



In the

Reserve Bank of India
Foreign Exchange Department
Mumbai Regional Office
Main Building, 3rd Floor
Shahid Bhagat Singh Marg, Fort
Mumbai 400 00

Present

Shri. G. P. Borah
Chief General Manager

Date: August 14, 2017

C.A. No. 695/2017

In the matter of

M/s Mach 7 Technologies Pvt. Ltd.
Office No 18, Wing-A
Building No. 19, Pinnacle Corporate Park
G-Block, Bandra Kurla Complex
Bandra (East), Mumbai 400 051

(Applicant)

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

Order

1. The applicant has filed the compounding application dated May 10, 2017 (received at the Reserve Bank on May 12, 2017) 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 (i) delay in reporting receipt of foreign inward remittance towards subscription to equity; and (ii) delay in issuance of equity instruments to the foreign investor, a person resident outside India beyond the prescribed time period of 180 days from the receipt of the inward remittance in terms of paragraphs 9(1)(A) and paragraph 8



respectively, of 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 3, 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 company was incorporated on December 18, 2007 under the Companies Act, 1956 as Viapax Infotech Pvt Ltd. The name of the Company was changed to Mach 7 Technologies Pvt Ltd. on August 13, 2008. It is engaged in carrying on in India or abroad business in the virtual world, cyberspace world, real world or otherwise in the fields of manufacturing, developing, importing, exporting, financing, buying, selling, distributing, transferring leasing, hiring, licensing, using, disposing-off, operating, fabricating, constructing, assembling, recording, maintaining, repairing reconditioning, working, altering, converting, improving, procuring, installing, modifying, and to act as a consultant, agent, broker, franchiser, job worker, representative, adviser or otherwise to deal in all kinds of computer software, including software related to healthcare, IT solutions, software research and development, electronic-commerce and application development thereof, all cyberspace related business, electronic entertainment application development, electronic-business, ERP consulting, Re-engineering, migration, SAP, oracle/or any such software, training, recruiting, development and consultancy, System integration, Software development process, web designing and web hoisting, web marketing internet/intranet service providing and any other such/similar services of whatsoever kind.

The applicant received foreign inward remittance from M/s ZenOpenWorks Pte Ltd., Singapore and Mach7 Technologies (ASPAC) Pte. Ltd., Singapore towards equity / preference share capital and reported the same to the Reserve Bank as indicated below.

Sr. No.	Amount in Rs.	Date of receipt of Remittance	Date of Reporting	Date of issue of share
1	13,98,600	05.03.2008	28.06.2015	18.04.2016
2	5,98,500	26.03.2008	09.07.2015	
3	5,97,000	24.04.2008	28.06.2015	
4	5,86,600	21.07.2008	09.07.2015	
5	27,48,800	22.08.2008	28.06.2015	



6	4,08,243	16.09.2008	06.05.2015	18.04.2016
7	8,12,940	08.10.2008	09.07.2015	
8	7,24,269	05.12.2008	28.06.2015	
9	6,03,250	13.01.2009	28.06.2015	
10	2,54,877	09.02.2009	28.06.2015	
11	2,41,000	10.02.2009	28.06.2015	
12	4,92,600	19.02.2009	06.05.2015	
13	17,13,360	09.06.2009		
14	9,54,506	06.08.2009		
15	4,78,800	09.09.2009		
16	9,42,600	05.10.2009		
17	7,16,352	01.12.2009		
18	18,89,280	04.01.2010		
19	4,55,500	04.02.2010		
20	9,88,900	08.03.2010		
21	9,72,400	05.04.2010		
22	16,16,635	28.04.2010		
23	8,84,450	02.06.2010		
24	22,18,115	09.07.2010		
25	11,51,500	21.08.2010		
26	8,43,790	01.10.2010		
27	9,57,440	18.10.2010		
28	11,41,140	10.11.2010		
29	11,55,180	07.12.2010		
30	39,03,690	11.01.2011		
	3,24,50,317			

The applicant reported receipt of remittances to the Reserve Bank on dates indicated above and with a delay ranging from 4 years 2 months 26 days to 7 years 2 months 24 days approximately beyond the stipulated time of 30 days in respect of remittances recorded at serial nos. 1 to 30 above. Whereas, in terms of Paragraph 9(1)(A) of 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 company has received inward remittances amounting to Rs. 3,24,50,317/- in 30 tranches and allotted shares in 1 tranche. The Company approached the Reserve Bank of India on February 16, 2016 seeking approval to allot shares beyond the prescribed time period of 180 days and approval for the same was granted.



Accordingly the company issued shares on April 18, 2016 for Rs.3,24,50,310/-. The delay in allotment of shares therefore ranges from 4 years 7 months 9 days to 7 years 5 month 15 days approximately from the date of receipt of inward remittances. Whereas in terms of paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, if the shares are not issued within 180 days from the date of receipt of the inward remittance, the amount of consideration so received shall be refunded to the person concerned, provided the Reserve Bank may, on an application made to it and for sufficient reasons permit to refund the amount of consideration received towards issue of security, if such amount is outstanding beyond a period of 180 days from the date of receipt. The amendment in paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB was introduced by issue of Foreign Exchange Management (Transfer or Issue of security by a person resident outside India) (Third Amendment) Regulations, 2007 notified, vide Notification No. FEMA 170/2007-RB dated 13th November, 2007 in the official Gazette of the Government of India.

4. The applicant was given an opportunity for personal hearing vide e-mail dated July 12, 2017 for further submission in person and/or for producing documents, if any, in support of the application. The applicant appeared for personal hearing on July 17, 2017 during which Mr. Sudesh Surjan (Manager Finance) and Ms. Namrata Dedhia (Consultant) represented the applicant in the cabin of Shri G. P. Borah, Chief General Manager, Mumbai Regional Office. The representatives of the applicant admitted the contraventions for which compounding has been sought. During the hearing it was submitted that delay was inadvertent and unintentional. The representatives of the applicant requested that in view of the foregoing a lenient view may be taken 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 submissions made by the applicant during the personal hearing and thereafter.



Accordingly, I hold that the applicant has contravened the following FEMA provisions issued in terms of:

(a) Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB since the shares were not issued to the person resident outside India within 180 days from the date of receipt of the inward remittance/share application not refunded to the person resident outside India within 180 days from the date of receipt of the inward remittance. The contravention relates to an amount of Rs.3,24,50,310/- and the duration of the contravention is ranging from 4 years 7 months 9 days to 7 years 5 month 15 days approximately.

(b) Paragraph 9(1)(A) of Schedule 1 to Notification No. FEMA 20/2000-RB due to the delay in reporting of receipt of foreign inward remittance towards subscription towards shares as detailed in paragraph 2 above. The contravention relates to an amount of Rs.3,24,50,317/- and the duration ranging from 4 years 2 months 26 days to 7 years 2 months 24 days 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. 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.5,10,226/- (Rupees Five Lakh Ten Thousand Two Hundred Twenty Six only) will meet the ends of justice.

7. Accordingly, I compound the admitted contravention namely, the contraventions of Paragraph 8 and 9(1)(A) of Schedule 1 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. 5,10,226/- (Rupees Five Lakh Ten Thousand Two Hundred Twenty Six only) which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, Mumbai Regional Office, Main Building, 3rd floor, Shahid Bhagat Singh Marg, 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



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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.

8. The above order is passed only in respect of contraventions of paragraph 8 and 9(1) (A) of Schedule I to Notification No. FEMA 20/2000-RB and does not restrict the right of any other authority to proceed against the Company for any other violations/contraventions noticed at any point of time.

The application is disposed of accordingly.

Dated August 14, 2017

Compounding Authority

Sd/-

(G. P. Borah)
Chief General Manager