

How Tamil Nadu has sustained industrial investment growth despite Covid-19 | India Today Insight

The state has been aggressively wooing business investments over the past year

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Tamil Nadu Chief Minister E K Palaniswami at the 72nd birth anniversary celebrations of late AIADMK supremo J Jayalalithaa, February 24, 2020 (Photo by Jaison G)



Despite the Covid-19 pandemic, lockdown and other uncertainties, Tamil Nadu has swung mega ticket deals in various sectors through 2020 to live up to its image as a favourite investment destination. Even as the state heads into an election year, it has managed to bag huge investments with the government stepping up efforts to attract investments by forming committees under chief secretary K. Shanmugham and former RBI governor C. Rangarajan.

In a major economic push, the government has signed 80 MoUs with various companies entailing investments of over Rs 66,000 crore which could see the creation of over 121,000 jobs. "Tamil Nadu is ranked No. 1 in the country in attracting investments by CARE Ratings and will stay ahead in the coming years too with the investment assurances of 2020," says Chief Minister Edappadi K. Palaniswami, pointing out that the state had managed to grab 16 per cent of the funds that came into the country during the first half of the financial year 2020-21.



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"The state fosters an investor-friendly culture at all times," says Neeraj Mittal, chairman, Guidance Tamil Nadu, the nodal state agency for promoting rapid growth under the aegis of the state industries department. The newly created agency will track the progress of all projects from the time of signing the MoU to enabling swifter and effective implementation in an investor-friendly culture. The government has appointed two committees, led by Shanmugham and Rangarajan, which have been giving guidance whenever necessary, including targeting specific countries and firms who want to relocate from a particular country.

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This has enabled the state to attract investments in areas like electric mobility, renewable energy and automotive from Ola Electric (setting up the world's largest scooter factory at Hosur), Stuttgart-based Daimler and the Adani Group among others. Crown Group will establish an Aerospace Cluster Park in Salem district to manufacture flight components, subsystems and drones at an investment of Rs 2,500 crore (5,000 jobs); US-based Mylan Laboratories will establish an injection manufacturing unit in Krishnagiri district with an investment of Rs 350 crore and Gurit India Pvt Ltd will set up a unit to manufacture wind blade components at Sriperumbudur (investment Rs 320 crore, 300 jobs).

"Tamil Nadubased companies are benefiting from the growing investor interest in sectors such as software as a service (SaaS) and financial services that play to the traditional strengths of companies in the state," says research company Venture Intelligence founder Arun Natarajan. In 2020, the state got funding for 22 angel investment deals, compared with 16 in 2019.

At an event presided over by CM Palaniswami in mid-December, the state government signed 18 MoUs with different companies for investment worth Rs 19,955 crore, which create 26,509 jobs. Further, foundation stones were laid and inauguration was done of projects that would bring in an investment of Rs 4,503 crore with employment generation potential for 28,000 people.

However, MSMEs in the state have suffered a severe setback. "Nearly 35 per cent of MSMEs have failed to survive the pandemic. This is the biggest calamity of 2020," says K.E. Raghunathan, convenor, Consortium of Indian Associations, which represents 37 trade bodies in the sector. The opposition Dravida Munnetra Kazhagam (DMK) has latched on to this to criticise the industrial development during the nine-odd years of All India Anna Dravida Munnetra Kazhagam (AIADMK) rule.

"The state government's policy note has acknowledged that 50,000 MSME units have down post-demonetisation and roll-out of GST. What has the state done to reverse it? It is



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attract adequate and appropriate industrial investments in a decade”.

Refuting such claims, the state government says the conversion rate of MoUs into actual projects during the past 10 years has been about 82.4 per cent. It has signed 500 MoUs till 2019 with an investment commitment of Rs 5,97,573 crore. Of these, 412 MoU projects have either commenced commercial production or are in various stages of implementation.

The conversion rate of 98 MoUs signed during the Global Investors Meet 2015 was 72 per cent while that of 304 MoUs signed during GIM 2019 was 89 per cent. The conversion rate refers to projects that have commenced commercial production or are at various stages of implementation (such as purchase of land, application for clearances or trial production) as a percentage of the total number of MoU projects, according to the state industries department.

There are various indicators other than the MoUs to suggest the accelerating industrial growth in the state. The manufacturing Gross State Value Added (GSVA) of the state has grown at an average of 12.7 per cent in the past five years. The number of 'Consent to Operate' (CTO) issued by the Tamil Nadu Pollution Control Board (TNPCB) has been increasing steadily since 2011-12; 26,309 CTOs had been issued till December 2020 end. The TNPCB issues CTOs only to projects which have been completed and are ready to operate.



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