



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: August 27, 2019
C.A. BGL 424/2019

In the matter of

M/s Zeven Sports Private Limited
Ground Floor, Silver Oaks Apartment
Kensington Road, Ulsoor
Bengaluru - 560008
(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 30, 2019, received at this office of Reserve Bank of India, Bengaluru on May 06, 2019, and addendum to the compounding application dated August 22, 2019, received on August 23, 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 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) 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), and (iii) delay in refund of excess share application money to the foreign investor/persons resident outside India, beyond 75 days from the date of receipt of inward remittance, in terms of Paragraph 2 of Schedule I to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 notified, vide Notification No. FEMA 20(R)/2017-RB, dated November 07, 2017, and as amended from time to time (hereinafter referred to as Notification No. FEMA 20(R)/2017-RB).

2. The relevant facts of the case are as follows: The applicant, M/s Zeven Sports Private Limited, was originally incorporated as M/s SX Sports Private Limited, on October 21, 2013, under the Companies Act, 1956, as per the Certificate of Incorporation issued by the Registrar of Companies, Karnataka. Subsequently name of the company has been changed to M/s Zeven Sports Private Limited, with effect from May 08, 2018, as per the Certificate of Incorporation pursuant to change of name, issued by the Registrar of Companies, Karnataka. The company is engaged in the business of manufacturing of sports goods. The applicant had received funds towards share application money, in terms of Paragraph 9(1)(A) of Schedule I to Notification No. FEMA 20/2000-RB, from the non-resident investors, namely, M/s D and A Holdings FZE, U.A.E, Mr. Neeleshwar Bhatnagar & Mrs. Rachna Bhatnagar, U.A.E, and Mr. Krishna Chivukula, USA, as shown below:

Table – 1

Sl. No.	Date of Receipt	Amount (INR)	Date of reporting to RBI/AD
1	24-07-2014	59,151.56	02-03-2015
2	22-08-2014	11,84,802.07	02-03-2015
3	26-08-2014	58,795.88	02-03-2015
4	05-09-2014	59,40,217.40	02-03-2015
5	01-10-2014	1,21,48,177.50	02-03-2015
6	24-11-2014	60,68,179.00	02-03-2015
7	09-12-2014	1,52,15,673.90	02-03-2015
8	12-02-2015	92,17,156.20	06-03-2015



9	18-02-2015	91,84,162.80	06-03-2015
10	30-03-2015	9,08,970.00	22-04-2015
11	05-10-2015	6,43,97,424.00	03-11-2015
12	06-11-2015	3,24,52,079.05	18-11-2015
13	02-05-2016	2,94,79,301.25	19-05-2016
14	23-05-2016	1,48,52,577.97	01-06-2016
15	30-06-2016	97,89,216.24	26-07-2016
16	28-07-2016	1,47,70,375.50	17-08-2016
17	31-08-2016	1,61,72,865.80	20-10-2016
18	22-09-2016	2,94,030.00	20-10-2016
19	19-10-2016	9,82,14,285.71	19-11-2016
	Total	34,04,07,441.83	

The applicant reported receipt of remittances to the Reserve Bank of India / Authorized Dealer Bank, with a delay ranging from one day to six months and seven days, beyond the stipulated period of 30 days, in respect of the remittances indicated at serial numbers 1 to 7, 17 and 19, 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 non-resident investors in terms of Paragraph 8 of Schedule 1 to Notification No. FEMA.20/2000 RB, dated May 03, 2000 or Paragraph 2 of Schedule 1 to Notification No. FEMA.20(R)/2017-RB, dated November 17, 2017. However, below mentioned are the few instances where company has refunded the excess share application money beyond the prescribed time limit of 75 days from the date of receipt of inward remittance:

i) The company had received an inward remittance of Rs.3,21,08,652.50, on August 23, 2018, from the non-resident investor Mr. Krishna Chivukula, USA. The company had allotted 1665 equity shares worth ₹3,21,01,200.00, on August



23, 2018, and the excess share application money of ₹7,425.50, was refunded on January 17, 2019, to the non-resident investor, with a delay of 2 months and 11 days.

ii) The company had received an inward remittance of ₹1,82,37,135.25, on October 03, 2018, from the non-resident investor Mr. Krishna Chivukula, USA. The company had allotted 929 equity shares worth ₹1,79,11,120.00, on October 04, 2018, and the excess share application money of ₹3,26,015.25, was refunded on February 13, 2019, to the non-resident investor, with a delay of 1 month and 27 days.

Whereas, in terms of Paragraph 2 of Schedule 1 to Notification No. FEMA 20 (R)/2017- RB, dated November 07, 2017, if the capital instruments are not issued within sixty days from the date of receipt of the consideration the same shall be refunded to the person concerned by outward remittance through banking channels or by credit to his NRE/ FCNR(B) accounts, as the case may be within fifteen days from the date of completion of sixty 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 equity shares allotted	Amount (INR)	Date of reporting to RBI/AD
1	18-09-2014	1508	72,38,400.00	05-05-2015
2	01-10-2014	2530	1,21,44,000.00	05-05-2015
3	10-12-2014	4434	2,12,83,200.00	05-05-2015
4	09-03-2015	3833	1,83,98,400.00	05-05-2015
5	31-03-2015	192	9,21,600.00	03-07-2015
6	17-11-2015	6944	9,68,47,968.00	07-01-2016
7	30-06-2016	3758	5,41,18,958.00	09-08-2016
8	23-09-2016	2168	3,12,21,368.00	19-10-2016
9	20-10-2016	6819	9,82,00,419.00	23-11-2016
	Total	32186	34,03,74,313.00	



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 four days to six months and seventeen days, beyond the prescribed period of 30 days, in respect of the allotments as indicated at serial numbers 1 to 7, and 9, 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. In respect of the delayed of reporting of form FCGPR indicated at serial number 04, the company paid the Late Submission Fee and regularized the contravention.

5. The applicant was given an opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID (CEFA) No. 586/22.09.312/2019-20, dated August 23, 2019, for further submission in person, and/or producing documents, if any, in support of the application. The applicant's authorized representatives Mr. Shankar Boorla, Chief Financial Officer, and Mr. Venkatraman Hegde, Practicing Company Secretary, who appeared for the personal hearing on August 27, 2019, admitted the contraventions as stated in paragraphs 2, 3 and 4 above, committed by the applicant, for which compounding has been sought. The representatives of the applicant requested that as the contraventions were not intentional or with a malafide intention, and was mainly due to inadvertence, a lenient view may be taken 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 **₹15,50,62,148.82**, and the period of delay ranges from one day to six months and seven days;

(b) Paragraph 2 of Schedule 1 to Notification No. FEMA 20(R)/2017-RB, as the applicant refunded the excess share application money to the non-resident investor with a delay beyond the stipulated period of 75 days from the date of receipt of amount of consideration, as detailed in paragraph 3 above. The contravention relates to an amount of **₹3,33,440.75**, and the period of delay ranges from one month and twenty seven days to two months and eleven 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-GPRs 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 **₹30,91,52,945.00**, and the period of delay ranges from four days to six months and seventeen days.

7. It has been declared in the compounding application dated April 30, 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, 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 **₹1,81,997.00, (Rupees One lakh Eighty One Thousand Nine Hundred and Ninety Seven only)**, will meet the ends of justice.

9. Accordingly, I compound the admitted contraventions namely, contraventions of Paragraphs 9(1)(A), 9(1)(B) of Schedule I to Notification No. FEMA 20/2000-RB, and Paragraph 2 of Schedule I to Notification No. FEMA 20(R)/2017-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 **₹1,81,997.00, (Rupees One lakh Eighty One Thousand Nine Hundred and Ninety Seven 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 Twenty Seventh day of August 2019.

Sd/-

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