

## INVESTMENT PROSPECTS IN JAPANESE INDUSTRIAL TOWNSHIPS IN INDIA

### 1. OVERVIEW

India and Japan enjoy strategic bilateral relations owing to the evolving vision of economic strength and cross-border assimilation of aided growth, which is vital to the philosophy of achieving prosperity for both nations. While there is a rich history of shared cultural values of democracy, a heritage of Buddhism and a collaborative framework of defense and security between the two nations, the purpose of this article is to highlight the steady expansion of the economic relations that has led to the development of Japanese Industrial Townships (“JITs”) to encourage investment by Japanese investors in India. This article attempts to lay down the context in which JITs have been developed in India, the incentives offered, the process of procuring land on lease in the JITs and the key approval and registration requirements for setting up a manufacturing unit in the JITs, to enable a prospective investor to determine the most viable site for investment and setting up a manufacturing unit, based on their requirements.

### 2. RECENT TRENDS

Since the establishment of the *Strategic and Global Partnership* in 2006, India and Japan have conducted Annual Summits for the respective Prime Ministers to adequately capture economic opportunities and take growth driven measures. In the Annual Summit held in September 2014, the bilateral relations between India and Japan were elevated to a *Special Strategic and Global Partnership*.<sup>1</sup> On September 01, 2014, the then Japanese Prime Minister Shinzo Abe had announced the India-Japan Investment Promotion Partnership at Tokyo.

In 2014, Japan forecasted an investment of approx. USD 33.5 billion by way of public and private investment in India in furtherance of the partnership.<sup>2</sup> Subsequently, in 2015, the Department for Promotion of Industry and Internal Trade (the, “DPIIT”) and Japan’s Ministry of Economy, Trade and Industry (the, “METI”) signed the ‘Action Agenda for the India-Japan Investment and Trade Promotion and Asia-Pacific Economic Integration’<sup>3</sup>, pursuant to which the development of JITs commenced in India.

The investment forecast made by the then Japanese Prime Minister Shinzo Abe in 2014, has been realized as per official data from 2022. It indicates that there is an aggregate investment of USD 36.2 billion by Japanese investors and the Japanese government (through Japan International Cooperation Agency, a governmental agency that primarily provides debt financing to developing nations in the form of Overseas Development Assistance) across various sectors such as automobiles, chemicals, food processing, electronics system design and manufacturing and food processing. In March this year, the current Japanese Prime Minister Fumio Kishida projected an investment of USD 42 billion in India over the next five years.

<sup>1</sup> ‘Brief Note on India-Japan Bilateral Relations’, available online at: [https://www.mea.gov.in/Portal/ForeignRelation/India-Japan\\_Bilateral\\_Brief\\_feb\\_2020.pdf](https://www.mea.gov.in/Portal/ForeignRelation/India-Japan_Bilateral_Brief_feb_2020.pdf), last accessed on: March 05, 2022.

<sup>2</sup> FICCI, available online at <https://ficci.in/spdocument/23100/India-Japan-Bilateral-Relations-2019.pdf>, last accessed on: March 04, 2022.

<sup>3</sup> ET Online, ‘India and Japan Sign Action Plan for Investment and Trade Promotion’, available online at: <https://economictimes.indiatimes.com/news/economy/foreign-trade/india-and-japan-sign-action-plan-for-investment-and-trade-promotion/articleshow/47106630.cms?from=mdr>, last accessed on: March 04, 2022.

Owing to the efforts made to foster the economic relations between India and Japan over the last few years, there has been an increase in foreign direct investment (“FDI”) inflow from Japan to India, and Japan was reported to be the fifth largest investor for India in the financial year 2020-2021 with over 1,400 Japanese companies currently operating across India.<sup>4</sup>

The positive trend of investment from Japan has encouraged the creation of a robust investor-friendly environment in India and one of the major steps in this direction has been the development of JITs as avenues across the country for bolstering the manufacturing sector.

### 3. INVESTMENT AVENUES: JAPANESE INDUSTRIAL TOWNSHIPS

#### 3.1. Inception of JITs

India and Japan had envisaged the development of JITs mainly in the Delhi-Mumbai Industrial Corridor (“DMIC”) and the Chennai-Bengaluru Industrial Corridor regions to facilitate Japanese investment to India. In this regard, 11 candidate sites were identified for setting up of JITs.<sup>5</sup> Further, it was agreed that the investment incentives for companies in JITs would be at par with ‘Special Economic Zones’ and ‘National Investment and Manufacturing Zones’ with both India and Japan providing special packages for attracting Japanese investment into JITs.<sup>6</sup>

The first JIT in India was set up in Neemrana Industrial Park in Rajasthan following the establishment of the *Special Strategic and Global Partnership* between India and Japan. Soon after the success of the first JIT, the government undertook the development of a second JIT in Ghilot, Rajasthan with a vision to make it a hub for ceramics and Electronic System Design and Manufacturing (ESDM) industries.<sup>7</sup> At present, companies ranging across various sectors such as auto and auto components, capital goods, chemicals, consumer durables, textile, renewable energy, etc. are operating in Neemrana Industrial Park in Rajasthan, out of which 49 are Japanese companies including Daikin, Nissin Brake, Mytex Plymer, and Nippon Pipe.<sup>8</sup>

Japan is the only country that has dedicated industrial townships in India and various measures and initiatives have been undertaken by the Indian government to hand hold Japanese companies through the entire investment process/cycle in an expeditious manner.

Though COVID-19 caused a hiccup in the robust development of these JITs, the Indian government has developed state-of-the-art infrastructure for Japanese companies to set up their business in these townships. As a part of the ‘Invest India’ initiative by the Indian government and with a view to take action under the India-Japan Investment Promotion Partnership, ‘Japan Plus’ desk has been set up by the National Investment Promotion and Facilitation Agency under the DPIIT, which comprises of a special team of consultants to provide specific detailed information to Japanese businesses looking to enter into India.

<sup>4</sup> ANI, Japan is India’s 5<sup>th</sup> Largest Investor, 114 Japanese Companies Currently Operate Across India, available online at: <https://theprint.in/economy/japan-is-indias-5th-largest-investor-114-japanese-companies-currently-operate-across-india/830858/>, last accessed on: March 04, 2022.

<sup>5</sup> Japan Industrial Township, Reliance Model Economic Township, available online at: <https://www.modeleconomictownship.com/japan-industrial-township.html>, last accessed on: March 02, 2022.

<sup>6</sup> See footnote 3.

<sup>7</sup> IANS, Rajasthan to Have Second Industrial Zone, available online at: [https://www.business-standard.com/article/news-ians/rajasthan-to-have-second-japanese-industrial-zone-115040800931\\_1.html](https://www.business-standard.com/article/news-ians/rajasthan-to-have-second-japanese-industrial-zone-115040800931_1.html), last accessed on: March 01, 2022

<sup>8</sup> Indian Council for Research on International Economic Relations, Post COVID-19 Prospects for India-Japan Economic Partnership, available online at: [http://icrier.org/pdf/Post\\_COVID-19\\_Prospects\\_for\\_India-Japan\\_Economic\\_Partnership.pdf](http://icrier.org/pdf/Post_COVID-19_Prospects_for_India-Japan_Economic_Partnership.pdf), last accessed on: March 04, 2022

Presently, 114 Japanese companies are operating in an aggregate of 12 JITs set up across India<sup>9</sup> which include the Neemrana Industrial Park in Rajasthan, Mandal Industrial Park in Gujarat, and the Supa Industrial Park in Maharashtra.

### 3.2. Incentives offered in JITs

Provided below is a ready reckoner of certain incentives available to the units set up in the 12 operational JITs in India. Further, the table below also provides a brief overview of the process for establishing unit in certain JITs along with indicative timelines.<sup>10</sup>

S.No.	Field	Particulars
1.	<i>Sri City, Andhra Pradesh</i>	
	Key Incentives Offered <sup>11</sup>	<ul style="list-style-type: none"> <li>• 15% investment subsidy on Fixed Capital Investment (“FCI”) up to approx. USD 0.026 million, whichever is lower;</li> <li>• Reimbursement of 25% land conversion charges for industrial use (up to USD 0.013 million); and</li> <li>• Reimbursement of 50-100% of State Goods and Services Tax (“SGST”) accrued to state for a period of 5 years or 100% FCI, depending on employment generated.</li> </ul>
	Procurement of land on lease <sup>12</sup>	<ul style="list-style-type: none"> <li>• For the purposes of procuring land on lease, the prospective investor is required to file an application form specifying the nature of business, the land requirement, the industry type, and other infrastructure requirements after which a site inspection is organised by the administrators at Sri City (subject to approval of the application).</li> <li>• Basis the information provided in the application form and the discussion during site visit, an offer and plot options are sent to the applicant by the administrators.</li> <li>• Thereafter, a Memorandum of Understanding (“MoU”) is executed between the applicant and Sri City upon payment of 20% of the consideration. Within 60 days from the execution of the MoU, the lease deed will be executed (for 99 years). During such 60-day period, the applicant’s counsel is required to conduct title diligence on the land.</li> <li>• Thereafter, the investor is required to obtain necessary approvals from government authorities for setting up a unit, post which the date for groundbreaking ceremony</li> </ul>

<sup>9</sup> Livemint, India Pitches for Japanese Investment in Sunrise Sectors, available online at: <https://www.livemint.com/economy/india-pitches-for-japanese-investment-in-sunrise-sectors-11644833287619.html>, last accessed on: March 07, 2022

<sup>10</sup> Certain information related to the process of procuring land on lease in the JITs has been collated based on our telephonic conversations with the relevant administrative staff and government authorities on a no name basis.

<sup>11</sup> Andhra Pradesh Industrial Development Policy 2020-23, Government of Andhra Pradesh, available online at [https://apindustries.gov.in/incentives/Data/APIIndustrial\\_Policy\\_Brochure.pdf](https://apindustries.gov.in/incentives/Data/APIIndustrial_Policy_Brochure.pdf), last accessed on: March 07, 2022

<sup>12</sup> Sri City, FAQ Booklet, available online at: <http://www.sricity.in/wp-content/uploads/2021/10/FAQ-Booklet.pdf>

S.No.	Field	Particulars
		<p>will be decided – typically such approvals take approx. 21 days’ time.</p> <ul style="list-style-type: none"> <li>• Approx. time taken for commencement of commercial operations from the groundbreaking ceremony is around 6-8 months.</li> </ul>
	Services provided for setting up a manufacturing unit	<ul style="list-style-type: none"> <li>• Sri City provides optional facilitation services to companies to assist in obtaining government approvals till the commencement of commercial production.</li> <li>• Services include appointments with the Andhra Pradesh State Government for tailor-made incentive packages applicable for a mega industry. The cost involved in the provision of the service depends on the type of building, size of the plot, infrastructure, etc.</li> </ul>
2.	<i>Mandal Industrial Park, Gujarat</i>	
	Key Incentives Offered <sup>13</sup>	<ul style="list-style-type: none"> <li>• FCI subsidy of 6-12%, depending on area of investment for 10 years up to USD 5.5 million per year;</li> <li>• 50% capital subsidy for companies complying with zero liquid discharge up to USD 0.1 million; and</li> <li>• Reimbursement of 50% stamp duty paid on purchase of plot for individual units set up in industrial parks.</li> </ul>
	Process for setting up a manufacturing unit	<p>The following alternatives are available to a prospective investor for setting up a manufacturing unit in Gujarat:</p> <ul style="list-style-type: none"> <li>• Submission of a ‘Declaration of Intent’ under the Micro, Small and Medium Enterprises (Facilitation of Establishment and Operation) Act, 2019 to set up an MSME; or</li> <li>• Submission of an application to the committee set up under the Gujarat Single Window Clearances Act, 2017 to obtain necessary approvals related to land and building plans.</li> </ul>
3.	<i>Model Economic Township, Haryana</i>	
	Key Incentives Offered <sup>14</sup>	<ul style="list-style-type: none"> <li>• Subsidy for employment generation up to USD 400-500 per employee for 5 years;</li> <li>• Assistance for technology acquisition up to approx. USD 0.032 million; and</li> <li>• Subsidy for generating employment for women and scheduled castes up to 20% of SGST deposited.</li> </ul>
	Procurement of land on lease	<ul style="list-style-type: none"> <li>• For the purposes of procuring land on lease, a prospective investor will be required to obtain approval from the</li> </ul>

<sup>13</sup> Gujarat Industrial Policy 2020 Scheme for Financial Assistance to Industrial Parks, Government of Gujarat, available online at [https://ic.gujarat.gov.in/documents/commondoc/2020/11-GR\\_02092020.pdf](https://ic.gujarat.gov.in/documents/commondoc/2020/11-GR_02092020.pdf), last accessed on: March 07, 2022

<sup>14</sup> Package of Incentives available to Industries, Model Economic Township Limited, available online at: <https://www.modeleconomictownship.com/>

S.No.	Field	Particulars
		<p>Department of Town and Country Planning (“DTCP”), Haryana for setting up manufacturing unit and sanction of the plan for manufacturing unit.</p> <ul style="list-style-type: none"> <li>Upon receipt of approval from DTCP, the applicant will be required to approach the officers in Model Economic Township for any further requirements to procure land on lease and other governmental permits and registrations for commencing manufacturing.</li> </ul>
4.	<i>Tumkur, Karnataka</i>	
	Key Incentives Offered <sup>15</sup>	<ul style="list-style-type: none"> <li>Capital subsidy for setting up effluent treatment plants of up to 50% of the cost of setting up the plant subject to a ceiling of approx. USD 0.324 million;</li> <li>75-100% stamp duty exemption: <ul style="list-style-type: none"> <li>in respect of loan agreements, credit deed, mortgage and hypothecation deeds executed for availing loans from the state government, for the initial period of 5 years;</li> <li>for lease deeds, lease-cum-sale, sub-lease, and absolute sale deeds executed by industrial enterprises in respect of industrial plots, sheds, industrial tenements; and</li> </ul> </li> <li>Concessional zone-wise land registration charges for large, mega, ultra-mega and super mega enterprises.</li> </ul>
	Procurement of land on lease/ process for setting up a manufacturing unit	<ul style="list-style-type: none"> <li>For the purposes of procuring land and setting up a manufacturing unit, a prospective investor is required to disclose the details of the project and the investment they are looking to make and procure the project approval from: <ul style="list-style-type: none"> <li>(i) Karnataka Udyog Mitra, Bangalore (KUM) if the project value is under approx. USD 64.7 million;</li> <li>(ii) Chief Minister, Karnataka, if the project value is above approx. USD 64.7 million.</li> </ul> </li> <li>Once the project is approved, the investor is required to approach Karnataka Industrial Area Development Board (KIADB) for land allotment and lease. The process of procurement of land on lease takes about 1 month, and no additional approvals are required for the same.</li> <li>Once the land is procured on lease, building approval is required to be obtained from the KIADB.</li> <li>All other necessary permissions/licenses/registrations (as detailed in Section 3 below) must be obtained from the</li> </ul>

<sup>15</sup> Industrial Policy 2020-2025, Government of Karnataka, available online at <https://www.investkarnataka.co.in/wp-content/uploads/2020/11/Booklet-final-.pdf>, last accessed on: March 07, 2022

S.No.	Field	Particulars
		relevant state or central authorities after the allotment of land.
5.	<i>Pithampur Industrial Park, Madhya Pradesh</i>	
	Key Incentives Offered <sup>16</sup>	<ul style="list-style-type: none"> <li>Exemption from entry tax for 5-7 years for Micro, Small, Medium, Large &amp; Mega scale industrial unit subject to an investment of approx. USD 65 million in plant and machinery;</li> <li>Incentives for employing persons with disabilities (minimum 5% of the total workforce) for instance, 100% reimbursement of expenses incurred on skill development training of persons with disabilities; Employees' Provident Fund ("EPF") and Employees' State Insurance ("ESI") assistance for up to 5 years; and</li> <li>15% capital subsidy subject to a maximum of approx. USD 0.02 million for a micro and small-scale unit.</li> </ul>
	Procurement of land on lease/ process for setting up a manufacturing unit	<ul style="list-style-type: none"> <li>For the purposes of procuring land and setting up a manufacturing unit, a prospective investor is required to obtain registration as an 'investor' on invest.mpidc.co.in.<sup>17</sup></li> <li>Pursuant to such registration, land can be reserved through the Madhya Pradesh Industrial Development Corporation (MPIDC) portal wherein the investor can select the industrial area to be reserved and view the vacant plots. The competent authority will thereafter assess the land requirement of the investors and make changes if necessary.<sup>18</sup></li> <li>All other permissions/licenses/registrations (as detailed in Section 3 below) must be obtained from the relevant state or central authorities after allotment of land and issuance of letter of intent by MPIDC.</li> </ul>
6.	<i>Supa Japanese Industrial Park, Maharashtra</i>	
	Key Incentives Offered <sup>19</sup>	<ul style="list-style-type: none"> <li>FCI of up to 30-100% for 7-10 years depending on the size of the project;</li> <li>100% stamp duty exemption for specific areas; and</li> <li>Special incentives for industries in agro and food processing, green energy, biofuel sectors.</li> </ul>

<sup>16</sup> Industrial Promotion Policy 2014 (amended as of Dec 2018), Government of Madhya Pradesh, available online at <http://www.dst.mp.gov.in/sites/default/files/2019-09/Industrial%20Promotion%20Policy%202014%20amended.pdf>, last accessed on: March 07, 2022

<sup>17</sup> [https://invest.mp.gov.in/Investor\\_Registration\\_Process.pdf](https://invest.mp.gov.in/Investor_Registration_Process.pdf)

<sup>18</sup> [https://invest.mp.gov.in/Land\\_booking\\_by\\_Investor\\_Process.pdf](https://invest.mp.gov.in/Land_booking_by_Investor_Process.pdf)

<sup>19</sup> New Industrial Policy 2019 - For Futuristic Maharashtra, Industries Department, Government of Maharashtra, available online at <http://www.dst.mp.gov.in/sites/default/files/2019-09/Industrial%20Promotion%20Policy%202014%20amended.pdf>, last accessed on: March 07, 2022

S.No.	Field	Particulars
	Procurement of land on lease/ process for setting up a manufacturing unit <sup>20</sup>	<ul style="list-style-type: none"> <li>For the purposes of procuring land on lease and setting up a manufacturing unit, a prospective investor is required to approach the Maharashtra Industrial Development Corporation (MIDC) for registration as an MSME or large or mega project.</li> <li>The investor would be required to submit a land application and obtain building approvals from MIDC.</li> <li>All other necessary permissions/licenses/registrations (as detailed in Section 3 below) must be obtained from the relevant state or central authorities after allotment of land.</li> </ul>
7.	<i>Neemrana Industrial Park, Rajasthan</i>	
	Key Incentives Offered <sup>21</sup>	<ul style="list-style-type: none"> <li>Capital subsidy of 25% of investment made on plant and machinery up to USD 0.07 million;</li> <li>Employment generation subsidy in the form of reimbursement of 50% of employers' contribution towards EPF and ESI for 7 years (subject to certain conditions for employing persons domiciled in Rajasthan, women, persons with disabilities and scheduled castes);</li> <li>100% exemption from payment of electricity duty for 7 years;</li> <li>100% stamp duty exemption on: <ul style="list-style-type: none"> <li>purchase or lease/sub-lease of land and construction or improvement on such land;</li> <li>purchase or lease/sub-lease of floor area/space in any constructed commercial building for setting up of an enterprise in the IT sector, apparel sector or industries using automation, and data exchange in manufacturing technologies (known as industry 4.0.); and</li> </ul> </li> <li>Special benefits to manufacturing enterprises in thrust sectors.</li> </ul>
	Procurement of land on lease/ process for setting up a manufacturing unit in Neemrana and Ghilot	<ul style="list-style-type: none"> <li>For the purposes of procuring land on lease and setting up a manufacturing unit, a prospective investor is required to file an application with the Rajasthan State Industrial Development &amp; Investment Corporation Ltd. ("RIICO").</li> <li>Once the land is procured on lease, the investor is required to obtain the building approvals from RIICO.</li> <li>All other necessary permissions/licenses/registrations (as detailed in Section 3 below) must be obtained from the</li> </ul>

<sup>20</sup>

[https://di.maharashtra.gov.in/ layouts/15/doistaticsite/English/investors\\_guide.html](https://di.maharashtra.gov.in/ layouts/15/doistaticsite/English/investors_guide.html)

<sup>21</sup> Rajasthan Development Policy 2019, Government of Rajasthan, available online at: <https://rajnivesh.rajasthan.gov.in/Uploads/a1786588-588a-46fc-8452-3ad89b2f59a2.pdf>, last accessed on: March 07, 2022

S.No.	Field	Particulars
		relevant state or central authorities after the allotment of land.
8.	<i>Ghilot, Rajasthan</i>	
	Key Incentives Offered	Same as incentives available to units in Neemrana Industrial Park.
9.	<i>OneHub Chennai, Tamil Nadu</i>	
	Key Incentives Offered <sup>22</sup>	<ul style="list-style-type: none"> <li>50%-100% concession on stamp duty payable on lease or purchase of land/shed/buildings meant for industrial use depending on location of the enterprise and sector of enterprise;</li> <li>Green industry incentives to industrial projects undertaking green initiatives for recycling waste and water for industrial use and sustainable energy usage, coupled with online monitoring, for instance, 25% subsidy on the cost of setting up such environmental protection infrastructure in certain areas (subject to a maximum of approx. USD 0.13 million); and</li> <li>Enhanced incentives for intellectual property creation, for instance, 50% reimbursement on the expenditure incurred by the project for the investment period for registration of a patent, copyright, trademark etc. (subject to a maximum of approx. USD 0.13 million for the period of investment).</li> </ul>
	Procurement of land on lease/ process for setting up a manufacturing unit	<ul style="list-style-type: none"> <li>For the purposes of procuring land on lease, a prospective investor is required to contact the developer 'Capita Land'.<sup>23</sup> The process of procurement takes about 2 months, and no additional approvals are required for the same.</li> <li>Once the land is procured on lease, the investor is required to obtain the building approval from the Directorate of Town and Country Planning (DTCP), Chennai, Tamil Nadu.</li> <li>All other necessary permissions/licenses/registrations (as detailed in Section 3 below) must be obtained from the relevant state or central authorities after allotment of land.</li> </ul>
10.	<i>Origins, Tamil Nadu</i>	
	Key Incentives Offered	Same as incentives available to units in OneHub.
	Procurement of land on lease/ process for setting up a manufacturing unit	<ul style="list-style-type: none"> <li>For the purposes of procuring land on lease, a prospective investor is required to contact the developer 'Mahindra World City'. A simple e-mail to the point of contact is sufficient to initiate the process of selecting a plot as per</li> </ul>

<sup>22</sup> Tamil Nadu Industrial Policy 2021, Government of Tamil Nadu, available online at [https://www.indembassybern.gov.in/docs/1617966871Tamil\\_Nadu\\_Industrial\\_Policy\\_2021.pdf](https://www.indembassybern.gov.in/docs/1617966871Tamil_Nadu_Industrial_Policy_2021.pdf), last accessed on: March 07, 2022

<sup>23</sup> <https://www.capitaland.com/content/dam/sites/onehubchennai/index.html>

S.No.	Field	Particulars
		<p>investor's requirements and procuring the land on lease. No additional approvals are required for the lease and the process can be initiated as soon as plot is finalized.</p> <ul style="list-style-type: none"> <li>Once the land is procured on lease, the investor is required to obtain the building approval from the Directorate of Town and Country Planning (DTCP), Chennai, Tamil Nadu.</li> <li>All other necessary permissions/licenses/registrations (as detailed in Section 3 below) must be obtained from the relevant state or central authorities after allotment of land.</li> </ul>
11.	<i>Sojitz Motherson Industrial Park, Tamil Nadu</i>	
	Key Incentives Offered	Same as incentives available to units in OneHub.
	Procurement of land on lease/ process for setting up a manufacturing unit	<ul style="list-style-type: none"> <li>For the purposes of procuring land on lease, a prospective investor is required to contact the Sojitz Motherson Joint Venture (<a href="http://www.smip-india.com">http://www.smip-india.com</a>). No additional approvals are required for the lease and the process can be initiated as soon as plot is finalized.</li> <li>Once the land has been procured on lease, the investor is required to obtain the building approval from the Directorate of Town and Country Planning (DTCP), Chennai, Tamil Nadu.</li> <li>All other necessary permissions/licenses/registrations (as detailed in Section 3 below) must be obtained from the relevant state or central authorities after allotment of land.</li> <li>The entire process takes about 6 months from incorporation of the company.</li> </ul>
12.	<i>DMIC, Integrated Industrial Township, Greater Noida, Uttar Pradesh (DMIC IITGNL)</i>	
	Key Incentives Offered <sup>24</sup>	<ul style="list-style-type: none"> <li>Capital subsidy of 10%-20% of FCI for new units;</li> <li>Certain employment generation subsidy in the form of ESI and EPF reimbursement; and</li> <li>Special incentives, including electricity, equity participation, and other assistance, for NRI entrepreneurs.</li> </ul>
	Procurement of land on lease/ process for setting up a manufacturing unit <sup>25</sup>	<ul style="list-style-type: none"> <li>For the purposes of procuring land on lease, a prospective investor is required to file an online application at <a href="http://www.iitgnl.com">www.iitgnl.com</a>.</li> <li>Once the land is procured on lease, the investor is required to obtain the building approvals from DMIC IITGNL – such building approvals typically takes 30 days</li> </ul>

<sup>24</sup> Indian States Economy and Business - Uttar Pradesh, India Brand Equity Foundation, available online at <https://www.ibef.org/download/uttarpradesh.pdf>, last accessed on: March 07, 2022

<sup>25</sup> <https://www.greaternoidaauthority.in/files/attachments/iitgnl5218.pdf>

S.No.	Field	Particulars
		<p>from the date of successful application / re-submission together with all the requisite documents.</p> <ul style="list-style-type: none"> <li>• Thereafter, the investor is required to commence construction within 6 months from date of possession of the plot and inform DMIC IITGNL in writing.</li> <li>• All other necessary permissions/licenses/registrations (as detailed in Section 3 below) must be obtained from the relevant state or central authorities after the allotment of land.</li> </ul>

### 3.3. Requisite Permissions/Approvals/Registrations for Setting-up a Unit

In addition to the above process highlighted for procuring land on lease in JITs for setting up a manufacturing unit, there are other aspects which must be taken care of by an investor seeking to make a greenfield or brownfield investment. The information given hereunder seeks to provide a brief overview of the approvals required from the Ministry of Corporate Affairs (“MCA”) and other state governmental bodies for establishment of, or investing into, a company in India.

- (a) Foreign exchange related approvals: As per the foreign exchange laws in India, FDI can be made only to the extent of the percentage as specified in the FDI policy for the relevant sectors. Such investments can be made either through the automatic route (where no approval is required from the Indian government) or the government route (where prior approval of the Indian government is required). In addition, various sector specific laws may be applicable depending on the industry in which investment is proposed, which provide for seeking licenses and registrations and specify other requirements to be complied with, and these laws should be adequately accounted for while making any investment decision. For instance, the insurance industry regulator, i.e., the Insurance Regulatory and Development Authority of India (IRDAI) mandates compulsory registration of insurers (life and non-life categories) and insurance intermediaries (corporate agents, insurance brokers, third party administrators, web aggregators, etc.) and further provides for codes of conduct, minimum capital requirement, composition of the board of directors, etc.

Further, any investment by a non-resident investor through acquisition or subscription of shares of an Indian company requires adherence to the pricing guidelines. Accordingly, the consideration paid by such non-resident investor for acquisition / subscription of shares should be equal to or above the fair market value of such shares.

- (b) Incorporation related registrations: An investor wishing to set up a manufacturing unit in India will be required to incorporate a company/ limited liability partnership/ partnership with the MCA by obtaining the requisite registration and a certificate of incorporation. Further, if applicable for the business, registration as an MSME (micro, small or medium enterprise) unit may be obtained online on the official portal of Ministry of Micro, Small, Medium Enterprises, which will make the unit eligible for various schemes and incentives offered by the state and central governments to MSMEs.

- (c) Tax related registrations: There are two main registrations required to be obtained from the (Indian) Income Tax Department which are: (i) PAN (Permanent Account Number) used as an identifier for a taxpayer by the authorities to assess tax payable, file returns on income, undertake specified transactions, etc.; and (ii) TAN (Tax Deduction and Collection Account Number) used by businesses and individuals who deduct or collect tax at source. Further, a GST (goods and services) tax registration certificate from the GST Tax department is required to be obtained for paying applicable tax on the supply of goods and services.
- (d) Environmental permits: In India, certain types of activities specified by the Ministry of Environment, Forest and Climate Change require undergoing a process to obtain Environment Clearance (“EC”) which covers aspects such as screening, scoping and evaluation of the upcoming project. The geographical location of the project and the prevailing site guidelines for such location determine whether an EC will be required after which the category of the project determines the clearance process. In addition to this, consent to establish and consent to operate (colloquially known as an ‘NOC’) is required to be obtained from the relevant state pollution control board. Further, specific authorizations for the treatment of hazardous and e-waste generated by a manufacturing unit will have to be obtained from the relevant authorities if the waste generated at the unit falls within the purview of ‘hazardous waste’ or ‘e-waste’.
- (e) Labour and employment registrations: A manufacturing unit is required to comply with various labour legislations including obtaining registration under the Factories Act, 1948. Further, subject to the thresholds specified by the respective state government in which the unit is set up, an employer is required to make gratuity payments, employee contributions, professional tax contributions, etc. by registering itself with the Employees Provident Fund Organization, Employees State Insurance Corporation, and the state Labour Welfare Fund board. If labourers are hired through a contractor, the investor will be required to obtain a registration under Contract Labour Act, 1970 and ensure compliance thereunder.

#### 4. CONCLUSION

While JITs set up across the country have been designed with the general intent of optimizing investments in India by Japanese investors, it is pertinent for an investor to assess several aspects while setting up of a manufacturing unit in any of the JITs. This includes the cluster of incentives offered by concerned JITs that are best suited to the business plan and the relevant sector or industry in which the investment is proposed to be made; the ease of obtaining approvals in the particular state in which the JIT is located; availability of skilled labour; and other similar considerations. Another key consideration while narrowing down on the location of the JIT would be the level of assistance provided to the investors by the administrative staff and the concerned authorities of the said JIT in obtaining government approvals and other necessary permits/registrations required for the business.

It is noteworthy that India being a labour-intensive economy and having a fairly young population, provides an opportunity to Japanese investors to benefit from the availability of a young work-force in comparison to the ageing work-force in Japan. In addition to the demographic advantage, the Indian government is dedicated to catering to the interests of investors to achieve unprecedented growth with a sharp focus on boosting manufacturing activities in the country.

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