



In the

**RESERVE BANK OF INDIA**  
Foreign Exchange Department  
5<sup>th</sup> Floor, Amar Building  
Sir P M Road  
Mumbai - 400 001

Present

**R.K. Moolchandani**  
**Chief General Manager**

Date: January 29, 2019  
CA No 4761 / 2018

In the matter of

**Zee Entertainment Enterprises Limited**  
**18<sup>th</sup> Floor, A Wing, Marathon Futurex**  
**N.M. Joshi Marg, Lower Parel**  
**Mumbai - 400013**

**(Applicant)**

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

### **Order**

The applicant company has filed the application dated August 6, 2018 (received in the Reserve Bank on August 7, 2018) for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (the FEMA) and the regulations issued thereunder. The applicant company has sought to be compounded for (i) extending a loan to a step down subsidiary (SDS) abroad without having equity participation in it and (ii) non-submission of Annual Performance Reports (APRs) within the stipulated time period. The above amount to the contravention of Regulation 6(5) of Foreign



Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000 notified vide Notification No. FEMA 19/2000-RB dated May 3, 2000 as then applicable and as amended from time to time (hereinafter referred to as Notification No. FEMA 19/2000-RB) and Regulation 15(iii) of Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004 notified vide Notification No. FEMA 120/2004-RB dated July 7, 2004 as amended from time to time (hereinafter referred to as Notification No. FEMA 120/2004-RB).

2. The relevant facts are as under: The applicant company was incorporated as Empire Holdings Limited on November 25, 1982 (CIN: L92132MH1982PLC028767). The applicant company changed its name to Zee Telefilms Limited on September 8, 1992 and then to Zee Entertainment Enterprises Limited on January 10, 2007. The applicant company is engaged in the business of film manufacturing, telecommunication, broadcasting etc. The applicant company acquired shares of Zee Multimedia Worldwide Limited in British Virgin Islands (BVI) by way of swap of shares on September 23, 1999, which then became its WOS. Zee Multimedia Worldwide Limited, BVI's subsidiary - Zee Multimedia Worldwide (Mauritius) Limited (established as Asia Telecom Investment Company Limited) in Mauritius, incorporated on November 10, 1995 thus became a first level SDS of the applicant company. Further, Zee Multimedia Worldwide (Mauritius) Limited's subsidiary - Asia TV Limited (UK), incorporated on May 19, 1992, thus became a second level SDS of the applicant company.

On May 20, 2004, the applicant company provided a foreign currency loan (out of FCCB proceeds lying abroad) of USD 13 million (INR 58,50,00,000) to Asia TV Limited (UK), its second level SDS. This loan provided by the applicant company without having any equity participation in the second level SDS, was in contravention of Regulation 6(5) of Notification No. FEMA 19/2000-RB (as then applicable).

The APRs with respect to Zee Multimedia Worldwide Limited, BVI (UIN BYWRB19990204) (for the years 2008, 2009 and 2010) and ZES Holdings Ltd, Mauritius (UIN BYWAZ20090459) (for the years 2009 and 2010) - another



overseas WOS of the applicant company, were filed by the applicant company with a delay beyond the stipulated time period, resulting in contravention of Regulation 15(iii) of Notification No. FEMA 120/2004-RB.

The contraventions were regularized and taken on record on October 25, 2016.

3. Regulation 6(5) of Notification No.FEMA.19/2000-RB dated May 03, 2000 as then applicable, permitted an Indian Party to extend loan or guarantee to or on behalf of Joint Venture (JV) or WOS abroad, only in case of prior equity contribution by the Indian Party in such entities.

Further, in terms of Regulation 15 (iii) of Notification No.FEMA.120/2004-RB dated July 07, 2004 as amended from time to time, "An Indian Party which has acquired foreign security in terms of the Regulation in Part I shall submit to the Reserve Bank, through the designated Authorized Dealer, every year on or before a specified date, an Annual performance Report (APR) in Part III of Form ODI in respect of each JV or WOS outside India.....".

4. The applicant company was given an opportunity for personal hearing vide letter No. FE.CO.CEFA/3098/15.20.67/2018-19 dated November 27, 2018 for further submission in person and/or producing documents, if any, in support of the application. The personal hearing was held on January 15, 2019 during which authorized representatives of the applicant company, Shri Shan Bottlewalla, Ms Manali Kshirsagar and Ms Nikunj Rana from Parinam Law Associates submitted that the applicant company had inadvertently failed to comply with the FEMA regulations due to ignorance and requested for a lenient view in the matter.

It has been declared in the compounding application dated August 6, 2018, that the particulars given by the applicant company in the application are true and correct to the best of their/his/her knowledge and belief. It has been also declared in the declaration filed along with the compounding application that the applicant company is under an investigation by the Directorate of Enforcement (DoE). RBI, vide letter Bo. FE.CO.CEFA/1161/15.20.67/2018-19 dated August 27, 2019 requested DoE to convey within 30 days as to whether the investigation pertained to the contraventions sought to be compounded and



whether it had any objection to compounding by RBI under the specific provisions. After RBI's reminder dated October 4, 2018, though DoE indicated their objection to compounding vide letter F.No. RBI/SDE/WR/B-198/2018/3570 dated December 13, 2018, they did not quote any condition specified in the proviso to rule 8(2) of the Foreign Exchange (Compounding Proceedings) Rules, 2000 which could be applicable in the instant case. In view of the fact that DoE did not state the specific grounds for their objection as required under FEMA, 1999 and Foreign Exchange (Compounding Proceedings) Rules, 2000, the compounding order is being issued. However, this order is only in respect of contraventions mentioned in paragraph 2 above, and is without prejudice to any action that may be taken by DoE or any other agency against the applicant company on the issues not covered under this order.

The above contraventions which are being compounded in this Order are further subject to the veracity of the above declarations made by the applicant company and this order is without prejudice to any other action which may be taken by any authority under the extant laws if the said declarations are subsequently discovered to be false and/or incorrect.

The application is, therefore, being considered on the basis of the averments made in the application, the documents produced, and submissions made during the personal hearing.

5. I have given my careful consideration to the documents on record and submissions made by the applicant company during the personal hearing. It was observed that the applicant company has contravened the provisions of Regulation 6(5) of Notification No.FEMA.19/2000-RB dated May 3, 2000, as then applicable and as amended from time to time, and Regulation 15(iii) of Notification No.FEMA.120/2004-RB dated July 7, 2004, as amended from time to time. The amount of contravention is USD 13 million (INR 58,50,00,000) and the period of contravention is twelve and a half years 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. After considering the submissions made



by the applicant company and the entire facts and circumstances of the case I am persuaded to take a lenient view on the amount for which the contravention is to be compounded and it stands to reason that payment of an amount of Rs. 44,87,500/- (Rupees forty four lakhs eighty seven thousand five hundred only) will meet the ends of justice in the circumstances of this case.

7. Accordingly, I compound, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 the admitted contraventions committed by the applicant company namely, Regulation 6(5) of Notification No.FEMA.19/2000-RB dated May 3, 2000, as then applicable and as amended from time to time, and Regulation 15(iii) of Notification No.FEMA.120/2004-RB dated July 7, 2004, as amended from time to time, on payment of a sum of Rs. 44,87,500/- (Rupees forty four lakhs eighty seven thousand five hundred only) which shall be deposited by the applicant company with the Reserve Bank of India, Foreign Exchange Department, 5th Floor, Amar Building, 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 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 accordingly.

Dated this the twenty ninth day of January, 2019

Sd/-

**R.K. Moolchandani**  
**Chief General Manager**