



Gateway

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President's Message



My warm greetings to all of you.

The State of Tamil Nadu has witnessed a dramatic change. Contrary to the expectations in some quarters, Tamil Nadu State has emerged stronger than before.

Continuance of the same government for another term after the elections in May 2016 has given a lot of confidence all round. Chief Minister Dr. J. Jayalalithaa has shown that she can deliver if she wills. People of Tamil Nadu have a lot of expectations in the new government. All of us know that Japan is getting closer to Tamil Nadu and now is the time for all of us to keep up the momentum for a new economic agenda vis-a-vis Japan.

We in IJCCI have chalked out a number of economic programmes for fostering Japan-India cooperation. A series of sector-specific programmes has been inaugurated in June 2016 with the first programme on Chemicals and Pharmaceutical industry. This will be followed by infrastructure, energy, IT, ITES etc.,

IJCCI is taking a multi-sector industrial delegation to Japan in September 2016. The delegation will be visiting Tokyo, Yokohama, Osaka and Hiroshima.

Sixth in the series, Japanese Chambers and other economic organisations, besides Prefectural Governments have evinced keen interest in the various programmes planned for the delegation by IJCCI.

I am extremely happy that I have the opportunity this time to lead the delegation. I consider it a great honour and pleasure to contribute to the success of the delegation and take the Chamber to great heights.

With warm regards,

N. Kumar

Seminar on Japanese Cooperation: Potentials and Success in Chemicals & Pharmaceuticals Industry. Presentation of Success Stories by Nitta Gelatin India, Tablets India, Taoka Chemical India and SDS Ramcides CropScience.



Proposed Changes to the Companies Act

The Companies Act, 2013 ("Companies Act"), while beneficial, has also been perceived as overzealous and overregulation in part. With a view to facilitating the ease of doing business in India, addressing stringent compliance of requirements, and harmonising company law with other regulations, the Companies (Amendment) Bill, 2016 ("Bill") was introduced in the Lok Sabha in March 2016 and is currently under review by the Parliamentary Committee on Finance. We present below, a brief summary of a few pertinent amendments proposed by the Bill.

Generic Objects Clause: The Bill proposes to dispense with the listing of specific objects in the Memorandum of Association and permits a clause of universal objects i.e. "to engage in any lawful act, activity or business". Only if the company prefers to restrict its activity or objects, will specific object(s) be required in the MOA. This is seen as a positive change in keeping with today's fast changing business landscape.

CSR (Corporate Social Responsibility): Currently CSR compliance in the current year is required, where the net worth, turnover or net profit exceeds the thresholds in any financial year. The Bill clarifies that CSR compliance will be mandatory only where the thresholds are met in the immediately preceding financial year. Further, unlisted private companies only require two or more directors to constitute their CSR committee, and will not be in need of an independent director.

Unfortunately, the Bill also allows for certain sums to be excluded in the computation of 'net profit'. This may be a cause for concern as it may significantly increase the actual

amount to be spent on CSR activities.

Sweat Equity to be issued anytime: It is proposed to permit issuance of sweat any time post incorporation of a company without the earlier mandatory waiting period of one year. Start-ups and small companies will find this a useful tool to acquire and retain a senior talent.

AGM of Unlisted companies can be organised anywhere in India: Currently AGMs are being held in the same city, town or village as the registered office of the company. The Bill proposes to permit unlisted companies to hold their AGMs anywhere in India, if consented to by all members.

Shareholder meetings can be held outside India: Extraordinary General Meetings (EGMs) are currently required to be held only within India. The Bill, proposes to permit EGMs of an Indian company which is a wholly owned subsidiary of a foreign company, to be held anywhere in the world. Unfortunately, AGMs of such companies still need to be held within India even when all the shareholders are outside India.

Voting through Postal Ballot and electronic voting:

This amendment will enable items of business currently required under the law to be transacted only by postal ballot to also be transacted through electronic voting at general meetings.

Video Conference meetings:

Currently, the Board may conduct meetings via video conference except on prohibited matters which require physical meetings. The Bill now clarifies that if the minimum quorum is physically present, the remaining directors may attend via video conference even on these restricted matters.

If Shareholder numbers fall below minimum:

The Bill proposes a six-month period to cure any shortfall in the minimum number of shareholders (i.e. two for a Private Company and seven for a Public Company). Beyond such six-month period, the remaining shareholders, who are aware of such shortfall in minimum shareholders, shall be severely liable to bear all the debts of the company contracted during such period.

Relief from Registration Charges: Currently companies

JETRO-IJCCI JOINT SEMINAR on JAPAN: YOUR INVESTMENT DESTINATION

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Indian Success Stories in Japan: *Hinduja Tech
*Satyam-Venture Engineering Services

Reasons to Invest in Japan: *JETRO

on 21.07.2016 at 4.00 p.m. at Hotel Savera, Chennai-4

need to register all charges created on their assets or undertakings. The Bill proposes to grant relief by way of rules exempting certain charges from registration. It remains to be seen however, which are the charges that will be exempted by the rulers. The earlier Companies Act (1956) did not require the registration of pledges.

Nomination and Remuneration Committees and Audit Committees only for listed public companies: Currently all listed companies (even private companies with debt listing) are required to constitute N&R Committees and Audit Committees. The Bill proposes that this only applies to listed public companies, and not to private companies.

Management remuneration exceeding 11%: It is proposed to delete the requirement for a public company to obtain central government approval prior to payment of management remuneration exceeding 11% of net profit.

Independent Director can have limited pecuniary interest in Company: The Companies Act currently prohibits an independent director having any pecuniary relationship with the company. The Bill proposes to permit an independent director to have a pecuniary interest in the Company of up to 10% of his total income, without being liable to disqualification as an independent director.

Disqualified Director to vacate office from all other companies: The Bill proposes that any director of a company that has not filed its financial statements or annual returns for a continuous period of three financial years or failed to file its financial statement or annual returns, failed to repay deposits, redeem debentures or pay dividends etc., will immediately be disqualified from directorship in all other companies other than the contravening company. This may act as a serious deterrent.

Deletion of restriction on investment through not more than two layers of investment companies: Post the amendment, companies will be able to invest through any number of layers of investment companies. Given that companies will need to maintain a beneficial ownership register as set out below, concerns about declaration of ultimate beneficial ownership stand addressed.

Register of Significant Beneficial Ownership: The Bill has created the concept of 'significant beneficial ownership' (i.e. alone or with others holds beneficial interest of 25% or more in the shares or significant influence or control).

Persons holding/acquiring such significant beneficial interest are required to declare such interest/change to the company and the company is to maintain a register accordingly.

Changes on Related Party Transactions: Currently, companies are prohibited from entering into certain related party transactions except with a special resolution, and members who are related parties are not permitted to vote on such resolutions.

The Bill proposes to do away with the restriction on voting by relatives for companies in which 90% or more members, in number, are related parties.

Deletion of Forward Dealing and Insider Trading provisions: The prohibitions on Forward Dealing in Securities and Insider Trading are proposed to be deleted and will be inapplicable to private companies. Public / listed companies will need to comply with the relevant SEBI regulations in this regard.

No consolidation: The current requirement of consolidating accounts of joint ventures is proposed to be omitted.

Conclusion: The Parliamentary Committee continues to receive recommendations on the Bill and the question remains whether the above changes, will in fact see the light of the day as law. It is hoped that the Bill once passed, eases the conduct of business in India.

Authored by: Ms. Hufriz Wadia (Partner, Kochhar & Co.) with Mr. Sandeep Thomas & Mr. Nikhil Gupta (Interns).

INDO-JAPAN CHAMBER OF COMMERCE AND INDUSTRY

Sixth Multi-sector Industrial Delegation to Japan
Delegation visiting Tokyo, Yokohama, Osaka & Hiroshima.
September 26-30, 2016

Delegation lead by Mr. N. Kumar, President IJCCI

Nihongo no Kana - The first activity of Nihongo Kouryuu Kurabu

Following the successful inauguration of the Japanese interaction club, to test the students' command over the language, IJCCI conducted 'Nihongo no Kana', making it the first activity of the club. The first thing a beginner of the Japanese language must do is to learn how to read Hiragana and Katakana. Learning the third script, Kanji takes most students for several months or even years to master, but Hiragana and Katakana are phonetic and can be learnt in just a few hours. **'Nihongo no Kana'**, as the name reflects, was organized to help students build a comprehensive understanding of Hiragana and Katakana scripts.

To foster interaction in Japanese between students of all the classes, they were organized into small groups from different levels. The activity was primarily split into three interesting rounds of games.

The first round was the challenging 'word search' game that put to test the students' understanding and speed, to accurately find a list of Katakana words from a huge pool of Katakana characters. The top five teams moved into the second round, the popular 'Pictionary' game.

'Pictionary' was the most interesting of all, with students having to read the Katakana word, understand and then draw the word on the board for their team to guess it right. This round stood proof for the teachers in not just evaluating the students' understanding and memory of the script but also gauge their vocabulary and pronunciation skills.

The third round was restricted to the top three teams from the previous round. It was a concoction of 'Who am I' and 'Pictionary'. Written in

Hiragana, the students were made to read the phrases, understand the meaning, guess the word and then draw the clue on the board. This tested the students' skill of speed in reading, clarity in understanding and spontaneity to guess and draw.

The team of Azhagesan, Kalyani and Vignesh bagged the first place, Poonam, Kalyani and Divya won the second and the team of Hamsini, Jayameena and Kailash won the third.

The students were highly energetic, thrilled and excited to participate and learn the Japanese scripts the fun way. With such a motivated group of students and dedicated, inspiring and supportive teachers, it was hard to call it a day.

– by **Ms Supraja Parvathy**,
Convenor, Kouryuu Kurabu

Election in Japan – What's different?

Japan's 24th regular election of members of the House of Councillors is scheduled to be held on 10th July 2016, to elect 121 of the 242 members of the House of Councillors, the upper house of the 717-member bicameral National Diet of Japan, for a term of six years. What's different this year is that individuals who are 18 years of age are now allowed to vote. Earlier, the age for majority and hence, voting was 20. However, last year the voting age was changed to 18 years.

Early voting is allowed in Japan, where booths are operated earlier than the scheduled day of elections (Jul 10th). This is to allow people who



(Picture from The Japan Times.)

may not be able to vote on the given day because of work or office duties. According to The Japan Times, Chiho Tatsumi, an 18-year-old third year student at Ikeda high school, is believed to be the first teenage voter to cast a ballot. Tatsumi, who voted shortly after 6:30 a.m. at an early voting station in Mino, Osaka Prefecture, before going to school, told reporters, "If I got the right to vote but did not go to vote, that would not make sense," adding she hoped her friends also participate in the voting.

Many 18 year olds like Tatsumi are excited to be able to vote in the elections, as they earlier believed that politics had nothing to do with them as they had to wait a good two years before they could cast their vote. Now, the same students are said to be reading manifestoes and checking on their candidates' profiles. Getting a younger population to decide on the country's policies is probably a new direction in ageing Japan. Lowering the voting age to 18 has added an approximate 2.4 million people to the electoral rolls. This election may well see issues that affect a younger population take prominence too, where earlier, pension benefits were the key strategy of some candidates.

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