

INDUSTRIAL POLICY FRAMEWORK FOR THE STATE OF TELANGANA

2014



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OFFICE OF THE CHIEF MINISTER

Telangana, the 29th and newest state of India, has come into being on 2.6.2014. The new State is the result of a decade's long struggle of people protesting against discrimination and injustice. While all other Indian States have progressed on all fronts in these years, the new State of Telangana has a lot of catching up to do, to fulfill the ambitions of its people.

I am aware that industrialisation holds the key for fostering economic growth, creating employment and ushering in prosperity to the people. It is my determination that the State of Telangana should emerge as the favourite destination for national and international investments. I have accordingly decided to bring in a new Industrial Policy which will inspire both international and domestic industry groups, investors, and entrepreneurs to choose Telangana as their preferred destination. I personally promise a corruption-free and industry-friendly business regulatory environment, which will be rated as amongst the best in the world.

This document is the philosophical statement of the State's Industrial Policy. It lays out the framework on how industrial activity will be promoted in the State. Each policy statement will be followed up by Government Orders that will convert the framework into action. In my opinion, the process of expeditious clearance of applications and the incentives the State provides to the MSME sector are the foundation actions for the Industrial Policy. The TS-IPASS (Telangana State Industrial Project Approval and Self-certification System), which goes well beyond conventional single window systems, will be the anchor to the Industrial Policy of Telangana State. To help the MSME sector, the T-IDEA (Telangana State Industrial Development and Entrepreneur Advancement) and T-PRIDE (Telangana State Program for Rapid Incubation of Dalit Entrepreneurs) Incentive Policies are being released along with the Industrial Policy Document.

I look forward to welcoming all of you to the State of Telangana and invite you to become a partner in the progress of my State.

Shri K. Chandrasekhar Rao

Hon'ble Chief Minister of the State of Telangana



PREAMBLE

Industrialization will be the key strategy followed for economic growth and development for Telangana, the 29th state of the country. People of the new state have very high expectations from the Telangana State Government for creating jobs for the youth, promote development of backward areas, maximize growth opportunities by optimum utilization of the available resources, harness the talents and skills of the people and usher prosperity in every household. Industrialization holds the potential for fulfilling all the dreams and aspirations of the people of Telangana.

The vision for industrialization of Telangana is “Research to Innovation; Innovation to Industry; Industry to Prosperity”. The industrial policy framework will be driven by the slogan – “In Telangana—Innovate, Incubate, Incorporate”. The policy framework intends to provide a business regulatory environment where doing business would be as easy as shaking hands. Innovation and technology will drive the industries of the Telangana State.

The Government of Telangana State realizes that industrial development requires large-scale private sector participation, with the government playing the role of a facilitator and a catalyst. The government is committed to provide a graft-free, hassle-free environment in which the entrepreneurial spirit of local, domestic and international investors will thrive, and they'll set up industrial units in the state of Telangana – their preferred investment destination. The new Industrial Policy will be the instrument through which the vision of the Telangana State Government will be translated into action.

The Telangana State Industrial Policy will be rooted in certain core values, as follows:

The Government regulatory framework shall facilitate industrial growth

Industrialization shall be inclusive and facilitate social equality

Entrepreneurs will thrive in a peaceful, secure and progressive business regulatory environment

Benefits of industrialization should reach marginal and socially disadvantaged sections of the State

Industrial development will lead to massive creation of jobs benefitting local youth

Environment will be protected and any potential impacts shall be mitigated





Departments will be transparent and responsible for all acts of omission and commission by departmental staff. An online and help-desk grievance redressal system will be put in place where the entrepreneur will be encouraged to report instances of corruption or any delays in performing timely tasks by the Telangana State Government departments. Timely and strict disciplinary action will be taken against those employees who violate the parameters of the Industrial Policy Framework.

MINIMUM INSPECTION AND MAXIMUM FACILITATION

The Industrial Policy Framework has the following mandate for departments that have any responsibility in the industrialization of the State – Minimum Inspection and Maximum Facilitation.

MINIMUM INSPECTION

Minimum inspection would encompass a system of no random inspections without cause. Subject to statutory requirements, the departments will develop a system where each industrial unit is inspected only once in 3/4 years and the cycle of inspections is to be fixed in advance. Some random inspections will be planned to keep the industry on its toes, but these inspections will be with the specific written permission of the head of the department.

MAXIMUM FACILITATION

Maximum Facilitation would encompass an effective system beyond the conventional single window as the anchor. Self-certification will be encouraged and automatic renewals will be implemented. There will be web based E-helpline facilities as well as physical helpdesks in Hyderabad and the Districts. Information availability and industry department transactions will be transparent and web-enabled. The Office of the Commissioner of Industries and the Telangana State Industrial Infrastructure Corporation will have a Citizens Charter covering all their activities.





EFFECTIVE INDUSTRIAL CLEARANCES MECHANISM

The Government of Telangana State is determined to create an ecosystem in which the ease of doing business in the state matches and even exceeds the best global standards. Telangana State Government is aware that offering a hassle-free system is considered to be of the highest priority by the industrialists, and accordingly the government will implement a very effective industrial clearance system that will go beyond the traditional single window system. This system, called the Telangana State Industrial Project Approval and Self-certification System (TS-iPASS), will be strengthened by way of legislation. A Right to Single Window Clearance, on the lines of the Right to Information, will be bestowed for all applicants. Penal action will be imposed on the concerned officers who delay the applications.

This will be at three levels—one for Mega Projects, one for other Large Industries, and one for SMEs. The State Government will bring out a comprehensive legislation enshrining the above principles for accordinng permissions and clearances for both Mega Projects as well as industrial applications in other categories.



THRUST AREAS AND CORE SECTORS

The Telangana State Government has conducted detailed studies and consulted experts to identify the competitive advantages the State can have, given its geographical location, available resources and skill-base, raw material availability, existing manufacturing practices, and expertise... opening up new opportunities. Accordingly, the Telangana State Government recognizes the following 14 sectors as thrust areas; investments in which will be accorded a higher priority over others.

1 **Life Sciences—including bulk drugs, formulations, vaccines, nutraceuticals, biologicals, incubation centers, R&D facilities, and medical equipment**

Hyderabad is the bulk drug and vaccine capital of the country. However, in the past 8-10 years the sector has stagnated. While the leadership in formulations and bulk drugs has to be maintained, new opportunities like life-saving drugs, new vaccines and biologicals have emerged. There is an urgent need to encourage this sector, especially in the emerging life sciences areas.

2 **IT Hardware including bio-medical devices, electronics, cellular communications, and FAB**

Telangana has a robust IT Software sector which will complement IT Hardware. The Government of India has approved of the IT Investment Region for Hyderabad as well as two Electronic Manufacturing Clusters. The large Health Industry in Telangana will support bio-medical devices and medical electronics.

3 **Precision Engineering, including Aviation, Aerospace, and Defence**

Hyderabad is home to a large number of defence aero-space and defence research laboratories like DRDO, DRDL, RCI, BDL, MDN, Ordnance Factory, DMRL etc. In addition to the 5 large Tata investments in aero-space, there is also the GMR MRO. A group of innovative aero-space SMEs also exist in Hyderabad which has supplied components to the Chandrayan and Mangalyan initiatives. GOI has also announced 49% FDI in defence sector creating huge investment opportunities.

4 **Food processing and nutrition products including dairy, poultry, meat, and fisheries**

Telangana is a large producer of agro-products like cereals, pulses, oilseeds, fruits and spices. It is also the market leader in the poultry and seed business. There is potential expand into greenhouse and exotic vegetable cultivation. To add value to agro-products and to maintain and expand the existing strengths as well as to partner with the national Food Processing Mission, there is a need to encourage this sector.

5 **Automobiles, transport vehicles, auto-components, tractors, and farm equipment**

The automobile industry is an important sector for any State. The upstream and downstream supplier opportunities will boost the engineering SME sector also. The M&M tractor plant in Telangana and the auto-component SMEs will be the anchor around which the future growth and investments in the automobile sector will emerge.

6 **Textiles and apparel, leather and leather value-added products like shoes, purses, bags, artificial material-infused and coated textiles, paper, and paper products**

Telangana is a large producer of long staple cotton. It is also one of the largest producers of raw hide. However, value-added production is not there within the State and raw material is exported from the State. The State has a strong base for the paper industry. There is tremendous potential for paper and paper products industry in the State due to the growing demand for such products.

7 **Plastics and Polymers, Chemicals and Petro-chemicals, Glass and Ceramics**

The former combined State of Andhra Pradesh had a PCPIR sanctioned by the GOI. This has gone to the residual State. Plastics, polymers and downstream petro-chemical industry are predominantly in the MSME sector with a huge employment potential. The products of this sector are consumed on a daily basis all over the country. This sector is critical for a large number of MSMEs.



8

FMCG and Domestic Appliances

The growth rates of the Fast Moving Consumer Goods and Domestic Appliances sector has been phenomenal, even when the country's economy was slow. Telangana is centrally located in India and for the FMCG and Domestic appliances sectors, transportation costs are very critical. It is important to capitalize on the locational advantage of the State, especially for this sector.

9

Engineering and Capital Goods, including castings, foundry and Ferro-alloys and other metallurgical industries

This sector is very important if the State has to capture the entire value chain of the automobile, aero-space, petro-chemicals, domestic appliances, and paper and textile sectors. The thrust areas in this section will provide the supply chain to the other thrust area sectors.

10

Gems and Jewellery

Hyderabadi pearls and lacquer bangles made by local artisans are known all over the world. Value-addition to these traditional products and diversification into other gems and jewellery items will provide the much needed relief to local artisans and craftsmen.

11

Waste Management and Green Technologies

This is the sector that will become mandatory for all industry. Green initiatives can be shown to be profitable. The Telangana State has functional models of SPV/JV efforts of waste management. This sector has tremendous growth potential.

12

Renewable Energy and Solar Parks

This sector is a priority all over the world. The State of Telangana has large extents of land eminently suitable for non-conventional and renewable energy installations.

13

Mineral-based and wood-based Industries

Much of the minor mineral wealth of the State like granite, quartz and silica-sand is exported in raw form with minimal processing within the State. Similarly, bamboo and other MDF-suitable plant material also need to be exploited so that sustainable incomes are generated and regular forests trees can be saved.

14

Transportation/ Logistic Hub/Inland Port/ Container Depot

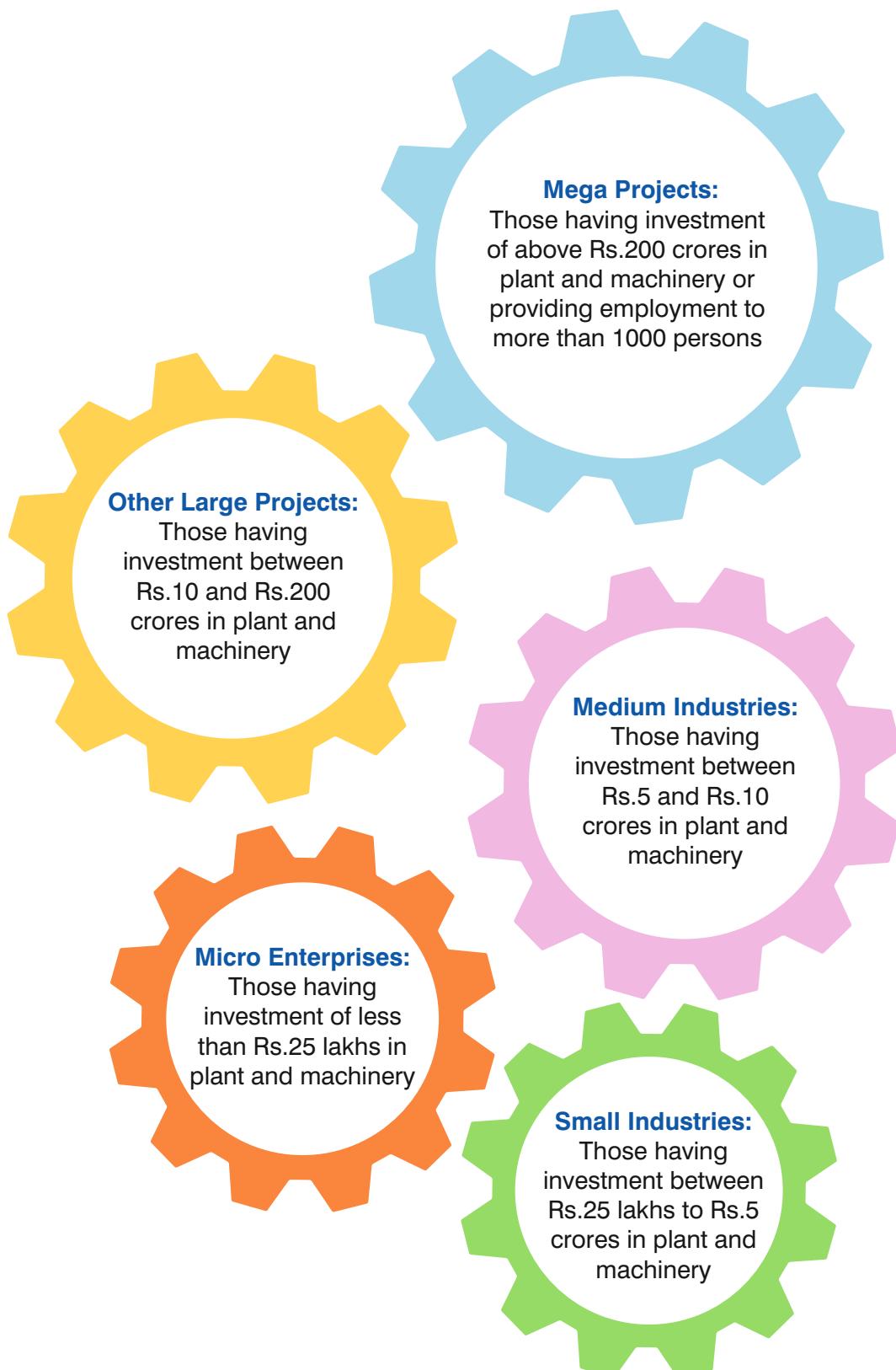
The State of Telangana is land-locked; yet it hopes to become a major destination for international investors. In addition, it is centrally located and has the potential to become a major transit and logistics hub.

Each of the above thrust areas will have its own sectoral policy and a structure of incentives. High level advisory panels with private sector and academia experts will be constituted for each of the sectors. An inter-departmental task force for each sector chaired by Special Chief Secretary/Principal Secretary of the Industries and Commerce Department will also be in place to achieve the required coordination. Frequent thrust area sector-centric investor meets will be organised to showcase the advantages that the State of Telangana offers for that sector. Thrust area sector-centric industrial parks with well-developed infrastructure required for that particular sector will be developed at appropriate locations in the State.



CLASSIFICATION OF PROJECTS

The classification of projects into large, medium, small and micro sectors will be based on the Government of India MSME Ministry definitions as amended from time to time. The definition of a mega project is a Telangana State determined one. The Government of India has proposed to raise the investment limits under each category and the classification for now is as follows:



SPECIAL FOCUS ON SMEs/MICRO INDUSTRIES

The SMEs and Micro-industries are expected to play a significant role in the new state of Telangana, both in terms of value addition and also in creating employment opportunities. The new Telangana State Industrial Policy will make special provisions for the SME and Micro sectors as follows:

- ◆ Adequate number of smaller plots in Industrial parks for SMEs; developed sheds for Micro-units
- ◆ Special fund for addressing Incipient Sickness
- ◆ Special fund for IP registrations assistance
- ◆ Special fund for anti-pirating assistance
- ◆ Special fund for technology transfer and modernization to MSME sector
- ◆ Reimbursement of land conversion charges for units in own land, subject to an upper limit
- ◆ Marketing assistance to participate in national and international trade shows and buyer-seller meets
- ◆ Consultant panel to respond to MSME entrepreneur needs
- ◆ Separate State Level Bankers Committee (SLBC) for industries, particularly SMEs
- ◆ Decentralized procedure for issue of licences and permissions to Micro enterprises at the level of Industrial Promotion Officers (IPOs)

ANCILLARY/VENDOR DEVELOPMENT

Within each of the core sectors, Telangana State Government is interested in the promotion of the ecosystem covering the entire value chain. An important component of the value chain are the primary suppliers who provide the raw material or the component parts to the anchor manufacturing industry, or provide basic inputs to the service industry. The Telangana State Government will plan each Industrial park in such a way that along with anchor units, enough plots are available for setting up Suppliers/Vendors Park. Since the ancillary units are usually in the SME category, these plots will be smaller in size. Mega projects will have to compulsorily set up a Suppliers/Vendors park to encourage growth of local ancillaries.

PREVENTING INCIPENT\SICKNESS AMONG SMEs

The Telangana State Government intends to create a corpus fund jointly with the industries and their associations which will act as a safety net for SMEs that face any crisis and run the risk of imminent sickness. Telangana State Government will also work closely with the RBI constituted State Level Inter-Institutional Committee (SLIIC) to coordinate revival plans of sick and incipient SMEs.





SPECIAL ASSISTANCE TO WOMEN ENTREPRENEURS

Like SC/ST entrepreneurs, the number of existing women-owned industrial enterprises is very meagre. The Telangana State Government will encourage women entrepreneurs in a big way. Each of the 9 districts of the state (excluding Hyderabad) will have one or more industrial parks exclusively for women. Organizations working for women entrepreneurs like COWE, ALEAP and FICCI-FLO will be invited to partner with the government to identify and train women entrepreneurs, get their project proposals developed, link them to financial institutions and handhold and monitor the progress of their projects. Among women, the government would facilitate more number of entrepreneurs to emerge from socially deprived categories like SCs, STs, BCs and Minorities.

SPECIAL SUPPORT FOR SC/ST ENTREPRENEURS

It is an unfortunate reality that a very minuscule proportion of existing industrial units are owned by SC/ST entrepreneurs. There are a number of structural barriers which the SC/ST entrepreneurs find extremely difficult to overcome. Since the foundation of the new state of Telangana is based on the premise of social justice, the new Telangana State Industrial Policy will take up a number of additional support measures meant to increase entrepreneurship among the SCs/STs. This program will be implemented under the banner of TS-PRIDE—Telangana State Program for Rapid Incubation of Dalit Entrepreneurs and some of these initiatives under T-PRIDE are as follows:

- ◆ A special direct funding program for financing SC/ST entrepreneurs will be worked out to utilize the money available under the respective Sub-Plans
- ◆ Payment of Margin Money on behalf of the SC/ST entrepreneurs by the government
- ◆ Preferential allotment of plots in Industrial Parks
- ◆ Supplier diversity opportunities in large industries
- ◆ State departmental procurement policy in tune with GOI SME procurement policy (20%)
- ◆ Intensive Entrepreneur and Skill Development programmes
- ◆ Subsidy eligibility if funded by CRISIL Rated NBFCs
- ◆ No negative list
- ◆ Interest subsidy for service sector units (except transport sector)
- ◆ State supported CGTMSE-type scheme for SC/ST entrepreneurs
- ◆ Organizations like the Dalit India Chamber of Commerce and Industry (DICCI) will be involved in planning, implementing and monitoring special programmes for the SCs/STs
- ◆ Representation in all district and state level committees



TRADITIONAL ARTS AND HANDICRAFTS

The State of Telangana has a number of internationally recognized forms of traditional arts and handicrafts. These are handicrafts like Nirmal Paintings, Dokra metal work, Bidri ware, Pembarthy Brass ware as well as textiles like Pochampally Ikat, Gadwal saris and Warangal carpets. A number of artisans and craft-persons continue to live on the production of these arts and handicrafts, but their income levels are declining. To improve the productivity and incomes in this sector, the Government of Telangana intends to take a number of actions, including:



This program will be implemented under the
T-HART-Telangana State Handicrafts and
Artisans Revival with Technology program.





MARKETING BRAND TELANGANA

Telangana is the 29th and newest State of the Union of India. There is a need to create awareness about the State of Telangana and its brand image. To this end, Telangana State will participate extensively in a large number of national and international trade fairs, conferences and exhibitions so that the strengths and opportunities of the State can be showcased. The industrial policy of Telangana State has also to be publicised widely.

In addition to promoting the brand image of the State, it is also essential to promote the SMEs of the state. The State will actively promote the participation of Telangana SMEs in trade fairs, expositions, buyer seller meets and other such events. The State will also leverage all funds available from Government of India schemes under the MSME, Commerce, Textiles, and Pharmaceutical Departments and sector specific Export Promotion Councils to promote State SMEs. Adequate budget support will be provided for marketing the State and the industrial and craft products of the State.



INDUSTRIAL LAND BANK

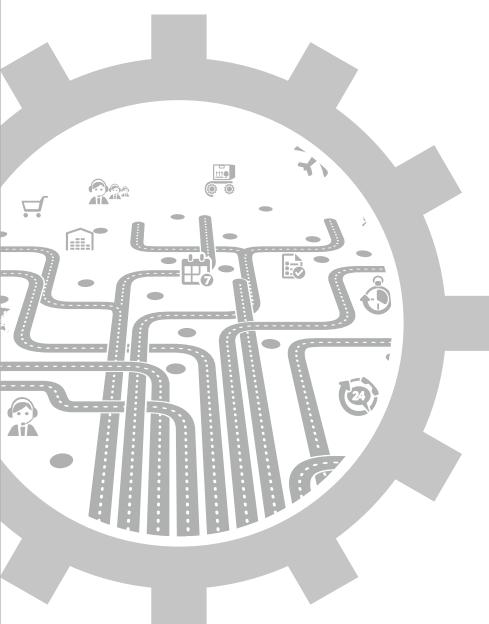
It is estimated that about 20 lakh acres of land is available in the state that has been identified as unfit for cultivation in Telangana. Based on a detailed survey of these land parcels and identification of those parcels that are fit for industrial use, an industrial land bank for the State of Telangana will be developed. Such lands would be transferred to the Telangana State Industrial Infrastructure Corporation (TSIIC). Once the lands so identified are transferred to the TSIIC, the TSIIC will determine the suitability of each land parcel for setting up core sector specific Industrial Parks. The core sectors are those sectors listed earlier in the new Industrial Policy. Exclusive industrial parks in safe zones will also be created for setting up of red category industries. Some of the industrial parks will also permit multi-sectoral activities and general manufacturing units.



INFRASTRUCTURE DEVELOPMENT

The development of industrial and related infrastructure will be the responsibility of the Telangana State Industrial Infrastructure Corporation (TSIIC). The financial base of the TSIIC will be strengthened and it will be made to function as an effective organization. All lands in the State identified as fit for industrial use will be transferred to the TSIIC. This land asset base will be leveraged to raise finances from the market so that the TSIIC can become independent of Government over a period of time as far as budgetary support is concerned.

The TSIIC will develop all required infrastructure for the sector specific parks like approach roads, water supply, industrial power, and common effluent treatment facilities. TSIIC will raise market loans with Government guarantee and also get initial minimal budgetary support for the creation of the infrastructure in these new industrial parks. It will be ensured that at the time of allotment to industries, all infrastructure facilities are available in the industrial park, and the investor can begin the construction of his unit right from day 1.



CONNECTIVITY

Approach roads of suitable dimension, keeping in mind the nature of industrial activity likely to happen within the park, will be developed to provide connectivity to the nearest national/state highway, railway station and airport. Based on requirement, provision of a railway siding will also be considered.





INDUSTRIAL WATER

To support industrialization, the Government of Telangana will earmark 10% of water from all existing and new irrigation sources for industrial use. Water pipelines will be laid as a part of infrastructure creation for each industrial park by TSIIC. The TSIIC will coordinate with the appropriate department that is responsible for the creation of the Telangana Water Grid so that industrial water for local MSMEs is made available through the Grid.

INDUSTRIAL POWER

The Government of Telangana State recognizes that quality power and uninterrupted power supply are keys to the growth of the industrial sector. The State has a clear short-, medium-, and long-term plans to first overcome the power shortage and

eventually become a power surplus state. Accordingly, uninterrupted power supply will be arranged in each industrial park. The government will also explore the possibility of creating a separate DISCOM exclusively for the industrial parks. Further, “open access” power restrictions will be removed as far as possible to enable all types of industries, including MSMEs to be able to access the power exchange.

The Telangana State Government will encourage usage of non-conventional energy for industrial purposes. Both the user industry and the non-conventional energy suppliers will be provided appropriate incentives to encourage investments in non-conventional energy projects, especially solar power.

In large industrial parks, the Government will facilitate setting up of Private Merchant Power Plants. These 300-500 MW power plants will be of interest to Chinese- and Singapore-based investors dedicated to the group of industrial parks and the tariff could be negotiated between industry users and the producer. The Telangana State TRANSCO will facilitate wheeling and transmission.

COMMON EFFLUENT TREATMENT PLANT (CETP)

Every industrial park will be provided with a common effluent treatment plant, depending on the nature of effluents expected from the specified industrial activity. The Telangana State Government will also encourage development of CETP through a Joint Venture/PPP model, since it is possible to operate and maintain a CETP on commercial lines.

INTERNAL INFRASTRUCTURE

On similar lines, the entire internal infrastructure within an industrial park like internal roads, water distribution lines, drains, waste disposal facilities, etc., will be developed by the TSIIC before lands are allotted to the industrial units.



STATUTORY CLEARANCES FOR THE INDUSTRIAL PARKS

It will be the responsibility of TSIIC to obtain all basic statutory clearances for these Industrial Parks from the appropriate authorities like Land Conversion, Land Use, Layout Approval and Environmental Clearance from Ministry of Environment & Forests, Government of India so that the industrial units need not obtain individual clearances.

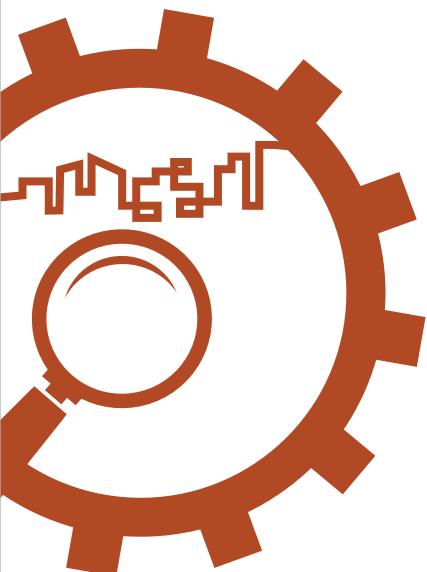


LAND ALLOTMENT PROCESS

Details of all land parcels that form part of the industrial land bank of the State will be made available on the website of TSIIC and the Department of Industries and Commerce. All required information like distance of the Industrial Park from the nearest highway/railway station/airport/town, size of individual plots, photographs of the lands, Google maps, etc. will be displayed.

Three empowered bodies will manage the land allotment process in a transparent and objective manner. The State Industrial Promotion Committee (SIPC) headed by the Chief Secretary and including Special Chief Secretaries/Principal Secretaries/Secretaries from related linear departments will finalise land allotment for Mega Projects. A State Level Allotment Committee (SLAC) headed by Managing Director, TSIIC will clear allotments for other Large Projects. All cases of Micro and SME applicants will be handled by the District Industrial Promotion Committee (DIPC) headed by the respective District Collector. Joint Collector will be the Vice-Chairman of the DIPC.

The process of application will be simplified and made web-enabled. All documents required for making application will be available on the website. An Online Application System will be followed, including the facility to upload all documents online. Facility will be available to the applicant to seek any clarification online. In addition, physical Help Desks will also be set up in the Head Offices and all the District Offices. The above Committees will meet frequently, and strict timelines for allotment according to the Citizen's Charter will be adhered to.



A mechanism will be put in place to realistically assess the actual requirement of land by each applicant. Empanelled technical experts will scrutinise the Detailed Project Report, and based on standard norms for each line of activity, will recommend the actual extent that can be allotted to the applicant. The recommendations of the technical experts will be used by the Committees for finalising land allotment to the applicant.

While making the allotment, the applicant will be required to submit a detailed implementation plan with clear milestones and timelines. The allottee will be held strictly accountable for the progress of his project as per the implementation plan. In case of any wilful default, the allotment will be cancelled and the land resumed.

Once the allotment is finalised by the relevant committee, the applicant will be required to enter into an 'Agreement to Sale' with the TSIIC. This will allow him to raise financing by mortgaging the land for project development. However, the title over the land will be conferred through a 'Sale Deed' only when the project is completed and commercial production has started. During the construction and project development stage, the original promoter will not be permitted to dilute his equity beyond 51% in the project. 'Agreement to Sale' will be cancelled in case any wilful default as mentioned above is observed.

Other than the outright sale method of land allotment, allotment of land on long-term lease to the SMEs will also be considered, particularly when no costs have been incurred by the TSIIC in land procurement.





COMMON FACILITY CENTRES AND UTILITY CENTERS

Every Industrial Park will have some number of plots earmarked for Common Facilities like Electricity Sub-stations, Police Outposts, Fire Stations, e-seva Centres, Banks, Petrol Stations, canteens, local shopping, etc. These will be allotted to concerned government agencies or private parties in an objective and transparent manner by following defined criterion.

The Government will also encourage setting up of Utility Centres with the involvement of the Private Sector. These Utility Centres will provide dedicated power, water, steam, waste management facilities and other industrial inputs to designated specific or a group of industrial parks. There will be direct and independent contracts between the Utility Centre Company and the individual industries in the designated Industrial Parks.

LAND PRICING

A Price Fixation Committee (PFC) constituted within TSIIC will determine the prices of all the land parcels in different Industrial Parks by following an objective criterion. The final price will be the aggregate of the prevailing land price in that area as ascertained from the Registration records, the cost incurred in land development and infrastructure creation, and a nominal administrative charge. The land prices will also be displayed on the website, along with other information. The land price will have validity for a specified time period, and will get revised periodically. A separate pricing mechanism will be followed for the plots earmarked for Common Facilities. Land for location of industry will be available on outright purchase/sale or on a lease basis.

LAND ACQUISITION FOR INDUSTRIES

In case, none of the land parcels available in the industrial land bank of the government are found suitable by an applicant, and if he prefers a privately owned land, it is possible for the TSIIC to acquire it on his behalf by following the provisions of the prevailing Land Acquisition Act.

INDUSTRIAL DEVELOPMENT ON PRIVATE LANDS

Industry will be encouraged in private lands designated for industrial use in spatial planning of HMDA and other urban development authorities in Telangana. Private industrial park developers will be encouraged to pool their lands so that good quality infrastructure can be developed according to the TSIIC standards. In case an industry has to be set up in private lands other than that zoned as industrial, the Government of Telangana will do its best to change the land use pattern, if such conversion is not prohibited by the spatial planning of the area.



SKILL DEVELOPMENT

While encouraging industrial investments on one hand, the Telangana State Government realizes that an important responsibility laid on its shoulders is to make trained and skilled manpower available for the industry's requirements. The Telangana State Government will accordingly take up appropriate skill development programmes so that technically qualified youth can find employment in the industry. These skill development programs have to be industry sector specific and the training package has to be developed in consultation with the industry so that the trained candidates meet industry requirements. The Telangana State Government will take support of accredited Private Sector skill providers in this endeavour. Mega industries will also be especially encouraged to start their own skill development centres within the same industrial park where their unit is located. The Industrial Area Societies will also be encouraged to participate in design and implementing skill development programs.

Skill development programmes would aim to train the youth in getting entry-level jobs, and also upgradation of skills of the existing employees. The skill development programmes targeted at industrial sector jobs will be supported by the government under the ambit of the Telangana State's Skill Development Mission in general and the Telangana State Accelerated SSI Skills Training (T-ASSIST) program of the Industries and Commerce Department.



INDUSTRIAL TOWNSHIPS



As part of the master plan for the sector specific industrial parks to be developed by TSIIC, provision for mini-industrial townships will be made. The townships will contain executive housing, workers housing, social infrastructure and other amenities. This township development can be initiated by the TSIIC in partnership with established industry groups who have the competence in this field and also other reputed real estate companies. Further, in the vicinity of industrial parks, lands will be zoned as Residential, to enable the private sector to also develop housing for the industrial employees. Separate norms and incentives for the township development will be released as a part of State's urban development policy.

INDUSTRIAL AREA LOCAL AUTHORITY

As a part of providing a hassle-free environment for the industrial units, the concept of Industrial Area Local Authority (IALA) will be strengthened. All new Industrial Parks that will be set up by the TSIIC will be covered under the IALA system. All existing TSIIC Industrial Parks which do not have an IALA will adopt the IALA system. This will enable industries to get faster clearances required for starting of construction since the IALA will take advance clearances. The IALA will play an important role in monitoring the compliance of the Industry with self-certified local and national laws and Acts.



INDUSTRIAL INCENTIVES

The Telangana State Government is committed to encourage the process of industrialization by making various kinds of incentives available to the entrepreneurs. The Telangana State Government also assures an entrepreneur-friendly and graft-free regime of disbursing the incentives. The Telangana State Government guarantees that the incentives will be released on time, and direct to the bank account. There will be a transparent online application system, with minimum human interface.

There will be enhanced incentive packages for Scheduled Castes, Scheduled Tribes, physically handicapped, and women entrepreneurs. Mega Projects with an investment of over Rs.200 crores in plant and machinery or employment above 1000 persons will receive tailor-made incentives in addition to standard large category industry incentives.

The Telangana State Government will consider providing incentives to the entrepreneurs in the following areas under its T-IDEA (Telangana State Industrial Development and Entrepreneur Advancement) incentive scheme:

- 
- ◆ Stamp duty reimbursement
 - ◆ Land cost rebate
 - ◆ Land conversion cost
 - ◆ Power cost reimbursement
 - ◆ Investment subsidy
 - ◆ VAT reimbursement
 - ◆ Interest subsidy
 - ◆ Seed capital for 1st generation entrepreneur
 - ◆ Training and skill development cost reimbursement
 - ◆ Quality/patent support
 - ◆ Clean production measures
 - ◆ Reimbursement of infrastructure development costs

Details of general and sector-specific incentives will be issued through Government Orders from time to time and publicized on the website and through other means. While providing incentives to future industries, the Government will also ensure that the existing industries are also benefited.

RATIONALIZATION OF TAXES

A sound industrial policy has to ensure that the State taxation structure is conducive to industrial growth and State financial resource augmentation. Distortions in the tax structure leads to evasion of taxes and clandestine transport of industrial inputs and outputs to neighbouring states, which may have advantageous tax rates. To address this problem, inter-state tax rationalization on industrial inputs and outputs with neighbouring states like Karnataka, Maharashtra, Gujarat and Tamil Nadu will be brought out within a short span of time.



REVIEW OF ALL LAWS IMPACTING INDUSTRY

It is common knowledge that a number of laws and rules that impact industry and industrialization are outdated. For example, the Indian Boilers Act is of 1923 and the Indian Boilers Rules is from the year 1950. The Indian Factories Act is from the year 1948. The Electrical Inspector implements the provisions of the Indian Electricity Rules 1956. The Government of India has also announced its intention to review all legislation, and either remove from the books or completely revise these archaic laws. The Telangana State Government will also review the laws and rules on its books and either remove or completely revise these archaic laws that are within the competence of the Telangana State Government.

CENTRAL GOVERNMENT INCENTIVES

As per Section 94 (1) of the Andhra Pradesh Reorganization Act 2014, the Central Government shall take appropriate fiscal measures, including offer of tax incentives to the successor States, to promote industrialisation and economic growth in both the States.

- ◆ 100% central excise benefit for 5 (or more) years
- ◆ 100% income tax benefit for 5 years; 30% for the next 5 years
- ◆ Other investment subsidy benefits

The government will pass on these benefits to the entrepreneurs once they get notified by the Government of India.



INDUSTRIAL CORRIDORS

The presence of important national and state highways, coupled with the availability of resources and opportunities, provides a great potential for development of industrial corridors in the state along these roadways. The corridors will be modelled after Special Investment Zones like the DMIC or the PCPIR. While the available government lands will be utilised to spark industrial activities in the corridor, the privately held lands will also be regulated through special zoning regulations so that the desired growth of industries and support facilities can materialize.



Initially, the following industrial corridors will be developed:



In the second phase, the following industrial corridors will be developed:

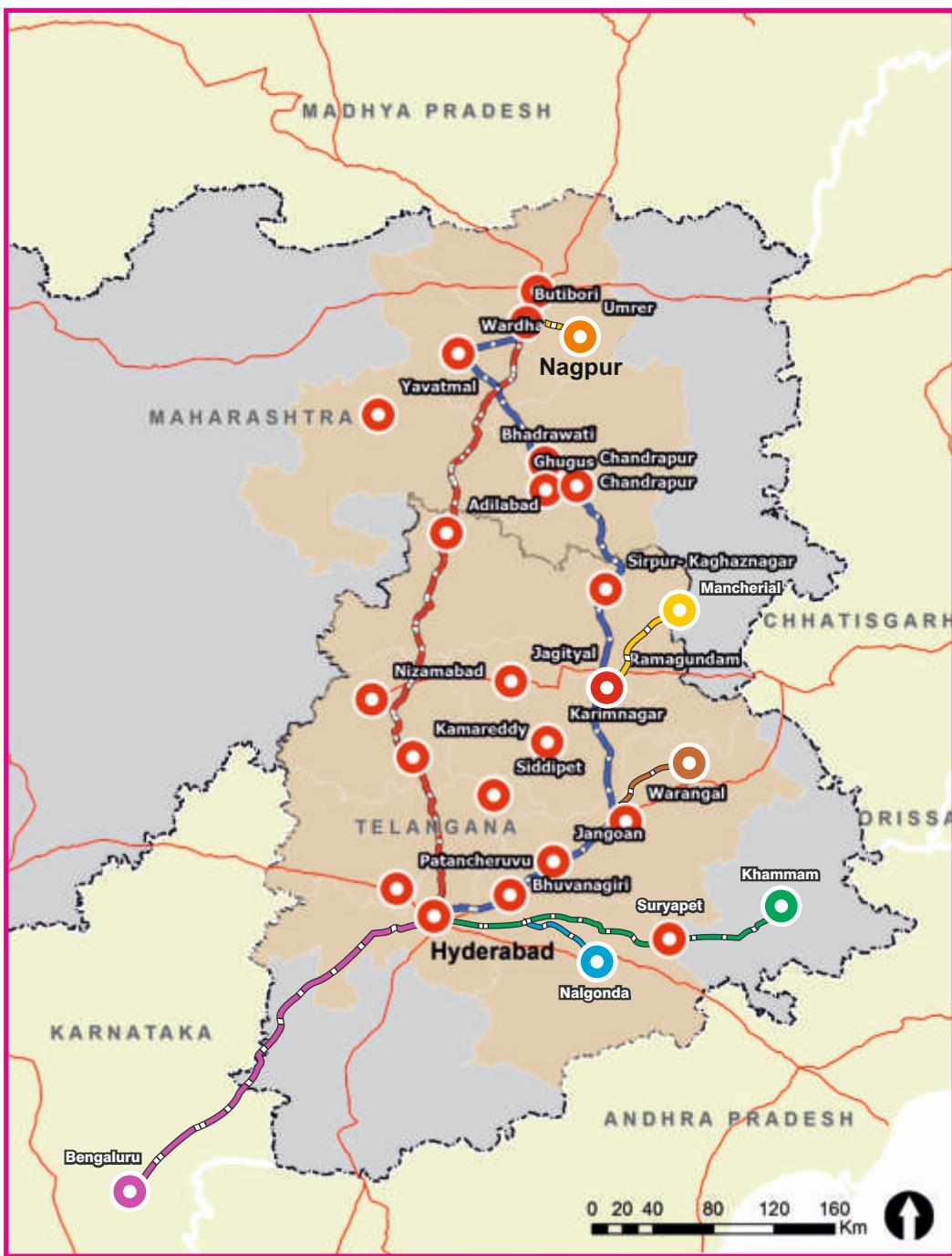


The Telangana State Government will take up the development of industrial corridors on roadways linking Hyderabad to Warangal on a priority basis. Subsequently, other corridors will also be identified on similar lines and detailed studies will be conducted to prepare the Master Plan for each corridor. Ultimately, each district headquarters of the State will be connected by high speed rail and road network.

The intention would be to create at least 2 core sector-specific industrial parks for each sector. This will ensure that the benefits of industrialization will reach every district of the State, which will have 2 or more industrial parks. In addition, district-wise industry potential plans at the MSME level will be prepared, utilizing the natural resources available in each district. These sector specific industrial parks will be located in the influence areas of the industrial corridors.



PROPOSED INDUSTRIAL CORRIDORS



(Green circle) Khammam

(Purple circle) Bengaluru

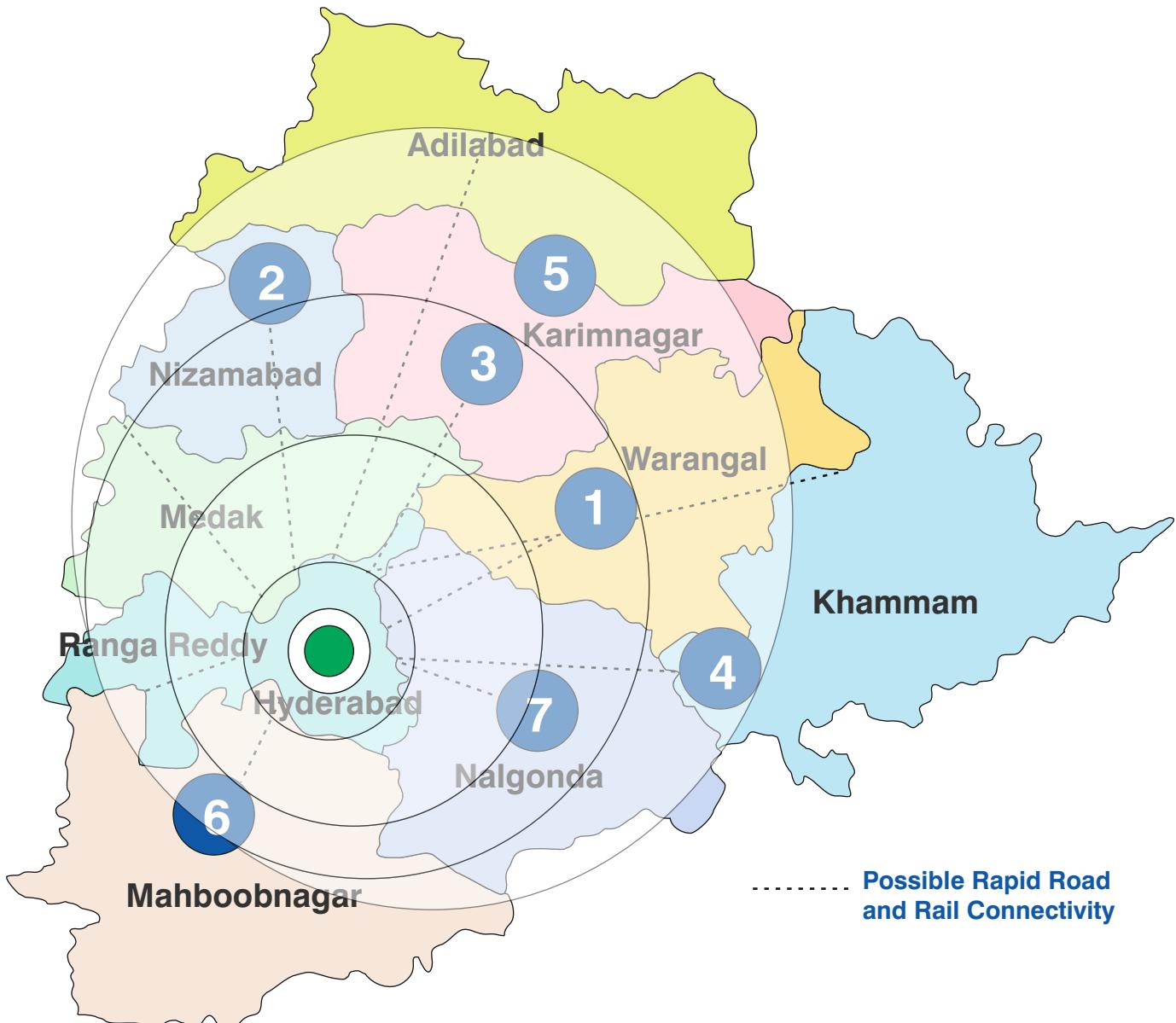
(Yellow circle) Mancherial

(Orange circle) Nagpur

(Blue circle) Nalgonda

(Red circle) Warangal





KEY INDUSTRIES IN

Adilabad:

- ◆ Cement
- ◆ Paper
- ◆ Textiles

Karimnagar:

- ◆ Fertilizers
- ◆ Power
- ◆ Cement
- ◆ Textiles

Warangal:

- ◆ Minerals
- ◆ Food Processing
- ◆ Textiles
- ◆ Leather

Khammam:

- ◆ Minerals
- ◆ Power
- ◆ Granite
- ◆ Metallurgy
- ◆ Paper

Nalgonda:

- ◆ Cement
- ◆ Pharma

Nizamabad:

- ◆ Minerals
- ◆ Cement
- ◆ Food Processing

Medak:

- ◆ Chemicals
- ◆ Engineering
- ◆ Automobiles
- ◆ Pharma

Ranga Reddy:

- ◆ IT & BT
- ◆ Pharma
- ◆ Food Processing
- ◆ Defence and Aerospace

Mahboobnagar:

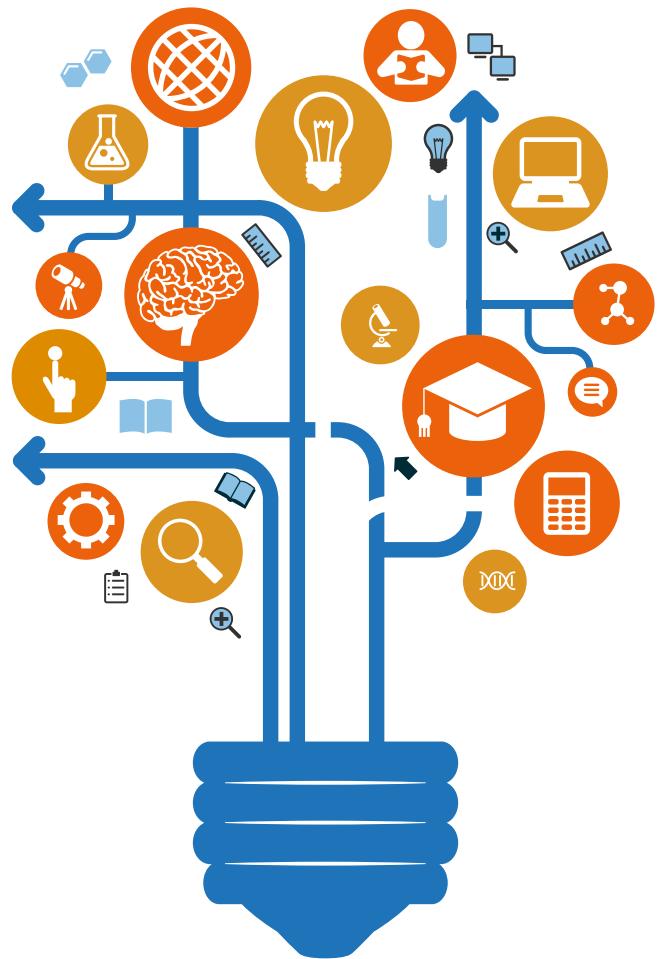
- ◆ Textiles
- ◆ Minerals
- ◆ Pharma
- ◆ Consumer Products



RICH

RESEARCH AND INNOVATION CIRCLE OF HYDERABAD

Hyderabad is home to a number of internationally- and nationally-reputed educational and research institutions. ICRISAT, CRIDA, CCMB, IICT, DRDL, NIPER, IIT, BITS, IIIT, ISB, UOH, OU, are some of them. The Government intends to harness the talent available in these institutions to the fullest to benefit the industrial sector by bringing new ideas, new innovations, new technologies, new products and services, to make the industries in Telangana globally competitive. The Government recognizes the present gaps in the innovation-entrepreneurship-investment ecosystem, which has prevented the full utilization of the research and development work taking place in these institutions. The Government, therefore intends to create a platform to be named Research and Innovation Circle of Hyderabad or RICH in short, as a Section 25 Company that will link the research institutes, academia and industry along with venture capitalists, angel investors and Incubation Funds. Through this mechanism, innovation will be encouraged and commercialization of research will be promoted. The Government of Telangana will invest substantially in RICH so that it can become a self-sustaining organization. RICH will focus on the core industrial sectors outlined earlier in this Policy. To supplement RICH and encourage innovation and incubation, the Telangana State Government will create a Research to Market Fund (RMF) to fund entrepreneurial activity, and provide a matching contribution up to Rs.100 crores to the fund for amounts contributed by private venture capitalists and angel investors.



Linking up the technical educational institutions, technical education students and the industry will also be taken up by RICH. RICH will create a model of strong industry-institution linkage that will ensure practical training for all technical graduates in the industry, making them more employable (immediately out of college).



SPECIFIC INITIATIVES FOR NOW

During the year 2014-15, in addition to the other mandates of the Policy Framework, the following specific initiatives will be implemented:

- New Pharma City and Chemical City with well-developed infrastructure including waste management
- Development of the Hyderabad Warangal Industrial Corridor
- Development of Warangal as the textile hub of Telangana
- Food Processing and Seed Production Initiatives
- Mini-industrial townships along with Industrial Park
- Direct loan facilitation to Dalit entrepreneurs
- Creation of Venture Capital/Angel Fund
- Inter-state VAT rationalisation on industrial inputs and outputs
- Review and Reform of all age old industry sector regulations, including labour laws



CORPORATE SOCIAL RESPONSIBILITY

As part of Corporate Social Responsibility (CSR), companies that have a turnover above a particular financial limit as prescribed by the Government of India, from time to time are expected to spend a portion of their profits on activities that benefit the community at large. Usually, these companies have their own CSR Plans and in many cases, the CSR Plans are formulated at their corporate headquarters that may not be located within the State of Telangana. In addition, individual amounts being spent by individual corporate may not be substantial to make a significant impact on the local community. The Telangana State Government intends to coordinate with the industry groups to ensure that a systematic and comprehensive annual state-wide plan is created by all companies so that CSR in Telangana will have maximum impact.



SAFETY NET AND EXIT POLICY

Other than Statutory Provident Fund type of instruments, there is no safety net for industrial workers. In the event of closure of an industry, many of the employees are likely to face a serious economic crisis. The Government of Telangana will explore the possibility of creating a safety net scheme with contribution of the industry and the Government to create a safety net for industrial workers.



Similarly, over the past few years, industry groups have been requesting Governments to craft an exit policy for the industry. Once an industry is set up, there is no exit policy at present by which the interests of the investor, the employees and the financial institutions are protected. Though an industry exit policy is in the domain of the Central Government, the Government of Telangana will work closely with the GOI in the formulation of an exit policy.



CONCLUSION

The new Industrial Policy brought out by the Government of Telangana promises to revolutionise the way industrial sector has been viewed by successive governments in this country. A day is not far when the new Industrial Policy of Telangana will shine as an exemplar among the best in the world.

“Innovate in Telangana, Invest in Telangana, Incorporate in Telangana” will become the motto of industrialization in the new State. It is strongly believed that with the new Industrial Policy in place, a growth rate of 4-5% greater than the national growth rate in the Manufacturing Sector can be achieved.

The Telangana State Government welcomes industrialists, investors and entrepreneurs to this new State and promises to fulfil their expectations both in letter and in spirit as espoused in the new Industrial Policy.



NOTES



NOTES



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