



In the

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

Present

**Shri Eugene E Karthak**  
**Regional Director**

Date: March 20, 2018  
**C.A. BGL 256/2017**

In the matter of

**M/s Chumbak Design Private Limited**  
#520, CMH Road  
1<sup>st</sup> Stage, Indiranagar  
Bengaluru – 560038

**(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 October 17, 2017, received at this office of Reserve Bank of India, Bengaluru on October 25, 2017, for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999, (the FEMA), and the regulations issued there under. The contravention sought to be compounded is, exceeding the sectoral limits of FDI under automatic route without prior approval from the Government of India, in terms of Paragraph 3, 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: M/s Chumbak Design Private Limited, was incorporated on April 28, 2011, 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 designing, manufacturing and selling travel and souvenir products, stationery, apparels, accessories and home and lifestyle products (Single brand product retail trading), which is a permissible activity under FDI 49% automatic route in terms of Annexure B of Schedule 1 to FEMA Notification No. FEMA 20/2000- RB dated May 3, 2000, as amended from time to time.

3. The applicant had received funds towards share application money from foreign investors, namely, M/s Seedfund2 International, Mauritius, M/s Matrix Partners India Investment Holding II, LLC, Mauritius, M/s Matrix Partners India Investment II Extension, LLC, Mauritius and GCFII-A, Mauritius, without prior approval from Government of India, for exceeding sectoral limits on few occasions, as shown below:

**Table - 1**

S I N O	Total Amount (INR)	Date of Receipt	Date of allotment	Aggregate Foreign Share holding %	Relevant FDI Policy during the period
1	386,70,968	21-09-2012	03-10-2012	10.43	FDI upto 100% allowed under Government approval route
2	96,70,000	20-08-2013	21-10-2014	20.56	-do-
3	290,10,000	04-10-2013			FDI upto 49% allowed under automatic route and beyond it, through Government approval route
4	2590,87,680	08-05-2014	08-05-2014	47.11	-do-



5	395,41,392	12-05-2014	12-05-2014	51.17	-do-
6	6,10,416	10-02-2015	16-02-2015	51.23	-do-
7	6,10,416	12-02-2015	16-02-2015	51.29	-do-
8	1133,33,904	16-09-2015	18-09-2015	58.13	-do-
9	549,88,308	08-10-2015	08-10-2015	61.45	-do-

It is observed that the applicant, on seven occasions had received inward remittances from the foreign investors, beyond the specified sectoral limits, without obtaining the prior approval from the Government of India, as indicated at serial number 1, 2 and 5 to 9 in the Table 1 above. Whereas, in terms of Paragraph 3 of Schedule 1 to Notification No. FEMA 20/2000-RB, dated May 03, 2000, a company engaged in a sector where foreign investment requires Government approval, may issue shares to a person resident outside India, with prior approval of Secretariat for Industrial Assistance or, as the case may be of the Foreign Investment Promotion Board of the Government of India, and the terms and conditions of such an approval are complied with. After allotment of shares, the applicant approached the Government of India for post facto approval and the post facto approval for exceeding the percentage of foreign shareholding in the company was granted by Department of Industrial Policy & Promotion, Ministry of Commerce & Industry vide their letter dated October 03, 2007, subject to compounding.

4. The applicant was given an opportunity for personal hearing, vide Reserve Bank's letter No.FE.BG.FID. (CEFA).No.3296/22.08.674/2017-18 dated March 02, 2018, for further submission, in person and/or producing documents, if any, in support of the application. The applicant's authorized representatives, Mr. Arun M P, Head Finance, Mr. Harsh Vora, Consultant, and Ms. Tripti Zaware,



Consultant, who appeared for the personal hearing on March 07, 2018, admitted the contravention as stated in Paragraph 3 above, committed by the applicant, for which compounding has been sought. During the personal hearing, it was submitted that the contravention 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, they 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.

5. 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 3, of Schedule 1 to Notification No. FEMA 20/2000-RB due to exceeding the sectoral limits without obtaining prior approval of Government of India. The contravention relates to an amount of **Rs. 25,74,25,404.00**, and the duration of the contravention ranges from one year eleven months and twenty five days to five years and twelve days approximately;

6. It has been declared in the compounding application dated October 17, 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 undertaking dated March 01, 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 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 contravention which is 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.

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 **Rs.16,54,500.00 (Rupees Sixteen Lakh Fifty Four Thousand and Five Hundred only)**, will meet the ends of justice.

8. Accordingly, I compound the admitted contravention namely, contravention of Paragraph 3 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 **Rs.16,54,500.00 (Rupees Sixteen Lakh Fifty Four Thousand and Five Hundred only)**, which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 2<sup>nd</sup> Floor, 10/3/8, Nrupathunga Road, Bengaluru – 560001, by a demand draft drawn in favour of the “Reserve Bank of India” and 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 Twentieth day of March, 2018.

Sd/-

**(Eugene E Karthak)**  
**Regional Director**