

## **1.2 AN ANALYSIS ON INDUSTRIAL INVESTMENT INTENTIONS IN THE LICENSABLE AND DELICENCED SECTOR FROM AUGUST 1991 TO MARCH 2010**

### **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:

- i. Items of manufacture falling under the list of compulsory licensing (only 5 industries are in the list)
- ii. If a non SSI unit intends to manufacture items reserved exclusively for the Small Scale Sector.

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;
- (ii) Cigars and cigarettes of tobacco and manufactured tobacco substitutes;
- (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 diisocyanates of hydrocarbon, not elsewhere specified (example: Methyl Isocyanate)

At present there are 21 items which are exclusively reserved for manufacture in the small scale sector (SSI). Any non-SSI unit desirous of manufacturing these items needs an industrial licence which is issued with an obligation to export 50% of annual production.

### **Licensing Procedure**

Direct Industrial Licences are granted by the Government, against applications except for those items which are exclusively reserved for the small scale sector, since November 2003. [vide Press Note.4 (2003 series) dated 10-10-2003.].

For cases involving SSI items, initially a Letter of Intent is issued to the applicant subject to certain conditions like obtaining pollution clearance. On fulfillment of conditions stipulated in the LOI, etc, Letter of Intent is converted into an Industrial Licence.

### **Status of investment in Letters of Intent/Industrial Licence issued**

During the period August 1991 to March 2010, 4451 Letters of Intent and Direct Industrial Licences have been issued with proposed investment of Rs.1,30,709 crore. During 2009-10, however, no LOI has been issued. Please see Chapter 3.1 for yearwise details.

### **Delicensed Sector**

All 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/SSI reserved item.

### **Details of IEMs filed during the period August 1991 to March 2010**

<b>Number of IEMs filed</b>	<b>Proposed Investment (Rs. in crore)</b>	<b>Proposed employment</b>
<b>81084</b>	<b>6210539</b>	<b>17634369</b>

### **Statewise and sectorwise investment intentions.**

A state-wise analysis of the proposed investments in the licensable and delicensed sector shows that Orissa (13.74%) leads the list of States/Union Territories in the attracting the maximum investment. It is followed by Chhattisgarh (13.50%), Gujarat(12.53%), Maharashtra (9.21%) and Andhra Pradesh (9.09%) ([Table-I](#)).

A sector-wise analysis of the investment intentions shows that Electrical Equipments (30.9%), Metallurgical industries (22%), Chemicals (other than fertilizers) (7.7%), Fuels (6.47%) and Cement and Gypsum (6.22%), have attracted the maximum investment. ([Table-II](#)).

## **FOREIGN TECHNOLOGY COLLABORATIONS:**

Commercial transfer of technology in India takes place through enterprise to enterprise arrangement. Foreign technology transfer agreements are approved through two routes:

- (i) Automatic route i.e. by the RBI through authorized Foreign Exchange Dealers; and
- (ii) Government

Automatic route is operated by the RBI through its regional offices (for all industries), while Government approval is needed for proposals for foreign technology agreements not meeting the parameters for automatic route.

The Government of India has removed upper limits of fees payable through automatic route w.e.f 16.12.2009 and Indian companies are free to pay lumpsum/royalty/other fees for import of technology/use of trademark.

Approval through the Government route is necessary for those cases, where the foreign collaborator has existing joint venture or technology transfer or trademark agreement signed prior to the date of 12<sup>th</sup> January 2005, with any other Indian Company in the same field.

Proposals involving only technology transfer and /or trademark arrangements are considered by the Project Approval Board (PAB) on merits. The PAB is chaired by the Secretary (IPP). The recommendations of the PAB are placed before the Commerce & Industry Minister for his approval.

A sector-wise analysis of the investment intentions is at ([Table-III](#)).