



In the

RESERVE BANK OF INDIA
Foreign Exchange Department
11th Floor, Central Office Building
Shahid Bhagat Singh Marg
Mumbai - 400 001

Present

Neena Asthana Amin
Deputy General Manager

Date: October 22, 2019
CA No 4964/ 2019

In the matter of

M/s Vag Edu Services LLP
D3203, Ashok Towers
Dr. S. S. Rao Road, Parel
Mumbai- 400 012
(Applicant)

In exercise of the powers conferred under section 15 (1) of Foreign Exchange Management Act, 1999 and the Regulations/Rules/Notifications/Orders made there under, I pass the following

Order

The applicant has filed the application dated June 26, 2019 (received in the Reserve Bank on July 04, 2019) 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 pertains to setting up of a step down subsidiary (SDS) in India, without seeking prior approval from Reserve Bank of India.



The applicant has contravened the provisions of Regulation 5(1) read with Regulation 13 of FEMA 120/2004-RB dated July 07, 2004, as amended from time to time.

2. The relevant facts are as under: M/s Vag Edu Services LLP (applicant), an Indian company, was incorporated on April 10, 2018 under the Limited Liability Partnership Act, 2008. The applicant is in the business of providing management consultancy and advisory services, including tutoring and related education services to institutions/ organisations and students globally. The applicant acquired 50% stake in overseas Joint Venture (JV) viz. Linc Education Services Pte Ltd. in Singapore by remitting USD 1,85,000 on June 15, 2018. The overseas JV acquired 100% stake of Agamlink Edu System Pvt. Ltd., India (step down subsidiary (SDS) of the applicant) by remitting USD 27,038 on September 30, 2018. As an Indian Party, which has undertaken ODI is not permitted to undertake FDI through its overseas entity/step down subsidiary under automatic route (i.e. without prior approval of the Reserve Bank), the same is in contravention of Regulation 5(1) read with 13 of Notification No. 120/2004-RB, dated July 7, 2004, as amended from time-to-time. The applicant obtained post-facto approval for investment in India from RBI vide letter dated February 18, 2019. Thus, the administrative action is complete.

3. The applicant was given an opportunity for personal hearing vide letter No. FED.CO.CEFA/1824/15.20.67/2019-20 dated October 10, 2019 for further submission in person and/or producing documents, if any, in support of the application. The personal hearing was held on October 17, 2019. The representative of the applicant submitted that the failure to comply with the FEMA Regulations was inadvertent and unintentional. The application is, therefore, being considered on the basis of the averments made in the application, the documents produced and submissions made during the personal hearing.

4. I have given my careful consideration to the documents on record and submissions made by the applicant during the personal hearing. It was observed that the applicant has contravened the provisions of Regulation 5(1) read with



Regulation 13 of FEMA 120/2004-RB dated July 07, 2004, as amended from time to time.

The total amount of contravention is USD 27,038 (Rs. 20,00,000/-) and period of contravention is approximately five months.

5. It has been declared in the compounding application dated June 26, 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 Annexure of the Compounding Application dated June 26, 2019, that the applicant was not under any enquiry/investigation/adjudication by any agency as on the date of the application. 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. 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. After considering the submissions made by the applicant and the entire facts and circumstances of the case, it stands to reason that payment of an amount of Rs. 11, 042/- (Rupees Eleven thousand and forty-two only), will meet the ends of justice in the circumstances of this case.

7. Accordingly, I compound, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, the admitted contraventions committed by the applicant namely, Regulation 5(1) read with Regulation 13 of FEMA 120/2004-RB dated July 07, 2004, as amended from time to time, on payment of a sum of Rs. 11, 042/- (Rupees Eleven thousand and forty-two only), which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, 5th Floor, Amar Building, Fort, Mumbai- 400 001 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at 'Mumbai' 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 accordingly.

Dated this the 22nd of October, 2019

Sd/-

**(Neena Asthana Amin)
Deputy General Manager**