



In the

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

Present

Shri Jose J Kattoor
Regional Director, Karnataka and
Chief General Manager, Bengaluru

Date: July 16, 2019
C.A. BGL 407/2018

In the matter of

M/s Champion Infometrics Private Limited
JS Towers, L 32, 2nd A Main Road
6th Sector, HSR Layout
Bengaluru – 560102
(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 08, 2019, received at this office of Reserve Bank of India, Bengaluru on April 02, 2019, and addendum to the application dated June 17, 2019, received on June 24, 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, (i) delay in reporting receipt of foreign inward remittances towards subscription to equity, (ii) delay in refund of excess share application money and delay in allotment of shares, beyond 180 days from the date of receipt of inward remittance, and (iii) delay in submission of form FC-GPR 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: The applicant, M/s Champion Infometrics Private Limited, was incorporated on May 09, 2016, under the Companies Act, 2013, as per the Certificate of Incorporation issued by the Registrar of Companies, Government of India, Ministry of Corporate Affairs. The company is engaged in the business of providing Information Technology Consulting Services to its clients. The applicant had received funds towards share application money from the foreign investor, namely, M/s Champions Group Pte Ltd, Singapore, as shown below:

Table – 1

Sl. No.	Date of Receipt	Amount (INR)	Date of reporting to RBI/AD
1	22-06-2016	1,03,13,866.00	27-07-2016
2	19-12-2016	98,42,319.00	24-01-2018
3	01-03-2017	1,20,02,762.00	23-03-2017
4	24-03-2017	1,05,04,500.00	26-04-2017
5	24-04-2017	75,17,896.40	22-07-2017
	Total	501,81,343.40	

The applicant reported receipt of remittances to the Reserve Bank of India / Authorized Dealer Bank, with a delay ranging from three days to one month and twenty eight days, beyond the stipulated period of 30 days in respect of the remittances as indicated at serial numbers 1, 2, 4 and 5, in the 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 company had allotted equity shares to the foreign investors, in terms of Paragraph 8 of Schedule 1 to Notification No. FEMA.20/2000 RB dated May 03, 2000. However, in the instances mentioned here below, the company had refunded the excess share application money or allotted shares, to the non-resident investor, beyond the stipulated period of 180 days from the date of receipt of inward remittances.

i) The company had received an inward remittance of ₹1,03,13,866.00, on June 22, 2016, from the non-resident investor, M/s Champions Group Pte Limited, Singapore, and allotted 9,90,000 equity shares worth ₹99,00,000.00 on September 02, 2016. The excess share application money of ₹4,13,866.00, was utilized to allot 39,60,000 equity shares to the non-resident investor, M/s Champions Group Pte Limited, Singapore, on June 30, 2017, with a delay of six months and eleven days, beyond the stipulated period of 180 days from the date of inward remittance, without prior approval of Reserve Bank of India. The amount of contravention is **₹4,13,866.00**, and the period of delay is six months and eleven days;

ii) The company had received an amount of ₹98,42,319.00, on December 19, 2016, as part of share application money, from the non-resident investor M/s Champions Group Pte Limited, Singapore, and allotted 39,60,000 equity shares to the non-resident investor, on June 30, 2017, with a delay of 13 days, beyond the stipulated period of 180 days from the date of inward remittance, without prior approval of Reserve Bank of India. The amount of contravention is **₹98,42,319.00**, and the period of delay is thirteen days; and

iii) The company had received share application money amounting to ₹4,02,81,343.40, in five tranches from the non-resident investor, M/s Champions Group Pte Limited, Singapore, i.e., the excess share application money of ₹4,13,866.00, from the allotment of 9,90,000 equity shares issued on September 02, 2016, and the inward remittances amounting to ₹3,98,67,477.40, in four tranches received in between December 19, 2016 to April 24, 2017. The company had allotted 39,60,000 equity shares worth ₹3,96,00,000.00, and the excess share application money of ₹6,81,343.40 was refunded to the non-



resident investor on January 04, 2019, with prior approval of Reserve Bank of India. The company was given approval vide Reserve Bank's letter Ref No.FE.BG.FID.No.1522/21.10.050/2018-19, dated November 29, 2018. The amount of contravention is ₹6,81,343.40, and the period of delay is one year two months and fourteen days.

Whereas, in terms of Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000- RB dated May 3, 2000 and as amended from time to time, read with AP (Dir series) Circular No. 20, dated December 14, 2007, 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. In the above mentioned instances, the total amount of contravention is ₹1,09,37,528.40, and the period of delay ranges from thirteen days to one year two months and fourteen days.

4. The applicant company had allotted equity shares and filed form FC-GPRs with Reserve Bank/AD as indicated below:

Table – 2

Sl. No.	Date of Allotment	Number of shares allotted	Amount (INR)	Date of reporting to RBI/AD
1	02-09-2016	990000	99,00,000.00	30-09-2016
2	30-06-2017	3960000	3,96,00,000.00	16-01-2018
	Total	4950000	4,95,00,000.00	

The applicant filed the form FC-GPR on allotment of shares with the Bengaluru Regional Office of the Reserve Bank of India / Authorized Dealer Bank with a delay of five months and seventeen days, beyond the prescribed period of 30 days in respect of allotment of share as indicated at serial number 2, in the Table - 2 above. 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 of India, a report in form FC-GPR, along with documents prescribed therein, within 30 days from the date of issue of shares to person/s resident outside India.

5. The applicant was given an opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID (CEFA) No. 153/22.10.050/2019-20, dated July 10, 2019, for further submission in person, and/or producing documents, if any, in support of the application. The applicant's authorized representative Ms. Swathi. A, Company Secretary, who appeared for the personal hearing on July 16, 2019, 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 willful or with malafide intention, but was mainly due to inadvertence, and the same would not be repeated. In view of the above, the representative of the applicant 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 **₹3,81,78,581.40**, and the period of delay ranges from three days to one year and six days;

(b) Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, due to delay in allotment of shares and delay in refund of share application money, beyond 180 days from the date of receipt of inward remittances, as



detailed in paragraph 3 above. The total amount of contravention is **₹1,09,37,528.40**, and the period of delay ranges from thirteen days to one year two months and fourteen days; and

(c) Paragraph 9 (1) (B) of Schedule I 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 person/s resident outside India, as detailed in paragraph 4 above. The contravention relates to an amount of **₹3,96,00,000.00**, and the period of delay is five months and seventeen days.

7. It has been declared in the compounding application dated February 08, 2019, 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 undertaking dated February 06, 2019, 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 thereafter. It has further been declared that the applicant has not filed any appeal under Section 17 or Section 19 of FEMA, 1999. Accordingly, the above contraventions which are being compounded in this order is 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.

8. 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 **₹1,33,788.00, (Rupees One Lakh Thirty Three Thousand Seven Hundred and Eighty Eight only)**, will meet the ends of justice.



9. 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, based on the facts discussed above in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, on payment of an amount of **₹1,33,788.00, (Rupees One Lakh Thirty Three Thousand Seven Hundred and Eighty Eight 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”, 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 Sixteenth day of July 2019.

Sd/-

(Jose J Kattoor)
Regional Director, Karnataka and
Chief General Manager, Bengaluru