INDUSTRY

CHAPTER VI

Rapid industrial development coupled with modernization of agriculture is a necessary condition for launching the State economy into a self sustaining economic growth. The multiple roles of industry are: a huge employment provider, a mechanism for breaking the vicious circle of poverty, a sizable foreign exchange earner, a source of productivity and diffusion of proven technologies and efficiency gains, a trigger for bringing about the structural changes and as an engine of ratcheting economic growth. Considering the immense benefits that flow to the State from the process of industrialization, the Government has been fostering and nurturing the industrial sector with commitment and resourcefulness.

6.1 Industrial Environment:

The degree of industrialization is mediated by a slew of factors such as adequate supply of skilled manpower, availability of sound social and economic infrastructure, a well established banking network with a copious supply of financial products, formulation of a proactive and dynamic industrial policy markets for the goods produced, availability of warehousing facilities, competitiveness for commodities in the domestic and overseas markets, mass production of high quality products, uninterrupted supply of raw materials and advancement in cutting edge technologies.

Over a span of 10 years, the industrial GSDP in the State increased from Rs.45,066 crore in 2004-05 to Rs.90,664 crore in 2013-14 (at 2004-05 prices) registering a Compound Annual Growth Rate (CAGR) of 8.08 per cent. Moreover, the growth rate of industrial GSDP during the period of 2005-06 and 2013-14 had been much oscillating from year to year. It ranged between the highest growth rate of 28.66 per cent in 2009-10 and the lowest of 0.60 per cent in 2007-08. Negative growth rates of 1.33 per cent and 1.17 per cent during 2008-09 and 2012-13 respectively were also noticed.

In tune with varying growth performance, the share of industrial income to overall GSDP increased from 20.58 per cent during 2004-05, then declined to 18.81 per cent during 2008-09 and again increased to 21.19 per cent in during 2013-14. What the State needs vibrancy and sustained high growth in the industrial sector.

6.2 National Manufacturing Policy (NMP):

In order to accord impetus to the manufacturing sector, a National Manufacturing Policy (NMP) was unveiled by the Government of India in October, 2011. The major objective of the Policy is to enhance the share of manufacturing gross domestic product to 25 per cent and to create an additional 100 million jobs over a decade or so. It mandates that industries started are to be employment-intensive, those producing capital goods, those having strategic significance, small and medium enterprises and public sector enterprises besides industries from which India should gain competitive edge in overseas market. The NMP provides for promotion of clusters and aggregation, especially through the creation of National Investment and Manufacturing Zones (NIMZs).

The tenets in Vision 2023 of Tamil Nadu is in sync with the NMP and aims at increasing the income share of manufacturing sector to 22 per cent by giving thrust to starting new industrial units in backward regions and encouraging build up of infrastructure and skill development. The sectoral investment plans under Vision 2023 in Table 6.1 envisage an investment plan of Rs.15 lakh crore in which Industrial and Commercial sector gets a sizable share of 10.7 percent

Table :6.1 Sectoral Investment Plan under Vision, 2023	
Sector	**Investment Requirement Rs.Crore**
Energy	450,000
Transport	370,000
Industrial and Commercial	160,000
Urban Infrastructure	275,000
Agriculture	40,000
Human development (Health & Education)	30,000
Sub-total	13,25,000
General and Social infrastructure projects	100,000
Capital improvements to existing projects	75,000
Sub-total	1,75,000
Total	15,00,000
Source: Vision Document, 2023 (Phase–II),Government of Tamil Nadu	

Under Vision 2023, the funding for infrastructure will mainly come from four sources, as follows:

1. The Government of Tamil Nadu will fund its share of the infrastructure requirement from the fiscal space created within the fiscal deficit of 3% of GSDP.
2. By carrying out sectoral reform as appropriate, to make the infrastructure services self financing and sustainable by ensuring suitable cost recovery.
3. The Government of Tamil Nadu will seek Central government funding to the extent it can.
4. Government of Tamil Nadu will be seeking participation from private sector (including FDI, domestic investments, and bank funding) in infrastructure projects including under PPP mode

6.3. Thrust on Industrial Infrastructure development in Vision 2023:

The Vision has identified a set of corridors for development that will facilitate the growth of industries in an equitable manner across all regions of the State. The proposed development of industrial parks and corridors dovetail with the proposed development of the road and rail network in order to provide seamless connectivity. Vision 2023 envisages the basic developmental needs of any Industrial infrastructure which are the land and capital. The development projects envisioned for infrastructure investment for Industrial and commercial infrastructure with the earmarked budget of Rs.160,985 crore under Vision 2023 is set out in the below table.

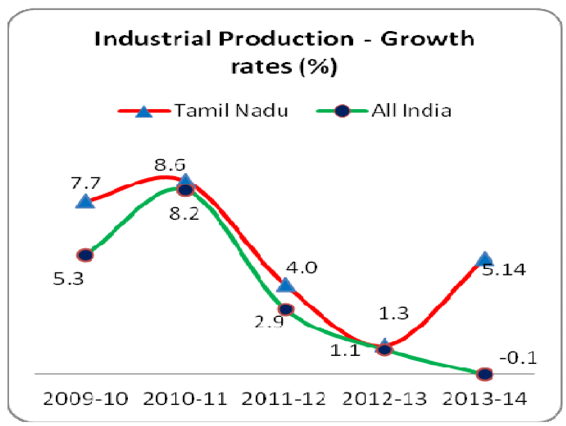
Table : 6.2 : Proposed Industrial Projects under Vision 2023	
Project Name	**Investment (Rs.Crore)**
Madurai-Thoothukudi Industrial Corridor - Manufacturing and Business Investment Regions (MBIR) I-IV	31,000
Madurai-Thoothukudi Industrial Corridor – Agri-Business Investment Region(ABIR)	5,000
Madurai-Thoothukudi Industrial Corridor - Manufacturing and Business Investment Area I & II (MBIA I-II)	2,000
Coimbatore – Salem Industrial Corridor - Manufacturing and Business Investment Region- I & II	7,200
Coimbatore – Salem Industrial Corridor - Agri-Business Investment Region(ABIR)	4,800

Chennai - Ranipet Industrial Corridor	17,000
Ranipet - Hosur Industrial corridor	20,000
Chennai - Trichy Industrial Corridor	20,000
Coimbatore - Madurai industrial corridor	10,000
Sriperumbudur industrial area development	5,000
Finance City in Chennai	1,500
Information Technology Investment Region	21,600
Petroleum, Chemical and Petrochemical Investment Region (PCPIR) 13,725	13,725
Heavy Engineering Industrial Park	1,000
Plastics park	160
Industrial parks for SMEs	1,000
Total	160,985
Source: Vision Document, 2023 (Phase –II), Government of Tamil Nadu	

6.4 Index of Industrial Production:

The Index of Industrial Production (IIP) compiled by the Department of Economics and Statistics (DoES) provides vital information on pace of increase in industrial production in the State on monthly and annual basis. The IIP comprises mining, manufacturing and electricity. These three are combined together to arrive at the general index of the industrial sector.

There was a pickup in overall industrial production in the State during 2013-14 which registered a growth of 5.14 percent as compared to the previous year (1.3%). On the other hand, at all India the growth rate of industrial production has plummeted to (-) 0.20 in 2013-14 as compared to the previous year (1.1%). During this period, the electricity sector in the State which registered a hefty growth of 15.8 per cent. All those positive development led to the overall growth of 5.14 per cent in spite of minimal growth rate recorded by the mining sector (0.7%). In the national economy, the manufacturing sector recorded a negative growth rate during the year 2013-14. Industrial output for this fiscal 2013-14 at all India contracted by 0.8 per cent compared to a growth of 1.3 per cent in the same period during 2012-13 due to sluggishness in the manufacturing sector.

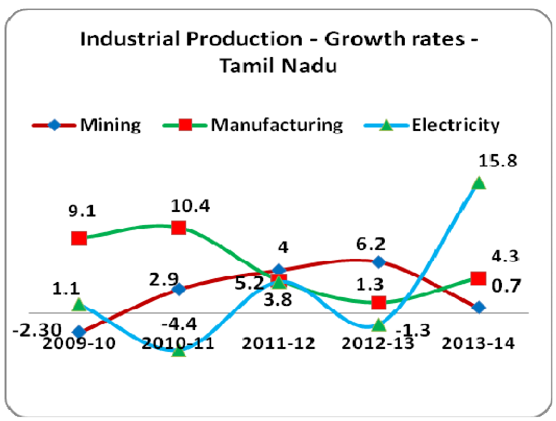


The industrial growth in the State during 2012-13 was 1.3 per cent against 4.00 per cent achieved during 2011-12. It may be noted that manufacturing sector put up 1.3 per cent growth rate and the mining sector 6.2 per cent where as electricity group exhibited a negative growth rate of 1.3 per cent. These sub-groups were not able to provide necessary buffer against deceleration in General Index.

Further, it may be noted that 13.6 per cent growth achieved during 2005-06 could not be sustained during the successive years since the general growth rate is principally mediated by the manufacturing sub-groups with the highest weight of 827.89 in computation of IIP. However, in comparison to the All India, the manufacturing sector has shown a buoyancy in Tamil Nadu, with 2013-14 showing a 4.3 percent growth, unlike a negative growth of 0.80 percent at All India level.

Year / Weight	Table – 6.3: Index of Industrial Production – Tamil Nadu and All India							
	Tamil Nadu – Base Year – 2004-05							
	Mining (56.53)		**Manufacturing (827.89)**		**Electricity (113.58)**		**General Index (1000.00)**	
	Index	**Growth Rate (%)**	**Index**	**Growth Rate (%)**	**Index**	**Growth Rate (%)**	**Index**	**Growth Rate (%)**
2005-06	99.5	(-) 0.5	116.2	16.2	101.7	1.7	113.6	13.6
2006-07	100.3	0.8	126.5	8.9	110.7	8.8	123.2	8.5
2007-08	108.2	7.9	129.4	2.3	116.1	4.9	128.7	2.8
2008-09	108.1	(-) 0.1	127.4	(-) 1.5	112.7	(-) 2.9	124.7	(-) 1.6
2009-10	105.6	(-) 2.3	139.0	9.1	113.9	1.1	134.3	7.7
2010-11	108.7	2.9	153.4	10.4	109.3	(-) 4.4	145.8	8.6
2011-12	114.3	5.2	159.5	4.0	113.5	3.8	151.7	4.0
2012-13	121.4	6.2	161.6	1.3	112.0	(-) 1.3	153.7	1.3
2013-14	122.3	0.7	168.6	4.3	129.7	15.80	161.6	5.14
	All India – Base Year (2004-05 = 100)							
Weight	**Mining (141.57)**		**Manufacturing (755.27)**		**Electricity (103.16)**		**General Index (1000.00)**	
2005-06	102.3	2.3	110.3	10.3	105.2	5.2	108.6	8.6
2006-07	107.5	5.1	126.8	15.0	112.8	7.2	122.6	12.9
2007-08	112.5	4.7	150.1	18.4	120.0	6.4	141.7	15.6
2008-09	115.4	2.6	153.8	2.5	123.3	2.8	145.2	2.8
2009-10	124.5	7.9	161.3	4.9	130.8	6.1	152.9	5.3
2010-11	131.0	5.2	175.7	8.9	138.0	5.5	165.5	8.2
2011-12	128.5	(-) 1.9	181.0	3.0	149.3	8.2	170.3	2.9
2012-13	125.5	(-) 2.3	183.3	1.3	155.2	4.0	172.2	1.1
2013-14	124.7	(-)0.62	181.9	(-)0.80	164.7	6.10	171.9	(-)0.1

Source: 1. Department of Economics and Statistics, Government of Tamil Nadu. 2. Central Statistical Organization, Government of India, New Delhi.



The moderate industrial growth in the manufacturing sector was largely attributed to sluggish growth in investment, decreasing margins of Corporate Sector, deceleration in the credit inflows due to high rate of interest, inadequate industrial infrastructural facilities and slowdown in economic recovery both at national and global levels.

6.4.1 Use Based Classification:

In the industrial process, goods produced as classified as basic goods, capital goods and intermediate goods. Consumption is the end to which all economic activity is directed and investment today is the means of ensuring that consumption can be enjoyed in future. Use-based classification of basic goods, capital goods, intermediate goods and consumer goods is analysed. A mixed trend over a period of time has emerged.

- The basic goods industries which are supplying auxiliary items to other manufacturing industries registered a growth of 4.8 per cent in 2005-06 then decelerated to 1.6 per cent entered the negative territory and has picked up a growth rate of 5.1 per cent in

2013-14 in comparison to the corresponding period of previous year. Its performance has been inconsistent.

- Capital goods production is a barometer of demand. The capital goods industries which relate to manufacturing plant and machinery which are utilized in further production function also decelerated from a healthy growth of 34.5 per cent in 2005-06 to a growth of 3.0 per cent in 2013-14. The decline was sharp during 2011-12 (20.2%).
- The intermediate goods industries which are engaged in the production stage of unfinished products to be utilized for further production grew at a moderate pace with a rise of 6.7 per cent in 2005-06 and declined to 6.4 per cent in 2013-14.

Table – 6.4 : Industrial Production by Use Based Classification – Tamil Nadu
Base Year 2004-05

Year / Weight	Basic Goods (309.7)	Capital Goods (163.0)	Intermediate Goods (169.2)	Consumer Goods (358.0)	Consumer Durables (111.0)	Consumer Non-Durables (247.1)	General Index (1000.0)
2005-06	104.8 (4.8)	134.5 (34.5)	106.7 (6.7)	114.9 (14.9)	111.8 (11.8)	116.3 (16.3)	113.6 (13.6)
2006-07	110.4 (5.3)	144.9 (7.7)	119.9 (12.4)	126.0 (9.7)	145.5 (30.1)	117.2 (0.8)	123.2 (8.5)
2007-08	113.1 (2.4)	155.8 (7.5)	116.0 (-)1.6	129.3 (2.6)	138.4 (-)4.9	125.1 (6.7)	126.7 (2.8)
2008-09	109.7 (-)3.0)	162.4 (4.2)	106.7 (-)9.6	128.9 (-)0.3	132.0 (-)4.6	127.5 (1.9)	124.7 (-)1.6
2009-10	107.9 (-)1.6	172.7 (6.4)	139.1 (-) 30.4	137.2 (6.4)	140.2 (6.2)	135.9 (6.6)	134.3 (7.7)
2010-11	106.9 (-)0.9	228.2 (32.1)	126.7 (-)8.9)	151.1 (10.1)	151.5 (8.1)	150.9 (11.0)	145.8 (8.6)
2011-12	113.1 (5.8)	274.4 (-) 20.2	108.3 (14.5)	149.8 (-) 0.9	158.8 (4.8)	145.7 (-) 3.4	151.7 (4.0)
2012-13	111.3 (-) 1.6	269.4 (-) 1.8	112.7 (4.1)	157.1 (4.9)	169.2 (6.5)	151.6 (4.0)	153.7 (1.3)
2013-14	117.0 (5.1)	277.6 (3.00)	119.9 (6.4)	167.0 (6.3)	169.1 (-)0.1	166.0 (9.6)	161.6 (5.1)

Note: Figures in brackets indicate percentage change over the previous years,
Source: Department of Economics & Statistics, Chennai 600 006, Government of Tamil Nadu.

- Finally, the consumer goods industries engaged in the production of both durable and non-durable goods in the production process for final consumption purposes performed well with 14.9 per cent of growth in 2005-06. But it declined to 4.9 per cent in 2012-13. Then it accelerated to 6.3 per cent in 2013-14.
- Within the consumer goods industries, consumer non-durable industries witnessed a steady growth rate in the State compared to consumable durable goods industries.

6.4.2 Manufacturing Sector Disaggregate Analysis:

The manufacturing groups encompassing 22 manufacturing sub-groups having the highest weight of 82.99 per cent are taken into account in compiling the index of industrial production. Details are given in table 6.5. During the review year 2013-14, out of 22 sub-groups of manufacturing sector, only 16 sub-groups registered the positive growth rates with the weight of 69.02 per cent whereas the remaining 6 sub-groups with the weight of 13.9 per cent recorded the negative growth rate.

Table – 6.5: Growth Rate for Index of Industrial Production (at two digit level) – Tamil Nadu By Industry and Sub-Group-wise (Base 2004-05 = 100)

Sl. No.	NIC' 04 (Ind. Code)	Industry Group	Weight	2009-10	2010-11	2011-12	2012-13	2013-14
1	15	Manu. of Food Products & Beverages	59.40	6.2	12.3	4.5	1.3	18.2
2	16	Manu. of Tobacco Products	2.21	0.0	(-)10.3	(-) 19.2	(-) 7.8	6.4
3.	17	Manufacture of Textiles	163.61	24.5	(-)16.7	(-) 10.1	22.0	10.0
4.	18	Manu. of Wearing Apparel, Dredging and Dyeing of Fur	32.35	7.1	7.3	4.3	(-) 9.6	(-)2.6
5.	19	Manu. of Luggage, Handbags, Tanning & Dressing of Leather, Saddlery, Harness and Footwear	16.36	6.8	22.8	(-) 13.7	15.6	22.2
6.	20	Manu. of Wood & Products of Wood and Cork, Except furniture, Manu. Of Articles of Straw	0.84	6.0	5.6	(-) 12.0	11.5	2.9
7.	21	Manu. of Paper & Paper Products	16.05	(-)0.3	5.5	25.8	(-) 10.3	7.4
8.	22	Publishing, Printing & Reproduction of Recorded Media	11.65	9.7	20.6	(-) 33.6	43.7	12.7
9.	23	Manu. of Coke, Refined Petroleum Products & Nuclear Fuel	42.82	(-)0.6	0.8	4.9	(-) 5.8	1.1
10.	24	Manu. of Chemicals & Chemical Products	80.37	11.1	(-)1.6	5.3	(-) 4.9	2.7
11.	25	Manu. of Rubber and Plastic Products	23.61	14.9	16.2	(-) 18.2	5.4	4.7
12.	26	Manu. of other Non-metallic Mineral Products	44.55	8.7	4.2	(-) 4.1	(-) 3.1	3.0
13.	27	Manu. of Basic Metals	38.32	(-)18.3	(-)8.4	15.6	0.2	(-)3.2
14	28	Manu. of Fabricated Metal Products, except Machinery & Equipment	30.94	22.7	38.6	1.1	(-) 19.0	(-)1.7
15.	29	Manu. of Machinery & Equipment	58.38	4.9	3.9	21.9	33.6	6.0
16.	30	Manu. of Office Accounting and Computing Machinery	1.76	(-)12.2	5.2	23.0	28.4	8.5
17.	31	Manu. of Electrical Machinery & Apparatus	24.46	13.8	5.0	(-) 2.1	(-) 18.9	(-)3.8
18.	32	Manu. of Radio, Television & Communication Equipment & Apparatus	4.50	27.4	(-)0.1	24.4	(-) 2.0	10.9

Sl. No.	NIC' 04 (Ind. Code)	Industry Group	Weight	2009-10	2010-11	2011-12	2012-13	2013-14
19.	33	Manu. of Medical, Precision & Optical Instruments, Watches & Clocks	6.08	(-)32.6	(-)1.2	29.8	(-) 8.1	(--)10.9
20.	34	Manu. of Motor Vehicles, Trailers and Semi-Trailers	134.56	10.0	46.4	14.6	(-) 9.0	0.5
21.	35	Manu. of other Transport Equipment	29.54	(-)7.1	20.4	(-) 3.7	(-) 4.3	3.9
22.	36	Manu. of Furniture	7.53	(-)12.8	(-)7.5	(-) 20.5	17.3	(-) 3.6
		Manufacturing Index	829.89	9.1	10.4	4.0	1.3	4.3
Source: Department of Economics and Statistics, Chennai-6, *Government of Tamil Nadu*								

Among the sub-groups which recorded positive growth rates, the textiles put up 10.0 per cent growth with the highest weight of 16.4 per cent, followed by the highest growth rate 22.2 per cent by Luggage, Handbags, Tanning & Dressing of Leather, Saddlery, Harness and Footwear with a weight of 1.6 per cent, Food Products & Beverages by 18.2 per cent with the weight of 5.94 per cent and 12.7 per cent by Publishing, Printing & Reproduction of Recorded Media with a weight of 1.2 per cent. The sub-groups, which posted negative growth rate in the ascending order, are Medical, Precision & Optical Instruments, Electrical Machinery & Apparatus Watches & Clocks, Furniture, Basic metals, and Fabricated Metal Products, except Machinery & Equipment. As witnessed from the data on IIP for the period of 2013-14 the manufacturing sector in the State registered a growth 4.3 per cent as against 1.3 percent in 202-13.

6.4.3 Organized Manufacturing Sector (Annual Survey of Industries):

The Industrial Profile of Tamil Nadu (IPT) by the Department of Economics and Statistics-Chennai for Tamil Nadu and Annual Survey of Industries by the Ministry of Statistics and Programme Implementation (New Delhi) for the nation and State provide a comprehensive perspective on various industrial characteristics in a time lag of two years. The concrete results provided by them about the Registered Manufacturing Industries (RMI) as defined above are helpful to understand the different dimensions of growth of manufacturing (registered) industrial units.

6.5 Industrial Scenario – All India vs. Tamil Nadu:

As per the latest Annual Survey of Industries, Tamil Nadu has occupied a top slot in terms of the principal industrial characteristics thereby the State is standing out on the industrial map of India. During 2011-12, out of six important industrial parameters taken into account, the State retained its first position in number of factories and the number of persons employed in the registered manufacturing industrial units and third position in productive capital and gross value of output. In terms of fixed capital the State advanced to third position from fourth place. However, the State slipped into the fourth place from third position in net value added during 2011-12. It is a cause for concern.

Table – 6.6 : Industrial Scenario : All India Vs. Tamil Nadu						
Principal Characteristics	**All India**			**Tamil Nadu (Share %)**		
	2009-10	**2010-11**	**2011-12**	**2009-10**	**2010-11**	**2011-12**
No. of factories	158877	211660	217554	16.86 (1)	17.41 (1)	17.01 (1)
Fixed Capital (Rs. crore)	1352184	1607007	1949769	9.83 (3)	9.21 (4)	8.28 (3)
Productive Capital (Rs. crore)	1739928	2227369	2538564	9.20 (3)	9.60 (3)	8.32 (3)
Gross Value of Output (Rs. crore)	3733036	4676217	5777944	10.07 (3)	10.10 (3)	10.54 (3)
Net Value Added (Rs. crore)	592114	704576	836284	9.99 (3)	10.22 (3)	9.11 (4)
Total number of Persons Engaged (Lakh no.)	117.92	126.95	134.30	16.03 (1)	15.31 (1)	14.45 (1)
Note: Figures in bracket indicate the industrial position of Tamil Nadu among the States at National level. Source: Annual Survey of Industries 2011-12, CSO, New Delhi.						

According to the ASI results for the year 2011-12, the share of the State at the national level witnessed a deceleration in almost all the principal characteristics except in the gross value of output. The share in number of factories declined from 17.41 per cent in 2010-11 to 17.01 per cent in 2011-12, fixed capital from 9.21 per cent to 8.28 per cent, productive capital from 9.60 per cent to 8.32 per cent, net value added from 10.22 per cent to 9.11 per cent and the total number of persons employed from 15.31 per cent to 14.45 per cent. Despite the deceleration of the shares compared to the previous year the gross value of output marginally increased from 10.10 per cent to 10.54 per cent for the corresponding period.

6.5.1 Industrial Characteristics – Relative Position of Major Industrial States:

The relative position of the leading industrial States in terms of industrial characteristics which are arranged in descending order of the net value added reveals that as

Table – 6.7: Principal Characteristics of Annual Survey of Industries – 2011-12 (Major Industrial States)						
State	**No. of factories**	**Fixed Capital (Rs.Crore)**	**Total persons engaged (Lakh)**	**Value of input (Rs.Crore)**	**Gross value of output (Rs. Crore)**	**Net value added (Rs.Crore)**
Maharashtra	21865 (10.05)	261110 (13.39)	18.81 (14.01)	828116 (17.25)	1005377 (17.40)	154805 (18.51)
Karnataka	11460 (5.27)	131923 (6.77)	9.06 (6.75)	282333 (5.88)	394840 (6.83)	103165 (12.34)
Gujarat	22220 (10.21)	312751 (16.04)	13.84 (10.31)	887705 (18.49)	998411 (17.28)	87910 (10.51)
Tamil Nadu	36996 (17.01)	161452 (8.28)	19.41 (14.45)	517556 (10.78)	608859 (10.54)	76179 (9.11)
Andhra Pradesh	27708 (12.74)	253988 (13.03)	13.63 (10.15)	311707 (6.49)	393120 (6.80)	69094 (8.26)
Note: Figures in brackets indicate percentage share at National level. Source: Annual Survey of Industries 2011-12, CSO, New Delhi.						

of 2011-12, Tamil Nadu had the highest number of registered factories sharing a 17.01 per cent and 14.45 per cent of the total persons engaged among the industrially advanced States. It is to be noted that, in terms of net value added to GSDP, Tamil Nadu had 9.11 per cent of share standing behind Maharashtra, Karnataka and Gujarat in that order. The share of Gujarat was the highest in terms of fixed capital at 16.04 per cent and gross value of output at 17.28 per cent. However, Maharashtra was well ahead of Gujarat and Tamil Nadu by virtue of its contribution in terms of net value added with the share of 18.51 per cent – by employing 14.01 per cent of persons in 10.05 per cent of factories.

6.6 Annual Survey of Industries – Tamil Nadu:

As per the results of Annual Survey of Industries 2011-12 of Tamil Nadu, the manufacturing (registered) industries were under performed compared to the previous year. The registered number of factories increased from 36848 in 2010-11 to 36996 in 2011-12 registering a meagre growth of 0.40 per cent. During 2011-12, these factories put together had a total stock of fixed capital of Rs.1,61,452 crore putting up the growth of 9.11 per cent which was lesser than the previous year's growth rate. To the contrary, the productive capital decreased by 1.24 per cent from Rs.2,13,732 crore in 2010-11 to Rs.2,11,084 crore in 2011-12. Contraction in total persons engaged in manufacturing process was from 19.43 lakh to 19.41 lakh. Due to this reason, the net value added to the GSDP increased by Rs.4186 crore only from Rs.71,973 crore in 2010-11 to Rs.76,179 crore in 2011-12 the growth being 5.81 per cent which was also lower than 21.71 per cent posted in the previous year. Despite the setback in productive capital and total number of persons employed in these factory sectors, it had consumed Rs.5,17,556 crore worth of inputs in 2011-12 with a growth of 33.86 per cent. It helped to produce gross value of output (goods and services) at Rs.6,08,859 crore with 28.96 per cent of growth. It was higher than the previous year level of Rs.4,72,122 crore.

Table – 6.8 :Performance of Principal Industrial Characteristics – Tamil Nadu (*Rs. Crore)*

Characteristics	2009-10	2010-11	2011-12
Factories (Nos)	26790 (2.56)	36848 (37.54)	36996 (0.40)
Fixed Capital	132896 (35.90)	147965 (11.34)	161452 (9.11)
Productive Capital	160041 (49.89)	213732 (27.33)	211084 (-) 1.24
Gross Value of Output	375784 (24.93)	472122 (2.89)	608859 (28.96)
Net Value Added	59143 (48.92)	71993 (21.72)	76179 (5.81)
Value of Input	303878 (20.60)	386654 (27.24)	517556 (33.86)
Total persons engaged (Lakh Nos)	18.90 (6.54)	19.43 (2.80)	19.41 (-) 0.10

Note: Figures in brackets indicate percentage change over the previous year.
Source: Annual Survey of Industries, CSO, New Delhi.

6.6.1 Structural Shift in Manufacturing (Registered) Sector:

Following the launching of a programme of economic reforms during 1991 there was a big boost in the investment inflow and employment generation by establishing new industries and expanding the existing ones. It brought about emergence of new and cost-effective technologies from other countries. On account of this, the factory sector in the State underwent structural changes in the industrial parameters in terms of per factory and per employee.

Table – 6.9 : Annual Survey of Industries of Tamil Nadu : Key Structural Ratios (Rs. Lakh)

Characteristics	Per Factory			Per Person Engaged		
	2009-10	2010-11	2011-12	2009-10	2010-11	2011-12
Fixed Capital	496.07	401.56	436.40	7.03	7.61	8.32
Productive Capital	597.39	580.04	570.56	8.47	10.99	10.88
Gross Value of Output	1402.70	1281.27	1645.74	19.88	24.29	31.37
Net Value Added	220.77	195.38	205.91	3.13	3.70	3.93
Total Persons Engaged (Nos)	71	53	52	-	-	-
Emoluments	78.31	64.94	72.50	1.11	1.23	1.38

Source: Computed by DEAR from ASI data, CSO, New Delhi.

The average size of factories measured in terms of value base characteristics viz. fixed capital, gross value of output, net value added and emoluments showed an increase during 2011-12 compared to 2010-11. The fixed capital per factory rose from Rs.401.56 lakh in 2010-11 to Rs.436.40 lakh in 2011-12, gross value of output from Rs.1281.27 lakh to Rs.1645.74 lakh, the net value added from Rs.195.38 lakh to Rs.205.91 lakh and emoluments from Rs.64.94 lakh to Rs.72.50 lakh. However, the productive capital employed per factory and number of persons employed declined during 2011-12.

The average size of factory measured in terms of per employee, reveals an increase in fixed capital, gross value of output, net value added and emoluments against a marginal drop in productive capital.

6.6.2 Technical Co-efficient Ratios:

The Technical Co-efficient Ratio provides useful information about the level of efficiency of the factory sector in terms of capital requirements for producing one unit of output and emoluments of persons engaged in the factory in terms of net value added.

Table –6.10 : Technical Co-efficient Ratio in Tamil Nadu

Parameter	2009-10	2010-11	2011-12
Fixed Capital to Net Value Added	2.25	2.06	2.12
Fixed Capital to Gross Value of Output	0.35	0.31	0.27
Net Value Added to Gross Value of Output	0.16	0.15	0.13
Emoluments to Net Value Added	0.35	0.33	0.35

Source: Computed by DEAR from the Results of Annual Survey of Industries, CSO, New Delhi.

The average fixed capital required to produce one unit of output in terms of net value added during the year 2011-12 went up to 2.12 from 2.06 in 2010-11. Whereas, the fixed capital required for producing one unit of output in terms of gross value of output declined to 0.27 from 0.31. On the other hand the level of efficiency, as measured by the ratios of net value added to gross value of output dropped from 0.15 in 2010-11 to 0.13 in 2011-12. The share of labour in net value added measured by the ratio of emoluments to the net value added advanced from 0.33 in 2010-11 to 0.35 in 2011-12.

6.7 Gross Fixed Capital Formation –Manufacturing (Registered) Industries (ASI)- An Overview:

Table-6.11 : Gross Fixed Capital Formation – Manufacturing Registered Industries (ASI) – Tamil Nadu

Year	Gross Fixed Capital Formation (Rs. lakh)	Growth Rate (%)	Share in Tamil Nadu to All India (%)
1998-99	596277	-	8.63
1999-00	516754	(-)13.34	10.62
2000-01	575666	11.40	12.28
2001-02	412214	(-)28.39	5.88
2002-03	700289	69.88	10.95
2003-04	807706	15.34	14.04
2004-05	987642	22.28	13.12
2005-06	1341953	35.87	10.64
2006-07	1691540	26.05	11.72
2007-08	2110758	24.78	11.87
2008-09	2007359	(-)4.90	8.88
2009-10	2742803	36.64	10.22
2010-11	2305363	(-)15.95	8.13
2011-12	2989927	29.69	8.69
	CAGR	**13.20**	

Source: Annual Survey of Industries, CSO, New Delhi.

The Gross Fixed Capital Formation (GFCF) of manufacturing (registered) industries refers to the net increase in physical assets (investment minus disposals). It includes land improvement, purchase of plant, machinery and equipment, productive infrastructure facilities, construction of commercial and industrial buildings in the State economy during the reference period. An attempt is made to analyze the GFCF for manufacturing (registered) industries in the State as per the estimates of Annual Survey of Industries in the factory sector.

The GFCF for the manufacturing (registered) industries in the State expanded from Rs.5,963 crore in 1998-99 to Rs.29,899 crore in 2011-12 registering a CAGR of 13.20 per cent. The share of State's GFCF for manufacturing (registered) industries in all India increased from 8.63 per cent in 1998-99 to 14.04 per cent in 2003-04 and then declined to 8.69 per cent in 2011-12.

6.8. Industrial Investment Scenario:

With the advent of economic liberation policy 1991 the national as well as State economy has been on a higher growth plane. In order to bridge the gap between the total investment requirements and the domestic investment supply, Foreign Direct Investment Inflow is being encouraged from various countries. Accordingly, many policy changes have been effected by the Government of India to attract sizeable flow of investments into the country.

6.8.1 FDI Policy Initiatives:

The FDI policy is being progressively liberalized since 1991 in order to allow more industrial FDI under the automatic route. Some recent changes in FDI policy are made to ensure that India remains an increasingly attractive and investor- friendly destination. Consolidation of the policy into a single document issued since 1991 includes FDI in multi-brand retail trading up to 51 per cent subject to specified conditions. Increasing the FDI limit to 100 per cent in single-brand retail trading, up to 49 per cent in civil aviation and in power exchanges, broad-casting sector under the automatic route and FDI above 49 per cent and upto 74 per cent under the Government Route both for teleports and mobile TV.

6.8.2 Foreign Direct Investment (FDI) Inflow into States:

The Foreign Direct Investment is imperative for the various reasons. The benefits of FDI are immense. It brings in entrepreneurial abilities, technical knowledge in production, administrative capabilities and above all provides employment to large sections of people both vertically and horizontally. The Industrial investment climate of the States concerned has pulling power to attract more investment into the States through their proactive and transparent industrial policies. The favourable investment climates are industrial infrastructural facilities, tax concessions, intensive packages and uninterrupted power supply. Socio economic and political stability is also important to attract more foreign direct investment into the States.

The Report of Reserve Bank of India on FDI reveals that the equity inflows are more stable and bring in managerial skill and technical expertise together with investment into the country. As per the latest region-wise FDI equity inflows, the Chennai Region (Tamil Nadu and Pondicherry) received Rs.12,595 crore for the period 2013-14 which was lower than the amount Rs.15,253 crore obtained during 2012-13 . Cumulatively, from April 2000 to May 2014, the Chennai region had a FDI inflow of Rs.67,964 crore sharing 6.32 per cent at the national level of Rs.10,76,093 crore standing in the third place leaving behind some other industrialized States such as Karnataka, Gujarat, Andhra Pradesh and West Bengal. It mirrors that the inflow of FDI has registered robust growth in Tamil Nadu.

6.8.3 Industrial Investment Proposals:

The Ministry of Industry and Commerce (Government of India) had released the State-wise industrial investment proposals for some industrialized States for the period between August 1991 and March 2013. Tamil Nadu had filed a total number of 7,518 Industrial Entrepreneur Memorandas (IEMs) at a proposed investment of Rs.3.96 lakh crore to provide direct and indirect employment to 22.28 lakh persons. As of March 2013, Letter of Indents (LOIs) and Direct Industrial Licenses (DILs) were granted to 874 industries at a proposed investment of Rs.14,328 crore to provide employment opportunities to 1.52 lakh persons. Between August 1991 and March 2013 the highest members of IEMs (16823) were filed in Maharashtra with the highest number of employment (43.54 lakh). The State of Odisha was placed with the highest investment of Rs.14.30 lakh crore. Among the States, largest number of LOIs and DILs (874) were issued by Tamil Nadu with the highest employment opportunities of 1.52 lakh persons. The highest proposed investment was noticed in Gujarat followed by Maharashtra and Andhra Pradesh.

Table – 6.12: State-wise Industrial Investment Proposals (August 1991 to March 2013)
(Arranged in descending order of Proposed Investment)

Name of the State	Industrial Entrepreneur Memorandas (IEMs)					
	No. filed	Proposed Invest-ment (Rs. crore)	Proposed Employ-ment (Nos.)	Letter of Indents (LOIs) +Direct Industrial Licenses (DILs) Nos. granted	Proposed Invest-ment (Rs. crore)	Proposed Employ-ment (Nos.)
Odisha	1794	1429979	748006	41	5445	11888
Chattisgarh	2890	1254323	846238	31	565	3816
Gujarat	10984	1159059	2129884	471	27535	77760
Maharashtra	16823	956946	4353813	603	18981	140147
Andhra Pradesh	7145	853235	1387535	554	16124	101329
Karnataka	4043	735255	1073733	296	11706	83712
Madhya Pradesh	3745	696733	1059265	147	3274	31682
West Bengal	5019	644440	1036403	102	4155	20706
Jharkhand	1084	444013	394573	18	474	2368
Tamil Nadu	7518 (8.21)	395770 (4.07)	2228254 (10.35)	874 (19.34)	14328 (10.43)	151559 (15.66)
All India	91622	9735606	21533461	4520	137430	967537

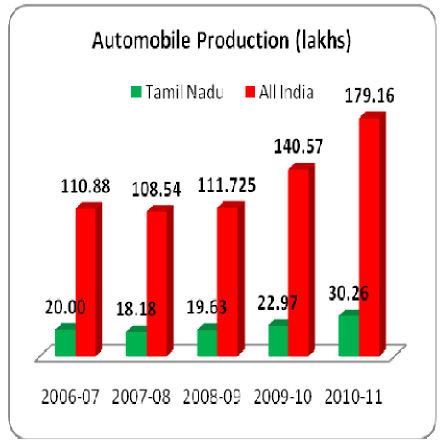
Note: Figures in brackets indicate per centage share to total. Source: Ministry of Commerce and Industries, Government of India.

6.9 Performance of Major Industries:

6.9.1 Automobile Industry:

Automobile Industry shows a steady performance in the State with Governments constant support which has nurtured Chennai as a very cost-effective manufacturing hub for automobiles. The capital city, Chennai, dons the ubiquitous name of Detroit of Asia due to the presence of the top Global Automobile majors like Ford, Hyundai, BMW, Renault, Nissan and Mitsubishi HM• Chennai producing over 40% of the country's auto parts and vehicles have an installation capacity to produce 1,280,000 cars and about 350,000 commercial vehicles each year which translated to 3 cars output every minute and one commercial vehicle every 75 seconds by 2010-11.

The reasons for the successful performance of Automobile Industry are



- ✓ Attractive Package of Incentives depending on the size of Investment and employment as per Industrial Policy 2007.
- ✓ Super-mega Policy - Government offers special incentives for projects with investments between Rs.1500 to 4000 Crores.
- ✓ Government brought out a very innovative Policy "Ultra Mega Policy for Integrated Automobile Projects" that offers a very attractive package of support to automobile projects investing more than Rs.4000 Crores. The total employment potential in these new projects is 1.20 lakhs (direct + Indirect).
- ✓ Single window facilitation through Guidance Bureau.
- ✓ Land allotment in different Industrial parks and SEZs. SIPCOT has promoted 2 SEZs for Engineering products including automobiles.
- ✓ Infrastructure support in the form of power, water, connecting roads, drainage, etc.
- ✓ Government of India is currently implementing a project "National Automotive Testing R&D Infrastructure Project" (NATRIP) in Oragdam near Chennai at a project cost of about Rs.450 crores. This project aims at facilitating introduction of world-class automotive safety, emission and performance standards in India as also ensure seamless integration of our automotive industry with the global industry.

6.9.1.1 Production trend:

The production trend visualize the health of the Industry with the table below shows the encouraging trend in the Automobile companies which has a base in Tamil Nadu. The State share in passenger vehicles was 27 percent in 2010-11. The State contributes 17 percent to the overall automobile production in the country is notable.

Table-6.13: Production trend of Automobile firms with base in Tamil Nadu (in nos.)

Category/ Company	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**
Ford India	27119	41465	38287	26708	39222	112615
Hyundai	260466	314654	367242	502218	589536	594601
Nissan	0	0	0	0	0	75029
BMW	0	144	2107	2426	2765	5740
Hindustan Motors	15115	13420	12240	8928	10656	9757
Passenger Vehicles(a)	302700 (23)	369683 (24)	419876 (24)	540280 (30)	642179 (27)	797742 (27)
All India Passenger Vehicles Total	1309300	1545223	1777583	1838593	2357411	2987296
Ashok Leyland	65085	83549	84006	54049	64673	95337
JCBL	0	0	0	0	179	67
Kamaz Vectra Motors	123	61	43	10	0	0
Daimler	4958	4325	4060	2378	4189	4826
Hindustan Motors	338	201	16	54	278	345

Commercial Vehicles(b) Sub total	**70504 (18)**	**88136 (17)**	**88125 (16)**	**56491 (14)**	**69319 (12)**	**100575 (13)**
All India Commercial Vehicles Total	391083	519982	549006	416870	567556	752735
Two and Three Wheelers(c)	1,397,287	1,546,081	1,312,802	1,366,445	1,588,158	2,129,592
Tamil Nadu Total Production(a+b+c)	**1770491 (18)**	**2003900 (18)**	**1820803 (17)**	**1963216 (18)**	**2299656 (16)**	**3027909 (17)**
All India Automobile production	9743503	11087997	10853930	11172275	14057064	17916035
Note: Figures in parenthesis shows the share of Tamil Nadu in All India Production, Source: Society of Indian Automobile Manufacturers.						

6.9.1.2 Export Contribution:

Automobile Industry ranks eighth among the top 10 sectors attracting highest FDI inflows to India in December 2012. The top 10 Sectors attracting highest FDI inflows were: Services Sector (19 per cent), Construction development: Townships, housing, built-up infrastructure (12 per cent), Telecommunications (7 per cent), Computer Software & Hardware (6 per cent), Drugs & Pharmaceuticals (5 per cent),Chemicals (other than Fertilizers) (5 per cent), Power (4 per cent), Automobile Industry (4 per cent), Metallurgical Industries (4 per cent), Hotel & Tourism (3 per cent). The analysis of export trend of automobile firms with base in Tamil Nadu shows a growth rate of minimum of 1 percent in 2009-10 to a maximum of 55 percent in 2008-09.

Table 6.14: Export Trend of Automobile firms with base in Tamil Nadu (Numbers)

Category/ Company	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**
Ford India	16,132	22,988	2,508	660	1,537	12,155
Hyundai Motors	1,02,092	115,525	1,44,440	2,53,344	285,658	233,069
Nissan	0	0	0	0	0	55,321
Hindustan Motors	0	5	0	0	0	1
Total Passenger Vehicles (PVs) (a)	**1,18,224**	**138,513**	**1,46,948**	**254,004**	**287,195**	**300,546**
Ashok Leyland	4,879	6025	7,285	6812	5979	10306
Hindustan Motors	2	8	0	0	0	0
Total Commercial Vehicles (b)	**4,881**	**6,033**	**7,285**	**6,812**	**5,979**	**10,306**
TVS Motor Company	0	0	0	17	1,716	17,503
Total Three Wheelers(c)	**0**	**0**	**0**	**17**	**1,716**	**17,503**
Royal Enfield	2,346	2,233	2,518	2,130	2,216	2,606
TVS Motor	79,733	1,03,013	1,37,012	1,93,320	1,65,414	229,132
Total Two wheelers (d)	**82,079**	**1,05,246**	**1,39,530**	**1,95,450**	**1,67,630**	**231,738**
Total Exports of All Automobiles(a+b+c+d)	**2,05,184**	**2,49,792 (18)**	**2.93,763 (18)**	**4,56,283 (55)**	**4,62,520 (1)**	**5,42,590 (15)**
Note: Figures in parenthesis is the yearly growth rate in Exports Source: Society of Indian Automobile Manufacturers. New Delhi.						

6.9.2 Textile Industry:

6.9.2.1 Textile Sector:

The textile industries in the State occupy a unique place in terms of its contribution to the total industrial production, employment, export, and foreign exchange earnings. As of 2011-12, the State had 959 cotton man-made fiber textile mills (919 spinning mills (SSI units) and 40 composite mills in the non-SSI sector) increased from 953 cotton made fiber textile mills (923 spinning mills and 30 composite mills) during 2010-11. In non-SSI sector, there were 18 exclusive weaving mills in 2011-12 and four 100 per cent of export-oriented mills. In the SSI sector, the number of spinning mills increased from 1039 in 2010-11 to 1041 in 2011-12. The structure of textile industries in the State continued to be spinning-oriented.

In the spindle-installed capacity, the number of spindles in both non-SSI and SSI sector increased to 22.29 million in 2011-12 and number of rotors rose to 2.94 lakh. The number of workers employed in the textile sector went up to 2.70 lakh in 2011-12 from 2.66 lakh over the previous year. The total spun yarn production (cotton yarn, blended yarn, and 100% non-cotton yarn) load declined to 14.87 lakh tonnes in 2011-12 from 18.18 lakh tonnes in 2010-11 registering a negative growth of 18.21 per cent due to sluggish demand from the fabric production mills. The sluggish demand for fabric items in the domestic market as well as in the European and U.S.A. markets and stiff competition from China and Pakistan engendered the decline in the production of fabrics in the State. The total fabric production from the mill sector declined to 0.86-lakh square metre in 2011-12 from 1.18 lakh sq. meter in 2010-11 showing negative growth of 27.12 per cent. Following the fallout of the depreciation of domestic currency against the American dollar, a large number of exclusive export-oriented units (EOUs) cut back production to avert the loss. A total of 167 non-SSI spinning and composite mills were closed in the State during 2011-12 due to multifarious reasons which resulted in affecting 27.14 lakh spindles, 0.19 lakh rotors and 2,860 looms, thereby 0.45 lakh number of workers losing the employment opportunities. In order to rehabilitate the closer of mills in the State, 167 mills were referred to the Board for Industrial and Financial Reconstruction (BIFR) during the review year.

Ageing machinery, inadequate infrastructural facilities (power and port) and rigid labour laws are crippling the textile industry. In spite of a strong fiber and cotton production base, the textile industry in the State has been suffering from severe technological capabilities. Economies of scale in production require innovative technology and structural changes at all levels from spinning to cloth production. It requires an up-gradation at huge capital investment at cheaper interest rate. This strategy will eventually pay off in terms of profits and employment opportunities.

Technology Up-gradation Fund Scheme (TUFS) is in place to give modernization process a full shape in the mill sector by the Commissioner of Textiles, Mumbai. Between April 1999 and June 2010, the number of textile mills in the State, which benefited under Technology Upgradation Fund Scheme (TUFS) was of the order of 6,083 non-SSI and SSI units. They were disbursed with the loan assistance of Rs.20,448 crore sharing 21.59 per cent of mills and 27.40 per cent of loan amount at all India. The State was one of the single largest beneficiaries among the States under TUFS.

Table-6.14: Performance of Technology Up-gradation Fund Scheme – Tamil Nadu and All India (Between 1.4.1999 and 28.6.2010)

Number of Applications	Sector	Tamil Nadu		All India	
		No.	Rs. Crore	No.	Rs. Crore
Received	Non-SSI	3002	21002	8543	87085
	SSI	3169	2179	19985	7035
	Total	6171 (21.63)	23181 (24.63)	28528	94120
Sanctioned	Non-SSI	2950	20510	8366	78209
	SSI	3139	2156	19936	6882
	Total	6089 (21.51)	22666 (26.64)	28302	85091
Disbursed	Non-SSI	2950	18441	8344	68522
	SSI	3133	2007	19836	6105
	Total	6083 (21.59)	20448 (27.40)	28180	74627

Note: Figures in bracket indicate percentage share to All India.
Source: Commissioner of Textiles, Mumbai.

6.9.2.2. Handlooms:

The importance of handlooms sector is well recognized in terms of provision of vast employment opportunities and value addition to the economy. During 2012-13, there were 4.13 lakh handlooms in the State with 6.08 lakh workers. Out of which, 2.69 lakh handlooms with 3.19 lakh of weavers were registered under 1164 Handloom Workers Cooperative Societies comprising 1015 Cotton Primary Weavers Cooperative Societies, 62 Industrial Weavers Cooperative Societies and 87 Primary Silk Weavers Cooperative Societies. The number of societies in rural and semi-urban areas where handloom weavers are concentrated declined from a total of 1182 in 2011-12 to 1164 in 2012-13. During 2012-13, the Weavers Cooperative Societies produced Rs.607.08 crore worth of handloom cloths and sales realized to the tune of Rs.687.63 crore, as compared to value of cloth production at Rs.965.08 crore and sales at Rs.852.42 crore during the previous year. During 2012-13, five cooperative spinning mills functioned in the State with the spindleage capacity of 1.00 lakh numbers. They produced yarn catering to the needs of the handlooms at the value of Rs.109.74 crore in 2012-13, which was higher than the previous year's production value of Rs.83.96 crore. Under Co-optex there were 200 selling units which procured handloom fabrics from the Weavers Co-operative Societies and sales were realized at Rs.1248.96 crore during 2012-13. The export value of handloom cloth from the State declined to Rs.1439.89 lakh in 2012-13 against Rs.12106.00 lakh in 2010-11 due to withdrawal of benefits from Deemed Exports[1].

For the year 2013-14, it was projected that Rs.816.00 lakh worth of handloom fabrics from 1164 Primary Weavers Co-operative Societies, would be produced and targeted sale was Rs.800.00 lakh. Export value of the tune of Rs.1500 lakh was higher than the realization of the preceding year.

6.9.2.3. Power looms:

Power loom sector is medium of mechanization and employment provision in rural and semi-urban areas. The number of registered power looms in the State was at 3.96 lakh in 2011-12. Tamil Nadu is ranking second next only to Maharashtra (11.73 lakh). These registered powers looms in the State were expected to provide employment opportunities to 9.91 lakh skilled and semi-skilled persons in the process of production compared to 9.88 lakh persons in 2010-11. At the national level, the State is sharing 17.23 per cent of registered power looms and 17.25 per cent of employment opportunities.

There were 181 Power loom Weavers Co-operative Societies with 53,401 power looms. They produced 27.55 crore meter of cloth to the value of Rs.622.51 crore in 2012-13 as against 6.82 crore meter of cloth to the value of Rs.133.65 crore in 2011-12 and targeted to produce 27.50 crore metre of fabrics in 2013-14.

- [1] (Deemed export means that the goods are considered to have been exported even if they have not moved out of the country. Under deemed export, the goods can be sold within India to a anybody who holds a license for import of these goods. The seller selling the said goods against an import license is the deemed exporter and the buyer is the deemed importer. In this transaction the import license gets used up and an entry is made on it. These goods so bought duty free against an import license can only be used for export purpose and not for domestic sales except as per DTA (Domestic Tariff Area) Sales Rules under Central Excise. Regarding sales to a foreign national, the seller or the carrier of the goods can make an advance application to the Commissioner of Customs having control over the place of export (like Airport, Seaport, or a land customs station) in respect of the said goods being taken out of country by a foreigner under a purchase invoice and the Customs will check the goods and issue an export certificate on which export benefits can be obtained).

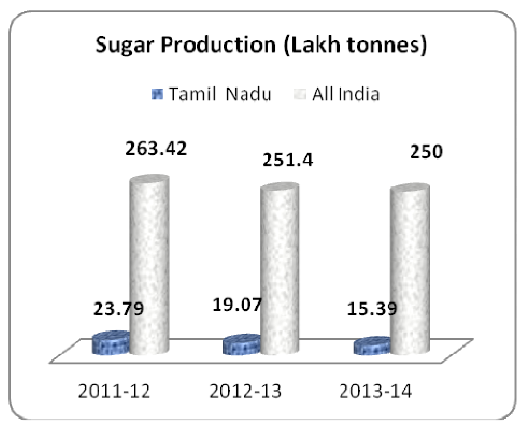
The major problem of the sector in the State is high percentage of obsolete and senescent ordinary looms with cotton as the primary raw material rather than synthetic fiber. Besides this, many a power loom unit is engaged in the production of items exclusively registered for the handlooms even though the Enforcement Wing is functioning in the State.

6.9.2.4 Garments and Hosiery Sector:

The garment sector is emerging sector of textile industry in the State concentrated in and around Chennai with specialization in cotton and manmade fiber. The hosiery units in the State, which are concentrated at Tiruppur, are flourishing well in the State in terms of production, employment, export, and foreign exchange earnings. The hosiery sector in Tiruppur comprising about 2500 hosiery units along with 750 numbers of dyeing (or) bleaching units, 300 printing units, 200 embroidery units and 200 compacting, raising and calendaring units are located at Tiruppur providing employment to 3.20 lakh persons with estimated annual production of 23 million sq.metre of hosiery products. The activities of hosiery units have given birth to other ancillary units such as manufacturing of cartons, polythene bags, packing materials, zips, buttons, tapes, printing of labels etc. The nearby areas are engaged in spinning cotton into yarns, knitting of fabrics, separating, and dividing the waste and scrap fabrics back into yarn for reprocessing etc. The commercial spin off from the hosiery unit is significant.

6.9.3 Sugar Industry:

The sugar industry is the largest agro-based one and capital-intensive industry, next to textiles in the State. The State is contributing about 9 per cent of the total sugar production of the nation in 2011-12 and occupies 4th place next to Uttar Pradesh, Maharashtra and Karnataka in that order. The overall performance of the sugar mills both by the State and national level was far from being satisfactory during 2011-12 and 2012-13. During 2012-13, sugarcane crushing season (October to September), there were 46 sugar mills in the State of which 16 in co-operative, 3 in public and 27 in private sector. Totally, 43 sugar mills (16 mill cooperatives, 2 in public sector and 25 in private sector) were functioning. Registered sugarcane area increased from 2.62-lakh hectare in 2011-12 to 2.93 lakh hectare during 2012-13 crushing season registering a moderate growth of 1.18 per cent. However, the cane crushed by the sugar mills declined from 254.55 lakh tonnes in 2011-12 to 214.57 lakh tonnes in 2012-13 recording negative growth of 15.71 per cent. Consequently, the production of sugar in the State declined from 23.79 lakh tonnes in 2011-12 to 19.07 lakh tonnes in 2012-13 exhibiting a negative growth of 19.84 per cent. For every year, considering the growing inputs, labour and other cost of production and responsibility to safeguard the interests of cane growers, the Government of Tamil Nadu is announcing the State Advised Price (SAP) more than the Fair and Remunerative Price (FRP) announced by the Government of India. For 2012-13, crushing season the State Advised Price was at Rs.2350/- per tonne (inclusive of Rs.100/- per tonne towards transport subsidy) linked to 9.5 per cent sugar recovery, with a premium of Rs.17.90 per tonne for every 0.1 per cent increase in recovery. During 2013-14, the SAP fixing at Rs.2, 650/- per tonne links to 9.5 per cent recovery. For the year 2013-14, it was estimated that the cane utilization would decline to 171.00 lakh tonnes by the sugar mills and



also the sugar production would come down to 15.33 lakh tonnes due to the sugar mills' refusal of to crush cane during the on-going season. It is contended that crushing cane was financially unviable citing the reasons that high production of sugar would lead to glut in the market and reduce the sugar prices. On the other hand, farmers sought higher cane price to meet the ever increasing input cost.

Additional benefits stem from the sugar mills in the State are by-products such as baggass, molasses, press mud, and production of alcohol, ethanol, and captive power. The sugar mills in the State are have to to co-generate power and use them in sugar manufacturing process and also export the excess power to the State Grid. For this purpose, the sugar mills were modernized with captive power generation capacity of 513.00 lakh mega watts and 528.00 lakh mega watts in 2011-12 and 2012-13 respectively and generated 21,540 lakh units and 16,500 lakh units of power during the corresponding period.

Table – 6.15 : Performance of Sugar Industry

Parameters	Tamil Nadu			All India		
	2011-12	2012-13	2013-14*	2011-12	2012-13	2013-14*
1. Total number of mills	46	46	46	529	526	526
2. Installed Crushing Capacity (Tonnes Crushed Per Day)	139900	139900	139900	243.83 (lakh tonnes)	250.00 lakh tonnes)	250.00 (lakh tonnes)
3. Cane Utilisation (lakh tonnes)	254.55	214.57	171.00	2569.75	2505.98	2500.00
4. Sugar Production (lakh tonnes)	23.79	19.07	15.39	263.42	251.40	250.00
5. Recovery Rate (%)	9.35	8.89	9.00	10.25	10.03	10.00
6. Levy Sugar Ratio	90:10	90:10	90:10	90:10	90:10	90:10
7. Minimum Statutory Price (Rs. Per tonne)	-	-	-	1450.00	1700.00	2100.00
8. State Advised Price (Rs. Per tonne)	2150	2350	2650	-	-	-

Note - * Estimates
Source: South India Sugar Mills Association, Chennai – 35.

The sugar mills continued to incur losses because of low ruling prices, which is below the cost of production, as revealed by sugar mills and 10 per cent of compulsory levy sugar obligation to PDS and unsteady sugar export policy. As a major initiative to pay off the long-pending arrears by the sugar mills to the registered sugarcane farmers, the Group of Ministers (GoM) recommended the financial packages of Rs.7500 crore. This package includes interest free loan with favourable repayment terms restricting of existing loan, incentives for the production of 4 milling tonnes of raw sugar for exports and doubling of ethanol blending in petrol to 10 per cent. The loan could be repaid in 5 years with a moratorium of two years. According to the sources of the sugar mills, the arrears would be at Rs.5064 crore in 2012-13 at national level out of which about Rs.500 crore in the State.

6.9.4 Cement Industry:

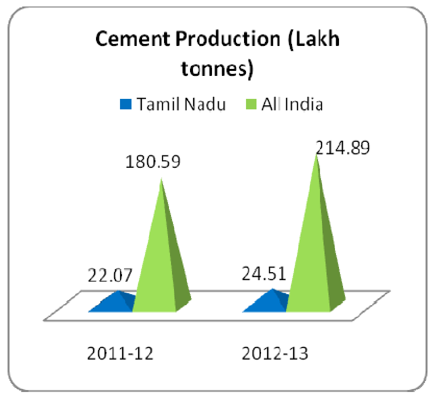
Production and marketing of cements through distributional channels are well defined for the growth of cement industry in the State. In the open market forces of demand and supply of cement are guided and motivated by the strong cartel system operating among the cement industries. Due to increased boost in construction activities both by the public and private sectors uninterrupted demand for cement makes the cement industries buoyant. Amalgamation and expansion of capacity of existing industries and establishment of new industries have taken place in the State. However, both at the State and national levels, the cement industries reported that operational cost of cement industries are increasing owing to increasing raw material cost, cost of coal, freight charges by the railways (dual freight

Table – 6.16 : Performance of Cement Industry						
Sector/Group	Annual Installed Capacity (Lakh Tonnes)		Production (Lakh Tonnes)		Capacity Utilization (%)	
	2011-12	2012-13	2011-12	2012-13*	2011-12	2012-13
I. Private Sector						
1.ACC, Madukkarai	1.18	1.18	0.72*	0.72*	61	70
2.Chettinad Cement	10.50	11.70	5.13	8.19*	66	70
3.Dalmai Cement	6.50	6.50	4.15	2.91	40	70
5.India Cements	5.86	5.86	4.04	4.10	68	70
4.Madras Cement	8.12	8.12	5.35	6.19	64	70
5.Ultra Tech Cement	2.50	2.50	1.78	1.88	72	70
II. Public Sector						
1.Tancem	0.90	0.90	0.90	0.52	56	70
III. Tamil Nadu Total	35.56	36.76	22.07	24.51	61	70*
IV. All-India Total	244.05	306.99*	180.59	214.89*	75	70*

Note: *- Data projected based on approximate 70 percent capacity utilization in 2012-13, since individual firm data are yet to be released by CMA.

Source: Tamil Nadu Cements Corporation Ltd., Chennai and Department of industrial policy and promotion ;

charging policy for movement of cement for domestic consumption and export), coupled with government intervention to control the price. All the above factors combined led to cut back cement production.



Tamil Nadu is one of the leading and largest cement producers in the country after Andhra Pradesh and Rajasthan. The annual capacity of cement industries in the State increased marginally from 35.56 million tonnes in 2011-12 to 36.76 million tonnes in 2012-13 recording a growth rate of 3 per cent.

India's cement production capacity, with current estimates around 307 lakh tones, emerges out 148 large and 365 mini cement plants, including public sector facilities. The Cement Manufacturers Association (CMA) long-term target calls for India's cement industry to reach a capacity of 550 million tonne per annum by 2020, which will involve adding a further 230 million tonne per annum. With the cement industry due to install, around 25 million tonnes in new cement production capacity this year, India's total cement production capacity will reach approximately 345 million tonnes by the end of the year 2013-14.

At the national level, the cement production expanded from 180.59.million tonnes in 2011-12 to 214.89 million tonnes in 2012-13. The State share in the annual installed capacity stood at 12.00 per cent at the national level, its share in cement production accounted for 11 per cent in the 2012-13.

The Indian cement industry, struggling with oversupply, falls in capacity utilization to 83.9 per cent for 2010-11, according to the Cement Manufacturers Association.

6.9.5 Fertilizer Industry:

The Government of India passed the Fertilizer Control Order (FCO) under the Essential Commodities Act (ECI) 1957 to regulate the sale price and ensure the quality of fertilizers in the country. India meets 80 per cent of its urea requirements through indigenous production but it is largely dependent on import for meeting its requirements of the Phosphate

(P) and Potassic (K). The fertiliser price was decontrolled by the Government of India to safeguard the domestic fertiliser industry. The Nutrient-Based Subsidy (NBS) Scheme for Phosphatic and Potassic (P&K) Fertilizers was implemented since 2010. A fixed amount of subsidy decided on annual basis is provided to each grade of P&K fertiliser producing industry depending upon its nutrient content. An additional subsidy is also provided to secondary and micro-nutrients producing industry. Under this scheme, manufacturers / marketers are allowed to fix the maximum retail price (MRP).

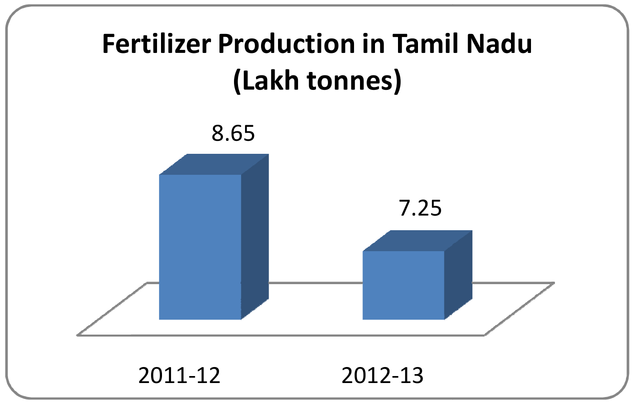


Table – 6.17: Performance of Fertilizer Industry – Tamil Nadu and All India (lakh tonnes)

Particulars	Tamil Nadu			All India		
	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
No. of Plants(No.)	9 (6.21)	9 (5.92)	(Target) 9	145	152	(Target) N.A.
a. Nitrogenous (N)	3 (7.32)	3 (7.14)	3	41	42	NA
b. Phosphatic (P_2O_5)	6 (5.77)	6 (5.45)	6	104	110	N.A.
Installed Capacity	11.88 (6.32)	11.88 (6.09)	11.88	187.94	195.22	198.76
a. Nitrogenous (N)	7.29 (5.80)	7.29 (5.54)	7.29	125.73	131.51	135.02
b. Phosphatic (P_2O_5)	4.59 (7.38)	4.59 (7.20)	4.59	62.21	63.71	63.74
Production	8.65	7.25	N.A.	166.52	160.60	165.44
a. Nitrogenous (N)	6.51 (5.30)	5.41 (4.42)	N.A.	122.88	122.37	121.73
b. Phosphatic (P_2O_5)	2.14 (4.90)	1.84 (4.81)	N.A.	43.64	38.23	43.71
Capacity Utilization (%)	72.80	61.03		88.60	82.27	
a. Nitrogenous (N)	89.3	74.2	N.A.	97.7	93.0	N.A.
b. Phosphatic (P_2O_5)	46.7	40.1	N.A.	70.15	60.0	N.A.
Consumption	10.01	7.98	-	252.14	234.74	
a. Nitrogenous (N)	6.85	5.75	N.A.	173.00	168.21	N.A.
b. Phosphatic (P_2O_5)	3.16	2.23	N.A.	79.14	66.53	N.A.

Note: Figures in parentheses indicates States share to all India
Source: The Fertilizer Association of India – Southern Region, Chennai.

There were 9 Fertiliser Plants comprising 3 Nitrogeneous (N) and 6 Phosphatic (P_2O_5) with installed capacity of 7.29 lakh tonnes of (N) and 4.59 lakh tonnes of (P_2O_5) in the State. No additional industries and installed capacities were created in the State during the three year period ending 2013-14. The total production of fertilizer in the State declined by 1.41 lakh tonnes from 8.65 lakh tonnes in 2011-12 to 7.25 lakh tonnes in 2012-13 displaying a negative growth of 16.28 per cent. As a consequence, the capacity utilization also declined from 72.89 per cent to 61.03 per cent during the corresponding period which was due to the fact that domestic production of both Nitrogeneous and Phosphatic fertilizers are highly depending on the import which involves heavy import bill. Consequently, the requirement of inorganic fertilizer for consumption of NP also declined from 10.01 lakh tonnes in 2011-12 to 7.98 lakh tonnes in 2012-13 exhibiting negative consumption growth of 20.28 per cent. In the domain of Agricultural Product Market, there is growing demand for organic manure to produce agricultural produce which is fetching high remunerative prices. As a result, the farmers are compelled to reduce the consumption of inorganic fertilizer.

At the national level, the State was sharing 7.14 per cent of Nitrogeneous plant, 5.45 per cent of Phosphatic plant with installed capacity of 5.54 per cent and 7.20 per cent respectively during 2012-13. On the production front, the State was sharing 4.42 per cent of N and 4.81 per cent of P in 2012-13 against a share of 5.30 per cent and 4.90 per cent in 2011-12 respectively.

6.10 Micro, Small & Medium Enterprises (MSMEs):

The micro, small and medium enterprises comes under both the registered and informal sectors. The major advantage of this sector is its low investment with high employment potential to skilled and unskilled persons. The labour intensity of MSMEs is comparatively higher than the capital-intensive industries. They find their easy location in every nook and corner of the State. The MSMEs are termed as nursery entrepreneurship which is frequently fostered by individual creativity and innovation. The classification of micro, small and medium enterprises at present is based on investment criterion in plant and machinery holding by each enterprise as given in Micro, Small, Medium Enterprises Development (MSMED) Act 2006.

Table-6.18: Investment Structure for MSMEs

Enterprises	Investment Limit (Rs. lakhs)
I. Manufacturing Enterprises	
a. Micro Manufacturing Enterprises	Upto Rs.25 lakh
b. Small Manufacturing Enterprises	From Rs.25 lakh to 5 crore
c. Medium Manufacturing Enterprises	From Rs.5 crore to Rs.10 crore.
II. Services Enterprises	
a. Micro Service Enterprises	Upto Rs.10 lakhs
b. Small Service Enterprises	From 10 lakhs to Rs.2 crore
c. Medium Service Enterprises	From 2 crore to Rs.5 crore.

Source: Department of Industries and Commerce, Government of Tamil Nadu

6.10.1 Performance of MSMEs:

As per the data provided by the Department of Industries and Commerce, the number of units registered in the State in SSI units increased by 9.17 per cent 6.90 lakh in 2010-11 to 9.60 lakh in 2011-12 and then it declined by 11.36 per cent to 8.51 lakh in 2012-13. Whereas during the corresponding period, the fixed investment made in these SSI units increased from Rs.32,009 crore to Rs.39,438 crore and further it rose to Rs.48,190 crore in 2012-13. Provision of employment by these SSI units increased from 47.97 lakh (9.23%) in 2010-11 to 53.00 lakh (10.47%) persons and further rose to 58.53 lakh (10.44%) persons. They produced different types of products to the value of Rs.1,51,455 crore in 2010-11,Rs.1,66,951 crore in 2011-12 and Rs.1,84,454 crore in 2012-13 they added significant value to the Gross State Domestic Product. The average value of production per

Table: 6.19: Performance of Micro, Small and Medium Enterprises – Tamil Nadu

Year	Cumulative no. of units registered in SSI / filling of Entrepreneur Memorandum	Investment (Rs. lakh)	Production (Rs. lakh)	Employment (Nos.)
2010-11	689511 (9.17)	3200854 (22.47)	15145519 (9.00)	4797494 (9.23)
2011-12	960150 (39.25)	3943813 (23.21)	16695119 (10.23)	5299875 (10.47)
2012-13	851124 (-11.36)	4818965 (22.19)	18445427 (10.48)	5853311 (10.44)

Note: Figures in bracket indicate the growth over the previous year.
Source: Department of Industries and Commerce, Government of Tamil Nadu

SSI unit declained from Rs.21.97 lakh in 2010-11 to Rs.17.39 lakh in 2011-12 and stabilized to Rs.21.67 lakh in 2012-13.The average employment opportunities provided by a SSI unit remained within 7 percent during the review years..

6.10.2 Structure of SSI / Micro, Small & Medium Enterprises in Tamil Nadu:

As of March 2013 there were 8.5 lakh SSI / MSME units functioning in the State. They are classified into 16 different types of categories at two digit level by the specific products produced by them. Out of 8.51 lakh SSI / MSMEs registered in the State, other servicing industries (25.65%) positioned themselves in the first place, followed by Hoisery and Readymade Garments (20.38%), Food Products (7.89%) and so on. Among the type of industries, Beverages and Tobacco products came last. The significance of these industries has been declining in the State. In Chennai district Leather & fur products, Paper and Paper Products, Rubber and Plastic Products, Basic Mineral Products, Electrical Machinery Apparatus, Transport Equipment and Parts and other Servicing Industries are concentrated.

Table: 6.20 : Classification of MSMEs in Tamil Nadu (2012-13)

Code No.	Classification of SSI/MSMEs	Total Number	% share to total	Ranked for Total Number	Highest no. of corresponding units concentrated by the District	% share to corres-ponding total
15	Food products	67158	7.89	3	(Erode) 6079	9.05
16	Beverages, Tobacco Products	3052	0.36	16	(Erode) 628	20.57
17	Cotton Textiles, Wool, Silk, Synthetic, Fibre Textiles, Silk products	56288	6.61	5	(Salem) 12025	21.36
18	Hosiery & Readymade Garments products	173501	20.38	2	22577 (Coimbatore)	13.01
19	Leather & fur products	17605	2.07	13	3083 (Chennai)	17.51
20	Wood & Wood Products	27722	3.26	9	5674 (Virudhunagar)	20.47
21& 22	Paper & Paper products	49246	5.79	6	11976 (Chennai)	24.32
23 & 24	Chemical & chemical products	27556	3.24	10	5448 (Virudhunagar)	19.77
25	Rubber & plastic products	28497	3.34	8	5895 (Chennai)	20.69
26	Non-metallic mineral products	25034	2.94	11	2126 (Salem)	8.49
27	Basic mineral products	13499	1.59	15	2522 (Chennai)	18.68
28	Metal products and parts	63159	7.42	4	12620 (Thiruvallur)	19.98
29	Machinery & parts except electrical products	45254	5.32	7	10269 (Coimbatore)	22.69
31	Electrical machinery & apparatus	20106	2.36	12	3684 (Chennai)	18.32
35	Transport equipment and parts	15175	1.78	14	2628 (Chennai)	17.32
93	Other servicing industries	218272	25.65	1	60885 (Chennai)	27.89
	Grand Total	851124	100.00			

Source: Director of Industries and Commerce, Government of Tamil Nadu

Food products, Beverages, Tobacco products were concentrated in Erode district whereas Cotton Textiles, Wool, Silk, Synthetic Fibre, Textiles, Non-metallic minerals were converged in Salem district. Hosiery and Readymade Garments and Electrical Machinery apparatus units were located in Coimbatore district. Virudhunagar district was present with by Wood and Wood Products and Chemical and Chemical Products. Tiruvallur district topped in metal products and parts. Additional investments in those type SSI units will spur the further industrial growth of such districts. From the district-wise number of MSME units registered, Ariyalur district had only 310 units in total. There is an urgent need that this district is to be industrially developed to create more employment opportunities and expand the productive capacity of the district economy.

6.10.3 Micro, Small and Medium Enterprises Policy 2008:

The Government of Tamil Nadu had introduced an Exclusive Policy for Micro, Small and Medium Enterprises in 2008 to provide logistic framework for achieving annual employment growth rate of 10 per cent in MSMEs during the Eleventh Plan period. The policy framework provides for incentives like infrastructure development, technology upgradation, skill development, marketing support, regulation and implication, administrative reforms and rehabilitation of sick enterprises to develop MSMEs in the State.

Table: 6.21: Employment generation in the MSME Sector during the XI Plan Period

Scheme	Employment Generation (Number)						
	2007-08	2008-09	2009-10	2010-11	2011-12	Total	% share
PMRY/PMEGP Scheme	52655	22712	20968	20080	8700	125115	11.83
NAMT/UYEGP Scheme	1180	370	343	1054	12272	15219	1.44
MSME Registration (EM Part II)	72972	63013	88036	221930	219620	665571	62.95
Cottage Industries Registration	13958	14280	21644	51322	48169	149373	14.13
Handicrafts Industries Registration	8134	8402	13905	33189	30282	93912	8.88
Industrial Cooperatives	1700	1569	1133	2570	1122	8094	0.77
Total	150599	110346	146029	330145	320165	1057284	100

Note: PMRY – Prime Minister's Rozgar Yojana; PMEGP – Prime Minister's Employment Generation Programme; NAMT – New Anna Marumalarchi Thittam, UYEGP – Unemployment Youth Employment Generation Programme.
Source: Policy Note 2013-14 on Micro, Small and Medium Enterprises Department ,Government of Tamil Nadu

The objective of generation of 10 lakh employment opportunities was achieved in the State during the Eleventh Five Year Plan period by inducing a bunch of entrepreneurs to take up self-employment and starting of industrial ventures through various financial incentives and promotional schemes, as envisaged in the Policy Frame Work of 2008, for the MSMEs. The employment creation during the Eleventh Five Year Plan period was 10.57 lakh over and above the target of 10 lakh, out of which MSMEs units provided employment to 6.66 lakh (62.95%), followed by cottage industries to 1.49 lakh (14.13%), PMRY / PMEGY scheme to 1.25 lakh (11.83%). During 2010-11 and 2011-12, the creation of employment opportunities was 3.30 lakh and 3.20 lakh respectively significantly higher than the achievement of previous years of the plan.

6.10.4 Financial Incentives to MSMEs – An Overview:

In order to promote the MSMEs' in the State, the Government of Tamil Nadu provides subsidy to the MSMEs and encourages them to function on a sustainable basis. The amount incurred for subsidy is swelling every year and number of units enjoyed the subsidy is also on the increase, as detailed below.

Table: 6.22: Exclusive Subsidy Schemes for MSMEs-Tamil Nadu						
Name of subsidy Scheme	**No. of Units**	**Disbursed Amount (Rs. lakh)**	**No. of Units**	**Disbursed Amount (Rs. lakh)**	**No. of Units**	**Disbursed Amount (Rs. lakh)**
	2011-12		**2012-13**		**2013-14 (upto August)**	
Capital Subsidy to all MSMEs upto 15% on value of plant and machinery subject to maximum of Rs.3.75 lakh & special capital subsidy to Thrust Sector Enterprises 15% on plant and machinery subject to maximum of 30 lakh.	1107	4500.00	1441	5039.71	729	2645.00
Low Tension Power Tariff (LTPT) subsidy at a flat rate of 20% for first three years	1371	600.00	1130	600.00	307	252.38
Generator subsidy at 25% of the generator set of 320 KVA capacity subject to maximum of Rs.5 lakh to MSMEs	781	724.15	1801	2179.04	582	680.00
Source: Director of Industries and Commerce, *Government of Tamil Nadu*						

6.10.5 Vision and Strategy for MSMEs:

Taking into account the wide ranging structural issues and challenges being faced by the MSMEs, the State has been experiencing a significant improvements in entrepreneurial spirit and management skills. However, the ever-increasing usage of Information and Communication Technology (ICT) and the outsourcing and networking strategies adopted by large and Multi-National Corporates (MNCs) require MSMEs to undertake proactive measures to ensure their sustainability in the end. Hence, Tamil Nadu Vision 2023 has flagged up the following major issues for address for the sustainability of MSMEs.

- Access to finance.
- Conducive Regulatory and Policy Frame Work and Environment.
- Access to Technology and Market and
- Infrastructure Availability.

The Vision 2023 is focusing on cluster development initiative for ancillary clusters based on the concentration of large mother industries and stand-alone clusters through a combination of policy measures, skill-development and infrastructural facilities with a view to generate 15 lakh additional employment during the XII Five Year Plan period in the State.

6.10.6 Khadi Industries:

The State had 175 units of Khadi Production Centres, 18 Silk Production Centres, 106 Khadi Craft Units, 107 Rural Textile Centres under Khadi industries during 2012-13 employing 610 men and 1240 women. The same number of units and employment generation was projected for 2013-14 also. Yarn production was at 26.76 hanks to the value of Rs.2.20 crore in 2012-13 in the Khadi Sector. It was projected to go up to 63.68 hanks at the value of Rs.5.43 crore. The khadi cloth production was at 2.45 lakh metres at the value of Rs.2.33 crore in 2012-13. It was estimated to rise 3.61 lakh metres in 2013-14 in order to fetch the value of Rs.6.00 crore. The silk khadi production stood at 0.22 lakh metres to the value of Rs.3.11 crore in 2012-13. It was estimated to increase to 0.25 lakh metres to the value of Rs.5.0 crore respectively in 2013-14. In the khadi polyester production units, there was 0.70 lakh metres to the value of Rs.0.86 crore in 2012-13. It has projections to expand to 2.22 lakh metres worth of Rs.3.00 crore. The khadi sales realized at Rs.15.88 crore during 2012-13. It has projections for doubling sales by advancing to Rs.30.00 crore in 2013-14.

6.10.7 Village Industries:

In the State, there were 3,837 village industries in 2012-13. It was expected to increase to 3943 in 2013-14 employing 6,213 workers and 6,355 workers respectively. The value of production of the village industries was of the order of Rs.42.27 crore in 2012-13. It is expected to realize a value of Rs.90.14 crore in 2013-14. The value of sales realized was at Rs.47.70 crore in 2012-13. It was expected to go up to Rs.95.30 in 2013-14.

6.11. Performance of Industrial Promotional Agencies:

The financial support for the industrial development is being promoted by the various State level Financial Corporation to meet the needs of small and major industries. Needed fillip is being accorded by these agencies. Creation of industrial infrastructural facilities, offering industrial incentives to industrial estates / complexes / establishing parks are being promoted by the State through the promotional agencies, as detailed below.

6.11.1 Tamil Nadu Industrial Investment Corporation Ltd. (TIIC):

TIIC is the first State level financial corporation in the country catering to the needs of MSMEs, especially first generation entrepreneurs. It also provides financial support to major industrial units in the State. Portion of financial support by the TIIC in recent years is given to Sugar, Cement, Textile, Textile Machinery and Aluminum Industries. It has its role in promotion of Industrial Clusters like Hosiery in Tiruppur, Textiles and Foundries in Coimbatore, Sericulture and Sago in Salem and Dharmapuri, wind mills in Tirunelveli, Palladam, Udumalpet etc.

As of March 2013, it extended financial assistance to 1.14 lakh units with a cumulative sanction of Rs.10,382.52 crore, out of which MSMEs sector had alone availed about 90 per cent of the cumulative assistance.

The financial performance of the TIIC in terms of sanctioning, disbursing and recovery is increasing from year to year. During 2012-13, disbursement was to the tune of Rs.789.05 crore out of sanctioned amount of Rs.969.53 crore. Of which 60 per cent of the total financial assistance was made available to Engineering, Auto Components, Textiles and Food Processing Sectors. For the year 2013-14, it was programmed to disburse Rs.950.00 crore to the needy.

Table :6.23: Sanction and Disbursement – Financial Performance of TIIC (Rs. Crore)

Year	Amount Sanctioned	Amount Disbursed	Recovery
2005-06	350.30	247.34	336.61
2006-07	457.03	321.33	369.78
2007-08	488.79	377.28	378.14
2008-09	538.37	416.22	380.84
2009-10	668.13	570.27	494.88
2010-11	939.25	735.58	710.81
2011-12	800.97	702.93	774.11
2012-13	969.53	789.05	888.62
2013-14 (Target)	1125.00	950.00	950.00

Source: TIIC, Chennai.

6.11.2 Tamil Nadu Small Industries Development Corporation Ltd. (SIDCO):

SIDCO was established with the main objective of assisting and promoting the interests of Micro, Small, and Medium Enterprises in the State. Its Vision is “to forge sustainable partnership with the MSMEs for enhancing their competitiveness” in the market structures. To achieve the Vision, SIDCO is also taking pro-active steps towards the development of Industrial Estates and Associated Social Infrastructure, Promotion of Cluster and Common Facility Centres for MSMEs. Further, it is rendering its help in purchasing of industrial inputs and provides best managerial and manufacturing practices, acquire capital and assist in marketing of manufactured products for MSMEs in the State.

Table:6.24 : Infrastructure Facilities Created by SIDCO (Rs. in Crore)							
Year	Type of Industrial Estate	No.	Project cost	Shared by			
				GOI grant	SIDCO contri-bution	GoTN contri-bution	Beneficiary contri-bution
2012-13	New	4	11.10	6.66	4.44	-	-
	Existing	1	2.00	1.13	-	0.60	0.27
2013-14 (proposed)	New	4	26.68	16.01	10.67	-	-
	Existing	2	6.32	3.79	-	1.90	0.63
Source: SIDCO, Chennai							

Currently, SIDCO is maintaining 35 Industrial Estates created by Government of Tamil Nadu and 59 Industrial Estates established on its own. Out of 15 Industrial Estates proposed to be established during 2011-12 and 2012-13, two Industrial Estates were set up each one at Rasathavalasu (Tiruppur district) and Venmanathur (Villupuram district) and remaining 13 are in different stages of progress. Vision Tamil Nadu 2023 envisages that SIDCO shall ensure that the common facilities and utilities are adequately provided in the industrial estates for development of SMEs as a strategic initiative to make SMEs more vibrant. In 2012-13, SIDCO had built up infrastructure facilities in four new industrial estates (Palayapatti -Tanjavur dt, Vaniyambadi-Vellore district, Mathur-Pudukottai district and Virudhunagar – Urban) at the project cost of Rs.11.10 crore shared both by the Government of India and SIDCO at the rate of Rs.6.66 crore and Rs.4.44 crore respectively. The upgradation of infrastructure facilities in one existing industrial estate (Malumichampatti-CBE dt) was also taken up in 2012-13 at the cost of Rs.2.0 crore sharing Rs.1.13 crore by Government of India, Rs.0.60 crore by Government of Tamil Nadu and the remaining Rs.0.27 crore as beneficiaries contribution. In 2013-14, the SIDCO proposed to create infrastructure facilities in four new industrial estates and upgrade infrastructure facilities in two existing industrial estates at a cost of Rs.26.68 crore and at Rs.6.32 crore into existing industrial estates respectively.

6.11.4 Assistance by the SIDCO:

SIDCO helped to supply raw materials like iron and steels, wax, potassium chlorate and TNPL paper 909 MSMEs units to the value of Rs.57.14 crore during 2012-13 and extended marketing assistance to 14 units to facilitate selling their finished items to the value of Rs.1.26 crore and programmed to sell raw materials to 920 units at the targeted value Rs.84.66 crore in 2013-14.

Table- 6.25: Assistance by SIDCO			
Type of assistance	2011-12	2012-13	2013-14 (Projection)
Raw-material Assistance			
a. No. of units benefited	965	909	920
b. Amount (Rs. lakh)	6073.69	5713.88	8465.8
c.Type of Assistance (Rs.Lakh)			
a. Iron and Steel	1941.84	1472.70	2238
b. Pottassium Chlorate	2.80	3.73	4.80
c. Paraffin Wax	3741.36	3631.13	5443.00
d. TNPL Paper	387.69	606.32	780.00
Marketing Assistance Scheme			
a. No. of units benefited	15	14	16
b. Amount (Rs. lakh)	164.36	125.91	
Source: SIDCO, Chennai.			

6.11.5 State Industries Promotion Corporation of Tamil Nadu Limited- (SIPCOT):

SIPCOT caters to the needs of large-scale industries in the State. It has been extending financial assistance to the needy units and maintaining industrial complexes with basic infrastructure facilities to large industries. In the post reform period, the developed industrial complexes of SIPCOT have housed various manufacturing industries viz. Daimler, Hyundai, Saint Gobain, Dell, Renault and Nissan, Ashok Leyland, Nokia etc. It also acts as a

Nodal Agency for implementing industrial assistance schemes announced by the Government of Tamil Nadu and by extending its various incentive measures to mega industries established in the State with high investment and employment potential. As of 2012-13, SIPCOT developed 19 Industrial Complexes including seven Special Economic Zones (SEZs) in 12 districts by acquiring 27000 acres of land for this purpose. Out of which, 20806 acres of land had been allotted to 2184 industrial units, thereby attracting Rs.1.00 lakh crore of investment in the production of manufacturing products and creating direct and indirect employment opportunities to 5.55 lakh persons. It is aimed to promote more number of industrial parks in Southern districts to make it an industrially focal point. It was proposed to create a Land Bank of 20,000 acres to fulfill the goals of Tamil Nadu Vision 2023. It also identified another 25,000 acres to spur the industrial development in backward districts.

In order to attract Foreign Direct Investment, promote exports, create more employment opportunities, SIPCOT had promoted seven Sector-specific Special Economic Zones (SSSEZs) over an extent of 2231 acres in the State viz. Hi-Tech SEZ in Sriperumbudur and Oragadam, Engineering Sector SEZ at Perundurai, Transport Engineering SEZ at Gangaikondan, Sector Specific SEZ for Engineering at Ranipet, Granite Industries SEZ at Bargur and Leather and Footwear Product SEZ in Irungattukottai. Many industrial giants like Dell, Samsung Electronics, Motorola, Sanmina, Moser Baer have established their industries in the Special Economic Zones.

Between 2011-12 and 2012-13 this Government signed 17 MoUs with leading industrial leaders, out of which 12 set-up their industries in SIPCOT Industrial Complexes with an investment of Rs.20000/- crore and to create employment potential to 1.02 lakh persons. To attract foreign investment from multinational corporate, Government of Tamil Nadu Nadu have issued orders for 100 acres of land each to be allotted by SIPCOT for setting up of separate industrial parks for investors from countries like Japan, Korea, Finland, Germany and France. SIPCOT is taking bold initiatives to establish new project like Truck Terminal Facility over an extent of 12.48 acres with an investment of Rs.8.65 crore on BOOT (Build Own Operate Transfer) basis at Irungattukottai Industrial Park in order to reduce traffic congestion in this area. Another Truck Terminal Facility on the same mode will be established at Vallam-Vadagal for the industries in Oragadam Industrial Growth Centre.

It is a nodal agency for sanction and disbursement of structured package of industrial assistance to large industrial units. So far, the SIPCOT released Rs.1748.58 crore incentives to 15 units as Soft Loan based on the VAT paid to Government, Investment Promotion Subsidy (refund of VAT paid to the Govt), Capital Subsidy, Effluent Treatment Plants/ Critical Infrastructure Subsidy and Training Subsidy based on the Govt. Orders.

A Committee is specially constituted by the SIPCOT to decide the size of investment made in the eligible fixed assets with a ceiling limit for availing the VAT- related incentives as detailed here.

Table-6.26 : Investment Eligibility to Avail Incentive (Rs. in Crore)

Project Type	Minimum Investment Required	Investment Period	Eligibility VAT Refund/ Soft Loan for the Period of
Mega Project	Rs.350 crore for Chennai, Kancheepuram & Thiruvallur dts. and Rs.250 crore for other district.	3 years	10 years
Super Mega Project	Rs.1500 crores	5 years	14 years
Ultra Mega Project	Rs.4000 crores	7 years	21 years

Source: SIPCOT, Chennai.

6.11.6 Tamil Nadu Industrial Development Corporation Ltd. (TIDCO):

TIDCO is promoting medium and large industries in the State through joint, escort ventures, in association with private sectors. It facilitates undertaking large industrial and infrastructural projects by involving capital and employment-intensive industries in the State with a vision to make the State the numero uno in the country. TIDCO has promoted several joint ventures for manufacturing products such as wristwatches, auto parts / components, iron and steel products, textiles, chemicals, fertilisers, pharmaceuticals, energy infrastructure, petroleum and petro chemicals, food and leather products. It has also ventured into setting up of IT / ITES Parks, Bio-Tech Parks, Special Economic Zones, Infrastructure and road development projects and Agri Export Zone. The Special Investment Region Projects are also being promoted by TIDCO in joint ventures.

During 2012-13, the portfolio of investment made by TIDCO stood at Rs.377.06 crore and most of them were in the form of equity investments in joint venture companies and investment made in on-going projects. Following are some of the industrial and infrastructure initiatives taken by the TIDCO and their present position: Now TIDCO has proposed to develop an Integrated Financial Service Centre (IFSC) near Chennai to attract domestic and overseas financial institutions to spark industrial development by providing financial support to the industries to be set up in the State.

Table- 6.27 : TIDCO's Projects Under Implementation

Name of the Project	Location/ District	Sector	Project cost (Rs. crore)	TIDCO's Investment (Rs. crore)	Employment Potential (No. of persons)
2011-12 & 2012-13					
L&T Ship Building Ltd.	Kattupalli, Tiruvallur	Associate	3375.00	25.30	10000
LNG Terminal	Kattupalli, Tiruvallur	Yet to be decided	4716.00	Yet to be decided	7000
Polymers / Plastic Industries Park	Ponneri Tiruvallur.	Yet to be decided	243.00	Yet to be decided	25000
Integrated Food Irradiation & Services Facility	Pillaipakkam, Kanchipuram	Yet to be decided	15.00	Yet to be decided	100
TRIL Info Park	Taramani, Chennai	Associate	3000.00	50.00	50000
TICEL Bio Park II	Taramani, Chennai	Sector	150.00	20.00	1500
SEZ for Food Processing Sector	Thoothukudi	Escort	550.00	0.49	10000
Perambalur SEZ	Perambalur	Yet to be decided	827.00	Yet to be decided	50000
Krishnagiri SEZ	Krishnagiri	Yet to be decided	1050.00	Yet to be decided	25000
Development of Solar Park	Paramakudi, Ramnad	Escort	920.00	0.49	1000
2013-14					
Ship Building Yard	Tuticorin	Yet to be decided	Yet to be finalized	Yet to be decided	-
A Gas based Power Plant with a Floating Storage Regasification Unit and a Deep sea port	Nagapattinam .	Associate	3500.00	Yet to be decided	-
Source: TIDCO, Chennai.					

The Financial Service Centre is an assembly of financial eco-system including Banks, Financial Institutions, Insurance Companies, Financial Markets, Regulators and Stock Exchanges. A Feasibility Report has been prepared. Based on the recommendations of the Report, TIDCO is taking steps to implement this project.

6.11.7 Tamil Nadu Industrial Guidance and Export Promotion Bureau:

The Guidance Bureau was established in 1992 with the objective of attracting major industrial projects in to the State. It also facilitates single window clearance and implements ASIDE Grant (Assistance to States for Infrastructure Development of Exports and Allied Activities).

During 2012-13, Guidance Bureau helped to sign MoU by the State with the total project investment of Rs.26625 crore with the employment capacity of 1.46 lakh. It provided single window facilitation to 8 projects with an investment of Rs.1268.76 crore and proposed to bring in new investment to the quantum of Rs.30000 crore during 2013-14. Guidance Bureau receives proposals for ASIDE Grant, scrutinizes to verify their eligibility and places them in the State Level Export Promotion Committee (SLEPC). A list of 44 projects was identified by the State to realize the 'Tamil Nadu Vision 2023'. The TIDCO had recommended them to get grant from the Government of India.

6.12 Performance of State Public Sector Undertakings:

The State Public Sector Undertakings (SPSUs) in the State are commanding heights of economy. They provide an indispensable service to the public in the form of basic services like water supply, transport, electricity, housing, public distribution system, industrial infrastructure, financial services, and agriculture and manufacturing activities including construction activities. As of 2010-11 (latest available data), there were 51 State Public Sector Undertakings. They are grouped under 10 major groups as per the functions provided by them. The total investment in the group of 10 Public Sector Undertakings increased from Rs.17,951.22 crore in 2010-11 to Rs.20,331.87 crore in 2011-12 exhibiting a growth of 13.26 per cent. Seven State Public Sector Undertakings raised their investment during these periods. Trade and miscellaneous groups witnessed a reduction in their investment while there was no investment in other transport group viz. Poompuhar Shipping Corporation Ltd.

The turnover of State Public Sector Undertakings went up from Rs.31629.05 crore in 2010-11 to Rs.35811.18 crore in 2011-12 registering a growth rate of 13.22 per cent. Out of 10 groups of SPSUs, the annual turnovers of 8 groups increased in 2011-12. It declined in the groups of development (industries and finance) and other transport. The trading group sharing of 65.58 per cent of total turnover in 2011-12 towered over all other groups due to the contribution made by Tamil Nadu State Marketing Corporation (TASMAC) to this group.

The bottom line is that SPSUs got into red. The net loss of State Public Sector Undertakings rose from Rs.1,057.23 crore in 2010-11 to Rs. 1,349.74 crore in 2011-12 due to heavy loss incurred by the State Passenger transport undertakings. The heavy loss incurred by the State passenger transport had pulled down the overall net profit of State Public Sector Undertakings.

The increased net loss of profit by the passenger transport corporations is a major concern for the State Government due to discharging social obligation function, diesel price hike and absence of efficiency gains in the operation of the State Passenger Transport. Agriculture and Allied Activities, Development (Industries and Finance) Development (others), Mining and miscellaneous groups posted their profit in 2011-12 compared to the previous year. The construction group as well as the trading group incurred losses in 2011-12.

Table – 6.28 : Financial Performance of State Public Sector Undertakings (Rs. crore)								
Group of SPSUs	**No. of SPSUs**		**Investment**		**Turn Over**		**Net Profit or Loss**	
	2010-11	**2011-12**	**2010-11**	**2011-12**	**2010-11**	**2011-12**	**2010-11**	**2011-12**
Agri. & Allied Activities	4	4	25.56	28.28	168.70	179.51	21.00	28.24
Construction	4	4	174.31	191.94	17.62	19.85	14.28	(-)0.59
Development (Industries & Finance)	9	9	8555.06	10490.53	1895.93	1729.52	260.76	280.91
Development (others)	6	6	196.39	211.16	573.46	616.13	8.42	20.79
Manufacturing	9	9	2148.13	2257.25	1751.28	1974.05	155.86	91.09
Mining	2	2	91.56	107.43	167.97	189.89	4.96	7.48
Passenger Transport	8	8	3719.35	4219.84	5652.80	6554.19	(-)1535.30	(-)1791.66
Other Transport	1	1	20.53	20.53	516.16	492.05	0.95	0.51
Trading	2	2	2437.73	2262.96	20742.18	23833.18	(-)2.63	(-)1.47
Miscellaneous	6	6	582.60	541.95	142.95	222.81	14.47	14.96
Total	51	51	17951.22	20331.87	31629.05	35811.18	(-)1057.23	(-)1349.74
Source: State Bureau of Public Sector Undertakings, Government of Tamil Nadu.								

6.13 Looking ahead:

The State occupies number one slot in terms of a number of industrial parameters. The manufacturing sector has become a broad-based one. In addition to this, Tamil Nadu has been a rich pasture for Foreign Direct Investment because of its inherent advantages. The recently molded bold and ambitious measures such as Tamil Nadu Vision 2023 phase I and II, Tamil Nadu Industrial Policy 2014, Tamil Nadu Automobile and Auto Components Policy 2014 and Tamil Nadu Bio-Technology Policy 2014 will go towards taking the industrial growth process into self- sustained and self-propelled one in the immediate future. Despite a perceptible industrial growth registered in the State as per the Annual Survey of Industries, a lop-sided development is observed in the distribution of industrial units across the districts and stagnation is noticed in the share of manufacturing in GSDP over a period of time. To overcome these problems, dispersal of industrial units to backward regions, especially, southern districts is imperative. Public Policy should emphasize those industrial projects that combine large backward and forward linkages (thus optimizing both autonomous and induced effects) with high income and price elasticity's.