



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 419/2019

In the matter of

M/s Leisure and Allied Industries India Private Limited
No 24 AS, Basement, 1st Cross
2nd Phase, BSK 3rd Stage
Bengaluru – 560085

(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 11, 2019, received at this office of Reserve Bank of India, Bengaluru on April 24, 2019, and addendum to the application, dated August 16, 2019, received on August 16, 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) allotment of shares beyond 180 days from the date of receipt of inward remittance, (iii) delay in submission of form FC-GPRs to the Reserve Bank, after issue of shares to a person resident outside India, and (iv) delay in filing the Annual Return on Foreign Liabilities and Assets, in terms of Paragraphs 9(1)(A), 8, 9(1)(B) and 9(2), 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 Leisure and Allied Industries India Private Limited, was incorporated on July 28, 1997, under the Companies Act, 1956, as per the Certificate of Incorporation issued by the Registrar of Companies, Karnataka. The company is engaged in the business of establishing a chain of family entertainment and leisure centres, amusement parks and developing interactive software machines and skill games. The applicant had received funds towards share application money from the non-resident investors, namely, M/s LAI Asia Pte Limited, Singapore, and M/s Aberdeen Pty Limited, Australia, as shown below:

Table – 1

Sl. No.	Date of Receipt	Amount (INR)	Date of reporting to RBI/AD
1	27-10-1997	7,50,000.00	Not Applicable
2	22-01-2004	33,89,981.43	03-02-2004
3	03-02-2004	1,80,79,231.60	03-03-2004
4	15-03-2004	33,10,409.15	04-05-2018
5	08-03-2005	19,97,500.00	04-05-2018
	Total	2,75,27,122.18	

The Company had received the inward remittance indicated at serial number 1, in the Table 1 above, during the FERA Period. Subsequently, during FEMA period, the applicant reported receipt of remittances to the Reserve Bank of India / Authorized Dealer Bank, with a delay ranging from thirteen years and twenty seven days to fourteen years and twenty days, beyond the stipulated period of 30 days in respect of remittances as indicated at serial numbers 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 received inward remittances amounting to **₹2,67,77,122.18**, in four tranches from the non-resident investor, M/s Aberdee Pty Limited, Australia, between January 22, 2004, to March 08, 2005, and allotted 26,77,712 equity shares worth **₹2,67,77,120.00**, to the non-resident investor on September 14, 2018, with a delay beyond the stipulated period of 180 days from the date of inward remittances, with prior approval of Reserve Bank of India. The company was given approval vide Reserve Bank's letter FE.BG.FID.No.754/13.05.805/2018-19, dated September 03, 2018.

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 A. P. (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, 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. The amount of contravention is **₹2,67,77,120.00**, and the period of delay is ten years nine months and sixteen days.

4. The applicant company 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	09-12-2002	75000	7,50,000.00	25-05-2003
2	14-09-2018	2677712	2,67,77,120.00	06-02-2019
	Total	2752712	2,75,27,120.00	



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 four months and seventeen days, beyond the prescribed period of 30 days in respect of allotment of shares as indicated at serial number 1, 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. The share allotment indicated at serial number 2, in the Table 2 above, was done in terms of Notification No. FEMA 20(R)/2000-RB dated November 07, 2017, for which Late Submission Fee has been paid.

5. The applicant company has not filed the Annual Return on Foreign Liabilities and Assets (FLA Return) to the Reserve Bank of India for the financial years 2010-11 to 2016-17, on or before July 15 of the respective years. Whereas, in terms of Paragraph 9(2) of Schedule 1 to Notification No. FEMA 20/2000-RB dated May 03, 2000, read with A.P. (DIR series) Circular No. 29 dated February 02, 2017, all Indian companies which have received Foreign Direct Investment in the previous years including the current year, shall submit to the Reserve Bank of India, on or before the 15th day of July each year, a report titled 'Annual Return on Foreign Liabilities and Assets' as specified by the Reserve Bank from time to time.

6. The applicant was given an opportunity for personal hearing, vide Reserve Bank's letter FE.BG.FID (CEFA) No. 556/22.05.805/2019-20, dated August 21, 2019, for further submission in person, and/or producing documents, if any, in support of the application. The applicant's authorized representatives Mr. Kaushal Jain, Finance Controller, and Mr. K Rama Subramanian, Foreign Exchange Advisor, who appeared for the personal hearing on August 27, 2019, admitted the contraventions as stated in paragraphs 2, 3, 4 and 5 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.

7. 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 **₹53,07,909.15**, and the period of delay ranges from thirteen years and twenty seven days to fourteen years and twenty days;

(b) Paragraph 8 of Schedule 1 to Notification No. FEMA 20/2000-RB, due to allotment of shares beyond 180 days from the date of receipt of inward remittances, with prior approval from Reserve Bank of India as detailed in paragraph 3 above. The total amount of contravention is **₹2,67,77,120.00**, and the period of delay is ten years nine months and sixteen days;

(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 **₹7,50,000.00**, and the period of delay is four months and seventeen days; and

(d) Paragraph 9(2) of Schedule 1 to Notification No. FEMA 20/2000-RB dated May 03, 2000, due to delayed filing of Annual Return on Foreign Liabilities and Assets for the Financial Years 2010-11 to 2016-17, as detailed in paragraph 5 above.



8. It has been declared in the compounding application dated April 11, 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.

9. 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 **₹3,89,148.00, (Rupees Three Lakh Eighty Nine Thousand One Hundred and Forty Eight only)**, will meet the ends of justice.

10. Accordingly, I compound the admitted contraventions namely, contraventions of Paragraphs 9(1)(A), 8, 9(1)(B) and 9(2) 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 **₹3,89,148.00, (Rupees Three Lakh Eighty Nine Thousand One Hundred and Forty 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 Twenty Seventh day of August 2019.

Sd/-

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