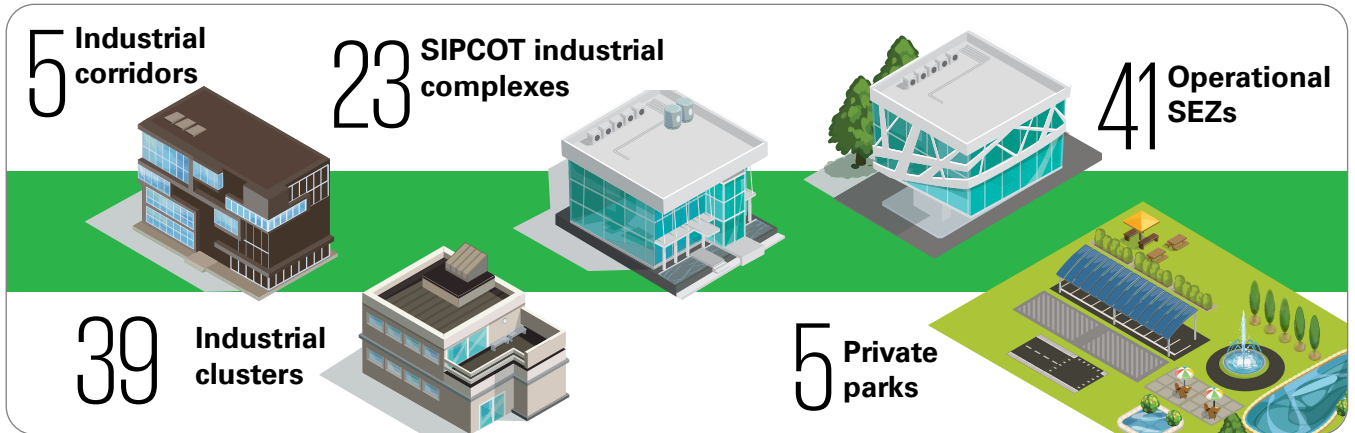


Well-developed industrial infrastructure

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

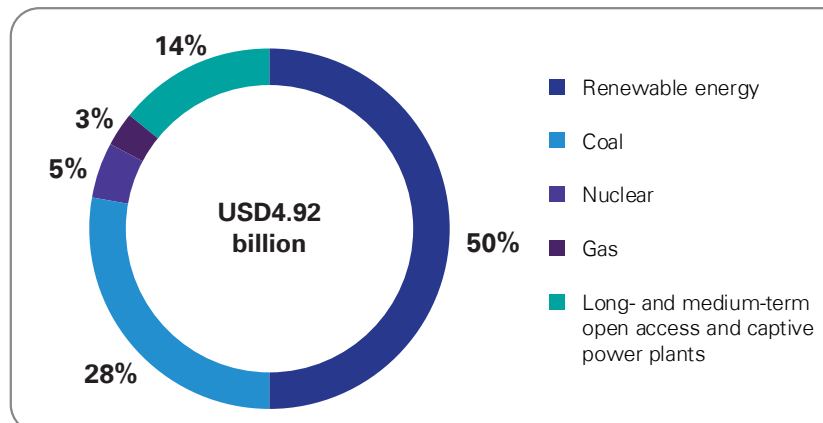
Tamil Nadu has a strong industrial ecosystem of nearly 4.95 million MSMEs⁴⁷ in engineering, auto components, textiles, gold jewellery, power, and steel domains. The Small Industries Development Bank of India (SIDBI) has signed a Memorandum of

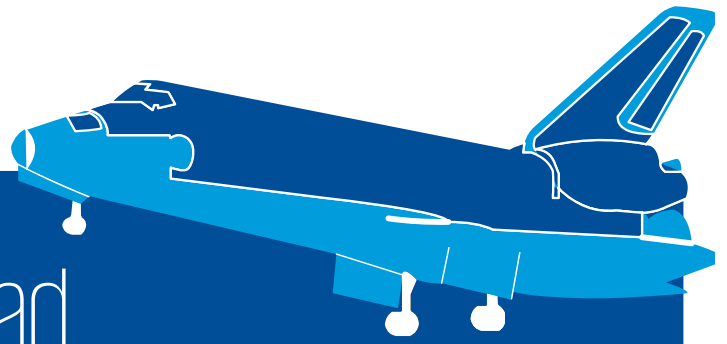
Understanding (MoU) with the state in November 2020⁴⁸ to develop capacity-building programmes in areas such as technology transfer, intellectual property rights and research and development, among others.

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 GW⁴² 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 India⁴³





Opportunities ahead

Tamil Nadu aims to acquire a 30 per cent share of India's defence sector, create high-end employment for 100,000 people⁹² 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 Excellence⁹⁶ 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 million⁹⁷ 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

