

7. INDUSTRY

Tamil Nadu has carved a niche for itself amongst the industrial leaders in the country. In the era of liberalization and intensive competitive environment, Tamil Nadu is resolutely addressing the challenge of moving to higher trajectory of growth in the industry. Tamil Nadu positioned to continue to be most preferred destination for new investment. The State continues to witness a boom in attracting investment in the Information Technology and related industries, automobiles, electronics, consumer durables, garments, real estates, etc.

Emerging Manufacturing Hub:

Realising the importance of manufacturing sector for its unlimited potential to accommodate ever increasing non-agriculture labour force, the State is heading for industrialization. The vision of the government is to make the State a manufacturing hub of the country. Along with adequate care for the sustainable existence of traditional industries such as textile, garment, leather, sugar etc. the State has emerged as a major hub for manufacturing and sun rise industries viz. automobile, auto component, electronic hardware and software which are the major focus areas for attracting investment through Foreign Institutional Investment and Foreign Direct Investment. In the last two years alone between 2006-07 and 2007-08 the State had signed 14 MOUs to attract investment to the tune of Rs.18483 crore with employment opportunities for 1.49 lakh persons.

Memorandum of Understanding (MOU) between 2006-07 and 2007-08:

Between 2006-07 and 2007-08, 14 MOUs were signed in the State to invest Rs.18483 crore consisting of Rs. 10220 crore in automobiles and automobile parts accounting for 55.29 per cent, Rs. 4090 crore in electronic hardware industries (22.13%), Rs.2500 crore in renewable energy (13.53%) etc. It revealed that automobiles and electronic hardware industries are the focusing areas for attracting investments in the State.

Sector	Investment (Rs. Crore)	Percentage Share
Automobiles and Parts	10220	55.29
Electronic Hardware	4090	22.13
Renewable Energy	2500	13.53
Minerals	1373	7.43
Footware	300	1.62
Total	18483	100.00

Source: Policy Note on Industries 2008-09, GoTN

Industrial Focus on other Districts:

The southern districts of the State are contributing more than 25 per cent to Gross State Domestic Product. In order to achieve equitable distribution of income between the districts for social maximization, the State realised that the spread of industrialisation is more imperative. With a view to achieve balanced development and growth across the districts so as to create healthy socio economic region, the Government is focusing to establish more number of manufacturing industries across the State and taking efforts to attract investment for accelerating industrialisation in southern and western districts by providing special industrial package measures. The Government have decided to provide

industrial package assistance for investment in fixed assets of over Rs.250 crore in a period of three years for industries located in the districts, other than in and around Chennai. Whereas, industries in Chennai, Thiruvallur and Kancheepuram districts are eligible for industrial package assistance if their investment is at Rs.350 crore. To accelerate industrial growth in southern districts, SIPCOT would develop 2000 acres of industrial parks at Madurai and Tuticorin districts on non-agricultural land. The Government announced to deepen the draught in Tuticorin port to enable the entry of larger cargo carriers and this would help more mother vessels to call on the port. The Government is ensuring that SEZs would be a source of economic prosperity to the common people of that area and not at the harassment of poor farmers. A Special Economic Zone for transport engineering goods would also to be set up at Gangaikondan in an extent of 225 acres and Multi Products SEZs are promoting by TIDCO at Nanguneri, Virudhunagar, Perambalur, Krishnagiri districts are worth mentioning for industrialisation. Industrial activities are proposed to be spread out in industrially backward districts also through addressing the industrial infrastructure facilities proper. The dispersion of industrial activities across the State would develop services industries too in the long term perspective.

Investment Scenario in Tamil Nadu - Flow of Investment Trend:

As per Centre for Monitoring Indian Economy (CMIE), the total investment from different sources is in the pipeline in Tamil Nadu was Rs.90650 crore as on May 1996 which increased to Rs.157903 crore in April 2001. It was Rs. 173529 crore in June 2006, increased by Rs.175175 crore to Rs.348704 crore in March 2008 and registered a growth of more than 100 per cent within a short span of two years.

Table-2: Flow of Investment Trend in Tamil Nadu

Year	Investment (Rs. Crore)	Growth (%)
May 1996	90650	
April 2001	157903	
April 2002	164954	4.47
April 2003	154093	(-) 6.58
April 2004	132723	(-) 13.87
April 2005	158867	19.70
March 2006	163098	2.66
June 2006	173529	6.40
March 2007	218902	26.15
March 2008	348704	59.30

Source: Policy Note on Industries 2008-09, GoTN.

Distribution of Project Investments:

The investment in the construction sector in the State was buoyant which increased nearly two and a half times from Rs.18878 crore in January 2007 to Rs.46884 crore in March 2008 and posted an unprecedented impressive growth of 193.98 per cent. The surge in investment in this sector was propelled by housing construction. Investment in energy sector also registered a buoyant growth of 93.13 per cent with an outstanding investment of Rs.107182 crore. The second highest investment of 30.16 per cent was

seen in the manufacturing sector followed by services sector with a share of 22.36 per cent due to a major portion from transport services.

Table-3 : Distribution of Industrial Project Investment in Tamil Nadu

Industrial Project	January 2007		March 2008		% Share of Investment
	Number	Investment (Rs. Crore)	Number	Investment (Rs. Crore)	
Manufacturing	265	46194	285	105174	30.16
Mining	15	8576	16	8393	2.41
Electricity	100	55498	124	107182	30.73
Services	393	57722	449	77957	22.36
Irrigation	7	2042	9	3115	0.89
Construction	131	18878	205	46884	13.45
Total	911	188910	1088	348704	100.00

Source: Monthly Review of Tamil Nadu Economy, CMIE, December 2007 & May 2008.

Foreign Direct Investment:

Foreign Direct Investment (FDI) has a role to play in stepping up levels of investment and there is competition to attract FDI both at the global, national and sub national level. As per the Reserve Bank of India, 'Positive Industrial Climate, Progressive Liberalisation of the FDI Policy Regime and Simplification of Procedures' are the factors which helped India to attract more FDI. The accelerated pace of mergers and acquisitions in other sectors such as financial services, manufacturing, banking services, information technology and construction activities are also responsible for boosting FDI. Among the newly resurgent economies, India has now emerged as the second most preferred FDI destination after China.

The Secretariat for Industrial Assistance (SIA in the Department of Industrial Policy & Promotion-GoI) had approved Rs.141552 crore as on April 2006 in new industrial projects falling under the Industrial Entrepreneur Memorandum (IEM); Letter of Indent (LOI) and Industrial Licence (IL) for the State which increased to Rs.185640 crore in January 2008 and recorded a growth of 31.15 per cent.

Policy Changes in FDI Liberalisation:

The Policy changes in FDI liberalization from time to time, enhance the equity caps in FDI upto 100 per cent to attract more investment into India. As per the RBI's Region-wise FDI Equity Inflows, the Chennai destination (includes Pondicherry) had attracted FDI worth of Rs.13322.17 crore sharing 5.41 per cent out of Rs.246058.42 crore for the country during the period from April 2000 to March 2008. By its share of FDI equity inflows, the State replaced Gujarat to fifth place and Andhrapradesh to sixth place.

RBI's Regional Office	States Covered	Amount of Inflows (Rs. in crores)	Percentage Share of FDI
1. Mumbai	Maharashtra, Dadra & Nagar Haveli, Daman & Diu	77327.28	37.43
2. New Delhi	Delhi, Part of Uttar Pradesh and Haryana	47366.37	19.25
3. Bangalore	Karnataka	16531.11	7.72
4. Chennai	Tamil Nadu & Pondicherry	13322.17	5.41
5. Ahmedabad	Gujarat	11775.33	4.79
6. Hyderabad	Andhra Pradesh	9692.80	3.90
All States		246058.42	100.00

Source: Secretariat for Industrial Assistance, GOI.

Foreign Technology Transfer Approval:

In the era of globalization, visible impacts are realized in the FDI inflows along with the advent of Foreign Technology Transfer into the country which is indispensable for optimum utilization of scarce resources through maximizing production and minimizing cost for better competitive price. As such, between August 1991 and March 2008, 664 technical collaborations were approved for Tamil Nadu which accounted for 8.34 per cent out of 7962 for all the States in the country and Tamil Nadu stood next to Maharashtra.

State	Number of Technical Collaborations Approved	Percentage to total Foreign Technology Transfer
1. Maharastra	1374	17.26
2. Tamil Nadu	664	8.34
3. Gujarat	610	7.66
4. Haryana	518	6.51
5. Delhi	356	4.47
6. Other States	4440	55.76
All States	7962	100.00

Source: Secretariat for Industrial Assistance, GOI.

Present Status of Project Investments:

In the process of industrilisation, it is understood that all the projects are not implemented due to various reasons. There is a possibility of addition, deletion and diversion of projects in due course of time. The quarter-wise project investment revealed that the State had attracted 1110 projects to the tune of Rs.372301 crore as at the end of fourth quarter of 2008 when compared to 941 projects with an investment of Rs.223082 crore as at end of same quarter of 2007 registering a hefty growth of 66.89 per cent. Out of 1110 outstanding projects, 519 projects were under implementation in the State with an investment worth of Rs.140279 crore sharing 37.68 per cent of total investment and 569 remaining projects were in the announcement stage.

During the fourth quarter ending March 2008 alone, 65 new projects at a cost of Rs.83132 crore were announced in the State. In terms of cost, the largest one was the Chennai Coal Based Power Project announced by ETA Star Energy in January 2008, with an investment of Rs.6000 crore. Meanwhile 9 projects were completed during the fourth quarter including the expansion of Passenger Cars Project of Hyundai Motor India in Chennai at a cost of Rs.2300 crore.

Table-6: Status of Projects Investment in Tamil Nadu

Project	March 2007		March 2008	
	Number	Investment (Rs.Crore)	Number	Invest-ment (Rs. Crore)
At the beginning of the Quarter	867	182903	1038	280436
New	69	31462	65	83132
Transferred from	4	4718	6	8168
Revival	1	4000	1	565
Total Live	941	223082	1110	372301
Completed	19	1293	9	2802
Abandoned / Shelved	-	-	-	-
No Information Available	2	53	6	451
Transferred to	4	4718	7	24168
Total Deletion	25	6064	22	27421
Variation in cost		1884		3825
At the end of the quarter	916	218902	1088	348704
Announcement	469	94204	569	208425
Under Implementation	447	124698	519	140279

Source: Monthly Review of Tamil Nadu Economy, CMIE, Jan. & May 2008

Information Technology:

The Information Technology has been the key driver of strident growth and development in the State. A combination of favourable facts conducive investment climates, a reservoir of skilled manpower and proactive government support have put Tamil Nadu in the top rung of the information technology map of the country. The Government is committed to continue the dominance of Tamil Nadu in information sector by spreading the growth of information technology in the newer centers also viz. Coimbatore, Madurai, Tiruchirapalli, Salem and Tirunelveli so as to ensure balanced growth and retains State's competitive edge. Thiruvarur, Krishnagiri, Perambalur, Ariyalur and Coimbatore districts have been selected for the e-district project. The State is witnessing the establishment of both software and hardware industries which is a unique feature of the world.

Box-1

Information Communication Technology (ICT) Policy-2008 : Tamil Nadu

For stimulating and strengthening IT related activities in the State, the Government of Tamil Nadu unveiled a new IT Policy. The growth momentum in the IT sector in Tamil Nadu aims to sustain the economic prosperity and increased employment opportunities by upgrading the IT skills. To achieve this, the State has formulated a 'New Information and Communication Technology (ICT) Policy 2008' to capture a share of 25 per cent in Indian ICT production by 2011 from its present share of 11 per cent with the following vision.

“Tamil Nadu shall be the ICT Hub of South Asia by creating a knowledge driven ecosystem, leveraging entrepreneurship and promoting socially inclusive growth to achieve a 25 per cent production share of the Indian ICT industry.”

At the achievement of this vision it would be expected to witness 0.8 million (0.7 million employment in ICT services and 0.1 million jobs in ICT manufacturing) direct jobs by 2011 and 2.2 million indirect jobs i.e. totally 3.0 million jobs.

Specific Salient Features of the ICT Policy – 2008:

The development of information technology in the State will be promoted through multiple activities such as:

1. A Task Force would be set up for developing technical institutes in the State into Centres of Excellence for nurturing the talent.
2. Steps to be taken to establish institutes of higher learning with focus on ICT sector to boost ICT applied research and development.
3. Entrepreneurs would be encouraged to establish incubation centres by providing technical knowledge, managerial assistance and help them to obtain resources.
4. Structured package of fiscal incentives for a period of three years for new IT-ITEs companies set up in Chennai, Thiruvallur and Kancheepuram districts with an investment of Rs. 250 crore and for other districts with an investment of Rs.150 crore.
5. A back-ended State Capital Subsidy and Electricity Tax exemption would be available for setting up IT-ITEs in Tier II and Tier III cities based on investment and number of employment provided by them.
6. Relaxation of Floor Space Index would be given to designated IT-ITEs Parks and Stamp Duty Registration Fee exemptions will be given for purchasing land by IT-ITEs companies.
7. Administrative incentives for IT-ITEs companies would be permitted under proper maintenance of registers.

Source: Information Communication Technology (ICT) Policy-2008, Tamil Nadu.

The sustaining growth in the information technology sector calls for constant fine tuning of strategy to face the competition and also increase newly to value realization and vertical movement over the value chain and product innovation. So far, 213 IT buildings obtained “No Objection Certificate” (NOC) from ELCOT for the built up area of 73 million sq.ft. As per Software Technology Parks of India (STPI), manpower employment provided by IT companies in the State was 145590 between 2001-02 and 2005-06 whereas it was 126810 between 2006-07 and 2007-08.

Software Exports:

The number of software companies in the State increased to 1127 at the end of 2007-08 including as many as 139 new units registered during the year 2007-08 in the State as reported by the Software Technology Parks of India, Chennai. The alarming rise in IT companies in the State promoted the value of software production in the subsequent years. The software exports started in the State which stood at the meager value of Rs.2 crore in 1993-94 sharply increased to Rs.5223 crore in 2001-02 and touched Rs.13615 crore in 2005-06 and further shoot up to a value of Rs.28490 crore in 2007-08 registering a growth of 37.62 per cent when compared to the previous year level of Rs.20701.72 crore. Considering the area of software export, the export of application software accounted for more than 55 per cent followed by system software (17%) in the review year.

Table-7: Trend Growth of Software Exports from Tamil Nadu

Year	No. of Software Industries	Value of Exports (Rs.Crore)	Export-Growth Rate(%)
2001-02	855	5223.00	67.78
2002-03	936	6315.51	20.92
2003-04	866	7621.50	20.68
2004-05	915	10703.00	40.43
2005-06	931	13615.10	27.21
2006-07	988	20701.72	47.51
2007-08	1127	28490.00	37.62

Source: Software Technology Parks of India, Chennai.

Special Economic Zones (SEZs) :

In India the Special Economic Zones are being implemented in the public, private, joint sector or by the State Government based on the successful outcome of the Special Economic Zones of People’s Republic of China (PRC). In the country, the SEZs are enjoying Special tax incentives, greater independence on international trade activities, producing export oriented goods and economic activities which are primarily driven by market forces. As a first step, India had converted the existing 8 Export Promotion Zones (EPZs) in the country to SEZs. Currently, India has 811 units in operations in the 8 fully functional SEZs with an average size of 200 acres.

As of August 2008, Board of Approvals SEZs India for had granted formal approvals for setting 513 SEZs in the country, principle approvals to 138 SEZs and 250 SEZs were under notification. Out of these, Tamil Nadu got formal approvals for 60 SEZs, in principle approvals for 14 and 42 SEZs were under notification and stood third to Maharashtra and Andhra Pradesh. Tamil Nadu is aware of the importance of Special Economic Zones which have the potential to accelerate economic growth, reducing

regional disparities and above all provide avenues for employment. Special Economic Zones have also brought into focus the land use pattern and rehabilitation of the displaced ensuring just compensation to stakeholders. Government policies have endowed to address these imperatives.

Box -2
Tamil Nadu : IT-ITEs Special Economic Zones

As of March 2008, in the State 37 IT-ITEs SEZs with an extent of 1226.32 ha. got formal approval from GOI. Out of this, 19 were notified and had commenced operation. Apart from this, one Multi Services SEZs in 121.41 ha. and two Multi Product SEZs in 2192.44 ha. also got formal approval. In addition to this, 6 Electronic Hardware, Software and Related Service SEZs in 464.45 ha. with formal approval showed that the State is an ideal location for attracting investment in the IT-ITEs and Electronic Hardware manufacturing sector.

Source: Policy Note on Information Technology 2008-09, GoTN.

**Table-8: Major State-wise Special Economic Zones
(As on August 2008)**

State	Formal Approvals	In-principle Approvals	Notified SEZs
Andhra Pradesh	94	3	56
Delhi	2		1
Gujarat	45	9	22
Haryana	42	17	20
Himachal Pradesh		2	
Karnataka	48	9	23
Kerala	16	1	8
Madhya Pradesh	13	6	4
Maharashtra	95	36	35
Orissa	9	4	4
Punjab	8	8	2
Rajasthan	8	10	5
Tamil Nadu	60	14	42
Uttar Pradesh	29	4	12
West Bengal	23	13	8
ALL INDIA	513	138	250

Source: SEZ, GOI

Industrial Promotional Agencies:

The industrial development in the State is being cased and promoted by the following Industrial Promotional Agencies with their distinct and diversified functional efficiencies.

Table-9: Industrial Promotional Agencies

Agency with Specific Objective	Distinguished Activities	Realisation Towards Activities
<p>1. TIDCO – Promotes large and medium industries, now focusing on infrastructure, IT Parks, Special Economic Zones and Agri Export Zones.</p>	<p>1. Infrastructure Projects</p>	<p>East Coast Road is completed. Execution of IT Corridor Project was on the way from Madhya Kailash to Siruseri Phase I for a distance of 20 km is completed in 2008 and it would be extended further from Siruseri to Mahabalipuram in Phase II.</p>
	<p>2. IT / Bio Parks/ Other Projects</p>	<p>1. IT-ITEs SEZs at Taramani with 4 million sq.ft built up space at the cost of Rs.1500 crore has been taken up as a joint venture to be completed in 2009 to provide employment to 0.50 lakh persons. 2. IT-ITEs SEZ at Taramani with integrated International Convention with built up space of 4 million sq.ft. for IT-ITEs and commercial activities at the cost of Rs.3000 crore in a joint venture to be completed in 2009 to provide employment to 0.50 lakh persons. 3. TICEL BIO-Park was established at Taramani in technical collaboration with Cornell University USA, with an outlay of Rs. 62.5 crore. 4. Bio- IT Park by STPI with TIDCO at a cost of Rs.500 crore would be taken up near Chennai. 5. Nagarjuna Oil Corporation Ltd. a joint venture with an investment of Rs.4790 crore was yet to be taken up. 6. Cold Storage at Namakkal for eggs at Rs 10 crore and Winery Project at Nilakottai at a cost of Rs.20 crore were also proposed to be taken up. 7. Shipyard-cum-Minor Port Complex at Kattupalli near Ennore Port at a cost of Rs.3068 crore is under implementation and to be completed by 2010 would provide employment to 10000 persons.</p>
	<p>3. Special Economic Zones/ Agri- Export Zone</p>	<p>1. TIDCO has completed the Project Information Memorandum, Topographical & Contour Surveys and Soil Investigation for establishing multi product SEZ at Ennore in 3000 acres at a cost of Rs.630 crores. 2. SEZs at Krishnagiri and Perambalur Districts for multi products and Virudhunagar SEZ were approved by GOI and all in the initial stage of implementation. 3. The SEZ at Nanguneri, formally approved by GOI is expected to provide employment to 70000 persons on its completion at a cost of Rs.630 crore. 4. AEZ for cashew at Cuddalore, the common processing and pack house is in progress and AEZ for flower at Ooty is also under implementation.</p>

<p>2. SIPCOT – Promoting Industrial Parks and other Industrial Infrastructure Projects is now diversified its focus as given in the next columns.</p>	<p>1. Development of Industrial Complexes / Parks / Growth Centres with basic infrastructure facilities.</p>	<p>SIPCOT had formed <u>Industrial Complexes</u> at Ranipet, Hosur, Manamadurai, Pudukkottai, Cuddalore, Gummidipoondi, Thoothukudi, Bargur Nilakottai and Cheyyar.</p> <p><u>Industrial Parks</u> at Irungattukottai, Sriperumpudur and Siruseri.</p> <p><u>Industrial Growth Centres</u> at Perundurai, Oragadam and Gangaikondan. Since inception, it has acquired a total area of 22847 acres of land. Of which, the total allotable area was 18534 acres. So far, it had allotted 13315 acres to 1651 units.</p>
	<p>2.Establishing Sector Specific Special Economic Zone</p>	<p>1. SIPCOT has established its first Sector-specific Hi-tech Special Economic Zone in Sriperumpudur over an area of 468.74 acres and allotted a total area of 351.85 acres to global companies viz. Dell Computers, Samsung Electronics, Motorola, Foxcon and TAPP Semi Conductors.</p> <p>2. Footwear SEZ at Irungattukottai was nearing completion in 153.65 acres.</p> <p>3. Footwear SEZ at Cheyyar in 275 acres is in implementation.</p>
	<p>3.Implementation of Special Infrastructure Projects</p>	<p>Ministry of Heavy Industry (GOI) was setting up a Global Automotive Testing Research Centre at Oragadam Industrial Park of SIPCOT at a cost of Rs.470 crore in 304 acres.</p>
	<p>4. Other Projects</p>	<p>In Sriperumpudur Industrial Park (Phase-II) 118.66 acres were allotted for setting auto component manufacturing and at Oragadam Growth Centre, 135 acres were allotted for manufacturing radial tyres.</p>
	<p>5. Land Bank</p>	<p>SIPCOT had identified 23000 acres of barren, non irrigated and dry land in different districts across the State to create a land bank industrial parks by promoting them with quality infrastructure and social infrastructure.</p>
<p>3. TANSIDCO – Promoting Small Industries Sector</p>	<p>1.Establishing Industrial Estates</p>	<p>So far, SIDCO had developed 43 Industrial Estates and 35 Government Industrial Estates on agency terms with necessary Industrial Infrastructure Facilities to allot them on easy instalment (or) outright sale basis. During 2007-08, SIDCO had sold out 262 plots and 15 sheds.</p>
	<p>2.Distribution of Raw Materials to Small Enterprises at reasonable prices.</p>	<p>During 2007-08, it had distributed 12607 MTs of Iron and Steel, 1786 MTs of wax, 30 MTs of potassium chlorate and 2242 MTs of paper to Small Enterprises at the total value of Rs.37.70 crore.</p>
	<p>3.Marketing Assistance for Small Enterprises</p>	<p>During 2007-08, SIDCO secured orders to the value of Rs.116 lakhs from State Government Departments and executed them through MSMEs.</p>

4. TIIC – provides financial assistance by way of Term Loan to purchase fixed assets, for setting up of new units and for modernization and diversification of existing units. During 2007-08 it disbursed Rs.375.17 crore.	1.National Equity Fund Scheme	Financial Assistance was given to 344 Small and first generation entrepreneurs to the quantum of Rs.72 crore in 2006-07.
	2. Technology Upgradation Fund Scheme for Textile Industry.	In 2006-07, 33 Units availed financial assistance to the value of Rs.40 crore for upgrading Textile Industry. The scheme was kept in abeyance during 2007-08 by ministry of textiles GOI from 1.04.2007 and only in Nov'2007, announcement on its continuation was made still assistance to the tune of 16.08 crores was released during 2007-08.
	3.Small & Medium Enterprises Fund	775 Small and Medium Enterprises received loan at reduced rate of interest.
	4. Wind Mill Scheme	As on 2007-08, 76 mills benefited to the value of Rs.141 crore for setting up of wind mills to generate 40 MW.
	5. Credit Linked Capital Subsidy Scheme	Capital subsidy was provided to 45 MSMEs subject to a maximum of Rs.15 lakhs.

Source: Policy Notes and Performance Budget on Industries , 2006-07 & 2007-08, GoTN..

Industrial Performances:

Growth of Manufacturing Sub group in GSDP:

The manufacturing subgroup is the major component of the secondary sector in GSDP. It comprises of manufacturing registered and manufacturing unregistered industries. The income originated from the manufacturing subgroup to GSDP in real terms increased from Rs.35059 crore in 2005-06 to Rs.38617 crore in 2006-07 registered a growth of 9.75 per cent. Further, it increased to Rs.41551 crore with a growth of 8.61 per cent in 2007-08.

Over a period of five years from 2002-03 to 2006-07, this sub group recorded an annual average growth of 8.29 per cent. For the corresponding period, the growth rate achieved by the manufacturing registered industries clocked at 8.89 per cent over and above the target of 8 per cent set for the Tenth Five Year Plan Period and the manufacturing unregistered industries achieved the annual average growth of 6.71 per cent against the target of 2.50 per cent which implies that the manufacturing unregistered industries are also emerging as a growth contributor in the development of industrial process of the State is to be noted.

Contribution of Manufacturing Sub group to GSDP:

The contribution of manufacturing industries to GSDP at constant prices was hovering around 19 per cent in the recent past. The share of manufacturing industries to GSDP increased from 19.07 per cent in 2005-06 to 19.21 per cent in 2006-07 and stood at 19.65 per cent in 2007-08. For the corresponding period, the contribution of manufacturing registered industries increased from 12.45 per cent to 12.47 per cent and to 12.87 per cent, whereas the manufacturing unregistered industries also increased from 6.62 per cent to 6.74 per cent and to 6.78 per cent, respectively.

Box-3: Tamil Nadu Industrial Policy 2006-07

Tamil Nadu Industrial Policy 2007, was unveiled by State Government during November 2007 which focused on stimulating further industrial development, attracting investment, facilitating new manufacturing capacity and enabling global manufacturing competence and competitiveness of local industries in the State. The New Industrial Policy, aims to create an additional two million jobs by 2011 to rise the manufacturing GSDP from 21 per cent to 27 per cent by 2011 to double the exports to Rs.140000 crore, to promote the State to a position of pre-eminence in innovation and high technology and to rise the competitiveness and efficiency of small, medium and agro based industries for increasing their value addition and to fetch a better income to the farmers. All these tasks are to be achieved in the State by maximizing industrial investment, industrial output, growth, employment and manufacturing competitiveness through infrastructure and human resources development in industries and services sectors.

Source: Industrial Policy – 2006-07, Government of Tamil Nadu.

Industrial Scenario - All India and Tamil Nadu:

The latest published Annual Survey of Industries 2004-05 data revealed that Tamil Nadu is one of the leading States in the industrial front at the national level. Going by all the principal industrial characteristics taken for analysis, the State retained the previous position during the year 2004-05 also. In terms of number of registered manufacturing factories, the State is placed in the first position for the seventh successive year since 1997-98. In the review year 2004-05, the State had 21053 registered factories in its fold sharing 15.44 per cent of total registered factories at the national level, which was however marginally lower than 15.69 per cent of share in 2003-04. In terms of total number of persons engaged in various activities of production process also, the State ranked first and shared 15.0 per cent at the national level.

At the national level, in terms of fixed capital, productive capital, gross value of output and net value added, the State retained the third position by sharing 9.93 per cent, 9.61 per cent, 9.54 per cent and 8.30 per cent respectively next to Maharashtra and Gujarat. However, it was noted that, except fixed capital, the share of productive capital, gross value of output and net value added in the State were got slightly lower than the previous year level (2003-04).

Table – 10 : Industrial Scenario : All India and Tamil Nadu

Characteristics	All India			Tamil Nadu's Share (%)		
	2002-03	2003-04	2004-05	2002-03	2003-04	2004-05
Number of Factories	127957	129074	136353	15.23 (1)	15.69 (1)	15.44 (1)
Fixed Capital (Rs. Crore)	444759	473331	512346	9.78 (3)	9.80 (3)	9.93 (3)
Productive Capital (Rs. Crore)	544880	592562	672400	9.54 (3)	10.06 (3)	9.61 (3)
Employment (Lakh Nos.)	78.71	N.A.	N.A.	14.37 (2)	N.A.	N.A.
Total Persons Engaged (Lakh Nos.)	79.36	78.70	84.54	14.18 (2)	14.77 (1)	15.00 (1)
Gross Value of Output (Rs. Crore)	1130561	1287380	1672561	9.56 (3)	10.09 (3)	9.54 (3)
Net Value Added (Rs. Crore)	172340	202933	259907	8.76 (3)	9.41 (3)	8.30 (3)

Note: Figures in brackets indicate the position of Tamil Nadu among the States at National level.

Source: Central Statistical Organisation, New Delhi.

Annual Survey of Industries – Tamil Nadu:

The performance of registered manufacturing factories in the State had surged ahead during 2004-05. The registered number of factories engaged in production increased by 807 from 20246 in 2003-04 to 21053 in 2004-05 and registered a growth of 3.39 per cent. The invested capital viz. fixed capital in the registered manufacturing factories increased from Rs.46421 crore in 2003-04 to Rs.51016 crore in 2004-05 and witnessed a growth of 9.90 per cent. For the corresponding period, the productive capital increased from Rs.59622 crore to Rs.64617 crore with the growth of 8.38 per cent. The gross value of output originated from the factory sector during the reference period was at Rs.159507 crore and higher than that of the preceding year by 22.76 per cent. The net value added by the registered factories (i.e.) net contribution to the State income was Rs.21567 crore which was also higher than that of the previous year and recorded a growth of 12.91 per cent. The total number of persons engaged by the factory sector either for wages or not, either directly or indirectly engaged in the manufacturing process including all administrative, technical, clerical staff also termed as labour, increased from 11.63 lakh in 2003-04 to 12.68 lakh in 2004-05 which showed a growth of 9.03 per cent.

**Table – 11: Performance of Principal Industrial Characteristics –
ASI Tamil Nadu**

Characteristics	Unit	2002-03	2003-04	2004-05
Factories	Number	19550 (3.37)	20246 (3.56)	21053 (3.39)
Fixed Capital	Rs. crore	43479 (21.12)	46421 (6.77)	51016 (9.90)
Productive Capital	Rs. crore	51962 (13.40)	59622 (14.74)	64617 (8.38)
Gross Value of Output	Rs. crore	108075 (14.53)	129937 (20.23)	159507 (22.76)
Net Value Added	Rs. crore	15100 (3.27)	19101 (26.50)	21567 (12.91)
Employees	Lakh Nos.	11.34 (3.47)	N.A.	N.A.
Total Persons Engaged	Lakh Nos.	11.25	11.63 (3.38)	12.68 (9.03)

Figures in brackets indicate percentage change over the previous year.

Source: 1.Department of Economics & Statistics. Chennai 2.Central Statistical Organisation, New Delhi.

Annual Survey of Industries – Key Structural Ratios:

The average size of the factory measured in terms of value based characteristics such as fixed, productive capital, gross value of output and net value added by registered manufacturing industries had maintained a steady upward trend over the years. The survey results of 2004-05 revealed that a factory with an average investment of Rs.242.32 lakh as fixed capital and Rs.306.92 lakh as productive capital, engaging 60 persons in the production process had produced goods and services at ex-factory prices worth of Rs.757.65 lakh and contributed by way of net value added to the State income by Rs.102.44 lakh. Taking persons engaged as a unit of measurement, on an average, a person worked with a fixed capital of Rs.4.02 lakh, productive capital of Rs.5.09 lakh, produced output to the value of Rs.12.58 lakh, contributed Rs.1.70 lakh to the State income by way of net value added and earned Rs.0.59 lakh as an emolument.

Table-12: Annual Survey of Industries – Tamil Nadu – Key Structural Ratios

Characteristics	Unit	Per Factory			Per Person Engaged		
		2002-03	2003-04	2004-05	2002-03	2003-04	2004-05
Fixed Capital	Rs.Lakh	222.40	229.29	242.32	3.86	3.99	4.02
Productive Capital	Rs.Lakhs	265.79	294.49	306.92	4.62	5.13	5.09
Gross Value of Output	Rs.Lakh	552.82	641.79	757.65	9.60	11.18	12.58
Net Value Added	Rs.Lakh	77.24	94.34	102.44	1.34	1.64	1.70
Persons Engaged	Nos.	58	57	60	-	-	-
Emoluments	Rs.lakhs	31.99	33.15	35.61	0.56	0.58	0.59

Source: Central Statistical Organisation, New Delhi.

Annual Survey of Industries – Technical Co-efficient Ratios:

The capital output ratio provides a measure of the capital required for producing one unit of net output (i.e.) Net Value Added (NVA). The capital required for producing one unit of NVA decreased to 2.37 in 2004-05 from 2.88 in 2002-03 and capital required

to produce one unit of output also decreased from 0.40 in 2002-03 to 0.32 in 2004-05 showed the efficient use of scarce resources and industries adopted to technological changes reflected in the industrial structure of the economy. However, the efficiency measured by the ratio of the net value added to gross output hovered around 0.14. The share of labour in net value added measured by the ratio of emoluments to the net value added decreased from 0.41 in 2002-03 to 0.35 in 2004-05.

Table-13: ASI : Technical Co-efficient Ratios

Parameters	2002-03	2003-04	2004-05
Fixed Capital to Net Value Added	2.88	2.43	2.37
Fixed Capital to Gross Output	0.40	0.36	0.32
Net Value Added to Gross Output	0.14	0.15	0.14
Emoluments to Net Value Added	0.41	0.35	0.35

Source: Computed by DEAR.

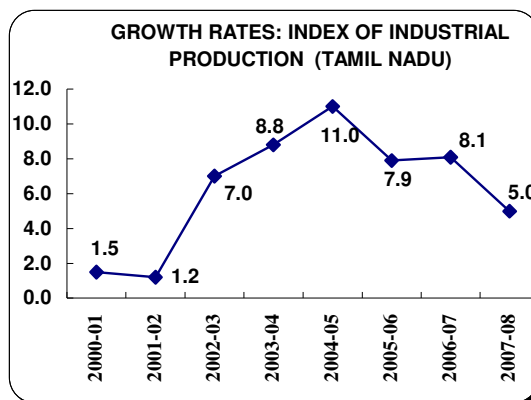
Annual Survey of Industries – Implicit Values:

The ratios of Annual Survey of Industries are not strictly comparable from year to year since the increase in the value based characteristics are the combined result of the increase in physical output as well as increase in prices. For meaningful analytical purpose, the values of value based characteristics at current prices are deflated by using the implicit ratios, which revealed the following results.

1. Over the period of five years from 2000-01 to 2004-05, the Annual Average Growth Rates (AAGR) recorded by fixed capital was 2.64 per cent, productive capital was 2.62 per cent, gross value of output was 7.25 per cent and net value added was 4.31 per cent;
2. However, there was a wide variation noticed from year to year in the growth rates of value based characteristics;
3. Both fixed and productive capital registered a negative growth rate in 2000-01 and 2001-02 and reached peak in 2002-03 and
4. The gross value of output registered the highest growth of 15.18 per cent in 2004-05 and 19.94 per cent by net value added in 2003-04.

Index of Industrial Production:

The overall growth of Industrial Production in the State during 2007-08 (New Base Year:1999-2000=100) witnessed a slowdown growth of 5 per cent compared to the robust growth of 8.1 per cent in 2006-07. This slowdown in the industrial sector was attributed to the sluggish growth experienced by the manufacturing group which enjoyed the largest weight of 81.14 per cent in the index. The manufacturing group recorded a growth of 5 per cent in the review period against 8.2 per cent in the corresponding period of the previous year. The sub group viz. electricity also witnessed a decelerated growth of 4.2 per cent contrasting to an accelerated growth of 7.7 per cent in the mining industries. The slowdown in the industrial growth having its impact on the overall growth of State economy is a cause for concern. The industrial growth rate at the national level registered at 8.5 per cent in 2007-08 surpassed the industrial growth rate in the State.



In the State, over the five years period of Tenth Plan, the sustained growth rates recorded by the manufacturing sector stabilized its annual average growth at 9.8 per cent, boosted the overall growth to 8.6 per cent which was higher than 2.3 per cent achieved in the Ninth Plan period. However, it was marginally lower than the national annual average of 8.9 per cent.

Table -14: Index of Industrial Production – Tamil Nadu and All India

Tamil Nadu (Base Year: 1999-2000 =100)								
Year / Weight	Mining (2.87%)		Manufacturing (81.14%)		Electricity (15.99%)		General (100.00%)	
	Index	Growth rate (%)	Index	Growth rate (%)	Index	Growth rate (%)	Index	Growth rate (%)
2000-01	106.9	6.9	100.1	0.1	107.7	7.7	101.5	1.5
2001-02	108.9	1.9	100.5	0.4	112.5	4.5	102.7	1.2
2002-03	111.0	1.9	109.2	8.7	113.4	0.8	109.9	7.0
2003-04	126.9	14.3	120.3	10.2	115.1	1.5	119.6	8.8
2004-05	135.4	6.7	135.4	12.6	118.2	2.7	132.7	11.0
2005-06	136.4	0.7	148.0	9.3	120.2	1.7	143.2	7.9
2006-07	138.1	1.2	160.1	8.2	130.9	8.9	154.8	8.1
9 th Plan		0.1		2.2		4.0		2.3
10 th Plan		5.0		9.8		3.1		8.6
2007-08	148.7	7.7	168.1	5.0	136.4	4.2	162.5	5.0
All India (Base Year : 1993-94=100)								
Year / Weight	(10.47%)		(79.36%)		(10.17%)		(100.00%)	
2002-03	139.6	5.8	183.1	6.0	164.3	3.2	176.6	5.7
2003-04	146.7	5.2	196.6	7.4	172.6	5.1	189.0	7.0
2004-05	153.4	4.4	214.6	9.2	181.5	5.2	204.8	8.4
2005-06	154.9	1.0	234.2	9.1	190.9	5.2	221.5	8.2
2006-07	163.2	9.4	263.5	12.5	204.7	7.2	247.1	11.6
9 th Plan		2.3		5.3		5.5		5.0
10 th Plan		4.4		8.8		5.2		8.9
2007-08	171.6	5.1	287.2	9.0	217.7	6.4	268.0	8.5

Source: 1. Department of Economics and Statistics, Chennai-6.
2. Central Statistical Organisation, New Delhi.

Manufacturing Sub-group – Disaggregate Analysis:

During the year 2007-08, out of 22 sub groups in the manufacturing sector, as many as 13 sub groups with total weight of 46.14 per cent registered a positive growth. Among the 13 sub groups, 'radio, television and communication equipments and apparatus' sub group with the low weight of 0.75 per cent had recorded a hefty growth of 41.5 per cent followed by 'machinery and equipment' (34.3%), 'publishing, printing and reproduction of recorded media' (29.1%), 'electrical machinery and apparatus' (28.7%), 'rubber and plastic products' (23.9%), 'food products and beverages' (15.9%) and so on. The textile industries with a weight of 13.80 per cent was able to achieve only a meager growth of 1.6 per cent which is a cause for concern. Appreciation in the value of rupee against dollar, interrupted power supply, increased bank rate and labour issues were the reasons cited for this setback.

Table-15: Growth Rates in the Manufacturing Sector at Two Digit Level

Sub - Groups	Wei -ght (%)	Growth Rates (%)						
		2002- 03	2003- 04	2004- 05	2005- 06	2006- 07	AAGR 10 th FYP	2007- 08
Manu. of Food Products and Beverages	7.60	2.1	-1.9	-9.6	-3.3	45.2	6.5	15.9
Manu. of Tobacco Products	0.08	-11.9	0.5	26.9	-0.6	52.9	13.6	-2.2
Manufacture of Textiles	13.80	4.5	-6.7	12.5	-5.3	13.9	3.8	1.6
Manu. of Wearing Apparel, Dredging and Dyeing of Fur	3.23	11.5	1.6	2.5	-14.5	-4.2	-0.6	4.5
Manu. of Luggage, Handbags, Tanning and Dressing of Leather, Saddlery, Harness And Footwear	2.88	-3.1	5.8	17.8	1.7	14.4	7.3	-8.0
Manu. of Wood and Products of Wood and Cork, Except Furniture, Manu. of Articles of Straw and Planting Materials	0.13	-16.2	6.4	-6.1	4.1	10.5	-0.3	-29.1
Manu. of Paper and Paper Products	1.98	-2.0	9.9	10.4	9.8	2.7	6.2	7.5
Publishing, Printing and Reproduction of Recorded Media	1.09	12.0	-15.5	4.0	21.4	-26.9	-1.0	29.1
Manu. of Coke, Refined Petroleum Products and Nuclear Fuel	1.88	-5.7	5.4	26.5	16.3	0.5	8.6	-0.2
Manu. of Chemicals and Chemical Products	16.80	7.1	9.3	7.5	8.0	-1.8	6.0	-0.1
Manu. of Rubber and Plastic Products	2.36	9.6	40.4	-12.6	14.1	9.4	12.2	23.9
Manu. of other Non-Metallic Mineral Products	4.04	14.8	18.0	5.2	-0.1	8.8	9.3	0.6
Manu. of Basic Metals	3.03	4.1	13.8	68.1	23.4	-30.1	15.9	3.9
Manu. of Fabricated Metal Products, except Machinery & Equipments	3.50	13.9	18.5	20.0	40.0	-2.3	18.0	-1.1
Manu. of Machinery and Equipments N.E.C.	5.39	14.3	14.8	31.6	28.6	1.0	18.1	34.3
Manu. of Radio, Television & Communication Equipments & Apparatus	0.75	-21.5	-25.8	36.3	54.9	6.2	10.0	41.5
Manu. of Office Accounting and Computing Machinery	0.09	-18.7	-26.5	26.6	-9.2	-47.8	-15.1	-8.5
Manu. of Electrical Machinery and Apparatus N.E.C.	1.36	6.2	3.4	36.0	6.9	82.1	26.9	28.7
Manu. of Medical, Precision and Optical Instruments, watches & Clocks	1.04	14.1	59.1	-0.1	0.8	-4.1	14.0	2.9
Manu. of Motor Vehicles, Trailers and Semi-Trailers	8.23	20.8	33.7	18.3	10.6	22.9	21.3	-6.5
Manu. of other Transport Equipment	1.42	39.1	-8.1	-11.8	19.0	22.4	12.1	-15.9
Manu. of Furniture, Manu. N.E.C.	0.48	5.2	6.7	10.9	-2.3	-14.1	1.3	3.5
Manufacturing Index	81.14	8.7	10.2	12.6	9.3	8.2	9.8	5.0

Source: Department of Economics and Statistics, Chennai-6.

The remaining other nine sub groups with the weight of 35.0 per cent registered a negative growth. Among them, 'chemical and chemical products' was the major one with the highest weight of 16.80 per cent and showed a negative growth of 0.1 per cent.

In the Tenth Five Year Plan period (2002-07), 18 sub groups of manufacturing industries with the total weight of 76.58 per cent registered a positive annual average growth. In them, it was noted that three sub groups emerging well in the State not only by their overall positive performance but also sustained their growth in all the five years are 'electrical machinery and apparatus' recorded the highest growth of 26.9 per cent, 'motor vehicles, trailers and semi trailers' with 21.3 per cent and 18.1 per cent by the 'machinery equipments' and so on.

Use-based Classification:

In the use based classification, basic goods and capital goods industries registered higher growth rates compared to the previous year. The growth of capital goods industries accelerated from 15 per cent in 2006-07 to 18.4 per cent in 2007-08 and showed its growth more than three times higher when compared to the overall industrial growth of 5 per cent. The growth of capital goods industries, one of the segments of manufacturing sector implied that investments in these industries are imperative which is on the increase in the State and further capacity additions required for industrial development. The growth of intermediate goods industries decelerated from 11.4 per cent during 2006-07 to one per cent in 2007-08. The consumer goods industries which accounted for 32.87 per cent of weight in the index had a setback of negative growth rate of 0.4 per cent and was heavily affected by the consumer durable industries which posted a negative growth of 21.1 per cent.

The annual average growth rate recorded under use based classification during the Tenth Plan period indicated that capital goods industries achieved a higher growth rate of 19.1 per cent followed by 11.8 per cent in consumer durable goods, and 4.4 per cent in non-durable goods.

Table - 16 : Industrial Production - By Use-Based Classification -Tamil Nadu

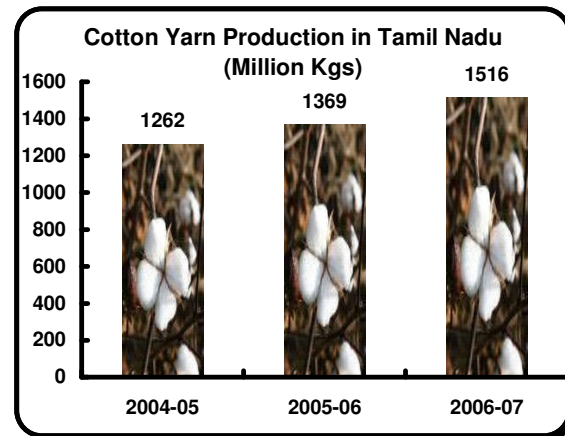
Industry Group	Weight (%)	Growth Rate (%)						
		2002-03	2003-04	2004-05	2005-06	2006-07	10 th Plan	200-08
Basic Goods	34.60	3.1	7.7	12.9	5.2	(-) 1.0	5.6	2.3
Capital Goods	14.27	12.0	18.6	27.1	22.9	15.0	19.1	18.4
Intermediate Goods	18.26	9.8	12.4	2.6	8.9	11.4	9.0	1.0
Consumer Goods	32.87	8.0	3.1	5.1	0.4	12.5	5.8	-0.4
a. Consumer - Durable Goods	5.30	14.4	16.5	13.1	12.3	2.9	11.8	-21.1
b. Consumer - Non-durable Goods	27.57	6.5	0.0	2.9	(-) 3.1	15.7	4.4	5.7
General	100.00	7.0	8.8	11.0	7.9	8.1	8.6	5.0

Source: Department of Economics and Statistics, Chennai - 6

Performance of Major Industries: Textiles Mill Industry:

Textile sector occupies a unique place in the industrial frame work. It's contribution to employment and export is well recognized. Tamil Nadu has been a leader in yarn , home made furnishings and garments and keeping these in view, significant investment has been made in this sector.

Spun yarn production in the State increased from 11.31 lakh tonnes in 2006-07 (April-December) to 12.08 lakh tonnes in 2007-08 (April-December) and recorded a growth of 6.81 per cent higher than the previous year due to bumper cotton production and stable cotton prices. However total fabric production had declined from 109.9 lakh million sq. metres in 2006-07 (April-Jan.) to 75.0 lakh million sq. metres in 2007-08 (April-January) by registering a negative growth of 31.8 per cent.



The number of textile mill industries in non-SSI sector in the State increased from 841 in 2005-06 to 880 in 2006-07. Out of 880 textile mill industries, 853 were spinning oriented and 27 were composite type. The installed spinning capacity of these mills was enhanced from 16.43 million spindles in 2005-06 to 18.13 million spindles in 2006-07 which registered a growth of 10.35 per cent and rotors increased from 1.20 lakh to 1.34 lakh for the same period. The looms installed in the non-SSI textile industry also increased from 6317 to 6406 in the above said period. In the SSI sector during 2006-07, there were 981 number of spinning mills in the State with installed capacity of 33.90 lakh spindles and 76256 number of rotors. The total yarn production in the mills sector of both non-SSI and SSI increased from 1369.46 million kgs. in 2004-05 to 1516.39 million kgs. in 2006-07 and witnessed a growth of 10.73 per cent. The cloth production of the textile mill sector increased from 95.46 million sq.mt. in 2004-05 to 111.08 million sq.mt. in 2005-06 posted a growth rate of 16.38 per cent. The number of workers in the textile mill industries both of non-SSI and SSI in the State during 2006-07 is 2.48 lakh compared to 2.31 lakh in 2005-06.

Spinning units are passing through a critical path due to rupee appreciation, high power costs, increasing bank rate and frequent power interruption. Erode continued to be a major hub for fabric manufacturing and processing. Power loom Development and Export Promotion Council (PDEXCIL) informed that the Centre plans to develop Erode, Salem and Karur into major textile hubs. A big marketing cum trade centre is also to be established at Erode, along with a mega textile park.

At the national level, during 2006-07 the State accounted for 46.29 per cent of total textile mills, 41.67 per cent of installed spinning capacity, 40.97 per cent of yarn production. The cloth production of the mill sector in the State represented 5.76 per cent at the national level during 2005-06. Despite the fact, the State accounting for more than

40 per cent in textile mills, installed spinning capacity and yarn production lagged behind in cloth production of mill sector since larger segment of textile mill industries here were spinning oriented.

The textile sector coming under the organised sector has a complete information base in its production process. Whereas, it is noted that in the textile industry, the weaving sector has the low technological links in value chains. The decentralised sector which is mainly engaged in weaving activities such as handlooms, powerlooms, hosiery has a low information base and even the available information are inadequate for policy making which calls for attention. In addition, khadi and coir units are also formed the part of the decentralised sector.

Table - 17: Performance of Textile Mills : Tamil Nadu & All India

Parameter	Tamil Nadu			All India		
	2004-05	2005-06	2006-07	2004-05	2005-06	2006-07(P)
A. Textile Mills (Non- SSI)						
1. Spinning	812	815	853	1566	1570	
2. Composite	22	26	27	223	210	
Total Textile Mills	834	841	880	1789	1780	1818
3. Installed Capacity						
a) Spindles (Lakh)	158.30	164.30	181.30	374.60	275.10	353.70
b) Rotors (Numbres)	112821	120053	133725	385395	394561	
c) Looms (Numbers)	5959	6317	6406	85762	73088	
B. Spinning Mills (SSI)						
1. Spinning Mills (Nos.)	900	909	981	1161	1173	
2. Installed Capacity						
a) Spindles (Lakh)	27.46	28.91	33.90	32.25	33.75	
b) Rotors (Numbers)	46620	51876	76256	114748	124564	
4. Yarn Production (Non-SSI & SSI) (Million kgs.)	1261.98	1369.46	1516.39	3223	3458	3701
5. Cloth Production – Mill Sector (Million sq.mts.)	95.46	111.08	N.A.	1526	1656	1729
6. No. of workers -Non SSI & SSI (lakh nos.)	2.24	2.31	2.48			

Source: Textile Commissioner, Mumbai.

Handlooms and Powerlooms:

The State had 4.13 lakh (1995-96 Handloom Census) handlooms sharing 11.85 per cent out of 34.86 lakh handlooms in the country providing employment to 6.08 lakh weavers. During 2007-08, out of 4.13 lakh handlooms in the State, 2.15 lakh handlooms (i.e.) 53 per cent of the looms were under the cooperative fold of 1103 Handloom Weaver's Cooperative Societies.

On an average, the State produces Rs.1700 crore worth of handloom products and exports to the value of Rs.875 crore. The overall total estimated production of handloom cloths in the State during 2005-06 is 184.83 million metres. During 2006-07, the Handloom Weaver's Cooperative Societies produced handloom products worth of Rs.655.98 crores and sales were realised at Rs.796.18 crore compared to production worth of Rs.622.63 crore and sales at Rs.719.63 crore in the previous year. The average annual export of handloom cloths from the State was Rs.875 crore and the share of Handloom Weaver's Cooperatives was Rs.276.38 crore. The procurement and sale by

Co-optex in the State witnessed a decline in the review year. During 2006-07, the procurement of cloth was valued at Rs.288.87 crore and sale of cloth was realised at Rs.371.40 crore against Rs.315.11 crore of procurement and Rs.420.70 crore of sales in 2005-06. The problems faced in the handloom sector are continued and are to be properly addressed.

During 2005-06, the State had 3.73 lakh registered powerlooms accounting for about one fifth of the registered powerlooms in India. The anticipated number of employment provided by this sector in the State increased from 9.14 lakh in 2004-05 to 9.33 lakh in 2005-06 registering a growth of 2.09 per cent. The powerloom industries in the State are concentrated in Salem, Erode and Coimbatore districts accounting for 83 per cent of the total powerlooms in the State. Regulation of this sector would generate employment to large number of unskilled persons.

In 2007-08, there were 147 Powerloom Weaver's Cooperative Societies producing 1562 lakh meter of cloths to the value of Rs.252.53 crore and sales realised at Rs.269.19 crore was comparatively higher than that of 127 Powerloom Weaver's Cooperative Societies in 2006-07 producing 1041 lakh metres of cloths valued at Rs.159.50 crores and sales realised at Rs.159.28 crores.

Table - 18: Registered Powerlooms and Employment in Leading States and All-India

State	Number of Looms Registered (Numbers)			Employment (Lakh Numbers) (Anticipated)		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
Maharashtra	8.37	8.60	8.81	20.93	21.51	22.02
Gujarat	3.20	3.22	3.23	8.01	8.06	8.07
Tamil Nadu	3.34	3.65	3.73	8.36	9.14	9.33
All India	18.36	19.03	19.44	45.92	4.76	4.86

Source: Annual Report on Power Looms – 2006-07, GOI.

Hosiery:

In the State, Tiruppur and Coimbatore alone are having 3000 hosiery units accounting for 50 per cent of the total units at the national level and providing employment to 3 lakh persons and manufacturing knitwear garment worth of Rs.10250 crore. The hosiery production in the State has the potential to meet the demand from global markets.

Sugar Industry:

During 2006-07, in the State, the sugar industry was served by 35 mills and the installed crushing capacity of them stood at 106650 TCD. The cane utilisation increased from 231.84 lakh tonnes for the sugar season 2005-06 to 269.66 lakh tonnes in 2006-07 registering a marginal growth of 1.16 per cent. For the corresponding period, the sugar production witnessed an all time increase during 2006-07. It increased from 21.42 lakh tonnes to 24.94 lakh tonnes and recorded a growth of 16.43 per cent realising 95 per cent of capacity utilisation with an average recovery rate of 9.25 per cent for 2006-07 sugar season. The sugar mills reported that the actual price paid to farmers stood at Rs.1065 per tonne over and above the State's advised price of Rs.1025 per tonne fixed by the Central Government. At the national level, there were 455 sugar mills during 2006-07. The

installed crushing capacity of these mills increased from 189.85 lakh tonnes in 2005-06 to 200 lakh tonnes (tentative) in 2006-07, the cane crushing increased from 1886.72 lakh tonnes to 2850 lakh tonnes for the corresponding period and sugar production increased from 192.66 lakh tonnes to 285 lakh tonnes by registering a hefty growth of 47.93 per cent. It witnessed that the national average capacity utilisation (143%) and recovery rate (10.25) is more than the State. The cyclical nature of the sugar mills had its impact on the health of the mills and also the global sugar market.

For the sugar season (October – September), the sugar production in the State declined from 19.45 lakh tonnes in 2007 (October 06 – June 07) to 18.34 lakh tonnes in 2008 (October 07 – June 2008) and registered a negative growth of 6.05 per cent. The fall in production coincided with national scenario where predominant sugar producing States reported a fall in sugar production due to adverse weather conditions and labour shortage causing delay in sugarcane crushing.

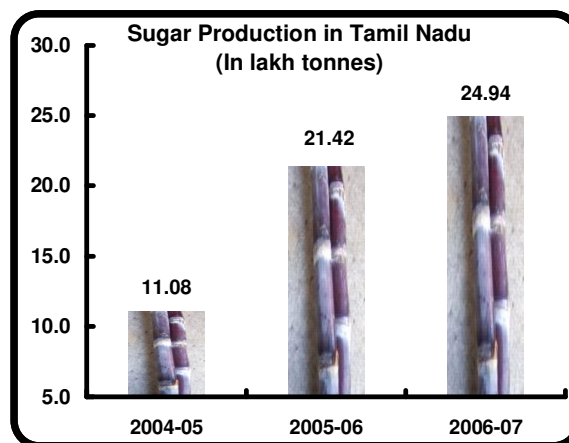


Table - 19: Performance of Sugar Industry : Tamil Nadu and All India (Sugar Season - October- September)

Parameter	Tamil Nadu			All India		
	2004-05	2005-06	2006-07	2004-05	2005-06	2006-07*
No. of factories	34	35	35	400	453	455
a. Public Sector	16	17	17	-	-	
b. Private Sector	18	18	18	-	-	
Installed Capacity (ICD)	101150	106650	106650	189.85 (lakh tonnes)	189.85 (lakh tonnes)	200.00 (lakh tonnes)
Capacity Utilisation (%)	75	93	95	67	101	143
Cane Crushed (lakh tonnes)	114.91	231.84	269.66	1247.71	1886.72	2850.00
a. Public Sector	31.64	62.67	87.87	-	-	
b. Private Sector	83.27	169.17	181.79	-	-	
Sugar Production (lakh tonnes)	11.08	21.42	24.94	126.91	192.66	285.00
a. Public Sector	3.12	5.87	8.09	-	-	-
b. Private Sector	7.96	15.55	16.85	-	-	-
Recovery Rate (%)	9.64	9.24	9.25	10.17	10.22	10.25
Min. Statutory Price(Rs.)	-	-		745	795	
State Advised Price(Rs.)	-	1014	1025	-	-	

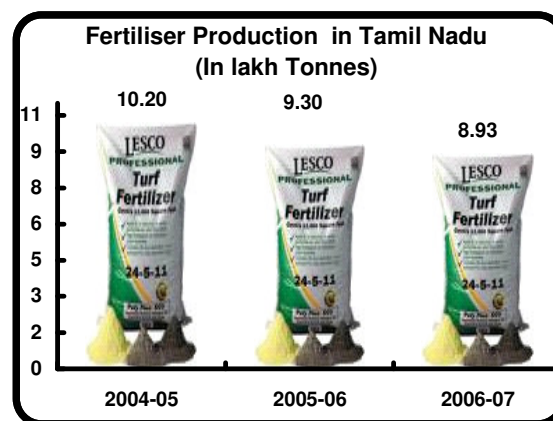
Note: Public sector includes Cooperatives. Tentative.*

Source: South India Sugar Mills Association, Chennai - 35.

Fertiliser Industry:

The fertiliser pricing policy environment has a direct impact in the growth and development of fertiliser industry. Statutorily it is notified that uniform sale price for urea (controlled fertiliser) and indicative MRP for phosphotic and potassic fertilisers (decontrolled fertilisers) are generally lower than the cost of production of the respective manufacturing unit. The difference is compensated to the manufacturers by subsidy or concession.

As the consumer prices of both indigenous and imported fertilisers are fixed uniformly, financial support is also given on imported urea and decontrolled phosphotic and potassic fertilisers.



The installed capacity of both nitrogenous fertiliser had declined in the review year. The installed capacity of nitrogenous fertiliser decreased from 9.78 lakh tonnes in 2005-06 to 8.73 lakh tonnes in 2006-07, whereas that of phosphotic fertiliser increased from 4.33 lakh tonnes to 4.40 lakh tonnes. Consequently, the overall production of fertiliser declined from 9.03 lakh tonnes in 2005-06 to 8.62 lakh tonnes in 2006-07 registering a negative growth of 4.54 per cent. However, the production of nitrogenous fertiliser witnessed a growth of 2.58 per cent over the previous year, while the phosphotic fertiliser posted a negative growth of 20.21 per cent realizing a capacity utilization of 91.1 per cent only.

Table -20 : Performance of Fertiliser Industry : Tamil Nadu and All- India

	Tamil Nadu			All India		
	2004-05	2005-06	2006-07(P)	2004-05	2005-06	2006-07(P)
No. of Plants	12	12	12	138	144	148
Nitrogenous	4	4	4	55	56	56
Phosphate	8	8	8	83	88	92
Installed Capacity (Lakh Tonnes)	13.05 (7.31)	14.10 (7.94)	13.13 (7.32)	178.56	177.48	179.32
Nitrogenous	8.35	9.78	8.73	122.55	122.88	122.60
Phosphate	4.70	4.33	4.40	56.01	54.60	56.71
Production (Lakh tonnes)	10.20 (6.65)	9.03 (5.81)	8.62 (5.40)	153.43	155.36	159.65
Nitrogenous	7.20	6.21	6.37	113.05	113.33	115.25
Phosphate	3.00	2.82	2.25	40.38	42.03	44.40
Capacity Utilisation(%)	78.2	64.0	65.6	85.9	87.5	89.0
Nitrogenous	86.2	63.5	73.0	92.2	92.2	94.0
Phosphate	63.8	65.1	51.2	72.1	77.0	78.3

Note: Figures in brackets indicate percentage share of Tamil Nadu to All- India.

Source: The Fertiliser Association of India, Southern Region, Chennai-32.

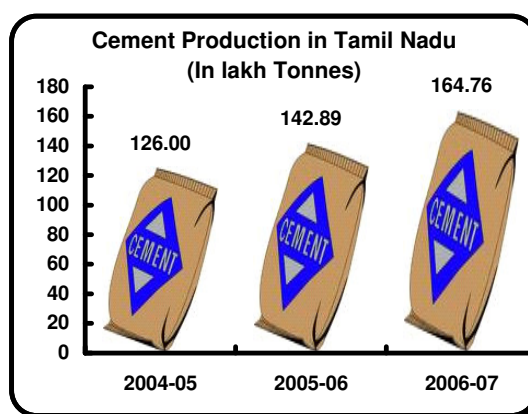
At the national level, though the overall installed capacity increased to 179.32 lakh tonnes in 2006-07 from 177.48 lakh tonnes in 2005-06 and the overall production increased to 159.65 lakh tonnes from 155.36 lakh tonnes for the corresponding period, registering a growth of 2.76 per cent. Though nitrogenous and phosphoric fertiliser industries experienced more production than that of the previous year, nitrogenous industries experienced 94 per cent of capacity utilization whereas phosphoric industries at 78.3 per cent only. The State accounted for 7.32 per cent in installed capacity and 5.40 per cent in fertiliser production at the national level.

Cement Industry:

The demand for cement continued to be buoyant and increased the retail price of cement in the State. By intervention of Government, the cement companies functioning in the State had agreed to sell 20 lakh bags (50kg per bag) of cement per month at subsidized rate of Rs.200 per bag to the economically weaker section of consumer those who were constructing dwelling houses measuring 500-1000 sq ft.

The annual installed capacity of public sector industries remained same as in the previous year, whereas it increased in the case of private sector from 136.64 lakh tonnes in 2005-06 to 159.30 lakh tonnes 2006-07 due to the increase in the capacity of Dalmia Cement from 12.34 lakh tonnes to 35 lakh tonnes for the corresponding period. As a result, the overall installed capacity of cement industries in the State increased from 145.64 lakh tonnes in 2005-06 to 168.30 lakh tonnes in 2006-07 and witnessed a growth of 15.56 per cent.

The cement production in the State increased from 142.89 lakh tonnes in 2005-06 to 164.76 lakh tonnes in 2006-07, registering a growth of 15.33 per cent and realising 97.90 per cent of capacity utilisation. Further the cement production in the State increased to 179.23 lakh tonnes in 2007-08, registering a growth of 7.78 per cent. The cement production in the private sector increased from 135.04 lakh tonnes in 2005-06 to 157.43 lakh tonnes in 2006-07 whereas the cement production in the public sector declined from 78.49 lakh tonnes to 73.33 lakh tonnes for the same period. The production of cement in the State accounted for 10.61 per cent at the national level during 2006-07.



Since, the demand for cement continued to outpace the supply in the State which increased the price sharply during the year 2006-07. Supply side constraints are sought to be addressed by augmentation of capacity and import. As at the end of April 2007, Ariyalur Cement Project by Madras Cements, a major Cement Project in the State with an investment of Rs.613 crore to enhance the plant capacity to 2 million tonnes is being implemented which scheduled to realise the production shortly. The Cement Expansion Project at Madukkarai by 0.20 million tonnes and Palaiyam by 0.50 million tonnes at the cost of Rs.30 crore and Rs.40 crore respectively, were under implementation.

Table- 21: Production Performance of Cement Industry

(000' tonnes)

Sector	Annual Installed Capacity			Production		
	2004-05	2005-06	2006-07	2004-05	2005-06	2006-07
Private(TN)	13664.02	13664.02	15930.01	11794.35 (86.31%)	13504.26 (98.83%)	15742.72 (98.82%)
Public (TN)	900.00	900.00	900.00	805.92 (89.54%)	784.85 (87.21%)	733.25 (81.47%)
Total (TN)	14564.02	14564.02	16830.01	12600.27 (86.52%)	14289.11 (98.11%)	16475.97 (97.90%)
All-India	159800.00	159800.00	165553.04	12558.12 (83.63%)	141805.12 (90.24%)	155314.10 (93.82%)

Note : Figures in bracket indicate Capacity Utilisation.

Source: Tamil Nadu Cements Corporation, Chennai.

Results of Fifth Economic Census:

The Fifth Economic Census 2005 conducted by the CSO provided detailed information on various parameters about organised and unorganised sectors. The results revealed that the State had 44.33 lakh of establishments in 2005 compared to 25.14 lakh establishments as per Fourth Economic Census conducted in 1998, which registered a Compound Annual Growth Rate of 8.44 per cent. Out of 44.33 lakh establishments, 10.94 lakh (24.68%) were agricultural establishments and the remaining 33.39 lakhs (75.32%) were non agricultural establishments. The total number of persons engaged in 44.33 lakh establishments was 100.63 lakh, consisting of 15.90 lakh numbers in agricultural establishments and 84.73 lakh numbers in non agricultural establishments. The employment grew at the rate of 4.92 per cent per annum during the period 1998-2005. Details of rural and urban establishments and employments are given in the following table.

Table- 22: Economic Census 1998 and 2005

Sl. No.	Indicator	EC-1998	EC-2005	ACGR during 1998-2005	
Establishments					
1.1	Number of Establishments	Rural	1408106	2727624	9.91
		Urban	1106018	1705767	6.38
		Combined	2514124	4433391	8.44
1.2	Number of Agricultural Establishments*	Rural	264719	1040531	21.60
		Urban	38191	53062	4.81
		Combined	302910	1093593	20.13
1.3	Number of Non- Agricultural Establishments	Rural	1143387	1687093	5.71
		Urban	1067827	1652705	6.44
		Combined	2211214	3339798	6.07
Employment					
2.1	Number of Persons Employed	Rural	3583366	5311084	5.78
		Urban	3607659	4751886	4.01
		Combined	7191025	10062970	4.92
2.2	Persons Employed in Agricultural Establishments*	Rural	475172	1506904	17.93
		Urban	81820	83355	0.27
		Combined	556992	1590259	16.17
1.3	Persons Employed in Non-Agricultural Establishments	Rural	3108194	3804180	2.93
		Urban	3525839	4668531	4.09
		Combined	6634033	8472711	3.56

*This excludes crop production and plantation activities which were beyond the coverage of the EC-2005.

Source: All India Report on the Fifth Economic Census (EC-2005), CSO, New Delhi.

Micro, Small and Medium Enterprises:

The Micro, Small and Medium Enterprises Development Act 2006, was into effect from the notification of the Government of India on 2.10.2006. The Act, recast the erstwhile classification of Small Scale Industries and replaced the terminology 'Industry' as 'Enterprise'. The change in the concept of enterprises comprising of both manufacturing and services provide a three tier system enterprises viz. Micro, Small and Medium. The erstwhile and present classification based on investment in plants and machineries are what follows.

Box -4: Classification of Micro, Small and Medium Enterprises (MSMEs)

Erstwhile Classification			Present Classification	
	Manufac- turing	Small Scale Service & Business Enterprises	Manufac- turing	Services
Micro	Upto Rs.25 lakh	Upto Rs.10 lakh	Upto Rs.25 lakh (now called micro not tiny)	Upto Rs.10 lakh
Small	Upto Rs.1 crore (for 140 items Rs.5 crore) (No classification for business)		From Rs.25 lakh to Rs.5 crore	From Rs.10 lakh to Rs.2 crore.
Medium	No classification		From Rs.5 crore to Rs.10 crore	From Rs.2 crore to Rs.5 crore.

Source: Policy Note on Small Enterprises 2007-08, Government of Tamil Nadu.

Salient Features of the Micro, Small and Medium Enterprises Development Act, 2006

- It provides the first-ever legal framework for recognition of the concept of “enterprise” (comprising both manufacturing and services) and integrates the three tiers of these enterprises, viz. micro, small and medium.
- Under the Act, enterprises have been categorised broadly into those engaged in (i) manufacturing and (ii) providing/rendering of services. Both categories have been further classified into micro, small and medium enterprises, based on their investment in plant and machinery (for manufacturing enterprises) or in equipment (in case of enterprises providing or rendering services).

Definitions	Memorandum	Statutory Frame
<ul style="list-style-type: none"> ❖ Defines “Enterprise” instead of “Industry” to give due recognition to the Service Sector ❖ Pride of place to Micro Enterprises ❖ Investment ceiling for Manufacturing Small Enterprises raised to Rs.5 crore ❖ Defines “Medium Enterprises” to facilitate technology upgradation and graduation. 	<ul style="list-style-type: none"> ❖ Two-stage registration process of SSI substituted with optional filing of memorandum with District Industries Centres (DICs) by all micro and small enterprises. ❖ Filing of memorandum by Medium enterprises rendering services also optional. ❖ Filing of memorandum by manufacturing medium enterprises with District Industries Centres (instead of the Central Government) 	<ul style="list-style-type: none"> ❖ Provides statutory basis (legally enforceable) to Procurement Preference Policies of Central & State Governments for goods & services provided by micro & small enterprises. ❖ Strengthens the legal provisions to check delayed payment to micro and small enterprises. ❖ Representatives of enterprises Associations included in the MSE Facilitation Councils for adjudicating on cases of delayed payment. ❖ Provision for ensuring timely and smooth flow of credit to MSMEs. ❖ All Schemes / Programmes of assistance being notified under the Act. ❖ Provides for a statutory National Board for Micro, Small & Medium enterprises to advise the Central Govt. on matters under the Act.
<ul style="list-style-type: none"> ▪ The other features include (i) establishment of specific funds for the promotion, development and enhancement of competitiveness of these enterprises, (ii) notification of schemes / programmes for this purpose, (iii) progressive credit policies and practices, (iv) preference in Government procurements to products and services of the micro and small enterprises, (v) more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and (vi) simplification of the process of closure of business by all three categories of enterprises. <p><i>Source: Economic Survey, 2006-07, Government of India.</i></p>		

The development of micro, small and medium enterprises is indispensable for the economy from their largest share of 95 per cent in total industrial units, 40 per cent in terms of manufacturing output, 30 per cent in value of export. As of 2007-08, the total number of MSMEs in the State increased to 5.58 lakh from 5.39 lakhs in 2006-07 registering a growth of 3.34 per cent, whereas the number of persons employed had

increased from 37.03 lakh persons in 2006-07 to 40 lakh persons in 2007-08 registering a growth of 8.02 per cent. The investment in terms of fixed capital also increased from Rs.16817 crore to Rs.19364.06 crore and recorded the growth of 15.15 per cent. The output increased from Rs.105980 crore in 2006-07 to Rs.114719 crore in 2007-08 which showed a growth of 8.25 per cent. At the national level, during the year 2006-07, the State's share was 4.20 per cent in terms of number of registered MSMEs, 22.45 per cent in output and 11.85 per cent in providing employment.

Table-23: Performance of MSMEs– Tamil Nadu and All India

Parameter	Tamil Nadu			All India*		
	2005-06	2006-07	2007-08	2004-05	2005-06	2006-07
No. of Registered MSMEs (Lakhs)	5.11	5.39	5.58	118.59	123.42	128.44
Investment in Fixed Capital (Rs. Crores)	16102.51	16816.92	19364.06	N.A.	N.A.	N.A.
Value of Output (Rs. Crores)	103911.61	105979.51	114719.46	418263	476201	471663
Employment (Lakh Nos.)	35.93	37.03	39.46	282.57	294.91	312.52

All India - Registered and Unregistered Units Source: 1. Department of Industries and Commerce, Chennai-5. 2. Hand Book of Statistics on the Indian Economy, RBI.*

Mobilisation of Registered MSMEs:

The mobilisation of MSMEs in the State as at the end of March 2007, revealed that among the total number of 5.39 lakh number of registered MSMEs, 8 districts viz. Chennai, Coimbatore, Salem, Kancheepuram, Erode, Madurai, Virudhunagar and Vellore collectively had accounted for 55.70 per cent. The remaining 44.30 per cent was shared by other 22 districts. It was noted that Chennai district alone claimed to have registered 56912 MSMEs accounting for 10.55 per cent followed by Coimbatore with 54471 units (10.10%), barring Krishnagiri district with 813 units and the lowest number of 3130 (0.58%) units in the backward district of Perambalur.

Table - 24: District-wise Mobilisation of MSMEs (As on March 2007)

District	Number of Registered MSMEs Units	% share to specialised in total
Chennai	56912	10.55
Coimbatore	54471	10.10
Salem	44245	8.20
Kancheepuram	37531	6.96
Erode	30353	5.63
Madurai	27385	5.08
Virudhunagar	25232	4.68
Vellore	24264	4.50
Other Districts	238897	44.30

Source: Department of Industries and Commerce, Chennai – 6.

Concentration of Specific Registered MSMEs:

The concentration of specific type of enterprises in the districts depends on heterogeneous industrial factors viz. availability of raw materials, climatic conditions, products specialisation, supply of spares and accessories to the large enterprises etc. As such, food products were found in highest numbers in Salem district, beverages and tobacco products in Erode district, hosiery and ready-made garments in Coimbatore district, wool, silk and synthetic textiles in Dharmapuri district and chemical products in Virudhunagar district. Chennai district has the locational advantage for accommodating

highest number of large and small enterprises. Many number of small enterprises in Chennai district and its surroundings are depending on large industries. So that paper, leather, rubber, basic metals, metal products, electrical machinery, transport equipments and other manufacturing industries are rooted in highest number in Chennai district.

Table-25: Concentration of Registered MSMEs
(As on March 2007)

Sl. No.	Name of District	Indicator
1.	Salem	Food Products (4127).
2.	Erode	Beverages and tobacco products (627).
3.	Dharmapuri	Wool, Silk and Synthetic (426).
4.	Thoothukudi	Jute, hemp and mesta products (902).
5.	Coimbatore	Hosiery and readymade garments (19539).
6.	Virudhunagar	Wooden (5427) and chemical products (4682).
7.	Kancheepuram	Non-metallic minerals (2132) and machinery (5089).
8.	Chennai	Paper (7500), Leather (2242), Rubber (2705), Basic metals (1698), Metal products (5193), Electrical machinery (3029), Transport equipments (2194) products and other manufacturing industries (13004).

Source: Derived from the data received from Department of Industries and Commerce, Chennai-6.

Though globalisation is posing a threat to Micro, Small and Medium Enterprises in the country, it has opened the new avenue for their growth. The linkages of small enterprises with large scale sector create the possibilities for larger market for their products. The competition and improved technological changes to maintain the quality of global standards adopted by the Small Enterprises in their manufacturing techniques and management would increase their efficiency in economies of scale and sustained growth even in the long run.

Box-5: Tamil Nadu- Micro & Small, Medium Industries Policy 2008

For the first time in the country, the Government of Tamil Nadu unveiled a separate industrial policy viz. 'Micro, Small and Medium Industries Policy 2008' for aiding small enterprises to adopt effective changes in the wake of reduction in trade barriers and development of information technology. The salient features are infrastructure development in identified industrial estates, reservation of land for their exclusive use, package of incentives including capital and special capital subsidy for 10 thrust sector industries, various schemes for technological upgradation and development, liberal support to training and marketing schemes, simplification of procedures at the government interface level and a separate policy for rehabilitating sick units.

Source : Micro Small, Medium Industries Policy 2008 , GoTN.

**Micro and Small Enterprises – Cluster Development Programme (MSE -CDP)
(formerly Small Industries Cluster Development Programme -SICDP):**

Ministry of Micro, Small and Medium Enterprises, (GoI) operates this programme . For establishing a Common Facility Centre, the central assistance per cluster is available upto 80 per cent of the total project cost, subject to a ceiling of Rs.10 crore per project including Rs.10 lakh for “soft activities” i.e. capacity building activities in the cluster where no fixed asset is acquired or formed.

Government of India have approved one Wet Grinder Cluster Project at Coimbatore at a project cost of Rs.288.20 lakh, Sago and Starch Industry Cluster in the Salem and Namakkal region at a total project cost of Rs.498 lakh which are under implementation. Similarly, the proposals for setting up of Common Facility Centre for

Handmade Safety Match Cluster at six places in Tamilnadu at a total project cost of Rs.936 lakh (6 x 156 lakh) have also been approved by GOI. So far, 60 clusters have been identified for intervention during the Eleventh Plan. In 2007-08, 15 clusters have been approved in Tamil Nadu by the Government of India for conducting diagnostic study.

Industrial Infrastructure Upgradation Scheme (IIUS):

With a view to provide quality infrastructure which is frequently the felt need of the industries in select industrial clusters, a scheme is introduced by the Ministry of Commerce and Industry, Department of Industrial Policy and Promotion, (GoI) through public-private partnership. The Scheme is addressed through Special Purpose Vehicles promoted by the concerned Industry Associations. The Central assistance per cluster / industrial location would be restricted to 75 per cent of the cost of the project, subject to a ceiling of Rs.50 crore. The remaining 25 per cent would be financed by other stakeholders of the respective cluster or location and out of which the industry shall contribute a minimum of 15 per cent of the project cost. The following five cluster proposals in the State have been approved by GoI.

1. Tiruppur Textile Cluster - Tiruppur
2. Cereals, Pulses and Staples Milling Cluster - Madurai
3. Chennai Auto Ancillary Cluster - Chennai
4. Leather Cluster - Ambur and
5. Pump Motor and Foundry Cluster – Coimbatore.

Infrastructure development works for these clusters like road, water supply and sewerage, effluent treatment plant, solid waste management, Information and Communications Technology Infrastructure, Research and Development Centre, Common Facilities Centre, Marketing Infrastructure etc., have been taken up under the scheme at a total project cost of Rs.361.69 crore, of which Government of India's contribution is Rs.191.23 crore. A total number of 16,370 micro, small and medium industrial units have benefited under the scheme. The Pump, Motor and Foundry Cluster - Coimbatore, has been completed at a cost of Rs.47.06 lakhs and was inaugurated on 5.4.2008. The other projects are under various stages of implementation and likely to be completed shortly.

Proposed Policy for Promotion of Export:

Considering the major role played by exports in the industrial and economic development of the State, Government would formulate a separate policy for promotion of exports, as announced in the 'New Industrial Policy 2007' as well as in the 'Micro, Small and Medium Industries Policy 2008'. Infrastructure facilities for this purpose would be strengthened in the Commissionerate of Industries and Commerce and all the District Industries Centres. Technology upgradation, cluster development, export formalities, procedures and promotion, lean manufacturing and Information Communication Technology trends etc., will be imparted to the needy micro, small and medium enterprises for enhancing their competitiveness in order to sustain their growth in the global market.

Micro and Small Enterprises Facilitation Councils:

The Government of Tamilnadu, with the advent of Micro Small and Medium Enterprises Development Act 2006, have established four Micro and Small Enterprises Facilitation Council each one at Chennai, Tiruchirappalli, Madurai and Coimbatore to speed up the delayed payments to MSMEs. The Council so far has taken up 67 cases of delayed payment relating to micro and small supplier enterprises in the State, of which 14 cases have been settled amounting to Rs. 59.48 lakhs.

Census of Micro, Small and Medium Enterprises:

The Fourth All India Census of Micro, Small and Medium Enterprises is being taken up in the State in 2008 -09 with financial assistance from GoI in order to create a data bank on MSMEs.

Khadi Industry:

During 2006-07, in the State there were 70 Khadi and 27 Silk Production Centres, along with 153 Rural Fabric Centres and two Cooperative Production Units. The yarn and cloth production performance of khadi industry during 2006-07 was comparatively better than the previous year and provided employment to 13380 persons including 1120 women. The yarn production increased from 36.06 lakh hangs, worth of Rs.156.43 lakh in 2005-06 to 50.14 lakh hangs worth of Rs.220.39 lakh. For the corresponding period, the production of Khadi cloth, Khadi Silk, Khadi Polyester also increased from 1.88 lakh metre, 1.08 lakh metre 1.44 lakh metre to 3.27 lakh metre, 1.14 lakh metre and 1.50 lakh metre respectively. In spite of value addition for the khadi products, it was noted that the sale of khadi products declined from Rs.1650.52 lakh in 2005-06 to Rs.1501.38 lakh in 2006-07.

Table- 26: Performance of Khadi Industry

Particulars	2005-06	Value (Rs. Lakhs)	2006-07	Value (Rs. Lakhs)
1. Total Number of Production Units	458		430	
2. Yarn Production (Lakh Hangs)	36.06	156.43	50.14	220.39
3. Khadi Cloth Production (Lakh Meter)	1.88	161.89	3.27	271.03
4. Khadi Silk Production (Lakh Meter)	1.08	616.37	1.14	680.93
5. Khadi Polyester Production (Lakh Meter)	1.44	104.40	1.50	104.57
6. Value of Khadi Sales (Rupees Lakh)		1650.52		1501.38
7. Employment	8033		13380	

Source: Khadi and Village Industries Board, Chennai-108.

Khadi Village Industry:

The performance of Khadi Village Industries in 2006-07 showed the low profile compared to 2005-06. The total number of Industrial Cooperative Units declined from 1366 in 2005-06 to 1359 units in 2006-07, the Departmental Units from 84 to 63. However, the individuals engaged in production was intact with 68790 as in the previous year. The value of production by the Khadi Village Industries declined from Rs.206.50 crore in 2005-06 to Rs.182.53 crore in 2006-07. The sales declined from Rs.227.75 crore to Rs.193.81 crore for the same period. The employment provided by the Khadi Village Industries had also declined from 6.48 lakh persons in 2005-06 to 5.85 lakh persons in 2006-07.

Table- 27: Performance of Khadi Village Industries

Particulars	2005-06			2006-07		
	No. of Units (Employment)	Value of		No. of Units (Employment)	Value of	
		Production (Rs. Lakh)	Sales (Rs. Lakh)		Production (Rs. Lakh)	Sales (Rs. Lakh)
1. Industrial Co-op.Units	1366 (122592)	4669.05	5220.80	1359 (99592)	3479.34	3722.43
2.Department Units	84 (207357)	5046.38	5813.02	63 (165357)	1427.06	1753.19
3.Individuals	68790 (318179)	10934.80	11741.50	68790 (320179)	13346.92	13905.73
Total	70240 (648128)	20650.68	22775.32	70212 (585128)	18253.32	19381.35

Note: (Figures in brackets indicate number of persons employed) Source: Khadi and Village Industries Board, Chennai-108.

Industrial Relations:

The number of strikes and lockouts in the State for the year 2007 (up to July 31st) was 38. The number of man days lost due to the incidence of strikes and lockouts was 748159 with 13926 number of workers involved comparatively high to the previous year. As usual, the concentration of number of strikes and lockouts was high in the textiles group and also in man days lost followed by engineering group.

Table-28: Incidence of Strikes and Lockouts

Industry Group	Number of Strikes and Lockouts		Number of Workers Involved		Man days lost	
	2006	2007*	2006	2007*	2006	2007*
1. Textiles	24	15	7499	3559	223941	320470
2. Engineering	6	6	1762	4248	241048	245457
3. Tanneries	5	5	577	1969	102134	61467
4. Tobacco and Beedi	-	1	-	425	-	14025
5. Plantations	2	3	1160	246	31480	3260
6. Others	14	8	2931	3479	104499	103480
Total	51	38	13929	13926	703102	748159

Note: *Upto July 2007. Source: Commissioner of Labour, Chennai – 6.

State Public Sector Undertakings:

There were 48 State Public Sector Undertakings including Tamil Nadu Minorities Economic Development Corporation functioning in the State in 2005-06. The aggregate investment comprising of Government share capital and others in these State Public Sector Undertakings increased from Rs.9413.92 crore in 2004-05 to Rs.9477.40 crore in 2005-06 registering a negligible growth of 0.67 per cent . A considerable amount of increase in investment was noticed in passenger transport corporation and manufacturing group of State Public Sector Undertakings during 2005-06. The total turnover of these SPU's increased from Rs.14809 crore in 2004-05 to Rs.17575 crore in 2005-06 and witnessed a robust growth of 18.68 per cent. The net profit earned by the SPSUs was

Rs.135.02 crore in 2004-05 turned to net loss of Rs.165.35 crore in 2005-06. A net loss of Rs.364.63 crore incurred by the passenger transport had pulled down the overall profit in 2005-06, inspite of increase in the profit margin of all the undertakings except agriculture and allied group.

Table - 29 : Performance of State Public Sector Undertakings - Tamil Nadu

Group of Undertakings	Number of SPSUs		Aggregate Investment (Rs. Crore)		Net Profit (Rs. Crore)	
	2004-05	2005-06	2004-05	2005-06	2004-05	2005-06
Passenger Transport	7	7	1641.16	1824.00	27.55	(-)364.63
Goods Transport	1	1	39.96	34.46	(-)0.48	0.22
Mining and Minerals	2	2	71.45	70.40	2.62	7.92
Manufacturing	9	9	744.58	924.41	7.16	54.37
Trading	2	2	356.27	348.39	(-)4.51	0.46
Development Finance (Ind)	9	9	6258.24	5974.40	77.36	115.95
Development Finance (Others)	5	6	98.95	95.15	2.36	4.87
Agriculture & Allied	4	4	28.97	30.29	14.28	2.89
Construction	3	3	162.54	163.22	2.25	3.07
Miscellaneous	5	5	11.81	12.67	6.44	9.53
Total	47	48*	9413.92	9477.40	135.02	(-)165.35

*Includes Tamil Nadu Minorities Economic Development Corporation.

Source: State Public Sector Enterprise and Statutory Boards in Tamil Nadu 2002-03 & 2003-04. State Bureau of Public Enterprises, Chennai – 9.

The SPU's provided employment to 138879 persons in 2005-06 and exported to the value of Rs.138.91 crore of which, Tamil Nadu Newsprint and Paper Ltd. alone occupied a major-portion of 84.62 per cent followed by Tamil Nadu Minerals Ltd (13.43%) and Tamil Nadu Handicrafts Development Corporation (1.94%).

Outlay Performance of Industry & Minerals in Tenth and Eleventh Plan Period Tamil Nadu:

The plan outlay for industry and minerals in the State increased by about seven times from Rs.555 crore in the Tenth Plan to Rs.3715.98 crore in the Eleventh Plan showed that the share in total outlay increased from 1.39 per cent to 4.61 per cent respectively.

Table-30: Tamil Nadu-Comparative Statement for Tenth and Eleventh Plan Outlay For Industry & Minerals

Sl. No.	Sector	Tenth Plan Outlay (2001-02 Prices)	% Share in Total Outlay	Tenth Plan Expenditure (2001-02 Prices)	% Share in Total Expenditure	(Rs. Crore)	
						Eleventh Plan (2007-12 Proposed Outlay)	% Share in Total Outlay
1.	Industry & Minerals	555.00	1.39	1735.99	4.61	3715.98	4.35
2.	Others	39445.00	98.61	35953.80	95.39	81628.02	95.65
	Total	40000.00	100.00	37689.79	100.00	85344.00	100.00

Source: Eleventh Five Year Plan 2007-12, Tamil Nadu, SPC, Chennai.

Among the total outlay of Rs.3715.98 crore earmarked for Industry and Minerals, Handloom and Textile industries have the major share of 52.28 per cent followed by Information Technology (25.08%) and Large and Medium Industries (11.16%).

Table-31: Tamil Nadu Industry-wise Eleventh Plan Outlay

(Rs. Crore)

Sl. No.	Category	Ongoing Schemes	New Schemes	Total Outlay	% Share to Total
1.	Large and Medium Industries	314.63	100.00	414.63	11.16
2.	Information Technology	931.95		931.95	25.08
3.	Micro, Small and Medium Enterprises	104.18	101.88	206.06	5.55
4.	Village and Rural Industries	1.30	2.50	3.80	0.10
5.	Khadi	28.27	94.37	123.24	3.32
6.	Village Industries	10.33	3.41	13.74	0.37
7.	Palm Board	4.55	3.47	8.02	0.22
8.	Sericulture	67.35	0.74	68.09	1.83
9.	Handlooms & Textiles	1825.75	117.00	1942.75	52.28
10.	Mining & Metallurgical Industries	2.07	1.63	3.70	0.09
	Total			3715.98	100.00

Source: Eleventh Five Year Plan 2007-12, Tamil Nadu, SPC, Chennai.