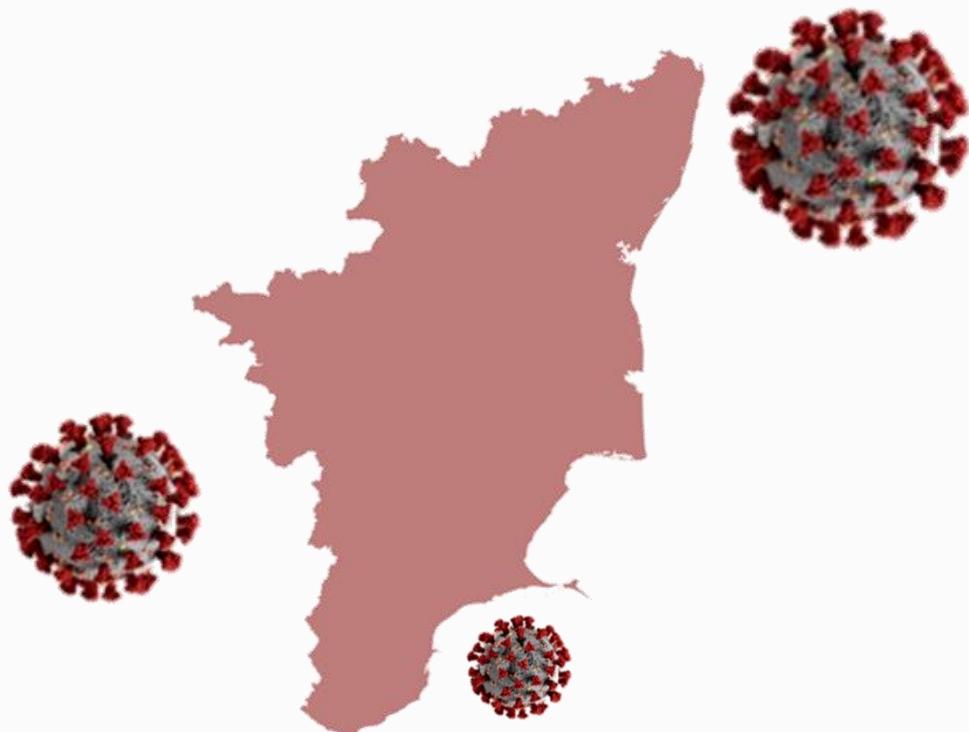


Fight against the COVID-19 pandemic

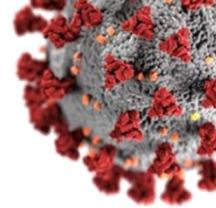
Inputs on Revival of Tamil Nadu's Economy and Industry

May 2020



Knowledge Partner

Tamil Nadu State Snapshot



Tamil Nadu is the Eleventh largest state in India and covers an area of 130,058 square kilometers. The state is home of 7.21 crore people (2011 Census), which is expected to reach 8.37 Crores in 2020. Over 60% of the state is urbanized, accounting for 10.6% of the urban population in the country, while only comprising 6% of India's total population..



Literacy rate:
80.09%



Health Centers (PHC, CHC, SDH, DH): 2581

No. of beds available in public facilities: 72616

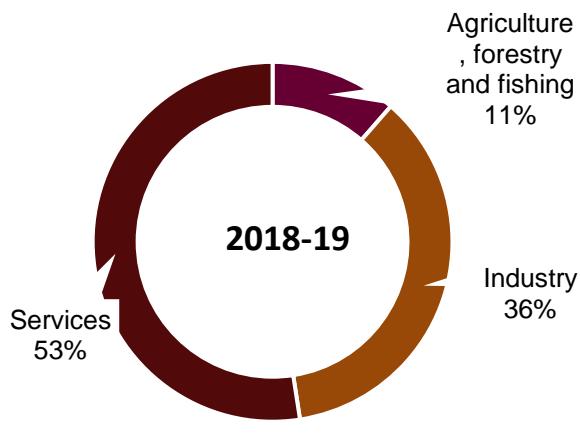
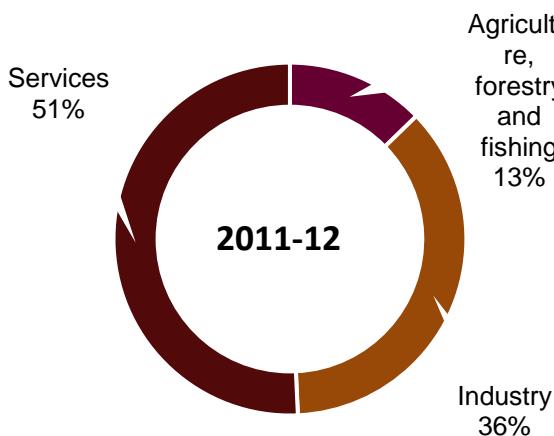
COVID-19 impact

- As on May 5, 5,409 confirm cases and 1547 recovered & discharged.
- Hotspots:** Chennai, Madurai, Namakkal, Thanjavur, Chengalpattu, Thiruvallur, Tiruppur, Ranipet, Virudhunagar, Thiruvarur, Vellore and Kancheepuram
- Orange Zone:** Theni, Tenkasi, Nagapattinam, Dindigul, Villupuram, Coimbatore, Cuddalore, Salem, Karur, Tuticorin, Tiruchirapalli, Tirupathur, Kanniyakumari, Tiruvannamalai, Ramanathapuram, Tirunelveli, The Nilgris, Sivaganga, Perambalur, Kallakurichi, Ariyalur, Erode, Pudukkotai and Dharmapuri

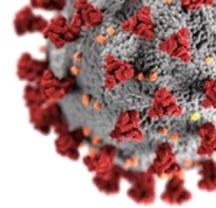
Tamil Nadu is the fourth largest state of India. And Tamil Nadu has a diversified manufacturing sector and features among the leaders in several industries such as automobiles, pharmaceuticals, textiles, leather products, chemicals, among others. It ranks first among the states in terms of number of factories and industrial workers.

The Gross State Domestic Product (GSDP) of Gujarat for 2018-19 at constant (2011-12) prices was estimated to be INR 12,07,525.5 crores.

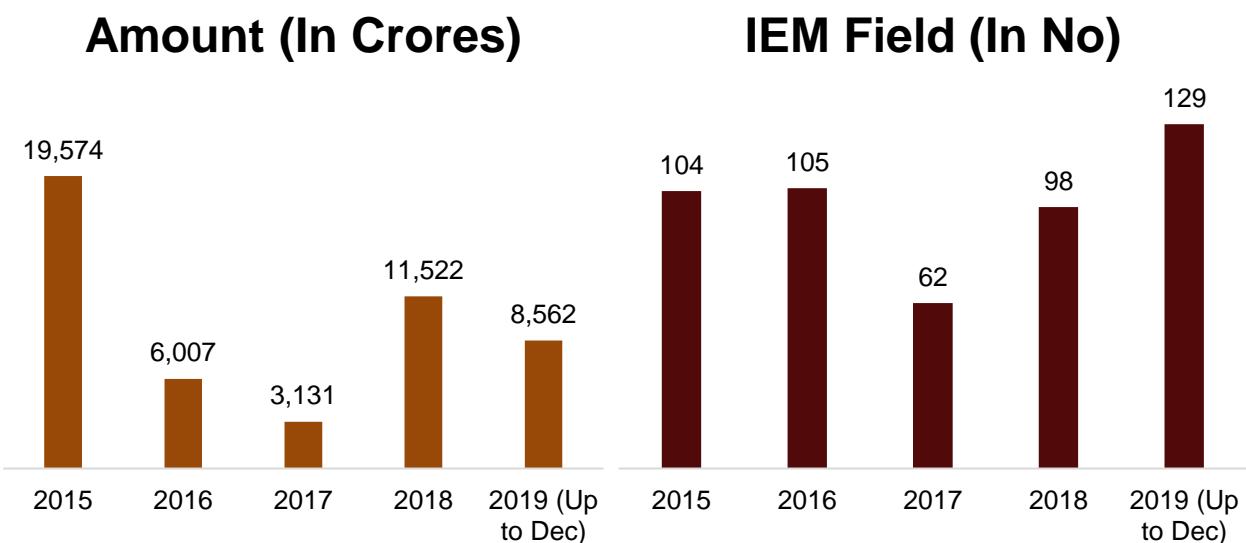
Share in GVA



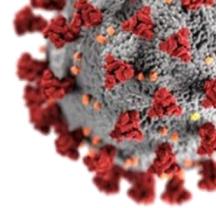
Tamil Nadu State Snapshot



- As of February 2020, the state had 54 formally approved SEZs, 50 notified SEZs and four with in- principle approval SEZs and has total 40 exporting SEZs.
- Among top 10 manufacturing hubs in the world with over 1.7 million installed capacity of cars .
- The state has a robust manufacturing base with almost 377870 factories across sectors which employees more than 25 lakh.
- Around 20.13 lakh entrepreneurs have registered / filed SSI, EM Acknowledgement Part-II & UAM providing employment opportunities to about 128.91 lakh persons with total investment of Rs.2,23,783.75 crores (as on 31.03.2019).
- As on 31.03.2019, a total of 7,60,901 UAMs have been filed in Tamil Nadu, comprising 6,70,240 Micro Enterprises, 88,355 Small Enterprises and 2,306 Medium Enterprises
- Cumulative FDI inflows in Tamil Nadu and Puducherry from April 2000 to June 2019 stood at US\$ 30.69 billion.
- A total of 129 Industrial Entrepreneurs Memorandum (IEM) were filed in Tamil Nadu with total investment of Rs 8,562 crores as on December 31, 2019.
- This was compared to 98 IEMs filed with proposed investment of Rs 11,522 crores during 2018



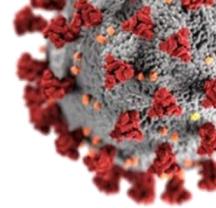
Recommendations for the revival of Tamil Nadu's economy



Agriculture

- Most important requirement is to touch the lives of farmers, especially those with less lands under cultivation (1 or 2 Crores) and provide them **inputs and minimum support price**.
- Set up a **procurement producer** company and procure the agri produce at their place daily
- MNREAGA could be used for **helping farmers** by posting workers in the fields so that farmers are able to save wages
- **Doorstep / street** to street supply of vegetables and fruits so that farmers get a better price
- Agriculture producing companies have to change as **real producing companies and operate similar to Kibbutz system** in Israel to Farmer producing companies have to take it up. lead towards Automation and cost efficiency.
- Producer companies must be set up across the country for every part of activity from farming to sorting to **processing to storing to transporting to delivering**
- Both **inputs and output side of** Agricultural activities must be supported with free movement of goods and equipment
- **Add more cold storage** which can operate at low cost. Food processing, seed industries, packing industries and food storage should be prime focus. We should have a **planned approach of food production and processing** in collaboration with FPO's. We should also create efficiency by working with FPO's to enable the food chain.

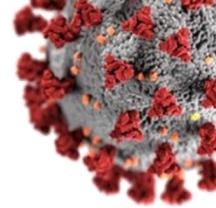
Recommendations for the revival of Tamil Nadu's economy (Contd.)



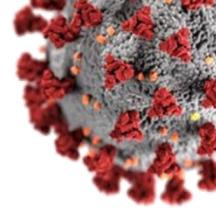
Trade & Economy

- Serious restrictions on movement of vehicles. Vehicles being intercepted at District borders despite permissions in TN. Therefore **Central/ State authorities to advise on inter district movement.**
- Suitable orders may be **issued permitting movements as suggested** and local authorities instructed to comply
- No relaxations given by local Administration regarding April 21 and April 24 Central guidelines therefore **clarity from the local approving authority to business commencement**
- Despite being classified as continuous process industry and wanting supply of goods to food, personal care and pharma industry, exports etc. permissions took very long to come from local authorities. Plus permission is with a deployment of 1/3rd manpower strength. **Continuous process industry cannot operate with 1/3rd manpower strength.** Local authorities should be permitted operations despite DC's authorization.
 - To permit continuous process industry to **operate with 70% manpower deployment**
 - **Urgent permission and support from local authorities**
- **Free movement of trucks - incoming & outgoing is restricted**
 - As per MHA guidelines, **allow free movement of vehicles**
- **Lifting of the shutdown must be gradual** and in a prioritized manner to ensure the sustainability of the gains of the complete shutdown.
- Companies must be the first to be allowed commencement of operations in the **pecking order of essential requirements.** Companies related to essential services like water, electricity, medical equipment, pharmaceuticals, and ancillaries. A pecking order list must be prepared from the **database available** in the industry ministry.

Recommendations for the revival of Tamil Nadu's economy (Contd.)



- Ensure farmers and traders get their **due recognition and use shops** at the doorstep and give them all the support.
- **50% reduction in all trade license renewal fees** for the FY 2020-21.
- Engineering and manufacturing in Chennai and Coimbatore is under utilised by **cost benefit ratio**. They should focus more exports to sustain and grow. Industrial bodies like Assocham can help them better and government should support it.
- **EB charges could be relaxed**. MD Charges could be reduced. 50% of amount deposited by HT Consumers could be returned to help industrial houses manage liquidity
- Registered workers could be given **State support in addition to wages from establishments**
- Bus travel within city limits could be made **free for workers – twice** a day with E Passes that reads place of home to place of job.
- MoUs signed with various companies – **review dormant MoUs** with new time bound incentives
- Reduce threshold for **mega and super mega projects** – convert stamp duty for land registration and local taxes into long term low interest loan or exempt for 3 years. Assign one officer to each project for liaison and approvals
- Allow auto original equipment manufacturer and other automotive firms to **operate on previously granted approval and licenses** given the expiry date is approaching
- Raw material supplies could be a challenge due to disrupted supply chain. The **Government should seriously think on risk on product shelf life and expiry**.
- **GST paid from State share could be refunded to producers to some extent with a clause for recompense after 12 months**



Recommendations for the revival of Tamil Nadu's economy (Contd.)

Hospitality Sector

- **Total waiver of property tax; electricity charges and other taxes** and charges for a year would help them retain work force and do their business when occupancy will be less.

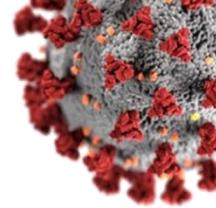
Real Estate

- Employs large number of migrant labour but suffers due to slow down of the economy. It is necessary to support these projects by offering Govt funds for affordable housing schemes through a tender process for one project per town with a target of 5000 houses of 500 Sq ft or less where land comes from Govt and construction comes from builders and benefits are shared on a reasonable basis. **RERA approval will ensure transparency.**

E-Governance

- **Increase efficiency**; remove bureaucratic bottlenecks and enable ease of doing business.
- Communication must be improved. **Uniform understanding of information** by all collectors and officers in administration must be developed so that people across the State get the same message for ease of understanding.
- **Fast-track e-governance systems** – online applications to online approvals in time bound manner with provision for deemed approval in-case of delay

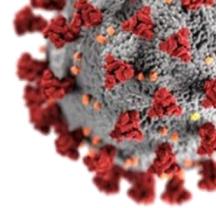
Recommendations for the revival of Tamil Nadu's economy (Contd.)



Labor & Employment

- **Promote self-certification** and enable once in five year audit
- **Interstate migrants** – attract the best high skill workers, interstate migrant worker policy. Skilled labour makes TN attractive for domestic and international workers.
- **No wage cut for** workers drawing salary <15k
- Factories having in house facility of **labour accommodation & sufficient ration** provision and those wishes to start the production activity by maintaining the standards of social distancing as recommended by the ICMR be allowed to be operated.
- Provision to Compulsory returning to work once the establishment announces the start of operations, to be made present at **working premises within 3 days** of such announcement.
- Extension of all due dates of **compliances related to labour laws**.
- **Labour Laws should be made more flexible for Employers.** The way minimum wages are fixed at higher rates, the way reduction in wages is made nearly impossible, the way expelling, terminating an employee is made complicated, it is a general feeling amongst employers that they will be happier if they employ lesser people. This is in contrast to the need of the hour.
- There **should not be a limit for a total number of employees employed** in the establishment and also restriction of 90% or more of such employees should be drawing monthly wages less than Rs. 15,000 as in ECR for the months before March 2020 should be removed.

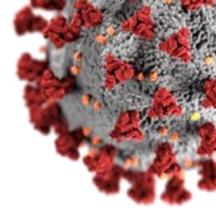
Recommendations for the revival of Tamil Nadu's economy (Contd.)



Banking & Finance

- Release from **interest on EMI moratorium, rents** payment payable to government owned premises to extended for 6 months.
- The **interest of all loans** in the market can be reduced which was extended to 5% and govt can offer the subsidy for the same.
- **Allow one time settlement** at the value of the due principal amount to entrepreneurs by waiving all interest and penal interest charged, till 31.3.2021.
- As chance of losses is high during a lockdown, loan alone would add to the woes of SMEs. Hence, **grants or default guarantees on loans by the state government should be the preferred ask.**
- **Bill discounting facility for 100% value of bills** raised even on private parties
- **Working capital loan equivalent to 3 months employee costs as of April 1, 2020**, made available. Soft interest rate, a 3-month moratorium on loan repayments
- Exporters not availing any limit with Banks should be **granted temporary measure limit.**
- **Bank interest for the period of Lockdown should be waived.** Interest for 6 months after the lockdown is lifted is to be funded and is repayable in 12 monthly instalments from the end of the six months.
- Suitable **subsidy in working Capital interest** for a lockdown period may be granted. Banks should be instructed not to reduce working capital limits. Moreover, the cibil report should not be affected because of late payment.
- **Digital acceptance of all applications**, documents for availing the relief prescribed by RBI and other banking transactions without exception or insistence of hard copy of any documents whatsoever. Documents related to LC and BG extensions etc must also be digitally accepted.

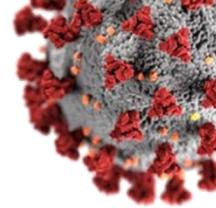
Recommendations for the revival of Tamil Nadu's economy (Contd.)



MSMEs

- Permission to MSME companies with **relaxed retrenchment policy** for their workforce, in case of no orders.
- Government should develop a **repayment support scheme** for Automobile and related firms, especially for MSME dealers and auto components Manufacturers and sellers.
- Release all **dues payable** to MSME from Government and Private Companies immediately.
- All **salaries and wages fully subsidized** or better still direct transfer to all Employees/workers, from the Government until business return to normalcy.
- **Cash Subsidy to small businesses** so that they can continue to pay their employees for the period of lock-down.
- To ensure the revival of MSME companies from the impact of the pandemic and to tackle the challenges during and post the lockdown, **Banks must be categorically instructed not to reduce working capital limits, or increase margin requirement for the fund and nonfund based limits for MSME during renewal for FY 20-21 compared to the preceding year, Viz: FY 19-20.** If banks curtail working capital limits or increase margin requirements, the probability of revival for MSME companies shall be drastically diminished.
- **Automatic extension of all letter of credits falling due in April, May and June** may be provided. This is by far the biggest challenge being faced by the MSME companies since cash inflow has come to a grinding halt. If the aforesaid is not addressed, most MSMEs will be left with seriously overdrawn Accounts which will substantially diminish the chances of their revival.
- **Waive off power** bills to MSMEs for three months.

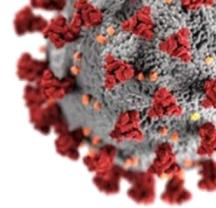
Recommendations for the revival of Tamil Nadu's economy (Contd.)



Others

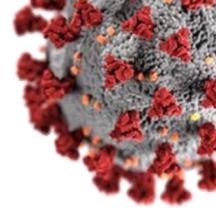
- Reduce guideline value of land **by 35%, registration charges by 40% and increase Floor Area Ratio by 25 to 40%**
- **50% Reduction in property taxes for the FY 2020-21**
- **100% Waiver of Profession Tax for the FY 2020-21**
- **Roll back the Stamp Duty on Conveyance from 11% to 7%.**
- Roll back of all **recent increase in Stamp Duties** for Mortgages and Leases.
- **75% Reduction in infrastructure and development cost** for new construction projects.
- **Waiver of EB demand charges** from the HT line customers during the entire period of lock-down, as they could not operate their units / commercial establishments
- **EoDB Act** – make single window clearance more effective – 2 year deemed approval from date of application for all new industries (or date of commissioning whichever is earlier)
- **Environmental protection policy** – to tighten pollution control and to subsidize new equipment (fiscal incentives for capex on equipment – tax holiday or convert tax into long term loans)
- Strengthen existing industries – **appoint nodal officer for key industrial clusters** with time bound resolution of top 5 issues
- **PPP model for logistics hubs** – free land (in lieu of govt stake), automatic approvals
- To **incentivise setting up of India Campus by** top 50 universities in the world, in Tamil Nadu
- Attract **Tamil diaspora with incentives** to set up base in manufacturing and services in Tier 2 cities. Policy for investment linked incentives to be made

Recommendations for the revival of Tamil Nadu's economy (Contd.)



- To incentivise **setting up of large warehousing clusters next to transport hubs** (ports / airports) as well as next to industrial hubs to enable quick & easy movement of goods
- Coordination with central government to **reduce port handling charges**
- Instant growth could be through attracting the companies in Semiconductor, Electronics, Medical equipments, Battery, Robotics and Bio-Tech who are willing to **relocate from China or any other nation to India.**
- Industries like Bio-Tech in TN because haven't build a research infrastructure which creates a conducive environment for such industries. That should be our first focus area. **Focus should be on building Bio-Tech through Government owned common Research facilities, Industrial parks, Supplychain infrastructure and Human Resources to enable.**
- Need to increase the capacity of the existing ports and **create new smaller ports. Fishery should be promoted and supported with necessary Infrastructure in short term.**
- Local trains/ Metro's in other part of Tamil Nadu is a big miss during this pandemic. It would create a huge opportunity for the farmers who couldn't sell their produce in local markets. **Focus** should be on **local train networks.**
- Hygiene should be another area which TN Government should focus on to ensure such Pandemic and epidemics have less impact. Similarly **waste management, renewable energy, recycling industries should be given special focus to build sustainability.**
- **Startups focus is very poor in Tamil Nadu there** is only one agency which has been working with Startups and hardly the leadership is retained there. No fund for development of Startups in this state. Until we attract and build product startups the ecosystem will not thrive.
- Many international airports in Tamil Nadu have very poor infrastructure. They all need to be expanded and **modernised exponentially as the government** is keen in promoting TN as a destination for business. We should also focus on reducing road travel time by all possible means either through public or private infrastructure.

About ASSOCHAM



ASSOCHAM initiated its endeavour of value creation for Indian industry in 1920. Having in its fold more than 250 Chambers and Trade Associations, and 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.

Our legacy has helped build a strong foundation for future endeavors wherein we serve as the Knowledge Chamber for the industry and become the conduit between them and the Government to foster development of a New India. Seen as a proactive and forward looking institution, ASSOCHAM is fully equipped to meet the aspirations of Corporate India in the new world of business.

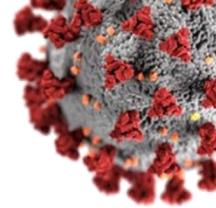
ASSOCHAM has emerged as the fountainhead of Knowledge for Indian industry, which is all set to redefine the dynamics of growth and development in the technology driven cyber age of 'Knowledge Based Economy'. We aim to empower Indian enterprise by inculcating knowledge that will be the catalyst of growth in the technology-driven global market and helps them upscale, align and emerge as formidable player in respective business segments.

Aligned with the vision of creating a New India, ASSOCHAM works as a conduit between the industry and the Government. 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 of India business to compete globally.

As a representative 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.

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

About Primus Partners



Primus Partners has been set up to partner with clients in ‘navigating’ India, by experts with decades of experience in doing so for large global firms. Set up on the principle of ‘Idea Realization’, it brings to bear ‘experience in action’.

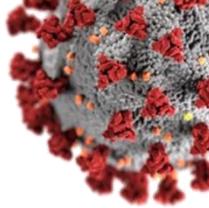
‘Idea Realization’— a unique approach to examine futuristic ideas required for the growth of an organization or a sector or geography, from the perspective of assured on ground implementability.

India is and will continue to be a complex opportunity. Private and Public sector need trusted advisory partners in order to tap into this opportunity. Primus Partners is your go-to trusted Advisory for both public and private sector organizations involved intricately with nation building, and the creation and growth of robust corporations as engines of progress.

Our core strength comes from our founding partners, who are goal-oriented, with extensive hands-on experience and subject-matter expertise, which is well recognized in the industry. Our core founders form a diverse cohort of leaders from both genders with experience across industries (Public Sector, Healthcare, Transport, Education, etc), and with varied specialization (engineers, lawyers, tax professionals, management, etc).

Primus Partners brings experience of working in more than 30 countries with private and public sector, including working with Government of India, building and leading large consulting teams at the leadership level, and creating one of the largest public sector consulting practice in India. They also represent 200 person years of experience in leading global and Indian consulting firms and the public sector.

The founding team is supported by a distinguished advisory board that includes experts with leadership experience across government, large corporate and notable civil society organisations.



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