



In the

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

Present

**Shri Eugene E Karthak**  
**Regional Director**

Date: September 06, 2017  
**C.A. BGL 226/2017**

In the matter of

**M/s Tejas Networks Limited**  
J.P. Software Park, 5<sup>th</sup> Floor,  
Plot No. 25, Sy. No. 13,14,17,18  
Konnapanana Agrahara Village, Begur Hobli,  
Bengaluru - 560100

**(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 10, 2017, received at this office on April 11, 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) allotment of shares prior to receipt of full 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 Tejas Networks Limited is a limited company originally incorporated as M/s Tejas Networks India Private Limited on April 24, 2000, under the Companies Act, 1956 as per the certificate of incorporation issued by the Registrar of Companies, Karnataka. The name of the company has since been changed to M/s Tejas Networks India Limited with effect from October 23, 2002, and thereafter as M/s Tejas Networks Limited on March 18, 2008. The company is engaged in the business of developing, manufacturing and dealing in application tools of all kinds for internet based applications, and in providing internet service, and dealing with all kinds of software and hardware related to all fields of internet communication. The applicant had received funds towards share application money from various foreign investors, namely, (1) Argonaut Ventures I, LLC, USA, (2) ASG Omni LLC, USA, (3) Battery Ventures VI (MTIUS), Mauritius, (4) Cascade Capital Management, Mauritius, (5) GKFF Ventures I LLC, USA, (6) Gururaj Deshpande, USA, (7) India Industrial Growth Fund Limited, Mauritius, (8) Intel Capital Corpoartion, USA, (9) Intel Capital Mauritius Limited, Mauritius, (10) Jade dragon (Mauritius) Limited, Mauritius, (11) Nortel Networks Mauritius Limited, Mauritius, (12) Osher Family Limited Patnership, USA, (13) Osher LP, USA, Samane Spectrum CO. Mauritius, (14) Sand Stone Private Limited, (15) Sun Technology (Cyprus) Limited, Cyprus and (16) Sycamore Networks , USA as shown below:

**Table – 1**

Sl. No	Date of Receipt	Total Amount (INR)	Reported to RBI /AD on
1	28-06-2000	15,000.00	30-08-2000
2	16-05-2000	87,70,000.00	08-06-2000
3	22-05-2000	109,62,500.00	08-06-2000
4	03-08-2000	88,00,000.00	18-09-2000
5	22-08-2000	59,15,000.00	30-08-2000
6	04-09-2000	35,000.00	13-12-2000
7	12-05-2000	17,50,000.00	08-06-2000
8	10-11-2000	163,75,499.91	22-06-2001
9	10-11-2000	429,00,000.00	22-06-2001
10	04-07-2000	177,92,000.00	22-06-2001



11	08-11-2000	903,06,950.00	13-12-2000
12	30-08-2000	539,00,000.00	20-09-2000
13	19-10-2000	64,92,900.00	30-01-2001
14	18-07-2000	500.00	28-08-2001
15	31-01-2001	41,16,250.00	10-09-2001
16	16-11-2000	34,98,750.00	10-09-2001
17	14-02-2001	84,500.00	28-08-2001
18	08-01-2002	576,01,000.00	25-01-2002
19	30-01-2002	432,00,000.00	12-04-2002
20	03-09-2002	384,00,000.00	28-10-2003
21	28-08-2002	288,00,000.09	28-10-2003
22	28-11-2003	220,00,000.00	23-01-2004
23	27-11-2003	479,15,000.09	31-12-2003
24	03-11-2004	1000,00,000.00	09-11-2004
25	31-12-2004	4650,00,000.00	10-01-2005
26	31-12-2004	508,78,000.00	03-02-2005
27	21-02-2005	10,38,000.00	21-02-2005
28	23-08-2006	1100,00,000.00	25-09-2006
29	28-09-2006	1419,28,000.00	06-10-2006
30	10-10-2006	770,51,500.00	23-10-2006
31	09-10-2006	930,00,500.00	23-10-2006
32	09-10-2006	2,815.14	02-11-2006
33	26-10-2006	1,648.86	02-11-2006
34	19-10-2006	430,16,000.00	02-11-2006
35	06-11-2006	4650,00,500.00	29-11-2006
36	24-09-2007	9500,06,759.00	22-10-2007
37	24-12-2007	860,32,443.00	22-01-2008
38	18-06-2012	25,32,000.00	13-07-2012
39	07-06-2012	260,58,167.00	06-07-2012
40	14-06-2012	6,68,000.00	13-07-2012
41	14-06-2012	2133,64,000.00	13-07-2012
42	15-06-2012	263,26,000.00	13-07-2012
43	21-06-2012	2,24,833.00	13-07-2012



44	29-12-2014	19,91,000.00	20-03-2015
45	31-12-2014	5,17,360.00	20-03-2015
46	16-12-2016	7,640.00	27-12-2016
47	13-01-2015	206,96,000.00	22-01-2015
48	24-12-2014	1677,35,000.00	22-01-2015
49	02-08-2016	6710,00,040.00	06-09-2016
50	01-08-2016	6,39,173.50	21-12-2016
51	09-12-2016	4,986.50	26-12-2016
	<b>Total</b>	<b>422,43,51,216.09</b>	

The applicant reported receipt of remittances to the Reserve Bank of India / Authorized Dealer Bank, with a delay ranging from three days to one year one month and one day approximately, beyond the stipulated time of 30 days in respect of remittances as indicated in Table-1 above at serial numbers 1,4,6,8 to 11, 13 to 17, 19 to 23, 26, 28, 44, 45, 49 and 50. 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. On January 13, 2015, the company allotted 525 CCPS for a total consideration of Rs.5,25,000.00 to M/s Osher LP, USA. However, the shares were allotted without receiving the full consideration amount and part amount (Rs.7,640.00) was received with a delay of one year eleven months and three days. Further, on August 02, 2016, the company had allotted 5368 equity shares for a consideration of Rs.6,44,160.00; a part of the consideration amount (Rs.4,986.50) was received with a delay of four months and seven days, contravening terms of paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB.

4. 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	30-06-2000	15,000.00	30-01-2001
2	25-08-2000	88,00,000.00	30-01-2001
		88,00,000.00	
3	18-01-2001	77,00,000.00	22-06-2001
	18-01-2001	879,95,600.00	22-06-2001
	18-01-2001	880,00,000.00	30-01-2001
4	27-03-2001	77,00,000.00	10-09-2001
5	02-02-2002	576,01,000.00	18-04-2002
6	07-03-2002	431,97,000.00	18-04-2002
7	19-10-2002	383,99,000.00	28-10-2003
		288,03,000.00	
8	12-12-2003	220,00,000.00	03-08-2004
		479,15,000.00	
9	08-01-2005	1000,00,000.00	08-07-2005
		4650,00,000.00	
		508,78,000.00	
10	18-03-2005	10,38,000.00	08-07-2005
11	28-11-2006	1530,16,000.00	12-03-2007
		1419,32,500.00	
		770,51,500.00	
		930,00,500.00	
		4650,00,500.00	
12	31-03-2007	48,00,000.00	29-12-2016
13	31-03-2007	898,03,790.00	21-12-2016
		968,82,780.00	
		73,82,950.00	
		413,17,700.00	
		584,76,540.00	
		445,70,370.00	
		89,11,690.00	
		327,80,000.00	
		74,50,000.00	
		69,64,260.00	
11,92,000.00			
14	24-09-2007	9500,06,758.63	23-10-2007



15	03-11-2007	12,00,000.00	29-12-2016
16	27-12-2007	860,32,443.00	25-01-2008
17	11-06-2010	115,54,761.40	03-09-2010
		23,63,755.68	
		70,90,348.72	
		657,99,923.80	
		19,44,083.44	
		15,59,766.52	
		451,56,090.20	
		451,56,090.20	
		3612,49,180.76	
18	21-06-2012	25,32,000.00	20-07-2012
		262,83,000.00	
		6,68,000.00	
		2133,64,000.00	
		263,26,000.00	
19	13-01-2015	19,91,000.00	12-02-2015
		206,96,000.00	
		1677,35,000.00	
		5,25,000.00	
20	02-08-2016	6710,00,040.00	29-09-2016
		6,44,160.00	

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 twelve days to nine years seven months and twenty nine days approximately, beyond the prescribed period of 30 days in respect of allotment of shares indicated in Table-2 above at serial numbers 1 to 13, 15, 17 and 20. 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. 526/22.07.716/2017-18 dated August 31, 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 September 04, 2017. Mr. Sanjay Nayak, CEO & Managing Director and Mr. G V Krishnakanth, Company Secretary, represented the applicant. The authorized representatives 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.120,55,33,090.59** and the period of delay ranges from three days to one year one month and one day approximately;

(b) Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, due to receipt of the share application money of **Rs.12,626.50** post allotment of shares, with a delay ranging from four months and seven days to one year eleven months and three days approximately, as detailed in paragraph 3 above; 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.352,10,92,880.72**, and



the period of delay ranges from twelve days to nine years seven months and twenty nine 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.15,76,900.00 (Rupees Fifteen Lakh Seventy Six Thousand and Nine Hundred 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.15,76,900.00 (Rupees Fifteen Lakh Seventy Six Thousand and Nine Hundred only)**, which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 2<sup>nd</sup> 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 Sixth day of September, 2017.

Sd/-

(Eugene E Karthak)  
**Regional Director**