



In the

Reserve Bank of India
Foreign Exchange Department
5th Floor, Amar Building
Sir PM Road
Mumbai – 400001

Present

R. Seetharaman
Deputy General Manager

Date: October 13, 2017
CA NO: 4423/2017
In the matter of

Zicom Electronics Security Systems Limited
501, Silver Metroplis, Western Express Highway, Goregaon East,
Mumbai-4000063

(Applicant)

In exercise of powers conferred 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 May 31, 2017 (received in the Reserve Bank of India on June 2, 2017) for compounding the 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 are (i) delayed submission of Annual Performance Reports (APRs) for the years 2005 to 2006 and (ii) disinvestment with write-off without submitting the APR for the year 2007. The above amount to the contravention of the Regulation 15(iii) and 16(1)(v) of Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 notified vide Notification No



120/2004-RB dated July 4, 2004, as amended from time to time (hereinafter referred to as Notification No FEMA 120-RB 2004).

2. The relevant facts of the case are follows:

The applicant was incorporated as Zicom Electronic Security Systems Limited on December 01, 1994 with CIN NO: L32109MH1994PLC08339. The applicant is engaged in the business of trading in electronic security products and providing related services. The applicant had set up a Joint Venture (JV) M/s. Bin Jabr Zicom Security and Safety Systems LLC in the year 2004 in Abu Dhabi, United Arab Emirates by remitting AED 180,320.00 (INR 21,51, 288.00) on August 8, 2005. The applicant had subscribed 49% of the share capital of the said JV and the 51% of the share capital was held by a foreign partner, M/s. Bin Jabr Group Limited, Abu Dhabi, United Arab Emirates. The applicant has submitted the APRs for the years ended December 31, 2005 and 2006 through AD bank on November 2, 2015, contravening Regulation 15(iii) of Notification No FEMA 120-RB 2004). The applicant disinvested the entire investment with full write-off on March 11, 2007 without submission of APR, contravening the provision of 16(1)(v) Notification No FEMA 120-RB 2004). The disinvestment was reported to Reserve bank of India through the AD bank on September 3, 2014. After clarifications furnished by the AD bank on April 8, 2015 and submission of the compounding application by the applicant the transactions were regularised on August 2, 2017.

3.1 Regulation 15(III) of the said Notification requires that submit to the Reserve Bank every year within 60 days from the date of expiry of the statutory period as prescribed by the respective laws of the host country for finalisation of the audited accounts of the Joint Venture / Wholly Owned Subsidiary outside India or such further period as may be allowed by Reserve Bank, an annual performance report in form APR in respect of each Joint Venture or Wholly Owned Subsidiary outside India set up or acquired by the Indian Party and other reports or documents as may be stipulated by the Reserve Bank.



3.2 Regulation 16(1)(v) of the said notification requires that the overseas concern has been in operation for at least one full year and the Annual Performance Report together with the audited accounts for that year has been submitted to the Reserve Bank.

4. The applicant was given an opportunity for personal hearing vide the Reserve Bank's letter FED.CO. CEFA .No./2122/15.20.67/2017-18 dated September 7, 2017 for further submission in person and /or producing documents, if any, in support of the application. The personal hearing was held on September 25, 2017 during which Shri. Hemendra Paliwal, Chief Financial Officer and Ms. Rutu Shah, Asst. Company Secretary, Zicom Electronics security Systems Limited represented the applicants. The application is considered on the basis of the averments made and documents produced in the application.

5. I have given my careful consideration of the documents on record and submission made by the applicant during the personal hearing. Accordingly, I hold that the applicant has contravened the provisions of Regulation 15(iii) and 16(1)(v) of FEMA 120-RB 2004 as amended from time to time. The amount and period of contravention is as follows.

i) Regulation 15(iii) of FEMA 120-RB 2004 as amended from time to time: Annual Performance Reports (APRs) for the years 2005 and 2006 were submitted on November 2, 2015 .The period of contravention was nine years and eight years (approximately) pertained to the APR for the years 2005 and 2006 respectively.

ii) Regulation 16(1)(v) of FEMA 120-RB 2004 as amended from time to time: Amount of contravention- Rs.21,51,288.00 (AED 180320.00) and period of contravention: 10 years and 2 months approximately

6. In terms of provisions of section 13 of FEMA, any person contravening any provision of the Act shall be liable to pay up to three times the sum involved in the contravention upon adjudication. However, taking into account the relevant facts and circumstance 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.86135.00 (Rupees eighty six thousand one hundred and thirty five only) will meet the end of justice.

7. Accordingly, I compound the admitted contravention namely, the contravention of Regulation 15(iii) and 16(1)(v) of Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 notified vide Notification No 120/2004-RB dated July 4, 2004, as amended from time to time, by the applicant stated above on the facts discussed above in terms of Foreign Exchange (Compounding Proceedings) Rules, 2000 on payment of Rs.86135.00 (Rupees eighty six thousand one hundred and thirty five only) which shall be deposited by the applicant with the Reserve Bank of India, 11th Floor, Central Office Building, Shahid Bhagat Singh Marg, Mumbai-400001 by a Demand Draft drawn in favour of "Reserve Bank of India" and payable at "Mumbai" within a period of 15 days from the date of the 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 shall apply.

The application is disposed accordingly.

Dated this the thirteenth day of October 2017.

Sd/-

(R. Seetharaman)

Deputy General Manager