



BUSINESS ENVIRONMENT

STEFY M M

DEPT OF COMMERCE

ACADEMIC YEAR 2020-2021



INDUSTRIES REGULATION ACT 1951

INDUSTRIAL LICENSE

The central government is empowered to regulate the establishment and certain activities of the industrial undertaking by means of licensing as per the industries regulation act 1951.

An industrial license is a written permission given by the government to an industrial undertaking for manufacturing specified articles included in the schedule. A license contains particulars of the industrial : undertaking, it's location , the articles to be manufactured , it's capacity on the basis of the maximum utilization of plant and machinery ,and other appropriate conditions which are enforceable under the act.

OBJECTIVES

- To encourage new entrepreneurs to start new industries to broaden industrial base
- To prevent monopoly and prevention of concentration of wealth
- To protect and promote the small scale sector
- To direct investment in industries according to plan priorities
- To promote technology and regulate foreign capital
- To conserve foreign exchange
- To regulate the location of industrial units so as to secure balanced regional development
- To promote industries in backward areas

Before the announcement of industrial policy 1991 a licence was required for the following purposes :

- **To establishment new undertaking:** No individual or authority other than the central government was permitted to establish any new industrial undertaking, except under and in accordance with a licence issued by the central government.
- **To manufacturer a new item:** License was necessary for production or manufacture of a new article in an industrial undertaking. New article Means any item of manufacture in scheduled industry other than those specified in the registration certificate or license issued to the undertaking.it also involve any article which bears a mark as defined in the Trademark Act 1940. Or which is the subject of a patent if at the date of registration or issue of the license or permission as the case may be the industrial undertaking was not manufacturing or producing such article bearing that mark or which is the subject of that patent.

To provide extensive expansion of capacity: To have a substantial expansion of the capacity of an industrial undertaking in an existing line of production, license is required from the various notification issued by the central government from time to time .it has been made clear that expansion up to 25% will be regularized.

To continue certain business: License is also required to carry on business by an existing undertaking to which licensing provisions of the industries development and regulation act did not originally apply on account of an exemption order issued by the government and subsequently became applicable as a result of the cancellation of the exemption order under certain circumstances as provided in the act.

To Change location: No owner can change location of a registered industrial undertaking of the whole or any part of it without obtaining a licence to that effect. However no permission is required to shift a part or whole of the manufacturing activity of an undertaking from a forward area to backward area with in the same state provided that the prior permission of the state government concernd is obtained.

REVOCAION OF REGISTRATION OF LICENSE

The central government is empowered to revoke the registration when

- **Registration was obtained by misrepresentation of an essential fact**
- **Undertaking has ceased to be registerble by reason of any exemption granted under the act**
- **Registration has become useless or ineffective**

EXEMPTION OF LICENSING

License is not required in the following cases:

- If the items of industry is not included in the first schedule to the act
- If the proposed manufacturer is to be carried on in a factory which does not come under the definition of factory provided in the act
- If the items of manufacture does not come under the definition of new article
- If the proposed expansion to an existing limit does not fall with in domain of the definition of substantial expansion
- In the case of small scale units and ancillary units subject to certain conditions
- In the case of other units in the delicensed sector of investment up to Rs 25 crore in fixed assets in non- backward areas and Rs 75 crore in backward area.

EXEMPTION FROM INDUSTRIAL LICENSING AS PER INDUSTRIAL POLICY 1991

Industrial licensing is abolished for all projects except for a short list of industries related to security and strategic concerns, social reasons, hazardous chemicals and over riding environment over riding environment Reasons and items of elitist consumption industries reserved for the small scale sector will continue to be so reserved and areas where security and strategic concerns predominant, will continue to be reserved for the public sector. Industrial licensing policy and procedures have also been liberalised from time to time

PRESENT POLICY OF INDUSTRIAL LICENSING

At present only 6 industries are under compulsory licensing mainly on account of environmental , safety and strategic considerations. These Industries are distillation and brewing if alcoholic drinks ,cigars, and cigarettes of tobacco and manufactured tobacco substitute , electronic aerospace and defense equipment

At present industrial license is required only for the following;

- Industries retained under compulsory licensing**
- Manufacturer of items reserved for small scale sector by larger units**
- When the proposed location attracts locational restriction**

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THANK YOU

Presented by

Jiya Theresa VJ