

Case Study

US-Headquartered Quick-Service Restaurant Chain

Service(s) offered: **Finance Controllership, Entity Setup & Management**

Sector/Industry: **Food Industry**



Successful repatriation of Overdue Funds

US-Headquartered Quick-Service Restaurant Chain, with an Indian subsidiary, encountered significant operational challenges when a non-operational bank account crisis led to potential FEMA non-compliance risks. During routine financial oversight for the Indian subsidiary of a multinational corporation, Nexdigm uncovered a critical issue related to the subsidiary's bank account operations. The absence of an authorized signatory, coupled with the subsidiary's reliance on the head office for payments, resulted in accumulating liabilities in the Indian entity's financial records.

Challenges

- The resignation of the authorized signatory for the Indian subsidiary's bank account left the account inactive, disrupting financial processes.
- The US Head Office had to cover operational expenses on behalf of the subsidiary, leading to the accrual of liabilities in the subsidiary's financial records.
- Persistent liabilities raised compliance concerns under FEMA regulations, which mandate foreign liabilities to be settled within 3 months to 3 years.

Case Highlights

Ensured successful repatriation of overdue funds without any FEMA non-compliance.

- Amount involved: **INR 75 Million**
 - Accumulated for: **4.5 Years**
 - Repatriation TAT: **13 Months**
 - Penalty paid: **Nil**
 - Non-Compliances Faced: **None**
- Non-resolution of liabilities risked their classification as External Commercial Borrowing (ECB), which would require extensive pre- and post-compliance measures and attract potential penalties.
 - Absence of a designated team to address the inactive bank account prolonged the issue, exposing the organization to reputational and financial risks.

Solution

Nexdigm implemented a structured and proactive approach to resolve the crisis:

- Nexdigm promptly alerted the HO about potential FEMA risks, specifically the possibility of the payables being classified as Deemed External Commercial Borrowing (ECB).
- The team shared circulars and updates on Anti-Money Laundering (AML) regulations to highlight potential impacts.
- Persuaded HO to prioritize the issue by deploying a dedicated support team.
- Facilitated the swift appointment of new Authorized Signatories for the subsidiary's bank account.
- Collaborated closely with the Authorized Dealer (AD) bank and the client to make the bank account operational.
- Ensured the timely completion of KYC processes for foreign nationals.
- Addressed auditor queries to ensure proper issuance of Form 15CA and 15CB.
- Coordinated document submissions to obtain RBI approval for fund repatriation.
- Maintained consistent communication with stakeholders and resolved queries from the AD bank with dedication.

Impact

Nexdigm's expert intervention led to the successful resolution of a complex financial compliance challenge with substantial benefits for the client. The overdue funds, totaling USD 0.9 million (INR 75 million), were repatriated after a prolonged accumulation period of 4.5 years, achieving full compliance with FEMA regulations. The process, completed within a turnaround time of 13 months, incurred no penalties and faced no instances of non-compliance. Furthermore, Nexdigm ensured the operational status of the subsidiary's bank account, allowing the Indian subsidiary to independently manage its expenses without further regulatory risks.



We are truly grateful to the Nexdigm Team for your collaborative effort and tenacity in assisting us with the retrieval of these funds. It has been a very involved process, and we could not have navigated these arrangements without your expert knowledge and support.



What Client says

For more information on this case study, please write to us at:

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You can also visit our website to know how our services resulted in tangible business benefits:

www.nexdigm.com