

Madhya Pradesh- Industrial Policy of Madhya Pradesh

Introduction

There is tremendous potential for taking Madhya Pradesh into the ranks of the industrially advanced States of the Country. The Industrial Policy and Action Plan, 1994 aims at accelerating & strengthening industrial development, attracting more capital investment, ensuring balanced regional development and providing additional employment opportunities to help improve the standard of living of the people.

The Industrial Policy and Action Plan, 1994 takes into account the rapid economic changes taking place at the national and international levels. In the context of economic liberalisation, it is becoming increasingly necessary to reduce the regulatory role of administration. The facilitatory role of the administration will need to be strengthened. The document delineates, among others, measures to strengthen the physical and human infrastructure base, as well as, promotional measures, including facilities and concessions. It spells out the use of taxation as an instrument for increasing employment generation and developing synergistic linkages between different sectors.

It will be the endeavour of the Government to increase budgetary allocation for industry, at present around four percent, to seven percent over the next two years, with a view to accelerating the pace of infrastructure development and intensifying promotional activities.

The Policy and Action Plan, 1994 lays special emphasis on responsive administration. It outlines measures to make administration a more result oriented responsive instrument for industrial development.

The principal objectives of the Industrial Policy and Action Plan 1994 are to:-

- i) Place Madhya Pradesh among the ranks of the industrially developed States.
- ii) Ensure balanced regional development by giving additional facilities in "No Industry" Development Blocks.
- iii) Accelerate the pace of industrial development in the State through greater utilisation of the State's human and natural resources.
- iv) Create more direct and indirect employment opportunities.
- v) Encourage entrepreneurship among members of Scheduled Castes, Scheduled Tribes, Other Backward Classes and those below the poverty line.
- vi) Encourage Women entrepreneurship.

- vii) Create special opportunities for the accelerated development of rural industries.
- viii) Create new opportunities for the development of the small scale sector.
- ix) Create opportunities to attract new investments in the large and medium sector.
- x) Facilitate synergistic linkages between small scale units and large & medium enterprises.
- xi) Encourage hi-technology based industries.
- xii) Creation of special facilities, 100% Export Oriented Units.
- xiii) Encourage investment by Non-Resident Indians.
- xiv) Encourage the establishment of industries in the "thrust sector", and formation of special schemes.
- xv) Encourage private sector participation in infrastructure development.
- xvi) Encourage Cooperative sector for industrial development.
- xvii) Facilitate commercial activity, so that commerce can become a vibrant factor in promoting industrial growth.
- xviii) Ensure simplification of administrative procedures with a view to transparency and speedy disposal.
- xix) Create transparency in administrative procedures for continuing interaction with entrepreneurs.

Madhya Pradesh has tremendous potential for a faster pace of industrial growth given its rich natural resources, rapidly developing infrastructure and a sound human resource base. The dynamism of the State is indicated by the fact that it was the first State in the country to abolish octroi, the first to go into frontier technology like fibre optics and also the first to develop a toll road, opening up infrastructure development to the non-government sector. The Industrial Policy and Action Plan, 1994 aims at all-round development of the State's industrial potential.

1. Employment Generation

1.1 Industrialisation is an important tool for generating direct and indirect employment.

1.2 Along with giving priority to the development of high-technology industries, the document lays special emphasis on employment generation.

1.3 Entrepreneurship development programmes, as well as training programmes in polytechnics and Industrial Training Institutes will be strengthened in order to further develop the human resource base.

1.4 Special emphasis will be placed on development of entrepreneurship and employment opportunities for members of Scheduled Caste and Tribes. Other Backward classes, those below the poverty line and Women.

2 . Infrastructure

2.1 Growth Centres will continue to be the hubs of development. The facilities provided in them will be greatly strengthened. Infrastructure facilities like an Air Cargo Complex and Container Depots will be speedily developed. Private participation in developing infrastructure will be encouraged.

2.2 State Government will allot land/sheds to entrepreneurs on 99 years lease on the condition that the land use will remain for industrial purpose. During this period, the State Government will have the right to increase lease rent, as per rules. The entrepreneur will not have the right to sell the land which has been leased to him. Change of land use will not be permitted without the permission of the State Government. The lease is liable to be cancelled on violation of the conditions of the lease deed.

2.3 Procedures relating to transfer of land and sheds, as well as provisions concerning changes in the constitution of industry will be simplified.

2.4 The Commissioner of Industries will be empowered to grant exemptions to industrial units under the Urban Land Ceiling Act.

2.5 Duality of administrative functioning in the industrial Growth Centres will be removed.

2.6 Services like fire brigade and police station will be available in every growth Centre.

2.7 Government will encourage the setting up of common effluent treatment plants.

2.8 Industrial Associations will be encouraged to develop social and infrastructure facilities in Growth Centres. Land will be provided at concessional rates for construction of a school, medical centre and recreational facilities in every Growth Centre.

2.9 Entrepreneurs will be allotted land at concessional rate around Growth Centres for construction of airstrips. Private land acquired for the purpose will be made available at actual acquisition cost. The airstrips will be available for public use.

2.10 The matter of having international airports at Bhopal, Indore and Raipur will be pursued with the Government of India. Efforts will also be made to put more industrial centres in State on the air map and increase the present frequency of air services. Private

sector participation in construction of airports will be welcome. Efforts will be made to establish an inter-city rail service between Indore and Bhopal. This will be taken up with the Government of India.

2.11 A Container Depot will soon become operational in Pithampur. Container Depots will also be established in other parts of the State.

2.12 In order to ensure a convenient facility for the rapid transport of the State's industrial products, an Air Cargo Complex at Indore will be made operational shortly.

2.13 A Trade Centre will be established at Bhopal. This will be followed by the setting up of Regional Trade Centres. Trade fairs will be organised on a regular basis. These facilities will help make commerce a more dynamic contributory factor in industrial development.

2.14 State Government will encourage Tooling and Testing centres established by Industries Associations. Training facilities, with Government assistance, will also be made available in such Centres. The complex being developed by the Indo-German Tool Room at Indore will begin functioning within the next few months.

2.15 While the A.K.V.Ns will continue to provide services in Growth Centres, private agencies will also be encouraged to operate such services on a commercial basis.

2.16 Industrial Associations will be encouraged to provide day-to-day maintenance services in Industrial Areas and Estates on a cost sharing basis.

2.17 The development of Industrial Model Townships by the private sector will be welcome. The State Government will provide land by way of its equity participation. Not only will these Townships provide for sheds and developed industrial plots, but also social infrastructure facilities like housing, schools, medical centres and recreational facilities.

2.18 The private sector will be encouraged to set up Growth Centres for the small Scale and the Tiny sectors. The State Government will provide land by way of its equity participation for such Centres.

The cooperative sector will be given land at concessional rates for this purpose.

2.19 Government of India have accorded approval for establishing a Mini-Growth Centre in the State. Efforts will be made to set up more such Mini Growth Centres in different areas of the State. These Mini-Growth Centres will be earmarked for the Tiny and Small Scale sector and will enjoy facilities and concessions at par with the larger Growth Centres.

2.20 Specialised Industrial Complexes will be developed by the Directorate of Industries/A.K.V.Ns in consultation with Industrial Associations. The complexes will be

product specific, covering products like electronics, garments, leather, food processing, etc. keeping in view locational advantages. Such specialised complexes will help in developing market linkages, and an easily accessible labour pool. They will also afford convenient access to raw materials and intermediate goods, permitting near-zero inventory levels. The private sector will be encouraged to set up such complexes and will be given land at concessional prices.

2.21 The State Government will prepare a scheme for developing a complex for chemical based industries.

2.22 A diamond park will be developed in the State for industries based on diamond cutting.

2.23 Given the electronic sector's potential for development an electronic park will be established to provide special facilities to industries in this sector.

2.24 An export park will be developed looking to the importance of expanding and developing export industries. Special facilities will be made available in this park to export oriented units. Efforts will also be made to make available through the private sector, inter modal transport linking the export park directly to ports.

2.25 A Technological park will be developed for industries based on genetic technology and bio-technology.

2.26 Some shops, from among those developed by local bodies such as municipalities, development authorities and panchayats will be reserved for entrepreneurs in the rural industries sector.

2.27 District Collectors will be authorised to make available revenue land at concessional price for setting up khadi and village industries.

3 . Power Policy for Industry

3.1 All possible steps will be taken to reduce the quantitative and qualitative shortfall in the supply of power, particularly for industries. The private sector will be encouraged to participate in efforts to increase the generation capacity.

3.2 An entrepreneur wishing to set up a captive diesel generating set, or a captive thermal generation unit with a capacity of 25 M.W. (which can also utilise waste heat) shall be accorded permission within fifteen days upon his submitting an application along with complete information to the Madhya Pradesh Electricity Board (MPEB) and the Chief Engineer. Electrical Safety/Chief Electrical Inspector in accordance with the provisions of the Electricity (Supply) Act, 1948 and the Indian Electricity Rules, 1956, subject to the following conditions:-

a) An entrepreneur wanting to set up a captive generating set for catering to all his own requirements will be accorded permission upon his submitting such an application.

b) An entrepreneur wanting to set up a captive generating set for partially catering to his own requirements will be accorded permission, upon his submitting such an application, but in this case power from the MPEB will be made available to him on certain conditions.

3.3 Establishing of a thermal generating set above 25 M.W. capacity requires permission of the Central Electricity Authority, Government of India. Applications and project reports in such cases will be forwarded by the Madhya Pradesh Electricity Board to the Central Electricity Authority within fifteen days of submission of these by entrepreneurs, and efforts will be made to secure the permission of the authority as early as possible.

3.4 An entrepreneur desirous of setting up tiny or small hydro power or non-conventional power generating units (such as wind energy, solar photo voltaic, biogas etc.) for his own use be accorded permission within fifteen days of his application along with complete information to the MPEB and the Madhya Pradesh Urja Vikas Nigam.

3.5 If an entrepreneur establishes diesel/thermal/small and tiny hydro-power generating sets or equipment to generate non-conventional energy and intends to supply surplus power to other entrepreneurs in the vicinity, or sets up any type of power generating plant only with the intention of selling power to other entrepreneurs, he will be accorded permission under the provisions of the Electricity (Supply) Act, 1948 by the MPEB within fifteen days of application. However, such an entrepreneur will also be required to obtain permission from the State Government through the Chief Engineer. Electrical Safety/Chief Electrical Inspector under the provisions of the Indian Electricity Act, 1910. Such applications will be decided expeditiously.

3.6 If an entrepreneur, as spelt out above, establishes diesel/thermal/small-tiny hydro power generating set of more capacity than that required for its own use and wants to supply power to his own unit situated at a distance, or wants to supply surplus power to some other entrepreneur at a distance, or sets up any type of plant only with the intention of selling power to other entrepreneurs and intends to make use of the distribution network of the MPEB, permission will be accorded by the Board on the condition of payment of wheeling charges/payment for transmission losses as under:-

a) 10% of the total power supplied for a distance upto 40 kms.

b) 12% of the total power supplied for a distance upto 60 kms.

c) 17% of the total power supplied for a distance upto 100 kms.

d) 20% of the total power supplied if the distance is more than 100 kms.

3.7 If an entrepreneur desires to sell surplus power to the MPEB from his captive generating set/plant or set up any of type of generating plant to sell power to the MPEB, such an entrepreneur will be accorded permission under the provisions of the Electricity (Supply) Act, 1948. The tariff for supply of such power shall be fixed for the following time slots, under the provisions of the Electricity (Supply) Act. 1948 and rules framed from time to time by the Central/State Government, as per mutual agreement between the entrepreneur and the MPEB:-

a) from 10.00 pm to 6.00 am of the next morning.

b) from 6.00 am to 10.00 pm.

3.8 The entrepreneurs shall erect facilities for interconnection or synchronisation at his own expense, for supply of power to the distribution system of MPEB.

3.9 Entrepreneurs located in Growth Centres and Industrial Areas will be accorded permission to form consortia to establish power generating sets/plants as spelt out above.

3.10 In all the above situations, the entrepreneur will need to obtain necessary permissions, or no objection certificates from other agencies, like the Central Electricity Authority. Coal Linkage Committee. Civil Aviation Ministry, Madhya Pradesh Pollution Control Board etc.

3.11 Diesel/thermal/tiny or small hydro-power generating plants or non-conventional power generating sources established by entrepreneurs as per paras 3.2 to 3.7 above, will be placed in the category of new industries and will be given all the facilities, as per rules, being made available to new industries.

3.12 New industries will be given power connection within fifteen days of all formalities being completed by the entrepreneurs, the completion of line expansion etc. work and the submission of the test report.

3.13 In order to strengthen the power supply arrangements in Growth Centres. Divisional Engineers will be posted, if not posted already, in selected Growth Centres so that power supply related problems of entrepreneurs are sorted out at the local level and better services are made available to them.

3.14 Inspection certificates will be issued within seven days of the entrepreneur presenting work completion/test certificates after completing the work as per approved layout for new electrical installations in industries.

3.15 The existing facility as per notification of 6-11-1992 of according exemption from electricity duty, without time limit, on captive generating sets/equipment for one's own use upto 125 KVA, and for the first five years for equipment above 125 KVA, will continue to remain in force.

3.16 As far as possible, 100% Export Oriented Units and continuous process units will be exempt from power cuts.

4. Human Resources

4.1 Industrial mandays lost in Madhya Pradesh are the lowest in the Country.

4.2 The quality of the human resource base will be upgraded continually keeping in view the requirements of industry.

4.3 The Madhya Pradesh Council of Science & Technology, Madhya Pradesh Entrepreneurship Development Institute and the Madhya Pradesh Consultancy Organisation will closely in consultation with Industrial Associations employ a coordinated approach to develop suitable orientation programmes for entrepreneurs. There will be special emphasis on promoting entrepreneurship among members of Scheduled Castes and Tribes, Other Backward Classes, and those below the poverty line. Entrepreneur Development Programmes will also be organised with special focus on women. A Committee of officials and on-officials will be constituted to co-ordinate these efforts.

4.4 Courses in Polytechnics and Industrial Training Institutes will be made more user specific in consultation with the end users.

4.5 Human resource requirements for the next ten years will be mapped out and developed, keeping in view the existing pattern and future potential of industrial development.

4.6 A scheme will be prepared for employment of local people in industries which are being established, so that industrialisation results in more employment, for them. Special incentives will be given to industrial units for training of employees/labour who are bonafide residents of the State. It will be ensured that opportunities for training under the provisions of the Apprenticeship Act are fully utilised, so that training can be imparted to the maximum number.

5 . Tax Concessions and Other facilities

5.1 Continuous improvement in the quality of infrastructure and human resources is an essential element for accelerating the pace of industrialisation. Tax concessions and other facilities also have an important role to play in laying down the priorities for industrialisation.

5.2 The Industrial unit getting facilities and concessions under existing schemes will continue to get these facilities and concessions for the remaining period of eligibility according to the provisions of these schemes. After the abolition of sales tax, eligible units will continue to get the same concessions of commercial tax as per their eligibility for remaining period of the existing schemes. Facilities and concessions at present

available to industrial units will remain in force unless expressly modified by the Industrial Policy and Action plan, 1994.

5.3 The scheme of State Capital Investment Subsidy, 1989 will continue to be available for small scale units. Industrial units in the cooperative sector with a minimum investment of Rs. one crore in plant and machinery and a membership of a minimum of one hundred persons, will also be eligible.

5.4 The facilities and concessions announced in the policy shall be available to industrial units which go into commercial production after the date of announcement of the Industrial Policy and Action Plan, 1994. Industrial units which have taken the prescribed effective steps prior to the announcement of this policy will have the option of availing various facilities under the provisions of earlier schemes in force, instead of the facilities available under the new policy and Action Plan, provided that, such units go into commercial production before 1-4-95. Such large and medium scale industrial units, which have got gone into commercial production but have obtained advance subsidy under the then operational scheme of State Capital Investment Subsidy will be required to refund to the State Government, before 1-4-95, the amount of subsidy thus obtained if they desire to avail the facilities under the Industrial Policy and Action Plan, 1994.

5.5 "Effective Steps" mean fulfilling a minimum of two of the following conditions:-

- a) Possession of land has been taken.
- b) At least 50% of expenditure has been incurred of the estimated expenditure on building, as per the project report.
- c) Firm orders of atleast 50% of plant and machinery have been placed of the estimated plant and machinery as per the project report.

5.6 The following Sales Tax/Commercial Tax concessions will be available to industries:-

Category of the District	Exemption from payment of Sales/Commercial tax		Deferment from payment of Sales/Commercial tax	
	Maximum amount of benefit	* Eligibility period	Maximum* amount of benefit	Eligibility period
Advanced	125%	3 years	175%	4 years
Backward	(A) 150%	5 years	200%	7 years
	(B) 200%	6 years	250%	8 years
	(C) 250%	7 years	300%	9 years

* The maximum amount of benefit will be limited to the percentage of capital investment in fixed assets as shown in the above column.

a) At present units having capital investment in fixed assets Rs ten lakhs get tax concessions limited to the extent of 90% of the fixed capital investment. In the new scheme the ceiling has been raised to 100% for exemption and 150% for the deferment facility.

b) These concessions will be available on finished products, by-products, waste products, raw materials, incidental goods and packaging material.

c) Payment of tax will be deferred for a period of five years. In the sixth year the deferred amount will be due without any interest as per rules. If the deferred amount is not paid within the stipulated time limit, the unit's eligibility for the balance period is liable to be cancelled and interest will be charged on such amount, as per rules.

d) Units set up by Women Entrepreneurs, persons belonging to Scheduled Castes, Scheduled Tribes and Backward Classes, will be entitled to one year's additional concession.

e) After accounting for all special eligibilities, a unit will get a maximum benefit of upto an additional five years, over and above the concession normally available.

f) Given the capping on the quantum of commercial/sales tax concessions it has become necessary to define capital investment in fixed assets. Capital Investment in fixed capital assets is defined as follows:

- Investment made in land, building, plant and machinery, electric installations and pollution control equipment.
- Expenditure on land development, limited to 10% of the investment made in land and building.
- Investment made for laboratory, research and on administrative building.
- Investment made in machinery and equipment for laboratory and research
- Capital investment made on the establishment of railway siding.
- Expenditure on godown, storage tank, etc.
- The value of leased machinery and equipment required for production. (In this regard detailed definition will be issued separately).

All items, except item (v) and (vii) will be taken into account for the small scale industries sector. In calculating the maximum allowable tax concessions for large and medium scale units with an investment upto Rs. one hundred crore, the investment made by them within three years from their going into commercial production will also be taken into account. For industrial units with an investment of more than Rs. one hundred crore, the investment made by them within five years from their going into commercial production will also be taken into account.

5.7 With a view to balance regional development, small scale, medium and large scale units set up in "No Industry Blocks" of all the districts in the State will get the same commercial tax concessions of exemption or deferment, available in "C" category districts. In "No Industry Blocks" of Backward "C" category districts, an additional one year's concession will be available. "No Industry Blocks" will be those which do not have any large or medium scale units on the date of announcement of the Industrial Policy and Action Plan, 1994. Such small scale industrial units (with an investment of over Rs. five lakhs on plant and machinery) and medium and large scale units which go into commercial production after the date of announcement of the Industrial Policy and Action Plan, 1994 will be eligible for the special facilities being made available in the "No Industry Blocks".

5.8 Industrial units which will be established in areas declared as rehabilitation areas for persons displaced by submergence on account of large dams and projects will get the same concession, as available to units in "C" category districts. Units to be set up in such areas in "C" category district will be allowed an additional two year's concession. Such units will be required to provide employment to a prescribed number of displaced persons.

5.9 Units to be established in Growth Centres developed by M.P. Audyogik kendra Vikas Nigams with the approval of the State Government, where expenditure on development of infrastructure has been made, from time to time shall be eligible for commercial tax concession, either by way of exemption or deferment for an additional period of two years. This concession will also be available in Growth Centres which are approved in the future.

5.10 Units which will be set up within five kms from the boundary of a Growth Centre due to non-availability of land within that Growth Centre will be eligible for an additional one year's tax concession over and above the period normally allowed in that area.

5.11 Industrial units commencing commercial production after the announcement of Industrial Policy and Action Plan, 1994 are defined as "New Units".

5.12 A new scheme will be launched with a view to providing more opportunities of employment to bonafide residents of the State for which additional facilities will be provided to industries. It will be incumbent upon the industrial unit for which land has been specifically acquired, to provide employment to one member of the family whose land has been acquired, provided that the family has ownership of that land for atleast twelve years. Rules for this will be framed separately.

5.13 In order to develop human resources, special financial concessions will be given to those units which train and employ bonafide residents of the State. Such units will be specially encouraged to provide employment to handicapped persons.

5.14 The scope of the "Thrust Sector" has been enlarged. The thrust sector will now include automobiles, agricultural implements, agro based industry, gricultural inputs,

mineral resource based industry fish canning, automobile components, white goods, telecommunication and petro-chemicals down stream projects, readymade garments, sport goods and leather and silk industry. The list of industries covered under this thrust sector will be declared by the State Government from time to time. There shall be no capping on the quantum of tax concessions available to such industries, provided that an investment of at least Rs. one crore is made in plant and machinery.

5.15 New industrial units set up in the cooperative sector with an investment of at least Rs. one crore in plant and machinery and a membership of at least one hundred persons shall be eligible for three years additional commercial tax concession of exemption or deferment.

5.16 Additional investment of units undertaking expansion will be eligible for commercial tax concession, for the same period and with the same capping as applicable to new units. This facility will be available to units with an investment of more than Rs. ten lakhs. Small scale units will be required to invest at least an additional 50% in plant and machinery, of the investment made in the existing plant and machinery. In order to obtain the concession for expansion, large and medium scale units with an investment upto Rs. ten crore will be required to invest at least an additional Rs. one crore in plant and machinery. Units with an investment of more than Rs. ten crore will need to invest at least an additional Rs. five crore. The above facilities will be available for production which is over and above % of the installed capacity.

5.17 During the period of eligibility, units undertaking modernisation/diversification and producing new items, will also be eligible for tax concession on the new items for the remainder of the eligibility period.

5.18 Incidental goods and capital goods will also be brought within the scope of entry tax concessions.

5.19 100% Export Oriented Units will be specially encouraged. These units will get commercial tax concessions for an additional period of two years and exemption from payment of entry tax for a period of eight years.

Industrial units being set up by Non-Resident Indians (NRIs) with a capital investment of at least Rs two crore shall get similar concessions which are available to EOUs, provided that the NRI investment is at least 50% of the equity invested by the promoters.

5.20 The Power Subsidy Scheme, 1989 stands withdrawn and the financial resources thus saved will be spent in developing infrastructure.

5.21 From the date of declaration of Industrial Policy and Action Plan, 1994, the maximum limit under the scheme of interest subsidy applicable to the small scale sector stands raised to Rs. twenty five thousand per year from the existing limit of Rs. ten thousand per year, for general category entrepreneurs. At present, interest subsidy is available at the rate of 4% to entrepreneurs belonging to the Scheduled Castes and

Scheduled Tribes category. From the date of announcement of the Industrial Policy and Action Plan, 1994, the rate of interest subsidy for Scheduled Castes and Scheduled Tribes entrepreneurs shall be increased to 6% and as was the case earlier, this will be without any ceiling.

5.22 Large and medium scale units will be encouraged to promote ancillary units. An attractive scheme shall be announced towards this end.

5.23 In order to increase exports products manufactured in the State need to be made more competitive. Assured quality is the key to competitiveness. Obtaining an ISO 9000 is an important step in this direction. In this context the State Government will provide assistance by reimbursing upto 50% of the fee paid to a recognised certification institution.

5.24 The State Government is keenly aware of the need for environmental protection along with rapid industrial development. In order to encourage installation of environmental protection equipment, such equipment will be exempt from commercial taxes.

5.25 The existing list of units ineligible for various facilities and concession will be revised.

5.26 Special packages of concession will be prepared to attract mega investments.

5.27 A special incentive scheme will be prepared for all types of new units with an investment of Rs five hundred crore or more. Concessions, on the lines of the special incentive scheme for the establishment of integrated steel plants with capital investment of more than Rs. one thousand crore, excluding state capital investment subsidy, and with modified conditions of land allotment, etc. will be provided as incentives under this scheme.

5.28 A special package of concessions will be prepared for all types of new units set up with an investment of over Rs. ten crore and upto Rs. one hundred crore and another package for new units with an investment of over Rs. one hundred crore but less than Rs. five hundred crore.

5.29 A special scheme will be prepared for the establishment of plants processing agricultural and urban waste.