

# INDUSTRIAL POLICY 2001

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## RESOLUTION

### INDUSTRIES DEPARTMENT

The 3rd December 2001

Subject—Industrial Policy, 2001

#### 1. Introduction –

**1.1.** Transforming Orissa into a vibrant Industrial State remains an important goal in the beginning of the new millennium.

**1.2.** With its abundance of mineral resources, long coastline and inland waters, the bio-diversity of its forests and rich cultural heritage, Orissa ought to become a privileged destination for industrial investment.

**1.3.** The economic reforms and the liberalization process initiated in 1991 provide an important opportunity to the State to leverage the natural resources to attract investment, both Domestic and International.

**1.4.** The super cyclone in October 1999 caused widespread damage to all sectors of the State's economy, including industry. Reconstruction of the shattered industrial economy poses a major challenge to the Government as well as the civic society.

**1.5.** The recent "White Paper on Orissa State Finances" (Brought out by Finance Department, Government of Orissa, on the 29th March 2001) highlights the difficult situation of the public budget and sets clear limits on the future availability of financial incentives to spur industrial growth.

**1.6.** At the same time, the combined forces of economic globalization and governance-decentralization, pose new challenges to the policy-makers and call for a profound redefinition of the way, Government can effectively support business.

**1.7.** Against this backdrop it has become necessary to –

- > Win the trust of the industry by demonstrating the commitment of the Government to attract investors ;
- > Create a positive perception of the State as a desired destination for industrial investment ;
- > Take a fresh look at the existing policy to –
  - \* Further build upon existing strengths and eliminate weaknesses ;
  - \* Redefine the objectives and priorities ;
  - \* Establish a mechanism to ensure effective and timely implementation of the policy.

**1.8.** This Industrial Policy Resolution is a result of such an exercise and contains the following parts :–

PART A Statement of Mission and Objectives

PART B Definitions and Interpretations

PART C Policy Instruments

**PART A****STATEMENT OF MISSION AND OBJECTIVE****2.1. The Mission of this IPR is to –**

- \* Create a business climate conducive to accelerate investment in Industry and Infrastructure Projects;
- \* Raise income, employment and economic growth in the State;
- \* Reduce regional disparities in economic development.

**2. To this end, the Government will –**

- \* Encourage private initiative and restricts its intervention to such areas where it enjoys a distinct committative advantage;
- \* Invite private investment for the development and operation of quality infrastructure;
- \* Promote the image of Orissa as an attractive destination for investment and tourism;
- \* Assume a pre-active role in selected sectors, such as –
  - \* Mineral-based industries
  - \* Craft-based products;
  - \* Agro and marine-based industries, industries based on medicinal herbs and minor forest produce;
  - \* Tourism;
  - \* Electronics, Information Technology and Bio-technology;
- \* Encourage the creation of SSI clusters in similar lines of business;
- \* Proceed more decisively with the restructuring and consolidation of sick industrial units;
- \* Leverage the potential in SL/St build concentration of technologically advanced manufacturing industries.

**PART B****DEFINITIONS AND INTERPRETATION****Definitions –**

For the purpose of this Industrial Policy Resolution, the various terms shall have the meanings assigned to them hereunder -

- 3.1.** “BIFR ” means the Board of Industrial and Financial Reconstruction.
- 3.2.** “Earlier IPR” means the Industrial Policy Resolution, 1992 and/or the Industrial Policy, 1996, as the case may be.
- 3.3.** “Effective Date” means the date on and from which provisions of this IPR shall be operative.
- 3.4.** “Entry Tax” means the Tax payable under Orissa Entry Tax Act, 1999.
- 3.5.** “Existing Industrial Unit” means an industrial unit where fixed capital investment has commenced before the effective date.
- 3.6.** “Fast track project” means projects having a project cost of Rs. 100 crores and above.

**3.7.** “Finished Goods” means goods exclusively manufactured by the industrial unit and includes by-products, scrap, defective products either fold as such or as conds/scrap/waste, etc. which also come out as a result of its normal manufacturing activity/process.

**3.8.** “Fixed Capital Investment” means investment in land, building, plant and machinery and other equipment of permanent nature.

**3.9.** “Infrastructure Project” means any project for the creation and modernisation of Special Economic Zones ; roads, bridges and culverts, railway lines, power plants, electric sub-stations and transmission lines, water-supply and storage facilities undertaken pre-dominantly for use by industrial units, ports, airports, container terminals, bonded warehouses, satellite townships around industrial centres, film cities, film studios, transport and telecommunication facilities, common effluent treatment plants, tool rooms, R & D Institutes, Technology laboratories/Centres, Quality testing labs/Centres, exhibition and conference centres, industrial townships, industrial estates, entertainment parks, golf courses and other tourism-related infrastructure and social infrastructure such as schools, technical and management institutes and hospitals, subject to eligibility criteria to be notified later.

**3.10.** “Industrial Unit” means any industrial undertaking located inside the State and engaged in any manufacturing or servicing activity as detailed in the Schedule appended to this policy.

**3.11.** “Large, Medium and Small Scale Industry” means in industrial unit defined the Government of India from time to time.

**3.12.** “Local SSI Unit” means SSI Unit situated in the State of Orissa.

**3.13.** “Modernization” and/or “technological upgradation” of an existing or new industrial unit means additional investment to the extent of 33 % or more of the depreciated book value of plant and mechnery of an existing or new unit, made in acquisition of plant and mechnery and technical knowhow for such modernization or technology upgradation under modernization schemes of SIDBI, NCDC, NSIC, OSFC, IPICOL, Co-operative Banks, Commercial Banks and Statutory Financial Institutions.

**3.14.** “New Industrial Unit” means an industrial unit where fixed capital investment has commenced on or after the effective date and which goes into commercial production within 3 years for SSI, 5 years for medium and large industries, 6 years for mega industries with an investment of more than Rs. 500 crores from the date of starting first fixed capital investment :

Provided further that an industrial unit which has started fixed capital investment before the effective date and not covered under the F. D. Notification No. 7355–CTA-5/99-F., dated 17-2-2000 and No. 7352–CTA-5/99-F., dated 17-2-2000 will have the option to be treated as a new industrial unit under IPR-2001 :

Provided also that such option shall be exercised in the prescribed form to the designated authority within 180 days from the effective date and once the option is exercised, it shall be final and irrevocable :

Provided also that an industrial unit opting to be treated as a new industrial unit will be required to surrender and/or refund the incentives availed, if any, under any earlier IPR.

**3.15.** “IDCO” means the Orissa Industrial Infrastructure Development Corporation

**3.16.** “IPICOL” means the Industrial Promotion and Investment Corporation of Orissa Limited

**3.17.** “NCDC” means the National Co-operative Development Corporation

**3.18.** “NSIC” means the National Small Industries Corporation

**3.19.** “OERC” means the Orissa Electricity Regulatory Commission

**3.20.** “OFDC” means the Orissa Film Development Corporation Ltd.

**3.21.** “OSEDG ” means the Orissa State Electronics Development Corporation

- 3.22.** “ OSFC ” means the Orissa State Financial Corporation  
**3.23.** “ OSIC ” means the Orissa Small Industries Corporation  
**3.24.** “ SIDBI ” means the Small Industrial Development Bank of India  
**3.25.** “ Priority Sectors ” means –

Industrial units in the following categories without any stipulation regarding minimum project cost :-

- (i) Electronics, telecommunication, information technology and IT enabled service ;
- (ii) Agro and marine-based industries ;
- (iii) Bio-technology related ;
- (iv) Craft related ;
- (v) Tourism related ;
- (vi) Mineral-based industries including gem cutting and polishing ;
- (vii) Fly ash-based industries utilising a minimum of 25 % by weight of fly ash as base raw material.

*Note* – Government may, by notification, add or delete from time to time the types of industrial activities which will come within the category of priority sectors.

**3.26.** “ Raw Material ” means materials required by the unit that will directly go into the composition of its finished products.

**3.27.** “ Sale Tax ” means ‘Sales Tax’ (State and Central) and purchase tax payable to Government of Orissa under the Orissa Sales Tax Act, 1947 and Central Sales Tax Act, 1956 and shall include sales tax imposed on contracts.

**3.28.** “ Transferred Unit ” means an industrial unit whose ownership or management has been transferred in pursuance of the State Financial Act, 1951 or SIDBI Act, 1989 or transferred with the approval of OSFC or IPICOL or SIDBI.

**3.29.** “ Year ” for the purpose of incentives means a period of 365 consecutive days

**3.30.** “ IDCO land ” means land allotted to and land acquired by IDCO.

## PART C

### POLICY INSTRUMENTS

#### 4. General Policy –

**4.1.** Deregulation and simplification of rules and procedures, rationalisation of labour laws, facilitation of industrial restructuring and accelerated development of physical and social infrastructure through public-private partnership will enable a conducive business climate for attracting investments and establishment of competitive industry.

#### Medium/Large/Mega Industrial Projects –

**4.2.** Actively encourage investment in large industrial units, which, the Government acknowledges, have the potential to be the nuclei for further industrial and economic development. For these “fast track projects”, clearness will be hastened eliminating the factors causing delay and facilitating timely implementation of such projects.

#### SSI Tiny Sector –

**4.3.** All efforts will be made to encourage and ensure growth of small scale industries sector, in particular, through cluster development approach.

**4.4.** Back-ended financial support for SSI units in priority Sector, by way of grant of interest subsidy.

**4.5.** Market support through preference in Government procurement as detailed elsewhere in this IPR, to the SSI/Tiny sector with emphasis on competitiveness based on quality.

### **5. Single window clearances –**

**5.1.** Expeditious clearance of proposals is of prime importance to the promoters of industries. Therefore, “Single Window” concept will be implemented for –

- \* Faster and one-point project clearance;
- \* Single point dissemination of project related information to help the prospective entrepreneurs take expeditious investment decisions.

The contract point – “ SHILPA JYOTI ” in IPICOL for Medium & Large Projects and “SHILPA SATHI” in the Directorate of Industries and DICs for tiny and small units will be created for the above purpose. Escort services, if needed, will be provided by these contract points for interaction with various agencies and authorities.

**5.2.** Composite application forms along with statutory fees for all clearances connected with the proposal, will be received by “Shilpa Jyoti” or “Shilpa Sathi”, which will facilitate required clearances from the concerned Departments or the authorities of the State Government and other agencies.

**5.3.** All clearances within the purview of the State Government, required for establishment of industrial units, will be accorded within specified time frames. The deficiencies in application and additional information, if any, required from the applicant (The industrial unit) should be pointed out by the concerned authority within a specified time frame failing which the application would be deemed to be complete.

In the absence of timely communication regarding the proposal from the respective Department or the Organisation, a mechanism of ‘deemed clearance’ will be put in place. Such clearance will be communicated to the applicant by the Single Window contract points.

**5.4.** In respect of clearances coming within the purview of the Central Government/Central Agencies, the State Government and Single Window contract points would render all support and assistance by forwarding its recommendations to the respective Central Government Agencies, within specified time frames.

**5.5.** The Industries Department will bring out a comprehensive operational manual containing required forms, procedures and time frames after promulgation of the IPR indicating the date when Single Window system takes effect. It will be possible to access this information on line.

### **6. Single Window Information –**

**6.1.** Ready availability of key information about prospective locations of industry is a *sine qua non* for taking investment decisions. Comprehensive brochures containing all the key information about geophysical conditions, availability of land, physical and social infrastructure etc. of different locations will be prepared and made available to prospective investors through the “Shilpa Jyoti” and “Shilpa Sathi”. The effort would be to provide at one source answers to all the queries that an entrepreneur or investor may have, about the location.

**6.2.** Apart from location specific information for clusters of industrial units, industry or activity specific information with recommended locations will also be prepared and made available to the prospective investors.

**6.3.** A data bank containing information on possible projects, locations, resources etc. will be created by March 2002 for use of prospective investors.

**6.4.** Such information will be made available on line.

## 7. Clearance for fast track Project –

**7.1.** An Industrial and Infrastructural Advisory Board under the Chairmanship of the Chief Minister and prominent industrialists and senior officers of the Government as members will advise the Government to ensure taking timely and effective steps for rapid and sustainable industrialisation of the State. The Minister, Industries, would be the Vice-Chairman of the Board.

**7.2.** The Board shall meet at least twice a year to review and give advice on various issues pertaining to industrialisation.

**7.3.** Industrial and Infrastructural Advisory Committee (IIAC) under the Chairmanship of the Chief Secretary will process clearance to fast track projects as well as all other industrial projects needing inter-departmental references. This Committee will meet frequently for this purpose.

**7.4.** On approval of the Chief Minister, the decisions of IIAC will not require further clearance from any other Department/Agency under the State Government.

## 8. Infrastructure –

**8.1.** The State Government accords top priority to development of physical and social infrastructure through public-private partnership. In particular –

(a) The State Government will pursue an active policy of encouraging establishment and maintenance of Industrial Parks and Industrial Estates by the private sector in the growth centres already identified and in other areas.

(b) The Government will seek and facilitate private investment in physical infrastructure such as power, telecom, roads, railways, ports, airports, logistics, water, R. & B. Centres, quality and testing labs, Technology labs and other infrastructure projects.

(c) The Government will adopt a policy of constructive partnership with private sector for establishment of social infrastructure viz., good schools and colleges, institutions for technical and professional training, hospitals, housing, hotels and restaurants, sports complexes and recreation centres.

### STRATEGY

**8.2.** The State Government will introduce a “Land Bank” scheme. Tracts of Government land will be identified by IDCO in consultation with Collectors in potential locations throughout the State and earmarked for industries. These tracts will be exclusively reserved for location of industries. Concerned Revenue Authorities will make land from the ‘Land Bank’ available to IDCO and entrepreneurs to establish industrial and infrastructure project.

**8.3.** The State Government will encourage formulation of an Infrastructure Policy and establish a legal framework for private participation in infrastructure projects.

**8.4.** Special Economic Zones, in accordance with new policy initiatives of the Central Government already in place, would be developed leveraging such locational advantages of Orissa having long coast line and proximity to South-East Asia. Private Investments will be encouraged for development of these Zones with world class infrastructure with full support from the Government in order to attract large investments, particularly FDI, in manufacturing and service sectors for export production. Special dispensations for easing regulatory burden will be provided for these zones.

## 9. Technology Upgradation –

The State Government accords priority on upgradation of technology by industrial units. Encouragement will be given to get accreditation with International Quality Testing Agencies so as to make them internationally competitive. Government of India/SIDBI/FIs. schemes on Technology Upgradation will be actively pursued and promoted. The Technology Cell (TBIIP) set up in OSFC with the help of UNIDO will be strengthened. Venture Capital Fund of SIDBI/ OSFC/IPICOL will be available for promotion of I.T. units.

**10. Human Resource Development –**

**10.1.** The State Government would formulate a policy for Technical Education in the private sector to facilitate the establishment of new technical institutions of good quality and standard in the private sector. New Engineering Colleges and Medical Colleges will be permitted in the private sector in selected locations.

**10.2.** A Technical University will be established in the State at the earliest. Steps would be taken to ensure close co-operation and co-ordination between industries and technical/training institutions so that a trainee gets education in conformity with the needs of the industries. Entrepreneur training programmes will be taken up. The Policy also promotes training institute of international repute to be set up by large industry houses in areas like IT, BT, etc. Employment Oriented Training Scheme will be introduced in ITIs and Engineering Schools/Polytechnics.

**11. Investment Promotion –**

**11.1.** The Government will welcome Investments in Domestic and Foreign Direct Investment (FDI) in all areas of industry and infrastructure. For this purpose, it will work closely with the Government of India and the Industry and business associations.

**11.2.** In order to facilitate timely implementation of FDI Projects and address the concerns of the foreign investors, a Foreign Investors Forum (FIF) would be created under the Chairmanship of the Chief Minister. The FIF will work in close association with Foreign Investment Implementation Authority (FIIA) of the Government of India and the issues of FIF will be placed in the I.I.A.B. as separate agenda.

**11.3.** A dedicated and duly equipped secretariat with experts from all promotional agencies will provide co-ordination and other services and information to Industrial Infrastructure Advisory Board and Foreign Investors Forum.

**11.4.** The Secretariat will, in association with industry and business, also undertake specific investment promotion events in India and abroad under the guidance of IIAC. Special Secretary/ Additional Secretary of Industries Department shall co-ordinate with other Departments of Government and provide initial escort services for selected industrial units.

**11.5.** The Orissa Investment Centre will be set up in New Delhi under the Resident Commissioner to provide information, initial escort services and first stage facilitation to all industrialists, NRIs and investors from outside the State. They will provide the required information to the investors interested in investing in the State and also pursue with various Ministries of Government of India for clearance(s).

**12. Priority Sectors –**

**12.1.** In addition to financial concessions provided in this policy, efforts will be made to prepare competitive profiles of priority industries in the State, so as to identify opportunities and constraints in detail. These will be addressed in sector specific policies, if needed.

**12.2.** Some sectors already have separate policies which will be updated taking into account new information and realities.

**13. Financial and other support measures –****ELIGIBILITY**

**13.1.** New and existing industrial units shall, be eligible for incentives provided in this policy, subject to the general conditions and specific conditions stipulated.

**13.2.** Industrial units, hotels, cinema halls, etc. covered under earlier Industrial Policy Resolutions shall continue to enjoy the incentives admissible under the said policy, except to the extent abridged or modified or enlarged in this policy.

Existing industrial units, which take up modernisation will be eligible for specific incentives as mentioned. However, defaulters of Banks, SIDBI, OSFC, IPICOL and Government/Government controlled Agencies will be eligible for such incentives only after they clear the dues.

### GENERAL PROVISIONS

**13.3.** Implementation of various provisions covering the incentives, concessions, etc. will be subject to the issue of detailed guidelines/statutory notifications wherever necessary, in respect of each item by the concerned Administrative Department.

**13.4.** An industrial unit, which considers itself eligible for any incentives shall apply in accordance with the operational guidelines and instructions set out in the Manual to be brought out and the same shall be considered and disposed of on merit.

#### **13.5. Time frame for filling applications for different incentives –**

A unit shall forfeit its entitlement to the grant of incentives if it does not file its claim complete in all respects, within 6 (Six) months of its starting commercial production. The power to condone the delay not exceeding six months in submission of the above claim, shall vest with the Director of Industries, Orissa, while Secretary, Industries shall be competent to condone the delay exceeding six months and maximum up to one year in that context.

#### **13.6. Determination of date of commercial production –**

The date of commercial production for availing of incentives on sales tax or for, any other incentive, shall be the date determined by the “Shilpa Sathi” for small scale industrial units and the “Shilpa Jyoti” for the medium and large industrial units, basing on the totality of documentary evidence and recommendation of promotional or financial agencies, if any.

#### **13.7. Transferred Units –**

(i) A transferred unit after going into commercial production shall be eligible to avail of all or any of the incentives for the period for which the unit was eligible before transfer but could not avail of the same due to suspension of production or closure on account of sickness or for any other reason.

(ii) Any industrial unit seized under Section 29 of the State Financial Corporation Act, 1951 and thereafter sold to a new entrepreneur shall be treated as a new industrial unit for the purpose of sales tax concessions only. Arrears of sales tax, entry tax, MV tax, EPF, ESI and excise duty payable by previous owners shall not be realizable from the transferees of the transferred units under Section 29 of SFC Act. These being public dues shall be realizable from the previous owners under the Orissa Public Demand Recovery Act, 1962 or any other relevant Act.

**13.8.** Industrial units set up without financial assistance from Financial Institutions and/or Banks will be required to be assessed by the appropriate nodal agency like IPICOL, OSFC, DIC and OSEDC, etc. in order to be eligible for any of these incentives.

### **14. Interest Subsidy –**

**14.1.** New small scale industrial units in priority sectors will be entitled to interest subsidy @ 5% per annum for a period of five years from the date of commercial production on term loans availed from recognised Financial Institutions/Banks.

**14.2.** Small Scale Industrial Units (existing or new) which undertake modernisation will be eligible for interest subsidy at the rate of 5 per cent per annum for a period of five years from the date of completion of modernisation on the term loans availed from the recognised Financial Institutions/Banks. This will be applicable to units where undepreciated book value of the investment on plant and machinery before modernisation is within the small scale limit as prescribed.



**14.3.** The interest subsidy will be limited to Rs. 20 lakhs in case of Small Scale Units and Rs. 10 lakhs in case of Tiny Units :

Provided that the amount of interest subsidy payable under the above two clauses will stand reduced to the extent, there is any interest subsidy payable under any other scheme of either the State Government or the Central Government or any financial institution such as SIDBI, NABARD, etc. Further the effective interest rate after the administration of interest subsidy will be minimum 10 per cent i.e., if the normal lending rate is 16 per cent the effective lending rate after interest subsidy will be 11 per cent and if the normal lending rate is 12 per cent after interest subsidy the effective lending rate will be minimum 10 per cent and in this case the interest subsidy will be limited to 2 per cent :

Provided further that the concerned promoter(s) would not have defaulted to OSFC/IPICOL/SIDBI/Banks/Recognised Financial Institutions/other Government agencies in connection with the unit for which the incentive is sought or for any other unit/activity with which concerned promoter is directly or indirectly associated.

**14.4.** The industrial units established in the following Districts—Kalahandi, Nuapada, Balangir, Sonepur, Koraput, Malkangiri, Rayagada, Gunupur, Gajapati and Deogarh will get additional interest subsidy at the rate of 5 per cent of the capital investment or Rs. 5 lakhs whichever is less as an incentive for backward area development.

## **15. Sales Tax –**

**15.1.** In pursuance of the decision taken by all States and Union Territories regarding reforms in Sales tax, Government have decided that no fresh Sales tax incentives will be extended to industrial units in the State.

**15.2.** The State Government is committed to reforms in the Sales tax administration with the objective of switching over to the harmonized Value Added Tax (VAT) system effective from 1st of April 2002. VAT system will provide for a full set-off of 'tax paid on inputs for manufacturing' to ensure greater competitiveness of the local industries.

**15.3.** The industrial units enjoying or eligible for the benefits under I.P.R., 89 and Pre-89, I.P.Rs. will not get Sales tax incentives after 31-7-1999 as per F.D., S.R.O. No. 622/99, dated the 30th July 1999, S.R.O. No. 623/99, dated the 30th July 1999, S.R.O. No. 624/99, dated the 30th July 1999 and S.R.O. No. 625/99, dated the 30th July 1999. However, industrial units enjoying benefits under I.P.R. 92 and I.P.R. 96 as on 1-1-2000 will continue to get Sales tax incentives for the period they are entitled under the respective policies.

**15.4.** Industrial units which are in pipeline as on the 1st January 2000 shall entitle to the incentives under said notification with same terms and conditions as applicable to them, if they fulfil the following criteria as on the 1st January 2000, namely :-

- (i) Industrial unit which is registered under Orissa Sales Tax Act, 1947
- (ii) Industrial unit which has been allotted land for the factory or the industrial unit which has acquired land or space for its operation.
- (iii) Industrial unit which has applied for finance from regular Financial Institution
- (iv) Industrial unit which will start commercial production before the 1st January 2002.

**15.5.** Industrial units will be eligible for concessional rate of Central Sales tax for inter-State sale to registered dealers as per Finance Department notifications issued from time to time.

**15.6.** There are provisions for exemption of Sales tax on finished products of khadi, village, cottage and handicraft industrial units. Finished products of all existing and new khadi, village, cottage and handicrafts industrial units will be exempted from Sales tax when sold at sales outlets of authorised

Co-operatives/Government agencies and agencies recognised by Khadi and Village Industries Commission/Board, Coir Board, Handicraft Corporation and DIC.

**15.7.** 100 per cent export oriented units will be allowed refund of OST on inputs and raw materials used for manufacture of goods for export subject to proper proof of exports.

**15.8.** Industries Department on the recommendation of Financial Institutions/Banks will declare sick units to be eligible for concessional rate of CST on merit of the case subject to concurrence of Finance Department.

#### **16. Patent Registration –**

Industrial units will be encouraged for filling patent of their research and State will provide assistance to entrepreneurs for Patent and Intellectual Property Right (IPR) provisions at the rate of 50 per cent of the expenditure up to maximum of Rs. 5 lakhs.

#### **17. Quality Certification –**

High priority is being accorded by the State Government for improvement of quality of the industrial units and will be provided with assistance for obtaining quality certification from B.I.S. and other internationally recognized Institutions at the rate of 50 per cent of the expenditure up to maximum of Rs. 2 lakhs.

#### **18. Land –**

**18.1.** Government land earmarked for industry under the “Land Bank” scheme and other Government land wherever available will be allotted for industrial projects.

**18.2.** IDCO will be the competent authority in the matter of allotment of land for industrial and infrastructure projects including those needed for creating social infrastructure in designated Industrial Estates, Industrial Areas, Industrial Parks, Growth Centres and also in respect of land transferred to it under the Land Bank Scheme. For the above purpose IDCO will fix up the premium cost of land for different locations based on prevailing area rates and cost of acquisition including expenditure in relief and rehabilitation requirements, if any, for private land. Ground rent will be 1 % of the premium cost of land. Development cost will be charged by IDCO separately based on the scope and extent of development undertaken.

Allotment of land by IDCO/State Government would be considered after verifying the antecedents of partners/proprietors of the new industrial units in respect of their past default, if any, in the matter of payment of premium on the land allotted on the earlier occasion.

**18.3.** Rate of Government land, other than IDCO land for industrial or infrastructure projects, will be as fixed by Revenue Department/Collectors or the General Administration Department, as the case may be.

**18.4.** New units and existing industrial units taking up modernisation will be granted exemption under the provisions of clause (c) of Section 73 of Orissa Land Reforms Act, 1960 from payment of premium, leviable under provisions of clause (c) of Section 8 (A) of the OLR Act, 1960 on production of eligibility certificate from the Director of Industries for large and medium industries and G.M., DIC, for small and tiny industries.

**18.5.** Tourism, Information Technology (IT) and Bio-technology related units as well as Technology Laboratories may be allowed in the urban areas irrespective of the earmarked use in the current master plan in operation. Similarly, Flood Area Ratio may also be relaxed.

**18.6.** The Industrial Estates, Industrial Areas, Industrial Parks, Growth Centres, etc. shall be excluded from the tax regime of the Municipal and other local authorities for management by the local industries, associations, provided that the latter undertake to maintain the infrastructure of the industrial estates either directly or through other agencies by taking consent of H. & U. D. Department to amend the concerned Act.

**POWER**

**18.7.** New industrial units with contract demand up to 100 KVA will be exempted from the payment of electricity duty for a period of 5 years from the date of availing power supply for commercial production.

**18.8.** A power plant generating power from non-conventional sources set up after the effective date shall be deemed to be a new industrial unit and will be entitled to all the incentives under this policy. These plants will not be liable to pay electricity duty.

**18.9.** Industries of seasonal nature like Sugar, Salt Industries, etc. will be provided the facility of temporary surrender of a part of their connected/ sanctioned load. This facility will be made available on the recommendation of the committee constituted for this purpose.

**18.10.** If any industrial unit sets up captive power plant, it will be allowed 3rd party sale if it has surplus power available, the unit will be free to sell its surplus power to GRIDCO or to any other industry requiring the same directly as per the guidelines prescribed by OERC.

**18.11.** Information Technology, Bio-technology and Tourism related activities (existing or new) which are treated as industrial activity will be entitled to have power at industrial and not commercial rate of tariff subject to OERC approval.

**19. Water –**

**19.1.** In case of drawal of water by a new industrial unit from any Government water source as defined in clause 6(a) of Section 4 of the Orissa Irrigation (Amendment) Act, 1993 (Orissa Act 3 of 1994), water charge will be payable in the manner as indicated below –

- (i) At 50% of the rates prescribed for the purpose under the provisions of the Irrigation Act for a period of five years.
- (ii) Thereafter, at full prescribed rates

**19.2.** In respect of water to be drawn by a new industrial unit from any existing Government controlled irrigation source, water charges at the prescribed rate will be payable from the date of commercial production as indicated below –

- (i) At 75% of the rate prescribed for the purpose for drawal of water from such Government controlled irrigation source for a period of three years.
- (ii) Thereafter, at full prescribed rates :

Provided that where an industrial unit makes financial contribution for creation/ completion of the irrigation source, no water charge will be payable at the rates stipulated in sub-para. (i) & (ii) full adjustment of the amount contributed by the industrial unit in question for creation/ completion of the irrigation sources.

**20. Stamp duty –**

**20.1.** No stamp duty will be required to be paid in respect of land allotted by the Government to IDCO. But stamp duty @ 5% will be required to be paid in respect of transfer of land/ shed by Government and IDCO to industrial units. This will also be applicable in respect of private land acquired by IDCO, which is subsequently allotted to industrial units.

**20.2.** In respect of land acquired by the Government and subsequently transferred or allotted to industrial units, stamp duty @ 5 % will be required to be paid.

**20.3.** Stamp duty will be exempted for units required to be transferred to a new owner/ management under the provisions of the State Financial Corporation Act, 1951 or on the

recommendation of the State Level Inter Institutional Committee (SLIIC) or the State Level Nodal Committee, as the case may be.

**20.4.** Stamp duty will be exempted for units under proprietary/partnership firms to be converted to companies for rehabilitation on the recommendation of SLIIC or otherwise on the recommendation of IPICOL/OSFC/Director of Industries.

## **21. Rehabilitation and restructuring of industry –**

The Government will pro-actively promote restructuring of enterprises whether in the public/joint sector or in the private sector in order to promote a business climate of competitive industry. The Government will take expeditious measures including new institutional mechanism to privatise all public sector enterprises, which are not performing any core function and which can be better managed by the private sector.

The Government would explore accessing the relevant national and international agencies for resources and technical assistance for public sector restructuring.

The existing institutional mechanism of State Level Inter Institutional Committee (SLIIC) and District Level Committee (DLC) will be asked to take expeditious decisions for rehabilitation of viable industries in the current, competitive context. In the absence of viability, the institutions should proceed to restructure the enterprises with a view to putting the assets to productive use.

In case of large and medium industries, which are referred to the BIFR, Industrial Infrastructure Advisory Committee (IIAC) shall finalise and recommend the package of concessions. The Chief Minister will approve the decision of (IIAC) which shall be final and binding on all concerned Government Departments and Institutions.

The State Government would persue with the Reserve Bank of India to extend the tenure of the Settlement Advisory Committee and follow up with various Banks for constituting Settlement Advisory Committee for settlement of dues of non-performing assets in the small scale sector.

## **22. Labour reforms –**

The Government is committed to radical reforms in the laws and rules guiding labour and employment, which inhibit creation of employment opportunities, establishment of globally-competitive industry, restructuring of industry in line with changing market conditions and deter investment, while giving due regard to safeguarding labour interests and providing workers with greater financial security during restructuring.

Disfunctional/redundant labour related Acts/Rules/Procedures shall be totally deleted and such other Acts/Rules/Procedures unnecessarily hindering smooth operation of industrial activities shall be suitably amended/modified, subject to legislative clearances by appropriate Authority/Government. To this end, Labour Department/Labour Commissioner, Orissa shall identify such Acts/Rules/Procedures within three months from promulgation of this IPR and shall initiate necessary follow up actions immediately thereafter.

Subject to approval by appropriate Government/consent of appropriate legislative authority, provisions of Chapter V, V-A, V-B and V-C of Industrial Disputes Act, 1947 shall be suitably amended to make processes of lay-off, retrenchment, lock-out easier for establishments/undertakings employing less than 1000(one thousand) employees, subject to the condition that ends of natural justice are met by way of grant of reasonably adequate compensation to those affected in such processes.

The following categories of Industries/Establishments shall be declared as “Public Utility Services” for the purpose of application of provisions under Chapter V of I.D. Act, 1947. Labour Department will initiate necessary action within three months of promulgation of this IPR to achieve this end.

1. Information Technology & IT Enabled Services
2. Bio-Technology
3. Agro-based & Marine-based Processing

4. Electronics & Telecommunication
5. Export Oriented Units
6. Infrastructure Projects including Industrial Parks and SEZs.

The managements of various undertakings and establishments will be required to furnish a Common Annual Return (CAR) to be filed to the Authorised Inspecting Officers from Labour Department under requirements of various Labour enactments. This, by implication, will mean that the managements shall have to deal with a nodal officer of the Labour Department concerning all labour related issues.

Industrial units and establishments in the following categories shall be exempted from the provisions of Chapter VI of Factories Act, 1948 (Working hours of Adults). Labour Department will initiate necessary action within three months of promulgation of this IPR to achieve this end.

1. Information Technology & IT Enabled Services
2. Bio-Technology
3. Electronics & Telecommunication
4. Export Oriented Units
5. Industries set up in Special Economic Zones

Records/Registers>Returns required to be maintained under various Labour enactments shall be amalgamated/consolidated to reduce their numbers and maintenance of such Records/Registers/Returns in electronic media shall be allowed.

A system of "Self Certification" shall be introduced for labour related compliance of routine nature. The Labour Commissioner, Orissa, shall identify the area where self-certification can be introduced within three months from promulgation of this IPR. The system of inspection will also be rationalised in terms of the recommendations of Government of India.

There will be a State Level Apex Body chaired by Commissioner-*cum*-Secretary to Government, Labour Department and with the Labour Commissioner, Orissa, as the Member-Convenor and the Chief Inspector, Factories & Boilers, Regional Provident Fund Commissioner, Regional Director, ESIC as Members to act as Ombudsman for labour related issues in the State.

### **23. Cluster approach for SSIs and Artisan Crafts –**

Selected existing industrial and craft clusters in SSI, tiny and household sectors would be developed with the involvement of industry associations of the area, R. & D. associations and Financial Institutions such as SIDBI, NABARD and UNIDO's Cluster Development and TBIIP (Technology Bureau of Industrial Investment Partnerships) initiatives. For this purpose, integrated interventions covering common facilities for quality improvement, technology upgradation, market promotion and skill development would be designed and implemented.

New SSIs will be encouraged in clusters rather than in isolated locations.

### **24. Marketing support to SSIs in Government procurement –**

The State Government will ensure that requirements of store items of Government Departments and agencies under its control are procured from industries located within the State. Such local units will get price preference for this purpose. Simultaneously efforts shall be made to ensure that local products are cost-effective and meet overall quality requirements for competitiveness.

Explanation I—State Government Department and Agencies under the control of State Government means—Departments under the Orissa Government Rules of Business, Heads of Department and offices subordinate to them, Boards, Corporations, Development

authorities and Improvement Trusts, Municipalities, Notified Area Councils, Co-operative Bodies and Institutions aided by the State Government also include Companies where Government share is 50% or more.

Explanation II—In order to give effect to the provisions of this paragraph the Orissa General Financial Rules (APPENDIX-6, Rules 96) shall be suitably amended and the Finance Department will issue detailed guidelines.

#### **PURCHASE FROM EXCLUSIVE LIST**

**24.1.** A list of store items reserved for exclusive purchase from industries located in the State would be prepared from time to time keeping in view the production capacity of the local industries and requirements of State Government Departments and Agencies under its control.

**24.2.** The State Government Departments and Agencies will have to purchase their requirements of these items only from local industries with I. S. O./I. S. I./ E. P. M. certification for the items, by inviting competitive quotations from such industries. Efforts will be made to distribute the purchase order equitably among the participating industries, prepared to accept the lowest negotiated rate keeping in view their production capacity.

**24.3.** Local small scale industrial units and khadi & village industrial units including handlooms and handicrafts will enjoy a price preference of 5% over local medium or large industries.

Any local small scale industrial unit having ISO or ISI Certification for its products will get an additional price preference of 3% or 2% respectively.

#### **RATE CONTRACT**

**24.4.** Rate contract in respect of specific store items not in the exclusive list and manufactured by the local small scale industrial units will be finalised by the Director of Export Promotion & Marketing. This will be done on the basis of competitive offers received from local units, cost structure obtained from these offers, market price of similar items and other consideration relevant to fixing the price of the product. Besides, in respect of bulk items a representative of the Purchasing Department would be actively associated at the time of rate contract finalisation :

Provided further that the State Government may review this policy from time to time and delete items included in the rate contract list and put it in the 'Exclusive list' in the interest of encouraging competition.

**24.5.** State Government Departments and Agencies under the control of the State Government will purchase rate contract items from the rate contract holder/small scale industry at the price fixed, without inviting tenders.

#### **PURCHASE ON OPEN TENDER**

**24.6.** Items other than those in the "Exclusive Purchase List" or on "Rate Contract" may be purchased by the State Government Department and Agencies under the control of State Government through open tender. Local small scale industrial units and khadi & village industrial units (including handloom & handicrafts) competing in the open tender will be entitled to price preference as in paragraph 24.3.

**24.7.** The notice inviting tenders shall stipulate a condition that the participant to the tender must be registered under Orissa Sales Tax Act, 1947. While preparing comparative charts for the prices quoted in the tender papers, the sales tax payable in Orissa should not be added to the basic price since the sales tax realised accrues as revenue to Government. However, any tax payable outside Orissa shall be added to the basic price.

**24.8.** Local small scale industrial units registered with the Directorate of Export Promotion & Marketing Khadi, Village & Cottage Industries, Directorate of Handicrafts, OSIC and NSIC will be exempted from payment of earnest money and pay 25 % of the prescribed security deposit while tendering to State Government Departments and Agencies under its control.

**24.9.** Small scale industrial units registered with the Directorate of Export Promotion and Marketing will be entitled to get tender papers free of cost for registered items from State Government Departments and Agencies under its control, Khadi, Village, Cottage & Handicrafts Industries, OSIC and NSIC will similarly be eligible to get tender papers free of cost for products marketed by them.

**24.10.** Payment of dues of small scale units and Khadi and Village Industries – State Government Departments and Agencies under the control of the State Government will make prompt payment of dues of local small scale industrial units and Khadi & Village industries in respect of goods purchased from them either directly or through OSIC/NSIC.

Interest on delayed payments to small scale and Ancillary Industrial Undertaking Acts, 1993 provides due protection to small scale industrial units for realisation of their dues.

**24.11.** Directorate of Export Promotion & Marketing will be the nodal agency for issue of detailed guidelines for implementation of the above facilities extended to local industries. Director, Export Promotion & Marketing or his nominee will be a member of the purchase committee constituted at levels above the district level in State Government Departments and Agencies under the control of State Government. General Manager/Project Manager, DIC or his representative will be a member of purchase committee constituted at district level or below.

**24.12.** In order to ensure that the policy on marketing support is meticulously followed, the Director, EPM or his representative shall be allowed to access tender papers, purchase documents, books of accounts, etc. to ascertain whether there has been any contravention in the implementation of the policy.

**24.13.** Director, EPM will have the power to draw samples and test the quality of products of local industries from time to time and shall have powers to black-list and deregister industries supplying products not confirming to prescribed quality and specifications. He shall have the powers to black list local industries for trading in the store item instead of manufacturing.

Directorate of Export Promotion & Marketing (EPM) shall be the Nodal Agency in the matter of administering marketing support related policies to local SSIs under this IPR.

## **25. Marketing Syndication –**

**25.1.** In order to achieve greater market penetration small scale industrial units selling their products through OSIC and/or NSIC shall be eligible for concessional rate of C.S.T. as per FD notification issued from time to time. In such cases OSIC or NSIC shall raise the invoice or sale memo or bill on the buyer on behalf of the small scale industrial unit. OSIC/NSIC will act as Syndicate Leader for marketing of the products of SSI units of the State and it will be responsible for the overall quality control and collect service charges not exceeding 1 % of sale value from the concerned units. In order to derive the benefit of scale major bulk orders of the Government on rate contract items should be routed through OSIC so that it can act as a consortium leader for all the SSI units and organise raw material supply at reasonable rate.

**25.2.** Purchases by OSIC/NSIC from small scale industry for onward resale shall be exempted from Sales Tax under O.S.T. Act, 1947 provided the sale of such goods by OSIC/NSIC is taxed under O.S.T. Act, 1947 at the point where OSIC/NSIC sells such goods. In other words, when OSIC/NSIC buys a product from small scale industry for resale in Orissa, the obligation for collection and deposit of Sales Tax shifts to OSIC/NSIC.

**25.3.** Purchases by OSIC/NSIC from any registered dealer for onward sale to small scale industry for use in manufacturing shall be exempted from Sales Tax under O.S.T. Act, 1947 provided

the sale of such goods by OSIC/NSIC to the small scale industrial unit is taxed under O.S.T. Act, 1947.

## **26. Film Industry –**

Film Industry will receive the following incentives : –

- (i) For new cinema halls, the amount collected by way of entertainment tax excluding surcharge, tax on exhibition of advertisement and show tax for the first two years after its commissioning shall be given as subsidy to the concerned cinema halls through OFDC.
- (ii) Soft loan assistance at a nominal rate of interest subject to maximum ceiling limit and on conditions as may be decided by OFDC will be made available to producers of films in the State.
- (iii) Producers of films who utilise the facilities of Kalinga Studio Limited (KSL), Film & Television Institute, Orissa and Kalinga Prasad Colour Processing Laboratory will be eligible to get incentives in shape of subsidy subject to the ceiling limit and terms and conditions as laid down by OFDC.

## **27. Restructuring of the Government's interface with Industry –**

The Government will initiate a detailed exercise, in consultation with industry and business, in order to put in place a qualitatively different interface of Government Agencies interacting with industry and business at all levels, to reduce transaction costs of doing business in the State and to strive towards greater quality and productivity. For this purpose, the concerned Government Departments would undergo needful organisational restructuring.

The Government will give due representation to industry in the Industrial and Infrastructure Advisory Board, besides other consultative fora. In addition national and international experts in different fields will be encouraged to provide need-based advice.

## **28. Environment and Social Issues –**

**28.1.** The State Government intends to facilitate handling of environment and social issues involved in setting up of industrial and infrastructure projects.

**28.2.** For relief and rehabilitation issues in connection with land acquisition for industrial and infrastructure projects, the State Government will put in place a new relief and rehabilitation mechanism after re-examining the current policy and procedures. This mechanism will seek to ensure that the interests of all stakeholders, in particular, the local population would be fully taken into account.

## **29. Rationalisation of Inspections –**

The industry requires free atmosphere for full growth. The relationship should be of mutual trust and confidence between Government and Industry. The policy is to promote a system of self-certification in which the industry voluntarily fulfils its social and legal obligations.

In order to genuinely abolish the Inspector Raj, attitudinal changes will be ensured at all levels. For this, trainings will be organised with the full involvement of Industry Associations.

## **30. Miscellaneous –**

- (a) This Policy shall remain in force until March, 2005 or until substituted by another policy, whichever is earlier. The State Government may at any time amend any provision of this policy.



- (b) Doubts relating to interpretation of any term and/or dispute relating to the operation of any provision under this IPR shall have to be referred to the Industries Department, Government of Orissa for clarification/resolution and the decision of Government in this regard shall be final and binding on all concerned.

**31.** Implementation of various provisions covering the incentives, concessions etc. will be subject to the issue of detailed guidelines/statutory notifications, wherever necessary in respect of each item by the concerned Administrative Department.

### **32. Review and Monitoring –**

The success of the policy will depend largely on the spirit in which it is implemented. The implementation of the policy decisions will be periodically reviewed at appropriate levels for necessary facilitation and mid-course correction, wherever necessary.

ORDER – Ordered that the Resolution be published in the *Orissa Gazette* and copies thereof be forwarded to all Departments of Government, all Heads of Departments and Accountant-General, Orissa.

By order of the Governor  
**D. P. BAGCHI**  
Chief Secretary, Orissa

## **SCHEDULE**

### **UNDERTAKINGS CARRYING ON ACTIVITIES RECOGNISED AS INDUSTRIAL UNITS, OR GIVEN THE STATUS OF INDUSTRIAL UNITS, FOR THE PURPOSE OF IPR, 2001**

1. Units engaged in manufacturing and/or servicing activity belonging to the following categories :-

- (a) Industries listed under the first schedule of the Industries Development and Regulation Act, 1951.
- (b) Industries falling within the purview of the following Boards and Public Agencies :-
- (i) Small Scale Industries Board
  - (ii) Coir Board
  - (iii) Silk Board
  - (iv) All-India Handloom and Handicrafts Board
  - (v) Khadi and Village Industries Commission/Board
  - (vi) Any other Agency constituted by Government for industrial development.
- (c) Infrastructure projects including projects undertaken for social infrastructure.
- (d) Services sector projects such as Tourism, Information Technology and IT Enabled Services, Bio-technology.

2. Industrial unit will not include non-manufacturing/servicing industries except –

- (a) General workshops including repair workshops having investment in plant & machinery of Rs.5 lakhs and above and running with power.
- (b) Cold storage and Fish freezing units.

(c) Electronics repair and maintenance units for professional grade equipment and Computer Software, Data Processing and related services.

(d) Technology Development Laboratory/Prototype Development Centre.

3. The following units shall not be eligible for incentives as industrial units :-

1. Rice hullers and rice mills excluding modern rice mill.
2. Flour mills including manufacture of beasan, pulse mills and Chuda mills excluding roller flour mill.
3. Making of spices, pampad, etc. (excluding pampad manufactured by Co-operative Societies)
4. Confectionary (excluding mechanized confectionary)
5. Preparation of sweets and numkeens, etc.
6. Bread-making (excluding mechanised bakery)
7. Mixture, Bhujia and Chanachur preparation units
8. Manufacture of ice candy and ice fruits
9. Manufacture and processing of betel-nuts
10. Hatcheries, Piggeries, Rabbit or Broiler farming
11. "Iron and Steel processors" including cutting of sheets, bars, angles, coils, M.S. sheets, recoiling, straightening, corrugating, drop hammer units, etc.
12. Cracker making units
13. Tyre retreading units
14. Stone curshing units
15. Coal/Coke screening units
16. Coal/Coke Briquetting
17. Production of fire-wood and charcoal
18. Painting and spray-painting units
19. Units for physical mixing of fertilizers
20. Brick-making units (except units making refractory bricks and those making bricks from flash, red mud and similar industrial waste).
21. Manufacturing of tarpaulin out of canvas cloth
22. Oil mills including oil processing, filtering, colouring, decolouring, refining, hydrogenation, scenting, etc.
23. Saw mill, sawing of timber
24. Carpentry, joinery and wooden furniture making
25. Drilling rigs, Bore-wells and Tube-wells
26. Units for mixing or blending of tea
27. Units for cutting raw tobacco and sprinkling Jiggery for chewing purposes and Gudakhu manufacturing units.
28. Units for bottling of medicines

29. Bookbinding
30. Rubber stamp making
31. Making note books, exercise note books and envelopes
32. Printing press
33. Photo copying
34. Stencilling units
35. Processing of Stencil paper
36. Distilled water units
37. Distillery units
38. Tailoring (other than readymade garments manufacturing units)
39. Repacking and stitching of woven sacks out of wooden fabrics
40. Laundry/Dry cleaning
41. Photographic studios and laboratories
42. Clinical/Pathological laboratories
43. Beauty parlours
44. Video parlours
45. Guest houses/Restaurants
46. Goods and passenger carriers
47. Decorticating, expelling, crushing, parching, frying of oil-seeds
48. Fruit juice base, aerated water and soft drink units (excepting the units manufacturing fruit pulp and juice out of it).
49. Distillatory, Bottling units or any activity in respect of IMFL or liquor of any kind
50. Size reducing, size separating units
51. Grinding and mixing units

*Note* – List of Industrial units indicated above can be modified by the Government in Industries Department from time to time.

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