



In the

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

Present

N Mohana
General Manager

Date : October 13, 2017
C.A.695/2017

In the matter of

M/s. Leax India Pvt Ltd.,
Kalpatharu Complex. 2nd Floor,
No.44, C P Ramaswamy Road,
Alwarpet,
Chennai-600 018

(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 July 11, 2017 (received at Reserve Bank on July 17, 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 (ii) delay in submission of Form FC-GPR on allotment of shares with Reserve Bank and (iii) allotment of shares prior to receipt of full consideration in terms of Paragraph 9 (1) A, Paragraph 9 (1) B and Paragraph 8 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 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 company was incorporated on August 13, 2013 under the provisions of the Companies Act, 1956 (Registration No. U35999TN2013PTC092491) and is engaged in business of manufacture of cable television equipment, transmitting and receiving antenna including dish, VSAT. The applicant received foreign inward remittances from (i) M/s.Leax Group AB, Sweden (ii) Mr. Karl Anders Gotthard Spare, United Kingdom towards subscription to equity shares and reported the same to the Reserve Bank as below:

Sl. No	Amount of Foreign Inward Remittance (in Rs.)	Date of receipt	Reported to RBI on
1	9,48,945.00	27.12.2013	28.01.2014
2	1,00,402.90	07.07.2014	15.09.2014
3	4,50,000.00	03.09.2014	22.10.2016
4	9,00,000.00	11.12.2014	22.10.2016
5	20,02,330.00	16.06.2016	24.12.2016
6	16,58,340.00	30.09.2016	24.12.2016
7	37,66,544.40	18.11.2016	26.12.2016

The applicant reported receipt of remittances to the Reserve Bank on dates indicated above with delay ranging from two days to two years 19 days approximately beyond the stipulated time of 30 days in respect of the remittances. 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-GPR as indicated below:

SI. No.	No. of shares/CCPs allotted	Face Value (in Rs.)	Amount (INR)	Date of allotment of shares	Reported to RBI on
1	9900	10	99,000	13.09.2013	11.12.2014
2	94894	10	9,48,940	17.03.2014	13.08.2014
3	45000	10	4,50,000	31.10.2014	11.01.2017
4	90000	10	9,00,000	06.02.2015	16.01.2017
5	200233	10	20,02,330	06.07.2016	16.01.2017
6	165834	10	16,58,340	21.10.2016	16.01.2017
7	376654	10	37,66,540	02.12.2016	16.01.2017

The applicant filed the form FC-GPR as indicated above with delay ranging from 14 days to two years one month 10 days approximately beyond the stipulated time of 30 days 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 company allotted 9900 shares of 10/- each amounting to ₹ 99,000/- on 13.09.2013. The consideration towards the same was brought in by way of inward remittance as detailed below:

SI. No.	Date of receipt	Amount (INR)	Date of allotment
1	07.07.2014	99,000	13.09.2013

The consideration was brought in with delay of nine months 24 days approximately. Whereas in terms of paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB, read with AP (Dir Series) Circular No.20 dated December 14, 2007 the shares have to be issued/amount refunded within 180 days from the date of receipt of the inward remittance.



5. The applicant was given an opportunity for personal hearing vide Reserve Bank's mail dated October 09, 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 October 13, 2017 during which Shri Rahul Pandey, Finance Manager represented the applicant. The authorized representative of the applicant admitted the contraventions as stated in para 2 to 4 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.

6. I have given my careful consideration to the documents on record and submission 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 ₹ 98,26,562.30 with duration of contravention ranging from two days to two years 19 days approximately;
- (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. The contravention relates to an amount of ₹ 98,25,150/- with the duration of contravention ranging from 14 days to two years one month 10 days approximately; and
- (c) Paragraph 8 of Schedule I to Notification No. FEMA 20/2000-RB due to allotment of shares prior to receipt of consideration. The contravention relates to



M/s. Leax India Pvt Ltd. – C.A.695/2017

an amount of ₹ 99,000/- with the duration of contravention being nine months 24 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 ₹ 43,400/- (Rupees forty three thousand four hundred only) will meet the ends of justice.

8. Accordingly, I compound the admitted contraventions namely, the contraventions of paragraphs 9 (1) A, 9 (1) B and 8 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 ₹ 43,400/- (Rupees forty three thousand four hundred 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. 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 Thirteenth day of October, 2017.

Sd/-

N Mohana
General Manager