INDIA AN OPPORTUNITY

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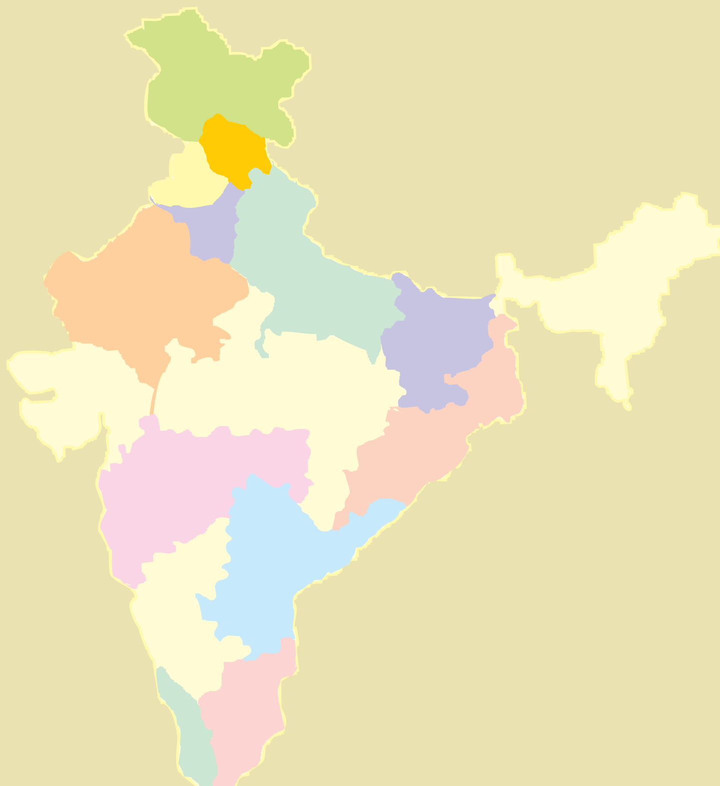

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C O N T E N T S

1. INDUSTRIAL POLICY

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.

Industrial Licensing

1.1 All industrial undertakings are exempt from obtaining an industrial license to manufacture, except for (i) industries reserved for the Public Sector, (Please refer Annexure I) (ii) industries retained under compulsory licensing, (iii) items of manufacture reserved for the small scale sector and (iv) if the proposal attracts locational restriction.

1.2 ***IEM: -***

Industrial undertakings exempt from obtaining an industrial license are required to file an Industrial Entrepreneur Memoranda (IEM) in the prescribed form, with the Secretariat of Industrial Assistance (SIA), Department of Industrial Policy and Promotion, Government of India, and obtain an acknowledgement. No further approval is required. Immediately after commencement of commercial production, another form of the IEM has to be filled in the prescribed format. The facility for amendment of existing IEMs has also been introduced.

Locational Policy

1.3 Industrial undertakings are free to select the location of a project. In the case of cities with population of more than a million (as per the 1991 census), however, the proposed location should be at least 25 KM away from the Standard Urban Area limits of that city unless, it is to be located in an area designated as an "industrial area" before the 25th July 1991. (Please refer ‘Annexure V’) Electronics, Computer software and Printing (and any other industry which may be notified in future as “non polluting industry") are exempt from such locational restriction. Relaxation in the aforesaid locational restriction is possible if an industrial license is obtained as per the notified procedure.

1.4 The location of industrial units is further regulated by the local zoning and land use regulations as also the environmental regulations. If the local zoning and land use regulations of a State Government, or the regulations of the Ministry of Environment do not permit setting up of an industry at a location, the entrepreneur would be required to abide by that decision.

Policy Relating to Small Scale Undertakings

1.5 An industrial undertaking is defined as a small-scale unit if the investment in fixed assets in plant and machinery does not exceed Rs 10 million. The Small Scale units can get registered with the Directorate of Industries/District Industries Center in the State Government concerned. Such units can manufacture any item including those notified as exclusively reserved for manufacture in the small-scale sector. Small-scale units are also free from locational restrictions cited above. However, a small-scale unit is not permitted more than 24 per cent equity in its paid up capital from any industrial undertaking either foreign or domestic.

1.6 Manufacture of items reserved for the small-scale sector can also be taken up by non small-scale units, if they apply for and obtain an industrial license. In such cases, it is mandatory for the non-small scale unit to undertake an export obligation of 50 per cent. In addition, if the equity holding from another company (including foreign equity) exceeds 24 per cent, even if the investment in plant and machinery in the unit does not exceed Rs 10 million, the unit loses its small-scale status. An IEM is required to be filed in such a case for de-licensed industries, and an industrial license is to be obtained in the case of items of manufacture covered under compulsory licensing.

1.7 A small-scale unit manufacturing small scale reserved item(s), on exceeding the small-scale investment ceiling in plant and machinery by virtue of natural growth, needs to apply for and obtain a Carry-on-Business (COB) License. No export obligation is fixed on the capacity for which the COB license is granted. However, if the unit expands its capacity for the small scale reserved item(s) further, it needs to apply for and obtain a separate industrial license.

1.8 It is possible that a chemical or a by-product recoverable through pollution control measures is reserved for the small-scale sector. With a view to adopting pollution control measures, Government have decided that an application needs to be made for grant of an Industrial License for such reserved items which would be considered for approval without necessarily imposing the mandatory export obligation.

Environmental Clearances

1.9 Entrepreneurs are required to obtain Statutory clearances relating to Pollution Control and Environment for setting up an industrial project. A Notification issued under The Environment Protection Act 1986 has listed 29 projects in respect of which environmental clearance needs to be obtained from the Ministry of Environment, Government of India. This list includes industries like petro-chemical complexes, petroleum refineries, cement, thermal power plants, bulk drugs, fertilizers, dyes, paper etc. However if investment is less than Rs. 500 million, such clearance is not necessary, unless it is for pesticides, bulk drugs and pharmaceuticals, asbestos and asbestos products, integrated paint complexes, mining projects, tourism projects of certain parameters, tarred roads in Himalayan areas, distilleries, dyes, foundries and electroplating industries. Further, any item reserved for the small-scale sector with investment of less than Rs 10 million is also exempt from obtaining environmental clearance from the Central Government under the Notification. Powers have been delegated to the State Governments for grant of environmental clearance for certain categories of thermal power plants. Setting up industries in certain locations considered ecologically fragile (e.g. Aravalli Range, coastal areas, Doon valley, Dahanu, etc.) are guided by separate guidelines issued by the Ministry of Environment, Government of India.

2. FOREIGN DIRECT INVESTMENT

Government wishes to facilitate foreign direct investment (FDI) and investment from Non-Resident Indians (NRIs) including Overseas Corporate Bodies (OCBs), predominantly owned by them, to complement and supplement domestic investment. Investment and returns are freely repatriable, except in the case of 22 specified items which attract the condition of dividend balancing, (Please refer Annexure VI) and/or where the approval is subject to specific conditions such as lock in period on original investment, dividend cap, foreign exchange neutrality, etc. as per the notified sectoral policy.

2.1 Foreign direct investment is freely allowed in all sectors including the services sector, except where the existing and notified sectoral policy does not permit FDI beyond a ceiling. FDI for virtually all items/activities can be brought in through the automatic route under powers delegated to the Reserve Bank of India (RBI), and for the remaining items/activities through Government Approval.

Automatic Route

(a) New Ventures

2.2 All items/activities except the following fall under the automatic route for FDI/NRI/OCB investment

i. All proposals that require an Industrial License such as (a) the item requiring an Industrial License under the Industries (Development and Regulation) Act, 1951 (Please refer 'Annexure II'); (b) foreign investment being more than 24% in the equity capital of units manufacturing items reserved for small scale industries; and (c) all items which require an Industrial License in terms of the locational policy notified by Government under the New Industrial Policy of 1991.

ii. All proposals relating to acquisition of shares in an existing Indian company in favour of a foreign/NRI/OCB investor.

iii. All proposals falling outside notified sectoral policy/caps or under sectors in which FDI is not permitted and/or whenever any investor chooses to make an application to the FIPB and not to avail of the automatic route.

Investment in Public Sector Units as also for EOU/EPZ/EHTP/STP units would also qualify for the Automatic Route. Investment under the Automatic Route shall continue to be governed by the notified sectoral policy and equity caps and RBI will ensure compliance of the same. The National Industrial Classification (NIC) 1987 shall remain applicable for description of activities and classification for all matters relating to FDI/NRI/OCB investments:

Areas/Sectors/Activities hitherto not open to FDI/NRI/OCB investment shall continue to be so unless otherwise decided and notified by Government.

(b) Existing Companies

2.3 In addition to Automatic Approval for new companies, such approval can be granted also for existing companies proposing to induct foreign equity. For existing companies **with an expansion programmed** the additional requirements are that (i) the increase in equity level must result from the expansion of the equity base of the existing company, (ii) the money to be remitted should be in foreign currency and (iii) the proposed expansion programme should be predominantly in the sector(s) under Automatic Route. Otherwise, the proposal would need Government approval through the FIPB. For this the proposal must be supported by a Board Resolution of the existing Indian company as well as a consent letter from the Indian partner and the foreign collaborator.

2.4 For existing companies **without an expansion programme**, the additional requirements for eligibility for automatic approval are (i) that they are predominantly engaged in the industries under Automatic Route, (ii) the increase in equity level must be from expansion of the equity base and (iii) the foreign equity must be in foreign currency.

2.5 The earlier requirement that shares allotted on preferential basis shall not be transferable in any manner for a period of 5 years from the date of their allotment has now been modified to the extent that not more than 20 per cent of the entire contribution brought in by promoter cumulatively in public or preferential issue shall be locked in.

2.6 The automatic route for FDI and/or technology collaboration would not be available to those who have or had any previous joint venture or technology transfer/trade mark agreement in the same or allied field in India.

2.7 In a major drive to simplify procedures for foreign direct investment under the "automatic route", RBI has given permission to Indian Companies to accept investment under this route without obtaining prior approval from RBI. Investors are required to notify the RBI of receipt of inward remittances within 30 days of such receipt and file required documentation within 30 days of issue of shares to Foreign Investors. This facility is available to NRI/OCB investment also.

Government Approval

2.8 For the following categories, Government approval for FDI through the FIPB shall be necessary: -

i. All proposals that require an Industrial License which includes (a) the item requiring an Industrial License under the Industries (Development and Regulation) Act, 1951 (Please refer ‘Annexure II’); (b) foreign investment being more than 24% in the equity capital of units manufacturing items reserved for small scale industries; and (c) all items which require an Industrial License in terms of the locational policy notified by Government under the New Industrial Policy of 1991.

ii. All proposals relating to acquisition of shares in an existing Indian company in favour of a foreign/NRI/OCB investor.

iii. All proposals falling outside notified sectoral policy/caps or under sectors in which FDI is not permitted and/or whenever any investor chooses to make an application to the FIPB and not to avail of the automatic route.

Areas/Sectors/Activities hitherto not open to FDI/NRI/OCB investment shall continue to be so unless otherwise decided and notified by Government.

2.9 RBI has granted general permission under Foreign Exchange Regulation Act (FERA) in respect of proposals approved by the Government. Indian companies getting foreign investment approval through FIPB route do not require any further clearance from RBI for the purpose of receiving inward remittance and issue of shares to the foreign investors. Such companies are, however, required to notify the RBI of receipt of inward remittances within 30 days of such receipt and to file the required document with the concerned Regional Offices of the RBI within 30 days after issue of shares to the foreign investors.

Issue and Valuation of Shares in case of existing companies

2.10 On receipt of the approval (either through the automatic route, or by Government) an existing company needs to propose allotment of preferential allocation of the required amount of equity to the foreign investor by a special resolution. The company can make the issue at market prices of the shares either at **(a)** the average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the six months preceding the relevant date, or **(b)** the average of the weekly high and low of the closing prices of the related shares quoted on a stock exchange during the two weeks preceding the relevant date. The stock exchange referred to is the one at which the highest trading volume in respect of the share of the company has been recorded during the preceding six months prior to the relevant date. The relevant date is the date thirty days prior to the date on which the meeting of the General Body of the shareholders is convened. Other relevant guidelines of Securities and Exchange Board of India (SEBI)/RBI, including SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 wherever applicable, would need to be followed.

Dividend balancing

2.11 In the case of 22 specified industries in the consumer goods sector, (whether approved through the automatic route or by Government), the outflow on account of dividend payments would need to be balanced by an equivalent amount of export earnings over 7 years with effect from the date of commercial production. Balancing is not required beyond this period. For existing companies with on going activities, the date of allotment of shares for raising the level of foreign equity to the approved level would be the applicable date. In cases where dividend balancing was not applicable earlier and became applicable subsequently, it would be applicable to the extent of incremental foreign equity. This would also apply in the case of secondary market acquisition/preferential allotment/transfer of shares to the extent of foreign equity infused provided the activity attracts the condition of dividend balancing as per the existing policy. The entrepreneurs are free to export the item(s) for which FDI approval has been granted, as well as export any of the items falling under Automatic Route for such balancing. This condition of dividend balancing does not apply to investments by approved international organizations, such as International Finance Corporation (IFC), the Deutche

Entwicklungs Gescelschaft (DEG), the Commonwealth Development Corporation (CDC), the Asian Development Bank (ADB), etc.

Foreign Investment in the Small Scale Sector

2.12 Under the small-scale policy, equity holding by other units including foreign equity in a small-scale undertaking is permissible upto 24 per cent. However there is no bar on higher equity holding for foreign investment if the unit is willing to give up its small-scale status. In case of foreign investment beyond 24 per cent in a small-scale unit, which manufactures small scale reserved item(s), an industrial license carrying a mandatory export obligation of 50 per cent would need to be obtained.

Foreign Investment Policy for Trading Activities

2.13 Foreign investment for trading can be approved through the automatic route upto 51% foreign equity, and beyond by the Government through FIPB. For approval through the automatic route, the requirement would be that (i) the undertaking concerned should be an export house, trading house, super trading house or a star trading house registered under the provisions of the Export and Import policy in force. However, under the Government route

i. 100% FDI is permitted in case of trading companies for the following activities:

- exports;
- bulk imports with export/expanded warehouse sales;
- cash and carry wholesale trading;
- other import of goods or services provided at least 75% is for procurement and sale of goods and services among the companies of the same group and for third party use or onward transfer/distribution/sales.

ii The following kinds of trading are also permitted, subject to provisions of EXIM Policy:

a. Companies for providing after sales services (that is not trading per se)

b. Domestic trading of products of JVs is permitted at the wholesale level for such trading companies who wish to market manufactured products on behalf of their joint ventures in which they have equity participation in India.

c. Trading of hi-tech items/items requiring specialised after sales service.

d. Trading of items for social sector

e. Trading of hi-tech, medical and diagnostic items.

f. Trading of items sourced from the small-scale sector under which, based on technology provided and laid down quality specifications, a company can market that item under its brand name.

g. Domestic sourcing of products for export.

h. Test marketing of such items for which a company has approval for manufacture provided such test marketing facility will be for a period of two years, and investment in setting up manufacturing facilities commences simultaneously with test marketing.

2.14 Both in the case of automatic and Government approvals, the valuation and pricing of shares would be governed by the provisions stated above. Closely held companies would also be governed, mutatis mutandis, by the same guidelines. The condition of dividend balancing in respect of trading in consumer goods sector would apply, with the date of recognition as an export house, etc being the applicable date for new companies, and the date of allotment of shares raising the level of foreign equity to the approved level being the applicable date for existing companies.

Other Modes of Foreign Direct Investments

2.15 ***Global Depository Receipts (GDR)/American Deposit Receipts (ADR)/Foreign Currency Convertible Bonds (FCCB):*** Foreign Investment through GDRs/ADRs, Foreign Currency Convertible Bonds (FCCBs) are treated as Foreign Direct Investment. Indian companies are allowed to raise equity capital in the international market through the issue of GDR/ADRs/FCCBs. These are not subject to any ceilings on investment. An applicant company seeking Government's approval in this regard should have a consistent track record for good performance (financial or otherwise) for a minimum period of 3 years. This condition can be relaxed for infrastructure projects such as power generation, telecommunication, petroleum exploration and refining, ports, airports and roads.

2.16 There is no restriction on the number of GDRs/ADRs/FCCBs to be floated by a company or a group of companies in a financial year. A company engaged in the manufacture of items covered under Automatic Route is likely to exceed the percentage limits under Automatic Route, whose direct foreign investment after a proposed GDR/ADR/FCCBs is likely to exceed 50 per cent/51 per cent/74 per cent as the case may be, or which is implementing a project not contained in project falling under Government Approval would need to obtain prior Government clearance through FIPB before seeking final approval from the Ministry of Finance.

2.17 There are no end-use restrictions on GDR/ADR issue proceeds, except for an express ban on investment in real estate and stock markets. The FCCB issue proceeds need to conform to external commercial borrowing end use requirements; in addition, 25 per cent of the FCCB proceeds can be used for general corporate restructuring.

Preference Shares

2.18 Foreign investment through preference shares is treated as foreign direct investment. Proposals are processed either through the automatic route or FIPB as the case may be. The following guidelines apply to issue of such shares: -

(i) Foreign investment in preference share are considered as part of share capital and fall outside the External Commercial Borrowing (ECB) guidelines/cap

(ii) Preference shares to be treated as foreign direct equity for purpose of sectoral caps on foreign equity, where such caps are prescribed, provided they carry a conversion option. If the preference shares were structured without such conversion option, they would fall outside the foreign direct equity cap.

(iii) Duration for conversion shall be as per the maximum limit prescribed under the Companies Act or what has been agreed to in the shareholders agreement whichever is less.

(iv) The dividend rate would not exceed the limit prescribed by the Ministry of Finance.

(v) Issue of Preference Shares should conform to guidelines prescribed by the SEBI and RBI and other statutory requirements.

100% EXPORT ORIENTED UNITS/ EXPORT PROCESSING ZONES

2.19 100 per cent Export Oriented Units (EOUs) and units in the Export Processing Zones (EPZs), enjoy a package of incentives and facilities, which include duty free imports of all types of capital goods, raw material, and consumables in addition to tax holidays against export.

Automatic Approval

2.20 The Development Commissioners (DCs) of Export Processing Zones (EPZs) /Free Trade Zones (FTZS) accord automatic approval to projects where

(a) items do not attract compulsory licensing;

(b) where the location is in conformity with the prescribed parameters;

(c) the units undertake to achieve exports and value addition norms as prescribed in the Export and Import Policy in force;

(d) the CIF value of imported capital goods is financed through foreign equity, or foreign exchange required for import of plant and equipment (net of taxes) is within Rs. 100 Million, and in the case of import of second-hand capital goods if an Import License is not required;

(e) where the foreign technology agreement if any, envisages a lump sum payment not exceeding US $ 2.00 Million and royalty payment upto 8% on exports and 5% on DTA sales (net of taxes) over a period of 5 years from the date of commencement of commercial production.

(f) where the exports are to general currency/hard currency areas;

(g) where the unit is amenable to bonding by customs authorities; and

(h) the unit has projected the minimum export turnover, as specified in the Handbook of Procedures. All proposals for FDI/NRI/OCB investments in EOU/EPZ units qualify for approval through Automatic Route subject to parameters discussed earlier.

2.21 Conversion of existing Domestic Tariff Area (DTA) units into EOU is also permitted under automatic route, if the DTA unit satisfies the parameters mentioned above and there is no outstanding export obligation under any other Export Oriented scheme of the Government of India.

Government Approval

2.22 All proposals which do not meet any or all of the parameters for automatic approval need to be considered and approved by the Government. All proposals falling under paragraph 2.8 for FDI in EOUs and units located in EPZ/FTZ need to obtain Government approval.

ELECTRONIC HARDWARE TECHNOLOGY PARK AND SOFTWARE TECHNOLOGY PARK SCHEMES

2.23 In order to provide impetus to the electronics industry, to enhance its export potential and to develop an efficient electronic component industry, Electronic Hardware Technology Park (EHTP) and Software Technology Park (STP) schemes offer a package of incentives and facilities like duty free imports on the lines of the EOU Scheme, deemed exports benefits and tax holidays.

Automatic Approval

2.24 The Directors of STPs in respect of STP proposals; and the Designated Officers in respect of EHTP proposals accord automatic approval if -
(a) the items do not attract compulsory licensing; (b) the location is in conformity with the prescribed parameters; (c) the export obligation laid down in the respective EHTP scheme or STP scheme is fulfilled; (d) the CIF value of the imported capital goods required for the project does not exceed Rs. 100 million; (e) foreign technology proposals envisaged, if any, do not involve lump sum know how fee exceeding US$ 2 million, 8 per cent royalty on export and 5 per cent royalty on domestic sales (all net of taxes) over a period of 5 years from the date of commencement of commercial production; (f) the exports are to general currency/hard currency area; (g) the unit is amenable to bonding by the Customs, and all the manufacturing operations are carried out in the same premises and the proposal does not envisage sending out of the bonded area any raw material or intermediate products for any other manufacturing or processing activity. All proposals for FDI/NRI/OCB investments in EHTP/STP units are eligible for approval through Automatic Route subject to parameters already stated.

Government Approval

2.25 All proposals which do not meet any or all of the parameters for automatic approval need to be considered and approved by the Government. Also, Government approval for FDI/NRI/OCB investments under EHTP/ STP needs to be obtained through the FIPB.

3. INVESTMENT BY NON RESIDENT INDIANS OVERSEAS CORPORATE BODIES

3.1 Investment by the NRIs and OCBs in which the NRIs hold at least 60 per cent equity is treated as foreign direct investment. For all sectors excluding those falling under Government Approval, NRIs and OCBs are eligible to bring investment through the Automatic Route of RBI. All other proposals, which do not fulfil any or, all of the criteria for automatic approval are considered by the Government through the FIPB.

3.2 The NRIs and OCBs are allowed to invest in housing and real estate development sector, in which foreign direct investment is not permitted. They are allowed to hold even 100 per cent equity in civil aviation sector in which otherwise foreign equity only upto 40 per cent is permitted. Similarly for the banking sector, NRIs/ OCBs can hold 40 per cent equity inclusive of foreign direct investment. Equity participation by foreign banking companies, foreign financial companies, and multilateral institutions as co-promoter and/or technical collaborator is also permitted upto 20 per cent. Multilateral institutions have a special dispensation to invest beyond 20 per cent to the extent of shortfall in NRI contributions, subject to the overall limit of 40 per cent. Investment made by the NRIs and OCBs are fully repatriable except in the case of real estate, which has a 3 year lock-in period on original investment and 16 per cent cap on dividend repatriation.

4. FOREIGN TECHNOLOGY AGREEMENTS

4.1 With a view to injecting the desired level of technological dynamism in Indian industry and for promoting an industrial environment where the acquisition of technological capability receives priority, foreign technology induction is encouraged both through FDI and through foreign technology collaboration agreements. Foreign technology collaborations are permitted either through the automatic route under delegated powers exercised by the RBI, or by the Government. However, cases involving industrial licenses/small scale reserved items do not qualify for automatic approval and would require consideration and approval by the Government. Automatic route for technology collaboration would also not be available to those who have, or had any previous technology transfer/trade-mark agreement in the same or allied field in India.

Automatic Approval

4.2 The Reserve Bank of India, accords automatic approval to all industries for foreign technology collaboration agreements subject to (i) the lump sum payments not exceeding US $ 2 Million; (ii) royalty payable being limited to 5 per cent for domestic sales and 8 per cent for exports, subject to a total payment of 8 per cent on sales over a 10 year period; and

(iii) the period for payment of royalty not exceeding 7 years from the date of commencement of commercial production, or 10 years from the date of agreement, whichever is earlier (The aforesaid royalty limits are net of taxes and are calculated according to standard conditions).

Government Approval

4.3 For the following categories, Government approval would be necessary:

(a) proposals attracting compulsory licensing (Please refer 'Annexure II')
(b) Items of manufacture reserved for the small Scale sector
(c) Proposals involving any previous joint venture, or technology transfer/trademark agreement in the same or allied field in India. The definition of "same" and "allied" field would be as per 4 digits NIC 1987 Code and 3 digits NIC 1987 Code.
(d) Extension of foreign technology collaboration agreements (including those cases, which may have received automatic approval in the first instance)

4.4 The items of foreign technology collaboration, which are eligible for approval through the automatic route, and by the Government are technical know how fees, payment for design and drawing, payment for engineering service and royalty. Exclusive payment for use of brand names and trademarks are not allowed, although such payments may be subsumed in the other fee payable.

4.5 Payments for hiring of foreign technicians, deputation of Indian technicians abroad, and testing of indigenous raw material, products, indigenously developed technology in foreign countries are governed by separate RBI procedures and rules and are not covered by the foreign technology collaboration approval. Similarly, payments for imports of plant and machinery and raw material are also not covered by the foreign technology collaboration approval. For any of these items, entrepreneurs may contact the RBI.

5. FOREIGN INVESTMENT IMPLEMENTATION AUTHORITY (FIIA)

Government has set up the Foreign Investment Implementation Authority (FIIA) in the Ministry of Commerce & Industry. The FIIA will facilitate quick translation of Foreign Director Investment (FDI) approvals and implementations, provide a pro-active one stop after care service to foreign investors by helping them obtain necessary approvals, sort out operational problems and meet with various Government Agencies to find solutions to problems and maximizing opportunities through a partnership approach.

5.1***Role***

The FIIA shall take steps to:

- Understand and address concerns of investors;
- Understand and address concerns of approving authorities;

- Initiate multi agency consultations; and
- Refer matters not resolved at the FIIA level to high levels on a quarterly basis, including cases of projects slippage on account of implementation bottlenecks.

5.2 ***Functions***

The functions of the FIIA shall be as under:

- Expediting various approvals/permissions;
- Fostering partnership between investors and government agencies concerned;
- Resolve difference in perceptions;
- Enhance overall credibility;
- Review policy framework; and
- Liaise with the Ministry of External Affairs for keeping India’s diplomatic missions abroad informed about translation of FDI approvals into actual investment and implementation.

6. SECRETARIAT FOR INDUSTRIAL ASSISTANCE (SIA)

SIA has been set up by the Government of India in the Department of Industrial Policy and Promotion in the Ministry of Commerce & Industry to provide a single window for entrepreneurial assistance, investor facilitation, receiving and processing all applications which require Government approval, conveying Government decisions on applications filed, assisting entrepreneurs and investors in setting up projects, (including liaison with other organisations and State Governments) and in monitoring implementation of projects. It also notifies all Government Policy relating to investment and technology, and collects and publishes monthly production data for 213 select industry groups. SIA puts up all the application for FDI within 15 days before FIPB for approval. The policy and procedure of FIPB approval is discussed in ‘Annexure III.’

ANNEXURE-I

LIST OF INDUSTRIES RESERVED FOR THE PUBLIC SECTOR

1. **Arms and ammunition and allied items of defence equipment, defence aircraft and warships.**
2. **Atomic Energy**
3. **Railway transport.**

ANNEXURE-II

LIST OF INDUSTRIES FOR WHICH INDUSTRIAL LICENSING IS COMPULSORY

1. Distillation and brewing of alcoholic drinks.

2. Cigars and cigarettes of tobacco and manufactured tobacco substitutes.

3. Electronic Aerospace and defence equipment: all types.

4. Industrial explosives including detonating fuses, safety fuses, gunpowder, nitrocellulose and matches.

5. Hazardous chemicals.

6. Drugs and Pharmaceuticals (according to modified Drug Policy issued in September, 1994).

Note: - **The compulsory licensing provisions would not apply in respect of the small scale units taking up the manufacture of any of the above items reserved for exclusive manufacture in small-scale sector.**

ANNEXURE-III

GUIDELINES FOR THE CONSIDERATION OF FOREIGN DIRECT INVESTMENT (FDI) PROPOSAL BY THE FOREIGN INVESTMENT PROMOTION BOARD (FIPB)

The following Guidelines are laid-down to enable the Foreign Investment Promotion Board (FIPB) to consider the proposals for Foreign Direct Investment (FDI) and formulate its recommendations.

1. All applications should be put up before the FIPB by the SIA (Secretariat of Industrial Assistance) within 15 days and it should be ensured that comments of the administrative ministries are placed before the Board either prior to/or in the meeting of the Board.

2. Proposals should be considered by the Board keeping in view the time frame of 30 days for communicating Government decision (i.e. approval of IM/CCFI or rejection as the case may be).

3. In cases in which either the proposal is not cleared or further information is required, in order to obviate delays presentation by applicant in the meeting of the FIPB should be resorted to.

4. While considering cases and making recommendations, FIPB should keep in mind the sectoral requirements and the sectoral policies vis-à-vis the proposal(s).

5. FIPB would consider each proposal in totality (i.e. if it includes apart from foreign investment, technical collaboration/industrial license) for composite approval or otherwise. However, the FIPB's recommendation would relate only to the approval for foreign financial and technical collaboration and the foreign investor will need to take other prescribed clearances separately.

6. The Board should examine the following while considering proposals submitted to it for consideration:

(i) Whether the items of activity involve industrial license or not and if so the considerations for grant of industrial license must be gone into;

(ii) Whether the proposal involves technical collaboration and if so: - (a) the source and nature of technology sought to be transferred, (b) the terms of payment (payment of royalty by 100% subsidiaries is not permitted):

(iii) Whether the proposal involves any mandatory requirement for exports and if so whether the applicant is prepared to undertake such obligation (this is for items reserved for small scale sector as also for dividend balancing, and for 100% EOUs/EPZ units);

(iv) Whether the proposal involves any export projection and if so the items of export and the projected destinations;

(v) Whether the proposal has concurrent commitment under other schemes such as EPCG Scheme etc.

(vi) In the case of Export Oriented Units (EOUs) whether the prescribed minimum value addition norms and the minimum turn over of exports are met or not;

(vii) Whether the proposal involves relaxation of locational restrictions stipulated in the industrial licensing policy; and

(viii) Whether the proposal has any strategic or defence related considerations.

(ix) Whether the proposal has any previous joint venture or technology transfer/trademark agreement in the same or allied field in India, the detailed circumstance in which it is considered necessary to set-up a new joint venture/enter into new technology transfer (including trade mark), and proof that the new proposal would not in any way jeopardize the interest of the existing joint venture or technology/trade mark partner or other stake holders.

7. While considering proposals the following may be prioritized.

(a) Items/Activities covered under Automatic Route (i.e. those which do not qualify for automatic approval).

(b) Items falling in infrastructure sector.

(c) Items, which have an export potential

(d) Items which have large scale employment potential and especially for rural people.

(e) Items, which have a direct or backward linkage with agro business/farm sector.

(f) Item which have greater social relevance such as hospitals, human resource development, life saving drugs and equipment.

(g) Proposals, which result in induction of technology or infusion of capital.

8. The following should be especially considered during the scrutiny and consideration of proposals:

(a) The extent of foreign equity proposed to be held (keeping in view sect oral caps if any - e.g. 24% for SSI units, 40% for air taxi/airlines operators, 49% in basic/cellular/paging, etc. in Telecom sector).

(b) Extent of equity with composition of foreign/NRI (which may include OCB)/resident Indians.

(c) Extent of equity from the point of view whether the proposed project would amount to a holding company/wholly owned subsidiary/a company with dominant foreign investment (i.e. 75% or more) joint venture.

(d) Whether the proposed foreign equity is for setting up a new project (joint venture or otherwise) or whether it is for enlargement of foreign/NRI equity or whether it is for fresh induction of foreign equity/NRI equity in an existing Indian company.

(e) In the case of fresh induction of foreign/NRI equity and/or cases of enlargement of foreign/ NRI equity in existing Indian companies whether there is a resolution of the Board of Directors supporting the said induction/enlargement of foreign/NRI equity and whether there is a shareholders agreement or not.

(f) In the case of induction of fresh equity in the existing Indian companies and/or enlargement of foreign equity in existing Indian companies, the reason why the proposal has been made and the modality for induction/enhancement [i.e. whether by increase of paid up capital/ authorized capital, transfer of shares (hostile or otherwise) whether by rights issue, or by what modality].

Cases pertaining to FIPB approvals, which involve increase in the non-resident equity within the approved percentage of non-resident equity in a joint venture company and enhancement of paid-up capital in a wholly owned subsidiary do not require FIPB approval provided the intent for increase in the amount of foreign equity is duly notified to SIA and formal documentation by way of intimation is made to SIA within 30 days of receipt of funds and allotment of shares (to non-resident shareholders).

(g) Issue/transfer/pricing of shares will be as per SEBI/RBI guidelines.

(h) Whether the activity is an industrial or a service activity or a combination of both.

(i) Whether the item of activity involves any restriction by way of reservation for the small-scale sector.

(j) Whether there are any sectoral restrictions on the activity (e.g. there is ban on foreign investment in real estate while it is not so for NRI/OCB investment).

(k) Whether the item involves only trading activity and if so whether if involves export or both export and import, or also includes domestic trading and if domestic trading whether it also includes retail trading.

(l) Whether the proposal involves import of items which are hazardous, banned or detrimental to environment (e.g. import of plastic scrap or recycled plastics).

9. In respect of activities to which equity caps apply, FIPB may consider recommending higher levels of foreign equity as compared to the prescribed caps, keeping in view the special requirements and merits of each case.

10. In respect of other industries/activities the Board may consider recommending 51 per cent foreign equity on examination of each individual proposal. For higher levels of equity upto 74 per cent the Board may consider such proposals keeping in view considerations such as the extent of capital needed for the project, the nature and quality of technology, the requirements of marketing and management skills and the commitment for exports.

11. FIPB may consider and recommend proposals for 100 percent foreign owned holding/subsidiary companies based on the following criteria:

(a) where only "holding" operation is involved and all subsequent/downstream investments to be carried out would require prior approval of the Government.

(b) where proprietary technology is sought to be protected or sophisticated technology is proposed to be brought in;

(c) where at least 50% of production is to be exported;

(d) Proposals for consultancy; and

(e) proposals for industrial model towns/industrial parks or estates.

12 In special cases, where the foreign investor is unable initially to identify an Indian joint venture partner, the Board may consider and recommend proposals permitting 100 per cent foreign equity on a temporary basis on the condition that the foreign investor would divest to the Indian parties (either individual, joint venture partners or general public or both) at least 26 per cent of its equity within a period of 3-5 years.

13. Similarly in the case of a joint venture, where the Indian partner is unable to raise resources for expansion/technological up gradation of the existing industrial activity the Board may consider and recommend increase in the proportion/percentage (upto 100 per cent) of the foreign equity in the enterprise.

14. In respect of trading companies, 100 per cent foreign equity may be permitted in the case of the activities involving the following:

(i) exports;

(ii) bulk imports with export/expanded warehouse sales;

(iii) cash and carry wholesale trading;

(iv) other import of goods or services provided at least 75% is for procurement and sale of goods and services among the companies of the same group.

15. In respect of the companies in the infrastructure/services sector where there is a prescribed cap for foreign investment, only the direct investment should be considered for the prescribed cap and foreign investment in an investing company should not be set off against this cap provided the foreign direct investment in such investing company does not exceed 49 per cent and the management of the investing company is with the Indian owners.

16. No condition specific to the letter of approval issued to a foreign investor would be changed or additional condition imposed subsequent to the issue of a letter of approval. This would not prohibit changes in general policies and regulations applicable to the industrial sector.

17. Where in case of a proposal (not being 100% subsidiary) foreign direct investment has been approved upto a designated percentage of foreign equity in the joint venture company the percentage would not be reduced while permitting induction of additional capital

subsequently. Also in the case of approved activities, if the foreign investor(s) concerned wished to bring in additional capital on later dates keeping the investment to such approved activities, FIPB would recommend such cases for approval on an automatic basis.

18. As regards proposal for private sector banks, the application would be considered only after "in principle" permission is obtained from the Reserve Bank of India (RBI).

19. The restrictions prescribed on capital investment for proposals in various sectors at present, are given in the annexure-IV and these should be kept in view while considering the proposals.

The Guidelines are meant to assist the FIPB to consider proposals in an objective and transparent manner. These would not in any way restrict the flexibility or bind the FIPB from considering the proposals in their totality or making recommendation based on other criteria or special circumstances or features it considers relevant. Besides these are in the nature of administrative Guidelines and would not in any way be legally binding in respect of any recommendation to be made by the FIPB of decisions to be taken by the Government in cases involving Foreign Direct Investment (FDI).

These guidelines are issued without prejudice to the Government's right to issue fresh guidelines or change the legal provisions and policies whenever considered necessary.

ANNEXURE IV

SECTOR SPECIFIC GUIDELINES FOR FOREIGN DIRECT INVESTMENT

<table>
<tr><th>Sl.No.</th><th>Sector</th><th>Guidelines</th></tr>
<tr><td>1.</td><td>Banking

Non Banking Financial Companies (NBFC)</td><td>NRI holding may be upto 40%, inclusive of equity participation by other foreign investors. Foreign investment of upto 20% is permitted by foreign banking companies or finance companies including multilateral financial institutions. Multilateral institutions are allowed to invest within the overall foreign direct investment cap of 40% in case of shortfall in foreign direct investment contribution by NRIs.

The automatic route is not available.

a. <u>FDI/NRI/OCB investments allowed in the following 17 NBFC activities shall be as per levels indicated below :</u>

i. Merchant banking
ii. Underwriting
iii. Portfolio Management Services
iv. Investment Advisory Services
v. Financial Consultancy
vi. Stock Broking
vii. Asset Management
viii. Venture Capital
ix. Custodial Services
x. Factoring
xi. Credit Reference Agencies
xii. Credit rating Agencies
xiii. Leasing & Finance
xiv. Housing Finance
xv. Forex Broking
xvi. Credit card business
xvii. Money changing Business</td></tr>
</table>

		b. <u>Minimum Capitalization Norms for fund based NBFCs:</u> For FDI UPTO 51% - US$ 0.5 million to be brought upfront For FDI above 51% and upto 75% - US $ 5 million to be brought upfront For FDI above 75% and upto 100% - US $ 50 million out of which US $ 7.5 million to be brought upfront and the balance in 24 months 100% NBFC to act only as holding company and specific activities to be undertaken by step down subsidiaries with minimum 25% domestic equity. 10% domestic equity to be brought upfront and balance over 24 months. c. <u>Minimum capitalization norms for non-fund based activities:</u> Minimum capitalization norm of US $ 0.5 million is applicable in respect of all permitted non-fund based NBFCs with foreign investment. The automatic route is not available.
2.	Civil Aviation (detailed guidelines have been issued by Ministry of Civil Aviation)	<u>In the domestic Airlines sector:</u> i. FDI upto 40% permitted subject to no direct or indirect equity participation by foreign airlines is allowed. ii. 100% investment by NRIs/OCBs. iii. The automatic route is not available.
3.	Telecommunication	i. In basic, Cellular Mobile, paging and Value Added service, and Global Mobile Personal Communications by Satellite, FDI is limited to 49% subject to grant of license from Department of Telecommunications and adherence by the companies (who are investing and the companies in which investment is being made) to the license conditions for foreign equity cap and lock in period for transfer and addition of equity and other license provisions. ii. No equity cap is applicable to manufacturing activities.

4.	Petroleum	a. Under the exploration policy, FDI upto 100% is allowed for small fields through competitive bidding; upto 60% for unincorporated JV; and upto 51% for incorporated JV with a No Objection Certificate for medium size fields. b. For refining, FDI is permitted upto 26% (PSU holding of 26% and balance 48% public). In case of private Indian company, FDI is permitted upto 49%. c. For petroleum products and pipeline sector, FDI is permitted upto 51%. d. FDI is permitted upto 74% in infrastructure related to marketing and marketing of petroleum products. e. 100% wholly owned subsidiary (WOS) is permitted for the purpose of market study and formulation. f. 100% wholly owned subsidiary is permitted for investment/Financing. g. For actual trading and marketing, minimum 26% Indian equity is required over 5 years. The automatic route is not available.
5.	Housing & Real Estate	No foreign investment is permitted in this sector. NRIs/OCBs are allowed to invest. The scheme specific to NRIs and OCBs covers the following: a. Development of serviced plots and construction of built up residential premises b. Investment in real estate covering construction of residential and commercial premises including business centers and offices c. Development of townships d. City and regional level urban infrastructure facilities, including both roads and bridges e. Investment in manufacture of building materials f. Investment in participatory ventures in (a) to (e) above g. Investment in housing finance institutions

6.	Coal and Lignite	i. Private Indian companies setting up or operating power projects as well as coal or lignite mines for captive consumption are allowed FDI upto 100%. ii. 100% FDI is allowed for setting up coal processing plants subject to the condition that the company shall not do coal mining and shall not sell washed coal or sized coal from its coal processing plants in the open market and shall supply the washed or sized coal to those parties who are supplying raw coal to coal processing plants for washing or sizing. iii. FDI upto 74% is allowed for exploration or mining of coal or lignite for captive consumption. iv. In all the above cases, FDI is allowed upto 50% under the automatic route subject to the condition that such investment shall not exceed 49% of the equity of a PSU.
7.	Venture Capital Fund (VCF) and Venture Capital Company (VCC)	An offshore venture capital company may contribute upto 100% of the capital of a domestic venture capital fund and may also set up a domestic asset management company to manage the fund. VCFs and VCCs are permitted upto 40% of the paid up corpus of the domestic unlisted companies. This ceiling would be subject to relevant equity investment limit in force in relation to areas reserved for SSI. Investment in a single company by a VCF/VCC shall not exceed 5% of the paid-up corpus of a domestic VCF/VCC. The automatic route is not available.
8.	Trading	Trading is permitted under automatic route with FDI upto 51% provided it is primarily export activities, and the undertaking is an export house/trading house/super trading house/star trading house. However, under the FIPB route: - i. 100% FDI is permitted in case of trading companies for the following activities: • exports; • bulk imports with export/expanded warehouse sales; • cash and carry wholesale trading;

		• other import of goods or services provided at least 75% is for procurement and sale of goods and services among the companies of the same group and for third party use or onward transfer/distribution/sales. ii. The following kinds of trading are also permitted, subject to provisions of EXIM Policy: a. Companies for providing after sales services (that is no trading per se) b. Domestic trading of products of JVs is permitted at the wholesale level for such trading companies who wish to market manufactured products on behalf of their joint ventures in which they have equity participation in India. c. Trading of hi-tech items/items requiring specialised after sales service d. Trading of items for social sector e. Trading of hi-tech, medical and diagnostic items. f. Trading of items sourced from the small scale sector under which, based on technology provided and laid down quality specifications, a company can market that item under its brand name. g. Domestic sourcing of products for exports. h. Test marketing of such items for which a company has approval for manufacture provided such test marketing facility will be for a period of two years, and investment in setting up manufacturing facilities commences simultaneously with test marketing.
9.	Investing companies in infrastructure/ service sector	In respect of the companies in infrastructure/service sector, where there is a prescribed cap for foreign investment, only the direct investment will be considered for the prescribed cap and foreign investment in an investing company will not be set off against this cap provided the foreign direct investment in such investing company does not exceed 49% and the management of the investing company is with the Indian owners. The automatic route is not available.

10.	Atomic energy	The following three activities are permitted to receive FDI/NRI/OCB investments through FIPB (as per detailed guidelines issued by Department of Atomic Energy vide Resolution No.8/1(1)/97-PSU/1422 dated 6.10.98): a. Mining and mineral separation b. Value addition per se to the products of (a) above c. Integrated activities (comprising of both (a) and (b) above. <u>The following FDI participation is permitted:</u> a. Upto 74% in both pure value addition and integrated projects. ii. For pure value addition projects as well as integrated projects with value addition upto any intermediate stage, FDI is permitted upto 74% through joint venture companies with Central/State PSUs in which equity holding of at least one PSU is not less than 26%. iii. In exceptional cases, FDI beyond 74% will be permitted subject to clearance of the Atomic Energy Commission before FIPB approval.
11.	Defence and strategic industries	No FDI/NRI/OCB investment is permitted
12.	Agriculture (including plantation)	No FDI/NRI/OCB investment is permitted
13.	Print media	No FDI/NRI/OCB investment is permitted
14.	Broadcasting	No FDI/NRI/OCB investment is permitted
15.	Power	Upto 100% FDI allowed
16.	Drugs & Pharmaceuticals	i. FDI upto 74% in the case of bulk drugs, their intermediates and formulations (except those produced by the use of recombinant DNA technology) would be covered under automatic route. ii. FDI above 74% for manufacture of bulk drugs will be

		considered by the Government on case to case basis for manufacture of bulk drugs from basic stages and their intermediates and bulk drugs produced by the use of recombinant DNA technology as well as the specific cell/tissue targeted formulations provided it involves manufacturing from basic stage.
17.	Roads & Highways, Ports and Harbours.	FDI upto 100% under automatic route is permitted in projects for construction and maintenance of roads, highways, vehicular bridges, toll roads, vehicular tunnels, ports and harbours.
18.	Hotels & Tourism	100% FDI is permissible in the sector. The term hotels include restaurants, beach resorts, and other tourist complexes providing accommodation and/or catering and food facilities to tourists. Tourism related industry includes travel agencies, tour operating agencies and tourist transport operating agencies, units providing facilities for cultural, adventure and wild life experience to tourists, surface, air and water transport facilities to tourists, leisure, entertainment, amusement, sports, and health units for tourists and Convention/Seminar units and organisations. Automatic route is available upto 51% subject to the following parameters. For foreign technology agreements, automatic approval is granted if i. upto 3% of the capital cost of the project is proposed to be paid for technical and consultancy services including fees for architects, design, supervision, etc. ii. upto 3% of net turnover is payable for franchising and marketing/publicity support fee, and iii. upto 10% of gross operating profit is payable for management fee, including incentive fee.
19.	Mining.	i. For exploration and mining of diamonds and precious stones FDI is allowed upto 74% under automatic route. ii. For exploration and mining of gold and silver and minerals other than diamonds and precious stones, metallurgy and processing FDI is allowed upto 100% under automatic route. iii. Press Note No. 18 (1998 series) dated 14.12.98 would not be applicable for setting up 100% owned

		subsidiaries in so far as the mining sector is concerned, subject to a declaration from the applicant that he has no existing joint venture for the same area and / or the particular mineral.
20.	Postal services	Couriers carrying packages, parcels and other items, which do not come within the ambit of Indian Post Office Act 1998, shall not be permitted.
21.	Pollution Control and management	FDI upto 100% in both manufacture of pollution control equipment and consultancy for integration of pollution control systems is permitted under automatic route.
22.	Advertising and films	Automatic approval is available for the following: • Upto 74% FDI in advertising sector • Upto 100% FDI in film industry (i.e. film financing, production, distribution, exhibition, marketing and associated activities relating to film industry) subject to the following: i. Companies with an established track record in films, TV, music, finance and insurance would be permitted. ii. The company should have a minimum paid up capital of US $ 10 million if it is the single largest equity shareholder and at least US $ 5 million in other cases. iii. Minimum level of foreign equity investment would be US $ 2.5 million for the single largest equity shareholder and US $ 1 million in other cases. iv. Debt equity ratio of not more than 1:1, i.e., domestic borrowings shall not exceed equity. v. Provisions of dividend balancing would apply.

ANNEXURE-V

LIST OF CITIES WITH POPULATION OF 10 LAKHS (1 MILLION) AND ABOVE ACCORDING TO THE PROVISIONAL RESULTS OF 1991 CENSUS

Name of the Cities

1. Greater Bombay U.A.

2. Calcutta U.A.

3. Delhi U.A.

4. Madras U.A.

5. Hyderabad U.A.

6. Bangalore U.A.

7. Ahmedabad U.A.

8. Pune U.A.

9. Kanpur U.A.

10. Nagpur U.A.

11. Lucknow U.A.

12. Surat U.A.

13. Jaipur U.A.

14. Kochi U.A.

15. Coimbatore U.A.

16. Vadodara U.A.

17. Indore U.A.

18. Patna U.A.

19. Madurai U.A.

20. Bhopal M.C.

21. Visakhapatnam U.A.

22. Varanasi U.A.

23. Ludhiana M.C.

Note: U.A. = Urban Area

M.C.= Municipal Corporation

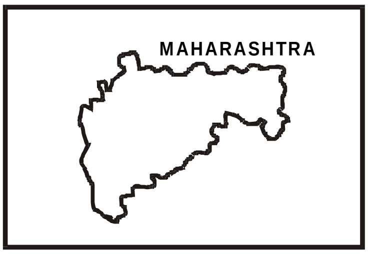
ANNEXURE-VI

LIST OF 22 SPECIFIED INDUSTRIES IN THE CONSUMER GOODS SECTOR IN WHICH DIVIDEND BALANCING IS APPLICABLE

1. Manufacture of food and food products.
2. Manufacture of dairy products.
3. Grain mill products.
4. Manufacture of bakery products.
5. Manufacture and refining of sugar (vacuum pan sugar factories).
6. Production of Common Salt.
7. Manufacture of Hydrogenated oil (Vanaspati).
8. Tea processing.
9. Coffee.
10. Manufacture of beverages, tobacco and tobacco products.
11. Distilling, rectifying and blending of spirits, wine industries, malt liquors and malt, production of country liquors and toddy.
12. Soft drinks and carbonated water industry.
13. Manufacture of cigars, cigarettes, cheroot and cigarette tobacco.
14. Manufacture of wood and wood products, furniture and fixtures.
15. Manufacture of leather and fur/leather products.
16. Tanning, curing, finishing, embossing and japanning of leather.
17. Manufacture of footwear (excluding repair) except vulcanized for moulded rubber or plastic footwear.
18. Manufacture of footwear made primarily of vulcanized or moulded products.
19. Prophylactics (rubber contraceptive).
20. Motor cars.
21. Entertainment Electronics (VCRs, Colour TVs, CD Players, Tape Recorders).
22. White Goods (domestic Refrigerators, Domestic Dishwashing Machines, Programmable Domestic Washing Machines, Microwave Ovens, Air conditioners)

STATE POLICIES

MAHARASHTRA STATE PROFILE



- **Capital**: Mumbai
- **Area**: 3,08,000 Sq. Km.
- **Population (1991)** : 78.9 millions
- **Principal Language** : Marathi
- **Urbanisation Ratio (1991)**: 38.6%
- **Literacy Rate**: 64.87%
- **Per Capita State Income at Current Prices (Rs.) (1990-91)**: 17,295
- **Index of Development of Infrastructure (1990-91)**: 110

Major Minerals
Iron ore, Manganese ore, Coal, Silica sand, Dolomite, Bauxite, Granite and Limestone
Besides these crude oil and natural gas are available from Bombay High Oil fields

Forests
The total forest area in the state is 63,993 Sq Kms. The main forest products are Teak, Sisam, Sandalwood, Gum,Resin,Bamboo fibers and Tendu leaves

Major Industries
Textiles, Chemicals, Metallurgical Industries, Transport Equipment, Automobiles, Industrial Machinery, Machine Tools, Sugar and Food Processing, Rubber, Plastics, Petrochemicals, Tobacco products, Paper products, Electronic hardware and Software.

Major Crops
Paddy, Jowar, Millet, Wheat, Soyabean.

Installed Generating Capacity (1994-95)

	MW *	%
Hydro	1,740	17.4
Thermal	8,247	82.6
Nuclear	-	-
Total	9,987	100

***** The capacity for each State includes only the power plants located in the State boundaries and excludes the multi-State Projects.

Present power Position

Electricity Generation (Billion KWH)	47.2
Electricity Consumption (Billion KWH)	41.10
Electricity Consumption by Industry (Billion KWH)	16.6

Technical Manpower

The State has 88 Engineering colleges including Indian Institute of Technology, Mumbai, 284 polytechnics and 250 industrial training institutes in addition to the agricultural, medical, management and computer science colleges

Telecommunications

Mumbai is linked to numerous cities in 210 countries on ISD, 1380 cities in India on STD. Major cities in the state are connected through E-Mail and Internet

Transportation Network

The total road length is 246,000 KM, which is 80 KM of road length in 100 SQ Km of area. The total railway route length is 5,987 KM, which is about 8.7% of the total railway route length in the country. Mumbai has Sahar International Airport and majority international destinations are linked to Mumbai through direct flights. 13 other cities of the state have airports/airstrips

Ports

Besides 48 minor ports, the two principal ports are located in Mumbai namely the Jawaharlal Nehru Port and Mumbai Port.

Main Tourist Centres

Ajanta, Ellora, Elephanta, Kanheri Karla caves, Mahabaleshwar, Matheran and Panchgani, Jawahar, Malghat, Pandharpur, Nasik, Shirdi, Nanded, Dundharagnath, Trimbakeshwar, Tuljapur, Ganpatiphule, Ratnagiri.

Industrial Incentive Schemes

1. Incentives are in the form of sales tax incentives either by way of exemption of deferral, both on purchase and sales side of transaction of a manufacturing unit.
2. Highest scales in terms of percentage of fixed capital investment and period, are offered for Mega projects with investments exceeding Rs 7.5 billion in specified regions and exceeding Rs 10 billion in particular areas.
3. First industrial unit in a Taluka with investment in the range of Rs 50 million to Rs 1 Billion or second or additional investment in the range of Rs 100 Million to Rs 3 Billion qualified for pioneer status of incentives.
4. Other benefits like refund of Octroi (for 5 to 15 years), electricity duty (for 5 to 10 years) etc. is available.
5. The prestigious projects in the specific region having fixed capital investment exceeding Rs 1 Billion qualified for incentives.
6. Capital investment subsidy for SSIs @ 15% to 30%

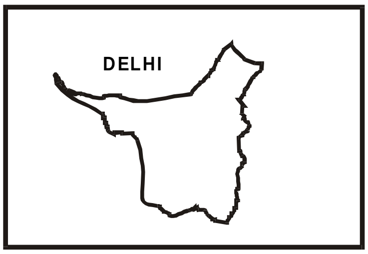
7. Subsidy for installation for energy savings devices and effluent treatment
8. 75% contribution towards cost of feasibility study. Removal of 3 month condition for applying before the expected date of production.
9. Concession of capital costs in the power supply.
10. Exemption from stamp duty and registration charges for SSI units.

New Opportunities

Infrastructure, Agro based and Horticultural units, Electronics and Computer Software development, plastic processing and chemical units, steel based industries, Marine products, wind power projects, other industries like Textile, Leather processing, Leather goods, Biotechnology, Floriculture, Gas based projects and tourism

STATE POLICIES

DELHI STATE PROFILE



- **Capital**: Delhi
- **Area**: 2,000 Sq. Km.
- **Population (1991)** : 93,70,000
- **Principal Language** : Hindi, Punjabi, Urdu
- **Urbanisation Ratio (1991)**: 89.9
- **Literacy Rate**: 76.1
- **Per Capita State Income at Current Prices (Rs.) (1990-91)**: 10,638
- **Index of Development of Infrastructure (1990-91)**: N.A.

Major Industries

Manufacture of razor blades, sports goods, radio & TV parts, plastic & PVC goods, textiles, chemicals, fertilizers, soft drinks, hand & machine tools.

Major Crops

Wheat, Maize, bajra, jawar, vegetable and fruit crops.

Installed Generating Capacity (1994-95)

	MW *	%
Hydro	-	-
Thermal	586	100
Nuclear	-	-
Total	586	100

***** The capacity for each State includes only the power plants located in the State boundaries and excludes the multi-State Projects.

Energy Requirement, Energy Availability
(Mn. Units)

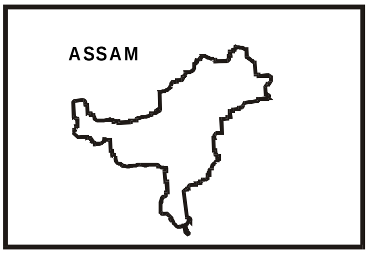
	1994-95
Energy requirement	12,205
Energy availability	12,076
Surplus (+)/Deficit (-)	(-) 129
Surplus (+)/Deficit (-)%	(-) 1.1%
Number of Bank Branches (March 1993)	1,158
Railway Route Per '000 Sq.Km. of Area (1991-92)	113.28
Road Length Per '000 Sq.Km. of Area (1987-88)	12,840

Main Tourist Centers
Lal Qila, Jama Masjid, Qutab Minar, Jantar Mantar, India Gate, Birla Mandir, Humayun's Tomb, Bahais Temple.

Source: CMIE, Basic Statistics Relating to Indian Economy.

STATE POLICIES

ASSAM STATE PROFILE



- **Capital**: Dispur
- **Area**: 79,000 Sq. Km.
- **Population (1991)**: 2,22,95,000
- **Principal Language**: Assamese
- **Urbanisation Ratio (1991)**: 11.1%
- **Literacy Rate**: 53.4%
- **Per Capita State Income at Current Prices (Rs.) (1991-92)**: 4,230
- **Index of Development of Infrastructure (1990-91)**: 1994

Major Industries

Tea, exploration, exploitation and refining of petroleum, handlooms, and sericulture can, bamboo carpentry, brass and metal crafts.

Major Crops

Rice, jute, tea, cotton, oilseeds, sugarcane, potato.

Installed Generating Capacity (1994-95)

	MW *	%
Hydro	2	0.4
Thermal	595	99.6
Nuclear	-	-
Total	597	100

***** The capacity for each State includes only the power plants located in the State boundaries and excludes the multi-State Projects.

Energy Requirement, Energy Availability
(Mn. Units)

	1994-95
Energy requirement	2,437
Energy availability	2,231
Surplus (+)/Deficit (-)	(-) 206
Surplus (+)/Deficit (-)%	(-) 8.4%
Number of Bank Branches (March 1992)	1,221
Railway Route Per '000 Sq.Km. of Area (1990-91)	31.45
Road Length Per '000 Sq.Km. of Area (1983-84)	820

Main Tourist Centers

Guwahati, Kaziranga National Park, Manas, Sibsagar, Tezpur, Bhalukpung, Haflong Majuli, Hajo, Batadrava, Saulkuchi.

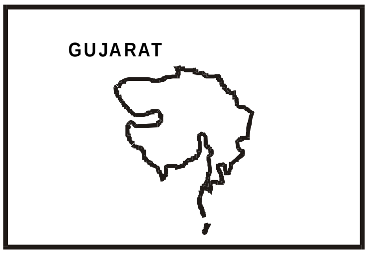
Source: CMIE, Basic Statistics Relating to Indian Economy.

Industrial Incentive Schemes

1. Capital investment subsidy at the rate of 30%.
2. Sales tax exemption on raw materials and finished products.
3. Reduction of Assam finance tax from 12% to 4% at par with CST.
4. Land development cost as interest free loan.
5. Interest subsidy on working capital.
6. Power subsidy for 5 years.
7. Subsidy for feasibility report.
8. Subsidy on generating sets.
9. Income Tax Exempt.

STATE POLICIES

GUJARAT STATE PROFILE



- **Capital** : Gandhinagar
- **Area** : 1,96,000 Sq. Km.
- **Population (1991)** : 4,11,74,000
- **Principal Language** : Gujarati
- **Urbanisation Ratio (1991)** : 34.4%
- **Literacy Rate** : 60.9%
- **Per Capita State Income at Current Prices (Rs.) (1990-91)** : 6,425
- **Index of Development of Infrastructure (1990-91)** : 122

Major Industries

Textiles, soda ash, azodyes, salt nitrogenous fertilizers, viscose filament yarn, cotton cloth, sulphuric acid, paper & paperboard, caustic soda, cement.

Major Crops

Tobacco, cotton, groundnut, cumin sugarcane, mangoes, bananas, paddy, wheat, bajra.

Installed Generating Capacity (March 1994)

	MW *	**%**
Hydro	427	8.6
Thermal	4511	91.4
Nuclear	-	-
Total	4,938	100

***** The capacity for each State includes only the power plants located in the State boundaries and excludes the multi-State Projects.

Energy Requirement, Energy Availability
(Mn. Units)

	1994-95
Energy requirement	31,985
Energy availability	30,678
Surplus(+)/Deficit(-)	(-) 1307
Surplus(+)/Deficit(-)%	(-) 4.1%
Number of Bank Branches (March 1993)	3,425
Railway Route Per '000 Sq.Km. of Area (1991-92)	26.94
Road Length Per '000 Sq.Km. of Area (1987-88)	382

Main Tourist Centers

Dwarka, Somnath, Palitana, Pavagadh, Ambaji, Bhadrashwar, Patan, Sidhpur, Ghumli, Ahmedpur-Mandvi, Chorwad, Ubhrat, Tithal, Saputara, Gir Forest.

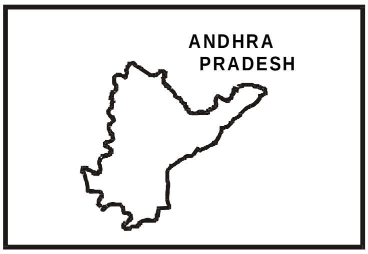
Source: CMIE, Basic Statistics Relating to Indian Economy.

Industrial Incentive Schemes

1. New units/units undertaking expansion to get capital investment subsidy from 20% to 35%.
2. Additional subsidy of 5% for SC/ST/S&BC Community/woman entrepreneurs.
3. Sales tax exemption/deferment incentive for tiny, small scale, medium and large units.
4. Additional sales tax benefit to employment oriented industries between 10% to 20% of fixed capital investment.
5. Special incentive for pioneering medium/large units in backward areas.
6. Special incentives for units having investment of over Rs 100 crores.
7. Eligible units can avail composite sales tax exemption and sales tax deferment ranging from 25% to 100% of fixed capital investment for 8 to 10 years.
8. Special incentives for 100% Export Oriented Units.
9. Special package of incentives for electronic industry including investment subsidy from 25% to 35% of fixed capital investment within ceilings between Rs 15 lakhs to Rs 35 lakhs.
10. The new electronics industry to get sales tax exemption/deferment benefits for 6 to 9 years.
11. Interest free sales tax loan scheme in lieu of deferment of sales tax.

STATE POLICIES

ANDHRA PRADESH STATE PROFILE



- **Capital** : Hyderabad
- **Area** : 2,75,068 Sq. Kms.
- **Population (1997)** : 7,34,33,000
- **Principal Language** : Telugu, Urdu
- **Urbanisation Ratio (1991)** : 26.9%
- **Literacy Rate** : 44.1%
- **Per Capita State Income at Current Prices (Rs.) (1991-92)** : 5,570
- **Index of Development of Infrastructure (1990-91)** : 98

Major Minerals

Chrysolite asbestos, copper ore manganese, mica, coal, limestone, oil & natural gas, silica, lead ore, Iron ore etc.

Major Industries

Machine tools, synthetic drugs, pharmaceuticals heavy electrical machinery, ships, fertilisers, electronic equipment, aeronautical parts, cement & cement products, chemicals, asbestos, glass and watches.

Major Crops

Rice, jowar, bajra, maize, Ragi, small millets, pulses, tobacco, cotton, sugarcane, groundnut and bananas.

Installed Generating Capacity (1997-98)

	MW *
Hydro	2,657
Thermal	2,953
Other Sources (Gas Wind including power generating capacity from Central/Pvt. Sector)	1,666
Total (Installed Capacity)	7,276

***** The capacity for each State includes only the power plants located in the State boundaries and excludes the multi-State Projects.

Energy Requirement, Energy Availability
(Mn. Units)

	1997-98
Energy requirement	23,770
Energy availability	38,171
Surplus(+)/Deficit(-)	(+) 14,401
Surplus(+)/Deficit(-)%	(+) 37.72
Number of Bank Branches (December 1997)	5,076
Railway Route length in 000 KM (1997-98)	5.0
Road Length in 000 KM (1997-98)	54.2

Main Tourist Centers

Charminar, Salar Jung Museum, Golconda Fort, Tarana gate, Kurnool, Tirupati.

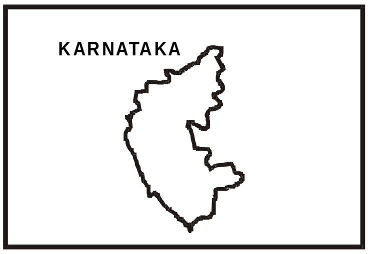
Source: Official Web Site of AP Government

Industrial Incentive Schemes

1. Investment subsidy upto 20% subject to maximum of Rs. 20 lakhs of fixed capital investment.
2. Sales tax deferment upto 100% of capital investment for 10 years. Sales tax deferment upto 135% for 14 years or sales tax for 7 years for large and medium industry.
3. 100% tax holiday for SSI units.
4. Power tariff concession @ 25%.
5. Subsidy for captive power generation. Sales tax reduction on purchase of diesel oil or fuel oil for captive generation of power.
6. Incentive for industries in EPZ Visakhapatnam.
7. Sales tax incentive for modernisation/expansion/diversification/integration projects.
8. Special incentives for mega projects going over Rs 100 crores.

STATE POLICIES

KARNATAKA STATE PROFILE



- **Capital**: Bangalore
- **Area**: 1,91,791 Sq. Km.
- **Population (1991)** : 4,48,06,000
- **Principal Language** : Kannada
- **Urbanisation Ratio (1991)** : 30.9%
- **Literacy Rate**: 56%
- **Per Capita State Income at Current Prices (Rs.) (1990-91)**: 5,555
- **Index of Development of Infrastructure (1990-91)**: 99

Major Minerals

High-grade iron ore, copper, manganese, chromites, china clay, lime stone, magnetite, Gold.

Major Industries

Aircraft, Rail coaches, telephone instruments, electronic & telecommunication equipments, glass, batteries, electric motors, textiles, silk, hosiery, ceramic, sugar, capacitors, mining-metal, tools, cement, motorcycles, fertilisers.

Major Crops

Rice, ragi, jowar, bajra, maize, cardamom, apricot, sunflower, coconut, cotton, groundnut, chilies, castor seed, sugarcane, tobacco.

Installed Generating Capacity (1994-95)

	MW *	**%**
Hydro	2,409	71.3
Thermal	968	28.7
Nuclear	-	-
Total	3,377	100

***** The capacity for each State includes only the power plants located in the State boundaries and excludes the multi-State Projects.

Energy Requirement, Energy Availability
(Mn. Units)

	1994-95
Energy requirement	23,280
Energy availability	19,280
Surplus (+)/Deficit (-)	(-) 4,000
Surplus (+)/Deficit (-)%	(-) 17.2
Number of Bank Branches (March 1993)	4,334
Railway Route Per '000 Sq.Km. of Area (1991-92)	15.98
Road Length Per '000 Sq.Km. of Area (1987-88)	659

Main Tourist Centers

Mysore, Shrirangapattna, Belur, Halebidu, Somanthpura, Badri, Aihole, Pattadajal, Hampi, Bijapur, Gulbarga, Bidar, Gokarna, Udupi, Dharmasthala, Gangapura, Saundatti.

Source: CMIE, Basic Statistics Relating to Indian Economy.

Industrial Incentive Schemes

1. Investment subsidy @ 25% to 30%.

2. Additional investment subsidy to SC/STs, minorities and Ex-servicemen, women and physically handicapped.
3. One time option for sales tax exemption or sales tax deferment for new units.
4. Exemption from entry tax on raw materials.
5. Exemption from stamp duty to SSI units.
6. Subsidy for manufacture of pollution control and effluent equipment.
7. Incentive for utilisation of renewable sources of energy/captive generation.
8. Special package for industrial infrastructure projects.
9. Projects with more than Rs. 100 crores in fixed assets to get special incentive.
10. Special incentive for auto industry.
11. Enhanced thrust subsidy for sector industries.
12. Special concessions for export.
13. Special assistance, incentives and concessions for the information technology industry