

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

Status of Industrial Licensing - Policy and Procedures

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

Licensing Policy

Under the Industries (Development & Regulation) Act, 1951, an industrial licence is required in respect of the following items of manufacture falling under the list of compulsory licensing (only 4 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.

Vide Press Note 3 of 2019 dated 11.09.2019, Press Note 17 (1984 Series) has been withdrawn and only following four industries are covered under compulsory licensing under IDR Act, 1951:-

- a) Cigars and cigarettes of tobacco and manufactured tobacco substitutes; (Fresh Licenses are not being issued for the manufacture of this item on health ground since 1999).
- b) Electronic aerospace and Defence equipment.
- c) Industrial explosives including detonating fuses, Safety Fuses, gun powder, nitrocellulose and matches;
- d) Hazardous chemicals: viz (i) Hydrocyanic acid and its Derivatives; (ii)Phosgene and its derivatives; (iii) Isocyanates and di- isocyanates of hydrocarbon, not elsewhere specified (example: Methyl Isocyanate).

Delicensed Sector

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

Filing an IEM is primarily for the purpose of collecting data about the delicensed sector on investment, employment and type of industrial activity. It is also for the purpose of conducting a limited post facto scrutiny of the

unit, mainly to preclude them from manufacturing a compulsory licensable item.

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

Applications for IEM under I(D&R) Act, 1951 were being accepted through the IEM portal at <https://services.dipp.gov.in>. Through this portal applications for acknowledgement of IEM –Part A (for establishment of business) and IEM – Part B (upon commencement of commercial production) were filed online by entrepreneurs of prescribed industrial undertakings. The Acknowledgement Certificate of the IEM were issued physically.

The applications for any Amendments to the IEMs were, however, filed manually an Acknowledgment Certificates were issued physically on paper with scanned copy uploaded on the portal. The Acknowledgment Certificates were thereafter emailed to the applicants.

With a view to enhancing transparency and ease of doing business, the Department for Promotion of Industry and Internal trade has enhanced the IEM portal w.e.f 25.05.2020. The enhanced portal offers online filing of applications for IEM –Part A, Part B and also for Amendments. All applications are processed in paperless mode and Acknowledgment Certificates with QR Code are issued electronically. The applicants shall also be notified vide email and SMS instantaneously upon approval. Concerned state governments are also being notified by email simultaneously.