



# Gateway

Volume 1 Issue 4 October-November 2015



Dear Friends,

It is nice meeting you again through the columns of Gateway.

Normal life has been thrown out of gear due to the recent floods in Tamil Nadu. The

extremes in climatic conditions remind us that nature is furious at the global inability to protect the environment. Scientists say that global warming is one of the main reasons for nature's fury. We, at IJCCI, are contemplating to start working again on the Global Warming Programme that we had launched sometime ago. Through a series of programmes we plan to educate and enlighten the public on the importance of this theme and re-dedicate our efforts, with the help of interested voluntary organisations. As responsible citizens, I am sure all of you will agree with me and support us in this cause. Suggestions from members on this will be highly appreciated.

IJCCI has inaugurated the Centre for Japanese Studies on 31st October. On the occasion, a quarterly Research Paper was released by Mr. M.K. Narayanan, former Governor of West Bengal. The IJCCI initiative was highly appreciated by Indians and Japanese and we hope to contribute valuable programmes and thought provoking Research Papers for the benefit of Indians and Japanese.

Friends, the year 2015 is drawing to a close and I take this opportunity to wish all of you a Merry Christmas and a great 2016!

With warm regards,

**N Kumar**

## Fostering Synergetic Relations between India and Japan



Hon'ble Mr. Seiji Baba, Consul-General of Japan in Chennai, H.E. Mr. M.K. Narayanan, former Governor of West Bengal, and other dignitaries at the inauguration of the Centre for Japanese Studies and the release of the first Policy Paper of the Centre titled 'Fostering Synergetic Relations between India and Japan' on October 31, 2015.



From L to R: Mr. N. Kumar, Mr. Seiji Baba, Mr. M.K. Narayanan, Mr. B.S. Raghavan, Mr. D.S. Rajan, Dr. Sridhar Krishnaswami.



*A cross-section of the audience.*

## Smart City – Ponneri

At a meeting with the top officials of the Japan International Cooperation Agency (JICA), Ichiguchi Tomohide said the Ponneri Smart City project would be done in three stages.

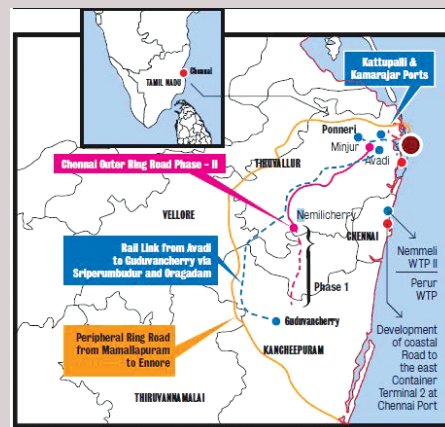
The Master Plan envisages development of the urban, manufacturing node near Chennai spread across more than 20,000 acres of land at a total cost of Rs 32,713 crore.

The proposed city is expected to have a population of four lakh and a working population of 8.88 lakh by 2025. It would be developed in three phases. The first phase will involve 4,448 acres of land available with government agencies while the second phase would in-

volve 2,718 acres of existing port area. The third phase will involve 5,667 acres of land with existing development around coastal regulation zone.

The Chennai Bangalore Industrial Corridor (CBIC) has been predicted to realise the vision to attain a growth rate of 15 per cent per annum in manufacturing to meet the National Manufacturing

Plan target, according to the master plan. Ponneri has been shortlisted among the eight prospective areas which come under CBIC, as it is ideally located near Kattupalli and Kamarajar Ports to serve both domestic and international markets.



With the traditional strength of Ponneri in automobiles and auto components, chemicals and petrochemical machinery, the master plan has identified metallurgy, electrical machinery, textiles and apparels, pharmaceuticals and medical equipment as potential areas of growth.

The master plan also proposes quality and sustainable infrastructure for the residents to ensure quality of life.

WHAT, WHERE AND HOW MUCH	
Located in Tiruvallur District	<b>36 km</b> from Chennai
Adjacent to Kattupalli Port and Kamarajar Port	
Total area	<b>21,966 acre</b>
Total cost	<b>₹32,713 crore,</b> including equity funding of <b>₹12,249 crore</b>
<b>GOALS OF CBIC (FOCUSING ON THREE NODES OF PONNERI, TUMKUR AND KRISHNAPATNAM)</b>	
Growth: 12 to 15 per cent GDP growth for next 20 years	<b>AS PER THE MASTER PLAN, A TOTAL INVESTMENT OF \$26,890 MILLION IS REQUIRED IN THE TRANSPORT SECTOR OF WHICH \$6,423 MILLION IS REQUIRED BEFORE 2018 THIS INCLUDE AIRPORTS, PORTS, RAILWAYS, ROADS AND LOGISTICS</b>
Jobs: 22 million manufacturing jobs	
Manufacturing: 25% to GDP	

Plan target, according to the master plan.

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Source: *Infrastructure Today*, *The New Indian Express*, *The Hindu* and *The Economic Times*.

## Japan's Gifts to the World of Science

Japan has contributed immensely to the world of science and the year 2015 has seen two Nobel Laureates from Japan. Since 1949, there have been twenty-four Japanese (including Japanese born) winners of the Nobel Prize, of which eleven have been for physics, seven for chemistry, two for literature, three for physiology or medicine and one for efforts towards peace.

**2015 Nobel Prize in Physics:** The Nobel Prize in Physics for 2015 was



Mr. Takaaki Kajita.

awarded to Takaaki Kajita (Super-Kamiokande Collaboration, University of Tokyo, Kashiwa, Japan) and Arthur B. McDonald (Sudbury Neutrino Observatory Collaboration, Queen's University, Kingston, Canada) for the discovery of neutrino oscillations, proving that neutrinos have mass.

Takaaki Kajita, a Japanese citizen born in 1959 in Higashimatsuyama, Japan, is a Ph.D. (1986) from the University of Tokyo, Japan. He is the Director of

(Continued on page 4)

# Culture

Enchanting Kyoto was the imperial capital of Japan for more than thousand years, beginning 794. Over the centuries, Kyoto was destroyed by many wars and fires, but due to its historic value, the city was dropped from the list of target cities for the atomic bomb and spared from air raids during World War II. Countless temples, shrines and other historically priceless structures survive in the city today. Kyoto is also known as the "City of 10,000 shrines". There are said to be over 1000 Buddhist temples in Kyoto. You'll find true masterpieces of

# Kyoto



religious architecture, such as the retina-burning splendour of Kinkaku-ji (the famed Golden Pavilion) and the cavernous expanse of Higashi Hongan-ji. Within the temple precincts are some of the world's most sublime gardens, from the Zen masterpiece at Ryoan-ji to the riotous paradise of moss and blossoms at Saiho-ji. And then there are the Shinto shrines,

monuments to Japan's indigenous faith. The mother of all shrines, Fushimi-Inari-Taisha, has mesmerising arcades of vermilion torii (shrine gates) spread across a mountainside. Kyoto is also known for the frequent changes in season and the effects on the flora, that render the place more beautiful, besides offering the entire spectrum of Japanese cuisine.

## Festival Season

Diwali



Karthigai



Hina Dolls



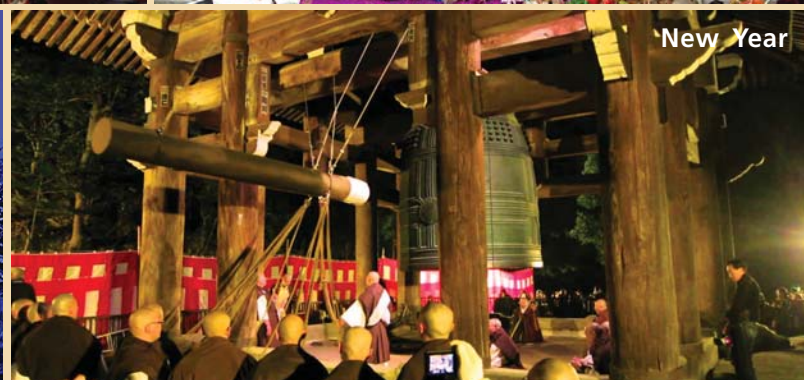
Golu



Christmas



New Year



# Foreign Investment into India – Holding Back Options for Investors

With the government opening up more and more sectors to Foreign Direct Investment (“FDI”) in Indian companies, there is growing interest of foreign investors including Japanese investors to invest in India. The latest Press Note issued by the Department of Industrial Policy and Promotion on 10<sup>th</sup> November 2015 has relaxed FDI norms in 15 sectors including mining, defence, construction, real estate, civil aviation, broadcasting and LLPs. New sectors for FDI such as plantation activities and white label operations for ATMs have been opened up for foreign investment. Repatriation of the foreign investment has also been opened up for certain sectors. Cross-border acquisition by way of a transfer of shares of an Indian company from the Indian shareholders to a foreign investor is often used as a means for a foreign investor to enter India and has proved fruitful for both the foreign investor and the Indian entities.

A major concern for investors in share acquisitions world-over is that the investor seeks to cover his risks at the time of an acquisition by looking at a deferred payment structure or by holding back certain payments. This would imply

making part payment upfront and paying the remainder only on the fulfilment of certain conditions or at a certain specified time in the future. By reserving some payments for the future, the buyer/investor seeks to cover certain risks including breach of representations or warranties by the selling shareholder/target company, incentivising the growth of the company, incentivising continuance of employment of key employers, etc.

Japanese investors proposing to invest in India should be aware that deferred payments in relation to FDI in India (including by way of share acquisitions) require prior approval of the Reserve Bank of India (i.e. RBI, India’s Central Bank) and this may be a concern where time is of essence in an acquisition. While approval is required for deferred payments, fortunately, the FDI policy grants foreign investors certain leeway with respect to holding back amounts to cover indemnities. FEMA provisions recognise that foreign buyers/investors often require an indemnification carve-out and will need some protection to withhold part of the consideration towards these indemnities. While the

regulations require the investor to remit the entire purchase consideration to India, they provide a carve-out that allows the investor to send the consideration amount to an escrow account with an authorised Bank in India (in INR) and instruct the Bank to holdback certain amounts towards indemnities. Such an escrow structure would not require prior RBI approval (as long as it is for no more than six months) and only provides for hold back concerning indemnities.

The structure thus allows foreign investors to cover some of their risks and hold back part of the consideration amount towards indemnities. Of course, if the foreign investor is not constrained for time, the RBI approval route for a deferred payment consideration structure may still be an option.

These escrow carve-outs to protect investors, as well as the new changes brought in by the latest DIPP Press Note (of November 2015), increasing the permitted sectoral caps, opening up new sectors to the automatic route and easing several conditions under existing sectors, serve to positively impact the investment atmosphere in India. It is hoped that this will also encourage further investments from Japan and greater synergies between India and Japan.

## Japan’s Gifts to the World of Science

(Continued from page 2)

Institute for Cosmic Ray Research and Professor at University of Tokyo, Kashiwa, Japan.

**2015 Nobel Prize in Physiology or Medicine:** The Nobel Prize in Physiology or Medicine 2015 was awarded jointly to Satoshi Omura and William C. Campbell ‘for their discoveries concerning a novel therapy against infections caused by roundworm parasites’ and Youyou Tu for her



*Mr. Satoshi Omura.*

discoveries against Malaria. Omura and Campbell were honoured for their work on the drug Avermectin to control


parasitic worms, which affect one-third of the world’s population, especially prevalent in South Asia, Africa and Central and South America.

The Japanese Government awarded the Order of Culture, Japan’s top award for contributions to culture, to both Omura and Kajita. The awards were received from Emperor Akihito at the Imperial Palace.

Sources: Nobelprize.org (The Official Website of the Nobel Prize), Articles in the Japan Times and Wikipedia.

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Indo-Japan Chamber of Commerce & Industry (IJCCI): No. 21, Kavignar Bharathidasan Road, Teynampet, Chennai 600 018, Tamil Nadu, India.  
Phone: 044-24352010 / 044-24354779. Email: indo-japan@ijcci.com. Web: ijcci.com