

CHAPTER - IX

INDUSTRIAL SCENARIO IN PUDUCHERRY

9.1 INTRODUCTION

The Union Territory of Puducherry comprises four coastal enclaves in South India. PUDUCHERRY is situated 160 kms. south of Madras, KARAIKAL 130 kms south of Puducherry. YANAM is about 900 kms away in the lap of Kakinada district of Andhra Pradesh. MAHE in Kerala is 650 kms afar on the West Coast.

There were only three large textile mills and some five odd small industrial institutions. The territory has since come a long way. Puducherry has achieved rapid industrial progress in all these years and is poised for spectacular growth. By September 2006, we have an impressive establishment of 71 large-scale industries, 167 medium and 7507 small-scale units. Over the years, there has been massive growth of industries in Puducherry.

The industrial sector employed just about 8000 persons in the early fifties. Now, with investment of over Rs. 2114 crores, industries are the life-blood of economy providing livelihood to over 90601 people.

Contribution made by small-scale industries in generating employment as well as in value of production deserves a special mention. Deliberate promotion of small industries by the Government has yielded positive dividends.

9.2 INDUSTRIAL POLICY

The Industrial Policy of 1997 aimed at achieving a sustained and balanced development of industrial sector in this Territory. In order to facilitate rapid industrialization in the region, several sectors were identified as the Key Growth Drivers for the UT.

9.2.1 Industrial Master Plan 2004

The Department of Industries and Commerce (DOIC) is the nodal agency responsible for promotion of industrial growth in Puducherry. Keeping in view the prevailing socio-political and economic trends, especially in light of the rapid globalisation of the national economy, the DOIC formulated a comprehensive Industrial Master Plan for a period of ten years, for the Union Territory of Puducherry for sustained industrial growth.

This Master Plan has been prepared chalking out the strategies and goals for future industrial growth of Puducherry with the main objective of achieving a growth rate of 4% in manufacturing, 10% Hotels & Restaurants and 12% in business services over the plan period 2004-2013. The fresh investments targeted during the plan period would be Rs 958 crores.

9.2.2 IT Hardware Policy 2004

This administration has also brought out a comprehensive Hardware Policy for Puducherry in order to retain the status of Hardware Capital of India and to attract further investments in this sector.

9.2.3 Action Plan for Export Promotion 2004

An Action Plan for Export promotion in Puducherry has been released with a target of achieving export worth of Rs 1000 crores.

9.2.4 Desirable Industries

The Government has decided not to encourage power and water intensive industries and polluting industries in this territory. Highly polluting and hazardous will not be promoted.

Labour intensive industries will be given priority. Industries which provide maximum employment opportunity to the local manpower in all cadres will be encouraged. Industries, having high productivity and sound financial returns with less demand on environmental resources will be promoted.

It is proposed to encourage only green category industries and to allow Orange / Red category industries with strict pollution control parameters.

Thrust areas industries identified for encouragement are listed below

1. Information Technology /ITES/BPO/ Call centre
2. Auto Components and Light Engineering.
3. Agro Processing including Marine products
4. Bio-Technology
5. Electronic Industries
6. Food Processing Industries
7. Leather products and Footwear
8. Textiles including garments

9.3. INCENTIVES & CONCESSIONS

The following incentives and concessions are offered to encourage entrepreneurs to invest in Puducherry.

9.3.1 Incentives for SC/ST/Women entrepreneurs (SSI units)

9.3.1.1 Special investment subsidy:

The SSI / Tiny unit or expansion of existing units set up or run by SC/ ST /Women entrepreneurs and investment made on or after 27/03/2002 on land,

Building & Plant & machinery is eligible for the grant of 25% capital investment subsidy subject to a maximum limit of Rs 25 lakhs.

9.3.1.2 Rent subsidy:

The SSI / Tiny units set up by SC/ST /women entrepreneurs on or after 27/03/2002 is eligible for rent subsidy for 5 years from the date of commencement of commercial production subject to a ceiling of Rs 5000/- per month as detailed below:-.

- | | | |
|--------------------|---|-----------------|
| a) First two years | - | 50% of the rent |
| b) Third year | - | 40% of the rent |
| c) 4th & 5th year | - | 30% of the rent |

9.3.1.3 Interest subsidy:

The SSI / Tiny unit set-up by SC/ST women entrepreneurs who have availed loan from any Nationalised Bank, Financial Institutions, for creating fixed assets and working capital is eligible for grant of interest subsidy. The interest subsidy to the extent of 25% of the annual interest amount paid subject to a maximum limit of Rs 75,000/- per unit per annum in any financial year is admissible for 5 years from the date of commencement of commercial production.

Employment subsidy:

The SSI /Tiny units set by SC/ST & women entrepreneurs and commenced production on or after 02/08/2004 is eligible for the grant of 20% wage / Salary as employment subsidy for a period of 5 years subject to a maximum limit of Rs 5 lakhs per annum per unit.. The wage / employment subsidy is considered if the unit provides direct employment to atleast 10 persons out of which 60% are local people and covered under Provident fund (PF).

9.3.2 Incentives for Thrust Area Industries

In order to attract more investment and to create more number of employment opportunities in the Union Territory of Puducherry, the Government is granting capital Investment subsidy/Employment & Interest subsidies to the following Thrust area industries.

- | | |
|--|----------------------------------|
| 1. Information Technology | 5. Electronic Industries |
| 2. Bio-Technology Industries | 6. Food Processing Industries |
| 3. Agro Processing including Marine products | 7. Leather products and Footwear |
| 4. Light Engineering including Auto Components | 8. Textiles including garments |

Capital Investment Subsidy and Interest Subsidy: The Thrust area industries are eligible for the grant of subsidy at the rate of 20% of the investment made on Plant and Machinery subject to a maximum of Rs.20.00 lakhs (35% subsidy with a cap of Rs 30 lakhs available to SSI units alone). Also, interest subsidy to the extent of 25%

of the annual interest amount paid subject to a maximum limit of Rs 75,000/- per unit per annum in any financial year is admissible for 5 years from the date of commencement of commercial production.

Employment subsidy: Unit which have commenced production on or after 02/08/2004 is eligible for the grant of 20% wage / Salary as employment subsidy for a period of 5 years subject to a maximum limit of Rs 5 lakhs per annum per unit.. The wage / employment subsidy is considered if the unit provides direct employment to at least 10 persons out of which 60% are local people and covered under Provident fund (PF).

9.3.3 Incentives for Pollution Control Equipments/ Energy Saving Devices.

50 % incentive for SSI / 25% for Medium and Large Scale units is granted for the installation of pollution control equipments and /or energy saving devices with a ceiling of Rs.5 lakhs per unit.

9.3.4 Interest subsidy to all SSI units

The SSI / Tiny units who have availed loan from any Nationalised Bank, Financial Institutions, for creating fixed assets and working capital is eligible for grant of interest subsidy. The interest subsidy to the extent of 25% of the annual interest amount paid subject to a maximum limit of Rs 75,000/- per unit per annum in any financial year is admissible.

9.4. INFRASTRUCTURE

Provision of high quality infrastructure is critical for achieving growth in State and per capita incomes. Further developments to the Industrial base of Puducherry and growth in Services can be impacted through bottlenecks in infrastructure. The key sub sectors within infrastructure that have a direct bearing on industry are Industrial Parks, Power, Water, Labour and Transportation.

9.4.1 Industrial Parks

The nodal agency for development and maintenance of Industrial Parks in Puducherry is the Pondicherry Industrial promotion Development and Investment Corporation (PIPDIC). PIPDIC was promoted in 1974 with the primary objective of promoting the Industrial Development of Puducherry,

Six industrial estates are in existence at the following places.

1. Thattanchavady
2. Mettupalayam
3. Sedarapet
4. Kattukuppam
5. Kirumampakkam
6. Kottucherry (Karaikal)

New projects commissioned are

Project	Location	Project Cost Rs. Lakhs	Area Acres
Electronic Industrial Estate	Thirubuvanai Puducherry	400	52
Software Technology Park	Kalapet, Puducherry	2000	18
Growth Centre	Polagam Karaikal	3100	591

9.4.2 Special Economic Zone

A Special Economic Zone is being established in the Searapet – Karasur village in an area of 423 hectares and the project proposal has been approved by the Govt. of India. It is proposed to house multi faceted industries in the SEZ.. Anther SEZ in the area of Growth centre, Karaikal is planned.

9.4.3 Power Supply

Puducherry is part of the Southern Grid and purchases electricity under long term Power Purchase Agreements from Central Generating Stations, such as Neyveli Lignite Corporation and Kalpakkam Nuclear power station. The UT also draws power from adjoining states such as Tamil Nadu, Kerala and Andhra Pradesh to meet any shortfalls. A Gas based, 32.5 MW power station under Puducherry Power Corporation Limited (PPDCL) at Karaikal is operational. Steady supply of power is presently available at rates cheaper than neighbouring states. Government would promote private participation in power generation sector. Captive power generation by individual units and group of industries will be promoted. Gas based power plant will be encouraged in private sector in Yanam which is close to Godavary basin.

9.4.4 Water Resources

The policy of the Government is to promote less water intensive industries. Being a coastal area bore wells are not allowed within six kms from high tide line. Hence, desalination and recycling techniques of wastewater would be encouraged.

9.4.5 Labour

Labour relation in the Union territory is good. The cost of labour is reasonable at different levels. Puducherry has the second lowest average labour costs (at Rs.184/- per man day) in South India after Andhra Pradesh and the second

highest literacy rate (90%) after Kerala (91%) Good industrial relations is the order of the day with appreciable industrial peace. The Labour Department provides conciliatory and mediatory mechanism for resolution of industrial disputes between Management and Labour. Tripartite and bi-partite consultative and deliberative forums would be activated for attaining industrial peace.

9.4.6 Transportation infrastructure

9.4.6.1 Roads

With surfaced roads growing at 3.21% (six year CAGR), Puducherry's road length per sq.km area of 4.66, is the highest in South India. Puducherry is connected by two National Highways (NH 45A and 66) and the East Coast Road (ECR) from Chennai. The presence of the ECR between Chennai and Puducherry augurs well for Puducherry given the connectivity to a potential tourism market apart from the access to raw material and product markets.

9.4.6.2 Railways

Puducherry is connected to Chennai by a broad gauge line via Villupuram. Mahe is on the broad gauge line between Tellichery and Kozhikode. Land acquisition is currently on for the development of a broad gauge rail line between Nagore and Karaikal. GOP's long-term plans include the development of a broad gauge railway line from Tindivanam to Cuddalore via Puducherry.

9.4.6.3 Airport

The nearest operational airports are at Chennai and Trichy in Tamil Nadu. Puducherry has a small airport maintained by the Airports Authority of India. Though the operation of the airport would depend on its economic and financial viability, efforts are made to operate the airport through some concessions.

9.4.6.4 Ports

GOP operates two minor ports in Puducherry. The new port is an open anchorage port suitable for lighterage operations during fair weather months. Container Corporation of India (CONCOR) is operating an Inland Container Depot (ICD) in the premises of the new port to promote containerization of cargo and trade in Puducherry. Broad Gauge rail connectivity to the new port is available.

The current traffic at the port is mainly consists of dry cargo such as cement, sugar, feldspar, etc. GOI has provided in-principle approval to designate the Puducherry port as a free port. The free port would facilitate greater economic activity in the region, and increased traffic at the port. Presently GOP intends to develop the port through private sector participation and the process has already initiated by appointing a developer.

9.4.6.5 Telecommunications

Direct dialing facilities to different countries are available. Puducherry is well connected to various cities and industrial centres in India. Telex and Telefax. ISDN, Internet, Broadband, Cell phone network facilities are well developed. An exclusive Earth Station by the STPI is operational at Puducherry. All the major players in telecommunication line viz, BSNL, Reliance, VSNL, Airtel, Sify etc have their base at Puducherry.

9.5. SIMPLIFICATION PROCEDURE AND SPEEDY CLEARANCE BY GOVERNMENT AUTHORITIES

9.5.1 Industrial Guidance Bureau (IGB)

An Industrial Guidance Bureau (IGB) has been constituted in lieu of the Single Window Committee, in order to ensure timely, simplified and single point contact system for issue of clearances for setting up of an industry. The important feature of the IGB is that it is available on the electronic platform and is accessible from the internet.

The entrepreneurs desirous of investing in Puducherry shall be extended all facilities through the IGB in the process of obtaining clearances from various departments in a time bound manner. This will expedite the course of setting up of projects, saving time and resources.

The IGB is headed by the Director of Industries & Commerce and further constituted with Nodal officers & escort officers. The General Manager, District Industries Centre is the Member Secretary of IGB.

The important functions of IGB are:

- Act as single point contact avoiding the present system of multi point contact.
- Devise a revised application form fulfilling the requirement of all departments dealing with statutory and non-statutory clearances.
- Facilitate filling up of the common application form by the entrepreneurs through escort officers
- Take a prime role in suggesting policy changes and procedural reforms to remove bottlenecks in setting up of industrial units in Puducherry.
- Associate with related institutions (ex, PIPDIC, Banks, PKVIB, NSIC etc) and suggest policy prescription for proper dissemination of information about the industrial climate and opportunities in Puducherry
- Continuously strive to improve the processing mechanism of applications eventually leading to use of electronic means in the process completely.

9.5.2 Industrial Promotion Committee (IPC)

An Industrial Promotion Committee under the Chairmanship of Secretary (Ind & Com) and Head of the Departments of DSTE, LAD, Agriculture, Labour Dept, Electricity Dept. TCP, PPA and Director of industries as members has been

constituted under IGB to issue In-Principle clearance for the Orange & Red category industries and to review the progress of issue of clearances to Green category industries. This Committee would convene meetings once in 21 days.

9.5.3 State Level/High Level Committee

The State Level Committee headed by Chief Secretary will review the policy matters and sought out the procedural delay if any in respect of long pending issued for establishment of the Industrial units.

9.5.4 Export promotion

A significant portion of the manufacturing sector output is being exported. The total exports during FY 2004 was Rs. 529 crore. The Union Territory achieved significant growth in exports with a CAGR of 9% during the period FY 1998 to 2003.

An Export facilitation center being constructed at JN Steet, Puducherry under ASIDE scheme. Business Promotion Outsourcing (BPO) and Call centres are envisaged.

9.6. STATISTICS ON INDUSTRIES

INDUSTRIAL UNITS PERMANENTLY REGISTERED AS ON 31-12-2006 IN THE UNION TERRITORY OF PUDUCHERRY

Sl. No.	MAJOR PRODUCTS HEAD	LSI	MSI	SSI	TOTAL
1	Food Products	6	12	890	908
2	Cotton & Wool	7	8	872	887
3	Wood Products	0	0	474	474
4	Paper & Printing	4	7	425	436
5	Leather, Rubber & Plastics	9	38	768	815
6	Chemical & Chemical Products	20	30	1597	1647
7	Non-Metalic Mineral Products	8	5	303	316
8	Metal Products	3	21	886	910
9	Machinery & Parts	11	34	642	687
10	Miscellaneous	0	0	230	230
11	Personal Services & Hotel Project	3	12	209	224
12	Repairing & Services	0	0	253	253
	TOTAL	71	167	7549	7787

	LSI	MSI	SSI	TOTAL
UNITS	71	167	7549	7787
INVESTMENT (Rs.in Crores)	1153.54	432.90	532.82	2119.26
EMPLOYMENT (in Nos)	18052	9800	62996	90848

PHYSICAL AND FINANCIAL PROGRESS FOR THE TENTH PLAN PERIOD (YEAR-WISE) IS FURNISHED IN THE STATEMENT VOLUME (Appendix-A)