



A BOOST TO THE INDIAN BUSINESS ENVIRONMENT

In 1991 the Indian economy went through a dramatic policy change in the form of liberalization and deregulation, where maximum businesses were exempted from obtaining an industrial license to start manufacturing in India.

In India, industrial licenses are regulated by the Industrial Development and Regulation Act (IDRA), 1951 which provides a basic framework for the growth and development of industries.

The Act requires every existing or new industrial undertaking to register itself with the central government. According to the law, an 'industrial undertaking' is a planned industry that is carried on in one or more factories owned by an individual or authority, including government.

The IDRA limits a licensed industrial undertaking from manufacturing a new article unless the license has been renewed or a new license has been obtained to include the new article.

The licensing provision also applies to the expansion of the existing industrial units.

Currently, the following Industries are subject to compulsory licensing in India:

- Distillation and brewing of alcoholic drinks
- Electronics and aerospace and defence equipment
- Cigars, cigarettes of tobacco and manufactured tobacco substitutes
- Industrial explosives including detonating fuses, safety fuses, gun powder, nitrocellulose and matches
- Hazardous chemicals including products hazardous to human safety and health
 - hydrocyanic acid and its derivatives
 - Phosgene and its derivatives
 - Isocyanates and diisocyanates of hydrocarbon not elsewhere specified (example methyl Isocyanate)

These industries are under compulsory licensing mainly because of environmental, safety, and strategic considerations.

In a big boost to business enterprises particularly MSMEs, the department for promotion of industry and internal trade (DPIIT) has extended the initial validity period of industrial licenses to fifteen years from the current three years, for all kinds of licenses under the IDRA.

Further, the Govt. has issued revised guidelines for an extension of the validity of both new and existing industrial licenses. These guidelines apply to cases where the existing license holder has not commenced production within 15 years of the issue of the license.

The applicants need to meet certain conditions at the time of applying for extension such as acquisition of land either under ownership or on lease for a minimum period of 30 years, completion of construction on the project, and installation/commissioning of the plant and machinery for the project.



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“Any industrial license, wherein commercial production has not started even within the extended period (15+3 i.e. a maximum period of 18 years from the date of issue of license), shall be treated as automatically lapsed,” the department said in the note.

This is a big boost for the country’s ease of doing business policy, with particular aid to small industries where applying for a license every three years was not considered feasible.

This change is expected to provide businesses with greater stability and a favourable environment for long-term planning and investment.

It also aligns India's industrial licensing policies with global best practices, promoting a more promising climate for commercial growth and development.

The Press Note can be accessed at:

https://dpiit.gov.in/sites/default/files/pn1_2023_24July2023_0.pdf