ANNEXES

Annex A: Industry Feedback

The various Trade/Industry Associations that have been contacted by TCS to collect feedback on the feasibility of Chemical Estate in Kutch are as follows:

1. Ankleshwar Industrial Association
2. Association of Small and Medium Chemical Manufacturer
3. CII Delhi
4. CII Gujarat
5. Dyestuff Manufacturers Association of India
6. FICCI Delhi
7. Gujarat Dyestuff Manufacturer Association
8. Indian Chemical Manufacturers Association
9. Indian Plastic Federation
10. Naroda Industrial Association
11. Pesticide Formulator Association Of India
12. Silvassa Industrial Association
13. Vapi Industrial Association

An Executive Summary of the Associations' Feedback

- Kutch can prove to be an excellent opportunity for industries in general to flourish and not just the chemical industries.
- A lot of other industrial estates are already unoccupied in Gujarat. The prime reason for these estates to be under-utilized is the scarcity of basic infrastructure, which has forced the industries either to close their productions or to restrain themselves from investing there. Therefore if there can be any prime attraction that the Government can offer to the industries, it is in the form of a **state-of-the-art infrastructure**, well in place; giving sufficient time to the industries to set up their facilities and start production.
- The key infrastructure that need to be in place if at all this project has to be successful are:
    - An assured continuous power supply (which industries are receiving just for four days in a week in most of the parts of Gujarat at present).
    - A continuous supply of sufficient quantities of waters both for industrial and potable uses.
    - A properly designed effluent treatment and disposal system and
    - A well-established network of roads, rails and port for efficient transportation.
- The transportation costs in India are approximately 50% higher than most of South East Asia. This should be brought down if the Indian industries have to sustain the foreign competition.
- The common utilities in the estate viz. power, water, effluent treatment and disposal should be internationally priced and a separate entity should be incorporated to manage the various common facilities in the estate.
- An independent logistics company can be employed in the estate to take care of the logistics of the raw materials as well as the finished goods for all the concerns.
- A single window clearance system should be incorporated for all kind of Government clearances (particularly those related to public interest litigation and pollution). The Government should also set time deadlines for itself to get the clearance done for the industries.
- Since the chemical industry in general is not doing well in terms of growth therefore the winning edge would be to adopt the strategy of a chemical symbiosis wherein the derivatives of one industry are utilized by other industries to produce the final products.

An example is the industry built around chlorine derivatives, which can be utilized to produce Poly-Vinyl-Chloride (PVC), and Hydrochloric Acid (HCL).

- The environment of Kutch may be suitable for the growth and development of certain chemicals. The priority shall be to identify chemical segments, which can easily obtain their raw materials from Kutch. Some of the suggested products are:
    - Groundnut Oil based industries
    - Castor Oil based industries
    - Limestone based products like cement
    - Cotton based chemicals
    - Soyabean based chemical industries
    - Ethylene crackers
    - Phenol
    - Anhydrides
    - Glass Manufacturing
    - Specialty chemicals, which are a low volume and high cost segment, comprises a vast array of chemicals that have a decent market across the Globe. This is one segment that can be promoted in Kutch.
    - The Arabian Sea water is a rich source of Sodium, Potassium and Manganese. So Potash based fertilizer plant can be the most suggestive line of business to flourish in Kutch. Many Israeli companies, too, who have an expertise in seawater treatment and related technologies are ready to invest in Kutch provided the proper infrastructure comes in place.
    - All kind of polymer processing units, mostly the SSIs should be focussed for being set up in Kutch and this should be done with the collaboration of Reliance petroleum. It's because most of the by products of Reliance which form the raw material for polymer industry are transported to Mumbai for processing so they can be easily diverted towards Kutch saving a lot of transportation costs involved.
- The Govt. should strive to achieve Economies of scale in international standards of capacities and facilities within the estate.
- Multinationals should be targeted as the potential investors in Kutch. This is also because with the multinationals, a state of the art and a world class technology can be accrued within the estate.
- Another threat that the Indian chemical industry is facing is from the Chinese products. If Indian industry has to be made self sufficient in order to sustain this competition then some major changes in the Govt. policies need to be addressed.

  These are regarding :
    - Labour laws which need to made more flexible
    - The burden of the capital investment on the industry which should be brought down.
    - A long term overall planning for the estate so that the industry can concentrate upon the better ways to improve productivity rather than wasting their energy in fighting litigations.
- The Govt. needs to adopt a fast track program in order to materialize a chemical industrial estate in Kutch. This is because the time deadline of the excise exemption leaves just another one and a half years with the industries to start production at their ends, which accounts for a very tight schedule for them.

Details of the feedback from some of the eminent personalities associated with these Associations are enumerated as under.

Mr. R.R. Gokhale
(Deputy Secretary General, Indian Chemical Manufacturers Association)

ICMA is the apex body, representing the chemical industries across India. Some key concerns of the chemical industries operating in Gujarat have been brought to light to Mr. Mansingh in the Industries Department sometime back through letters.
Following are the salient points of the discussions with him held at Mumbai:

- A lot of other industrial estates are already unoccupied in Gujarat. The prime reason for these estates to be under-utilized is the scarcity of basic infrastructure, which has forced the industries either to close their productions or to restrain themselves from investing there.
- The proposal of the estate in Kutch (which should have taken place proactively) has actually taken place as a reactionary measure in the aftermath of the earthquake devastation. Social upliftment of the region cannot be only through chemical industries' investment in the region when it is a known fact that the current scenario in Kutch (scarce water and power supplies) are not in favor of the operations of the chemical industries.
- As far as the Excise and Sales Tax exemptions are concerned, they may not be the prime attraction for any industry to invest in Kutch:
- Such exemptions are utilized by small players to attain financial gains through final packing of goods in the exempted regions.
- Knowing the politically unstable scenario that is rife across the nation nobody can be assured of the continuation of the exemptions and subsidies for the declared period. So the point of concern should be the long-term sustainable growth of the industries even without the exemptions.
- If there can be any prime attraction that the Government can offer to the industries, it is in the form of a **state-of-the-art infrastructure**, well in place; giving sufficient time to the industries to set up their facilities and start production.
- The key infrastructure that need to be in place if at all this project has to be successful are:
    - An assured continuous power supply (which industries are receiving just for four days in a week in most of the parts of Gujarat at present).
    - A continuous supply of sufficient quantities of waters both for industrial and potable uses.
    - A properly designed effluent treatment and disposal system.
- The environment of Kutch may be suitable for the growth and development of certain chemicals. The priority shall be to identify chemical segments, which can easily obtain their raw materials from Kutch. Some of the suggested products are:
    - Chemicals obtained from groundnut oil
    - Chemicals obtained from castor oil
    - Limestone based products like cement
    - Cotton based chemicals
    - Soyabean based chemicals
    - Chemical industries, which work upon various extracts of the sea Potassium, fertilizer plant for example.

Mr. C.I. Bhuva
(Executive Member ICMA/Chairman- Indo Nippon Limited)

Following are the salient points of the discussions with him held at Mumbai:

- "Most of the chemical industries operating in Gujarat are power hungry (electricity) and electrically starved." This is because a three-day cut in a week is observed by the GEB which severely affects the production. The solution to switch to LDO/HSD employed by some continuously producing industries is too expensive for most of the medium scale industries since there is a 13% Sales Tax on them.
- A minimum of 500MW power plant is required to cater to the needs of a chemical estate in Kutch. A power plant of a similar capacity was established by Reliance Petroleum in Jamnagar in a time frame of 18 months. But building up of such a plant in short time in Kutch is questionable.
- The road transportation and the communication facilities are in a real bad shape presently in Kutch. These need to be streamlined to enhance an efficient growth of the industrial sector over there.
- Availability of large quantities of water is another necessity. Even if the Narmada canal water is made available to Kutch, it would first fulfil the potable needs of the local residents followed by the agricultural needs and then only it would cater to the industrial needs in the last. A large capacity desalination plant may therefore be required to solve the problem.
- Kutch people have been great entrepreneurs and they have taken their businesses to newer heights anywhere in India except Kutch. The prime reason behind this has been the scarce infrastructure development in the region.
- All the common utilities like power and water that are made available to the industries should be priced against international standards.
- Suggestions regarding the chemical segments that can setup units in Kutch:
    - The Arabian Sea water is a rich source of Sodium, Potassium and Manganese. So Potash based fertilizer plant can be the most suggestive line of business to flourish in Kutch. Many Israeli companies, too, who have an expertise in seawater treatment and related technologies are ready to invest in Kutch provided the proper infrastructure comes in place.
    - All kind of polymer processing units, mostly the SSIs should be focussed for being set up in Kutch and this should be done with the collaboration of Reliance petroleum. It’s because most of the by products of Reliance which form the raw material for polymer industry are transported to Mumbai for processing so they can be easily diverted towards Kutch saving a lot of transportation costs involved.

Mr. S. K. Hazra
(Executive Member ICMA/MD- Aegis Logistics Ltd.)

Following are the salient points of the discussions with him held at Mumbai:

- The leading industrial estates of international standards across the world viz. Singapore, China and Malaysia have some of the following key infrastructure features: proximity to some major port, exclusive road and railway network and power, water and fuel supply in plenty that too at international prices. Government should aim to provide such kind of infrastructure to the investors in Kutch.
- Economies of scale in international standards of capacities and facilities should be incorporated in the estate.
- Multinationals should be targeted as the potential investors in Kutch. This is also because with the multinationals, a state of the art and a world class technology can be accrued within the estate.
- A single window clearance system should be incorporated for all kind of Government clearances (particularly those related to public interest litigation and pollution). The Government should also set time deadlines for itself to get the clearance done for the industries.

- The transportation costs in India are approximately 50% higher than most of South East Asia. This should be brought down if the Indian industries have to sustain the foreign competition.
- There should be the common utilities for the industries in the estate for power, water, effluent treatment and disposal. All such common facilities should be internationally priced.
- A separate entity should be incorporated to manage the various common facilities in the estate.
- Some major investors in the estate can be offered some stake in the common utilities and this can result in better maintenance of the same.
- An independent logistics company should be employed in the estate to take care of the logistics of the raw materials as well as the finished goods for all the concerns.
- Industries in the estate should be given some amount of freedom to outsource their raw materials and feedstock from a number of available sources.
- Few suggestions regarding the chemical segments that can be targeted in Kutch:

▪ Castor oil	▪ -
▪ Ethylene crackers	▪ 0.75 million tpa
▪ Phenol	▪ 0.15 - 0.20 million tpa
▪ Anhydrides	▪ 0.10 million tpa
▪ Specialty chemicals	▪ 30,000 tpa

Mr. S. G. Roy
(Deputy Director, Confederation of Indian Industries Delhi)
With Mr. Arindam Mookherjee and Mr. Vishal More

A team at CII is carrying out a study to find out the future growth prospects and demand of certain segments of the chemical industry. As a result they were able to provide us some valuable insights regarding these segments. Following are the salient points of the discussions with them held at Delhi:

- Soda Ash, cement and chloro caustics are currently having over capacity inside the country so these might not prove to be a viable alternative in the chemical estate unless economies of scale are obtained. A suggested method to accrue this is by promoting those industries, which use these products as a raw material for their end products.
- Fertilizer industry is again having an over capacity but if it is urea that is proposed for the estate in Kutch then sufficient supply of natural gas would be a prime requisite. Phosphoric fertilizers can be a good option owing to the quality and contents of the Arabian Sea water but then the Govt. price regulatory policies regarding the fertilizers should be duly taken care of for the sustainability of this industry in Kutch.
- Specialty chemicals, which are a low volume and high cost segment, comprises a vast array of chemicals that have a decent market across the Globe. So this is one segment that can be promoted in Kutch.
- Since the chemical industry in general is not doing well in terms of growth therefore no basic industry should be promoted within the estate. The winning edge would be to adopt the strategy of a chemical symbiosis wherein the derivatives of various industries are utilized by other industries to produce the final products. An example is the industry built around chlorine derivatives, which can be utilized to produce Poly-Vinyl-Chloride (PVC), and Hydrochloric Acid (HCL).
- Another threat that the Indian chemical industry is facing is from the Chinese products. If Indian industry has to be made self sufficient in order to sustain this competition then some major changes in the Govt. policies need to be addressed. These are:

  - Stringent labour laws have to be made more flexible in the favour of industry such that it is a win- win situation for both the workers and the industry.
  - The burden of the capital investment on the industry should be brought down. One method is by reducing the interest rates on the Industrial loans.
  - The various facilities like water, power, effluent treatment & disposal etc. should be provided at nominal prices so that the industry can concentrate upon the better ways to improve productivity rather than wasting their energy in fighting litigations.

Mr. R.K. Bhatia
(Deputy Secretary, Federation of Indian Chambers of Commerce and Industry Delhi)

Following are the salient points of the discussions with him held at Delhi:

- The chemical industry is facing a severe lull out of which the overall industry can just be assumed to grow at a meager 12% during next five years.
- A mega chemical estate is welcome in the region of Kutch but it can sustain only when all the necessary infrastructure facilities are well in place. These include sufficient water, power, a network of roads for smooth transportation, effluent treatment and disposal facilities and facilitative Govt. policies.
- The Govt. needs to adopt a fast track program in order to materialize a chemical industrial estate in Kutch. This is because the time deadline of the excise exemption leaves just another one and a half years with the industries to start production at their ends, which accounts for a very tight schedule for them.
- Some segments that can be targeted for promotion at the chemical estate in Kutch are Cement, Fine Chemicals, Bulk Drugs & Formulations, Chlor Alkali and Glass manufacturing.

Sunil Parekh
(Director, Confederation of Indian Industries Gujarat)

Following are the salient points of the discussions with him held at Ahmedabad:

- Government should spend more effort on
  - Infrastructure development
  - Cost of water / conservation
  - Fragile environment and economy of Kutch
  - Incentives since Kutch is a seismic zone 5 area
  - Subsidies should be given on transport, residential facilities, and social infrastructure
- The potential of Natural resources in Kutch needs to be identified and harnessed. These resources predominantly comprise:
  - Chlor alkalis
  - Agro processing industries
  - Horticulture
  - Animal husbandry group
  - Handloom / artisan work
  - Tourism
  - Lignite, which is suitable for Power station
  - Biotechnology
  - Fisheries
  - Land, which is suitable for chemical industries
- A large chemical estate can come up in Kutch but this will constitute of mostly relocated industries
- Sales tax incentive may also help but only to some extent

- Major sector and segments that can setup units in Kutch are:
    - Sulphur / phosphorous based
    - Castor Oil based
    - Petrochemical
    - Fertilizer Plants can also come up
    - Dying units (those that are into dying process and not dyes stuff)
- The chemical estate will help decongest the industrial corridor in South Gujarat
- Other features that could be incorporated in the chemical estate are:
    - Laboratories
    - Certification agencies
    - Weigh bridges
    - Grid pipelines
    - Waste exchange
    - Clustering of industries
    - Private party development and marketing

Mr. S. Balasundaram
(Dyestuff Manufacturers Association of India)

Following are the salient points of the feedback received from him:

- The chemical industry is poised to grow at the most at a rate of 20% for next five years.
- The sectors that would sustain good rate of growth are:
    - Cement
    - Dyes and pigments
    - Bulk Drugs
    - Pesticides
- Kutch is not a suitable place for a chemical estate because of the following:
    - Earthquake zone
    - Non-availability of skilled man-power
    - Non-availability of power and water
    - The time frame according to excise exemptions is not adequate
    - Facilities like hazardous waste disposal, warehouses, would be required
- Continuous power that is priced very aggressively, not more than Rs. 5/unit should be made available.
- The maximum land price in estate should be Rs. 100 /sq. Mts.

PRADEEP DAVE
(Pesticide Formulator Association of India)

- The industry can maintain a growth rate of 5% in the near future
- Sectors that will have high growth rate are:
    - Chlor alkali
    - Organic chemicals
    - Pesticides
    - Fine chemicals
- The exemptions of excise and sales tax have high appeal for the industry
- But the major problem in Kutch is of
    - According to the excise notification, the time frame available to setup industries and start production, is too less
    - Water and Power scarcity
- If the problem of Water and power is solved satisfactorily then a chemical estate can be setup in the vicinity of Gandhidham

- The maximum land price shall be Rs. 50/sq. Mts.

Mr. Ravi Goenka
(Executive Member ICMA/MD- Laxmi Organic Industries ltd.)

Following are the salient points of the discussions with him held at Mumbai:

- Kutch can prove to be an excellent opportunity for industries in general to flourish and not just the chemical industries.
- Industries should be allowed to generate their own power.
- The proposed estate should be as close to some major port and jetty to enhance import and export related activities.
- An industrial Symbiosis should be focussed for inside the estate such that the product of one industry becomes the raw material for the other and so on.
- The chemical segment that can be a chief gainer from investing in Kutch is the range of Specialty chemicals.

Mr. Shailesh Patwari
(President, The Gujarat Dyestuffs Manufacturers' Association)

Following are the salient points of his feedback on Proposed Chemical Estate in Kutch

- Welcome move
- Sustained Efforts for rapid rebuilding of Kutch
- Emergence of Chemical Estate

  Although Gujarat has remained in forefront on the industrial and economic development in the country, yet there is considerable shift in the industrial structure of Gujarat. Gujarat, which was earlier known as "Textile State", has now become "Chemical Estate" in the country. The rapid growth and the development of the chemical industry in Gujarat can be realized from the following development.

- Spectacular Growth of Chemical Industry

  There is no denying the fact since last more than a decade the growth of chemical, Petro-chemical and Dyestuff sector has been spectacular in Gujarat. This sector covers a wide spectrum of Fertilizers, Pharmaceuticals, Detergents and Rubber Chemicals. Of the total investment proposal under implementation Chemical and Petrochemicals account for about 49% of investment in the State. The chemical industry of the State is one of the largest industries with private investment accounting for 50% and the joint sector 23% of the total investment in the state. the chemical industry of Gujarat is one of the largest and holds 25% of share of national production. In the past liberalization era, Gujarat has attracted maximum amount of investment among various States in the country among which Chemicals and Petrochemicals Industry accounts for about 50% of the total. Inevitably this has led to the establishment of chemical estates in Gujarat out of which first one was Naroda Estate (Ahmedabad) established in 1964 and the biggest one is Vapi in Asia. Besides other, other Estates are Odhav, Vatva, Ankleshwar, Nandesari, Pandesara, etc.

- Growth Indicators

  According to the factories act, there were 3400 factories manufacturing chemical and Chemical Products in Gujarat during the year 2000 employing about 1,53,300 laborers. As per annual survey of industries, there were 1732 large units, involving investment of Rs. 26677 crores, producing good worth 37644 crores and the net value added was Rs. 7060 crores. The total employment in such units was 1.92 lakh workers.

The results of the small scale industry survey of 1998-99 carried out by Government of Gujarat indicated that there were 4870 SSI units manufacturing Chemical and Chemical Products in the State involving investment of Rs. 79805 lakhs, production of Rs. 132434 lakhs and the number of laborers employed were 46413. Because of recessionary conditions prevailing in the economy due to slow down, registration of new SSI units in the Chemical & Chemical Products field has gone down from 4.79% in 1993-94 to 1.58% in the year 2000-01. It is expected that with the rapid revival of the economy in January 2002, the chemical industry will receive considerable boost.

- Attract Private Sector

Considering the facts and circumstance mentioned above and the determination of the State Government to ensure rapid rebuilding of Kutch on casting basis, encouraging response will be received by the Government from the private sector in this behalf. However, sustained efforts will have to be made to encourage and induce domestic and foreign entrepreneurs engaged in chemical industry to come and establish chemical industries in Kutch region and take due advantage of the special incentives available.

- Strategy for success and survival

While welcome as this idea is, it can not but be emphasized that cautious measures on the following lines be undertaken by the Government so as to enable chemical units which may be established in the estate to succeed and survive for long.

- Comprehensive Chemical Estate with integrated end product manufacturing facilities should be set up.
- Such estate should be developed as a Special Economic Zone and necessary strong incentives and facilities including attractive investment incentives, which are given to such zones, be provided on a priority basis. Such SEZ are thriving and prospering in China on large scale. Even the feasibility of establishing such SEZ on the coastline of Saurashtra and Kutch for chemical and other products also requires to be examined.
- Success of such estate will depend on building up higher capacities in the areas where India and Gujarat are deficient so that such units can get the benefit of Economies of Scale coupled with latest technology and modernization and can compete effectively all over the world. A perspective plan of projected international demand and supply of chemicals be prepared for next 20 years and be made available to intending entrepreneurs.
- Prior to establishment of chemical units Environment Impact Assessment and /environment Clearance certificate must be obtained so that without much hassle units can go ahead rapidly into commercial production.
- Adequate and effective arrangements be made to create CETP as also for landfill Sites for solid waste management. In short conveyance of effluent as also for secondary treatment be created pari passu with the establishment of units. Inevitably this calls for appropriate selection of site in the proximity of sea.
- Cleaner production centres and laboratories be established in the estate as a preventive pollution measure. In fact the benefits of latest environment technology which is available for pollution control abroad be utilized effectively and efficiently.
- Adequate and effective following infrastructure facilities be provided in the estate on a priority basis so that unit can operate without any interruption on continuous basis and get these facilities at international prices.
  - Huge constant availability of good quality water at a reasonable rate.
  - Adequate, competitive and regular supply of power year round.
  - Up- to- date Roads and communication facilities.

- Chemical Storage terminal facilities.
- Adequate berthing capacities at near by port.
- Modern fire station with up-to-date fire fighter is provided over there.
- A model residential colony for workers and engineers and technicians block wise be created in the proximity of estate but at a reasonable distance so as to avoid waste of time and undue burden on transport and keep them away from Pollution too.
- A mini market be developed in residential complex where the branded products of daily consumption are available at reasonable rate within easy reach.
- A modern hospital be also created so as to provide requisite medical facilities to the workers and technical staff affected due to accident or explosion etc.
- Banking and postage facilities be provided in the estate so as to facilitate financial transaction and transmission and receipt of posts and telegrams.
- A small cultural centre, a religious temple where all goddesses are there (like GSFC Baroda) and a school be provided in the residential complex.
- Necessary bus facilities at regular intervals be ensured connecting market places, Air port and railway station and S.T Bus Depot.
- A Guest House with ultra modern facilities be provided so as to facilitate reception of foreign or up country guest of units as has been done by IFFCO at Hajira and Gandhidham.
- Four Star/ Five Star Hotel for residential accommodation for Foreign Buyers should be created.

- Benchmarking

Viewed in the previous context there is urgent need now than ever before for India and Gujarat to develop strategy for the Chemical Industry in the coming years. India/ Gujarat will have to face super majors of the world in the Chemical Industry and benchmark ourselves with the best in the world. West must leverage the country's significant capital cost advantages over the developed world. Technology leadership can be achieved with more investment in R & D. Besides outsourcing has opened up opportunities for Indian companies with expertise in Chemistry, Chemical Technology, process development, scale up, etc. to emerge as reliable suppliers of manufacturing and research services. Indian/ Gujarat companies will have to benchmark themselves with the best in the world and most are lacking in these areas. They will have to set up GMP facilities and adhere to ethical practices and secrecy clauses that are so essential in outsourcing business.

- Competition from China

Although Doha Ministerial of WTO is a mixed success for India, yet the greatest threat for India is the entry of China into WTO as a member which may result into dumping of Chemicals & its products on an extensive scale because China has already built up huge capacities in certain vital areas as under during the last 20 years. Not only China directly dumps chemicals into India but also it does the same game plan through other neighboring countries like Nepal viz. Zinc Oxide, etc. The crucial question for the Government and the entrepreneurs is to give serious concern to this matter and find out ways and means to convert this threat into opportunity with sound reorientation of the Government Policy and support to domestic industries so that they get not only level playing field but also right playing field in the race.

China has made rapid strides and overtaken India in several areas as could be seen from the following statistics

Production in Million Metric Ton (1998-99)		
Product	Country	
	China	India
Ethylene	4.4	1.3
Ammonia	34.5	12.4
Caustic Soda	5.6	1.5
Sulphuric Acid	20.3	5.4

In this connection, it is relevant to point out here that China is building up largest chemical complex in January 2001 at Pudong. This information was given by Indian embassy in china to the GCCI business promotion delegation, which visited China in last September/October 2001. The requisite details are given below.

The Special Zone at Pudong New Area

The Special Zone in Pudong to the west of Huangpu River in Shanghai is China's showpiece development and the most dynamic and ambitious special economic zone in China today. The zone is located over an area of 522 sq. kms.

The tax and regulatory regime in Pudong puts it on par with the five special economic zones. Since 1993 Pudong is controlled by a sub-governmental administration which has the power to approve industrial projects upto US $ 10 million in value and service industry projects of unlimited value. Foreign Trade Corporations with and export performance of US $ 100 million a year alone are permitted to set up base in Pudong. Manufacturing expertise permitted to operate in Pudong must have an export value of at least US $ 20 million per year. Three of four foreign joint ventures trading companies are to be permitted to operate in Pudong. Eight foreign banks have been permitted to operate in RMB Pudong. Such permissions are rarely granted to foreign banks in China.

Considerable investment has gone into linking up Pudong with the rest of Shanghai across the Huangpu river. Over the past years, the Shanghai Municipal Government has invested US $ 10 billion in infrastructure development in Puxi, the part of Shanghai which is west of Huangpu River and US $ 3 billion in infrastructure development in Pudong. Over the next five years plans call for a sate investment of US $ 12 Billion in Pudong.

The new bridge at Nanpu and Yangpu along with the inner ring road makes access to Pudong relatively easy. The Walgaoqlao phase one power station ensures adequate power. The first phase of the Lingquio Water Plant is operational. The Shanghai Post and Telecommunications Bureau gives top priority to Pudong in the allocation of resources. New port facilities have been opened at Waigaoqiao.

A new airport has been built at Pudong. When completed, it will have four 4000 metre runways and 150,000 sq.mts of built up space, which will eventually be extended to 800,000 sq.meters. One runway and one terminal building are already operational. The project calls for an investment of US $1.45 billion. When ready, the airport will be of the same size as Pusan Airport in the ROK. The Airport will have a passenger capacity of 120 million persons per year.

Pudong has been the scene of unprecedented construction activities. Skyscrapers are commonplace in Pudong. The tallest building is 88 storey MOFTEC building. Joint ventures and FDI account for 60% of the construction activities. Thirty Provinces in China and 11 Ministries of the Central Government have constructed Skyscrapers in the Pudong New Area.

To-date, FDI accounts for 30% of the total investment in Pudong while other provinces in China account for 60% of the total investment. Total volume of FDI received by Pudong till 1999 was US $11.5 billion. The year 2000 witnessed utilized FDI of US $2.0 billion, while FDI contracted during that period was US $0.99 billion implying a surge in implementation of the projects approved earlier.

In 1999, the GDP of Pudong was Yuan 80.0 billion (US $9.6 billion or roughly one fifth of Shanghai's GDP). The average annual growth rate of GDP in Pudong between 1990 and 1995 was 20% per annum. Export from Pudong for the year 1999 amounts US $6.6 billion. A high speed 42 km rail line connecting the city with Pudong airport is also on the anvil at an estimated cost of US $800 million.

Pudong Chemical Park

Pudong has kicked off the construction work of the largest Chemical Complex in China in January 2001. It combines three joint ventures worth US $4.8 billion. In the first phase, investments upto US $18 billion are expected, out of which, US $7.2 billion investment would be in place by 2005.

The park will involve three major projects: (1) US $ 3.4 billion Ethylene plant of Sinopec and BP- Amoco, (2) US $ 1 billion Di- Phenyl-methane (MDI) plant by Sinopec, Shanghai Huayi and Germany's BASF AG and (3) US $400 million polycarbonate facility in joint venture between Shanghai Tian Yuan an Bayer AG.

Shanghai Petrochemicals (Sinopec) is one of the investors in the Park's development with a 37.5 % ownership share. The others are Shanghai Huayi Corp., Shanghai Gaiqiao Petrochemicals Co. and the city Government's investment arms- Shanghai Jiushi Co. and Shanghai Industrial Investment Co. Apart from the investment wings of the local Governments, the other companies involved in the development of the park are those who have planned huge investment in the park to produce raw materials like ethylene or MDI and expect to attract the downstream product manufacturing companies which would use these raw materials.

The significant development which is taking place in China should not be overlooked or ignored while deciding the size, structure, competitiveness and product pattern of Chemical Industries estate in the Kutch region.

Annex B: Desalination

Sustainable Development in Kutch- Water Resources

According to the demand estimation and a perception of the industry representatives regarding the minimum requisite infrastructure for the sustainable development in Kutch; sufficient water supply is on top priority. A key feature associated with establishing a Chemical industrial estate in a coastal region of Kutch will be an increased demand of water for industrial and drinking purposes. This is because the water intensive chemical industry will also increase the population in the nearby regions and as populations and accompanying demands for quality water supplies increase, the needs for desalination will grow.

Increasingly, where populations are growing in coastal areas, demand for quality water is outstripping supply. This is true even in places where lower-salinity river and brackish water exist; or where high-quality supplies could, in principle, be obtained by long-distance piping; or where reservoirs may be built to catch surplus rainfall. These alternative sources of quality water are becoming rarer, however, as pollution increases or as costs to obtain them increase, and they don't always provide protection from periodic drought conditions.

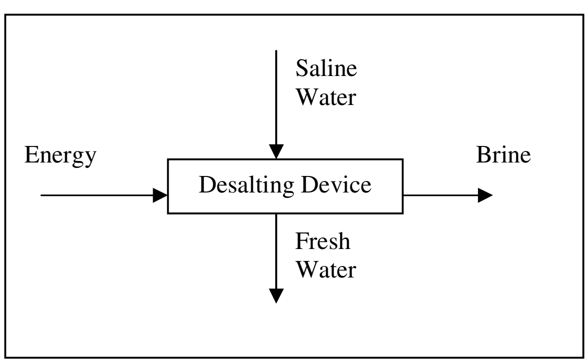
Meanwhile, the costs for desalination of virtually unlimited supplies of seawater have been decreasing rapidly as RO and other desalination technologies have advanced and have become much more affordable.

World Statistics:

There are approximately 11,000 desalination plants in 120 nations in the world, 60 percent of them in the Middle East. The first modern plant was built in Saudi Arabia in 1938, although two small experimental plants had been built earlier in the same country and two existed before (in Japan and Egypt). The desalination plants of the world now produce approximately 4 billion gallons daily, enough to provide about 4 percent of the world's population with fifteen gallons a day. This is equivalent to providing about one-quarter of 1 percent of the world's fresh water needs.

Desalination Technology

A desalting device essentially separates saline water into two streams: one with a low concentration of dissolved salts (the fresh water stream) and the other containing the remaining dissolved salts (the concentrate or brine stream). The device requires energy to operate and can use a number of different technologies for the separation. This section briefly describes the various desalting processes commonly used to desalt saline water.



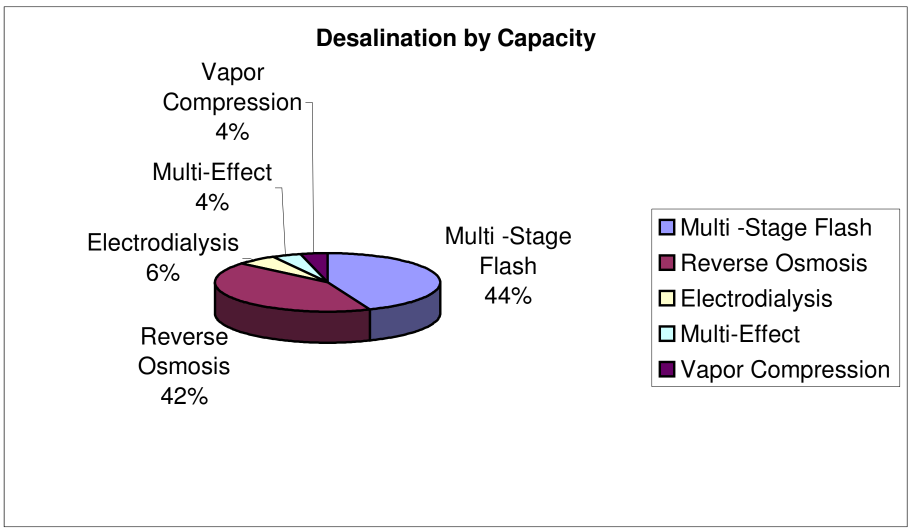
Desalination Technologies

The most important commercial desalination technologies currently used are

- Multi-Stage Flash Distillation(MSF)
- Multi-Effect desalination (MED)
- Vapor Compression(VC)
- Electrodialysis(ED)
- Reverse Osmosis(RO)

According to IDA Worldwide Desalting Plants Inventory-Report No.15, ten countries account for 75% of capacity. Saudi Arabia has about 24% of capacity and most of it is by distillation process. USA ranks second with 16% of capacity, most of which is RO process.

Various processes as per their usage is as follows



Source: IDA Worldwide Desalting Plants Inventory-Report No.15

It can be seen that Multi-Stage Distillation and Reverse Osmosis accounts for 86% of capacity. There have been a lot of advances in these technologies resulting in reduction of cost and increasing quality.

Basic Demand and Generic Parameters

Initially purpose of the desalination has to be decided. If the supply of drinking water is the aim single purpose and dual-purpose are of equal ranking and electricity generation is a factor for reducing overall costs by the amount of income from sales of electricity otherwise appropriate weightage has to be given to respective purposes.

Parameters to be considered

- Power demand and Development
- Water Demand and Development
- Economics Power and Water Sales
- Power Transmission and Water Distribution Network
- Environmental Legislation Requirements
- Effluent Discharge Standards

- Residues Disposal Standards
- Soil and Ground water Protection
- Fuels Situation
- Fuels Availability, existing Distribution and Transport Facilities
- Fuel Prices
- Plant Sites Situation
- Offshore and Seawater conditions
- Economical Parameters
- Labour Cost
- Specific Cost of Consumables
- Depreciation Period
- Interest Rate
- Escalation Rates
- Sensitivities of Economics

Desalination Process Selection

Important factors that influence process selection are Seawater quality, Process Design, Materials and Environmental aspects. A detailed list of factors is as follows:

1.Process Design and Efficiency
Operative Capacity
Spare Capacity
System and Component Design
Product Quality demands
Material of Construction
Degree of Automation

2.Seawater quality, Pollution and Extraction
Salt Content and Composition
Pollution(Organic and Inorganic)

3.Layout, Space Requirements and Environmental aspects
Air
Wastewater
Residues
Soil Protection

4.Energy, Labour and Consumables Demand
Electricity
Heat
Consumables
Number and Qualification of staff
Finance Charges and Administration and Overhead: 100% of Labour are applied.

Annex C: Clustering

Clustering ad Co-Locating: Case Studies

The Secret of Dutch Success

Chemical companies around the globe are recognizing the advantages of sharing resources and facilities to reduce the costs of doing business. In the Netherlands, where a number of international companies, including Dow Benelux, Lyondell and Eastman Chemical, operate in chemical clusters, this trend is flourishing. Clusters form in regions that have outstanding infrastructures and easy access to raw materials. Despite the Netherlands' relatively small size, its critical advantages have given rise to seven major chemical clusters; the most prominent of which are located in Rotterdam, Geleen/Heerlen, Delfzijl and Flushing/Terneuzen.

Rotterdam: Home of the largest Dutch chemical cluster. Rotterdam hosts the largest port in the world and some of the best infrastructure and logistics resources in Europe. It is not surprising, therefore, that it is also home to the most extensive chemical cluster in the Netherlands. Over forty major international chemical companies, including Dow Benelux, Eastman Chemical, DuPont and Royal Dutch/ Shell are currently clustered in the Port of Rotterdam. This well-developed cluster attracts service and logistics companies, which in turn draw more chemical companies in a cycle of industrial growth. According to Peter Anderson, a chemical expert at the Port of Rotterdam, "Chemical companies here can outsource virtually anything. In addition, there are many synergies between the chemical operators in the Rotterdam cluster. Companies are able to work very closely together and pool their resources." Lyondell is one industry leader that has benefited from the advantages of clustering in Rotterdam. "The climate in the Rotterdam cluster is very conducive to doing business," confirms Morris Gelb, Executive Vice President and Chief Operating Officer at Lyondell.

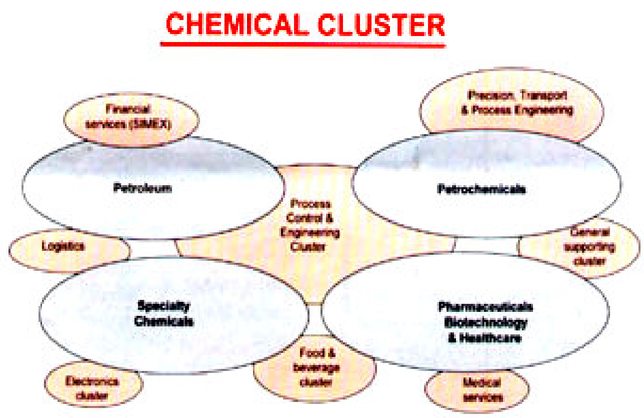
DSM maintains world-class facilities in Geleen/Heerlen. Located in the southeastern corner of the Netherlands near Maastricht; the Geleen/Heerlen chemical cluster includes DSM, Ciba and Cookson-Matthey. The region was once a thriving coal-mining center, but it has been revitalized as a hub of the chemical industry. At the heart of the cluster lies DSM's 2,000-acre site, which consists of fifty production facilities that generate hydrocarbons, plastics and other products. Several new plants are under construction, including a plant for EPDM rubber and one for the production of melamine. DSM also maintains two naphtha crackers in the cluster, one for ethylene and one for propylene. The ethylene cracker is the largest such facility in Europe, and is among the ten largest in the world.

Dow leads the way in Zeeland

The chemical cluster in the southwestern province of Zeeland resides in the port cities of Flushing and Terneuzen. Dow and TotalFina launched the region’s chemical development in the 1960’s. Today, Dow's Terneuzen site is comprised of 33 co-located plants on forty acres, making it the company's largest production site outside of the U.S. Most of the feedstocks that Dow requires are produced at its plants on the same site, affording the company significant savings. Dow's presence has attracted many international companies to the cluster, including Elf Atochem and Cerestar. "Dow was a trailblazer in Terneuzen," says Jaap Bos, Infrastructure Development Manager for Dow Benelux. "We've started a tradition here, and we and our partner companies have benefited from that legacy." Dow is in the process of expanding its Terneuzen operations by establishing the Braakman Polder chemical Distribution Park for dry cargo, as well as a new area for chemical production called Mosselbanken.

Sharing resources in Delfzijl

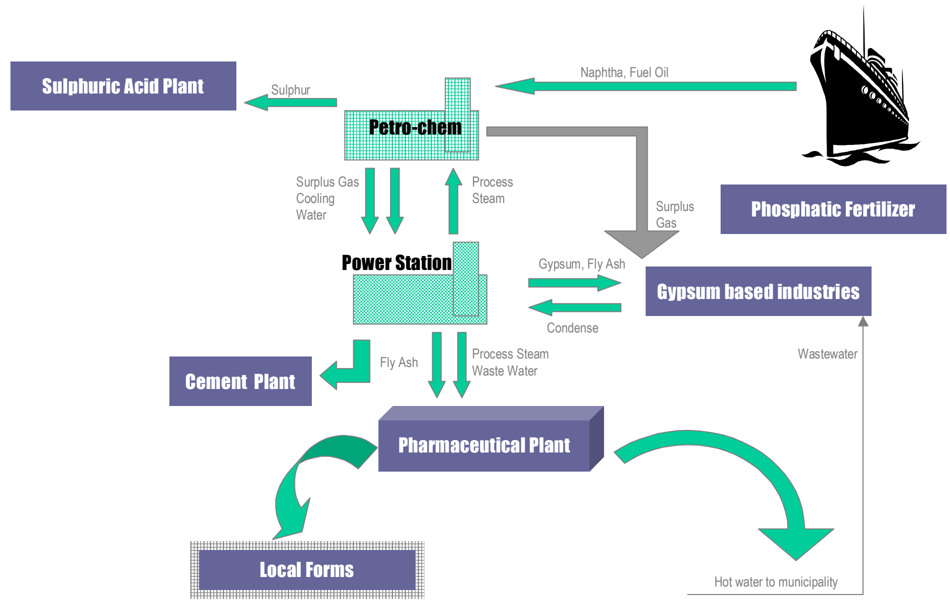
In the northern part of the Netherlands, a number of chemical companies have clustered around local natural gas, sodium chloride and magnesium chloride reserves. The core of this cluster is the Chemical Park Delfzijl, where Dutch chemicals giant Akzo Nobel makes products such as salt, chlorine, caustic soda, methyl amine and chorine chloride. Noveon, formerly known as BFGoodrich, is co-located there with Akzo Nobel, and reaps numerous benefits from this arrangement. The company produces post-chlorinated polyvinyl chloride (CPVC) with chloride purchased and inexpensively transported by pipeline from Akzo Nobel's operations. In addition, Noveon shares facilities with its neighbor, saving on security, catering and maintenance costs. "By joining the cluster, we have access to everything we need," explains Jan Willem Eshuis, Manufacturing Manager at Noveon in Delfzijl.



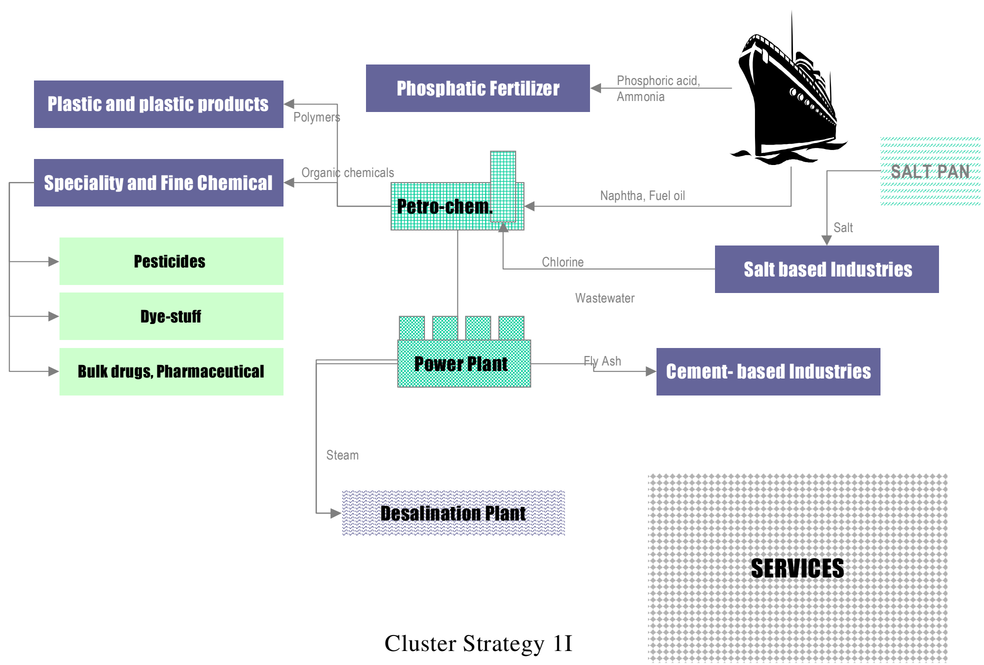
The Jurong Island amalgamation project is one of the key initiatives under the M2000 program to develop a world-class chemical industry cluster. The Jurong Island project is implemented based on a total approach to industry development. The objective is to reduce capital investments and minimize operational costs through creating synergistic linkages; one of them is the concept of sharing facilities. For instance, feedstock transportation and handling cost could be minimized and economies of scale generated through the provision of centralized logistics and common corridors for materials flow.

Central to the industry cluster concept and development of Jurong Island as an integrated complex is the sharing of common facilities. These include marine facilities, such as jetties and other berthing facilities; services such as warehousing, waste treatment, fire fighting, medical and emergency response; a common service corridor and infrastructure such as roads and drains. The advantages of economies of scale and optimal land utilization make the provision of common facilities an attractive proposition to many industrialists. The idea is to create a self-contained complex within which all necessary industrial infrastructure and supporting facilities are provided.

Some Clustering Strategies for the Chemical Estate: •



Cluster Strategy 1



Cluster Strategy 1I

• The industrial clusters seem to be more probable if the central units like petrochemical and fertilizer plants could be set up in the estate. The desalination plant will also be much in symbiosis if a captive power plant is set up in synergy with it.

Annex D: Gujarat Industrial Policies

<u>Notification granting EXCISE EXEMPTION to new units setup in the district of Kutch for FIVE years</u>

TO BE PUBLISHED IN PART II, SECTION 3, SUB.SECTION (1) OF THE GAZETTE OF INDIA,EXTRAORDINARY,
DATED THE 31st JULY, 2001. 9 SRAVANA,1923 (SAKA)
GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

New Delhi, dated the 31st July, 2001
NOTIFICATION No. 39/2001-Central Excise

G.S.R. (E). - In exercise of the powers conferred by sub-section (1) of section 5 A of the Central Excise Act,1944 (1 of 1944), read with sub-section (3) of section 3 of the Additional Duties of Excise (Goods of Special Importance) Act, 1957 (58 of 1957) and sub-section (3) of section 3 of the Additional Duties of Excise (Textiles and Textile Articles) Act, 1978 (40 of 1978), the Central Government being satisfied that it is necessary in the public interest so to do, hereby exempts the goods specified in the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986) other than goods specified in the Annexure appended to this notification and cleared from a unit located in Kutch district of Gujarat from so much of the duty of excise or the additional duty of excise, as the case may be, leviable thereon under any of the said Acts as is equivalent to the amount of duty paid by the manufacturer of goods other than the amount of duty paid by utilization of CENVAT credit under the CENVAT Credit Rules, 2001.

Provided that in the case of a unit having an original value of investment in plant and machinery installed in the factory below rupees twenty crore on the date of commencement of commercial production in that unit, the exemption contained herein shall apply only for the first clearances upto an aggregate value not exceeding twice the value of such investment from the date of commencement of commercial production, in each year.

2. The exemption contained in this notification shall be given effect to in the following manner, namely:

(a) The manufacturer shall submit a statement of the duty paid other than the amount of duty paid by utilization of CENVAT credit under the CENVAT Credit Rules, 2001, to the Assistant Commissioner or the Deputy Commissioner of Central Excise, as the case may be, by the 7th day of the next month in which the duty has been so paid.
(b) The Assistant Commissioner or Deputy Commissioner of Central Excise, as the case may be, after such verification, as he may deem necessary, shall refund the amount of duty paid other than the amount of duty paid by utilization CENVAT credit during the month under consideration to the manufacturer by the 15th day of the next month.
(c) If there is likely to be any delay in such verification, the Assistant Commissioner or the Deputy Commissioner of Central Excise, as the case may be, shall refund the amount on provisional basis by the 15th day of the next month to the month under consideration, and thereafter may adjust the amount of refund by such amount as may be necessary in the subsequent refunds admissible to the manufacturer.

3. The exemption contained in this notification shall be subject to the following conditions, namely :-

(i) It shall apply only to new industrial units, that is to say, units which are set up on or after the date of publication in this notification in the Official Gazette but not later than the 31st July, 2003;
(ii) In order to avail of this exemption, the manufacturer shall produce a certificate from a Committee consisting of the Chief Commissioner of Central Excise, Vadodara and the Principal Secretary to the Government of Gujarat, Department of Industry, to the jurisdictional Assistant Commissioner or the Deputy Commissioner of Central Excise, as the case may be, that the unit in respect of which exemption is claimed is a new unit and has been set up during the time period specified in condition (i) above.
(iii) Before effecting clearances under this notification, the manufacturer shall also furnish a declaration regarding the original value of investment in plant and machinery installed in the factory as on the date of commencement of commercial production, to the Assistant Commissioner or the Deputy Commissioner of Central Excise, as the case may be.
(iv) The manufacturer shall also produce a certificate from the said Committee confirming the original value of investment and such a certificate shall be produced within a period of one month from the date of commencement of commercial production, or such extended period as the said Assistant Commissioner or Deputy Commissioner may allow.
(iv) In case on the basis of such certification, or otherwise, the original value of investment in plant and machinery,

(a) is found to be less than rupees twenty crore but was declared to be rupees twenty crore or more, the manufacturer shall be liable to pay back the entire amount of duty exemption availed under the notification alongwith interest at the rate of twenty four per cent. per annum as if no exemption were available; or
(b) is found to be less than the declared value and was declared to be below rupees twenty crore, the manufacturer shall be liable to pay duty on the goods cleared, if any, in excess of twice the actual value of original Investment in each of the years during which exemption has been claimed under this notification alongwith interest at the rate of twenty four per cent. per annum, as if no exemption were available to those clearances under this notification.
(v) The exemption shall apply for a period not exceeding five years from the date of commencement of commercial production by the unit.

4. Nothing contained in this notification shall apply to a manufacturer or a factory availing of exemption under any of the following notifications namely :-

(a) Notification no.8/2001-CE dated the 1st of March, 2001;
(b) Notification No.9/2001-CE dated the 1st of March, 2001; and
(c) Notification No.24/200- CE dated the 30th April, 2001,.

Explanation : For the purpose of this notification :-

A change in the name or in the nature of ownership or a change in location of an existing unit would not entitle any one for treatment as a “new” industrial unit.
The expression “set up on or after the date of publication of this notification in the Official Gazette” shall mean that any civil construction work on its factory premises and any installation of plant and machinery therein commences only on or after the date of publication of this notification in the Official Gazette.
The expression “aggregate value of clearances” shall mean the total value of clearances of excisable goods, whatsoever, from the unit in each year but shall not include goods cleared for use in the manufacture of other excisable goods in the same unit.

Annexure

1. Goods falling under Chapter 24 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986);
2. The following goods, falling under the said First Schedule to the Central Excise Tariff Act, 1985, namely

Candles;
Footwear of a retail sale price not exceeding Rs.125 per pair;
Tableware and Kitchenware of glass;
Imitation jewellery;
Monochrome television receivers;
Vacuum and gas filled bulbs of retail sale price not exceeding Rs.20 per bulb;
Sunglasses for correcting vision;
Watches and clocks of retail sale price not exceeding Rs.500 per piece;
Rubberised coir mattresses;
Toothbrushes;
Kerosene, that is to say, any hydrocarbon oil (excluding mineral colza oil and white spirit) which has a smoke content of 18 mm or more [determined in the apparatus known as smoke point lamp in the manner included in the Bureau of Indian Standards Specification ISI:448 (P.31)-1968 as in force for the time being] and is ordinarily used as an illuminant in oil burning lamps;
Liquefied petroleum gases and other gaseous hydrocarbons other than natural gas, ethylene, propylene, butylenes and butadiene;
Compressed Natural Gas (CNG);
Cotton sewing thread, not containing synthetic staple fibres;
Cotton yarn, not containing synthetic staple fibres;
Goods specified in the Table annexed to notification no.11/2001- Central Excise dated the 1st of March, 2001
3. Goods specified in the Second Schedule to the Central Excise Tariff Act, 1985 (5 of 1986).

F.No.356/2/2001-TRU.

Gujarat Industrial Policy - 2000

1.0 INTRODUCTION

The economic reform process introduced by Government of India in July 1991 has removed bottlenecks for establishing industrial projects. However, the industrial units are required to face global competition. Besides Government of Gujarat has discontinued sales tax incentives from January 1, 2000 as per consensus arrived by states. The state Govt. is therefore required to play a proactive role of Facilitator for industrial development. In this context, the new industrial policy of the State incorporates various facets of industrial development, giving importance to technology upgradation, quality improvement and productivity besides infrastructure development so that the industrial units of the state meet with global competitiveness.

2.0 OBJECTIVES

The main objective of Gujarat Industrial Policy – 2000 is to achieve sustainable industrial development. The policy includes objectives like making the State more attractive to improve flow of investment in industrial sector; promoting IT, Hitech and knowledge based industries; improving exports from industrial units of the State; encouraging development of small scale industries and service sector industries; environment protection and promoting industries in backward areas.

3.0 APPROACH

The approach in the industrial policy is to make industries globally competitive and make Gujarat attractive for both internal as well as foreign investment.

4.0 STRATEGIES

The industrial policy of the State covers following strategies and provides incentives.

4.1 Interest Subsidy to Small Scale Industry

The State Government has accorded priority for development of small scale industries. A new scheme has been introduced to provide interest subsidy at the rate of 5% per annum for 5 years period up to a maximum of Rs. 25 lakhs to all industrial units coming up in the State. Existing units carrying out expansion, diversification will be offered interest subsidy at a rate of 3% per annum upto a maximum of Rs. 15 lakhs . Alternatively, self financed new units will be offered subsidy at a rate of 10% of fixed capital investment upto a maximum of Rs. 10 lakhs.

4.2 Cluster Approach

The State Government intends to strengthen the industrial clusters developed at different locations with the involvement of Industries Associations of the area and R&D institutions. Assistance will be provided for establishing common facilities covering quality improvement, technology upgradation, market promotion and technical skill. Financial assistance upto Rs. 5 crores will be considered per cluster.

4.3 Assistance for Quality Certification

The State Government accords high priority for quality improvement. Assistance will be provided to industrial units obtaining quality Certification from approved institutions/research laboratories, at the rate of 50% of the expenditure upto a maximum of Rs. 2 lakhs.

4.4 Market Promotion

Market promotion activities like Buyer Seller Meets, Trade Fair etc. will be encouraged. Common purchase policy will be introduced for purchase of items manufactured by small scale units of the State. A booklet incorporating items required by State Government

Corporations/Boards and large companies will be published for the benefit of small scale industries.

4.5 Consultancy Assistance

Consultancy Cells will be established by CED in coordination with Management Institutions in cities covering Ahmedabad, Vadodara, Bhavnagar, Rajkot and Surat, with a view to providing guidance and assistance to small scale industrial units for expansion, modernisation, diversification, marketing of products etc.

4.6 Step-up Projects – Self employed

CED has introduced a programme to upgrade cottage and tiny industrial units into small scale through expansion/ diversification.

4.7 Interest Subsidy to Educated Unemployed in Service Sector

The service sector industries will be encouraged as part of industrial activities. An elaborate list will be published covering activities like technical consultancy, port-related activities, IT related activities, tourism activities and similar other activities. Assistance will be provided by way of interest subsidy at the rate of 5% for first 3 years upto a maximum limit of Rs. 5 lakhs to educated unemployed youths for establishing service industry.

4.8 Infrastructure Assistance to Medium and Large Industries

A scheme will be introduced to provide assistance to meet partly the cost of infrastructure like land, power connection, water facilities, environment protection, construction of approach road etc. to medium and large industrial projects coming up in the state in rural areas. The assistance will be considered at the rate of 25% of the infrastructure cost upto a maximum of Rs. 100 lakhs. The financial assistance will be enhanced upto Rs. 250 lakhs , in case of linkage facilities extending to rural areas. The medium and large industries will also be offered incentives for obtaining quality certification.

4.9 Sales Tax Incentives to existing industrial units for diversification/ modernisation

The State will consider extending sales-tax benefits to existing eligible industrial units enjoying incentives approved in earlier schemes, for new products because of diversification or modernisation in their existing plant.

4.10 Technology Upgradation

The State Government has accorded high priority for upgradation of technology and modernisation by industrial units. The Research and Development Institutions set up in the State will be strengthened and will be encouraged for taking up technology upgradation programme in specific industrial clusters. Encouragement will be given to get accredition with International Quality Testing Agencies in order to make them internationally repute. Innovations from small enterprises and individuals will be encouraged. The institutions set up in this regard will be supported. The Technology Cell (TBIIP) set up in iNDEXTb with the help of UNIDO will be strengthened.

4.11 Assistance for Patent Registration

A Facilitation Cell will be opened to assist entrepreneurs for Patent and Intellectual Property Right (IPR) provisions. The industries as well as R&D institutions will be encouraged for filing patent on their research. Assistance will be provided at the rate of 50% of expenses in this regard upto a maximum of Rs. 5 lakhs.

4.12 Promotion of Specific Industrial Sectors

The State Government will encourage development of specific industrial sectors like agro and food processing industries, mineral based industries, electronics and information technology, engineering ancillary industries, textile including garments, gems and jewellery, pharmaceuticals and petrochemical downstream and plastic processing industries. Assistance will be provided for creating necessary infrastructure facilities as well as research and development activities.

4.13 Rehabilitation of Sick Industrial Units

The State Government has introduced Gujarat Board for Industrial Finance and Reconstruction (GBIFR) in 1998 to rehabilate potentially viable small scale industrial units. The State Govt. has liberalised the existing provisions in order to make the scheme more effective and provide timely assistance for rehabilitation of viable small scale units. Assistance for medium and large units will be considered in consultation with financial institutions to prevent them becoming sick.

4.14 Entrepreneurship Development

So far the first generation entrepreneurs including category of women, scheduled castes, scheduled tribes and other backward classes and unemployed youths were offered entrepreneurship training by CED. The training programmes will be reoriented to upgrade entrepreneurial skill of first generation entrepreneurs to face new developments. New schemes will be introduced to impart entrepreneurship training to management graduates, women taking training of specialised skill in professional institutions and workers possessing traditional skills.

4.15 Infrastructure Development

Vision 2010 enlists 389 infrastructure projects for implementation with private sector participation.. An Action Plan is prepared for timely completion of these projects. An Asset Management Fund has been introduced in GIIC covering Debt Fund and Equity Fund to provide financial assistance for implementing these projects.

4.16 Priority allocation of land

The State Government has accorded priority for allocation of required land to industrial units. The “Deemed NA” concept will be made effective.

4.17 Upgradation of GIDC Estates

The industrial estates set up by Gujarat Industrial Development Corporation(GIDC) will be upgraded. Land will be made available at affordable prices to industrial units. GIDC Notified Areas will be given more autonomy and empowerment. Assistance will be provided for development of infrastructure facilities in industrial areas developed in the periphery of cities and Industrial Parks coming up near port locations.

4.18 Assistance for setting up Industrial Parks

The State Government will encourage setting up of Industrial Parks through private sector investment. Assistance will be offered as under:

Employment Park

100 units or more than 2,500 employment Subsidy at a rate of 10% of Capital Investment - maximum Rs. 1 crore. 200 units or more than 5,000 employment Subsidy at a rate of 10% of Capital Investment - maximum Rs. 2 crore Hi-Tech Park Subsidy at a rate of 50% of Capital Investment - maximum Rs. 2.5 crore

Investment Park

Investment of more than Rs.500 crores Share capital contribution @10% of paid up capital upto Rs. 2.5 crore

Trade Centre

More than 5,000 sq. mt construction Subsidy upto Rs. 50 lakhs

More than 10,000 sq. mt construction Subsidy upto Rs. 100 lakhs

4.19 Assistance for desalination plants

A new scheme will be introduced for providing assistance to desalination plants set up by industrial units and as common facilities.

4.20 Training Institutes in Hi-tech areas

The State will promote training institutions of international repute to be set up by large industrial houses in the areas like Information Technology, biotechnology, marine engineering etc.

4.21 Critical Infrastructure Fund

The State Government has introduced Critical Infrastructure Fund in order to provide assistance to specific infrastructure requirements of large industrial estates/ large industrial projects. Financial assistance will be offered on case to case infrastructure requirement in industrial area. The proposals will be approved by High Level Committee headed by Hon'ble Minister of Industry for quick start and expeditious implementation. The project may be provided assistance upto 50% of investment on case to case basis.

4.22 Environment Protection

Pollution control and environment protection has been accorded priority. A scheme has been introduced for assistance in the form of cash subsidy to Common Effluent Treatment Plant, disposal of treated effluents, development of sites for solid waste disposal, clean production centre, etc. at the rate 25% of the investment made. A new scheme of interest subsidy is introduced for providing assistance to industrial units undertaking environment protection measures. Procedures for environment clearances will be simplified.

4.23 Backward Area Development

The State Government intends to introduce new strategy for backward area development. Detailed studies will be carried out on each of the identified industrially backward talukas. A specific industrial development programme will be planned. Besides, industrial units coming up in identified backward talukas will get additional incentives at the rate of 25% under all the schemes.

4.24 Foreign Direct Investment (FDI)

The State Government will introduce specific programmes to promote Foreign Direct Investment(FDI) including NRI investment.

4.25 Export Promotion

The State will encourage export of products manufactured by industrial units in the State . Setting up of Export Park, 100% EOUs, Inspection Agencies for export products etc. will be encouraged . Air Cargo Complex at Ahmedabad will be strengthened and new such Complexes will be opened. Setting up of Common Facilities Centre or World Trade Centres will be encouraged.

4.26 Trade and Market Development

Trade and Market Development will be given specific importance as it helps industrial growth. Setting up of Trade Centres will be encouraged as part of industries promotion policy.

4.27 Industrial Finance

Availability of industrial finance is important for growth of industries in the State. The financial assistance schemes introduced by GSFC and GIIC will be reoriented as per the requirement. New Venture Fund Scheme will be introduced by GSFC. A new approach of providing financial guarantee from consortia will be encouraged. One such scheme has been introduced by SIDBI. Concerted efforts will be made to pursue commercial banks, cooperative banks and SIDBI to further activise their lending operations.

4.28 Industrial Relations

Gujarat has an impressive record of better industrial relations with least number of mandays lost due to strikes and lockouts.The present procedures for implementation of Factory Act and Labour Laws will be simplified. Employment-oriented Training Schemes will be introduced in ITIs and Polytechnics.

4.29 Responsive Administration

Gujarat is known for better response mechanism and monitoring of projects under implementation. These efforts will be further strengthened. The computerisation programme introduced in District Industries Centres (DICs) and Industries Commissionerate will be further accelerated. A coordination mechansim will be introduced between State and Central Government to address any adverse impact of Central policies in industrial growth.

4.30 Industries Promotion

The Industries Promotion Activities will be reoriented to accelerate the process of industrial development in the State.

5.0 IMPLEMENTATION

5.1 There will be continuous coordination between various departments of the State Government to implement schemes under industrial policy.

5.2 A Committee under the Chairmanship of Hon'ble Minister of Industry will periodically review implementation of industrial policy . The committee will also sanction projects under Critical Infrastructure Fund.

5.3 An Empowered Committee under the Chairmanship of Hon'ble Chief Minister will periodically review the policy and make modifications as may be required from time to time.

Gujarat Industrial Policy

Medium and Large Industries – Subsidy Scheme 2000

1. Introduction

With the objective of enhancing investment in the state by medium and large industries, benefits were given through different schemes of sale tax incentives, so that the industrial units can achieve competitiveness. In the industrial development of the state, particularly ancillary units and small industries and in the development of service sector, the medium and large industries have made important contribution. Various sales tax incentive schemes which were introduced to attract capital investment in industrial sector in the state, were discontinued from date 1/1/2000. Therefore, the state government in the new industrial policy has considered giving subsidy on the expenditure incurred for developing infrastructure required for setting up medium and large scale industrial projects. Accordingly, the Government has resolved to implement the following scheme.

2. Title

This scheme shall be known as ‘Scheme for Assistance to Medium and Large Industries-2000’.

3. Duration of Scheme

This scheme will come into force from 15/11/2000

4. Scheme

Large and medium industries are generally set up in industrial estates or rural areas. Infrastructure facilities developed in rural areas are still limited. A scheme to provide subsidy on expenditure made in developing infrastructure has been introduced so that medium and large industries are set up in the has been introduced in the rural areas The scheme will include the following items:

· Cost of land

· Expenditure of transmission line for electric connection.

· Approach road connecting the project, etc.

5. Definitions

Large and Medium Industrial Unit A unit which obtains the industrial approval such as acknowledgement of Industrial Entrepreneurs Memorandum, letter of intent or letter of permission in case of export oriented unit from the Central Government, during the operative period of the scheme..

6. Eligible Fixed Capital Investment.

Cost of land

Amount actually paid for land essentially required for the project in which the amount actually incurred for the acquisition / purchase / transfer of land.Expenditure for electric connection

Expenditure incurred for transmission line required for electricity of the unit.

Expenditure for connecting approach road to the project Expenditure for connecting the project with national highway, state highway and major district road/ ordinary district road (MDR/ODR)

Non-admissible fixed capital investment 1. Second hand equipment and facilities shall not be considered eligible for incentives.

2. No incentives shall be extended other than the expenditure incurred for land within the precinct of the plant.

7. Industries eligible for subsidy.

Any registered large or medium industrial unit having obtained industrial approval from Central Government to establish as a new unit. However those industries which fall in the list of banned industries declared by the central government or state government from time to time will be considered ineligible for subsidy.

8. Eligibility for subsidy and its rate.

1. The unit has incurred expenditure on the above mentioned infrastructure facilities during the operative period of the scheme.
2. Unit will have to commence commercial production.
3. The subsidy will be given on the basis of 25 % of the total expenditure required for above mentioned infrastructure facilities up to a maximum limit of Rs. 100/- lakhs. However if the expenditure incurred on infrastructure facilities forms a part of rural linkage project, the limit of subsidy on the basis of 25 % of the cost will be up to a maximum of Rs. 250 lakhs. The procedure for the disbursement of subsidy will be as decided by the Industries Commissioner

9. Procedure for availing subsidy

The medium and large industrial units eligible under the scheme should submit their applications for registration along with the copy of the industrial approval given by the central government, to the office of the Industries Commissioner, Gandhinagar. The unit registered so should submit project report, approval letter sanctioning the finance by financial institution, details of actual expenditure incurred etc. along with the application, for the sanction of subsidy, to the office of the Industries Commissioner. The scrutinized applications will be submitted to the State Level Committee. The decision of the Committee shall be final.

Constitution of Committee

(a) The state level committee formed for the sanction of subsidy shall be as under.

1. Additional Chief Secretary (Industry) Chairman
2. Additional Secretary (Industry) Member
3. Secretary (F.D)(E.A) Member
4. Industries Commissioner Member
5. Chief industrial adviser Member secretary

Under the scheme, the sanction for the rural linkage project shall be given by the implementation committee under the chairmanship of Minister (Industries). As per the decision taken by the state level committee / implementation committee, the Industries Commissioner shall give approval letter to the proposal of the unit.

10. Other Conditions

The amount sanctioned and disbursed under the scheme shall be subject to following conditions and in case of violation of any of the conditions, the amount disbursed as subsidy shall be recovered as arrears of land revenue.

a. The industrial unit receiving subsidy shall have to install standard pollution control equipments as approved by the concerned competent officer and unit shall have to effectively use and maintain them.
b. The medium and large industrial unit shall have to continue production for five years since its commencement of production. However due to some unavoidable reasons

beyond the control of the unit, if the unit has discontinued the production, and if this period of closure is not more than six months, the Industries Commissioner shall scrutinize the case and permit waiving of the period for which the production is discontinued.

c. Medium and large industrial units should submit the information about production, employment and any other issue as asked for by the state Government from time to time.

d. The units availing incentives under the scheme shall have to recruit local persons of a minimum of 85 % of the total posts and of a minimum of 60 % of the managerial and supervisory posts. A joint team comprising General Manager, District Industries Center and Employment Officer will scrutinize the same if necessary. The percentage of local employment shall have to be maintained permanently. If a unit fails in giving employment to local persons as per the employment policy, the amount of subsidy will be recovered from it as arrears of land revenue.

11. Under the scheme, the matters pertaining to interpretation, quarrel or dispute shall be placed before the State Level Committee / Implementation Committee and their decision will be considered final and binding to an applicant unit.

Incentive Scheme 2001 for Economic Development of Kutch District

(TRANSLATED VERSION)

Government of Gujarat
Industries and Mines Department
Resolution No.INC-10200-903-I,
5 Sardar Bhavan, 4th Floor,
Sachivalaya, Gandhinagar

Date: 9-11-2001

The economic activities in the district of Kutch came to a standstill on account of the devastating earthquake in the State on 26th January, 2001. New employment opportunities could be created if new investment takes place. The Government is committed to attracting industries in the district to make the industrial and economic environment live. Government of India have announced excise duty exemption for new industries to promote large scale investment in the district, along with which the State Government has also decided to announce the scheme of sales tax incentives. Since the scheme is aimed at making the economic environment of Kutch district live, it has been decided to confine the same only to Kutch district.

1. Title

This scheme shall be known as Incentive Scheme 2001 for Economic Development of Kutch District.

2. Operative Period of the Scheme

This scheme shall come in force from 31.7.2001 and shall remain in force till 31.10.2004.

3. Definitions

3.1 Industrial Undertaking

An industrial undertaking means one or more factories in which one or more items are either produced or going to be produced and is registered as a company under the Companies Act, 1956, as a partnership firm, registered trust or legally registered co-operative society or an organization existing as a proprietorship firm. However, the industrial undertaking under the control of and/or owned by Central Government or State Government shall not be eligible for incentives under the scheme other than what is provided in the banned list (Annexure-C).

(Incorporating amendments made vide Corrigendum No.INC-102000-903-I dated 12/11/2001)

3.2.1 New Industrial Unit

New industrial unit means a unit established in the district of Kutch by any industrial undertaking during the operative period of this scheme. This unit shall have to fulfill the following conditions for being qualified as a new industrial project.

(a) For new project, a separate licence or registration shall have to be obtained or necessary amendments should have carried out in the existing licence or registration. (b) For the new project, separate identifiable investment shall have to be made and it should not be a part of existing project or expansion thereof. For new scheme, it is necessary to have a separate building and the accounts should also be maintained separately. However, the new project using the utilities such as water, power, steam and pollution control facilities from the existing units shall not loose the eligibility to receive the incentives under the scheme.

Explanation: In the case of any controversy with regard to whether a particular unit is considered to be new or not, a State Level Committee shall decide and the decision of this committee shall be final and binding on the industrial undertaking.

3.3 Commercial Production

The date of commercial production means the date of first sale bill.

3.4 Project Cost

Project cost means total investment involved in the project excluding the margin for working capital.

3.5 Industrial Complex

Industrial complex means a group of separate projects established at one location for the production of one or more items.

3.6 Eligible Fixed Capital Investment

The definition of eligible fixed capital investment shall be considered as under:

3.6(a) Land : The price of land means an amount actually paid for the land required for the new industrial project. It includes the amount spent legally for the acquisition/purchase/transfer.

3.6(b) New Building : New building means building required for the project on the site such as factory building, office building, store building, etc. except the guest house or the building for the residence of owner-director. The expenditure incurred for the building used for installation of plant and machinery will be considered on actual basis. In case of other buildings, the value will be considered as per the norms laid down by the state level committee or the actual expenditure incurred whichever is less. Buildings taken on lease or rental basis will not be considered eligible for fixed capital investment (except GIDC). The expenditure incurred for the purchase or repairing of old buildings will not be considered as a part of fixed capital expenditure.

3.6(c) Other Constructions : Other constructions consist of compound wall, internal roads, wells, borewells, water tanks (all types of pipe lines carrying water, gas, liquid from its original source to the factory) , etc. Moreover, as per the requirements of the project, expenditure on other construction will also be taken into account as approved by the State Level Committee.

3.6(d) Plant and Machinery : Expenditure incurred in regard to new plant and machinery and imported machinery (second hand), utilities, other required equipments for plant, dyes, moulds etc. and electrification, transportation, installation, foundation expenditure etc. will be considered as capital expenditure under the head of plant and machinery. Industrial units incurring expenditure on the purchase of transformer as a part of electrification will also be permitted to be considered as capital investment. The expenditure incurred for installation of facilities for purification of water or desalination including equipments for pollution control, material handling equipments used in the factory, power generating plant for captive use with the installed capacity equivalent to the expenditure of connected load or 25 MW whichever is less and the nearest generation capacity of the available generating set will be considered. In such cases where more generating capacity than this installed capacity is established, the eligibility of capital investment will be considered in proportion of total installed capacity and connected load.

3.6(e) Technical Know-how and Engineering, Drawing Design Fee : Technical know-how fees or drawing fees not exceeding 5% of the investment in plant and machinery paid to the foreign collaborators or foreign suppliers as approved by Govt. of India or to the laboratories approved by the State Govt. or Central Govt.

3.7 Capital Investment in Project related Infrastructure Facilities

Investment made in the following project related infrastructure facilities will be considered as fixed capital investment. However, the direct expenditure (except other capital expenditure) incurred will be considered eligible for incentives.

Providing facilities such as residential colony for staff, hospital, school and sports facilities for the children of workers/staff of the industrial unit.

Feeder road connecting industrial unit with the ODR-MDR-State Highways-National Highways.

Creation of dedicated water transportation facilities through pipelines only for the consumption of industrial unit.

Non-refundable deposits paid to GEB for installing transmission lines from the nearest available sub-station.

Expenditure on electronic exchange and laying of telecommunication cables.

Construction of building for post offices and banks, if allotted free by the industrial unit.

Training centers to train local people for employment in the project.

Expenditure for transport facilities like buses for the conveyance of the workers from the surrounding villages/towns to the factory and back.

For the purpose of eligibility, expenditure on above referred project-related infrastructure will be eligible for incentives, limited to 20% of the quantum admissible to the unit, in terms of eligible fixed capital investment.

3.8 The expenditure incurred by small scale units will be considered eligible for the purpose of incentives upto a period of six months from the date of commencement of production or completion of the project - whichever is earlier. In case of medium and large scale units, the expenditure incurred within a period of one year from the date of commencement of production or completion of the project - whichever is earlier shall be considered eligible for the purpose of incentives. In the case of industrial unit having project cost exceeding Rs.10 crore the expenditure incurred within a period of 18 months from the date of commencement of production or completion of the project - whichever is earlier shall be considered eligible for the purpose of incentives.

Explanation: The plant and machinery purchased under the scheme of DPG or hire purchase shall be considered eligible for incentives. However, the amount of interest incurred for acquisition of such assets shall not be considered eligible. The industrial unit shall have to give a legal undertaking that the assets purchased under the scheme of DPG or hire purchase shall not be surrendered to the original owner during the eligibility period of the scheme. However, if having done so, the eligibility of sales tax incentives shall be cancelled and the incentives availed (exemption-deferment) shall have to be refunded within a period of one month from the date of breach of contract for purchase under the scheme of DPG, hire purchase or installments with a penal interest of 24%.

3.9 Ineligible Capital Investment

Following investment shall not be considered as eligible fixed capital investment for the purpose of incentives.

Working capital

Goodwill fee

Commissioning fee

Royalty

Pre-operative expenses

Second hand plant and machinery purchased or shifted from within the country

Interest transferred to capital account

Trucks, motor car, van trailors, tractor and other transport equipments for handling of goods

All capital investments not indicated as eligible capital investment explicitly.

3.10 Eligible Area

Kutch District

3.11 Eligible Industries and in-eligible industries

1. All eligible industrial units registered under the policy of Govt. of India for small scale industry in force from time to time.

2. All the industries falling under the First Schedule of IDR Act, 1951 (as amended from time to time).

3. Shall be interpreted as per the definitions of tiny, SSI units, medium and large industry as accepted from time to time by Govt. of India and State Govt.

The industries which are not eligible to receive the benefit of excise exemption under the Excise Exemption Notification dated 31/7/2001 issued by Central Govt. (as per Annexure-A) will not be considered as eligible industry for benefits under this scheme. However, of these the industries enlisted under Annexure-B of this Resolution will get the benefit of this scheme. In addition, the industries which are covered under Annexure-C of this Resolution will not be considered eligible for benefits under this scheme.

4. Sales Tax Incentives

4.1 Eligible units will be able to avail of the benefits of sales tax exemption or sales tax deferment on their eligible fixed capital investment. Under the sales tax incentives, the tax to be recovered against the sales proceeds under the Gujarat Sales Tax Act or Central Sales Tax Act shall be considered. The units shall have to opt for one of the following incentives.

(a) Sales Tax Exemption

(b) Sales Tax Deferment

(c) Composite scheme for units having capital investment exceeding Rs.100 crore.

4.2 Sales Tax Exemption

Under the sales tax exemption scheme, the eligible unit will be entitled to purchase the raw materials, packing materials and all the processing materials utilized for the purpose of manufacturing goods, without the payment of sales tax. In addition, it will be exempt from the payment of sales tax in respect of sale of finished goods, intermediates, by-products, waste and scrap produced by it. The industries opting for the scheme of sales tax exemption will be eligible to receive benefits as per the input/output norms prescribed under the Exim Policy of Central Government for sales tax exemption at various stages of the purchase of materials. For the purpose, the unit shall have to submit a certificate from Chartered Accountant. Such certificate shall include the details of the sale of finished goods based on the purchase and utilization of input material. One copy of this certificate will have to be submitted to Sales Tax Commissioner. The norms for the items which are not covered under the Exim Policy, shall be prescribed by the Industries Commissioner and the same will be informed to the Sales Tax Commissioner.

4.3 Sales Tax Deferment

Unit opting for sales tax deferment will have to pay the amount of sales tax to the Government on the finished good(s), intermediates, by-products, waste and scrap manufactured by it after the prescribed period of time. The amount so payable will be recovered in six equal annual installments by the Sales Tax Dept. beginning from the financial year subsequent to the year in which the unit exhausts its limit of incentives under the scheme or the expiry of relevant period or time limit during which deferment is available, whichever is earlier. The benefit of sales tax deferment will be available only for the sales tax and the units which have opted for sales tax deferment will not be entitled to the benefits at the stage of purchase of materials. No interest shall be charged on the payment of amount of sales tax deferred for a prescribed period.

4.4 Option

While applying for the scheme, the unit will have to submit its option before the approving authority indicating option for sales tax exemption or sales tax deferment. However, if the unit would be permitted to change the option subsequently once before the issuance of the eligibility certificate by the Sales Tax Department. No unit shall be eligible for sales tax incentives without getting registered with the Industries Commissioner under the scheme and shall not be entitled to the sales tax incentives.

4.5 Composite Scheme

The units with capital investment exceeding Rs.100 crore will be entitled to the benefit of both the schemes - sales tax exemption and sales tax deferment. Under the scheme, the eligible unit for the purpose of manufacturing products will be entitled to purchase of raw materials, consumables, packing materials, processing materials, free of tax. Finished goods, intermediate products including by-products, scrap, waste material produced by the unit will be eligible to receive benefits of sales tax exemption and sales tax deferment. For the purpose, the unit while applying to the Industries Commissioner will have to submit details of the amount of sales tax exemption and sales tax deferment and the time limit thereof. No change shall be permitted thereafter.

4.6 Quantum of Incentives

1. At the rate of 100% for a period of five years from the date of commencement of commercial production for the eligible fixed capital investment upto Rs.10 crore.

2. At the rate of 100% for a period of seven years from the date of commencement of commercial production for the eligible fixed capital investment exceeding Rs.10 crore but upto Rs.50 crore.

3. At the rate of 100% for a period of ten years from the date of commencement of commercial production for the eligible fixed capital investment exceeding Rs.50 crore.

4.7 Change in Production of Item

During the currency of the period of the incentives, no change shall be permitted in the production of articles registered or permitted, without the written prior permission of the approving authority who had granted the eligibility. For making proposed changes, application for written permission will have to be made before three months. The benefit of incentives on account of such changes in the manufacture of new articles shall be permitted after the date of commencement of production of new items or insertion of new item from competent authority granting eligibility certificate whichever is later. The investment made for such additional item(s) or for change in finished products shall not be considered eligible for incentives. Such changes or amendments will have to be in accordance with the conditions indicated in the original sales tax eligibility certificate.

5. Effective Steps for Pipeline Units

The industrial units having taken following effective steps by 31-10-2004 and not having been able to commence commercial production by 31-10-2004 shall be permitted to avail of the benefits as pipeline cases under the scheme, provided that they shall undertake to go into production by 31-10-2005.

1. Small scale industry or medium and large industry for the purpose of registration should have submitted the application by 31-10-2004.

2. Application for availing of the finance from the financial institution or bank should have been made before 31-10-2004.

3. Should have acquired land or should have received the offer of land from GIDC before 31-10-2004. 4. Should have made 50% of the investment of the project cost before 31-10-2004.

6.1 Competent Committees to grant incentives

6.1.1 State Level Committee (Committee for Medium and Large Industries)

1.Principal Secretary (Industries & Mines Dept.) - Chairman
2.Principal Secretary/Secretary (Economic Affairs), Finance Dept. - Member
3.Industries Commissioner - Member
4.Sales Tax Commissioner - Member
5.Chief Industrial Advisor - Member
6.President, Gujarat Chamber of Commerce - Member
7.Additional Industries Commissioner - Member Secretary

6.1.2 District Level Committee (Committee for SSI)

1.District Collector - Chairman
2.Regional Manager, GSFC - Member
3.Lead Bank Manager - Member
4.Concerned Asst. Sales Tax Commissioner - Member
5.General Manager, District Industries Center - Member Secretary

7.0 Procedure

(a) In order to avail of the incentives the unit will have to apply in the prescribed format and obtain registration from District Industries Center/Industries Commissioner before going into production. On the basis of this registration, unit will be able to avail of sales tax incentives for 120 days.

(b) After commencement of commercial production, the unit will have to apply in the prescribed format within a period of 120 days from the date of commencement or production. Along with the application, details of fixed capital assets installed up to the date of commencement of commercial production will have to be furnished.

(c) In the case of the unit applying later than 120 days from the date of commencement of commercial production, such period will be considered as the period of delay and the amount of eligible incentives will be reduced in proportion and the eligibility period will be reduced to the extent of delay. However, the units will have the option to avail of the benefit either from the date of commencement of commercial production or from the date of application.

(d) If the project of the unit is not completed, the Industries Commissioner/ General Manager, District Industries center shall issue provisional eligibility upto 25% of the eligible amount after considering installation of fixed assets.

(e) On completion of the project, the industrial unit shall have to furnish all the details to Industries Commissioner/General Manager, District Industries center. The fixed assets will be inspected at the location.

8. Other Conditions

Under this scheme, following conditions shall be applicable to sales tax incentives. In the case of violation of one or more conditions, the amount of sales tax incentives availed of shall be recovered as arrears of land revenue.

(a) The industrial unit shall have to give a clear undertaking that it shall not transfer or dispose of the assets in any manner, till the expiry of the eligibility period of incentives.

(b) The industrial unit availing of the incentives under the scheme, shall have to install, effectively use and maintain the pollution control equipments as per the standards prescribed and approved by the competent authority.

(c) The industrial unit shall have to continue production upto the period of eligibility. However, if the unit does not remain in continuous production on account of the reasons beyond the control of the management, the unit shall present its case before the State Level Committee as an individual case on which the committee can take decision to waive the period of discontinuation of production based on the representation made.

(d) The industrial unit shall have to furnish the details of production, employment and other information every year before 30th June or from time to time as sought by the State Government.

(e) As per the employment policy of the Government of Gujarat, the unit availing of the incentives, will have to recruit local persons for a minimum of 85% of the total posts and for a minimum of 60% of the managerial and supervisory posts. The unit shall have to submit the details of fulfilling the conditions of local employment to the concerned authority granting the incentives to his satisfaction. The percentage of the above mentioned employment will have to be maintained by the industrial unit during the eligibility period of the incentives. Otherwise, the amount of incentives availed by the unit can be recovered as arrears of land revenue.

(f) Unit will have to invest the amount equivalent to 50% of the sales tax incentives availed in the new projects in the state within a period of 10 years from the date of commencement of commercial production.

(g) Unit opting for sales tax deferment scheme for the purpose of deferred amount shall have to give a personal undertaking in the form of security bond as prescribed vide Resolution No.INC-1087-2138-I dated the 1st August, 1990 or equitable charge, second charge.

(h) The unit availing of incentives under any other scheme of the State Government will not be eligible to receive benefits under this scheme.

(i) Expansion, diversification or modernization of the existing industries will not be considered eligible for the benefits under this scheme.

9. The State Level Committee will resolve the issues of interpretation, dispute or quarrel under the scheme.

This issues with the concurrence of the Finance Department given on 8-11-2001 on the file of even number.

ANNEXURE-A

ANNEXURE ATTACHED TO CENTRAL GOVERNMENT NOTIFICATION NO.39/2001

CENTRAL EXCISE DATED 31-7-2001

1. Goods falling under Chapter 24 of the First Schedule to the Central Excise Tariff Act, 1985 (5 of 1986):

2. The following goods, falling under the said First Schedule to the Central Excise Tariff Act, 1985, namely:-

(a) Candles;
(b) Footwear of a retail sale price not exceeding Rs.125 per pair;
(c) Tableware and Kitchenware of glass;
(d) Imitation jewellery;
(e) Monochrome television receivers;
(f) Vacuum and gas filled bulbs of retail sale price not exceeding Rs.20 per bulb;
(g) Sunglasses for correcting vision;
(h) Watches and clocks of retail sale price not exceeding Rs.500 per piece;.
(i) Rubberised coir mattresses;
(j) Toothbrushes;
(k) Kerosene, that is to say, any hydrocarbon oil (excluding mineral colza oil and white spirit) which has a smoke content of 18 mm or more [determined in the apparatus known as smoke point lamp in the manner included in the Bureau of Indian Standards Specification ISI: 1448 (P.31)-1968 as in force for the time being] and is ordinarily used as an illuminant in oil burning lamps;
(l) Liquefied petroleum gases and other gaseous hydrocarbons other than natural gas, ethylene, propylene, butylenes and butadiene;
(m) Compressed Natural Gas (CNG);
(n) Cotton sewing thread, not containing synthetic staple fibres;
(o) Cotton yarn, not containing synthetic staple fibres;
(p) Diesel engines upto 10 HP; and
(q) Goods specified in the Table annexed to notification No.11/2001- Central Excise dated the 1st of March, 2001.

3. Goods specified in the Second Schedule to the Central Excise Tariff Act, 1985 (5 of 1986).

ANNEXURE-B

Following items in which Excise Exemption is not available in Kutch district are eligible for Sales Tax Incentive Scheme of the State Government.

1. Candles;
2. Footwear (MRP not exceeding Rs.125/- per pair)
3. Tableware
4. Imitation Jewellery
5. Vacuum and gas filled bulbs (MRP not exceeding Rs.20/- per piece)
6. Sunglasses for correcting vision

7. Rubberised coir mattresses
8. Toothbrushes
9. Fabrics of carded or combed wool or carded or combed fine animal hair
10. Cotton fabrics woven or handlooms
11. Lemonades preparation or other beverages other than aerated drinks
12. White Cement
13. Alumininous cement (Cement fondu)
14. High alumina refractory cement
15. Beauty or make-up preparations
16. Pre-shave, shaving or after shave preparations
17. Personal deodorants and anti-perspirants
18. Solid or cushion tyres, interchangeable tyre treads and tyre flaps of rubber
19. Motor vehicles principally designed for transport of more than six persons, but not exceeding 12 persons, excluding driver, including Station Wagons.
20. Travel sets for personal toilet, sewing or shoe or clothes cleaning.

ANNEXURE-C

LIST OF BANNED INDUSTRIES

1. Producing of firewood and charcoal.
2. Decorticating expelling, roasting, parching, frying of edible oil seeds, viz. groundnut/sisham, rapeseed, Mustard, Sunflower, Soyabeen, Seflower, Kardi, Nizar, Parlmoil, Coconut, cottonseed etc. and refining, colouring/decolouring and scanting of oil (except in Co-operative sector and oil Ghani).
3. Solvent extraction of oil from edible seed/edible oil cake processing and/or hydrogenation or edible oil (except in co-operative sector).
4. Thinner and French Polish, Kakab and Gadaku.
5. Dairy milk powder and other manufacturing products starting from milk (except in co-operative sector). However, mere pasteurization and sterilization of milk will not be eligible.
6. Mining
7. Electricity Generation (except captive electricity generation).
8. Cottage and village industries falling within the purview of Khadi and Village Industries Board, Khadi and Village Industries Commission and industries falling within the purview of coir/silk handloom handicrafts board and units set up by self-employed workers and artisans etc. which are covered under separate scheme of assistance.
9. State and Central Public Sector undertaking (except in case the following conditions are fulfilled).

(a) In case items of manufacture is in competition with private or public sector units.

(b) In case public sector undertaking gives an undertaking to invest the amount eligible under the incentive package in backward areas of State.

(c) Item of manufacture is not based on local minerals resources for which permit or licence is required under any mineral rules or Act.

10. Such other items for which registration is not to do or registration is to be restricted as per the advice of the Development Commissioner (SSI), New Delhi or from DGTD or Letter of Intent under IDR Act is not granted.