



# Gateway

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## President's Message



My dear friends,

Let me start by wishing you a very Happy Deepavali.

I trust the Season of Lights and Festivals will bring good tidings to you personally, and to the organisation you represent.

The last few weeks, everything in the news is about the economy but also more importantly, about Japan. Some economists feel that

Demonetisation and the introduction of GST are the causes of the difficult days of the economy and has caused de-growth. However, I add my support to the other set of economists who think that both are for the long term, and that the difficulties the country is going through will stand us in good stead in the long run. The reasons being (a) corruption is evil and needs to be eliminated and (b) the entire country should be one market, which is what GST stands for. However, we cannot but agree that the implementation of both these long term solutions have not been perfect and leaves much to be desired.

Now with the recent visit of Prime Minister Shinzo Abe to Gujarat, to inaugurate the Bullet Train (partnership) Project to connect Gujarat and Mumbai, I believe, India will get into a fast track technology and this will also further strengthen Indo-Japan relationship.

IJCCI is also into a transformation. We had our AGM and election of a new Chairman, Mr N Murali (The Hindu). Prof. N Krishnaswami, after three decades of outstanding contribution to the Chamber, has stepped down due to age and health reasons. I am sure Mr N Murali will lead IJCCI to great heights. Apart from this new team, IJCCI will boast of a new Board Room, more comfortable working space and improved facilities for our Japanese Language School. We are sure that these changes will further enhance IJCCI's image.

In conclusion, I am sure the third quarter of the economy will be much better, as outlined by our Finance Minister Mr Arun Jaitley, and the country will soon return to its growth path.

It has been a long letter but I believe the message needs to be said and I look forward to meeting all of you !

Regards,

**N. Kumar**

## Congratulations to Prime Minister Shinzo Abe on his resounding victory in the October 2017 Elections, another 4 year term of Premiership.



A special welcome to the Prime Minister of Japan at the airport in Gujarat.



India's first high-speed rail project - Ground-breaking ceremony



## IJCCI congratulates Mr.Kazuo Ishiguro

62 year-old Mr. Kazuo Ishiguro, born in Nagasaki, Japan, won the Nobel Prize for Literature for 2017. Mr. Ishiguro moved to UK when he was five. He is a great novelist, story writer, screen writer, columnist and song writer. He is known for his notable works 'An Artist of the Floating World ; The Remains of the Day ; When We Were Orphans ; Never Let Me Go' . Some of the notable awards include Winfred Holtby Memorial Prize (1982) ; Whitebread Prize (1986); Booker Prize (1989) ; Order of the British Empire (1995) ; Chevalier de l'Ordre des Arts et des Lettres (1998) .



## Mr. Shinzo Abe and Mr. Narendra Modi Launch India's First Bullet Train Project

Prime Minister Mr. Narendra Modi and Prime Minister Mr. Shinzo Abe laid the foundation stone for India's first bullet train project in Ahmedabad on 14th September 2017. The rail project will connect Ahmedabad to Mumbai in 2 hours (now 7-8 hours). The 508km-long Mumbai to Ahmedabad High Speed Rail (MAHSR) is scheduled for completion in December 2023, but commencement date has been sought to be advanced to August 2022. To fund the ambitious Rs 1,10,000-crore project, a loan of Rs 88,000 crore will be taken from Japan. The Japan International Cooperation Agency (JICA) will fund at 0.1% interest per annum, to be repaid to Japan in 50 years, with 15 years grace period.

Japan is a pioneer in high-speed rail networks, and its Shinkansen bullet train is among the fastest in the world. It runs at 320 kmph .India will also get the safe Shinkansen technology but it would manufacture parts in the country under 'Make in India'. A dedicated High Speed Rail Training Institute will train about 4,000 technical staff of the bullet train project. The Japanese government has also offered training of Indian Railways officials in Japan besides reserving fully-funded seats for the Master's course in the Universities of Japan for them.

**An evening of Confluence of Japanese & Indian Instrumental Music Rendered by Ms. Revathy Krishna & Team in Chennai. A good number of Japanese and Indian audience participated and appreciated the Japanese and Indian songs played by the team.**



**Performance of IJCCI Language School Students at the Japanese Night Event organised by the Consulate-General of Japan in Chennai on 13th October 2017**



Students rendering Japanese songs



Students performing classical dance for a popular Japanese song.

# IT'S RAINING MONEY!

## Trending now

On 28th August 2017, the Commerce Ministry released its Foreign Direct Investment (FDI) policy which for the first time includes start-ups. The FDI policy released by the Department of Industrial Policy and Promotion (DIPP) stated that the Rules became effective immediately. The latest FDI policy has a dedicated exclusive section for start-ups.

## What is a Start Up ?

A Start-up company is a private company incorporated under the Companies Act, 1956 / 2013 and recognised as such under notification G.S.R. 180(E) dated February 17, 2016 issued by the Department of Industrial Policy & Promotion.

*As per DIPP, an entity is considered as a start-up :*



- 1. For 5 years from its incorporation;*
- 2. If its turnover for any financial year has not exceeded R. 25 Crores;*

*Its working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.*

## Key highlights of the Start-up section in the FDI policy:

- § Start-ups are permitted to raise upto 100 per cent funding from Foreign Venture Capital Investor (FVCI). Such FVCI should be registered with SEBI.
- § A SEBI registered FVCI can invest upto 100% capital of an Indian company (including Start-ups) engaged in any activity mentioned in Schedule 6 of Notification No. FEMA 20/2000, irrespective of the sector in which it is engaged, under the automatic route.
- § A SEBI registered FVCI can invest in a domestic venture capital fund registered under the SEBI (Venture Capital Fund) Regulations, 1996 or a Category- I Alternative Investment Fund registered under the SEBI (Alternative Investment Fund) Regulations, 2012.
- § The investments of a SEBI registered FVCI shall also be subject to the extant FEMA regulations and FDI policy including sectoral caps.
- § The above said investment can be made in equities or equity linked instruments or debt instruments issued by the company (including start-up Private Companies, start-up LLPs and Start up Partnership Firm(s), the investment can be made in the capital or through any profit-sharing arrangement) or units issued by a VCF or by a Category-I Alternative investment fund (AIF) either through purchase by private arrangement either from the issuer of the security or from any other person holding the security or on a recognised stock exchange.
- § It may also set up a domestic asset management company to manage its investments. SEBI registered FVCIs also may invest under the FDI Scheme, as non-resident entities, in other companies, subject to FDI Policy and FEMA regulations.

## How it will work for the start-ups

- § Start-ups can receive foreign investment irrespective of the sector they belong to.
- § Foreign investments can be made in Indian start-ups on repatriation basis through normal banking channels.
- § Foreign venture capital funds can be transferable to other residents or non residents
- § Start-ups can issue equity or equity linked instruments; debt instruments, convertible notes to FVCI against receipt of foreign remittance, as per the FEMA regulation.
- § Convertible notes can be issued subject to the following conditions:

- § A person resident outside India (other than Pakistani or Bangladeshi citizens and entities), may purchase convertible notes issued by an Indian start up for an amount of Rs. 25 lakhs or more in a single tranche.
- § A start-up company engaged in a sector where foreign investment requires Government approval may issue convertible notes to a non-resident only with approval of the Government.
- § A start-up company issuing convertible notes to a person resident outside India shall receive the consideration by inward remittance through banking channels or by debit to the NRE / FCNR (B) / Escrow account maintained by the person concerned under the Foreign Exchange Management (Deposit) Regulations 2016, as amended from time to time. Such an escrow account shall be maintained only for 6 months at a time.
- § NRIs may acquire convertible notes on non-repatriation basis under Schedule 4 of the Notification No.FEMA.20/2000-RB dated 3rd May 2000 (FEMA Regulations). A person, resident outside India may acquire or transfer, by way of sale, convertible notes, from or to, a person resident in or outside India, provided the transfer takes place under the pricing guidelines as prescribed by RBI. Prior approval from the Government shall be obtained for such transfers if the start-up company is engaged in a sector which requires Government approval.
- § The start-up company issuing convertible notes shall have to furnish reports as prescribed by Reserve Bank of India.

### **The outcome**

The year 2015 attracted the maximum inflow of FDI in Indian start-ups. After a slump in the year 2016, FDI in start-up's picked-up, thanks to the active investments of Japanese companies who tested waters with investments in this sector. The latest FD policy will certainly encourage them to invest on a larger scale.

### **FDI policy - a Big boost for Start- Ups**

The Indian start-up depends on its ability to source funds. Foreign inward remittance in crucial sectors such as infrastructure, R&D etc. will greatly boost the economic growth of India.

The latest policy seems to be a well thought out and much needed shot in the arm for the Indian Start- up scenario. Though there has been substantial increase in foreign investments / funding for start ups, the pace seems to have decreased in the last year. This is true especially from the Venture capital perspective.

The latest changes in the FDI policy is yet another positive step in favour of the start up brigade to bring in more funds from the foreign investors with minimal procedural compliance. The government proposes to relax / ease regulations for foreign inward remittances. It also proposes to enable start-ups to avail rupee loans under external commercial borrowings (ECB) to help them carry on business operations smoothly.

The Department of Industrial Policy and Promotion (DIPP) is responsible for all FDI and related issues / compliance. It has created a consolidated document relating to all foreign investment policies to make it user friendly to the investor. This document is periodically updated. With the present government sharply focusing on continually bettering the startup ecosystem by taking initiatives such as “Make in India” and “New India by 2022” the 100% FDI is a positive thrust to the start-up ecosystem and eventually the economic growth of India.

by **P.S. Suman**, Managing Partner, A.K. Mysamy & Associates LLP