



In the

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

Present

Shri Gopal B Terdal
Assistant General Manager

Date: August 09, 2017
C.A. BGL 224/2017

In the matter of

M/s. IQGateway Private Limited
E3, Block 2, Samhita Castle
Nagavarpalya, C V Raman Nagar
Bengaluru - 560093
(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 February 27, 2017, received on March 31, 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 submission of Form FC-GPRs to the Reserve Bank after issue of shares to a person resident outside India, and (iii) delay in filing Annual Return on Foreign Liabilities and Assets (FLA Return), in terms of paragraphs 9(1) (A), 9(1) (B) and 9(2), 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. M/s IQGateway Private Limited, was incorporated on November 29, 2011, under the Companies Act, 1956. The company is engaged in the business of writing, modifying, testing of computer program to meet the needs of a particular client excluding web-page designing. The applicant had received funds towards share application money from foreign investor, namely, Mr. Valiyatodi Muriyat Krishna Kumar, Mr. Hormuz M Gotla and Mr. Ashok Reddy Chevuru, as shown below:

Table - 1

Sr. No.	Date of Receipt	Total Amount (INR)	Date of Reporting
1	01-02-2013	2,45,559.60	31-05-2013
2	01-02-2013	2,45,166.08	31-05-2013
3	07-02-2013	5,228.00	31-05-2013
4	07-02-2013	5,881.50	31-05-2013
5	01-02-2013	2,45,559.60	31-05-2013
6	07-02-2013	5,750.80	31-05-2013
	Total	7,53,145.58	

The applicant had reported receipt of remittances to the Reserve Bank of India / Authorized Dealer Bank, with a delay ranging from two months and twenty two days to two months and twenty eight days approximately, beyond the stipulated time of 30 days in respect of remittances indicated above in Table-1 at Serial Nos. 1 to 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. The applicant company allotted equity shares and filed FC-GPRs with RBI/AD as indicated below:

Table - 2

Sl. No.	Date of Allotment	Amount (INR)	Date of reporting to RBI/AD
1	10-06-2013	2,50,000.00	21-02-2017
2	10-06-2013	2,50,000.00	21-02-2017
3	10-06-2013	2,50,000.00	21-02-2017
	Total	7,50,000.00	

The applicant had 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 of three years seven months and eleven days approximately, beyond the prescribed period of 30 days in respect of allotment of shares as indicated in Table-2 at Serial Nos.1 to 3. 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 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.

4. The applicant company had not filed the Annual Return on Foreign Liabilities and Assets (FLA Return) to the Reserve Bank for 2013-14, 2014-15, 2015-16, and 2016-17, on or before July 15 of each year. The company has since filed FLA Returns for the years 2013-14 to 2016-17 on July 31, 2017, after the due date, which is a contravention in terms of Paragraph 9 (2) of Schedule I to FEMA 20/2000-RB dated May 3, 2000, read with A.P. (DIR Series) Circular No. 29 dated February 02, 2017. The duration of contravention is four years approximately.

5. The applicant was given an opportunity for personal hearing, vide the Reserve Bank's letter FE.BG.FID (CEFA) No. 353/22.10.142/2017-18 dated August 04, 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 07, 2017. Shri Rohan Rodrigues, Director of the Company and Shri Suresh K.S., Tax Consultant, 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, 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:

(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.7,53,145.58** and the period of delay ranges from two months and twenty two days to two months and twenty eight days approximately.

(b) 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 3 above. The contravention relates to an amount of **Rs.7,50,000.00**, and the period of delay is three years seven months and eleven days approximately.

(c) Paragraph 9 (2) of Schedule I to FEMA 20/2000-RB dated May 03, 2000, read with A.P. (DIR Series) Circular No.29 dated February 02, 2017, as



the applicant had not filed FLA Returns on time. The duration of contravention is approximately four years.

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.65,200.00 (Rupees Sixty Five Thousand and Two Hundred only)** will meet the ends of justice.

8. Accordingly, I compound the admitted contraventions namely, contraventions of Paragraphs 9(1) (A), 9(1) (B) and 9(2) 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.65,200.00 (Rupees Sixty Five Thousand and Two 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 Ninth day of August, 2017.

Sd/-

(Gopal B Terdal)
Assistant General Manager