

**STEP BY STEP PROCEDURES TO START  
AN IT COMPAY IN TAMIL NADU**

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# **1.Incorporation of a Company**

## **COMPANIES ACT 1956**

Incorporation of a company in India is governed by the Companies Act, 1956. Part II of the Act deal with the incorporation of a company and matters related thereto.

### **PRIVATE COMPANY**

Private company means a company which has a minimum paid-up capital of Rs,1,00,000/- or such higher paid-up capital as may be prescribed, and by its articles,

- (a) restricts the rights to transfer its shares, if any;
- (b) limits the number of its members to fifty, not including
- (c) Persons who are in the employment of the company ; and
- (d) persons who, having been formerly in the employment of the company, were members of the company while in that employment have continued to be members after the employment ceased; and
- (e) prohibits any invitation to the public to subscribe for any shares in, or debentures of, the company;
- (f) prohibits any invitation or acceptance of deposits from persons other than its members, directors or their relatives.

### **PUBLIC COMPANY**

A public company is a company which is not a private company , has a minimum paid-up capital of Rs,5,00,000/-or such higher paid-up capital, as may be prescribed; is a private company which is a subsidiary of a company which is not a private company.

### **FORMATION OF A PRIVATE LIMITED COMPANY**

A private Company can be formed either by

- i. incorporation of a new company for doing a new business, or
- ii. conversion of existing business of a sole proprietary concern or partnership firm into a company.

## **NAME OF COMPANY**

The name of a Company is the symbol of its existence. Any suitable name may be selected for registration subject to the following guidelines :

- a. The promoters should select three to four alternative names, quite distinct from each other.
- b. The names should include, as far as possible, activity as per the main objects of the proposed company.
- c. The names should not too closely resemble with the name of any other registered company.
- d. The official guidelines issued by the Central Government should be followed while selecting the names. Besides, the names so selected should not violate the provisions of the Emblems and Names (Prevention of Improper Use) Act, 1950.
- e. Apply in form 1-A to the Registrar of Companies having jurisdiction along with a filing fee of Rs. 500.

## **MEMORANDUM OF ASSOCIATION**

An important step in the formation of a company is to prepare a document called Memorandum of Association. It is the charter of the company and it contains the basic conditions on which the company is incorporated.

The Memorandum contains the name, the State in which the registered office is to be situated, main objects of the company to be pursued by the company on its incorporation and objects incidental or ancillary to the attainment of the main objects, liability of the members and the authorized capital of the company. The main purpose of the memorandum is to state the scope of activities and powers of the company.

## **ARTICLES OF ASSOCIATION**

Articles of Association of the company contain rules, regulation and bye-laws for the general management of the company. It is compulsory to get the Articles of Associations registered along with the Memorandum of Association in case of a private company.

The Articles are subordinate to the Memorandum of Association. Therefore, the Articles should not contain any regulation, which is contrary to provisions of the Memorandum or the Companies Act. The Articles are binding on the members in relation to the company as well as on the company in its relation to members.

## **STEPS TO INCORPORATE PUBLIC LIMITED IT COMPANY :**

1. Select, in order of preference, a few suitable names, not less than four, each of which should indicate as far as possible the main object of the proposed company.
2. Out of the four proposed names as above one name will be the main and other three to be mentioned in order of preference.
3. Avoid names which resemble too closely or are the same as the names of any other company already registered and also avoid names with the words “Stock Exchange” as part of the name.
4. Names starting with small alphabets can be used but before using such names it should be ensured that such names do not have phonetic or visual resemblance to the name of a company in existence.
5. Follow the guidelines issued by the Central Government for availability or otherwise of certain names.
6. See that the name chosen does not violate the provisions of Emblems and Names (Prevention of Improper Use) Act, 1950.

7. Also see that the name chosen does not contain words like “mutual funds” forming part of your proposed company unless it is going to be incorporated actually as a mutual fund company.
8. Apply to the Registrar of Companies to ascertain which of the names selected by you is available.
9. An application in Form No. 1A is prescribed in this regard by the companies (Central Government's) General Rules and Forms, 1956 and a fee of Rs. 500/- is payable with each application
10. See that one of the promoters is kept as the subscriber to the memorandum and articles of association of the proposed company.
11. Pay the fee for the application for availability of name in cash to the Registrar of Companies.
12. The Registrar of Companies will ordinarily inform within a period of seven days from the date of submission of your application whether any of the names applied for is available or not.
13. If the same is not made available, apply again to the Registrar of Companies



selecting fresh names with required application fee .

14. Get the memorandum and Articles of Associations suitably drafted.

(a) The Articles of Association need not necessarily be prepared and registered in the case of public companies limited by shares as in that case, Table 'A' of schedule I shall apply, but in practice, they are invariably prepared and registered to suit individual requirement;

(b) While drafting ensure that Memorandum and Articles of Association are divided into paragraphs numbered consequently;

15. Ensure that the authorized share capital of the proposed public company is or more than Rs. 5 lakhs or such higher amount as may be prescribed to be the minimum paid up capital for a public company

16. Before finally printing the Memorandum and Articles of Association get proper guidance from the concerned Registrar of Companies, so that at their time of registration there are less corrections and alterations.

17. Keep in mind that computer printed Memorandum and Articles of Association will be accepted and taken on record by all the Registrar of Companies from now on.

18. Get both the Memorandum and Articles of Association stamped as per the Indian Stamp Act or the relevant State Act and the notifications thereunder in force in your state.

19. Get both the Memorandum and Articles of Association after being stamped and duly signed by at least seven subscribers, each of whom will also write in his own hand, his father's name, occupation, address and the number of shares subscribed for.

20. There will be at least one witness to these signatures as mentioned above who will sign and write in his own hand his father's name, occupation and address.

21. The aforesaid two documents may be signed on behalf of the subscribers by their agents duly authorized by power of attorney.

22. Both these documents will then be dated.

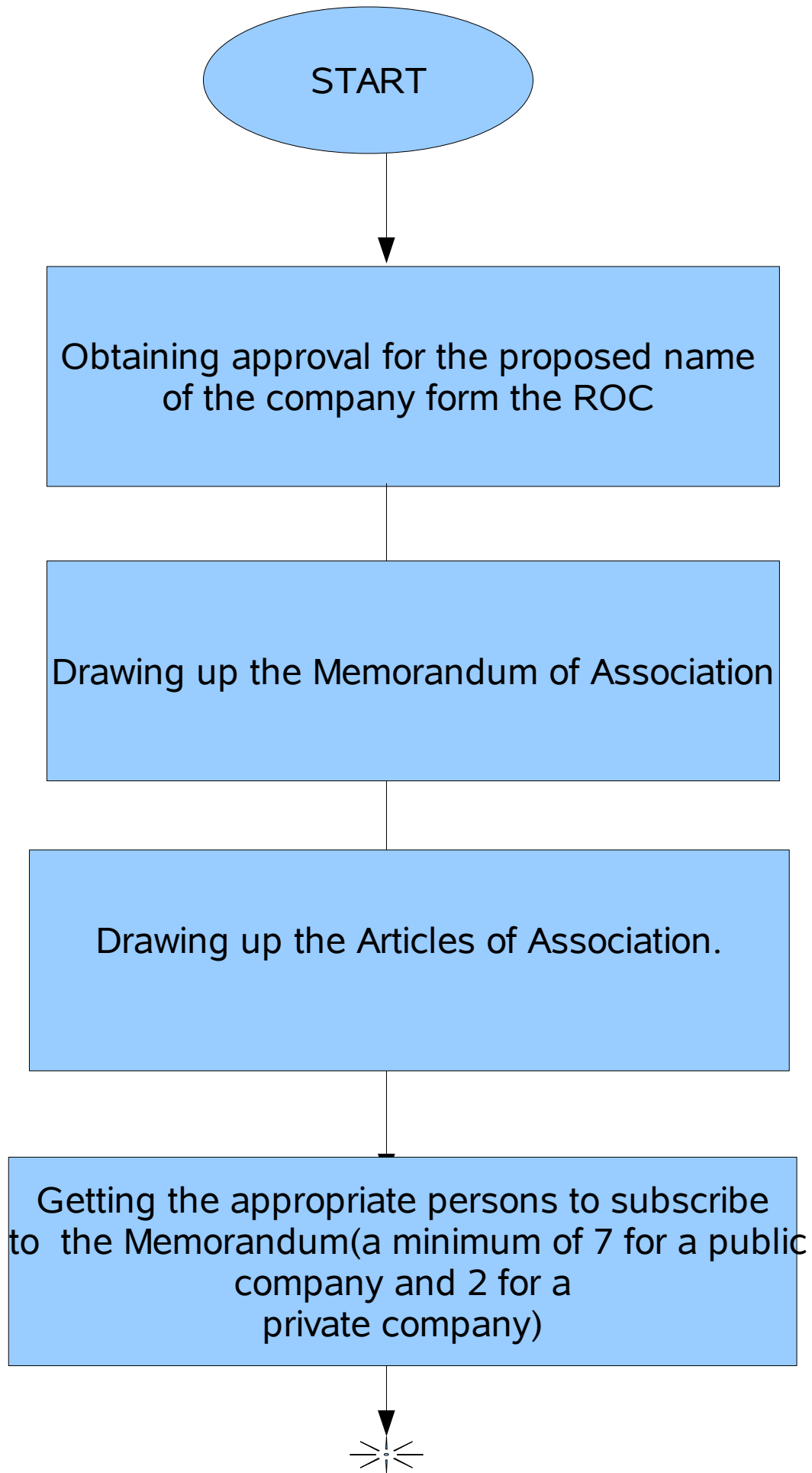
23. See that the date given on these two documents is any date after the date of stamping of them and not before that date.

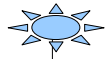
24. Get the following Forms duly filled up and signed:-

On registration a public company cannot commence business so long it does not obtain Certificate of Commencement of Business.

Please note that if you propose to incorporate a private company as a subsidiary of a public company, it will be treated as a public company.

**2.BUSINESS REGISTRATION  
PROCEDURE-FLOWCHART**





Payment of registration  
Fee to the ROC



Receipt of Certificate of  
incorporation



Obtain a certificate of  
commencement of  
business from ROC in case  
of a public company



End

## **3.ENTRY STRATEGIES FOR FOREIGN INVESTORS**

## POLICY & PROCEDURES

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Manual on Industrial Policies & Procedures in India Latest Changes in

Policy/ FIPB/ PAB

Entry Strategies for Foreign Investors Guidelines About External

Commercial Borrowings

Proforma for Applications

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### **Entry Strategies for Foreign Investors**

#### **STARTING OPERATIONS IN INDIA**

A foreign company planning to set up business operations in

India has the following options

#### **AS AN INDIAN COMPANY**

A foreign company can commence operations



in India by incorporating a company under the Companies Act,1956 through

- Joint Ventures; or
- Wholly Owned Subsidiaries

Foreign equity in such Indian companies can be up to 100% depending on the requirements of the investor, subject to equity caps in respect of the area of activities under the Foreign Direct Investment (FDI) policy. Details of the FDI policy, sectoral equity caps & procedures can be obtained from Department of Industrial Policy & Promotion, Government of India (<http://www.dipp.nic.in>).

**Joint Venture** Foreign Companies can set up their operations

**With An** in India by forging strategic alliances with

**Indian** Indian partners.

**Partner**

Joint Venture may entail the following advantages for a foreign investor:

- Established distribution/ marketing set up

of the Indian partner

- Available financial resource of the Indian partners
- Established contacts of the Indian partners which help smoothen the process of setting up of operations

**Wholly Owned Subsidiary Company Incorporation of Company** Foreign companies can also set up wholly-owned subsidiary in sectors where 100% foreign direct investment is permitted under the FDI policy. For registration and incorporation, an application has to be filed with Registrar of Companies (ROC). Once a company has been duly registered and incorporated as an Indian company, it is subject to Indian laws and regulations as applicable to other domestic Indian companies.

For details please visit the website of Department of Company Affairs under Ministry of Finance at <http://dca.nic.in>

#### **AS A FOREIGN COMPANY**

Foreign Companies can set up their operations

in India through

- Liaison Office/Representative Office
- Project Office
- Branch Office

Such offices can undertake any permitted activities. Companies have to register themselves with Registrar of Companies (ROC) within 30 days of setting up a place of business in India.

**Liaison Office/Representative Office** Liaison office acts as a channel of communication between the principal place of business or head office and entities in India.

Liaison office cannot undertake any commercial activity directly or indirectly and cannot, therefore, earn any income in India.

Its role is limited to collecting information about possible market opportunities and providing information about the company and its products to prospective Indian customers. It can promote export/import from/to India and also facilitate technical/financial collaboration

between parent company and companies in India.

Approval for establishing a liaison office in India is granted by Reserve Bank of India (RBI).

**Project Office** Foreign Companies planning to execute specific projects in India can set up temporary project/site offices in India. RBI has now granted general permission to foreign entities to establish Project Offices subject to specified conditions. Such offices can not undertake or carry on any activity other than the activity relating and incidental to execution of the project. Project Offices may remit outside India the surplus of the project on its completion, general permission for which has been granted by the RBI.

**Branch Office** Foreign companies engaged in manufacturing and trading activities abroad are allowed to set up Branch Offices in India for the following purposes:

- (i) Export/Import of goods
- (ii) Rendering professional or consultancy services
- (iii) Carrying out research work, in which the parent company is engaged.
- (iv) Promoting technical or financial collaborations between Indian companies and parent or overseas group company.
- (v) Representing the parent company in India and acting as buying/selling agents in India.
- (vi) Rendering services in Information Technology and development of software in India.
- (vii) Rendering technical support to the products supplied by the parent/ group companies.
- (viii) Foreign airline/shipping company.

A branch office is not allowed to carry

out manufacturing activities on its own but is permitted to subcontract these to an Indian manufacturer.

Branch Offices established with the approval of RBI, may remit outside India profit of the branch, net of applicable Indian taxes and subject to RBI guidelines

Permission for setting up branch offices is granted by the Reserve

Bank of India (RBI).

**Branch Office on “Stand Alone Basis”** Such Branch Offices would be isolated and restricted to the Special Economic zone (SEZ) alone and no business activity/transaction will be allowed outside the SEZs in India, which include branches/subsidiaries of its parent office in India.

No approval shall be necessary from RBI for a company to establish a branch/unit in SEZs to undertake manufacturing and service activities subject to specified conditions.

Application for setting up Liaison Office/  
Project Office/ Branch Office may be submitted  
in form FNC 1 (available at RBI website at  
[www.rbi.org.in](http://www.rbi.org.in) )

## **FOREIGN DIRECT INVESTMENT (FDI) POLICY**

FDI under automatic route is now allowed in all  
sectors, including the services sector, except a  
few sectors where the existing and notified  
sectoral policy does not permit FDI beyond a  
ceiling.

**Automatic**  
**Route** No prior approval is required for FDI under the  
Automatic Route. Only information to the RBI  
within 30days of inward remittances or issue of  
shares to Non Residents is required. RBI has  
prescribed a new form, Form FC-GPR (instead  
of earlier FC-RBI) for reporting shares issued  
to the Foreign Investors by an Indian company.

For details please contact:

ChiefGeneralManager,

ReserveBankofIndia,

ForeignInvestmentandTechnologyTransfer

Division,

ExchangeControlDepartment,

ShaheedBhagatSinghRoad,

Mumbai-400001.

Tel.:+91-22-22661603

Fax + 91-22-2266 5330

**Government** Foreign Investment proposed not covered under

**Approval** the 'Automatic Route' are considered for

Governmental Approval on the

recommendations of the Foreign Investment

Promotion Board (FIPB)



Foreign Investors	NonResident Indians
<p>Application for such cases are to be submitted in FC/IL form or on plain paper to Foreign Investment Promotion Board (FIPB) in Department of Economic Affairs, Ministry of Finance, Government of India North Block, New Delhi 110 001.</p>	<p>Non Resident Indians are required to submit their proposals to the Secretariat for Industrial Assistance (SIA) Department of Industrial Policy and Promotion, Government of India for consideration of FIPB.</p>

## TAXATION IN INDIA

India is moving towards reforming its tax policies and systems so as to facilitate globalization of economic activities. The corporate tax rate for foreign companies is 40%. The net tax rate is far lower than this on

account of various deductions and exemptions available under the tax laws. Tax holidays are available in Special Economic Zones set up to make industry globally competitive.

Infrastructure Sector Projects enjoy special tax treatment/holidays. A user friendly tax administration has been introduced with round the clock electronic filing of customs documents from 31.3.04

For details regarding taxes in India, please contact Ministry of Finance, Government of India, North Block, New Delhi – 110 001 through their website <http://finmin.nic.in/topics/taxation/index.html>

## **INVESTMENT FACILITATION**

Secretariat for Industrial Assistance (SIA) in Department of Industrial Policy and Promotion, Government of India provides a single window service for entrepreneurial assistance, Investor facilitation and monitoring implementation of the projects.

Secretariat for Industrial Assistance (SIA)

Department of Industrial Policy and Promotion

Ministry of Commerce & Industry

Udyog Bhavan, New Delhi-110 011

Email: [dipp\\_sia@ub.nic.in](mailto:dipp_sia@ub.nic.in)

Tel.: +91-11-23011983

Fax : +91-11-23011034

## **USEFUL ADDRESSES**

### **Department of Industrial Policy and Promotion**

Joint Secretary

Secretariat for Industrial Assistance

(SIA) Ministry of Commerce & Industry

Udyog Bhavan, New Delhi-110 011, INDIA

Tel.: +91-11-23011983

Fax : +91-11-23011034

E-mail: [sia\\_dipp@ub.nic.in](mailto:sia_dipp@ub.nic.in)

Website: <http://dipp.nic.in>

### **Reserve Bank of India (RBI)**

Foreign Investment Division, Shaheed Bhagat

Singh Road, Mumbai-400 001, INDIA

Tel.: + 91-22-2266 1603

Fax :+ 91-22-2266 5330

Web site: <http://www:rbi.org.in>

**Registrar of Companies**

**Department of Company Affairs**

**Ministry of Finance**

'B' Block, IInd Floor, Paryavaran Bhawan

C.G.O. Complex, New Delhi-110 003, INDIA

Tel.: +91-11-24362708

Website: <http://dca.nic.in>

**4.INDUSTRIAL POLICY AND  
PROCEDURES FOR FOREIGN  
&NRI INVESTORS.**

## POLICY

<u>INDUSTRIAL POLICY</u>	<u>FOREIGN DIRECT INVESTMENT</u>	<u>INVESTMENT BY NON RESIDENT INDIANS OVERSEAS CORPORATE BODIES</u>
<u>FOREIGN TECHNOLOGY AGREEMENTS</u>  <u>Automatic/ Govt Approval</u>	<u>100% EXPORT ORIENTED UNITS/ EXPORT PROCESSING ZONES</u>  <u>Automatic/ Govt Approval</u>	<u>ELECTRONIC HARDWARE TECHNOLOGY PARK, SOFTWARE TECHNOLOGY PARK SCHEMES AND SPECIAL ECONOMIC ZONES</u>  <u>Automatic/ Govt Approval</u>

### 1. INDUSTRIAL POLICY

<u>Industrial Licensing</u>	<u>IEM</u>	<u>Locational Policy</u>	<u>Policy Relating to Small Scale Undertakings</u>
<u>Environmental Clearances</u>			

The Government's liberalisation and economic reforms programme aims at rapid and substantial economic growth, and integration with the global economy in a harmonised manner. The industrial policy reforms have reduced the industrial licensing

requirements, removed restrictions on investment and expansion ,and facilitated easy access to foreign technology and foreign direct investment.

### **Industrial Licensing**

1.1 All industrial undertakings are exempt from obtaining an industrial licence to manufacture, except for (i) industries reserved for the Public Sector (Annex I), (ii) industries retained under compulsory licensing(Annex II), (iii) items of manufacture reserved for the small scale sector and (iv) if the proposal attracts locational restriction.[For procedure to obtain Industrial Licence refer to para 7.2].

### **Industrial Entrepreneurs Memorandum (IEM)**

1.2 Industrial undertakings exempt from obtaining an industrial license are required to file an Industrial Entrepreneur Memoranda(IEM) in Part 'A' (as per prescribed format) with the Secretariat of Industrial Assistance(SIA), Department of Industrial Policy and Promotion, Government of India, and obtain an acknowledgement. No further approval is required. Immediately after commencement of commercial production, Part B of the IEM has to be filled in the prescribed format. The facility for amendment of existing IEMs has also been introduced. [For procedure to file IEM refer to para 7.1].

### **Locational Policy**

1.3 Industrial undertakings are free to select the location of a project. In the case of cities with population of more than a million (as per the 1991 census), however, the proposed location should be at least 25 KM away from the Standard Urban Area limits of that city unless, it is to be located in an area designated as an "industrial area" before the 25th

July, 1991.(List of cities with population of 1 million and above is given at Annexure-V). Electronics, Computer software and Printing (and any other industry which may be notified in future as "non polluting industry") are exempt from such locational restriction. Relaxation in the aforesaid locational restriction is possible if an industrial license is obtained as per the notified procedure.

1.4 The location of industrial units is further regulated by the local zoning and land use regulations as also the environmental regulations. Hence, even if the requirement of the locational policy stated in paragraph 1.3 is fulfilled, if the local zoning and land use regulations of a State Government, or the regulations of the Ministry of Environment do not permit setting up of an industry at a location, the entrepreneur would be required to abide by that decision.

### **Policy Relating to Small Scale Undertakings**

1.5 An industrial undertaking is defined as a small scale unit if the investment in fixed assets in plant and machinery does not exceed Rs 10 million. The Small Scale units can get registered with the Directorate of Industries/District Industries Centre in the State Government concerned. Such units can manufacture any item including those notified as exclusively reserved for manufacture in the small scale sector. Small scale units are also free from locational restrictions cited in paragraph 1.3 above. However, a small scale unit is not permitted more than 24 per cent equity in its paid up capital from any industrial undertaking either foreign or domestic.

1.6 Manufacture of items reserved for the small scale sector can also be taken up by



non- small scale units, if they apply for and obtain an industrial license. In such cases, it is mandatory for the non-small scale unit to undertake minimum export obligation of 50 per cent. This will not apply to non-small scale EOUs that are engaged in the manufacture of items reserved for the SSI sector, as they already have a minimum export obligation of 66 per cent of their production. In addition, if the equity holding from another company (including foreign equity) exceeds 24 per cent, even if the investment in plant and machinery in the unit does not exceed Rs 10 million, the unit loses its small scale status. An IEM is required to be filed in such a case for de-licensed industries, and an industrial license is to be obtained in the case of items of manufacture covered under compulsory licensing.

1.7 A small scale unit manufacturing small scale reserved item(s), on exceeding the small scale investment ceiling in plant and machinery by virtue of natural growth, needs to apply for and obtain a Carry-on-Business(COB) License. No export obligation is fixed on the capacity for which the COB license is granted. However, if the unit expands its capacity for the small scale reserved item(s) further, it needs to apply for and obtain a separate industrial license. (For procedure to obtain COB licence, refer to para 7.2(d)).

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

## *Environmental Clearances*

1.9 Entrepreneurs are required to obtain Statutory clearances relating to Pollution Control and Environment for setting up an industrial project. A Notification (SO 60(E) dated 27.1.94) issued under The Environment Protection Act 1986 has listed 29 projects in respect of which environmental clearance needs to be obtained from the Ministry of Environment, Government of India. This list includes industries like petro-chemical complexes, petroleum refineries, cement, thermal power plants, bulk drugs, fertilisers, dyes, paper etc. However if investment is less than Rs. 500 million, such clearance is not necessary, unless it is for pesticides, bulk drugs and pharmaceuticals, asbestos and asbestos products, integrated paint complexes, mining projects, tourism projects of certain parameters, tarred roads in Himalayan areas, distilleries, dyes, foundries and electroplating industries. Further, any item reserved for the small scale sector with investment of less than Rs 10 million is also exempt from obtaining environmental clearance from the Central Government under the Notification. Powers have been delegated to the State Governments for grant of environmental clearance for certain categories of thermal power plants. Setting up industries in certain locations considered ecologically fragile (eg Aravalli Range, coastal areas, Doon valley, Dahanu, etc.) are guided by separate guidelines issued by the Ministry of Environment of the Government of India.[For procedure to obtain environmental clearance, refer to para 21.1].

## **2. FOREIGN DIRECT INVESTMENT**

Automatic Route	<a href="#">Government Approval</a>	<a href="#">Issue and Valuation of</a>
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<u>New Ventures Existing Companies</u>		<u>Shares in case of existing companies</u>
<u>Foreign Investment in the Small Scale Sector Preference Shares</u>	<u>Foreign Investment Policy for Trading Activities</u>	<u>Other Modes of Foreign Direct Investments</u>

Government wishes to facilitate foreign direct investment (FDI) and investment from Non-Resident Indians (NRI)s including Overseas Corporate Bodies (OCBs), that are predominantly owned by them, to complement and supplement domestic investment. Investment and returns are freely repatriable, except where the approval is subject to specific conditions such as lock in period on original investment, dividend cap, foreign exchange neutrality, etc. as per the notified sectoral policy. The condition of dividend balancing that was applicable to FDI in 22 specified consumer goods industries stands withdrawn for dividends declared after 14th July 2000, the date on which Press Note. No. 7 of 2000 Series was issued.

2.1 Foreign direct investment is freely allowed in all sectors including the services sector, except where the existing and notified sectoral policy does not permit FDI beyond a ceiling. FDI for virtually all items/activities can be brought in through the automatic route under powers delegated to the Reserve Bank of India (RBI), and for the remaining items/activities through Government Approval. Government approvals are accorded on the recommendation of the Foreign Investment Promotion Board (FIPB), chaired by the Secretary, Department of Industrial Policy and Promotion (Ministry of Commerce and Industry) with the Union Finance Secretary, Commerce Secretary, and

other key Secretaries of the Government as its members.

## **Automatic Route**

### **(a) New Ventures**

2.2 All items/activities for FDI/NRI/OCB investment up to 100% fall under the Automatic Route except those covered under (i) to (iv) of para 2.9. Whenever any investor chooses to make an application to the FIPB and not to avail of the automatic route, he or she may do so.

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

Areas/Sectors/Activities hitherto not open to FDI/NRI/OCB investment shall continue to be so unless otherwise decided and notified by Government. Henceforth any change in sectoral policy/sectoral equity cap shall be notified by the Secretariat for Industrial Assistance (SIA) in the Department of Industrial Policy & Promotion.

### **(b) Existing Companies**

2.3 Besides new companies, automatic route for FDI/NRI/OCB investment is also available to the existing companies to induct foreign equity. For existing companies with an expansion programme, the additional requirements are that (I) the increase in equity

level must result from the expansion of the equity base of the existing company without acquisition of existing shares by NRI/OCB/foreign investors, (ii) the money to be remitted should be in the sector(s) under the automatic route. Otherwise the proposal would need Government approval through the FIPB. For this, the proposal must be supported by a Board Resolution of the existing Indian company.

2.4 For existing companies without an expansion programme, the additional requirements for eligibility for automatic route are (I) that they are engaged in the industries under automatic route (including additional activities covered under the automatic route regardless of whether the original activities were undertaken with Government approval or by accessing the automatic route), (ii) the increase in equity level must be from expansion of the equity base and (iii) the foreign equity must be in foreign currency.

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

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

2.7 Equity participation by international financial institutions such as ADB, IFC, CDC,

DEG , etc. in domestic companies is permitted through automatic route subject to SEBI/RBI regulations and sector specific caps on FDI.

2.8 In a major drive to simplify procedures for foreign direct investment under the "automatic route", RBI has given permission to Indian Companies to accept investment under this route without obtaining prior approval from RBI. Investors are required to notify the Regional Office concerned of the RBI of receipt of inward remittances within 30 days of such receipt and file required documentation within 30 days of issue of shares to Foreign Investors. This facility is available to NRI/OCB investment also. [For procedure relating to automatic approval, refer to para 8.1].

#### *Government Approval*

2.9 For the following categories, Government approval for FDI/NRI/OCB through the FIPB shall be necessary:-

- i. All proposals that require an Industrial Licence which includes (i) the item requiring an Industrial Licence under the Industries (Development and Regulation) Act, 1951; (ii) foreign investment being more than 24% in the equity capital of units manufacturing items reserved for small scale industries; and (iii) all items which require an Industrial Licence in terms of the locational policy notified by Government under the New Industrial Policy of 1991.
- ii. All proposals in which the foreign collaborator has a previous venture/tieup in India. The modalities prescribed in Press Note No. 18 dated 14.12.98 of 1998 series, shall apply in such cases. However, this shall not apply to investment made

by multilateral financial institutions such as ADB,IFC,CDC,DEG, etc. as also investment made in IT sector.

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

iv.All proposals falling outside notified sectoral policy/caps or under sectors in which FDI is not permitted. Whenever any investor chooses to make an application to the FIPB and not to avail of the automatic route, he or she may do so.

Areas/Sectors/Activities hitherto not open to FDI/NRI/OCB investment shall continue to be so unless otherwise decided and notified by Government. Henceforth any change in sectoral policy/sectoral equity cap shall be notified by the Secretariat for Industrial Assistance (SIA) in the Department of Industrial Policy & Promotion.

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

2.11 For greater transparency in the approval process, Government have announced

guidelines for consideration of FDI proposals by the FIPB. The guidelines are stated in Annexure-III . The sector specific guidelines for FDI and Foreign Technology Collaborations are stated in Annexure-IV. [For procedure relating to Government approval, refer to para 8.2].

*Issue and Valuation of Shares in case of existing companies*

2.12 Allotment of shares on preferential basis shall be as per the requirements of the Companies Act, 1956, which will require special resolution in case of a public limited company. In case of listed companies, valuation shall be as per the RBI/SEBI guidelines as follows:

The issue price shall be either at :

- a) The average of the weekly high and low of the closing prices of the related shares quoted on the Stock Exchange during the six months preceding the relevant date or b)
- The average of the weekly high and low of the closing prices of the related shares quoted on the Stock Exchange during the two weeks preceding the relevant date.

The stock exchange referred to is the one at which the highest trading volume in respect of the share of the company has been recorded during the preceding six months prior to the relevant date.

The relevant date is the date thirty days prior to the date on which the meeting of the General Body of the shareholder is convened.

In all other cases a company may issue shares as per the RBI regulation in accordance with the guidelines issued by the erstwhile Controller of Capital Issues.



Other relevant guidelines of Securities and Exchange Board of India (SEBI)/(RBI) including the SEBI (Substantial

Acquisition of Shares and Takeover) Regulations, 1997, wherever applicable, would need to be followed.

### **Foreign Investment in the Small Scale Sector**

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

### *Foreign Investment Policy for Trading Activities*

2.14 Foreign investment for trading can be approved through the automatic route up to 51% foreign equity, and beyond this by the Government through FIPB. For approval through the automatic route, the requirement would be that it is primarily export activities and the undertaking concerned is an export house/trading house/ super trading house/star trading house registered under the provisions of the Export and Import policy in force. The sectoral policy of trading activities is elaborated at S. No. 8 viz. Trading of Annexure IV (Sector Specific Guidelines for Foreign Direct Investment) of this Manual.

2.15 Both in the case of automatic and Government approvals, the valuation and pricing of shares would be governed by the provisions stated in paragraph 2.11 above. Closely

held companies would also be governed, mutatis mutandis, by the same guidelines.

### **Other Modes of Foreign Direct Investments**

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

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

2.18 There are no end-use restrictions on GDR/ADR issue proceeds, except for an

express ban on investment in real estate and stock markets. The FCCB issue proceeds need to conform to external commercial borrowing end use requirements; in addition, 25 per cent of the FCCB proceeds can be used for general corporate restructuring.

### **Preference Shares**

2.19 Foreign investment through preference shares is treated as foreign direct investment. Proposals are processed either through the automatic route or FIPB as the case may be. The following guidelines apply to issue of such shares:- (i) Foreign investment in preference share are considered as part of share capital and fall outside the External Commercial Borrowing (ECB) guidelines/cap (ii) Preference shares to be treated as foreign direct equity for purpose of sectoral caps on foreign equity, where such caps are prescribed, provided they carry a conversion option. If the preference shares are structured without such conversion option, they would fall outside the foreign direct equity cap. (iii) Duration for conversion shall be as per the maximum limit prescribed under the Companies Act or what has been agreed to in the share holders agreement whichever is less. (iv) The dividend rate would not exceed the limit prescribed by the Ministry of Finance. (v) Issue of Preference Shares should conform to guidelines prescribed by the SEBI and RBI and other statutory requirements.

### **3. INVESTMENT BY NON RESIDENT INDIANS OVERSEAS CORPORATE BODIES**

3.1 For all sectors excluding those falling under Government Approval, NRIs (which also includes PIOs) and OCBs (an overseas corporate body means a company or other

entity owned directly or indirectly to the extent of at least 60% by NRIs) are eligible to bring investment through the Automatic Route of RBI. All other proposals which do not fulfill any or all of the criteria for automatic approval are considered by the Government through the FIPB.

3.2 The NRIs and OCBs are allowed to invest in housing and real estate development sector, in which foreign direct investment is not permitted. They are allowed to hold up to 100 per cent equity in civil aviation sector in which otherwise foreign equity only up to 40 per cent is permitted.

#### **4. FOREIGN TECHNOLOGY AGREEMENTS**

4.1 With a view to injecting the desired level of technological dynamism in Indian industry and for promoting an industrial environment where the acquisition of technological capability receives priority, foreign technology induction is encouraged both through FDI and through foreign technology collaboration agreements. Foreign technology collaborations are permitted either through the automatic route under delegated powers exercised by the RBI, or by the Government. However, cases involving industrial licenses/small scale reserved items do not qualify for automatic approval and would require consideration and approval by the Government. Automatic route for technology collaboration would also not be available to those who have, or had any previous technology transfer/trade-mark agreement in the same or allied field in India. Further, automatic approval for EOU/EHTP/STP units are governed by provisions under Para 5.2 and 6.2.

## **Automatic Approval**

4.2 The Reserve Bank of India, through its regional offices, accords automatic approval to all industries for foreign technology collaboration agreements subject to (i) the lump sum payments not exceeding US \$ 2 Million; (ii) royalty payable being limited to 5 per cent for domestic sales and 8 per cent for exports, subject to a total payment of 8 per cent on sales over a 10 year period; and (iii) the period for payment of royalty not exceeding 7 years from the date of commencement of commercial production, or 10 years from the date of agreement, whichever is earlier (The aforesaid royalty limits are net of taxes and are calculated according to standard conditions). [For procedure for automatic approval, refer to para 9.1.

Payment of royalty up to 2% for exports and 1% for domestic sales is allowed under automatic route on use of trademarks and brand name of the foreign collaborator without technology transfer. In case of technology transfer, payment of royalty subsumes the payment of royalty for use of trademark and brand name of the foreign collaborator. Royalty on brand name/trade mark shall be paid as a percentage of net sales, viz., gross sales less agents'/dealers' commission, transport cost, including ocean freight, insurance, duties, taxes and other charges, and cost of raw materials, parts, components imported from the foreign licensor or its subsidiary/affiliated company.

Payment of royalty upto 8% on exports and 5% on domestic sales by wholly owned subsidiaries to offshore parent companies is allowed under the automatic route without any restriction on the duration of royalty payments.

### *Government Approval*

4.3 For the following categories, Government approval would be necessary: (a) proposals attracting compulsory licensing (b) Items of manufacture reserved for the small scale sector (c) Proposals involving any previous joint venture, or technology transfer/trademark agreement in the same or allied field in India. The definition of "same" and "allied" field would be as per 4 digit NIC 1987 Code and 3 digit NIC 1987 Code. (d) Extension of foreign technology collaboration agreements (including those cases which may have received automatic approval in the first instance) (e) Proposals not meeting any or all of the parameters for automatic approval as given in para 4.2.

[For procedure for Government approval refer to Para 9.2]

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

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

## **5. 100% EXPORT ORIENTED UNITS/ EXPORT PROCESSING ZONES/ SPECIAL ECONOMIC ZONES/ INDUSTRIAL PARKS**

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

5.1(b) 100 per cent FDI is permitted under automatic route for setting up of Industrial Park/Industrial Model Town/Special Economic Zones in the country. To encourage investment in this sector, 100 per cent income tax exemption for 10 years within a block of 15 years is also granted for the Industrial Parks set up during the period 1.4.1997 to 31.3.2006.

### **Automatic Approval**

5.2 The Development Commissioners (DCs) of Export Processing Zones (EPZs) /Free Trade Zones (FTZS)/Special Economic Zones (SEZs) accord automatic approval to projects where (a) Activity proposed does not attract compulsory licensing or falls in the services sector except IT enabled services; (b) Location is in conformity with the prescribed parameters; (c) Units undertake to achieve exports and value addition norms as prescribed in the Export and Import Policy in force; (d) Unit is amenable to bonding by customs authorities; and (e) Unit has projected the minimum export turnover, as specified in the Handbook of Procedures for Export and Import.

All proposals for FDI/NRI/OCB investments in EOU/EPZ units qualify for approval

through automatic route subject to the sectoral norms. Proposals not covered under the automatic route would be considered and approved by FIPB. [For procedure for automatic approval, refer to para 10.1 & 10.5].

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

5.4 FDI upto 100% is allowed through the automatic route for all manufacturing activities in Special Economic Zones (SEZs), except for the following activities :

- a. arms and ammunition, explosives and allied items of defence equipments defence aircraft and warships;
- b. atomic substances;
- c. narcotics and psychotropic substances and hazardous chemicals;
- d. distillation and brewing of alcoholic drinks; and
- e. cigarettes/cigars and manufactured tobacco substitutes.

For services, norms as notified, would be applicable

### **Government Approval**

5.5 All proposals which do not meet any or all of the parameters for automatic approval will be considered and approved by the Board of Approval of EOU/EPZ/SEZ set up in the Department of Commerce.

## **6. ELECTRONIC HARDWARE TECHNOLOGY PARK , SOFTWARE**



## **TECHNOLOGY PARK SCHEMES AND SPECIAL ECONOMIC ZONES**

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

### **Automatic Approval**

6.2 The Directors of STPs in respect of STP proposals; and the Designated Officers in respect of EHTP proposals accord automatic approval if - (a) the items do not attract compulsory licensing; (b) the location is in conformity with the prescribed parameters; (c) the export obligation laid down in the respective EHTP scheme or STP scheme is fulfilled; (d) the unit is amenable to bonding by the Customs, and all the manufacturing operations are carried out in the same premises and the proposal does not envisage sending out of the bonded area any raw material or intermediate products for any other manufacturing or processing activity. All proposals for FDI/NRI/OCB investments in EHTP/STP units are eligible for approval through AUtomatic Route subject to parameters listed under para 2.9[For procedure to obtain Automatic Approval, refer to para 11.2].

### *Government Approval*

6.3 All proposals which do not meet any or all of the parameters for automatic approval need to be considered and approved by the Government. Also, Government approval for

FDI/NRI/OCB investments under EHTP/ STP need to be obtained through the FIPB in respect of proposals covered under para 2.9.[For procedure to obtain Government approval, refer to para 11.3 & 11.4].

### PROCEDURES

<p><u>INDUSTRIAL APPROVALS</u></p> <p>Procedure for</p> <p><u>IEM/ Industrial Licence/ COB Licence</u></p>	<p>FOREIGN DIRECT INVESTMENT</p> <p>Procedure For</p> <p><u>Automatic/ Govt.(FIPB) Approval</u></p>
<p>FOREIGN TECHNOLOGY COLLABORATION</p> <p>Procedure For</p> <p><u>Automatic/ Govt. Approval</u></p>	<p>100% EXPORT ORIENTED UNITS</p> <p>Procedure For</p> <p><u>Automatic/ Govt. Approval/ foreign direct investment/NRI investment</u></p>
<p>UNITS LOCATED IN EPZ/FTZ</p> <p>Procedure For</p> <p><u>Automatic/ Govt. Approval/ foreign direct investment/ NRI investment</u></p>	<p>EHTP/STP UNITS</p> <p>Procedure For</p> <p><u>Automatic/ Govt. Approval/ foreign direct investment/ NRI investment</u></p>

### 7.APPROVAL PROCEDURES

The description of activities seeking all industrial approvals including foreign direct investment are required to be given as per the National Industrial Classification of All

Economic Activities (NIC), 1987, published by the Central Statistical Organisation, Ministry of Statistics and Programme Implementation, New Delhi. Copies of the publication can be obtained on payment from Controller of publications, 1 Civil Lines, Delhi-1 10054 or from any outlet dealing in Government Publications.

## **7.1 General Procedures**

### **IEM:**

(a) All industrial undertakings exempt from the requirements of industrial licensing, including existing units undertaking substantial expansion, need to file information in the prescribed Industrial Entrepreneurs Memorandum, i.e. Form IEM (Annexure-VII) .

The form is available at all outlets dealing in Government Publications, Indian Embassies, the Entrepreneurial Assistance Unit (EAU) of the Secretariat for Industrial Assistance (SIA), Department of Industrial Policy and Promotion, Udyog Bhavan, New Delhi-110011, and can also be downloaded from the Web site of the SIA (<http://indmin.nic.in>).

(b) The Memorandum (IEM) should be submitted to the EAU of the SIA in person or by post. A computer acknowledgement containing the SIA Registration Number (for future reference) will be issued across the counter immediately if delivered in person or sent by post if received through post. No further approval from SIA is required.

(c) The IEM should be submitted along with a crossed demand draft of Rs.1000/- drawn in favour of "The Pay & Accounts Officer, Department of Industrial Development, Ministry of Industry", payable at the State Bank of India, Nirman Bhawan Branch, New

Delhi up to 10 items proposed to be manufactured in the same unit. For more than 10 items, an additional fee of Rs 250 up to 10 additional items needs to be paid through crossed demand draft.

(d) All Industrial undertakings also need to file information in Part 'B' of the Memorandum at the time of commencement of commercial production. The prescribed form is appended to Form IEM. This second Memorandum has also to be filed with the EAU in SIA, but no fee is required.

(e) No amendment/modifications are made to any IEM filed before 30th June, 1998 except for clerical errors. Where any amendment/modification is sought to be made in such IEMs, a fresh memorandum in Form IEM, along with the prescribed fee has to be filed for which a fresh acknowledgement will be issued. An IEM would be cancelled/deleted from the SIA records if, on scrutiny, it is found that the proposal contained in the IEM is licensable.

(f) In respect of IEMs filed in the new form made effective from 1st July, 1998, amendments/modifications will be made on the request of the entrepreneur, as per the notified procedure.

## *7.2 Procedural Requirements for Licensed Sectors*

### *Industrial Licence:*

(a) All industrial undertakings subject to compulsory industrial licensing are required to submit an application in the prescribed format, i.e. Form FC-IL(Annexure-VIII). Licenses are granted under the provisions of the Industries(Development and

Regulation) Act, 1951. The form is available in the EAU of the SIA, at all outlets dealing in Government Publications, Indian Embassies, and can also be downloaded from the Web site of the SIA - <http://indmin.nic.in>. Applications for the manufacture of chlorine and caustic soda, along with associated products should include information regarding the chlorine utilisation programme.

(b) Application in Form FC-IL should be submitted to the EAU of the SIA, Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Udyog Bhawan, New Delhi - 110011. Approvals will normally be available within 4- 6 weeks of filling the application.

(c) The application, in Form FC-IL, should be submitted along with a crossed demand draft of Rs.2500/- drawn in favour of the Pay & Accounts Officer, Department of Industrial Development, Ministry of Industry, payable at the State Bank of India, Nirman Bhawan, New Delhi.

### **Carry on Business (COB) Licence**

(d) A COB licence is required when a small scale unit exceeds the prescribed small scale limit of investment in plant and machinery by way of natural growth and continues to manufacture small scale reserved item(s). Also, if exemption from Industrial licensing granted for any item is withdrawn, the industrial undertakings who are manufacturing such item(s) require COB licence. The application for COB licence should be submitted in prescribed form "EE" to the SIA, Department of Industrial Policy and Promotion, along with a crossed demand draft of Rs.2500/- drawn in favour of the Pay & Accounts

Officer, Department of Industrial Development, Ministry of Industry, payable at the State Bank of India, Nirman Bhawan, New Delhi.

## **8. FOREIGN DIRECT INVESTMENT**

### **8.1 Procedure For Automatic Route**

The proposals for approval under the automatic route are to be made to the Reserve Bank of India in the FC(RBI) form. In a major drive to simplify procedures for foreign direct investment under the "automatic route", RBI has given permission to Indian Companies to accept investment under this route without obtaining prior approval from Reserve Bank of India. However, investors will have to file the required documents with the concerned Regional Office of the RBI within 30 days after issue of shares to foreign investors. This facility is available to NRI/OCB investment also.

### *8.2 Procedure For Government Approval*

#### *FIPB*

(a) All other proposals for foreign investment, including NRI/OCB investment and foreign investment in EOU/EPZ/STP/EHTP units, which do not fulfil any or all of the parameters prescribed for automatic approval, as given in paragraph 2.8, 3.1, and 3.2 are considered for approval on merits by the Government. All such proposals are considered for approval by the Foreign Investment Promotion Board (FIPB). The FIPB also grants composite approvals involving foreign technical collaborations and setting up of Export Oriented Units involving foreign investment/foreign technical collaboration.

(b) Applications to FIPB for approval of foreign investment should be submitted in

Form FC-IL( Annexure-VIII). Plain paper applications carrying all relevant details are also accepted. No fee is payable. The following information should form part of the proposal submitted to FIPB:

- i. Whether the applicant has had or has any previous financial/technical collaboration or trade mark agreement in India in the same or allied field for which approval has been sought?; and
- ii. If so, details thereof and the justification for proposing the new venture/technical collaboration (including trade marks).

(c) The application can be submitted with the EAU of the SIA, Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Udyog Bhavan, New Delhi - 110011. Applications can also be submitted with Indian Missions abroad who will forward them to the SIA for further processing.

(d) Foreign investment proposals received in the SIA are placed before the Foreign Investment Promotion Board (FIPB) within 15 days of its receipt. The Board has the flexibility of purposeful negotiation with the investors and considers project proposals in totality in order to ensure optimum foreign direct investment into the country. The recommendations of FIPB in respect of project proposals involving a total investment of up to Rs. 6 billion are considered and approved by the Commerce & Industry Minister. Projects with a total investment exceeding Rs. 6 billion are submitted to the Cabinet Committee on Economic Affairs (CCEA) for decision.

(e) The decision of the Government in all cases are conveyed by the SIA normally

within 30 days.

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

(g) Similarly, for inward remittance and issue of shares to NRI/OCB up to 100 per cent equity also, prior permission of RBI is not required. These companies have to file the required documents with the concerned Regional Offices of RBI within 30 days after the issue of shares to NRIs/OCBs.

## **9.FOREIGN TECHNOLOGY COLLABORATION**

### *9.1 Procedure for Automatic Approval*

Applications for automatic approval for such foreign technology agreements should be submitted in Form FT (RBI) with the concerned Regional Offices of Reserve Bank of India. No fee is payable. Approvals are available within 2 weeks.

### **9.2 Procedure for Government Approval**

(a) All other proposals for foreign technology agreement, not meeting any or all of the parameters for automatic approval, and all cases of extension of existing foreign technical collaboration agreement, are considered for approval, on merits, by the



Government. Application in respect of such proposals should be submitted in Form FC-IL to the Secretariat for Industrial Assistance, Department of Industrial Policy & Promotion, Ministry of Industry, Udyog Bhavan, New Delhi. No fee is payable. The following information should form part of the proposal submitted to SIA:

- i. Whether the applicant has had or has any previous financial/technical collaboration or trade mark agreement in India in the same or allied field for which approval has been sought?; and
- ii. If so, details thereof and the justification for proposing the new venture/technical collaboration (including trade marks).

Approvals are normally available within 4 to 6 weeks of filing the application.

## **10. 100% EXPORT ORIENTED UNITS AND UNITS SET UP IN EPZ/FTZ/SEZ**

### *A.PROCEDURE FOR APPROVAL FOR EOUs*

**10.1** Applications in the prescribed form for 100 per cent EOUs should be submitted to the Development Commissioners (DCs) of the Export Processing Zones (EPZS) concerned for automatic approval and to the SIA for Government approval. The Form is printed in the Handbook of Procedures for Export and Import, 1997-2002 published by the Ministry of Commerce and is also available at all outlets dealing in Government Publications. The application should be submitted along with a crossed demand draft of Rs.5000/- drawn in favour of the "Pay & Accounts Officer, Department of Industrial Development, Ministry of Industry", payable at the State Bank of India, Nirman Bhavan Branch, New Delhi.

### *10.2 Procedure for Automatic Approval for E0Us*

Applications in the prescribed form for 100 per cent E0Us should be submitted to the DCs of the EPZs. Wherever, the proposals meet the criteria for automatic approval, as given in paragraph 5.2, the DC of the EPZ would issue approval letters within 2 weeks.

### **10.3 Procedure for Government Approval for E0Us**

Proposals not covered by the automatic route shall be forwarded by the DC to the Board of Approval (BoA) for consideration. On consideration of the proposal by the board, the decision would normally be conveyed in six weeks.

### **10.4 Procedure for foreign direct investment/NRI investment**

For proposals not covered under automatic route, the applicant should seek separate approval of the FIPB as per the procedure outlined in para 8.2 above.

## ***B. PROCEDURE FOR APPROVAL FOR UNITS LOCATED IN EPZ/FTZ/SEZ***

**10.5** Applications for setting up units in EPZs/SEZs be submitted to the concerned DC of the EPZ/SEZ. The Form is printed in the Handbook of Procedures for Export and Import, 1997-2002 published by the Ministry of Commerce and is also available at all outlets dealing in Government Publications. The application should be submitted along with a crossed demand draft of Rs.5000/- drawn in favour of the "Pay & Accounts Officer, Department of Industrial Development, Ministry of Industry", payable at the State Bank of India, Nirman Bhavan Branch, New Delhi.

### **10.6 Procedure for Automatic Approval for units located in EPZ/FTZ/SEZ**

Applications in the prescribed form for 100 per cent E0Us should be submitted to the DCs of the EPZs/SEZs. Wherever, the proposals meet the criteria for automatic approval, as given in paragraph 5.2 the DC of the EPZ/SEZ would issue approval letters within 2 weeks.

#### *10.7 Procedure for Government Approval for units located in EPZ/FTZ/SEZ*

Proposals not covered by the automatic route shall be forwarded by the DC to the Board of Approval (BOA) for consideration. On consideration of the proposal by the Board, the decision would normally be conveyed in six weeks.

#### **10.8 Procedure for Foreign Direct Investment / NRI Investment**

All proposals for FDI/NRI/OCB investment in EPZ/E0U/SEZ are eligible for approvals under Automatic Route subject to parameters listed in para 2.9. All proposals not covered under Automatic Route the applicant should seek separate approval of the FIPB as per the procedure contained in Para 8.2 above.

### **11. EHTP/STP UNITS**

#### *11.1 Procedure for Approval for EHTP/STP*

Application, in the prescribed form, should be submitted to the concerned Directors of STPs or the Designated Officers of EHTPs for automatic approval, and to the SIA for Government approval. The application should be submitted along with a crossed demand draft for Rs. 5000/- drawn in favour of the "Pay & Accounts Offer, Department of Industrial Development, Ministry of Industry", payable at State Bank of India, Nirman Bhawan, New Delhi. The form is available in any outlet dealing with

Government Publications.

### **11.2 Procedure for Automatic Approval for EHTP/STP**

Application, in the prescribed form, should be submitted to the concerned Directors of STPs or the Designated Officers of EHTPs for automatic approval. Wherever, the proposals meet the criteria for automatic approval, as given in paragraph 6.2, the approval letters are issued within 2 weeks. All other proposals shall be forwarded to the Inter Ministerial Standing Committee for consideration.

#### **Procedure For Government Approval For EHTP/STP**

11.3 Application, in the prescribed form, should be submitted to the Officer designated by the Ministry of Information Technology for the purpose. Such applications shall be forwarded by the Officer designated to the Inter Ministerial Standing Committee in the Ministry of Information Technology for consideration. On consideration by the Inter Ministerial Standing Committee, a decision would be normally conveyed within six weeks.

### **PROCEDURE FOR FOREIGN DIRECT INVESTMENT / NRI INVESTMENT**

11.4 All proposals for FDI/NRI/OCB investment in EHTP/STP Units are eligible for approval under Automatic Route subject to parameters listed in para 2.9. For proposals not covered under Automatic Route, the applicant should seek separate approval of the FIPB, as per the procedure outlined in para 8.2 above.

#### **Procedure for Foreign Direct Investment in Industrial Park**

11.5 As 100% FDI is permitted under automatic route for setting up of Industrial Park, the procedure mentioned in para 8.1 will be applicable for seeking requisite approval.

#### Procedure for availing Income Tax benefit for the Industrial Park

11.6 For availing 100% tax exemption available under Section 80 IA of the Income Tax Act, 1961, for setting up operating, operating and maintenance of Industrial Park, proposal has to be submitted in IPS-I form, available on this Department's website, to the Secretariat for Industrial Assistance. The proposals which meet the specified criteria (Please refer to Industrial Park Notification, 2002 available on the Department's website) are approved under automatic route. Otherwise, they are considered under non-automatic route by an Empowered Committee. Application for automatic approval has to be submitted in duplicate and for non-automatic approval in six sets. The proposal in IPS-I form has to be accompanied with a Demand Draft of Rs 6000/- drawn in favour of "Pay & Accounts Officer, Department of Industrial Development" payable at State Bank of India, Nirman Bhavan Branch, New Delhi.

### FACILITATION

INVESTMENT PROMOTION AND FACILITATION	<a href="#"><u>FOREIGN INVESTMENT PROMOTION COUNCIL (FIPC)</u></a>
<a href="#"><u>Foreign Investment Promotion Board (FIPB)</u></a>	<a href="#"><u>Foreign Investment Implementation Authority</u></a>

SECRETARIAT FOR INDUSTRIAL ASSISTANCE (SIA)  <a href="#">SIA's Promotional Activities</a>  <a href="#">Entrepreneurial Assistance Unit (EAU) of the SIA</a> <a href="#">Investment Promotion and Infrastructure Development (IP &amp; ID) Cell</a>  <a href="#">Project Monitoring Wing/</a>	<a href="#">INTERNATIONAL CENTRE FOR ALTERNATIVE DISPUTE RESOLUTION</a>  PUBLICATIONS  <a href="#">SIA Newsletter</a> <a href="#">SIA Statistics</a> <a href="#">Other Publications</a>
<a href="#">FOCUS WINDOWS</a>	<a href="#">NODAL OFFICERS</a>
<a href="#">SIA WEBSITE</a>	<a href="#">SUBMISSION OF MONTHLY PRODUCTION RETURNS</a>
<a href="#">PROCEDURE FOR OTHER ENVIRONMENTAL CLEARENCES</a>	<a href="#">INFORMATION ON EXPORTS AND IMPORTS</a>
<a href="#">EXTERNAL COMMERCIAL BORROWINGS</a>	<a href="#">COMPANY REGISTRATION</a>
GRIEVANCES AND COMPLAINTS  <a href="#">Business Ombudsperson</a> <a href="#">Grievances Officer &amp; Joint Secretary</a>	<a href="#">CITIZENS CHARTER</a>

## 12. INVESTMENT PROMOTION AND FACILITATION

### 12.1 Foreign Investment Promotion Board (FIPB)

The Government has revamped the FIPB and transferred it to the Industry Ministry. The FIPB is the nodal, single window agency for all matters relating to FDI as well as promoting investment into the country. It is chaired by Secretary, Industry (Department

of Industrial Policy and Promotion). Its objective is to promote FDI into India:-

[i] by undertaking investment promotion activities in India and abroad,

[ii] facilitating investment in the country by international companies, non-resident Indians and other foreign investors,

[iii] through purposeful negotiation/discussion with potential investors,

[iv] early clearance of proposals submitted to it, and

[v] review policy and put in place appropriate institutional arrangements, transparent rules and procedures and guidelines for investment promotion and approvals.

12.2 After its revamping, the FIPB has played a proactive role in promoting and attracting FDI into the country and further facilitating expeditious clearance to the proposals submitted to it. The FIPB has also decided to monitor implementation of mega projects to further facilitate investment and remove bottlenecks and as part of this exercise, to get studies commissioned through professional bodies and undertake other promotional measures.

12.3 Mailbox facility for filing of proposals for FIPB

A mailbox facility is available on the SIA website in the name of [siaapplication@ub.nic.in](mailto:siaapplication@ub.nic.in) for filing applications for FIPB.

### **13 FOREIGN INVESTMENT IMPLEMENTATION AUTHORITY (FIIA)**

Government has set up the Foreign Investment Implementation Authority (FIIA) in the Ministry of Commerce & Industry. The FIIA will facilitate quick translation of Foreign

Director Investment (FDI) approvals into implementations, provide a pro-active one stop after care service to foreign investors by helping them obtain necessary approvals, sort out operational problems and meet with various Government Agencies to find solutions to problems and maximising opportunities through a partnership approach.

### 13.2 Role

The FIIA shall take steps to:

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

### 13.3 Functions

The functions of the FIIA shall be as under:

- Expediting various approvals/permissions;
- Fostering partnership between investors and government agencies concerned;
- Resolve difference in perceptions;
- Enhance overall credibility;
- Review policy framework; and



- Liaise with the Ministry of External Affairs for keeping India's diplomatic missions abroad informed about translation of FDI approvals into actual investment and implementation.

13.4 The modalities of functioning of FIIA shall be as under:

- i. The FIIA shall set up a Fast Track Committee (FTC) to review and monitor mega projects. It will nominate members of the FTC from representatives of various Ministries/agencies/State Government at the working level. The representative of the AM concerned shall act as the project coordinator and shall head the FTC. The FTC shall prescribe the time frame within which various approvals/permissions are to be given on a project to project basis. FTC shall also flag issues that need to be resolved by FIIA. Based on the inputs provided by FTC, the FIIA will give its recommendations on each project on the basis of which Administrative Ministries/State Government shall take action under their own laws and regulations.
- ii. The FIIA will initiate inter Ministerial consultations and make appropriate recommendations to the competent authority, i.e. Ministry/Department concerned at the Central Government level and the State Government, as the case may be, on issues requiring policy intervention.
- iii. The FIIA will act as a single point interface between the investor and

Government agencies including Administrative Ministries/State Governments/Pollution Control Board/DGFT/Regulatory Authorities/Tax Authorities/Company Law Board, etc.

iv. The FIIA shall meet once every month to review cases involving investment of Rs. 100 crore or more, consider references received from the FTC, and monitor the functioning of various FTCs. It would also entertain any complaint regarding implementation bottlenecks from FDI approval holders regardless of the quantum of investment.

v. The FIIA shall also make recommendations from time to time on any issue relating to the speedy implementation of FDI projects and also to provide transparency in government functioning with respect to FDI projects.

- 13.5 The Secretariat for Industrial Assistance (SIA) in the Department of Industrial Policy & Promotion shall function as the Secretariat of the FIIA.

13.6 Approval holders are requested to send their suggestions and problems, if any to any of the following officers in SIA or at FIIA's e-mail address at

[fia@ub.nic.in](mailto:fia@ub.nic.in) :

a. Joint Secretary, SIA

- Director (FIPB)
- Director (FIIA)
- Director (100% EOU & NRI Investment)

- Director (IP&ID Cell)
- Joint Director (IL & TC)

The issues raised are taken up with the concerned Department/authorities and are discussed in the meeting of FIIA.

#### **14. FOREIGN INVESTMENT PROMOTION COUNCIL (FIPC)**

Apart from making the policy framework investor-friendly and transparent, promotional measures are also taken to attract Foreign Direct Investment into the country. The Government has constituted a Foreign Investment Promotion Council (FIPC) in the Ministry of Industry. This comprises professionals from Industry and Commerce. It has been set up to have a more target oriented approach toward Foreign Direct Investment promotion. The basic function of the Council is to identify specific sectors/projects within the country that require Foreign Direct Investment and target specific regions/countries of the world for its mobilisation.

#### **15. SECRETARIAT FOR INDUSTRIAL ASSISTANCE (SIA)**

15.1 SIA has been set up by the Government of India in the Department of Industrial Policy and Promotion in the Ministry of Commerce & Industry to provide a single window for entrepreneurial assistance, investor facilitation, receiving and processing all applications which require Government approval, conveying Government decisions on applications filed, assisting entrepreneurs and investors in setting up projects, (including liaison with other organisations and

State Governments) and in monitoring implementation of projects. It also notifies all Government Policy relating to investment and technology, and collects and publishes monthly production data for 213 select industry groups.

## **15.2 SIA's Promotional Activities**

As an investor friendly agency, it provides information and assistance to Indian and foreign companies in setting up industry and making investments. It guides prospective entrepreneurs and disseminates information and data on a regular basis through its two monthly newsletters the "SIA Newsletter" and the "SIA Statistics" as also through its Website address, i.e. <http://indmin.nic.in> . It also assists potential investors in finding joint venture partners and provides complete information on relevant policies and procedures, including those, which are specific to sectors and the State Governments.

### *15.3 Entrepreneurial Assistance Unit (EAU) of the SIA*

The Entrepreneurial Assistance Unit functioning under the Secretariat for Industrial Assistance, Department of Industrial Policy and Promotion provides assistance to entrepreneurs on various subjects concerning investment decisions. The unit receives all papers/applications related to industrial approvals and immediately issues a computerised acknowledgment which also has an identity/reference number. All correspondence with the SIA should quote this number. In case of papers filed by post, the acknowledgment will be sent by post. The Unit extends this facility to all papers/applications relating to IEMs, Industrial

Licences, Foreign Investment, Foreign Technology Agreements, 100 per cent EOUs, EHTP, STP Schemes, etc.

15.4 The Unit also attends to enquiries from entrepreneurs relating to a wide range of subjects concerning investment decisions. It furnishes clarifications and arranges meetings with nodal officers in concerned Ministries/Organisations. The Unit also provides information regarding the current status of applications filled for various industrial approvals.

### **15.5 Investment Promotion and Infrastructure Development (IP & ID) Cell**

In order to give further impetus to facilitation and monitoring of investment, as well as for better coordination of infrastructural requirements for industry, a new cell called the "Investment Promotion and Infrastructure Development Cell" has been created. The functions of the Cell include:-

- [a] Dissemination of information about investment climate in India;
- [b] Investment facilitation;
- [c] Developing and distributing multimedia presentation material and other publications;
- [d] Organising Symposiums, Seminars, etc. on investment promotion;
- [e] Liaison with State Governments regarding investment promotion;
- [f] Documentation of single window systems followed by various States;
- [g] Match-making service for investment promotion;

[h] Coordination of progress of infrastructure sectors approved for investment/technology transfer, power, telecom, ports, roads, etc.;

[i] Facilitating Industrial Model Town Projects, and Industrial Parks, etc.;

[j] Promotion of Private Investment including Foreign Investment in the infrastructure sector;

[k] Compilation of sectoral policies, strategies and guidelines of infrastructure sectors, both in India and abroad; and

[l] Facilitating preparation of a perspective plan on infrastructure requirements for industry.

### **15.6 Project Monitoring Wing**

Project Monitoring Wing , created within the IP&ID Cell in June 1998, has now been functioning under Foreign Investment Implementation Authority Section with effect from 27.7.2001. The functions of the Project Monitoring Wing are as follows:

(i) Coordination with Central and State level Ministries/Departments concerned and related agencies for tracking and monitoring approved projects, and compilation and analyses such information;

(ii) Direct contact, wherever necessary, with entrepreneurs and updation of the information on projects, and provision of necessary assistance.

### **16. NODAL OFFICERS**

16.1 The Department of Industrial Policy and Promotion has identified officers at the Deputy Secretary/Director level as Nodal officers for facilitation of all matters relating to the industrial projects pertaining to a State. For large projects involving sizeable amount of FDI, officers have been identified in the Department of Industrial Policy and Promotion and other departments concerned (e.g. the Ministry to which the investment proposal pertains) and the State Government to act as contact officers so that these projects can be implemented within the time schedule. The officers of the Project Monitoring Wing are in touch with the contact officers.

## **17. FOCUS WINDOWS**

17.1 The Department of Industrial Policy and Promotion also has opened Country Focus Windows for countries with sizeable investment interest in India. At present, the Focus Window cover countries such as USA, Germany, France, Switzerland, UK, Australia, Japan and Korea. For each focus window a senior officer in the Department provides facilitation and assistance.

## **18. INTERNATIONAL CENTRE FOR ALTERNATIVE DISPUTE RESOLUTION**

International Centre for Alternative Dispute Resolution (ICADR) has been established as an autonomous organization under the aegis of Ministry of Law, Justice and Company Affairs to promote settlement of domestic and international disputes by different modes of alternate dispute resolution. ICADR has its

headquarters in New Delhi and has regional office in Lucknow and Hyderabad.

More information on ICADR can be obtained from the website:

<http://www.icadr.org>

## **19. PUBLICATIONS**

### **19.1 SIA Newsletter**

This is a monthly publication and covers information on data relating to Foreign Direct Investment, NRI investment, sectoral break-ups, countrywise break-up, all approvals accorded for Foreign Direct Investment, and NRI investment during the month, FDI inflows, and policy notifications issued during the month. Annual issues of SIA Newsletter for 1999 and 2000 have been officially released and is now available and can be obtained on payment from Controller of Publications, 1 civil lines, Delhi - 110 054 or from any outlet dealing in Government publications.

### *19.2 SIA Statistics*

This is also a monthly publication which contains data relating to Industrial Licences, approvals granted for setting up 100 per cent Export Oriented Units, details of approvals for Industrial Licences, EOUs, Foreign Technical Collaboration etc., monthly data on industrial production of 209 select industry groups, as well as policy announcements by Government during the month. Annual issues of SIA Statistics have been officially released and is now available and can be obtained on payment from Controller of Publications, 1 civil lines,



Delhi - 110 054 or from any outlet

in Government publications..

### *19.3 Other Publications*

These publications include this Manual as well as sector specific publications, such as on the Indian Automobile industry, Cement industry, Engineering industries, Leather industries, etc. A set of publications relating to the Infrastructure sector with specific volumes on Ports, Roads, Power, Telecom, and Railways is also published. Other publications include information on Current taxation and duty structure, Entry options for business in India, and the like. A comprehensive publication 'India Investment Guide' has recently been published.

All or any of these publications are available through the EAU of the SIA, the Investment Promotion and Infrastructure Development Cell, as also Indian Missions abroad. These can also be down loaded from the SIA Website.

## **20. SIA WEBSITE <http://dipp.nic.in>**

20.1 A new website (<http://dipp.nic.in>) of the Department of Industrial Policy & Promotion has been recently launched. The Home page of the website has been created with the intention to convey information relating to the investment climate in India and contains the ready reckoner on investing in India, Manual on Industrial Policy & Procedures, other publications, State industrial policies, forthcoming promotional events, projects on offer, investment opportunity in selected sectors, profile of industries looked after by the Department, FIPB

application status, downloadable forms, etc.. The Japanese, German, French, Italian & Spanish Versions of the Manual are also available on the website. The earlier website of SIA is now available at <http://siadipp.nic.in> .

20.2 On line advisory services through Chat Room/Bulletin Board are available during prescribed hours on Internet through SIA website. Assistance for drafting and filing of all application with SIA is also provided.

20.3 SIA website is hyperlinked to the website of all Ministries/Department(s) of the Central Government as well as State Governments, Banks, Financial Institutions and Industry associations.

## **21. SUBMISSION OF MONTHLY PRODUCTION RETURNS**

21.1 All industrial undertakings, whether exempt or not from compulsory industrial licensing, are statutorily required to submit a monthly production return in the proforma to the

Deputy Director (Statistics),

Industrial Statistics Unit,

Department of Industrial Policy & Promotion,

Room No. 326, Udyog Bhawan,

New Delhi - 110 011

Fax: 011-301 4564/301 2626

Email: [ipp\\_ddstat@ub.nic.in](mailto:ipp_ddstat@ub.nic.in)

every month regularly so as to reach him by the 7<sup>th</sup> of the following month

positively. This information is used to compile various industrial growth which is time bound monthly exercise. A copy of the monthly production returns should also be submitted to the Concerned Administrative ministry/Department and to the concerned technical authorities viz. Iron and Steel Controller; Coal Controller, Directorate of Sugar; Directorate of Vanaspati, Vegetable Oils and Fats and Textile Commissioner, as the case may be.

21.2 In the case of small scale industrial undertakings, the monthly production return should be submitted to the appropriate State Government or Commissioner of Industries and to the Department of Small Scale and Agro & Rural Industries, Government of India along with a copy to the Small Industries Service Institute.

## **22. PROCEDURE FOR OTHER ENVIRONMENTAL CLEARANCES**

22.1 Entrepreneurs are advised to approach Ministry of Environment and Forests, Paryavaran Bhavan, Phase II, CGO Complex, Lodhi Road, New Delhi- 110003.

## **23. INFORMATION ON EXPORTS AND IMPORTS**

23.1 Exports and imports of plant machinery would be as per the existing Export-Import Policy in force. For any information or facilitation, entrepreneurs can contact the Directorate General of Foreign Trade (DGFT), Ministry of Commerce & Industry, Udyog Bhavan, New Delhi-110011.

## **24. EXTERNAL COMMERCIAL BORROWINGS**

24.1 Applications may be submitted by the borrowers in the prescribed format to the Joint Secretary(ECB), Department of Economic Affairs, Ministry of Finance,

North Block, New Delhi-110001. The policy and procedures are contained in the guidelines issued by that Ministry and are available on the SIA website.

## **25. COMPANY REGISTRATION**

25.1 Information and details may be obtained from the Department of Company Affairs, Shastri Bhavan, New Delhi-110011 or the Registrar of Companies located in all State capitals.

## **26. GRIEVANCES AND COMPLAINTS**

### *26.1 Business Ombudsperson*

To facilitate expeditious redressal of grievances and attend to complaints relating to delays in grant and implementation of industrial approvals and facilitate their disposal, the Government has appointed a BUSINESS OMBUDSPERSON in the Ministry of Commerce and Industry. , Additional Secretary & Financial Adviser, Ministry of Commerce and Industry, Udyog Bhavan, New Delhi-110011 has been nominated to act as Business Ombudsperson.

### *26.2 Grievances Officer & Joint Secretary*

Grievances and complaints are also received by the Grievances Office-cum-Joint Secretary, Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, Udyog Bhavan, New Delhi-110011, either through post or through the mail box in the EAU of the SIA and at Reception of the Ministry of Commerce & Industry at Gate No.13 of Udyog Bhavan, New Delhi-110011. Any such communication is handled expeditiously and steps are taken to redress the

grievance.

## **27. CITIZENS CHARTER**

27.1 The Department of Industrial Policy and Promotion has also got its own Citizens Charter which outlines general procedures and standards of performance expected from the Department.

source:<http://dipp.gov.in>

## **5.ABBREVIATIONS**

<b>CCEA</b>	<b>Cabinet Committee on Economic Affairs</b>
<b>DC</b>	<b>Development Commissioners</b>
<b>DTA</b>	<b>Domestic Tariff Area</b>
<b>EHTP</b>	<b>Electronic Hardware Technology Park Scheme</b>
<b>EOU</b>	<b>Export Oriented Unit</b>
<b>EPCG</b>	<b>Export Promotion Capital Goods</b>
<b>EPZ</b>	<b>Export Promotion Zone</b>
<b>EXIM Policy</b>	<b>Export &amp; Import Policy of Government of India</b>
<b>FDI</b>	<b>Foreign Direct Investment</b>
<b>FEMA</b>	<b>Foreign Exchange Management Act</b>
<b>FIPB</b>	<b>Foreign Investment Promotion Board</b>
<b>FIIA</b>	<b>Foreign Investment Implementation Authority</b>
<b>FIPC</b>	<b>Foreign Investment Promotion Council</b>
<b>IEM</b>	<b>Industrial Entrepreneurs Memorandum</b>
<b>IMSC</b>	<b>Inter Ministerial Committee</b>
<b>NCT of Delhi</b>	<b>National Capital Territory of Delhi (Capital of India)</b>
<b>nec</b>	<b>not elsewhere classified</b>
<b>NIC</b>	<b>National Industrial Classification of all Economic Activities</b>

<b>NRI</b>	<b>Non Resident Indians</b>
<b>OCB</b>	<b>Overseas Corporate Bodies</b>
<b>RBI</b>	<b>Reserve Bank of India</b>
<b>SEBI</b>	<b>The Securities &amp; Exchange Board of India</b>
<b>SIA</b>	<b>Secretariat for Industrial Assistance</b>
<b>SIDCs</b>	<b>State Industrial Development Corporations</b>
<b>STP</b>	<b>Software Technology Park Scheme</b>



## **6. SUMMARY OF THE PROCEDURES TO START AN IT COMPANY**

## Obtaining provisional SSI registration/filing of IEM/

### LOI/LOP

Approval	Applicability	Authority
Provisional SSI registration	In the case of SSI units(Capital Cost Less than 6 Crores).	<p><b>General Manager,</b> <b>District Industries Centre</b> <b>/Regional Joint Director ,</b> <b>Department of Industries</b> <b>and Commerce,</b> <b>Government of Tamil Nadu,</b> <b>Chepauk,</b> <b>Chennai-600 005.</b> <b>FAX:28547026,28548517</b> <b>PHONE:(044)28548173</b> <b>EMAIL:<a href="mailto:indcom@tn.nic.in">indcom@tn.nic.in</a></b></p> <p><b>Directorate of Industries and</b> <b>Commerce,Tamil Nadu</b></p> <p><b>For SSI online registraton</b> <b>please click,</b></p> <p><b><a href="http://indcom.tn.nic.in/indexbc.asp">http://indcom.tn.nic.in/index</a></b> <b><a href="http://indcom.tn.nic.in/indexbc.asp">bc.asp</a></b></p> <p><b><a href="http://www.tndic.org/ssitotal.htm">http://www.tndic.org/ssitotal</a></b> <b><a href="http://www.tndic.org/ssitotal.htm">.htm</a></b></p>

		<p>(<a href="http://indcom.tn.nic.in/contacts.html">http://indcom.tn.nic.in/contacts.html</a>)</p> <p>(<a href="http://www.tn.gov.in/department/sind.htm">http://www.tn.gov.in/department/sind.htm</a>)</p>		
Industrial Entrepreneur Memorandum(IE M)	In the case of medium and large delicensed industries	<p><b>Secretariat for Industrial Assistance</b></p> <p><a href="http://www.siadipp.nic.in/siadipp/default.htm">http://www.siadipp.nic.in/siadipp/default.htm</a></p> <p><b>Contact Address</b></p> <div style="border: 1px solid black; padding: 5px; margin: 5px 0;"> <p><b>Joint Secretary, SIA</b></p> <p><b>Tel: 011-23011983</b></p> <p><b>Fax: 011-23011034</b></p> <p><b>E-Mail:</b></p> <p><a href="mailto:umeshgupta@ub.nic.in">umeshgupta@ub.nic.in</a></p> </div> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 5px;"> <p><b>Director</b></p> <p>(FDI Policy, FIIA, NRI &amp; 100% EOU)</p> <p>Tel: 011-23013196</p> <p>Fax: 011-23015245</p> <p><u>E-Mail:</u></p> <p><a href="mailto:julaniya@ub.n">julaniya@ub.n</a></p> </td> <td style="width: 50%; padding: 5px;"> <p><b>Director</b></p> <p>(Investment Promotion &amp; Infrastructure Development Cell)</p> <p>Tel: 011-23014820</p> <p>Fax: 011-23011770</p> </td> </tr> </table>	<p><b>Director</b></p> <p>(FDI Policy, FIIA, NRI &amp; 100% EOU)</p> <p>Tel: 011-23013196</p> <p>Fax: 011-23015245</p> <p><u>E-Mail:</u></p> <p><a href="mailto:julaniya@ub.n">julaniya@ub.n</a></p>	<p><b>Director</b></p> <p>(Investment Promotion &amp; Infrastructure Development Cell)</p> <p>Tel: 011-23014820</p> <p>Fax: 011-23011770</p>
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		<a href="mailto:ic.in">ic.in</a>	<u>E-Mail:</u> <a href="mailto:mpandey@ub.nic.in">mpandey@ub.nic.in</a>
		<p><b>Director</b> (Industrial Licensing &amp; Technology Collaboration)</p> <p>Tel: 011- 23013596</p> <p>Fax: 011- 23014564</p> <p><u>E-Mail:</u> <a href="mailto:cbs@ub.nic.in">cbs@ub.nic.in</a></p>	<p><b>Public Relations Officer</b></p> <p>Entrepreneurs Assistance Unit SIA UDYOG BHAWAN</p> <p>NEW DELHI- 110 011</p> <p>Tel: 011- 23014088</p> <p>Fax: 011- 23012626</p> <p><u>E-Mail:</u> <a href="mailto:ipp_prc@ub.nic.in">ipp_prc@ub.nic.in</a></p>
		<p>Mail Boxes</p> <p>FIIA <a href="mailto:fiaa@ub.nic.in">fiaa@ub.nic.in</a></p>	

		<p><b>Secretariat for Industrial Assistance</b></p> <p><b>Dept. of Industrial Policy &amp; Promotion, Ministry of Comm. &amp; Ind., New Delhi</b></p> <p><b>(<a href="http://www.siadipp.nic.in/sia/default.htm">http://www.siadipp.nic.in/sia/default.htm</a>)</b></p>		
<p>Letter of Indent(LOI) &amp; Carry on Business (COB)</p>	<p>In the case of licensed industries</p>	<p><b>Secretariat for Industrial Assistance</b></p> <p><b><a href="http://www.siadipp.nic.in/sia/default.htm">http://www.siadipp.nic.in/sia/default.htm</a></b></p> <p><b>Contact Address</b></p> <div style="border: 1px solid black; padding: 5px; margin: 5px 0;"> <p><b>Joint Secretary, SIA</b></p> <p><b>Tel: 011-23011983</b></p> <p><b>Fax: 011-23011034</b></p> <p><b>E-Mail:</b></p> <p><b><a href="mailto:umeshgupta@ub.nic.in">umeshgupta@ub.nic.in</a></b></p> </div> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 5px;"> <p><b>Director</b></p> <p>(FDI Policy, FIIA, NRI &amp; 100% EOU)</p> <p>Tel: 011-23013196</p> <p>Fax: 011-</p> </td> <td style="width: 50%; padding: 5px;"> <p><b>Director</b></p> <p>(Investment Promotion &amp; Infrastructure Development Cell)</p> <p>Tel: 011-</p> </td> </tr> </table>	<p><b>Director</b></p> <p>(FDI Policy, FIIA, NRI &amp; 100% EOU)</p> <p>Tel: 011-23013196</p> <p>Fax: 011-</p>	<p><b>Director</b></p> <p>(Investment Promotion &amp; Infrastructure Development Cell)</p> <p>Tel: 011-</p>
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			<u>nic.in</u>
			<b>Public Relations Officer</b>
		<b>Director</b>	Entrepreneurs
		(Industrial	Assistance
		Licensing &	Unit SIA
		Technology	UDYOG
		Collaboration)	BHAWAN
		Tel: 011-	NEW DELHI-
		23013596	110 011
		Fax: 011-	Tel: 011-
		23014564	23014088
		<u>E-Mail:</u>	Fax: 011-
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			<u>ic.in</u>
		<b>Mail Boxes</b>	

		<p style="text-align: center;">FIIA <a href="mailto:fia@ub.nic.in">fia@ub.nic.in</a></p> <p style="text-align: center;"><b>Secretariat for Industrial Assistance</b>  <b>Dept. of Industrial Policy &amp; Promotion, Ministry of Comm. &amp; Ind., New Delhi</b></p> <p style="text-align: center;">(<a href="http://www.siadipp.nic.in/sia/default.htm">http://www.siadipp.nic.in/sia/default.htm</a>)</p>
Letter of Permission (LOP)	In the case of 100% EOUs	
	a) Items for automatic approval	<p><b>Shri.B.Vijayan IAS</b>  <b>Development Commissioner of the EPZ,Chennai.(MEPZ).</b>  <a href="mailto:dc@mepz.gov.in">dc@mepz.gov.in</a></p> <p>MEPZ Special Economic Zone, Administrative Building, N.H.45, Tambaram,Chennai 600 045, India.  Phone 91-44-22628220, 22628230</p>

	<p>Fax: 91-44-22628218</p> <p><a href="http://www.mepz.gov.in/home.asp">http://www.mepz.gov.in/home.asp</a></p>
b) Items other than automatic approval	<p><b>Joint Secretary,</b></p> <p>Secretariat for Industrial Assistance</p> <p>Tel: 011-23011983</p> <p>Fax: 011-23011034</p> <p>E-Mail: umeshgupta@ub.nic.in</p> <p><b>Director</b></p> <p>(FDI Policy, FIIA, NRI &amp; 100% EOU)</p> <p>Tel: 011-23013196</p> <p>Fax: 011-23015245</p> <p>E-Mail: julaniya@ub.nic.in</p> <p><b>Director</b></p> <p>(Investment Promotion &amp; Infrastructure Development Cell)</p> <p>Tel: 011-23014820</p> <p>Fax: 011-23011770</p>



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**Secretariat for Industrial  
Assistance**

**Dept. of Industrial Policy &  
Promotion, Ministry of Comm.  
& Ind., New Delhi**

(<http://www.siadipp.nic.in/si>)

a/default.htm)

### Constitution of business organization –

#### Proprietorship/Partnership/Pvt Ltd/ Public Ltd companies

Form of business organization	Type of ownership	Authority
Proprietorship	Individual ownership	No registration required from Registrar of Firms, Tamil Nadu
Partnership	Minimum 2 owners upto a maximum of 20 owners	<b>Registrar of Companies,</b> <b>Tamil Nadu</b>  <b>TAMILNADU-II</b>  <b>Sh. V. SELVARAJ</b> <b>REGISTRAR OF COMPANIES</b> <b>STOCK EXCHANGE</b> <b>BUILDING, II-FLOOR,</b> <b>683, TRICHY ROAD,</b> <b>SINGANALLUR,</b> <b>COIMBATORE - 641 005</b> <b>TAMILNADU</b> <b>PHONE : (0422) - 2318170 (D),</b> <b>2318089, 2319640</b> <b>FAX : (0422) - 2324012</b> <b>E-Mail : <a href="mailto:roccoi.sb@sb.nic.in">roccoi.sb@sb.nic.in</a></b> <b>Website :</b> <b><a href="http://www.roccoimbatore.tn.ni">http://www.roccoimbatore.tn.ni</a></b>

		<p><a href="http://www.rockovai.tn.nic.in">c.in</a> (or)<a href="http://www.rockovai.tn.nic.in">http://www.rockovai.tn.nic.in</a></p> <p><b>TAMILNADU-I</b></p> <p><b>Sh. K.PANDIAN</b> <b>BLOCK NO.6,B WING 2nd</b> <b>FLOOR</b> <b>SHASTRI BHAWAN 26,</b> <b>HADDOWS ROAD,</b> <b>CHENNAI - 600034</b> <b>PHONE 044-8277182, 8272676</b> <b>FAX 044-8234298</b> <b>E-Mail: <a href="mailto:rocmad.sb@sb.nic.in">rocmad.sb@sb.nic.in</a></b> <b>Website:<a href="http://www.rocchen&lt;br/&gt;nai.tn.nic.in/">http://www.rocchen nai.tn.nic.in/</a></b>  <b><a href="http://dca.nic.in/ROC_2003">http://dca.nic.in/ROC_2003.</a></b></p>
Pvt Ltd Co.	Minimum 2 and maximum 50 shareholders with limited liability	<p><b>TAMILNADU-II</b></p> <p><b>Sh. V. SELVARAJ</b> <b>REGISTRAR OF COMPANIES</b> <b>STOCK EXCHANGE</b> <b>BUILD CroresING, II-FLOOR,</b> <b>683, TRICHY ROAD,</b> <b>SINGANALLUR,</b> <b>COIMBATORE - 641 005</b> <b>TAMILNADU</b></p>

		<p>PHONE : (0422) - 2318170 (D), 2318089, 2319640</p> <p>FAX : (0422) - 2324012</p> <p>E-Mail : <a href="mailto:roccoi.sb@sb.nic.in">roccoi.sb@sb.nic.in</a></p> <p>Website : <a href="http://www.rockoimbatoresb.nic.in">http://www.rockoimbatoresb.nic.in</a> (or)<a href="http://www.rockovai.tn.nic.in">http://www.rockovai.tn.nic.in</a></p> <p>TAMILNADU-I</p> <p>Sh. K.PANDIAN BLOCK NO.6,B WING 2nd FLOOR SHASTRI BHAWAN 26, HADDOWS ROAD, CHENNAI - 600034</p> <p>PHONE 044-8277182, 8272676 FAX 044-8234298</p> <p>E-Mail: <a href="mailto:rocmad.sb@sb.nic.in">rocmad.sb@sb.nic.in</a></p> <p>Website:<a href="http://www.rocchen&lt;br/&gt;nai.tn.nic.in/">http://www.rocchen nai.tn.nic.in/</a></p> <p><a href="http://dca.nic.in/ROC_2003.&lt;br/&gt;htm/">http://dca.nic.in/ROC_2003. htm/</a></p>
Public Ltd Co.	Minimum 7 and maximum unlimited numbers with	TAMILNADU-II

limited liability

**Sh. V. SELVARAJ**

**REGISTRAR OF COMPANIES**

**STOCK EXCHANGE**

**BUILDING, II-FLOOR,**

**683, TRICHY ROAD,**

**SINGANALLUR,**

**COIMBATORE - 641 005**

**TAMILNADU**

**PHONE : (0422) - 2318170 (D),**

**2318089, 2319640**

**FAX : (0422) - 2324012**

**E-Mail : [roccoi.sb@sb.nic.in](mailto:roccoi.sb@sb.nic.in)**

**Website :**

**<http://www.roccoimbatore.tn.nic.in>**

**[c.in](http://www.rockovai.tn.nic.in)**

**(or)<http://www.rockovai.tn.nic.in>**

**[n](http://www.rockovai.tn.nic.in)**

**TAMILNADU-I**

**Sh. K.PANDIAN**

**BLOCK NO.6,B WING 2nd**

**FLOOR**

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**PHONE 044-8277182, 8272676**

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**E-Mail: [rocmad.sb@sb.nic.in](mailto:rocmad.sb@sb.nic.in)**

**Website:<http://www.rocchen>**

		<a href="http://nai.tn.nic.in/">nai.tn.nic.in/</a> <a href="http://dca.nic.in/ROC_2003.htm/">http://dca.nic.in/ROC_2003.htm/</a>
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**Acquisition of land – from Industrial Estate / Govt  
authorities/private sources**

Purpose	Authority
Land acquired in Industrial estate-/SEZ	<p><b><u>Department of Industries and Commerce</u></b>  <u>Government of Tamil Nadu</u>  <u>Chepauk, Chennai-600005</u>  <u>Phone : 91-44-28548173</u>  <u>email : indcom@tn.nic.in</u>  <u>http://indcom.tn.nic.in/indexbc.asp</u></p> <p>SIPCOT,  TIDCO,  ELCOT,  SIDCO.</p>
Government land	<p><b>Respective District Collectors of Tamil Nadu.</b></p> <p>(<a href="http://www.sarkaritel.com/states/tamilnadu/district_collectors.htm">http://www.sarkaritel.com/states/tamilnadu/district_collectors.htm</a>)</p>

Private land	No Restriction (subject to the Approval of Agriculture Dept., Tamil Nadu.)  <a href="http://www.agri.tn.gov.in/">http://www.agri.tn.gov.in/</a>
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### Registration for incentives available, if any

Purpose	Authority
SSI, MSI, LSI units	<u>Directorate of Industries and Commerce,</u> <u>Department of Industries and Commerce</u> <u>Government of Tamil Nadu</u>  <u>Chepauk, Chennai-600005</u>  <u>Phone : 91-44-28548173</u>  <u>email : <a href="mailto:indcom@tn.nic.in">indcom@tn.nic.in</a></u>  <u><a href="http://indcom.tn.nic.in/indexbc.as">http://indcom.tn.nic.in/indexbc.as</a></u>

### Financial tie-up – Medium or long term loan/short term loan for working capital

Purpose	Authority
Term loan for acquisition of fixed assets	TIIC,SIPCOT,TIDCO or Any Commercial bank  <u><a href="http://www.sipcot.com">http://www.sipcot.com</a></u>

	<p><a href="http://www.tidco.com">http://www.tidco.com</a></p> <p><a href="http://www.tiic.org">http://www.tiic.org</a></p> <p><a href="http://www.idbibank.com/idbi/doob2.asp">http://www.idbibank.com/idbi/doob2.asp</a></p> <p>(<a href="http://www.icicibank.com/Pfsuser/customer/customer_care.htm">http://www.icicibank.com/Pfsuser/customer/customer_care.htm</a>)</p> <p><a href="http://www.ifcilt.com">http://www.ifcilt.com</a></p>
Working capital	<p>TIIC,SIPCOT,TIDCO or Any</p> <p>Commercial bank</p> <p><a href="http://www.sipcot.com">http://www.sipcot.com</a></p> <p><a href="http://www.tidco.com">http://www.tidco.com</a></p> <p><a href="http://www.tiic.org">http://www.tiic.org</a></p> <p><a href="http://www.idbibank.com/idbi/doob2.asp">http://www.idbibank.com/idbi/doob2.asp</a></p> <p>(<a href="http://www.icicibank.com/Pfsuser/customer/customer_care.htm">http://www.icicibank.com/Pfsuser/customer/customer_care.htm</a>)</p> <p><a href="http://www.ifcilt.com">http://www.ifcilt.com</a></p>

### Fund to be raised through public issue

<b>Purpose</b>	<b>Authority</b>
Offer of shares to the public	As per the guidelines issued by RBI/SEBI



<http://www.rbi.org.in/home.aspx>

[http://www.sebi.gov.in/Index.jsp?contentDisp=Section&sec\\_id=4](http://www.sebi.gov.in/Index.jsp?contentDisp=Section&sec_id=4)

## INDUSTRIAL GUIDANCE BUREAU

Procedure for Starting an Industry	<p><u>Procedure</u></p> <p><a href="http://www.tamilnadunri.com/india/fdipolicy/fdipolicy_index.htm">http://www.tamilnadunri.com/india/fdipolicy/fdipolicy_index.htm</a></p>
Industrial Guidance Bureau	<p><u>IGB</u></p> <p><a href="http://www.tamilnadunri.com/tn/support/support_index.htm">http://www.tamilnadunri.com/tn/support/support_index.htm</a></p>
Single Window of IGB	<p><u>Single Window</u></p> <p><a href="http://www.tamilnadunri.com/tn/singlewindow/facilitation.htm">http://www.tamilnadunri.com/tn/singlewindow/facilitation.htm</a></p>
Contact Address of IGB	<p><u>Address</u></p> <p><b><u>Tamil Nadu Industrial Guidance &amp; Export Promotion Bureau</u></b> ( Industries Department - Govt. of Tamil Nadu ) 19-A, Rukmani Lakshmipathy Salai, Egmore, Chennai - 600 008. INDIA Tel : 91-44-28588364, 28553118, 28553866, 28553856. Fax : 91-44-28588364 <u>For more information, Please contact</u> <a href="#">Mr.M.Velmurugan, IES</a> <u>Director, Guidance Bureau</u></p>

**B.FOR FDI COMPANIES**

<b>Approval</b>	<b>Applicability</b>	<b>Authority</b>
Automatic Route	All items/activities produced/carried out by new ventures, barring a few falling under automatic route for FDI/NRI/OCB investment upto 100%	<b>Reserve Bank of India after ensuring compliance of sectoral policy and equity caps stipulated if any.</b>  <a href="http://www.rbi.org.in/home.aspx">http://www.rbi.org.in/home.aspx</a>
Automatic Route	Existing companies proposing to raise foreign equity with an expansion programme, should fulfill (i) the increase in equity level to result from the expansion of the equity base of the company without acquisition of existing shares by NRI/OCB/foreign investors, (ii) money to be remitted in foreign currency and (iii) proposed expansion programme to be in the sectors under Automatic Route.	<b>Reserve Bank of India after ensuring compliance of sectoral policy and equity caps stipulated if any.</b>  <a href="http://www.rbi.org.in/home.aspx">http://www.rbi.org.in/home.aspx</a>
Automatic Route	Existing companies without an expansion program for eligibility under Automatic Route should fulfill (i) they are engaged in the industries under Automatic Route (ii) the increase in equity level will result in expansion of	<b>Reserve Bank of India after ensuring compliance of sectoral policy and equity caps stipulated if any.</b>

	the equity base and (iii) the foreign equity in foreign currency.	<a href="http://www.rbi.org.in/home.aspx">http://www.rbi.org.in/home.aspx</a>
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**For Foreign Direct Investment under the Automatic Route, RBI has given permission to Indian companies to accept investment under this Route without obtaining prior approval from RBI. Investors are required to notify the concerned regional office of RBI of receipt of inward remittance within 30 days of such receipts and file required documentation within 30 days of issue of shares to foreign investors.**

Government Approval	All proposals requiring IL under ID&R Act, 1951	<b>Foreign Investment Promotion Board, Ministry of Industry, GOI, New Delhi</b>  <a href="http://www.dipp.nic.in/">http://www.dipp.nic.in/</a>
Government Approval	Foreign investment exceeding 24% in the equity capital of units manufacturing items reserved for small scale industries.	<b>Foreign Investment Promotion Board, Ministry of Industry, GOI, New Delhi</b>  <a href="http://www.dipp.nic.in/">http://www.dipp.nic.in/</a>
Government Approval	All items requiring IL in terms of the locational policy notified by Government under NIP, 1991.	<b>Foreign Investment Promotion Board, Ministry of Industry, GOI, New Delhi</b>  <a href="http://www.dipp.nic.in/">http://www.dipp.nic.in/</a>
Government Approval	All proposals in which the foreign collaborator has a previous venture/tie up in India	<b>Foreign Investment Promotion Board, Ministry of Industry, GOI, New Delhi</b>

		<a href="http://www.dipp.nic.in/">http://www.dipp.nic.in/</a>
Government Approval	All proposals relating to acquisition of shares in an existing Indian Company in favour of foreign/NRI/OCB investor	<b>Foreign Investment Promotion Board, Ministry of Industry, GOI, New Delhi</b>  <a href="http://www.dipp.nic.in/">http://www.dipp.nic.in/</a>
Government Approval	All proposals falling outside notified sectoral policy/caps or under sectors in which FDI is not permitted	<b>Foreign Investment Promotion Board, Ministry of Industry, GOI, New Delhi</b>  <a href="http://www.dipp.nic.in/">http://www.dipp.nic.in/</a>
<p><b>RBI has granted general permission under FEMA for proposals approved by the Government. Indian companies getting foreign investment approval through FIPB route do not require any further clearance from RBI for the purpose of receiving inward remittance and issue of shares to foreign investors. Such companies would notify the concerned regional office of the RBI about the receipt of inward remittance within 30 days and file the required documentation within 30 days after issue of shares to the foreign investors.</b></p>		

## C. Foreign Technology Agreements

Approval	Applicability	Authority
Automatic Approval for foreign technology collaboration agreements	All industries for foreign technology collaboration agreement subject to (i) lumpsum payments not exceeding US\$ 2 million (ii) royalty payable limited to 5% for domestic sales and 8% for exports subject to a total payment of 8% on sales over a period of 10 years and (iii) period of payment of royalty not exceeding 7 years from commencement of commercial production or 10 years from the date of agreement whichever is earlier.  The limits of royalty are net of taxes.	<b>Reserve Bank of India</b>  <a href="http://www.rbi.org.in/home.aspx">http://www.rbi.org.in/home.aspx</a>
Automatic Approval for use of foreign trade marks and brand names	Payment of royalty upto 2% for export and 1% for domestic sales is allowed on trade marks and brand name of the foreign collaborator without technology transfer. This royalty shall be paid as a percentage of net of sales .	<b>Reserve Bank of India</b>  <a href="http://www.rbi.org.in/home.aspx">http://www.rbi.org.in/home.aspx</a>
Automatic Approval by wholly owned subsidiaries	Payment of royalty upto 8% on exports and 5% for domestic sales by wholly owned subsidiaries to offshore parent companies permitted without any	<b>Reserve Bank of India</b>  <a href="http://www.rbi.org.in/home.aspx">http://www.rbi.org.in/home.aspx</a>

	restriction on the duration of royalty payments.	
Government approval	<p>For following categories, Govt approval is necessary:</p> <p>(i) Proposals attracting compulsory licensing</p> <p>(ii) Items of manufacture reserved for SSI sector</p> <p>(iii) Proposals involving any previous JV or technology transfer or trade mark agreement in the same or allied field in India</p> <p>(iv) Extension of agreements</p> <p>(v) Proposals not meeting any or all the parameters for Automatic Approval.</p>	<p><b>Secretariat for Industrial Assistance</b></p> <p><b>Dept. of Industrial Policy &amp; Promotion, Ministry of Comm. &amp; Ind., New Delhi</b></p> <p><b>(<a href="http://www.siadipp.nic.in/sia/default.htm">http://www.siadipp.nic.in/sia/default.htm</a>)</b></p>

## D. Specific Approvals

<b>purpose</b>	<b>Applicability</b>	<b>Authority</b>
Imported machinery/raw materials	Units required to import machineries/raw materials	<b>Joint Directorate General of Foreign Trade, Ministry of Commerce, GOI, Tamil Nadu.</b>  ( <a href="http://zjdgft.tn.nic.in/">http://zjdgft.tn.nic.in/</a> )
Factory licence	Units covered under Factories Act	<b>Chief Inspector of Factories, Government of Tamil Nadu.</b>  ( <a href="http://www.tn.gov.in/citizen/insp-e-2002.htm">http://www.tn.gov.in/citizen/insp-e-2002.htm</a> )
Site clearance certificate for LOI holders for converting into IL	For the Medium and Large Scale Industries	<b>Dept. of Industries and Commerce Government of Tamil Nadu.</b>  ( <a href="http://indcom.tn.nic.in/">http://indcom.tn.nic.in/</a> )
Quality Certification	Those require BIS	<b>Bureau of Indian Standards, Chennai.</b>  ( <a href="http://www.bis.org.in/org/CPIO.htm">http://www.bis.org.in/org/CPIO.htm</a> )

**7.Approval/Clearances  
Required  
for New Projects**



### Approval/Clearances Required for New Projects

<b>Approvals/Clearances Required</b>	<b>Department to be Approached and Consulted</b>
<b>Incorporation of Company</b>	<b>Registrar of Companies</b>
<b>Registration/IEM/Industrial license</b>	<b>DIC for SSI/SIA for large and medium industries</b>
<b>Allotment of land</b>	<b>State DI/SIDC/Infrastructure Corporation /SSIDC</b>
<b>Permission for land use</b>  <b>(in case industry is located outside an industrial area)</b>	<b>a. State DI</b>  <b>b. Dept. of Town and Country Planning</b>  <b>Local authority/Distt. Collector</b>
<b>NOC and consent under Water and Air Pollution Control Acts</b>	<b>State Pollution Control Board</b>
<b>Approval of construction activity and building plan</b>	<b>a. Town and country planning</b>  <b>b. Municipal and local authorities</b>  <b>c. Chief Inspector of Factories</b>  <b>d. Pollution Control Board</b>

	<b>Electricity Board</b>
<b>Sanction of Power</b>	<b>State Electricity Board</b>
<b>Use and storage of explosives</b>	<b>Chief Controller of Explosives</b>
<b>Use and storage of explosives</b>	<b>Chief Controller of Explosives</b>
<b>Boiler Inspection Certificate</b>	<b>Chief Inspector of Boilers</b>
<b>Finance</b>	<p><b>i. SFC/SIDC for term loans</b></p> <p><b>ii. For loans higher than Rs. 15 Million, all India financial institutions like IDBI, ICICI, IFCI etc.</b></p>
<b>Registration under States</b>  <b>Sales Tax Act, and</b>  <b>Central and State Excise Act</b>	<p><b>i. Sales Tax Department</b></p> <p><b>ii. Central and State Excise Depts.</b></p>
<b>Extraction of Minerals</b>	<b>State Director of Mines and Geology</b>
<b>ISI Certificate</b>	<b>Regional Office of the Bureau of</b>

	<b>Indian Standards (BIS)</b>
<b>Quality Marking Certificate</b>	<b>Quality Marking Center of the State Government</b>
<b>Weights and Measures</b>	<b>Inspector of Weights and Measures</b>
<b>Code Number for Export and Import</b>	<b>Regional Office of Director General of Foreign Trade.</b>

**SIDC : State Industrial Development Corporation**

**SSI : Small Scale Industries**

**SIA : Secretariat of Industrial Assistance**

**SSIDC : Small Scale Industrial Development Corporation**

**SFC : State Financial Corporation**

**DIC : District Industry Center**

**GOI : Government of India**

**IDBI : Industrial Development Bank of India**

**ICICI : Industrial Credit and Investment Corporation of India**

**IFCI : Industrial Finance Corporation of India**

**Some useful addresses:**

**Secretariat of Industrial Assistance:**

**Joint Secretary, SIA**

**Tel: 011-23011983**

**Fax: 011-23011034**

**E-Mail: [umeshgupta@ub.nic.in](mailto:umeshgupta@ub.nic.in)**

**Director**

**(FDI Policy, FIIA, NRI & 100% EOU)**

**Tel: 011-23013196**

**Fax: 011-23015245**

**E-Mail: [julaniya@ub.nic.in](mailto:julaniya@ub.nic.in)**

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**Development Cell)**

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**Fax: 011-23011770**

**E-Mail: [rnpandey@ub.nic.in](mailto:rnpandey@ub.nic.in)**

**Director**

**(Industrial Licensing & Technology**

**Collaboration)**

**Tel: 011-23013596**

**Fax: 011-23014564**

**E-Mail: [cbs@ub.nic.in](mailto:cbs@ub.nic.in)**

**Public Relations Officer**

**Entrepreneurs Assistance Unit SIA**

**UDYOG BHAWAN NEW DELHI-110 011**

**Tel: 011-23014088**

**Fax: 011- 23012626**

**E-Mail: [ipp\\_prc@ub.nic.in](mailto:ipp_prc@ub.nic.in)**

### **Registrar of Companies:**

<http://www.rocchennai.tn.nic.in/>

<http://www.roccoimbatore.tn.nic.in>

<http://www.rockovai.tn.nic.in>

[http://dca.nic.in/ROC\\_2003.htm](http://dca.nic.in/ROC_2003.htm)

### **TAMILNADU-II**

Sh. V. SELVARAJ

REGISTRAR OF COMPANIES

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II-FLOOR,

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COIMBATORE - 641 005  
TAMILNADU PHONE : (0422) - 2318170 (D),  
2318089, 2319640  
FAX : (0422) – 2324012  
E-Mail : [roccoi.sb@sb.nic.in](mailto:roccoi.sb@sb.nic.in)  
Website : <http://www.roccoimbatore.tn.nic.in>  
(or) <http://www.rockovai.tn.nic.in>

#### **TAMILNADU-I**

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CHENNAI – 600034  
PHONE 044-8277182, 8272676  
FAX 044-8234298  
E-Mail: [rocmad.sb@sb.nic.in](mailto:rocmad.sb@sb.nic.in)  
Website:<http://www.rocchennai.tn.nic.in/>

## **District Industries Centre(SSI)**

[Department of Industries and Commerce,](#)  
[Government of Tamil Nadu,](#)  
[Chepauk,](#)  
[Chennai-600005,](#)  
[Phone : 91-44-28548173,](#)

[email : indcom@tn.nic.in,](mailto:indcom@tn.nic.in)

[http://indcom.tn.nic.in/indexbc.asp,](http://indcom.tn.nic.in/indexbc.asp)

(online registration form)

<http://www.tndic.org/ssitotal.htm>

(online registration form)

## Government of Tamil Nadu

### Department of Industries and Commerce

Address details of the Directorate and District Industries Centres

Sl.No	Place	Office Address	EMail Address
1	Chennai	Director of Industries & Commerce O/o. Director of Industries & Commerce Department of Industries and Commerce Chepauk, Chennai-600005, FAX :28547026, <b>28548517</b> Phone : (044)28548173	<u><a href="mailto:indcom@tn.nic.in">indcom@tn.nic.in</a></u>
2	Chennai	Regional Joint Director O/o. Regional Joint Director No.47, Anna Salai, Chennai 600002 Phone : (044)28549753	<u><a href="mailto:dicchn@tn.nic.in">dicchn@tn.nic.in</a></u>
3	Coimbatore	General Manager District Industries Center No.2, Raja Street,	<u><a href="mailto:dicbbe@tn.nic.in">dicbbe@tn.nic.in</a></u>

		Coimbatore Phone : (0422)391678,397311	
4	Cuddalore	General Manager District Industries Center Semandalam I.E., Semandalam Cuddalore Phone : (04142)310116,310192	<a href="mailto:diccud@tn.nic.in">diccud@tn.nic.in</a>
5	Dharmapuri	General Manager District Industries Center SIDCO I.E. Salem Main Road Dharmapuri Phone : (04342)230892,231081	<a href="mailto:dicdpi@tn.nic.in">dicdpi@tn.nic.in</a>
6	Dindigul	General Manager District Industries Center SR Mills Rd, SIDCO Indl.Estate, Dindigul 624003 Phone : (0451)470893,422417	<a href="mailto:dicdgl@tn.nic.in">dicdgl@tn.nic.in</a>
7	Erode	General Manager District Industries Center SIDCO I.E.Campus Erode Phone : (0424)275283,275859	<a href="mailto:dicerd@tn.nic.in">dicerd@tn.nic.in</a>
8	Kancheepuram	General Manager District Industries Center Collectorate Compound Kancheepuram 631501 Phone : (04112)238837,238551	<a href="mailto:dickpm@tn.nic.in">dickpm@tn.nic.in</a>

9	Karur	<p>General Manager</p> <p>District Industries Center</p> <p>Jawahar Plaza, 152, II Floor Jawahar Bazaar</p> <p>Karur 639001</p> <p>Phone : (04324)264272</p>	<a href="mailto:dickar@tn.nic.in">dickar@tn.nic.in</a>
10	Madurai	<p>General Manager</p> <p>District Industries Center</p> <p>Alagar Koil Rd.,</p> <p>Madurai 625002</p> <p>Phone : (0452)537621,537128,530358</p>	<a href="mailto:dicmdu@tn.nic.in">dicmdu@tn.nic.in</a>
11	Nagapattinam	<p>General Manager</p> <p>District Industries Center</p> <p>Nethaji Road</p> <p>Nagapattinam 61110</p> <p>Phone : (04365)41193</p>	<a href="mailto:dicngp@tn.nic.in">dicngp@tn.nic.in</a>
12	Nagercoil	<p>General Manager</p> <p>District Industries Center</p> <p>Kanyakumari Dist, Konam</p> <p>Nagercoil</p> <p>Phone : (04652)200008</p>	<a href="mailto:dickkm@tn.nic.in">dickkm@tn.nic.in</a>
13	Namakkal	<p>General Manager</p> <p>District Industries Center</p> <p>KKP Buildings, 114 B 5 Salem Road</p> <p>Namakkal 637001</p> <p>Phone : (04286)577251</p>	<a href="mailto:dicnmk@tn.nic.in">dicnmk@tn.nic.in</a>
14	Perambalur	<p>General Manager</p> <p>District Industries Center</p>	<a href="mailto:dicpmb@tn.nic.in">dicpmb@tn.nic.in</a>



		<p>56 B Rajaji Nagar</p> <p>Ariyalur 621713</p> <p>Phone : (04329)22363,20004</p>	
15	Pudukkottai	<p>General Manager</p> <p>District Industries Center</p> <p>Collectorate Compound,</p> <p>Pudukkottai</p> <p>Phone : (04322 )21794</p>	<a href="mailto:dicpdk@tn.nic.in">dicpdk@tn.nic.in</a>
16	Ramanathapuram	<p>General Manager</p> <p>District Industries Center</p> <p>Pattinamkathan Post</p> <p>Velli Pattinam ViaRamanathapuram 625535</p> <p>Phone : (04567)30497</p>	<a href="mailto:dicrmd@tn.nic.in">dicrmd@tn.nic.in</a>
17	Salem	<p>General Manager</p> <p>District Industries Center</p> <p>Indl.Estate, Five Roads</p> <p>Salem</p> <p>Phone : (0427)448505,447878</p>	<a href="mailto:dicslm@tn.nic.in">dicslm@tn.nic.in</a>
18	Sivaganga	<p>General Manager</p> <p>District Industries Center</p> <p>Collectorate Compex</p> <p>Sivagangai 623560</p> <p>Phone : (04575)40257,40407</p>	<a href="mailto:dicsvg@tn.nic.in">dicsvg@tn.nic.in</a>
19	Thanjavur	<p>General Manager</p> <p>District Industries Center</p> <p>Nanjakottai Road</p> <p>Thanjavur 613006</p>	<a href="mailto:dictnj@tn.nic.in">dictnj@tn.nic.in</a>

		Phone : (04362)355318	
20	Theni	General Manager District Industries Center No. 56, Bharathi Main Road Theni Phone : (04546)52081	<a href="mailto:dicthn@tn.nic.in">dicthn@tn.nic.in</a>
21	Thiruchirappalli	General Manager District Industries Center Collectorate office Road Tiruchirapalli 620001 Phone : (0431)460823,460331	<a href="mailto:dictry@tn.nic.in">dictry@tn.nic.in</a>
22	Thiruvallur	General Manager District Industries Center 1-D,C.V Naidu Street, Ist Cross Street, II Floor Jeya Nagar Thiruvallur 602 601 Phone : (04116)666787,Ambathur-26255044	<a href="mailto:dictlr@tn.nic.in">dictlr@tn.nic.in</a>
23	Thiruvannamalai	General Manager District Industries Center No.5 D,D Plot No.35,PA VU SA NagarManthope Thiruvannamalai 606601 Phone : (04175)24849	<a href="mailto:dictvm@tn.nic.in">dictvm@tn.nic.in</a>
24	Thiruvarur	General Manager District Industries Center No. 7, Pudu Street Thiruvarur Phone : (04366)540028	<a href="mailto:dictvr@tn.nic.in">dictvr@tn.nic.in</a>

25	Tirunelveli	<p>General Manager</p> <p>District Industries Center</p> <p>Thomas Rd.</p> <p>Tirunelveli 627001</p> <p>Phone : (0462)572162,572384</p>	<a href="mailto:dictnv@tn.nic.in">dictnv@tn.nic.in</a>
26	Tuticorin	<p>General Manager</p> <p>District Industries Center</p> <p>Palayamkottai Road,Near By Pass</p> <p>Road,Korampallam</p> <p>Tuticorin 628101</p> <p>Phone : (0461)340152,340053</p>	<a href="mailto:dictut@tn.nic.in">dictut@tn.nic.in</a>
27	Uthagamandalam	<p>General Manager</p> <p>District Industries Center</p> <p>Uthagamandalam 643006</p> <p>Phone : (0423)443947</p>	<a href="mailto:dicnlg@tn.nic.in">dicnlg@tn.nic.in</a>
28	Vellore	<p>General Manager</p> <p>District Industries Center</p> <p>Kangeyanallur Road,Gandhi Nagar I.E.,</p> <p>Vellore 632006</p> <p>Phone : (0416)244257</p>	<a href="mailto:dicvel@tn.nic.in">dicvel@tn.nic.in</a>
29	Villupuram	<p>General Manager</p> <p>District Industries Center</p> <p>Bhavani Street,Alamelupurm</p> <p>Villupuram</p> <p>Phone : (04146)23616</p>	<a href="mailto:dicvpm@tn.nic.in">dicvpm@tn.nic.in</a>
30	Virudhunagar	<p>General Manager</p> <p>District Industries Center</p>	<a href="mailto:dicvnr@tn.nic.in">dicvnr@tn.nic.in</a>

	<b>Collectorate Complex,</b>	
	<b>Virudhunagar 626002</b>	
	<b>Phone : (04562 )352739</b>	

-  
**CMDA:**

**1, Gandhi Irwin Road, Egmore**

**Chennai-600 008.**

**Ph.2841 4855**

**Fax : 2854 8416**

**Website**

[www.cmdachennai.org](http://www.cmdachennai.org)

**Email**

Member-Secretary : [mscmda@vsnl.com](mailto:mscmda@vsnl.com)

Vice Chairman: [vccmda@vsnl.net](mailto:vccmda@vsnl.net)

**Health clearance:**

<http://www.chennaicorporation.com/complaints.htm>

**Inspectorate of Factories:**

<http://www.tn.gov.in/citizen/insp-e-2002.htm>

**Department of Town and Country Planning:(For places other than chennai in TN)**

<http://www.tn.gov.in/citizen/ctdp.htm>

**TAMIL NADU ELECTRICITY BOARD**

**NPKRR Maaligai,**

**800, Anna Salai, Chennai - 600 002.**

**Phone : 044-28520131**

**<http://www.tneb.in/>**

**Tamil Nadu Pollution Control Board:**

**<http://www.tnpcb.gov.in/>**

**76, Mount Salai, Guindy, Chennai - 600 032**

**Phone - 22353134 – 22353141**

**Fax – 22353155**

**E-Mail - [tnpcb@md3.vsnl.net.in](mailto:tnpcb@md3.vsnl.net.in)**

**[tnpcb@dataone.in](mailto:tnpcb@dataone.in)**

**8.STP&EHTP SCHEMES  
&PROCEDURES**

## STP Policy and Benefits

Software Technology Park [STP] Scheme is a 100% export oriented scheme for undertaking software development for export using data communication links or in the form of physical media including export of professional services.

The society was set up to contribute to the prosperity of the national economy through promotion of exports from the Software & services Industry by facilitating all the statutory services of the Govt., strengthening the Communication Infrastructure and by increasing the quality consciousness in the Industry.

### **The benefits under the STP & EHTP Scheme**

- ▶ Approvals are given under single window clearance mechanism.
- ▶ An STP project may be set up any where in India.
- ▶ Jurisdictional Directors have the powers to approve import of capital goods (net of taxes) not more than US\$ 20 million.
- ▶ 100% Foreign equity is permitted.  
All the imports of Hardware & Software in the STP units are completely duty free, import of
- ▶ second hand capital goods also permitted.
- ▶ Re-Export of capital goods are permitted.
- ▶ Simplified Minimum Export Performance norms i.e., (STP & EHTP scheme)

### **Net Foreign Exchange Earnings to be positive.**

Domestic purchases by STP unit are eligible for the benefit of deemed exports to the equipment  
▶ suppliers.

Use of computer system for commercial training purpose is permissible subject to the condition  
▶ that no computer terminals are installed outside the STP premises.

The sales in the Domestic Tariff Area [DTA] shall be permissible upto 50% of the export in value  
▶ terms.

STP units are exempted from payment of corporate income tax for a block of 10 years (upto  
▶ 2009-10).

The capital goods purchased from the Domestic Tariff Area [DTA] are entitled for the benefits  
▶ like levy of Excise Duty & Reimbursement of Central Sales Tax [CST].

Capital invested by Foreign Entrepreneurs Know - How Fees, Royalty, Dividend etc., can freely  
▶ repatriated after payment of Income Taxes due on them if any.

Depreciation on Capital Goods above 90% over a period of five years and also the accelerated  
▶ rate of 7% per quarter during the first two years subject to an overall limit of 70% in the first three  
years.

▶ Call center permitted under the STPI scheme.

All Services as listed in appx.54 of hand book of procedures (EXIM) are eligible for facility of  
▶ STP scheme

▶ Service providers eligible for recognition as '**Service Export House', International Service  
Export House' or International Star service House'**

### **Statutory Compliance for STP Units**



Important statutory compliance for STP units are listed below as reference

### **Accounts :**

Each of such unit is required to maintain separate accounts for its operations. Separate annual balance sheet will have to be made for each such unit which would be become a part of the main balance sheet of the company. For maintaining separate accounts the following will have to be done:

- ▶ Maintenance of Separate Cash & Bank book and corresponding vouchers.
- ▶ Maintenance of sales invoices.
- ▶ Maintenance of Fixed Assets register.
- ▶ Maintenance of Foreign Inward Remittance Certificate file (FIRC's) & Bank Realisation Certificate file where the original of the FIRC's and BRCs are kept.
- ▶ Maintenance of contract file, where copies of contracts received from buyers are maintained.
- ▶ Preparation of yearly balance sheet for the unit which would ultimately become a part of the balance sheet of the company.

### **Banking :**

Each unit is required to maintain separate bank accounts for its operations. The unit is free to have as many bank accounts as it desires but shall have to designate a single branch of bank whom all export documents will be submitted. In other words the work of handling of all shipping documents and realisation of export proceeds will have to be entrusted to this designated bank branch.

## **II PROCEDURE FOR STARTING STP & EHTP units:**

### **Procedure For Registration**

### **Procedure For Approval under STP Scheme**

Units undertaking to export their entire production of goods and services may be set up under the Software Technology Park Scheme. Commensurate with the policy to give a special thrust to export of computer software, such units would be encouraged to be set up under the aforementioned export oriented scheme. Software units may undertake exports using data communication links or in the form of physical exports [which may be through courier services also], including export of professional services.

In order to become a certified member unit under STP Scheme, approval from the competent authority is required. The steps involved for obtaining approval are as follows :

**Submission of application :**

1. An application in the prescribed format for establishing a Software Technology Park unit is to be submitted to Software Technology Parks of India.
2. The application should be submitted along with the details of the Software Project in terms of strengths, area of expertise, marketing arrangement, business plans, means of finance, mode of export projected P & L and Balance Sheet [Optional]
3. Each application should be duly signed in initials by the competent authority on each page of the application along with office seal of the company
4. The application should be supported by Certificate of Incorporation, under the Companies Act of 1956, Memorandum of Association, Articles of Association, of the company.
5. Resume of the Chief Executive heading the STP operations.
6. In case FIPB/RBI Approval for bringing in Foreign Equity or & NRI Repatriation of Capital is already obtained a copy of the approval should be accompanied with the application.

7. In case the project is for setting up a STP as 100% Subsidiary/Branch office a copy of the incorporation certificate of the parent company along with the board resolution for setting up the subsidiary is to be attached with the application.
8. Copy of the lease deed / sale deed for the proposed STP premises.
9. Details of previous export performance if any along with copy of IE code.

### Competent Authority for approval

#### Director Of Software Technology Parks Of India

Type Of Investment	Amount Of Investment	No.of Application
Resident Holding	Less than US\$ 20.00 Million	1

### Time frame for processing and granting approvals

In case the applications are complete in all respect, the time frame for granting approval is generally as below :

▶	Director(S) STPI	10 working days
▶	IMSC [MIT]	Six weeks
▶	FIPB [Ministry of Industry, SIA]	Eight weeks

The above time frame may vary due to unavoidable circumstances.

Application must accompany a Demand Draft of Rs. 2,500/- drawn in favour of "The Director STPI" as processing fees.

### STP & EHTP Schemes

### Post Approval Process

## **Documents to be submitted to STPI**

- ▶ Legal agreement to be executed on Rs. 50 stamp paper
- ▶ Acceptance letter to SIA / IP Division and STPI-Chennai
- ▶ Importer exporter code obtained from DGFT
- ▶ Copy of bank certificate
- ▶ Copy of the board resolution
- ▶ Application for green card
- ▶ List of CG to be imported
- ▶ List of CG to be procured indigenously
- ▶ Service charge

### **Contact address:**

**The Director STPI,**

**Software Technology Parks of India -Chennai**

**No. 22/2 Floor, Sardar Patel Road**

**Kasturba Nagar, Adyar**

**Chennai - 600 020**

**Ph: 044-24420049 /128 /2611/2598/ 5205 4335-8**

**Fax: 044-2442 2691**

**Email -Id: [info@chennai.stpi.in](mailto:info@chennai.stpi.in)**

**9. PROCEDURES FOR SMALL SCALE IT  
INDUSTRY(SSSI)**

## What is a Small Scale Industry?

[How to set up new unit](#)

[Download  
Form](#)

[Schemes](#) | [Policies](#)

**"Setting up a new unit is a big challenge."**

The overriding reason for anyone to think of establishing a SSI unit can be summarised in one word - OPPORTUNITY. If one can see an opportunity to provide a product or service in a manner to generate sufficient surplus, then one way is to start up a SSI unit. This is all the more true if one believes in the maxim, "Small is Beautiful"

Opportunities emerge out of ideas that one comes across by thinking about lives of friends and neighbours. This can generate [ideas](#) about products and services that can make things easier, and improve quality of life of people.

## SSI Registration

Small Scale and ancillary units (i.e. undertaking with investment in plant and machinery of less than

Rs. 10 million) should seek registration with the Director of Industries of the concerned State Government.

### **Registering your SSI Unit**

The main purpose of Registration is to maintain statistics and maintain a roll of such units for the purposes of providing incentives and support services.

States have generally adopted the uniform registration procedures as per the guidelines. However, there may be some modifications done by States. It must be noted that small industries is basically a state subject. States use the same registration scheme for implementing their own policies. It is possible that some states may have a 'SIDO registration scheme' and a 'State registration scheme'.

[Benefits of Registering Objectives and Features Provisional Registration Permanent](#)

[Registration Procedure De-registration Download Registration Forms & Related](#)

[Documents \(Proformas\)](#)

[Application for Provisional Registration Provisional Registration Certificate Application](#)

[for Permanent Registration Certificate of Registration](#)

[Additional Sheet-1 \(for Additions/Deletions\) Appendix "A" \(Production Details Appendix](#)

["B" \(Details of Plant and Machinery Affidavit](#)

### **Benefits of Registering**

The registration scheme has no statutory basis. Units would normally get registered to avail some benefits, incentives or support given either by the Central or State Govt. The regime of incentives offered by the Centre generally contains the following:

- Credit prescription (Priority sector lending), differential rates of interest etc. - Excise Exemption Scheme - Exemption under Direct Tax Laws. - Statutory support such as reservation and the Interest on Delayed Payments Act.

(It is to be noted that the Banking Laws, Excise Law and the Direct Taxes Law have incorporated the word SSI in their exemption notifications. Though in many cases they may define it differently. However, generally the registration certificate issued by the registering authority is seen as proof of being SSI).

States/UTs have their own package of facilities and incentives for small scale. They relate to development of industrial estates, tax subsidies, power tariff subsidies, capital investment subsidies and other support. Both the Centre and the State, whether under law or otherwise, target their incentives and support packages generally to units registered with them.



### **Objectives of the Registration Scheme**

They are summarised as follows:

- To enumerate and maintain a roll of small industries to which the package of incentives and support are targeted.
- To provide a certificate enabling the units to avail statutory benefits mainly in terms of protection.
- To serve the purpose of collection of statistics.
- To create nodal centres at the Centre, State and District levels to promote SSI.



### **Features of the Scheme**

Features of the scheme are as follows:

- DIC is the primary registering centre
- Registration is voluntary and not compulsory.
- Two types of registration is done in all States. First a provisional registration certificate is



given. And after commencement of production, a permanent registration certificate is given.

- PRC is normally valid for 5 years and permanent registration is given in perpetuity.



### **Provisional Registration Certificate (PRC)**

- This is given for the pre-operative period and enables the units to obtain the term loans and working capital from financial institutions/banks under priority sector lending.
- Obtain facilities for accommodation, land, other approvals etc.
- Obtain various necessary NOCs and clearances from regulatory bodies such as Pollution Control Board, Labour Regulations etc.



### **Permanent Registration Certificate**

Enables the unit to get the following incentives/concessions:

- Income-Tax exemption and Sales Tax exemption as per State Govt. Policy.
- Incentives and concessions in power tariff etc.
- Price and purchase preference for goods produced.
- Availability of raw material depending on existing policy.
- Permanent registration of tiny units should be renewed after 5 years.



### **Procedure for Registration**

Features of the present procedures are as follows:

- A unit can apply for PRC for any item that does not require industrial license which means items listed in Schedule-III and items not listed in Schedule-I or Schedule-II of the licencing

Exemption Notification. Units employing less than 50/100 workers with/without power can apply for registration even for those items included in Schedule-II.

- Unit applies for PRC in prescribed application form. No field enquiry is done and PRC is issued.
- PRC is valid for five years. If the entrepreneur is unable to set up the unit in this period, he can apply afresh at the end of five years period.
- Once the unit commences production, it has to apply for permanent registration on the prescribed form.

The following form basis of evaluation:

- The unit has obtained all necessary clearances whether statutory or administrative. e.g. drug license under drug control order, NOC from Pollution Control Board, if required etc.
- Unit does not violate any locational restrictions in force, at the time of evaluation.
- Value of plant and machinery is within prescribed limits.
- Unit is not owned, controlled or subsidiary of any other industrial undertaking as per notification.



## **De-Registration**

A Small Scale Unit can violate the regulations in the following ways which will make it liable for de-registration:

- It crosses the investment limits.
- It starts manufacturing any new item or items that require an industrial license or other kind of statutory license.
- It does not satisfy the condition of being owned, controlled or being a subsidiary of any other industrial undertaking.



## **Approvals**

Every SSI unit has to comply with various regulations in force. These include regulatory, taxation, environmental and certain product specific clearances. This section looks into the methodology of obtaining these approvals and clearances.

## **Exemption from Compulsory Licence**

Licensing in the Industries sector is governed by the licensing exemption notification issued by Govt. of India in July 25 1991 under the Industries (Development and Regulation) Act, 1951. In SSI, there are virtually no licensing restrictions. No industrial license is required except in case of 6 product groups included in compulsory licensing (these products groups mainly cover products that can only be made in large sector.)

But if a small-scale unit employs less than 50/100 workers with/without power then it would not require a license from the Govt. of India even for the 6 product groups covered in licensing under Schedule II of the notification.

Subject to this, an entrepreneur can set up a SSI unit anywhere in the country without any restriction. The units are, of course, subject to the locational/land use and zoning restrictions in force under the local laws.

## **Clearances**

An entrepreneur has to obtain several clearances or permissions depending upon the nature of his unit and products manufactured.

## Product Specific Clearances

## Environment & Pollution Related Clearances

### **Regulatory or Taxation Clearances**

1. Registration under Sales Tax Act - Commercial Tax officer of area concerned
2. Registration under Central Excise Act - Collector of Central Excise or his nominee for area
3. Payment of Income Tax - ITO of the area concerned
4. Registration of Partnership deed - Inspector General of area concerned
5. Calibration of weights & measures - Weights and Measures Inspector of State
6. Power Connection - Designated Officer of State Electricity Board
7. Employee strength exceeding 10 with power connection or 20 without power - Chief Inspector of Factories

### **Quality Certification**

[ISO 9000 Scheme](#) | [What is ISO 9000?](#) | [Emerging Trends](#)  
Quality certification has become extremely important in competitive markets and especially in gaining foothold in exports. To avail the certification of ISO-9000, a unit has to undertake significant costs; the small scale industries have been found wanting mainly on account of resource crunch to implement quality systems to obtain this certification. However, as a paradigm shift, SSI must make 'Quality' a way of life.

It has been decided to push the quality upgradation programme in the SSI Sector in a big way.

A scheme has been launched to give financial incentive to those SSI units who acquire ISO-9000 certification, by reimbursing 75% of their costs of obtaining certification, subject to a

maximum of Rs. 0.75 lacs per unit.

In order to promote modernisation and technology upgradation in SSI, the units are assisted in improving the quality of their products.

A new scheme has been launched to assist SSI units in obtaining ISO-9000 or an equivalent international quality standard. Subject to an upper ceiling of Rs. 075 lacs, each unit is given financial assistance equal to 75% of the costs incurred in acquiring the quality standard.

The SSI units are also encouraged to participate in quality awareness and learning programmes organised specially for their benefit.

SIDO operates a number of schemes for the SSI sector. At a glance these are:-

1. **Small Industry Cluster Development Programme** - For promoting technology upgradation in clusters for a group of SSI units of one industry.
2. **Credit Linked Capital Subsidy Scheme for Technology Upgradation** - This revised scheme aims at facilitating technology upgradation by providing 15 per cent upfront capital subsidy with effect from the 29th September, 2005 (12 per cent prior to 29.09.2005) to SSI units, including tiny, khadi, village and coir industrial units, on institutional finance availed of by them for induction of well established and improved technologies in the specified sub-sectors / products approved under the scheme. The revised ceiling on loan amount for availing the benefit under this scheme is Rs. 100 lakh (Rs. 40 lakh prior to 29.09.2005). [First supplement of technology approved in 6th TSC on 10\[1\].08.2006](#)
3. **Credit Guarantee Scheme** - Collateral free loans upto a limit of Rs.25 lakhs - *for individual SSIs.*
4. **ISO 9000/ISO 14001 Certification Reimbursement Scheme** - Incentive Scheme of Reimbursement of expenses for acquiring Quality Management System (QMS) ISO 9000 certification/environment management (EMS) ISO 14001 certification to the extent of 75% or

Rs.75,000/- whichever is lower. - ***For individual SISIs/Ancillary/tiny/SSSBE units***  ..

**Extension with inclusion of HACCP Certification** ISO:9001/14001 reimbursement scheme has been extended for the 11th five year plan and the scheme has been enlarged to include HACCP Certification, also subject to maximum reimbursement limit of Rs 75,000/- (details to be notified shortly).

5. **Participation in International Fairs** - Full subsidy on space rent and shipment of exhibits of SSI units - ***for individual SSIs***
6. **Purchase and Price Preference Policy** - This is administered through the Single Point Registration Scheme of NSIC. Under this, 358 items are reserved for exclusive purchase from SSI by Central Government. Other facilities include tender documents free of cost, exemption from earnest money and security deposit and 15% price preference in Central Government purchases - ***for individual SSIs***
7. **Integrated Infrastructure Development (IID Scheme)** - Assistance upto 40% or Rs.2.00 crores, whichever is less for setting up industrial estates for SSI units. For NE, assistance is 80% or Rs.4.00 crores - ***for State Governments/industry associations/ NGOs.***
8. **Mini Tool Rooms** - Assistance upto 90% or Rs.9.00 crores, whichever is less for setting up new Mini Tool Rooms. For upgradation of existing Tool Rooms, assistance is 75% or Rs.7.5 crores - ***for State Governments.***
9. **Testing Centres** - Assistance upto a 50% or Rs.50 lakhs, whichever is less for setting up Testing Centres - ***for industry associations.***
10. **Sub-Contracting Exchanges** - One time grant for procurement of hardware and thereafter matching grant on tapering basis at 50%, 30% and 10% of running expenses, not exceeding Rs. 1.25 lakhs, Rs. 0.75 lakhs and Rs. 0.25 lakhs respectively during the initial three years, subject to a ceiling of Rs. 1.57 lakhs per exchange - ***for industry associations.***
11. **SSI MDA** - The scheme offers funding upto 90% in respect of to and fro air fare for

participation by SSI Entrepreneurs in overseas fairs/trade delegations. The scheme also provide for funding for producing publicity material (upto 25% of costs) Sector specific studies (upto Rs. 2 lakhs) and for contesting anti-dumping cases (50% upto Rs. 1 lakh) - ***for individual SSIs & Associations.***

12. **Assistance to Entrepreneurship Development Institutes** - For strengthening training infrastructure in EDIs, assistance upto 50% or Rs. 50 lakhs whichever is less - ***for State Governments.***

13. **Scheme of Micro Finance Programme**

14. **Prime Minister's Rozgar Yojana-PMRY (Scheme of Ministry of ARI)** - Project limit upto Rs. 1 lakh for business and Rs.2.00 lakhs for other activities, subsidy and margin money upto 20% of project with balance as loan. Subsidy for NE twice that of rest of India - ***for entrepreneurs. SSIs***

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## **Brief Note on Steps to Start Small Scale Industry(SSI).**

1. For starting a Small Scale Industry , entrepreneurs have to first apply to the Directorate of Industries and Commerce for provisional SSI registration .

General Manager,

**Department of Industries and Commerce,**

**Government of Tamil Nadu,**

**Chepauk, Chennai-600005,**

**Phone : 91-44-28548173**

**email : [indcom@tn.nic.in](mailto:indcom@tn.nic.in)**

**<http://indcom.tn.nic.in/indexbc.asp>**

**(online registration form)**

2. All proposals for setting up of H.T. Industries will be referred to the Electricity Department for getting initial advice regarding the availability of power for the unit . In the case of such industries provisional registration / NOC will not be issued unless the initial advice is received from the Electricity Department.

**Tamil Nadu Electricity Board(<http://www.tneb.in/>)**

3. All the entrepreneurs irrespective of their size of investment, may approach the `Single Window Committee` (Functioning in the District Industries Centre) for getting the requisite clearances expeditiously.

4. The regional office of the District Industries Centre will make available to the entrepreneurs/ Industrialists, the prescribed application forms for obtaining clearances/ permissions from the following Departments (Photocopies and computerised forms in the format required by the concerned Department will also be accepted): -

- (a) Municipality /Commune Panchayat, in whose jurisdiction the industry is proposed to be set up.
- b) Chief Inspector of Factories;
- (c) Town and Country Planning Department;
- (d) Tamil Nadu Planning Authority;
- (e) Tamil Nadu Pollution Control Committee;
- (f) Revenue Department;
- (g) Agriculture department; and
- (h) Electricity Department.

5. Duly filled in application forms in prescribed format along with required copies of the site, building & machinery layout plans and other relevant documents shall be submitted to the District Industries Centre or its regional office for obtaining Clearances / Permissions from the various Departments. The District Industries Centre or its regional office on receipt of the applications will forward the same to the concerned Department within three days of the receipt of the applications.



6. After installing machinery, entrepreneurs have to get licences from the concerned Municipality/ Commune Panchayat, Licence from Inspectorate of Factories and consent orders from the TNPCB for operation of the unit.

7. After commencement of regular production, the entrepreneurs have to apply for Permanent SSI Registration to the Directorate of Industries and Commerce.

**10.BRIEF PROCEDURE FOR STARTING  
MEDIUM/LARGE SCALE IT COMPANY**

- For starting Large/ Medium Scale Company, the entrepreneurs have to first apply/ file for Industrial Licence/ Industrial Entrepreneurs Memorandum before the Secretariat for Industrial Assistance in the Ministry of Industry, Government of India.
- After obtaining the Industrial Licence/ IEM acknowledgment from Government of India, for such Medium & Large scale industries entrepreneurs have to apply to the Directorate of Industries and Commerce for Provisional No objection Certificate for setting up of their unit.
- If the project involves foreign currency for importing capital goods, steps should be taken to obtain an import licence, wherever necessary.
- If the site where the industry is to be set up is an agricultural land, it has to be reclassified for Industrial use. To get this done, the Town Planning Officer, the Tahsildar and the Deputy Commissioner or the Assistant Commissioner should be approached.
- For allotment of a shed in industrial estate, the entrepreneur has to approach SIDCO or SIPCOT.([http://www.sipcot.com/contact\\_info.htm](http://www.sipcot.com/contact_info.htm))
- The plan of the proposed building must be approved by the local administrative authority such as the village Panchayat, The Municipality, The City Corporation, MMDA, etc. as applicable.
- Approval shall be obtained from the Inspector of Factories.(<http://www.tn.gov.in/citizen/inspe-2002.htm>)Tamil Nadu

**Chief Inspector of Factories,**

**Tamil Nadu,**

**No.5,Chepauk, Chennai-600005**

**044 28571028 (Dir),**

28544091/28583617(O),

24928833(R),

Fax : 044-28592378,

Mobile: 9840114946.

- If the unit is to be located in any hill area like Nilgiris, Yercaud, Kodaikanal, etc. Special permission has to be sought from the Government of Tamilnadu.
- An application for the required power supply should be made to the Executive Engineer, TamilnaduStateElectricityBoard.(<http://www.tneb.in/>)
- The entrepreneurs may have to register the industry with the authorities listed below as applicable:

**Commissioner of Commercial Taxes,**

**Regional Provident Fund Commissioner,**

**District Collector,**

**Central Excise Secretariat for Industrial Approvals (SIA), New Delhi**

→ **CONTACT ADDRESS**

**Joint Secretary, SIA**

**Tel: 011-23011983**

**Fax: 011-23011034**

**E-Mail: [umeshgupta@ub.nic.in](mailto:umeshgupta@ub.nic.in)**

**Director**

**(FDI Policy, FIIA, NRI & 100% EOU)**

**Director**

**(Investment Promotion & Infrastructure**

**Tel: 011-23013196**

**Fax: 011-23015245**

**E-Mail: [julaniya@ub.nic.in](mailto:julaniya@ub.nic.in)**

**Development Cell)**

**Tel: 011-23014820**

**Fax: 011-23011770**

**E-Mail: [rnpandey@ub.nic.in](mailto:rnpandey@ub.nic.in)**

**Director**

**(Industrial Licensing & Technology  
Collaboration)**

**Tel: 011-23013596**

**Fax: 011-23014564**

**E-Mail: [cbs@ub.nic.in](mailto:cbs@ub.nic.in)**

**Public Relations Officer**

**Entrepreneurs Assistance Unit SIA  
UDYOG BHAWAN NEW DELHI-110 011**

**Tel: 011-23014088**

**Fax: 011- 23012626**

**E-Mail: [ipp\\_prc@ub.nic.in](mailto:ipp_prc@ub.nic.in)**

**11.FOR INVESTMENTS**  
**EXCEEDING US\$ 20 MILLION(IGB)**

## **Single Window Documentation Centre for Major investment proposals:**

Government of Tamil Nadu has designated Guidance Bureau as the “Documentation and Clearance centre” to accept common application form for obtaining all pre-project state -level approvals and infrastructure support.

The single window facilitation is for major investment proposals and assist investors in getting all pre project clearances, infrastructure support like land in industrial parks,power,water etc.. and provide comprehensive information, to support investors in federal and state government policies ,taxation,investment opportunities etc..

### **Single Window Facilitation**

**At present, investors setting up industrial projects have to obtain following pre-project clearances:-**

#### **STATE LEVEL STATUTORY CLEARANCES:**

##### **LOCAL BODY CLEARANCE:**

- Site and Building Plan approval ([www.cmdachennai.org/contact.html](http://www.cmdachennai.org/contact.html))
- Health clearance([www.chennaicorporation.com/complaints.htm](http://www.chennaicorporation.com/complaints.htm))
- Fire service clearance ([www.tnfrs.tn.nic.in](http://www.tnfrs.tn.nic.in))
- Environmental clearance from Tamil Nadu Pollution Control Board([www.tn.gov.in/telephone/und/undpage96.html](http://www.tn.gov.in/telephone/und/undpage96.html))
- Registration with Inspector of Factories under Factories Act

**(<http://www.tn.gov.in/citizen/insp-e-2002.htm>)**

- Registration under Boilers Act (if boilers used)
- Safety Certificate from Chief Electrical Inspector

## **INFRASTRUCTURE SUPPORT**

- Application for Land allotment in Industrial parks
- Application for Water supply
- Application for Power supply

To get the clearances / infrastructure support, investors normally need to contact concerned individual statutory authorities/agencies for getting clearances/infrastructure support and they need to use different forms prescribed by the concerned authorities. This may result in considerable delays and frustration on the part of investors. To avoid such procedural delays, Govt. of Tamil Nadu have established an effective Single Window system to accord all such pre- project clearances at the State Government level. Govt. of Tamil Nadu have constituted following two tier Single Window system:

State Level Investment Promotion Board (SIPB) under the Chairmanship of Hon'ble Chief Minister to monitor and expedite all mega projects exceeding investment of Rs. 1000 millions.'

Project Approvals Authority (PAA ) under the Chairmanship of Chief **Secretary** to Government to monitor and hasten the projects with investment less than Rs.1000 millions



Both the SIPB and PMG will accord composite and in-principle clearance to expedite the implementation of projects to avoid getting them bogged down due to delay in obtaining the above pre-project clearances. Both the committees meet within a month to accord "in-principle composite clearance" to enable the project to go ahead with project implementation. This eliminates any possibility of delays. Also, both the High power committees monitor the implementation of new mega projects.

### **SINGLE WINDOW FACILITATION FORM**

Govt. of Tamil Nadu have introduced a Common Form which need to be filled & filed by investors with Documentation & Clearance centre (DCC) in **Guidance Bureau**. Copy of this form is also available for downloading.

[http://www.tamilnadunri.com/tn/singlewindow/singlewindow\\_index.htm\(applicationform](http://www.tamilnadunri.com/tn/singlewindow/singlewindow_index.htm(applicationform)

GUIDANCE Bureau will receive the common application form duly filled in from the investors and liaise with different agencies to get speedy clearance. GUIDANCE will place before the SIPB and PAA all such applications received from investors. For further information, please get in touch with:

**The Director,**

**Tamil Nadu Industrial Guidance & Export promotion Bureau, Govt. of Tamil Nadu**

**Phone: +91-44-28588364, 91-44-28553118**

**Fax: +91-44-2858 8364**



