



The India Brand Equity Foundation is a public-private partnership between the Ministry of Commerce & Industry, Government of India and the Confederation of Indian Industry. The Foundation's primary objective is to build positive economic perceptions of India globally.

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INDIAN STATES
Economy and Business

Tamil Nadu



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INDIA BRAND EQUITY FOUNDATION
c/o Confederation of Indian Industry



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Executive Summary

Tamil Nadu is one of the most developed states in the country. The state has succeeded in reducing poverty and raising its standard of living. Literacy level in the state is one of the highest among all Indian states.

The state is witnessing rapid industrialization with overall economic development. It has grown as a manufacturing powerhouse in the country, especially in automobiles and textiles. The textile units in the state are known across the world. The state is home to one of the largest automotive component industries in the country. A number of international auto giants including Ford and Hyundai have set up their manufacturing facilities in the state with an investment of over US\$ 1 billion. The state's capital city, Chennai is called the 'Detroit of India'.

The software exports from the state grew at 700 per cent during 1998 and 2001. The state houses the largest transshipment facility in Asia. Chennai is ranked first with respect to technology exposure and responsiveness and is rated as an ideal location for software projects.

The State Government has taken various policy initiatives to facilitate growth in the industrial and services sectors. Various steps have been taken to upgrade infrastructure in the state. A number of policy measures such as single window clearance and easy entry to investors have made the state a chosen destination for FDI. Tamil Nadu is one of the first states to formulate an ITES and biotech policy. The state is vigorously highlighting the business opportunities it has to offer in the biotech and IT sectors. Funds have been created for promoting the state at national and international trade conferences.

Tamil Nadu has undertaken mega projects in conjunction with the private sector to upgrade the

existing infrastructure to world-class standards. A six-lane IT corridor (IT expressway) between Chennai and Sirueri (IT Bay area) has been commissioned. P&O Ports' investment has made the turnaround time at Chennai port among the lowest in the country. The state now boasts of one of the lowest power tariffs in the country. Two submarine cables connecting Chennai and Singapore will substantially increase the existing bandwidth for communication, making Chennai the 'Connectivity Gateway of India'.

■ Industrial Centres in Tamil Nadu



An Economic Snapshot

<i>Capital</i>	Chennai
<i>Area (sq km)</i>	1,30,000
<i>Population (Census 2001, million)</i>	62.1
<i>Literacy Rate (%)</i>	73.5
<i>Sex Ratio (per 1000 males)</i>	986
<i>Length of Coastline (km)</i>	1,076 (2nd longest in India)
<i>National Highway Length (km)</i>	2,002
<i>Domestic Airports</i>	Chennai, Tiruchirapalli, Coimbatore, Madurai, Tuticorin
<i>International Airport</i>	Chennai
<i>Major Ports</i>	Chennai, Ennore and Tuticorin with combined tonnage capacity of 73 MT (24 per cent share in India)
<i>Key Industries</i>	Textiles Leather Information Technology Automotive Auto components Engineering Mineral-based Agro-based
<i>Monthly Per Capita Consumption Expenditure (US\$)</i>	14.7 (4th highest in India)
<i>Market Potential Value (MPV)*</i>	9 per cent (2nd highest in India)

* MPV is a measure of means or prosperity of consumer, consumption pattern, awareness, market support and the size of the market



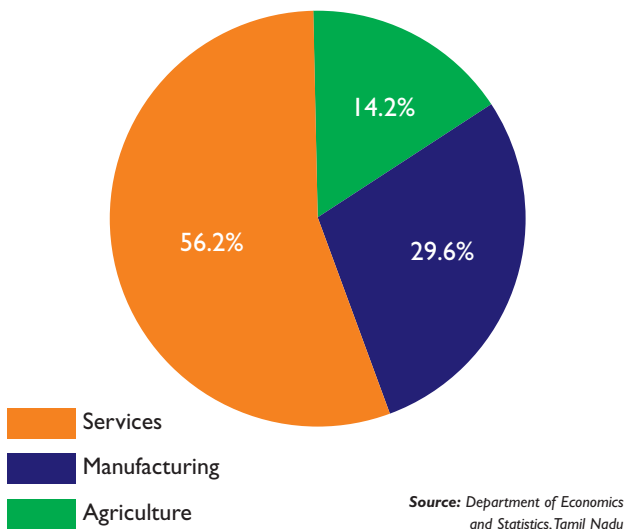
Advantage Tamil Nadu

- Highest value addition in industries
- Fastest growth rate of 700 per cent in software exports
- One of the leading states in the production of automotive components
- Largest capacity for engineering and polytechnic education
- Largest IT park in the country
- Highest number of factories and export oriented units
- Landing point for two submarine cables with a total bandwidth of 13 tbps
- Uninterrupted quality power supply to industries at low tariff rates (US cents 5.9 to US cents 8.0 per kWh)
- Single window policy for all approvals
- One of the first states to articulate an ITES and biotech policy

THE STATE ECONOMY

Tamil Nadu is one of the most industrialised states and the third largest economy in the country. The State Domestic Product stands at US\$ 27.4 billion and the current economic growth rate is 6.1 per cent. The exports are recorded at US\$ 6,450 million with a Compounded Average Growth Rate (CAGR) of 9 per cent in the past decade.

Sectoral contribution to Net State Domestic Income (at constant prices 1993-94) 2004

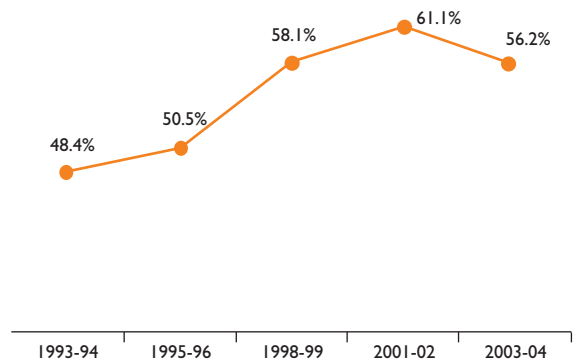


The growth in manufacturing and services sectors has fed and in turn benefited from the rise in the standard of living of the people in the state. The state is ranked third in the country with respect to per capita state income, which has grown at a CAGR of 5 per cent*. The state also has a share of 9.1 per cent Market Potential Value in the country, which reflects a high buying power and capacity of the market to absorb new products and services. There has been a significant increase in the proportion of population in the middle-income group.

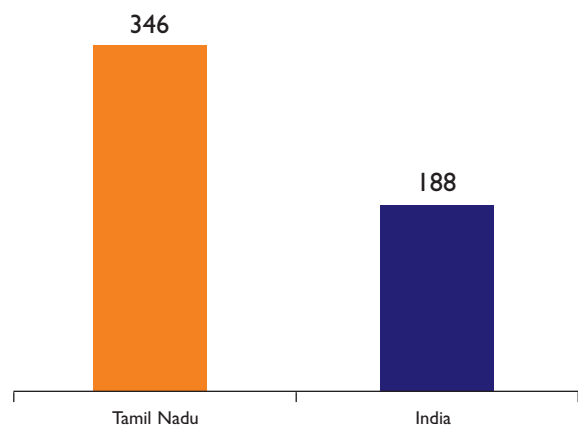
The services sector is the dominant contributor to the Net State Domestic Income. With 700 per cent growth in the IT sector in the state, the contribution of the services sector is only going to increase

further. The state attracts second highest number of foreign tourists registering a CAGR of 16 per cent during 1997-2002.

Growth of contribution of services sector to state income at constant prices of 1993-94



Per capita gross output in industries (US\$) (P) 2000-01



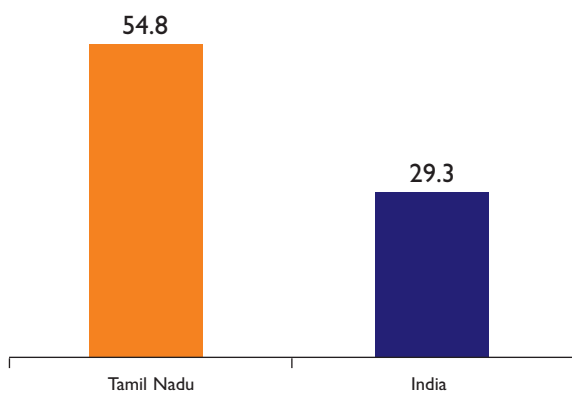
The state accounts for 16 per cent of the total number of factories in the country. It also has a well-developed manufacturing sector with a high value addition in the factories. Manufactured goods have a

*At constant prices (1993-94) from 1993-94 to 2000-01 (www.indiastat.com)

dominant market share in total industrial output in the state.

A significant portion (56 per cent) of the population continues to live in villages and relies on agriculture

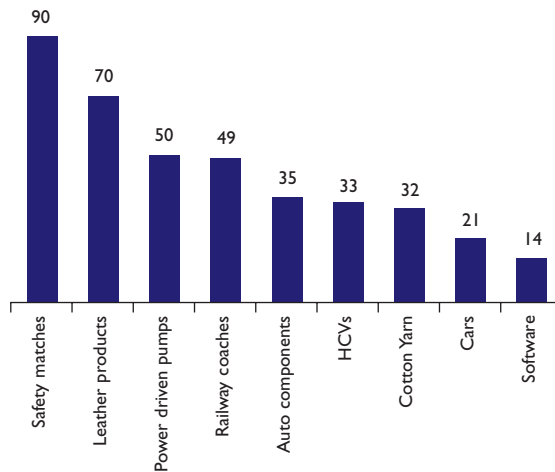
Per capita value added in industries (US\$) (P) (2000-01)



Source: Economic Survey of Tamil Nadu

as their principal source of income. The key crops grown in the state are rice, sugarcane and groundnut. The crop yield in the state is substantially higher than the national and world averages.

Tamil Nadu's share in India's output in various industries (in per cent) (2000-01)



Source: www.tidco.com

Yield per hectare (kg/ha) in 2003-04

Crop	Yield (kg/ha)
Sugarcane	9,192 kg/ha
Groundnut	1,552 kg/ha
Rice	2,308 kg/ha

INFRASTRUCTURE

The state has made tremendous progress in both social and economic infrastructure. Education and healthcare levels in the state have risen considerably. The State Government has encouraged private sector participation in the process of infrastructure development. This has resulted in rapid expansion of roadways, railways and capacity enhancement of the ports.

Social infrastructure

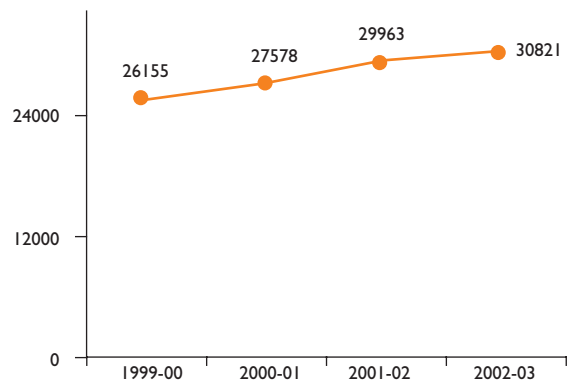
The state has successfully straddled investment in primary and higher education. Its focus on primary education has ensured that as high as 99 per cent of the state population has access to primary education.

Access infrastructure

Tamil Nadu has a long coastline with a number of ports and is well connected to major trade centres. Road and rail transport are the principal modes of transportation in the state. The *Sethu Samudram* project has been revived to provide a continuous navigable sea route along the Indian Peninsula. This will transform Tuticorin port into a transshipment hub similar to those in Singapore and Colombo. The project will also contribute to the development of the proposed 13 minor ports in the state.

The state is endowed with a large water storage capacity and efficient canal system. A desalination plant to be set up in Chennai is expected to augment existing availability. Water harvesting facilities are being developed in and around Chennai to check leakage of fresh water to the sea and replenish the existing groundwater levels.

Growth of power generated (Utilities) (in kWh)



Source: www.tn.gov.in

Towards uninterrupted power supply

- The state has one of the lowest power tariffs for industrial and domestic use. Investment in the power sector has been one of the highest among all states
- Total installed capacity of 11,383 MW
- The state is targeting a 30 per cent enhancement in its capacity by 2007
- One of the few states to articulate a policy for non-renewable energy generation

Communications infrastructure

The state offers state-of-the-art telecommunications infrastructure for high-speed large volume data transfer, video conferencing etc. The infrastructure includes 2,138 telephone exchanges with an installed capacity of 4.6 million lines.

Highlights:

- The world's biggest and India's first private submarine Optical Fibre Cable project i2i network with a bandwidth of 8.4 tbps will make Chennai the 'Connectivity Gateway of India'
- A US\$ 100 million project connecting Chennai and Singapore by submarine cable will increase the bandwidth by 320 giga bits per second
- Among the top three states in the country in terms of the total number of mobile phone connections at 1.06 million in 2003, which is 8.4 per cent of the total connections in the country
- The state's tele-density is 8 against the national average of 5.1
- With 0.33 million subscribers, the state stands third in terms of total number of internet connections

Financial infrastructure

Chennai is the financial capital of south India. The financial services sector offers tremendous opportunities. All national and international banks have offices in the state and are geared up to boost industrial investment. Tamil Nadu is in the top quartile in the country in terms of bank credit flow. The per capita bank credit flow in the state is 54 per cent higher than the national average.

Industrial infrastructure

Tamil Nadu Industrial Development Corporation Ltd has taken the lead to set up a Special Economic Zone (SEZ) at Nanguneri in Tirunelveli district for export production. Three agro-export zones are being set up in the state to boost exports. Madras Export Processing Zone (MEPZ) is one of the seven export processing zones set up by the Government of India. The state had approximately 15 per cent of the 100 per cent Export Oriented Units (EOUs) present in the country in 2003.

To provide an impetus to growth in the IT/ITES, biotech and industrial sectors, the state has created

industrial complexes and parks. There are 26 industrial parks in the state, five of which cater to biotech. IT parks such as TIDEL Park in Chennai have proved to be highly successful providing office space to a number of international software giants. Automobile giants such as Ford and Hyundai have established operations at the Irungattukottai industrial park. A number of private entities such as Mahindras have developed industrial parks. The Mahindra Industrial Township provides facilities that are at par with the best in the world.

STATE POLICY

The state policy aims to facilitate the creation of foreign and local ventures through investor friendly and transparent decision-making processes, harmonious industry relations and attractive incentive packages. The state is keen to consolidate its existing manufacturing strength and tap the business opportunities emerging in the IT/ITES and biotech sectors.

The objectives of the policy framework are:

- To achieve a growth rate of 8 per cent during the Tenth Plan (2002-07)
- To encourage new manufacturing capacity based on improved competitiveness, thereby promoting foreign direct investment towards the manufacturing sector
- To consolidate the existing industrial base and promote their growth
- To increase focus on infrastructure construction by establishing strategic public-private partnerships

Infrastructure Policy

The state has sought private participation in the infrastructure sector. An 'Infrastructure Fund' has been set up in order to facilitate public-private partnerships in this sector. The fund has been endowed with an initial corpus of US\$ 4.1 million and will finance a number of infrastructure development initiatives.

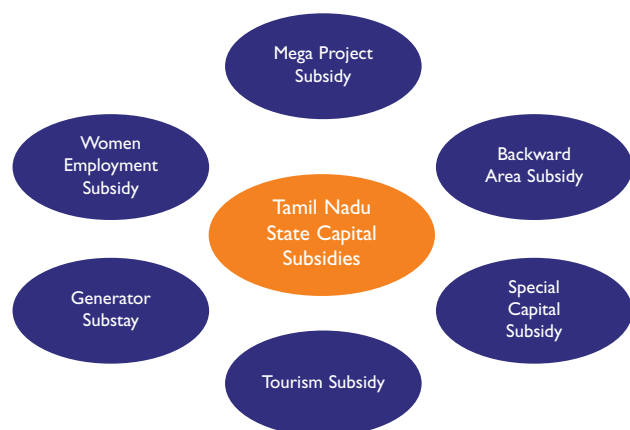
Investment Climate: Reaching out by facilitating business

Tamil Nadu has been able to attract a significant portion of the total FDI inflow in the country. The state recorded US\$ 281 million of FDI in 2002, 8.3 per cent of the total FDI in the country.

The state has taken a number of measures to enhance its image as a favourable destination for investment. Various steps have been taken to ease entry of investors in the state. Some of the steps taken are:

- Tailor made packages for investment over US\$ 62 million in fixed assets
- Exemption on entry and sales tax on imports of manufacturing units
- Capital subsidies and exemption in Electricity Tax to companies investing in fixed assets. Subsidies increased to 150 per cent for new industrial units located in government industrial parks
- Incentives for patent registration through a one-time reimbursement for the process
- Infrastructure subsidy, particularly to attract investment in water treatment

Subsidies on offer as per the state policy



Source: KPMG analysis

The Government of Tamil Nadu has established single window system to accord all pre-project clearances at the state level. The investor is merely required to file an application to a 'guidance' unit



that subsequently secures state approvals from various agencies. The single window system is two-tiered with:

- State Level Investment Promotion Board (SIPB) to monitor and expedite all mega projects exceeding investment of US\$ 20.5 million
- Project Approvals Authority (PAA) to monitor the projects with investment less than US\$ 20.5 million

e-Governance

A 'Special Working Group' (SWG) on e-Governance, under Tamil Nadu Information Technology Council (TNITC) has been set up to streamline government functioning. Transparency is to be sought by linking government databases to public domains. A legislation has been introduced to make inter-operability between governments mandatory.

IT Policy

The Government of Tamil Nadu is keen to tap the opportunities in IT/ITES. Tamil Nadu is one of the first states in the country to bring out an ITES and

Biotech Policy. A number of measures have been undertaken to attract investment in these areas:

- 'Destination of Choice Fund' to highlight the advantages of investing in these sectors
- Relaxation of the Floor Space Index regulation for IT parks
- 50 per cent exemption on stamp duty and the registration fee for purchase of land/building
- A scheme of cash per job created for ITES companies

Biotech Policy

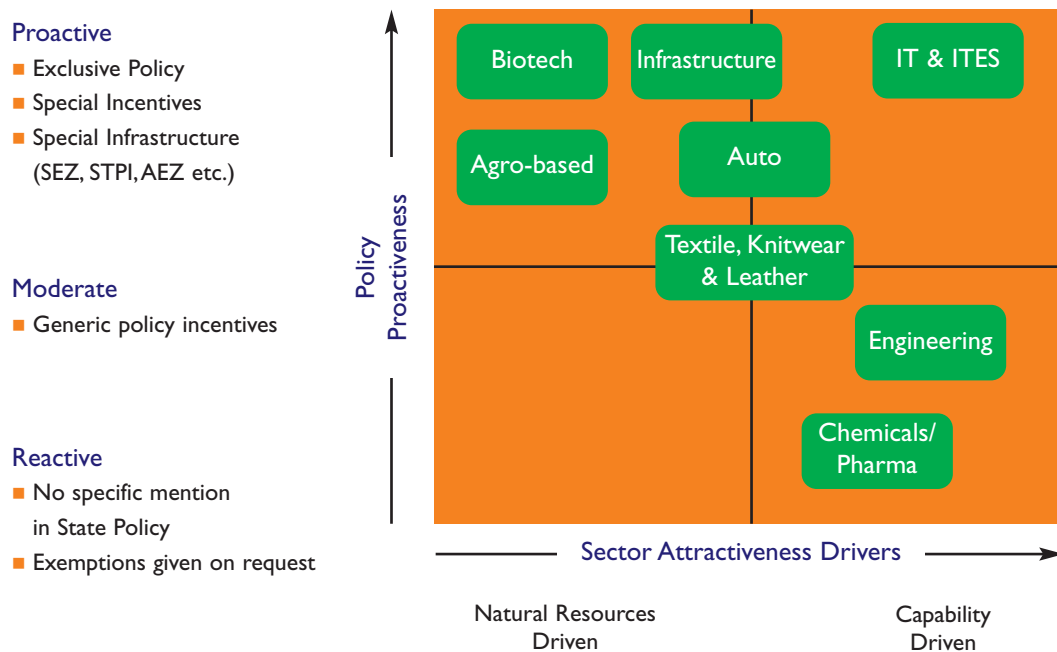
Biotechnology is also an emerging sector in the state. The Government has envisioned the creation of Biotechnology Enterprise Zones (Bio-Valleys similar to Silicon Valley). The state proposes to forge alliances between industry and centres of research to enhance and consolidate existing knowledge. It is setting up an 'Emerging Technology Fund', which would target biotech companies within and outside the park.

BUSINESS OPPORTUNITIES

There are several factors that affect evolution of an industry in a particular region. The major factors impacting evolution are:

- **Policy proactiveness:** The policy that a state government adopts towards a sector directly affects its attractiveness for further investment. For example, the Government of Tamil Nadu has given several concessions in the IT sector. This has prompted a number of IT majors, both domestic such as Infosys and Wipro as well as multinationals such as Cognizant, to set up software development operations in the state.
- **Availability of natural resources:** Certain industries such as agro-based have a high dependence on availability of natural resources. The western part of the state has emerged as a major
- **Capability:** Availability of good quality manpower is a must for all industries to flourish. High literacy rates and presence of good education and vocational training institutions have ensured that the state has well qualified manpower. This has been a major factor enabling the success of Tamil Nadu in sectors such as engineering, automotive, IT and ITES. Given its strong base of technical workforce, knowledge-intensive industries are gradually taking a lead position in the state.

Based on an assessment of the above factors, some of the industries with potential for investment and growth in the state are illustrated below:



The assessment is based on KPMG analysis. It is relative, subjective and not meant for statistical analysis.

Key industries

In the post liberalisation era, the state has emerged as one of the front-runners in attracting investment proposals. Tamil Nadu is in the top quartile in the total number of enterprises in the country with a consistent growth rate of 19 per cent.

Cotton textiles, Hosiery and Readymade garments

Tamil Nadu is one of the world's leading cotton textile centres. The state contributes more than 25 per cent to the country's exports of cotton yarn and fabrics. It continues to maintain its leading position in the industry and number of multinationals such as Wal-Mart, Tommy Hilfiger, GAP, Diesel etc. have made the state a global sourcing hub for readymade garments owing to the comparatively low production costs and high quality of output. With the phase out of the Agreement on Textile and Clothing (ATC), the state is well positioned to significantly increase its textile exports.

Tirupur Textile Cluster

Tirupur is an important trade centre of the country, which is famous for its knitted garment wears. It is situated near Coimbatore, which is known as 'the Manchester of south India'. Tirupur textiles cluster has units in spinning, knitting, wet processing, printing, garment manufacturing and export. In addition, there are ancillary units supplying buttons, laces, embroidery, cones and yarn processing.

Tirupur has a significant presence at the lower end of the international hosiery and knitwear market. Most entrepreneurs cater to the lower end of the hosiery market on a contract-manufacturing basis. The cluster accounts for 90 per cent of the country's cotton knitwear exports. With 300,000 employees, it has recorded total exports of US\$ 900 million approximately.

Information Technology

Tamil Nadu is among the leading states in the IT sector with exports of US\$ 2.3 billion approximately, in 2004-05. The state has over 1,200 software export companies and more than 90,000 IT professionals. To give an impetus to this industry, the Government of Tamil Nadu has announced an attractive IT Policy, offering added incentives and infrastructure support to investors. The state, through TIDCO and ELCOT has promoted TIDEL Park, a state-of-the-art facility for the IT Industry*.

Automotive and Auto components

The state has a well-developed automotive and auto component industry. It has manufacturing facilities across the automotive spectrum from tractors to battle tanks. Fortune 500 companies such as Hyundai and Ford have established manufacturing facilities in the state. The auto component industry is estimated to have an output of US\$ 1.2 billion.

Coimbatore Pumps and Motors Manufacturing Cluster

With modernisation of agriculture and rise in standard of living of the middle class, the demand for pumps is growing at a fast pace. Coimbatore Pumps and Motors manufacturing cluster with over 1,000 units are meeting almost 40 per cent of the country's requirements of pump sets. Coimbatore pumps are being exported for over 25 years. The industry has demonstrated tremendous flexibility by incorporating design changes to suit the site conditions. It has maintained quality, reliability and performance.

*TIDCO & ELCOT have promoted TIDEL Park, the state-of-art facility with a built up area of 12.8 million sq ft. This park achieved 100 per cent occupancy within 4 months of its commissioning. MNCs like Computer Associates, Cognizant, EDS etc. have taken space in this. Enthused by the success of TIDEL I, the State Government is embarking on TIDEL II. Apart from this, currently the Government of Tamil Nadu is in the process of setting up Information Technology parks with state-of-the art facilities at Coimbatore, Trichy, Madurai etc. To improve communications, the State Government is part-funding earth stations at Trichy, Madurai and Thirunelveli. Chennai is the landing station for 2 submarine cables from Singapore with bandwidth of 13 tbps.

Leather

The state has 70 per cent of the total installed capacity of hide and skin. It has a dominant presence in the leather and leather-based industries. The State Government is geared to provide all possible capital subsidies and infrastructure support by setting up industrial estates and common effluent treatment plants.

Chemicals and Petrochemicals

The chemicals industry has grown rapidly in India and overseas. The state traditionally has a strong base in the chemicals industry. Manali, situated on the outskirts of Chennai has emerged as a major petrochemicals complex.

Tourism

In 2003, 40 different tourism projects with a total investment of US\$ 423.4 million have been sanctioned and are in progress. In terms of investment in the tourism sector, the state ranks among the top five in the country.

Mineral-based

The mineral wealth of the state comprises granite, limestone and lignite. Neyveli Lignite Corporation has the country's biggest opencast mechanised lignite mines, mining 24 MTPA of lignite and generating 2,490 MW of power. The state's limestone reserves stands at 1,473 million tonnes. There are 12 major cement plants functioning in the state. The major players are Tamil Nadu Cements (TANCEM), Dalmia Cements, Madras Cements, India Cements, Grasim Industries, Associated Cement Companies and Chettinad Cements.

Engineering

The engineering industry in the state consists of a network of nearly 3,000 units and employs a skilled workforce of more than 250,000, making high quality inputs such as castings and forgings and a wide variety of ancillary products. Efforts are being made

to boost further development of this industry by enabling formation of industry clusters.

Agro-based

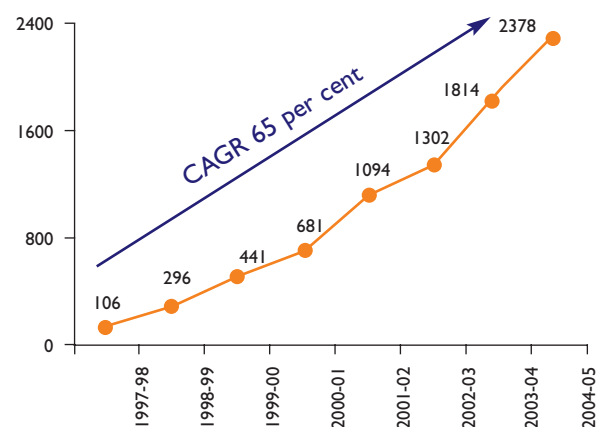
Owing to the ideal climatic conditions a strong agro-based food industry has emerged in the state. The state is a world leader in agricultural production with a high yield per hectare of sugarcane, rice and groundnut. The Madurai-Dindigul belt in Tamil Nadu has favourable climatic conditions for the cultivation of a variety of fruits and vegetables.

The floriculture industry is likely to get a thrust with the area around Coimbatore, Dharmapuri and the Nilgiris being earmarked as locations ideal for the cultivation of flowers such as rose and chrysanthemum. Of these, Coimbatore has been identified as an intensive floriculture zone.

Exports

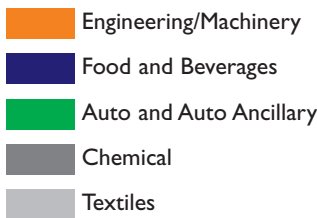
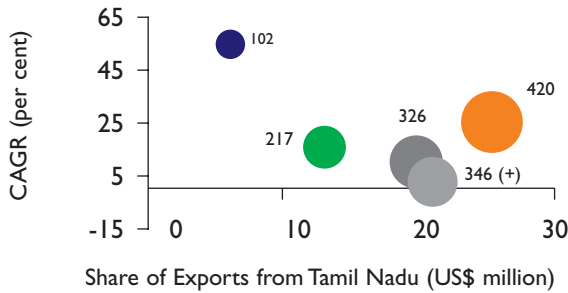
Tamil Nadu has performed well in the thrust industries recording a healthy-growth rate in exports. Exports from agro-based industries and software sector have shown a CAGR of 60 per cent approximately.

Total software exports from Tamil Nadu (US\$ million)



Source: Electronic Corporation of Tamil Nadu (ELCOT)

Estimates of exports from Tamil Nadu by Public Companies in 2002-03

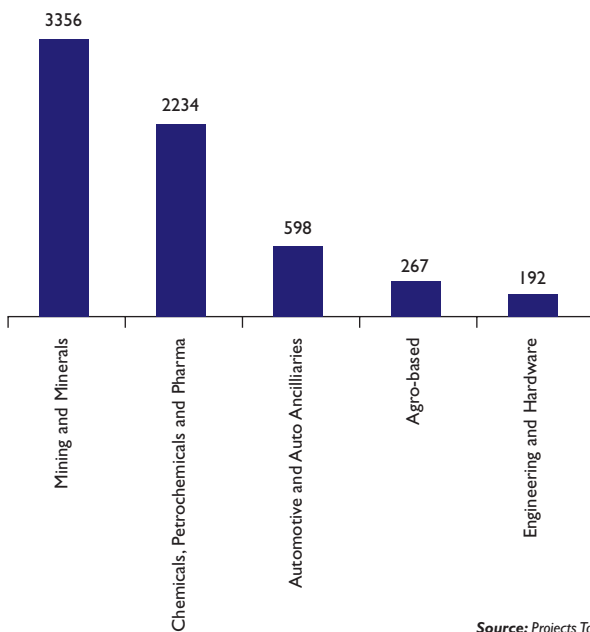


Source: CMIE Prowess Database (+) 4 year CAGR
Size of circle indicates exports in US\$ million

Investment

Multinationals such as Hyundai and Saint Gobain are investing in capacity enhancement measures

Estimate of likely investment in Tamil Nadu (US\$ million) (2004)



Source: Projects Today

in the state. Likewise Honeywell International Inc. has invested US\$ 65 million to set up a manufacturing centre.

The emergence of Tamil Nadu as a centre for manufacturing is in part due to the flow of foreign direct investment in the state. The state has successfully attracted a high quantum of investment in the manufacturing, IT and infrastructure sectors. The state has modelled itself as an attractive destination on the basis of sound infrastructure support, a quality workforce and policy initiatives by the State Government. The major foreign direct investment in the state is illustrated in the table below.

Company	Country of Origin	Segment	Investment (US\$ million)
Hyundai Motors	South Korea	Automotive	900
Ford Motor India	USA	Automotive	380
P&O Ports	UK	Port Infrastructure	150
St.Gobain	France	Glass Manufacturing	125
Visteon	USA	Auto Component	120
Mitsubishi	Japan	Automotive	50
Xansa	South Korea	IT	47
Matsushita	South Korea	Electronics	12

Potential hubs for investment

Manufacturing and sourcing base

Some of automotive multinationals that have set up operations in the state are leveraging their plants as global sourcing hubs.

Hyundai Motors has made Chennai a global production base for the compact car segment. Banking on its successful Indian operations, Hyundai has invested US\$ 220 million approximately, in its Chennai plant in order to increase its production capacity and has launched its C segment car, Getz, and sports utility vehicle, Terracan. Hyundai has a global

strategy to gradually shift the export base from South Korea to India to capitalise on lower shipping costs to Europe and Latin America and reduce delivery cycle times.

Ford Motor Company has made its plant in the state as a sourcing base for its mid-size car, the Ikon. Owing to the cost advantage in India, Ford is also sourcing auto components for its US, European and Chinese operations from the state.

R&D, Software development and BPO hub

The emergence of Chennai as an IT hub and the availability of a quality workforce have enabled the city in particular and the state in general to emerge as a centre for R&D in the country. The presence of a large number of engineering institutions, including IIT Chennai and Anna University have further augmented the state's claim as a prominent centre for R&D activity.

Companies such as Temenos (world leader in banking software) have invested to the tune of US\$ 15 million in R&D facilities in the state. Kone, the Finnish elevator giant is now sourcing all its software development from Chennai. Airbee Wireless, a US based software company, has invested US\$ 1 million to set up an R&D centre in Chennai. Software majors such as Cognizant, TCS and Infosys have set up software development centres in Chennai.

BPO outfits for a number of multinationals such as ABN AMRO, Standard Chartered and World Bank now operate from Chennai. The city also has the largest medical transcription facility in Asia.

Investment overseas by Tamil Nadu based companies

Sundaram Fasteners, the first ISO 9000 certified subsidiary of the TVS Group has invested US\$ 5 million approximately, and plans to invest up to US\$ 12.5 million. Sundaram Fasteners is the first company in the Indian engineering industry to set up a manufacturing unit in China. The initial capacity of

the plant is 6,000 tonnes and the company aims to generate 25 per cent of the export revenues from this plant. The company also plans to buy the UK-based forging company Dana Spicer. Another group company, the two-wheeler manufacturer, TVS Motors, is planning to set up an unit in Indonesia.



Infosys

PROFILE OF KEY PLAYERS IN TAMIL NADU

ABN AMRO

The bank set up its BPO division, the Global Support Centre (GSC), in Chennai in 2002. At present, GSC employs 275 individuals, who handle ABN AMRO's trade and cash management transactions and is planning to double the headcount to 500. The bank's BPO operations have been able to achieve growth in cash lockbox (700 clients) and international netting (10 clients). The Dutch-based ABN AMRO Bank proposes to invest US\$ 1 billion in India through selective acquisitions.

Amalgamations Group

The Amalgamations Group is one of the country's largest light engineering conglomerates with 34 plants, 12,500 employees and revenue of US\$ 475 million. The group comprises 43 companies in manufacturing, trading & distribution and services & plantations. The group is known for its well-equipped plants and world-class technologies. The group has a major presence in diesel engines, agricultural tractors, auto components, batteries, cutting tools and paints. The subsidiaries include TAFE, Higginbothams Pvt Ltd, India Pistons Ltd, Amco Batteries Ltd, among others.

Ashok Leyland

Ashok Leyland, a company under the Hinduja flagship, has a prominent presence in India's commercial vehicle industry with a reputation for reliability and ruggedness. The innovations made by the company have gone on to become industry norms. It is the first automobile company in the country to win the ISO 9002 certification in 1993. At 70 million passengers a day, Ashok Leyland buses carry more people than the entire Indian rail network. The sales turnover of Ashok Leyland stood at US\$ 811.1 million in 2003-04.

Bharat Heavy Electricals Ltd (BHEL)

Bharat Heavy Electricals Ltd is one of the largest engineering and manufacturing enterprises in the country and is ranked among the leading power manufacturers in the world. BHEL has 14 manufacturing plants and a number of service centres spread across the country and overseas. BHEL offers a wide spectrum of products and services for various sectors such as power, transmission, industry, transportation, oil & gas, telecommunications, non-conventional energy systems etc. One of the foremost manufacturing facilities of BHEL is the Tiruchirappalli (also known as Trichy/Tiruchi) Complex. It comprises a high-pressure boiler plant, seamless steel tube plant and boiler auxiliaries plant.

Caltex

Caltex commenced operations in the country in 1936 through a joint venture between Chevron Corporation and Texaco Inc. The company's manufacturing and refining operations are through its LPG bottling plants at Chennai and Madurai, its import terminal with refrigerated link at Tuticorin and a 51 per cent stake in Caltex Spic India Ltd. Caltex Gas India Pvt Ltd has a turnover of US\$ 43.5 million with investment of US\$ 100 million approximately, and has an employee strength of 270.

Caterpillar India Pvt Ltd (CIPL)

Caterpillar Inc., USA is a global manufacturer of construction and mining equipment, diesel & natural gas engines and industrial gas turbines, with 105 plants, spread across 21 countries with a turnover of US\$ 20.15 billion. Caterpillar India Pvt Ltd is a wholly owned subsidiary of Caterpillar Inc., formed after the acquisition of the Earthmoving Equipment Division of Hindustan Motors in 2001, for

an estimated US\$ 71 million. The company manufactures construction and mining equipment. It has its manufacturing facility in Thiruvally, 50 km from Chennai.

Chennai Petroleum Corporation Ltd (CPCL)

Chennai Petroleum Corporation Ltd, widely known as Madras Refineries Ltd (MRL), is one of the largest and most integrated refineries in south India producing fuel products, lubricants and additives. The company's principal activity is to operate refineries at Manali and Cauvery Basin. It has an employee strength of over 1,650 and recorded a total turnover of US\$ 2,055 million in 2003-04 as against US\$ 1,782 million in the previous year, registering an increase of 10 per cent approximately. CPCL was honoured with the Green Tech Environment Excellence Award in 2002-03 for Environment Management at the Manali refinery.

Cognizant Technology Solutions India Pvt Ltd

Cognizant Technology Solutions India Pvt Ltd, a subsidiary of Cognizant Technology Solutions Corporation, is a leader in software development, integration and maintenance services that links e-business with core information systems for companies worldwide. The company started its operations in India at Chennai in 1994. With a workforce of over 2,700, Cognizant operates under a high quality onsite/offshore model that enables better, faster and more cost effective development and deployment of large-scale systems across a wide range of transaction intensive business needs. The company holds SEI CMM Level 5, ISO 9001, P-CMM Level 5 certification for its performance and quality.

Computer Associates (CA)

Computer Associates is one of the leading providers of IT management solutions and services. CA in India is involved in providing software products and services with 6 offices in all the major cities since its inception in 1997. The company recorded a total turnover of US\$ 64 million approximately, in 2003-04. The company set up its Global Technical

Support Centre at Chennai in 2000, which is involved in providing technical support its global clientele. The centre currently operates with an employee strength of over 200 skilled professionals.

EI DuPont India (EIDI)

EI DuPont India is a subsidiary of EI DuPont de Nemours and Company, USA. It is engaged in formulation and trading of crop protection products, engineering polymers, specialty fibres, specialty chemicals and polymers. The company started its operations in 1994 with an investment of US\$ 80 million at Madurai.

Electronic Data Systems (EDS)

Electronic Data Systems was formed as a 100 per cent subsidiary of EDS Corporation in 1996. With a revenue of US\$ 21.8 billion, EDS ranked seventy-ninth among the Fortune 500 companies in 2003. EDS has established its head office at Chennai and has three facilities in the state. It started its software development operations in 'Tidel Park', an IT park developed by the State Government and is one of the largest in the country. The company plans to expand its BPO operations to Chennai.

Ford Motor Company India

Ford Motor Company India was established with an investment of US\$ 351.1 million under single window policy at Maraimalai Nagar, near Chennai in 1995. With a total workforce of 900, the company is currently manufacturing three models with a number of variants and is one of the key players in the Indian automotive industry. Ford Endeavour captured over 40 per cent of the emerging SUV market within six months of its launch. The company plans to export vehicles from the Chennai plant to various destinations, owing to the incentives offered by the State Government. The Ford Ikon is India's largest exported car in the mid-size car segment.

Hyundai Motor India Ltd

Hyundai Motor India Ltd is a subsidiary of Hyundai Motor Company, South Korea and was established

at Irrunattukottia, near Chennai, in 1997 with an initial investment of US\$ 614 million. The plant presently is the largest manufacturing facility of Hyundai Motor Company outside Korea. Hyundai is the second largest and the fastest growing car manufacturer in the country. Hyundai presently markets over 18 variants of passenger cars across four models. The company emerged as the second largest exporter of passenger cars from the country. The company intends to shift its manufacturing base to this plant. Hyundai is ISO 14001 certified and recorded sales of over 500,000 units in a period of five years.

Lakshmi Machine Works (LMW)

Lakshmi Machine Works, established in 1962, is a leading manufacturer of textile machinery. LMW has 60 per cent market share in the domestic textile spinning machinery industry. It has diversified into CNC Machine Tools and is a brand leader in manufacturing customised products. LMW Foundry manufactures precision castings for industries, both domestic and global. The group's presence has grown over the years, with a market presence not only in developing countries but also in Europe. It has won the Top Export Award in textile machine exports for the past seven years.

Madura Coats Ltd (MCL)

Madura Coats Ltd (MCL), a subsidiary of Coats Viyella Plc, UK is a market leader in sewing and embroidery thread with 50 per cent market share in the organised sector. MCL supplies its products to clients such as Clairborne, Lee, Levis, Gap, Nike, Adidas, Tommy Hilfiger, among others. The company has an employee strength of 13,700. It operates through three business units: Coats India, Madura Textiles and Intrad. MCL is involved in sourcing textile products from handloom and small-scale sectors of India for export markets.

Matsushita Electric

Matsushita Electric is Japan's leading consumer electronic company with brands such as Panasonic and National. The company has two of its production

plants in Chennai, Indo Matsushita Carbon Company Ltd which manufactures carbon rod for dry battery and Indo Matsushita Appliances Company Ltd (IMACO) which manufactures products such as rice cooker and mixer grinder. Both plants obtained ISO 14001 certification in 1998. The company has invested US\$ 12 million approximately, under single window policy of the Government to expand its operations.

Muruguppa Group

Muruguppa is a diversified business group with interests in plantations, chemicals, financial services and abrasives. The group comprises 29 Strategic Business Units (SBUs) and is spread across 11 states in the country. It has a focused interest in the agriculture sector with business specifically in fertilisers, pesticides and sugar. Some of the subsidiaries include Carborundum Universal Ltd, Cholamandalam Investment & Finance Co Ltd, Coromandel Fertilisers Ltd, EID Parry (India) Ltd, Godavari Fertilisers & Chemicals Ltd, Parry Agro Industries Ltd and Tube Investment of India Ltd. The group is a pioneer in the Indian bicycle industry and in developing neem-based applications. The company is also a leader in ceramic sanitary products.

Neyveli Lignite Corporation (NLC)

Neyveli Lignite Corporation, a public sector enterprise, was established in 1956. The company is involved in the production of lignite, urea and the generation of power. It has three opencast mines and three pithead thermal power generating stations. NLC serves as an important source of energy for state electricity boards in the southern states. Power generation accounts for 90 per cent of the company's revenues.

Orchid Chemicals and Pharmaceuticals Ltd

Orchid Chemicals and Pharmaceuticals Ltd specialises in the manufacture of bulk cephalosporin antibiotics. The company is the largest producer in the country and has also established itself as a leader in its production in the global market.

The company has a bulk drug facility at Alathur, which has a manufacturing capacity of over 500 tonnes of oral and sterile cephalosporins. It has dedicated plants for most of its products. It is setting up a US\$ 10.3 million formulations facility at Irungattukottai. The company recorded a turnover of US\$ 147.3 million as compared to US\$ 111.8 million million in the previous year.

Premier Instruments & Controls Ltd (Pricol)

Premier Instruments & Controls Ltd was established in 1974 at Coimbatore and commenced manufacturing operations in 1975 in the precision engineering field of automotive instruments. At present, it is a leader with 53 per cent share in the automotive instruments market. In 1997, exports accounted for 12 per cent of the company's turnover with exports to USA, Canada, Mexico, South America, Europe, Turkey, Egypt, the Middle East, Asia, Australia and New Zealand. Pricol is certified ISO 9001 since 1993 and QS 9000 since 2001. It has initiated Total Quality Management (TQM), Total Productive Manufacturing (TPM), Supply Chain Management (SCM), Enterprise Resource Planning (SAP R3 ERP) and Collaborative Product Commerce (CPC – Windchill).

Saint-Gobain Glass India

Saint-Gobain Glass India is a subsidiary of Compagnie de Saint-Gobain, France and is the second largest producer of laminated and toughened glass. With an initial investment of US\$ 108.4 million, the company started operations at Sriperumbudur, near Chennai, in 2000. The company has a capacity of 650 tonnes per day of clear, tinted and reflective glass. It also has the second largest market share in the country. The company was certified ISO 9001 in 2000 for its Quality System and ISO 14001 in 1996 for its Environmental Management System. It produces the widest range of products, number of which are manufactured for the first time in India. The company began exports within 55 days of commencement of production and almost half the production was being exported by 2000. It plans to

export 30 per cent of its total production, shipping more than 2,500 containers per annum through the Chennai port.

Sanmar Group

The Sanmar Group, with its corporate headquarters at Chennai, has set the benchmark for global partnerships in chlorochemicals, speciality chemicals, engineering and life insurance. The group also has a presence in shipping and software. It has significant holdings across its businesses and is managed by over 600 highly qualified managers. The group entered into its first international joint venture in the 1960s with B F Goodrich, USA, forming Chemicals and Plastics India Ltd. At present, its turnover stands at US\$ 206.5 million approximately, with 25 businesses and manufacturing units each spread across ten locations in the country.

Scope International

Scope International, Chennai is a wholly owned subsidiary of Standard Chartered Bank, UK operating in shared services centres. Despite being a relatively late entrant in the BPO business, it has emerged as one of the top five back offices in the country for international companies. The company has adopted the Six Sigma quality methodology in the organisation to create a highly effective metrics driven performance culture. Scope has grown to over 3,000 employees in a short span of one year.

TVS Group

The TV Sundaram Iyengar Group (TVS Group), established in 1911, has a turnover of over US\$ 1 billion and is the largest manufacturer of automotive components in the country with a workforce of over 5,000. Some of the major subsidiaries include TVS Motors, Brakes India, Lucas TVS Ltd, Sundaram Fasteners and Wheels India. The group produces auto-electricals, diesel fuel injection systems, braking systems, automotive wheels, axle fasteners, powder metal components, radiator caps, two wheelers and computer peripherals. It has the largest distribution network for automotive

products in the country. The group has over 29 companies under its umbrella and holds diverse business interests. The subsidiaries, TVS Motors, Sundaram-Clayton Ltd (Brakes Division) and Sundaram Brake Linings Ltd have bagged the Deming Award for their performances.

Visteon

Visteon Corporation, USA, a Fortune 500 company, is one of the largest automotive suppliers in the world. It started its operations with two projects on a 50 acre facility at Maraimalai Nagar, near Chennai, in 1999. The Chennai operations comprise Visteon Automotive Systems India Pvt Ltd (VASI), manufacturing climate control systems, instrument clusters and a range of automotive plastics and Visteon Powertrain Control Systems India Pvt Ltd (VPCSI), an export oriented unit, manufacturing starter motors and alternators. With a total investment of over US\$ 120 million under single window policy of the Government, it currently has a workforce of over 700.

World Bank

The World Bank commenced its BPO operations at Chennai in 2001 with an initial workforce of 80. At present, its employee strength stands at 180 and aims to expand its operations from basic processing to value-added work. The size of the commercial bonds portfolio is estimated at US\$ 100 billion approximately. World Bank plans to outsource IT work worth US\$ 10 million to its Chennai centre through its Indian partners, Satyam Computers, HCL Technologies and MegaSoft.

Xansa

Xansa is an international business process and IT services company creating and delivering process and technology solutions. The company's services include business and technology consulting, IT implementation, IT outsourcing and BPO. Xansa has recently commenced its BPO operations at SIPCOT in Chennai. The Chennai campus spread over 27 acres, has the potential to house up to 6,000

employees. The company made an initial investment of over US\$ 47 million under single window policy of the Government.

DOING BUSINESS IN TAMIL NADU

Obtaining approvals

An indicative list of approvals with timeframe for setting up business in Tamil Nadu

List of approvals and clearances required	Departments to be consulted	Estimated time Taken (days)
Incorporation of the company	Registrar of companies	SINGLE WINDOW CLEARANCE GUIDANCE (state's single window clearance facility) clears investment proposals in 30 days on an average. The single window obtains all approvals necessary for the investment proposal within the aforementioned time*.
Registration, IEM, Industrial licences	District Industry Centre	
Allotment of land	State Department of Industries / State Industrial Development Corporation / Infrastructure Corporation	
Permission for land use	State DI, Department of Town and Country Planning	
Site environmental approval	State pollution control board and Ministry of environment and forests	
No Objection Certificate and consent under water and pollution control Acts	State pollution control board	
Approval of construction activity and building plan	Town and country planning authority	
Sanction of power	State electricity board	
Registration under states sales tax act and central and state excise act	Sales tax department, Central and state excise departments	

Cost of setting up business

An indicative table on cost of setting up business in Tamil Nadu

Manufacturing	
Land (US\$ / hectare)*	75,235
Labour Cost (US\$ / man year)**	1,362
Services	
Occupation Costs*** (US\$ / sq ft / year)	14.68
Employee Cost (US\$ / man year)****	
Software Developers	6,383
Team Leads	14,893
Architects	21,276.5
Project Managers	32,209
Common Heads	
Cost of capital***** (Prime lending rate, per cent)	10.6
Electricity (US cents/ kWh)*****	
Metropolitan Area	7.05
Non Metro Area	6.85

Sales Tax exemptions: For large investment, on a case-to-case basis, the Government of Tamil Nadu gives sales tax waiver/deferral for duration up to 7 years. Specific commodity sales tax rates are available at www.tnsalestax.com/taxrates.htm

*Land cost has been estimated by computing the average cost of land at various Industrial Parks in Tamil Nadu. Land is allotted on 99 year lease, which can be renewed later.

**Source: Indiatat.com

***Source: Report on occupancy costs in Chennai by real estate consulting firm CB Richard Ellis

****KPMG Analysis on costing for an IT venture in India

*****Estimated by computing the average Prime Lending Rates of prominent public sector, private sector and foreign banks in India

*****Tariffs applicable to industries.

Source: TIDCO

Note: Exchange rate used is INR 47 per US\$

Contact for information

State Government Website

www.tn.gov.in

Tamil Nadu Industrial Development Corporation Ltd (TIDCO)

Tamil Nadu Industrial Development Corporation Ltd, the promotional agency for the establishment of large and medium scale industries has commissioned seventy-two projects till date with a total equity investment of US\$ 50.5 million. The industries cover a wide range of activities such as iron & steel, fertilisers, industrial parks, AEZs and SEZs. At present, TIDCO focuses on infrastructure promotion through equity participation in joint ventures. TIDCO has been identifying and promoting projects in various sectors such as infrastructure, manufacturing and knowledge sectors.

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Confederation of Indian Industry (CII)

Information on markets and opportunities for investment in Tamil Nadu can also be obtained from Confederation of Indian Industry which works with the objective of creating a symbiotic interface between industry and government.

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