the financial liability of the new and non-active partners/entrepreneurs to the capital invested.

3.4 A beginning has been made towards solving the problem of delayed payments of ‘factoring’ services through Small Industries Development Bank of India (SIDBI). Network of such services would be set up throughout the country and operated through commercial banks. A suitable legislation will be introduced to ensure prompt payment of Small Industries’ bills.

4. INFRASTRUCTURAL FACILITIES

4.1 To facilitate location of industries in rural/backward areas and to promote stronger linkages between agriculture and industry, a new Scheme of Integrated Infrastructural Development (including Technological Back-up Services) for Small Scale Industries would be implemented with the active participation of State Governments and financial institutions. A beginning in this direction will be made this year itself.

4.2 A Technology Development Cell (TDC) would be set up in the Small Industries Development Organisation (SIDO) which would provide technology inputs to improve productivity and competitiveness of the products of the small scale sector. The TDC would coordinate the activities of the Tool Rooms, Process-cum-Product Development Centres (PPDCs), existing as well as to be established under SIDO, and would also interact with the other industrial research and development organisations to achieve its objectives.

4.3 Adequacy and equitable distribution of indigenous and imported raw materials would be ensured to the small scale sector, particularly the tiny sub-sector. Policies would be so designed that they do not militate against entry of new units. Based on the capacity needs, Tiny/Small Scale units would be given priority in allocation of indigenous raw materials.

4.4 A proper and adequate arrangement for delivery of total package of incentives and services at the District level will be evolved and implemented.

5. MARKETING AND EXPORTS

5.1 In spite of the vast domestic market, marketing remains a problem area for small and tiny enterprises. Mass consumption labour intensive products are predominantly being marketed by the organised sector. The tiny/small scale sector will be enabled to have a significant share of such markets. In addition to the existing support mechanism, market promotion would be undertaken through co-operative/public sector institutions, other specialised/professional marketing agencies and consortia approach, backed up by such incentives, as considered necessary.

5.2 National Small Industries Corporation (NSIC) would concentrate on marketing of mass consumption items under common brand name and organic links between NSIC and SSIDCs would be established.

5.3 Government recognises the need to widen and deepen complementarity in production programmes of large/medium and small industrial sectors. Parts, components, sub-assemblies, etc. required by large public/private sector undertakings would be encouraged for production in a technoeconomically viable manner through small scale ancillary units. Industry associations would be encouraged to establish sub-contracting exchanges, in addition to strengthening the existing ones under the SIDO. Emphasis would also be laid on promotion of a viable and competitive ‘component’ market.

5.4 Though the Small Scale Sector is making significant contribution to total exports, both direct and indirect, a large potential remains untapped. The SIDO has been recognised as the nodal agency to support the small scale industries in export promotion. An Export Development Centre would be set up in SIDO to serve the small scale industries through its network of field offices to further augment export activities of this sector.

6. MODERNISATION, TECHNOLOGICAL AND QUALITY UPGRADEATION

6.1 A greater degree of awareness to produce goods and services conforming to national and international standards would be created among the small scale sector.
6.2 Industry Associations would be encouraged and supported to establish quality counselling and common testing facilities. Technology Information Centres to provide updated knowledge on technology and markets would be established.

6.3 Where non-conformity with quality and standards involves risk to human life and public health, compulsory quality control would be enforced.

6.4 A reoriented programme of modernisation and technological upgradation aimed at improving productivity, efficiency and cost effectiveness in the small scale sector would be pursued. Specific industries in large concentrations/clusters would be identified for studies in conjunction with SIDBI and other banks. Such studies will establish commercial viability of modernisation prescriptions, and financial support would be provided for modernisation of these industries on a priority basis.

6.5 Indian Institutes of Technology (IITs) and selected Regional/other Engineering Colleges will serve as Technological Information, Design and Development Centres in their respective command areas.

7. PROMOTION OF ENTREPRENEURSHIP

7.1 Government will continue to support first generation entrepreneurs through training and will support their efforts. Large number of EDP trainers and motivators will be trained to significantly expand the Entrepreneurship Development Programmes (EDP). Industry Associations would also be encouraged to participate in this venture effectively.

7.2 EDP would be build into the curricula of vocational and other degree level courses.

7.3 Women entrepreneurs will receive support through special training programmes. Definition of “Women Enterprises” would be simplified. The present stipulation regarding employment of majority of women workers would be dispensed with and the units in which women entrepreneurs have a majority shareholding and management control, would be defined as “Women Enterprises”.

7.4 Additional employment opportunities would be generated through training of multi-disciplinary ‘barefoot’ managers to suit the special requirements of the small scale sector.

8. SIMPLIFICATION OF RULES AND PROCEDURES

8.1 The persistent complaint of small scale units of being subjected to a large number of Acts and Laws, being required to maintain a number of registers and submit returns, and face an army of inspectors, would be attended to within a specified time frame of three months.

8.2 Procedures would be simplified, bureaucratic controls effectively reduced, unnecessary interference eliminated and paper work cut down to the minimum to enable the entrepreneurs to concentrate on production and marketing functions.

B. VILLAGE INDUSTRIES

9. HANDLOOM SECTOR

9.1 Handloom sector contributes about 30 per cent of the total textile production in the country. It is the policy of Government to promote handlooms to sustain employment in rural areas and to improve the quality of life for handloom weavers.

9.2 Schemes for the handloom sector will be redesigned keeping in mind the local and regional needs. Constraints of coverage will be removed so as to include bulk of the weavers who are outside the corporate/cooperative fold.

9.3 Existing schemes will be redrawn and suitably revised under three major heads:

(a) Project Package Scheme: Under this scheme, area-based projects for product development, upgradation of technology, improvement of marketing facilities will be drawn up.

(b) Welfare Package Scheme: Number of welfare schemes and quantum of funds earmarked for them will be substantially augmented.
chapter - I

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(c) Organisation Development Package : Schemes for participation in the share capital will be re-drawn under organisational development scheme for imparting a better management system in the existing state agencies.

9.4 Janta cloth scheme which sustains weavers often on a minimum level of livelihood will be phased out by the terminal year of the VIII Plan and replaced by the omnibus project package scheme under which substantial funds will be provided for modernisation of looms, training, provision of better designs, provision of better dyes and chemicals and marketing assistance.

9.5 A vastly expanded role for the National Handloom Development Corporation (NHDC) is envisaged. NHDC would be the nodal agency for increasing the supply of hank yarn and of dyes and chemicals. Spinning capacity in the cooperative sector will be increased. National Co-operative Development Corporation will provide more assistance for this in the form of Seed Money, both for cotton growers, spinning mills and weavers, spinning mills.

9.6 For improving marketing of handloom products, a more intensive implementation of schemes for design and product improvement by national level publicity, exhibitions, and design exercise will be undertaken. A special scheme will be drawn up to graduate the handloom production, which is often of low value items, to high value products suitable for export markets. This will be done by better design inputs, upgradation of technology, diversion of weavers from cotton to silk and tassar weaving. Special projects for modernisation of looms for products suitable for export markets will be drawn up.

10. HANDICRAFTS SECTOR

10.1 The key areas in handicrafts that could contribute towards a faster pace of rural industrialisation are production and marketing. Schemes for training and design development and for production and marketing assistance will be given encouragement.

10.2 Considering the importance of this sector from the point of view of employment and exports, it is proposed to provide an integrated development thrust to this sector with a view to enlarging the production base, thus enhancing the opportunities for employment and income through crafts as an economic activity and to giving it necessary inputs for quality improvement and effective marketing support both internal and overseas. Efforts will be made not only to preserve the traditional richness of the crafts but to engage the hereditary skills of the craftspersons to suit modern requirements.

10.3 Emphasis will be given to the following :-

- Extension of services like supply of raw materials, design and technical guidance, market support, training and procuring of related materials/ inputs in an integrated and area-based manner through the setting up of craft development centres in identified clusters of villages.

- Market development support in the form of a package of assistance through expansion of marketing infrastructure, exhibitions, publicity, etc., through Central and State Handicrafts Corporations, voluntary organisations and support to direct marketing activity by craftspersons.

- Expansion of training activities by greater involvement of State Handicrafts Development Corporations, Co-operatives and voluntary organisations.

- Measures to sustain an increased exports of handicrafts through new marketing channels like trading companies, departmental stores, etc.

11. OTHER VILLAGE INDUSTRIES

11.1 Government recognise the need to enhance the spread of rural and cottage industries towards stepping up non-farm employment opportunities.

11.2 The activities of the Khadi and Village Industries Commission and the State Khadi and Village Industries Boards will be expanded and organisations strengthened to discharge their responsibilities more effectively.
11.3 There will be greater emphasis on improving the quality and marketability of the products pari passu with consumer preferences instead of merely depending on rebates and subsidies.

11.4 While the plan allocation for rural industries will be augmented, effective steps will also be taken to ensure better flow of credit from the financial institutions and a more coordinated and optimal utilisation of different development schemes and agencies operating in the rural sector. Bankability of projects undertaken in this sector would be stressed.

11.5 The programmes of intensive development of KVI through area approach with tie-up with DRDA, TRYSEM and ongoing developmental programmes relating to weaker sections like Scheduled Castes, Scheduled Tribes and Women would be extended throughout the country.

11.6 The traditional village industries would be given greater thrust. Involvement of traditional and reputed voluntary organisations will be encouraged.

11.7 Agro processing and food processing industries in KVI sector using appropriate technologies would be promoted with a view to utilise locally available agricultural produce and promote employment/resource generation in the countryside.

11.8 Functional industrial estates would be established in areas with concentration of agricultural/horticultural produce.

11.9 R & D in KVI sector would be strengthened through greater linkages with CSIR and other research institutions in the areas of production, finishing/packaging, processes and development of new tools and implements.

11.10 The training programmes would be upgraded and augmented to cover the expanded list of industries under the purview of the KVIC.

Source: Government of India, Ministry of Industry, Department of Small Scale Industry, Agro and Rural Industry.
CHAPTER - I

1. Government tabled a Statement on Industrial Policy in both Houses of Parliament on July 24, 1991. The Statement has substantially reduced the requirement for various types of industrial approvals. To implement this Policy Statement in respect of industrial licensing, Notification No. 477(E) dated 25.7.1991 has been issued under the Industries (Development and Regulation) Act, 1951.

2. Under this notification, industrial undertakings have been exempted from the operation of Sections 10, 11, 11(a) and 13 of the I(D&R) Act, 1951 subject to fulfilment of certain conditions. Section 10 refers to the requirement of registration of existing industrial units. Section 11 refers to the requirement of licensing of new industrial undertakings. Section 11(a) deals with licences for the production of new articles. Section 13 refers, inter alia to the requirement of licensing for effecting substantial expansion.

3. The notification has three Schedules:

   Schedule I  lists the industries reserved for public sector. (Annex I to this Press Note).

   Schedule II  is the list of industries which are subject to compulsory licensing. This list is in the Indian Trade Classification (Harmonised System). (Annex II to this Press Note).

   Schedule III  is the list of articles reserved for the small scale/ancillary sector and remains the same as before. (Not annexed).

This Press Note sets out the changes in the existing system and procedures for industrial approvals arising out of the aforesaid Notification.

EXEMPTION FROM INDUSTRIAL LICENSING

4. Licensing is abolished for all industrial undertakings (including MRTP/FERA companies) other than those in the small scale/ancillary sector, if

   (i) The proposed article(s) of manufacture is not included in Annex I, II or is not reserved for small scale/ancillary sector.

   (ii) The proposed project is not located within 25 kms. from the periphery of the standard urban area limits of a city having a population of more than 10 lakhs according to the 1991 Census. (List enclosed).

This condition, however, will not apply to electronics, computer software, printing industry and other non-polluting industries that may be notified from time to time. This condition will also not apply to other industries provided these are located within the areas designated as ‘industrial areas’ by the State Government(s) before July 25, 1991. All other units wishing to locate within restricted locations will require an industrial licence.

Notwithstanding the above, the location of industrial projects will be subject to Central or State environmental laws or regulations including local zoning and land use laws and regulations.

B. Small scale and ancillary undertakings are exempted from licensing for all articles of manufacture which are not covered by Annex I and Annex II. In addition they are also exempted from industrial licensing for the articles of manufacture exclusively reserved for small scale/ancillary sector even if they happen to be included in Annex II.

Small scale/ancillary units are, as before, exempt from locational conditions subject to the provisions of any Central or State environmental law or regulations including zoning and land use laws and regulations.
C. **Substantial Expansion**

Substantial expansion of existing units will also be exempt from licensing provided the item of manufacture is not covered by Annex I, Annex II or is reserved for the small scale/ancillary sector. However, substantial expansions will be subject to the locational conditions set out in para 4(A) above.

D. **Broad Banding/Manufacture of New Article**

Existing units will be permitted to manufacture any new article without additional investment if the article is not otherwise subjected to compulsory licensing. This facility would be available notwithstanding any locational conditions.

It is clarified that this is an additional facility to existing units. Under the provisions of exemption from licensing for substantial expansion described above in para 4(C), existing units can in any case manufacture any new article not covered by compulsory licensing or locational conditions.

5. **ABOLITION OF EXISTING REGISTRATION SCHEMES**

In consequence of the new Industrial Policy, existing schemes of registration namely, the Delicenced Industries Registration Scheme (DLR), Exempted Industries Registration Scheme (EIR), and registration with DGTD and other technical authorities, namely, the Textile Commissioner and the Development Commissioner for Iron and Steel, have been abolished.

6. **FILING OF MEMORANDA**

In respect of new projects for manufacture of articles not covered by compulsory licensing or their substantial expansions the only requirement would be that the industrial undertaking shall file a memorandum in prescribed form to the Secretariat for Industrial Approvals (SIA) in the Ministry of Industry. The memorandum will be acknowledged by the SIA and a reference number will be given. Industrial undertakings should quote this reference number in all future correspondence, if any, with the SIA.

The industrial undertakings shall also file another memorandum in prescribed form with the SIA at the time of commencement of commercial production. No payment will accompany this memorandum.

Small scale and ancillary units are not required to file the above memoranda with the SIA. Such units may continue to get themselves registered with the Director of Industries of the concerned State Government.

7. **NEW CLASSIFICATION SYSTEM**

Industries under compulsory licensing have been notified in the Indian Trade Classification System. Entrepreneurs may note that the description of article(s) to be manufactured should be stated according to this classification in the application for industrial licences. Similarly, in the memoranda to be filed with the SIA in respect of articles not covered by industrial licensing, the description of the articles should be given according to the Indian Trade Classification (Based on Harmonised Commodity Description and Coding System), published by the Ministry of Commerce, Directorate General of Commercial Intelligence and Statistics, Calcutta.

Copies of the Indian Trade Classification can be obtained on payment from the Controller of Publications, 1, Civil Lines, Delhi 110 054 or from any of the agents authorised to sell Government of India publications.

8. **PHASED MANUFACTURING PROGRAMME (PMP)**

The system of Phased Manufacturing Programme (PMP) will not be applicable to new projects. However, existing projects with such programmes will continue to be governed by them.

9. **CARRY ON BUSINESS (COB) LICENCES**

Certain industries which were previously exempted from the licensing provisions of I(D&R) Act, 1951 have now been brought under compulsory
licensing. It is clarified that such industrial undertakings which are already holding a valid registration granted to them prior to 25th July, 1991, by SIA or DGTD or any other technical authority need not apply for a COB licence. The registration will be regarded as valid authority for carrying on the business in respect of the article, quantity and location mentioned in the registration. However, for effecting substantial expansion of capacity or for manufacturing a new article covered by Annex II, at the same location, the industrial undertaking should apply for a licence under the I(D&R) Act.

Small scale/ancillary industrial undertakings engaged in the manufacture of any item(s) covered under Annex II or item(s) reserved for small scale/ancillary sector, on crossing the investment limits prescribed for them will be required to obtain a COB licence from the Government.

10. PENDING APPLICATIONS

Consequent on issue of Notification No. 477 (E) dated 25.7.1991, all pending applications for issue of Letters of Intent will be scrutinised by the SIA in the light of the notification. Those qualifying for exemption from licensing will not be processed further and the applicants would be advised to file memoranda as in para 6 above. A similar procedure would be followed in respect of applications for DLR, EIR and registrations with DGTD or other authority.

11. PENDING APPLICATIONS FOR CONVERSION OF LETTERS OF INTENT INTO INDUSTRIAL LICENCE

In cases where the article of manufacture is not covered by compulsory licensing, pending applications for conversion of LOIs into ILs will not be processed further and SIA will advise the applicants to file a memorandum as in para 6 above before commencement of commercial production.

No.10/43/91-LP

New Delhi, the 2nd August, 1991.

Sd/-

(L. Mansingh)
Joint Secretary to the Government of India

Forwarded to Press Information Bureau for wide publicity to the contents of the above Press Note.

Principal Information Officer
Press Information Bureau
Shastri Bhawan,
New Delhi.

Note: ♦ This has since been amended vide Press Note No.1(1994 Series)
♦♦ This requirement has subsequently been withdrawn vide Press Note No.15 (1992 Series)
ANNEX I

PROPOSED LIST OF INDUSTRIES TO BE RESERVED FOR THE PUBLIC SECTOR

1. Arms and ammunition and allied items of defence equipment, defence aircraft and warships.
2. Atomic energy.
3. Coal and lignite.
5. Mining of iron ore, manganese ore, chrome ore, gypsum, sulphur, gold and diamond.
6. Mining of copper, lead, zinc, tin, molybdenum and wolfram.
8. Railway transport.

Note: Items No. 5 and 6 have subsequently been deleted from this list, vide Press Note No.3 (1993 Series)
## ANNEX II

**LIST OF INDUSTRIES IN RESPECT OF WHICH INDUSTRIAL LICENSING IS COMPULSORY**

( In ITC (HS) Classification )

Note 1. This list is based on the Indian Trade Classification, which follows the Harmonized Commodity Description and Coding System, Government of India, Ministry of Commerce, Directorate General of Commercial Intelligence and Statistics, Calcutta. The code specified for the item description relates to this classification.

Note 2. Other items in respect of which industrial licensing is not exempted are:

A. For large and medium industries,
   - The items reserved for the Small Scale Sector listed in Schedule III.

B. For all industries,
   - All items of electronic aerospace and defence equipment, whether specifically mentioned or not, in this list.
   - All items related to the production or use of atomic energy including the carrying out of any process, preparatory or ancillary to such production or use, under the Atomic Energy Act, 1962.

Note 3. The authentic description will be treated as specified in the item description given below.

1. **Coal and Lignite.**
   - 27.01 Coal.
   - 27.02 Lignite.

2. **Petroleum (other than crude) and its distillation products.**
   - 27.10 Petroleum oils, other than crude.
   - 27.11 Petroleum gases and other gaseous hydrocarbons.
   - 27.12 Petroleum waxes and other similar products obtained through distillation of petroleum.
   - 27.13 Petroleum coke and other residues of petroleum oils.

3. **Distillation and brewing of alcoholic drinks.**
   - 22.03 Beer made from malt.
   - 22.04 Wine of fresh grapes, including fortified wines.
   - 22.05 Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances.
   - 22.06 Other fermented beverages (for example, cider, perry, mead).
   - 22.08 Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol; spirits, liqueurs and other spirituous beverages; compound alcoholic preparations of a kind used for the manufacture of beverages.
4. **Sugar.**
   
   170199.02 Cane sugar, refined.
   170199.09 Other sugar, including centrifugal sugar.

5. **Animal fats and oils.**
   
   151610.00 Animal fats and oils, partly or wholly hydrogenated.
   15.17 Edible mixtures or preparations of animal fats and oils.
   151800.11 Inedible mixtures or preparations of animal fats and oils.

6. **Cigars and cigarettes of tobacco and manufactured tobacco substitutes.**
   
   24.02 Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.

7. **Asbestos and asbestos-based products.**
   
   68.11 Articles of asbestos-cement, of cellulose fibre-cement or the like.
   68.12 Fabricated asbestos fibres; mixtures with a basis of asbestos or with a basis of asbestos and magnesium carbonate; articles thereof.
   681390.01 Asbestos friction materials.

8. **Plywood, decorative veneers, and other wood-based products such as particle board, medium density fibre board, and block board.**
   
   44.08 Veneer sheets, plywood and other wood sawn lengthwise of a thickness not exceeding 6 mm.
   44.10 Particle board and other similar board of wood or other ligneous materials.
   44.11 Fibre board of wood or other ligneous materials.
   44.12 Plywood, veneered panels and similar laminated wood.
   44.13 Densified wood, in blocks, plates, strips and other profile shapes.

9. **Raw hides and skins, leather, chamois leather and patent leather.**
   
   41.04 Leather of bovine or equine animals, without hair on, other than leather of heading No. 41.08 or 41.09.
   41.05 Sheep or lamb skin leather, without wool on, other than leather of heading No. 41.08 or 41.09.
   41.06 Goat or kid skin leather, without hair on, other than leather of heading No. 41.08 or 41.09.
   41.07 Leather of other animals, without hair on, other than leather of heading No. 41.08 or 41.09.
   41.08 Chamois (including combination chamois) leather.
   41.09 Patent leather and patent laminated leather; and metallised leather.

10. **Tanned or dressed furskins.**
   
   43.02 Tanned or dressed furskins.

11. **Motor cars.**
   
   87.03 Motor cars.

*Note: ☯ This has subsequently been modified vide Press Note No.3 (1992 Series)*
12. Paper and Newsprint except bagasse-based units (i.e. except units based on minimum 75% pulp from agricultural residues, bagasse and other non-conventional raw materials).
   47.01 Mechanical wood pulp.
   47.02 Chemical wood pulp, dissolving grades.
   47.03 Chemical wood pulp, soda or sulphate, other than dissolving grades.
   47.04 Chemical wood pulp, sulphite, other than dissolving grades.
   47.05 Semi-chemical wood pulp.
   48.01 Newsprint, in rolls or sheets.
   48.02 Uncoated paper of a kind used for writing, printing or other graphic purposes, in rolls or sheets.
   48.03 Paper of a kind used for household or sanitary purposes, in rolls or sheets.
   48.04 Uncoated kraft paper, in rolls or sheets.
   48.05 Other uncoated paper, in rolls or sheets.
   48.06 Vegetable parchment, greaseproof papers, tracing papers and the like, in rolls or sheets.
   48.07 Composite paper, in rolls or sheets.
   48.08 Paper, corrugated, creped, crinkled, embossed or perforated, in rolls or sheets.
   48.09 Carbon paper, self-copy paper and other copying or transfer papers, in rolls or sheets.
   48.10 Paper, coated with Kaolin or other inorganic substances, in rolls or sheets.
   48.11 Other coated or impregnated paper, in rolls or sheets.
   48.12 Filter blocks, slabs and plates, of paper pulp.
   48.13 Cigarette paper.

13. Electronic aerospace and defence equipment: all types.
   87.10 Tanks and other armoured fighting vehicles.
   88.01 Defence aircraft, spacecraft, and parts thereof.
   to
   88.05
   8906.01 Warships - all kinds.
   93.01 Arms and ammunition; parts and accessories thereof.
   to
   93.07

14. Industrial explosives, including detonating fuses, safety fuses, gun powder, nitrocellulose and matches.
   36.01 Explosives; pyrotechnic products; matches; pyrophoric alloys; certain to combustible preparations.
   36.06
15. Hazardous chemicals.

22.07\* Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol or higher, ethyl alcohol and other spirits, denatured, of any strength (Industrial alcohol).

280110.00 Chlorine.
28119.01 Hydrocyanic acid and its derivatives.
281210.01 Phosgene and its derivatives.
2815.11 Sodium Hydroxide (Caustic soda): Solid.
2815.12 Sodium Hydroxide (Caustic soda): In aqueous solution.
290121.00 Ethylene.
290122.00 Propene (propylene).
290124.01 Butadienes.
290220.00 Benzene.
290230.00 Toluene.
290241.00 O-xylene.
290242.00 M-xylene.
290243.00 P-xylene.
290244.00 Mixed xylene isomers.
290531.00 Ethylene glycol (ethanediol)/ethylene oxide.

29.05\* Industrial alcohol.

292229.02 Meta amino phenol.

292910.09 Isocyanates and diisocyanates of hydrocarbon, not elsewhere specified (example, Methyl isocyanate).

380810.02 Aluminium Phosphide.
380810.16 Dimethoate.
380810.21 Quinalphos.

380810.29 Carbaryl, Phorate and Fenitrophion.

390110.00 Polyethylene having a specific gravity of less than 0.94.


29.36 Provitamins and vitamins, natural or reproduced by synthesis (including natural concentrates), derivaties thereof used primarily as vitamins, and inter-mixtures of the foregoing.

(Subject to the Drug Policy).

29.37 Hormones, natural or reproduced by synthesis; derivatives thereof, used primarily as hormones; other steroids used primarily as hormones.

(Subject to the Drug Policy).

29.38 Glycosides, natural or reproduced by synthesis, and their salts, ethers, esters and other derivatives.

(Subject to the Drug Policy).

29.39 Vegetable alkaloids, natural or reproduced by synthesis, and their salts, ethers, esters and other derivatives.

(Subject to the Drug Policy).

Note: * These items have been subsequently deleted vide Press Note No.2 (1992 Series).
### 29.41 Antibiotics.
(Subject to the Drug Policy).

### 29.42 Other synthetic drugs, not elsewhere specified or included.
(Subject to the Drug Policy).

### 30.01 Pharmaceutical products.
(Subject to the Drug Policy).

### 30.06 Entertainment electronics (VCRs, colour TVs, CD players, tape recorders).
- **85.19** Compact disc players.
- **852031.00** Tape recorders, cassette-type.
- **8520.39** Tape recorders, other than cassette-type.
- **85.21** Video recording or reproducing apparatus.
- **8528.10** Colour television receivers.

### 18 White goods (domestic refrigerators, domestic dishwashing machines, programmable domestic washing machines, microwave ovens, airconditioners).
- **84.15** Air conditioning machines.
- **84.18** Refrigerators and other freezing equipment, of the household type.
- **842211.00** Dishwashing machines, of the household type.
- **84.50** Household washing machines, of the programmable type.
- **851650.00** Microwave ovens.

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**Note:**
- ✹ Subsequent changes in these items are notified vide press Note No.4 (1993 Series)
- ✹ Subsequently denoted by 8 digit ITC Code, namely 852810.10 vide Press Note No.11 (1992 Series)
List of cities with the population of 10 lakhs and above according to the provisional results of the 1991 Census

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of the cities</th>
<th>Provisional population according to the 1991 Census</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Greater Bombay U.A.</td>
<td>12,571,720</td>
</tr>
<tr>
<td>2.</td>
<td>Calcutta U.A.</td>
<td>10,916,272</td>
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<tr>
<td>3.</td>
<td>Delhi U.A.</td>
<td>8,375,188</td>
</tr>
<tr>
<td>4.</td>
<td>Madras U.A.</td>
<td>5,361,468</td>
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<tr>
<td>5.</td>
<td>Hyderabad U.A.</td>
<td>4,280,261</td>
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<td>6.</td>
<td>Bangalore U.A.</td>
<td>4,086,548</td>
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<td>7.</td>
<td>Ahmedabad U.A.</td>
<td>3,297,655</td>
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<td>8.</td>
<td>Pune U.A.</td>
<td>2,485,014</td>
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<td>9.</td>
<td>Kanpur U.A.</td>
<td>2,111,284</td>
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<td>10.</td>
<td>Nagpur U.A.</td>
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<td>11.</td>
<td>Lucknow U.A.</td>
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<td>12.</td>
<td>Surat U.A.</td>
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<td>14.</td>
<td>Kochi U.A.</td>
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<td>15.</td>
<td>Coimbatore U.A.</td>
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<td>16.</td>
<td>Vadodara U.A.</td>
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<td>17.</td>
<td>Indore U.A.</td>
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<td>18.</td>
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<td>19.</td>
<td>Madurai U.A.</td>
<td>1,093,702</td>
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<td>Varanasi U.A.</td>
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<td>23.</td>
<td>Ludhiana M. Corpn.</td>
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</table>
1. Government tabled a Statement on Industrial Policy in both the Houses of Parliament on July 24, 1991. The Statement has substantially liberalised the provisions and simplified the procedures governing Foreign Technology Agreements.

2. The relevant portion of the Statement dealing with Foreign Technology Agreements is as follows:

   “39 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 vv, 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.”

   This Press Note sets out the procedures for approval of foreign technology agreements, hiring of foreign technicians and foreign testing of indigenously developed technologies.

3. FOREIGN TECHNOLOGY AGREEMENTS

   (a) Automatic Approvals: Applications for automatic approvals under para 39-C(i) will be filed in the prescribed form (10 copies) with the Entrepreneurial Assistance Unit of the Secretariat for Industrial Approvals (SIA) in the Department of Industrial Development, Ministry of Industry, Udyog Bhawan, New Delhi-110 011. The application shall state clearly the description of the article to be manufactured in the Indian Trade Classification System. The payment terms must comply with the conditions laid down in the said para. On receipt of the application, SIA will communicate approval after confirming that the item is covered by Annex III. No other scrutiny of the application will be done. A copy of the approval will be sent to the Reserve Bank of India (RBI).

   After the SIA approval, the entrepreneurs may approach the authorised dealers for foreign exchange release along with a copy of the agreement with the foreign collaborator.

   Intimation will be given by the entrepreneurs to RBI in a proforma to be prescribed by RBI. The entrepreneur shall furnish such other information as may be prescribed by RBI from time to time. RBI will issue necessary instructions to all concerned and delegate powers to authorised dealers to release the foreign exchange required.

   With regard to the provision contained in para 39-C(ii), for foreign technology agreements in industries other than those in Annex III the same procedure as indicated above would apply. However, in respect of these proposals (covered by para 39-C(ii)), no free foreign exchange will be released towards lumpsum payment or royalty. The payments involved may be met through EXIM SCRIPS vv. The Ministry of Commerce is issuing a Public Notice authorising the use of EXIM SCRIPS for this purpose.

   For purposes of calculating the payments prescribed under paras 39-C(i) and (ii), the lumpsum and royalty payments will be net of taxes.


Attached to Press Note No.10(1992 Series)

Since amended vide Press Note No.12 (1992 Series)
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(b) **Other Approvals:** Proposals which are not covered by paras 39-C(i) and (ii) of the Statement on Industrial Policy will be dealt with according to the general procedure in force. Applications may be filed in the prescribed form (10 copies) with the Entrepreneurial Assistance Unit of the Secretariat for Industrial Approvals (SIA) in the Department of Industrial Development, Ministry of Industry, Udyog Bhawan, New Delhi - 110011.

(c) **Pending Applications:** Pending applications for foreign technology agreements will be dealt with by the SIA in accordance with the new guidelines/procedures contained in this Press Note.

4. HIRING OF FOREIGN TECHNICIANS

Henceforth no permission is necessary for hiring of foreign technicians and no applications need be made to Government for this purpose irrespective of whether the hiring of foreign technicians is under an approved collaboration agreement or not. As regards release of foreign exchange, full powers are being delegated by the Government to RBI to authorise payments either against blanket permits or in free foreign exchange. RBI will in turn delegate its existing powers to the authorised dealers to release payments in free foreign exchange and against blanket permits.

Release of foreign exchange by authorised dealers under the blanket permit would not be subject to any restrictions on per diem rates and duration of engagement, etc. For release of foreign exchange other than under blanket permits, the existing guidelines followed by the RBI, as shown below, would continue and would be delegated to authorised dealers:

(a) Where the duration of the engagement of foreign technicians does not exceed 12 months by a company in a year, with no single technician exceeding 3 months.

(b) Where the payment to the foreign technician does not exceed US $ 500 per day, regardless of whether the local costs on board and lodging and other items are met by the Indian Company or not.

(c) Where in the case of company to company payment, the payment by the Indian company to the foreign company does not exceed US $ 50,000 in a year.

5. FOREIGN TESTING OF INDIGENOUS RAW MATERIALS AND PRODUCTS AND INDIGENOUSLY DEVELOPED TECHNOLOGY

Full powers are being delegated by Government to RBI to authorise payments in such cases either against blanket permits or in free foreign exchange. RBI will issue necessary instructions in this regard, including delegation to the authorised dealers.

6. NEW CLASSIFICATION SYSTEM

Entrepreneurs may note that the description of article(s) to be manufactured should be stated according to the Indian Trade Classification system. This applies both to the applications to be filed under the provision of para 3 and para 6.

The description of industries covered by Annex III of the Statement on Industrial Policy in the Indian Trade Classification (Harmonised System) is attached to this Press Note.

Copies of the Indian Trade Classification (Based on Harmonised Commodity Description and Coding System), published by the Ministry of Commerce, Directorate General of Commercial Intelligence and Statistics, Calcutta, can be obtained on payment from the Controller of Publications, 1, Civil Lines, Delhi - 110 054 or from any of the agents authorised to sell Government of India publications.

No.10/43/91-LP
New Delhi, the 14th August, 1991.

The Press Information Bureau is requested to give wide publicity to this Press Note.

Sd/-

(L. Mansingh)
Joint Secretary to the Government of India

Principal Information Officer, Press Information Bureau, Shastri Bhawan, New Delhi.
1. Government tabled a Statement on Industrial Policy in both the Houses of Parliament on July 24, 1991. The Statement has substantially liberalised the provisions and simplified the procedures governing foreign investment proposals.

2. The relevant portion of the Statement dealing with foreign investment is contained in para 39 B. According to the Statement approvals will be given for investment up to 51% foreign equity in high priority industries [Annex III of the Policy Statement]. These approvals will be available if the foreign equity covers the foreign exchange requirement for import of capital goods. The import of components, raw materials and intermediate goods and payment of know-how fees and royalties will be governed by the general policy applicable to other domestic units. Payment of dividends will 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.

Other foreign equity proposals including proposals involving 51% equity but which do not meet any or all of the criteria mentioned above, will continue to require clearance.

Majority foreign equity holding up to 51% will also be allowed for trading companies primarily engaged in export activities.

3. APPROVALS FOR FOREIGN INVESTMENT UPTO 51% FOREIGN EQUITY IN HIGH PRIORITY INDUSTRIES(ANNEX III).

A. Procedures for Approvals

Applications for approval under the provisions in paras 39 B(i) and 39 B(ii) of the Statement on Industrial Policy will be filed with the Reserve Bank of India. The application shall state clearly the description of the article to be manufactured in ITC (HS classification). The proposal shall be a composite one including detailed information on the capital goods to be imported for the project. Under the provisions of the policy the proposed foreign equity must cover the import of capital goods required for the project.

The Reserve Bank of India will issue the necessary permission for the foreign equity investment under the Foreign Exchange Regulation Act, 1973 (FERA). This permission will include exemption from the operation of sections 26(7), 28, 29, and 31 of FERA. Simultaneously the Reserve Bank of India will confirm that the import of capital goods is covered by the foreign equity. Based on this confirmation the Chief Controller of Imports & Exports shall issue the relevant import licence for capital goods imports.

Under the procedure outlined above the plant and machinery proposed to be imported must be new and not second hand. There will be no indigenous clearance of these capital goods.

B. Dividend Balancing

Para 39 B(ii) of the Policy Statement provides for the monitoring of outflow of foreign exchange on account of dividend payments which are to be balanced by export earnings over a period of time. This monitoring will be done by the Reserve Bank of India. The balancing will be done on the following basis:

(i) The condition of dividend balancing is required for all companies receiving approval for foreign equity up to 51% under the provisions of para 39 B(i) of the Policy Statement.

(ii) The balancing of dividends would be over a period of 7 years from commencement of production. Balancing will not be required beyond this period.

(iii) Remittance of dividends should be covered by earnings of the company from export of items in Annex III. The amount of dividend payment may be covered by export earnings of such items recorded in years prior to the payment of dividend or in the year of payment of dividend. The Reserve Bank of India will issue appropriate instructions to give effect to these provisions.
4. FOREIGN INVESTMENT IN TRADING COMPANIES

Under the provisions of para 39 B(iv) foreign equity holdings upto 51% equity will be allowed in trading companies primarily engaged in export activities. Applications for foreign investment under this clause will be filed with the Reserve Bank of India in the form to be prescribed by the RBI. Such trading houses shall be at par with the domestic trading and export houses and shall operate in accordance with the Import Export Policy.

5. FOREIGN INVESTMENT IN HOTELS AND TOURISM RELATED INDUSTRY

Foreign equity holdings upto 51% will also be permitted in hotels and tourism related industry. Applications will be filed with the Reserve Bank of India in the form to be prescribed by the RBI.

6. OTHER FOREIGN INVESTMENT PROPOSALS

All other foreign investment proposals will be subject to the existing procedures. Applications will be made to the Secretariat of Industrial Approvals in the Department of Industrial Development in the prescribed form. These proposals will be considered according to usual procedures. This will include proposals involving 51% foreign equity which do not meet any or all of the criteria under paras 39 B(i) and (ii) of the Policy. Proposals of foreign investment, foreign technology agreements not covered by the automatic facility, and import of capital goods may, if desired, continue to be made on a composite basis.

7. FOREIGN TECHNOLOGY AGREEMENTS

Under the provisions of the new policy foreign equity proposals need not necessarily be accompanied by foreign technology agreements. The procedure for foreign technology approvals have been outlined in Press Note No.10 (1991 Series).

8. NEW CLASSIFICATION SYSTEM

Entrepreneurs may note that the description of article(s) to be manufactured should be stated according to the Indian Trade Classification (Harmonised System). This applies both to the applications to be filed under the provisions of para 3 and para 6 of this Press Note.

The description of industries covered by Annex III of the Statement on Industrial Policy in the Indian Trade Classification (Harmonised System) is attached to this Press Note.

Copies of the Indian Trade Classification (Based on Harmonised Commodity Description and Coding System), published by the Ministry of Commerce, Directorate General of Commercial Intelligence and Statistics, Calcutta, can be obtained on payment from the Controller of Publications, 1, Civil Lines, Delhi 110 054 or from any of the agents authorised to sell Government of India publications.

No.11/43/91-LP

New Delhi, the 20th August, 1991.

The Press Information Bureau is requested to give wide publicity to this Press Note.

Sd/-
(L. Mansingh)
Joint Secretary to the Government of India

Principal Information Officer, Press Information Bureau, Shastri Bhawan, New Delhi.

Note: * A list of Annex.III industries is appended to Press Note No.10 (1992 Series).