

INDUSTRIAL POLICY, 1989

1. PREAMBLE

The Industrial Policies of the State announced in 1980 and 1986 have led to a remarkable upsurge in the industrial climate of the State. There has been very encouraging response from entrepreneurs both outside and inside the State. In the light of experience gained from implementation of the 1986 Policy and keeping in view the need to maintain and enhance the tempo of industrialisation in the State, State Government have decided to further liberalise the package of incentives announced in the 1986 Policy with the twin objective of encouraging new industries and providing support to industries which have come up in the State during the last few years. Accordingly, it has been decided to operate, in public interest, a new Industrial Policy as outlined hereunder :-

2. DEFINATION

- 2.1 "Effective Date" means the date of issue of the policy on and from which, the provisions thereof shall operative.
- 2.2 "Expansion / modernisation / diversification" of an existing industrial unit means additional investment of more than 25% of the underpreciated book value of fixed capital investment of an existing unit in acquisition of fixed capital investment of expanding / modernising / diversifying the production of the said unit and resulting in increased production over and above the existing installed capacity of the unit.
- 2.3 " Fixed Capital Investment" means investment on land, building, plant and machinery and other equipments of permanent nature. Explanation :- The calculation of fixed capital investment shall be made according to the principles outlined by Government of India for administration of Central Investment Subsidy as is or, was in force.
- 2.4 "Growth Centre" means Centres developed for promoting industrialisation in accordance with Press Note 14 (1988 series) of Government of India.
- 2.5 "Industrial Unit" means, any industrial undertaking detailed in annexure-1 to this Policy and excludes undertakings excepted therein.
- 2.6 "IPICOL" means the Industrial Promotion and Investment Corporation of Orissa Limited.
- 2.7 "New Industrial Unit" means an industrial unit where fixed capital investment has been made only on or after the effective date.
- 2.8 "OSFC" means the Orissa State Financial Corporation.
"Pioneer Unit" means the first two new industrial units with fixed capital investment of more than Rs.5 crore first going into commercial production in a Panchayat Samiti provided that these two units are not established in a growth centre and, no other medium or large industrial unit has gone into commercial production in the concerned Panchayat Samiti prior to the said unit.

- 2.10. "Sick Unit" means an industrial unit held sick by the Board for Industrial and Financial Reconstruction under the Sick Industrial Companies (Special Provisions) Act, 1985 or the Nodal Committee constituted under Resolution No.29868 dated 6.11.1980 of Industries Department or, the State Level Inter-Institutional Committee constituted under resolution No.25569 dated 25.10.1983 of Industries Department.
- 2.11 "Special Class Entrepreneur" means an entrepreneur belonging to all or any of the following categories namely:-
- (i) Technical entrepreneurs belonging to Scheduled Castes or Scheduled Tribes.
 - (ii) Women technical entrepreneurs.
 - (iii) Women's Co-operatives.
 - (iv) Artisan's Co-operatives.
 - (v) Certified physically handicapped technical entrepreneurs.
 - (vi) Entrepreneurs setting up electronic hardware and software industrial units.
 - (vii) Entrepreneurs setting up industrial units to manufacture machinery, equipment and devices to harness non-conventional energy.
 - (viii) Entrepreneurs setting up bio-technology industrial units.
 - (ix) Entrepreneurs setting up agro and food processing industrial units.
 - (x) Entrepreneurs wetting up 100% export oriented / 100% import-substitution units.
- 2.12 "Sales Tax" for the purpose of this Policy means Sales Tax (State and Central), Purchase Tax and Additional Sales Tax payable to Government of Orissa under the Orissa Sales Tax Act, 1947, the Orissa Additional Sales Tax Act, 1975 and the Central Sales Tax Act, 1956.
- 2.13 "Technical Entrepreneur" means an entrepreneur having -
- (i) recognise Engineering Diploma / Degree or ;
 - (ii) National Trade Certificate of National Council for Vocational Training or;
 - (iii) recognised M.B.A. degree or ;
 - (iv) recognised qualification as Chartered Accountants, Cost Accounts and Chartered Financial Analysts.
- 2.14 "Transferred Unit" means an industrial unit whose ownership / management has been transferred in pursuance of provision of the State Financial Corporations Act, 1951 or transferred with approval of OSFC / IPICOL.
- 2.15 "Year" for purpose of period of incentives means a period of 365 consecutive days.
- 2.16 "1986 Policy" and "1980 Policy" respectively mean the incentive schemes announced in Industrial Policy Resolution No.13195 dated 13.5.1986 and Industrial Policy Resolution No.20783 dated 31.7.1980.

2.17 "Continuing Units of 1986 Policy" means any industrial unit where fixed capital investment commenced on or after 1.4.1986 and prior to the effective date and, the unit has gone or goes into commercial production after 1.4.1986.

2.18 "Continuing Units of 1980 Policy" means any industrial unit, where fixed capital investment commenced on or after 1.8.1980 and prior to 1.4.1986 and the unit has gone or goes into commercial production after 1.4.1986.

3. **CLASSIFICATION OF AREA**

For the purpose of incentives, depending upon industrial backwardness of different areas and non-industry areas, the State is divided into the following three Zones –

Zone 'A' - Phulbani, Bolangir and Kalahandi districts including growth centres established in these districts.

Zone 'B' - Keonjhar, Mayurbhanj, Dhenkanal, Koraput, Balasore, and Ganjam districts including growth centres established in these district and districts covered under Zone 'C'.

Zone 'C' - Cuttack, Puri, Sundargarh and Sambalpur districts excluding growth centres.

4. **ELIGIBILITY FOR INCENTIVES**

4.1 Subject to general conditions and specific conditions for any incentive if any, stipulated in this Policy and provisions of Annexure-I, new industrial units shall be eligible for all incentives provided in this Policy. Provided that incentives on Sales Tax shall be available to new industrial units only under Part-I of the incentives on Sales Tax and not under any other part.

4.2 The incentives on Sales Tax comprises more than one part and each part is mutually exclusive. An industrial unit eligible for the incentive under one part shall not be eligible for incentive under any other part. The types of industrial units covered under different parts have been mentioned under each part.

4.3 The incentives of 1986 Policy and 1980 Policy shall continue to be available to industrial units, Hotels, Cinema Halls etc. eligible under the said Policies except to the extent abridged / modified / enlarged in this Policy.

4.4 Expansion / modernisation and diversification will be eligible for specific incentives as mentioned against the concerned incentive. Any number of expansion / modernisation / diversification can be taken up by an industrial unit but the concerned specific incentive shall be allowed only once.

4.5 Industrial Units of Public Sector Undertakings will not be eligible for any incentive unless the State Government on special consideration, make all or any to these incentives, applicable to any such undertaking.

INCENTIVES

5. **CAPITAL INVESTMENT SUBSIDY**

5.1 New Industrial Units as well as expansion / modernisation / diversification projects as defined earlier, shall be allowed Capital Investment Subsidy including Central Investment Subsidy, if any made available by Government of India in the following manner :- Zone'A' 25 percent of the fixed capital investment subject to the limit of Rs.25 lakh. Zone'B' 15 percent of the fixed capital investment subject to the limit of Rs.15 lakh. Zone 'C' 10 percent of the fixed capital investment subject to the limit of Rs.10 lakh. Provided that if Central Investment Subsidy for any district / area is allowed by Government of India at a higher rate than above, the higher rate will be applicable.

5.2 Special Class entrepreneurs and pioneer units will be allowed 5 percent extra capital investment subsidy subject to an upper limit of Rs.5 lakh.

5.3 All industries which were entitled for incentives under 1986 Policy and 1980 Policy will get capital investment subsidy inclusive of Central Investment Subsidy at the prescribed rate. Provided, however, that the industries which were declared ineligible as per Government of India letter No.15(4)/88-DBA-II dated 22nd September, 1988 will not get the aforesaid benefit if started fixed capital investment on or after 22.9.1988.

6. **INCENTIVE ON SALES TAX – GENERAL PROVISIONS**

6.1 Sales Tax incentive comprises three parts and the parts are mutually exclusive. Each part is applicable to the type of industrial unit as mentioned under it. Subject to operational guidelines / instructions and procedure, this incentives shall be allowed after the unit has gone into commercial production and from the date of commercial production.

6.2 Wherever an industrial unit has been allowed to opt any type of incentive under any part, the said option shall be exercised within the time limit stipulated in operational guidelines / instructions and the option once exercised shall be final.

6.3 **DEEMED PAYMENT OF DEFERRED SALES TAX**

Whenever payment of Sales Tax on finished product is allowed to be deferred, such deferment shall for the purpose of payment of income-tax by the concerned industrial unit, at the option of the industrial unit and, subject to conversion of deferred amount into interest free loan, be deemed in public interest, to have been paid. Actual payment of deferred amount in such cases shall be done in accordance with the terms and conditions of loan. The option once exercised, shall be final.

7. **SALES TAX INCENTIVES**

7.1 **SALES TAX INCENTIVES UNDER PART-I**

7.1.1 **Eligibility**

The incentives under this part are available to new khadi, village, cottage and small industries, existing and new khadi, village, cottage industries and handicrafts, new

small, medium and large industrial units and expansion / modernisation / diversification of industrial units after the effective date.

7.1.2 Exemption of Sales Tax on Raw Materials

All new khadi, village, cottage and small scale industrial units will be exempted from payment Sales Tax on purchase of spare parts of machineries, raw materials and packing materials for a period of 7 years from the date of commercial production. All new medium and large industrial units will be eligible for similar exemption for 5 years in Zones 'B' and 'C' and for 7 years in Zone 'A'. The period of exemption allowed for different zones shall be extended by 2 years for pioneer units.

7.1.3 **Exemption of Sales Tax on finished products of Khadi & Village Industries**

Finished products of all existing and new khadi, village, cottage industries and handicrafts will be exempted from Sales Tax when sold at sales outlets of authorised Co-operatives / Government agencies, and agencies recognised by Khadi and Village Industries Commission / Board.

7.1.4 **Exemption of Sales Tax on finished products of Small-Scale Industries Units.**

Finished products of new small-scale industrial units will be exempted from Sales Tax for a period of 7 years from the date of commercial production.

7.1.5 **Deferment / Exemption of Sales Tax on finished products of Medium and Large Scale Industries Units ;**

New medium and large industrial units will be allowed to defer payment of Sales Tax collected on their finished products for a period of 7 years in Zones 'B' and 'C' and 9 years in Zone 'A' from the date of commercial production. Deferred amount in respect of each year will be repaid in full after the expiry of the period of deferment annually. In lieu of deferment, new medium and large scale industrial units can opt for exemption of Sales Tax on finished products for a period of 5 years if the units is located in Zones 'B' and 'C' and for 7 years in Zone 'A'.

7.1.6 **Deferment / Exemption of Sales Tax on finished products of pioneer units.**

Pioneer units will be allowed to defer payment of Sales Tax collected on finished product for a period of 9 years in Zones 'B' and 'C' and 11 years in Zone 'A'. Deferred amount of Sales Tax in respect of each year will be repaid in full after the expiry of the period of deferment annually. In lieu of deferment, such an industrial unit can opt for exemption of Sales Tax on finished product for a period of 7 years in Zones 'B' and 'C' and 9 years in Zone 'A'.

7.1.7 **Expansion / Modernisation / Diversification**

The incentive under this part shall be available for expansion / modernisation / diversification of existing units taken up after the effective date to the extent of increased commercial production over and above the existing installed capacity,

provided that such expansion / modernisation / diversification has been undertaken on the basis of separate project report which has been duly appraised by Financing Institutions.

7.2 **SALES TAX INCENTIVE UNDER PART-II**

7.2.1 **Eligibility**

The incentive under this part shall be applicable only to "continuing units of 1986 Policy"

7.2.2 **Exemption / Deferment of Sales Tax on finished products.**

Small scale continuing units of 1986 Policy will be allowed exemption of Sales Tax on finished products for an additional period of 2 years over and above 5 years allowed in 1986 Policy i.e. in all 7 years. Medium and Large scale continuing units of 1986 Policy shall, in lieu of incentive relating to Sales Tax on finished products under 1986 Policy, be allowed such incentive as is applicable to corresponding new industrial units under Part-I, after the effective date.

7.2.3 **Expansion / Modernisation / Diversification**

The incentive under Part-II shall be available to the extent of increased production over and above the installed capacity, to an existing industrial unit which has undertaken Expansion / Modernisation / Diversification on or after 1.4.1986 but before the effective date and has gone or goes into commercial production after 1.4.1986, provided that such Expansion / Modernisation / Diversification has been undertaken on the basis of an exclusive project report duly appraised by Financing Institutions.

7.3 **SALES TAX INCENTIVE UNDER PART-III**

7.3.1 **Eligibility**

The incentive under this part shall be applicable to "continuing units of 1980 Policy".

7.3.2 **Exemption / Deferment of Sales Tax on finished products :-**

The Sales Tax incentive on finished products as is applicable to new industrial units under Part-I shall be applicable to continuing units of 1980 Policy, after the effective date, provided that Sales Tax Loan, if any, availed of under the Orissa Sales Tax Loan Scheme Rules, 1980 is surrendered within the time limit prescribed in the operational guidelines / instructions.

7.3.3 The incentive under Part-III shall also be available to the extent of increased production over and above the installed capacity to an existing industrial unit which has undertaken expansion / modernisation / diversification between 1.8.80 and 31.3.86 and has gone into commercial production after 1.4.86, provided that such expansion / modernisation / diversification has been undertaken on the basis of an exclusive project report duly appraised by Financing Institutions.

8. **ANTI-POLLUTION MEASURES**

Capital investment subsidy for installation of pollution control and monitoring equipments shall be allowed on the certificate of State Prevention & Control of Pollution Board (SPCPB) about the necessity for such installation. This incentive will be allowed to new and existing industrial units. This subsidy shall be 10% of the cost of pollution control & monitoring equipment subject to a ceiling limit of Rs.10 lakh and this would be in addition to capital investment subsidy available to the industrial unit.

9. **PROJECT REPORT / FEASIBILITY STUDY**

9.1 District Industries Centres will provide project reports / project profiles in respect of village and cottage industries free of cost to the entrepreneurs.

9.2 For small scale industries, the actual cost of preparation of a project report / feasibility study upto the ceiling limits as prescribed below will be reimbursed after the unit goes into commercial production.

2% in respect of units with capital investment upto Rs.5 lakh.

1.5% where the fixed capital investment is upto Rs.10 lakh.

1% in respect of units whose fixed capital investment exceeds Rs.10 lakh.

If the entrepreneurs so desires, the project report / feasibility study can be got prepared by the promotional agencies of the State either directly or through their approved consultants on deposit of 25% of the cost as security which will be refunded after the project goes into commercial production in the State. However, the total assistance will be limited to the ceiling prescribed above.

9.3 The principles mentioned in connection with preparation of project reports / feasibility study will also apply to large and medium industrial units subject to the condition that if the fixed capital investment is more than Rs.1 crore, the extent of reimbursement of cost of project reports / feasibility report will be limited to 1% for the first Rs. 1 crore, and half per cent of the additional value of fixed capital investment beyond Rs. 1 crore, subject to the further condition that the total subsidy will not exceed an amount of Rs.3 lakh.

10. **TECHNICAL KNOW-HOW FEE**

10.1 Subsidy to the extent of 75% of lumpsum fees charged by National Research & Development Corporation, Regional Research Laboratories and Organisations recognised by Government / Government Agencies imparting technical know-how or Rs.2 lakh whichever is lower, will be allowed to all new industrial units.

10.2 Subsidy on technical know-how fees paid imported technology will also be allowed to all new industrial units upto a limit of Rs.5 lakh. The fees fixed by Government of India in respect of the item where foreign collaboration is specially cleared by them will hold good for the purpose of this calculation. In all other cases, assessment made by OSFE / IPICOL will be final.

11. **POWER**

11.1 EXEMPTION OF ELECTRICITY DUTY

- 11.1.1 No minimum charge will be levied in respect of existing and new industrial units with a contract demand upto 500 KVA. In other words, the energy bill will be made on the basis of actual monthly consumption of energy. New industrial units with contract demand upto 500 KVA will also be exempted from payment of electricity duty for a period of 5 years from the date of power supply.
- 11.1.2 New industrial units with contract demand between 500 KVA and 5,000 KVA will be exempted from payment of 75% of electricity duty for a period of 5 years from the date of power supply if they are located in Zone 'A'. For new industrial units located in Zones 'B' and 'C', this exemption shall be respectively 50% and 25 for 5 years.
- 11.1.3 New industrial units with contract demand between 500 KVA and 5,000 KVA and 10,000 KVA will be exempted from payment of 50% of electricity duty set up in Zone 'A', 25% in Zone 'B' and 12.5% in Zone 'C'.

11.2 **ENERGY**

New and existing industrial units which are not eligible for Energy Audit Subsidy Scheme of all-India Financial Institutions, will be allowed a subsidy of 25% subject to maximum of Rs.25,000/- on the cost of preparation of detailed energy audit report and plan of conservation of energy prepared by National Productivity Council (NCP), Petroleum Conservation & Research Association (PCRA), Technical Consultancy Organisations (TCOs) set up by all-India Financial Institutions or, any other Consultant approved by IPICOL / OSFC.

11.3 **ENERGY CONSERVATION EQUIPMENT**

New and existing industrial units will be allowed capital investment subsidy of 10% subject to maximum of Rs.10 lakh on energy conservation equipment and machinery purchased on the basis of an energy audit report and plan prepared by an approved consultant and installed in the industrial unit. This subsidy will be in addition to capital investment subsidy.

11.4 **CAPTIVE POWER PLANTS AND GENERATING SETS**

- 11.4.1. A captive power plant is a power generation plant with an installed capacity of not less than 1 MW set up either by one industrial unit for its own industrial use or by a group of industrial units for their own industrial use, provided that surplus if any, is supplied to OSEB grid.
- 11.4.2. New captive power plants with a total installed capacity upto 60 MVW will be completely exempted from payment of electricity duty in respect of power generated by them for a period of 10 years from the date of commissioning. This exemption will be 75% for new captive power plants upto a capacity of 120 MVA and 50% for installed capacity beyond 120 MVA.
- 11.4.3 While computing the capacity of captive power plants, all such plants set up by an industrial unit or units will be taken into consideration to arrive at the capacity of the plant and based on the said capacity, exemption of electricity duty as mentioned above will be allowed.

11.4.4. New generating sets of the capacity of 10 KW and above installed by any industrial unit for its industrial use and, new captive power plants will be eligible for capital investment subsidy of 15% of its cost subject to a maximum limit of Rs.5 lakh. This will be in addition to capital investment subsidy available to the industrial unit.

11.4.5. New generating sets up to 1 MVA capacity installed by new and existing industrial units will be exempted from electricity duty for a period of 10 years.

11.5. **NON-CONVENTIONAL ENERGY**

Machinery and equipment installed by existing and new industrial units for utilisation of non-conventional energy as certified by Orissa Renewable Energy Development Agency (OREDA), shall be allowed capital investment subsidy of 10% of its cost subject to a maximum of Rs.10 lakh. This will be in addition to capital investment subsidy.

12. **EXEMPTION FROM OCTROI**

12.1 Machinery and equipment required to set up a new industrial unit will be exempted from payment of octroi levy. Similarly, spare parts of machinery, raw materials and packing materials used by the new industrial unit for a period of 5 years from the date of its commercial production, will be exempted from payment of octroi duty.

12.2 This incentive will also be applicable to expansion modernisation / diversification projects, as defined earlier provided that the use of machinery made on the basis of a separate project report, which has been duly appraised by Financial Institutions and, provided further that separate accounts have been maintained in respect of spare parts of machinery; raw materials and packing materials which go into production process in respect of the expanded / modernised / diversified part of the unit.

13. **INTEREST SUBSIDY**

13.1 **SPECIAL CLASS ENTREPRENEURS**

Special class entrepreneurs will get an interest subsidy for 5 years at 1% on term loan for setting up industrial units in the State.

13.2. **EMPLOYMENT OF WOMEN AND PHYSICALLY HANDICAPPED PERSONS**

A new industrial unit which employs women and certified physically handicapped person regularly during a year to the extent of 30% or above of its employees subject to a minimum number of 10 persons, shall be given interest subsidy of 1% on its term loan. This subsidy shall be available for 5 years.

14. **LAND**

14.1 Government land where available will be allotted for industrial projects at the following concessional acreage rates -

Zone-1	Area rate (Rs.)	Ground Rent (Rs.)
Cuttack including Jagatpur, Rourkela including Kalunga, Talcher-Angul including	1,00,000	1% of the land value

NALCO Industries Area, Bhubaneswar including chandaka Industrial Area.		
Zone-2		
Paradeep, Choudwar, Berhampur, Chatrapur, Gopalpur, Barbil, Joda, Sunabeda, Jeypore, Sambalpur, Jharsuguda, Brajaranjanagar, Baripada, Puri, Balasore Muncipal area	50,000	Ditto
Zone-3		
All other notified urban areas	20,000	Ditto
Zone-4		
All other areas	10,000	Ditto

In case of development sites, the cost of development charges will be added on no profit no loss basis.

14.2 The premium in respect of private land acquired by the Orissa Industrial infrastructure Development Corporation (IDCO) for establishment of industries or for any specific industrial unit will be fixed on the basis of compensation amount involved.

14.3 **ALLOTMENT OF SUBSIDISED INDUSTRIAL SHED :**

Built up sheds constructed by IDCO will be available for small-scale industries in Zone 'C' on outright purchase at a subsidy of 20% of the cost of construction. This subsidy will be 25% for Zone 'B', and 30% for Zone 'A'.

15. **INDUSTRIAL HOUSING**

Government will endeavour to provide low cost industrial housing through IDCO and other agencies by taking help of institutional sources.

16. **STAMP DUTY AND REGISTRATION FEE**

16.1 No stamp duty / registration fee will be required to be paid in respect of land allotted by Government to IDCO and other industries. Similarly no stamp duty and registration fees will be required to be paid in respect of transfer of land / shed by IDCO to industrial units. This will also be applicable in respect of private land acquired by IDCO which is subsequently allotted to industrial units.

16.2 Land acquired by Government and subsequently transferred or allotted to industrial units will also be exempted from payment of stamp duty and registration fee.

16.3 Stamp duty and registration fee will be exempted for units required to be transferred to a new owner / management under the provisions of the State Financial Corporations Act, 1951 or, on the recommendation of the State Level

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

- 16.4. Stamp duty and registration fee will be exempted for units under proprietary / partnership firms to be converted to Companies for rehabilitation on the recommendation of SLIC or otherwise, on the recommendation of IPICOL / OSFC.

17. **WATER**

- 17.1 No water charge or royalty shall be levied in respect of water to be drawn by new industrial units from natural sources like river, stream for a period of first 5 years and thereafter, the water charge will be at half the rates prescribed for drawal of such water for irrigation purposes.

- 17.2 In case the water is drawn from any Government controlled irrigation sources, no water charges will be paid by any industrial unit for the first 2 years from the date of its commercial production. In case of supply of water by public Health Engineering Organisation or any other State Agency / Municipal Body, the water rate would be charged on 'no profit no loss' basis.

18. **SICK INDUSTRIAL UNITS**

- 18.1 Directorate of Industries in respect of small-scale units and OSFC / IPICOL in respect of medium and large units would periodically monitor the progress of the existing industrial units.

- 18.2 For revival of small-scale sick but potentially viable industrial units, a State Level Inter-Institutional Committee (SLIIC) has been constituted. Basing on the recommendation of the SLIIC, necessary measures would be taken for revival of the sick industrial unit. If necessary in the interest of revival of such an industrial unit, the SLIIC would recommend to State Government extension of all or any other incentives under this Policy. The State Government in Industries Department may sanction extension of all or any of the incentives on consideration of recommendation of SLIIC without further inter-departmental reference.

- 18.3 For medium and large sick industrial units a Sub-Committee with Chairman, IPICOL as its head has been constituted to evolve suitable measures for potentially viable sick industrial units. The Sub-Committee may recommend extension of various concessions and facilities including those in this Policy if considered necessary for revival of the unit. These recommendations would be placed before the State Level Nodal Committee constituted under the Chairmanship of Chief Secretary for consideration. State Government in the Industries Department may sanction extension of all or any of the incentives under this Policy to such units on consideration of recommendation of the Nodal Committee without further inter-departmental reference.

- 18.4 Concessions and facilities required under a scheme of rehabilitation prepared by the Board for Industrial & Financial Reconstitution (BIFR) or at the

instance of BIFR by a Financial Institution would be placed before the State Level Nodal Committee and State Government in the Industries Department may sanction these, taking into consideration the recommendation of the Nodal Committee without further inter-departmental reference.

18.5 Rehabilitation measures for sick but potentially viable industrial units may inter alia, include relief and concession or sacrifices and / or additional facilities including allocation of power from OSEB and any other agencies / statutory body / local authority. In this matter, orders of State Government taken in Industries Department on the basis of recommendations of SLIIC or Nodal Committee would be final and binding on all concerned.

20. **GENERAL PROVISION**

20.1 **CLAIM FOR INCENTIVES :**

No right or claim for any incentive under this Policy shall be deemed to have been conferred merely on the ground of provision in this Policy. The State Government may issue operational guidelines / instructions for administration of incentives contained in this Policy. An industrial unit which considers itself eligible for any incentive, shall apply for the same in accordance with the operational guidelines / instructions and the same shall be considered and disposed of on merits.

20.2 **DETERMINATION OF DATE OF COMMERCIAL PRODUCTION**

The date of commercial production for availing of incentives on sales Tax, or for any other incentive, shall be the date determined by the General Manager / Project Manager, district Industries Centre for small scale industrial units and, Director of Industries for medium and large industrial units, basing on the totality of documentary evidence and recommendation of promotional / financial agency, if any.

21. **HOTEL**

21.1 "New Hotel" means a hotel for which investment on land, building and equipment is made only on or after the effective date.

21.2 Subject to other conditions stipulated against each item of incentive, existing and new hotels will be eligible for the incentives allowed only if such hotels satisfy the norms and conditions stipulated by Government of India / State Government.

21.3 New hotels will be eligible for Capital investment subsidy at rates applicable to new industrial units.

21.4 Allotment of Government land to new hotels where available, shall be made at rates applicable, to new industrial units.

21.5 Power supply to existing and new hotels shall be made at industrial tariff rate of the Orissa State Electricity Board.

22. **CINEMA HALLS**

- 22.1 "New Cinema Hall" means a cinema hall for which investment on land, building and equipment is made on or after the effective date.
- 22.2 The incentives for cinema halls, are available only to cinema halls in areas, other than urban areas having a population of 1 lakh or more according to 1988 census and, are subject to other conditions if any mentioned against each incentive.
- 22.3 Subject to availability, Government land at rates applicable to new industrial units shall be made available in the above eligible areas for construction of new cinema halls.
- 22.4 In respect of new cinema halls, the amount collected by way of entertainment tax excluding surcharge, tax on exhibition of development and show tax for the first two years after its commissioning, shall be given as subsidy to the concerned cinema hall through the Orissa Film Development Corporation Ltd. (OFDC). Provided that if any loan including interest obtained from OFDC, National Film Development Corporation Ltd., Banks and Financial Institutions for any such cinema hall is outstanding at the time of disbursement of subsidy, the outstanding amount or any amount lower than that as may be decided by OFDC, shall be deducted from the subsidy payable and paid to the concerned lending institutions on behalf on the loanee.
- 22.5 Notwithstanding any thing in 1986 policy, power tariff for cinema halls shall be at rates as prescribed by the Orissa State Electricity Board.
- 22.6 Cinema halls entitled to deferment of entertainment tax under 1986 Policy shall, in lieu of such deferment, be allowed, after the effective date, subsidy as admissible to new cinema halls under this Policy.
- 22.7 OFDC will continue as nodal agency for development of cinema halls and production of films. It will continually take steps for accelerated progress in construction of cinema halls primarily in semi-urban and rural areas. In deserving cases, it may extend guarantee on behalf of the entrepreneur for loan to be sanctioned by the National Film Development Corporation Ltd., Banks and other Financial Institutions for construction of cinema halls.
23. **PRODUCTION OF FILMS**
- 23.1 Production of films in the State will be subsidised by Orissa Film Development Corporation Ltd., (OFDC) as per the scheme framed b it for the purpose.
- 23.2 Soft loan assistance at nominal rate of interest subject to maximum ceiling limit and conditions as may be decided by the OFDC shall be made available by OFDC to producers of films in the State. In deserving cases, OFDC will extend guarantee for Bank loan and loan from National Film Development Corporation Ltd. for the purpose.
- 23.3 OFDC will provide term loan to producers of Oriya films subject to maximum ceiling limit rate of interest and other terms and conditions as may be decided by it.
- 23.4 Facilities for production of films have been provided at the Kalinga Studios Ltd. (KLS), a subsidiary of OFDC, OFDC has taken steps to establish a Colour processing laboratory (CPL) near the Kalinga Studios Ltd. Producers who utilise the facilities of KSL and CPL will be eligible to get incentives in shape of subsidy subject to ceiling limit and terms and conditions laid down by OFDC.
24. **DEVELOPMENT OF MINING INDUSTRY**
- 24.1 State Government will actively develop access roads and electricity transmission line to mining areas where a cluster of small mines in the private sector could be developed.

24.2 On request from the lease holders of small mines, the State Government will organise survey, exploration and assessment of mineral deposit and testing of ore samples through the Directorate of Mining & Geology provided that the lease holder will deposit 50 percent of the actual cost of the operation to be assessed on a 'no profit no loss' basis. The relief in each case would be limited to Rs.one lakh.

25. **MARKETING SUPPORT**

25.1 The Policy of State Government is to ensure that State Government Departments and agencies under the control of State Government purchase their requirements of store items available from industries located inside the State. In order to achieve this, the products of industries located inside the State will be eligible for the facility of preferential purchase by State Government Departments and agencies under its control, Central Government agencies and private / joint sector industries located inside the State will be persuaded to accord similar facilities to products of local industries. Simultaneously efforts will be made to bring down cost and achieve overall competitiveness of the products of local industries.

Explanation :- "State Government Departments and agencies under the control of State Government" means Departments under the Orissa Government Rules of Business; Heads of Departments and offices subordinate to them; Boards, Corporations, Authorities & Improvement Trust subject o control and regulation of State Government, Universities, Municipalities, N.A.Cs, Cooperative bodies and institutions aided by State Government.

25.2 **Purchase from "Exclusive List"**

A list of store items reserved exclusive purchase from industries located in the State will be prepared from time to time keeping in view the production capacity of the local industries and requirements of State Government Departments and agencies under the control of State Government. The later will have to purchase their requirements of these items from local industries with ISI / EPM certification for the items only by inviting competitive quotations from such industries. Efforts will be made to distribute the purchase order equitably among the participating industries prepared to accept the lowest negotiated rate keeping in views their capacity. Local Small Scale industrial units including Khadi & Village Industries will enjoy a price preference up to 15% over local medium / large industries. Any local small scale industrial units having ISI Certification for its products will get an additional price preference of 3%.

5.3.1 Purchase on "Rate Contract"

Rate contract in respect of specific store items not in the exclusive list and manufactured by the local small scale industrial units will be finalised by the Director of Export Promotion and Marketing. This will be finalised on the basis of competitive offers received from such local units, costing structure obtained from these offers, market price and other consideration relevant to fixing the price of the product. State Government Departments and agencies under the control of State Government will purchase "rate contract items" from the rate contract holder small scale industries at the price fixed in the rate contract without inviting tenders.

25.3.2 Rate contract facility may also be extended to store items exclusively manufactured by local medium / large industries following the same procedure.

25.4. **"PURCHASE ON OPEN TENDER"**

Items other than those in the "exclusive purchase list" or on "rate contract" may be purchased by State Government Departments and agencies under the control of State Government through open tender. Local small scale

industrial units and khadi & village industries competing in the open tender will be entitled to price preference upto 15% and a further price preference of 3% for products with ISI marking. The local industries not having the lowest offer including price preference if any, will be given an opportunity to supply at the lowest rate and orders will be distributed equitably among the willing local industries keeping in view their production capacity.

25.5 **EXEMPTION FROM EARNEST MONEY DEPOSIT AND REDUCED RATES OF SECURITY DEPOSIT.**

Local small scale Industrial units registered with the Directorate of Export Promotion and Marketing and Khadi & Village Industries will be exempted from payment of earnest money while tendering to State Government Departments and agencies under the control of State Government. They will be required to pay 25% of the normal security deposit if the value of the order does not exceed Rs.2.50 lakh and 50% of the normal security if the value of order exceeds Rs.2.50 lakh. The security deposit in any case shall not exceed one percent of the order value.

25.6 **SUPPLY OF TENDER PAPERS**

Small scale industrial units registered with Directorate of Export Promotion & Marketing will be entitled to get tender papers free of cost for registered items from State Government Departments and agencies under its control Khadi & Village industries will similarly be eligible to get tender papers free of cost for their products.

25.7 **PAYMENT OF DUES OF SMALL SCALE UNITS AND KHADI & VILLAGE INDUSTRIES**

State Government Departments and agencies under the control of State Government shall make prompt payment of dues of local small scale industrial units and khadi & village industries in respect of goods purchased from them. 90% of the payment shall be made within 7 days of the receipt of the stores and the remaining 10% shall be paid within 60 days of the receipt of the store. For delay in payment beyond 90 days of the receipt of the store. For delay in payment beyond 90 days from the date of receipt of stores, the concerned supplier shall be entitled to receive interest at the rate of 12 1/2% per annum of the whole or balance amount remaining payable, as the case may be. The amount paid towards interest in such cases shall be recoverable from officers responsible for delay in accordance with procedure prescribed for such recovery. The concerned officers would also be liable for disciplinary action.

25.8 **DIRECTORATE OF EXPORT PROMOTION & MARKETING TO ACT AS NODAL AGENCY**

Directorate of Export Promotion & Marketing will be the nodal agency for issue of detailed guidelines for implementation of the above facilities extended to local industries, Director, Export Promotion & Marketing or his nominee will be a member of the purchase committee constituted at levels above the district level in State Government Departments and agencies under the control of State Government. General Manager / Project Manager, District Industries Centre (DIC) or his representative will be a member of purchase committee constituted at district level or below. The presence of Director, Export Promotion & Marketing or General Manager / Project Manager, District Industries Centre or their nominees, as the case may be, is the prerequisite to constitute the quorum of the purchase committee and in case, they do not attend, the meeting shall be postponed.

25.9 In order to ensue that the policy on marketing support is meticulously followed, the Director, Export Promotion & Marketing or his representative will have the

power to call for and inspect tender papers, purchase documents, books of accounts etc. of State Government Departments and agencies under the control of State Government to ascertain whether there has been any contravention in implementation of the policy.

25.10 **"PURCHASE REVIEW COMMITTEE" TO IMPLEMENT PURCHASE POLICY**

In order to ensure strict implementation of the above purchase policy of the Government, a "Purchase Review Committee" will be formed with the following officers :-

- | | | | |
|----|---|---|------------------|
| a) | Addl. Chief Secretary to Government | - | Chairman |
| b) | Secretary to Govt., Finance Department | - | Member |
| c) | Secretary to Govt., Industries Department | - | Member |
| d) | Director, Export Promotion & Marketing | - | Member Secretary |

Secretaries of concerned Departments as necessary will be invited to the meeting.

The Committee will review annual purchase forecast of Purchasing Departments, prompt payment and placement of timely order with local industries.

Decisions of the Committee subject to orders of State Government in Industries Department will be binding on State Government Departments and agencies under the control of State Government. In case it is considered necessary by the Purchase Committee of a particular Department / Agency to deviate from the above policy and make purchase from outside the State, such cases will be brought to the notice of the Purchase Review Committee through Directorate, Export Promotion & Marketing and general or specific exemption should be obtained before such purchases.

25.11 **TESTING OF PRODUCTS OF LOCAL INDUSTRIES**

Director, Export Promotion and Marketing will have the power to draw sample and test the quality of products of local industries from time to time and shall have powers to blacklist and de-register industries supply products not conforming to prescribed quality and specifications. He shall have the power to blacklist local industries for trading in the store item instead of manufacturing.

25.12 **INCENTIVE FOR OBTAINING ISI CERTIFICATION MARK**

In order to encourage small scale industrial units for obtaining ISI Certification mark for its products to complete at all India level, the State Government will reimburse 50% of actual expenditure upto a maximum limit of Rs.10,000/- for registration fee, testing fee, annual license fee and expenditure towards purchase of testing equipments. This facility will be available to small scale industrial units only once after obtaining ISI Certification Mark.

25.13 **REIMBURSEMENT OF REGISTRATION FEE OF PROMOTION COUNCILS, TDA AND COMMODITY BOARDS**

The expenditure incurred by existing and new small scale industrial units in registering themselves with various Export Promotion Councils, Trade Development Authority and Commodity Boards will be reimbursed to the extent of 50% of the actual registration fee by the State Government subject to a maximum of Rs.1000/- per unit in case of each registration. This will be a one time reimbursement.

26. **SUPPLY OF RAW MATERIAL**

26.1 Efforts will be made for long term supply of raw material available in the State for user industrial units located in the State. The State Level Nodal Committee, subject to orders of State Government in Industries Department,

may finalise the terms and conditions of such supply without further inter-departmental reference.

26.2 Orissa Small Industries Corporation Ltd. (OSIC) will assist small scale industrial units in getting their requirement of raw materials such as iron, steel, aluminium and other imported and scarce items through their depots in the State.

26.3 Products / By-products and waste materials of State Government Departments, state Undertakings and other joint sector projects Promoted by promotional agencies of the State which can be utilised as raw material for other industries such as waste paper, waste cotton, industrial scraps, alcohol, etc. will be made available to the industrial units on preferential basis. Similar efforts will be made in respect of by-products and waste materials at Central Public Undertakings in respect of ancillary / down-stream industrial units.

27. **MISCELLANEOUS**

27.1 **FUNCTIONAL INDUSTRIAL ESTATES & GROWTH CENTRES**

Steps will be taken to set up functional Industrial areas / estates in the fields of electronics and computers, automobile components, plastic and polymers, chemicals, leather, drugs and pharmaceuticals and hosiery et. at suitable places in the State for development of these categories of industries and for related ancillary and down steam items in clusters. Common facilities such as quality testing and research laboratories, processing houses and special infrastructural equipments would be set up in such centres so that there is harmonious growth in inter-related manufacturing activity with proper linkages. Besides, growth centres will be established as per Press Note 14 (1988 series) of Government of India to serve as focal points for industrial growth.

27.2 **PROMOTION OF ANCILLARY AND DOWNSTREAM INDUSTRIES**

Efforts will be made to promote ancillary and downstream industries for th major industrial projects in the State in public, joint and private sectors. Mother industries would be persuaded to fully participate in this endeavour. State Government undertakings like OSIC, IDCO, and Industrial Development of Orissa Ltd. (IDCOL) will endeavour to procure bulk order and parcel out the same to local industrial units to improve their capacity utilisation and viability.

27.3 **PROJECT IDENTIFICATION**

Constant efforts would be made to identify new areas of industrialisation and formulation of new projects. IPICOL, OSFC, Orissa State Electronics Development Corporation (OSED) and Directorate of Industries will identify new thrust area for industrialisation in the State in the coming decades. The State Level Committee constituted under the Chairmanship of Secretary, Industries Department will continue to streamline and coordinate efforts in this direction.

27.4 **AWARDS FOR PERFORMANCE**

The performance of industries will be evaluated every year and on the basis of this evaluation suitable awards will be given by the State Government for outstanding achievements.

27.5 **VISITS TO NATIONAL, INTERNATIONAL AND INDUSTRIAL TRADE FAIRS AND FESTIVALS**

Visits of selected teams of entrepreneurs of small scale industrial units to national and international / trade fairs, festivals, exhibitions and industrial estates / areas / growth centres will be subsidised by Government to the maximum extent of 50% of travel expenses.

27.6 **ADVANCED TRAINING CENTRES**

The State Government in collaboration with industries will endeavour to establish advanced craftsmen training centres and foreman training centers in different parts of the State to upgrade the skill of craftsmen and technicians employed in industries.

27.7 **ARTISAN SECTOR**

Efforts would be made to strengthen the Co-operative network in the artisan sector. The Panchayat Samiti Level Artisan Multipurpose Industrial Co-operative Society (AMICS) and the Gramadyoga Marketing Co-operative Society (GMCS) at the district level would be strengthened so that they can play their role effectively for raw material supply to the Primary Co-operative Societies and marketing of their products. At suitable places, raw material banks would be set up to facilitate supply of raw materials to the artisans. On the marketing side, efforts should be made by the State level agencies such as Orissa State Co-operative Handicrafts corporation Ltd. and Orissa Small Industries Corporation Ltd. to export the products of artisan and handloom sectors outside the State.

27.8 **EXPORTS**

An export Development Corporation would be set up to provide a thrust to exports. It would be the nodal agency for development of exports.

28. ADMINISTRATION MEASURES

28.1 INDUSTRIAL ADVISORY COMMITTEE

An Industrial Advisory Committee would be constituted under the Chairmanship of Chief Minister with prominent industrialists as members to advise the State Government about rapid industrialisation of the State.

28.2 **NODAL COMMITTEE**

28.2.1 State Level Nodal Committee

The Nodal Committee constituted of the State Government level will continue to function as the forum where issues relating to the clearance of specific proposals for supply infrastructural facilities as well as Government assistance for specific industrial projects involving inter-departmental reference would be taken up for quick decisions.

28.2.2 In addition to considering the co-ordinational problems relating to supply of land, water, forest produce and other raw materials from Government sources, the Nodal committee will consider and recommend measures to be taken for rehabilitation of medium and large scale industrial units or industrial undertakings of industrial companies held sick by it or the Board for Industrial and Financial Reconstruction and are potentially viable for revival. It will also look after specific problems faced by the Industries in relation to the marketing of their products to state Government Departments and agencies under the control of State Government. All problems relating to Orissa State Electricity Board and the agencies administering Sales Tax and Octroi which can not be resolved at lower levels will also be posed before this Committee for a final decision. The Committee will also review progress of projects set up by non-resident Indians and resolve problems in implementation.

28.3 NODAL COMMITTEE AT DISTRICT LEVEL

Nodal Committee constituted at the district level will discuss problems of entrepreneurs and decide within existing policy framework steps to be taken to resolve the same. The decision of the Committee will be implemented by all concerned. In case of any problems that cannot be sorted out at this forum, the same should be posed to the State Level Nodal Committee for a decision. The Nodal Committee will also review implementation of purchased policy, purchase forecast and timely payment of purchases by State Government Departments

and Agencies under the control of State Government at the district level. Cases of deviation or difficulty if any in the implementation, shall be brought to the notice of the "Purchase Review Committee" for necessary action.

28.4 **SINGLE WINDOW CONTACT**

28.4.1 The Industrial co-ordination Bureaus constituted in the office of IPICOL, OSFC and Orissa State Electronics Development Corporation (OSED) will continue to provide assistance and guidance to entrepreneurs in project identification, project finance, preparation of project report, getting registration and licence, obtaining clearance from various authorities and statutory bodies, and removal of operational constraints for medium and large-scale industrial units. The bureau at IPICOL will deal with medium and large units other than electronic units which will be dealt by the Bureau at OSED. Matters relating to project finance shall be dealt by the Bureau at OSFC.

28.4.2 The foreign Investment Division in IPICOL will be the single contact point of non resident Indians desirous of making investment in industrial projects in the State.

28.4.3 The Orissa Industrial Infrastructure Development Corporation (IDCO) will be the nodal agency regarding provision of infrastructural facilities such as land (both developed and undeveloped), water, power and built-up industrial sheds. It will also be geared up to provide turn-key consultancy service for project implementation.

28.5 **ENTREPRENEUR ASSISTANCE CELL**

Special Cells in charge of responsible officers will be constituted in Industries Department, offices of Director of Industries, Director, Export Promotion & Marketing, Director of Textiles, Industrial Promotion & Investment Corporation Ltd. (IPICOL). Orissa State Financial Corporation (OSFC), Orissa Industrial Infrastructure Development Corporation (IDCO) and Orissa State Electronics Development Corporation (OSED) to register all problems and grievances of individual entrepreneurs which might be referred to them. It would be the personal responsibility of the head of the institution to make sincere efforts to solve all genuine problems which will be brought to his notice by the officer-in-charge of the cell. In case of any problem which needs inter-departmental co-ordination or decision at a higher level, the head of the organisation would refer it to the State Level Nodal Committee or the District Nodal Committee or the District Nodal Committee, as the case may be, for a decision. More power would be delegated to the field officers in the matter of allotment of land, sanction of term loan, sanction of applications under different incentive schemes, power connections, etc.

28.6 **SUPERVISION**

28.6.1 The importance of regular follow up action and active supervision of the industries during and after implementation cannot be over emphasized. The General Manager / Project Manager, District Industries Centre will ensure visit and inspection of all the industries in his area at least once a quarter and submit a quarterly report to the Director of Industries which should contain detailed information about functioning of the industry, proper utilisation of incentives and facilities granted by Government agencies and financial viability. Problems faced by industries will be indicated for remedial action.

28.6.2 Director of Export Promotion & Marketing will ensure that the industries supplying their products on rate contract basis actually produce them in their units. Director of Industries and the functionaries of the orissa State Financial Corporation should, through regular visits and inspection at the time of

implementation of the projects, ensure realistic costing, proper utilisation of incentives and facilities and timely completion of the project.

29. **GENERAL POLICY APPROACH**

29.1 While continuous efforts would be made to modernise and diversify industrial units under the State Public Sector and to set up new Public Sector industries in the core sector, the emphasis would be on encouraging new industrial units in private sector, joint venture and joint sector, in that order. This approach would enable State promotional agencies to catalyse maximum investment with funds available with them.

29.2 Keeping in view the emphasis on forest conservation, new wood-based industries would not be encouraged unless the concerned industrial units make arrangements for raising plantation in accordance with the National Forest Policy or, for import of wood from outside the State to meet long term raw material needs.

29.3 Keeping in view the overall power situation in the State, the thrust would be on establishment of industries requiring less power, new power intensive industries will have to establish captive power generation to meet a substantial portion of their own requirement.

29.4 Emphasis will be laid on growth of high-tech and export oriented industries, agro and food processing industries, electronic hardware and software industries and modernisation of existing industries.

29.5 Bhubaneswar has been declared as a pollution free industrial zone where sophisticated engineering, electrical and electronic industry which have no pollution potential will be allowed to come up. Efforts would be made to declare similar pollution free industrial zones in other parts of the State.

30. **REMOVAL OF DOUBTS**

The Industries Department of the State Government shall be the Nodal Department to resolve all matters relating to problems of entrepreneurs. In case of doubt or difficult in interpretation of any item of this Policy, or implementation thereof, the same shall be finally decided or resolved by government in Industries Department.

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

By order of the Government
R.K. Mishra,
Chief Secretary to Government.

Annexure-1

INDUSTRIAL UNIT

1. 'Industrial Unit will mean manufacturing / processing industry belonging to the following categories :
 - a) Industrial listed under the First Schedule of the Industries (Development & Regulation) Act, 1951 as amended from time to time.
 - b) Industries falling within the purview of the following Boards / Public Agencies :
 - (i) Small scale Industries Board
 - (ii) Coir Board
 - (iii) Silk Board
 - (iv) All India Handloom & Handicrafts Board
 - (v) Khadi & Village Industries Board
 - (vi) Any other agency constituted by Government for industrial development.
2. Industrial Unit will not include non-manufacturing service industries except ;
 - (a) General workshops including repair workshops,
 - (b) Cold Storages and Fish-freezing units,
 - (c) Computer Software and data processing industries,
 - (d) Movie / TV Studios and processing laboratories.
3. The following units shall not be eligible for incentives as industrial units :
 - (1) Rice Hullers and Rice Mills,
 - (2) Flour Mills,
 - (3) Pulse Mills,
 - (4) Photographics Studios and Laboratories,
 - (5) Manufacture of Ice Candy and Ice Fruits,
 - (6) Laundry / Dry Cleaning.
 - (7) Tailoring (other than readymade garment manufacturing units)
 - (8) Saw Mill / sawing of timber,
 - (9) Production of fire-wood and charcoal.
 - (10) Coal / Coke Briquetting.
 - (11) Oil Mill / Expelling of less than 10 MT plant input capacity (excluding extraction of oil through solvent extraction process and / or refining).
 - (12) Bread-making (excluding mechanised bakery)
 - (13) Carpentry and Furniture-making.
 - (14) Joinery,

- (15) Book binding.
- (16) Rubber Stamp-making
- (17) Note Books & Exercise Note Books
- (18) Envelopes
- (19) Confectionery, other than 100% export oriented units.
- (20) Preparation of sweets and numkeens etc.
- (21) Making of spices, pamped, Dal etc.
- (22) Photo copying.
- (23) Clinical/Pathological Laboratories.
- (24) Beauty Parlours.
- (25) Drilling Rigs, Bore-Wells and Tubewells.
- (26) Production of seeds.
- (27) Guest Houses and Restaurants.
- (28) Goods and passenger carriers.
- (29) Video Parlours.
- (30) Black & White and Colour T.V. sets other than manufactured through rural co-operative Societies.

4. The list of Industrial Units indicated above can be modified by Government in Industries Department from time to time.