TAMIL NADU DEFENCE CORRIDOR: A DESTINATION OF CHOICE FOR KOREAN INVESTORS

by

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Contents

• Introduction to Tamil Nadu
• Why is Tamil Nadu an attractive investment destination?
• Defence Corridor in Tamil Nadu
• What TN Government offers?
• Tamil Nadu and South Korea
Tamil Nadu – An Overview

Population – **72 Million** (larger than UK or France and thrice the population of Australia)

Geographical Area – **Same as Greece and 30% larger than South Korea**

**Korean Companies in TN**: Hyundai, Samsung, Lotte Foods, Mando, Hanon, Dongsung

*Source: Government of India Census 2011; Government of Tamil Nadu*
Tamil Nadu – Salient Features

- Second largest state economy in India
- GSDP of USD 206 billion in 2017-18
- Consistently high economic growth rate - In 2016-17 and 2017-18, TN grew at 8%

Source: IBEF, Government of Tamil Nadu
Advantage Tamil Nadu

• **First in India**
  - Factories
  - Persons employed in the industrial sector
  - Operational SEZs
  - Urbanization
  - Technical universities and colleges

• **Second and Third in India**
  - GSDP
  - Governance
  - Human Development Index (2015)
  - Renewable energy capacity
  - 100% EoUs

Advantage Tamil Nadu

• **Major FDI destination**
  • Largest recipient of Korean FDI to India

• **Leading Manufacturing State**
  • Automobile – 35% of India’s manufacturing is in TN
  • Textiles – One third of India’s textile business and 40% of India’s yarn manufactured in TN
  • Electronics – 16% of national Electronic Hardware production

• **Leading Exporting State**
  • Accounted for 45% of India’s Automobile (Motor vehicles / cars) exports in 2017-18
  • Third largest software exporter

Infrastructure

- 4 Large sea ports (3 Government and 1 Private) and 22 Minor ports
- 4 international airports at Chennai, Coimbatore, Trichy, Madurai; 2 domestic airports at Tuticorin and Salem
- Power Surplus State
- Renewable Energy – Installed capacity of 11,113 MW, higher than that of Denmark or Netherlands
- Chennai is connected to the world by 3 submarine cables providing a bandwidth of 14.8 Tbps, also making it a vital node in India’s internet and this has helped TN to be a leader in ITeS

Source: Indian Ports Association * - Data from April 2017 – March 2018, Airport Authority of India, IBEF
Snapshot of top 5 States in India as per Frost & Sullivan’s GIL Index for Economic Development in India, 2017

<table>
<thead>
<tr>
<th>States</th>
<th>EDI Index, 2017</th>
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<tbody>
<tr>
<td>Maharashtra</td>
<td>1</td>
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<tr>
<td>Tamil Nadu</td>
<td>2</td>
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<tr>
<td>Karnataka</td>
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<td>Gujarat</td>
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<td>Andhra Pradesh</td>
<td>5</td>
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Ranked 2\textsuperscript{nd} in India in NCAER State Investment Potential Index (N-SIPI) 2018

1\textsuperscript{st} State’s rank in 2 of the 6 pillars assessed: Labour & Governance

- Moved up 4 places compared to 2017 rankings – 2\textsuperscript{nd} amongst the states to have made the most rapid gains
- Gained most places in ‘Governance’ pillar to move to the top position

- N-SIPI 2018 ranks the competitiveness of Indian States on six pillars
  - Land
  - Labour
  - Infrastructure
  - Economic Climate
  - Political stability
  - Governance

Source: NCAER Report 2018
India Today Magazine
Best Performing State-2018
TN DEFENCE CORRIDOR

- **Hosur**
  - MRO

- **Salem**
  - Salem Aeropark
  - Steel Plants

- **Coimbatore**
  - LMW, L&T, Roots, MAC, LGB, GD industries

- **Chennai**
  - HVF, CVRDE, OCF, Engine Factory, (Avadi)
  - BEL
  - 1 ship building (L&T shipyard)
  - Auto hub

- **Trichy**
  - Ordnance Factory
  - Heavy Alloy Factory
  - BHEL

- **Madurai**

- **Tuticorin**
Aerospace & Defence in TN

- Government of Tamil Nadu has formulated an exclusive Aerospace & Defence policy
- Policy Objectives:
  - Achieve 30% share of the defence sector in India
  - Create high-end employment opportunities for around 1 lakh persons in Tamil Nadu

120+ Aerospace component manufacturing companies in Tamil Nadu

70+ Engineering colleges conducting Aerospace courses

700+ Suppliers to various defence PSUs are operating in Tamil Nadu

5000+ Aerospace engineers graduating every year
AEROSPACE & DEFENCE PARK

- 250 acres in 2000 acres Industrial complex
- Land plots allocated to 15 units
- 50 A&D industries will operate
- Well connected

Towards the A&D Ecosystem Cluster based approach
ADVANCED COMPUTING & DESIGN ENGINEERING CENTER (ACDEC)

- Super Computing
- High Secure Data Center
- Specific Software & Hardware for Aerospace Components/System Designs
- Simulation System
- Virtual Reality Design Centre
- 3D Printing facility
- Proto typing facility
What does the State Government offer?

- Land – in different industrial parks
- Structured incentives package of support
- Infrastructure: Quality Power and Water Supply
- Single Window Facilitation & composite approval on a fast-track mode
**Incentives package to investors**

- Customized incentives package to investors based on investment, employment and project location. The package may include:

  - GST based refunds on sales
  - Stamp duty concessions on land allotment
  - Electricity Tax exemption
  - Capital subsidy
  - Training subsidy for training workers
Incentives & Concessions and Single Window Clearance

**Anchor Unit Subsidy (clause 5.1)**
- Anchor Unit Subsidy of Rs.10 Crore for the first 10 tier 1 / OEMs each and/or their supplier with a minimum investment of Rs.50 crore each and direct employment of 50 persons.

**Subsidy for Skill Development (clause 5.2)**
- 100% of the cost of the “on job” technical training will be reimbursed (subject, to max. of Rs.10000/month/trainee for 50 trainees per unit per year).

**Subsidy for Certification Process (clause 5.3)**
- 50% of the cost of Certification from Indian and International bodies will be reimbursed to the Industry, subject to a ceiling of Rs 25 lakhs per unit.
Subsidy for land Allotment (clause 5.4)
• 20% Concession will be given on the land cost for A&D units.

Capital Subsidy for MSME units (clause 5.5)
• Back ended Subsidy @10% will be given to the MSME industry investment upto Rs.10 crore

Capital Subsidy for Development of Aerospace and Defense Park (clause 5.6)
• Back ended Subsidy @10% will be given to the developers of A&D parks.

MRO (clause 5.7)
• Attractive Tax refund for MRO activities in Tamilnadu.

Structured Package of Incentives for projects @ investment >Rs.300 cr. will also be offered to both new and expansion of A&D manufacturing units on a case-to-case basis.
Good governance

- Public Affairs Index 2018 - TN is the second best governed State in India
- Excellent Public Order
- Harmonious Industrial Relations
- 3rd in UNDP’s Human Development Index (2015) as against 11th position in 1983
- Low Poverty Level
AEROSPACE INDUSTRY DEVELOPMENT ASSOCIATION OF TAMIL NADU (AIDA)-
An active Industry body of growing members - supporting Government initiatives
South Korea and Tamil Nadu

- Over 300 Korean companies in TN
- Over 6000 Koreans expats in Chennai
- Korean restaurants and department stores
- Indo-Korean Cultural and Information Centre
- Existing Korean companies are expanding and bring in further investment
- International Schools and world class health care facilities
THANK YOU