



In the

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

Present

Shri P J Thomas
Regional Director, Karnataka and
Chief General Manager, Bengaluru

Date: September 10, 2018
C.A. BGL 298/2018

In the matter of

M/s Catbus Infolabs Private Limited
No.511, 8th Cross, JP Nagar, 3rd Phase
Bengaluru - 560078
(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 May 23, 2018, received at this office of Reserve Bank of India, Bengaluru on May 28, 2018, and addendum to the application dated August 10, 2018 received on August 29, 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) refund of entire share application money/excess share application money to the foreign investors, beyond the prescribed period of 180 days from the date of receipt of the inward remittances, and (ii) 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 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: The applicant, M/s Catbus Infolabs Private Limited, was incorporated on May 20, 2014, under the Companies Act, 2013 as per the Certificate of Incorporation issued by the Registrar of Companies, Karnataka. As per Memorandum of Association, the company is engaged in the business of building technology based platforms to connect customers with logistics providers. The applicant had received funds towards share application money from the foreign investors, namely, Mr. S Grabowski Smaragdorst, Netherland, M/s Unitus Seed, Mauritius, M/s Draper Incubators LLC, USA, Mr. Michael S Strong, USA, M/s Michael and Susan Dell Foundation, USA, M/s Draper Associates Partners V, LLC, USA, M/s IDG Ventures India Fund III, LLC, Mauritius and M/s Draper Associates V, L.P, USA, as shown below:

Table – 1

Sl. No.	Date of Receipt	Amount (INR)	Date of reporting to RBI/AD
1	23-06-2014	5,91,910.80	10-10-2014
2	01-12-2014	31,50,000.00	16-01-2015
3	07-01-2015	71,99,999.86	28-02-2015
4	05-10-2015	39,99,756.00	10-06-2016
5	16-12-2015	1,99,97,383.00	10-06-2016
6	28-10-2016	6,64,833.75	14-12-2016
7	30-12-2016	13,54,372.80	13-01-2017
8	15-02-2017	8,48,73,153.30	10-03-2017
9	22-02-2017	1,78,77,031.90	15-03-2017
10	23-02-2017	3,14,02,018.70	15-03-2017
11	27-02-2017	67,90,072.90	16-03-2017
12	20-02-2017	5,00,18,181.20	07-06-2017
		22,79,18,714.21	

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. In terms of Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, dated May 3, 2000, read with A.P. (DIR Series) Circular No. 20 dated December 14, 2007, an Indian company is allowed to receive the amount of



consideration in advance from the non-resident investor, and within 180 days of receipt of the same, the shares have to be issued / the excess amount need to be refunded.

However, in the instances mentioned below, company has refunded the entire share application money/excess share application money beyond the prescribed time limit of 180 days with the approval of Reserve Bank of India.

(i) The company had received an inward remittance of **Rs.5,91,910.80**, on June 23, 2014, from Mr. S Grabowski Smaragdorst, Netherland. The company had not allotted shares and entire share application money was refunded on March 15, 2017, to the non-resident investor with prior approval from RBI. The company was given approval vide Reserve Bank of India's letter FE.BG.FID.No.5391 /21.09.914/2016-17 dated February 28, 2017. The amount of contravention is **Rs.5,91,910.80**, and the period of delay is 2 years 2 months and 23 days ; and

(ii) The Company had received an inward remittance of **Rs.1,99,97,383.00**, from M/s Unitus Seed Mauritius, Mauritius, on December 16, 2015. The company had allotted shares worth **Rs.1,99,90,231.30**, on January 11, 2016, and the excess share application money of **Rs.7,151.70**, was refunded on April 16, 2018, to the non-resident investor with prior approval from RBI. The company was given approval vide Reserve Bank of India's letter FE.BG.FID.No.3782 /21.09.914/2017-18 dated April 04, 2018. The amount of contravention is **Rs.7,151.70**, and the period of delay is 1 year 10 months and 3 days.

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	05-12-2014	31,49,562.00	15-06-2016
2	07-03-2015	71,99,236.50	15-06-2016
3	24-11-2015	39,99,756.00	27-06-2016
4	11-01-2016	1,99,90,231.30	21-06-2016



5	26-11-2016	6,64,492.00	23-02-2017
6	03-01-2017	13,53,750.00	22-02-2017
7	16-02-2017	8,48,73,153.30	17-03-2017
8	04-03-2017	1,78,77,031.90	08-05-2017
9	04-03-2017	3,14,02,018.70	09-08-2017
10	04-03-2017	67,90,072.90	06-05-2017
11	04-03-2017	5,00,18,181.20	05-08-2017
		22,73,17,485.80	

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 twenty days to one year five months and eleven days, in respect of the allotments as indicated in serial numbers 1 to 6 and 8 to 11 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 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.777/22.09.914/2018-19 dated September 04, 2018, for further submission in person, and/or producing documents, if any, in support of the application. The applicant's authorized representatives, Mr. Srikanth Iyengar, CFO, and Ms. Jayanthi Srinivasan, Company Secretary, who appeared for the personal hearing on September 10, 2018, admitted the contraventions as stated in paragraphs 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 wilful 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:

(i) Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, as the applicant has refunded the share application money/excess amount of **Rs.5,99,062.50**, received towards share application money, with a delay ranging from one year ten months and three days to two years two months and twenty three days as detailed in paragraph 3 above; and

(ii) 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.14,24,44,332.50**, and the period of delay ranges from twenty days to one year five months and eleven days.

7. It has been declared in the compounding application dated May 23, 2018, 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 May 23, 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.1,45,600.00 (Rupees One lakh Forty Five Thousand and Six Hundred only)** will meet the ends of justice.

9. Accordingly, I compound the admitted contraventions namely, contraventions of Paragraphs 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.1,45,600.00 (Rupees One lakh Forty Five Thousand and 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 Tenth day of September, 2018.

Sd/-

Shri P J Thomas
Regional Director, Karnataka and
Chief General Manager, Bengaluru