Gateway
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President's Message

My dear friends,

Let me first wish you all a very Happy New Year with abundance of health, wealth and happiness.

The IJCCI building renovation is now complete. Please do come and see for yourself. I must, at this juncture, thank all the members who have contributed and made this renovation work possible.

The year 2018 promises to be a year of more economic and cultural activities. The Governing Council had a discussion with the Consul General of Japan, Hon'ble Mr. Seiji Baba about taking IJCCI activities more intensely in educational, cultural and economic spheres in 2018. I must thank the Consul General and his Office for extending their full support during the year 2017 and I firmly believe that we will have the unstinted support and guidance in the year 2018 too.

Friends, we will be receiving a Japanese Industrial delegation in February 2018 and the details are being sent to all of you. I am sure you would make full use of this opportunity and interact with your Japanese counterparts during the business seminar & B2B events in Bangalore and Chennai.

I take this opportunity to convey my grateful thanks to METI and MOFA, Government of Japan for their support to IJCCI during 2017. My special thanks to the dignitaries in the various Prefectural Government organisations in Japan, and the Chambers of Commerce and Industry in Japan who have all been our guiding spirit in building bridges between Japan and India.

I am really grateful to the Indian Ambassador in Tokyo and the Consul-General in Osaka for guiding IJCCI in its mission.

I look forward to the continued support of every one of you and I wish all the IJCCI well wishers, in Japan and in India, a Happy and Prosperous 2018.

Regards,
N. Kumar

EMPEROR AKIHITO TURNS 84

Emperor's Birthday Party in Chennai on 29.11.2017 hosted by Consul-General Hon'ble Mr. Seiji Baba

. A large number of well wishers of Japan-India relations gathered at the party to wish the Emperor a happy and long life

Tokyo Disney eyes biggest expansion in nearly 20 years

Tokyo Disney Resort operator Oriental Land plans a major expansion for the theme park, looking to spend over 300 billion yen ($2.68 billion) to build new attractions and ease congestion amid fierce competition in the industry. Oriental Land has begun discussing the plans with U.S.-based Walt Disney. The park's area would grow roughly 30%, and new facilities, expected to open around 2023, would be geared to attract both domestic and international tourists. The expansion would be the resort's priciest project since the 2001 addition of the Tokyo Disney Sea section, which costs about 340 billion yen. By expanding, the operator aims to maintain its high attendance. Tokyo Disneyland scored the most visitors of any theme park in the Asia-Pacific region last year with 16.54 million, according to the U.S.-based Themed Entertainment Association industry group. Combined with the 13.46 million for third-ranked Tokyo Disney Sea, the resort welcomed 30 million visitors over the year. But those high numbers have created congestion, and customer satisfaction has declined. The additional space would feature attractions not found at other Disney theme parks. One proposal is an area highlighting the hit movie "Frozen" -- an idea that has been discussed before but was shelved due to space concerns. To free up space for the expansion, Oriental Land plans to spend more than 10 billion yen to build a roughly 4,000-vehicle multi-story parking space, replacing a parking lot adjacent to Tokyo Disneyland. Located just outside of Japan's capital, Tokyo Disneyland and Disney Sea sits on about 1 sq. kilometer of land combined. The new space may be split evenly between the two sections, though the proportion has yet to be settled.

Indian car makers post double-digit increase in domestic sales in November 2017

The monthly auto sales report for November 2017 saw Indian auto players post double-digit growth numbers. Market leader Maruti Suzuki grew over 14 per cent in November compared to the corresponding month last year, whereas Mahindra and Mahindra saw overall sales of its automobile arm rise 13 per cent.

Maruti Suzuki India

India's biggest auto comonay Maruti Suzuki sold a total of 1,54,600 units in November, amounting to a 14.1 per cent year-on-year increase as compared to 1,35,550 units in the corresponding month last year. The company's domestic sales stood at 1,45,300 units, up 15 per cent from 1,26,325 units in November last year. Meanwhile, the compact segment of Maruti Suzuki featuring offerings like Swift, Estilo, Dzire and Baleno went on post growth of 32.4 per cent in November. Sales of company's utility vehicles, including Gypsy, Grand Vitara, Ertiga, S-Cross and compact SUV Vitara Brezza increased by 34 per cent to 23,072 units in November, from 17,215 units in the same month of 2016.

Toyota India

Toyota Kirloskar Motor (TKM) has witnessed a 13 per cent rise in domestic sales after selling 12,734 units in November. The company had sold a total of 11,309 units in the same month last year. The Company has sustained a positive growth since last three months.

Mahindra and Mahindra

Indian auto major Mahindra and Mahindra reported an year-on-year increase of 18 per cent in total sales at 38,570 units in November as opposed to 32,564 units in the same month last year, M&M said in a statement. Mahindra saw its sales grow 21 per cent in the Indian auto market with 36,039 units sold last month, compared to 29,869 in November 2016. Sales of passengers vehciles including Scorpio, XUV500, Xylo, Bolero and Verito, increased 21 per cent to 16,030 units compared to 13,198 units in the same month last year. Commercial vehicle sales was up 22 per cent to 15,554 units in November against 12,718 units in the year-ago period.

Hyundai Motor India

Hyundai Motor India reported a 10 per cent increase in domestic sales at 44,008 units in November. The company had sold 40,016 units in November 2016.

Ford India

Ford India reported a 28.63 per cent increase in total sales at 27,019 units in November this year. The company had sold 21,004 units in the same month last year. The company was up by 13.1 per cent at 7,777 units last month as against 6,876 in November last year, driven mainly by recently-introduced new edition of compact SUV Ford EcoSport. Its exports during the month increased 36.19 per cent to 19,242 units, compared to 14,128 in November 2016.

FEMA TO PROI's: SANTA'S HOME…. EARLY!

FEMA's latest offering

In its notifications dated 7th November 2017, the Reserve Bank of India (RBI) issued Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2017. This notification supersedes a previous notification dated 3rd May, 2000. The latest notification, which became effective from 8th November, 2017 is intended to bring some sweeping changes in the existing regulations.

The crux of the FEMA (Transfer or Issue of Security by a Person Resident outside India) Regulations

The above stated regulation came into being in June, 2000 with the objective of effectively governing transfers or issue of securities by Person Resident Outside India ("PROI").

A Person resident outside India is not expressly defined in the FEMA regulations. It is indirectly defined to mean a person who is **not** a person resident in India. "*Person resident in India" is a person residing in India for more than 182 days in the Preceding financial Year.*

Did You Know

A person resident outside India is generally classified under the Non Resident Indian (NRI) category. The definition of Non-resident Indian (which includes person resident outside India) is different in the Income Tax Act, 1961 and the Foreign exchange Management Act, 1999.

Generally speaking, any Indian abroad is considered as non-resident Indian (NRI). As per FEMA, NRI is defined as a person resident outside India who is either a citizen of India or is a Person of Indian Origin (PIO).

A look at the amendments that have been implemented effective 8th November, 2017

Definition	Regulations, 2000	Regulations, 2017	Remarks / Observation
Capital	Equity shares, preference shares and convertible debentures	Equity shares, debentures, preference shares and share warrants issued by an Indian Company	The amendment expressly includes share warrants to be issued to PROI, provided it is done according to SEBI (Issue of Capital and Disclosure Requirements) Regulations
Investment	the net sale proceeds which are eligible to be repatriated out of India, and the expression 'Investment on non-repatriation basis', shall be construed accordingly	means to subscribe, acquire, hold or transfer any security or unit issued by a person resident in India	The amendment definition is more exhaustive as it is not restricted only to sale or purchase but also subscription, transfer including depository receipts issued by a PROI. Even an LLP comes under the ambit of this definition as investment in the form of capital contribution can be made by PROI to an LLP
Foreign Direct Investment		means investment through capital instruments by a person resident outside India in an unlisted Indian company; or in 10 percent or more of the post issue paid-up equity capital on a fully diluted basis of a listed Indian company	The definition expressly distinguishes between listed and unlisted company. Any amount invested by PROI in unlisted company is to be regarded as FDI, while in listed companies there are limits laid down
Foreign Investment		means any investment made by a person resident outside India on a repatriable basis in capital instruments of an Indian company or to the capital of an LLP	The definition expressly incudes only investment by PROI on repatriable basis *(ie, the sending of money back to one's own country)*.Only that will be considered as foreign investment
Foreign Portfolio Investment		means any investment made by a person resident outside India through capital instruments where such investment is less than 10 percent of the post issue paid-up share capital on a fully diluted basis of a listed Indian company or less than 10 percent of the paid up value of each series of capital instruments of a listed Indian company	Explanation in the definition: The 10 percent limit for foreign portfolio investors shall be applicable to each foreign portfolio investor or an investor group as referred in Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014
Resident Indian Citizen		means an individual who is a person resident in India **and** is citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955	'Person resident in India' is defined under the FEMA Act, 1999
Non-Resident Indian		means an individual resident outside India who is citizen of India	
Overseas Citizen of India (OCI)		OCI means an individual resident outside India who is registered as an Overseas Citizen of India Card-holder under Section 7(A) of the Citizenship Act, 1955	There is clear distinction made between NRI and OCI

Definition	Regulations, 2000	Regulations, 2017	Remarks / Observation
Foreign institutional investor			Definition deleted
Qualified foreign investor			Definition deleted

Key amendments that have been introduced apart from the definitions

- ❖ The Regulations, 2017 have for the first time introduced limits (such as 10% on the total paid up capital on fully diluted basis). Any investments lesser than 10% shall be considered as foreign portfolio investment (and not FDI). Any limits equal to or more than 10% shall be considered as FDI.
- ❖ Fully diluted basis shall mean after giving effect to all possible conversions, eg. ESOPs, CCDs issued, Loan agreements having optionality clause etc.
- ❖ Downstream investments should now get approval of Board of Directors and shareholders agreement, if any.

Transfer of shares can be effected in the following manner

Transferor	Transferee	Modus operandi
PROI	PROI	Sale or gift Where the PROI is an FPI, then limits shall become applicable
NRI / OCI	PROI	Sale or gift
PRII	PROI	(i) Sale (ii) Payment of an amount not exceeding 25% of total consideration on deferred basis (iii) Where an ESCROW account is opened by PROI
PRII / NRI / OCI (eligible investor under Schedule 4 on non-repatriable basis)	PROI	Gift (with prior approval of RBI)
NRI / OCI	NRI/OCI (eligible investor under Schedule 4 on non-repatriable basis)	Gift
Erstwhile OCBs		As per directions issued by RBI

Reporting in Form FC-TRS: The 2017 regulations state that the transferor / transferee PROI holding capital instruments on a non-repatriable basis shall be responsible to report such transfer to RBI in Form FC TRS.

- ❖ **In case of unlisted companies, valuation of capital instruments can also be done by practicing Cost Accountants.**
- ❖ **Issue of capital instruments within 60 days**

  The Regulations, 2000 provided for issue of capital instruments within 180 days from receipt of foreign inward remittance. Companies to allot securities within 60 days of receipt of application money or advance for such securities. The Regulations, 2017 aligns the provisions of FEMA for capital instrument issuance with the provisions of the Companies Act, 2013. Further, prior approval of RBI will have to be obtained for payment of interest in case of delay in refunding the amount.

Conclusion

The RBI has been pro-actively regulating the foreign investment into and out of India. Towards this end, it introduced the FEMA (Transfer or issue of Security by a Person Resident outside India) Regulations in the year 2000. This law governs and regulates the issue and transfer of Indian company securities to or by PROIs. The amendments in November, 2017 have been introduced with a view to streamline such issue // transfer to PROI and also define with more clarity the kinds of instruments, the limits, the time period and the mode of such transfers. **A welcome move.**

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