



In the

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

Present

Gopal B Terdal
Assistant General Manager

Date: October 11, 2017
C.A. BGL238/2017

In the matter of

M/s Inclusive Ventures India Private Limited
Survey No.135/1, Maruthi Industrial Area
Mahadevapura, Hoodi
Bengaluru - 560048
(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 18, 2017, (received in the office of Reserve Bank of India, Bengaluru, on June 13, 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, and (ii) delay in refund of share application money, to the foreign investor, beyond 180 days of the receipt of the inward remittance, in terms of paragraphs 9(1)(A) and 8 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 Inclusive Ventures India Private Limited, was incorporated on December 22, 2014. The company is engaged in the business of providing consulting services to various types of industries, enterprises and entities, with the object of enabling such enterprises to create and scale social impact through their initiative. The applicant had received funds towards share application money from foreign investor namely, Shri Mohamed Amersi, Dubai and Inclusive Ventures Limited, UK, as shown below:

Table -1

Sl. No	Date of Receipt	Amount (INR)	Date of Reporting to RBI/AD
1	20-02-2015	99,888.75	19-05-2016
2	29-09-2015	98,543.77	14-10-2015
3	26-11-2015	1,460.00	22-12-2015
	Total	1,99,892.52	

The applicant had reported receipt of remittances to the Authorized Dealer Bank / RBI, with a delay of one year, one month and twenty seven days approximately, beyond the stipulated time of 30 days, in respect of remittance indicated at serial number 1 in Table -1 above. 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 had allotted equity shares / refunded share application money to the foreign investor as indicated below:

Table-2

Sr. No.	Amount in INR	Date of Receipt of Funds	Date of Allotment of Shares/Refund
1	99,888.75	20-02-2015	22-03-2017
2	98,543.77	29-09-2015	25-01-2016
3	1,460.00	26-11-2015	25-01-2016



It is observed that the company had allotted equity shares to the foreign investors against the inward remittances received on two occasions indicated at serial number 2 & 3 of Table-2 above, and there was no delay in allotment of shares. However, on one occasion, as indicated in serial number 1 in Table-2 above, the share application money was refunded with a delay of one year, seven months and three days approximately, beyond the stipulated time of 180 days, in contravention of paragraph 8 to Schedule 1 to Notification No. FEMA 20 dated May 03, 2000, and as amended from time to time. 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 was given an opportunity for personal hearing, vide Reserve Bank's letter No.FE.BG.FID (CEFA) No. 1004/22.09.761/2017-18 dated October 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 on October 06, 2017, and Shri Yajas Arvind Setlur, Legal representative for the company, represented the applicant. The authorized representative of the applicant admitted the contraventions as stated in paragraphs 2 and 3 above, committed by the applicant, for which compounding has been sought. During the personal hearing, it was submitted that the delay was not willful 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.



5. I have given my careful consideration to the documents on record. 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. 99,888.75**, and the period of delay is one year, one month and twenty seven days, approximately; and

(b) Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB due to delay in refund of share application money within the stipulated period of 180 days from the date of receipt of amount of consideration. The contravention relates to an amount of **Rs.99,888.75**, and the period of delay is one year, seven months and three 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.21,700.00 (Rupees Twenty One Thousand and Seven Hundred only)** will meet the ends of justice.

6. Accordingly, I compound the admitted contraventions namely, contraventions of Paragraphs 9 (1) (A) and 8 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.21,700.00 (Rupees Twenty One Thousand and Seven 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 Eleventh day of October, 2017.

Sd/-

(Gopal B Terdal)
Assistant General Manager