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INDIA JOURNAL

The License Raj Is Dead. Long Live the License Raj

By [SANDEEP KOHLI](#)

NEW DELHI--Opening a restaurant is every foodie's dream. Realizing those dreams in India can be a nightmare.

Some of the laws governing the opening of eating establishments in India date back almost 100 years and are completely archaic. Add to that the boatload of approvals needed just to open shop in Delhi – and most cities across India – and it's tempting just to ditch the idea of having a restaurant before you begin.

When I set up the KFC and Pizza Hut restaurant chains in India in 1994, for instance, I found that the restaurant licensing laws are governed under the Punjab Municipal Act of 1957. It requires that no building housing a restaurant should have "unauthorized construction." And the entire restaurant has to be on the ground floor. Anywhere else was out of bounds.

How did this play out in practice? A friend of mine who had a property in Defence Colony market, one of Delhi's swankier neighborhoods, was more than willing to rent it to us. No sooner had the lease been inked than problems started coming out of the woodwork. The building quickly came under scrutiny from the Delhi authorities because it had some unauthorized construction. Ploof! The building was torn down and rebuilt from scratch.

I did open the KFC – three years after first signing for the site.

“ *For a country that seeks to be a global power, encourage entrepreneurship and investment, there is still a huge amount of red tape* ”

That, of course, was a decade ago. How much has changed since then? Not much. I've been opening new restaurants for the past year. There has been some relaxation in the rules: You can build on higher floors as long as they are commercially zoned. With the arrival of malls, the real estate crunch has eased. Privatization has made getting a power connection less of an issue.

But the more things change, the more they stay the same. For a country that seeks to be a global power, encourage entrepreneurship and investment, there is still a huge amount of red tape. It is an added cost of doing business here.

First, you get a "No Objection" certificate from the Fire Department which is followed by a Health license from the Municipal Corporation of Delhi. Then you need three different police clearances – one from the police station in the area where the restaurant is located, the next from the police station in the area where the restaurant manager lives, and then another one from the police licensing department.

Next, you apply for Tourism & Excise licenses. The Excise license is issued only after approval from the Tourism department and it's all governed by the Punjab Excise Act of 1913. Inspectors check out the premises and paste a notice

at the restaurant inviting objections from the neighborhood regarding the sale of alcohol in that area. This is accompanied by the beating of drums – literally. The restaurant also can't get a liquor license if it is near a place of worship or a school. Oh, and the process can only start once the restaurant is ready to open, potentially landing you with more serious delays.


If you get this far, all you have to worry about is whether anyone will show up!

Of course it's all worth it in the end. You wake up from the nightmare with a dream realized. But it takes a foodie's passion to want to do it again.

-- Mr. Kohli is chairman of The Great Indian Restaurant Company

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