
UNIT 18 INDUSTRIAL POLICY OF 1991

Objectives

This unit enables you to gain familiarity with:

- objectives of Industrial Policy 1991
- industrial de-licensing
- foreign Investment Policy
- foreign Investment Promotion Board
- steps involved in initiating a manufacturing unit
- public Sector Reforms
- competition Policy and Competition Bill
- impact of Industrial Policy 1991 on industry

Structure

- 18.1 Introduction
- 18.2 Backdrop
- 18.3 Industrial Licensing
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18.1 INTRODUCTION

The industrial policies pursued till 1990 enabled India to develop a vast and diversified industrial structure. India attained self-sufficiency in a wide range of consumer goods. But the industrial growth was not rapid enough to generate sufficient employment, to reduce regional disparities and to alleviate poverty. It was felt that government controls and regulations had put shackles on the growth of different segments of Indian Industry. Lack of adequate competition resulted in inadequate emphasis on the reduction of costs, up-gradation of technology and improvement of quality standards. It is to reorient and accelerate industrial development with emphasis on the productivity, growth and quality improvement to achieve international competitiveness that the Industrial Policy of 1991 was announced.

18.2 BACKDROP

At the outset, Industrial policy of 1991 renewed its commitment to the basic objectives of the Industrial Policy Resolution (IPR) of 1956:

- Rapid industrial development
- Rapid expansion of employment
- Progressive reduction of social and economic disparities
- Removal of poverty and attainment of social justice.

It was due to the scarcity of capital and lack of an entrepreneurial base that IPR, 1956 accorded a predominant role to the state in the industrial development. The Industrial Policy statement 1973 identified high priority industries for investment by large domestic and foreign enterprises. The Industrial Policy statement of 1977 laid emphasis on the promotion of small scale and cottage industries for economic development. Industrial Policy statement, 1980 stressed on the need for promoting competition in the domestic market.

By the seventh 5 Year Plan, the industrial structure had been diversified. Basic and equal goods industries had come up. A high degree of self-reliance had been achieved. New growth centres and new generation of entrepreneurs had emerged.

At this juncture, measures were taken to open up the domestic market to increased competition, both domestic and international. Emphasis was laid on promoting industrial growth along with quality and productivity improvements. Industry grew impressively at an average rate of 8.5% during 1985-90.

In the light of these achievements, Industrial policy (IP) of 1991 renewed its emphasis of removal of poverty and attaining economic justice and building a prosperous India. Towards this end, IP, 1991 emphasized the need to integrate the domestic economy with that of the international economy.

The IP, 1991 follows the policy of self-reliance but with greater stress on the ability to pay for imports from exports. It also recognized the need for the development of indigenous technology and manufacturing capabilities to world standards. IP, 1991 assigned importance to industrialization of backward areas through infrastructure development and promotion of Small Scale Industry through technology upgradation and efficiency improvement. IP, 1991 underlined the significance of the fact that sector units have to be run on the business lines as envisaged in IPR, 1956.

In the light of these issues, IP, 1991 has the following objects:

- to build on the gains already made
- to correct the distortions or weaknesses that have crept in
- to maintain a sustained growth in productivity and employment, and
- to attain the international competitiveness.

To achieve these objectives, IP, 1991 introduced changes with respect to:

- Industrial licensing
- Foreign investment
- Foreign technology agreements
- Public sector policy and the
- MRTP Act.

Reforms in the Industrial Policy Regime

Industrial licensing was a major instrument of control under which central government permission was needed for both investment in new units (beyond a relatively low threshold) and also for substantial expansion of capacity in existing units. Licensing was undoubtedly responsible for many of the inefficiencies plaguing Indian industry. In a series of steps, licensing was abolished for all except 7 industries viz. alcoholic beverages, sugar, cigars and cigarettes, electronics, aerospace and defense products, hazardous chemicals

and pharmaceuticals. The special permission needed under the Monopolies and Restrictive Trade Practices (MRTP) Act for any investment by the so-called “large houses” which was an additional instrument of control over large houses, in addition to industrial licensing was also abolished. Its stated objective was to prevent “concentration of economic power” but in practice it only served as another barrier to entry, reducing potential competition in the system. Abolition of these controls has given Indian industry much greater freedom and flexibility to expand existing capacity, or to set up new units in a location of their choice, thus increasing the pressure of competition as well as the ability to face competition.

With the opening up of the Indian economy, the country’s information technology industry has been the biggest beneficiary. Between 1995 and 2000, the Indian IT Industry recorded a CAGR of more than 42.4 percent. Software continues to contribute a major portion of the Indian IT industry’s revenues. India’s exports of computer software beat global recession in 2001-2002 (April-March) to grow by a healthy 31.4 percent. In absolute terms, software and services exports went up to \$7.875 billion in 2001-02 as against \$5.978 billion in 2000-01. The steady growth in exports of software is the combined effect of software giants setting up bases in India to meet their global software requirements in the aftermath of September 11, gradual market penetration that India is making in the non-traditional markets like the EU, Australia, Japan and China, and the increased receivables from IT enabled services like back office operations. India’s exports of electronics hardware grew by 13.6 percent in 2001-02 to \$1.183 billion from \$1.041 billion in 2000-01. The IT manufacturing industry has over 150 major hardware players supported by over 800 ancillary units and small time vendors engaged in sub-assemblies and equipment manufacturing. The combined export of software and services, and electronics hardware registered a growth of 28.7 percent in 2001-02. In absolute terms, India’s overall IT exports grew to \$9.04 billion in 2001-02 from \$7.019 billion in 2000-01. In 1999-00, more than 185 of the Fortune 500 companies outsourced their software requirements to Indian software houses. India’s software industry shows the clustering of the software companies in three distinct areas: the southern states specifically Tamil Nadu (Chennai, Madurai, Coimbatore and Trichy), Karnataka (essentially confined to Bangalore), and Andhra Pradesh (essentially confined to Hyderabad), in the west, Maharashtra (Mumbai and Pune), and in the north, Delhi, Noida and Gurgaon. Software companies located in these regions account for almost the entire software and services exports of the country, highest number of firms and employment in the sector.

18.3 INDUSTRIAL LICENSING

Industrial licensing is the most important instrument, which has been used by the Government for directing allocation of resources between industries and region. But in dynamic global market, enterprises must be enabled to swiftly respond to the fast changing external conditions. Entrepreneurs must be free to make investment decisions on the basis of their own commercial judgment. This will facilitate them to achieve the technological dynamism and international competitiveness. Therefore, Government should change its role from exercising control and regulation to that of facilitator and guide. Keeping these objectives in view the following changes are introduced:

1. All areas of industrial activity excluding areas of security and strategic importance (Annexure 1) are thrown open to private investments.

2. Industrial licensing has been abolished for all industries including those (a) which either strategic and environmental concerns dominate or the import content is exceptionally high (Annexure II) and (b) which are reserved (836 items, reduced to 749 by 2001-02) for small industry manufacturing.
3. Industrial licensing is not needed in location other than cities having a population of more than one million, as per the 1991 census (Annexure-III).
4. Industrial licensing is not required not only for new units but also for new products, as also substantial expansion and change of the location for existing units.
5. Phased Manufacturing Programmes (PMP) have been abolished for all new industries and subsequently for all industrial projects. Under a PMP, a concerned enterprise has to progressively replace imported materials, parts, and components with materials, parts and components produced in-house or by other Indian firms. The PMPs accompanied industrial licenses in a wide range of industries involving assembly of parts and components (notably the vehicle, machinery and electronics industries) prior to IP, 1991.
6. Re-endorsement scheme is applicable only (a) for industries where licensing is compulsory and (b) within cities having a population of more than one million, for all those industries. Re-endorsement scheme was introduced in 1982. As per the scheme, all those industrial units which had utilized 94 per cent of the licensed capacity over the previous five years were allowed to expand their production by one-third thereof, without licence. In 1986, the scheme was further liberalised by reducing the cut-off limit to 80% capacity utilization.
7. All industrial units, which have obtained licence for an item covered under Annexure II of IP 1991 prior to July 25, 1991, have to obtain Carry on Business (C.O.B.) license.
8. All entrepreneurs, who initiate new industrial units and indulge in substantial expansions in delicensed industries, are required to file Industrial Entrepreneurs Memorandum (IEM). IEM has to be obtained from and submitted (6 copies) to Secretariat of Industrial Approvals (SIA) in the department of Industrial Policy and Promotion, Ministry of Industry as per the Industries Development and Regulation (IDR) Act 1951, along with a crossed demand draft for Rs. 1000/-.
9. For licensing, application has to be obtained from and submitted to (with 8 spare copies) the Secretariat of Industrial Approvals under IDR Act, 1951 along with a crossed demand draft of Rs. 2500/-.
10. All the industrial undertakings are required to submit monthly production returns to concerned technical authorities (e.g. Textile Commissioner, etc.,) and a copy to concerned administrative ministry or department.
11. An Investment Promotion and Project Monitoring Cell is set up in the Department of Industrial Policy and Promotion, Ministry of Industry to provide information to entrepreneurs and to monitor progress of implementation of various projects.

Thus, Industrial delicensing has been a central feature of IP, 1991. This is to facilitate rational investment decisions of private entrepreneurs not only with respect to new industrial projects, but with respect to expansion of the existing projects, changing the product mix and shifting the location of the projects as well. Industrial delicensing marked a radical step towards creating 'free entry' situation in Indian industry. However, not much has been done to devise and exist policy for non-viable, non-revivable sick units, to facilitate smooth restructuring of the industrial sector.

Reforms in the Trade and Foreign Investment Regimes

The set of policies regarding the external sector including devaluation of the rupee, making the rupee convertible on current account, liberalization of the trade regime, allowing imports of gold, encouraging foreign direct investment (FDI) and technology inflows, opening the capital market to portfolio investment by foreign institutional investors (FIIs), and permitting domestic companies to access foreign capital markets have brought about a dramatic turnaround and steady progress in the balance of payments. The export-import ratio improved from 66.2 percent in 1990-91 to 75.8 percent in 2000-01. Merchandise exports rose from \$18.4 billion in 1990-91 to \$44.8 billion in 2000-01. Non-oil imports over the same period rose from \$21.8 billion to 43.6 billion, but the current account deficit remains at less than one percent of GDP.

Trade and Exchange Rate Policies

The past import substitution policies characterized by pervasive quantitative restrictions on imports and steep customs duties have undergone change. Quantitative restrictions on imports of capital goods, intermediates and raw materials have been abolished. These, however, survive in the case of final consumption goods though gradual relaxation is underway. Customs duties have been reduced gradually. The maximum duty rate has declined from 250 percent to 30 percent. Tariffs on most capital goods, plants and machinery now stand at 20 percent as against 80-85 percent earlier. Duties on intermediates and raw materials have also been lowered. The process is still continuing so that the Indian tariff structure would be in line with that in most other developing countries, though it has been rather slow. Liberalization of trade has reduced costs of Indian industry, relieved production bottlenecks, promoted technology up gradation and export orientation and, encouraged competition. The gradual trade liberalization has enabled domestic industry to adjust to the new situation. Though apprehensions persist in some quarters about external competition, the Indian industry has generally accepted the need for, and logic of, the ongoing change. The removal of quantitative restrictions and reduction in tariff levels implemented over the 1990s would not have been possible but for parallel changes in exchange rate policy.

The rupee was devalued in July 1991 by 24 percent as part of the initial stabilization program, and a dual exchange rate was introduced briefly from March, 1992 to March, 1993. In March, 1993, the dual exchange rate was unified and the unified rate was allowed to float. The flexible exchange rate regime has worked reasonably well with the exchange rate responding to market conditions while the RBI intervenes periodically through foreign exchange sales and purchases or through monetary fine-tuning to maintain orderly market conditions. Exchange rate management has avoided the danger of excessive rigidity and also the opposite dangers of overshooting with associated loss of confidence. Although there is no declared real effective exchange rate target, the system has worked in a manner to preserve the advantageous real exchange rate achieved in the early years of the reforms.

Motivated by the success of Chinese Special Economic Zones (SEZs), Shannon Free Trade Zone in Ireland and the like, the Government of India introduced SEZs in India through the Export/Import Policy of 2000. Since then approval has been given to establish twelve SEZs in the following nine states: Gujarat, Orissa, Karnataka, Maharashtra, Tamil Nadu, Madhya Pradesh, West Bengal, Uttar Pradesh, Andhra Pradesh. Notably Positra SEZ in Gujarat, Gopalpur SEZ in Orissa and Nanguneri SEZ in Tamil Nadu are being implemented with

private sector participation. This new policy has been introduced with a view to provide an internationally competitive and hassle free environment for exports. Units may be set up in SEZ for manufacture, trading, reconditioning, and repair or for service activity. All the export/import operations of the SEZ units will be on self-certification basis. The units in the Zone have to be a net foreign exchange earner but they shall not be subjected to any pre-determined value addition or minimum export performance requirements. Sales in the Domestic Tariff Area by SEZ units shall be subject to positive foreign exchange earning and on payment of full customs duty. The policy provides for setting up of SEZs in the public, private, joint sector or by State Governments. It was also envisaged that some of the existing Export Processing Zones would be converted into Special Economic Zones.

In a major initiative to boost export-led growth, the new Exim Policy of 2002-07 has lifted all quantitative restrictions on exports, and announced more incentives for SEZs and schemes like Duty Entitlement Pass Book (DEPB), advance license, and Export Promotion Capital Goods (EPCG). The policy also provides an incentive package for the hardware sector, simplifies procedures to reduce transaction costs besides adopting new commodity classification for imports and exports. Coterminous with the Tenth Five-Year Plan, the policy comes a year after the quantitative restrictions were dismantled on imports. With the lifting of quantitative restrictions on exports, the policy has made a paradigm shift on its focus from import-liberalization to export-orientation. In an important decision to make SEZs globally competitive, the overseas banking units (OBUs) would be permitted to be set up in these zones for the first time in India. These units would be virtually foreign branches of Indian banks but located in India. These OBUs would also be exempt from the normal Reserve Bank of India regulations like the cash reserve ratio and statutory liquidity ratio. They would give the SEZ units access to international finance at global rates. India's balance of payments has improved considerably since the deficit in the invisible account in the early 1990s has been converted into a surplus as a market-determined exchange rate of the rupee has encouraged inward remittances through legal channels.

There has been an unprecedented build up of foreign currency reserves during the second half of the 1990s. The build up of foreign currency assets of the RBI, which stood at \$46.5 billion as of January 2002, reflect the steep decline in the current account deficit as well as large net capital inflows. The composition of these inflows has changed significantly towards equity and away from debt. External assistance, external commercial borrowing, IMF loans, and non-resident Indian (NRI) deposits declined progressively from 85.8 percent of net capital inflows in 1990-91 to 40 percent in 1993-94 and further to 23 percent in 1999-00.

The improvement in the balance-of-payments has enabled the government to substantially reduce the growth of external debt. The debt-GDP ratio declined steadily from the high of 38.7 percent in March, 1992 to 22.3 percent in March, 2001 and further to 21 percent at the end of September, 2001. Similarly, the debt service ratio declined from a peak level of 35.3 percent of current receipts in 1990-91 to 17.1 percent in 2000-01. The short-term debt declined from \$8.5 billion in March, 1991 to \$3.4 billion in March, 2001, representing a decline in the share of short term to total debt from 10.2 percent to 3.5 percent. Similarly, the proportion of external commercial borrowings and costly NRI deposits in total debt has also declined. The share of concessional debt in total external which was steady around 45 percent during the first half of the 1990s, declined to 36 percent in March, 2001.

The foreign investment policy was reformed and accordingly foreign investment was actively sought. Both foreign direct investment and portfolio flows have been encouraged in the post-reform period with some positive results in both cases. The process of approving FDI was expedited by providing a window of automatic approval of FDI. Foreign investment proposals, which are not eligible for the automatic route, can obtain approval from the Foreign Investment Promotion Board (FIPB).

As a result, inflows of foreign investment (FDI, foreign institutional investment, (FII) and Euro equities) increased from a mere \$103 million in 1990-91 to \$4.1 billion in 1993-94 to further to \$5.0 billion in 2000-01. Approvals for FDI have witnessed sharp increases too. The total FDI approved between 1991 and 2001 amounts to \$56.2 billion, against just under \$1.0 billion approved during the previous decade. However, the actual FDI inflows have been much smaller relative to the approvals. Total inflows between 1991 and 2001 were placed at 17.9 billion, about 31.8 percent of the total approvals. FDI inflows rose from \$129 million in 1991-92 to \$1314 million in 1994-95 and further to \$2339 million in 2000-01. Expeditious translation of approved FDI proposals into actual investment require more transparent sectoral policies, bidding and selection procedures, and a drastic reduction in time-consuming redtapism.

The states are becoming increasingly interested in attracting both domestic and foreign investment and should expedite their decision-making processes, especially for provision of land, electricity, water and other infrastructural services to investors. Infrastructural projects on which survey and project work has already been done could be offered to prospective investors. With the initiation of economic reforms in 1991, the role of private investment has acquired a great deal of significance. Indian states are now in competition with one another to attract private investment, both domestic and foreign. Within states, the flow of investment has tended to be skewed in favor of the urban areas. State-level data on FDI approvals suggest that the relatively fast growing states have tended to attract higher levels of foreign direct investment. The top five states that received the highest inflow of FDI in the country, as per June, 2001 data, were Tamil Nadu (29.9 percent of the total inflows), Maharashtra (21.7 percent), Delhi (19.8 percent), Andhra Pradesh (13.3 percent), and Karnataka (7.5 percent). Gujarat, with a population of 50 million, received over a fifth of domestic private investment proposals, whereas Bihar with a population of 83 million barely managed a share of 5 percent of such proposals.

Maharashtra and Gujarat account for 37 percent of total investment proposals, while Bihar, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh, taken together, were able to attract only 26 percent of investment proposals. India's balance of payments is now underpinned by fairly sound exchange rate and trade policies as well as substantial foreign exchange reserves, and can be regarded as eminently viable over the medium term. The fiscal position, however, needs much more improvement. Inflation is likely to stay at low levels. All this should presage sustainable economic growth in the coming years provided, of course, the saving and investment picture remains satisfactory.

Along with Industrial delicensing IP, 1991 brought significant changes in the foreign investment policy. These changes are designed to attract enhanced capital inflows into India on a sustained basis and to encourage technology collaboration agreements between Indian and foreign firms. By 2004 India's policies welcome direct foreign investment in virtually every sector of the economy except those of strategic concern such as defence, railways, transport and atomic energy. Foreign trading companies are encouraged to assist export

activities. Foreign equity propels unlike in the past need not necessarily be accompanied by foreign technology agreements. Accordingly the Foreign Exchange Regulation Act (FERA), 1973 has been amended to read as Foreign Exchange Management Act. The salient features of the new policies towards foreign investment are:

1. Automatic approval for foreign equity participation upto 51 per cent is granted in high priority industries (Annexure IV).
2. Foreign trading companies can have majority equity (51 per cent) participation in trading houses engaged in export activity.
3. Foreign investment in hotel and tourism related industry upto 51 per cent equity is permitted.
4. Foreign investment upto 50 per cent in the Mining sector is allowed.

In all the above cases, applications for foreign investment approval have to be submitted to the Reserve Bank of India. In the case of the projects, the proposed foreign equity must cover import of capital goods for the project. Imported plant and machinery must be new and not second hand. For proposals with a technical collaboration agreement, the payment of know-how fees and royalties must conform to specified parameters.

5. Foreign investment proposals, where the parameters for automatic approval are not met, such as:
 - (i) Where foreign equity does not cover the foreign exchange requirement for import of capital goods.
 - (ii) Where foreign equity involves more than 51 per cent in high-priority industries.
 - (iii) Where foreign investment is in non-high priority industries. Proposals have to be submitted to the Secretariat of Industrial Approvals (S.I.A.) or Foreign Investment Promotion Board, [a specifically empowered Board set up to speed up the approval process of foreign investments (see *Box I*)] or Indian Embassies or Consulates abroad.
6. Existing enterprises can raise foreign equity upto 51 per cent of an expansion programme or without an expansion programme. Those enterprises can obtain automatic approval from the Reserve Bank of India subject to the following conditions:
 - (i) When an existing company wishes to raise foreign equity upto 51 per cent as part of an expansion programme, the expansion programme must be in the high priority industries and fresh/additional equity should be part of the financing of the expansion in programme.
 - (ii) When an existing company wishes to raise foreign equity without an expansion programme the company must be predominantly engaged in the high priority industries.
 - (iii) The increase in the equity level must result from expansion of the equity base of the existing company.
 - (iv) The foreign equity must be from remittance in the foreign exchange, and
 - (v) The proposed equity must cover the import of the capital goods required for the expansion programme.
7. All other proposals for inducting or raising foreign equity in existing enterprises have to be submitted to S.I.A.

BOX I : Foreign Investment Promotion Board

Following the Industrial policy 1991, the government has set up a special Board known as Foreign Investment Promotion Board (FIPB).

Objective

FIPB is set up with the purpose of speeding up the approval process for proposals relating to foreign investment in India.

Composition

FIPB was initially headed by Principal Secretary to the Prime Minister and the members comprised the Finance Secretary, the Commerce Secretary and the Secretary of Industrial Development. Secretaries of the ministries concerned with the specific investment proposals were also invited as appropriate.

Recently, FIPB Secretariat has been shifted from the Prime Minister's Office to the Industry Ministry. The FIPB is now headed by Industry Secretary and comprises Finance Secretary, Committee Secretary and Secretary (Economic Relations), Ministry of External Affairs, Revenue Secretary and Small Industry Secretary as members. Apart from Secretaries of Ministries pertaining to the case under discussion, professionals from financial institutions, industry and commerce would also be co-opted as and when necessary.

Application Procedure

No special application form is needed for applying to FIPB. Proposals can be sent directly or through any India's diplomatic missions abroad.

Scope and Methods

FIPB has the flexibility to examine all proposals in totality, free from predetermined parameters or procedures. Its approach is liberal for all sectors and all types of proposals. A large number of proposals cleared till date by FIPB involved 100 per cent equity participation by the foreign investor. FIPB clearance for foreign investment proposals is based on the investment proposed, the technology to be inducted, the export potential or the import substitution factors, the foreign exchange balance sheet and the employment potential. The totality of the package proposed is examined and approved on merits.

Additional Functions

In recent revamp of FIPB, it has been entrusted with the responsibility of reviewing on a continuous basis, the general and sectoral policy regimes relating to foreign direct investment set of transparent guidelines for facilitating foreign investment in various sectors.

It will also identify sectors into which investment may be sought, keeping in view the national priorities and also the specific regions of the world from which investment may be invited through special efforts.

8. Foreign investors need not have a local partner, even when the foreign investor wishes to hold less than full equity of the company. The public can subscribe to the portion of the equity not proposed to be held by the foreign investor.
9. The use of the foreign brand name/trade marks for sale of goods in India is permitted.

10. Initially all projects involving foreign equity upto 51 per cent in high priority industries were required to adhere to dividend balancing condition. As per this condition, outflow of foreign exchange on account of dividend payments have to be balanced by export earnings for a period of seven years from the date of commencement or production. Beyond this period dividend balancing is not required. Reserve Bank of India monitors dividend balancing. Subsequently, dividend balancing condition has been withdrawn for all industries excluding certain consumer goods industries (Annexure V).
11. Foreign equity upto 100 per cent is particularly encouraged in export oriented units, power sector, electronics and software technology parks.
12. Foreign equity is permitted even in small scale enterprises upto 24 per cent.
13. Recently a Foreign Investment Promotion Council (FIPC) has been formed which will (formulate guidelines for policy as well as) promote investment opportunities in the country.
14. A foreign Investment project proposal cleared by FIPB will be referred by the further clearance to:
 - (i) the Industry Minister, for all proposals involving foreign investment upto Rs. 600 crores.
 - (ii) The Cabinet Committee on Foreign Investment(CCFI), headed by the Finance Minister if proposals involve foreign investment of more than Rs. 600 crores.
15. Foreign companies engaged in manufacturing and trading activities abroad may open branch offices, project offices or liason offices in India, with necessary permission of R.B.I.

Foreign Technology Agreements (FTA)

To inject the desired level of technological dynamism, automatic approval for technology agreement has been made possible in high priority industries. R.B.I. accords automatic approval to foreign technology agreements within prescribed monetary limits:

- ▣ Lumpsum payment upto Rs. 10 million.
- ▣ Royalty payments upto 5 per cent of domestic sales and 8 per cent of exports over a period of 10 years from the date of the agreement or over a period of 7 years from the date of commencement of production.
- ▣ These payments are subject to an overall ceiling of 8 per cent of total sales over a period of 10 years from the date of agreement of commencement of commercial production.

The prescribed rates are net of Indian taxes.

Repatriation of Capital

Foreign capital invested in India is allowed to be repatriated with capital appreciation, if any, after the payment of taxes due to them. The disinvestment is permitted in accordance with terms of the letters of approval granted at the time of approving the foreign collaboration.

Repatriation of Sale Proceeds

Repatriation of sale proceeds of assets held in India is allowed with prior RBI approvals subject to the payment of applicable taxes.

Indian companies that enter into agreements with foreign companies are permitted to remit payments towards know-how and royalty in terms of the foreign collaboration agreement approved.

Technical Service Fees

Companies can hire the services of foreign technicians, and make remittances for technical services fees, subject to the terms approved by RBI. On the whole, IP 1991, introduced radical changes in India's foreign investment policy. As a result, the entry of foreign enterprises into the Indian market has been made much easier. Thus, Indian industry has been exposed not only to domestic competition but to foreign competition as well. This is likely to exert more pressure on domestic industrial units to raise quality as well as productivity. The liberalized foreign investment policy is aimed at augmenting foreign investment inflow and bridge the technology gaps between Indian industry and that of the international. The liberalisation with respect to industrial licensing and foreign investment has made implementation of a project far easier. The process of project implementation and clearances to be obtained are outlined in *Box II*.

BOX II : How to implement a project

The implementation of a project in India, whether domestic investor or foreign investor (after obtaining approvals for investing in India) has to undergo the same regulations.

Incorporating a Company in India

Companies incorporated in India and branches of foreign enterprises are regulated by the Companies Act, 1956. The name of the company can be registered and the company incorporated as a private or a public limited company with the Registrar of Companies (R.O.C). A certificate of commencement of business is obtained from ROC on the fulfillment of certain conditions.

Industrial Licence/Industrial Entrepreneurs

If an Industry, in which investment is sought, comes under the purview of licensing, an application has to be submitted for an industrial licence. A foreign investor can submit such an application along with the foreign investment proposal. In such cases, they are considered in a composite manner by the FIPB and a composite approval is granted.

In the case of delicensed industries, companies are required to file an Industrial Entrepreneurs Memoranda with the Secretariat of Industrial Approvals and another memorandum at the commencement of commercial production.

Raising Finances in India

Investors can raise a substantial portion of funds in India through debt and equity instruments. Long term loans can be obtained from state and national financial institutions and working capital from commercial banks or through instruments such as participation certificates, commercial paper, fixed deposits etc. Investors can also raise finances through capital markets, through shares and debentures.

Starting Operations

There are various approvals necessary from different authorities to set up an industrial unit. Legislative provisions differ from state to state. However, they are similar in relation to fundamental aspects.

Clearances Required	Authority
A) Clearances required by all Industrial units	
Land for Project	
Allotment of plot/shed in Industrial estate	State Industrial Development Corporation(SIDC)
Allotment of Government land	District Collector
Notified Authority Permission	District Collector or District Development Authority
Construction of Building	
Plan approval in Industrial Estate	SIDC
Plan approval in other area	Local authority
Water Requirement in Industrial Estate	SIDC
River/Public service	Department of Water Resources
Power Requirement	State Electricity Board
B) Other Clearances	
Environmental Clearance	
No objection Certificate applicable to polluting industries like, chemicals, pharmaceuticals etc.	State Pollution Control Board
Site Clearance Certificate	
Applicable to 22 highly polluting Industries.	Office of the Industries Commissioner (IC)
Incentives	
Investment subsidy for industrial units coming up in the backward areas of the state Sales tax exemption/eligibility certificate.	District industries Centre (DIC)
C) Clearance for Specific Projects	
Pharmaceuticals and Cosmetics Project	Food and Drugs Control Administration
Permission under Boilers Act	
Permission to be obtained for installation of boiler to meet safety requirements.	Chief Inspector of Steam Boilers
Mining	
Permission for extraction of minerals: Permission to be obtained for lease and setting up mineral based industry	Director, Geology & Mining
Port location	
Permission to locate a project near the seashore	Port Department/ State Maritime Board
D) Clearance before going into production	
Registration as Factory	
Under the Factories Act, for the safety of the workmen.	Chief Inspector of Factories
Sales Tax Registration	Sales Tax Officer

The public sector has been central to India's Industrialisation within the mixed framework. The Industrial policy Resolution, 1956 accorded a strategic role to public enterprises. Accordingly, areas of strategic importance and core sectors were exclusively reserved for public sector enterprises. Public enterprises were accorded preference even in areas where private investments were possible. Public enterprises grew dominantly in terms of units and investment, both at the Central and state levels. In 1993, number of Central Public Enterprises stood at 237 with an investment of Rs.1,47,000 crores.

However the performance of public sector enterprises has been far from satisfactory. Its protected growth over a period of time, has resulted in many shortcomings:

- insufficient growth in productivity
- poor project management
- inadequate attention to research and development
- low rate of return on investment

As a result, many public enterprises became a burden rather than an asset. Nationalized sick units accounted for one-third of the public enterprises. A number of public enterprises had come up in non-strategic, non-core, consumer goods and service sectors. By 1993, only about 60 per cent of the total investment in public enterprises was in areas originally envisaged as the "commanding heights". All these necessitated a change in approach. IP, 1991, emphasized that the public enterprises must be growth oriented and technologically dynamic. Therefore IP, 1991 set the future priorities for public enterprises as follows:

- essential infrastructural goods and services
- exploration of and exploitation of oil and minerals
- manufacture of goods of strategic importance such as defence equipments etc.
- development of technology and manufacturing capabilities in crucial areas for long-term economic development.

Thus, public sector would be confined to strategic, high tech industries and essential infrastructure. Chronically sick and unviable public sector units would be referred to Board for Industrial and Financial Reconstruction (BIFR). Workers of such units would be protected. In February, 1992, the government established a Non-statutory National Renewal Fund (NRF) to provide assistance to cover the cost of retraining and redeployment of labour and also provide compensation to labour affected by the closure of unviable public sector units, etc.

Government's share holding in public enterprises would be brought down. The shares would be offered to mutual funds, financial institutions, workers and the public to raise resources and to encourage wider public participation.

As a part of the measures to improve the performance of public enterprises, more and more of public sector units would be brought under the purview of Memorandum of Understanding (MoU) system. A memorandum of understanding is a performance contract, a freely negotiated document between the Government and a specific public enterprise. MoU aims at moving management of public enterprises from management by controls and procedures to management by result and objectives. MoU was started in 1987-88 with 4

public enterprises. As of now, more than 100 central public enterprises are covered by MoU system, accounting for more than 90 per cent of the total public sector turnover. In 1995–96, financial performance was accorded 60 per cent weightage in MoUs.

Many areas previously reserved for the public sector have been opened up to the private sector. Although its share has declined in the past ten years, the public sector still accounts for 25 percent of India's GDP, 31 percent of capital investment and 17 percent of the final consumption expenditure in the country. At the start of the reforms 18 important industries, including iron and steel, heavy plant and machinery, telecommunications and telecom equipment, mineral oils, mining of various ores, air transport services, and electricity generation and distribution, were reserved for the public sector. This list has been reduced to 6, covering industries on arms and ammunition, atomic energy, mineral oils, atomic minerals, hazardous chemicals and industrial explosives, and railway transport. Because of this liberalization, private investment including foreign investment has flown into areas such as steel, telephone services, electricity generation, petroleum exploration development and refining, coal mining and air transport, none of which would have been possible earlier because of public sector reservation. Part of the government equity in selected public sector enterprises is being disinvested. While such disinvestment helps reduce the fiscal deficit, it does not indicate a change in management as government intends to remain a majority stakeholder in public sector enterprises.

Public sector reforms have done little in the cases of units that have been loss making. These units have been making losses for a very long period of time and are very unlikely candidates for revival. The successive governments have ruled out closure of these units and decided instead that the scope for reviving each unit would be carefully examined and only those units where revival was found to be economically feasible would be revived while others would be closed down. Many sick public sector units have been referred to the Board for Industrial and Financial Reconstruction (BIFR) for rehabilitation or, where necessary, for winding up. The latter option has been rarely exercised. The public sector is still hamstrung by excessive government and bureaucratic controls. The option of privatization has not yet been seriously considered. Several public sector units have been identified as fit for closure through this process, and subsequently the government has even decided on closure in many cases, but no unit has been actually closed because the decision has been challenged in the courts by labor unions.

An important area where domestic liberalization has made some progress is the policy of reserving certain items for production in the small-scale sector. The policy that used to "protect" small-scale units by barring the entry of larger units into reserved areas, also in a way preventing existing small-scale units from expanding beyond a maximum permissible value of investment in plant and equipment, has been modified to reduce the area of protection by two measures: by redefining small-scale in sectors like apparels, garment manufacturing etc., and by withdrawing reservation to a few. As of June 2002, the number of such reserved items for this sector stood at 749.

The present regulations for retrenchment of surplus labor are far too rigid. While the government has made some progress on this front by proposing to allow companies with no more than 1000 employees to retrench labor without prior permission of the government, but this amendment to the Industrial Disputes Act (IDA), 1947, is yet to get Parliamentary approval. Similarly, industrial units require government permission before they can close down and such permission is rarely secured. There has been no progress whatsoever on putting in place an exit policy for firms. In this context, it is noteworthy that

while the industrial policy reforms in India have removed virtually all the entry barriers that had existed prior to 1991, however, not allowing firms to exit, if their business conditions so demand, is an entry barrier in itself.

18.6 MRTP ACT

The principal objectives of the act were:

- Prevention of concentration of economic power and control of monopolies.
- Prohibition of monopolistic, restrictive and unfair trade practices

The thrust of Industrial policy, 1991 is more on controlling unfair or restrictive business practices. The provisions relating to merger, amalgamation and takeover have been repealed. Threshold limits of assets on private sector companies have been removed.

Accordingly MRTP Act has been restructured and pre-entry restrictions have been removed with respect to new undertaking, expansion and amalgamation, merger, take over registration etc. under sections 20-26 of part A of chapter III of the act.

Under section III of the act 1969 the act shall now apply to all undertakings and financial institutions, both public and private. However units, which are owned by or controlled by a Government company or Government engaged in the production of arms, ammunition, atomic energy, minerals, etc. are exempted.

The basic objective is to curb and regulate monopolistic, restrictive and unfair trade practices, which are prejudicial to public interest.

To summarise, though Industrial policy 1991, renewed its commitment to the basic objectives of IPR 1956, the policy brought out substantial changes on the industrial policy framework. The regulatory and controlling mechanism has been largely diluted towards creating a competitive environment in domestic industry. Protective barriers have been removed and industry has been exposed to competition, both internal and external. Industrial delicensing liberal foreign investment policy, removal of threshold limits on the assets of dominant firms, drastic reduction on the number of industries reserved for public sector, steps towards granting more autonomy to the public enterprises, measure to reduce the Government share holding in public enterprises etc. formed the significant features of industrial policy, 1991. These marked a clear deviation from the path adopted in the earlier decades of Industrialisation. The IP 1991 recognised

1. the growth of private sector in terms of size, resources and ability to play a more significant role in industrialization;
2. the vital role of foreign investment and technology in supplementing India's ingestible resources and overcoming technology deficiencies; and
3. the importance of public sector restructuring and functioning on commercial lines to generate resources.

Accordingly, vast areas of economic activities have been thrown open to private sector investments, both domestic and foreign and steps have been initiated to confine the role of public sector and strategic areas and to improve its financial performance.

In recent decades, the focus of industrial policy has increasingly emphasized the importance of competition as a tool for disciplining firms, and fostering allocative efficiency. However, in many industries, there are innate problems

with obtaining conditions of competition with free entry. In order to improve competition, and thus contain the distortions caused by monopoly power, the Competition Act, 2002 has been enacted in December, 2002. It is a landmark legislation that aims at promoting competition through prohibition of anti-competitive practices, abuse of dominance and through regulation of companies beyond a particular size. This Act will replace MRTP Act.

18.7 IMPACT OF INDUSTRIAL POLICY 1991

The all-round changes introduced in the industrial policy framework have given a new direction to the future industrialisation of the country. The industrial reforms resulted out of the Industrial policy 1991 have already led to encouraging trends on diverse fronts. Industrial growth, which decelerated in 1991-92 due to measures like high interest rate, import compression and credit squeeze, has been picking up from year to year. Industrial growth was 1.7 per cent in 1991-92, 4.4 per cent in 1992-93, 4.3 per cent in 1993-94, 8.6 per cent in 1994-95, and 11.7 per cent in 1995-96. Industry is anticipated to experience double-digit growth in 1996-97 as well.

A convincing impact of industrial reforms is reflected in multiple increase in investment envisaged, both domestic and foreign (Table 18.1). Project investment plans have more than doubled during 1990-93. This is due to encouraging response from the private sector. As a result, the ownership pattern of investment projects is under going a transformation (Annexure VI).

Investments in power generation in power sector surged from players of various sizes in different states depending on the environment created by the respective states through the well-drafted power purchase agreements and the pricing mechanisms.

Foreign Direct Investment (FDI) is another significant indicator. There has been dramatic increase in FDI since 1991 (Table 18.1). Net inflow of FDI, which was just \$133 million in 1991-92 has increased to \$5025 million in 1997-98.

Table 18.1: Foreign Direct Investment

(in US \$ million)

	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Direct investment	129	315	586	1314	2133	2696	3197	1562
Portfolio investment	4	224	3567	3824	2748	3312	1828	-682
Total foreign investment	133	559	4153	5138	4881	6008	5025	880

An interesting feature of foreign investment inflow is that it has flowed into different segments of industry such as:

- a) basic goods industries comprising of aluminium, cement, chemicals, fertilizers, metallurgy, power generation etc.
- b) capital goods industries comprising of engineering, telecom, machine tools, computer hardware, textiles machinery, etc.

- c) intermediate goods industries consisting of paper and paper pulp, petrochemicals, plastics, refineries, rubber, glass, industrial gas, electrodes etc.
- d) consumer goods industries which include, among others, detergents, domestic appliances, electronics, food processing, textiles, pharmaceuticals, etc.
- e) automobiles, consisting of auto ancillaries, automobiles, tyres and tubes.

The total inflow of FDI during July, 1991 to March; 1996 amounted to more than Rs. 10,000 crores (Table 18.2). Of these, more than 50 per cent is accounted for by basic goods, capital goods, automobiles and intermediate goods industries. Such an investment pattern will have a far reaching impact in further diversifying the industrial structure of the country for accelerated industrialization. Another noteworthy feature is that India has attracted most of the prominent multinational corporations (MNCs) from all over the world. Some of the MNCs which have entered in 90s are General Electric, Kellogs, McDonalds, Daewoo, Dupont, Electrolux, Daimle-Benz, Marubeni, Seagram, among others. As a result the image of India as the investment destination for foreign investors is likely to get a further boost.

Table 18.2: Total inflow of FDI

Sector	Rs. Crores	% to Total
Basic goods	125.24	12.3
Capital goods	1928.21	19.2
Intermediate goods	1248.48	12.5
Consumer goods	2549.31	25.4
Service Sector	2111.33	21.1
Automobiles	711.06	7.1
Miscellaneous	244.95	2.4
Total	10,028.58	100.00

18.8 SUMMARY

The primary objective of Industrial Policy of 1991 is to achieve international competitiveness, in addition to that of IPR 1956. To achieve these objectives the policy introduced far reaching changes with respect to licensing, foreign investment and technology, MRTP Act, competition policy, public sector enterprises, etc. The scope for private sector, both domestic and foreign, is widened dramatically; licensing is virtually scrapped; threshold limit on assets of large undertakings is removed; mergers, acquisitions and amalgamations are allowed, financial performance of public sector is accorded prominence, and retrenchment and redeployment of labour wherever necessary to improve industrial efficiency is encouraged. These reforms have started yielding positive results. Industry has reached double digit growth and the growth is likely to get further momentum. There is a spurt in domestic and foreign investments across the industry. The public sector restructuring has also been initiated. However nothing much has been done to allow the exit of inefficient units.

18.9 KEY WORDS

Delicensing Abolishing the requirement of an industrial licence to (i) set up a new unit, (ii) substantially expand an existing unit, (iii) change the location of an existing unit, or, (iv) change the product mix of an existing unit through modifying IDR Act, 1951.

Repatriation of the capital Sending back capital to one's own country.

Divestment of shares Selling off the shares, usually ordinary/equity shares, of an existing undertaking.

18.10 SELF ASSESMENT QUESTIONS

1. "Industrial delicensing is the most remarkable feature of Industrial Policy 1991". Do you agree? Why?
2. "Liberalisation in foreign investment policy marks exposition of Indian industry to foreign competition." Analyse this statement.
3. The reforms introduced in the public sector are minimal. What more needs to be done? Explain.
4. Describe the overall impact of the Industrial policy 1991 in Indian industry.
5. What will be the impact of IP 1991 on the technology status of Indian industry? Analyse.
6. Briefly describe the role, composition, function, and objectives of FIPB.
7. List out the procedures involved in setting up and starting a manufacturing unit in India. .
8. Compare the objectives of IPR 1956 and IPR 1991 to bring out the distinguishing features of the latter.
9. List out the merits of industrial delicensing.
10. Prepare a case in favour of foreign investment in a developing country.
11. The emergence of large industrial houses need not necessarily be bad for the economy.
12. Public sector reforms are essential especially because public sector performance in terms of social objectives and financial returns is disheartening. Do you agree? Write an essay.

18.11 FURTHER READINGS

UNIDO:INDIA: *Towards Globalisation*, 1995

Ministry of External Affairs: India: *Business Perspectives*, 1995.

Sandesara J.C. *Industrial policy and planning, 1947-1991*,
Sage Publications, New Delhi.

LIST OF INDUSTRIES RESERVED FOR THE PUBLIC SECTOR

1. Arms and ammunition and allied items of defence equipment, defence aircraft and war ships.
2. Atomic Energy
3. Coal and Lignite
4. Mineral Oils
5. Minerals specified in the schedule to the Atomic Energy (Control of Production and use.) Order,1953
6. Railway Transport

**LIST OF INDUSTRIES
FOR WHICH INDUSTRIAL LICENSING IS COMPULSORY**

1. Coal and Lignite
2. Petroleum (other than crude) and its distillation products
3. Distillation and brewing of alcoholic drinks
4. Sugar
5. Animal fats and oils
6. Cigars and cigarettes of tobacco and manufactured tobacco substitutes
7. Asbestos and asbestos-based products
8. Plywood, decorative veneers and other wood based products such as particle board, medium density fibre board/block board
9. Tanned or dressed fur skins, chamois leather
10. Paper and News print except biogasse-based units
11. Electronic aerospace and defence equipment: all types
12. Industrial explosives including detonating fuses, safety fuses, gun powder, nitrocellulose, and matches
13. Hazardous Chemicals
14. Drugs and Pharmaceuticals (according to drug policy)
15. Entertainment Electronics
(VCR, Colour TVs, C.D. players, Tape Recorders.)

LIST OF CITIES WITH THE POPULATION OF 10 LAKHS AND ABOVE ACCORDING TO THE PROVISIONAL RESULTS OF THE 2001 CENSUS

S.No.	Name of City	Civic Status	State/Union Territory
1.	Greater Mumbai	M.Corp.	Maharashtra
2.	Delhi Municipal Corporation (Urban)	M.Corp.	Delhi
3.	Kolkata	M.Corp.	West Bengal
4.	Bangalore	M.Corp.	Karnataka
5.	Chennai	M.Corp.	Tamil Nadu
6.	Ahmedabad	M.Corp.	Gujarat
7.	Hyderabad	M.Corp.	Andhra Pradesh
8.	Pune	M.Corp.	Maharashtra
9.	Kanpur	M.Corp.	Uttar Pradesh
10.	Surat	M.Corp.	Gujarat
11.	Jaipur	M.Corp.	Rajasthan
12.	Lucknow	M.Corp.	Uttar Pradesh
13.	Nagpur	M.Corp.	Maharashtra
14.	Indore	M.Corp.	Madhya Pradesh
15.	Bhopal	M.Corp.	Madhya Pradesh
16.	Ludhiana	M.Corp.	Punjab
17.	Patna	M.Corp.	Bihar
18.	Vadodara	M.Corp.	Gujarat
19.	Thane	M.Corp.	Maharashtra
20.	Agra	M.Corp.	Uttar Pradesh
21.	Kalyan-Dombivli	M.Corp.	Maharashtra
22.	Varanasi	M.Corp.	Uttar Pradesh
23.	Nashik	M.Corp.	Maharashtra
24.	Meerut	M.Corp.	Uttar Pradesh
25.	Faridabad	M.Corp.	Haryana
26.	Haora	M.Corp.	West Bengal
27.	Pimprichinchwad	M.Corp.	Maharashtra

Note : *M. Corp. stands for Municipal Corporation*

LIST OF INDUSTRIES ELIGIBLE FOR AUTOMATIC APPROVAL OF FOREIGN TECHNOLOGY AGREEMENTS AND 51 % FOREIGN EQUITY

1. Metallurgical Industries

- Ferro Alloys
- Casting and forgings
- Non-ferrous metal and their alloys
- Sponge iron and pelletisation
- Large diameter steel welded pipes of over 300 mm. diameter and stainless steel pipes.
- Pig Iron

2. Boilers and Steam Generating Plants

3. Prime Movers (other than Electrical Generators)

- Industrial turbines
- Internal Combustion Engines
- Alternate Energy systems like solar wind etc. and equipment therefore
- Gas/hydro/steam turbines upto 60 MW

4. Electrical Equipment

- (i) Equipment for transmission and distribution of electricity including power and distribution transformers, power relays, HT switch gear synchronous condensers
- (ii) Electrical Motors
- (iii) Electrical furnaces, industrial furnaces, and induction heating equipment
- (iv) X-ray equipment
- (v) Electronic equipment, components including subscribers' and telecommunication equipment
- (vi) Component wires for manufacture of lead-in wires
- (vii) Hydro-steam/gas generators, generating sets upto 60 M.W.
- (viii) Generating sets and pumping sets based of internal combustion engines
- (ix) Jelly-filled telecommunication cables
- (x) Optic fibre
- (xi) Energy efficient lamps and
- (xii) Midget carbon electrodes.

5. Transportation

- (i) Mechanised sailing vessels upto 10,000 DWT including fishing trawlers
- (ii) Ship ancillaries
- (iii) (a) Commercial vehicles, public transport vehicles including automotive commercial three wheeler jeep type vehicles, industrial locomotives
- (b) Automotive two wheelers and three wheelers
- (c) Automotive components/spares and ancillaries

- (iv) Shock absorbers for railway equipment, and
- (v) Brake system for railways stock and locomotive

6. Industrial Machinery

- (i) Industrial machinery and equipment

7. (i) Machine tools and industrial robots and their controls and accessories
- (ii) Jigs, fixtures, tools, and dies of specialised types and cross land tooling and
 - (iii) Engineering production aids such as cutting and forming tools, patterns and dies and tools

8. Agricultural Machinery

- (i) Tractors
- (ii) Self-propelled harvestors combines
- (iii) Rice transplanters

9. Earth Moving Machinery

- (i) Earth moving machinery and construction machinery and components thereof

10. Industrial Instruments

- (i) Indicating, recording and regulating devices for pressure, temperature, rate of flow weights levels and the like

11. Scientific and Electro medical Instruments and Laboratory Equipment

12. Nitrogenous and phosphatic Fertilizers falling under

- (i) Inorganic fertilizers under '18-fertilizers' in the first Schedule to IDR Act,1951

13. Chemicals (other than fertilizers)

- (i) Heavy organic chemicals including petrochemicals
- (ii) Heavy inorganic chemicals
- (iii) Organic fine chemicals
- (iv) Synthetic resins and plastics
- (v) Man made fibres
- (vi) Synthetic rubber
- (vii) Industrial Explosives
- (viii) Technical grade insecticides, fungicides, weedicides, and the like
- (ix) Synthetic detergents
- (x) Miscellaneous Chemicals for industrial use only
 - a. Catalysts, and catalyst supports
 - b. Photographic chemicals
 - c. Rubber chemicals
 - d. Polyols
 - e. Isocyanates, urethanes, etc.
 - f. Speciality chemicals for enhanced oil recovery
 - g. Heating fluids

- h. Coal for distillation and products there from
- i. Tonnage plants for the manufacture of industrial gasses
- j. High altitude breathing oxygen/medical oxygen
- k. Nitrous Oxide
- l. Refrigerants gasses like liquid nitrogen, carbon di oxide etc. in large volumes
- m. Argon and other raregasses
- n. Alkali/acid resisting cement compound
- o. Leather chemicals and auxiliaries

14. Drugs and Pharmaceuticals (According to Drugs Policy)

15. (i) Paper and Pulp (including paper products)

(ii) Industrial Laminates

16. (i) Automobile tyres and tubes

(ii) Rubberised Heavy duty industrial beltings of all types

(iii) Rubberised conveyer beltings

(iv) Rubber reinforced and lines fire-fighting hose pipes

(v) High pressure braided hoses

(vi) Engineering and industrial plastic products

17. Plate Glass

(i) Glass shells for television tubes

(ii) Float glass and plate glass

(iii) H.T. insulators

(iv) Glass fibres of all types

18. Ceramics

(i) Ceramics for industrial uses

19. Cement Products

(i) Portland Cement

(ii) Gypsum Boards, wall boards, and the like

20. High Technology Reproduction and Multiplication Equipment

21. Carbon and Carbon Products

(i) Graphite electrodes and anodes

(ii) Impervious graphite blocks and sheets

22. Pretensioned High Pressure RCC Pipes

23. Rubber Machinery

24. Printing Machinery

25. Welding Electrodes other than those for Welding Mild Steel

26. **Industrial Synthetic Diamonds**
27. (i) Photo synthesis improvers
(ii) Genetically modified free living symbioticsnitrogen fixer
(iii) Pheromones
(iv) Bio-insecticides
28. **Extraction and Upgrading of Minor Oils**
29. **Pre-fabricated Building Material**
30. **Soya Products**
 - (i) Soya texture Proteins
 - (ii) Soya protein isolates
 - (iii) Soya protein concentrates
 - (iv) Other specialised products of soyabean
 - (v) Winterised and deodourised refined soyabean oil
31. (a) Certified high yielding hybrid seeds and synthetic seeds, and
(b) Certified high yielding plantlets developed through plant tissue culture
32. **All foods processing industries other than milk food, malted foods, and flour, but excluding the items reserved for small-scale sector.**
33. **All items of packing for food processing industries excluding the items reserved for small scale sector**
34. **Hotels and Tourism related Industry**
35. **Electronics and Software**

**LIST OF CONSUMER GOODS INDUSTRIES WHERE DIVIDEND
BALANCING IS REQUIRED**

1. Manufacture of goods 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(vanaspathi)
8. Tea processing
9. Coffee
10. Manufacture of beverages, tobacco products
11. Distilling, rectifying and blending of spirits, wine industries, malt liquors and malt, products 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 or moulded rubber or plastic wear
18. Manufacture of footwear made primarily of vulcanized or moulded products
19. prophylactics (rubber contraceptive)
20. Motor cars
21. Entertainment Electronic as (VCRs, Colour Tvs, CD players, Tape recorders
22. White goods (Domestic Refrigerators, Domestic Dishwashing Machines, Programmable Domestic washing Machines, Microwave ovens, Air conditioners)

OWNERSHIP PATTERN OF PROJECTS
(in percent)

1. **Mining and Manufacturing :**

Year	Central Government	State Government	Joint Sector	Private Sector	Foreign
1990	35	1	19	42	2
1993	32	1	17	44	5

2. **Power Sector :**

Year	Central Government	State Government	Private and Joint Sector
1990	43	47	10
1993	21	40	39

**SHARE OF GOVERNMENT HOLDING IN CENTRAL PUBLIC
SECTOR UNDERTAKINGS AFTER DIVESTMENT**
(As of 1 May 1995)

Cochin Refineies	55.0
Andrew Yule & Co	62.8
Madras Refineries	67.7
Hindustan petroleum	62.9
Bharat Petroleum	70.0
Bongaigaon Refineries	74.6
Hindustan Zinc	74.9
Indian telephone industries	78.2
Bharat Heavy Electricals	68.5
Bharat Earth Movers	75.0
Bharat Electronics	75.9
Mahanagar Telephone Nigam Limited	67.1
Shipping Corporation of India	81.5
Computer maintainance Corporation	83.5
Videsh Sanchar Nigam Ltd	85.0
Hindustan Photo films	87.5
National Aluminium Company	87.1
Steel Authority of India Limited	89.5
Hindustan Machine Tools Limited	90.3
Rashtriya Chemical Fertilizers	92.5
Neyveli Lignite Corporation	93.3
State Trading Corporation	91.0
Hindustan Cables	96.3
Indian Petrochemicals Corporation Limited	80.0
National Fertilizers	97.7
Natural Mineral Development Corporation	98.4
Hindustan Copper	98.9
Dredging Corporation of India	98.6
Fertilizers and Chemicals Travancore Limited	98.3
Hindustan Organic Chemicals	79.9
Minerals and Metals Trading Corporation	99.4