



In the

**RESERVE BANK OF INDIA**  
Foreign Exchange Department  
5<sup>th</sup> Floor, Amar Building  
Sir P M Road  
Mumbai - 400 001

Present

**J.K. Pandey**  
**Chief General Manager**

Date: March 23, 2017  
CA No 4196 / 2016

In the matter of

**Krawler Information Systems Private Limited**  
**Commerzone, Building No. 1, 5<sup>th</sup> Floor**  
**Office No. 503, Off. Airport Road**  
**Samrat Ashok Path, Pune - 411006**

**(Applicant)**

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

#### **Order**

The applicant has filed the application dated October 17, 2016 (received in the Reserve Bank on October 19, 2016), and an addendum dated November 8, 2016, 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) disinvestment of stakes in WOS with outstanding dues and without submission of APRs and (ii) non-submission of Annual Performance Reports (APR) within the stipulated time period. The above amount to the contravention of Regulations 16(1)(iv),



16(1)(v) and 15 (iii) of Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004 notified vide Notification No. FEMA 120/2004-RB dated July 7, 2004 as amended from time to time (hereinafter referred to as Notification No. FEMA 120/2004-RB).

2. The relevant facts are as under: The applicant was incorporated as Krawler Information Systems Private Limited (CIN: U72900PN2005PTC020608), on April 21, 2005. The applicant is engaged in the business of computer programming, consultancy, training and related activities. A wholly owned subsidiary (WOS) of the applicant, namely, Krawler PTE Ltd. (presently known as Deskera Singapore Pte. Ltd.), was set-up in Singapore on October 30, 2008. The applicant disinvested its stake from the WOS on November 28, 2014. At the time of disinvestment, the applicant had outstanding receivables to the tune of SGD 669,369.10 (INR 3,18,41,678.73) on account of export proceeds and SGD 18,614.61 (INR 8,85,491) on account of reimbursement of expenses. The disinvestment of its stake by the applicant, with outstanding receivables, amounted to contravention of Regulation 16(1)(iv) of Notification No. FEMA 120/2004-RB. Also, at the time of disinvestment the APRs of for the years 2012 to 2014 had not been filed, thus contravening Regulation 16(1)(v) of Notification No. FEMA 120/2004-RB. The Annual Performance Reports (APRs) for the years 2009-2014 were submitted with a delay beyond the stipulated time period, thus contravening Regulation 15(iii) of the same Notification.

3. In terms of Regulation 16(1)(iv) of Notification No.FEMA.120/2004-RB dated July 07, 2004 as amended from time to time, "An Indian Party may transfer, by way of sale to another Indian Party which complies with the provisions of Regulation 6 above, or to a person resident outside India, any share or security held by it in a JV or WOS outside India subject to the following conditions: the Indian Party does not have any outstanding dues by way of dividend, technical know-how fees, royalty, consultancy, commission or other entitlements and/or export proceeds from the JV or WOS". Also, Regulation 16(1)(v) of Notification No.FEMA.120/2004-RB dated July 07, 2004 as amended from time to time, states that the above mentioned transfer



can be carried out provided, “the overseas concern has been in operation for at least one full year and the Annual Performance Report together with the audited accounts for that year has been submitted to the Reserve Bank..”.

Further, in terms of Regulation 15 (iii) of Notification No.FEMA.120/2004-RB dated July 07, 2004 as amended from time to time, “An Indian Party which has acquired foreign security in terms of the Regulation in Part I shall submit to the Reserve Bank, through the designated Authorized Dealer, every year on or before a specified date, an Annual performance Report (APR) in Part III of Form ODI in respect of each JV or WOS outside India.....”.

4. The applicant was given an opportunity for personal hearing vide letter No. FE.CO.CEFA/8797/15.20.67/2016-17 dated March 1, 2017 for further submission in person and/or producing documents, if any, in support of the application. The personal hearing was held on March 16, 2017 during which Shri Nitin. S. Patil and Shri Tarun Lohiya represented the applicants. The representatives of the applicant submitted that the applicant had inadvertently failed to comply with the FEMA regulations due to ignorance and requested that a lenient view may be taken in the matter. The application is, therefore, being considered on the basis of the averments made in the application, the documents produced and submissions made during the personal hearing.

5. I have given my careful consideration to the documents on record and submissions made by the applicant during the personal hearing. It was observed that the applicant has contravened the provisions of Regulation 16(1)(iv), 16(1)(v) and 15 (iii) of Notification No.FEMA.120/2004-RB dated July 7, 2004, as amended from time to time. The amount of contravention is Rs. 3,27,27,169.73/- and the period of contravention ranges from two years to six years 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. After considering the submissions made by the applicant and the entire facts and circumstances of the case I am



persuaded to take a lenient view on the amount for which the contravention is to be compounded and it stands to reason that payment of an amount of Rs. 2,90,000/- (Rupees two lakh ninety thousand only) will meet the ends of justice in the circumstances of this case.

7. Accordingly, I compound, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 the admitted contraventions committed by the applicant namely, Regulations 16(1)(iv), 16(1)(v) and 15 (iii) of Notification No.FEMA.120/2004-RB dated July 7, 2004, as amended from time to time, on payment of a sum of Rs. 2,90,000/- (Rupees two lakh ninety thousand only), which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 5th Floor, Amar Building, Fort, Mumbai 400001 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at 'Mumbai' 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 accordingly.

Dated this the twenty third day of March, 2017

Sd/-

**J.K. Pandey**  
**Chief General Manager**