



# **The Industrial Policy 2007**

**Industries Department  
Government of Tamil Nadu**

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## **1. Background**

Tamil Nadu is one of the well-developed States in terms of industrial development. In the post liberalization era, the State has emerged as one of the front-runners in attracting large number of domestic and foreign investors. In 2006-2007, manufacturing sector contributed 20.23% to Tamil Nadu's GSDP, while services sector contributed 59.1% of Tamil Nadu's GSDP (measured at constant prices).

The State Government is now focused on stimulating further industrial development, attracting investment, facilitating new manufacturing capacity and enabling global manufacturing competence and competitiveness of local industry.

## **2. Vision 2011, Mission & Objectives**

### **Vision 2011**

- To create an additional 2 million jobs by 2011
- To raise contribution to GSDP from manufacturing sector from 21% to 27% by 2011
- To double Tamil Nadu's annual exports to Rs 140,000 crores
- To raise Tamil Nadu to a position of pre-eminence in innovation and high technology
- To raise the competitiveness and efficiency of Small and Medium Enterprises and agro based industries for increasing value addition and giving better income to the farmers

### **Mission**

Our mission is to accelerate human development in Tamil Nadu by maximizing investment, output, growth, employment and manufacturing competitiveness through infrastructure and human resources development in industries and services sectors.

### **Objectives:**

The following are the key objectives of the Industrial Policy:

- To position Tamil Nadu as the most attractive investment destination.
- To facilitate industry capturing a larger share of world trade in goods/services.

- To reform regulatory processes and remove procedural hurdles in business.
- To enable integration of existing industrial clusters with global supply chains.
- To build efficient and dependable industrial infrastructure.
- To develop human resources and intellectual capital to world standards.
- To encourage symbiosis with SMEs in major industry clusters.

### **3. Implementation strategies**

#### **3.1.Consultative Mechanism**

A Special Task Force on Industrial Development has been constituted with Hon'ble Chief Minister as the Chairman. This will provide a forum to get inputs from industry for policy making through constant Government-Industry interaction.

#### **3.2.Infrastructure development**

Government will take steps to upgrade infrastructure facilities in all industrial clusters, including water supply, power, communication facilities, roads, railways, etc. in order to improve the competitiveness of industry.

#### **Public Private Partnerships (PPP)**

Public-Private Partnership route to bring in greater flow of investments into industrial infrastructure is being used by TIDCO to bring in private investment in road, industrial park and SEZ development. SIPCOT will also use this model for water supply projects and development of other infrastructure.

#### **Water**

Water is a critical input for industries in Tamil Nadu. Our effort would be to reduce dependence of industries and industrial parks on surface and ground water sources.

Projects for recycling of municipal sewage into water for industrial use would be set up to meet demand for industrial water.

## **Railways**

Provision of railhead facilities for Sriperumbudur, Cheyyar and Cuddalore industrial areas would be given top priority.

Ministry of Railways has been requested to take up early implementation of a dedicated freight corridor connecting Chennai with New Delhi as well as provision of electrification and doubling of track between Chennai and Kanyakumari.

## **Ports**

Early operationalisation of the first container terminal in Ennore port and multilevel car parking facilities at Chennai port would be pursued with Government of India.

As work on the Sethusamudram channel is in progress, State Government would take up with Government of India upgradation of Thoothukudi port into a modern deep water hub port.

Minor ports and jetties along the coastline will be encouraged.

State Government will provide all facilitation and support for early implementation of modernisation and expansion plans of Chennai airport.

Upgradation of Madurai, Tiruchirapalli, Thoothukudi and Coimbatore airports to handle wide-bodied aircraft has been taken up with Government of India. These will be followed up.

## **Roads**

State Government will facilitate completion of four laning of Chennai- Kanyakumari highway by 2011.

Upgradation of Roads and bridges leading to and within industrial clusters would be given top priority.

## **Quality of life**

Local bodies in key industrial areas will be motivated to adopt better town planning and civic governance practices in terms of cleanliness, waste management, quality of civic amenities like roads, water supply, etc. through capacity building.

### **3.3.Industrial Parks**

#### **Industrial Parks & Special Economic Zones**

To make available adequate supply of developed land for manufacturing and quality space for high technology industries and startups, a land bank of 10,000 acres for industrial parks will be developed across the State over the next five years with quality infrastructure facilities, including social infrastructure like skill development centres, housing, business centres, restaurants, financial services, schools and hospitals. At least 10% of area in industrial parks developed by SIPCOT and TIDCO would be set apart for such social infrastructure. This land bank will be mostly developed in dry and barren lands. Prime agricultural lands will be avoided.

New industrial parks/SEZs or expansions of industrial parks promoted by SIPCOT or TIDCO will reserve 20% of allottable area for SMEs, including SME vendors to major industries in the same park.

#### **Special Economic Zones**

Tamil Nadu SEZ Act 2005 and Tamil Nadu SEZ Policy of 2003 will be reviewed and updated.

As a measure of balanced regional development, proposals for SEZs in industrially backward Blocks would be encouraged and given top priority.

#### **Industrial Park Policy**

Equal treatment would be given to parks promoted by SIPCOT, TIDCO or private developers. These incentives and facilities would be available to all Special Economic Zones also.

Industrial parks meeting criteria listed and providing the basic facilities in Annexe-A would be eligible to enjoy incentives under this policy. Applications for approval would be examined and final response (approval/rejection) given in 30 days.

Private industrial parks shall purchase land directly. Lands acquired by such parks/SEZs shall be as far as possible barren, non-irrigated and dry land. Proposals with more than 10% wet lands will not be approved.

## **All approved industrial parks shall be eligible for following incentives:**

Back-ended Industrial Park Infrastructure Grant of Rs 2 crores or 25% of the investment in eligible fixed assets, whichever is less, would be granted only for approved industrial parks 50 km away from Chennai city limits. Such industrial parks must attract at least 20 new units with investments primarily in manufacturing with a total direct employment of at least 2000. This grant may be used to fund common internal infrastructure like roads, water supply, Common Effluent Treatment Plant (CETP) or Common Hazardous Waste Treatment, Storage and Disposal Facility (HWTSDF). Environment Protection infrastructure have to be approved by TN Pollution Control Board.

Manufacturing units set up in approved industrial parks would be eligible for all subsidies and incentives applicable to manufacturing units and permissible under this industrial policy. Necessary amendments and notifications would be considered to operationalise the Industrial Township Area Development Authority Act of 1997, including permission to retain the roads and open spaces within the park and maintain them.

The Floor Space Index eligible for such parks will be on par with FSI permissible in Chennai Metropolitan area (CMDA area).

GUIDANCE bureau will serve as the single window clearance agency (as a fee based service) for all industrial parks and SEZs to guarantee speedy clearances in CMDA and non-CMDA areas.

## **Industrial Corridor of Excellence**

In the first phase, Chennai-Manali-Ennore corridor and the Chengalpattu-Sriperumbudur-Ranipet corridor will be developed into Industrial Corridors of Excellence, with Special Economic Zones, Industrial & IT Parks, R&D institutions, Universities, social infrastructure like housing, health-care and schooling facilities. Similarly, the Madurai-Thoothukkudi and Coimbatore - Salem Corridors will also be developed. A suitable administrative arrangement shall be made for each of these corridors to carry out sustainable land use planning and zoning as well as to plan and develop infrastructure facilities, efficient transportation systems, connectivity infrastructure, etc.

## **Nanotechnology Industrial Park**

SIPCOT will develop a **Nanotechnology Park** on similar lines to science parks in developed countries. This park would focus on hi-tech manufacturing in semiconductor foundries, chip



assembly & testing, opto-electronics, solar cell technologies and nano-technology. It will be located in about 2000 acres and will have SEZ and DTA zones. SMEs would be also provided space, including business incubation services. Universities, National and State Research Institutions would be encouraged to set up training, consultancy and R&D centres within this Park.

### **3.4.Human Resources and Skill Development**

To maintain HR competence of Tamil Nadu, a Human Resources and Skills Initiative will be launched for making available sufficient manpower of right quality and competencies. A State-Level HR Skill Development Task Force will be set up to implement this initiative.

#### **Upgradation of Educational Institutions**

An Industrial Training Quality Improvement Project would be initiated to invest substantially in the ITI/ITC infrastructure development and capabilities.

Since Arts and Science Colleges and High schools are important foundries for future employees in various industries, courses will be upgraded and re-engineered in the changing context in consultation with Industry.

Courses to promote soft skills such as inter-personal skills, team building and working skills, right attitude to work and analytical abilities would be designed for all levels of education, including high schools.

#### **Industry-Institute Collaboration**

Each ITI, Polytechnic and engineering college would identify local industries or industry associations, especially in industrial clusters, as partners. A revised framework for industry-institute collaboration and public-private partnership for ITIs, Polytechnics and Engineering colleges would be announced.

State Government will encourage setting up of Technology Parks inside as well as around institutions of higher learning and universities.

#### **Grassroots level Skill Development Initiative**

A Grass-roots Level Skill Development Initiative would be formulated, aimed at imparting basic training to unskilled people to assist them in transitioning to skilled jobs. A target of

1,00,000 unskilled persons to be trained is set for the period 2007-2010 with accredited industry-specific course content relevant to local industry.

### **Cluster Based Skill Development Initiative**

Cluster level skill development will focus on specific existing clusters in the auto, leather, textiles, electronic hardware sectors. A Cluster HR Skills Development Committee will be established in each major cluster with membership of engineering colleges, polytechnics, ITIs, arts and science colleges and participating industries to set targets for training, revision of course content and course intake of these institutions.

### **Centers of Excellence and Innovation**

State Government would support development of “Centres of Excellence & Innovation” to develop a pool of world-class scientists and technologists in collaboration with academic institutions of excellence, industry and Government of India, in areas of chip and electronic hardware design, leather product design and automotive design.

### **Funding of HR Skills**

Government will financially support the HR Skills Initiative through budgetary support on a case to case basis based on proposals by concerned departments. Contributions from the industry, funds from schemes under various programs of State and Central Governments would also be dovetailed.

### **Inclusive development**

Industries employing differently-abled persons would be incentivised suitably, by supporting skill development programs to enable their productive employment.

### **3.5. Energy Efficiency & Technology Upgradation**

Raising energy efficiency and upgrading technology are ways of cranking up firm-level competitiveness. There is also a need to promote cleaner technologies. A Tamil Nadu Technology and Efficiency Upgradation Initiative will be launched primarily through a fund to be administered by TIIC. This fund would be available as a soft loan for SMEs. Interest

accumulations would add to the corpus. TIIC would work out necessary guidelines for this fund.

### **3.6.Catalysing Innovation**

#### **Promoting innovation**

50% of the cost of filing a patent or Rs 2 lakhs, whichever is less, would be provided to technology innovators or stand alone R&D units or individuals for innovations capable of industrial application. The support will be available for filing the patent application in India or abroad, cost of registration and first time maintenance fee of the granted application.

A strong IP culture would be promoted in all universities and important technical institutions in collaboration with industry.

#### **Promotion of R&D**

Investments in Research and Development by manufacturing companies would be encouraged.

Investment in R&D facilities would be given special treatment as part of structured package of assistance given to manufacturing companies.

#### **Incentivising R&D**

Capital goods to be used in setting up hi-technology R&D centers would be exempted from entry tax and VAT would be zero rated. Such capital goods shall not be used for commercial production and be used exclusively for R&D.

Technology parks focused on R&D would be treated on par with Information Technology Parks for purpose of applicable incentives, including FSI norms, etc.

### **3.7.Investment Promotion and Facilitation**

#### **Investment Promotion Infrastructure**

International Exhibition and Convention centers would be set up in joint venture with local industry associations and private investors based on potential. A back-ended subsidy of 50% of the cost of land or Rs 1 crore, whichever is less, will be provided to reputed industry associations for setting up exhibition-cum-convention centres.

## **Incentives for manufacturing sector**

Manufacturing units other than those belonging to categories listed in Annexe-B will be eligible for incentives under this Policy.

New manufacturing facilities set up in any district other than Chennai, Thiruvallur and Kanchipuram with an investment in eligible fixed assets of over Rs 250 crores in a period of 3 years would be eligible for a structured package of incentives to be decided on a case-to-case basis, with due weight to investment, employment and potential for attracting further investment through vendors and ancillaries. In case of Chennai, Thiruvallur and Kanchipuram districts, this minimum investment will be Rs. 350 crores.

New manufacturing facilities set up by an existing company in a new site or in an adjacent vacant site within existing facility for manufacturing a product already being manufactured in the existing unit or an entirely new product, would be treated as a new unit for the purpose of incentives under the policy, subject to the production volume/value in the older unit being preserved.

Expansion projects within the existing manufacturing facility of an industry with an investment in eligible fixed assets of over Rs 250 crores in a period of 3 years would be eligible for a structured package of incentives to be decided on a case-to-case basis, subject to preservation of existing production volume/value, in case of districts other than Kanchipuram, Thiruvallur and Chennai. In case of Chennai, Thiruvallur and Kanchipuram districts, this minimum investment will be Rs 350 crores.

As regards electronic hardware units, the eligibility for structured package of assistance for investments in new and expansion projects will be minimum investment of Rs.250 crores in eligible fixed assets within a period of 3 years in respect of Chennai, Tiruvallur and Kancheepuram districts. The eligibility in respect of other districts will be minimum investment of Rs.150 crores in eligible fixed assets within a period of 3 years.

Existing industrial units in existence in Tamil Nadu for over 10 years will be given suitable extra benefits for expansion projects over and above normal structured package of incentives, subject to investing minimum levels of investment mentioned above.

New or expansion manufacturing facilities with investments in eligible fixed assets over Rs. 1500 crores will be treated as super-mega projects and eligible for incentives over and above the normal structured package of incentives.

***A back-ended State Capital Subsidy and Electricity tax exemption on power purchased from TNEB or generated and consumed from captive sources would be sanctioned for all manufacturing units, based on employment and investment in eligible fixed assets made within 3 years, irrespective of location, as below:***

- New Units investing between Rs 5 crores and Rs 50 crores and employing more than 100 direct workers would be eligible for a capital subsidy of Rs 30 lakhs and electricity tax exemption for 2 years from the date of commercial production;
- New Units investing between Rs 50 crores and Rs 100 crores, and employing more than 200 direct workers would be eligible for a capital subsidy of Rs. 60 lakhs and electricity tax exemption for 3 years from the date of commercial production;
- New Units investing between Rs 100 crores and Rs 200 crores and employing 300 direct workers would be eligible for capital subsidy of Rs 100 lakhs and electricity tax exemption for 4 years from the date of commercial production;
- New as well as Expansion Units investing Rs 200 crores and above and employing more than 400 direct workers would be eligible for a capital subsidy of Rs 1.50 crore and electricity tax exemption for 5 years from the date of commercial production.

Manufacturing units located within a SIPCOT industrial park or SIPCOT SEZ will be provided an additional 50% capital subsidy over and above the eligible limit.

There will be no stamp duty levied in respect of transfer of lands acquired by Government or alienated by Government to State Agencies or their subsidiaries for promotion of industrial parks.

Stamp duty exemption on lease or purchase of land meant for industrial use to the extent of 50% would be available for all manufacturing industries setting up new or expansion units with an investment in eligible fixed assets of more than Rs 5 crores in private industrial parks conforming to specifications mentioned in Annexe-A and approved by Government.

Manufacturing units setup in SIPCOT industrial parks would be eligible for 50% exemption from stamp duty on lease or sale of land meant for industrial use as well as on lease of new ready built factory buildings irrespective of location.

For computation of stamp duty, property in such industrial parks would be valued at actual land or building value paid by the manufacturing unit to such industrial park.

Dedicated Effluent Treatment Plants(ETP) and/or Hazardous Treatment Storage and Disposal Facility(HWTSDF) set up by individual manufacturing units would be eligible for an Environment Protection Infrastructure subsidy of Rs 30 lakhs or 25% of capital cost of setting up such ETP/HWTSDF, whichever is less.

## **Incentives for the Infrastructure Sector**

Recognising the need for industrial infrastructure, development of certain categories of industrial infrastructure listed in **Annexe-C** would be incentivised.

Developers investing in such industrial infrastructure projects would apply to the State Government for being notified as an approved industrial infrastructure project for purposes of receiving incentives herein.

An *Industrial Infrastructure Subsidy* of Rs 2 crores would be given for approved infrastructure projects involving investment of Rs 300 crores in 3 years.

Developers of approved industrial infrastructure projects would be eligible for 100% exemption from entry tax, tax on works contract and input taxes from the date of notifying it as an approved infrastructure project till the project is commissioned.

*Single window clearance* would be available for all industrial infrastructure projects. GUIDANCE Bureau, on application, will provide single window clearance as a fee based service.

## **Corporate Social Responsibility**

Government recognises that companies assisted through a structured package of assistance have a responsibility to the society and community around their manufacturing facilities. Investing companies will be encouraged to participate in community and social development activities. Suitable provisions will be incorporated in the Memoranda of Understanding signed with such companies.

Additional incentives will be given to investing companies which give preference to local employment and follow the Government's policy on reservation.

### **3.8. Business environment**

#### **Deregulation and Simplification**

*Electronic filing of annual returns* with various Government departments and agencies will be introduced for industries through a common portal, along with a scheme of *self-certification* wherever feasible and *consolidated annual returns*. The objective is to reduce paperwork and multiple inspections of factories by Government officers.

A scheme of *electronic payment and filing of VAT returns* would also be introduced by Government as a long term measure for reducing paperwork for industry.

Land reforms permission under section 37 A of the TN Land Reforms (Fixation of Ceiling on Land) Act, 1961, for holding land in excess of 15 standard acres and change in land-use classification for industrial use would be given within 90 days for all eligible industries and industrial parks, failing which such applications would be deemed to have been approved.

Government will take steps to amend relevant laws and regulations enabling automatic conversion of dry lands from agriculture to industrial use.

### **Business Facilitation**

Enactment of a *Business Facilitation Act* would be considered for giving Single Window Committees, at State and District level, formal authority and clear time lines for each approval.

*A Business Facilitation e-Governance System* will be put in place enabling investors to apply for Single Window Clearance on-line and to monitor clearances.

### **3.9.Promoting Cluster development**

#### **Cluster Infrastructure Development**

Quality of infrastructure in industrial clusters in Tamil Nadu would be upgraded through a *Cluster development action plan* in collaboration with the industry. Departments of Municipal Administration, Rural Development, Local bodies, Highways, TNEB, Town & Country Planning, Industries & Commerce would be involved in this exercise.

Funds under various schemes of Government of India such as IIUS, TCIDS, etc., would be fully dovetailed to meet these special needs.

### **3.10.Sector-level strategies: Manufacturing**

#### **Automotive industry**

In order to attract large investments in the automobile manufacturing sector, the State Government has already announced an *ultra-mega integrated automobile projects policy*. This policy is applicable to

automobile projects investing Rs 4000 crores or more in eligible fixed assets.

*A Special Economic Zone for auto-components* will be set up near Chennai in about 300 acres. Facilities for training in high technology in auto-components would also be set up in this SEZ.

Polytechnics and ITIs around Chennai, Hosur and Coimbatore would be oriented for automotive sector.

## **Engineering Industry**

To further strengthen exports, an Engineering Goods Special Economic Zone in about 250 acres for pumps, motors and foundry would be promoted near Coimbatore as a PPP project with the local industry by SIPCOT.

## **Semiconductor, Electronic Hardware & Nanotechnology industry**

*A Centre of excellence in chip and electronic hardware design* will be promoted in Anna University in collaboration with the electronic industry and Government.

A Nano-Technology Research Centre is being set up in Bharathiar University and will be supported by State Government for promoting Research and Development.

A group of Polytechnics and Industrial Training Institutes (ITIs) around Chennai would be converted into special skill development centres for electronic hardware manufacturing in collaboration with industry.

## **Leather Industry**

*A footwear SEZ*, with design centre and training facilities, is being set up in Sriperumbudur by SIPCOT in 150 acres of land. In addition, a *Leather Products SEZ* would be set up in the Chennai-Ranipet corridor by SIPCOT.

A high technology environment-friendly *Leather Processing Complex* of international standards would be setup at a suitable location.



## **Textiles sector**

Though Tamil Nadu is pre-eminent in spinning and knitwear, there is need to promote integrated textile units in processing, weaving and garmenting. Hence, State Government will announce a *Policy for Integrated Textile Units* shortly.

## **Chemicals, Petrochemicals and Fertiliser industry**

Steps would be taken to make Natural Gas available from Krishna-Godavari basin and also from the Cochin LNG terminal through TIDCO and other private gas suppliers.

Restrictions in use of methanol as a feedstock in chemical industries has been hampering its regular and wider use. Necessary deregulation to enable chemical industries to freely use methanol would be considered.

Petrochemical Projects Investment Region (PCPIR) at Ennore or Cuddalore will be set up using PCPIR policy recently announced by Government of India.

## **Cement Industry**

Government would take all steps to enable effective use of fly ash by the cement industry from all sources, including TNEB.

Clinker grinding units would be encouraged in the State.

Exploration of new limestone resources would be given special thrust.

## **Drugs and Pharmaceuticals industry**

A *specialized drugs and pharmaceuticals* cluster would be developed as part of the Nanguneri SEZ. This would offer state-of-the-art environment protection facilities.

A Pharma SEZ would be set up on the east coast with hi-tech environmental control systems to enable zero pollution.

## **Life Sciences Industry**

Taking into account the fast growing importance of specific sub-sectors such as bio-pharma, bio-services, bio-manufacturing and bio-agriculture in the biotechnology sector, an updated *Life Sciences Policy* will be announced.

A state-level *Life Sciences Innovation Fund* will be created by TIDCO. Necessary guidelines in this regard will be issued separately. Funds from other sources such as Technology

Development Board of Ministry of Science and Technology, Department of Biotechnology, Ministry of Agriculture, etc., of Government of India, funding from Multilateral institutions and other sources would also be leveraged.

*A ten year programme* to harness the potential of education institutions in the State of Tamil Nadu to generate *high quality life sciences students* will be developed duly involving academia, industry and available international expertise.

### **Agro and agro-processing industry**

Support for agro industry would focus on increasing returns to farmers, while maximising value addition of agro products. The goal is to raise share of processed foods in the food market from 1% to 10% and value addition levels from 7% to 30%. Support for this sector will comprise of promotion of agro processing, agro infrastructure development such as cold chains in the PPP mode covering agriculture, meat, fisheries, poultry, etc., while also enabling improvement of quality of processed foods to world standards. This initiative will promote investments in production of quality planting material or breeds, processing of cereals, pulses, fruits, vegetables, milk, meat and fish, etc., as well as quality packaging technology. The following will be the key strategies involved in promoting agro-processing industry:

- Directorate of Agricultural Marketing and Agri-Business will be the nodal agency for agro-processing industries in Tamil Nadu and serve as a *single window clearance agency* for agro-processing industry in the State, including statutory clearances and provision of necessary incentives. An *Export Promotion CeZZ* will be created within the Directorate to guide and provide assistance to exporters.
- Incentives will be provided for creation of agro-processing infrastructure such as terminal markets, specialised commodity markets, transport, cold chain, warehousing, abattoirs, R&D units and food parks.
- Agro processing clusters will be promoted in industrial parks and special economic zones keeping in view value-addition of meat and seafood (Ramanathapuram), Poultry products (Namakkal), Turmeric (Erode), Sago (Salem), Bananas (Trichy), Mangoes (Krishnagiri), Cashew (Panruti), Palm Products, Medicinal plants and seafood (Thoothukudi), Milk products, Grapes (Theni), etc. A comprehensive infrastructure development plan will be drawn up and implemented over 5 years to provide road and air connectivity to marketing centres, agro-food parks and Agri Export Zones.
- Special Agro Economic Zones will be promoted for value added activities like food processing, agro based industries, dairy products, etc., to generate large scale employment for semi-skilled and unskilled persons.

- As a follow up of notification of the Wine (Manufacture) Rules in 2006, a *Wine manufacturing policy* will be announced to enable development of grape cultivation and winery industry in the State.
- Quality power will be provided to agro processors.
- Cultivation of high value crops through scientific and high technology cultivation will be given special thrust. For such cultivation, exemption from Land Reforms Act will be granted on case to case basis for setting up mega orchards of 50 Hectare and above.
- Contract farming by agro processors will be encouraged to give better return to the farmers.
- Flower processing and floriculture units will be encouraged.
- Agri Biotechnology and Agri Nanotechnology will be promoted for enhancing productivity, quality and value addition.
- Manufacture of micro-irrigation systems, green house components, shadenets, farm machinery and other agro equipment will be incentivised and FDI in these sectors will be encouraged.
- Production of quality and predigree planting materials, seeds and breeding materials will be recognised as a agro-processing industry and provided incentives under this policy.
- Better post harvest management, quality assurance and certification systems will be promoted to enable better shelf life and value of agro products.
- Human resource development in the agri-business sector will be given priority to by training of extension staff, farmers and processors.
- Appropriate weather forecasting mechanism including automatic weather stations where necessary will be set up to reduce unpredictability in agricultural production. Further, Government will test pilot a variety of insurance schemes to cover the risk of primary producers.

## **Incentives**

All incentives available for manufacturing industries under the Industrial Policy would be applicable to agro-industries and manufacturing of agri-machinery and micro-irrigation equipment. Efforts will also be taken to fully utilize the benefits available under

the schemes of Government of India as well as enable agro units to access such Govt funding support. All concessions under the State Policy would be available in addition to the concessions offered by Government of India in the agro-processing sector, subject to both Govt, of India and Govt, of Tamil Nadu subsidies not exceeding 50% of project cost.

- Standalone SME cold storages for agro processing will be provided power tariff subsidy of 30%, 20% and 10% in the first, second and third year of commercial operation.
- 100% exemption from payment of Electricity Tax would be provided for all new agro-processing units for a period of 5 years from the date of commercial production.
- SMEs involved in Agro and Food Processing will be provided support for getting HACCP and other international safety related certification for export purposes of at 50% of the cost incurred for obtaining quality certification mark from a certifying agency recognised by State Government/ Central Government, subject to ceiling of Rs. 5.00 lacs.
- Vehicles transporting perishables will be labelled "green transport" and will be given speedy clearances at check posts.
- Primary producers who commit to install micro-irrigation systems will be given priority in provision of free electricity connections. Overriding priority for free electricity connection will be given to small and marginal farmers if they join together to form a cluster of 20 hectares and above and undertake to jointly set up, own and manage the common irrigation systems using micro-irrigation technology.
- Government will give 50% subsidy on planting material for jatropha and other bio-fuel crops and extend the subsidy available to agro-processing industry to bio-fuel and bio-diesel extraction plants. Further, jatropha seed will be exempted from purchase tax and jatropha oil will be exempted from VAT for a period of 10 years from the date of commercial production.

## **Sugar Industry**

State Government has issued guidelines for establishment of Integrated Sugar Complexes consisting of sugar mills, co-generation plants and distilleries in all future projects.

Existing sugar mills will be encouraged to put up such facilities in their complexes.

Establishment of ethanol units in sugar mills would be encouraged.

## **Biofuel industry**

Government of India have launched Ethanol blended petrol (EBP) scheme. Oil Companies would be encouraged to effectively implement this scheme, leading to better returns for farmers and profitability of sugar mills. State Government will also encourage use of ethanol as fuel and increase of blending ratio of ethanol to petrol.

Suitable support and encouragement would be extended to investors willing to set up ethanol units through *sugarcane and grain-based routes*. This would enable better returns for dry land farmers who cultivate sago, millets, etc.

### **3.11 .Service Sector Strategies**

#### **Service Sector Opportunities**

The largest employment, after the agriculture sector, is generated by services sector, like real estate and construction services, financial services, IT enabled services, Business Process Outsourcing (BPO), Engineering Process Outsourcing (EPO), Aircraft Maintenance, Repair and Overhaul (MRO) services, Digital and Media services, etc. Though services sector is directly related to growth in manufacturing sector, it is still necessary to identify bottlenecks in each sub-sector and accelerate the pace of investments and employment generation.

## **Construction Industry**

A fee-based *single window clearance mechanism* would be put in place, like GUIDANCE bureau, for all major construction projects covering clearances required from several Government departments. An e-governance package would be evolved for this single window clearance mechanism for construction industry.

A *pilot Construction Cluster Park* will be established with space for large industries as well as SMEs in the construction related industries and services.

Mass training of unskilled and semi-skilled workers for construction industry will be taken up in collaboration with Construction Industry Development Council (CIDC) through ITIs and Polytechnics.

## **Other Services**

State Government will promote aircraft Maintenance, Repair and Overhaul (MRO) services in Tamil Nadu as part of Chennai airport expansion and modernisation.

The printing cluster at Sivakasi will be supported with necessary infrastructure, including a center of excellence in R & D and training in association with industry.

## **3.12.Export Promotion**

### **Export goals**

In Tamil Nadu, exports in 2005-2006 was Rs 66,856 cr (USD 14.5 billion). *This Industrial Policy aims at doubling exports to reach US \$ 30 billion in 2011* leading to additional employment for 10 lakhs persons by 2011.

## **Export Facilitation**

*State Level Export Promotion Committee (SLEPC)* functioning under Chairmanship of Chief Secretary with membership of FIEO, Export councils, leading export associations and officials provides facilitation and support for exports.

Industries Commissioner & Director of Industries and Commerce will be designated as "*State Exports Commissioned*" to coordinate with various departments of State and Central Government in connection with exports, facilitate exports and work towards procedural simplification of export documentation formalities.

The existing Export Guidance Cell in each District Industries Centre will be upgraded into an "*District Export Promotion Cell*" in collaboration with FIEO. This arrangement would facilitate accelerated disposal of various clearances required by exporters.

A Comprehensive Trade Information Portal with network connectivity to all District Industries Centres would be set up by Directorate of Industries & Commerce in collaboration with FIEO.

*"Industrial Cluster Export Promotion Committee"* would be established for each major export cluster in the State under Chairmanship of a State Level Officer to address various administrative, procedural or infrastructure issues faced by exporters, settle local problems and forward larger policy and macro issues to SLEPC for decisions.

100% EOU's will be declared as *public utility* under Industrial Disputes Act.

Government of Tamil Nadu will request Government of India to increase funding to exporting States under ASIDE keeping in mind increase in number of Special Economic Zones and EOUs in the State and pressure on infrastructure.

### **3.13.Labour reforms**

Overlapping of shifts will be permitted automatically without need for any approval if it is less than 30 minutes. Necessary exemption would be given under section 58(2) of the Factories Act, subject to conditions.

### **3.14.Environment Protection**

#### **Environmental clearances**

An *E-governance package* would be implemented by TNPCB for speedy processing of environment clearances.

TNPCB will grant clearance for "red"category industries on compliance of relevant norms within 60 days. Consent for "*orange*" and "*green*" categories will be given in 15 days from date of application. An online application and clearance mechanism will be developed for green and orange categories.

#### **Cluster based facilities**

Dyeing, leather tanning and industries that pollute would be encouraged to locate only within approved clusters with common environment management facilities.

#### **Hazardous waste management**

Hazardous Waste Treatment, Storage and Disposal Facility (HWTSDF) will be set up at Gummidipoondi, Oragadam, Perundurai, Cuddalore, Karur and Tiruppur.

#### **Carbon credit system**

TNPCB and TIIC will encourage industries from Tamil Nadu to benefit from Joint Implementation, Clean Development Mechanism and Emissions Trading mechanisms through active dissemination and facilitation.



## 4. Conclusion

Government of Tamil Nadu will take necessary steps to achieve the mission set forth in this policy, especially in ensuring that share of the manufacturing sector rises to over 30% of GSDP by 2015, as seen in developed countries.

### Annexe-A

#### Components of an Approved Industrial Park

##### 1. Criteria for approval

- (a) Minimum area 250 acres in legal possession of applicant
- (b) Should be meant primarily for manufacturing activities
- (c) Should have provision for atleast 5 major manufacturing units and 20 SMEs
- (d) Should not have more than 10% wet land or double crop land
- (e) Should not include (for contiguity) more than 5% of Government land
- (f) Should be 50 km away from Chennai city limits

##### 2. Processing area : not less than 65 % of total area

- Industrial plots for manufacturing
- Ready built sheds for industrial use
- R&D centres
- Testing & Certification centres
- Pathways and roads

##### 3. Non-Processing Area : not more than 35% area

- **Business related non-processing area - not more than 20% of total area**
- Office space for business support to processing area
- Customs bonded warehouses and ICDs
- Convention centers
- Business centres- financial services
- Education and Skill training centres related to processing area
- Guest houses for use by businesses in processing area

**Social Infrastructure -not more than 15% of total area**

- Housing
- Schools
- Hospitals
- General purpose education and training institutions
- Entertainment & shopping centres
- Open spaces, roads and pathways

**Annexe-B**

**List of industries ineligible for incentives**

1. Sugar mills
2. Mineral water and aerated soft drinks
3. Alcoholic beverages
4. Ice cream and confectionery
5. Fertiliser and animal feed manufacture
6. Mining and beneficiation
7. Steel re-rolling, steel fabrication, stainless steel utensils
8. Tobacco processing, cigarette or beedi manufacture
9. Timber or wood processing
10. Servicing or repair facilities
11. Services sector
12. Any other industries as may be notified by Government

**Annexe-C**

**Industrial Infrastructure projects eligible for Incentives**

The following would qualify as industrial infrastructure projects for purposes of incentives under this Policy:

1. Desalination plants for Industrial Parks or Special Economic Zones
2. Dedicated Railway projects for Industrial parks or Special Economic Zones

3. Dedicated ports or container terminals for Industrial Parks or Special Economic Zones
4. High technology stand-alone industrial R&D centers
5. Dedicated new roads leading to industrial parks or Special Economic Zones
6. Common Hazardous Waste Treatment and Disposal Facilities for a cluster of industries
7. Common Effluent/Waste Water Recycling Plants for Industrial Parks or SEZs or a cluster of industries or marine effluent discharge scheme approved by TNPCB, like schemes proposed in the Cauvery, Amaravathi, Palar basins.