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MSME

Preamble:

Maharashtra has been the Leader on industrial front of India. It has always been the endeavour to develop sustaining industrial growth, facilitate speedier flow of investment by creating conductive industrial climate in the State. Maharashtra has developed a solid base of industrial infrastructure, strong Human Resources, and sustaining and divers industrial base. This was possible because Maharashtra pioneered several policy initiatives, since inception, in diverse fields.

The economic reforms initiated in the country in 1991 brought about a paradigm shift in the approach to economic growth, industrialization and income distribution. A number of control regimes were dismantled in the areas of industrial policy, taxation, export-imports and foreign investment. De-licensing of industry, de-reservation of the public sector, casing of competition controls, reduction of import tariffs, deregulation of interest rates, and opening up of capital markets were among the reforms undertaken to encourage investment and capital formation.

The Industrial Policy of Maharashtra 1993 mainly aimed at simplification of procedures and rationalization of rules and the Industry, Trade & Commerce Policy 1995 aimed at empowering people at all levels with special focus on infrastructure development with private sector participation. A comprehensive Information Technology Policy was announced in 1998, keeping in view the importance of the financial sector, media and entertainment, and health, education and research.

2.0 Objectives:

In the phase of second generation economic reforms, the objective of Maharashtra Industrial Policy 2001 is to further accelerate the flow of investment in industry and infrastructure, promoting IT, high-tech, knowledge based and biotech industries, augmenting exports from the industrial units in the State and creating large scale employment opportunities duly ensuring environmental planning.

3.0 Approach:

The approach of the policy is to ensure sustainable industrial growth by introducing structural changes, in the wake of national consensus to discontinuing sales tax based incentives, for development of high-tech and other industries, creating conductive industrial climate in the State, besides fiscal incentives, thereby giving sharp competitive edge to the State's industry.

4.0 Strengths of Maharashtra:

4.1 Economic indicators:

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Maharashtra ranks first amongst major States in terms of State Domestic Product and accounts for 15% of the National Income. Per capita income of Rs. 23,849, more than 60% higher than the national average and highest amongst States (at current prices - base year 1998-99)

The largest share of public funds amongst any other States for development of industrial and social infrastructure -a hallmark of State policy.

Contributes 22% of India's net value added in organised industrial sector. 40% of India's Internet users are in Maharashtra and the State accounts for around 30% of software export.

70 percent of India's stock transactions in Mumbai, the State capital and commercial capital of India with headquarters of Reserve Bank of India's almost all central financial institutions and banks.

4.2 Administration:

Progressive and responsive administration with full commitment to maintenance of law and order.

An independent authority established for transparent and scientific determination of power tariffs.

Well set mechanism in position to support industry in the prevailing dynamic situation.

Strategies:

The State has entered into the phase of second generation economic reforms, with emphasis on structural changes in addition to fiscal incentives for the promotion of industry and balanced regional growth. This has coincided with increasing international competition and rapid technological changes, which pose new challenges for industry. The Industrial Policy 2001 set out below has been formulated in this context, keeping in view the objectives of sustained growth and employment and an expansion in livelihood opportunities. It supplements the provisions of the Information Technology and other sectoral policies announced earlier. The components of the new Package Scheme of Incentives contained in this Policy will be operative from 1st April, 2001 upto 31st March, 2006:

5.1 Strategies:

New industries establishing in C, D, and D+ areas an No-Industry District(s) will be exempted from payment of Electricity Duty for a period of 15 years. In other parts of the State, 100% Export Oriented Units (EOUs), Information Technology (IT) and Bio-Technology (BT) units, and industries setting up in Special Economic Zones (SEZs), and Electronic Hardware Technology Parks will be exempted from payment of Electricity Duty for a period of 10 years.

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5.2 Waiver of Stamp Duty and Registration Fees: At present, IT units in

Waiver of Stamp Duty and Registration Fees: At present, IT units in public IT Parks are exempted from stamp Duty and Registration fees upto 31st March 2006. Now all new industrial units (including IT and BT units) and expansions, will be exempted from payment of Stamp Duty and Registration fees up to 31st March 2006 in C, D and D+ areas and No-Industry District(s). However, 50% of the Stamp Duty and Registration fees will be waived for IT units set up in other IT Parks in talukas/areas in the State in "A" and "B" categories.

5.3 Octroi Refund:

The scheme of refund of octroi provided under the Package Scheme of Incentives, 1993 will be included in the new Scheme up to 31-3-2006 on the same pattern. Where account-based cess or other levy is charged instead of or in lieu of octroi, such change will also be eligible for refund as in the case of octroi.

5.4 Incentives to SSI units:

5.4.1 Special Capital Incentives for SSI units: New small-scale industries (including IT and BT units) setting up in different parts of the State will be eligible for Capital Subsidy as follows:

Taluka/Area Classification	Ceiling as percentage of fixed capital investment	Monetary ceiling (Rupees in lakhs)
A	-	-
B	-	-
C	20	10
D	30	20
D+	35	25
No Industry District	40	35

The subsidy will be disbursed in equal annual instalments over 5 years. Existing SSI and small-scale IT and BT units will be eligible for 75% of the subsidy admissible as above for expansion, diversification or modernization involving additional investment to the extent of 25% or more.

5.4.2 Interest Subsidy to new textile, hosiery and knitwear SSI units: New textile, hosiery and knitwear small-scale industries setting up indifferent parts of the Start will also be eligible for Interest Subsidy on the interest actually paid to the financial institution/bank on the term loan for creating fixed capital assets, equal to the interest payable at 5% per annum as stated in the table below. The monetary ceiling will be applicable for the complete period of eligibility.

Taluka/Area Classification	Monetary ceiling limit (Rs. in lakhs)	Maximum period in years
A	-	-
B	-	-
C	10	4
D	20	5
D+	25	6
No Industry District	35	7

5.5 Development of non-conventional energy:In order to give an impetus to the development of non-conventional energy, such projects will be eligible for benefits under the new Package Scheme of Incentives.

5.6 Classification of talukas/areas: The present classification of different talukas/areas in the State in A, B, C, D and D+ categories on the basis of their level of development is contained in the Package Scheme of Incentives, 1993, and will continue for the present. The matter of revision of the area classification will be separately considered by a Committee under the Chairmanship of the Minister (Industries). Norms for the mid-term reclassification of talukas depending on changes in their development status will also be considered, and No Industry District(s) will be separately categorized.

5.7 Financing of capital incentives and refunds under the Package Scheme:A budgetary provision of at least Rs. 200 crores will be made each year from 2001-2002 onwards to meet past commitments and the incentives under the new Scheme. Additional resources will also be raised through bonds linked with Sales Tax repayments under past Schemes.

5.8 Exemption from Sales Tax for Khadi& Village Industries:24khadi and village industries are exempt from Sales Tax up to certain limits on annual turnover. Considering the potential of this sector for employment generation and rural industrialization, Sales Tax will also be waived in respect of the 72 remaining industries for their turnover up to Rs. 20 lakhs pr annum. This concession would be available to khadi and village industry units registered with and assisted by the Maharashtra State Khadi and Village Industries Board.

5.9 Sales Tax on IT products:Up to 31st March, 2006, the Sales Tax rates on IT products would be maintained at the level of the minimum floor rates, wherever applicable. No turn-over tax, additional Sales Tax, surcharge or any other additional levy related to Sales Tax shall be applied to IT products.

5.10 Sick SSI units:Issues relating to the rehabilitation of sick SSI units are reviewed in the State-Level Inter Institutional Committee and Sub Committee of the Reserve Bank of India, and in the District Level Committee which have been set up as an adjunct of the ZillaUdyogMitras. Sick SSI units taken up for re-schedulement of arrears of Government and electricity dues, to be repaid in 36 monthly installments at 13% interest. The interest rate on the rescheduled arrears will now be reduced to 10%, in all except 'A' areas of the State. The repayment of such arrears would be allowed in 60 monthly installments.

5.11 Stamp Duty on Corporate Restructuring:The stamp duty for demerger of companies as defined under section 2(19-AA) of Income Tax Act, 1961 will be made applicable on lines of the stamp duty structure applicable for amalgamation of companies under every order made by the High Court under section 394 of the Companies Act, 1956.

5.12 Establishment of IT/BT units on textile mill lands in Greater Mumbai:while granting permission for the sale of textile mill lands in Greater Mumbai, the lands becoming available to the Maharashtra Housing and Area Development Authority (MHADA) for residential use would also be permitted to be used for the development of IT and BT industries by MHADA itself, or by MIDC.

5.13 FSI for IT Units:Twice the admissible Floor Space Index (FSI) is allowed for certain types of IT units setting up in IT Parks promoted by public bodies. Such units are also permitted in No-Development Zones of cities up to FSI of 0.2. Such IT units will now be permitted to establish in No-Development Zones with an enhanced FSI of 1.0.

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5.14 New Industrial Townships:Maharashtra pioneered the establishment or institutions of democratic decentralizations and local self-governance several decades ago. More recently, these concepts were extended through statutory amendments to enable the establishment of independent Industrial Townships. In the first phase, self-governing Industrial Townships with the power to raise resources and determine their application will be established in industrial areas being developed by MIDC at twelve locations across the State, i.e. at Vile-Bhagad (Raigad), Airoli (Thane), Talegaon (Pune), Hinjewadi - Man (Pune), Shendre (Aurangabad), Additional Latur (Latur), NandgaonPeth (Amravati), Additional Yavatmal (Yavatmal), Tadali (Chandrapur), Butibori (nagpur), Additional Sinnar (Nashik) and Nardhana (Dhule). The industrial townships so set up will pay 25% of their revenue to the concerned Gram Panchayat(s) or local bodies for the initial period of 5 years.

5.15 Special Economic Zones:The establishment of Special Economic Zones has been allowed under the recent policy of Government of India. India's most successful Export Processing Zone (SEEPZ), which was promoted by the State Government at Mumbai nearly three decades ago, has been converted into one of the country's first Special Economic Zones. Another Special Economic Zone is being developed by the City and Industrial Development Corporation (CIDCO) at Dronagiri, near the Jawaharlal Nehru Port. All the concessions, benefits and facilities extended to such Special Economic Zones promoted by public bodies will also be extended to Special Economic Zones set up by other parties. The establishment of Special Economic Zones at Aurangabad and Nagpur will also be proposed to the Government of India.

5.16 Specialized Industrial Areas:In the last few years, specialized industrial infrastructure has been developed by State agencies for various sectors, including Information Technology, leather, chemicals, etc. More recently, the establishment of textiles and food processing zones have been taken up. Taking into account the potential and requirements of agro-industry in different parts of the State, MIDC will set up new complexes for this sector, including 'Grape Wine Parks' at Nashik and Sangli, 'Orange City Park' for orange processing, Floriculture Complexes and Biotechnology Parks at suitable locations.

5.17 Promotion of Education and Research Institutions:Educational and research institutions of international or national standards, including world-class business education institutions, would be provided land in industrial areas/estates at nominal or concessional rates.

5.18 Captive Power Generation:Captive power generation is permitted for industries throughout the State in respect of IT units, and in the case of co-generation, hydroelectric power and non-conventional energy. Other types of captive power generation are at present permitted in respect of new industries in D+ and tribal areas. New as well as existing industries in D and D+ areas and No Industry District(s) will also be permitted to set up captive power plants. Public bodies or joint ventures promoted by them can establish 'Independent Power Producers' for the dedicated provision of power to IT and BT Park and special Economic Zones promoted by them.

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5.19 Gas Cooperation Agreement:Gas is an important fuel and raw material for industry. As Mumbai High gas supply declines, commercial supply of LNG will become increasingly important for industrial units. To facilitate the planned development of gas supply infrastructure in the State, the Gas Authority of India Limited (GAIL), MIDC and the Maharashtra Petrochemicals Corporation Limited (MPCL) have recently entered into a Gas Cooperation agreement. A techno-economic feasibility study for the development of gas infrastructure and associated facilities has been taken up by GAIL, which will include assessment of the medium and long-term gas requirement for the State and various supply options.

5.20 Labour Laws and Procedures:The State Government has initiated a review of labour laws an procedures, including Central statutes, to enable industry and labour to meet the new economic challenges. The review is intended to remove disincentives to additional employment generation, facilitate restructuring and technological upgradation in the context of increasing global competition, provide an impetus to industrial dispersal, and promote production at efficient levels. It is also intended to safeguard labour interests and provide workers with greater financial security during re-structuring. As an outcome of the first phase of this review, the following steps will be taken:-

Subject to the approved of the Legislature and Govt. of India's assent, the Industrial Disputes Act will be amended to limit the applicability of Chapter V-B to industries employing 300 or more workers, as against 100 workers at present. The condition of prior Government permission for retrenchment under Section 25-N will be waived in cases where substantially higher financial payment is made to the retrenched workers, viz. three times the existing retrenchment compensation (four times in case the principle of 'last in - first out' is not followed). Section 25-M, which provides for prior Government permission for lay-offs, is proposed to be deleted, and lay-offs in such cases will be governed by the provisions of Section 25-C. Section 9-A will be amended to obviate the need for giving notice of change unless such change affects the number or hours of work, holidays or emoluments of workers. Keeping in view rising salary levels, supervisory personnel drawing wages upto Rs.6,500/- per month will be brought within the purview of the Act, as against those earning uptoRs. 1,600/- per month at present.

Subject to the approval of the Legislature and Government of India's assent, the Contract Labour (Regulation and Abolition) Act will be amended to exclude certain activities such as cleaning services, loading and un-loading of materials and goods, canteen services, distribution of mail, gardening, etc, from its purview. Keeping in view the context in which 100% EOUs operate, such units would also be excluded from the purview of the Act.

A Committee, which will include representatives of industry and labour, will be set up to comprehensively review the Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices (MRTU and PULP) Act.

In order to rationalize and reduce the multiplicity of minimum wages stipulated for different industries and also within each industry under the Minimum Wages Act, steps will be taken to club the scheduled industries in a few groups, and also the move towards a single minimum wage within each such industry group.

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The process of inspections under various labour laws will be rationalized, and the number or such inspections will be reduced and regulated.

The paper work required of industrial units under various labour laws will be reduced. 46 registers, forms and returns required from industrial establishments have recently been clubbed, substituted or deleted.

Keeping in view the nature of their operations, the provisions of the Mumbai Shops and Establishments Act relating to shift working, employment of women, etc. have been relaxed in respect of Information Technology units.

5.21 Film Industry:The film Industry has an important position in the economic and social life of Maharashtra and Mumbai is the entertainment capital of the country. The Central Government has accorded industry status to the film sector. keeping in view the potential for further development and employment generation in this sector, Minister (Industries) will have deliberations with representatives of the film industry for possible assistance from the State Govt.