



TELANGANA ONE

The Road Ahead

FOCUS - INDUSTRY, INFORMATION TECHNOLOGY AND INFRASTRUCTURE

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Date

MESSAGE

I am happy to note that ASSOCHAM is organizing a Conference on "Telangana One: The Road Ahead" at Hyderabad on 19 June 2015.

Government of Telangana is geared to ensure rapid industrial and economic growth of the State so as to ensure overall development of all sections of society. Over last one year, Department of Industries has taken several steps to push industrial growth. A new bold and visionary Industrial Policy was announced soon after creation of the State. The Policy has started showing results with sudden upsurge in number of investment proposals received by the State Government.

Strengthening of industrial infrastructure is one of the priorities of the State Government and necessary steps are being taken to upgrade infrastructural base wherever needed.

State Government is also looking into problems faced by entrepreneurs and industrial houses to ensure that they carry out their operations in a hassle free environment.

I hope that the initiative taken by ASSOCHAM will further help boost economic activity in the State.

I wish the Conference all success.

(JUPALLY KRISHNA RAO)



MESSAGE

I am very happy to know that ASSOCHAM is organizing a Conference on the topic “Telangana One: The Road Ahead” with focus on Industry, Information Technology & Infrastructure.

Ever since creation of the new state, Government is engaged in continuous endeavours to make Telangana most favoured destination for domestic as well as foreign investors.

State has emerged as a front runner in the field of Information Technology with several Indian and multinational IT giants making Telangana their home. Investor friendly environment offered by the State is the biggest strength that attracts new investors to the State.

State Government will take all necessary steps to ensure that industrialists/entrepreneurs realize their full potential while contributing to the growth of the State.

I wish the Conference grand success.

Sri K. T. Rama Rao

Honourable Minister for IT and Panchayat Raj, Telangana



FOREWORD

India is at a remarkable convergence of economic reconfiguration and political certainty. With the Union Government launching several landmark initiatives including 'Make in India', 'Digital India', 'Skill India', Jan Dhan - Aadhaar - Mobile (JAM) trinity, it is vital for States to lead efficient execution of these developmental programs.

The Government has taken significant steps towards co-operative federalism by accepting the recommendations of the 14th Finance Commission Report in the FY16 Budget, which will herald a new era of partnership between the Centre and the State Governments, and facilitate 'tailor-made' policies and allow benefits of growth to percolate to the masses.

Telangana, the youngest State of India, has taken several progressive steps towards achieving inclusive and sustainable growth. On completion of its first year of formation, the State has registered a phenomenal 10% increase in GSDP and 9% increase in per capita income, under the visionary leadership of Hon'ble Chief Minister, Shri K. Chandrashekar Rao.

Several strategic development initiatives, including the Telangana State Industrial Project Approval and Self Certification System (IS-iPASS), aided by competitive incentivization, adequate power supply, infrastructure development, transparency in administration, amongst others, will be instrumental in catalyzing investments, employment generation and financial inclusion in the State. Further, social initiatives such as *Mission Kakatiya* and the Telangana Water Grid project will gradually boost the Agriculture sector as well as providing additional impetus to the industrial sector.

On this occasion, ASSOCHAM, India's apex knowledge chamber, is organizing the "**Telangana One: The Road Ahead**" Conference on June 19, 2015 in Hyderabad.

I am confident that the Conference will provide an ideal platform for policy makers and industry leaders to deliberate on the development roadmap to achieve a 360-degree growth for the State.

I wish the Conference grand success.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rana Kapoor', written over a horizontal line.

Rana Kapoor
President ASSOCHAM
INDIA



Foreword

Although, Telangana is India's youngest state, the inherent advantages possessed by the state and the contributions and potential it holds to furthering the country's economic prospects are noteworthy, making it a rather key state of the country.

The state has fast emerged as an economy growing at a favorable pace and one possessing all the ingredients necessary to fuel sustainable growth. Telangana can boast of having in place superior infrastructure which nevertheless continues to improve and evolve. It also has at its disposal a vast pool of talent and labour, owing to the large number of universities and institutions in the state. Further supporting the state's economy is the forward looking and proactive government and administrative setup. The strong policy support that it receives from the government, both central and state, adds to appeal of the state as an investment destination for domestic and global investors.

Telangana has all along been a favored destination for investors. This is evidenced by the presence of the large number of multinational companies that have a base here. The state has a rather strong industrial base given that it is home to diverse industries ranging from pharmaceutical, bio-technology, defence, textiles, engineering, gems & jewelry among others. The state, viz. the capital city is also a key knowledge hub of the country, having a large share in the country's ITES and related services.

The prudent policy and fiscal management of public finances by the state with focus being on developmental and capital expenditure that would help build productive capacity and thereby revenue generation in the economy, makes the states financially strong and self-reliant.

Given the geographic, historical, cultural, infrastructure and manpower enabled capabilities, the state holds potential across sectors, ranging from IT, pharma, manufacturing, engineering, textiles and tourism to name a few which need to be nurtured and supported effective policy measures.

CARE Ratings has in this publication presented a comprehensive overview of the state covering the socio-economic profile, the fiscal health of the state government and the prevailing infrastructural landscape of the state. In addition, the major initiatives undertaken by the government across sectors has been highlighted. The publication, while drawing attention to the appeal the state holds to investors, also touches upon the various issues and challenges that constraint and impede the economic potential of the state along with suggestions for the way forward, with emphasis on transforming Hyderabad into a global city.

We hope this publication would help draw attention to the prevailing economic and investment conditions in the state and thereby equip stakeholders and policymakers to better understand the issues and challenges that need to be tackled to bring about greater growth and development in the state.

A handwritten signature in black ink, appearing to read 'D. R. Dogra', written over a horizontal line.

D. R. Dogra
MD & CEO, CARE Ratings



MESSAGE

I am glad to know that ASSOCHAM Southern Regional Office is organizing a Conference on **“Telangana One: The Road Ahead” on 19 June 2015 at Hyderabad.**

Telangana initiated process of development soon after its formation. With its progressive and forward looking policies, State has emerged as one of the preferred investment destinations in the country. State has tremendous latent potential that still needs to be tapped for overall benefit of the society.

ASSOCHAM has been endeavouring to facilitate meaningful dialogue between State Government and industry with a view to better understand issues concerning growth of the State. The Conference aims to bring forth all relevant issues that impact growth of the State and would also help generate some new ideas that may accelerate the pace of growth.

To present an overview of potential areas of investment in the State, ASSOCHAM and CARE Ratings have come out with a study that carries a long term vision for growth and development of the State. I wish to place on record my deep appreciation for the CARE Ratings team who have carried out extensive research for the Study.

I wish the Conference all success.

(D S Rawat)
Secretary General

CHAPTER 1 INTRODUCTION

1.1. Telangana – A Resourceful State on a Robust Growth Trajectory

The new State of Telangana, formed on June 02, 2014, is the twelfth largest State in terms of area and population in India. The State shares its boundary with Maharashtra and Chhattisgarh in the north, Karnataka in the west and Andhra Pradesh in the south and the east. The Gross State Domestic Product (GSDP) of Telangana for the year 2014-15 at constant (2004-05) prices is estimated at Rs.2,17,432 crore as against Rs.2,06,427 crore for 2013-14 indicating a growth of 5.3% . The state has witnessed a steady revival in economic growth since FY14, considering a consistently declining trend for two consecutive years i.e. in FY12 and FY13 (FY refers to the period from April 01 to March 31).

The capital city of Hyderabad is the largest urban centre of Telangana and contributed to 34.2%¹ of the GSDP of Telangana (including Ranga Reddy district²) during FY14. Hyderabad will remain the joint capital of Telangana and Andhra Pradesh till 2024, post which the city will be transferred to Telangana.

Telangana is home to a large number of industries spanning pharmaceuticals, biotechnology, defence, mineral based industries, high precision engineering, textile and gems and jewellery among others. Hyderabad and Ranga Reddy districts have a dominant share of knowledge based industries i.e. Information Technology Enabled Services (ITeS), pharma and engineering components, as the said districts have strong infrastructure and support systems in the form of special economic zones (SEZs), skilled manpower and research and development capabilities. The other districts of Telangana such as Nizamabad, Karimnagar and Warangal are primarily dependent on agriculture and steps to stimulate industrial development is being considered by the Government of Telangana to achieve a balanced growth across the State.

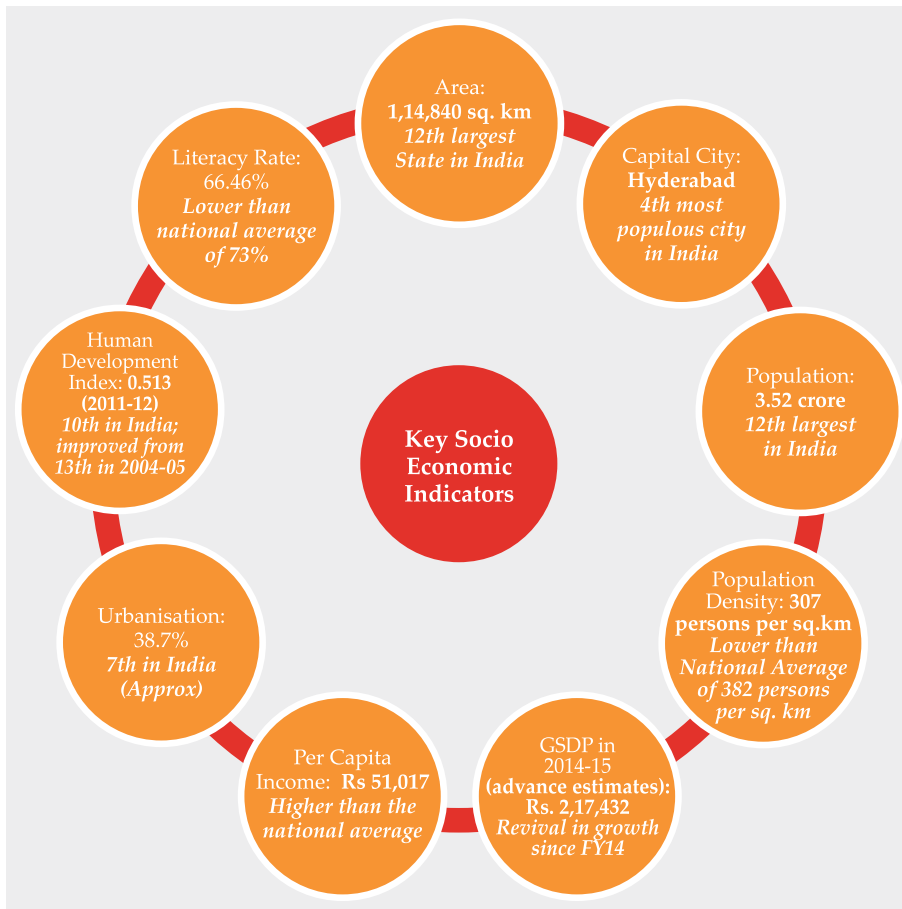
- 👉 Telangana, among the major industrial states in India, ranked 6th in terms of industries and ranked 8th in terms of gross value added from industries.
- 👉 Hyderabad, the second largest city in India for software exports in FY14
- 👉 Contributes to nearly one-third of India's pharma production and 20% of the pharma exports of India

¹Socio Economic Outlook 2015, Government of Telangana

²The Ranga Reddy district encircles Hyderabad

1.2. Socio Economic Profile of Telangana

Figure 1: Socio Economic Snapshot ¹



1.3. Trends in Economic Indicators and Industrialisation

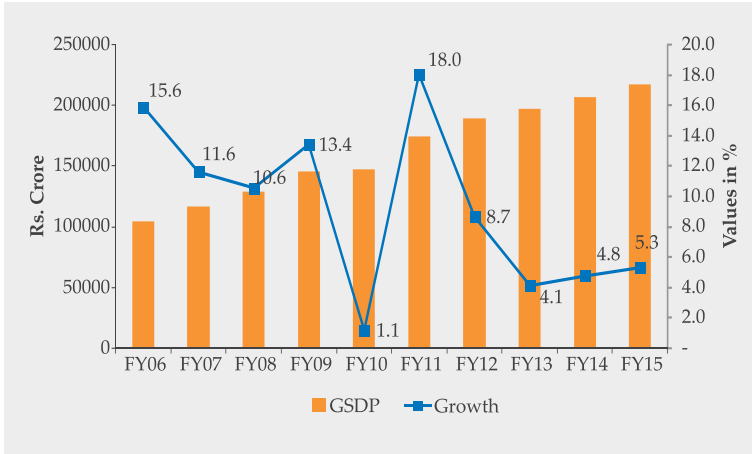
Gross State Domestic Product (GSDP) Analysis: Services Sector Continues to Lead

- The GSDP at constant (base: 2004-05) prices for FY15 (advance estimates) is estimated at Rs.2,17,432 crore as against Rs.2,06,427 crore for 2013-14 indicating a growth of 5.3%. The State has grown at a compounded annual growth rate (CAGR) of 9.23% during the period 2004-05 to 2014-15. The Y-o-Y growth of 5.3% in FY15 marks further revival in growth of state post a dip for two consecutive years i.e. FY12 and FY13. Since FY14, the State has grown steadily.
- During FY15, the services sector recorded the highest growth in GSDP at 9.7%, followed by Industry sector at 4.1%. However, the overall growth was marred by agriculture sector, with estimated de-growth of 10.3%. The agriculture sector was affected by adverse seasonal conditions. Telangana is predominantly a service-driven economy with services sector estimated to contribute 62.9% of the GSDP at constant prices for FY15 as compared to 53.8% in FY05. The structural composition of the Telangana's economy has undergone a notable change in the last decade with high growth witnessed in services sector in comparison to agriculture and industry.
- The primary sector² in the GSDP has been witnessing a steady declining from 17.9% in FY05 to 12.8% in FY15. The Industry sector, however, has not varied much.

¹ Socio Economic Outlook 2015 and 2014, Government of Telangana, Planning commission of India; Census 2011

² Primary sector includes agriculture, livestock, forestry and fisheries

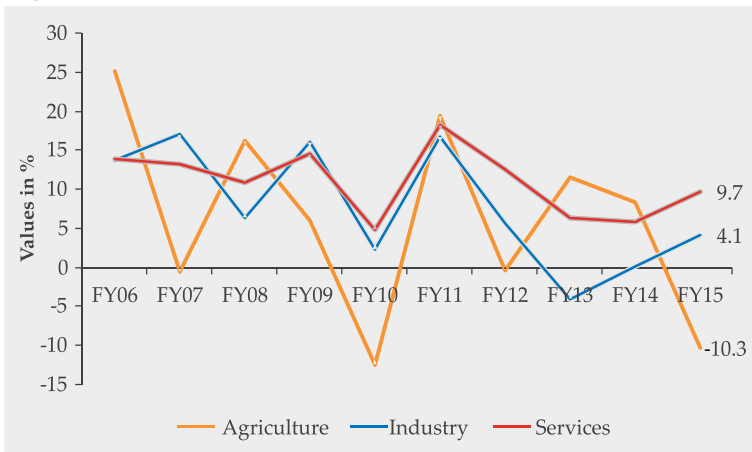
Figure 2 Trends in Telangana State Domestic Product



Source: Socio economic outlook 2015, Government of Telangana

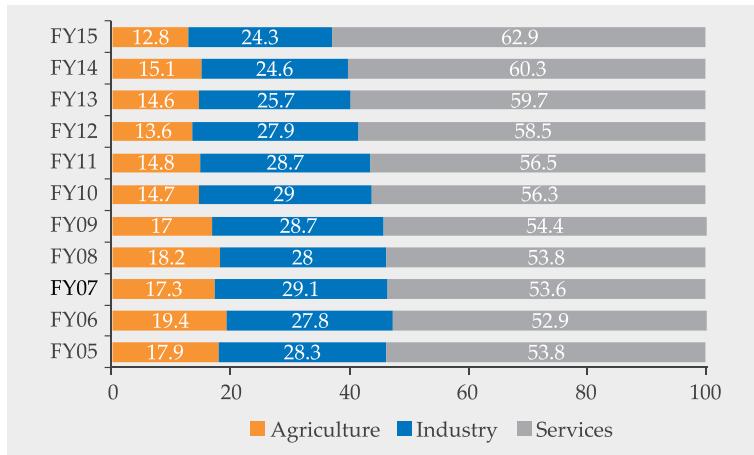
- In the Agriculture sector, the livestock segment has performed well and shown a positive growth, while other subsectors i.e. agriculture, forestry, and fisheries have registered a mixed growth. However despite a falling share of agriculture and dip in growth, the sector would remain a priority sector for the State to maintain and enhance potential for inclusive growth. Nearly, 55.7% of the workforce is dependent directly or indirectly on agriculture in Telangana.

Figure 3: Sectoral Growth Rate of GSDP (at Constant Prices)



Source: Socio economic outlook 2015, Government of Telangana

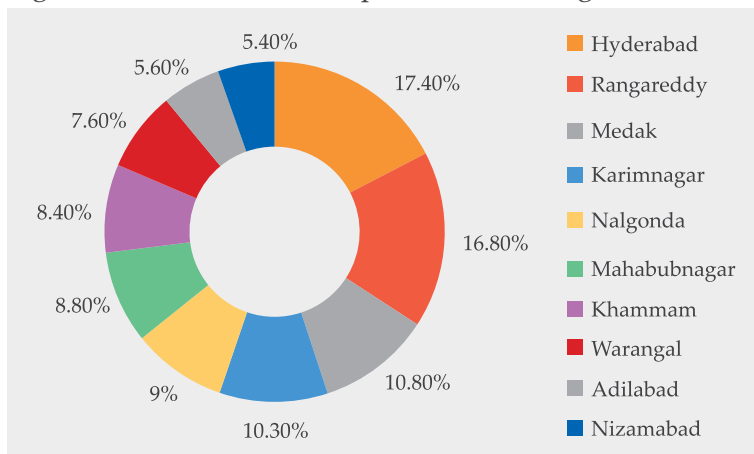
Figure 4: Sectoral Break-up of Telangana GSDP (%)



Source: Socio economic outlook 2015, Government of Telangana; CARE Research

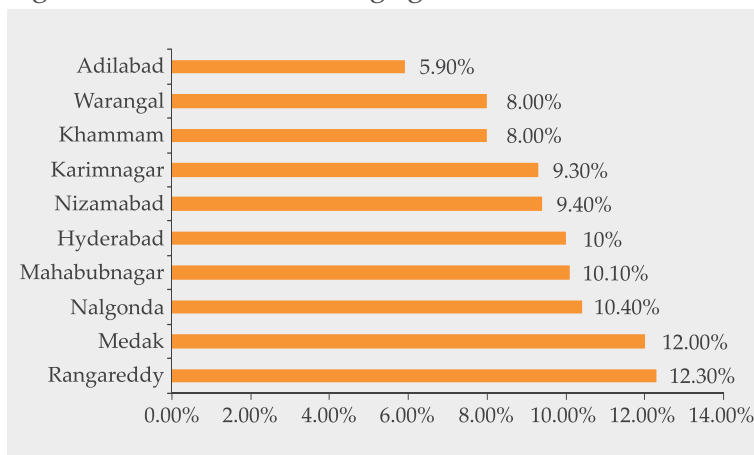
- As per the Gross District Domestic Product (GDDP) estimates for FY14 at constant prices, Hyderabad, in tandem with Ranga Reddy and Medak districts account for about 45% of Telangana’s Gross Domestic Product (GDP). Hence, a more balanced and inclusive growth strategy for the State is imperative.

Figure 5: District wise composition of Telangana State Domestic Product



Source: Socio economic outlook 2015, Government of Telangana

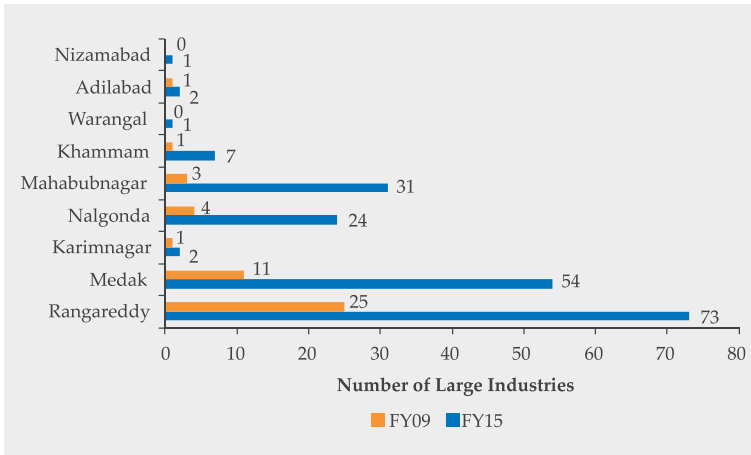
Figure 6: District wise average growth rate of GDDP between 2005-06 to 2013-14 (%)



Source: Socio economic outlook 2015, Government of Telangana; Government of Telangana

- Majority of the investments and industrialization has taken place in the Ranga Reddy district, which is located in the outskirts of Hyderabad and is in close vicinity of Hyderabad.

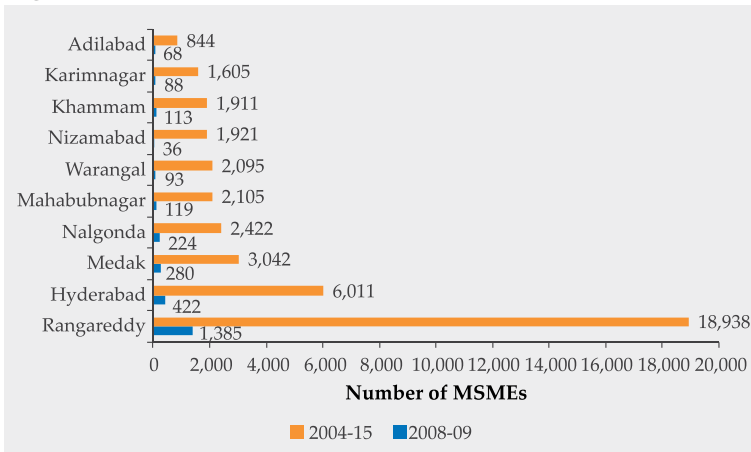
Figure 7: District wise number of large industries established between 2008-09 to 2014-15



Source: Socio economic outlook 2015, Government of Telangana

- The total investments in large industries between FY09 to FY15 is Rs 19,493 crore, with Ranga Reddy district accounting for 25% of the total investment, followed by Medak and Nalgonda at 17%.

Figure 8: District wise number of MSMEs established between 2008-09 to 2014-15



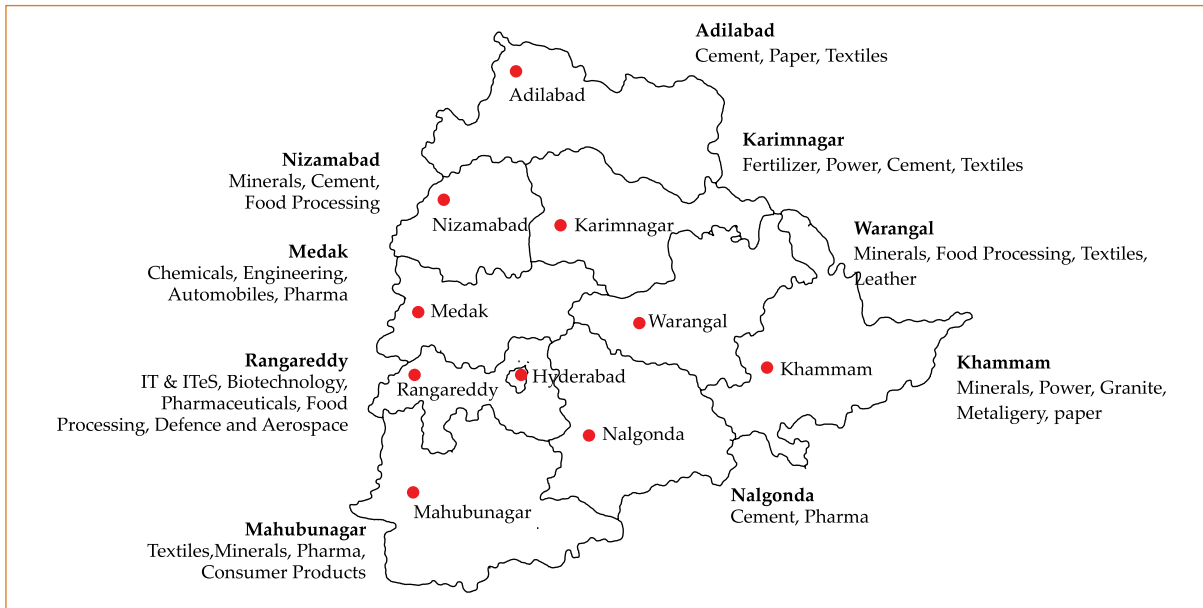
Source: Socio economic outlook 2015, Government of Telangana; CARE Research

- The total investment flow to the micro, small and medium enterprises between FY09 to FY15 (up to January 2015) is Rs 20,214.5 crore, with Ranga Reddy district accounting for 48% of the total investments followed by Medak at 18%.

District wise spread of industrialization

The exhibit below depicts the nature of industries across the districts in Telangana and the base for formulation of proposed investment plans by the Government of Telangana for a balance growth:

Exhibit 1: District-wise industrialisation¹



¹Map not to scale

- Telangana houses some of the largest global information technology conglomerates, global and renowned Indian pharma and biotechnology majors, engineering and defence component manufactures. However, the growth has to a large extent centered around Hyderabad/ Ranga Reddy and Medak district. Hence the policy initiatives and specific strategies are being drawn by the Government of Telangana to capitalize on the strengths of each district, as indicated above, to achieve a balanced growth.
- The government of Telangana has introduced a new industrial policy framework to develop 6 industrial corridors with focus on core manufacturing sectors with life sciences, IT and hardware being the major benefactors. Again, the policy focuses on the competitive advantages of districts in Telangana.
- SEZs in the fields of IT/ITeS, formulation, biotech and aerospace have been developed in Telangana. As a part of developing Tier-II districts, the Telangana State Industrial Infrastructure Corporation has developed SEZ at Madikonda (village) in Warangal District.

Table 1: Special Economic Zones in Telangana

Sponsor	Notified	Formal	In-Principle	Districts Covered	Area (Acres)	Major Industries Proposed
TSIIC	7	0	0	Warangal, Ranga Reddy, Medak, Mahubunagar	1,011	IT/ITeS, Hard Ware, Formulations, Biotech, Precision Engineering & Aerospace
TSIIC JV's	3	0	0	Ranga Reddy	1,136	IT/ITeS, Semiconductors
Assisted by TSIIC	14	1	0	Ranga Reddy, Medak	1,563	IT/ITES, Biotech & Gems & Jewelry
Private Developers	20	6	1	Ranga Reddy, Medak, Hyderabad, Warangal	4,828	IT/ITeS, Biotech, Pharma, Aviation & Warehousing
Urban Dept. Authority	1	11	0	Ranga Reddy, Mahboonagar, Nalgonda	1,620	IT/ITeS, Pharma, Livestock, agriculture related

Source: Telangana State Industrial Infrastructure Corporation (TSIIC)

Public Finance and Fiscal Overview

The financial health of the new state has been captured here. The various sources of revenues/ receipts and expenditure helps throw light on the various avenues from where revenue is generated and the areas where expenditure is incurred.

Table 2: State's finances based on the budget estimates of 2014-15 and 2015-16

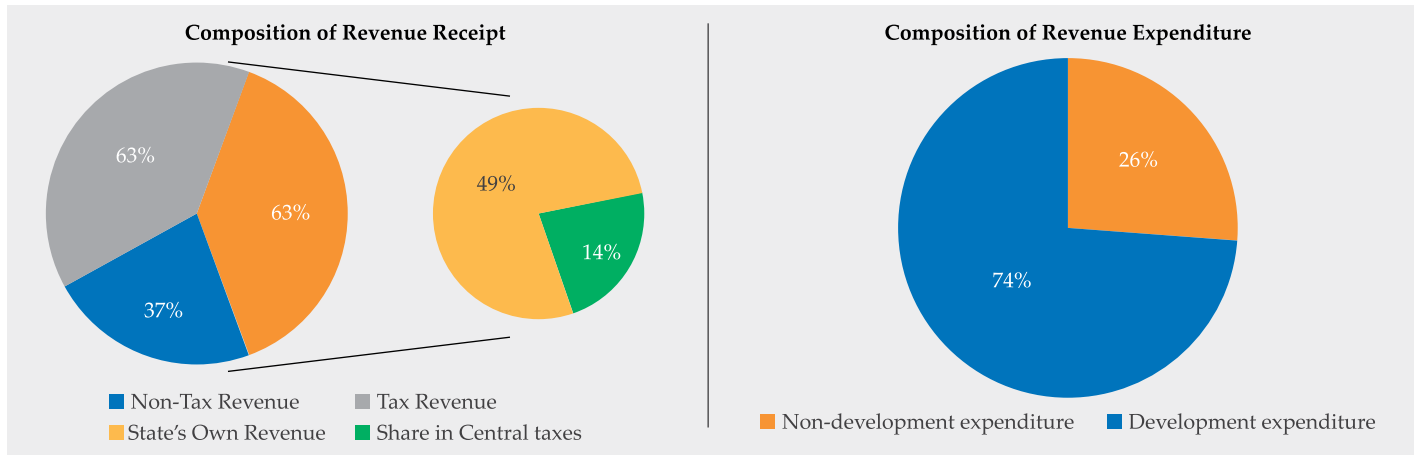
(Rs crore)	2014-15	2015-16
Receipts		
Revenue Receipts	80,090	94,132
<i>Tax Revenue</i>	45,128	59,318
<i>Non-Tax Revenue</i>	34,963	34,814
Capital Receipts	17,378	20,925
<i>Internal debt</i>	13,250	18,200
Expenditure		
Revenue Expenditure	79,789	93,600
Capital Expenditure	20,169	21,459
<i>Capital outlay</i>	15,101	15,983
Surplus/Deficits		
Revenue Surplus	301	531
Fiscal Deficit	17,399	16,969
Liabilities		
Outstanding Debt	61,712	61,712
Outstanding Guarantees	16,876	16,787

Source: *Telangana State Government Budget*

Despite being a new state, given that Telangana has a number of large multinational companies in the IT and Pharmaceutical sector operating out of Hyderabad, the state's tax base is fairly high. The state is found to be financially strong and self-reliant. Telangana is seen to have a revenue surplus. In terms of its own revenue generating capacity, the state's own revenue sources (tax and non-tax) account for 73% of its revenue receipts as per the budget estimates for FY16. Also, the state's own tax revenues account for 78% of the tax revenues. Likewise, the state's own non-tax revenues contribute over 60% to its non-tax revenue. The state's reliance on the central government in the form of share in central taxes (14%) and grants (13%) is estimated to be 27% of the revenue receipts as per FY16 Budget Estimates. The revenues of the state have been estimated to see an encouraging growth of 18% in FY16 from that in the previous year.

In terms of revenue expenditure, the state is seen to focus more on development expenditure (74% of revenue expenditure as per the budget estimates of FY16). With expenditure being lower than receipts in the revenue account, the state is seen to enjoy a revenue surplus which has been on a rise (estimated to grown from Rs. 301 cr in FY15 to Rs.531 crs in FY16).

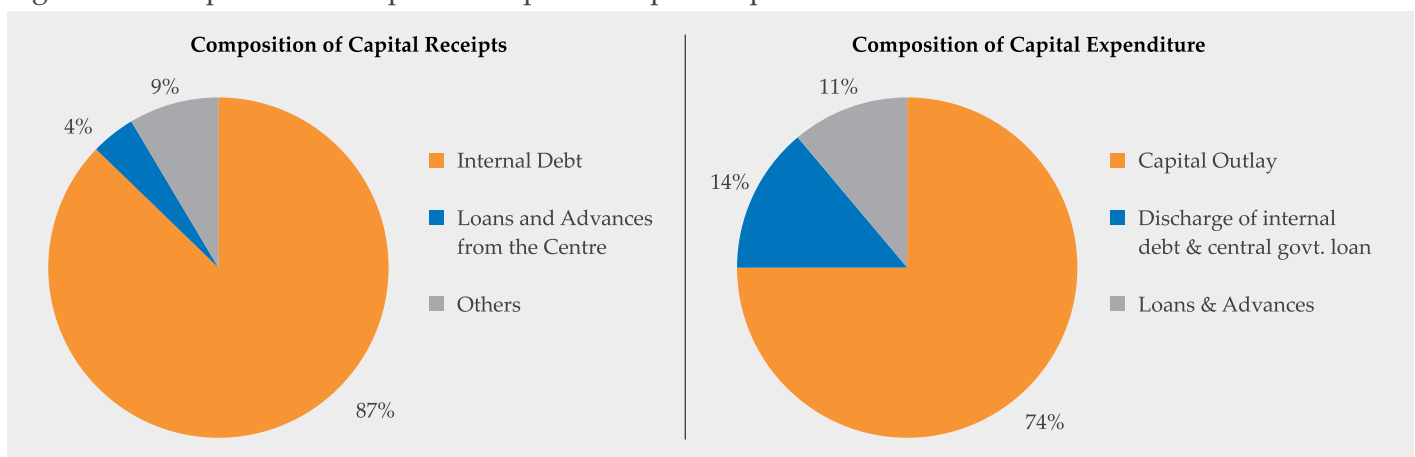
Figure 9: Composition of Revenue Receipts and Revenue Expenditure



Capital Receipts are dominated by internal/public debt (share of 87% in FY16), indicating that the state is accessing the open markets to raise funds. The FY16 state budget has estimated a 37% increase in internal debt receipts from that in the previous year. The lower quantum of loans from the center (4% of capital receipts), re-emphasizes the lower dependence of the state on the central government and its self-reliance.

The composition of the capital expenditure of the state indicates that Telangana is focused on building its infrastructure and physical assets/capital base. Capital outlays are estimated to account for nearly 75% of the capital expenditure of the state in FY16. The higher expenditure incurred here is likely to improve the state's future revenue generation abilities and prospects. The capital expenditure of the state is expected to grow by 6% in FY16. It has a deficit on the capital account given the high quantum of capital outlays. Although the state does enjoy a surplus on the revenue account, it carries a deficit on the capital account. Therefore, in terms of the total expenditure and total receipts of the state i.e. revenue and capital account, the state has an overall deficit. The deficit is estimated to decline from Rs.2489 crore in FY15 to Rs.3 crore in FY16.

Figure 10: Composition of Capital Receipt and Capital Expenditure



The state as of 2015 has an outstanding debt of Rs. 61,712 crores and outstanding guarantees amounting to 16,787 crores. The liabilities of the government appear to be manageable. Its fiscal deficit is estimated to be Rs.16,969 crores in FY16.

CHAPTER 2

MAJOR INITIATIVES BY THE GOVERNMENT OF TELANGANA

2.1 The New Industrial Policy 2014

Framework for Making Telangana a Preferred Investment Destination

The Government of Telangana introduced its new Industrial Policy in November 2014. The development of industrial and related infrastructure will be the responsibility of the Telangana State Industrial Infrastructure Corporation (TSIIC). The policy has identified 14 sectors as thrust areas, based on the State's geographic location, availability of resources across the state, skill base and raw material availability among others. Each of the sectors will have its own sectoral policy and incentives. High level advisory panels with private sector and academia experts will be constituted for each of the sectors. An interdepartmental task force for each sector chaired by Special Chief Secretary/Principal Secretary of the Industries and Commerce Department will also be in place to achieve the required coordination.

14 Thrust Areas Identified for balanced growth across districts:

- Life Sciences
- IT Hardware
- Precision Engineering
- Food processing and nutrition
- Automobiles
- Textiles and apparel, leather and leather value-added products like shoes, purses, bags, artificial material-infused and coated textiles, paper, and paper products
- Plastics and Polymers, Chemicals and Petro-chemicals, Glass and Ceramics
- FMCG and domestic appliances
- Engineering and capital goods including castings, foundry and Ferro-alloys and other metallurgical industries
- Gems and Jewellery
- Waste Management and Green Technology
- Renewable Energy and Solar Parks
- Mineral-based and wood-based Industries
- Transportation/ Logistics Hub/ Inland Port/ Container Depot

High Priority areas and policy Initiatives by Government of Telangana

- Implementation of Telangana State Industrial Project Approval and Self Certification Systems (TS-iPASS)
 - Passed on November, 2014 to provide speedy processing for issue of various licenses, clearances and certificates required for setting up of industrial undertakings (Policy highlights provided in Annexure – III).
 - The provisional approvals for Mega projects to be given by the Telangana State-wide Investment Facilitation Board (T-SWIFT) Board within 15 days of receipt of self-certified applications after the preliminary scrutiny. District TS-iPASS Committee (chaired by District Collector) / State TS-iPASS Committee (chaired by Secretary of Industries), shall give all clearances referred to it within a period of 30 day
 - Single window clearance by district/ state/ apex committees.
- New Pharma City and Chemical City with well-developed infrastructure including waste management
 - The Life Sciences policy of Government of Telangana was introduced in February 2015 (policy highlights provided in annexure – III).
 - Genome Valley in Hyderabad is a systematically planned and developed cluster dedicated to life sciences. The state proposes to capture 20% of the US\$100 billion market opportunity of India by 2025 with \$13.5 billion share by 2020.
 - Government of Telangana proposes to develop a world-standard Pharma City. Over 3,000 acres of land has been identified on the outskirts of Hyderabad city in Mucherla village for the Pharma City.
- Development of the Hyderabad Warangal Industrial Corridor. Five other industrial corridors would be set up in a phased manner.
- Special focus on SMEs and micro industries with special provisions and incentives in the New Industrial Policy 2014.
- Development of Warangal as the textile hub of Telangana. A mega textile park is proposed in the outskirts of Warangal city in the lines of Surat and Coimbatore. Warangal is one of the key producers of cotton in Telangana district.
- Focus on solar power generation with Telangana Solar Policy introduced in May 2015
- Food Processing and Seed Production Initiatives
- Mini-industrial townships along with Industrial Park
- Direct loan facilitation to Dalit entrepreneurs
- Creation of Venture Capital/Angel Fund
- Inter-state VAT rationalisation on industrial inputs and outputs
- Review and Reform of all age old industry sector regulations, including labour laws

2.2. Information Technology and Electronics Manufacturing

Information Technology & Business Process Management (IT-BPM) sector contributed to 21% of the total GSDP of Telangana as compared to 8.1% of India’s GDP in FY14. Hyderabad is the second highest contributor to India’s IT exports, contributing 11% of nationwide IT exports. While India recorded a growth of 13% in IT/ ITeS exports, Telangana witnessed a growth of 15.7% in the same sector during FY15. As per the National Association of Software and Services Companies (NASSCOM), Information Technology industry in Hyderabad is poised to grow to \$50 billion by 2025. NASSCOM study on assessment of 50 Indian cities as potential hubs for IT industry has listed Hyderabad as one of the “Leader” cities because of enabling success factors like high availability of talent pool, enabling business environment, presence of recognized IT-BPO companies, IT parks, SEZs and government support.

Table 3: Key statistics of IT & ITeS exports from Telangana

	FY14	FY15
Exports (Rs Crore)	57,258	66,276
Employment	323,396	371,774

Considering Telangana's competitive positioning in India's software export, the Government of Telangana is actively pursuing to make the state a preferred IT destination and ICT policy 2010-2015, has been put in place.

Establishment of Information Technology Investment Region (ITIR)

Government of India has declared establishment of Information Technology Investment Region (ITIR) in Hyderabad. The ITIR would comprise areas such as Cyberabad Development Authority (CDA), including Gachibowli and Madhapur, Hyderabad Airport Development Authority (HADA) area including Mamidipalli, Raviryal, Adibatla and Maheswaram as well as the Uppal and Pocharam belt. Under the ITIR, Government of Telangana is offering various incentives to increase the investments in the region. The ITIR is expected to provide the following benefits:

- Direct Revenues to the tune of Rs.310,849 crores
- IT Investment potential to the extent of Rs.219,440 crores
- IT Exports to the tune of Rs.235,000 crores
- Direct employment is estimated to be nearly 15 lakhs
- Indirect employment is estimated to be nearly 53 lakhs
- Increase in tax revenue to State to the tune of Rs.30,170 crores

T-Hub

Government of Telangana is planning to set-up T-HUB to promote Innovation which provides latest technology to start-ups. It is expected to be the largest technology incubation center in India. T-hub will help connect different incubators in the region and ensure that the requisite support to them is provided through the T-hub. The key thrust areas for T-hub start-ups would be education technologies, healthcare technologies, retail technologies, cloud computing, IT, ITeS, mobile applications.

Skill Development Initiatives

TASK (Telangana Academy for Skills and Knowledge) is initiative to enhance skills and employability of Telangana youth. TASK is working in collaboration with major IT companies in India and is several industry certification programs for the students at free of cost or at a highly subsidized price

Electronic Manufacturing Clusters (EMC)

As per the GoI Policy resolution to augment the growth of electronics manufacturing industry, two Electronic Manufacturing Clusters (EMCs) i.e. E-city (in 602 acres) and also in Maheshwaram (in 310 acres) in Hyderabad (Telangana) have been approved by the GoI. The EMCs are expected to generate employment opportunities to the tune of 2.50 lakhs (direct – 0.40 lakhs; indirect - 2.10 lakhs) people.

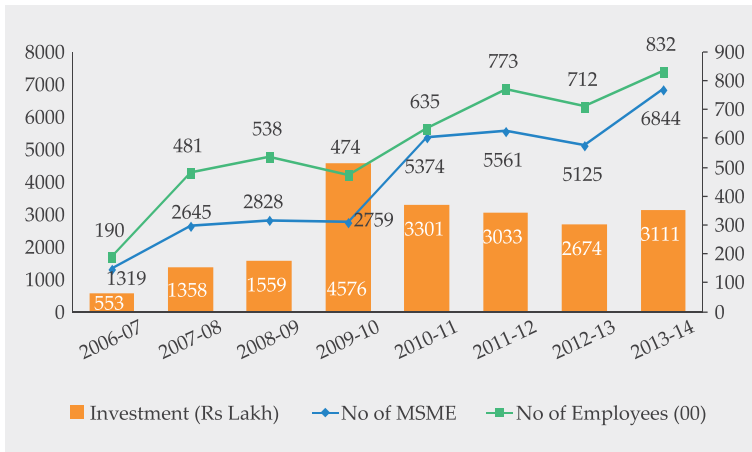
Gaming and Animation

An extent of 30 acres of TSIIC land at Raidurg, Hyderabad, has already been allocated for Gaming and Animation Park. Gaming and Animation Park shall comprise of built-up Incubation space, Shared Studios, Processing Labs, Media Centre, Conference facilities, Transit Office / Business Centre., etc.

2.3. Micro, Small and Medium Enterprises

The Micro, Small & Medium Enterprises Development Institute (MSME-DI), Hyderabad offers a wide range of services for the Micro, Small and Medium Industrial sector in the State of Telangana. During the period 2001 to 2015 (up to January, 2015), 40,894 MSMEs were established in Telangana with an investment of Rs.22520.63 crores, providing employment to 5,65,496 persons.

Figure 11: Trends of MSME Sector in Telangana



Source: Socio Economic Outlook 2015, Government of Telangana

Policies and support for MSME Segment by Telangana Government:

Telangana State has set-up District Industries Centres (DIC), the nodal agencies to provide all required approvals/clearances for setting up industries under the Single Window System, implement the Micro Small and Medium Enterprises (MSME) Development Act, 2006 and issue Entrepreneur Memorandum (EM) for MSME besides maintaining effective liaison with various financial institutions in facilitating the required credit. The Government of Telangana announced the new industrial incentive scheme T-IDEA, 2014 (Telangana State Industrial Development and Entrepreneur Advancement for the General category entrepreneurs and T-PRIDE (Telangana State Program for Rapid Incubation of Dalit Entrepreneurs) of 2014 for Scheduled Caste / Scheduled Tribe entrepreneurs, extending various incentives for MSME and Large Industries Sectors.

Infrastructure support for MSME's:

- Reservation of 30-40% of the land for MSME's in the upcoming industrial estates developed by Telangana Industrial Infrastructure Corporation (TSIIC).
- "Open access" power restrictions will be removed to enable all types of industries, including MSMEs to access the power exchange.

2.4. Agriculture and Allied Sectors

Agriculture plays a major role in the GSDP of Telangana as around 55.7% of the population depends on agriculture and allied services and the sector contributed 12.8% of the state's GSDP during FY15.

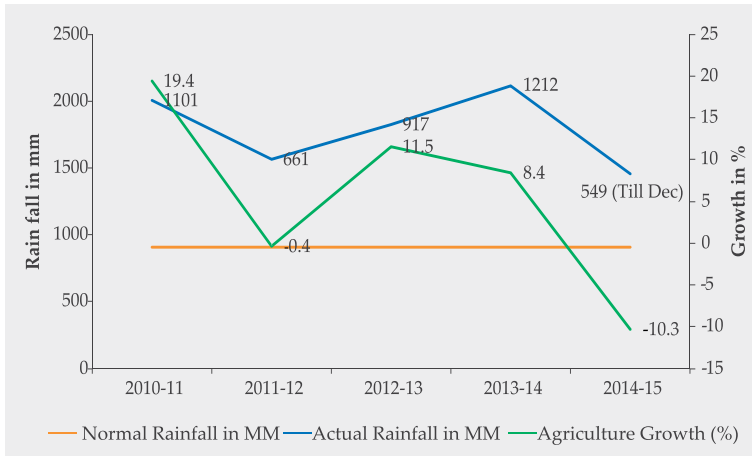
The sectorial contribution of Telangana GSDP is as shown:

Agriculture in Telangana is dependent on rainfall and agricultural production depends upon the distribution of rainfall. The influence of South-West monsoon from June-September is predominant which contributes around 79% of the rainfall

in the state, followed by North-East Monsoon (14%) from October to December and the rest 7% rainfall is received during the winter and summer months.

The average rainfall over the years and its impact on Agriculture growth is as shown:

Figure 12: Average Rainfall between FY11 to FY15



Source: Socio Economic Outlook 2015, Government of Telangana

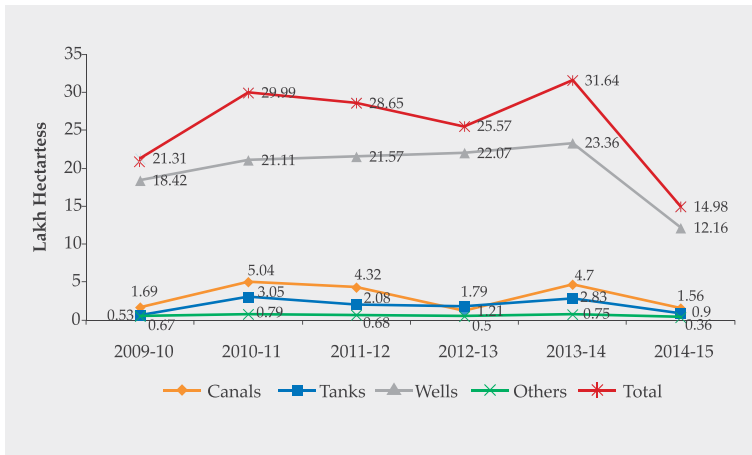
The Department of Agriculture has been created mainly to provide Agricultural Extension services to farmers and to transfer the latest technical knowledge to the farming community. The objectives of the Department are to assess requirements of agriculture inputs well in advance and to regulate their production and monitor timely supply of seeds, fertilizers and pesticides, implements, credit etc., to farmers.

With Agriculture production highly dependent on rainfall, focus on further development of irrigation facilities should be considered. Irrigation in Telangana is mostly dependent on the utilization of water from Godavari and Krishna rivers and tributaries, tanks and ponds. There are about 46,000 water conservation structures varying from very large tanks to small ponds including percolation tanks. These water conservation structures together are the leading source for meeting irrigation, commercial and other domestic needs. The various sources of Irrigation are as shown below:

Table 4: Sources of Irrigation (2014-15 Kharif)

Source	Gross Area irrigated (Lakh Hectares)	Net Area Irrigated (Hectares)	Irrigation Intensity
Canals	1.56	1.56	1.00
Tanks	0.90	0.90	1.00
Wells	12.16	12.05	1.01
Others	0.36	0.36	1.00
Total	14.98	14.87	1.01

Figure 13: Source wise areas irrigated during FY08 to FY15



Source: Directorate of Economics & Statistics, Hyderabad; Socio Economic Outlook 2015, Government of Telangana

Major & Minor Irrigation Schemes and Projects being planned by Telangana

Palamuru-Ranga Reddy Lift Irrigation Scheme

Salient features of the project:

- Project aims to provide drinking water to Hyderabad from Krishna river
- Irrigate 7 lakh acres in Mahabubnagar, 2.7 lakh acres in Ranga Reddy and 0.3 lakh acres in Nalgonda districts by lifting 70 TMC of flood water from Krishna River near Jurala project.

Nakkalagandi Project

- Planned to irrigate 3.41 lakh acres of chronically fluoride and drought affected areas of Nalgonda District and a part of Mahabubnagar District.
- Estimated cost of Rs.6,000crores utilizing 30 TMC (thousand million cubic feet) of flood water to be drawn from the Srisailem Left Bank Canal (SLBC) Tunnel being constructed from Srisailem Project.

Jurala-Pakhala Flood Flow Canal

- The Jurala-Pakhala Flood Flow Canal is under investigation from the foreshore of Jurala Project
- Potential to feed approximately 700 tanks situated in drought prone areas of Mahabubnagar, Nalgonda and Warangal districts during flood season in 35 days by diverting 24,000 cusecs for total 70 TMC.

Minor Irrigation Projects

Minor irrigation tanks being the lifeline of Telangana, the Government has accorded highest priority for renovation of chain tanks in Minor irrigation sector under the flagship programme 'Mission Kakatiya'.

Currently, of the 26 major irrigation projects in Telangana, 10 are completed, 8 are ongoing and remaining 8 are in planning stages. Moreover, of the 50 medium irrigation projects, 33 are completed 4 are ongoing and 14 in planning stages. Restoration of 45,300 tanks in five years is also on the agenda for further growth in irrigation.

With nearly 56% of the population dependent on agriculture and allied services, expediting irrigation projects and increasing the net irrigated area to enhance the contribution of agriculture to Telangana's GSDP and to improve the level of food security.

CHAPTER 3

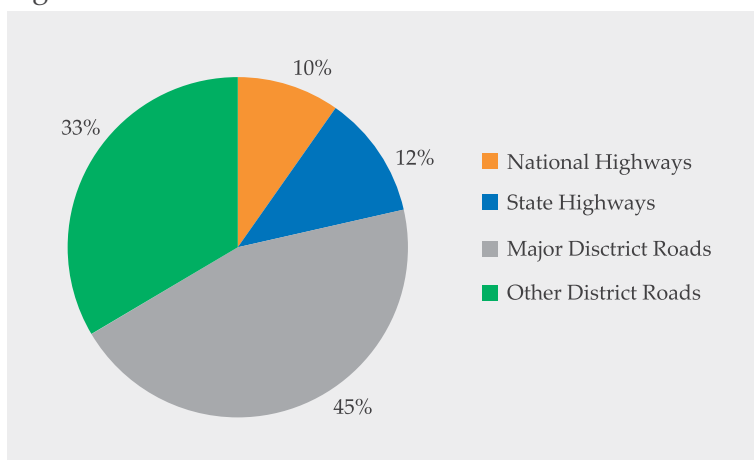
AN OVERVIEW OF THE CURRENT STATUS OF INFRASTRUCTURE IN TELANGANA

3.1. Road connectivity

Telangana being land surrounded by Andhra Pradesh to the south and east, Maharashtra and Karnataka to the west, and Odisha and Chhattisgarh to the north depends majorly on road and railway connectivity. As January 01, 2015, there are 16 National Highways in the State of Telangana covering a length of 2,592 Km crisscrossing the State.

Roads & Buildings Department is the nodal agency handling for road sector in Telangana State and is maintaining 26,837 Kms of roads comprising National Highways, State Highways, Major District Roads, and Other District Roads. Apart from the roads maintained by R & B Department, Panchayati Raj & Rural Development takes care of the rural roads.

Figure 14: Road Network as on March 2014



Type	Length (kms)
National Highways	2,592
State Highways	3,152
Major District Roads	12,079
Other District Roads	9,014
Total	26,837

Road Length Lane-Wise	4 Lane & Above	Double Lane	Intermediate Lane	Single Lane	Total
National Highways	964	1,264	153	211	2,592
State Highways	377	2,484	88	203	3,152
Major District Roads	281	3,274	478	8,046	12,079
Other District Roads	10	335	53	8,616	9,014
Total	1,632	7,357	772	17,076	26,837

Source: Roads & Buildings Department, Government of Telangana

Entire roads handled by R & D dept of Telangana were surfaced roads with around 97% are Black Top.

In India, nearly 60% of the freight movement is done via road transport and Telangana being a land locked state, most of the freight movement will be through roads. Transport of Industrial Goods and Machinery is best facilitated by 4 & above lanes. However, in Telangana 4 & Above lane constitute only 6% of the total road length which will be major task for the state government for providing efficient roads which plays crucial role in growth of economic activity of the state.

3.2. Rail connectivity

In India, nearly 28%¹ of the freight movement is done via Railways. Telangana being a mineral rich state, a robust rail system will reduce the bottle necks between the mineral areas, factories and markets. Telangana is well connected to other parts of the country via rail with a network of 1,753 km as on March 31, 2014 with entire rail line being broad gauge. South Central railway zone is head quartered at Secunderabad and has six divisions and covers almost six states with 5,919 kilometerage.

Hyderabad Metro Rail Limited is a mass-transit rail system for Greater Hyderabad City is being developed as one of the largest modern transport systems in the world based upon the PPP model based on DBFOT (Design, Build, Finance, Operate and Transfer) basis.

3.3. Airports

Hyderabad International Airport, Shamshabad is the only operating airport in the state of Telangana. Hyderabad International Airport Limited owns and operates the Rajiv Gandhi International Airport (RGIA). Rajiv Gandhi Hyderabad International Airport Limited (RGHIAL) is a joint venture company promoted by GMR Group (63%) with Malaysia Airports Holding Berhad (MAHB) (11%), State Government (13%) and the Airports Authority of India (13%) as the other consortium partners. Airport has two major access points viz. the National Highway NH-7 and Outer Ring Road (ORR) from the western side and Srisailem State Highway on the eastern side.

For the period April 2014 – December 2014, domestic passenger growth is around 20% year on year (Y-o-Y), whereas international passenger growth was 13%. Overall, the passenger traffic has shown growth of 18% Y-o-Y. In the same period the airport handled 7.75 million passengers. During the period April, 14 to December 2014, Domestic Air Traffic Movement (ATM) growth is around 9% Y-o-Y, whereas International ATM has grown by 7%. Overall the ATM has shown a growth of 9% Y-o-Y. Also, during the period April, 2014 to December 2014, Domestic Cargo growth is around 18% Y-o-Y, whereas International cargo volume has grown by 13%. Overall Cargo has shown a growth of 15% Y-o-Y.

Warangal Airport is a non-operational airport with an area of 748.02 acres. Government proposed to formulate 'Aviation Policy' for development of regional airports.

3.4. Ports

Telangana being a landlocked state, depends on neighboring states for import and export of essential commodities. There are 6 operational functional ports in the neighboring state, Andhra Pradesh from where export/import of merchandize can be undertaken for Telangana. Setting up of a dry port with well-connected road and railway routes from where goods can be transferred to the Andhra Pradesh Ports would be ideal for Telangana.

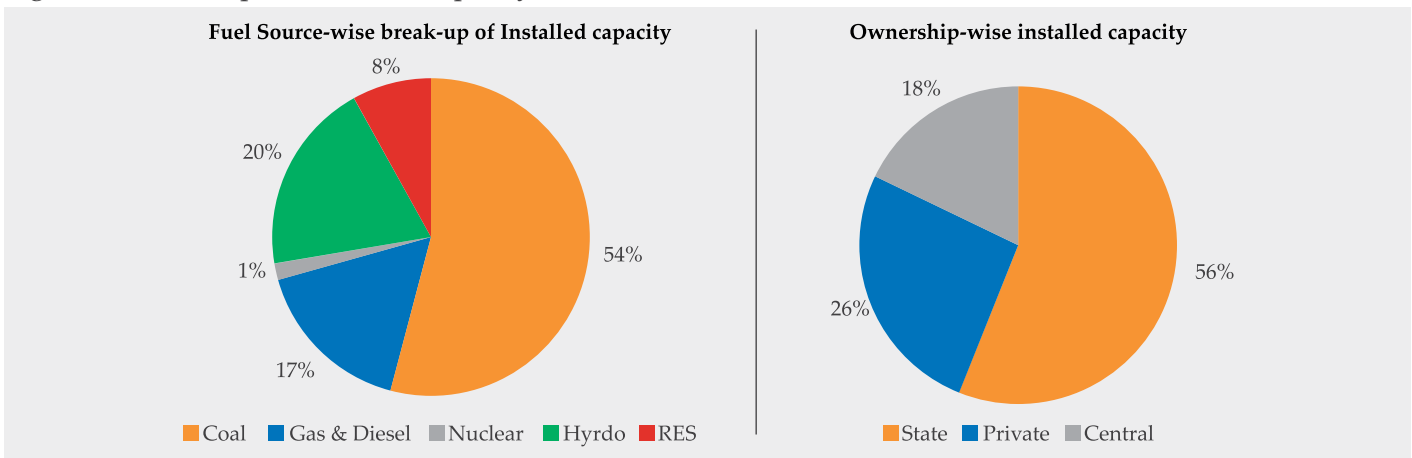
3.5. Power

Energy being one of the key inputs for industrialization and overall development, Telangana state post bifurcation of the Andhra Pradesh State is facing a severe shortage of power. Telangana state has total installed capacity of 10,233MW as of April 2015. Coal, Hydro and Gas based power generation forms major sources of Power in state. Most of generation was done through government sponsored entities. Telangana State electricity regulatory Commission (TSERC) is the principle authority for power Generation in Telangana. Telangana Power Generation Corporation Limited (TSGENCO) and Transmission Corporation of Telangana Limited (TSTRANCO) are the generation and transmission entities of the

¹Data.gov.in (Open Government Data (OGD) Platform India)

state. Telangana State has two distribution companies namely Southern Power Distribution Company of Telangana State Limited (TSSPDCL) and Northern Power Distribution Company of Telangana Limited (TSNPDCL).

Figure 15: Break up of Installed Capacity



Source: Central Electricity Authority, April 2015

Telangana has been a power deficit state with an average deficit of 6% over the last one year. The average per capita consumption of the state is around 985 units as against an all India average of 917units. Going forward, energy requirement is expected to see exponential growth owing to various factors such as buoyant growth in the capital city and other urban centers, high domestic and agricultural consumption and upcoming major projects such as Hyderabad Metro Rail and Hyderabad-Nagpur industrial corridor. Telangana plans to meet the demand by a number of capacity additions in pipeline and enhancing the energy availability from the existing sources. The gaps and challenges across the power value chain of Fuel – Generation- Transmission –Distribution must be addressed to meet the energy requirement.

Table 5: Demand-Supply projections (MU)

Telangana Demand-Supply Summary Table (MU)					
	FY15	FY16	FY17	FY18	FY19
	Actual	Projected	Projected	Projected	Projected
Energy Requirement	43,337	63,047	67,902	77,164	84,496
Energy Availability from existing sources	40,644	45,037	44,030	43,896	43,754
Energy Surplus/(Deficit)	(2,693)	(18,010)	(23,872)	(33,268)	(40,742)

Source: Socio Economic Outlook 2015, Government of Telangana and Central Electricity Authority

The transmission losses were 3.59% and transmission system availability was 99.94% in FY 13-14. However, augmentation and strengthening of transmission infrastructure at intra-state and inter-state level should be considered to improve power supply.

Telangana plans to meet the demand by a number of capacity additions in pipeline and enhancing the energy availability from the existing sources. The gaps and challenges across the power value chain of Fuel – Generation-Transmission – Distribution must be addressed to meet the energy requirement.

3.6. Industrial Areas

Availability of free land plays major role for development of industrial clusters. As part of initiatives to promote industries Telangana Government has identified 2.5lakh acres of land for industrial use. The land bank will be developed with the assistance of Telangana State Industrial Infrastructure Corporation (TSIIC).

Industrial Parks:

Industrial area in Hyderabad region is being developed in five zones which have vacant land bank as shown:

Table 6: Industrial Parks in Telangana

Industrial Park Name	No of plots	No of Sheds	Vacant Area (Sqm)	Proposed Industries
Jeedimetla	250	0	1,222,765	Automotive based Industries, General Engineering, Steel Re rolling, R & D of Biotech, Pharmaceuticals, Vaccines
Karimnagar	2	0	2,136	General
Patancheru	68	15	345,963	Textile, Cargo, Edible Oils
Shamshabad	376	11	2,098,571	Aerospace, Solar equipment, Electronic Hardware
Warangal	57	1	101,874	IT & ITeS, General

Source: TSIIC

The Industrial Areas are equipped with approved layouts, internal roads, water supply and power supply. The Corporation has also encouraged setting up Common Effluent Treatment Plants at Jeedimetla and Patancheru and also Treatment Storage Disposal Facility (TSDf) at Dundigal under Jeedimetla Zone. Majority of the industrial parks are in and around Hyderabad region.

Apart from this, TSIIC identified 150 industrial parks in 10 districts with an area of about 74133.18 acres of land. At present, 13165 units (enterprises) exist in these parks and out of 74133.18 acres of land, 917.30 acres of land is available for allotment to industries.

Industrial Clusters:

The Government of Telangana is planning to develop industrial clusters based on the parameters like demand and the availability of the products in the surrounding areas of the cluster locations by availing Government of India grant under MSE-CDP scheme for the newly developing clusters and up gradation of existing Industrial Parks. Telangana state is under TSIIC filed the applications with Development Commissioner – MSME for the following 10 Industrial clusters for in principle approval / Govt of India grant.

Table 7: Industrial Clusters in Telangana

Industrial Cluster Location	Type of cluster	No. of Acres	Cost of the Project (Rs.Cr)	MSME (GoI) Grant (Rs.Cr)
Ibrahimpatnam - RR Dist	Fiber Glass cluster	123.00	32.84	8.00
Duddada – Medak	General Engg – Electronics & Electrical Park	88.19	22.36	8.00
Total	211.19	55.20	16.00	

Source: TSIIC

Apart from this State is planning to file applications for another 8 clusters in Ranga Reddy, Mahbubnagar, Khammam, Warangal, Karimnagar, Medak and Nizamabad Districts which will diverse the industrial base all over the state.

3.7. Human Resource Development

As per the Economic Survey of Telangana 2014-15, state has literacy rate of 66.46% with 207.84 lakh literates, of which 117.49 lakh are males and 90.35 lakhs females. In terms of proportions the literacy rate stands at 74.95% for males and 57.92% for females. The literacy rate of Telangana was relatively lower than the national literacy rate of 72.99%.

As per National Skill Development Corporation Report, the workforce availability in various Districts in Telangana state is as shown below:

Table 8: District Wise Incremental Workforce Requirement for the years 2012-17 & 2017-22

District (000's)	2012-17			2017-22		
	Skilled	Semi-Skilled	Minimally Skilled	Skilled	Semi-Skilled	Minimally Skilled
Adilabad	119	5	-57	63	6	-96
Hyderabad	298	51	-188	168	49	-142
Karimnagar	189	122	365	116	155	432
Khammam	157	24	-4	93	30	-44
Mahbubnagar	140	181	557	87	205	664
Medak	219	33	-21	132	43	-69
Nalgonda	152	61	134	84	60	106
Nizambad	124	23	28	78	33	-6
Ranga Reddy	326	-3	-316	180	-12	-394
Warangal	120	40	54	65	39	34
Total	1844	537	552	1066	608	485

Table 9: District Wise Incremental Workforce Availability for the years 2012-17 & 2017-22

District (000's)	2012-17			2017-22		
	Skilled	Semi-Skilled	Minimally Skilled	Skilled	Semi-Skilled	Minimally Skilled
Adilabad	7	7	121	3	13	99
Hyderabad	13	10	88	7	17	87
Karimnagar	12	9	125	4	17	106
Khammam	11	9	132	6	15	129
Mahbubnagar	13	13	246	6	23	234
Medak	10	9	140	4	15	130
Nalgonda	14	11	155	6	18	145
Nizambad	8	7	121	3	13	113
Ranga Reddy	28	14	127	10	24	111
Warangal	15	11	145	6	19	134
Total	131	100	1400	55	174	1288

Source: www.nsdcindia.org (National Skill Development Corporation)

From the above tables, it is evident that most of the workforce available is minimally skilled and huge short fall of workforce availability of Skilled and Semiskilled work force. Telangana state has to undertake various initiatives to reduce the skill gap. The Telangana State Government should undertake appropriate skill development programs so that technically qualified youth can find employment in the industry. These skill development programs have to be industry sector specific and the training package has to be developed in consultation with the industry so that the trained candidates meet industry requirements.

CHAPTER 4

ACTION PLAN TO TRANSFORM HYDERABAD INTO A GLOBAL CITY

The Government of Telangana envisioning to transform Hyderabad into a 'Global City' and is in the process of preparing a Vision document for the same. Hyderabad is the largest contributor to the GSDP of Telangana. The city contributes to 17% of Telangana's GSDP. With industrialization skewed majorly towards Hyderabad, Ranga Reddy and Medak districts, which contributed to 45% of Telangana's GSDP, the State Government is planning to develop new policies to diversify industries to other regions in the State using Hyderabad as a growth engine to positively impact the entire state. As a part of this, Government has initiated steps towards formation of new industrial corridors with Hyderabad as the epicenter.

The Industrial Corridors that will be developed in phase - I are:

- (a) Hyderabad-Warangal Industrial Corridor
- (b) Hyderabad-Nagpur Industrial Corridor and
- (c) Hyderabad-Bengaluru Industrial Corridor.

In the second phase, the corridors to be developed include:

- (a) Hyderabad-Mancherial Industrial Corridor,
- (b) Hyderabad-Nalgonda Industrial Corridor and
- (c) Hyderabad-Khammam Industrial Corridor

The Hyderabad Metropolitan Development Authority (HMDA) is entrusted with task of implementation of the vision to make Hyderabad a 'Global City'. The vision document will also address various physical and social infrastructure developments.

Over the last decade, Information Technology has fuelled the growth of Hyderabad and Ranga Reddy district, generating large scale services, employment and investment opportunities. With increase in employment and investment opportunities, there has been migration of population from other parts of the region and states. Resultantly, the focus on improving Hyderabad's infrastructure and urban amenities is quintessential.

Some of the actions initiated by the Government of Telangana to transform Hyderabad into a Global City are provided below:

Single Master plan for all Zones in Hyderabad – Step towards better administration planning

As a part of improving the city infrastructure, Government is in the process of integrating all the five notified master plans and zoning regulations of the Hyderabad Metropolitan Region (HMR) into single Master plan using spatial technology which can help in better planning and administration purpose.

Information Technology Investment Region – High potential for investments and employment

Government of India has provided approval for setting up of a 202-sqkm of Information Technology Investment Region (ITIR) in and around Hyderabad. The same would entail an investment potential of over Rs.2.19 lakh crore and 15 lakh direct jobs. The ITIR regions would encompass areas covering Cyberabad Development Authority (CDA) areas including

Gachibowli and Madhapur, Hyderabad Airport Development Authority (HADA) areas including Mamidipalli, Raviryal, Adibatla and Maheswaram as well as the Uppal and Pocharam regions. To attract investments, the Government of Telangana has offered benefits and incentives at the policy level under the ITIR, which include among others, exemption from zoning regulations, exemption from conversion charges, FAS/FSI relaxation, approval efficiency and statutory clearances.

Hyderabad Metro Rail Project – A major boost to Hyderabad’s public infrastructure

Hyderabad Metro Rail Project this is the world’s largest Public- Private - Partnership (PPP) project in the Metro sector which is being executed on a Design-Build-Finance-Operate-and-Transfer (DBFOT) basis. The Hyderabad metro network will cover a total distance of 72 km across three corridors. L&T Metro Rail Hyderabad project will develop 18.5 million sq.ft. of transit-oriented development in the earmarked Parking & Circulation areas and depots. The elevated stations are being designed as green building stations with emphasis on aesthetics. Other than addressing the traffic problems, the Project aims at rejuvenating older parts of the city and redesigning Hyderabad city as a people friendly green city and making Hyderabad a major destination for business and investments.

As per the global survey conducted by Consulting Firm Mercers “Quality of Living Report-2015”, Hyderabad City has been named as India’s best city for living. The parameters taken into account for the survey include political and social environment, medical and health care, public services, recreation facilities and natural environment, among others.

Happening Hyderabad

‘Happening Hyderabad’ is a campaign around the year to promote events related to arts, culture, sports and entrepreneurship happening in Hyderabad and to enhance community engagement and interaction.

Safe Global City

Improving safety and security of citizens by preventing crimes would increase the investments in the city from domestic and foreign investors. During the current year, Government of Telangana increased their spending for improving the facilities for Hyderabad and Cyberabad Police. Government acquired modernized vehicles maintain round the clock surveillance in the city. Also, to further ensure safety for citizens, the Government has started CCTV project under which one lakh CCTV camera are planned to be installed in 2015-16 in Hyderabad, which will be connected to the proposed Command and Control Centre.

Other steps taken by the Government of Telangana:

- Construction of Outer Ring Road (ORR) which is being taken up as an eight-lane access controlled Express way.
- 33 Radial Roads have been identified for improvement to provide improved connectivity between Inner ring Road and Outer Ring Road.
- Congestion Free Hyderabad - Strategic Road Development Project (SRDP) which intends to construct skyways, major corridors & roads and flyovers and ease the present and the potential traffic congestions
- The Logistics Park, which would be an integrated one stop facility for freight operators, third party logistic (3PL) service providers, cargo handling companies, truck drivers warehousing, parking, etc., conceptualized on Public Private Partnership mode with zero investment from the Government.
- Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB) has taken up the Godavari Drinking Water Supply Project Phase-I & Krishna Drinking Water Supply Project Phase II which ensures daily water supply in the core city and improves the rate of water supply in Hyderabad.

- Inter City Bus Terminal Miyapur will be an Integrated One Stop Facility providing basic needs to commuters and bus operators (private and public), with zero investment from the Government.
- Under Slum Free City project, a two bedroom hall kitchen (2 BHK) apartment is being envisaged to be given to each slum dwellers family. For the pilot project, 10 colonies in Hyderabad have been identified.

Improving Ecological Balance and making an Eco City to promote tourism

With a view to transforming the city into ecologically rich zone, the Government has started several initiatives:

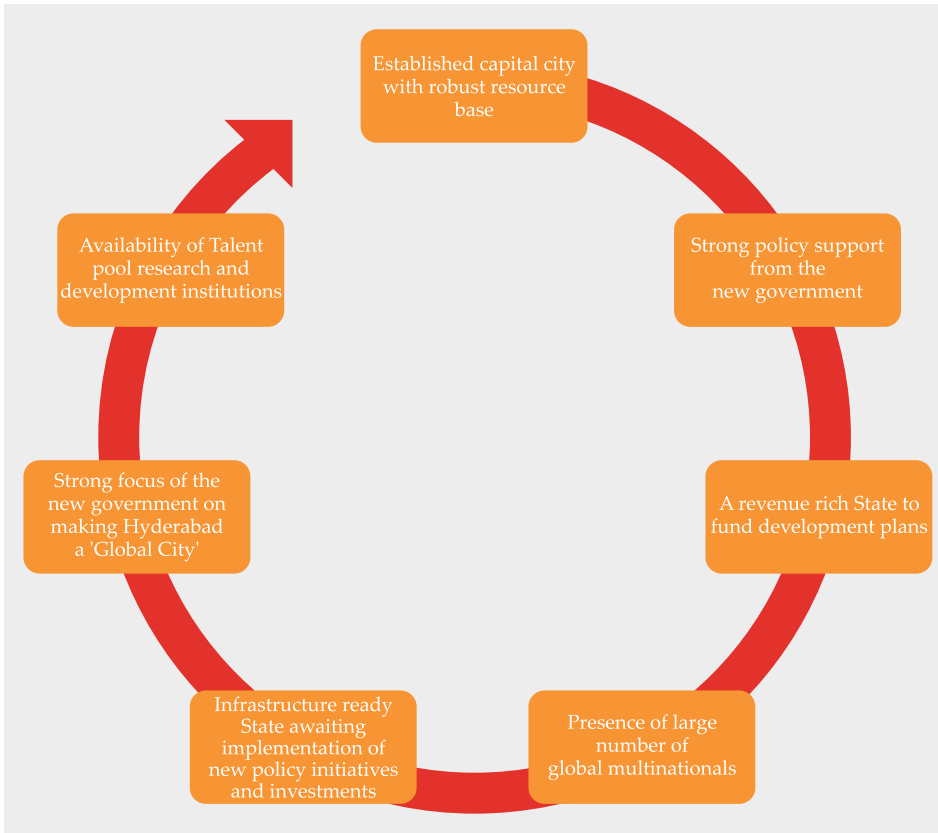
Hussain Sagar Lake and Catchment Area Improvement Project

HMDA has taken up Hussain Sagar Lake and Catchment Area Improvement Project to maintain round the year water balance in the lake, to improve the lake water quality by preventing pollutants entering into the lake, to remove nutrient rich sediments in 500 m radius of nala and lake confluence, to intercept and divert dry weather flows from the lake, to improve the overall lake environment and its surroundings for enriched biodiversity and to increase the potential of eco-tourism around the lake.

Haritha Haram & Green Curtain

Under the 'Haritha Haram' project, the government of Telangana plans to develop green cover in an area of 10,000 acres. This is coupled with development of lakes to conserve the lakes in Hyderabad among other initiatives. In addition to Haritha Haram project, the Government has initiated 'Green Curtain' project in the city, with a view to increasing the city green cover. Over 1,000 kilometres are planned to be covered under the project and to start with, 50 locations have been identified.

CHAPTER 5 TELANGANA: HIGH LEVEL OF INVESTMENT READINESS



CHAPTER 6

ADDRESSING CHALLENGES FACING THE STATE AND THE WAY AHEAD...

Development and economic growth depend upon the ability to capitalize of available resources and build capabilities to relentlessly improve the same. Availability of natural resources, infrastructure planning and promotion will lead to a robust growth in the economy of Telangana, which is already bestowed with natural resources and strong hold over key services and manufacturing sectors. Areas where Government of Telangana State has strived to address the challenges concerning the State along with the objective to improve the Industrial and Socio Economic environment in the state are listed below:

1. Diversification of Industrial activity for Balanced Growth across the state

In Telangana, six out of ten districts have per capita income (a proxy indicator for the standard of living of the people) lower than the State average per capita income (Rs.103,889). The districts recording higher per capita income than the state average are Hyderabad, Ranga Reddy, Medak and Khammam. This clearly indicates that concentration of economic growth is not evenly distributed across the State, with areas in and around urban centers recording a higher and faster development.

The natural resources available in various districts apart from Hyderabad are as shown:

Table 10: District wise distribution of major minerals

District	Major Minerals	Mineral Based Industry
Adilabad	Lime stone, Coal, Iron ore, Manganese,	Cement, Power, Iron & Steel Ferro Alloys
Karimnagar	Lime stone, Coal, Iron ore, laterite & granite	Cement, Power, Iron & Steel Ferro Alloys, Flooring & Decorative Items
Khammam	Lime stone, Coal, Iron ore, Quartz& granite, Steatite, Dolomite, Barites, Corundum	Cement, Carbide, Iron & Steel, Soda Ash, Chemical, Sugar, Paper, Fertilizer, Glass, Paints, Abrasive
Mahbubnagar	Amethyst, Feldspar, laterite, Quartz	jewelry, Glass, Foundry, Iron & Steel, Refractory, Ceramic, Electrical, Abrasive, Paints, Electronics
Medak	Amethyst, laterite, Granite	cement, Jewellery, Flooring
Nalgonda	Lime stone & Limestone Slabs	Cement
Nizambad	Quartz laterite, Granite	Glass, Foundry, Iron & Steel, Refractory, Ceramic, Electrical, Abrasive, Paints, Electronics
Ranga Reddy	Amethyst, laterite, Granite, Lime stone	Cement, Jewellery, Flooring
Warangal	Amethyst, Granite, Coal	Jewellery, Iron & Steel, Cutting & Polishing industry, Decorative, Panels, Monuments, Flooring, Panels

Development of industrial clusters in each region based on the availability of natural resources would be ideal for a balanced growth. Government of Telangana has planned for industrial clusters in Warangal, Medak, Nizambad, Khammam and Karimnagar regions. Completion of these clusters in a timely manner with requisite infrastructure would be key for diversified economic growth.

Industrial Focus and need for improvement in industrial Infrastructure

- Telangana is a power deficit region and with the state government planning to increase the scale of industrialization, implementation of reforms and policies to reduce the gap between demand and supply of power would be crucial.
- Abundant sunshine and availability of vast land tracts make Telangana State an ideal place for harnessing the potential

of energy from renewable sources. The Government of Telangana, to capitalize on this aspect, has announced the 'Telangana Solar Policy 2015'. Timely implementation of projects under the Telangana Solar Policy 2015 and New and Renewable Energy Development Corp Ltd (NEDCAP) would be a key success factor.

- Providing adequate water for industries from proposed water grid.
- Development of 4 and above lane roads and connecting major industrial parks, SEZs.
- Development of state highways and connecting all district headquarters with Hyderabad.
- Developing industrial corridors along the State and National Highways.
- Efficient usage of existing land bank of 2.5 lakh acres and develop new clusters to promote MSME segment basing on the regional resource availability.

Balance Sectorial focus

The GSDP of Telangana is highly focused on the services sector and hence the need to plan for developing agriculture and industrial sector which are major avenues for employment generation, is imperative. With more than 55% of the population being dependent on agriculture, improving the productivity and yield of agriculture coupled with fast tracking irrigation projects is required.

Implementation of Training programs in collaboration with Industry

As per the National Skill Development Report, there will be a high shortfall of skilled and semi-skilled manpower going forward. Hence, development of industrial training clusters to improve the skill set of the people would be highly favorable for industrial units.

Fast pacing of ongoing National Investment and Manufacturing Zones (NIMZ) and other industrial corridors

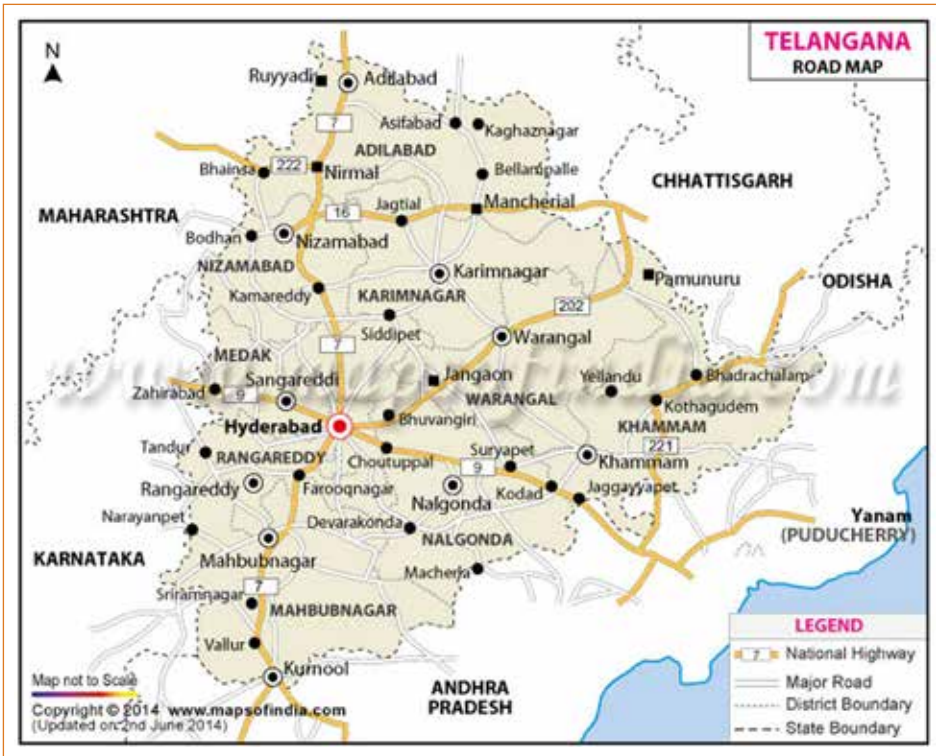
Government of India has accorded approval for setting up of National Investment and Manufacturing Zone (NIMZ) at Medak District under the National Manufacturing Policy which aims to increase the share of the manufacturing sector in the GDP from 16% to 25%. Timely receipt of approval and support from the State government would provide the necessary impetus to such policies.

Promote Ecological Balanced Development

Telangana has a vast area under forest cover. Promoting tourism in the forest bound areas and developing industries without impacting the ecology is a key consideration. State government should focus of implementing non-conventional energy source of power on large-scale. The Government of Telangana is promoting afforestation initiatives via its flagship programme "Telangana Ku Haritha Haram" for taking massive afforestation activities to increase the green cover of the state to the desired level of 33% of the total geographical area.

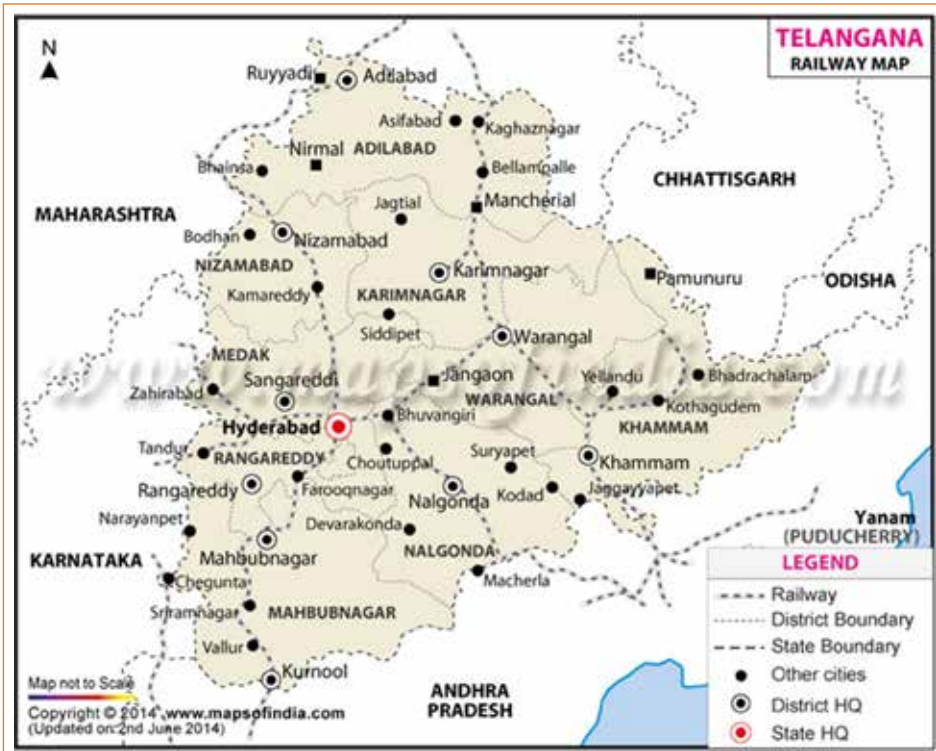
CHAPTER 7 ANNEXURES

Annexures 1: Roadways in Telangana



Source: www.mapsofindia.com

Annexures 2: Telangana Railway Map



Source: www.mapsofindia.com

Annexures 3: Key Policies

Recent policies formulated by the Government of Telangana to fructify economic development in the State are listed below:

A. New Industrial Policy 2014: Key Aspects

a. TS-iPASS Act 2014:

The TS-iPASS was introduced on November, 2014 by the Government of Telangana to provide speedy processing for issue of various licenses, clearances and certificates required for setting up of industrial undertakings for the promotion of industrial development and also to provide an investor friendly environment in the state of Telangana. With the enactment of TS-iPASS, the Andhra Pradesh Industrial Single Window Clearance Act 2002 was repealed.

Classification of projects	<ul style="list-style-type: none"> - Mega Projects: Investment of above Rs.200 crores or providing employment to more than 1000 persons. The definition of a mega project is a Telangana State determined one - Other Large Projects: Investment between Rs.10 and Rs.200 crores - Medium Industries: Investment between Rs.5 crore and Rs.10 - Small Industries: Investment between Rs.25 lakhs to Rs.5 crore Micro Enterprises: Investment of less than Rs.25 lakhs
Approvals for Mega Projects	<ul style="list-style-type: none"> - The Government of Telangana by notification, will appoint a Telangana State-wide Investment Facilitation Board (T-SWIFT) at the state level to be chaired by the Chief Secretary and the Secretary of Industries as the Member-Convener along with other supervisory and secretarial staff as may be required to deal with clearances of mega projects - The T-SWIFT Board, on receipt of self-certification by the applicant shall arrange in principle approval for the Mega Projects which shall serve as deemed approval for all provisional practical purposes for project kick off. - The provisional approvals shall be given by the T-SWIFT Board within 15 days of receipt of self-certified applications after the preliminary scrutiny. - The T-SWIFT Board will pursue the clearances with departments through the nodal officer to provide single window clearance
Timeline for other committees	<ul style="list-style-type: none"> - District TS-iPASS Committee (chaired by District Collector) / State TS-iPASS Committee (chaired by Secretary of Industries), shall give clearances referred to it within a period of 30 days - The competent authority may ask for additional information at any time before the expiry of the period stipulated for the disposal of such clearance, provided that such request for additional information should be made only once by the competent authority.
List of Deemed Approvals	<ul style="list-style-type: none"> - The State Government may notify the clearances in respect of which failure of the competent authority to pass final orders on the application within the stipulated time shall result in deemed approval - The applicant may proceed to execute the work or take action following the provisional or deemed approval given by the competent authority, but not so as to contravene any of the provisions of the Acts or rules or bye laws applicable to such clearances.
Review of District level and State Level Cases	<ul style="list-style-type: none"> - If the District committee considers that there are valid grounds for a change in its decision, it shall forward such case to the State Committee. The State Committee shall examine all cases referred to it by the District Committee and pass appropriate orders, which shall be binding on the District Committee. - If the State committee considers that there are valid grounds for a change in its decision, it shall forward such case to the Government of Telangana, which shall be binding on the District Committee.
Penalty	<ul style="list-style-type: none"> - Any entrepreneur who fails to comply with the conditions or undertaking in self-certification given to the Nodal Agency or other department or authorities, shall be punishable with fine prescribed by Government from time to time as well as rectification of the defect.

B. Infrastructure Support for industries under the New Industrial Policy

Industrial Land Bank	<ul style="list-style-type: none"> - About 2.50 lakh acres of barren land has been identified for industrial use - An industrial land bank will be developed with the assistance of TSIIC. TSIIC shall set up core sector specific Industrial Parks - Some of the industrial parks will also permit multi-sectoral activities and general manufacturing units. - Exclusive industrial parks in safe zones will also be created for setting up of red category industries
Industrial Power	<ul style="list-style-type: none"> - Quality power and uninterrupted power supply shall be arranged in each industrial park - "Open access" power restrictions will be removed to enable all types of industries, including MSMEs to access the power exchange - Use of non-conventional energy for industrial purposes shall be encouraged - The setting up of Private Merchant Power Plants in large industrial parks shall be facilitated - 300-500 MW power plants will be from Chinese and Singapore based investors and the tariff could be negotiated between industry users and the producer. TSTRANSCO will facilitate wheeling and transmission.
Industrial Water	<ul style="list-style-type: none"> - 10% of water from all existing and new irrigation sources shall be reserved exclusively for industrial use, the water lines for which shall be provided through the proposed Water Grid project.
Skill Development	<ul style="list-style-type: none"> - The skill development programmes targeted at generation of industrial sector jobs will be supported by the Government under the ambit of the Telangana State's Skill Development Mission in general and the Telangana State Accelerated SSI Skills Training (T-ASSIST) program of the Industries and Commerce Department
Statutory Clearances for Industrial Parks	<ul style="list-style-type: none"> - It will be the responsibility of TSIIC to obtain all basic statutory clearances for Industrial Parks from the appropriate authorities like Land Conversion, Land Use, Layout Approval and Environmental Clearance from Ministry of Environment & Forests, Government of India so that the industrial units need not obtain individual clearances.
National Investment and Manufacturing Zones	<ul style="list-style-type: none"> - Government of India has accorded approval for setting up of National Investment and Manufacturing Zone (NIMZ) at Medak District in an extent of 5,000 to 6,000 hectare - The estimated investment flow to each NIMZ is expected to be around Rs.30,000 Crore and employment potential would be 3 lakh in each NIMZ. The land acquisition in Medak District is under process for setting up of National Investment and Manufacturing Zone.
Special Support for MSME, SC/ST and women entrepreneurs	<ul style="list-style-type: none"> - Reservation of 30-40% of the land for MSMEs in the upcoming industrial estates developed by TSIIC - TSIIC shall allocate 15.44% of number of plots to Scheduled Caste Entrepreneurs and 9.34% of number of plots to Scheduled Tribe Entrepreneurs in new Industrial Estate and preferential allotment to SC/ST entrepreneurs in existing Industrial estates. - 10% of number of plots to Women Entrepreneurs in the new Industrial Estates.

C. Incentives for setting up of New Industrial Enterprises in Telangana State– T-IDEA (Telangana State Industrial Development and Entrepreneur Advancement)

a. Incentives for Mega Projects:

- The Government will extend tailor-made benefits to Mega Projects to suit to a particular investment requirements on case to case basis, based on the investment, technology, economic impact, employment and strategic importance to the State of Telangana

b. Incentives for Micro, Small enterprises, women entrepreneurs and Medium & Large Industries

- 100% reimbursement of stamp duty and transfer duty paid by the industry on purchase of land meant for industrial use.
- 100% reimbursement of stamp duty for lease of land/shed/ buildings and also mortgages and hypothecations.
- 25% rebate in land cost limited to Rs.10.00 Lakhs in industrial estates/ industrial parks.
- 25% Land conversion charges for industrial use limited to Rs.10.0 lakhs
- Fixed power cost reimbursement @ Rs.1.00 per unit for 5 years from the date of commencement of commercial production.
- 50% reimbursement of cost involved in skill upgradation and training the local manpower limited to Rs.2000 per person

- 50% subsidy on the expenses incurred for quality certification/ patent registration limited to Rs. 2.00 Lakhs.
- 25% subsidy on specific cleaner production measures limited to Rs.5.00 Lakhs

c. Additional incentives to medium and large industries

- Reimbursement of 75% net VAT/CST or State Goods and Services Tax (SGST) for a period of 7 years from the date of commencement of commercial production for Medium Scale Enterprises or up to realization of 100% fixed capital investment, whichever is earlier.
- Reimbursement of 50% net VAT/CST or State Goods and Services Tax (SGST) for a period of 7 years from the date of commencement of commercial production for Large Scale Industries or up to realization of 100% fixed capital investment, whichever is earlier.
- Infrastructure like roads, power and water will be provided at door step of the industry for standalone units by contributing 50% of the cost of infrastructure from Industrial Infrastructure Development Fund (IIDF) with a ceiling of Rs.1.00 Crore, subject to (a) the location should be beyond 10 kms from the existing Industrial Estates/ Industrial Development Areas (IDAs) having vacant land/shed for allotment and (b) cost of the infrastructure limited to 15% of the eligible fixed capital investment made in the industry.

d. Additional incentives to Micro, Small enterprises and women entrepreneurs

- 15% investment subsidy on fixed capital investment subject to a maximum of Rs.20.00 lakhs
- Reimbursement of 100% net VAT/CST or State Goods and Services Tax (SGST) for a period of 5 years from the date of commencement of commercial production
- Interest subsidy under Pavala Vaddi Scheme on the term loan taken on the fixed capital investment by New Micro and Small Enterprises in excess of 3% per annum subject to a maximum reimbursement of 9% per annum for a period of 5 years from the date of commencement of commercial production.
- Seed capital assistance to First Generation Entrepreneurs to set-up Micro Enterprises @10% of the Machinery cost, which will be deducted from the eligible investment subsidy.
- To extend investment subsidy to the identified service activities related to industries setup in all Municipal Corporation limits in the state
- For women entrepreneurs, additional 10% investment subsidy on fixed capital investment subject to a maximum of Rs. 10.00 lakhs to MSE's.

B. Life Sciences Policy 2015-2020

The Life Sciences policy covers biotechnology, bulk drugs, formulations, vaccines, nutraceuticals, biologicals, biosimilars, incubation centres and research and development facilities.

The following support services will be offered by the Government of Telangana to the Life Sciences Sector:

Industrial Category	Life Sciences sector to be classified as Industrial Sector to provide power at industrial tariff for both Life Sciences units and parks on par with other industries
Industrial Area Local Authority	In order to effectively coordinate the activities and attend to the requirements of the industrial units, the major existing clusters viz. Genome Valley and MedTech Valley and also upcoming clusters/parks like new Pharma City will be designated as Industrial Area Local Authority.
Labour Concessions	In light of the continuity of operations required for this knowledge intensive industry, it has been decided to ease the labour laws in terms of working hours, work schedules, etc. General permission is granted to all Life Sciences companies to have 24*7 operations to run in three shifts, subject to approved precautionary measures taken to ensure the safety of employees, particularly women.
Scientific Regulatory Approvals	A guidance cell will be setup under State Life Sciences Council to assist and advise the business units on regulatory compliance and procedures.

Biotech Park Phase IV	TSIIC will expand the Genome Valley by another 200 acres in Mulugu. This will provide opportunity to more biotechnology companies to locate their manufacturing/R&D facilities in this cluster and to benefit from the high-quality eco-system that has emerged. All required infrastructure facilities will be provided in this Park by TSIIC.
New Pharma City	<ul style="list-style-type: none"> - Government of Telangana proposes to develop a world-standard Pharma City to ensure that the top-most domestic and international pharma companies get the best facilities to take up their manufacturing, testing and R&D activities. Adequate space will also be provided to emerging local entrepreneurs. A vast extent of over 3,000 acres of land has been identified on the outskirts of Hyderabad city in Mucherla village to locate this Pharma City. - All required environmental and social infrastructure like Common Effluent Treatment Plant (CETP), green buffer zone, residential facilities, social amenities, will be organized by the Government. The new pharma city is estimated to generate at least 70,000 people directly or indirectly.

C. Telangana State Solar Power Policy 2015

Telangana is keen on increasing the power generation from non-conventional Energy. As Telangana is a landlocked state, the potential to exploit wind energy is limited. The key highlights of the policy framework are provided below:

- The solar policy will be applicable to solar projects set up within the state in the nature of solar power projects (SPPs; set up for sale to TSDISCOMS/ sale to third parties within the state / captive generation/ group captive generation), Solar roof top projects (grid connected or off grid), off grid applications, solar parks and any other project which is established based on MNRE/ Government of India schemes.
- Power generated from the any of the modes above should be consumed within the state
- The Solar Policy Cell (SPC) will undertake single window clearance for all SPPs. A transaction charge of Rs. 10,000/ MW shall be applicable for processing applications for single window clearance with a maximum of rupees two lakhs per project.
- It is the responsibility of the project developer to acquire land for solar project. Land acquired for grid-connected SPPs for sale to DISCOMs/ captive use/ third party sale or for Solar parks shall be deemed to be converted to Non-agricultural land status on payment of applicable conversion charges to the SPC and no further conversion procedures need to be followed by the developers in respect of such land.
- The ceiling limit as per the land ceiling act will not be applicable for any land acquisition for Solar Power Projects and Solar Parks. However, this exemption is available only against firm orders/ PPAs/ successful bids to the extent of land required. Land requirement would be computed at rate of 5 acres/ MW or any lower limit based on the advancement of technology.
- The wheeling and transmission charges are exempted for captive use within the state.
- Banking of 100% of energy shall be permitted for all Captive and Open Access/ Scheduled consumers during all 12 months of the year. Banking charges shall be adjusted in kind @ 2% of the energy delivered at the point of drawl.
- Electricity duty shall be exempted for captive consumption, sale to DISCOMS and third party sale in respect of all SPPs set up within the state. Also, Electricity duty will be waived for the new manufacturing facilities and ancillaries of the Solar Power Projects.
- For SPP located within the state and selling power to third parties within the state, 100% exemption shall be provided on the cross subsidy surcharge as determined by TSERC for five years from the date of commissioning of the SPP.
- 100% refund of VAT/SGST for all the inputs required for solar power projects will be provided by the Commercial Tax Department for a period of 5 years.
- Industries Department will provide incentive in terms of 100% refund of Stamp Duty for land purchased for setting up solar power project and/or Solar parks
- Intra-state Open Access clearance for the tenure of the project will be granted as per TSERC regulations amended from time to time. In absence of any response or intimation from Solar Policy Cell (SPC) to the generator within twenty one (21) working days, then such application shall be deemed to have been given open access.

ABOUT ASSOCHAM



THE KNOWLEDGE ARCHITECT OF CORPORATE INDIA EVOLUTION OF VALUE CREATOR

ASSOCHAM initiated its endeavour of value creation for Indian industry in 1920. Having in its fold more than 400 Chambers and Trade Associations, ASSOCHAM is serving more than 4,50,000 members from all over India. It has witnessed upswings as well as upheavals of Indian economy, and contributed significantly by playing a catalytic role in shaping up the Trade, Commerce and Industrial environment of the country.

Today, ASSOCHAM has emerged as the fountainhead of knowledge for Indian industry, which is all set to redefine the dynamics of growth and development in the technology driven cyber age of 'Knowledge Based Economy'.

ASSOCHAM is seen as a forceful, proactive, forward looking institution equipping itself to meet the aspirations of corporate India in the new world of business. ASSOCHAM is working towards creating a conducive environment for Indian business to compete globally.

ASSOCHAM derives its strength from its Promoter Chambers and other Industry/Regional Chambers/Associations spread all over the country.

VISION

Empower Indian enterprise by inculcating knowledge that will be the catalyst of growth in the barrierless technology driven global market and help them upscale, align and emerge as formidable player in respective business segments.

MISSION

As a representative organ of Corporate India, ASSOCHAM articulates the genuine, legitimate needs and interests of its members. Its mission is to impact the policy and legislative environment so as to foster balanced economic, industrial and social development. We believe education, IT, BT, health, Corporate Social Responsibility and environment to be the critical success factors.

MEMBERS – OUR STRENGTH

ASSOCHAM represents the interests of more than 4,50,000 direct and indirect members across the country. Through its heterogeneous membership, ASSOCHAM combines the entrepreneurial spirit and business acumen of owners with management skill and expertise of professionals to set itself apart as a Chamber with a difference.

Currently, ASSOCHAM has more than 100 National Councils covering the entire gamut of economic activities in India. It has been especially acknowledged as a significant voice of Indian industry in the fields of Corporate Social Responsibility, Environment & Safety, HR & Labour Affairs, Corporate Governance, Information Technology, Biotechnology, Telecom, Banking & Finance, Company Law, Corporate Finance, Economic and International Affairs, Mergers & Acquisitions, Tourism, Civil Aviation, Infrastructure, Energy & Power, Education, Legal, Reforms, Real Estate and Rural Development, Competency Building & Skill Development to mention a few.

INSIGHT INTO 'NEW BUSINESS MODELS'

ASSOCHAM has been a significant contributory factor in the emergence of new-age Indian corporates, characterized by a new mindset and global ambition for dominating the international business. The Chamber has addressed itself to the key areas like India as Investment Destination, Achieving International Competitiveness, Promoting International Trade, Corporate Strategies for Enhancing Stakeholders' Value, Government Policies in sustaining India's Development, Infrastructure Development for enhancing India's Competitiveness, Building Indian MNCs, Role of Financial Sector as the Catalyst for India's Transformation.

ASSOCHAM derives its strengths from the following Promoter Chambers: Bombay Chamber of Commerce & Industry, Mumbai; Cochin Chamber of Commerce & Industry, Cochin; Indian Merchants' Chamber, Mumbai; The Madras Chamber of Commerce & Industry, Chennai; PHD Chamber of Commerce & Industry, New Delhi.

Together, we can make a significant difference to the burden that our nation carries and bring in a bright, new tomorrow for our nation.

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ABOUT CARE Ratings

Credit Analysis and Research Limited (CARE Ratings) is the second largest credit rating Company in India in terms of rating income. CARE Ratings offers a wide range of rating and grading services across a diverse range of instruments and has over 20 years of experience in the rating of debt instruments and related obligations covering wide range of sectors.

CARE Ratings provides ratings in the financial sector, infrastructure sector, corporates, public finance and MSME spaces. CARE Ratings' clientele in the financial sector includes banks, NBFCs, housing finance companies, insurance companies, mortgage guarantee companies and mutual funds. CARE Ratings also rates various types of securitization programmes and is a leading player in this space. Corporate sector ratings include debt issuances such as bonds/debentures/commercial paper etc., bank loans, issuer rating and corporate governance rating. CARE Ratings rates various entities in Infrastructure space – in the segments of power, roads and ports. Recently the rating of Infrastructure debt funds was launched. Further, MSME ratings include SME ratings and NSIC-CARE MSE ratings for micro and small enterprises. Public finance business includes implicit ratings of State Governments for the rating of state enterprises and urban local bodies. The Company also has rated innovative debt instruments, such as perpetual bonds.

Under the umbrella of grading services, CARE Ratings carries out grading of IPOs, assesses financial strength of shipyards, grades various courses of Educational institutions and provides grading services to Energy service companies (ESCO), Renewable energy service companies (RESCO), Real estate projects, Maritime training institutes. CARE Ratings also provides equity grading for listed entities. Recently, CARE Ratings has started rating of entities under the IREDA Credit Rating Model for Renewable Energy Financing.

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CARE Ratings has received ISO 9001:2008 quality management certifications for the head office in Mumbai and all domestic branches for the credit rating of debt instruments and facilities and for data processing at CARE Knowledge Centre in Ahmedabad.

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CARE Ratings was listed on BSE and NSE in December 2012.

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