EXHIBIT NO. 1

INDUSTRIAL POLICY RESOLUTION, (30th April, 1956)

The Government of India set out in their Resolution dated 6 April, 1948 the policy which they proposed to pursue in the industrial field. The Resolution emphasised the importance to the economy of securing a continuous increase in production and its equitable distribution, and pointed out that the State must play of progressively active role in the development of Industries. It laid down that besides arms and ammunition, atomic energy and railway transport, which would be the monopoly of the Central Government, the State would be exclusively responsible for the establishment of new undertakings in six basic industries-except where, in the national interest, the State itself found it necessary to secure the cooperation of private enterprise. The rest of the industrial field was left open to private enterprise though it was made clear that the State would also progressively participate in this field.

2. Eight years have passed since this declaration on industrial policy. These eight years have witnessed many important changes and developments in India. The constitution of India has been enacted, guaranteeing certain Fundamental Rights and enunciating Directive Principles of State Policy. Planning has proceeded on an organised basis, and the First Five Year Plan has recently been completed. Parliament has accepted the socialist pattern of society as the objective of social and economic policy. These important developments necessitate a fresh statement of industrial policy, more particularly as the Second Five Year Plan will soon be placed before the country. This policy must be governed by the principles laid down in the Constitution, the objective of socialism, and the experience gained during these years.

3. The Constitution of India, in its preamble, has declared that it aims at securing for all its citizens:

" JUSTICE, Social, economic and political;

LIBERTY of thought, expression, belief, faith and worship;

EQUALITY of status and opportunity; and to promote among them all;

FRATERNITY assuring the dignity of the individual and the unity of the Nation".

In its Directive Principles of State Policy, it is stated that-

"The State shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social economic and political, shall inform all the institutions of the national life."

Further that-

"The State shall, in particular, direct its policy towards securing-

(a) that the citizens, men and women equally, have the right to an adequate means of livelihood;

(b) that the ownership and control of the material resources of the community are so distributed as best to subserve the common good;

(c) that the operation of economic system does not result in the concentration of wealth and means of production to the common detriment;

(d) that there is equal pay for equal work for both men and women;

(e) that the health and strength of workers, men and women, the tender age of children are not abused and that citizens are not forced by economic necessity to enter vocations unsuited to their age or strength;

(f) that childhood and youth are protected against exploitation and against moral and material abandonment."

4. These basic and general principles were given a more precise direction when Parliament accepted in December, 1954, the socialistic pattern of society as the objective of social and economic policy. Industrial policy, as other policies, must therefore, be governed by these principles and directions

5. In order to realise this objective, it is essential to accelerate the rate of economic growth and to speed up industrialisation and, in particular, to develop heavy industries and machine making industries, to expand the public sector, and to build up a large and growing cooperative sector.

EXHIBIT NO. 1(Contd.)
INDUSTRIAL POLICY RESOLUTION (30th April, 1956)

These provide the economic foundations for increasing opportunities for grainful employment and improving living standards and working conditions for the mass of the people. Equally, it is urgent, to reduce disparities in income and wealth exist, today, to prevent private monopolies and concentration of economic power in different fields in the hands of small numbers of individuals. Accordingly, the State will progressively assume a predominent and direct responsibility for setting up new indu-strial undertakings and for developing transport facilities. It will also undertake State trading on an increasing scale. At the same time, as an agency for planned national development, in the context of country's expanding economy, the private sector will have the opportunity to develop and expand. The principle of cooperation should be applied whenever possible and a steadily increasing proportion of the activities of the private sector developed along cooperative lines.

6. The adoption of the socialist pattern of society as the national objective, as well as the need for planned and rapid development, require that all industries of basic and strategic importance, or in the nature of public utility services, should be in the public sector. Other industries which are essential and require investment on a scale which only the State, in present circumstances, could provide, have also to be in the public sector. The State has, therefore, to assume direct responsibility for the future development of industries over a wide area. Nevertheless, there are limiting factors which make it necessary at this stage for the State to define the field in which it will undertake sole responsibility for further development, and to make a selection of industries in the development of which it will play a dominant role. After considering all aspects of the problem in consultation with the Planning Commission, the Government of India have decided to classify industries into three categories, having regard to the part which the State would play in each of them. These categories will inevitably overlap to some extent and too great a rigidity might defeat the purpose in view. But the basic principles and objectives have always to be kept in view and the general directions hereafter referred to be followed. It should also be remembered that it is always open to the State to undertake any type of industrial production.

7. In the first category will be industries the future development of which will be the exclusive responsibility of the State. The second category will consist of industries which will be progressively state-owned and in which the State will, therefore, generally take the initiative in establishing new undertakings, but in which private enterprise will also be expected to supplement the efforts of the State. The third category will include all the remaining industries, and their future development will, in general, be left to the initiative and enterprise of the private sector.

8. Industries in the first category have been listed in Schedule-A of this Resolution. All new units in these industries, save where their establishment in the private sector has already been approved, will be sent only by the State. This does not preclude the expansion of the existing privately owned units, or the possibility of the State securing the cooperation of private enterprise in the establishment of new units when the national interests so require. Railways and air transport, arms and ammunition and atomic energy will however, be developed as Central Government monopolies. Whenever cooperation with private enterprise is necessary, the State will ensure, either through majority participation in the capital or otherwise, that it has the requisite powers to guide the policy and control the operations of the undertakings.

9. Industries in the second category will be those listed in Schedule-B. With a view to accelerating their future develoment, the State will increasingly establish new undertakings in these industries. At the same time, private enterprise will also have the opportunity to develop in this field, either on its own or with State participation.

10. All the remaining industries will fall in the third category, and it is expected that their development will be undertaken ordinarily through the initiative and enterprise of the private sector, though it will be open to the State to start any industry even in this category. It will be the policy of the State to facilitate and encourage the development of these industries in the private sector, in accordance with the programmes formulated in successive Five Year Plans, by ensuring the

EXHIBIT NO. 1(Contd.)
INDUSTRIAL POLICY RESOLUTION (30th April, 1956)

development of transport, power and other services, and by appropriate fiscal and other measures. The State will continue to foster institutions to provide financial aid to these industries, and special assistance will be given to enterprises organised on cooperative lines for industrial and agricultural purposes. In suitable cases, the State may also grant financial assistance to the private sector. Such assistance, especially when the amount involved is substantial, will preferably be in the form of participation in equity capital, though it may also be in part, the form of debenture capital.

11. Industrial undertakings in the private sector have necessarily to fit into the framework of the social and economic policy of the State and will be subject to control and regulation in terms of the Industries (Development and Regulation) Act and other relevant legislation. The Government of India, however, recognise that it would, in general, be desirable to allow such undertakings to develop with as much freedom as possible, consistent with the targets and objectives of the national plan. When there exist in the same industry both privately and publicly owned units, it would continue to be the policy of the State to give fair and non-discriminatory treatment to both of them.

12. The division of industries into separate categories does not imply that they are being placed in water-tight compartments. Inevitably, there will not only be an area of overlapping but also a great deal of dove-tailing between industries in the private and the public sectors. It will be open to the State to start any industry not included in Schedule-A and Schedule-B when the needs of planning so require or there are other important reasons for it. In appropriate cases, privately owned units may be permitted to produce an item falling within Schedule-A for meeting their own requirements or as by-products. There will be ordinarily no bar to small privately owned units undertaking production, such as the making of launches and other lightcraft, generation for power for local needs and small-scale mining. Further, heavy industries in the public sector may obtain some of their requirements of lighter components from the private sector, while the private sector in turn would rely for many of its needs on the public sector. The same principle would apply with even greater force to the relationship between large scale and small scale industries.

13. The Government of India would, in this context, stress the role of cottage and village and small scale industries in the development of the national economy. In relation to the some of the problems that need urgent solutions, they offer some distinct advantages. They provide immediate large scale employment; they offer a method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilisation of resources of capital and skill which might otherwise remain unutilised. Some of the problems that unplanned urbanisation tends to create will be avoided by the establishment of small centres of industrial production all over the country.

14. The State has been following a policy of supporting cottage and village and small scale industries by restricting the volume of production in the large scale sector, by differential taxation, or by direct subsidies. While such measures will continue to be taken, whenever necessary, the aim of the State Policy will be to ensure that the decentralised sector acquires sufficient vitality to be self supporting and its development is integrated with that of large-scale industry. The State will, therefore, concentrate on measures designed to improve the competitive strength of the small-scale producer. For this it is essential that the technique of production should be constantly improved and modernised, the pace of transformation being regulated so as to avoid, as far as possible, technological unemployment. Lack of technical and financial assistance, of suitable working accommodation and inadequacy of facilities for repair and maintenance are among the serious handicaps of small scale producers. A start has been made with the establishment of industrial estates and rural community workshops to make good these deficiencies. The extension of rural electrification, and the availability of power at prices which the workers can afford will also be of considerable help. Many of the activities relating to small scale production will be greatly helped by the organisation of industrial cooperatives. Such cooperatives should be encouraged in every way and the State should give constant attention to the development of cottage and village and small scale industry.

EXHIBIT NO. 1 (Contd.)
INDUSTRIAL POLICY RESOLUTION (30th April, 1956)

15. In order that industrialisation may benefit the economy of the country as a whole, it is important that disparities in levels of development between different regions should be progressively reduced. The lack of industries in different parts of the country is very often determined by factors such as the availability of the necessary raw material and other natural resources. A concentration of industries in certain areas has also been due to the ready availability of power, water supply and transport facilities which has been developed there. It is one of the aims of national planning to ensure that these facilities are steadily made available to areas which are at present lagging behind industrially or where there is greater need for providing opportunities for employment provided the location is otherwise suitable. Only by securing a balanced and coordinated development, of the industrial and the agricultural economy in each region, can the entire country attain higher standards of living.

16. This programme of industrial development will make large demand on the country's resources of technical and managerial personnel. To meet these rapidly growing needs for the expansion of the public sector and for the deve-lopment of the village and small scale industries, proper managerial and technical cadres in the public services are being established. Steps are also being taken to meet shortages at supervisory levels, to organise apprenticeship schemes of training on a large scale both in public and in private enterprises, and to extend training facilities in business management in universities and other institutions.

17. It is necessary that proper amenities and incentives should be provided for all those engaged in industry. The living and working conditions of workers should be improved and their standards of efficiency raised. The maintenance of industrial peace is one of the prime requisities of industrial progress. In a socialist democracy, labour is a partner in the common task of development and should participate with enthusiasm. Some laws governing industrial relations have been enacted and a broad common approach has developed with growing recognition of the obligations of both management and labour. There should be joint consultation and workers and technicians should whereever possible, be associated progressively in management. Enterprises in the public sector have to set an example in this respect.

18. With the growing participation of the State in industry and trade, the manner in which these activities should be conducted and managed assumes considerable importance. Speedy decisions and a willingness to assumes responsibility are essential if these enterprises are to succeed. For this wherever possible, there should be decentralisation of authority and their management should be along business lines. It is to be expected that public enterprises will augment the revenues of the State and provide resources for further development in fresh fields. But such enterprises may sometimes incur losses. Public enterprises have to be judged by their total results and in their working they should have the largest possible measure of freedom.

19. The Industrial Policy Resolution of 1948 deals with a number of other subjects which have since been covered by suitable legislation or by authoritative statement of policy. The division of responsibility between Central Government and the State Governments in regard to industries has been set out in the Industries (Development and Regulation) Act. The Prime Minister, in his statement in Parliament on 6 April, 1949, has enunciated the policy of the State in regard to foreign capital. It is, therefore, not necessary to deal with these subjects in this resolution.

20. The Government of India trust that this statement of their Industrial Policy will receive the support of all sections of the people and promote the rapid industrialisation of the country.

Source: Ministry of Industry.

EXHIBIT NO. 1 (Contd.)
INDUSTRIAL POLICY RESOLUTION (30th April, 1956)

SCHEDULE-A

1. Arms and ammunition and allied items of defence equipment.
2. Atomic energy.
3. Iron and Steel.
4. Heavy castings and forgings of iron and steel.
5. Heavy plant and machinery required for iron and steel production, for mining, for machine tool manufacture and for such other basic industries as may be specified by the Central Government.
6. Heavy electrical plant including large hydraulic and steam turbines.
7. Coal and lignite.
8. Mineral oils.
9. Mining of iron ore, manganese ore, chrome-ore, gypsum, sulphur, gold and diamond.
10. Mining and processing of copper, lead, zinc, tin, molybdenum and wolfram.
11. Minerals specified in the Schedule to the Atomic Energy (Control of Production and Use) Order, 1953.
12. Aircraft.
13. Air transport.
14. Railway Transport.
15. Ship Building.
16. Telephones and telephone cables, telegraph and wireless apparatus (excluding radio receiving sets).
17. Generation and distribution of electricity.

EXHIBIT NO.2
INDUSTRIAL POLICY - GOVERNMENT DECISIONS OF
FEBRUARY 2, 1973 - KEY PROVISIONS

The Industrial Licensing Policy of February 18, 1970 had placed certain restrictions on undertakings belonging to the large industrial houses defined on the basis of assets exceeding to Rs.35 crore. In 1973, the definition of large industrial houses for industrial licensing restrictions was adopted in conformity with that in the Monopolies and Restrictive Trade Practices Act (MRTPA) 1969 on the basis of assets exceeding Rs.20 crore to provide more effective control on concentration of economic power. A consolidated list of industries that were of basic, critical and strategic importance for the growth of the economy and that had long term export potential were specified in Appendix.I. MRTP companies and foreign concerns were eligible to participate in Appendix.I industries that were not reserved for production in the public sector (Schedule A of IPR, 1956) or the small scale sector (involving investment in plant and machinery upto Rs.7.5 lakh and upto Rs.10 lakh for ancillary undertakings). Preference would be given to small and medium entrepreneurs over the large industrial houses and foreign companies in the setting up of new capacity. Cooperatives, small and medium entrepreneurs would also be encouraged to participate in the production of mass consumption goods.

Exemption from licensing provisions for substantial expansion and new undertakings of upto Rs.1 crore by way of fixed assets in land, building and machinery was specified though for MRTPA and foreign companies this exemption would not apply. Exemption from licensing would also not apply to existing licensed or registered undertakings having fixed assets exceeding Rs.5 crore.

Source: Department of Industrial Development, Ministry of Industry

EXHIBIT NO. 3
INDUSTRIAL POLICY - GOVERNMENT DECISIONS OF
DECEMBER 23, 1977 - KEY PROVISIONS

In the 1977 Policy Statement it was noted that though some elements of the Industrial Policy Resolution of 1956 still remained valid, certain structural distortions had crept in the system. The new policies were hence directed towards removing these distortions. It provided for a closer interaction between the agricultural and industrial sectors, accorded the highest priority to the generation and transmission of power and an exhaustive analysis of industrial products was made to identify products which are capable of being produced in the small scale sector. The list of industries exclusively reserved for the small scale sector was expanded from 180 items to more than 500 items. It provided for an annual review of this list in view of new products and new processes of manufacture that emerge. Within the small scale sector, a tiny sector was also defined with investment in machinery and equipment upto Rs.1 lakh and situated in towns with a population of less than 50,000 according to 1971 census figures, and in villages. Special legislation to protect cottage and household industries was also proposed to be introduced.

A District Industries Centre would be set up to provide, under a single roof, all the services and support required by small and village entrepreneurs. In addition, the Khadi and Village Industries Commission would plan and develop the 22 village industries under its purview.

The areas delineated for the large scale industry were :

(a) basic industries that are essential for providing infrastructure and for the development for small and village industries, such as steel, non-ferrous metals, cement, oil refineries;

(b) capital goods industries;

(c) high technology industries that require large scale production and that are related to agricultural and small scale industrial development such as fertilizers, pesticides and petro-chemicals; and

(d) other industries that are outside the list of reserved items for the small scale sector, such as machine tools, and organic and inorganic chemicals.

It was also clarified that foreign companies that diluted their foreign equity upto 40% under the Foreign Exchange Regulation Act (FERA), 1973 would be treated on par with Indian companies. A list of industries was issued where no foreign collaboration, financial or technical, was considered necessary since indigenous technology was fully developed in the field. For all approved foreign investment, complete freedom for remittance of profits, royalties, dividends and repatriation of capital (subject to rules and regulations common to all) was provided. Only in highly export oriented and/ or sophisticated technology areas fully owned foreign companies were to be permitted.

It was also decided that compulsory export obligations, merely for ensuring the foreign exchange balance of the project, would no longer be insisted upon while approving new industrial capacity. In cases where a relaxation from industrial policy has been accorded specially on considerations of export alone, compulsory export obligations would continue to be imposed and for sufficiently long periods.

In order to secure balanced regional development it was decided that industrial licences would not be issued to new industrial units for location within certain limits of large metropolitan cities having a population of more than 1 million and urban areas with a population of more than 5 lakhs as per the 1971 census.

In the areas of price control of agricultural and industrial products, the prices would be regulated to ensure an adequate return to the investor. The take over of the management of sick units by the Government would be resorted to only selectively in view of the large amounts of public funds pumped into sick units that have been taken over but which continued to make losses which have to be are financed by the public exchequer.

Source: Department of Industrial Development, Ministry of Industry

EXHIBIT NO.4
STATEMENT ON INDUSTRIAL POLICY
JULY 23, 1980 - KEY PROVISIONS

The Industrial Policy Statement of July 1980, which is based as the Industrial Policy Resolution of 1956, spells out the following socio-economic objectives:

(i) Optimum utilisation of installed capacity;

(ii) Maximum production and achieving higher productivity;

(iii) Higher employment generation;

(iv) Correction of regional imbalances;

(v) Strengthening of the agricultural base through agrobased industries and promotion of optimum inter-sectoral relationship;

(vi) Promotion of export-oriented industries;

(vii) Promotion of economic federalism through equitable spread of investment and dispersal of returns; and

(viii) Consumer protection against high prices and bad quality

Noting the erosion in people's faith in the public sector, it was decided to launch a drive to revive the efficiency of public sector undertakings through a time bound programme of corrective action on a unit by unit basis. Effective steps would also be taken to develop the management cadres of public sector undertakings in functional fields such as operations, finance, marketing and information system.

In order to eliminate the artificial distinction of conflicting interests between small and large scale industry, the concept of economic federalism would be promoted through the setting up of a few nucleus plants in identified industrially backward districts.

The nucleus plant would concentrate on assembling the products of the ancillary units falling within its orbit, on producing inputs needed by a large number of smaller units and making adequate marketing arrangements. The nucleus plant would also work for upgrading the technology of small units. The Government would promote the development of a system of linkages between nucleus large plants and the satellite ancillaries.

To boost the development of small scale industries, the investment limit in the case of tiny units was enhanced to Rs.2 lakh, of a small scale units to Rs.20 lakh and of ancillaries to Rs.25 lakh. A scheme for building buffer stocks of essential raw materials for the Small Scale Industries was introduced for operation through the Small Industries Development Corporations in the States and the National Small Industries Corporation in the Centre.

In order to ensure fullest utilisation of existing industrial capacities, particularly in core industries and in industries with a long term export potential, the facility of automatic expansion of capacity of 5% per annum or 25% in a five year plan period to be taken in one or more stages was permitted to all Appendix I Industries. Requests for setting up 100% export oriented units and for expansion of existing units for purposes of export would also be considered sympathetically.

Industrial processes and technologies aimed at optimum utilisation of energy or the exploitation of alternative sources of energy would be given special assistance, including finance on concessional terms. Similar benefits would be given to activities that contribute directly to the improvement of the environment and reduce the deleterious effects on pollution of air and water.

Source: Department of Industrial Development, Ministry of Industry

EXHIBIT NO.5
STATEMENT ON INDUSTRIAL POLICY, JULY 24, 1991.

POLICY OBJECTIVES

Pandit Jawaharlal Nehru laid the foundations of modern India. His vision and determination have left a lasting impression on every facet of national endeavour since Independence. It is due to his initiative that India now has a strong and diversified industrial base and is a major industrial nation of the world. The goals and objectives set out for the nation by Pandit Nehru on the eve of Independence, namely, the rapid agricultural and industrial development of our country, rapid expansion of opportunities for gainful employment, progressive reduction of social and economic disparities, removal of poverty and attainment of self-reliance remain as valid today as at the time Pandit Nehru first set them out before the nation. Any industrial policy must contribute to the realisation of these goals and objectives at an accelerated pace. The present statement of industrial policy is inspired by these very concerns, and represents a renewed initiative towards consolidating the gains of national reconstruction at this crucial stage.

2. In 1948, immediately after Independence, Government introduced the Industrial Policy Resolution. This outlined the approach to industrial growth and development. It emphasised the importance to the economy of securing a continuous increase in production and ensuring its equitable distribution. After the adoption of the Constitution and the socio-economic goals, the Industrial Policy was comprehensively revised and adopted in 1956. To meet new challenges, from time to time, it was modified through statements in 1973, 1977 and 1980.

3. The Industrial Policy Resolution of 1948 was followed by the Industrial Policy Resolution of 1956 which had as its objective the acceleration of the rate of economic growth and the speeding up of industrialisation as a means of achieving a socialist pattern of society. In 1956, capital was scarce and the base of entrepreneurship not strong enough. Hence, the 1956 Industrial Policy Resolution gave primacy to the role of the State to assume a predominant and direct responsibility for industrial development.

4. The Industrial Policy Statement of 1973, *inter alia*, identified high-priority industries where investment from large industrial houses and foreign companies would be permitted.

5.The Industrial Policy Statement of 1977 laid emphasis on decentralisation and on the role of small-scale, tiny and cottage industries.

6. The Industrial Policy Statement of 1980 focussed attention on the need for promoting competition in the domestic market, technological upgradation and modernisation. The policy laid the foundation for an increasingly competitive export base and for encouraging foreign investment in high-technology areas. This found expression in the Sixth Five Year Plan which bore the distinct stamp of Smt. Indira Gandhi. It was Smt. Indira Gandhi who emphasised the need for productivity to be the central concern in all economic and production activities.

7. These policies created a climate for rapid industrial growth in the country. Thus on the eve of the Seventh Five Year Plan, a broad-based infrastructure had been built up. Basic industries had been established. A high degree of self-reliance in a large number of items - raw materials, intermediates, finished goods - had been achieved. New growth centres of industrial activity had emerged, as had a new generation of entrepreneurs. A large number of engineers, technicians and skilled workers had also been trained.

8. The Seventh Plan recognised the need to consolidate on these strengths and to take initiatives to prepare Indian industry to respond effectively to the emerging challenges. A number of policy and procedural changes were introduced in 1985 and 1986 under the leadership of Shri Rajiv Gandhi aimed at increasing productivity, reducing costs and improving quality. The accent was on opening the domestic market to increased competition and readying our industry to stand on its own in the face of international competition. The public sector was freed from a number of constraints and given a larger measure of autonomy. The technological and managerial modernisation of industry was pursued as the key instrument for increasing productivity and improving our competitiveness in the world. The net result of all these changes was that Indian industry grew by an impressive average annual growth rate of 8.5% in the Seventh Plan period.

EXHIBIT NO.5(Contd.)
STATEMENT ON INDUSTRIAL POLICY, JULY 24, 1991.

9. Government is pledged to launching a reinvigorated struggle for social and economic justice, to end poverty and unemployment and to build a modern, democratic, socialist, prosperous and forward-looking India. Such a society can be built if India grows as part of the world economy and not in isolation.

10. While Government will continue to follow the policy of self-reliance, there would be greater emphasis placed on building up our ability to pay for imports through our own foreign exchange earnings.Government is also committed to development and utilisation of indigenous capabilities in technology and manufacturing as well as its upgradation to world standards.

11. Government will continue to pursue a sound policy framework encompassing encouragement of entrepreneurship, development of indigenous technology through investment in research and development, bringing in new technology, dismantling of the regulatory system, development of the capital markets and increasing competitiveness for the benefit of the common man. The spread of industrialisation to backward areas of the country will be actively promoted through appropriate incentives, institutions and infrastructure investments.

12. Government will provide enhanced support to the small-scale sector so that it flourishes in an environment of economic efficiency and continuous technological upgradation.

13. Foreign investment and technology collaboration will be welcomed to obtain higher technology, to increase exports and to expand the production base.

14. Government will endeavour to abolish the monopoly of any sector or any individual enterprise in any field of manufacture, except on strategic or military considerations and open all manufacturing activity to competition.

15. The Government will ensure that the public sector plays its rightful role in the evolving socio-economic scenario of the country. Government will ensure that the public sector is run on business lines as envisaged in the Industrial Policy Resolution of 1956 and would continue to innovate and lead in strategic areas of national importance. In the 1950s and 1960s, the principal instrument for controlling the commanding heights of the economy was investment in the capital of key industries. Today, the State has other instruments of intervention, particularly fiscal and monetary instruments. The State also commands the bulk of the nation's savings. Banks and financial institutions are under State control. Where State intervention is necessary, these instruments will prove more effective and decisive.

16. Government will fully protect the interests of labour, enhance their welfare and equip them in all respects to deal with the inevitability of technological change. Government believes that no small section of society can corner the gains of growth, leaving workers to bear its pains. Labour will be made an equal partner in progress and prosperity. Workers' participation in management will be promoted. Workers cooperatives will be encouraged to participate in packages designed to turn around sick companies. Intensive training, skill development and upgradation programmes will be launched.

17. Government will continue to visualise new horizons. The major objectives of the new industrial policy package will be to build on the gains already made, correct the distortions or weaknesses that may have crept in, maintain a sustained growth in productivity and gainful employment and attain international competitiveness. The pursuit of these objectives will be tempered by the need to preserve the environment and ensure the efficient use of available resources. All sectors of industry whether small, medium or large, belonging to the public, private or cooperative sector will be encouraged to grow and improve on their past performance.

18. Government's policy will be continuity with change.

19. In pursuit of the above objectives, Government have decided to take a series of initiatives in respect of the policies relating to the following areas.

A. Industrial Licensing.
B. Foreign Investment.
C. Foreign Technology Agreements.
D. Public Sector Policy.
E. MRTP Act.

A package for the Small and Tiny Sectors of industry is being announced separately.

EXHIBIT NO.5 (Contd.)
STATEMENT ON INDUSTRIAL POLICY, JULY 24, 1991.

A. INDUSTRIAL LICENSING POLICY

20. Industrial Licensing is governed by the Industries (Development & Regulation) Act, 1951. The Industrial Policy Resolution of 1956 identified the following three categories of industries : those that would be reserved for development in the public sector, those that would be permitted for development through private enterprise with or without State participation, and those in which investment initiatives would ordinarily emanate from private entrepreneurs. Over the years, keeping in view the changing industrial scene in the country, the policy has undergone modifications. Industrial licensing policy and procedures have also been liberalised from time to time. A full realisation of the industrial potential of the country calls for a continuation of this process of change.

21. In order to achieve the objectives of the strategy for the industrial sector for the 1990s and beyond it is necessary to make a number of changes in the system of industrial approvals. Major policy initiatives and procedural reforms are called for in order to actively encourage and assist Indian entrepreneurs to exploit and meet the emerging domestic and global opportunities and challenges. The bedrock of any such package of measures must be to let the entrepreneurs make investment decisions on the basis of their own commercial judgement. The attainment of technological dynamism and international competitiveness requires that enterprises must be enabled to swiftly respond to fast changing external conditions that have become characteristic of today's industrial world. Government policy and procedures must be geared to assisting entrepreneurs in their efforts. This can be done only if the role played by the Government were to be changed from that of only exercising control to one of providing help and guidance by making essential procedures fully transparent and by eliminating delays.

22. The winds of change have been with us for some time. The industrial licensing system has been gradually moving away from the concept of capacity licensing. The system of reservations for public sector undertakings has been evolving towards an ethos of greater flexibility and private sector enterprise has been gradually allowed to enter into many of these areas on a case by case basis. Further impetus must be provided to these changes which alone can push this country towards the attainment of its entrepreneurial and industrial potential. This calls for bold and imaginative decisions designed to remove restraints on capacity creation, while at the same time, ensuring that over-riding national interests are not jeopardised.

23. In the above context, industrial licensing will henceforth be abolished for all industries, except those specified, irrespective of levels of investment. These specified industries (Annex-II), will continue to be subject to compulsory licensing for reasons related to security and strategic concerns, social reasons, problems related to safety and over-riding environmental issues, manufacture of products of hazardous nature and articles of elitist consumption. The exemption from licensing will be particularly helpful to the many dynamic small and medium entrepreneurs who have been unnecessarily hampered by the licensing system. As a whole the Indian economy will benefit by becoming more competitive, more efficient and modern and will take its rightful place in the world of industrial progress.

B. FOREIGN INVESTMENT

24. While freeing Indian industry from official controls, opportunities for promoting foreign investments in India should also be fully exploited. In view of the significant development of India's industrial economy in the last 40 years, the general resilience, size and level of sophistication achieved, and the significant changes that have also taken place in the world industrial economy, the relationship between domestic and foreign industry needs to be much more dynamic than it has been in the past in terms of both technology and investment. Foreign investment would bring attendant advantages of technology transfer, marketing expertise, introduction of modern managerial techniques and new possibilities for promotion of exports. This is particularly necessary in the changing global scenario of industrial and economic cooperation marked by mobility of capital. The government will therefore welcome foreign investment which is in the interest of the country's industrial development.

EXHIBIT NO. 5 (Contd.)
STATEMENT ON INDUSTRIAL POLICY, JULY 24, 1991.

25. In order to invite foreign investment in high priority industries, requiring large investments and advanced technology, it has been decided to provide approval for direct foreign investment upto 51% foreign equity in such industries. There shall be no bottlenecks of any kind in this process. This group of industries has generally been known as the "Appendix I industries" and are areas in which FERA companies have already been allowed to invest on a discretionary basis. This change will go a long way in making Indian policy on foreign investment transparent. Such a framework will make it attractive for companies abroad to invest in India.

26. Promotion of exports of Indian products calls for a systematic exploration of world markets possible only through intensive and highly professional marketing activities. To the extent that expertise of this nature is not well developed so far in India, Government will encourage foreign trading companies to assist us in our export activities. Attraction of substantial investment and access to high technology, often closely held, and to world markets, involves interaction with some of the world's largest international manufacturing and marketing firms. The Government will appoint a special board to negotiate with such firms so that we can engage in purposive negotiation with such large firms, and provide the avenues for large investments in the development of industries and technology in the national interest.

C. FOREIGN TECHNOLOGY AGREEMENTS

27. There is a great need for promoting an industrial environment where the acquisition of technological capability receives priority. In the fast changing world of technology the relationship between the suppliers and users of technology must be a continuous one. Such a relationship becomes difficult to achieve when the approval process includes unnecessary governmental interference on a case to case basis involving endemic delays and fostering uncertainty. The Indian entrepreneur has now come of age so that he no longer needs such bureaucratic clearances of his commercial technology relationships with foreign technology suppliers. Indian industry can scarcely be competitive with the rest of the world if it is to operate within such a regulatory environment.

28. With a view to injecting the desired level of technological dynamism in Indian industry, Government will provide automatic approval for technology agreements related to high priority industries within specified parameters. Similar facilities will be available for other industries as well if such agreements do not require the expenditure of free foreign exchange. Indian companies will be free to negotiate the terms of technology transfer with their foreign counterparts according to their own commercial judgement. The predictability and independence of action that this measure is providing to Indian industry will induce them to develop indigenous competence for the efficient absorption of foreign technology. Greater competitive pressure will also induce our industry to invest much more in research and development than they have been doing in the past. In order to help this process, the hiring of foreign technicians and foreign testing of indigenously developed technologies, will also not require prior clearance as prescribed so far, individually or as a part of industrial or investment approvals

D. PUBLIC SECTOR POLICY

29. The public sector has been central to our philosophy of development. In the pursuit of our development objectives, public ownership and control in critical sectors of the economy has played an important role in preventing the concentration of economic power, reducing regional disparities and ensuring that planned development serves the common good.

30. The Industrial Policy Resolution of 1956 gave the public sector a strategic role in the economy. Massive investments have been made over the past four decades to build a public sector which has a commanding role in the economy. Today key sectors of the economy are dominated by mature public enterprises that have successfully expanded production, opened up new areas of technology and built up a reserve of technical competence in a number of areas.

31. After the initial exuberance of the public sector entering new areas of industrial and technical competence, a number of problems have begun to manifest themselves in many of the public enterprises. Serious problems are observed in the insufficient growth in productivity, poor project

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management, over-manning, lack of continuous technological upgradation, and inadequate attention to R&D and human resource development. In addition, public enterprises have shown a very low rate of return on the capital investment. This has inhibited their ability to re-generate themselves in terms of new investments as well as in technology development. The result is that many of the public enterprises have become a burden rather than being an asset to the Government. The original concept of the public sector has also undergone considerable dilution. The most striking example is the take over of sick units from the private sector. This category of public sector units accounts for almost one third of the total losses of central public enterprises. Another category of public enterprises, which does not fit into the original idea of the public sector being at the commanding heights of the economy, is the plethora of public enterprises which are in the consumer goods and services sectors.

32. It is time therefore that the Government adopt a new approach to public enterprises. There must be a greater commitment to the support of public enterprises which are essential for the operation of the industrial economy. Measures must be taken to make these enterprises more growth oriented and technically dynamic. Units which may be faltering at present but are potentially viable must be restructured and given a new lease of life. The priority areas for growth of public enterprises in the future will be the following :

* Essential infrastructure goods and services.
* Exploration and exploitation of oil and mineral resources.
* Technology development and building of manufacturing capabilities in areas which are crucial in the long term development of the economy and where private sector investment is inadequate.
* Manufacture of products where strategic considerations predominate such as defence equipment.

At the same time the pubic sector will not be barred from entering areas not specifically reserved for it.

33. In view of these considerations, Government will review the existing portfolio of public investments with greater realism. This review will be in respect of industries based on low technology, small scale and non-strategic areas, inefficient and unproductive areas, areas with low or nil social considerations or public purpose, and areas where the private sector has developed sufficient expertise and resources.

34. Government will strengthen those public enterprises which fall in the reserved areas of operation or are in high priority areas or are generating good or reasonable profits. Such enterprises will be provided a much greater degree of management autonomy through the system of memoranda of understanding. Competition will also be induced in these areas by inviting private sector participation. In the case of selected enterprises, part of Government holdings in the equity share capital of these enterprises will be disinvested in order to provide further market discipline to the performance of public enterprises. There are a large number of chronically sick public enterprises incurring heavy losses, operating in a competitive market and serve little or no public purpose. These need to be attended to. The country must be proud of the public sector that it owns and it must operate in the public interest.

E. MONOPOLIES AND RESTRICTIVE TRADE PRACTICES ACT (MRTP ACT)

35. The principal objectives sought to be achieved through the MRTP Act are as follows:-

(i) Prevention of concentration of economic power to the common detriment, control of monopolies, and

(ii) Prohibition of monopolistic and restrictive and unfair trade practices.

36. The MRTP Act became effective in June 1970. With the emphasis placed on productivity in the Sixth Plan, major amendments to the MRTP Act were carried out in 1982 and 1984 in order to remove impediments to industrial growth and expansion. This process of change was given a new momentum in 1985 by an increase of threshold limit of assets.

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37. With the growing complexity of industrial structure and the need for achieving economies of scale for ensuring higher productivity and competitive advantage in the international market, the interference of the Government through the MRTP Act in investment decisions of large companies has become deleterious in its effects on Indian industrial growth. The pre-entry scrutiny of investment decisions by so called MRTP companies will no longer be required. Instead, emphasis will be on controlling and regulating monopolistic, restrictive and unfair trade practices rather than making it necessary for the monopoly houses to obtain prior approval of Central Government for expansion, establishment of new undertakings, merger, amalgamation and takeover and appointment of certain directors. The thrust of policy will be more on controlling unfair or restrictive business practices. The MRTP Act will be restructured by eliminating the legal requirement for prior governmental approval for expansion of present undertakings and establishment of new undertakings. The provisions relating to merger, amalgamation, and takeover will also be repealed. Similarly, the provisions regarding restrictions on acquisition of and transfer of shares will be appropriately incorporated in the Companies Act.

38. Simultaneously, provisions of the MRTP Act will be strengthened in order to enable the MRTP Commission to take appropriate action in respect of the monopolistic, restrictive and unfair trade practices. The newly empowered MRTP Commission will be encouraged to require investigation *suo moto* or on complaints received from individual consumers or classes of consumers.

F. DECISIONS OF GOVERNMENT

39. In view of the considerations outlined above Government have decided to take a series of measures to unshackle the Indian industrial economy from the cobwebs of unnecessary bureaucratic control. These measures complement the other series of measures being taken by Government in the areas of trade policy, exchange rate management, fiscal policy, financial sector reform and overall macro economic management.

A. Industrial Licensing Policy

i) Industrial Licensing will be abolished for all projects except for a short list of industries related to security and strategic concerns, social reasons, hazardous chemicals and overriding environmental reasons, and items of elitist consumption (list attached as Annex II). Industries reserved for the small scale sector will continue to be so reserved.

ii) Areas where security and strategic concerns predominate, will continue to be reserved for the public sector. (list attached as Annex I).

iii) In projects where imported capital goods are required, automatic clearance will be given

a) in cases where foreign exchange availability is ensured through foreign equity.

or

b) if the CIF value of imported capital goods required is less than 25% of total value (net of taxes) of plant and equipment, upto a maximum value of Rs.2 crore. In view of the current difficult foreign exchange situation, this scheme (i.e (iii) b) will come into force from April, 1992

In other cases, imports of capital goods will require clearance from the Secretariat of Industrial Approvals (SIA) in the Department of Industrial Development according to availability of foreign exchange resources.

iv) In locations other than cities of more than 1 million population, there will be no requirement of obtaining industrial approvals from the Central Government except for industries subject to compulsory licensing. In respect of cities with population greater than 1 million, industries other than those of a non polluting nature such as electronics, computer software and printing will be located outside 25 Kms. of the periphery, except in prior designated industrial areas.

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A flexible location policy would be adopted in respect of such cities (with population greater than 1 million) which require industrial re-generation.

Zoning and Land Use Regulation and Environmental Legislation will continue to regulate industrial locations.

Appropriate incentives and the design of investments in infrastructure development will be used to promote the dispersal of industry particularly to rural and backward areas and to reduce congestion in cities.

v) The system of phased manufacturing programmes run on an administrative case by case basis will not be applicable to new projects. Existing projects with such programmes will continue to be governed by them.

vi) Existing units will be provided a new broad banding facility to enable them to produce any article without additional investment.

vii) The exemption from licensing will apply to all substantial expansions of existing units.

viii) The mandatory convertibility clause will no longer be applicable for term loans from the financial institutions for new projects.

Procedural consequences

ix) All existing registration schemes (Delicenced Registration, Exempted Industries Registration, DGTD registration) will be abolished.

x) Entrepreneurs will henceforth only be required to file an information memorandum on new projects and substantial expansions.

xi) The lists at Annex II and Annex III will be notified in the Indian Trade Classification (Harmonised System).

B. Foreign Investment

i) Approval will be given for direct foreign investment upto 51 percent foreign equity in high priority industries (Annex III). There shall be no bottlenecks of any kind in this process. Such clearance will be available if foreign equity covers the foreign exchange requirement for imported capital goods. Consequential amendments to the Foreign Exchange Regulation Act (1973) shall be carried out

ii) While the import of components, raw materials and intermediate goods, and payment of knowhow fees and royalties will be governed by the general policy applicable to other domestic units, the payment of dividends would be monitored through the Reserve Bank of India so as to ensure that outflows on account of dividend payments are balanced by export earnings over a period of time.

iii) Other foreign equity proposals, including proposals involving 51% foreign equity which do not meet the criteria under (i) above, will continue to need prior clearance. Foreign equity proposals need not necessarily be accompanied by foreign technology agreements.

iv) To provide access to international markets, majority foreign equity holding upto 51% equity will be allowed for trading companies primarily engaged in export activities. While the thrust would be on export activities, such trading houses shall be at par with domestic trading and export houses in accordance with Import-Export Policy.

v) A Special Empowered Board would be constituted to negotiate with a number of large international firms and approve direct foreign investment in select areas. This would be a special programme to attract substantial investment that would provide access to high technology and world markets. The investment programmes of such firms would be considered in totality, free from pre-determined parameters or procedures.

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C. Foreign Technology Agreements❖

i) Automatic permission will be given for foreign technology agreements in high priority industries (Annex III) upto a lumpsum payment of Rs.1 crore, 5% royalty for domestic sales and 8% for exports, subject to total payments of 8% of sales over a 10 year period from date of agreement or 7 years from commencement of production.

The prescribed royalty rates are net of taxes and will be calculated according to standard procedures.

ii) In respect of industries other than those in Annex III, automatic permission will be given subject to the same guidelines as above if no free foreign exchange is required for any payments.

iii) All other proposals will need specific approval under the general procedures in force.

iv) No permission will be necessary for hiring of foreign technicians, foreign testing of indigenously developed technologies. Payment may be made from blanket permits or free foreign exchange according to RBI guidelines.

D. Public Sector

i) Portfolio of public sector investments will be reviewed with a view to focus the public sector on strategic, high-tech and essential infrastructure. Whereas some reservation for the public sector is being retained there would be no bar for areas of exclusivity to be opened up to the private sector selectively. Similarly the public sector will also be allowed entry in areas not reserved for it.

ii) Public enterprises which are chronically sick and which are unlikely to be turned around will, for the formulation of revival/rehabilitation schemes, be referred to the Board for Industrial and Financial Reconstruction (BIFR), or other similar high level institutions created for the purpose. A social security mechanism will be created to protect the interests of workers likely to be affected by such rehabilitation packages.

iii) In order to raise resources and encourage wider public participation, a part of the government's shareholding in the public sector would be offered to mutual funds, financial institutions, general public and workers.

iv) Boards of public sector companies would be made more professional and given greater powers.

v) There will be greater thrust on performance improvement through the Memoranda of Understanding (MOU) system through which managements would be granted greater autonomy and will be held accountable. Technical expertise on the part of the Government would be upgraded to make the MOU negotiations and implementation more effective.

vi) To facilitate a fuller discussion on performance, the MOU signed between Government and the public enterprise would be placed in Parliament. While focussing on major management issues, this would also help place matters on day to day operations of public enterprises in their correct perspective.

E. MRTP Act

i) The MRTP Act will be amended to remove the threshold limits of assets in respect of MRTP companies and dominant undertakings. This eliminates the requirement of prior approval of Central Government for establishment of new

Note: ❖ This has been subsequently modified vide Press Note No.4 (1992 Series).

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undertakings, expansion of undertakings, merger, amalgamation and takeover and appointment of Directors under certain circumstances.

ii) Emphasis will be placed on controlling and regulating monopolistic, restrictive and unfair trade practices. Simultaneously, the newly empowered MRTP Commission will be authorised to initiate investigations *suo moto* or on complaints received from individual consumers or classes of consumers in regard to monopolistic, restrictive and unfair trade practices.

iii) Necessary comprehensive amend-ments will be made in the MRTP Act in this regard for enabling the MRTP Commission to exercise punitive and compensatory powers.

Note: Details of Annexe.I, II and III of this Statement may be seen at Pages 26, 27, 60.

Source: Department of Industrial Development, Ministry of Industry

EXHIBIT NO.6
POLICY MEASURES FOR PROMOTING & STRENGTHENING
SMALL, TINY AND VILLAGE ENTERPRISES, AUGUST 6, 1991

A. SMALL AND TINY ENTERPRISES

1. INTRODUCTION

1.1 The Small Scale Industrial Sector has emerged as a dynamic and vibrant sector of the economy during the eighties. At the end of the Seventh Plan period, it accounted for nearly 35 percent of the gross value of output in the manufacturing sector and over 40 percent of the total exports from the country. It also provided employment opportunities to around 12 million people.

1.2 The primary objective of the Small Scale Industrial Policy during the nineties would be to impart more vitality and growth-impetus to the sector to enable it to contribute its mite fully to the economy, particularly in terms of growth of output, employment and exports. The sector has been substantially delicensed. Further efforts would be made to deregulate and debureaucratise the sector with a view to remove all fetters on its growth potential, reposing greater faith in small and young entrepreneurs.

1.3 All statutes, regulations and procedures would be reviewed and modified, wherever necessary, to ensure that their operations do not militate against the interests of the small and village enterprises.

2. TINY ENTERPRISES

2.1 Government have already announced increase in the investment limits in plant and machinery of small scale industries, ancillary units and export oriented units to Rs.60 lakh, Rs. 75 lakh and Rs.75 lakh respectively. Such limits in respect of "Tiny" Enterprises would now be increased from the present Rs.2 lakh to Rs.5 lakh, irrespective of location of the unit.

2.2 Service sub-sector is a fast growing area and there is need to provide support to it in view of its recognised potential for generating employment. Hence all Industry-related service and business enterprises, irrespective of their location, would be recognised as small scale industries and their investment ceilings would correspond to those of Tiny Enterprises.

2.3 A separate package for the promotion of Tiny Enterprises is now being introduced. This constitutes the main thrust of Government's new policy.

2.4 While the small scale sector (other than 'Tiny Enterprises') would be mainly entitled to one-time benefits (like preference in land allocation/power connection, access to facilities for skill/technology upgradation), the 'Tiny' enterprises would also be eligible, for additional support on a continuing basis, including easier access to institutional finance, priority in the Government Purchase Programme and relaxation from certain provisions of labour laws.

2.5 It has also been decided to widen the scope of the National Equity Fund Scheme to cover projects upto Rs.10 lakh for equity support (upto 15 per cent). Single Window Loan Scheme has also been enlarged to cover projects upto Rs.20 lakh with working capital margin upto Rs.10 lakh. Composite loans under Single Window Scheme, now available only through State Financial Corporations (SFCs) and twin function State Small Industries Development Corporation (SSIDCs), would also be channelised through commercial banks. This would facilitate access to a larger number of entrepreneurs.

3. FINANCIAL SUPPORT MEASURES

3.1 Inadequate access to credit - both short term and long term - remains a perennial problem facing the small scale sector. Emphasis would henceforth shift from subsidised/cheap credit, except for specified target groups, and efforts would be made to ensure both adequate flow of credit on a normative basis, and the quality of its delivery, for viable operations of this sector. A special monitoring agency would be set up to oversee that the genuine credit needs of the small scale sector are fully met.

3.2 To provide access to the capital market and to encourage modernisation and technological upgradation, it has been decided to allow equity participation by other industrial undertakings in the SSI, not exceeding 24 per cent of the total shareholding. This would also provide a powerful boost to ancillarisation and sub-contracting, leading to expansion of employment opportunities.

3.3 Regulatory provisions relating to the management of private limited companies are being liberalised. A Limited Partnership Act will be introduced to enhance the supply of risk capital to the small scale sector. Such an Act would limit