

File No. K-22022/27/2018-EOU (Pt.)
Ministry of Commerce & Industry
Department of Commerce
EOU Section

Udyog Bhawan, New Delhi
Dated: 5th March, 2019

To

The Development Commissioner,
CSEZ, FSEZ, ISEZ, KASEZ, MEPZ, NSEZ, SEEPZ & VSEZ

Subject: Process of applications of SEZ units and EOU units for grant of License to manufacture items covered under IDR Act, 1951 and Arms Act, 1959.

I am directed to say that the procedure to be followed for grant of license for manufacturing items covered under the Arms Act, 1959 in SEZs and 100% Export Oriented Units (EOUs) has been under consideration of this Department. It has been observed that for granting licence to manufacture items covered under IDR Act, 1951 the following provisions for SEZ units and EOUs are provided in Special Economic Zones (SEZ) Act, 2005 and the Foreign Trade Policy 2015-2020.

(a) Insofar as SEZs are concerned, as per section 9(2)(e) of the SEZ Act 2005, the Board of Approval is empowered to grant a license under Industrial Development and Regulation Act (IDRA), 1951 to an industrial undertaking referred to in clause (d) of section 3 of that Act, if such undertaking is established, as a whole or part thereof, or proposed to be established, in a Special Economic Zone.

(b) Insofar as EOUs are concerned, grant of license for setting up Export Oriented Units (EOU) requiring Industrial Licence is covered by Foreign Trade Act, 1992 read with Handbook of Procedure, 2015-20 (as revised on 05.12.2017). Para 6.07 (c) of Hand Book of Procedure provides that a proposal for setting up an EOU requiring Industrial Licence may be granted approval by Development Commissioner after clearance of proposal by Board of Approvals and DPIIT. However during the meeting of the Licensing Committee held under the Chairmanship of Secretary, DPIIT on 25.02.2013, powers to grant industrial licence to units in SEZs and for EOUs under Industries (Development and Regulation) Act, 1951 had been transferred to Department of Commerce.

2. Insofar as equipment covered under the Arms Act, 1959 the Ministry of Home Affairs vide Notification S.O. 1636 (E) dated 19.05.2017 has delegated the powers of issuing licence under Arms Act, 1959 to Secretary, DPIIT. These powers have not been delegated to Department of Commerce (DOC)/Board of Approval (BOA). However, Department of Commerce has been receiving applications from SEZ units and EOU units for setting up of units for manufacturing equipments requiring licence under Arms Act, 1959.

3. At present, the procedure to process an application for grant of licence under IDR Act, 1951 being followed by Department of Commerce is as below:

(a) The unit files an application with Department of Commerce in the format prescribed by DPIIT for grant of IL alongwith details of directors of the unit in the format prescribed by Ministry of Home Affairs for grant of security clearance.

(b) Deposition of application fee of Rs 2,500/- through Demand Draft.

(c) The applications are shared with Department of Defence Production, Ministry of Home Affairs, Ministry of Civil Aviation etc., State Government concerned, Development Commissioner concerned.

(d) On receipt of clearances from the relevant departments, the proposal is placed before the BOA for its consideration.

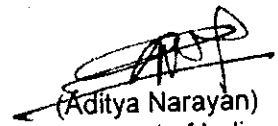
(e) The decision of Board of Approval (BOA) is conveyed to Development Commissioner concerned for issuing Letter of Permission to the unit.

4. However, as the DoC is not empowered to issue license under the Arms Act, 1959 it has been decided that the units engaged in manufacturing/sale etc. of defence items covered under Arms Act/Arms Rule, for which powers have been delegated to DPIIT by MHA, may apply to DPIIT online using www.services.dipp.gov.in for grant of licence under Arms Act, 1959. The comments on the proposal will be sought from all administrative Ministries/MHA including DoC in respect of the proposal under SEZ/EOU. Upon receipt of the comments, the proposal shall be placed before Licensing Committee Meeting (LCM) by DPIIT for a decision and Licences shall be issued in respect of cases recommended by LCM. Subsequently, DoC may issue LoA/LoP as required, if any (including cases presently pending for issue of LoA/LoP).

5. The unit intending to manufacture items covered under the IDR Act, 1951 in an SEZ or EOU will apply to Department of Commerce (DoC) for Industrial Licence under clause (e) of sub-section 2 of section 9 of the SEZ Act, 2005 read with Industrial Development and Regulation Act, 1951 (IDRA Act) and Chapter 6 of Foreign Trade Policy (FTP) 2015-2020 read with IDRA and Development Commissioner concerned for Letter of Permission (LOP) under SEZ Act & Rules or Chapter 6 of Foreign Trade Policy (FTP) 2015-2020. DoC will issue approval as per prescribed procedure in consultation with all concerned, subject to the other approvals, licences required, as the case may be.

6. This issues in consultation with DPIIT, and their concurrence.

Yours faithfully,



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