Chapter - VI

Overview of Study Area
CHAPTER VI

OVERVIEW OF THE STUDY AREA

The State of Tamil Nadu is situated in the south eastern part of India and bounded on the east by the Bay of Bengal, west by the States of Kerala and Karnataka and north by the States of Karnataka and Andhra Pradesh and south by the Indian Ocean.¹

The State has the equatorial tropical climate in the inland areas and equatorial maritime climate in the coastal region. In the inland areas, the temperature is moderate. Being in equatorial region, the fall in temperature is not severe. The State has a maximum temperature of 40 degree celcius and a minimum of 18 degree celcius in the plain and a maximum temperature of 26.8 degree celcius and minimum 2-3 degree celcius in hill stations. The normal rainfall is 945.0 mm. p.a.

RIVERS / IRRIGATION

The major rivers which contribute to irrigation in Tamilnadu are Cauvery, Vaigai, Tambaraparani and the west flowing river Periyar. The other rivers which also provide irrigation facilities of sufficient magnitude are the Araniyaru, Kortalaiyar, Palar, Ponniar, Vellar and Kadayar.

The sources of irrigation include tanks, wells, tube wells, springs, channels, government canals, and private canals. The gross irrigated area is 3.04 million hectares and of the net irrigated area, 34% of the area is irrigated by government canals, 20% by tanks, 45% by wells and tube wells and the rest by other sources. The State accounts for the largest number of energized wells in the country.

¹ Pamphlet titled, "Indians Abroad, Tamil Nadu Welcomes You, Home Sweet Home", State Industries Promotion Corporation of Tamil Nadu Ltd., Madras, p. 3.
THE PEOPLE

Tamil Nadu is one of the premier industrialised States in India's rapidly liberalizing economy with a population of 56 million approximately equal to that of countries like France and Italy. It has a land area of nearly 1,30,000 square Kms., the size of New York State. The State Capital city, Madras is the fourth largest in the Indian sub-continent. Madras is strategically, located midway between the far-east and the middle-east. It has an equatorial climate. The State’s 1,000 kms., long coast line has its own unique utilities.

With a strong and growing middle class with rising expectations, Tamil Nadu provides a major market. High quality human resources with diverse skills and fluency in English mark the manpower of the State.

The literacy rate in Tamil Nadu is quite high compared to all India level. It is 74% in the case of male and 52% in the case of female, whereas all India level hovers at 64% and 39% respectively. The credit for this goes to the 29,491 primary schools, 5,651 middle schools, 4,949 secondary/higher secondary schools, 209 colleges, 74 technical institutes and 15 universities in Tamil Nadu. Table 6.1 gives comparative figures of the number of science and technology personnel in Tamil Nadu and India.

**TABLE 6.1**

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
<th>Per 10 sq. km.</th>
<th>Per 100 of population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tamil Nadu</td>
<td>1,28,635</td>
<td>31,690</td>
<td>1,60,325</td>
<td>12.32</td>
<td>3.31</td>
</tr>
<tr>
<td>All India</td>
<td>1,401,549</td>
<td>2,43,074</td>
<td>1,644,623</td>
<td>5.00</td>
<td>2.40</td>
</tr>
</tbody>
</table>

*Source: 'Focus Tamil Nadu', Industrial Guidance and Export Promotion Bureau, Madras, p.321.*
The organised sector employs more than 2.3 million people, forming the most disciplined work-force in the country. The industrial climate in Tamil Nadu is peaceful. Their attitudes to work are positive. The number of man-days lost on account of unrest is among the lowest in the country. Wage levels in Tamil Nadu are still modest by world standards.

INFRASTRUCTURE DEVELOPMENT

Tamil Nadu occupies a premier position in terms of infrastructure development. This has been responsible for rapid industrialization which coupled with excellent infrastructure facilities have encouraged investors to set up projects in Tamil Nadu.

1. TRANSPORT AND COMMUNICATION

The State has a network of extensive road links, rail and airways. An international airport at Madras links the State to major international cities. Many of the world’s premier airlines arrive and depart from here. The State also has seven domestic airports connecting all parts of the State to the rest of India. The State has two major all weather ports at Madras and Tuticorin and two intermediate and six minor ports which annually handle over 32 million metric tonnes of cargo. Tamil Nadu has a well-spread out network of roads traversing 1,70,500 kms., Railway line runs through the length and breadth of the State connecting all the regions of India.

Tamil Nadu is apart of the global telecom network. Integrated communication facilities link the State to all parts of the world. Telecommunication is important not only because of its role in bringing benefits of communication to every corner of India but also in serving the new policy objectives of improving the global competitiveness of the Indian economy and stimulating and attracting foreign direct investment. The government has under the new liberalised policy opened up this area for private investment.
Tamil Nadu has a network comprising of 1,276 Exchanges with a capacity of 4,56,871 lines, 6,250 telex lines and PBx and PABx numbering 2,608. The number of Extensions and Direct Exchange lines is 44,285.

India has the largest network of post offices in the world. The national postal network has over 1.5 lakhs post offices in the country. In Tamil Nadu, Post and Telegraph Offices doing postal business only account for 7,346 and those doing both post and telegraph business are 4,631. In addition, there are 5,632 telegraph offices functioning separately.

2. POWER

Power consumption is one of the important indicators of the development of the economy. The State generates adequate power to fulfil the needs of all sectors. At present, 6,000 MW of power is being generated through thermal, hydroelectric and nuclear power plants. Plans for generating around another 4,000 MW over the next few years are in the pipe line. The viability of gas based thermal stations is being examined and BHEL, Trichy (a public sector heavy electricals unit in Trichy in the State) has designed a gas based power generation plant. The technology is ready for commercialisation.

India is the only country in the world to have an independent ministry for non-conventional energy sources. It is also rated quite high in the world for wind resources availability. An assessment of wind energy resources indicates a potential of 20,000 MW in different regions. Out of this, Tamil Nadu has a potential to generate 5,000 MW. In Chidambaranar, Kattabomman and Kanyakumari districts of Tamil Nadu, high wind potential has been observed and the exploitable potential for wind farms in these areas is around 3,000 MW. Muppandal in Kanyakumari district has the highest average wind speed and wind farms have already been established in these areas. The Central Government is considering a World Bank master plan to create wind power plants of 700 MW in Tamil Nadu. Tamil Nadu Government has decided to set up 100 MW capacity during VIII plan.
period. So far, wind power stations to the capacity of 14 MW have been established in the State sector and a capacity of 2 MW in private sector. The Table given below presents the particulars of the pattern of energy consumption in Tamil Nadu State.

TABLE 6.2

ENERGY CONSUMPTION PATTERN

(Million Units)

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic</th>
<th>Commercial</th>
<th>Industrial</th>
<th>Agriculture</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987-88</td>
<td>1818</td>
<td>925</td>
<td>4598</td>
<td>3136</td>
<td>811</td>
<td>12142</td>
</tr>
<tr>
<td>1988-89</td>
<td>2094</td>
<td>1054</td>
<td>5535</td>
<td>3524</td>
<td>970</td>
<td>13754</td>
</tr>
<tr>
<td>1989-90</td>
<td>2498</td>
<td>1084</td>
<td>6145</td>
<td>3190</td>
<td>725</td>
<td>14227</td>
</tr>
<tr>
<td>1990-91</td>
<td>2632</td>
<td>1093</td>
<td>6835</td>
<td>3991</td>
<td>1114</td>
<td>16244</td>
</tr>
</tbody>
</table>

Source: ‘Focus Tamil Nadu’, Tamil Nadu Industrial Guidance and Export Promotion Bureau, Madras, p.323.

During 1991-92, the net power deficit of Tamil Nadu was -4.8% and during 1992-93, the position improved with the deadlines in deficit to -1.70% which is the lowest in the country. The Government of Tamil Nadu is taking necessary steps to create additional capacity to bridge the demand - supply gap.
3. FINANCIAL INFRASTRUCTURE

Availability of adequate and timely financial assistance is a sine-qua-non for achieving rapid industrialization. Details as to finance and banking facilities in Tamil Nadu are presented below:

Banks in Tamil Nadu

As of March 1992

<table>
<thead>
<tr>
<th></th>
<th>Number of bank branches</th>
<th>% of total number in all India</th>
<th>Number of branches per million population</th>
<th>Deposits</th>
<th>Advances</th>
<th>Per capita deposits</th>
<th>Per capita advances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of branches per million population</td>
<td>4,316</td>
<td>7.11%</td>
<td>0.78</td>
<td>Rs.1,51,530 mn</td>
<td>Rs.1,51,210 mn</td>
<td>Rs. 2,725</td>
<td>Rs. 2,720</td>
</tr>
</tbody>
</table>

Source: 'Focus Tamil Nadu', Tamil Nadu Industrial Guidance and Export Promotion Bureau, Madras, p.214.

TABLE 6.3

FLOW OF CREDIT FROM FINANCIAL INSTITUTIONS INTO TAMIL NADU AS OF MARCH 1992

(Rs. in million)

<table>
<thead>
<tr>
<th>Institution</th>
<th>Sanctioned</th>
<th>Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDBI</td>
<td>6,902.0</td>
<td>4,160.0</td>
</tr>
<tr>
<td>IFCI</td>
<td>1,968.0</td>
<td>1,158.0</td>
</tr>
<tr>
<td>ICICI</td>
<td>2,579.0</td>
<td>1,644.0</td>
</tr>
<tr>
<td>SIDBI</td>
<td>3,005.0</td>
<td>2,118.0</td>
</tr>
<tr>
<td>IRBI</td>
<td>462.0</td>
<td>160.0</td>
</tr>
<tr>
<td>RTCI</td>
<td>13.0</td>
<td>2.0</td>
</tr>
<tr>
<td>TDICI</td>
<td>51.0</td>
<td>39.0</td>
</tr>
<tr>
<td>Total</td>
<td>14,980.0</td>
<td>9,281.0</td>
</tr>
<tr>
<td>All Financial Institutions</td>
<td>19,807.0</td>
<td>12,525.0</td>
</tr>
<tr>
<td>Rank of Tamil Nadu at All India Level</td>
<td>III</td>
<td>III</td>
</tr>
</tbody>
</table>

EXISTING AND EMERGING INDUSTRIES

The manufacturing sector in Tamil Nadu has made rapid strides. The industries in Tamil Nadu have carved a niche for themselves in the industrial map of India. The manufacturing sector has emerged as the most vibrant segment of Tamil Nadu's economy contributing well over 33.5% of the State's domestic product.

The State has a well established base of core industries. Its strengths are in engineering goods, chemicals and fertilizers, paper, leather goods, textiles and granite: Engineering and leather goods have established consistent access to overseas markets due to lower fabrication costs and local input availability.

The secondary sector has earned for itself a place of pride by having a major share of production at the all India level in respect of a number of products. In the finished leather goods industry, Tamil Nadu accounts for 70% of India's leather goods trade. The State produces 28% of the yarn produced in India. Cement plants with an annual production of over 5 million tonnes have proliferated. As for the automobile industry, the State produces 27% of the commercial vehicles, 26% of mopeds and 13% of the motor cycles. The State accounts for 49% of railway coaches, 17% of newsprint, 15% of tea, 50% of power driven pumps and 90% of safety matches produced in the whole country.

Tamil Nadu occupies a premier position at all India level with about 12.9% of factories, 8.3% of fixed capital, 10.6% of industrial output and 10% of value addition. In terms of annual compound growth rates, the performance of factories in Tamil Nadu is above national average.

The engineering industry in Tamil Nadu is well developed, producing a host of products. Being the hub of auto ancillaries, Madras is considered the "Detroit" of the east.
The hosiery and textile industry have made rapid strides. Tiruppur has emerged as a major exporter of cotton fabrics and hosiery. During 1991-92, both direct and indirect export of knitted products from Tiruppur were about Rs. 6,500 million and is poised to cross Rs. 10,000 million mark very soon.

The newer areas are electronics with a boom in both computers and consumer electronics. Electronics has been identified as a sunrise industry. Madras and Hosur have emerged as major production centres. Madras has about 171 units whereas Hosur has 10 units manufacturing a variety of electronic products. Production of electronic items in Tamil Nadu has increased from Rs. 950 million in 1983 to Rs. 8,027.3 million in 1990-91, registering an annual compound growth rate of about 35.6%, thus exceeding the national average. The share of medium and large scale units constitute 66.8%, whereas the share of SSI units was 33.2%. This industry provides employment for about 30,000 persons at present.

Aquaculture is also an emerging area and Tamil Nadu’s vast coastline offers immense potential for shrimps and other fish species under agribusiness. Tamil Nadu has a comparative advantage in floriculture, fruit and vegetable processing. Tourism has also been identified as an industrial activity.

Export generally is considered as the life-line of a country. A sustained and significant increase in exports can make a very positive contribution to economic development. Inspite of hard efforts to promote exports since independence, the results have not been satisfactory. However, after liberalization of the economy, one finds substantial increase in exports. Tamil Nadu does not lag behind as regards exports. The share of Tamil Nadu in the exports from southern region is 57%. Principal commodities exported from Tamil Nadu are given below in Table 6.4.
TABLE 6.4

PRINCIPAL COMMODITIES EXPORTED FROM TAMIL NADU
(1993-94)
(Rs. in crores)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Principal Commodities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Leather and Leather Products</td>
<td>2,065</td>
</tr>
<tr>
<td>2.</td>
<td>Ready made Garments</td>
<td>1,886</td>
</tr>
<tr>
<td>3.</td>
<td>Cotton Textiles</td>
<td>1,474</td>
</tr>
<tr>
<td>4.</td>
<td>Engineering Goods</td>
<td>655</td>
</tr>
<tr>
<td>5.</td>
<td>Marine Products</td>
<td>504</td>
</tr>
<tr>
<td>6.</td>
<td>Handloom</td>
<td>432</td>
</tr>
<tr>
<td>7.</td>
<td>Granite</td>
<td>206</td>
</tr>
<tr>
<td>8.</td>
<td>Other items</td>
<td>1,866</td>
</tr>
<tr>
<td></td>
<td>Total Exports from Tamil Nadu</td>
<td>9,088</td>
</tr>
<tr>
<td></td>
<td>Total exports from Southern Region of India</td>
<td>15,892</td>
</tr>
<tr>
<td></td>
<td>Share of Tamil Nadu in the Exports from Southern Region</td>
<td>57%</td>
</tr>
</tbody>
</table>

Source: Directorate General of Commercial Intelligence and Statistics, Madras.
However, in terms of export growth rate in the southern region, Tamil Nadu stands behind Andhra Pradesh and Karnataka as shown in Table 6.5.

**TABLE 6.5**

**EXPORT GROWTH RATE**

(Rs. in crores)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tamil Nadu</td>
<td>05,437</td>
<td>06,808</td>
<td>09,082</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>25%</td>
<td>33%</td>
<td></td>
</tr>
<tr>
<td>Kerala</td>
<td>01,861</td>
<td>01,774</td>
<td>02,482</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>-5%</td>
<td>29%</td>
<td></td>
</tr>
<tr>
<td>Karnataka</td>
<td>00668</td>
<td>00628</td>
<td>01,237</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>-6%</td>
<td>97%</td>
<td></td>
</tr>
<tr>
<td>Andhra Pradesh</td>
<td>00806</td>
<td>01,140</td>
<td>03,081</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>41%</td>
<td>170%</td>
<td></td>
</tr>
<tr>
<td>Southern Regions' Exports</td>
<td>08,772</td>
<td>10,350</td>
<td>15,882</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>18%</td>
<td>54%</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Directorate General of Commercial Intelligence and Statistics, Madras.*
INDUSTRIAL PROMOTION IN TAMIL NADU

To assist domestic and overseas entrepreneurs, Tamil Nadu has established several industrial promotion agencies. Information regarding project ideas, incentives, market facilities, and industries in Tamil Nadu are provided in a friendly atmosphere. A brief account of the industrial promotion agencies in Tamil Nadu is here.

1. TAMIL NADU INDUSTRIAL GUIDANCE AND E-BUREAU (GUIDANCE)

This is a single window agency for investors in Tamil Nadu, the Government of Tamil Nadu. GUIDANCE is a nodal agency for matters relating to NRI and Direct Foreign Investment in the state. It acts as an effective interface between promotional agencies and investors and provides recommendations to the government on policy matters relating to the investing community.

The most basic service from GUIDANCE is information. It acts as a storehouse of all industry-related information including opportunities, procedures involved in setting up projects, and the availability of land, water, and raw materials. GUIDANCE also identifies focused opportunities in specific projects and provides information on markets, products, and technology. It employs the services of professional consultants to enhance the quality of its services and to address diverse industry-specific needs.
SIPCOT, an establishment of Government of Tamil Nadu has been a catalyst in the development of medium and large scale industries in Tamil Nadu. It has helped to foster industrial development in backward and underdeveloped areas. SIPCOT also provides institutional finance with refinance assistance from Industrial Development Bank of India and Small Industries Development Bank of India for meeting fixed capital investments in industry.

SIPCOT mainly caters to the medium and large scale industries. Its activities comprise the following:

(i) Provision of financial assistance to medium and major industries under reference from IDBI/SIDBI.

(ii) Channelizing incentives from the State Government to industries.

(iii) Construction of industrial complexes to act as growth centres.

(iv) Monitoring of letter of intents and providing escort services to medium and large industries.

SIPCOT's financial assistance to medium and large industries is in the form of:

(i). NORMAL TERM LOAN SCHEME

SIPCOT extends term loan assistance to new units' expansion/diversification/modernisation schemes as well as for purchase of balancing equipment. SIPCOT can extend long term loans upto Rs.15 million for project outlay not exceeding Rs.50 million.
(ii). EQUIPMENT REFINANCING

Assistance under this scheme is available to the existing industrial concerns for purchase of identifiable equipment. The existing unit should have been in operation at least for four years and should have made profits at least during the preceding two financial years. The promoters are expected to raise a contribution of minimum 30% and the loan component will not exceed 66% of the total outlay in normal case and 60% in respect of projects like hotels, textiles, hospitals and solvent extractions. The application for assistance has to be submitted along with an investigation fee of 0.25% of the term loan applied subject to a minimum of Rs.5,000 and with a ceiling of Rs.35,000.

SIPCOT offers guidance to medium scale entrepreneurs for selecting a suitable venture. Further, it offers services to enable the entrepreneurs to obtain consents and clearances for their respective projects.

3. TAMIL NADU INDUSTRIAL INVESTMENT CORPORATION LIMITED (TIIC)

The main objectives of TIIC are as follows:

(i) To provide term loans for acquiring fixed assets like land, building, plant, machinery and equipment.

(ii) To finance setting up of new industries and also for expansion, modernization and diversification of existing industrial units.

The Corporation can extend financial assistance upto Rs.9.0 million to industrial concerns whose paid up capital and free reserves do not exceed Rs.50 million and whose project’s cost is not more than Rs.50 million.
4. TAMIL NADU INDUSTRIAL DEVELOPMENT CORPORATION LIMITED (TIDCO)

TIDCO has been established by the Government of Tamil Nadu with the following objectives:

(i) Identification of new industrial opportunities in Tamil Nadu.

(ii) Formulation of the new project concepts based on the available resources and the needs of the State.

(iii) Identification of technology both indigenous and foreign for successful implementation of the projects.

(iv) Assisting the private promoter in obtaining various government approvals.

(v) Offering further assistance after commissioning for trouble shooting and stabilization to reach profitable operations.

TIDCO offers the following schemes of assistance:

(i) Joint sector scheme provides for TIDCO's participation of 26% of equity share capital of a new venture against private promoters' equity of 25%.

(ii) Associate sector schemes provide for TIDCO's participation of 11% of equity share capital of a new venture, against private promoters' equity of 40%. In these schemes, 49% of equity share capital is offered to public. Long term loans and subsidies complete the project financing. Eligible project should have a minimum capital outlay of Rs. 50 million.
(iii) Under the Escort sector scheme, TIDCO assists the entrepreneurs in securing various clearances from the State and Central Government agencies. This is purely a service function. TIDCO subscribes for 1% of the equity capital of the project but will not participate in the management of the project as done in the case of joint and associate sectors.

TIDCO has been implementing projects in diversified areas such as manufacture of cement, steel, fertilizers, chemicals, petrochemicals, drugs and formulations, engineering goods, finished leather and shoes, industrial explosives, T.V. sets and watches, and helped a long way in accelerating industrial growth in the State especially in backward areas.

5. ELECTRONICS CORPORATION OF TAMIL NADU (ELCOT)

The Electronic Corporation of Tamil Nadu (ELCOT) has been set up to nurture and stimulate the growth of the electronics industry in Tamil Nadu. Towards this objective, ELCOT has been promoting joint ventures, mainly with technocrat entrepreneurs. ELCOT's role extends from identification of projects to formulation of proposals to financial participation and provision of infrastructural, marketing and managerial support. ELCOT's stake in the equity is limited to 26%.

ELCOT also has its own manufacturing division for the manufacture of wireless communication equipment. An In-house Technology Development Centre provides a database on technology development to foster product development. The product range of the joint ventures covers components, industrial products, communication products, computer software and hardware.

6. TAMIL NADU CORPORATION FOR INDUSTRIAL INFRASTRUCTURE DEVELOPMENT LIMITED (TACID)

TACID has been set up by the Government of Tamil Nadu primarily to provide infrastructural facilities to industries. Industries require power, water and
TACID can help to serve these. TACID constructs and maintains common facilities on a co-operative basis, e.g. effluent treatment plants, schools and colleges, recreational facilities, commercial complexes and so forth. TACID also acquires blocks of land to develop industrial complexes with infrastructural facilities.

7. TAMIL NADU SMALL INDUSTRIES DEVELOPMENT CORPORATION LIMITED (SIDCO)

Areas of operation of SIDCO are as under:

(i) Provision of infrastructural facilities for setting up small scale industries.

(ii) Distribution of key raw materials to small scale industries.

(iii) Marketing assistance to small scale industries.

(iv) SIDCO participates in tenders floated by Government Departments and undertakings on behalf of small scale industrial (SSI) units.

(v) SIDCO arranges to supply SSI products on rate contract basis to Government department and undertakings.

(vi) SIDCO organises buyer - seller meet between Government department and SSI from various disciplines.

(vii) SIDCO manages more than 60 estates and provides industrial sheds of various dimensions and also developed plots in rural and backward areas.

Under marketing assistance scheme, SIDCO helps the SSI units to market their products to departmental and other agencies of the government under this scheme. SIDCO has been given Export House Status to assist entrepreneurs in export marketing.
SIDCO assesses the demand for industrial infrastructure like developed plots and work sheds from prospective entrepreneurs through various ways such as on the spot study, detailed enquiry by the officers of the corporation and also through advertisements. During the VIII and IX five year plan period (1990-2000), SIDCO proposes to construct a minimum of 1,375 work sheds costing nearly Rs.515 million.

8. DIRECTORATE OF INDUSTRIES AND COMMERCE

The Directorate of Industries and Commerce attends to the planning and implementation of schemes for the promotion of industries in general, and small scale industries in particular in the State. The directorate provides various forms of assistance to the existing and new industries through its network of District Industries Centre. The Directorate concentrates on the following activities:

(i) Counseling and guidance for the new industries.

(ii) Registration of small scale industries and promotion of industrial co-operative societies. This enables SSI units to obtain assistance from banks and financial institutions.

(iii) Conducting Entrepreneur Development Programmes.

(iv) Disbursement of State's capital, generator and other subsidies.

(v) Dissemination of industrial information and market intelligence.

(vi) Conducting techno-economic surveys at district levels.

(vii) Providing escort services to first generation entrepreneurs.

(viii) Rendering of analysis and testing facilities to various types of industries.
Implementation of centrally sponsored schemes and self employment programmes for the educated unemployed youth.

Rehabilitation of sick small industries.

LOCATION OF STUDY UNITS

Most of the study units are located in the Madras Metropolitan Area (MMA), Madras Export Processing Zone and the Industrial Estates established by the SIPCOT and SIDCO. A brief account of these areas is presented below:

1. INDUSTRIES IN MADRAS METROPOLITAN AREA (MMA)

The major industries in Madras are automobile and transport equipment manufacture and their ancillary industries, railway coach building, petrochemicals and fertilizers, automotive tyres, bicycles, electrical machinery and leather products. In addition to Integral Coach Factory at Perambur and Heavy Vehicles Factory at Avadi, some of the large units are located in Ennore, Manali, Sembium, Padi, Ambattur, Porur and along the Madras Tambaram stretch.

Small and medium industrial units are located in Guindy and Ambattur industrial estates; some electronic units are in Perungudi and Taramani area. Many of the smaller industrial units are scattered in various parts of Madras city and MMA. Table 6.6 shows these details.
TABLE 6.6

INDUSTRIAL UNITS IN MMA

<table>
<thead>
<tr>
<th>INDUSTRY</th>
<th>No. of Units</th>
<th>% to State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery</td>
<td>280</td>
<td>32.50</td>
</tr>
<tr>
<td>Transport Equipment</td>
<td>275</td>
<td>70.90</td>
</tr>
<tr>
<td>Paper and Paper Products</td>
<td>274</td>
<td>34.40</td>
</tr>
<tr>
<td>Metal Products</td>
<td>248</td>
<td>46.10</td>
</tr>
<tr>
<td>Basic metal</td>
<td>236</td>
<td>40.60</td>
</tr>
<tr>
<td>Electrical</td>
<td>284</td>
<td>70.10</td>
</tr>
<tr>
<td>Non-Electrical</td>
<td>169</td>
<td>36.40</td>
</tr>
<tr>
<td>Rubber and Plastic</td>
<td>155</td>
<td>43.30</td>
</tr>
<tr>
<td>Chemical</td>
<td>150</td>
<td>16.00</td>
</tr>
<tr>
<td>Textile</td>
<td>138</td>
<td>21.70</td>
</tr>
<tr>
<td>Food products</td>
<td>126</td>
<td>4.56</td>
</tr>
<tr>
<td>Leather</td>
<td>114</td>
<td>24.30</td>
</tr>
<tr>
<td>Repair</td>
<td>83</td>
<td>18.30</td>
</tr>
<tr>
<td>Others</td>
<td>114</td>
<td>3.81</td>
</tr>
</tbody>
</table>

Source: 'Focus Tamil Nadu', Tamil Nadu Industrial Guidance and Export Promotion Bureau, Madras, 25. DAT., p. I.

Madras and Chengalpattu districts together account for 51.50% of productive capital and 45.25% of total output in the whole State. In the small scale industries sector, Madras and Chengalpattu account for about 23% of the units in the State of Tamil Nadu.
2. MADRAS EXPORT PROCESSING ZONE (MEPZ)

MEPZ is in Madras. It is located on the National Highway No.45, between Chrompet and Tambaram. It is only 5 kms., from Madras Airport and 24 kms., from Madras Harbour.

Government of India sanctioned the establishment of MEPZ in 1984. An area of 98 acres has been developed for locating industrial units under the first phase. Under the second phase, an additional area of 160 acres, adjacent to the present area has been acquired. About 350 industrial units in all are functioning in the zone, ultimately providing an employment to over 70,000 persons and exporting goods valued at Rs. 10,000 million a year on an average to various countries.

MEPZ provides developed plots of the required size (generally ranging from half acre to two acres each) to approved entrepreneurs for construction of factory buildings. Allotment of plots is on lease basis, initially for 15 years to be renewed thereafter. Plots in the first phase area having been almost completely allotted, allotment of plots in the second phase area has now been made.

The zone also has a Standard Design Factory (SDF) building. The building has 56 units of 500 sq.m., each to be leased to entrepreneurs initially for 5 years, renewable thereafter.

Since all the 56 units have been allotted, a second SDF building with units of sizes ranging from 250 sq.m., to 1,500 sq.m., is under construction. There is a gem and gold jewellery complex within the zone with special security arrangements.

Tamil Nadu Government has assured uninterrupted power supply to the units in the zone. The government has also exempt the units in the zone from power cut. A separate 230 KW, sub station capable of supplying 30 MW is functioning exclusively for MEPZ units.
Water is supplied by MEPZ to meet the requirement of the units in the zone. Water charge is Rs.10 per 1,000 litres.

Financial institutions, nationalized banks and other commercial banks provide the required finance, term loan and working capital loan. Indian Bank already has a branch functioning within the zone. Branches of a few more leading banks will function in MEPZ in course of time.

Abundant supply of manpower - technical, managerial and skilled, is available. The zone is surrounded by villages and suburbs where labour is available.

MEPZ has been declared a "Public Utility" under the Industrial Disputes Act by the State Government. Traditionally, work force in Tamil Nadu is gifted with natural intelligence and is disciplined, sincere and hard working.

An electronic digital telephone exchange with a capacity of 400 lines capable of being increased to 1,000 lines is functioning exclusively for the zone; 50 telex lines have also been allotted. Units are also permitted to import and install facsimile equipment free of customs duty. Department of Telecommunication has also provided Packet Assembly Disassembler (PAD) facility at Madras for international data communication.

Located on the National Highway, the zone is well connected with all parts of Madras and its suburban and satellite township by suburban electric railway, regular route buses, chartered vehicles, taxis, three wheelers, vans and trucks, and thus making transport of men or materials easy.

Cargo bundling facilities provided include a modern container terminal at Madras Harbour. Almost all the international shipping lines of over 35 in number operate regularly by feeder/direct vessels.
A warehouse of 3,000 tonnes capacity is available in the zone to store machinery, raw materials, finished goods and the like.

A modern township is being developed near the zone to provide housing facilities for the officers and employees of units in MEPZ; 390 flats have already been constructed and more flats/houses are under construction. The flats are allotted on outright sale or hire purchase basis.

A canteen is functioning in the zone for the benefit of the industrial units. Creche, post and telegraph offices are also being set up in the zone.

Import of capital goods, raw materials, consumables components, spares, books, and packing materials by units in the MTPZ is totally exempt from customs duty and does not require import licence and can be from preferred sources. Supplies of capital goods and raw materials to the zone units from the rest of the country, i.e., Domestic Tariff Area (DTA) is (i) exempt from Central excise duty, (ii) eligible for reimbursement of Central sales tax and State sales tax and (iii) is treated as "Deemed Exports" and made eligible for deemed export benefits.

Income-tax holiday for the units in the zone for any five consecutive years within the period of first eight years is available. Clearance of proposals by MPEZ under 'Single window' concept is practiced. Foreign investment is permitted up to 100% of equity and full and free repatriation of profits is allowed after payment of taxes. Liberal sanction of foreign exchange for business visits abroad is permitted. Telephone, telex and fax connections are given to units within a week.

The greatest attraction of setting up a unit in MPEZ is the absence of red tapism, procedural problems and the 'Single Window' concept in practice. The Development Commissioner is the nodal authority to get all the clearances and facilities and to provide comprehensive assistance.
The only major formality to be completed is the submission of application for initial approval to set up the unit. Application in 15 copies, along with detailed project report and evidence of firm marketing arrangements made has to be submitted to Development Commissioner, MPEZ. Decision on the application is taken within 14 days by the Development Commissioner under the Automatic Approval Scheme. In respect of proposals not falling under the purview of Automatic Approval Scheme, Board of Approval takes a decision within 45 days of its receipt. On receiving the letter of approval from the government and a request from the promoters, allotment of the plot or built up area is made to the entrepreneurs within a week. Power and water connections are provided immediately on allotment.

Subsequent steps like clearances from the pollution control authorities and approval from local authorities, RBI clearance and other minor formalities are taken care of by the MEPZ office. All custom clearances for import and export of goods are provided expeditiously.

Any pollution free industry which is not power intensive or water intensive can be set up in the zone. Since the zone is close to the airport, the processing undertaken in the zone should be such as not to attract birds.

The obligation of the zone units are:

(i) Industrial units undertake to export 100% of the production. However, rejects upto 5% are allowed to be sold in the DTA. Request for sale upto 25%of the produce in the DTA will be considered case by case on merit.

(ii) Industrial units are required to achieve the stipulated minimum value addition mentioned in the letter of approval /letter of intent. The minimum value addition for the zone units should be as follows:
(a) Computer Software 60%
(b) Ready-made garments 40%
(c) Silver jewellery and articles 25%
(d) Gold jewellery
   Plain gold jewellery 10%
   Studded jewellery 15%
   Other items 35%

(iii) The minimum average value of exports per year should be Rs.10 million except in the case of garments and gold jewellery where the minimum is Rs.15 million.

(iv) The units should execute a bond undertaking to fulfil the export obligation, value addition and other conditions prescribed.

3. INDUSTRIAL ESTATES

(i) HOSUR PHASE - I

Situated on Bangalore - Krishnagiri NH47 in Dharmapuri District of Tamil Nadu, the complex is spread over an area of 1,236 acres of land, 144 industrial units have been allotted developed plots. The climate in this area is salubrious. All infrastructural facilities needed for the industries like road, water, sewer, police station, fire station, first aid centre, housing, schooling, recreational facilities and so forth have been provided. Titan Watches, Lakshmi Automotive Looms, Asia Tobacco, Carborundum Universal, Brook Bond, Ashok Leyland, Reckitt and Colman are some of the industries located in this industrial complex.

(ii) HOSUR PHASE - II

SIPCOT acquired 457 acres of land in Moranapalli and Thorapalli Agraharam Villages in Hosur taluk in Hosur - Krishnagiri Road, 5 kms., from Hosur town; 30 projects have been allotted land in this complex. Infrastructural facilities similar to
those provided in Hosur Phase - I have been provided here too. Electronics and auto engineering industries are located here.

(iii) RANIPET

Situated at a distance of 110 kms., from Madras on NH45, the complex is 27 kms., from Vellore. Initially, 730 acres of land were acquired for the Phase - I and then an additional 133 acres were acquired for the Phase - II; 138 units have been set up, of which 99 units have commenced commercial production. This complex houses a variety of industries like engineering, automobile, leather and chemical. Appollo tubes, SRP Tools, Scales Limited., Murugappa Magnate and Enfield have units here. Around 200 SSI units of SIDCO and BHEL ancillary industries are also functioning here.

(iv) GUMMIDIPOONDI

It is located at a distance of 45 kms., from Madras on the Madras-Nellore Highway. The Madras - Calcutta broad gauge railway line is the border of this fast developing industrial and housing complex. SIPCOT has acquired 801 acres of land for this complex; 203 units have taken up land, of which 157 have commenced commercial production. This area has been identified as a satellite town, to relieve housing congestion in Madras city. The developmental activities include providing roads, sewer, water and power. Provision has been made for housing and schooling. The major industries in this complex include Automatic coaches, Indrad, Auto components, Dyana Lamps, Claro India and so forth. SIDCO has taken 25 acres for their SSI estate. Based on the demand for land, SIPCOT is adding another 600 acres of this complex for expansion purpose.

(v) CUDDALORE

Situated at a distance of 200 kms., south of Madras this complex is very close to the Madras - Chidambaram rail track and the towns of Neyveli and
Pondicherry. SIPCOT has acquired 519 acres of land for this complex; 55 industries have taken land and 29 have commenced production. The industrial complex is ideally suited for chemical and pharmaceuticals industries. TANFAC, J.K. Pharma, PENTASIA, SPIC, Vanavil Dyes, Usha - te - Bio Tech are some of the industrial units functioning here.

(vi) PUDUKKOTAI

This complex is located at a distance of 6kms., from Pudukkottai town and 35 kms., from Trichy city which has an airport. Spread over 412 acres of land, this complex has all necessary infrastructural facilities. Fifty industries have been allotted land; of which 34 are operational. The industries now functioning in this complex include steel castings, textiles, industrial gases, biscuits and poly sacks.