

**GOVERNMENT OF INDIA  
MINISTRY OF COMMERCE & INDUSTRY  
DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE  
LOK SABHA**

**UNSTARRED QUESTION NO. 4202.  
TO BE ANSWERED ON TUESDAY, THE 19<sup>TH</sup> AUGUST, 2025.**

**LICENCE FOR TOBACCO AND CIGARETTE MANUFACTURING**

**4202. SHRI BABU SINGH KUSHWAHA:**

Will the Minister of **COMMERCE AND INDUSTRY** be pleased to state:

**वाणिज्य एवं उद्योग मंत्री**

- (a) whether obtaining industrial licence is mandatory for tobacco and cigarette manufacturing units in the country;
- (b) if so, the details thereof along with the procedure and rules prescribed;
- (c) the number of industrial licenses and Letters of Intent (LoI) issued for this sector in the country so far along with the procedure and rules for issuing Letter of Intent;
- (d) last instance when industrial license was issued by the Ministry and the number of such applications pending at present along with the current status of such pending applications;
- (e) the time-limit and rules for converting Letter of Intent into Industrial Licence; and
- (f) whether there is any Letter of Intent which has not yet been converted into Industrial Licence and if so, the reasons therefor?

**ANSWER**

**वाणिज्य एवं उद्योग मंत्रालय में राज्य मंत्री (श्री जितिन प्रसाद)**

**THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY  
(SHRI JITIN PRASADA)**

- (a) & (b):** After the Industrial Policy Resolution 1991, and considering various amendments made to Notification No. 477(E) dated 25th July, 1991, industries manufacturing Cigars and Cigarettes of tobacco and manufactured tobacco substitutes are covered under compulsory licensing. Licences are issued to companies for the manufacture of items that are compulsorily licensable under Section 11 and Section 11(A) of The Industries (Development & Regulation) Act, 1951 and as per the procedure mentioned in The Registration and Licensing of Industrial Undertaking Rules, 1952.

Department for Promotion of Industry and Internal Trade (DPIIT) is the licensing authority for granting Industrial License (IL) under IDR Act, 1951 to the units established in the area other than Special Economic Zones (SEZs) and Export Oriented Units (EoUs).

Licences are issued by DPIIT in consultation with the various stakeholders and on the basis of recommendations made by the Licensing Committee chaired by Secretary, DPIIT.

Department of Commerce is the designated licensing authority for issuing Industrial License (IL) under IDR Act, 1951 to units established in Special Economic Zones (SEZs) and Export Oriented Units (EOUs). For Tobacco and Cigarette manufacturing units set up in SEZs, the Board of Approval (BoA) in Department of Commerce is empowered to grant the license under IDR Act, 1951 as per Section 9(2)(e) of the SEZ Act, 2005. For Export Oriented Units (EOUs), grant of license for setting up EOUs requiring IL is covered by the Foreign Trade Policy (FTP) read with Handbook of Procedure (HBP), 2023 (as amended from time to time). Para 6.01(d) of HBP, 2023 provides that a proposal for setting up an EOU requiring IL may be granted approval by Development Commissioner after clearance of proposal by the aforesaid BoA and DPIIT. Para 6.32 (b)(i) of HBP, 2023 provides that "Items of manufacture requiring industrial licence under Industrial (Development & Regulation) Act, 1951 shall be considered by the BoA".

**(c) to (f):** A total of 20 industrial licences and 25 Letters of Intent (LOI) have been issued by DPIIT for this sector in the country till 1999. For the tobacco and cigarette manufacturing units, for applications not requiring further clearances such as foreign collaboration and capital goods imports, Industrial Licenses were issued. In cases where further clearances were warranted, a letter of intent was issued. The initial validity period for a letter of intent was 12 months. In cases where only one further clearance viz. foreign collaboration or capital goods clearance was found necessary, one further extension of 6 months to the initial validity could be considered. In cases where both foreign collaboration and capital goods clearance were involved, two extensions of 6 months each beyond the initial validity period of 12 months could be considered. Once the conditions incorporated in the Letter of Intent were fulfilled, it would be converted into an Industrial Licence.

Fresh licenses/Letter of Intent have not been issued for the manufacture of Cigars and Cigarettes of tobacco and manufactured tobacco substitutes on health grounds since 1999 by DPIIT.

As per records 3 LOI have been converted into industrial licences. The remaining Letters of Intent that could not be converted into licences during the prescribed time limits, are not valid at present. No such application is pending with DPIIT.

Only two Industrial Licenses have been granted so far for setting up of units for this sector in a Special Economic Zone. The rules and procedures are governed by the SEZ Act and Rules, as amended. The last time the Industrial License as mentioned above was issued by the Department of Commerce was in May, 2022. No such applications are pending in the Department of Commerce as on date.

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