



In the

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

Present

R Kesavan
Chief General Manager

Date : January 04, 2018
C.A.710/2017

In the matter of

M/s. Kobster E-Shop Pvt Ltd.,
No.54/32, Mount Poonamallee Main Road,
St. Thomas Mount,
Chennai- 600 016

(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 August 31, 2017 (received at Reserve Bank on September 05, 2017) 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 of inflow of funds received from a person resident outside India for



allotment of shares, and (ii) delay in submission of Form FC-GPR on allotment of shares

with Reserve Bank, in terms of Paragraph 9 (1) A and Paragraph 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 3, 2000.

2. The relevant facts of the case are as follows: The applicant company was incorporated on June 25, 2012 under the provisions of the Companies Act, 1956 (Registration No. U74999TN2012PTC086489) and is engaged in business of wholesale trade via e-commerce excluding activities of commission agents. The applicant received foreign inward remittances from (i) Shri Venkata Ramana Chanda, United Kingdom (ii) Shri Nagendra P Bandaru, USA (iii) Shri Gautam Kalra, USA (iv) Shri Venudhar Gogineni, United Kingdom (v) M/s Incubate Funds Pte Ltd., Singapore towards subscription to equity shares and reported the same to the Reserve Bank as detailed below:

Sl. No.	Amount of Inward Remittance in Rs.	Date of receipt	Reported to RBI on
1	7,50,339.00	17.08.2015	03.03.2016
2	7,50,339.00	21.08.2015	03.03.2016
3	53,50,835.00	24.08.2015	22.12.2015
4	6,50,181.00	15.10.2015	07.01.2016
5	7,49,490.50	16.02.2016	28.06.2016
6	53,50,835.00	17.02.2016	23.03.2016
7	7,49,490.50	18.02.2016	21.07.2016
8	6,50,181.00	08.03.2016	10.05.2016
9	5,00,000.00	01.09.2016	17.03.2017
10	16,00,000.00	15.09.2016	03.04.2017
11	6,66,666.67	19.09.2016	27.04.2017
12	5,00,000.00	26.10.2016	17.03.2017
13	6,66,666.67	05.11.2016	27.04.2017
14	5,00,000.00	26.12.2016	17.03.2017
15	6,66,666.67	05.01.2017	04.05.2017
16	2,50,000.00	17.03.2017	22.05.2017
17	2,50,000.00	18.03.2017	22.06.2017
18	3,00,000.00	31.03.2017	26.04.2017
19	2,50,000.00	03.05.2017	22.06.2017



20	2,50,000.00	06.05.2017	24.06.2017
21	3,00,000.00	25.05.2017	26.07.2017
22	1,62,50,000.00	06.06.2017	21.06.2017
23	5,00,000.00	09.08.2017	15.09.2017
24	5,00,000.00	18.08.2017	30.10.2017
25	6,00,000.00	01.09.2017	02.11.2017

The applicant reported receipt of remittances to the Reserve Bank on dates indicated above with delay ranging from five days to six months eight days approximately beyond the prescribed period of 30 days in respect of the remittances at Sr. Nos. 1 to 17,19 to 21 and 23 to 25. 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 allotted equity shares and filed FC-GPRs as indicated below:

Sl. No	No. of shares allotted	Face Value (in Rs.)	Amount (INR)	Date of allotment of shares	Reported to RBI on
1	884	1	15,00,678.40	15.10.2015	21.10.2016
2	3152	1	53,50,835.20	15.10.2015	14.07.2016
3	383	1	6,50,180.80	15.10.2015	14.07.2016
4	883	1	14,98,980.80	16.04.2016	13.07.2016
5	3151	1	53,49,137.60	16.04.2016	21.10.2016
6	383	1	6,50,180.80	16.04.2016	13.07.2016
7	1923	1	32,64,484.80	29.10.2016	03.07.2017
8	393	1	6,67,156.80	04.01.2017	18.07.2017
9	294	1	4,99,094.40	23.01.2017	13.03.2017
10	393	1	6,67,156.80	23.01.2017	18.09.2017
11	471	1	7,99,569.60	15.05.2017	18.09.2017
12	471	1	7,99,569.60	23.06.2017	06.09.2017
13	9572	1	1,62,49,427.20	12.07.2017	15.09.2017

The applicant filed form FC-GPR as indicated above with delay ranging from 18 days to eleven months six days approximately beyond the prescribed limit in respect of the allotments. 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 applicant was given an opportunity for personal hearing vide Reserve Bank's mail dated December 29, 2017 for further submission in person and/or producing documents, if any, in support of the application. The applicant appeared for the personal hearing on January 04, 2018 during which Shri Karthik R, Director represented the applicant. The authorized representative of the applicant admitted the contraventions as stated in para 2 and 3 above committed by the applicant for which compounding has been sought. During the personal hearing, it was submitted that the delays were unintentional. In view of the above, they requested to take a lenient view in the matter. 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.

5. It has been declared in the compounding application dated August 31, 2017 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 August 31, 2017 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. I have given my careful consideration to the documents on record and submissions made by the applicant in the compounding application and 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 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 ₹ 2,30,01,691.01 with the duration of contravention ranging from five days to six months eight days approximately; and

(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 and the contravention relates to an amount of ₹ 3,79,46,452.80 with the duration of contravention ranging from 18 days to eleven months six days approximately.

7. 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 ₹ 52,860/- (Rupees fifty two thousand eight hundred and sixty only) will meet the ends of justice.

8. Accordingly, I compound the admitted contraventions namely, the contraventions of paragraphs 9 (1) A and 9 (1) B of Schedule 1 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 ₹ 52,860/- (Rupees fifty two thousand eight hundred and sixty 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.



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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 Fourth day of January, 2018.

Sd/-

R Kesavan
Chief General Manager