



In the

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

Present

Shri Eugene E Karthak
Regional Director

Date: August 09, 2017
C.A. BGL 227/2017

In the matter of

M/s Waggener Edstrom Worldwide Communications Private Limited
6/14, Gurappa Avenue, Primrose Road
Bengaluru 560 025
(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 April 19, 2017, received on April 27, 2017, 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) delay in reporting receipt of foreign inward remittances towards subscription to equity, (ii) delay in refund of excess amount received towards share application money, and (iii) 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 9(1)(A), 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: M/s Waggener Edstrom Worldwide Communications Private Limited, was incorporated, on September 28, 2010, under the Companies Act, 1956. The company is engaged in the business of information technology and computer service activities. The applicant had received funds towards share application money from foreign investor, namely, M/s Waggener Edstrom Worldwide Inc., USA, as shown below:

Sr. No.	Date of Receipt	Total Amount (INR)	Date of Reporting to AD/RBI
1	16-05-2011	1,33,876.49	13-10-2011
2	27-02-2011	1,00,00,000.00	30-03-2012
3	13-06-2012	2,50,00,000.00	13-07-2012
4	12-04-2013	1,48,00,000.00	06-05-2013
5	19-11-2013	1,50,00,000.00	28-01-2014
6	16-05-2014	1,50,00,000.00	25-02-2015
7	21-06-2016	1,50,00,000.00	19-07-2016
	Total	9,49,33,876.49	

The applicant reported receipt of remittances to the Reserve Bank of India / Authorized Dealer Bank, with a delay ranging from one month and nine days to one year and one day approximately, beyond the stipulated time of 30 days in respect of remittances indicated above at Sr. Nos. 1, 2, 5 & 6. Whereas, in terms of paragraph 9(1)(A) of Schedule I 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. An amount of Rs.33,876.52 relating to the remittance of Rs.1,33,876.49 received on May 16, 2011, was refunded on November 16, 2011, beyond the stipulated period of 180 days without the approval of Reserve Bank. 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.

4. The applicant company allotted equity shares and filed FC-GPRs with RBI/AD as indicated below:

Sl. No.	Date of Allotment	Amount (INR)	Date of reporting to RBI/AD
1	11-07-2011	99,000.00	13-04-2012
2	11-07-2011	1,000.00	13-04-2012
3	15-03-2012	1,00,00,000.00	12-04-2012
4	07-12-2012	2,50,00,000.00	24-01-2013
5	02-10-2013	1,48,00,000.00	23-10-2013
6	15-05-2014	1,50,00,000.00	02-07-2014
7	14-07-2014	1,50,00,000.00	03-08-2014
8	19-08-2016	1,50,00,000.00	19-09-2016
	Total	9,49,00,000.00	

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 one day to eight months and three days approximately,



beyond the prescribed period of 30 days in respect of allotment of shares indicated at Serial Nos. 1, 2, 4, 6 and 8. 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, 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 the Reserve Bank's letter FE.BG.FID (CEFA) No. 342/22.08.375/2017-18 dated August 03, 2017, for further submission in person, and/or producing documents, if any, in support of the application. The applicant appeared for the personal hearing held on August 08, 2017. Shri N D Satish, Company Secretary, represented the applicant. The authorized representative of the applicant admitted the contraventions as stated in paragraphs 2, 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 a malafide intention, and it was mainly due to inadvertence, and the same will not be repeated. In view of the above, he 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:

- (a) Paragraph 9 (1) (A) of Schedule I to Notification No. FEMA 20/2000-RB due to delay in reporting of foreign inward remittances received towards subscription to equity as detailed in paragraph 2 above. The contravention



relates to an amount of **Rs.4,01,33,876.49** and the period of delay ranges from one month and nine days to one year and one day approximately;

(b) Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB as the applicant has refunded the excess amount of **Rs.33,876.52**, received towards share application money, with a delay of four days approximately; and

(c) 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.5,51,00,000.00**, and the period of delay ranges from one day to eight months and three days approximately.

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 contraventions are to be compounded, and I consider that an amount of **Rs.1,33,140.00 (Rupees One Lakh Thirty Three Thousand One Hundred and Forty only)** will meet the ends of justice.

8. Accordingly, I compound the admitted contraventions namely, contraventions of Paragraphs 9(1)(A), 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.1,33,140.00 (Rupees One Lakh Thirty Three Thousand One Hundred and Forty 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 Ninth day of August, 2017.

Sd/-

(Eugene E Karthak)
Regional Director