KPMG

FICCI

Tamil Nadu

A great opportunity to build on its strong core

December 2020

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Foreword

This year 2020 has been one with many unexpected trials for governments across the world, forcing them to prioritize, innovate and execute, keeping the welfare of the end citizen in mind. Muted domestic and foreign demand across sectors, supply chain disruptions leading to output contraction, depletion of inventories, lowering of consumer confidence, lack of working capital across industries, during the COVID-19 lockdown, had slowed down private consumption, creation of employment and new investments.

Considering the contribution of multiple sectors to India's growth story, national as well as state government agencies in India today are confronted with an unprecedented conundrum of reprioritizing and realigning to balance social development & livelihood security, along with promoting economic growth.

In parallel, a global movement is underway prompting diversification of supply chains to multiple countries. Investments are expected to flow into new geographies and into countries which might share similar democratic values as the sourcing countries.

Anticipatory thinking, agility and speed of response are the new buzzwords to deal with the challenging demands of the post COVID-19 world.

With the economy now on the recovery path, and the Government of India focusing on multiple efforts to revive private sector enterprises and making India self-reliant through the Atmanirbhar Bharat program, states such as Tamil Nadu, which is one of the premium manufacturing hubs in the country, is standing on a precipice of India integrating in scale, size and extent into global trade.

Over the past six months, multiple large firms located in China, South Korea, Japan etc. have actively started considering India as a location to either shift their current plants or build new plants. These firms not only want to target the fast expanding Indian market, but also export products across the globe. The range of investments into India not only cover core sectors such as Automotive and Industrial equipment manufacturing in which Tamil Nadu is a leader, but also expand into new sectors such as Large LCD display fabs, toys, footwear, bulk drugs, electronic toys and gadgets, processed seafood, defence electronics and specialized textiles for variety of applications, which have potential to create employment in the thousands.

While Tamil Nadu focuses on attracting investments into large manufacturing units, the state also needs to focus on attracting investments into allied sectors such as infrastructure, education, tourism etc. in order to provide a well-rounded ecosystem for people to live, work and prosper. Tamil Nadu is also actively promoting the Information Technology sector with the objective of making it an Information and Communication Technology hub of South Asia. It is among the attractive locations for Global Capability Centers (GCCs), on the back of its knowledge-driven workforce, solid infrastructure and favorable policies. Companies are investing across analytics, cloud migration,robotic process automation, artificial intelligence, machine learning, and Internet of Things (IoT). Along with the core sectors, investments should also be drawn into supporting infrastructure such as industrial parks, effluent treatment plants, hybrid renewable energy plants, large scale energy storage, EV charging infra Industry 4.0 technologies, large scale data centers, solutions increasing efficiency of ports and airport cargo terminals, logistics hubs, skilling infrastructure, large scale tourist infrastructure, transportation infrastructure etc.

KPMG and FICCI are jointly bringing out this report with a spotlight on the State of Tamil Nadu to highlight the initiatives taken by the State to promote investments and the indicative sectoral opportunities.

The "Atmanirbhar Bharat" program must truly entrench itself deeply into top industrial states within India. Tamil Nadu has once in a decade opportunity to grab their share of FDI and remain the leader in Industrial development within India. This is an opportunity for Tamil Nadu to become a global hub synonymous with producing world's best and latest products.

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2. Executive summary

Tamil Nadu is India's sixth-largest state by population[1] and second largest by gross state domestic product (GSDP).[2] With a GSDP of USD187.6 billion in 2019–20,[3] its growth has surpassed the national average for the third consecutive year, and it continues to rank among the coveted investment destinations in India.[4]

It has consistently been positioned among the top five states for foreign direct investment (FDI) equity inflows, receiving a cumulative FDI inflow of USD446.8 billion between January 2000 and September 2019, with major investments flowing in from Mauritius, Singapore, the US, Japan, and the Netherlands. Until September 2020, it bagged 42 projects worth USD1.6 billion through the State's single-window facilitation.[5]

Tamil Nadu's list of accomplishments continue to grow – It is one of the top 10 automobile hubs in the world — with the capital, Chennai, widely known as the 'Detroit of India' and 'Automobile Capital of India.[6] The state has the highest number of operational special economic zones (SEZs) and factories as of 2020 — with more than 37,220 facilities,[7] making it the largest employer of industrial workers. It holds the top spot in the Good Governance Index 2019 and ranks second in the India Innovation Index 2019. It also ranked third in Export Preparedness Index in 2020[8] and is the third-largest exporter among Indian states.[9]

Multiple factors, including robust infrastructure, surplus power availability, conducive regulatory environment, sector-specific incentives, single-window clearance for fast-track approval process, the Industrial Policy 2014 and Business Facilitation Act 2018, new-age technology policies and labour reforms have engineered Tamil Nadu's growth.

The state has a diversified manufacturing sector and features among the top states in India for several industries such as automobiles, pharmaceuticals, textiles, leather products and chemicals. Among services, information technology (IT) and enabled services (ITeS), healthcare, tourism and telecommunications continue to make strides.

The availability of a vast pool of skilled workers in manufacturing (33 percent in gross state value added or GSVA in 2019-20) and services (53 per cent of GSVA) sectors has served as the engines of growth.[10]

Tamil Nadu, with its skilled workforce, could also play a vital role in the Atmanirbhar Bharat Abhiyaan. Sectors including electronics, automobiles, software, hardware, leather, textiles and tourism could witness growth with focus on greater self-reliance. Across industries, several recent policies introduced by the state, such as the Electronics Hardware Manufacturing Policy, Aerospace and Defence Industrial Policy, New Integrated Textile Policy and Electric Vehicle Policy can provide the required growth impetus for localisation.

The state aims to emerge as the preferred hub for aerospace and defence sectors and endeavours to acquire a 30 percent share of

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India's defence sector, create high-end employment for 100,000 people[11] and generate investments worth USD15 billion over the next 15 years.

With the new Tamil Nadu Electric Vehicle Policy, 2019, the government intends to build a domestic production ecosystem for electric vehicles (EV) — creating new opportunities across the electric mobility value chain. The state could play a critical role in India's Automotive Mission Plan 2016–26, which targets 3x growth and aims to establish the country as a manufacturing base and export hub.

Healthcare will continue to remain a priority for the government, with parameters such as expanded primary healthcare network, multi-functional infrastructure, national health protection coverage and adoption of digital technology. In April 2020, the government announced special incentives such as capital subsidy and duty waivers for manufacturing of COVID-19-related medical equipment and drugs — a move lauded by medical equipment manufacturers who expressed interest in foraying into the state.

It is also investing in infrastructure and has enlisted 179 projects worth INR8.6 trillion to build on the Infrastructure Vision 2025.[12] From the energy perspective, Tamil Nadu ranks among the top nine renewable energy markets in the world. Going forward, in addition to transforming the state's energy mix, which is skewed towards renewables and natural gas, the government can look to enable digital intervention to ensure affordable, clean and reliable power supply.

Better urban planning, efficient use of industrial corridors and clusters, and strengthening rural infrastructure to promote growth of agro-based industries can rank amongst the state's priorities.

Economies globally are witnessing major setbacks due to COVID-19 and Tamil Nadu has not remained unscathed. The government has been taking multiple initiatives to restore economic growth and investments through this catastrophe. In May 2020, the state set up a special committee, headed by former RBI governor C Rangarajan, to identify measures to revive the state's economy post-COVID-19.[13] In April 2020, it set up a special task force to scout for potential investors and infrastructure projects, frame guidelines to ensure speedy clearances and formulate special incentive packages investments. With this, the government's aim is to encourage investors from countries such as the US, Japan, South Korea, Singapore, and Taiwan, which are expected to reassess and relocate investments post-COVID-19.[14]

The pandemic has also altered our world in ways we never envisioned. More importantly, it has accelerated the pace of digital transformation across industries, businesses and functions. The state is also in the process of digitising all government-to-business interaction for approvals and services — to facilitate faceless, contactless and paperless processes.[15] It is actively engaged in developing a robust single window portal, end-to-end online services and computerisation of commercial courts to create a robust investment ecosystem.

However, with this massive digital transformation, the fundamentals of cybersecurity need a rehaul. Addressing this, the Tamil Nadu government launched its cybersecurity policy in September 2020 — the first such policy aimed at protecting public data.[16]

These initiatives have helped the state maintain a heathy inflow of investments. Even during the pandemic, Tamil Nadu ranked second among other states, with investments worth INR233 billion on 32 projects in Q2 of 2020–21.[17] The state is hopeful to continue its growth trajectory and is working on a new industrial policy and a host of investor-friendly initiatives to cement its economic and industrial growth – across industries.

With COVID-19 triggering large-scale realignment in supply chains across the globe, India has an unique opportunity to take on a more inclusive and proactive role in leveraging its vast pool of skilled resources, competitive costing and developed eco-system for select sectors and gain an edge in the global supply chain reconfiguration race. Tamil Nadu, being among the most industrialised and urbanised states and second-largest state by GDP,[18] is well-positioned to capitalise on this opportunity.

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3.

Spotlight on Tamil Nadu

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Tamil Nadu, India's economic powerhouse, has a conducive business environment, integrated infrastructure and proactive governance[19,20,21,22,23,24,25,26,27,28,29,30,31,32,33]

#1

- Urbanisation rate
- International and domestic tourist arrivals
- Renewable power generating state (October 2019)
- Cargo handling capacity
- Teledensity (March 2020)
- Higher education institutes ranked amongst the top-50 in NIRF 2020
- Highest number of operational SEZs and factories in 2020
- Number of industrial workers employed in 2020
- Access to electricity (measured by consumption – 1,228 kWh)
- Good Governance Index 2019
- Penetration of among competing locations in India

#2

- Gross state domestic product at constant prices FY19
- Net state value added at constant prices FY19
- NCAER State Investment Potential Index 2018
- Chennai (amongst Indian metros) Ease of Living Index 2018
- Human Development Index amongst India's 13 largest states 2018
- Lowest infant mortality rate
- India Innovation Index 2019
- R&D spender state-wise on agriculture, research and education FY19
- Public Affairs Index 2018 (essential infrastructure, law and order)

#3

- Per capital income, FY20
- Number of doctors per 1,000 people, FY18 (1.19)
- Export Preparedness Index 2020
- Number of engineering colleges
- State that exports the most in India
- Number of R&D institutions in India (October 2020)
- Number of broadband connections

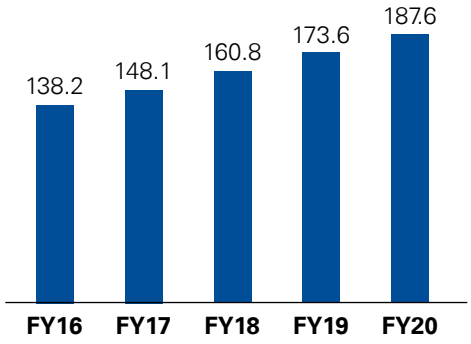
Economic | Socio demographic | Infrastructure | Industrial | Governance

Note: SEZs – Special Economic Zones, NIRF – National Institutional Ranking Framework, NCAER – National Council of Applied Economic Research, R&D – Research and development, FY – Financial year

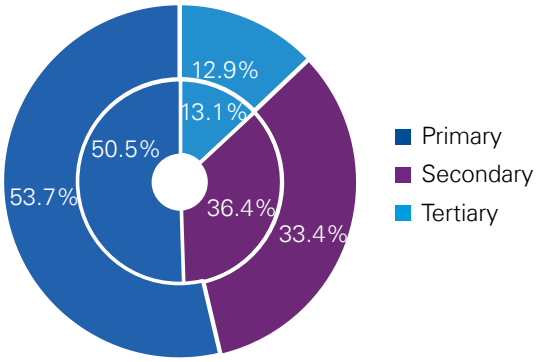
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A favourable ecosystem is driving economic growth

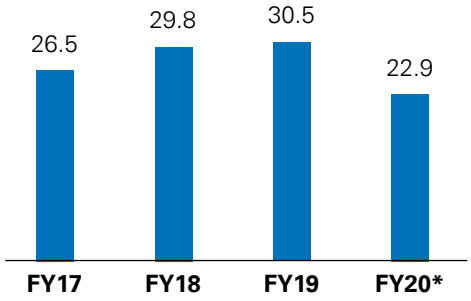
GDSP in USD billion



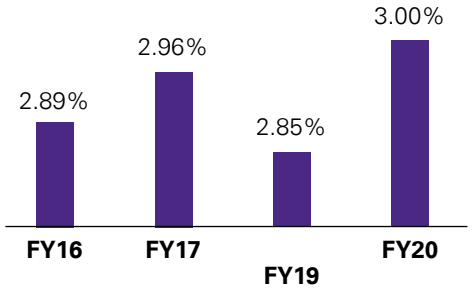
Change in GSVA sector composition – FY12 (inner circle) vs FY20 (outer circle)



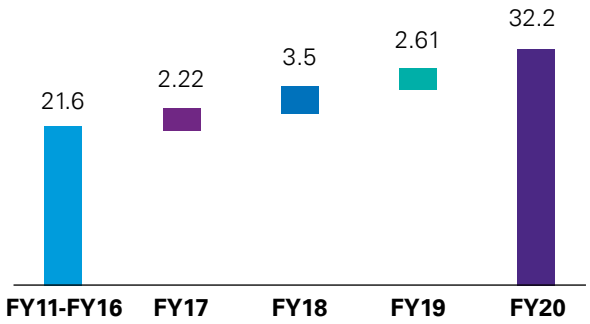
Exports in USD billion



Fiscal deficit as a per cent of GDSP



FDI inflows in USD billion



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Notable recent achievements

Tamil Nadu recorded higher economic growth than the national average for the third consecutive year in 2019-20[34]– making it a popular investment destination. Despite a setback owing to the pandemic-induced lockdown in March 2020, the state continued to witness new projects through the year. During the COVID-19 pandemic, the State has signed 55 MoUs spanning across estimated investments worth INR407.2 billion, with a potential to create 70,000 jobs.[35]

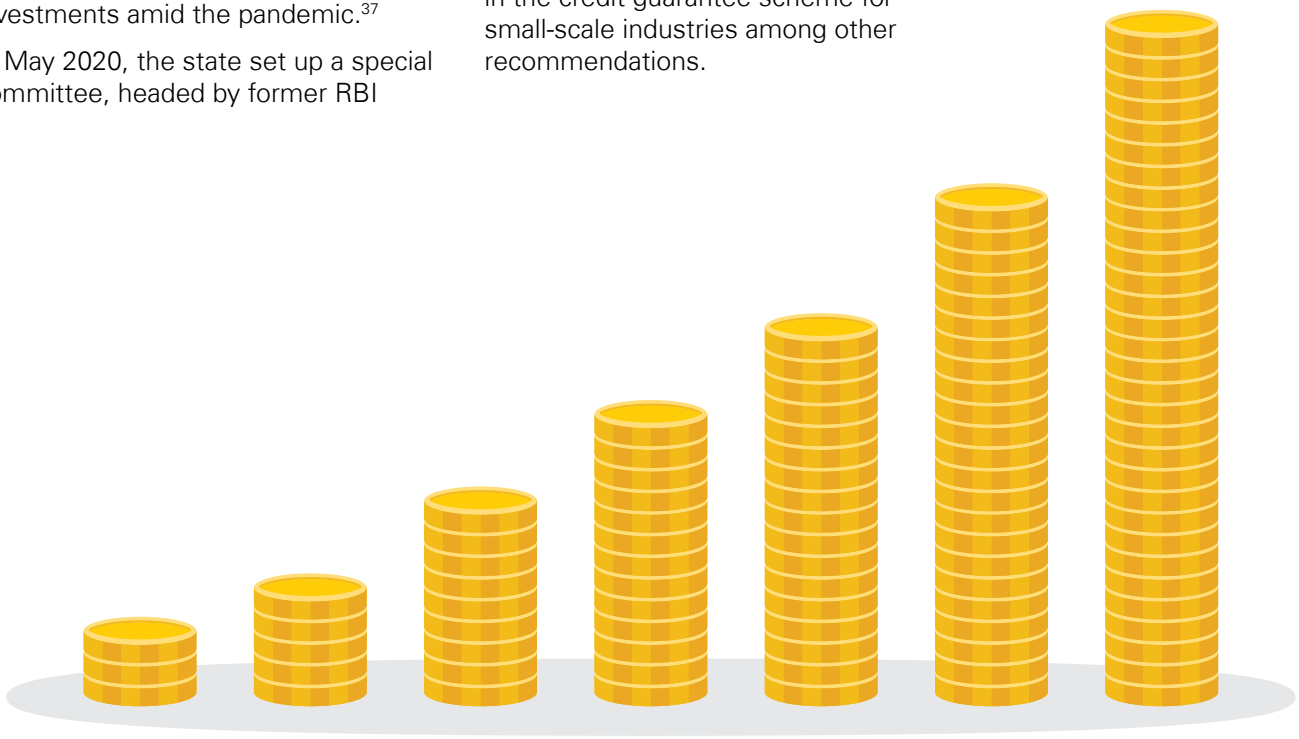
From January to September 2020, it received 42 projects worth USD1.6 billion through the single window facilitation[36] – a mechanism set up in 2017 to eliminate procedural delays in securing statutory clearances from various government departments. The state is also moving towards a compete digitisation of the government-to-business interactions, while expanding the scope of the single window facilitation and eliminating the need for renewal requirements – to facilitate investments amid the pandemic.[37]

In May 2020, the state set up a special committee, headed by former RBI governor C Rangarajan, to identify measures to revive the state's economy post-COVID-19. The committee recommended the state to increase its tax to gross domestic product (GDP) ratio, diversify revenue sources, generate employment and re-prioritise expenditure.[38]

The 24-member committee also proposed the state government to roll out job guarantee schemes similar to the Mahatma Gandhi National Rural Employment Guarantee Scheme for urban areas and deploy the INR32 billion available in the construction workers' welfare fund.[39]

To facilitate recovery of the industrial sector as the COVID-19 crisis abates, the committee recommended the government to increase the capital of Tamil Nadu Industrial Investment Corporation to INR100 billion to facilitate long-term lending. It also proposed to set up industrial parks and industrial townships and bring in the credit guarantee scheme for small-scale industries among other recommendations.





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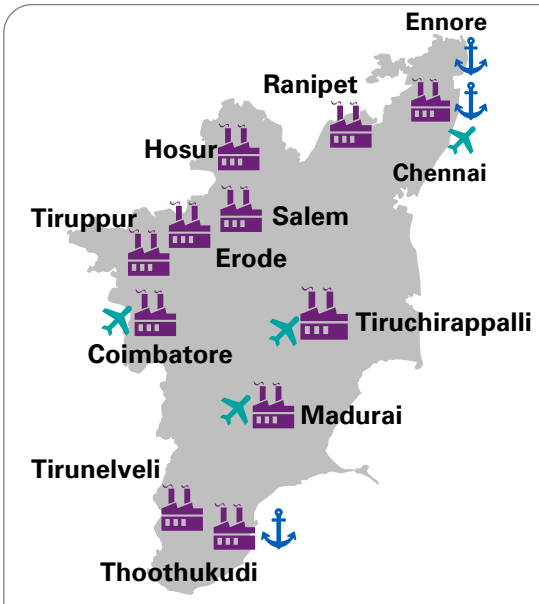
Key Enablers for growth

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Robust and integrated physical infrastructure

Tamil Nadu has historically laid emphasis on building credible physical and social infrastructure across the state. Infrastructure investment is prioritised by policy makers as it leads to a multiplier effect, given the corresponding increase in infrastructure demand and consequent improvement in the economy's productive capacity.

Seamless multi-modal infrastructure - a key growth enabler[40]



Manufacturing hub

Railways

- Tamil Nadu has a total railway track length of 5,952 km (3,698 miles)
- Chennai has a well-established suburban railway network and is in the process of developing a metro*
- Rail lines running up to 41 kms, 8 sidings to handle a wide range of cargo, such as granite, food grains and dry bulk at Chennai port.

Ports

- Three major ports; Chennai is the second-largest container port in India
- Chennai, Kamarajar (Ennore), VOC (Thoothukudi), Kattupalli and Karaikal ports collectively handle 240 million tonnes (MT) of cargo per annum.

Roads

- 28 national highways in the state, covering a total distance of 5,036 km (3,129 miles)
- State has total road length of 167,000 km (104,000 mi), of which 60,628 km (37,672 miles) are maintained by Highways Department.

Airports

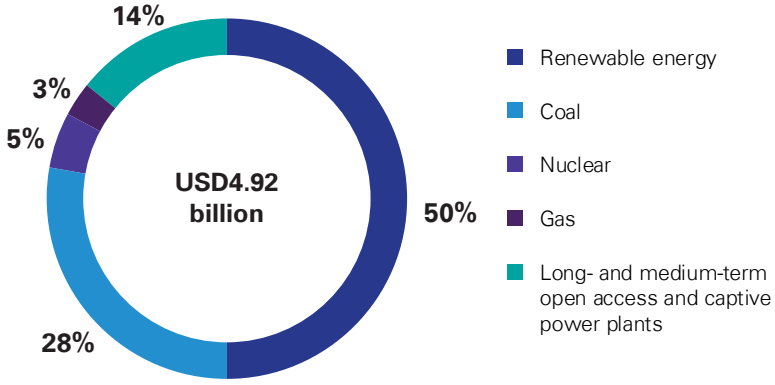
- Four international airports - Chennai, Coimbatore, Tiruchirapalli and Madurai
- Chennai International Airport – among the top 10 fastest-growing airports globally; 17.2 per cent growth in cargo handling
- Two domestic airports - Tuticorin (Thoothukudi) and Salem.

* http://www.slbctn.com/Infrastructure.asp

Power surplus state

Tamil Nadu is currently among the top nine renewable energy markets in the world.[41] As of 31 July 2020, the state had 32.6 GW[42] of installed power capacity, which is expected to increase to approximately 50 GW by FY25. Of the total renewable energy capacity installed in India, Tamil Nadu accounts for almost one-fourth (8.3 GW).

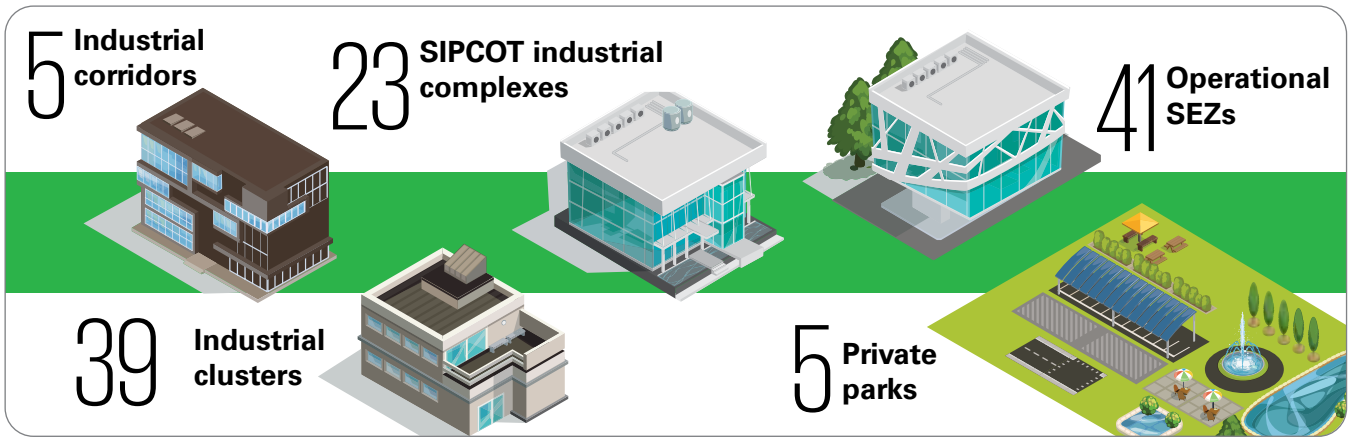
Tamil Nadu has one of the most diversified power infrastructures in India[43]



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Well-developed industrial infrastructure

State dotted with industrial clusters, complexes and parks[44,45]



Tamil Nadu has historically laid emphasis on building credible physical and social infrastructure across the state. Infrastructure investment is prioritised by policy makers as it leads to a multiplier effect, given the corresponding increase in infrastructure demand and consequent improvement in the economy's productive capacity.

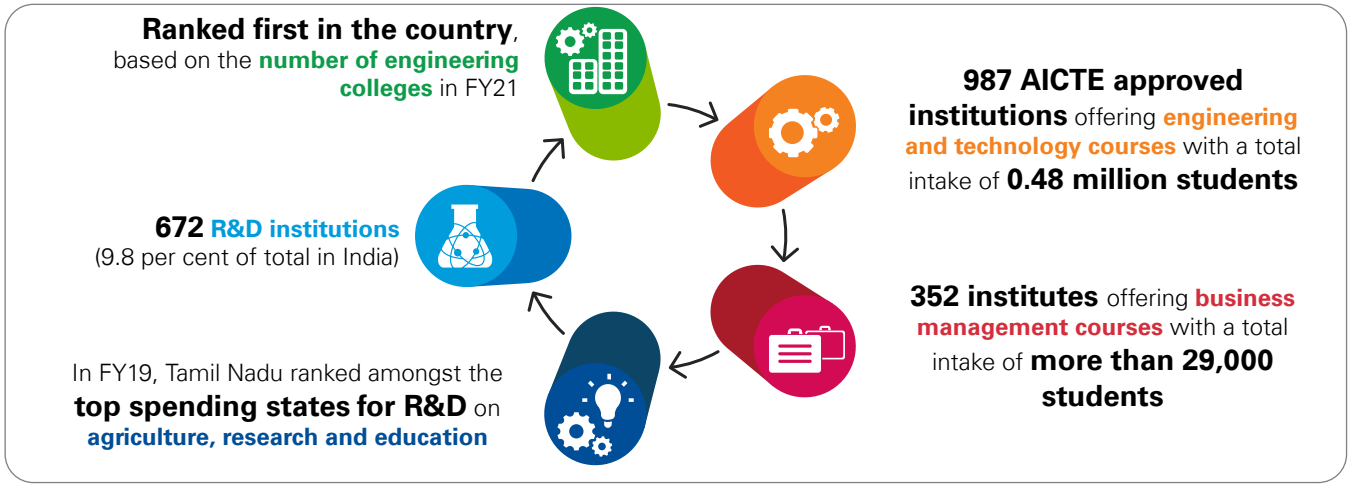
With a focus on holistic development, the Visakhapatnam–Chennai Industrial Corridor and the Chennai-Kanyakumari Industrial Corridor are promoting port-led industrialisation under the Sagarmala scheme.[46] The Chennai-Bengaluru Industrial Corridor is another upcoming industrial project with the potential to boost commerce between South India and East Asia for auto, chemicals, textiles and pharma sectors.

Strong MSME ecosystem

Tamil Nadu has a strong industrial ecosystem of nearly 4.95 million MSMEs[47] in engineering, auto components, textiles, gold jewellery, power, and steel domains. The Small Industries Development Bank of India (SIDBI) has signed a Memorandum of Understanding (MoU) with the state in November 2020[48] to develop capacity-building programmes in areas such as technology transfer, intellectual property rights and research and development, among others.

Academia and R&D structure

A strong academic and R&D set-up drives innovation[49,50]



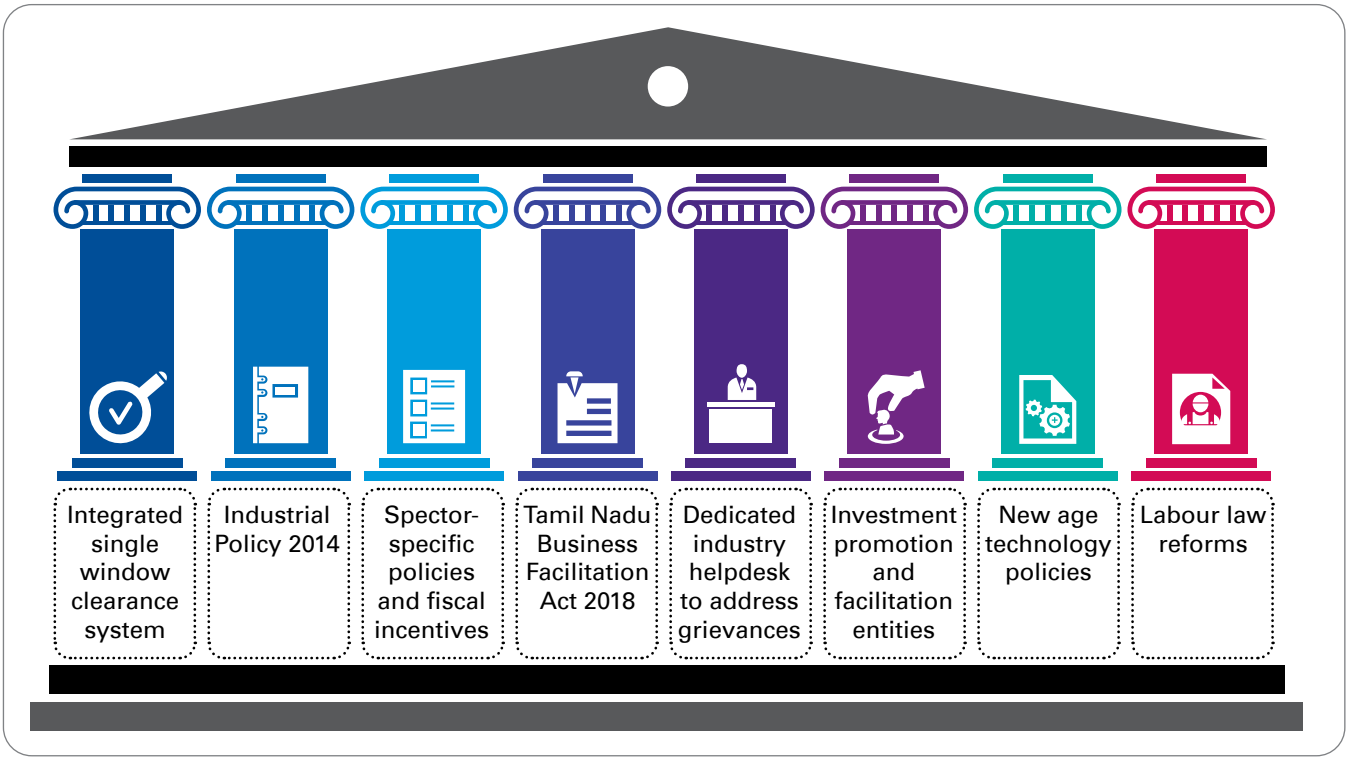
Note: : AICTE – All India Council for Technical Education

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With an aim to become a future skill development hub, Tamil Nadu is exploring an innovative technology-led skill development platform to be called SkillTech University. The online platform will enable trainings in future skills with industry participation. It will focus on collaborating with government to offer regulatory framework as well as funding, particularly for automotive, transport logistics, and construction sectors.[51]

Enabling regulatory environment

Commitment to industrial development with a favourable regulatory environment for investors[52,53]





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Single window clearance system

Tamil Nadu has established a two-tiered single window clearance mechanism to avoid procedural delays and accord all pre-project clearances at the state government level. The state is planning to launch a newer version of the portal, covering 190 services across 33 departments by mid-2021, to enhance faceless approvals.[54]

In November 2020, the state approved a proposal to digitise the clearance process for telecommunication and infrastructure provider companies in the state.

> **Tamil Nadu has a strong potential to leapfrog multi-folds in the ease-of-doing-business index and lot of progress is being made in that direction. The focus could be to leverage on technology and look at areas such as time bound online approvals/licenses, speedy dispute resolutions etc.**
>
> ---
>
> **C.K. Ranganathan,**
> Chairman and Managing Director,
> CavinKare Pvt. Ltd.

Robust Industrial Policy

Highlights of the Industrial Policy, 2014[55]

Structured package (> USD70 million investment) on a case to case basis

SGST reimbursement	Capital subsidy	Payroll subsidy	Training subsidy
50 per cent to industries located in SIPCOT parks	Subsidy up to USD0.3 million (INR22.5 million) 50 per cent additional subsidy for industries setup in SIPCOT industrial parks	Subsidy of USD42,857 (INR0.3 million) or 25 per cent of capital costs, whichever is less	Electricity tax exempted up to five years

Structured package (> USD70 million investment) on a case to case basis

Stamp duty concession	Capital subsidy	Environmental promotion infra subsidy	Electricity tax exemption

The government is also working on a new industrial policy offering Goods and Services Tax (GST) regime-compatible incentives. Around INR25 billion has been provided for payment of industrial incentives in the 2020-21 Budget estimates.[56]

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Business Facilitation legislations

Under the investor-friendly policy, the state government has set up a nodal agency at state and district levels to guide and handhold investors/entrepreneurs. It has simplified the registration and inspection processes, and specified timelines for approvals and penalty provisions. The policy has also introduced reforms to the state labour laws, including permitting women to work night shifts and exempting start-ups from the inspection under six labour laws for five years.

Other features included technology adoption for paperless and time bound delivery of service and Geographic Information System (GIS) to identify land earmarked for industrial use with details related to availability of electricity, roads and water.

Dedicated investor helpdesks

Tamil Nadu has both country and sector-specific helpdesks to provide support related to grievance redressal, incentive disbursement, approvals and operational issues within 30 working days on a best efforts basis. Since its inception in 1992, the Guidance Bureau (now called Guidance) garnered more than 300 major investment proposals (as of December 2019) and acted as a nodal agency for two major Global Investors Meet (GIM) hosted by Tamil Nadu in 2015 and January 2019.[57]

In a bid to bring in more investors, the agency appointed a 40-member team in March 2020 to convert MoUs signed during the two GIMs into actual investments. The team will also track sector-specific investments and help potential investors with getting clearances and scouting for land.[58]

Since April 2020, Tamil Nadu has signed over 70 MoUs worth over Rs 56,000 crores.

Investment friendly institutions

Key entities that support investors and encourage investment[59]

State Industries Promotion Corporation of Tamil Nadu (SIPCOT)

- Land allocation
- Provides transport and utilities infrastructure facilities
- Promotes industrial estates
- Offers export marketing assistance
- Promotes skill development centers.

Tamil Nadu Industrial Development Corporation (TIDCO)

- Provides comprehensive information on regulations, policies, opportunities to investors
- Assists investors in getting all pre-project clearances
- Facilitates projects during implementation phase by undertaking troubleshooting
- Monitors implementation of Foreign Investment proposals.

Tamil Nadu Industrial Investment Corporation (TIIC)

- Channelizes appropriate incentives and services for the development of MSMEs
- Provides term finance for industries
- Working Capital Term Loans
- Operation of various schemes such as Equipment Finance Scheme, Solar Power Projects Scheme, Corporate Loan Scheme.

Guidance Tamil Nadu

- Acts as nodal investment promotion agency
- Offers single window facilitation, industry locational support, sector-specific desks, country desks
- Bizbuddy - investor helpdesk

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New age technology policies

The state has introduced several policies on digital technologies, such as Tamil Nadu Safe and Ethical Artificial Intelligence Policy, 2020 (to provide a roadmap for policymakers to adopt AI-based solutions), Tamil Nadu Blockchain Policy, 2020 (to promote blockchain in e-governance), and Tamil Nadu Electronics Hardware Manufacturing Policy (aimed at increasing the state's electronic output to USD100 billion and account for a quarter of India's total electronics exports to the world by 2025).[60]

Labour reforms

Parliament of India passed four labour codes (three in 2020 and one on minimum wages in 2019), after a consolidation of 29 central labour laws.[61]This could make the hiring process easier for employers, reduce worker strikes, weaken trade unions, promote fixed-term employment and offer a rudimentary security net for the unorganised workforce.

The state in June 2020 notified the draft Tamil Nadu Rationalisation of Forms and Reports under Certain Labour Laws Rules, 2020, aiming to simplify various procedures involved in Tamil Nadu Contract Labour (Regulation and Abolition) Rules, 1975, the Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) (Tamil Nadu) Rules, 1983, and the Tamil Nadu Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Rules, 2006.



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5.

Foreign direct investment

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International tie-ups remain critical for growth

Recognising the importance of international collaborations, Tamil Nadu is placing significant importance to cultivating strategic ties with its companies and governments across the world.

Since 2015, the state has been hosting an annual Global Investors Meet (GIM) to encourage domestic and foreign investments into the state. The latest GIM (held in January 2019) resulted in 53 projects, which have commenced commercial production, while another 219 projects are under various stages of implementation. Post GIM 2019, the state has managed to receive 63 projects worth INR190 billion from Japan, Germany, South Korea, the United States (US), and the United Arab Emirates (UAE) with a potential to create 83,300 jobs.[62]

Tamil Nadu has consistently ranked in the top five states for foreign direct investment (FDI) equity inflows into India. It received a cumulative FDI inflow of USD446.8 billion between January 2000 and September 2019.[63]

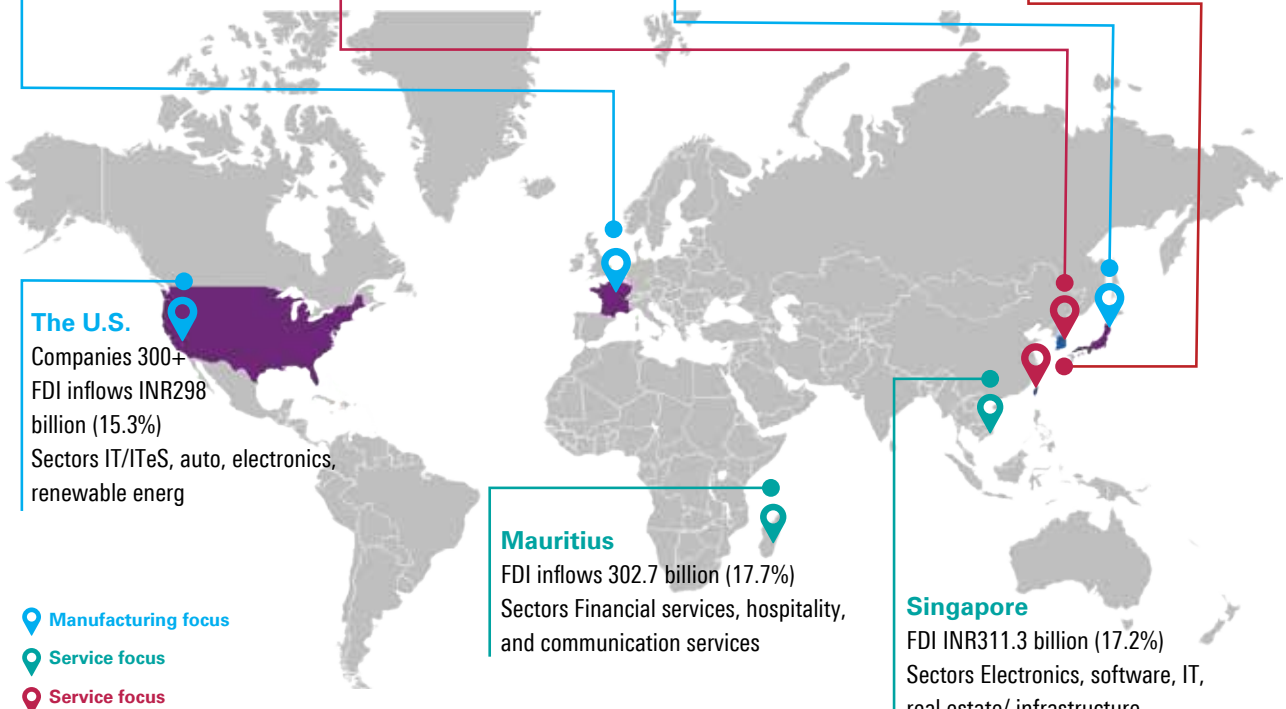
FDI inflows into Tamil Nadu[64,65,66,67,68,69,70]

France
Companies 140+
FDI inflows INR30.5 billion
Sectors Automotive, construction materials, healthcare, digital technologies, services, and energy

South Korea
Companies 475+
FDI inflows INR4.92 billion (2003-20)
Sectors Auto, OEM and components metals, consumer electronics, food and beverages

Japan
Companies 475+
FDI inflows INR4.92 billion (2003-20)
Sectors Auto, OEM and components metals, consumer electronics, food and beverages

Taiwan
FDI inflows INR1.7 billion (2003-20)
Sectors Electronics, electronics components, industrial equipment and textile



The U.S.
Companies 300+
FDI inflows INR298 billion (15.3%)
Sectors IT/ITeS, auto, electronics, renewable energ

Mauritius
FDI inflows 302.7 billion (17.7%)
Sectors Financial services, hospitality, and communication services

Singapore
FDI INR311.3 billion (17.2%)
Sectors Electronics, software, IT, real estate/ infrastructure, communication and logistics

Manufacturing focus
Service focus
Service focus

Note: FDI inflow data for January 2000 to September 2019 unless specified otherwise

Top sectors attracting FDI equity inflows:[71]
— Automobile (20.0%)
— Services (12.7%)
— Construction (Infrastructure) Activities (9.2%)
— Computer Software & Hardware (6.6%) and
— Construction Development (5.6%) -- Townships, Housing, Built-Up Infrastructure And Construction-Development Projects

(From January, 2000 to September, 2019)

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Post pandemic task force to attract investors

In April 2020, the state set up a special task force to encourage investors from countries like the US, Japan, South Korea, Singapore, and Taiwan – that are expected to reassess and relocate investments post-COVID-19.[72] The mandate of the task force is to identify potential investors, frame guidelines to ensure speedy single window clearances, formulate special incentive packages and identify major infrastructure projects that can attract investments.

Mauritius

Mauritius has consistently been one of the largest FDI contributors for India as well as for Tamil Nadu. In the state, majority of the investment flow was recorded in the financial services, hospitality, and communication services sectors.

Singapore

Many leading Singaporean companies focussed on electronics, software, IT, real estate/infrastructure, communication and logistics are based in Tamil Nadu.

Tamil Nadu expects significant synergy between Singapore and the state in areas such as development of fintech city in Chennai, industrial parks, nodes and clusters as part of the Madurai-Tuticorin industrial corridor project, and ports, as well as greater collaboration in providing urban infrastructure and services, including intelligent transport solutions, wastewater management, desalination and solid waste management.[73]

The US

As one of the major destinations of US FDI in India, Tamil Nadu has attracted more than 300 US companies and 375 projects worth USD11 billion.[74] Sectors receiving FDI include IT/ITeS, automobile, electronics and renewable energy.

In September 2019, 27 investment MOUs worth INR50.85 billion providing employment to 24,320 persons were signed between Tamil Nadu and the US.[75] This also involved the launch of Digital Accelerator, a start-up hub platform to attract new innovation and next-generation technologies from the US into Tamil Nadu.

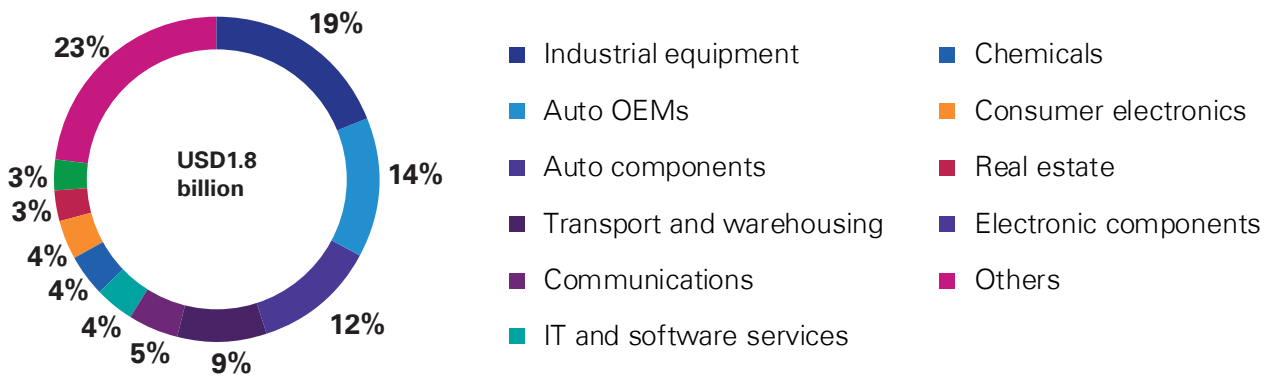
Japan

Tamil Nadu has over 620 Japanese companies operating in the state and accounts for 20 per cent of the Japanese manufacturing output in India, which is the highest in the country.[76]

Three of the 12 Japan Industrial Townships (JITs) that are part of the Japan-India Investment Promotion Partnership are based in Tamil Nadu.

In 2019, Japanese companies signed 16 MoUs[77] with the Tamil Nadu government to diversify the country's business interest in the state. In the future, Japan can focus on driving tourism initiatives and setting up of Japanese language training centres to enhance the employability of the state's talent pool in its companies.

Sectoral composition of FDI from Japan (2003-20)[78]



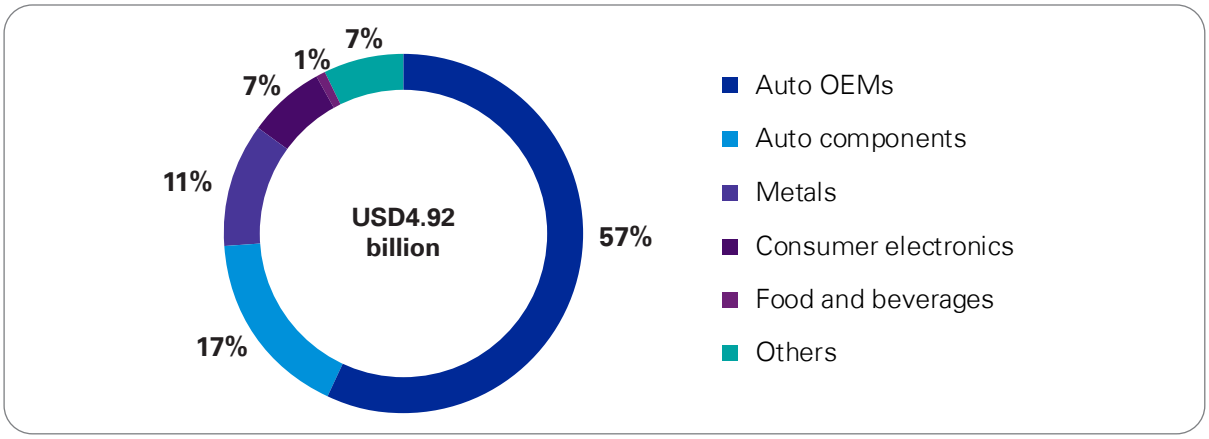
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South Korea

Since 2003, South Korean companies have invested USD4.92 billion in the state,[79] generating employment for 0.3 million people.[80]

About 478 South Korean companies are in Tamil Nadu. In September 2020, the consulate-general of the Republic of Korea in Chennai launched a troubleshooting centre to expedite Korean investments in South India and find solutions for any legal challenges.[81]

Sectoral composition of FDI from South Korea (2003-20)[82]



Taiwan[83]

Investment from Taiwan to Tamil Nadu amounted to USD1.7 billion as of October 2020 focussed on sectors such as electronics, electronics components, industrial equipment and textiles. In 2018, a major Taiwanese contract manufacturer announced investments worth USD331 million (one of the largest investments by a Taiwanese company in Tamil Nadu), generating employment for 25,000 people.

Taiwanese companies signed MOUs with the Government of Tamil Nadu worth over USD1 billion at GIM 2019.

In the post pandemic era, Taiwan expects these companies to double investments in Tamil Nadu and add one million jobs.[84] Taiwanese companies are showing keen interest in areas such as plug and play facilities, information technology, blockchain and cybersecurity.

France

Over 140 French companies operate in Tamil Nadu.[85] The state has attracted French investment in many priority sectors such as automotive, construction materials, healthcare, digital technologies, services, and energy. France also opened a Bureau de France in Chennai in 2017 to boost cooperation, exchanges and mobility between France and Tamil Nadu.

Even during the pandemic, investments from French energy companies have continued such as a 250-MW wind power plant in Tuticorin and new LPG plan in Coimbatore. France is also planning to sign a MoU with Tamil Nadu's Guidance and the Indo-French Chamber of Commerce and Industry. The future focus would be on industry, R&D and renewable energy amongst others.[86]

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6.

Key sectors driving growth

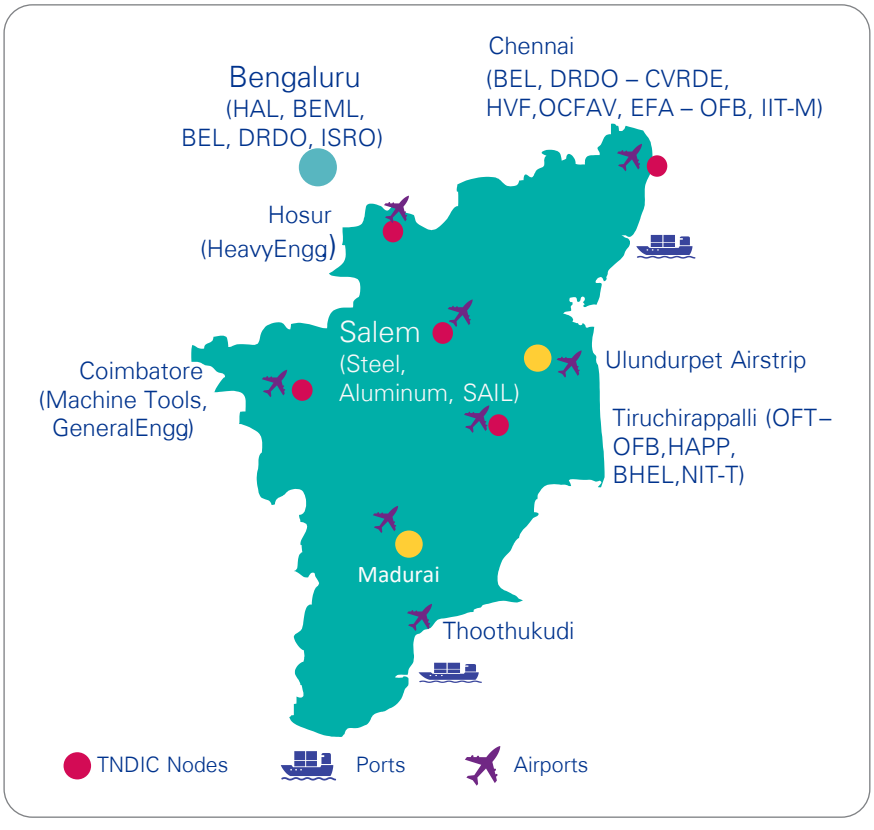
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Tamil Nadu, with its skilled workforce, is expected to play a vital role in the Atmanirbhar Bharat Abhiyan. Sectors including software, hardware, electronics, automobiles, leather, textiles and tourism could witness growth with the focus on greater self-reliance. Theme-based tourist circuits are expected to further improve the tourism infrastructure in the state. Several recent policies introduced by the state, such as the Electronics Hardware Manufacturing Policy, Aerospace and Defence Industrial Policy, New Integrated Textile Policy and Electric Vehicle Policy are setting the right tone towards this end.

Aerospace and defence

One of the two defence corridors announced by the Ministry of Defence is in Tamil Nadu, with INR31.2 billion[87] in investments announced on launch date. This will be followed by more than INR80 billion either in implementation stage or discussions stage as on date. Defence Research and Development Organisation and Indian Institute of Technology, Madras are acting as knowledge partners

Manufacturing hotspots and support systems[88,89,90]



Tamil Nadu has earned its recognition in the automotive and industrial manufacturing sectors over the years. The high level of indigenisation achieved is commendable. Such manufacturing and engineering capabilities could be leveraged and extended into other areas such as Aerospace and Defence. The availability of highly effective and skilled labour is an added advantage. Tamil Nadu should also continue its focus in other sectors such as renewable energy and smart infrastructure.

Arathi Krishna,
Managing Director,
Sundram Fasteners Limited

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The Tamil Nadu Aerospace and Defence Industrial Policy, 2019[91] encourages investors to set up manufacturing facilities in the state by offering fiscal incentives (capital subsidy for industrial parks; skill development, certification and State Goods and Services Tax (SGST) reimbursement; land allotment at concessional rates; utility support; and anchor unit subsidy), dedicated industrial parks, a single window clearance mechanism and R&D support. The major incentives are as listed below:

Subsidy	Incentives & Concessions
Anchor unit subsidy (for first 10 units)	Capital Subsidy – 10% of the fixed assets
Skill Development subsidy	Reimbursement of INR10000/month per trainee for one year maximum of 50 trainees
Certification Subsidy	50% of the cost of Certification, ceiling of INR250,000
Land Allotment Subsidy	20% concession on actual land cost
Capital Subsidy for MSME Units	@10% on eligible fixed assets.
Capital Subsidy – A&D Industrial Parks	Infrastructure Subsidy @ 10% of eligible fixed asset
Aircraft MRO facilities	50% net SGST Paid
Environmental Protection Infrastructure Subsidy	INR10 million or 25% of Capital cost of setting up of ETPs
Special Incentives	Tax Concessions for investment above Rs 200 Crs
Support for the Units Undertaking Offset Obligation	Concession up to 30% of land cost and 100% reimbursement on stamp duty
Labour sector Initiatives	Flexibility in labour laws
Single Window Clearance	For all A&D related Manufacturing and Infrastructure projects

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Opportunities ahead

Tamil Nadu aims to acquire a 30 per cent share of India's defence sector, create high-end employment for 100,000 people[92] and generate investments worth USD15 billion in the next 15 years to become a preferred hub for the aerospace and defence sectors.[93] The government is tweaking its Aerospace and Defence Industrial Policy to offer higher incentives to investors and focus on R&D to build an end-to-end ecosystem, encompassing design, engineering and manufacturing in the Aerospace & Defence Sector.[94]

The government is also aiming to invest around substantial funds in the next 5-10 years in six identified clusters – Chennai, Coimbatore, Hosur, Salem and Trichy – as equity partners and will also develop new A&D-dedicated industrial parks. The government is also in discussion with various industry leaders in the sector to increase sourcing of components from the five nodes of the Tamil Nadu Defence Industrial Corridor (TNDIC).[95]

The state is also in the process of promoting MSMEs industry clusters by developing Centers of Excellence[96] for common manufacturing, skill development and testing centres to increase participation and support growth. The development of these facilities is planned through Public Private Partnerships and the Government is in discussion with various corporate houses and industry associations for its implementation.

The National Infrastructure Pipeline also presents investment opportunities in three projects (Sriperumbudur Airport, Vellore Aerospace Park and modernisation of Chennai Airport phase II) worth USD741.06 million[97] at various stages of implementation. More opportunities are expected to emerge in the areas of maintenance, repair and operations (MRO) facilities, component manufacturing, aircraft assembly, upgradation of existing airports, in-house technology development, training institutes, flying schools and anchor units in the aerospace and defence sectors.

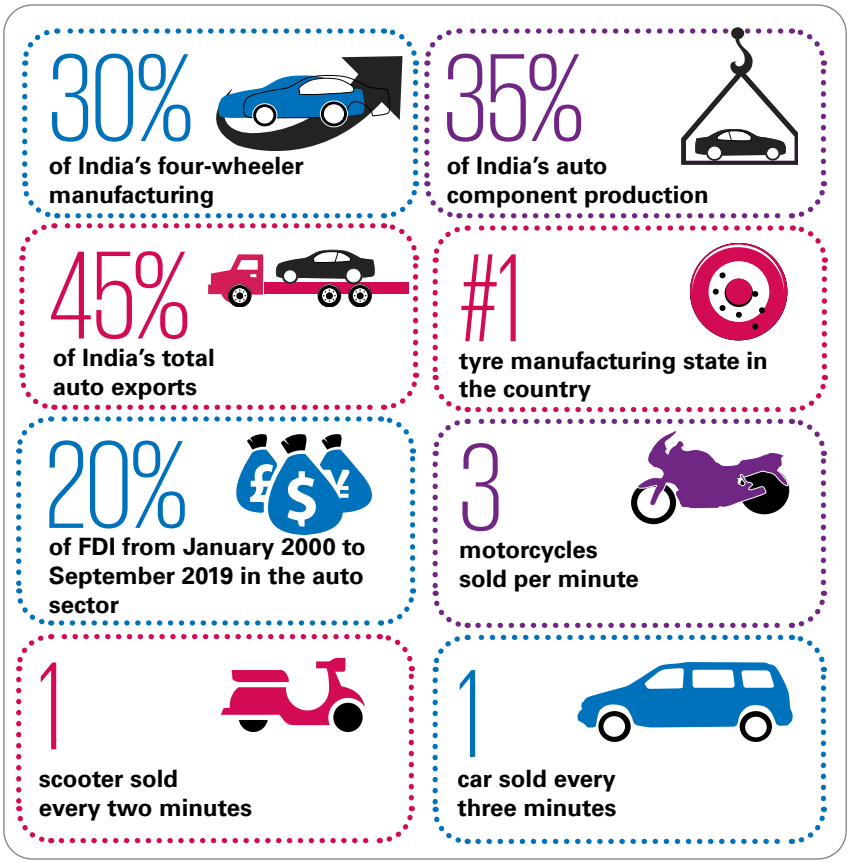
Further, measures introduced under the Atmanirbhar Bharat Abhiyan are also likely to drive the sector. An increase in FDI limit for defence manufacturing to 74 per cent under the automatic route, procurement reforms, import embargo on 101 defence items for five years from December 2020, carving out of INR520 billion from the defence capital budget for domestic firms, is set to an overhaul of trial and testing procedures to ensure faster decision making and improve the defence sector's business environment.[98]



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Automotive

Tamil Nadu is one of the largest auto hubs in India and ranks among the top 10 in the world[99]



Tamil Nadu is one of the largest contributors to the automobile sector in India in terms of industrial output and is one of the top 10 global auto hubs with an annual installed capacity of 1.46 million units for passenger cars. The state also hosts the largest auto components industry base and accounts for 35 per cent of India's production of auto components. The auto components sector is projected to grow at a CAGR of 20 per cent over the next five years, with exports likely to grow at 30 per cent CAGR.[100]

The Tamil Nadu Automobile and Auto Components Policy, 2014 has helped reduce operational costs for companies through dedicated auto parks, seamless transport connectivity, availability of auto components, employable talent and testing facilities that adhere to safety standards.[101]

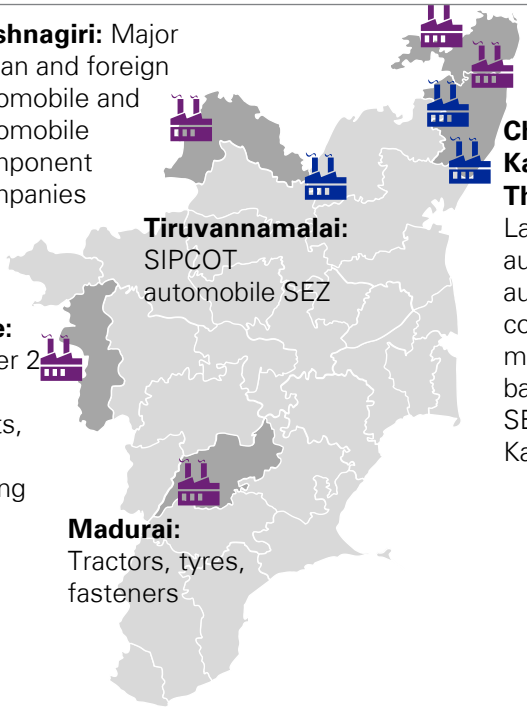
In India, the state of Tamil Nadu has been home to Hyundai for the last 24 years. The mutually benefitting partnership between Hyundai Motor India and Tamil Nadu has built a strong trust, collaboration and synergy. The state-of-the-art facility of Hyundai Motor India in Sriperumbudur has been the manufacturing hub for world-class Made-in-India cars for domestic and global markets. We have been an integral part of the economic development of the state and empowering a highly talented workforce towards a brighter future.

From an investor's perspective, the state government offers a conducive business environment for the industrial growth and Hyundai Motor India has also signed MoU with the Tamil Nadu government to take-up many infrastructural investments in the state. Hyundai Motor India looks forward to a well incentivized and industry-friendly packages in the coming years as well. Also, the growing mandate for cleaner and greener mobility solutions has opened new avenues and opportunities for OEMs like ourselves to bring in innovation and superior products including Electric Vehicles in the market.

SS Kim,
MD & CEO,
Hyundai Motor India Ltd.

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Automobile manufacturing hotspots and supporting infrastructure[102,103,104,105]



Krishnagiri: Major Indian and foreign automobile and automobile component companies

Tiruvannamalai: SIPCOT automobile SEZ

Chennai-Kancheepuram-Thiruvallur: Largest automobile and automobile components manufacturing base with two SEZs in Kancheepuram

Coimbatore: Tier 1 and tier 2 automobile ancillary units, two EV manufacturing units

Madurai: Tractors, tyres, fasteners

Port connectivity for exports: Three major ports with dedicated two Ro-Ro berths to facilitate automobile exports (Kamarajar Port in Ennore and Chennai Port)

Rail network for logistics: Automobile companies near Sriperumbudur use railway transportation to transport cars from Chennai and Ennore Port to Gujarat, North East region and North India

Testing facilities: The NATRiP and CVRDE facilities for testing of automotive safety, emission and performance standards

20+ Automobile OEMs

350+ Tier 1-tier 3 automobile component companies

4,000+ Automobile SMEs under tier 4

1,300+ Factories produce motor vehicles, trailers and semi-trailers

8 R&D centres of major automobile companies

200+ Automobile engineering colleges

The automotive sector was bracing for a difficult year even before the COVID-19 pandemic. Auto sales had been tepid for 12 to 15 months when the outbreak stalled production and overall economic activity. However, despite the sectoral slowdown and pandemic-induced demand shocks, the state's automobile sector recorded INR35 billion[106] investments during the first quarter of 2020-21, with MoUs signed by multiple global automakers on expanding their operations in the state.

Under the new Tamil Nadu Electric Vehicle Policy, 2019, the state is building a domestic production ecosystem for electric vehicles (EV), thereby creating new opportunities in the EV value chain. In November 2020, the government declared 100 per cent tax exemption for all battery-operated transport and non-transport vehicles and also announced plans to set up the country's first park exclusively for EV production eco-system. It is targeting investments of about INR500 billion in the EV segment and has announced a series of incentives such as 100 per cent GST reimbursement and 50 per cent capital subsidy, to attract investments in this space.[107]

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Opportunities ahead

The state will play a critical role in India's Automotive Mission Plan 2016-26, which targets 3x growth and aims to establish the country as a manufacturing base and an export hub. However, with COVID-19 stalling production and overall economic activity, the government and the auto industry players would focus on achieving an ideal state of mobility with convenient, affordable and enhanced last-mile connectivity through public transport

Tamil Nadu is also on the radar of companies looking to realign supply chains by considering a 'China + n' approach to their future course of action.

To capitalize on the future auto trends, particularly in electric mobility, Tamil Nadu can invest more in expanding production capacity, establishing dedicated R&D centers, offering demand-centric incentives, investing in vocational training, building charging and battery swapping infrastructure to promote electric mobility. Promoting localisation to reduce reliance on imports will also remain a critical area supporting growth.

Further, as the industry emerges from the pandemic, industry players will need to realign themselves to new realities such as:

- Preference for personal mobility, which would effectively translate into a higher preference for affordable personal mobility, which could boost sales for auto manufacturers, especially in entry-level vehicles.
- Digitising customer interactions, with several OEMs, both premium and mass market, already recognising this trend and launching a complete online buying experience, starting from initial enquiries and customisation of features, to booking, financing and delivery in a completely contact-less transaction. The pandemic has also significantly accelerated the pace of the shift towards digital marketing including augmented and virtual reality technologies.
- OEMs innovating by adding better health, hygiene and sanitation features in their vehicles, such as in-built sanitisation, enhanced air-purification systems and anti-bacterial surfaces, etc.

As the automotive sector embarks on the course for recovery, the growth trajectory will depend on how well manufacturers and retailers are able to respond to challenges and adapt to the evolving trends in the post COVID-19 world.



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Apparel and textiles

Tamil Nadu is the largest textiles and garments hub in India[108,109,110]

4%
of National GDP

19%
of the total textiles output in India

28%
of total employment in the sector in India

33%
of the textile business in India

3rd
largest recipient of FDI in India

20%
of India's exports of ready-made garments

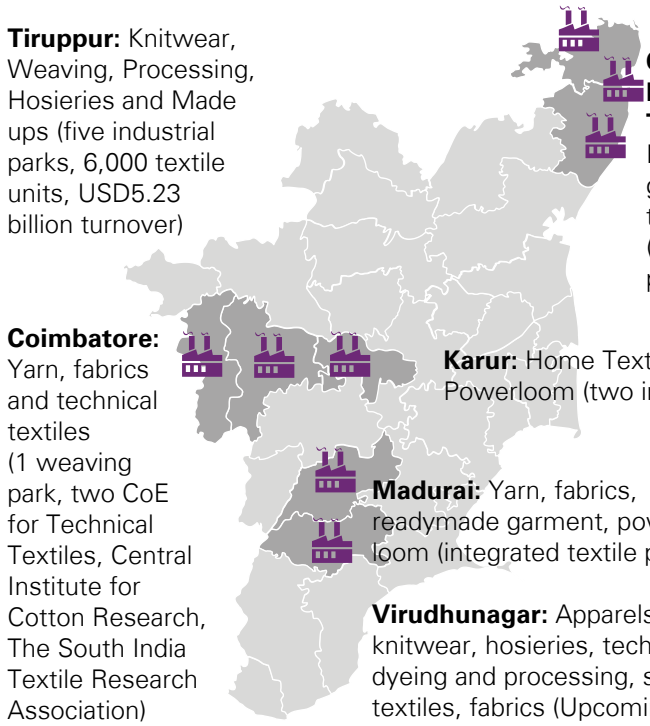
50%
of India's total textile mills

22%
of India's power looms

Tamil Nadu has a well-developed ecosystem with around 320,000 power looms, many handlooms clusters and functional textile parks and an abundant supply of cotton yarn. The state's textile sector employs over 3.1 million people, with 75 per cent of the power loom products earmarked for direct and indirect exports.[111]

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Textile manufacturing hotspots and ecosystem[112,113]



Tiruppur: Knitwear, Weaving, Processing, Hosieries and Made ups (five industrial parks, 6,000 textile units, USD5.23 billion turnover)

Chennai-Kancheepuram-Thiruvallur: Readymade garments and technical textiles (three industrial parks)

Coimbatore: Yarn, fabrics and technical textiles (1 weaving park, two CoE for Technical Textiles, Central Institute for Cotton Research, The South India Textile Research Association)

Karur: Home Textiles, Powerloom (two industrial parks)

Madurai: Yarn, fabrics, readymade garment, power loom (integrated textile park)

Virudhunagar: Apparels, garmenting, knitwear, hosieries, technical textiles, dyeing and processing, spinning, home textiles, fabrics (Upcoming mega textile park and red category land for textile operations)

6,500+
Garment operating units

32GW
Installed power capacity

13
Textile parks

54
Handloom clusters

- **SIPCOT is setting up textiles processing parks of over 500 acres**
- **150MLD water supply plant to come up at Nemmeli in Kancheepuram by 2021**
- **Three desalination plants with 10MLD capacity each**
- **20+ common effluent treatment plants for textile bleaching and the dyeing sector**

The Tamil Nadu New Integrated Textile Policy 2019,[114,115] offers various fiscal incentives to attract investors, such as interest subvention for technology upgradation, interest subsidy for power handloom weaver co-operative societies, credit-linked investment subsidy on new shuttleless looms, free electricity supply to weaver households on certain conditions and funding to support innovation and product diversification.

The government plans to drive the sector by focussing on developing traditional handlooms and readymade garments sector, expediting the capacity building of the environment-friendly processing sector, decentralising knitting and garmenting in other potential clusters, promoting technical textiles, and facilitating skill development.

To achieve the same technological edge as other leading apparel and textile manufacturing nations, it would be crucial for the state to modernise the industry, particularly the weaving and processing segments. The industry should explore opportunities in technical textiles such as agrotech, meditech, buildtech, and hometech.

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Opportunities ahead

Tamil Nadu with its inherent strengths in strong natural fibre value chain can capitalize on new opportunities in sustainable and organic end products in both Apparel and Home Textiles segments. In addition, the state may capitalize on large scale order exodus out of China that has been witnessed since 2014[116] by developing core competencies and capacities in Global high value/high-tech products.

With strong value chain capabilities, Tamil Nadu stands to gain significantly from the recent regulatory reforms of the Central Government such as abolition of anti-dumping on PTA, National Technical Textiles Mission, Performance Linked Incentives, etc. To capitalize on this, the state will need to further strengthen its value chain especially in processing and setting up large scale fabric plants.

To target focused investments (both FDI and domestic), Tamil Nadu may provide focused performance linked incentives on specific products/segments, such as Airbags (Mobiltech). It can also focus on Man-Made Fibre (MMF) value chain, build capacities and focus on functional fibres used for high-value apparel and technical textiles products.

The Atmanirbhar Bharat campaign also has the potential to transform textiles manufacturing landscape in Tamil Nadu. The State needs to focus on key imported product categories across textiles value chain. For Instance, Top 15 Technical Textiles product categories imported in India account for ~USD1.2 billion[117] (57% of total imports annually). Most of these products are used for domestic consumption. By focusing on building competencies in these products, Tamil Nadu can capture an annual economic value retention of ~INR85 billion leading to large scale employment opportunities across textiles value chain.

At Global level, COVID-19 has expedited major disruptions that had already started in 2014, due to large scale order exodus out of China. During the first wave of order exodus during 2014-19, other countries such as Vietnam, Cambodia and Bangladesh captured the order exodus out of China. COVID-19 has forced major brands/retailers/importers to look for alternate sourcing destination to China and Tamil Nadu can capitalize on this opportunity, provided, the State builds required infrastructure and attracts large scale investments in Synthetics value chain with focus on functional fibres.

Textiles has been a focus sector for most key States in the country over the last few years, resulting in high competition. To counter this and attract investors, Tamil Nadu can position itself as investment destination for global high growth/highvalue products/segments with focused incentives/subsidies.

To summarize, Tamil Nadu needs to build on its value chain capabilities with special focus on MMF value chain, build indigenous machinery manufacturing capabilities, set up plug and play mega industrial parks and strengthen its capabilities in segments such as processing and provide for product/segment level focused incentives to attract investments.



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Agriculture and food-processing

Agriculture and its allied sectors are the largest source of livelihood in Tamil Nadu – more than two third of rural households in the State rely largely on agriculture for their sustenance.[118] The state has been promoting sustainable agriculture by adopting frontier technologies to increase productivity and farmer income. Its food grain production has crossed 10 million metric tonnes per annum since 2011–12.[119]

Tamil Nadu enjoys a competitive advantage driven by abundant agro resources, growing demand, and access to national and export markets[120,121]

- Agriculture and allied activities account for 12 per cent of the state's economy and provide sustenance to about 40 per cent of the state's population
- More than two-thirds of rural households depend primarily on agriculture
- The state:

~3% to India's **food grain produce**

~8% to India's **food processing output**

~7% to India's **vegetable produce**

~12% to India's **fruit produce**

Leading
Producer of Tapioca, Bananas and Tamarind

2nd
Largest producer of poultry, dairy and Coconut in India

2nd
Among registered food processing units factories

3rd
Largest producer of tea and coffee in India

4th
Marine fish production

5th
Largest producer of fruits in India

> **One could focus on models in the agri sector that could enable member-farmers to benefit from economies-of-scale in securing inputs, processing and marketing their produce, and also support member-farmers in accessing timely and adequate credit, without losing ownership of their land. Fostering Competitive Productivity in agriculture sector is equally important. Cities like Coimbatore and nearby areas could benefit from a planned approach to Industrial Parks which could integrate allied sectors such as agriculture, floriculture, horticulture, aquaculture and animal husbandry activities (Dairy, Poultry) etc., to promote and gain a competitive advantage locally and globally. This can also give impetus towards achieving objectives such as increasing farmers' income, reducing wastage of food products, and value addition to farm products.**
>
> **B. Soundararajan,**
> Managing Director,
> Suguna Holdings Private Limited

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An enabling infrastructure, including one mega food park, eight industrial parks and four agri-export zones, has been driving investment in Tamil Nadu's food processing sector. In addition, in February 2020, the state approved the setting up of a mega food park, seven food parks and eight agro-processing clusters. The seven food parks have been proposed in Dharmapuri, Ariyalur, Perambalur, Karur, Nagapattinam, Ramanathapuram, and Tenkasi districts. Eight agro-processing clusters have been proposed in Theni, Dindigul, Krishnagiri, Tiruvannamalai, Salem, Cuddalore, Villupuram, and Madurai districts.[122]

To minimise the impact of the pandemic on its farm sector, the state government has set up a committee to prescribe policy measures to address issues such as slow procurement pace and inadequate cold storage infrastructure.

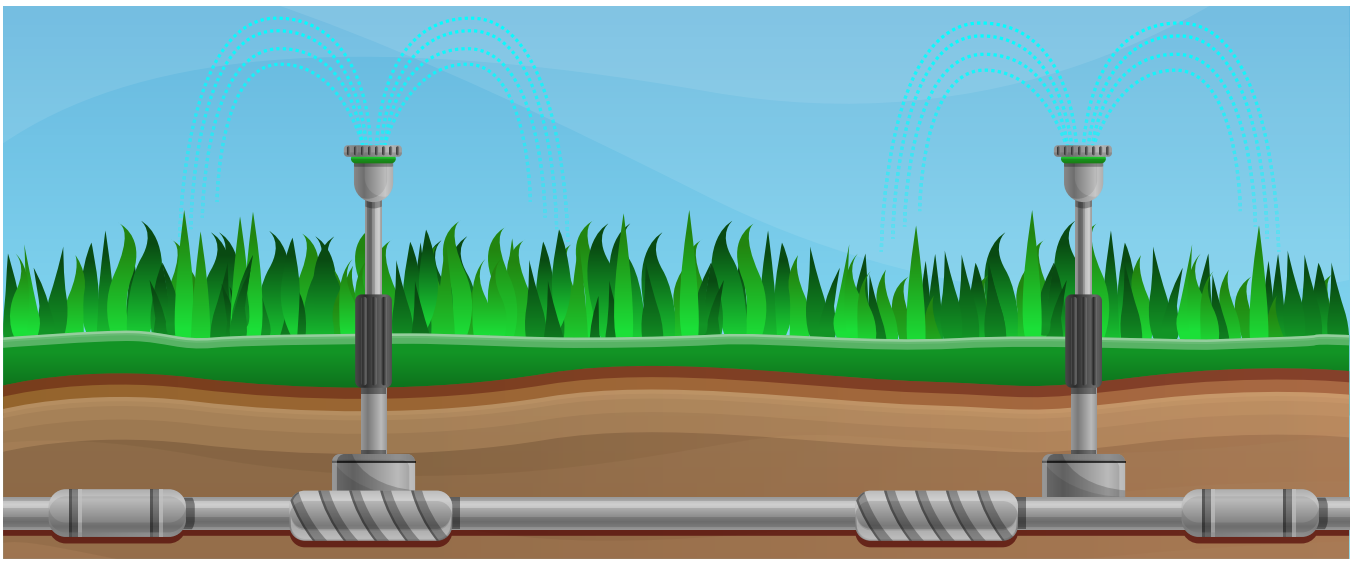
The state's focus on increasing farm incomes as well as promoting food processing, would drive more investments across the agri value chain

Enhancing farm efficiencies

- Increasing crop yield using crop management technologies
- Focusing on production and distribution infrastructure
- Increasing on-farm incomes
- Focusing on generating off-farm incomes
- Facilitating transfer of technology
- Focus on soil and water testing for better nutrient management and soil health
- Using modern information embedded technological tools for farm solutions
- Adopting integrated and sustainable farming

Promoting food processing

- Augmenting quality production across agriculture and allied sector
- Promoting food processing clusters
- Developing food parks
- Promoting entrepreneurship and fostering agri-tech startup ecosystem
- Establishing skill centres
- Supporting farmer producer organisations.



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Opportunities ahead

Tamil Nadu is well positioned to promote infrastructure-based development in allied sector like fisheries and dairy through the underlying potential and available biodiversity. Promotion of Farmers Producer Organisations (FPOs) in these sectors as well as improve in the overall capacity of the farmers for higher earning per unit of resource is also critical for growth.

The government can also leverage the Agriculture Infrastructure Fund (AIF) to build farmgate infrastructure across the sectors and build entrepreneurship in the state. Further the central government's Atmanirbhar Bharat scheme can also help the state diversify PACS (Primary Agricultural Cooperative Society) and facilitate capacity building up of FPOS/ Farmer Producer Companies (FPCs) / Self-help groups (SHGs) etc.

The government can also drive farm mechanization in the state through schemes like AIF and SMAM (Sub Mission on Agriculture Mechanization) by promoting digital technologies and start-up ecosystem.

It can also leverage organic farming, Tomato, Onion and Potato (TOP) scheme (now extended to other horticultural crops as well) for better price realization to the farmers and bridge gap of production versus consumption areas.

With Farmer bills passed, the government can look to create online e-commerce platform to create larger ecosystem of buyers benefitting both the buyers and sellers.



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Electronics and hardware

Tamil Nadu has a strong manufacturing base for electronics and hardware, accounting for 16 per cent of India's electronics production. The state ranks second in India in computer electronics and optical products manufacturing, and third in terms of electronics exports.[123]

The Tamil Nadu Electronics Hardware Manufacturing Policy 2020[124] has set the following targets for the state: increase electronics industry output to USD100 billion, contribute 25 per cent of India's total electronic exports, and upskill more than 100,000 people by 2025. To accelerate growth of the industry, the state government is providing investors with incentives such as subsidy for capital, land lease, training, interest, environment protection infrastructure, intellectual capital and enhanced quality certification; exemption on stamp duty and electricity tax; and single window portal for clearances.

This has helped the state attract global investors in the recent years, including a few noteworthy investments since the onset of the pandemic. In July 2020, a Taiwanese contract manufacturer that assembles smartphones announced expansion plans worth almost USD1 billion[125] for its factory in Tamil Nadu. Another Taiwanese cable manufacturer is setting up a manufacturing plant in Chennai.[126] The move is a part of their strategy to gradually diversify production networks, as they navigate disruptions from a trade war and the pandemic. Further, in December 2020, a large global mobile phones manufacturer commenced production of next generation 5G equipment at its Chennai plant. The equipment is being exported to countries in advanced stages of 5G deployment.

The sector would also receive support from new electronic schemes introduced by the Government of India - Production

> **Tamil Nadu continues to attract major players in the Electronics Industry and has today become the most preferred destination for Electronics manufacturing due to the prevailing conducive environment, eco-system, incentives, government support and notably availability of talent pool at all levels. With the focused approach in mind by the government to attract large corporations into TN, the main area that needs transformation is infrastructure (specifically roads, port facilities) in order to improve efficiencies and provide seamless experience to investors.**
>
> **Leveraging digital technologies, shortening total lead time and improving on ease of doing business indexes, will provide major boost to attract further investments.**
>
> **Tamil Nadu is all set to be a leading destination for exports of electronic goods in coming years!**
>
> ---
>
> **Sasikumar Gendham,**
> Managing Director,
> Salcomp India

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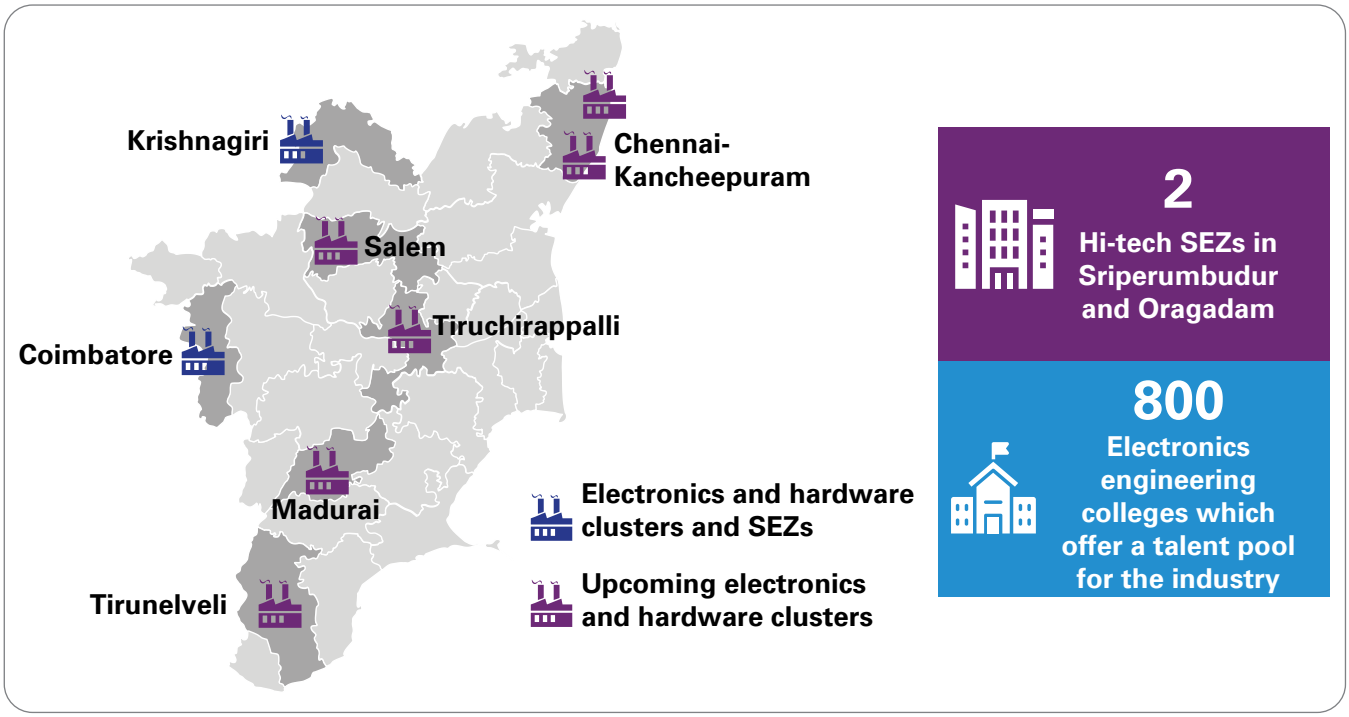
Linked Incentive Scheme (PLI) for Large Scale Electronics Manufacturing, Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS) and Modified Electronics Manufacturing Clusters Scheme (EMC 2.0). An Indian diversified conglomerate has taken advantage of the PLI scheme and announced USD1.5 billion[127] mobile phone and component manufacturing plant in Tamil Nadu.

Tamil Nadu aims to increase the level of value addition in the state, especially across focus sectors such as mobile handsets, LED products, fabless chip design, printed circuit boards, solar photovoltaic cells, medical electronics and automotive electronics.

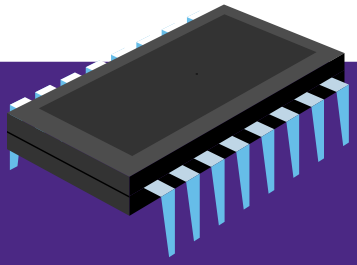
The state can achieve the above objectives by fostering an environment of research and innovation, undertaking focused R&D programmes, promoting start-ups and innovation-led enterprises, developing technologically advanced solutions, and attracting at least two major semiconductor fabrication investments in the next three years.

The government is also looking to promote an eco-park to enable environment-friendly processing e-waste leveraging a PPP mode to integrate formal and informal operators.[128]

Electronics and hardware manufacturing hotspots and ecosystem[129,130]



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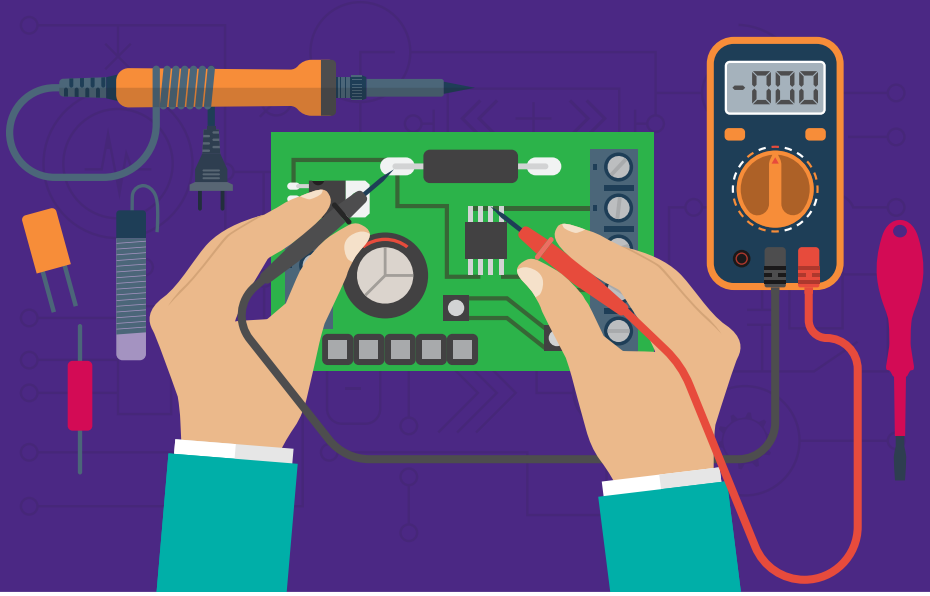
Opportunities ahead

India has huge potential in electronics hardware manufacturing with the demand for electronic manufacturing set to reach USD400 bn by the year 2025.[131] Given the recent pandemic, global supply chains are undergoing a radical reconfiguration. Electronics being at the heart of the world trade and with the current government's focus on this sector, India is strongly poised to be the become a global leader in the electronics manufacturing industry. With the increase in the use of smartphones, uptake of smart homes, smart cities, etc. the contribution of electronics hardware is set to expand further.

Tamil Nadu is home to 37 SEZs with 2 dedicated SEZ for electronics hardware manufacturing and has largest number of factories in India.[132] The state has some distinct advantages for potential investors in terms of land, labour and infrastructure.

With introduction to 'The Tamil Nadu Electronics Hardware Manufacturing Policy 2020' and central as well as state government's focus on the sector the state offers to be the most favourable destination for top manufacturers to invest and setup electronic manufacturing unit.

The state should leverage this opportune post COVID times and capitalise on several existing strengths to formalise the short, medium- and long-term localisation strategy based on market attractiveness, ability to compete and intensity of R&D. As per KPMG in India analysis for electronics components manufacturing in India, display assembly and PCBs are two among the group of components that can be considered for integration of sub-assembly in India. Both these offer a sizeable market with a relatively lower intensity of investment.[133]



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Logistics

Tamil Nadu is a multimodal trade hub comprising 5 seaports, 65 dry ports and 3 international air cargo terminals which makes the state an ideal destination for manufacturing and trade operations. The state has 23 State owned SIPCOT Parks, 41 SEZs, 3 FTWZs, 25 private industrial parks and more than 120 SIDCO parks for small scale industries. These facilities entail large demand for warehousing and logistics facilities in the state. Being the closest point of contact for major manufacturing hubs in China, Korea, Taiwan, Japan and ASEAN nations, Tamil Nadu is an ideal location for export logistics operations.[134]

A dedicated freight corridor, PPP and full income tax exemption for port development projects have improved multi-modal transportation in Tamil Nadu.[135]

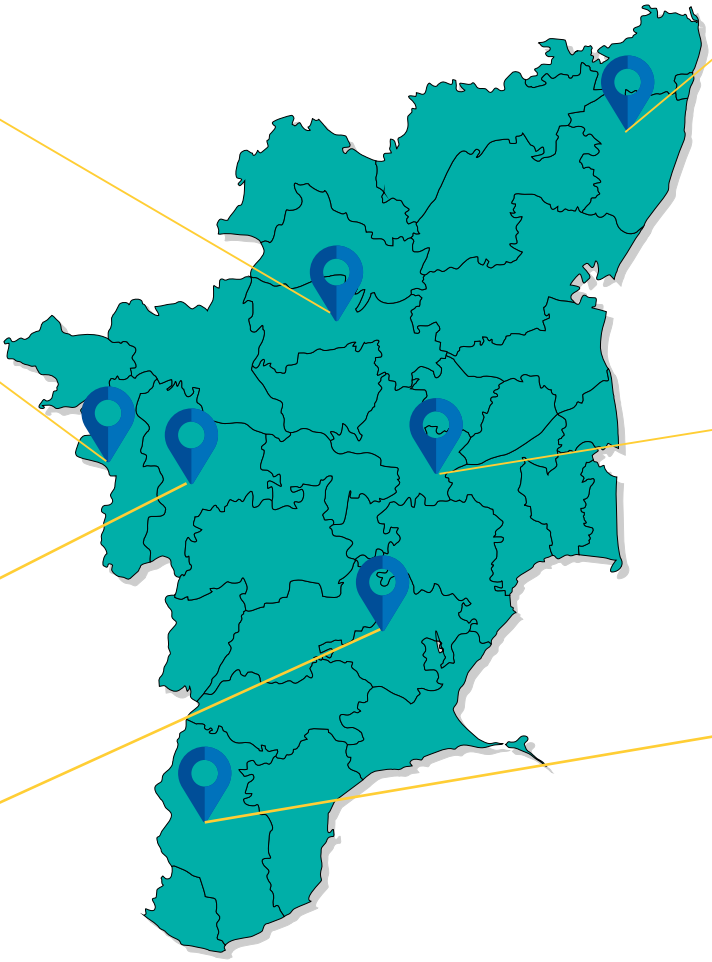
The proposed industrial corridors such as VCIC, CBIC and Tamil Nadu defence corridor and existing industrial clusters in the state such as automobile, e-commerce, and food processing companies are also driving the need for developments in the logistics sector.

In November 2020, an Indian supply chain management service provider set up a 350,000 square feet 'built-to-suit' warehousing capacity in Kancheepuram district providing 'flexible and scalable' fulfilment and integrated distribution solutions to an e-commerce player and a German auto-component supplier.[136] In August 2020, an APAC focused logistics real estate platform announced plans to build a 36 acres industrial and logistics park in the heart of Chennai's Oragadam industrial belt.[137]

> **Tamil Nadu has been very responsive on the ease of doing business, focusing on the most important asks of the business community and developing the state's attractiveness for investors. It is noteworthy to consider Tamil Nadu's accomplishments in developing an admirable manufacturing ecosystem and this could be extended into building a strong supply-chain and logistics ecosystem as well. Digital integration is the key to achieve efficiencies in supply-chain management. Tamil Nadu is also well positioned to be the regional hub in the context of spare-part warehousing across sectors including automotive, aerospace, defence, renewable energy equipment, etc**
>
> **R. Dinesh,**
> Managing Director,
> TVS Supply Chain Solutions

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Industrial clusters in Tamil Nadu



Salem
- Steel Manufacturing

Coimbatore
- Information Technology
- Manufactureing
- Light Engineering

Tiruppur
- Textile

Sivagangai
- Papers Manufactureing

Chennai
- Information Technology
- Heavy Engineering
- Auto, Electronic and Manufacturing

Tiruchirappalli
- Cement
- Electronics
- Manufacturing

Thoothukudi
- Manufacturing
- Food Processing
- Fertilisers
- Chemicals

Source: Guidance Tamil Nadu

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The Central government's efforts to build multi-modal logistics parks across the country and grant 'industry' status to the logistics sector has boosted its efficiency.

With an investment of INR12.9 billion earmarked under the Logistics Efficiency Enhancement Program (LEEP) of the Ministry of Road Transport and Highways, the Chennai region has been brought into spotlight. The city would also be home to one of the 35 logistics parks which are to be built under the Logistics Park Policy 2015. Infrastructure upgrades such as the proposed Chennai-Maduravoyal port and accelerated completion of Outer Ring Road are expected to highlight Chennai as one of the major logistics hubs in the country. Out of the USD1.2 billion investment in the Indian logistics and warehousing sector between 2017 and 2019, Chennai recorded the second largest inflows of USD220 million.[138]

Some of the major initiatives taken by the state government to promote Tamil Nadu as a logistics and warehousing destination include:[139]

- Comprehensive Road which is a flagship scheme Infrastructure Development Programme (CRIDP) is a flagship scheme to upgrade road infrastructure in the State. Under Budget 2020-21, INR55 billion (USD 80.25 million) has been allocated to the scheme.
- The state surpassed the targeted investment and attracted USD48.65 billion investment in 12 sectors including automobile, textiles, renewable energy, etc. During its second GIM in January 2019, around 146 MoUs were signed with an expectation to generate 1 million job opportunities in the state.
- In July 2020, the Tamil Nadu government signed MoUs worth USD1.48 billion; this is expected to create 13,507 jobs in fields such as solar cells, data centres and industrial parks
- Promoting and developing the Chennai Bangalore Industrial Corridor and Vizag Chennai Industrial Corridors which strengthens not only the industrial infrastructure but also logistics and warehousing infrastructure in the stretch.



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Opportunities ahead

The state is looking to invest in infrastructure – it has enlisted 179 projects worth INR8.6 trillion to be included in the central government's INR111 trillion National Infrastructure Pipeline (NIP) built on Infrastructure Vision 2025.[140]

The focus on single modal logistics has given way to multi-modal logistics which provides faster throughput and cost-effective logistic solutions. Tamil Nadu has seaports, airports, good road and rail network – all of which have to be harnessed in a coordinated manner to ensure that the potential for multi-modal logistics in the state is fulfilled. Multi-Modal Logistics Parks (MMLPs) are expected to play a significant role in catapulting the potential of the logistics sector in India to more than USD215 billion in FY 2020-21.[141] Tamil Nadu has huge potential to capture a large part of the MMLP value chain.

A dedicated policy for logistics and warehousing – or dedicated sub-sections in the industrial policy and other relevant policies for logistics and warehousing – can provide impetus for investors to invest in the state.

The focus of the government should be on integrating multiple modes of transport and logistics into a holistic solution for manufacturers and shippers. Digitization of paperwork and processes – from a holistic process point of view rather than from an individual process point of view can help drive efficiency in logistics and thereby attract investment.

Clustering is important to drive investments in logistics and warehousing. There are distinct industrial clusters in Tamil Nadu – for example, the automotive cluster in Chennai. This would help drive investments in logistics and warehousing.

The outbreak of COVID-19 dismantled global supply chains as countries imposed lockdowns. This accentuated the reliance of businesses around the world on a few markets for fulfilling their manufacturing and sourcing requirements. Many companies looking to realign supply chains would to consider a 'China + n' strategy to their future course of action. India and states such as Tamil Nadu are well positioned to attract companies for whom supply-chain relocation has become a top priority amid the pandemic. Favorable business environment and liberal FDI norms, improving Ease of Doing Business rankings, enormous consumer base and rapidly improving digital infrastructure make India a contender to emerge as a global manufacturing hub

The disruptions from COVID-19 have also triggered changes in logistics technology, with several start-ups in the e-logistics space coming up with new technologies for modernising logistics with real-time tracking of cargo, algorithm-based route optimisation and big data in addresses.

Supply chain leaders are also reassessing many long-held assumptions around global production networks in light of new realities and trying to forecast what the future may bring. This means working with current supply chains to improve efficiency and security of supplies while also finding new suppliers and routes that allow diversification in times of crisis.



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Pharmaceuticals and biotech

Tamil Nadu has set up India's first pharma park – the Alathur Pharma Park – in 1978.[142] The state has established presence in pharma, medical devices manufacturing, and biotech sectors. However, Tamil Nadu's potential in these sectors are yet to be fully realised.

Sunrise sectors – pharma, medical devices and biotech – are expected to drive the state's economy and present attractive investment opportunities[143,144]

5th
largest pharma manufacturing state in India

400+
pharmaceutical companies

70+
institutes provide pharma & biotech degrees/diplomas

2.6%
national pharma production

75 **of pharma companies,**
75 are certified by Good manufacturing Practices (GMP)

36
agro technology research stations support biotech

USD 484 mn
exports in 2018-19

10
of pharma companies, 10 have US FDA approvals

74%
FDI allowed under the automatic route

Infrastructure/Clusters/SEZs

Tamil Nadu Small Industries Development Corporation Limited (TANSIDCO) – An undertaking of the Government of Tamil Nadu, with an objective to play a catalytic role in promoting and developing small-scale industries and expediting the industrial dispersal throughout Tamil Nadu.

TICEL Bio Park, Chennai – It provides laboratory infrastructure and services for biotech R&D.

Golden Jubilee Biotechnology Park For Women, Chennai – Provides self-employment opportunities for qualified women through biotechnological enterprises.

HLL Medipark, Chengalpattu – A joint venture between the Government of India and Government of Tamil Nadu to develop an integrated manufacturing hub for medical devices and technology sectors.

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The state government constituted a committee to evaluate the impact of the ongoing pandemic on various sectors and identify the future growth sectors. The committee identified the following sunrise sectors – medical devices manufacturing, pharmaceuticals, and biotechnology – as key to economic recovery.[145] In other words, these sectors offer high growth potential and opportunities, driven by renewed focus from the state government.

Tamil Nadu has over 400 companies across bulk drugs, API, formulations and medical devices,[146] and is working on developing an ecosystem and infrastructure that could drive growth. With an established healthcare ecosystem and talent not being a constraint, the state now has several strategic and organised plans for these sectors with: (a) policies, (b) pharma, medical devices and biotech parks, (c) academia-industry partnership promotions, (d) R&D centres (for instance, upgrading a government hospital's Stem Cell Research Centre as an Institute of Regenerative Medicine); (e) tax and other incentives (recently the state government has offered a 30 per cent capital subsidy, 100 per cent stamp-duty waiver, buying of 50 per cent of the products manufactured by Tamil Nadu Medical Services Corporation), (f) arrangement of angel funds to boost the start-ups and (g) a demand from the Central government to establish an anchor central institution in the state.[147,148]

Opportunities ahead

The pharma and life sciences sector in Tamil Nadu recorded a double-digit growth during the pandemic, with the state's exports in this sector growing by more than 20 percent year-on-year.[149] Further, the COVID-19 crisis is likely to present immense growth opportunities for India's and Tamil Nadu's pharma industry including ramping up exports and becoming a preferred medical tourist destination for affordable treatment.

The industry will, however, need further export incentives and policies to tap its full growth potential. A dedicated pharma policy will help promote the industry in a organized manner.[150]

The state is developing a medical devices park in Chengalapattu district, with industrial plots and common scientific facilities, which will propel the State to be at the forefront of medical device technology development. The State is already a frontrunner in healthcare and a hub for medical tourism, which will help position the park as a global investment destination, attractive to both investors and end-users of healthcare services.

The emerging areas for investment opportunities within these sectors – especially with India focussing on increasing its self-reliance across sectors and industries – are as follows:

- Medical Disposables & Consumables; Medical Electronic, Hospital Equipment & Surgical instruments; Implants and other Medical devices segment
- Bio-similar and diagnostics within the biotech sector; and
- Bulk drugs within the pharma sector.

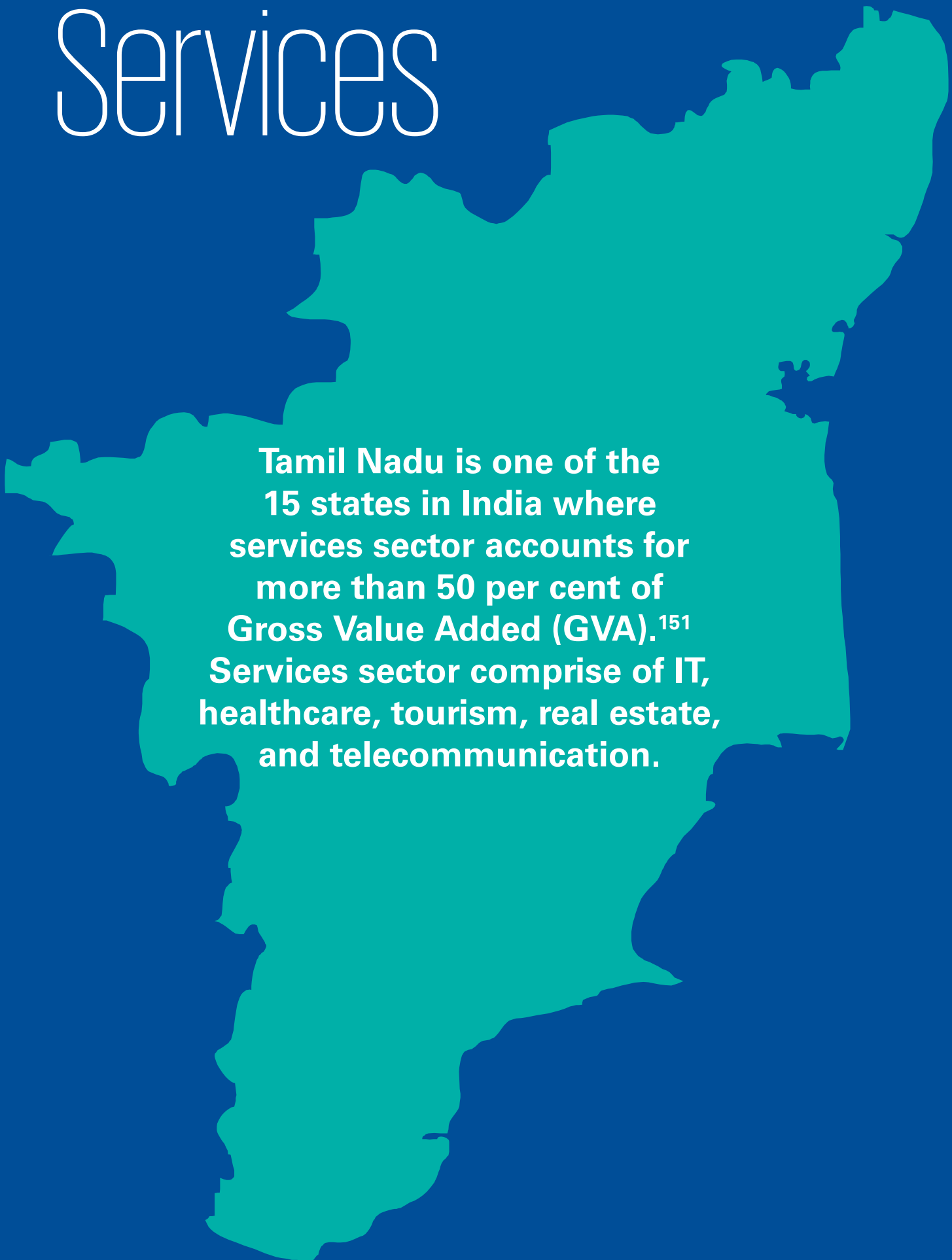
Further, opportunities would arise in infrastructure development domain, especially for specific parks (pharma, medical devices and biotech) and R&D centres.

The increased popularity of IoT-enabled devices in healthcare, such as smartwatches, fitness bands, monitoring patches, heart rhythm detectors can be used by Pharma companies focusing on supply chain visibility.



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Services



Tamil Nadu is one of the 15 states in India where services sector accounts for more than 50 per cent of Gross Value Added (GVA).[151] Services sector comprise of IT, healthcare, tourism, real estate, and telecommunication.

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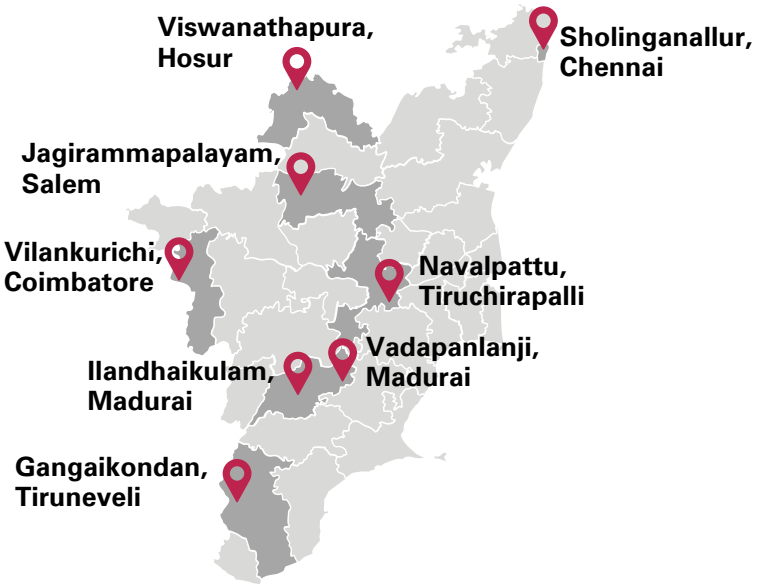


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IT and IT-enabled services (ITeS)

Tamil Nadu accounts for 11 per cent[152] of total IT investments in India. It is among the preferred IT destination in the country, with Chennai emerging as the software as a service (SaaS) capital and leading outsourcing hub.

Major IT parks and supporting infrastructure[153,154]



18 Dedicated IT/ITeS SEZs

400,000 Direct employment

~90,000 Yearly graduates in IT courses

246 Upcoming IT parks

- **Robust and extensive IT communication infrastructure:** Three submarine cables of 14.8 TBps that connect Chennai to the world
- **Integrated IT infrastructure:** It comprises state data centre, state-wide area network, cloud computing, and disaster data recovery centre

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The Tamil Nadu IT Policy, 2018[155] offers multiple incentives to IT companies setting up base in the state, such as capital subsidy and electricity tax exemption, subsidy on land lease rentals for start-ups and MSMEs, up to 100 per cent floor space index relaxation and 50 per cent reimbursement to MSMEs for certifications and patents. The policy has been a vital growth driver for Tamil Nadu's software exports, which increased eight per cent in FY20 to reach INR440 billion.[156] Despite pandemic-related challenges, Tamil Nadu recorded INR250 billion[157] in software exports in first two quarters of FY21.

Opportunities ahead

Given that it offers a large pool of technically qualified professionals in the country,[158] Tamil Nadu is expected to play a crucial role in steering India's vision of creating economic value of USD1 trillion in the digital economy by 2025. The focus would be on upskilling young professionals in digital technologies and creating sustainable jobs in Tier 2 and 3 cities and rural areas. The government is actively engaging with the industry to strengthen and develop the IT sector across the State, particularly in these cities.

The state also expects more opportunities through commissioning, operation and maintenance of data centres, establishment of business/knowledge/legal process outsourcing (BPO/KPO/LPO) centres, and establishment of centres of excellence and R&D centres for digital technologies (Internet of Things, AI, robotics, blockchain, cloud computing, and automation).

For the investors to capitalize on these opportunities, the state government is also investing around INR5 billion under the TamilNet project to set up high speed internet facilities across the state. Further, the state is working towards creating an ecosystem to attain 25 per cent share in the domestic ICT industry.[159]

Further with COVID-19 resulting in accelerated digital transformation across sectors and business functions, demand for IT sector and new technologies has been accelerating. Spending on software and hardware related to digital technologies such as IoT, blockchain, machine learning and AI, cloud infrastructure, Big data/ analytics, human machine interaction and cybersecurity is set to rise exponentially. Factors such as cost reduction, revenue growth, security and safety and quality control will drive use of these technologies – particularly in industries such as healthcare, pharma, power and agriculture.

There is a renewed focus on 5G & AI, wherein the current skill gap will need to be addressed jointly by the government, industry and the academia. In addition to the skill gap, such collaboration will be required to create a robust cyber and data security policy framework.

Post COVID-19, there will be fundamental shift in the way of doing business and companies will need to adjust to a new normal. Work from home applications, cloud solutions, e-commerce, network security and AI applications will continue to be priority investment areas.



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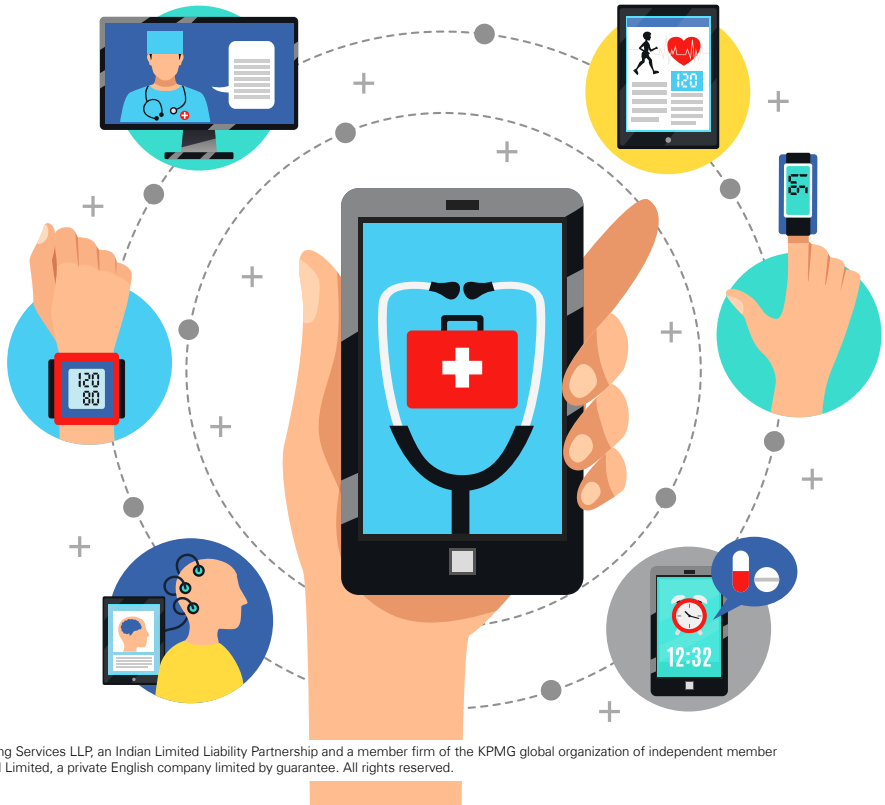
Healthcare

Tamil Nadu ranks third among the Indian states in the NITI Aayog Health Index. The state has made considerable improvements in its healthcare systems, largely driven by investments made by the state government, including allocating a INR158.6 billion budget,[160] INR110 billion investment under ealth Sector Vision 2023[161] to add new and upgrade existing medical facilities and colleges. The state currently has over 350 hospitals, 1,800 primary health centres (PHCs), 8,700 health sub centres (HSCs).[162] Further, across 11 districts, construction of government medical college hospitals is underway which will provide 1,650 more medical seats, taking the total seats to 7,200.[163]

In March 2020, the government launched the Tamil Nadu Health System Reform Programme (TNHSRP) which aims at improving quality of care to bring it on par with developed nations. Of the total programme cost of INR28.6 billion, about INR20 billion will be funded by the World Bank via loan.[164]

The government has also been able to attract global investors in the healthcare space. In August 2019, the government signed three key partnership agreements, focusing on developing the skills of the healthcare staff and improving methods for containing communicable diseases.[165]

In April 2020, Tamil Nadu announced special incentives such as capital subsidy, duty waivers etc for manufacturing of COVID-19 related medical equipment and drugs such as ventilators, PPE kits, N-95 masks, multipara monitors, anti-malarial and anti-viral drugs. The move has already been favourably received by multiple medical equipment manufacturers who have expressed interest to set up shop in the state.[168]



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Opportunities ahead

The state offers multiple growth opportunities in medical devices manufacturing, which has also been identified as one of the emerging sectors in Tamil Nadu by the Rangarajan committee. It has recommended the government to set up an "angel fund" for promoting investments in the sector. The committee also urged the state to roll out better incentives than a general package for medical devices production, recommending the government to build a medipark near Chengalpattu to focus on diagnostic imaging and IV Diagnostics.

Going forward, the government plans to strengthen the primary, secondary and tertiary health care delivery systems further to achieve global quality standards, augment medical manpower resources and drive health outreach activities. These steps are expected to boost growth prospects for investors, with the state facilitating establishment of more medical colleges and hospitals and driving manufacturing of medical devices, ambulatory and diagnostic services.

Further, telemedicine and digital health have taken the centre stage amid the prolonged pandemic and uncertainties around vaccine development. This has provided HealthTech manufacturers and service providers across India a window of opportunity to capture local markets and tap the demand for effective remote patient care and long-term monitoring. Tamil Nadu being the top state in utilising e-Sanjeevani, an online platform enabling telemedicine services with 56,346 consultations as of August 2020,[167] is likely to attract such investors in the coming years.

COVID-19 has caused health care systems and organizations around the world to rapidly adopt digital healthcare solutions. In many countries, the 'digital front door' has become the 'only front door' for patients to access clinical services.

Hospital out-patient and general practitioner appointments across the world have been transformed with as much as three-quarters of all consultations now taking place virtually. The spotlight will be on remote consultations, remote monitoring, scaling up of primary and specialized care facilities.

With elderly populations particularly vulnerable to COVID-19, long-term care facilities will be in demand. With southern states in India ageing more rapidly than the northern states and Tamil Nadu becoming the oldest state in India by 2036,[168] with a median age of over 40, long-term care/adult care/senior care facilities will be a focus area of healthcare companies.

Overall, India is set to witness more healthcare-oriented investment from private and public sectors as the country enhances its healthcare infrastructure in the wake of the ongoing pandemic. The primary focus will be to make essential healthcare services more accessible and affordable for the mass consumer.

From a technology standpoint, areas that will see major investments include next-gen adjudication systems, AI and remote monitoring.



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Financial services

Tamil Nadu has placed itself firmly in the Financial services map of India. It houses over 10 Banks,[169] and 30+ Mid – Large NBFCs,[170] HFCs and MFIs. Over 10 Fintech companies focusing in Lending and Wealth management are based out of Tamil Nadu. 4 General Insurance companies[171] are also based out of Tamil Nadu. Over 15 Global banks have Captives or Back offices based out of Tamil Nadu.

In March 2019, Gross Bank Credit of SCBs in Tamil Nadu was INR8.91 trillion. It accounts to 10% of Gross Bank credit across India. Tamil Nadu ranks next to Maharashtra and Delhi in terms of Gross Bank Credit.[172]

On the Credit Side, Fresh credit of INR89 billion[173] was disbursed to Micro Enterprises in Tamil Nadu in 2019. It accounts for 10% of all Fresh credit disbursement to Micro Enterprises across India. As on September 2020, MSMEs from Tamil Nadu had availed the second highest volume of loans disbursed under ECLGS Scheme. Over INR124 billion[174] were disbursed to Tamil Nadu MSMEs under ECLGS Scheme. Tamil Nadu Government initiatives like exemption of Stamp duty for deposit of Title deeds for securing loans under Atmanirbhar Bharat Scheme and reduction of Registration charges is expected to provide temporary relief to MSMEs impacted by the pandemic. Recent changes in MSME classification is also expected to bring more enterprises under MSME classification thus allowing them to make use of facilities available to MSMEs.

Government incentive packages for MSME players, access to easy credit and skill development is expected to help MSME ecosystem in Tamil Nadu

Microfinance sector in Tamil Nadu

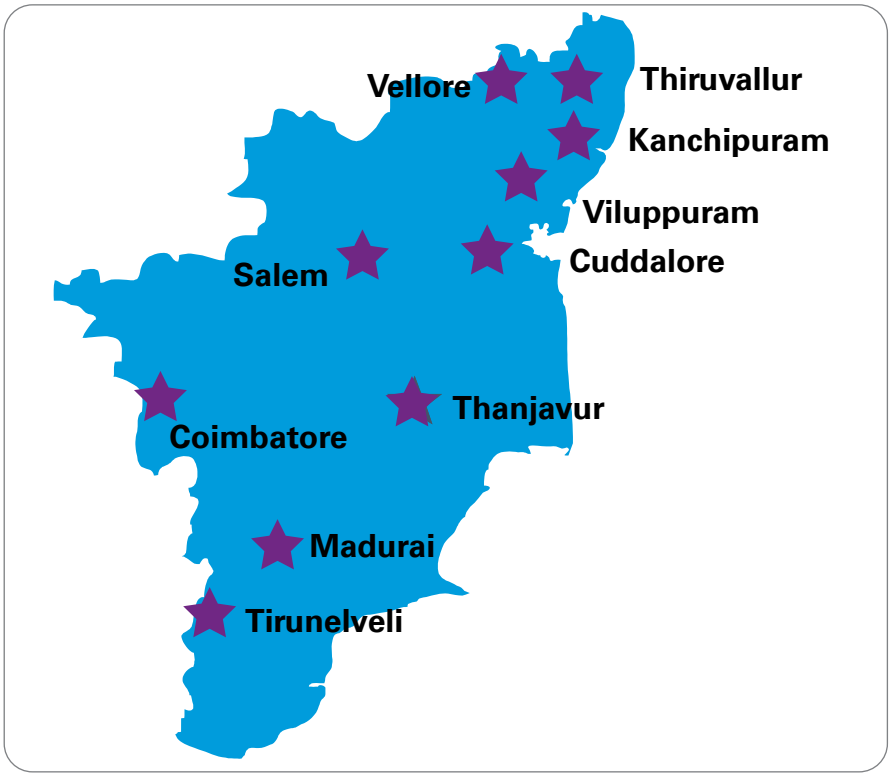
Microfinance industry plays a major role in achieving financial inclusion in India. Tamil Nadu is one of the largest contributors of Microfinance portfolio in India. It contributes to 15% of overall Microfinance portfolio of India.

Tamil Nadu has been a financial services hub for the Southern region with a long and impressive list of Banks, Insurance companies and NBFCs, some of them over a century old. These institutions have also played a key role in fostering financial inclusion particularly in MSME finance and Microfinance. Our skillsets, both financial and technological, work ethic and innate prudence, place Tamil Nadu at the forefront of the ongoing fintech and digital revolution. Enabling infrastructure and support for developing the financial city can help position TN as a regional hub for finance and further fintech collaboration to drive adoption of digital in financial services, which has become an imperative in the post COVID environment

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Microfinance Portfolio in Tamil Nadu – Top 10 districts (Dec 2019)



Tamil Nadu's portfolio outstanding in March 2020 stood at INR324 billion. This is growth of 32% as compared to March 2019 portfolio outstanding.[175]

NBFC-MFIs hold highest market share of 33% by Outstanding balances in Tamil Nadu followed by SFBs at 28%9. Top 10 Districts of Tamil Nadu contribute more than 50% to the state portfolio outstanding in December 2019.[176]

Average ticket size of Microfinance loans was INR33,262. 30+ Delinquency was at 1.38% while 90+ Delinquency was at 0.59% in Dec 2019.[177] Microfinance industry had been resilient during the pandemic and the collection efficiency across India had reached 85% at end of Sept 2020.[178]



Opportunities ahead

Existing Allied Ecosystem (Banks, NBFCs, Back offices and GICs), well connected physical infrastructure and availability of skilled quality manpower built through multiple educational institutions would help in positioning Chennai as a Global Financial center.

FinBlue which will function as a Centre of Excellence for Fintech firms had been launched in Chennai. This will service as an Incubator for Fintech start-ups specializing in Banking, Insurance, Wealth Advisory and Trading. These start-ups will be provided access to FinBlue sandbox including Core Banking software.[180]

MSME establishments account for 22% of all establishments in Tamil Nadu. According to NSS 73th Round censes, Tamil Nadu houses over 5 million MSMEs, 8% of all MSMEs in India. Fresh credit of INR89 billion was disbursed to Micro Enterprises in Tamil Nadu. This accounts for over 10% of all Fresh credit disbursement to Micro Enterprises across India. As of September 2020, MSMEs from Tamil Nadu had availed the second highest volume of loans disbursed under ECLGS Scheme. Over INR124 billion were disbursed to Tamil Nadu MSMEs.[181]

Tamil Nadu government has signed MOU with SIDBI to develop small businesses in the state by deploying a project management unit for training.[182] Growth in MSME Sector is expected to result in higher demand for MSME Credit Ecosystem.

Further, recent trends like UPI based payment, alternative credit models, business models like loan co-origination and shift of customer preference towards organised lending, are expected to channel the growth of Microfinance in a positive direction.

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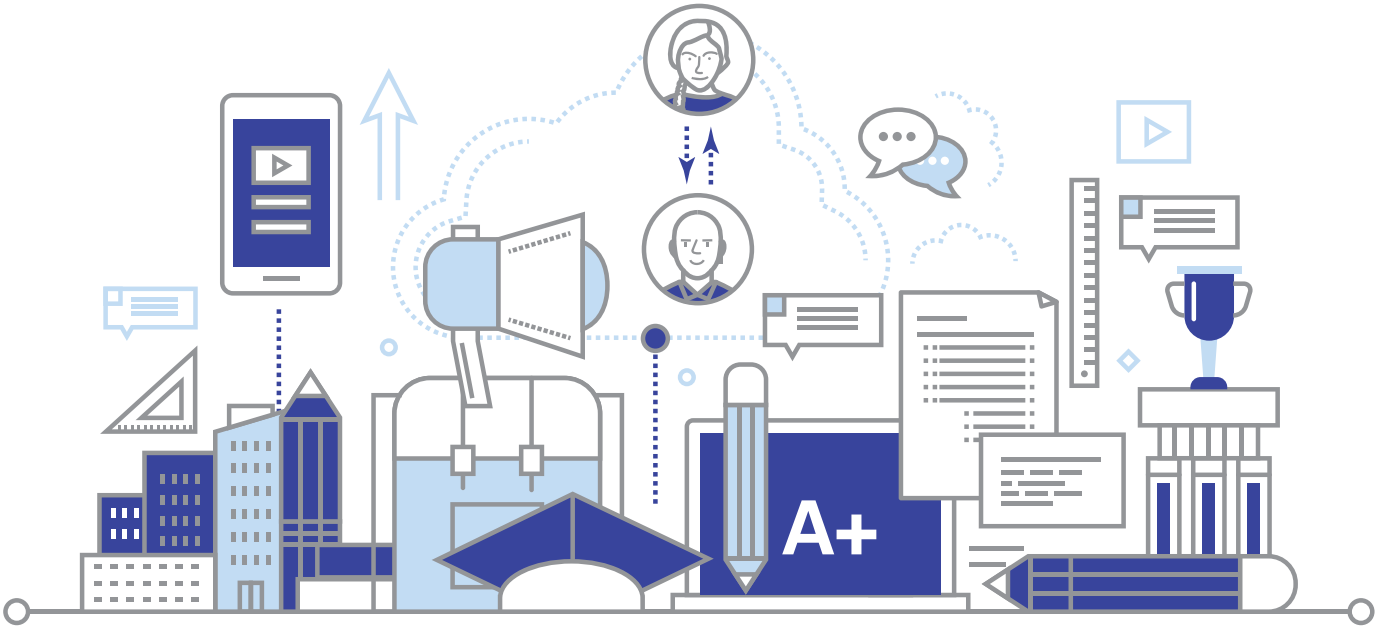
Education and skilling[183]

Tamil Nadu stands first in terms of providing access to school as per the Performance Grading Index published by the Ministry of Human Resource Development, Government of India. The net enrolment ratio at the primary education level is high at 99.88 per cent.[184] Tamil Nadu is among the leading states in the country in terms of transition rates to secondary and higher secondary education and one among the best performers in terms of Pupil Teacher Ratio as per the norms prescribed under the Right of Children to Free and Compulsory Education Act, 2009.

In higher education, with an overall GER of 49 per cent, Tamil Nadu ranks third among states and union territories in India and is much higher than the national average at 26.3 per cent.[185] With respect to rankings, the state has the highest representation in the country in NIRF rankings with 18 universities and 32 colleges featuring in top 100 in the respective categories in the 2020 rankings .

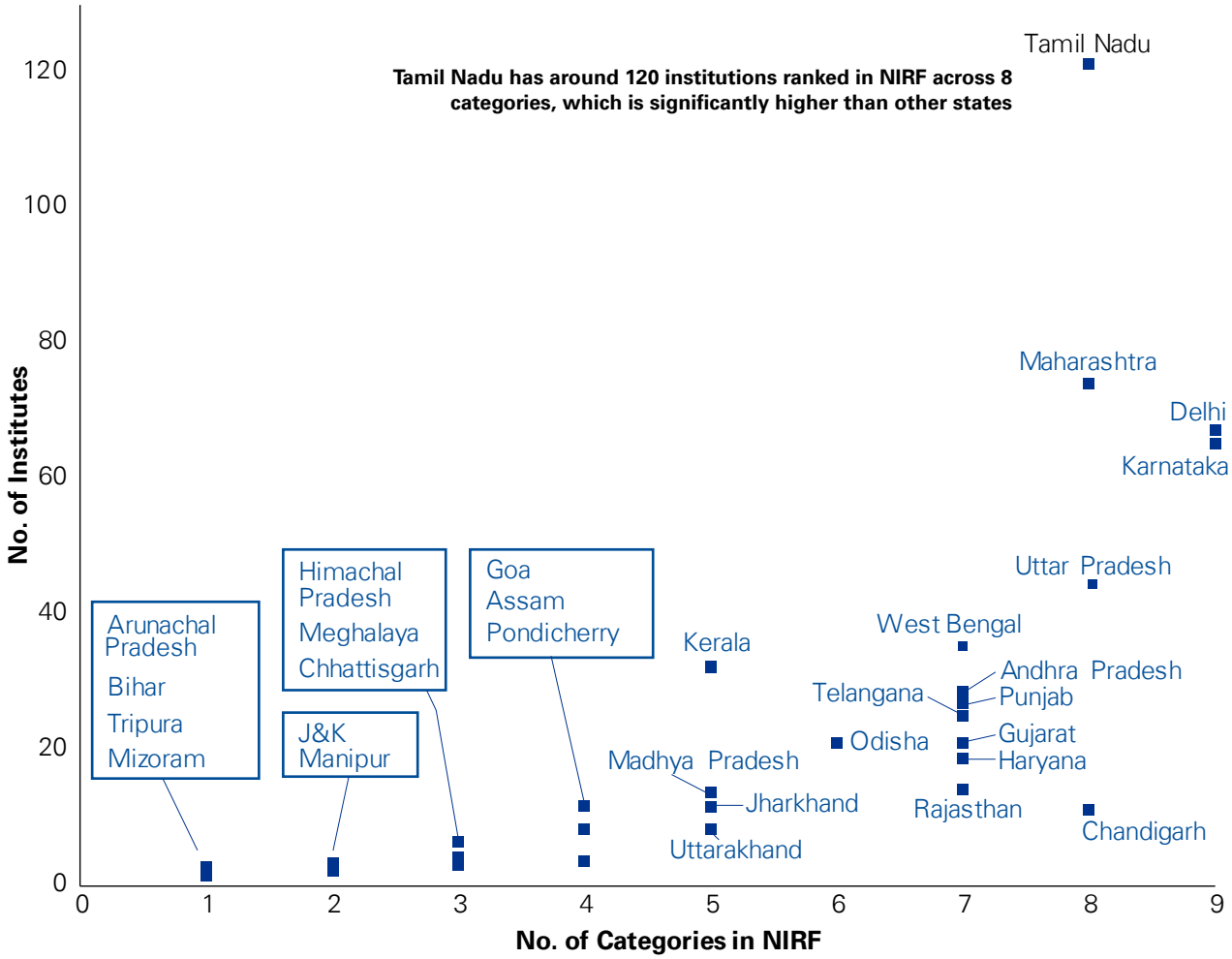
However, the state needs increased focus with regard to learning outcome achievement in school education, integration of vocational education in schools, improving institutional capacity around teacher and school leader recruitment and teacher training. In higher education, the state needs greater focus in improving equity and inclusion, improving the employability of its graduates and increasing the extent of its institutions in global rankings.

With respect to skill development, Tamil Nadu intends to invest INR15 trillion across six broad groups with a significant focus on developing Industrial & Commercial infrastructure (~11%). The total investment allocated to the aforementioned area is around INR1.6 trillion, which aims to build various industrial corridors, three large industry townships, aerospace and logistics park, a Petroleum, Chemical and Petrochemical Investment Region (PCPIR), and an Information Technology Investment Region (ITIR). Additionally, the Tamil Nadu vision 2023 clearly states its focus on skill development activities in order to make Tamil Nadu a hub for knowledge.



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No. of institutes vis-à-vis no. of categories represented in NIRF 2020 by various states



The plot does not include 2 states (Sikkim, Nagaland) and 5 UTs (Andaman & Nicobar Island, Dadar & Nagar Havelli, Daman & Diu, Ladakh and Lakshadweep) that do not have representation in the NIRF ranking

The State also plans to invest INR140 billion for skill development and setting up Centres of Excellence (COE) across 11 identified areas.[187] The COEs shall promote innovative initiatives including research & development, faculty development, curriculum development, etc., in addition to imparting specialized skills training for the sectors concerned.

Against the above, some of the key challenges the State is facing with respect to skill development are lack of convergence of skill development initiatives across various departments, low interface between local industries and training institutes, limited efforts and investments in backward districts for skilling and upskilling of workforce, declining participation of women in economic activities and lack of awareness amongst youth on opportunities outside public sector employment.

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Opportunities ahead

The state presents several opportunities in school and higher education:

- Rollout of vocational subjects across all schools in Tamil Nadu, providing opportunities for enhanced private participation
- Targeted interventions to enhance learning outcomes such as through Personalised adaptive learning (PAL) and other large-scale technology interventions
- State-wide employability enhancement mission targeting higher education institutions, providing opportunities to industry participation in higher education
- Rise in enrolments through online and distance learning modes, providing opportunities for enhanced private participation
- Collaboration opportunity for technology providers in areas of blockchain, AI, predictive analytics with increased emphasis on monitoring and data-driven decision making, as well as system-wide ICT transformation.

In skill development, with a focus on training and skilling 20 million people by 2023,[188] the state presents several opportunities:

- Opportunities for industries to set up apex centres of excellences to impart sector-focused specialised training
- Bringing focus to previously underserved categories such as women, PWD, and marginalized communities to promote inclusivity as a key requirement
- Strengthening traditional industrial clusters – key drivers of GSDP
- Integrating skills with school and higher education as per the New Education Policy 2020
- Technology-led skill education incorporating aspects such as gamification, simulative learning, AR/VR, mixed reality.

The COVID-19 pandemic put a spotlight on the critical nature of schools and education and on the necessity to safeguard education systems for the future pandemic. It has severely impacted the education sector, accelerating the shift to digital-learning models as educational institutes remain closed in the wake of the virus outbreak.

The popularity of tech-enabled learning solutions in the Indian education system is only going to accelerate further as educational institutions, teachers, parents and governments become increasingly willing to adopt technology in this domain. This digital shift will entail investments in infrastructure, upskilling of teachers and realignment of content.



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7. Windows of opportunity

Tamil Nadu continues to remain a preferred investment destination, attributed to its continuous and strategic enhancements to land and labour, infrastructure, economic climate, governance, and business facilitations.

To continue flourishing on the growth trajectory and remain a promising destination for global and domestic investors, policy stability, transparency and business reforms are imperative to improve its "ease of doing business" rankings.

Tamil Nadu can play a crucial role in national-level initiatives such as the Atmanirbhar Bharat Abhiyaan, supported by its long coastline, integrated infrastructure and skilled workforce. This will enable it to respond to changes and challenges, while leveraging opportunities arising from them. Traditional manufacturing sectors such as automobiles, textiles, pharmaceuticals, chemicals, along with new focus emerging sectors such as aerospace & defence, electrical vehicles, electronics with newly released dedicated sector policies, could witness growth with focus on greater self-reliance.

Amongst its priorities, the state is also laying focus on strengthening its infrastructure with a strong project pipeline to build on the Infrastructure Vision 2025 and National Infrastructure Pipeline. The State is expected to witness initiatives on urban planning & development, coast-led industrial corridors and clusters, and strengthening of agro-based industries and rural infrastructure.

Tamil Nadu has also been witnessing a surge in services sector. Apart from being hub for large IT/ITeS companies, in recent times, there has been growth in establishment of Global Capability Centers (GCC) in the state. With a strong talent reservoir, innovation ecosystem, robust infrastructure and digital capabilities, Tamil Nadu is well-positioned to continue to attract GCC innovation centers, especially in the post COVID-19 era.

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The state also needs to ensure ample employment opportunities, suited for its burgeoning, young, entrepreneurial and highly-skilled workforce. Alongside, as more workers are upskilled and re-skilled, it will have to ensure adequate supply of industrial workers.

As the world transitions towards green mobility and becomes increasingly automated, global trends such as Industry 4.0, electric vehicles and telemedicine/ digital health should offer new opportunities.

Finally, with the new normal settling in and the realignment of global supply chains continuing post-pandemic, Tamil Nadu will not only compete with other Indian states, but also with cost-efficient economies in Asia and Africa.

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