

## **2.9 Industries**

### *Industries- Medium & Large*

**2.9.1** Tamil Nadu is one of the well developed States in terms of industrial development and in the post liberalization era, the State has emerged as one of the front-runners by attracting a large number of domestic / foreign investments. Next to the agriculture sector, the Industrial sector is the largest employer. The services sector also plays a major role in providing employment, besides contributing the largest share to the GSDP.

**2.9.2** Tamil Nadu has emerged as the highly favoured destination of investors through its investor-friendly and transparent decision-making. It is one of the major recipients of outside investments, particularly of foreign direct investment. Several multi-nationals such as Ford Motors of USA, Hyundai of Korea, St. Gobain of France, Nokia of Finland, etc., have established their units in Tamil Nadu. Motorola of USA has signed an MOU with the State Government in June 2006 to establish a mobile phone and networking equipment manufacturing facility with an investment of Rs 130 crore that would employ 2600 people. With this, Sriperumbudur SIPCOT industrial estate has emerged as an electronic hardware zone, a breakthrough into yet another sunrise area of manufacturing excellence, besides the auto and IT industry. Many more FDI projects in hi-tech electronics, automotives, etc., are also on the cards. Besides Chennai, tier-2 cities like Coimbatore, Madurai, Tiruchirapalli are emerging as key destinations for investment with lower wage and other costs.

**2.9.3** The Industrial Policy of the State is now focused on stimulating industrial development and attracting FDI. It is aimed at consolidation of the existing industrial base, facilitating new manufacturing capacity and is designed to meet challenges of globalisation and demand for new areas of development. Though Tamil Nadu in general, and Chennai in specific have enjoyed special positions in the manufacturing sector owing to natural and historical advantages like ports, international airport, skilled and affordable manpower, institutional and manufacturing base, etc., the State Government

is aggressively planning to position Tamil Nadu, as competition between States to attract FDI intensifies, as a manufacturing and outsourcing hub for South Asia. Consultation and partnership with industry, strengthening of infrastructure and public sector, labour and fiscal reforms, rationalization and simplification of investment procedures are some of the key strategies. The State Government plans to facilitate new manufacturing capacity additions in the face of booming Indian economy, besides encouraging Foreign Direct Investment into manufacturing and infrastructure. The State has launched an initiative to engender private public partnerships (PPP) by creating a positive business and regulatory environment, enabling flow of substantial domestic and foreign capital for infrastructure building, especially in Special Economic Zones, industrial townships, satellite towns, etc.

**2.9.4** On a cumulative basis, 19% of the total IEMs (Industrial Entrepreneur Memoranda) filed since August 1991 till February 2006 are in the state of Maharashtra, 12% in Gujarat, 9% in Uttar Pradesh and 8% in Tamil Nadu. Tamil Nadu stands fourth in the country with 5276 IEMs filed in the same period. In terms of investments in IEMs filed, it ranks fifth with Rs 126270 crore. In terms of employment proposed in these IEMs, TN ranks fourth with an employment of 8,29,041. In terms of numbers of Letters of Intent (LOI) and Direct Industrial Licenses (DIL) granted, TN ranks first with 788 numbers comprising 19.03% of LOI/DILs granted in the same period. In terms of investments proposed under LOI/DILs, TN ranks fourth with Rs 12,299 crore proposed comprising 10.34% of the total for India. Tamil Nadu also ranks first in terms of employment proposed under the LOI/DIL projects with proposed employment of 1,37,368 which comprises 15.47% of the national total. On the whole, taking investments in IEM/LOI/DIL projects (in the period Aug 1991-Feb 2006) all put together as the yardstick, TN stands fourth with 1,38,569 crores investment which represents 7.07% of the grand total investment at the national level, behind Gujarat with Rs 3,22,620 cr. (16.47%), Maharashtra with 2,85,638 cr (14.58%) and AP with 1,75,707 (8.97%). (*source: SIA statistics, Feb 2006, Secretariat for Industrial Approvals, GOI*)

**2.9.5** Importance of FDI for development has increased drastically in recent years. In 2004, FDI inflow into India was only 5.9% of GDP, while the figure for China was 14.9%. Of the Tamil Nadu has emerged as a leading State in Southern India in the area of attracting FDI and ranks third in the country in total Foreign Direct Investment (FDI) with Rs.23094 crore due to the availability of world class facilities, including quality infrastructure, uninterrupted Power Supply and skilled labour. The State's FD investment constitutes 8.86% of the total FDI in the country. Tamil Nadu is third with 2758 approvals.

Ranks	State	No. of approvals			Amount of FDI approved		% age of total FDI approved (in rupee terms)
		Total	Tech.	Financial	Rupees in crore	US\$ in million	
1.	MAHARASHTRA	5,244	1,351	3,893	41,138	10,557	15.79
2.	DELHI	2,914	308	2,606	31,525	8,672	12.10
3.	TAMIL NADU	2,758	631	2,127	23,094	5,996	8.86
4.	KARNATAKA	2,703	507	2,196	20,119	5,069	7.72
5.	GUJARAT	1,263	578	685	12,902	3,378	4.95
<b>Total of above</b>		<b>14,882</b>	<b>3,375</b>	<b>11,507</b>	<b>128,778</b>	<b>33,672</b>	<b>49.42</b>

**Source:** FDI Fact Sheet for period Aug 1991-March 2006, [http://dipp.nic.in/fdi\\_statistics/india\\_fdi\\_mar06.pdf](http://dipp.nic.in/fdi_statistics/india_fdi_mar06.pdf)

**2.9.6** Tamil Nadu has traditional clusters of industry in Textiles & garments, leather products, light engineering, auto ancillaries, food products, etc. State Government has initiated a number of steps to shore up the competitiveness of these clusters in the international market. In influencing industrial growth and development within the State, it has also realised the need to have a greater market orientation, manufacturing competitiveness, innovation through research and development and the need to compete with other industrialised states to attract investment. The identification of 5 critical action areas i.e., industrial policy, infrastructure development, procedural simplification, industrial promotion and investment packages have resulted in many significant developments in the industrial scene in this State and the real impact of the changes will be witnessed in the near future.

**2.9.7** It is also proposed to give a fillip to exports in the coming years. A State Export Policy is in the offing. A State Export Promotion Board is also likely to be formed shortly. From the current year, the State Government

proposes to focus on export opportunities thrown open by WTO, especially in the textiles and garments sector.

**2.9.8** The State-owned Corporations have been entrusted with the task of developing infrastructure and providing institutional, financial escort support to boost industrial growth of the State. The activities of the major Corporations are amplified below.

*Tamil Nadu Industrial Development Corporation*

**2.9.9** The Tamil Nadu Industrial Development Corporation Limited (TIDCO) has, since incorporation in 1965, been promoting industrial development in the state mainly by fostering public-private partnerships. Joint Ventures promoted by TIDCO with well known industrial houses and individual entrepreneurs span a diverse range of manufacturing initiatives. TIDCO is a non-banking financial company (NBFC) and continues to accept fixed deposits from the public. As on 31-3-2006, deposits amounted to Rs.181.89 crore. The Government of India has also notified TIDCO as a Public Financial Institution effective from 23.2.2004. As on 31.3.2006, there were 14 joint sector, 24 associate sector, 2 escort sector projects under production with a total TIDCO's investment of Rs.190.86 crore. In recent years, TIDCO has diversified its activities towards creating infrastructure and state-of-the-art facilities to ensure continued foreign and domestic investment inflows to the State. TIDCO's strategy incorporates the opportunities afforded by changing technologies and participation in global and domestic markets.

*Tamilnadu Trade Promotion Organisation*

**2.9.10** A World Class state-of-the-art multi-purpose conference hall cum Convention Centre at the Chennai Trade Centre has been set up by TNTPO, joint venture of TIDCO and India Trade Promotion Organisation.

*Special Economic Zone at Ennore*

**2.9.11** TIDCO is promoting a multi product Special Economic Zone in the Ennore area adjoining Ennore Port, Phase 1 of SEZ will cover development of 2560 acres with an investment of about Rs.900 crores. Another multiproduct Special Economic Zone has been planned in about 1055 hectares near Hosur in Krishnagiri District with an investment of Rs.550 crores. Approval for this SEZ has been obtained from Government of India. Implementation of the

Nanguneri Special Economic Zone approved by Government of India will be taken up in 2006-07.

*Nagarjuna Oil Corporation Ltd.*

**2.9.12** Nagarjuna Oil Corporation Ltd. a joint venture of TIDCO and Nagarjuna group is constructing a petroleum refinery with a capacity of 6 million tones per year at Cuddalore. It is expected to be commissioned in 2008.

*LNG Project*

**2.9.13** LNG Import Terminal of 2.5 million tones per annum capacity is under implementation in Ennore Port area. M/s. Indian Oil Corporation Ltd. (IOC) has been designated as the lead promoter of this project by Min. of Petroleum and Natural Gas, Government of India.

*Tamilnadu Industrial Park (Rubber) Ltd.*

**2.9.14** Tamilnadu Industrial Park (Rubber) Ltd. a joint venture of TIDCO is implementing a product specific industrial zone for Rubber goods manufacturing units in Kanyakumari District and offer comprehensive facilities for attracting modern rubber processing industries and a testing and certification facility. This project has been approved as a product specific Special Economic Zone by Government of India.

*Winery Project*

**2.9.15** For establishing a Winery cum Grape spirit unit in Cumbum valley and Nilakottai areas of Theni and Dindigul districts, the draft rules/ regulatory framework for Winery industry are under preparation by the concerned Department of the Government.

*Agri Export Zone for Senna*

**2.9.16** An Agri Export Zone for Senna & other Herbs is proposed to be established near Thoothukudi for the cultivation, processing and export of Senna and other herbs covering the districts of Tuticorin, Virudhunagar, Madurai & Ramanathapuram at a cost of Rs.16.04 crores. A Project proposal has already been forwarded by the State Government to APEDA for approval.

*State Industries Promotion Corporation of Tamil Nadu Ltd. (SIPCOT)*

**2.9.17** The State Industries Promotion Corporation of Tamil Nadu has given a thrust to industrial development in backward and underdeveloped areas. It has developed industrial complexes at Ranipet, Hosur, Pudukottai, Manamadurai, Cuddalore, Thoothukudi, Cheyyar and Gummidipoondi, (including an Export Promotion Industrial Park). Industrial Parks at Irungattukottai, Sriperumbudur and Siruseri IT Park. Further, two industrial complexes at Nilakottai and Bargur, one industrial park at Cuddalore and 3 industrial growth centres at Gangaikondan, Perundurai and Oragadam have been taken over by SIPCOT on merger of TACID and SIPCOT. The following projects have received special focus:

- Establishment of Food Park at Nilakkottai, Dindigul District.
- Establishment of Apparel Park at Irungattukkottai.
- Development of Eco-Enterprises Park at Nilakkottai in Dindigul district which would inter alia provide opportunities for women to venture into the fields of Herbal, Horticulture, Renewable Energy Technologies and Natural Resources Conservation Units.
- Establishment of Footwear Park and Footwear Component Park at Irungattukottai.
- Provision of sites for Hazardous Industrial Waste Disposal Projects at Gummidipoondi and Perundurai to facilitate TNPCB to create the facility.
- Common Effluent Treatment Plant at Perundurai for some textile processing units
- Establishment of Waste Water Recycling Plant at Koyambedu to augment the water supply to the Industrial Park at Irungattukottai, Sriperumbudur and Orgadam Growth Centre.
- To promote a Textile Processing Park at Cuddalore Industrial Park.
- To collaborate with ELCOT for the establishment of Information Technology Parks at Madurai, Trichy and Coimbatore.

- To collaborate with TIDCO for development of a SEZ at Ennore near Chennai.
- Establishment of Sriperumbur Hi-tech SEZ at Sriperumbudur Industrial Park for Electronic Hardware Manufacture, which includes the projects of Foxconn of Taiwan and Motorola of USA.
- Provision of sites to M/s. Nokia of Finland and M/s. Flextronics of Singapore for establishment of two separate SEZ.

*Tamil Nadu Industrial Investment Corporation Limited (TIIC)*

**2.9.18** The Tamil Nadu Industrial Investment Corporation Limited (TIIC), a premier State Level Financial Institution is playing a catalytic role in the promotion and development of industries particularly small & medium industries in the State of Tamil Nadu. Since inception, the Corporation has considered financial assistance to 98,963 units for a sum of Rs.5370.45 crore for the period upto 31.3.06 and employment generated in the last five years is around 71,145. The Corporation's major lending operations are covered by term loan assistance to eligible Small Scale Industrial / Medium Industrial units and Transport sector and also to enable self-employment of first generation entrepreneurs. TIIC in addition to the general term loan is also providing assistance under National Equity Fund, SEMFEX (Self Employment for Ex-servicemen) Scheme, Mahila Udaya Nidhi (MUN) schemes for Women Entrepreneurs. Technology Upgradation Fund (TUF) for Textile and Jute Industries, Assistance for ISO certification. The assistance to Computer Training, IT sector projects, besides service sector funding like Warehousing, Nursing home, Conventional centres, Commercial complexes, Hotel industry etc., are also considered. TIIC is the only State Finance Corporation in the country which has been authorised to operate as Nodal agency by the Government of India for sanction and disbursement of Credit Link Capital Subsidy scheme for Technology Upgradation of SSI units.

*Tamil Nadu Newsprint and Papers Limited (TNPL)*

**2.9.19** The *Tamil Nadu Newsprint and Papers Limited* (TNPL) was established in 1979 with the primary objective of manufacturing newsprint and printing and writing Paper using bagasse, a sugarcane waste, as the primary

raw material. The initial capacity of the mill, situated at Kagithapuram, Karur District, was 90000 tonnes per annum (tpa) which has been doubled to 1,80,000 tpa in 1996 and further enhanced to 2,30,000 tpa in 2002. Today, TNPL is the largest paper mill in a single location and ranks No.2 in terms of production capacity in the Country. TNPL plays a significant role in the areas of non-conventional energy also. The company has set up 15 MW wind farm at Devarkulam and Perungudi in Tirunelveli District during 1993-94, which has been enhanced to 18 MW in 2001; 21.75 MW in 2003 and 28 MW in 2006. The entire wind power generated is being exported to the State Grid. Currently TNPL is implementing a Mill Development Plan (MDP) at a capital outlay of Rs.565 crores to increase the in-house pulping capacities with elemental chlorine free bleaching. After completion of MDP, the paper production capacity will also be increased to 2,45,000 tpa. TNPL has also taken-up pulpwood plantation activities to augment the sources of wood supply by developing Farm Forestry and Captive Plantation in a massive way. Till 2005-06, 7945 acres involving 1955 farmers have been covered under Farm Forestry scheme and 1373 acres have been covered under Captive plantation scheme. The company provides direct employment to 1711 persons and indirect employment to about 5000 persons.

### *Sugar*

**2.9.20** Sugar Industry in Tamil Nadu is an important agro-based industry and plays an important role in the economic development of the State and more particularly in rural areas. Sugar Industry provides large scale direct and indirect employment for several lakhs of farmers and agricultural labourers involved in cultivation and harvesting of sugarcane besides employment in transport and other services. There are 38 Sugar Mills in Tamil Nadu, of which, 16 are in Cooperative Sector, 3 in Public Sector and 19 in Private Sector. Out of 38 mills, 3 mills are not in operation.

**2.9.21** For the year 2006-2007 crushing season, the 38 Sugar Mills are expected to crush 241.93 lakh tonnes of Sugarcane and to produce 22.98 lakh tonnes of Sugar at an average recovery of 9.50%.

### *Information Technology*

**2.9.22** The key elements which have made Tamil Nadu an important player in the field of IT area are availability of skilled and educated man power, comparatively higher standards of educational institutions, reasonably good infrastructure and lower cost of operation. Apart from these, the presence of an international airport and seaport in Chennai has also helped the growth of IT industry in Tamil Nadu. Information Technology has opened up tremendous opportunity for the promotion of software exports and services in recent times, particularly, in terms of employment opportunities, reduction in cost of providing services and improved competitiveness of old economy industries, enhancement of efficiency, transparency and responsiveness in governance and digital connectivity between rural and urban areas.

**2.9.23** The Government announced a new IT policy in September 2002 to ensure that Tamil Nadu achieves a pre-eminent position in the country. Considering the growth and multiple dimensions of the Information Technology Sector, Government has proposed to frame a new policy to encourage this sector to increase software production and exports and employment generation. During 2005-06, software exports is Rs.14,115 crore.

**2.9.24** The IT parks and other infrastructure being provided by the State Government to boost IT development in the State are as follows:

- One million sq. ft space at the State of the art technology viz., TIDEL Park in Chennai.
- IT Park is being developed at Siruseri
- TIDEL Park-II with 1.5 million sq.ft. space near Chennai is being developed.
- IT park of 1700 acres area is developed near Chengalpattu and another at Hosur
- IT corridor along old Mahabalipuram Road to develop knowledge Industry Township.

- Construction of a World Class Expressway on the IT Corridor in Chennai.
- Bayside Park (3 acres) will be set up with Public- private participation.

**2.9.25** The State is forging ahead as a hub for Information Technology services as well as IT Enabled Services (ITES) including Business Process Outsourcing (BPO). Special Purpose Vehicles have been launched to develop and promote Tier-II cities of Coimbatore, Madurai, Trichy and Tirunelveli for IT & IT enabled Services. Tamil Nadu is well on its way to achieving a software exports turnover of \$8.5 billion by 2008, of which \$4 billion would be from the ITES sector. The ITES policy scheduled to be unveiled soon would create immense employment opportunities and add value and wealth by leveraging the inherent strength of the State.

**2.9.26** An e-Governance Cell with the name “TN e-Gov Mission” has been established in ELCOT to support the e-Gov policy and strategies in accordance with the requirements of the Government aligning with the general policies of the Government. The e-Governance Mission is spearheading the implementation of e-Governance activities in the State in line with the National e-Governance Action Plan (NeGAP) by creation of an e-Governance Directorate under Information Technology Department which will oversee the preparation of e-Governance blue print for the State.

**2.9.27** Chennai is well geared to emerge as a hardware major. It has a well entrenched tradition and system of manufacturing. The IT hardware units established in Chennai city are offering enormous employment opportunities to computer professionals. A draft Policy on IT hardware is in the process of preparation. This draft policy would leverage the strength of the State especially Chennai, to enable it to emerge as a major destination for investment in hardware manufacture.

**2.9.28** *The Electronics Corporation of Tamil Nadu Limited* (ELCOT) incorporated in 1977 as a wholly owned enterprise of the Government of Tamil Nadu has engineered itself as the IT enabling company promoting institutions like TIDEL, etc. for creating specific infrastructure for IT and ITES

investments. It is also acting as the Nodal Agency for implementing the IT policy of the Government of Tamil Nadu.

**2.9.29** The Tamil Nadu Virtual University registered as a society for providing Internet based resource and opportunities for the Tamil Communities living in different parts of the globe, is offering certain diploma and higher diploma and degree courses in Tamil Nadu. It has planned to conduct first semester exam for the integrated Degree course, B.A Tamil and start M.A Tamil Course on getting approval of the Syllabus from the University. 1062 students have registered for its certificate programme from 33 countries and 1142 students for degree course from 25 countries.

**2.9.30** The agreed outlay for 2006-07 is Rs.11331.10 lakh for Large & Medium Industries (inclusive of Information Technology).