

CHAPTER - X

INDUSTRIAL SCENARIO IN THE UNION TERRITORY OF PUDUCHERRY

Latest Industrial Policy statement issued by the State Govt.

Industrial Policy

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

Industrial Master Plan

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 10 to 14%.

IT Hardware Policy

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.

Action Plan for Export Promotion

An Action Plan for Export promotion in Puducherry has been released with a target of achieving export worth of Rs 1000 Crores by 2007.

Other Policies (Infrastructure Act for PPP for power, road, feed stock & fuel)

No such policies announced.

System of Industrial related clearances eBiz type initiatives, Time taken to set up an industry. & Simplification of procedural bottlenecks in the investment flow and regulatory measures

Industrial Guidance Bureau (IGB)

An Industrial Guidance Bureau (IGB) has been constituted 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 proposed to act on the e-platform. 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 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.

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 a month.

Time Bound Clearances

CLEARANCES AND APPROVALS BY VARIOUS DEPARTMENTS WITH TIME LIMIT

Table-10.1

Sl.	Item/ Activity	Dept./Organisation	Time limit
1.	a.Issue of Provisional SSI Regn. Certificate	Directorate of Industries & Commerce	5 days
	b.Issue of Provisional NOC to Medium/Large Scale Inds. of Non-Chemical and Non- polluting nature	Directorate of Industries & Commerce	7 days
2.	Forwarding application to Municipality/ Commune Panchayat for issue of permission under Single Window System	District Industries Centre	3 days

Sl.	Item/ Activity	Dept./Organisation	Time limit
3.	a) Issue of Acknowledgment for receipt of application for issue of NOC from Pollution angle in respect of green and orange categories.	Puducherry Pollution Control Committee (PPCC)	7 days
	b) Issue of NOC from pollution angle	PPCC	6 weeks
4.	Site Clearance	Town & Country Planning Dept.	1 month
5.	Approval of factory building and machinery layout	Inspectorate of Factories and Boilers	1 month
6.	Permission for land use conversion/ ground water clearance, outside the Industrial estate	Agriculture Dept	1 month
7.	a) Power Feasibility certificate b) Intimation of initial advice to industries in respect of High Tension Industries c) Energisation of Low Tension connection on receipt of applications d) Energisation of High Tension connection on receipt of application	Electricity Dept.	1 month 15 days 1 month 3 months
8.	Clearance under Revenue Acts wherever necessary	Revenue Dept.	6 weeks
9.	Publication of proposals inviting objections, if any in the Gazette	Government Press	15 days
10.	Licence, where required	Food & Drugs Admn.	1 month
11.	Licence, where required	Civil Supplies Dept.	1 month
12.	Statutory permission for establishment of the unit	Municipality/ Commune Panchayat	45 days

**FOR COMMENCEMENT OF REGULAR PRODUCTION
AFTER INSTALLATION OF PLANT AND MACHINERY**

13.	Licence	Municipality/ Commune Panchayat	1 month
14.	Running Licence	Inspectorate of Factories	1 month
15.	Consent for operation of the unit	Puducherry Pollution Control Committee (PPCC)	6 weeks
16.	a. Issue of permanent SSI Registration	Directorate of Industries & Commerce	1 month
	b. Issue of Commencement of production certificate in case of Large/ Medium Scale unit		1 month

Contribution and growth rate registered by industry sector in the State Domestic product, Flow of investment, licenses/ IEM trend, exports and employment & Specific targets

Sectoral Contribution

Puducherry's GSDP is largely dependent on the Secondary and Tertiary Sectors. Agriculture and other Primary sub sectors contributed to only 8% of the GSDP. The Secondary Sector contributed 45%, while the Tertiary Sector contributed 47% of the GSDP.

Flow of Investment & Employment

The following table provides a brief overview of Industrialisation.

Table-10.2

	2002-03	2003-04	2004-05	2005-06	2006-07
No. of SSI's	6876	7126	7308	7445	7598
No. of MSI's	139	149	159	162	168
No. of LSI's	55	65	70	70	71
Total	7070	7340	7537	7677	7837
Investment (Rs. Crore)	1631	1923	2061	2090	2131
Employment	82843	85894	88328	89296	91391

Exports

Table-10.3

(Rs in Crores)

<i>Rs. Crore</i>	2002-03	2003-04	2004-05	2005-06	2006-07
SSI	75	154	136	74	58
MSI	209	175	219	258	322
LSI	181	200	246	375	521
Total	465	529	601	707	901

IEM trend

Against the 662 cases of IEM/ LOI, 380 (57%) cases have already implemented their project and 53 cases are under implementation. 85 units have dropped their projects since they mainly polluting oriented, power intensive or water intensive, which are not encouraged by this administration.

Table-10.4

Type of case	Total no. of cases	Information available	Case dropped	Already implemented	Under implementation
IEM	643	499	78	369	53
LOI	19	18	7	11	-
Total	662	517	85	380	53

Status of Industrial Infrastructure (power {including power tariff}, roads and other indicators of industrial climate) including labour / land reforms, subsidies provided for industrial development.

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. Seven industrial estates are in existence and the new projects commissioned are Industrial Estate at Thirubuvanai with the

project cost of Rs.400.00 lakhs in an area of 52 acres, Software Park at Kalapet with Rs.2000 lakhs in an area of 18 Acres. Multi product Special Economic Zone (SEZ) in Puducherry in an area of 865 Acres and another Multi product Special Economic Zone at Karaikal in an area of 591 Acres.

Multi product Special Economic Zone at Puducherry

The SEZ is being set up in an area of about 865 acres at Sedarapet and Karasur villages, which is situated about 15 kms from Puducherry town. The project is being set up under Public Private Partnership (PPP) structure with an investment of about Rs.400 to Rs.500 Crs. The project has received the formal approval of Govt. of India.

The activities to be promoted in SEZ are Automobiles and auto parts, IT and IT Enabled Services, Textiles including garments, Light and General Engineering, Food Processing, Leather products and foot wear, Machinery and equipments and Fashion products. New projects commissioned are;

IT Parks

IT Park is being developed in two phases at Kalapet in an area of 18 acres of land, which lies about 10 kms from Puducherry town on the East Coast Road. The first phase of IT Park with a built space of about 23,600 sq.ft. has already been developed. The second phase with built-up space of 3,14,128 sq.ft. with an investment of about Rs.60 Crs. is on the anvil.

Multi product Special Economic Zone at Karaikal

Multi product Special Economic Zone is proposed to be set up at Polagam, Karaikal, a part of UT of Puducherry with an investment of about Rs.250 Crs in area of 596 acres of land which has already been acquired. The project is proposed to be set up under Public Private Partnership (PPP) structure.

Road:

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.

Railways

Puducherry is connected to Chennai by a broad gauge line via Villupuram, Mahe is on the broad gauge line between Tellichery and Kozhikode.

Power

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.

Power Tariff

Table-10.5

Type of Connection	Rate
LT (C1)	250 Paise per unit
HT1 Up to 2000 Kilo watt	260 Paise per unit & Demand Charges Rs 135 per KVA (Up to 1 lakh units) 275 Paise per unit above 1 lakh units
More than 2000 Kilo watt.	280 Paise per unit and Demand Charges Rs 140 per KVA

Labour reforms

To promote the competitiveness in the industry and encourage new investments and employment in the IT hardware and components industry in UT, Government of Puducherry aims at making its labour laws more flexible. The Government aims to provide following labour law concessions to the IT hardware and components industry in Puducherry:

- General permission shall be accorded to the IT Hardware and components industry to run a three-shift operation.
- Women would be allowed to work in the late shift, subject to certain safety norms or as directed by Honorable Supreme Court of India.
- Flexibility in the opening and closing hours and in the weekly holiday for IT hardware and component manufacturing units.
- Establishment of exclusive Special Industrial Tribunal for IT hardware and Electronic Parks to give top priority to the settlement of disputes that may arise in the units located in the IT Hardware and Electronic parks.

- Government of Puducherry is also planning to introduce a system of self-certification for the IT hardware and components industry under various Factories and Labour Acts as soon as the Government of India approves it.
- 100% EOUs have been declared as public utility services

Incentives & Concessions

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

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.

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

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).

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).

Incentives to IT industries

- Fixed Capital Investment Subsidy at the rate of 20% subject to a maximum of Rs.20.00 lakhs.
- Subsidy on leased line rental payable to the extent of 50% for first 3 years subject to max of Rs 10 lakhs.
- Equity Participation for IT Industries will be extended upto 15% of the total equity.
- The rate of interest will be 0.5% per annum less than the prevailing rate of interest for IT Industries.
- Information technology related Industrial units engaged in software development services and training are **exempted from locational restrictions** as per G.O.Ms.No.24/2000-ENVT Dt:30/10/2000 issued by Chief Secretariat (Environment)
- Relaxation of FAR to the extent of 50% will be given to the IT units set up outside the urban areas.
- Software Industries are **exempted from obtaining NOC on pollution angle** as per orders issued by Chief Secretariat (Environment Department) vide G.O.Ms.No.24/2000-ENVT, dt:30/10/2000.
- Permission to run 3 shift operations for the IT Industries will be granted by Labour Department subject to the provision of other facilities such as one day off, facilities to women workers etc. Labour Department has already granted exemption to knowledge based industries in the Union Territory of Puducherry under the shops and establishment Act/ Rules '1964 vide G.O. Ms. No.6, dt: 03/02/2001.

- Stamp duty exempted for the I.T. Industries on sale/lease of property in Software Technology Park and on execution of term loan agreement on loans sanctioned by PIPDIC
- The stretch of east coast road starting from Siddhanandasamy Temple Junction to Ariyankuppam will be declared as an **IT Corridor**. The role of the Government in this regard will be to provide necessary infrastructure facilities like road, power, water supply, telecommunication, etc.

Flow of FDIs

Against the 43 cases of foreign investment of Rs. 393.61 crores, 27 units have already commenced production.

List of Foreign collaboration cases, which have commenced production in the UT of Puducherry.

Table-10.6

Sl. No.	Name of the Unit
1	Aditi Diamonds Exports Pvt. Ltd.
2	Aditi Diamonds Pvt. Ltd.
3	Anabond Essex Pvt. India Ltd.
4	Associated Nippon Technical Services
5	Henkel Spic India Ltd
6	Magnetic meter Systems India Ltd
7	Numeric Power systems Ltd.
8	Rebarzaar Medi Plastics India Pvt. Ltd.
9	SSB industries Ltd.
10	Agra Leather Boards Pvt. Ltd.
11	Caplin Point Laboratories Ltd.
12	Chem Crown (India) Ltd.
13	EIA Clina Pvt. Ltd.
14	EID Parry (India) Ltd.
15	Estee Auto Pressings Pvt. Ltd.
16	Foseco India Ltd.

Sl. No.	Name of the Unit
17	Gaur-Tggexon Footwear Company
18	Hindustan Unilever Ltd.
19	Kanpur KCP Packaging Pvt. Ltd.
20	Kothari Sugars and Chemicals Ltd.
21	Larsen & Toubro Ltd.
22	Lucas-TVS Ltd.
23	Rane (Madras) Ltd.
24	Sahney Paris Rhone Ltd.
25	Shasun Chemicals & Drugs Ltd.
26	Somkan Marine Foods Ltd.
27	Ucal Fuel Systems Ltd.

Local taxes / levies on industrial products.

The Government has already introduced UFR.

Consumer protection measures including weights and measures.

The Government has already constituted Consumer Protection Committees. The NGOs have been made as members in the said Committee.