



In the

Reserve Bank of India
Foreign Exchange Department
Fort Glacis, No.16, Rajaji Salai
Chennai 600 001

Present

K Dhamodhiran
Assistant General Manager

Date: May 29, 2019
C.A.881/2019

In the matter of

M/s. Lanka Sportreizen (LSR) Pvt Ltd.
Old No.3, New No.9, North Boag Road
T. Nagar
Chennai – 600 017

(Applicant)

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

Order

The applicant has filed a compounding application dated December 14, 2018 (received at Reserve Bank on February 11, 2019) 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



M/s. Lanka Sportreizen (LSR) Pvt Ltd.–C.A.881/2019

(i) delay in reporting to Reserve Bank the inflow of funds received from a person resident outside India for allotment of shares (ii) delay in submission of Form FC-GPR to Reserve Bank on allotment of shares (iii) delay in receipt of consideration and allotment of shares and (iv) violation of pricing guidelines in issue of shares, in terms of Paragraph 9(1)A, Paragraph 9(1)B, Paragraph 8 and Paragraph 5 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 3, 2000, as then applicable (hereinafter referred to as Notification No. FEMA 20/2000-RB).

2. The relevant facts of the case are as follows: The applicant company was incorporated on December 12, 2008 under the provisions of the Companies Act, 1956 (Registration No. U60220TN2008PTC070165) and is engaged in the business of other reservation services related activities. The applicant received foreign inward remittances from (i) Shri P T Weerasinghe, Sri Lanka, (ii) Mrs. Wickramarathna Hapuachchige Aruni, Sri Lanka, (iii) M/s.Lanka Sportreizen, Sri Lanka towards subscription to equity shares and reported the same to the Reserve Bank as detailed below:

Sl. No	Amount of Foreign Inward Remittance ₹	Date of receipt	Reported to RBI on
1	1,21,019.50	28.01.2009	25.03.2011
2	4,08,003.83	14.02.2012	07.06.2012
3	1,09,435.39	07.09.2012	12.10.2012
4	99,435.41	13.08.2015	28.08.2015

The applicant reported receipt of remittances to the Reserve Bank on dates indicated above with delay ranging from five days to two years 26 days approximately beyond the stipulated time of 30 days in respect of remittances at Sl.Nos.1,2 and 3. 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



M/s. Lanka Sportreizen (LSR) Pvt Ltd.–C.A.881/2019

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 company allotted equity shares and filed FC-GPRs as indicated in the table:

Sl. No.	No. of shares allotted	Share Value ₹	Amount ₹	Date of allotment of shares	Reported to RBI on
1	10,000	10	1,00,000.00	23.12.2008	23.11.2015
2	12,102	43.62	5,27,889.24	30.03.2011	21.05.2011
3	10,943	10	1,09,430.00	10.12.2012	18.04.2013

The applicant filed the Form FC-GPRs as indicated above with delay ranging from 22 days to six years 10 months one day approximately beyond the stipulated time of 30 days. Whereas in terms of paragraph 9 (1) B of Schedule I to Notification No. FEMA 20/2000-RB, 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 person resident outside India.

4. The company allotted 10,000 MoA shares of Rs. 10/- each amounting to Rs.1,00,000/- on 23.12.2008. The consideration was brought in by way of inward remittances as detailed below:

Sl. No.	Date of receipt	Amount (INR)	Date of allotment of shares
1	14.02.2012	564.59	23.12.2008
2	13.08.2015	99,435.41	23.12.2008

The company received the consideration in two tranches by way of inward remittance with delay ranging from three years one month 22 days to six years seven months 21 days approximately. Whereas in terms of paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB, a company issuing the shares or convertible debentures under this Schedule to a person resident outside India shall receive the amount of consideration for such shares by way of inward remittance through normal banking channels or by



M/s. Lanka Sportreizen (LSR) Pvt Ltd.–C.A.881/2019

debit to NRE/FCNR account of the person concerned maintained with an authorized dealer/authorized bank.

5. The company allotted 12102 shares on 30.03.2011 at a face value ₹10 against an inward remittance of ₹ 1,21,019.50 received on 28.01.2009 with a delay of one year eight months three days, beyond prescribed period of 180 days from date of receipt of consideration, without Reserve Bank's approval. As these shares should have been issued at a fair value ₹43.62, there was a shortfall of ₹ 4,06,869.74, which was received on 14.02.2012, after 10 months 15 days from the date of allotment of shares as detailed below:

Sl. No.	Date of receipt	Amount (INR)	Date of allotment of shares
1	28.01.2009	1,21,019.50	30.03.2011
2	14.02.2012	4,06,869.74	30.03.2011

Whereas in terms of paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB, a company issuing the shares or convertible debentures under this Schedule to a person resident outside India shall receive the amount of consideration for such shares by way of inward remittance through normal banking channels or by debit to NRE/FCNR account of the person concerned maintained with an authorized dealer/authorized bank.

6. The company had allotted 12,102 equity shares at a Face Value of ₹10/- each amounting to ₹ 1,21,020.00 against the Fair Value of ₹43.62/- to person resident outside India on 30.03.2011. The shortfall of ₹4,06,869.74/- was brought in by way of inward remittance as detailed below:

No of Shares	Difference between Fair price and face value ₹	Amount of shortfall (INR)	Date of allotment of shares	Date of receipt of shortfall
12102	33.62	4,06,869.74	30.03.2011	14.02.2012

The shortfall was brought in with a delay of 10 months 15 days approximately, after the allotment of shares. Whereas in terms of Paragraph 5 of of Schedule I to Notification



M/s. Lanka Sportreizen (LSR) Pvt Ltd.–C.A.881/2019

No. FEMA 20/2000-RB the price of shares issued to persons resident outside India shall not be less than the fair value of shares.

7. The applicant was advised about the contraventions vide memorandum dated October 09, 2018. The applicant has filed a compounding application dated December 14, 2018 wherein it has been declared in the compounding application that the particulars given by the applicant in the application are true and correct to the best of their knowledge and belief. It has been declared in the declaration dated December 14, 2018 furnished with the compounding application that the applicant was not under any enquiry/investigation/adjudication by any agency as on the date of the application and has, in this regard, not informed of initiation of any such enquiry/investigation/adjudication proceedings against it/him/her thereafter. Accordingly, the above contraventions which are being compounded in this Order are subject to the veracity of the above declarations made by the applicant 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.

6. The applicant was given an opportunity for personal hearing vide Reserve Bank's mail dated May 17, 2019 for further submission in person and/or producing documents, if any, in support of the application. The applicant appeared for the personal hearing on May 23, 2019 during which Shri Benno Joseph Prabakaran Gnanapragasam, Country Manager, India and Shri M Damodaran, Practicing Company Secretary, represented the applicant. The authorized representatives of the applicant admitted the contraventions as stated in paras 2 to 6 above for which compounding has been sought. It had been submitted that the delays were unintentional. 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 the personal hearing.



M/s. Lanka Sportreizen (LSR) Pvt Ltd.–C.A.881/2019

7. I have given my careful consideration to the documents on record and submission made by the applicant in the compounding application. Accordingly, I hold that the applicant has contravened the following FEMA, 1999 provisions issued in terms of:

- (a) Paragraph 9 (1) A of Schedule 1 to Notification No. FEMA 20/2000-RB due to delay in reporting of receipt of inward remittances towards subscription of equity shares as detailed in paragraph 2 above. The contravention relates to an amount of ₹ **6,38,458.72** with duration of contravention ranging from five days to two years 26 days approximately;
- (b) Paragraph 9 (1) B of Schedule 1 to Notification No. FEMA 20/2000-RB due to delay in submission of Form FC-GPR 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 ₹ **7,37,319.24** with the duration of contravention ranging from 22 days to six years 10 months one day approximately;
- (c) Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB due to delay in receipt of considerations and delay in allotment of shares against inward remittance received, without prior approval of Reserve Bank, as detailed in paragraphs 4 & 5 above. The contravention relates to an amount of ₹ **6,27,889.24** with the duration of contravention ranging from 10 months 15 days to six years seven months 21 days approximately; and
- (d) Paragraph 5 of Schedule I to Notification No. FEMA 20/2000-RB due to violation of pricing guidelines in issue of shares as detailed in paragraph 6 above. The contravention relates to an amount of ₹ **4,06,869.74** with the duration of contravention being 10 months 15 days approximately.

8. In terms of Section 13 of the FEMA, 1999, 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



M/s. Lanka Sportreizen (LSR) Pvt Ltd.–C.A.881/2019

an amount of ₹1,21,772/- (Rupees one lakh twenty one thousand seven hundred and seventy two only) will meet the ends of justice.

9. Accordingly, I compound the admitted contraventions namely, the contraventions of paragraph 9(1)A, paragraph 9(1)B, paragraph 8 and paragraph 5 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 ₹1,21,772/- (Rupees one lakh twenty one thousand seven hundred and seventy two only) which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, Fort Glacis, No.16, Rajaji Salai, Chennai - 600 001 by a demand draft drawn in favour of the “Reserve Bank of India” and payable at Chennai 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 twenty ninth day of May, 2019.

Sd/-

K Dhamodhiran

Assistant General Manager