

Chapter V

Licensing Administration and Procedures

The previous chapter was devoted to highlight the need of controls and regulations in the field of industrialisation. It was seen that for gearing the industries towards the socio-economic objectives of our country, it was necessary to have a proper control and supervision of the Government-Industrial licensing constitutes an important mechanism through which this control and regulation becomes possible. In the present chapter, therefore, a modest attempt is made to examine the licensing administration and procedures.

The Ministry of Industries is the nodal agency in the Government for the formulation and implementation of appropriate measures (both promotional and regulatory) for the development of the industrial sector as a whole in consonance with national priorities and socio-economic objectives.

While the Ministry is primarily responsible for the Government's industrial licensing policy, individual administrative ministries are in charge of the development of specific industries in their own sphere.

The Ministry of Industry was restructured in September 1985 and presently comprises the following: *

(i) Dept. of Industrial Development
(ii) Dept. of Company Affairs
(iii) Dept. of Medicals and Petro-chemicals
(iv) Dept. of Public Enterprises.

Department of Industrial Development: This department is the central agency in the Government for formulation and implementation of policies for the industrialization of the country in accordance with overall Industrial Policy and targets and priorities indicated in the Five Year Plans. This department is responsible for periodically reviewing and initiating measures for promotion of industrialization in general (including balanced regional development) and promotion of the small scale, village and rural industries in particular. These objectives are, however, secured through the system of industrial licensing under the provisions of the Industries (Development and Regulation) Act, 1951 and the rules made thereunder and supplemented by approvals for import of capital goods and technology, foreign investment etc. This department is also responsible for a number of other promotional, regulatory, technical and advisory functions in which it is assisted by several attached and subordinate offices. Besides this, the department is administratively concerned with the industries allocated to it under the 'Allocation of Business Rules' of the Government of India. The Department of Industrial Development is headed by a Secretary to the
Government of India, and is directly under the Ministry of Industry. The organisational chart of the department is appended.*

It has the following principal functional divisions:

1. Secretariat for Industrial Approvals (SIA).
2. Policy Desk for the formulation and implementation of industrial and licensing policies;
3. Industries Division;
4. Finance Division (including the Departmentalised Accounting organisation), and
5. Administration and General Division.

1) Functions of Secretariat for Industrial Approvals (SIA):

The Secretariat (S.I.A.) functions as a unified agency for processing the following applications:

1. Industrial licence;
2. Foreign collaborations, and
3. Import of capital goods.

For assisting the entrepreneurs and for looking into complaints of delays, the S.I.A. division *also* has an Entrepreneurial Assistance Unit headed by Public Relations and Complaints Officer (PR & CO) directly responsible to Joint Secretary, who in turn reports directly to the Secretary of the Department.

---

* See Annexure I of this chapter.
2. **Policy Desk and its Functions:** The Policy Desk is responsible for formulating and implementing industrial licensing policy and periodically reviewing/evaluating such policies. It is also responsible for initiating such measures as may be required to streamline and update procedures to keep abreast of policy changes in other associated sectors, ensure the harmonisation of the growth of the organised and small scale industrial sector as well as dispersal of industries to the backward region.

3. **Industries Division and its Functions:** This division is concerned with the promotion, development and growth in the large, medium and small sectors in relation to the industries allocated to this department as also for industrial productivity and industrial management.

4. **The Finance Division and its Functions:** This division is responsible for giving advice on all financial matters, budget and accounts, organisation and methods etc. It is also responsible for internal audit in the Department of Industrial Development.

5. **The Administration and General Division:** This division is assigned the work to deal with personnel and establishment matters and other associated matters like career management, training, vigilance, security, welfare etc.
Apart from the above, there are several attached offices, subordinate offices, public sector, enterprises and autonomous organisations under the administrative control of the Department of Industrial Development.

The Licensing Committee: Initially the licensing Committee consisted of representatives of the Ministries concerned with different industries, Ministries of Finance (Economic Affairs), Railways and Labour and the Planning Commission. Representatives of State Govts. were permitted to attend the meeting as co-opted members. Representatives of the Council of Scientific and Industrial Research and of the Development Commission for small scale industries were later added to the Committee as members. The Secretary to the Ministry of Industry is the Chairman of the Committee.

The Licensing Committee is an advisory body, and is expected to make such investigations in respect of the application referred to it, as necessary and make a report to the Government. Normally, if the Minister or the Cabinet does not approve the recommendations of the licensing Committee, the Government would either reject the recommendations or refer the cases back to it. Generally, the licensing committee accepts the advice given by the Concerned Ministry or authority and takes a decision in the meeting itself on the grant of a licence.

*See list enclosed as Annexure III of this chapter.
If, however, it is found that the data provided in the application for licence are not adequate or some authority directly involved had to be further consulted, the decision is postponed for further examination. In cases where it is felt that postponement up to next meeting of the Committee would involve much delay, it has been the practice of the Committee to set, the latter decided by the Chairman of the Licensing Committee either through an inter-ministerial meeting or "on file". This is also done when there are special difficulties in deciding a case, such as disagreement about the availability of capacity for licensing, questions involving revision of plan targets or disagreement about the soundness of the scheme. Occasionally, when no decisions may be arrived at through this latter procedures, the cases are again brought back for consideration before the Licensing Committee. Similarly, State Governments also bring up for consideration, schemes which in their opinion deserve favourable consideration but had been recommended for rejection by the sub-committees or by the Ministry concerned under delegated authority.

In order to improve the efficiency and functions of the Ministry of Industry, the following changes are being introduced:
i) The work relating to public sector enterprises heretofore dealt with under the Department of Industrial Development has been transferred to the Department of Public Enterprises;

ii) Specific industries dealt with under the erstwhile Department of Heavy Industry have been transferred to the Department of Industrial Development. Those industries include:-

a) manufacture of heavy electrical engineering equipment for all industries.
b) heavy electrical engineering industries;
c) machinery industries; including machine tools and steel manufactures;
d) auto industries including tractors and earth moving equipment and all types of diesel engines.

In December 1985*, the Department of Industrial development has also been entrusted with the work of the following:-

(i) National Council for Cement and Building Materials;
(ii) Bureau of Industrial Costs and Prices and the United Nations Industrial Development organisation (U.N.I.D.O.)
(iii) The Trade and Merchandise Marks Act, 1958.

(iv) National Small Industries Corporation Limited which was transferred to the Department of Public Enterprises (vide notification dated 25.9.85), is now the concern of Department of Industrial Development.

The re-structured department continues to be the primary agency of the Government for the promotion of industrialization of the country including formulation and implementation of Industrial policy in all sectors of the country's economy in accordance with the national priorities and objectives. The promotional, regulatory, advisory and technical functions relating to industrial policy are implemented by the department through its various attached and subordinate offices and other organisations. During 1985, after reviewing the functions of various attached and subordinate offices, the Govt. decided to wind up the Office of the Director General Industrial Contingency with its headquarters and regional offices.

Apart from the above changes brought about in the Ministry of Industry, the Department of Industrial Development has also taken several measures for effective improvement in efficiency, prompt and courteous services to the public,

*Annexures I & III of this Chapter.
*With effect from 31.3.1986.
for eliminating scope of corruption and so on. As a measure for administrative reforms, senior officers take monthly J & H meetings to review and monitor implementation of various decisions taken in this regard.

Computerisation programme of the department has been in the offing and as a step for effective improvement in efficiency, the following specific areas have been identified for the introduction of computerised data systems for which National Informative Centres (NIC) help has been sought:

1) Computerised Industrial Licensing Information system (COILIs)
2) Computerised Registration of De-licensed Industries (CORDLI)
3) Computerised Rejection of Industrial Approvals (CORIA)
4) Production Information System (PISODIS) for 183 products reporting to JGTD including a computerised reminder system for reminding the defaulting units.
5) Management Information System for Paper Directorate (MISP)
6) Computerised Sample survey of small scale units (CSSSU)
7) Computerised Whole sale price Index bulletin (CWPID).

In addition to the above projects computerisation is being initiated in the following areas also:

i) Foreign collaboration data
ii) Development of Backward Areas
iii) K/S for cement Industry.
As a result of various preventive and corrective measures taken, the general administrative milieu seems to have improved. Nevertheless, this process is being constantly monitored and steps to improve efficiency in the management of work are being taken on continuous basis. It is pertinent here to examine the functions of an important advisory agency viz. D.G.T.D. which advises the Government on technical industrial matters and is also an apex body of licensing committee. The following paragraphs are devoted to analyse and examine its functions and the impact of D.G.T.D. schemes along with licensing will be studied in Chapter VI.


This is the principal technical agency not only in the Ministry of Industry but for other Ministries/Departments of the Government as well, to advise Government on matters relating to planning and development of industries. It is an important independent advisory agency under the administration of Industries (Development and Regulation) Act 1951. After the passage of this Act and with the beginning of First Five Year Plan, technical advices on important aspects of industry became increasingly important for Government and the responsibility of this organisation has since been increasing rapidly. From a small group of technical officers at the
beginning, it has now developed into a large organisation with specialised directorates dealing with different industries or groups of industries. Except those industrial fields for which separate technical organisations have been set-up. The directorate advises government in matters of industrial fields. It has not only to give general technical advice to the government but it also has the responsibility for many other matters such as giving advice or applications for industrial licences, imports of capital goods and raw materials, keeping track of the implementation of licences and collecting and compiling data relating to installed capacity and production. The D.G.T.D. is also the main agency which assists planning commission in formulating plans for industries. It is also expected to work out detailed targets in keeping with the overall targets set by the Planning Commission, keep track of the actual developments that take place in the industrial field and suggests remedial measures where necessary on the basis of its review of actual developments and implementations.

*Textile Industry is looked by Textile Commissioner, Jute Industry by Jute Commissioner, Coal Industry by the Coal Controller and the Department of Petroleum and Iron & Steel have also their own Technical Advisers. These industries are therefore outside the purview of the D.G.T.D.*
Licences under the I.D.A.E.A. are required only for scheduled industries with a capital investment above the exception limit. Even in the 'Scheduled Industries' there are industries which have been delicensed, and all such units are required to be registered (except those which belong to small scale sector). So also the units with capital investment above Rs. 25 lacs, in the non-scheduled industries are required to be registered with the I.D.A.E.A.

The organisation is headed by Secretary (Technical Development) and its Engineering and Chemical wings are headed by two Deputy Directors Generals each. Individuals in industrial groups are looked after by 'Industrial Advisors' assisted by other technical Officers. D.G.T.D. has the following specialised divisions as at present:-

(1) Technology Development Division: This division centrally coordinates the efforts of the D.G.T.D. towards an overall policy of technology development.

(2) Policy Plan and Coordination Divisions: This division monitors centrally the processing of industrial approval applications in the D.G.T.D. It is the focal point for interpretation of Government's policy on various industrial development aspects and plays an important role in effective

*Annexure II of this chapter shows the organisation structure of D.G.T.D.
for action and implementation of streamlining and simplification of procedure. Medium sector units exempted from industrial licensing are registered with the D.G.T.D. by this division.

(3) Information Division: The D.G.T.D. has computerised processing of monthly production returns and this division carries out detailed analysis on the trends of growth of industry as well as on date of production, capacity utilisation etc.

(4) Import Policy and Export Promotion division is the focal point in the D.G.T.D. It helps the D.G.T.D. in providing the basic information to the Ministry of Commerce in formulation and effective implementation of the Import and Export Policy particularly in relation to industry.

Apart from the above division, the D.G.T.D. is also assisted by Energy Conservation Division, Publication and Public Relation Division and Environmental Pollution Control Cell. In order to provide some of the services of the D.G.T.D. to industrialists of various regions, the D.G.T.D. has set up from offices at Madras, Calcutta, Lucknow and Bombay. These offices provide assistance in matters like improvement
of capacity utilisation and solutions to problems areas in industries falling within their jurisdiction. They also render guidance to intending entrepreneurs in setting up new industries.

The preceding paragraphs have dealt with the organisational structure and functions of the concerned departments in the Ministry of Industry for licensing. The succeeding paragraphs would explain the procedure for obtaining an industrial licence.

5.2 **Legislative Framework of Industrial Licensing Under the Act 1951:**

In order to give industrialisation a desired direction the need for a pragmatic industrial policy has been felt even before independence but such a policy will remain a theoretical exercise if legislative backing is not accorded to it. It is, therefore, that alongside a well designed industrial policy, legislative measures have been important prerequisites, and the Industries (Development and Regulation) Act 1951 was the outcome of such a need. It is through this Act that the legislative framework of industrial regulations and development
is provided and certain industries are required to obtain an industrial licence.

However, apart from its legislative framework, the IDTA 1951 has the following important social objectives of its licensing system:

1) Channelising the investment in accordance with the Five year plans;

2) Balanced regional development;

3) Promotion of small-scale industries with the help of protection against large-scale production where required;

4) Carrying out the directive principles of the constitution, particularly preventing the concentration of economic power; and

5) Regulation and taking over of those industrial undertakings whose management was found to be detrimental to industry or to public interests.

*Industrial undertakings manufacturing any of the items specified in the First schedules of the Act and the control of which is expedient in the Public Interest or if they cross the specified investment limits set by the Government from time to time.
As per the Webster's Collegiate Dictionary, the term 'licence' means authority or liberty given to do or forbear any act, especially a formal permission from the authorities to carry on certain business otherwise illegal; also the document embodying such permission is a licence, or it refers to any unusual freedom of action. Taking cognizance of these interpretations, an 'industrial licence' may be defined as

"A written permission, or to be more specific, a passport, from the Government to an industrial undertaking to initially manufacture of specific articles included in the First Schedule of the I.D.A.A. 1954, subject to a validity period within which the licenced capacity should be established. It would also include, among other things, particulars of the industrial undertaking, its location, the articles to be manufactured, their capacity on the basis of maximum utilisation of plant and machinery and other appropriate conditions which are enforceable under the Act."

It would appear from this definition that an industrial licence after being obtained becomes like a passport to secure all other approvals and facilities required for setting an industrial venture. Whereas in practice it is viewed that a licence so obtained is like a ticket of admission to an area where a series of hurdles had to be crossed like getting the permission to raise capital in the market and if it requires import of capital equipment and employment of foreign
expertise etc. It would go through a separate scrutiny and a cumbersome procedure will be followed before obtaining such permissions or clearances.

It is observed that the Industries (Development and Regulation) Act 1951 provides the legislative framework through which the Industrial Policy takes shape and through this Act it is provided for the Government to frame a policy for licensing the industrial units. Industrial licence thus becomes necessary in the following cases except those exempted by the Government specifically from licensing provisions of the Act:

1) For establishing a new undertaking (Section 11); which falls in the First Schedule\(^1\) of the Act and in which the total investment in land, building and machinery exceeds Rs. 5 crores* and in establishing a new undertaking in certain restricted regions etc. These licences are termed as licences for New Undertakings or N.U. Licences;

2) For taking up the manufacture of new article in an existing industrial undertaking (Sec. 11A); N.A.

---

1. See Appendix III.

*On Ramakrishna Panel Reports recommendations, the Government raised it to Rs. 3 crores whereas earlier it was Rs. 1 crore; and w.e.f. April 1983 it was raised to Rs. 5 crores.
3) For substantially expanding the capacity of an existing line of manufacture (Sec. 13); these licences are termed as licences for substantial expansion or S.E. Licence.**

4) For carrying on the business of an existing industrial undertaking to which licensing provisions of the Act did not originally apply on account of an exemption order issued by the Government and later became applicable as a result of cancellation of the exemption order and under certain other circumstances as provided in the Act (Sec. 13) these licences are termed as Carry on Business licences or C.O.B. licence.

5) For changing the location of an existing industrial undertaking (Sec. 13)

The Act however, empowers the Central Government to exempt, under certain circumstances and subject to such conditions as it may think fit to impose on any industrial undertaking or class of industrial undertakings or any scheduled industry or class of scheduled industries from the operation of all or any of the provisions of the Act or of any rule or order made thereunder (Sec. 29 3). In pursuance of this power, exemption from the licensing provisions of the Act

**An increase upto 5% p.a. of the licenced capacity does not amount to S.E. subject to a maximum of 25% for 5 years period.
have been granted to certain categories of industrial undertakings on the basis of investments involved in them, the nature of industry, the foreign exchange requirements etc. The Exemption limit was fixed at Rs. 10 lakhs of investments in land, buildings, machinery in February 1960 which was raised to Rs. 45 lakhs in January 1964 and to Rs. 1 crore in February 1967 and now it is fixed at Rs. 3 crores.

The provisions of the Act apply only to industrial undertakings manufacturing items included in the First Schedule of the Act. The schedule was prepared with an eye to the need to bring on central control the development and regulation of a number of important industries the activities of which would affect the growth of the country as a whole and the development of which must be governed by economic factors of all India import. Thus the provisions of the Act also allow the manufacturers to work without obtaining a licence if their product/s does

*An industrial undertaking has been defined in the Act as those pertaining to a scheduled industry carried on in one or more factories** by any person or authority including the Government.

**A factory means any premises including the precincts thereof in which manufacturing process is carried on:-

a) With the aid of power provided 50 or more workers are working or were working there on any day of the preceding 12 months;
b) without the aid of power provided that 100 or more workers are working or were working there on any day of the preceding 12 months and provided further that in no part of such premises any manufacturing process is being carried on with the aid of power,
do not fall in the First Schedule of the Act and also no
license is needed even if the item is in the First Schedule
of the Act provided the employment in the proposed industrial
undertaking is not likely to exceed 50 or 100 depending on
whether its manufacturing process is carried on with or with­
out the aid of power. This provision is more often ignored.
Therefore, before claiming an exemption an entrepreneur should
have a clear idea as regards the number of workers he would
employ. In case of doubt, it is safer to obtain a licence.

Though under section 29 B of the Industries (Develop­
ment and Regulation) Act 1951, the Government is empowered
to exempt an industrial undertaking to obtain an industrial
licence, but in the following cases this exemption can not be
granted:

a) To all the industrial undertakings falling under
the categories listed in the Second Schedule;

b) In respect of all industries listed in the Third
schedule (Schedule A of the I.R.R. 1956) and Schedule
Fourth i.e. industries requiring special regulation;

c) The exemption will also not be applicable, except in
the case of small scale industries and ancillaries units
in respect of articles in schedule First i.e. articles
reserved for the Small Scale Industry sector; and
d) Undertakings to which Chapter III of the \textit{Act} 1969 applies.

In exercise of powers conferred upon the Central Government under section 25 B of the IDRA 1951, the Government may exempt the industrial undertakings to obtain a licence under the following conditions:

"1) If the Central Government is of opinion, having regard to the smallness of the number of workers employed or to the amount invested in any industrial undertaking or to the desirability of encouraging small undertakings generally or to the stage of development of any scheduled industry that it would not be in the public interest to apply all or any of the provisions of this Act thereto; it may, by notification in the official gazette, exempt, subject such conditions as it may think fit to impose, any industrial undertaking or any scheduled industry or class of scheduled industries it may specify in the notification from the operation of all or any of the provisions of this Act or of any rule or order made thereunder;

2) Where any notification under sub-section (1) granting any exemption is cancelled, no owner of any industrial undertaking to which the provisions of Section 10, Section 11, Section 11 A or Clause (d) of sub-section (1) of Section 13 would have applied if the notification under sub-section (1) had not been issued, shall carry on the business of the undertaking after the expiry of such period as may be specified in the notification cancelling the exemption except under and in accordance with the previous permission of the Central Government."
3) The provisions of this Act shall apply so far as may be, in relation to the issue of a licence or permission to any industrial undertaking referred to in sub-section (2) as they apply in relation to a new industrial undertaking.

From the provisions, the Government has been taking cognisance by releasing the press notes to exempt the industrial undertakings from obtaining industrial licenses. The following are the categories of cases to which exemptions are applicable.

1) **SMALL SCALE UNITS**: Subject to the categories of cases to which exemptions are not applicable, all industrial undertakings with investments in fixed assets in Plant and Machinery not exceeding Rs. 20 lakhs are exempted;

2) **ANCILLARY INDUSTRIES**: Subject to the nonexemption rules all industrial undertakings with investments in Plants and Machinery not exceeding Rs. 25 lakhs and manufacturing parts, components, sub-assemblies, accessories, tooling or intermediates for supply to other units or for replacements are exempt;

3) **OTHER EXEMPT UNDERTAKINGS**: Subject to the non-exemption rules in para A above, in respect of all other industrial undertakings, exemption up to an investment limit of Rs. 5 crores in land, building and machinery will be available for establishing a new undertaking or for effecting substantial expansion or for the manufacture of new articles, in the manner and
subject to the conditions specified below:

a) No industrial undertaking will function without a licence under the Act if the investment in it exceeds Rs. 50 million at any time. This means that no new undertaking can be established without a licence if the investment in it exceeds Rs. 50 million; and an undertaking which is not registered or licensed under the Act shall obtain a licence when its investments cross the Rs. 50 million limit.

b) Industrial undertakings already registered or licensed under the Act may however invest in fixed assets in land, building and machinery, and plant not exceeding Rs. 50 million either for establishing new industrial undertakings or for manufacturing new articles or for effecting substantial expansion. These investments may be made in one or more stages but in no case should the investment limit of Rs. 50 million be exceeded, without obtaining an industrial licence. In other words, the investments so made along with the original investment in the undertaking should not exceed Rs. 5 crores, without obtaining an industrial licence at any stage;

c) None of the items listed in Schedule I (items reserved for small scale sector) should be manufactured;
d) The proposed investment should not require foreign exchange in excess of the following limits:

i) More than the equivalent of 10% of the said investment or ₹ 5 lakhs whichever is higher, for the import of machinery and equipment; or

ii) More than the equivalent of 5% of the ex-factory value of the annual production of ₹ 5 lakhs (whichever is less) for the import of raw materials other than steel and aluminium, to be used in such manufacturing activity in any year; or

iii) More than the equivalent of 10% of the ex-factory value of the annual production of ₹ 5 lakhs (whichever is less) in any year after three years of the commencement of the production, for the import of components to be used in the said manufacturing activity.

No owner of any industrial undertaking which was previously exempted from the operation of sections 10, 11, 11A and 13 of the said Act and which is not so exempt by virtue of the notification now issued shall carry on business of such undertaking after a period of six months from the date of the publication of notification, except under, and in accordance with a licence issued in this behalf by the Central Government. In the case of Governments the previous permission of the Central Government should be
obtained to carry on business. Industrial undertakings which need to obtain C.W.B. licences include:

a) Undertakings which by themselves or interconnected with other undertakings have assets exceeding ₹ 1.50 crore, except those which have obtained a licence (as belonging to larger house or otherwise); and

b) Undertakings with fixed assets in land, buildings, plant and machinery exceeding ₹ 5 crore if they have not obtained a licence for any of their manufacturing activities.

All industrial undertakings which were required to obtain C.W.B. licences were to apply in Form EE (appended to the Registration and Licensing of Industrial Undertakings Rules 1952) to the then C.L.R. (Coordination and licensing progress) Section on or before 15.6.73 now replaced by the Secretariat for Industrial Approvals (Central Receipts and Despatch Section of the Ministry of Industry). The procedure for obtaining an industrial licence is explained in the following paragraphs.

Undertakings falling in Schedule I but exempted from licensing, are expected to register themselves with the concerned registering authorities. In case of small scale units, they have to register themselves with the appropriate Director of Industries and with the Development
Commissioner Small-Scale Industries. Undertakings other than small-scale units are required to get themselves registered with the Director General Trade and Development (DGTD) or other concerned technical authority of the Central Government namely the Textile Commissioner, Iron and Steel Controller, Chief Director of Sugar and Vanaspati and the Coal Controller.

Application for registration are submitted to the concerned authorities in duplicate, and a copy is endorsed to the State Director of Industries. In case clearance is needed for foreign collaboration or capital goods, it should be obtained prior to applying for registration. The application for registration should be made at the time when the applicant firm places orders for setting the industrial unit. For obtaining an industrial licence or letter of intent the following procedure is adopted.

**FORMS AND PROCEDURES FOR INDUSTRIAL LICENSING:**

The licensing provisions of the Act apply to industrial undertakings set up by any person or authority including the Government. The industrial licence application should be moved by the person/s or the representatives of the Government (in case it is to be formed in the Government sector) desirous of setting up such an undertaking. If the new industrial undertaking has to be formed the industrial
licence in the first instance will be issued in the name of
the applicant/s and later, when the Company/Undertaking has
been formed, necessary endorsement to that effect will be
made in the licence.

The following procedure is adopted in the grant of an
industrial licence under the I.D.R.A. 1951:

An application for an industrial licence has to be made
in the appropriate form prescribed under the Registration
and Licensing of Industrial Undertakings Rules 1952. The
forms appended to the licensing rules, include six types of
forms which are prescribed for different types of licensing
cases.

**FORM D-I (Appendix VI):** For establishing a new undertaking,
where foreign collaboration, import of capital equipment or
issue of capital is involved, this application form is used.
In other words, this is an application form for the issue of
letter of intent.

**FORM D-II (Appendix VII of the Rules):** For the establishment
of a new industrial undertaking where no foreign collaboration,
import of capital equipment or issue of capital is involved;
or where the conversion of the letter of intent already issued
in pursuance of an application in Form D-I, into an industrial
licence is sought this form is prescribed to be used.
FORM E (Appendix VIII of the Rules): For changing the location of the whole or any part of an industrial undertaking which has been registered or in respect of which a licence or permission has been issued, the licensing rules prescribe the use this form.

FORM E-I (Appendix IX of the Rules): For effecting a substantial expansion to or for the production or manufacture of any new article in an industrial undertaking which has been registered or in respect of which a licence or permission has been issued; and where foreign collaboration, import of capital equipment or issue of capital is involved the applicant is required to submit the application in this form.

FORM E-II (Appendix X of the Rules): For effecting a substantial expansion to, or for the production or manufacture of new article in, or industrial undertaking which has been registered or in respect of which a licence or permission has been issued and where no foreign collaboration, import of capital equipment or issue of capital is involved the application must use this form. In other words, this is for the conversion of letter of intent already issued in pursuance of an application for E-I into an industrial licence.

FORM EE (Appendix XI of the Rules): All Industrial undertakings requiring to obtain C.O.B. licences are required to apply in this form. Industrial undertakings which need to obtain C.O.B. licences include:
a) Undertakings which by themselves or in inter-connection with other undertakings have assets exceeding 100 crores, except those which have obtained a licence as belonging to a larger house or otherwise; or

b) Undertakings with fixed assets in land, building, machinery and plant exceeding 5 crores if they have not obtained a licence for any of their manufacturing activities.

APPENDIX XII: The applicant is required to furnish all additional information with the application for licences for new undertakings and substantial expansion/new articles in the revised form, if applicable.

Those registered industrial undertakings or undertakings in respect of which a licence or permission had been issued and who proposed to effect substantial expansion or the manufacture of a 'New Article' were required to submit their application form E-I* or in form E-II**, whereas for carrying on business the prescribed application form was Form EE and for shifting an industrial unit form E was to be used. But recently the government has simplified the forms and devised new one to be speedily processed by the computer.

* In respect of cases requiring foreign collaboration, import of Capital equipment or issue of capital.

** In case where no foreign collaboration, import of capital equipment or issue of capital were involved.
The Streamlined Present Application Form: In order to ensure quick disposal of application; the Government had earlier announced its intentions to simplify the industrial licence application form. All the forms mentioned in the preceding paras were replaced by Form I.L. (Appendix VII). This form is now issued for applying a licence/permission for the establishment of a 'New Undertaking' (under section 11) or to effect 'substantial Expansion (Under section 13(1)(d))' or for the manufacture of 'New Article (under section 11 A) under the provisions of the Industries (Development and Regulation) Act, 1951.

The new application form has been consolidated, simplified and rationalised to furnish information required by the appropriate authorities. This application form would help to avoid confusion being faced by the entrepreneurs in choosing the right type of application form for different classes of industrial licences. In devising this form it has also been ensured, that all the details required by the Government for processing industrial licence applications are/available in a consolidated manner.

Licensing Fee and the Submission of application Form: With the establishment of Secretariat for Industrial Approvals (S.I.A.) in the Ministry of Industry in 1973, all industrial
licence applications are submitted to this Secretariat with 8 spare copies of application form I.L. and a forwarding letter along with a demand draft of ₹2,500.

After an application for industrial licences is made to the Ministry of Industry in the prescribed manner, the application is properly acknowledged and if more information would be required by the authorities the application would be duly notified.¹ The application is then sent to the Licensing Controller established by rules consisting of representatives of various Ministeries and concerned departments.² This is now replaced by the licensing Committee which examines the application thoroughly and after satisfaction submits the report to the Ministry. In making the report, the licensing committee takes into account the development plans, the existing capacity of scheduled industry, the demand and supply position, the availability of raw materials, plant and machinery etc.³ The report, among other things, also contains recommendations regarding capital structure, suitability of industrial location from the point of view of the development plan, capacity of the plant, availability of transportation, availability of skilled personnel required and collaboration with foreign manufacturers. After this process has been completed, the Ministry decides whether or not to grant a licence.⁴ Before

---

1. Industries (Development & Regulation) Act 1951, Rule 9
2. Ibid, Rules 10 & 11
3. Ibid, Rule 12
4. Ibid, Rule 15(1).
An industrial licence is granted, it goes through three distinct processes viz. - consideration of a licensing application by the appropriate authority; clearance of foreign exchange for import of capital goods and consideration of collaboration proposal.

In taking decisions in regard to an application for industrial licence, the following points are thoroughly considered:-

1) the objectives of the Industrial policy;
2) the objectives of the Industrial licensing policy as embodied in the Government's announcements.
3) Techno-economic considerations relevant to a particular industry,
4) Techno-economic features of the project proposal;
5) the priorities of the five year plan
6) export objectives of the proposal and its viability;
7) the objectives of balanced regional development;
8) availability of indigenous technical know how.
9) existing capacity and future expansion programmes in the industry, and so on.

In order to facilitate the process and encourage industrialists to respond favourably to the Government's industrial development programmes frequent reviews of policy and procedures are made. The result of all such deliberations can
be seen in the number of industrial licensing applications on the one hand, and the number of licences/letter of intents issued on the other. The following paragraphs are devoted to briefly observe the impact of Government's licensing administration through the number of applications received and number of licences/letter of intents issued.

5.3 AN OVERVIEW OF INDUSTRIAL LICENSING RECEIPTS AND APPROVALS SINCE 1970:

The Secretariat for Industrial approvals (S.I.A.) is the central agency for receiving licensing applications, but it takes a long process before an industrial licence is finally issued. The Government has fixed time limits within which final decisions must be made on the application.*

In 1970, certain major changes were made in the Licensing Policy and the procedure of granting licences was considerably tightened and streamlined. Inspite of a raise in the ceiling of exemption upto Rs. 1 crore, an unprecedentedly large number of applications were received. As against 905 and 1420 applications received in 1968 and 1969 respectively, 3033 and 2939 licence applications were received in the years 1970 and 1971 respectively. Again as against 221 and 363

*For clearing an Industrial licensing, foreign collaboration and capital Goods applications 90 days are stipulated, whereas for composite applications and applications requiring MRTP clearances the time limit has been 120 days and 150 days respectively.
licences issued in 1969 and 1970 respectively, as many as 626 licences were issued in 1971, and as against 434 and 438 letters of intent issued in 1969 and 1970 respectively, 1015 letters of intent were issued in 1971. In 1981, however, the increase in the number of licence applications was not satisfactory when 2945 applications were received and 476 industrial licences and 916 letters of intent were issued during the year. A record number of 1457 letters of intent were issued in 1985 out of 2382 applications received and 985 industrial licences were issued during the year. This can be seen in the following Table.

**Table - 1**

Showing the Disposal of applications for Industrial Licences during 1970 - 1985

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of applications received</th>
<th>Industrial licences* issued</th>
<th>Letter of intents* issued</th>
<th>Number of App. returned as defective</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>3033</td>
<td>363</td>
<td>438</td>
<td>N.A.</td>
</tr>
<tr>
<td>1975</td>
<td>2721</td>
<td>1027</td>
<td>962</td>
<td>839</td>
</tr>
<tr>
<td>1980</td>
<td>2866</td>
<td>475</td>
<td>946</td>
<td>919</td>
</tr>
<tr>
<td>1981</td>
<td>2955</td>
<td>476</td>
<td>916</td>
<td>848</td>
</tr>
<tr>
<td>1982</td>
<td>2983</td>
<td>432</td>
<td>1043</td>
<td>846</td>
</tr>
<tr>
<td>1983</td>
<td>2755</td>
<td>1075</td>
<td>1055</td>
<td>978</td>
</tr>
<tr>
<td>1984</td>
<td>2770</td>
<td>905</td>
<td>1064</td>
<td>149</td>
</tr>
<tr>
<td>1985</td>
<td>2382</td>
<td>985</td>
<td>1457</td>
<td>N.A.</td>
</tr>
</tbody>
</table>


*Including backlogs

@@ Categorywise analysis is shown in Table II (Annexure IV).
From Table 1 it can be observed that the trend of receipts and approvals of licence applications has been unsteady but the processing seems to be faster as the number of cases divided over the years, including pending applications of previous years has been encouraging. During 1975, the Project Approval Board (PAB) met 12 times and took 89 decisions, and the Licensing-cum-MRTP Committee held 23 meetings and took 191 final decisions. The appreciable performance of S.I.A. can be judged from the fact that over 92 percent of the new applications were disposed of and the time limits were observed satisfactorily. 48 percent of the MRTP cases were disposed of within 150 days and 64 percent within 180 days; 40 percent of the composite applications were disposed of within 120 days time limit and 87 percent within 180 days; except that only 20 percent of the Industrial licensing applications were disposed of within the 90 days limit and 70 percent within 180 days. The reasons for rejection of application were mainly on the grounds of adequate capacity already existing or due to raw material constraints or not being in accordance with the licensing policy. During 1980 the PAB met 25 times and took 202 final decisions and the LC-cum-MRTP Committee held 38 meetings and took 374 final decisions, while the licensing committee held 54 meetings and took 1532
final decisions. Out of 629 industrial licensing applications pending at the commencement of 1980, 582 applications were disposed of representing 93 percent clearance of the backlog. Viewed with the increase of 62 percent of industrial licence applications disposed of 72 percent of letters of intents issued and 30 percent of industrial licences issued, the performance of the licensing processing can be said satisfactory. Of the 919 applications, constituting 32 percent of the total, had to be returned as defective or incomplete for rectification and re-submission. The quantum and speed of disposal of licensing applications during 1985 looks much impressive than in the previous years. This is evident from the fact that during 1985 as many as 2959 applications for grant of letters of intent pertaining to LC, LC-MRTP and PAB have been disposed of as compared to 2246 during the previous years. This represented an increase of about 32 percent. As a result of renewed emphasis being placed on quick disposal of licensing application, the pendency of applications has been brought down considerably. As compared to 1145 applications pending at the beginning of the year 1985, only 568 were pending at the end of the year; and of the 1145 applications pending in the beginning of 1985, 1102 applications were disposed of during the year which represented 96 percent of the backlog clearance.
All these trends reveal that the processing of applications and quick decisions on them has been leaving a good impact on the functioning and performance of licensing authorities. With the introduction of computers it may be hoped to see prompt and more efficient results in future.

In accordance with the emphasis being laid on dispersal of industrial units to backward areas the response has been quite encouraging and out of the total of 1457 letters of intent issued in 1985 as many as 774 have been shared by backward districts and out of 985 industrial licences issued in 1985 the share of backward districts was 427 licences. A detailed analysis of the impact of licensing on industrial growth and on backward areas has therefore been made in the following chapter.
# Offices/Organisations Under the Department of Industrial Development

<table>
<thead>
<tr>
<th>Attached Offices</th>
<th>Subordinate Offices directly under Department of Industrial Development</th>
<th>Other Offices, Bodies etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>8. Central Board of Technical Education, New Delhi (CBTE)</td>
<td></td>
<td>8. Indian Rubber Manufacturers Research Association, Thane, Maharashtra</td>
</tr>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>16.</td>
<td>Tool Room &amp; Training Centre, Ludhiana.</td>
<td></td>
</tr>
<tr>
<td>17.</td>
<td>Tool Room &amp; Training Centre, New Delhi.</td>
<td></td>
</tr>
</tbody>
</table>

### Analysis of Approvals


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Share of Industries</td>
<td>Share of B.A.</td>
<td>Share of H.P.</td>
<td>Share of Industries</td>
<td>Share of B.A.</td>
<td>Share of H.P.</td>
</tr>
<tr>
<td>New undertakings</td>
<td>. N.A.</td>
<td>N.A.</td>
<td>64</td>
<td>191</td>
<td>191</td>
<td>217</td>
<td>217</td>
</tr>
<tr>
<td>New articles</td>
<td>&quot; &quot; &quot;</td>
<td>&quot; &quot; &quot;</td>
<td>242</td>
<td>177</td>
<td>66</td>
<td>3</td>
<td>211</td>
</tr>
<tr>
<td>Subs. Expansion</td>
<td>&quot; &quot; &quot;</td>
<td>&quot; &quot; &quot;</td>
<td>217</td>
<td>157</td>
<td>43</td>
<td>5</td>
<td>129</td>
</tr>
<tr>
<td>Rev. Articles/A &amp; E</td>
<td>&quot; &quot; &quot;</td>
<td>&quot; &quot; &quot;</td>
<td>20</td>
<td>15</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>C.O.B.</td>
<td>&quot; &quot; &quot;</td>
<td>&quot; &quot; &quot;</td>
<td>10</td>
<td>9</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>423</td>
<td>N.A.</td>
<td>902</td>
<td>353.2</td>
<td>353</td>
<td>916</td>
<td>504.4</td>
</tr>
</tbody>
</table>

(ii) Industrial Licenses

| New undertakings | . N.A. | N.A. | 296 | 132 | 143 | 123 | 68 | 123 | 127 | 12 |
| New articles     | " " " | " " " | 143 | 168 | 143 | 123 | 68 | 123 | 127 | 12 |
| Subs. Expansion  | " " " | " " " | 115 | 115 | 115 | 115 | 115 | 115 | 115 | 115 |
| Rev. Articles/A & E | " " " | " " " | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| C.O.B.           | " " " | " " " | 83 | 83 | 83 | 83 | 83 | 83 | 83 | 83 |
| Total            | 338 | N.A. | 1027 | 213 | 213 | 213 | 213 | 213 | 213 | 213 |


* Other than "O. I. Jists.
* IO = "O. Industry Jist.
* BA = backward areas.