e. New Industrial Policy

A new Industrial Policy was announced in June 1990, which would have considerably liberalised licensing regulations and also simplified procedures. A greater emphasis would have been laid on securing relevant technology, equipment and material for improving the efficiency and competitiveness of Indian industry. Accordingly a foreign collaborator could conclude an agreement with an Indian promoter, without obtaining any clearance from the Indian Government, provided the royalty did not exceed 5% on domestic sales and 8% on exports. In respect of proposals involving lumpsum payments in the import of technology, clearance from the Government of India would be required and would be communicated within 30 days from application. Further, 40% of equity was to be allowed on an automatic basis, provided it did not involve imports to exceed 30% of value of plant and equipment. The Indian Government has drawn up (but not released) a list which would be covered by automaticity, to exclude those items which are either import intensive or would create a permanent dependence on foreign raw materials. This draft policy has currently been stalled and Canadian companies are advised to check with the contacts listed in the appendices for the latest update.

f. Sectors open to collaboration

India's massive investment and expenditure programme especially in key sectors such as oil, coal, power, telecommunications, fertilizers and electronics, presents good opportunities for the foreign investor.

Industries and products which are open for foreign collaboration are:

— Telecommunications (telecom cables, telephone instruments, electronic teleprinters)
— Electronics (mini computers/process control equipment, electronic weighing systems, electronic instruments, wrist watches)
— Electrical industry (electric motors, cross linked power cables, power capacitors for power factor improvement).
— Automobile ancillaries (shock absorbers, fuel injection equipment, car air conditioners)
— Industrial machinery (gas cutting and welding equipment, air pollution control equipment, industrial sewing machines, industrial process control instruments)
— Commercial, office and household equipment (electric typewriters)
— Fertilizers (based on natural gas)
— Inorganic/organic chemicals
— Drugs and pharmaceuticals (selected items)
— Man made fibres
— Dyes (selected dyes and dye intermediates)
— Paper (speciality papers like insulation paper)
— Rubber products (radial tyres, contraceptives, oil seals)
— Glass and glass products (fibre and float glass)
— Pesticides
— Synthetic rubber

Currently some of these sectors are under discussion and it is advised to check with listed sources for the latest information.

g. Approval process for foreign collaborations

Steps to be followed for the approval of foreign collaborations are detailed in the flow chart given on the next page.

h. Investment regime

The procedures to be followed in establishing an industrial undertaking in India may involve obtaining

— An industrial licence under the Industries (Development and Regulation) Act 1951
— A licence for the import of capital equipment and machinery under the Imports and Exports (Control) Act 1947.
— The approval of the Reserve Bank of India under the Foreign Exchange Regulation Act 1973 (FERA)
— The formalities for the issue of capital under the Capital Issues Control Act 1947 and Capital Issues (Exemptions) order 1969