

1.2 AN ANALYSIS ON INDUSTRIAL INVESTMENT INTENTIONS IN THE LICENSABLE AND DELICENCED SECTOR

Status of Industrial Licensing - Policy and Procedures

The Government's liberalization and economic reforms programme aims at rapid and substantial economic growth, and integration with the global economy in a harmonized manner. The industrial policy reforms have reduced the industrial licensing requirements, removed restrictions on investment and expansion, and facilitated easy access to foreign technology and foreign direct investment.

Licensing Policy

Under the Industries (Development & Regulation) Act, 1951, an industrial licence is required in respect of the following items of manufacture falling under the list of compulsory licensing (only 5 industries are in the list).

Vide Notification No.998(E), dt. 10.4.2015, the department has omitted the list of items reserved for exclusive manufacture in Small Scale Sector from the list of items under compulsory licensing from Schedule-III of the I (D&R) Act,1951.

In addition certain industries are reserved exclusively for the Public Sector (presently Atomic Energy and Railway Transport come under this category).

With progressive delicensing of industries, only 5 industries have been retained under compulsory licensing under the Industries (D&R) Act, 1951 viz.

- (i) Distillation and brewing of alcoholic drinks; (*Licensing ceased by DIPP in compliance with Hon. Supreme Court Order dated 29.01.1997 in Bihar Distillery case which ruled that Industries engaged in manufacture of Potable alcohol would be under the jurisdiction of States*)
- (ii) Cigars and cigarettes of tobacco and manufactured tobacco substitutes; (Fresh Licenses are not being issued for the manufacture of this item on health ground since 1999)
- (iii) Electronic aerospace and Defence equipment: all types;
- (iv) Industrial explosives including detonating fuses, Safety Fuses, gun powder, nitrocellulose and matches;
- (v) Hazardous chemicals: viz. (a) Hydrocyanic acid and its Derivatives; (b) Phosgene and its derivatives; (c) Isocyanates and di-isocyanates of hydrocarbon, not elsewhere specified (example: Methyl Isocyanate)

Delicensed Sector

All non-MSME category Industrial undertakings exempt from obtaining an industrial licence are required to file an Industrial Entrepreneur Memorandum (IEM). An acknowledgement is issued immediately on receipt of Part 'A' of the IEM form and no further approval is required, under the Industries (D&R) Act, 1951. Immediately after commencement of commercial production, Part 'B' of the IEM has to be filed by the entrepreneur.

Filing an IEM is primarily for the purpose of collecting data about the delicensed sector on investment, employment and type of industrial activity. It is also for the purpose of conducting a limited post facto scrutiny of the unit, mainly to preclude them from manufacturing a compulsory licensable item.

To create a business and investor friendly environment, the Government initiated new portal from 16th October 2018 replacing e-biz portal (services.dipp.gov.in-lms) under G2 B portal for delivery of convenient and efficient services.