

Overview of New Manufacturing Policy, DMIC

The Government of India has announced a national manufacturing policy with the objective of enhancing the share of manufacturing in GDP to 25% within a decade and creating 100 million jobs. It also seeks to empower rural youth by imparting necessary skill sets to make them employable. Sustainable development is integral to the spirit of the policy and technological value addition in manufacturing has received special focus.

The policy is based on a principle of industrial growth in partnership with the States. The Central Government will create the enabling policy framework, provide incentives for infrastructure development on a PPP basis through appropriate financing instruments, while State Governments will identify suitable land and be equity holders in the NIMZs. The following are the key policy instruments for achieving the objective:

a) Establishment of National Investment and Manufacturing Zones (NIMZs) – greenfield integrated industrial townships with state-of-the-art infrastructure and land use on the basis of zoning; clean and energy efficient technology and requisite social infrastructure. The NIMZ is proposed with a land area of at least 5000 hectares.

b) Industrial townships are proposed to be self-governing and autonomous bodies under Article 243(Q-c) of the Constitution.

c) The trunk infrastructure will be financed appropriately by the Central Government including through viability gap funding while SPV will develop the zone infrastructure in PPP mode.

d) The NIMZ will be managed by Special Purpose Vehicle headed

by Government officials and experts, including those of environment.

The policy has also come up with proposals to improve access to finance for SMEs in the manufacturing sector.

The proposals in the policy are generally sector neutral, location neutral and technology neutral except incentivization of green technology. While the National Investment & Manufacturing Zones (NIMZs) are an important instrumentality, the proposals contained in the policy apply to manufacturing industry throughout the country including wherever industry is able to organize itself into clusters and adopt a model of self-regulation.

DELHI-MUMBAI INDUSTRIAL CORRIDOR

The first phase of the NIMZ will be established along the Delhi Mumbai Industrial Corridor (DMIC) which will see early results in the next few years. The development of this corridor will be anchored in the National Manufacturing Policy which will give its strength by providing an overarching policy framework.

The Government of India is developing the DMIC, as a global manufacturing and investment destination utilizing the high capacity 1483 km long western Dedicated Railway Freight Corridor (DFC), as the backbone. In essence, the DMIC project is aimed at the development of futuristic industrial cities. This would involve/attract an estimated investment of around \$90-100 billion over the next thirty years. The DMIC project covers 6 States i.e. Haryana, UP, Rajasthan, Madhya Pradesh, Maharashtra and Gujarat, accounting for 43% of the national GDP, 50% of industrial production and exports and 40% of total work-

force. It is estimated that the developments under the project will offer employment opportunities for over three million people.

DMIC has 24 nodes covering 11 Investment Regions (IR) of more than 200 sq. kms each and 13 Industrial Areas (IA) of about 100 sq. kms each. Initially, 7 (Seven) investment nodes are being developed with assistance from Government of India.

e) The 7 Investment Regions under DMIC will be NIMZs as under:

- Ahmedabad-Dholera Investment Region, Gujarat (900 sq km)
- Shendra-Bidkin Industrial Park city near Aurangabad, Maharashtra (84 sq km)
- Manesar-Bawal Investment Region, Haryana (380 sq km)
- Khushkhera-Bhiwadi-Neemrana Investment Region, Rajasthan (150 sq km)
- Pithampur-Dhar-Mhow Investment Region, Madhya Pradesh (370 sq km)
- Dadri-Noida-Ghaziabad Investment Region, Uttar Pradesh (250 sq km) and
- Dighi Port Industrial Area, Maharashtra (230 sq km).

The present status of the Delhi Mumbai Industrial Corridor is as follows:

- Master Plans of New Industrial Cities have been approved except the one for Uttar Pradesh.
- The Cabinet in its meeting held on September 15, 2011 has, inter alia, approved financial assistance of Rs 17,500 crore over the next five years for the development of industrial cities in the Delhi – Mumbai Industrial Corridor. In addition, Rs 1000 crore has been approved for undertaking project development activities by the Delhi Mumbai

Industrial Corridor Development Corporation.

- State Governments have initiated the process of land acquisition except Uttar Pradesh.

INVESTOR-FRIENDLY FDI POLICIES

The policy on FDI is reviewed on an ongoing basis, through a consultative process, so as to facilitate FDI inflows. Some of the significant measures taken towards rationalization and simplification of the policy in recent years include:

- i) Consolidation of FDI policy:** FDI Policy has been consolidated into a single document for ease of reference, which is being updated every six months.
- ii) Review of policy on cases requiring prior Government approval for foreign investment:** Only proposals involving total foreign equity inflows of more than Rs 1200 crore (as against the earlier limit of the total investment being more than Rs 600 crore), now require to be placed for consideration of the Cabinet

Committee on Economic Affairs.

- iii) Introduction of a specific provision for 'downstream investment through internal accruals':** This measure implies that Indian companies have full freedom in accessing their internal resources for funding their downstream investments.
- iv) Flexibility in fixing the pricing of convertible instruments through a formula, rather than upfront fixation:** This change, which provides flexibility in price fixation of convertible instruments, through a formula, rather than through upfront fixation, has been made intended to assist recipient companies in obtaining a better valuation based upon their performance.
- v) Inclusion of fresh items for issue of shares against non-cash considerations, including import of capital goods/ machinery/ equipment and pre-operative/ pre-incorporation expenses:** This measure, which liberalizes conditions for conversion of non-cash items into equity, has been in-

troduced to significantly ease the conduct of business.

- vi) Removal of the condition of prior approval in case of existing joint ventures/technical collaborations in the 'same field':** The requirement of Government approval for establishment of new joint ventures/technical collaborations in the 'same field' has been done away with.
- vii) Permitting of FDI in Limited Liability Partnerships (LLPs), subject to specified conditions:** This change, which permits induction of FDI through the new modality of LLPs, implies significant benefits to the Indian economy, by attraction of greater FDI, creation of employment and bringing in international best practices and latest technologies.

The Cabinet has also cleared 100% FDI in Single Brand retail and 51% FDI in Multi Brand Retail. The decision regarding Multi Brand Retail is suspended till the consensus is developed through consultation among various stakeholders. ■

S.K. Goel appointed CBEC Chairman



Mr S. K. Goel
CBEC, Chairman

Mr S.K. Goel was appointed as Chairman, Central Board of Excise & Customs (CBEC), on October 31, 2011.

Mr Goel joined the Indian Revenue Service (Customs & Central Excise) in the year 1975. He has handled various assignments in the Department of Revenue under the Ministry of Finance all over the country. Prior to his appointment as Chairman, he was working as Member (Customs) in CBEC, where he was responsible for formulation of policy concerning administration of Customs Law, Customs Tariff and procedural matters relating to Customs duties. As Member (Customs), he was instrumental in evolving several trade facilitation

measures such as self-assessment in customs, on-sight post clearance audit procedure, Authorized Economic Operator scheme, etc. He is a recipient of the President's Award for Specially Distinguished Services.

Mr Goel's appointment to the post of Chairman is expected to give a boost to ongoing tax reforms, trade facilitation initiatives, increased taxpayer services, and increased automation for enhancing operational efficiency of the Department. It will also improve the functioning of intelligence and enforcement agencies, and thus enhance overall tax compliance and satisfaction levels of the tax-paying public.