows: The applicant was originally incorporated under Companies Act, 1956, as “ANG Resources Private Limited” on September 7, 1991, which was renamed as “Arohan Financial Services Private Limited” on March 25, 2008. The applicant is in the business of micro finance and financial services activities.

The applicant received thirteen foreign inward remittances from foreign investors towards subscription to equity shares as tabulated below:

Sl. No	Foreign Investor	Amount in INR	Date of receipt of inflow	Date of reporting to RBI
1	Michael & Susan Dell Foundation, USA	1,37,50,000	27.06.2008	26.05.2017
2	Lok Capital LLC, Mauritius	1,37,50,000	03.07.2008	25.09.2017
3	Michael & Susan Dell Foundation, USA	2,02,17,712	31.03.2010	24.09.2010
4	India Financial Inclusion Fund, Mauritius	10,78,97,900	09.04.2010	24.09.2010
5	Lok Capital LLC, Mauritius	2,02,17,711	07.05.2010	24.09.2010
6	India Financial Inclusion Fund, Mauritius	1,20,00,000	18.09.2012	26.12.2012
7	Michael & Susan Dell Foundation, USA	2,75,00,000	20.09.2012	26.12.2012
8	Aaviskaar Goodwell India Microfinance Development Company II Ltd, Mauritius	6,41,13,031	24.09.2012	26.12.2012
9	Aaviskaar Goodwell India Microfinance Development Company II Ltd, Mauritius	18,71,45,775	25.09.2013	24.10.2013
10	Michael & Susan Dell Foundation, USA	2,79,99,323	04.10.2013	26.11.2013
11	Tano India Private Equity Fund II, Mauritius	60,00,00,000	26.03.2015	27.04.2015
12	Tano India Private Equity Fund II, Mauritius	12,49,99,974.90	16.01.2017	17.02.2017
13	Maj Invest Financial Inclusion Fund II K/S, Denmark	96,99,99,922	31.03.2017	07.04.2017
Total		218,95,91,348.90		



The applicant reported receipt of advance remittances towards share subscription to Kolkata Regional Office of Reserve Bank on the above mentioned dates with a delay ranging from approximately two days to nine years one month twenty-two days for all remittances, except two, beyond the stipulated time, whereas in terms of paragraph 9(1)(A) Schedule 1 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 applicant allotted equity shares in eight tranches to foreign investors (as mentioned below) and reported to Reserve Bank of India as under:

S.No	Amount in INR for which FCGPR submitted	Date allotment shares	of of	FCGPR submitted to RBI
1	2,75,00,000	04.07.2008		09.09.2008
2	14,83,33,323	23.06.2010		26.07.2010
3	10,36,13,031	28.09.2012		05.11.2012
4	18,71,45,775	26.09.2013		21.11.2013
5	2,79,99,323	04.10.2013		09.04.2014
6	60,00,00,000	30.03.2015		24.04.2015
7	12,49,99,974.90	19.01.2017		13.04.2017
8	96,99,99,922	31.03.2017		12.04.2017
Total	218,95,91,348.90			

In terms of paragraph 9(1)(B) Schedule 1 to Notification No. FEMA 20/2000-RB, an Indian company issuing shares in accordance with these Regulations has to submit to Reserve Bank a report in form FC-GPR along with documents prescribed therein within 30 days from the date of issue of shares to persons outside India. However, the applicant reported the allotment of Shares (in form FC-GPR) to the Reserve Bank of India, Kolkata Regional Office as detailed in above table with a delay ranging from approximately three days to five months twenty-six days beyond the stipulated period of 30 days.



4. The applicant allotted equity shares to the foreign investors as detailed below:

Sl. No	Foreign Investor	Amount in INR	Date receipt of inflow	Date of issue of shares
1	Michael & Susan Dell Foundation, USA	1,37,50,000	27.06.2008	04.07.2008
2	Lok Capital LLC, Mauritius	1,37,50,000	03.07.2008	04.07.2008
3	Michael & Susan Dell Foundation, USA	2,02,17,712	31.03.2010	23.06.2010
4	India Financial Inclusion Fund, Mauritius	10,78,97,900	09.04.2010	23.06.2010
5	Lok Capital LLC, Mauritius	2,02,17,711	07.05.2010	23.06.2010
6	India Financial Inclusion Fund, Mauritius	1,20,00,000	18.09.2012	28.09.2012
7	Michael & Susan Dell Foundation, USA	2,75,00,000	20.09.2012	28.09.2012
8	Aaviskaar Goodwell India Microfinance Development Company II Ltd, Mauritius	6,41,13,031	24.09.2012	28.09.2012
9	Aaviskaar Goodwell India Microfinance Development Company II Ltd, Mauritius	18,71,45,775	25.09.2013	26.09.2013
10	Michael & Susan Dell Foundation, USA	2,79,99,323	04.10.2013	04.10.2013
11	Tano India Private Equity Fund II, Mauritius	60,00,00,000	26.03.2015	30.03.2015
12	Tano India Private Equity Fund II, Mauritius	12,49,99,974.90	16.01.2017	19.01.2017
13	Maj Invest Financial Inclusion Fund II K/S, Denmark	96,99,99,922	31.03.2017	31.03.2017
Total		218,95,91,348.90		

The allotment of shares was within the stipulated period from receipt of foreign inward remittances, in terms of paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, as per which an Indian company has to issue shares within 180 days from receipt of foreign inward remittances. Hence, there is no contravention of Para 8 of Schedule 1 to Notification No. FEMA 20/2000-RB dated May 03, 2000.

5. The applicant was given an opportunity for personal hearing vide Reserve Bank's letter No.KOL.FED.FID.75/03.40.300/2017-18 dated July 11, 2018 for further submission in person and/or producing documents, if any, in support of the application. The applicant represented by Shri Anirudh Singh G Thakur (Company Secretary) and Shri Dinesh Mourya (Manager & Legal) appeared for personal hearing on July 17, 2018. The representative of the applicant admitted the contraventions as



stated in para 2 and 3 above committed by the applicant for which compounding has been sought. During personal hearing, it was submitted that the delay was not willful or with a malafide intention. In view of this, the company requested to take a lenient view in the matter. The application for compounding is therefore being considered on the basis of averments made in the application as well as other documents and submission made in the context by the applicant during personal hearing and thereafter.

6. It has been declared in the compounding application dated May 11, 2018 that the particulars given by the applicant in the application are true and correct to the best of their/his/her knowledge and belief. It has been declared in the declaration 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/him/her 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. The contraventions being sought for compounding have taken place before November 7, 2017 and hence the application for compounding is being considered as per provisions of erstwhile Notification No. FEMA 20/2000-RB dated May 03, 2000.

7. I have given 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 1 of Notification No.FEMA 20/2000-RB dated May 03, 2000 delay in submission of Form FC-GPR to the Reserve Bank after issue of shares to a person resident outside India beyond the stipulated 30 days as details in paragraph 2 above. The contravention relates to an amount



of Rs.78,04,99,297.90/- and the duration is from two days to nine years one month twenty-two days approximately.

(b) Paragraph 9(1)(B) of Schedule 1 of Notification No.FEMA 20/2000-RB dated May 03, 2000 delay in submission of Form FC-GPR to the Reserve Bank after issue of shares to a person resident outside India beyond the stipulated 30 days as details in paragraph 3 above. The contravention relates to an amount of Rs.34,01,45,072.90/- and the duration is from three days to five months twenty-six days approximately.

8. In terms of Section 13 of the FEMA any person contravening any provision of the act shall be liable for a penalty upto thrice the sum of the contravention upon adjudication. However, considering the circumstances which led to the delay and other relevant facts of the case I am inclined to take a lenient view of the amount for which the contravention is to be compounded and I consider that an amount of Rs 9,90,833/- (Rupees Nine lakh Ninety Thousand Eight Hundred Thirty-three only) will meet the end of justice.

9. Accordingly, I compound the admitted contravention viz. Paragraph 9(1)(A) and 9(1)(B) of Schedule 1 of Notification No. FEMA 20/2000-RB dated May 3, 2000 by the applicant on the facts discussed above in terms of the Foreign Exchange (Compounding Proceeding) Rules, 2000 on payment of an amount Rs 9,90,833/- (Rupees Nine lakh Ninety Thousand Eight Hundred Thirty-three only) which are to be deposited by the applicant with the Reserve Bank of India, Kolkata by a demand draft in favour of Reserve Bank of India and payable at Kolkata within 15 days from the date of issue of the order. In case of failure to deposit the compounded amount within the above mentioned period, Rule 10 of the Foreign Exchange (Compounding Proceeding) Rules, 2000 dated May 03, 2000 shall apply (the application is disposed of accordingly).



Dated, the 17th July, 2018

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(H. Thangzamuan)

Chief General Manager, Kolkata