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## THE TELANGANA INDUSTRIAL POLICY - A SINGLE WINDOW WITHOUT GRILLS

**Sudheendhra Putty**, Ph.D. scholar, Department of Corporate Secretaryship, Alagappa University, Karaikudi, Tamilnadu

**Dr. V. Balachandran**, Registrar and Professor, Faculty of Management, Alagappa University, Karaikudi, Tamilnadu

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**Abstract:** *Industrial policy is a statement which defines governmental role in industrial development; a statement of objectives in the area of industrial development and the measures to be adopted to realize them, including rapid and balanced regional development. It lays down rules and procedures that govern the growth and pattern of industrial activity. The state of Telangana, has released Industrial Policy 2015. A vision document - it seeks to maximize growth opportunities, create jobs, promote development of backward areas, harness the talents/skills of the people and usher in prosperity to every household. Industrialization holds the potential to fulfilling the dreams and aspirations of the people of Telangana. The industrial policy has as its ethos – Research to innovation, innovation to industry and industry to prosperity – effectively encapsulating the development life cycle. The policy is driven by the mantra of innovate, incubate and incorporate. The policy assures minimum inspection and maximum facilitation and comes across as a whiff of fresh air promise as it does to make law and regulation an enabler, a catalyst and a facilitator. The policy and the laws that go with it come across as a harbinger that will ensconce the state on the growth trajectory with sagacious professional counsel. An attempt is made in this article to highlight the key features and importance of the Telangana industrial policy.*

**Keywords:** *Industrial policy, Industrialization, catalyst, facilitator, ethos, innovation, harbinger, trajectory*

### INTRODUCTION

Industrial policy is a statement which defines governmental role in industrial development; a statement of objectives in the area of industrial development and the measures to be adopted to realize them, including rapid and balanced regional development. It lays down rules and procedures that govern the growth and pattern of industrial activity. The newest state in the Indian Union, the state of Telangana, has released the Industrial Policy 2015. A vision document - it seeks to maximize growth opportunities, create jobs, promote



development of backward areas, harness the talents/skills of the people and usher in prosperity to every household. Industrialization holds the potential to fulfilling the dreams and aspirations of the people of Telangana. The industrial policy has as its ethos – “Research to innovation, innovation to industry and industry to prosperity” – effectively encapsulating the development life cycle. The policy is driven by the mantra of ‘innovate, incubate and incorporate’.

The policy framework that has set out with magnificent objectives is rooted to ground realities. Shorn of rhetoric and rich in substance, the policy seeks to provide a regulatory framework that will facilitate industrial growth, enable entrepreneurs to flourish in a peaceful, secure and progressive business environment, promote employment generation, facilitate inclusive growth and be sustainable to all stakeholders, including the environment and society. The policy assures minimum inspection and maximum facilitation and comes across as a whiff of fresh air promise as it does to make law and regulation an enabler, a catalyst and a facilitator. The policy and the laws that go with it come across as a harbinger that will ensconce the state on the growth trajectory. An attempt is made in this article to highlight the key features and importance of the Telangana industrial policy.

### **CORE VALUES OF THE INDUSTRIAL POLICY**

The Telangana State Industrial Policy is rooted in certain core values. These are as follows:

- The government regulatory framework will facilitate industrial growth
- Entrepreneurs thrive in a peaceful, secure and progressive business regulatory environment
- Industrial development will lead to massive creation of jobs benefitting local youth
- Industrialization must be inclusive and facilitate social equality
- Benefits of industrialization must reach marginal and socially disadvantaged sections of the state
- Environment must be protected and any potential impacts must be mitigated.

A cursory reading of the core values reveals that the policy aims at holistic development and is not myopic in its overview. It looks to ensure sustainable development for all stakeholders in the state. This is laudable as it looks to steer the path away from the staid ‘robbing Peter to pay Paul’ principle.



## **FOCUS ON MANUFACTURING SECTORS**

The policy provides a framework that not only stabilizes and makes existing industries more competitive, but will also help attract and realize new international and national investments in the industrial sector. The focus of the policy is on core manufacturing sector; this is expected to lead to the production of high quality goods at the most competitive prices. The said focus is also in consonance with the 'Make in India' policy of the central government. Thus, 'Make in Telangana – Make in India' would emerge as a brand with immense global recognition. The corner stone of the policy has been zero graft and zero tolerance to corruption. The decision making in all the Telangana state departments will be made transparent and departmental heads made responsible for all acts of commission and omission by the departmental staff.

The renewed emphasis on manufacturing sector is welcome. History is replete with instances where vibrant and flourishing economies floundered only because they ignored their core strength of manufacturing. England is great example of this. The epitome of industrial revolution a few centuries ago, it is today a shadow of its great self. One of the compelling reasons has been ignoring the manufacturing sector. Closer home, the excessive thrust provided to service sector has severely jeopardized the growth of manufacturing sector. In this milieu, it is extremely heartening to note the importance provided by the Policy to manufacturing sector.

## **THRUST AREAS AND CORE SECTORS**

As a precursor to the launch of the policy, the Telangana Government conducted detailed studies and consulted experts to identify the competitive advantages that the State can have, given its geographical location, available resources and skill-base, raw material availability, existing manufacturing practices, and expertise, thus opening up new opportunities. Accordingly and based on the outcome of its aforesaid studies, the Telangana State Government has recognized the following 14 sectors as thrust areas; investments in which will be accorded a higher priority over others.

- Life sciences – including bulk drugs, formulations, vaccines, nutraceuticals, biologicals, incubation centres, R&D facilities, and medical equipment
- IT hardware including bio-medical devices, electronics, cellular communication
- Precision engineering including aviation, aerospace and defence



- Food processing and nutrition products, including dairy, poultry, meat and fisheries
- Automobiles, transport vehicles, auto components, tractors and farm equipment
- Textiles and apparel, leather and leather value added products like shoes, purses, bags, artificial material-infused and coated textiles, paper and paper products
- Plastics and polymers, chemicals and petro chemicals, glass and ceramics
- FMCG and domestic appliances
- Engineering and capital goods, including castings, foundry and ferro alloys and other metallurgical industries
- Gems and jewellery
- Waste management and green technologies
- Renewable energy and solar parks
- Mineral based and wood based industries
- Transportation/logistics hub/inland port/container depot.

Each of the above thrust areas will have its own sectoral policy and a structure of incentives. High level advisory panels with private sector and academia experts will be constituted for each of the sectors. An interdepartmental task force for each sector chaired by Special Chief Secretary/Principal Secretary of the Industries and Commerce Department will also be in place to achieve the required coordination.

### **CLASSIFICATION OF PROJECTS**

The classification of projects into large, medium, small and micro sectors will be based on the Government of India MSME definitions as amended from time to time. However, the definition of a mega project is a Telangana state determined one. The classification has been made as follows:

*Mega Projects* – having investment of above Rs. 200 crores in plant and machinery or providing employment to more than 1000 persons

*Other large projects* – having investment between Rs. 10 crores and Rs. 200 crores in plant and machinery

*Medium industries* - having investment between Rs. 5 crores and Rs. 10 crores in plant and machinery

*Small industries* - having investment between Rs. 25 lakhs and Rs. 5 crores in plant and machinery



*Micro enterprises* - having investment of less than Rs. 25 lakhs in plant and machinery.

The policy also has special focus on the following areas:

- SMEs/Micro industries
- Ancillary/vendor development
- Preventing sickness among SMEs
- Special assistance to women entrepreneurs
- Special support for SC/ST entrepreneurs

### **LAND ALLOTMENT, ACQUISITION AND RELATED MATTERS**

In addition, the policy is bulwarked in the idea of marketing brand Telangana by creation of an industrial land bank (around 20 lakh acres have been identified as being unfit for cultivation across the state), developing the infrastructure by providing connectivity, industrial water, industrial power and augmenting internal infrastructure. It is noteworthy that it would be the responsibility of Telangana State Industrial Infrastructure Corporation (TSIIC) to obtain all basic statutory clearances for these Industrial Parks from the appropriate authorities like Land Conversion, Land Use, Layout Approval and Environmental Clearance from Ministry of Environment & Forests, Government of India so that the industrial units need not obtain individual clearances.

The policy envisages extending support and guidance and facilitating in the land allotment process, land acquisition process and industrial development on private lands. Every Industrial Park will have some number of plots earmarked for Common Facilities like Electricity Sub-stations, Police Outposts, Fire Stations, e-seva Centres, Banks, Petrol Stations, canteens, local shopping, etc. These will be allotted to government agencies concerned or private parties in an objective and transparent manner by following defined criterion. This again helps in curbing travel and skewed development.

### **INDUSTRIAL TOWNSHIPS**

As part of the master plan for the sector specific industrial parks to be developed by TSIIC, provision for mini-industrial townships will be made. The townships will contain executive housing, workers housing, social infrastructure and other amenities. This township development can be initiated by the TSIIC in partnership with established industry groups who have the competence in this field and also other reputed real estate companies. Further, in the vicinity of industrial parks, lands will be zoned as Residential, to enable the



private sector to also develop housing for the industrial employees. Separate norms and incentives for the township development will be released as a part of State's urban development policy.

## **TRADITIONAL ARTS AND CRAFTS**

The State of Telangana has a number of internationally recognized forms of traditional arts and handicrafts. These are handicrafts like Nirmal Paintings, Dokra metal work, Bidri ware, Pembarthy Brass ware as well as textiles like Pochampally Ikat, Gadwal saris and Warangal carpets. A number of artisans and craft-persons continue to live on the production of these arts and handicrafts, but their income levels are declining. To improve the productivity and incomes in this sector, the Government of Telangana intends to take a number of actions, including:

- Identification and documentation of arts and crafts
- Cluster approach for specific arts and crafts
- Technology upgrading and design support centres
- Skill upgradation and quality improvement
- Common facility centres
- IP and GI registration support
- Niche product development
- Marketing assistance and marketing events participation

## **INDUSTRIAL INCENTIVES**

The Telangana State Government is committed to encourage the process of industrialization by making various kinds of incentives available to the entrepreneurs. The Telangana State Government also assures an entrepreneur-friendly and graft-free regime of disbursing the incentives. The Telangana State Government guarantees that the incentives will be released on time, and direct to the bank account. There will be a transparent online application system, with minimum human interface. This is also in sync with the Central Government's initiatives to promote technology use in day-to-day activities.

There will be enhanced incentive packages for Scheduled Castes, Scheduled Tribes, physically handicapped, and women entrepreneurs. Mega Projects with an investment of over Rs.200 crores in plant and machinery or employment above 1000 persons will receive tailor-made incentives in addition to standard large category industry incentives. The



Telangana State Government will consider providing incentives to the entrepreneurs in the following areas under its T-IDEA (Telangana State Industrial Development and Entrepreneur Advancement) incentive scheme:

- Stamp duty reimbursement
- Land cost rebate
- Land conversion cost
- Power cost reimbursement
- Investment subsidy
- VAT reimbursement
- Interest subsidy
- Seed capital for 1st generation entrepreneur
- Training and skill development cost reimbursement
- Quality/patent support
- Clean production measures
- Reimbursement of infrastructure development costs

Details of general and sector-specific incentives will be issued through Government Orders from time to time and publicized on the website and through other means. While providing incentives to future industries, the Government will also ensure that the existing industries are also benefited.

### **RATIONALISATION OF TAXES**

A sound industrial policy has to ensure that the State taxation structure is conducive to industrial growth and State financial resource augmentation. Distortions in the tax structure leads to evasion of taxes and clandestine transport of industrial inputs and outputs to neighbouring states, which may have advantageous tax rates. To address this problem, inter-state tax rationalization on industrial inputs and outputs with neighbouring states like Karnataka, Maharashtra, Gujarat and Tamil Nadu will be brought out within a short span of time.

### **REVIEW OF ALL LAWS IMPACTING INDUSTRY**

It is common knowledge that a number of laws and rules that impact industry and industrialization are otiose. For example, the Indian Boilers Act is of 1923 and the Indian Boilers Rules is from the year 1950. The Indian Factories Act is from the year 1948. The



Electrical Inspector implements the provisions of the Indian Electricity Rules 1956. The Government of India has also announced its intention to review all legislation, and either remove from the books or completely revise these archaic laws.

On its part, the Telangana State Government will also review the laws and rules on its books and either remove or completely revise these archaic laws that are within the competence of the Telangana State Government. Professional institutes like the Institute of Company Secretaries of India have a role to play here in partnering with the government. Professional inputs and support will help the government regulate aptly and also balance the entrepreneurs business interests without scuttling them in too many bottlenecks.

### **CENTRAL GOVERNMENT INCENTIVES**

As per Section 94 (1) of the Andhra Pradesh Reorganization Act 2014, the Central Government shall take appropriate fiscal measures, including offer of tax incentives to the successor States, to promote industrialization and economic growth in both the States.

- 100% central excise benefit for 5 (or more) years
- 100% income tax benefit for 5 years; 30% for the next 5 years
- Other investment subsidy benefits

The government will pass on these benefits to the entrepreneurs once they get notified by the Government of India.

### **INDUSTRIAL CORRIDORS**

The presence of important national and state highways, coupled with the availability of resources and opportunities, provides a great potential for development of industrial corridors in the state along these roadways. The corridors will be modeled after Special Investment Zones like the DMIC or the PCPIR. While the available government lands will be utilized to spark industrial activities in the corridor, the privately held lands will also be regulated through special zoning regulations so that the desired growth of industries and support facilities can materialize.

The Telangana State Government will take up the development of industrial corridors on roadways linking Hyderabad to Warangal on a priority basis. Subsequently, other corridors will also be identified on similar lines and detailed studies will be conducted to prepare the Master Plan for each corridor. Ultimately, each district headquarters of the State will be connected by high speed rail and road network.





The intention would be to create at least 2 core sector-specific industrial parks for each sector. This will ensure that the benefits of industrialization will reach every district of the State, which will have 2 or more industrial parks. In addition, district-wise industry potential plans at the MSME level will be prepared, utilizing the natural resources available in each district. These sector specific industrial parks will be located in the influence areas of the industrial corridors.

### **INITIAL SET OF SPECIFIC INITIATIVES**

- New pharma city and chemical city with well-developed infrastructure including waste management
- Development of Hyderabad-Warangal industrial corridor
- Development of Warangal as the textile hub of Telangana
- Food processing and seed production initiatives
- Mini industrial townships along with industrial park
- Direct loan facilitation to Dalit entrepreneurs
- Creation of venture capital/angel fund
- Interstate VAT rationalization on industrial inputs and outputs
- Review and reform of all age old industry sector regulations including labour laws

### **THE TELANGANA STATE INDUSTRIAL PROJECT APPROVAL AND SELF CERTIFICATION SYSTEM (TS-IPASS) ACT, 2014**

A key and vital cog that would promote the rapid industrialization of the state is providing a suitable legal framework that facilitates and encourages business. To this end, the government has passed the Telangana State Industrial Project Approval and Self Certification System (TS-IPASS) Act, 2014 ('Act'). As its preamble aptly says, it is an Act to "provide speedy processing for issue of various licences, clearances and certificates required for setting up of industrial undertakings for the promotion of industrial development and also to provide for an investor friendly environment in the state of Telangana and for matters connected therewith or incidental thereto."

The Act states that it is expedient to provide for speedy implementation of industrial and other projects in the State, by providing single point clearances to promoters and to ensure early commercial production of such projects.



## **SALIENT FEATURES OF THE ACT**

The Act envisages the following key features to achieve its avowed objects:

- Combined application form
- Application forms to be submitted to the nodal agency of the appropriate committee
- Self certification by the entrepreneur for the purpose of issue and grant of clearance as applicable
- Time limits to be prescribed for processing of application forms
- List of deemed approvals to be prescribed and information of deemed approvals
- Overriding effect of the Act

## **CONCLUSION**

The new Industrial Policy brought out by the Government of Telangana promises to revolutionize the way industrial sector has been viewed by successive governments in this country. A day is not far when the new Industrial Policy of Telangana will shine as an exemplar among the best in the world. “Innovate in Telangana, Invest in Telangana, Incorporate in Telangana” will become the motto of industrialization in the new State. It is strongly believed that with the new Industrial Policy in place, a growth rate of 4-5% greater than the national growth rate in the Manufacturing Sector can be achieved. Professionals and professional institutes have a role to play in ensuring that this dream is transformed into reality very soon.

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