

**1.2 AN ANALYSIS ON INDUSTRIAL INVESTMENT INTENTIONS
IN THE LICENSABLE AND DELICENCED SECTOR
DURING THE 12TH PLAN PERIOD**

Status of Industrial Licensing - Policy and Procedures

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

Licensing Policy

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

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

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

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

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

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.].

Delicensed Sector

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

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

To create a business and investor friendly environment, the Government initiated the ebiz project for delivery of convenient and efficient services. Under this G2B services online filing of IEM and IL applications have become mandatory.

Status of Investment Intentions.

During the 12th Plan period, from April 2012 to March 2017, 181 Direct Industrial Licences with proposed investment of ` 8258 Crore have been issued.

In the delicensed sector, during the same period 10951 IEMs with proposed investment of ` 21,26,123 crore have been acknowledged.

Statewise and sectorwise investment intentions.

A state-wise analysis of the proposed investments in the licensable and delicensed sector during the 12th Five Year Plan Period shows that Gujarat with a proposed investment of Rs. 3,88,579 crore is the leading State in attracting the maximum investment. It is followed by Chhattisgarh with proposed investment of ` 3,04,653 crore and Karnataka with ` 2,74,308 crore.

A sector-wise analysis of the investment intentions for 12th Plan shows that Electrical Equipments (20.70%), Metallurgical Industries(15.18%) and Chemicals (other than fertilizers) (11.06%), Textiles (7.15%) and Fertilizers (5.54%) have attracted the maximum investment.
