



ABSTRACT

Industries, IP & C – Implementation of the Tamil Nadu Aerospace & Defence Industrial Policy, 2022 - Orders – Issued.

Industries, Investment Promotion and Commerce (MIE.1) Department

G.O.(Ms)No.225

Dated 11.11.2022

சுபகிருது வருடம், ஐப்பசி-25

திருவள்ளூர் ஆண்டு-2053

Read:

1. Government Letter No.5117/MIE1/2021-1&2, dated 29.09.2021 and 25.10.2021.
2. Email from the Project Director, TIDCO, dated 15.12.2021.
3. Government Letter No.5117/MIE1/2021-3, dated 28.12.2021.
4. Email from the Project Director, TIDCO, dated 03.01.2022.
5. Government D.O. Letter No.5117/MIE1/2021-4, dated 02.03.2022.

ORDER:

To be in pace with the changes that occurred in the Aerospace and Defence sector for the past 2 years, during the Industries Demand for the year 2021-2022, the Hon'ble Minister has announced that the revised Tamil Nadu Aerospace and Defence Industrial Policy will be released to attract new investments in the Aerospace and Defence sector.

2. The draft Aerospace & Defence Policy has been prepared after consultation with the related Departments / Agencies. The policy envisions to make Tamil Nadu the preferred destination to invest, innovate and create products and services in the Aerospace and Defence sector.

3. The Government hereby orders the implementation of the "Tamil Nadu Aerospace and Defence Industrial Policy, 2022", a copy of which is attached to this Order as Annexure-I.

4. Guidance shall provide facilitation for all A&D projects. FaMe TN would facilitate MSME units. State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) is mandated to act as the disbursal agency of various incentives listed out in this Policy for all project categories except MSME. For MSME, Industries Commissioner and Director of Industries and Commerce (ICDIC), Government of Tamil Nadu would act as the disbursal agency. Inter Departmental Committee (IDC) constituted under Tamil Nadu Industrial Policy (TNIP) 2021 will be the recommendatory body for special incentives. Standard investment period, district category, Eligible Fixed Assets (EFA) etc. are as defined in TNIP 2021.

5. This policy supersedes the Tamil Nadu Aerospace and Defence Policy 2019 and would be valid till the issue of the next revision by the Tamil Nadu Government or for a period of 4 years upto 31st March, 2026 whichever is earlier.

(BY ORDER OF THE GOVERNOR)

S. KRISHNAN

ADDITIONAL CHIEF SECRETARY TO GOVERNMENT

To

All Secretaries to Government, Chennai – 9.

The Managing Director,
TIDCO, 19-A, Rukmini Lakshmi pathy Road, Egmore, Chennai – 8

The Managing Director,
SIPCOT, 19-A, Rukmini Lakshmi pathy Road, Egmore, Chennai – 8.

The Industries Commissioner & Director of
Industries and Commerce, Chennai – 32

The Managing Director, TANSIDCO, Guindy, Chennai - 32

The Principal Secretary / Commissioner of
Commercial Taxes, Chennai – 5

The Principal Secretary/Chairman &
Managing Director, TANGEDGO, Chennai – 2

The Chairperson, Tamil Nadu Pollution Control Board, Chennai – 32

The Managing Director & Chief Executive Officer,
Guidance Tamil Nadu, Prestige Polygon, 11th floor,
No.471, Anna Salai, Teynampet, Chennai – 600 035.

The Inspector General of Registration, Chennai-28

The Member Secretary, Chennai Metropolitan Development
Authority (CMDA), Chennai – 8

The Commissioner, Town & Country Planning, Chennai – 2

The Director of Employment & Training, Chennai – 32

The Managing Director, Tamil Nadu Skill Development
Corporation, (TNSDC), Chennai – 32

Copy to:

The Chief Minister's Office, Chennai – 9

The Senior P.A. to Hon'ble Minister (Industries), Chennai – 9

The Private Secretary to Chief Secretary to Government, Chennai-9

The Public (SC) Department, Chennai-9.

The Industries, IP&C (MIA/MIB/MIC/MID/MIG/MIF/GIM/Budget/OP.II) Department,
Chennai-9.

SF/SCs.

// FORWARDED/BY ORDER //

S. Krishnan
SECTION OFFICER
11/11/22



TAMIL NADU AEROSPACE AND DEFENCE INDUSTRIAL POLICY 2022





GOVERNMENT OF TAMIL NADU

**TAMIL NADU
AEROSPACE & DEFENCE INDUSTRIAL
POLICY
2022**

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1

Preamble

1. PREAMBLE

Tamil Nadu is India's industrial powerhouse with a strong and diverse industrial base. It has the highest number of factories and industrial workers in the country and is a leader in terms of industrial output. Tamil Nadu has a highly developed industrial eco-system and is very strong in sectors like automobiles and auto-components, textiles, leather products, light and heavy engineering, pumps and motors, electronic software and hardware. The Government of Tamil Nadu is determined to further accelerate the geographically balanced and environmentally sustainable industrialization of the State and to foray into more technologically complex sectors like aerospace and defence manufacturing.

The Indian Aerospace & Defence (A & D) industry is rapidly progressing and evolving as a global player, fuelled by increasing defence spend and booming commercial aviation. The strong growth potential of the Indian Aerospace & Defence industry is an important driver for attracting Original Equipment Manufacturers (OEMs) and global manufacturers to India. With the announcement of Tamil Nadu Defence Industrial Corridor coupled with highly skilled human resources, various investor-friendly initiatives and conducive business climate, Tamil Nadu is all set to emerge as the key destination for the global Aerospace & Defence industry to position their manufacturing base by virtue of its multi-lateral strengths.

2

Vision, Mission and Goal

2. VISION AND MISSION

2.1 Vision

To make Tamil Nadu the preferred destination to invest, innovate and create products and services in the Aerospace and Defence sector.

2.2 Mission

- Creating a robust, world-class, high technology and efficient Aerospace & Defence (A&D) manufacturing ecosystem.
- Attracting global OEMs and Tier-1 suppliers and Indian majors as anchor units in the State by providing the required facilitation and support.
- Fostering the innovation ecosystem focussing on the Aerospace & Defence sector by developing innovation centres and start-up hubs, to make Tamil Nadu the foremost innovation hub of India.
- Fostering the growth of companies in Tamil Nadu that support India's self-reliance vision in Aerospace and Defence.
- Channelizing the State's strengths in automobile, electronics, precision manufacturing, heavy engineering, textiles, and related sectors to support the evolution of the A&D ecosystem.

2.3 Goal

- Attracting investments to the tune of INR 75,000 Crore (USD 10 Bn)¹ over a period of 10 years.
- Creating direct & indirect employment prospects for nearly 1 lakh (0.1 million) persons in 10 years.

¹ USD/INR FX Rate of 75 has been used in this Policy for reference. For values cited in the Policy or in case of any discrepancy, the amount quoted in Indian Rupees shall prevail

2.4 SCOPE OF THE POLICY

This policy would be applicable to all enterprises engaged in the following classifications as defined in the National Industrial Classification (NIC):

- a) Manufacturing of goods under Section C - groups 252, 303 and 304.
- b) Manufacturing of goods of all other groups of Section C pertaining to Aerospace and Defence Sector
- c) Research and Development on natural science and engineering (Section M, Group 721 and 741) pertaining to Aerospace and Defence sector
- d) Activities under Section J, Division 61, 62 and 63 pertaining to Aerospace and Defence
- e) Any other activities under NIC as notified from time to time by Government of Tamil Nadu/Tamil Nadu Industrial Development Corporation

This policy supersedes the Tamil Nadu Aerospace and Defence Policy 2019 and would be valid till the issue of the next revision by the Tamil Nadu Government or for a period of 4 years up to 31 Mar 2026, whichever is earlier. This policy is to be read in conjunction with the prevailing Tamil Nadu Industrial Policy. If there is a difference between this policy and the Tamil Nadu Industrial Policy, unless specifically mentioned otherwise, the Tamil Nadu Industrial Policy should be deemed as relevant.

3

Advantage - Tamil Nadu

3. ADVANTAGE-TAMIL NADU

Tamil Nadu's Exceptional Strengths

- Tamil Nadu has a large and diversified manufacturing and industrial base, ranking first in the country in terms of the number of factories. It has been consistently ranked as one of the best-administered States in the country.
- Government of Tamil Nadu organisations like State Industries Promotion Corporation of Tamil Nadu Ltd (SIPCOT), Tamil Nadu Industrial Development Corporation (TIDCO), Electronics Corporation of Tamil Nadu (ELCOT) and Small Industries Corporation of Tamil Nadu (SIDCO) have created Industrial Parks, SEZs, Logistics Parks, etc. in a plug-and-play mode in order to create a superior industrial infrastructure. These agencies have encouraged a large number of private players to create similar facilities. The State has the highest number of operating industries in the country is the second largest contributor to the national GDP and is third in terms of cumulative FDI flows. It has been consistently maintaining a higher growth rate than the national average.
- Tamil Nadu is home to several government and private establishments that make a significant contribution to the A&D sector of the country. Some of the notable industries include Heavy Vehicles Factory (HVF), Ordnance Clothing Factory (OCF), Engine Factory Avadi (EFA), Combat Vehicles Research & Development Establishment (CVRDE), Ordnance Factory Trichy (OFT), Heavy Alloy Penetrator Project (HAPP), The Cordite Factory, Taneja Aerospace, Titan Engineering and Automation Ltd, AVTEC Ltd, AxleTech, Caterpillar, Delta Electronics, Salem Steel Plant, JSW Steels, TVS Defence, Data Patterns, Ashok Leyland, MRF Ltd, HCL Technologies, Ramco Systems, Rane Brake Linings, LMW Ltd, L&T Defence, Roots Industries, Pricol, MAK+Air, LGB, Chakradhara Aerospace, L&T MBDA, Elgi-Sauer, Eaton Aerospace, Air Works, Micro-

Tech CNC, Dynaspede Integrated Systems Ltd, Magtorq Systems and CUMI Ltd to name a few.

- Several startups like Agnikul Kosmos, Garuda Aerospace, GalaxEye, Big Bang Boom Technologies, the ePlane Company, India and Big Cat Wireless are based in Tamil Nadu, with the list expanding by the day. The State has the largest auto-clusters in India. It is a preferred choice of over 350 large auto components manufacturers, accounting for more than 48% of India's automobile exports and contributing 34% to the nation's automobile components export. Tamil Nadu is, so far, the only State to attract 7 automobile giants-Ford, Hyundai, Mitsubishi, Daimler, Nissan, Renault and BMW, BYD and Switch.
- Tamil Nadu is the 2nd largest manufacturer of electronic hardware in India. Some of the Fortune 500 companies that have set up manufacturing facilities in the State include Motorola, Dell-EMC, Samsung, Foxconn, Sanmina-SCI, Flex, Nokia, BYD and Siemens besides several component suppliers.
- Tamil Nadu is a developed State with the maximum urbanisation (48%), the highest Gross Enrollment Ratio in Higher Education (51.4 %)² and a very high literacy rate of 80%. The State with nearly 2610 education institutions, produces the maximum number of graduates and postgraduates in engineering and technical education in the country.
- The State is one of Asia's most preferred investor destinations anchoring 9% of FDI in India since 2000.
- Tamil Nadu turns out the largest number of skilled manpower in India every year. Tamil Nadu is a pioneer in promoting technical education in the private sector with the highest concentration of top educational

² AISHE Report 2019-2020

institutions. The State has 59 Universities, 455 Engineering Colleges, and 494 Polytechnics.

- More than 60 Engineering Universities are offering technical courses and training in the field of Aeronautical Engineering and more than 5000 aeronautical engineers graduate from Tamil Nadu every year. Indian Institute of Technology (IIT), Anna University, Madras Institute of Technology (MIT), Hindustan University, Vellore Institute of Technology (VIT), VEL Tech University, SRM University and MGR University are a few of the Universities offering research programs in Aerospace and Defence.
- Tamil Nadu has excellent road, rail, sea and air connectivity.

Road	Railways	Sea	Air
<ul style="list-style-type: none"> ▪ Part of Golden Quadrilateral ▪ National Highways - 6606 kms 	<ul style="list-style-type: none"> ▪ 532 railway stations ▪ Main rail junctions include Chennai, Madurai, Coimbatore, Erode, Tiruchirappalli & Salem. 	<ul style="list-style-type: none"> ▪ 3 major Sea ports with Chennai being the 2nd largest port in India. 	<ul style="list-style-type: none"> ▪ 4 International Airports ▪ 2 Domestic Airports (Salem & Thoothukudi) ▪ Proposed world class greenfield airport near Chennai and a brownfield airport at Hosur

4

**Tamil Nadu Defence
Industrial Corridor**

4. TAMIL NADU DEFENCE INDUSTRIAL CORRIDOR

Tamil Nadu is an ideal hub for the Aerospace & Defence industries in India given its the strong manufacturing ecosystem that is backed by efficient human capital strength. Considering these strengths, the Government of India has announced the establishment of Tamil Nadu Defence Industrial Corridor. Tamil Nadu Industrial Development Corporation Limited (TIDCO) is the nodal agency for facilitation of Aerospace and Defence manufacturing projects in Tamil Nadu. While Tamil Nadu's industrial growth has been at a scorching pace cutting across multiple domains, the announcement of the TN Defence Industrial Corridor by the Government of India on 20 Jan, 2019 has proved to be a catalyst for the growth of the Aerospace and Defence Industry in the State.

Five nodes have been identified for the Tamil Nadu Defence Industrial Corridor based on their inherent strengths. These nodes, viz., **Chennai, Hosur, Salem, Coimbatore and Tiruchirappalli** are well connected with each other and other parts of the country. Each node has its unique strengths and capabilities, which are outlined below:

4.1 CHENNAI

Chennai (formerly Madras) is the oldest modern city with a history dating back over 375 years. It is the fourth largest urban agglomeration in India and a major contributor to the industrial and economic growth of the country. It is a major hub for automotive and electrical/electronic manufacturing services, Information & Communication Technology, fintech and warehousing. The traditional and de facto gateway of South India, Chennai is among the most-visited Indian cities by international tourists. It was ranked the 36th-most visited city in the world in 2019. The Quality of Living Survey rated Chennai as the safest city in the country. Chennai attracts 45 percent of health tourists visiting India, and 30 to 40 percent of domestic health tourists. Industrialisation in Chennai dates back to the 16th

century when textile mills manufactured goods and exported them to Britain during its war with France. According to Forbes magazine, Chennai is one of the fastest-growing cities in the world, featuring in the "Forbes-Top 10 Fastest Growing Cities in the World".

Chennai had its moment of glory in aviation history in March 1910, when the Giacomo D'Angelis airplane took off, making it the first outside Europe and North America. The tryst with Aerospace and Defence Industries continues to date. Chennai's capabilities in other domains like automotive, chemical, medical, electronics and Information Technology have also been growing at a tremendous pace. Chennai was recently declared the second best place in the world to undertake R&D in electronics. SIPCOT has established the first industrial park specifically for Aerospace industries in Tamil Nadu, at Vallam Vadagal, near Chennai. An Advanced Computing and Design Engineering Centre (AeroHub) to support the needs of the A&D industries is being established at Vallam Vadagal. The industrial and academic capabilities at the Chennai node are provided below:

Public:

Avadi is a major defence manufacturing hub, housing Heavy Vehicles Factory (HVF), Ordnance Clothing Factory (OCF), Engine Factory Avadi (EFA), and Combat Vehicles Research & Development Establishment (CVRDE). It is spread over a vast area of about 15000 acres. For decades this has been the epicentre for the design, development and manufacturing and maintenance activities of the land systems for the Indian Armed Forces. It is supported by the well-developed automotive and electronics industrial base at this node.

Private:

Chennai is home to multiple Aerospace and Defence Industrial Units in the private sector across domains. L&T Shipyard, the only private sector ship building unit with the capability to support the military requirement in the country is at Chennai. Multiple other organisations form part of the A&D industrial ecosystem, including TVS Defence, Data Patterns, Ashok Leyland, MRF, HCL Technologies, Ramco Systems and Rane Brake Linings. There is also a very vibrant A&D startup ecosystem in Chennai. Some of the promising ones include Agnikul Kosmos, GalaxEye, Big Bang Boom Technologies, The ePlane Company and Big Cat Wireless.

Apart from these, there are over 80,000 micro, small, and medium enterprise (MSME) units primarily catering to automotive, precision and heavy engineering sectors. Globally renowned technical institution IIT Madras and College of Engineering, Guindy are consistently ranked amongst the top engineering educational institutions of the country. Chennai Mathematical Institute and numerous premier private universities are also in this node. These institutions contribute to the highly qualified human resources in the city.

4.2 TIRUCHIRAPALLI

Tiruchirappalli (commonly referred to as Trichy) is the 4th largest city in Tamil Nadu and is centrally located along the banks of the river Cauvery. It is a major educational hub, housing institutes like the Indian Institute of Management (IIM), National Institute of Technology (NIT) and Tamil Nadu National Law University, which are amongst the most highly rated educational and research institutions in the country. It is also a major energy equipment and fabrication centre in the county. Some of the salient features of this city for supporting A&D ecosystem are:

- 10000+ MSME units covering fabrication, boilers, Agro industries, and engineering & repairing units.

- Ordnance Factory Trichy (OFT), manufacturing rifles, grenade launchers, etc.
- Heavy Alloy Penetrator Project (HAPP) Trichy manufacturing special alloys like Titanium and other alloys, which have defence applications.
- Trichy Engineering Cluster (TREAT), which is one of its kind in the country, providing common facilities for the metal fabrication industries.

4.3 COIMBATORE

Coimbatore, also called the “Textile Capital of Southern India” is a major industrial city located in the western part of the State on the foothills of the Western Ghats. It is the second largest urban agglomeration in the State and sixteenth largest in the country. This city with a salubrious climate is a leading hub in the country for manufacturing, healthcare, textiles, motors and pumps, education and skill development in the country.

“When someone says it is not possible, there will be somebody in Coimbatore who will make it happen” is a famous quote which sums the capability of Coimbatore in the industrial domain. In line with that, India’s first A&D innovation hub called CODISSIA Defence Innovation and Atal Incubation Centre (CDIIC) were established at Coimbatore jointly by the Ministry of Defence and the Coimbatore District Small Scale Industries Association. Coimbatore also hosts the Forge Forward Accelerator, which is catalysing the national-scale industrial digital transformation by enabling Government and Industry to collaborate with start-ups as innovation & growth partners. Finest engineering educational institutions like the Government College of Technology, Coimbatore Institute of Technology, and PSG College of Technology are located here, which ensures a steady supply of highly qualified and trained resources.

Some of the salient features of this city for supporting A&D ecosystem are:

- 1,00,000 MSME units in textiles, garments, pumps, engineering, manufacturing, metal fabrication, machine tools, spare parts and precision engineering.
- Major private companies that operate in the A&D domain are LMW, L&T Defence, Roots Industries, Pricol, MAK+Air., LGB, Chakradhara Aerospace etc.
- It has a significant presence of international A&D firms either independently or in form of joint ventures. Some of the notable ones are L&T MBDA, Elgi-Sauer and Eaton Aerospace.
- The Cordite Factory that manufactures propellants for different types of ammunition is located close to Coimbatore.

4.4 HOSUR

Hosur is a major industrial city located in the north-western part of the State, in proximity to Bangalore. It is home to major industries in automotive, aerospace electronics, and precision engineering domains. Hosur has been one of the fastest growing cities of the country in the past few decades due to its rapid industrial growth. Its geographic proximity to Bangalore has facilitated growth in the A&D ecosystem. Some of the salient features of this city to support the A&D ecosystem are:

- 5000+ MSME units and numerous large industries in engineering, auto components, precision machining, etc.
- Taneja Aerospace, which has capabilities to manufacture aircraft standard parts, Titan Engineering and Automation Ltd, which manufactures precision components for aero-engines, airframes etc, AVTEC, which manufactures transmission systems for the commercial and military applications. AxleTech, which manufactures military grade mobility sub-systems, Caterpillar, Delta Electronics are some of the key A&D industries that have a large presence in the city. Air Works, which is the oldest and the largest private sector MRO in the country, undertaking both commercial and military MRO activities, is

located at Hosur. Hosur also hosts other companies like Micro-Tech CNC, Dynaspede Integrated Systems Ltd, Magtorq Systems, CUMI, which have been playing a yeoman role in the growth of the A&D industry in the country.

4.5 SALEM

Salem is the fifth largest city of Tamil Nadu and is also called "Steel City". It lies at the heart of the Tamil Nadu Defence Industrial Corridor and is almost equidistant from the other nodes. It is a major hub for steel, textiles and food processing industries supported by a dynamic educational and skilling ecosystem. Some of the salient features of this city for supporting A&D ecosystem are:

- Possesses rich deposits of minerals and is a hub for making metals and steel.
- 8000+ MSME Units in engineering, technical textiles and Agro-Industry.
- The Aerospace Engineers, which is a large supplier to OEMS like HAL and Boeing is situated at Salem. Salem Steel Plant and JSW Steels that produce speciality metals are also located here.

The corridor would stretch between the five Nodes and would cover the following districts:

Sl No	District	Sl No	District	Sl No	District
1	Chennai	2	Kanchipuram	3	Tiruvallur
4	Chengalpattu	5	Ranipet	6	Vellore
7	Tirupattur	8	Krishnagiri	9	Dharmapuri
10	Salem	11	Erode	12	Tirupur
13	Coimbatore	14	Namakkal	15	Tiruchirappalli
16	Ariyalur	17	Perambalur	18	Kallakurichi
19	Villupuram	20	Tiruvannamalai	21	Karur

The Defence Industrial Corridor Nodes as defined in Annexure III.

5

Focus Sectors

5. FOCUS SECTORS

Tamil Nadu has been part of the Aerospace and Defence industrial growth with several DPSUs, PSUs and private industry being either TIER I suppliers or part of the domestic and global supply chain for several OEMs running their operations from the State. The State-based industry has partnered with the DRDO, ISRO and other development agencies for several projects. Based on the industrial strength, certain subsectors have been identified for fuelling the growth in the Aerospace and Defence sector in the State. These sectors are described below:

5.1 Aircraft standard parts & Drones

The manufacturing and maintenance of military aircraft in the country has been mostly concentrated with the Hindustan Aeronautics Ltd, a defence PSU under the administrative control of MoD/DDP. The opening up of the defence manufacturing and the civil aviation sectors with incentives from State and Central governments has motivated private industries to enter the market in recent decades.

Tamil Nadu has gained expertise in the field of precision manufacturing over the years given the large number of industries supporting the automotive industry. Several private firms have diversified into developing and manufacturing of aircraft standard parts and engine components over the years and are part of the supply chain for many global OEMs and HAL.

With the sector expected to grow both for military and civil aviation, special impetus by the government will also facilitate setting up of Centre of Excellence for Advanced Manufacturing in the TNDIC nodes.

5.2 Mobility- Armoured vehicles, Tanks & Specialist Vehicles

The armed forces have always required high mobility vehicles for logistical and transportation needs for different terrains and theatres such as counter-insurgency, border protection and personnel carriers.

The current operational set of such platforms includes Armoured Personnel Carriers, Infantry Combat Vehicles and Multi-Purpose Vehicles. These mobility platforms are widely used by the army across different units and operations. With plans to modernize the army, these components need to be regularly updated with better technology and mobility to make them combat-ready while also fulfilling the logistical requirement for the newly acquired platforms.

Some of the major industrial units from Tamil Nadu in the sector include the Heavy Vehicles Factory & Engine Factory AVADI & Ashok Leyland. Many industries from the State are Tier I / II suppliers to this industry.

Considering the increasing demand for land-based systems for the Armed forces and the capability available in Tamil Nadu in the sector, the Government will strengthen the industrial sourcing supply chain for this sector.

5.3 Aircraft Maintenance, Repair and Overhaul (MRO)

The Aircraft Maintenance, Repair, and Overhaul (MRO) industry is involved in overhaul, periodic inspection, repairs and upgrades of an aircraft or aircraft equipment to ensure reliable operations of the fleet. MRO is a multi-billion-dollar industry expected to grow at a robust rate year-on-year. The demand for this sector is driven by a fleet growing at 9.9% annually, from around 620 in FY 2018 to a projected fleet of over 2,300 in FY 2040.

The military MRO requirements will continue to rise as additional squadrons are added as part of modernisation of the IAF and the aviation

branches of the Indian Army and Navy. In addition, the ageing of the existing fleet will necessitate a greater focus on Military MROs to be established by the Indian industry in addition to the maintenance carried out by services in their own repair yards.

The MRO industry in India is picking up with major tie-up announcements between Indian Industry and Global OEMs. The private MRO operating out of Hosur is one of the major MRO in the country servicing this sector. The Government of Tamil Nadu would also encourage and support the growth of the MRO industry for all platforms (ships, aircraft and land systems). The presence of four international airports in the State (co-located with the industrial ecosystem and a large number of international Air Traffic Routes over the State) and the willingness of the Government of Tamil Nadu to earmark required land parcels adjoining these airports would serve as a start point for the exponential growth of the MRO industry in Tamil Nadu. The Government of Tamil Nadu would also earmark the required land for MRO in the new greenfield international airport which is being set up at Parandur near Chennai.

5.4 Missiles, Rockets and Ammunition

The Indian missiles programme under the aegis of DRDO labs has helped India achieve self-reliance to a large extent in this sector. With the Government of India's initiative in opening this sector to private industry, licences have been issued to private industries including firms based out of Tamil Nadu. Several components for the production are sourced from the private industries for the production needs of DRDO labs and DPSUs involved in the integration of these products.

The presence of Cordite factory at Aravankadu and High Energy Projectile Factory are two public enterprises which are leading the sectorial presence in the Tamil Nadu Defence Industrial Corridor. Firms like L&T

missile division and L&T MBDA at Coimbatore are leading the private manufacturing sector in the State.

The Policy aims to improve the manufacturing output in these sectors and attract larger orders and OEMs into the State.

5.5 Sensors, Radars, Communication and Electronic Warfare

With Chennai being the market leader in the country for electronics industry, the promotion of defence-based electronics will be one of the focus areas for the government. Many private industries in the State have been involved in large scale developmental programmes of DRDO such as the NETRA AWE&CS. The development of electronics parks in TNDIC nodes will promote this sector. According to an assessment conducted using fDi Benchmark, an investment location comparison tool, Chennai emerged as the most cost-effective location and the second overall in the top 100 electronics FDI destinations.

The Government aims to leverage and strengthen the existing electronics industry in the State to attract developmental, indigenisation and import substitution orders in the Defence Industrial Corridor.

5.6 Small Arms and Assault rifles

Ordnance Factory Tiruchirappalli is one of the leading manufacturers of small arms and assault rifles in the country. With private industries being issued licences for the manufacturing of these weapons and the Indian Government's initiative to promote manufacturing of the imported weapons in India, it is expected that private industry participation in this sector will grow in the coming years. Accordingly, the Government of Tamil Nadu plans to promote public and private participation in the developmental and manufacturing programme related to small arms and Assault rifles in the Defence Industrial Corridor.

5.7 Space

Indian Space Research Organisation has set up ISRO Propulsion Complex (IPRC) at Mahendragiri in Tirunelveli District. IPRC handles assembly, integration and testing of earth storable propellant engines, cryogenic engines and stages for launch vehicles; high altitude testing of upper stage engines and spacecraft thrusters as well as testing of its sub systems; production and supply of cryogenic propellants for Indian cryogenic rocket programme, etc. It also carries out Research & Development (R&D) and Technology Development Programmes (TDP) towards continued improvement of its contribution to the Indian space programme.

The Government of Tamil Nadu is currently acquiring land at Kulasekarapatnam in Thoothukudi District for ISRO, which would be setting up a new space launch station. Government of Tamil Nadu would establish a dedicated facility for hosting the industries related to the space domain in the geographical proximity of ISRO facilities, to support industries which operate in this domain.

The Government of Tamil Nadu will also support the start-ups, institutions and enterprises involved in building of satellite components, satellites, components for launch vehicles, etc.

5.8 Ship Building

Tamil Nadu is the state with the second longest coastline in India. The Government will explore the opportunities of utilising this geographical advantage to set up ship building yards in the State. Tamil Nadu has a huge potential in the ship building industry with L&T Kattupalli shipyard poised to play a major role in the nation's ship building efforts. Major sourcing of components by shipyards such as Cochin Shipyard Ltd is from the state of Tamil Nadu.

6

Government Initiatives

6. GOVERNMENT INITIATIVES

The Government plans to invest about Rs. 5000 crores (USD 630 Mn) over a period of 10 years to catalyse the A&D ecosystem through various new initiatives. The details will be worked out by TIDCO as part of the implementation of TNDIC. The following are the initiatives by the Government of Tamil Nadu for achieving the objectives of the Tamil Nadu Defence Industrial Corridor.

Technical Enablers

6.1 Centre of Excellence for Emerging Technologies in Manufacturing

Tamil Nadu Industrial Development Corporation Limited (TIDCO) will set up state of the art, industry-oriented “Centres of Excellence for Emerging Technologies in Manufacturing”, in association with private players, to enable industries to access innovative technology solutions for effective, efficient and economic production. This scheme will be implemented at a total outlay of Rs. 750 crores (USD 100 Mn³). This will include areas like product design and systems engineering, predictive engineering, industry 4.0 and Industrial Internet of Things (IIoT), additive manufacturing and skilling centres. One CoE has been established jointly with Dassault Systemes and two more are being established jointly with Siemens and GE Aviation. These will have spokes across the state, which would enable access to advanced technologies to the academia and industries across the State.

6.2 Drones

The Government of Tamil Nadu has undertaken a detailed study through the Indian Institute of Technology, Madras to examine the

³ USDINR FX Rate of 75 has been used in this Policy for reference. For values cited in the Policy or in case of any discrepancy, the amount quoted in Indian Rupees shall prevail

feasibility of setting up a drone range in Tamil Nadu Defence Industrial Corridor. TIDCO will take further steps to develop it into a full-fledged facility for design, development, manufacture, testing, training and certification of drones. A drone range would be established with common facilities for design, development, manufacture, testing of drones and would host a unique ecosystem which would help the drone industry to thrive in Tamil Nadu. The Tamil Nadu UAV Corporation was started on January 25, 2021 Anna University, Chennai. This Corporation which would be the nodal agency in the State for the adoption of drone-based services would be a technical partner for the proposed drone range. Drone pilot training centres would be provided with necessary support by the Government of Tamil Nadu. The Government of Tamil Nadu also recognises the segment of Drones as a Service and would encourage service providers to provide their services to the nation and the world from Tamil Nadu.

6.3 Common Facility Centres

TIDCO will facilitate the setting up of common facility centres for manufacturing, testing and warehousing in each node of the Tamil Nadu Defence Industrial Corridor in a phased manner at an outlay of Rs. 20 crore (USD 2.6 Mn)⁴ per year per node for a period of 5 years in the form of equity /debt / grant.

6.4 Innovation, Research & Development

Sustained growth in Aerospace & Defence sector demands strong R&D base and close Academia-Industry interaction. Innovative technologies and ideas are to be incubated in the academic institutions and R&D laboratories. The Government will facilitate setting up of Aerospace and Defence Research facilities in the State. The Government will also facilitate cross pollination of new product development and emerging technologies from the other domains into A&D domain. Cross leveraging of

⁴ USD/INR FX Rate of 75 has been used in this Policy for reference. For values cited in the Policy or in case of any discrepancy, the amount quoted in Indian Rupees shall prevail

technologies like electric mobility, autonomous mobility, artificial intelligence, Machine Learning, gamification etc., in the A&D domain will be facilitated by the Government.

The Government will encourage the industry to set up and adopt labs in the existing institutes for specific research initiatives. The Government will assist in bringing R&D cooperation with international and national institutions.

SIPCOT has in collaboration with a leading incubator established Force of Rapid Transformation (FORT) at Chennai and Hosur to power the innovation ecosystem in the state to catalyse industrial transformation in the digital age, combining manufacturing excellence with technology leadership, entrepreneurial innovation, and future-ready talent. These would be replicated across multiple sites in the State.

Guidance Tamil Nadu has also established a WorkLabs Cell for facilitating industry-academia collaboration in the A&D sector for bringing R&D cooperation, developing a skilled workforce and innovation with international and national institutions.

6.5 Facilitation and support for Certification Processes

As Aerospace and Defence Industries are highly regulated, all manufactured parts and services must be certified for their reliability and certification is a compulsory and detailed process which needs support. The Government will provide financial and technical support to Aerospace & Defence industries to obtain necessary certifications.

Skilling Enablers

6.6 Flight Training Schools

The Government of Tamil Nadu taking into cognizance the growth potential for aviation in the country, the need for pilots and the current

dependence on the foreign pilot training schools, will encourage private FTOs to establish their operations in the State. The Government of Tamil Nadu would identify suitable locations with airstrips, airspace and social infrastructure and support the FTOs to undertake their ground, simulators and flying training activities.

6.7 Human Capital Development

The Government of Tamil Nadu will facilitate augmentation of the quality and quantity of human capital for the A&D industry, by providing opportunities for continuous learning and improvement through partnership with Global/Indian OEMs/Institutions to establish new/upgrade existing ITIs/Polytechnics/Engineering Colleges, and Universities in Aerospace and Defence specific skills training.

Financial Enablers

6.8 Tamil Nadu Emerging Sector Seed Fund

The Government of Tamil Nadu has setup the “Tamil Nadu Emerging Sector Seed Fund (TNESSF)” with a 500 crore (USD 66 Mn⁵) corpus to support new ventures in the emerging sectors, including aerospace and defence. Tamil Nādu Industrial Development Corporation Limited (TIDCO), TIDEL Park Limited are the sponsors of the fund and Tamil Nadu Infrastructure Fund Management Corporation (TNIFMC) is the fund Manager. Aspiring and qualifying aerospace and defence start-ups can apply for the TNESSF through the TNIFMC or StartUpTN portal.

6.9 Sustainable Financing of Investments

In order to improve access to sustainable finance for industries, the following options are available to manufacturing Projects in the State. The

⁵ USDINR FX Rate of 75 has been used in this Policy for reference. For values cited in the Policy or in case of any discrepancy, the amount quoted in Indian Rupees shall prevail

implementation of these initiatives will be as mentioned in the Tamil Nadu Industrial Policy.

i. Equity Financing

Investors can submit business proposals to Tamil Nadu Industrial Development Corporation (TIDCO) to come on board their Project as an equity investor. Equity participation by TIDCO in the Joint Sector projects ranges from 11 to 50 %, the associate sector ranges from 2 to 11% equity. The support service includes ventures with 1% equity from TIDCO. Projects that have a high capital requirement in the initial years of investment may also be offered hybrid security financing in the form of convertible debentures, or land as equity in projects with an associated investment plan, and exit plan, on a case-to-case basis.

ii. Industrial Ecosystem Fund

Under the Tamil Nadu Investment Promotion Program, the Small Infrastructure Project Empowered Committee (SIPEC) supported many small-scale infrastructure projects that can be replicated/scaled up. The Government has created an Industrial Ecosystem Fund with a corpus of Rs. 500 cr. to support small infrastructure projects and ecosystem creation.

a. Small Infrastructure Projects

Last mile connectivity is extremely important to make industries and industrial clusters, as it reduces logistics costs and makes the investment viable and products more competitive. Such connectivity may also serve a larger public purpose by connecting nearby rural and suburban localities in some cases. The Government shall support such projects to create physical connectivity and other infrastructure needs of standalone industries or industrial clusters/parks or industrial warehousing/logistics projects. The fund shall be used to provide

grants to support the development of public roads, power, water supply, sewerage and other infrastructure facilities.

b. Ecosystem Creation

Projects that create or enable the ecosystem such as creation of innovation centres or research parks and those that support creation of common facilities/ecosystem for industries in sunrise sectors for purposes of proto typing, testing, etc shall also be eligible for partial funding under this fund.

The fund will be created through contributions from SIPCOT and TIDCO with matching grants from Government of Tamil Nadu and scaled through funding from external agencies re-invested profits.

iii. Research & Technology Fund

The Government shall create a Research & Technology Fund with a corpus of Rs. 100 crore to support research and development and technology adoption by existing industries in sunrise sectors including A&D sector. Projects that invest heavily in R&D in the initial years of the project shall be eligible for support towards R&D investment through this fund. This shall help in bridging the viability gap for such projects.

Existing sub-large suppliers of large companies that seek to improve their product, process and performance efficiency across its supply chain by adopting advanced Industry 4.0 technologies such as IoT shall be supported through this fund.

iv. Digital Accelerator under Yaadhum Oorae

The Government of Tamil Nadu has already announced a 'Digital Accelerator' scheme under Yaadhum Oorae with American Tamil Entrepreneurs Association (ATEA) to promote start-ups investing in Tamil Nadu from the US in various fields such as

IT/Healthcare/EV/emerging areas on IoT, AI, Cloud Computing /SDGs. It is proposed that a grant of 10% of capital raised be provided towards operational and capital expenditure, with a cap of Rs 1 crore per start-up. Similar funds may be created for start-ups that contribute to innovation, from other countries with Tamil diaspora. The sanction of the grants shall be evaluated by a special committee and funded from the Tamil Nadu Start-up Fund of Funds.

v. Term Loans

Tamil Nadu Industrial Investment Corporation Limited (TIIC) offers term loan of up to Rs. 40 crore (US\$ 5.3 million)⁶ under the General Term Loan Scheme.

Infrastructural Enablers

6.10 Industrial Housing

The State supports the walk-to-work concept to decongest the cities and improve work-life balance. Industrial projects will be encouraged to develop accommodation and hostel facilities for employees within the 5 km radius of the work area. The Government of Tamil Nadu has taken the initiative to develop two industrial housing facilities to accommodate 20,000 workers to cater to the housing needs of five industrial parks in the Sriperumbudur region. This shall be provided on rental basis to the industry and its workers.

6.11 Augmenting and Creating the Industrial Infrastructure

Apart from funding support and ease of regulatory frameworks as mentioned above, Government through TIDCO/SIPCOT will also establish Aerospace and Defence Industrial Parks in all the nodes of TNDIC. The Government would encourage cluster development approach in building the

⁶ USDINR FX Rate of 75 has been used in this Policy for reference. For values cited in the Policy or in case of any discrepancy, the amount quoted in Indian Rupees shall prevail

aerospace and defence manufacturing eco-system by creating the required physical infrastructure.

The Government will endeavour to augment the rail/road/air /sea /network connectivity to the Aerospace / Defence parks/clusters.

Operational Enablers

6.12 Ease of doing business

The State is implementing new initiatives such as completely digitizing G2B interactions through the development of a New Single Window Portal, the development of a Central Inspection System to monitor compliance inspection, Deemed Clearances, Comprehensive Land Portal, Construction Permit Portal, Investment Facilitation Desks, and automatic renewal of select licenses.

The Single Window Portal offers more than 180 services (including sector-specific and sector-agnostic clearances) offered by 38 departments making the process completely faceless, contactless, and paperless.

'Biz Buddy', Tamil Nadu's industry help desk portal is designed to help businesses report operational issues that need to be resolved by the various departments of the government, or help calls on disbursement of incentives and approval of pre-establishment, establishment and operation clearances required, in 30 days on a best effort basis. The platform offers features for tracking and monitoring the status of the application through SMS and email notifications.

A dedicated desk and portal for Non-Resident Tamils - "Yaadhum Oorae" has been created to encourage and facilitate investments in Tamil Nadu by the substantial Tamil diaspora spread across the globe. The State also has joint working committee agreements with Japan, the USA, the UK, the UAE, South Korea and Germany to furtherance of international cooperation for industries.

6.13 Support for building Partnerships & Marketing

The Aerospace and Defence industry largely depends on the major manufacturers of aircraft / defence systems and their vendors. Partnership with them is the best way to build the eco-system. Government participation with the private sector to form consortium of industries would enable them to approach the OEMs/ DRDO / Armed Forces for executing work packages.

The Government will ensure support for building such partnerships, and the modalities will include special partnership meets, industry summits/events/exhibitions, B2B sourcing meets, investor summits, special delegations by the Tamil Nadu Government to various large manufacturers, etc. Government will provide necessary support to industry for interaction with Defence Offset Management Wing (DOMW) to encourage foreign / domestic investors to invest in Tamil Nadu Aerospace & Defence parks to meet their offset contractual obligations.

7

**Incentives & Concessions for
Aerospace & Defence
Manufacturing Sector**

7. INCENTIVES & CONCESSIONS FOR AEROSPACE & DEFENCE MANUFACTURING SECTOR

7.1 Incentives for New/Expansion Projects

New/Expansion investments in Aerospace & Defence manufacturing in Tamil Nadu made from April 1, 2022, will be considered eligible for availing incentives under the various categories discussed below. The company can choose the incentive either from this A&D policy or from the special incentive for sunrise sectors offered by TN Industrial policy. This must be decided by the company at the time of setting up and cannot be changed subsequently. These are mutually exclusive and, a one-time choice has to be exercised at the beginning of the project by the company.

In view of the specific nature of the Aerospace & Defence manufacturing, the following investment categories have been identified for the purpose of administering the incentives:

Project Category	Investment Criteria Range		Standard Investment Period	Min employment
	Minimum	Maximum		
Sub-Large	50	300	4 years	Nil
Large	300	500	4 years	50
Mega	500	5000	4 years	200
Ultra-Mega	5000	-	7 years	500

Investment made within the Standard Investment Period shall be considered for eligibility under above project categories.

Projects in Manufacturing in the Large, Mega and Ultra Mega category located in Tamil Nadu creating employment for the minimum number of persons mentioned above will be eligible for incentives under this Policy. In view of strategic nature of the sector and greater need for automation, the minimum employment criteria for Sub-Large category have been exempted for Aerospace & Defence Manufacturing projects.

The definition of EFA would be governed by TNIP 2021 or as notified by GoTN from time to time. The applicable incentives will be administered as per the following district classification:

District Category	Districts covered
"A" Category Districts (4 districts)	Chennai, Chengalpattu, Kancheepuram and Tiruvallur
"B" Category Districts (12 districts)	Coimbatore, Erode, Karur, Krishnagiri, Namakkal, The Nilgiris, Ranipet, Salem, Tiruchirappalli, Tirupattur, Tiruppur, and Vellore
"C" Category Districts (22 districts)	Ariyalur, Cuddalore, Dharmapuri, Dindigul, Kallakurichi, Kanniyakumari, Madurai, Mayiladuthurai, Nagapattinam, Perambalur, Pudukkottai, Ramanathapuram, Sivagangai, Tenkasi, Thanjavur, Theni, Thiruvarur, Thoothukudi, Tirunelveli, Tiruvannamalai, Villupuram and Virudhunagar

7.1.1.1 Incentives for A&D investment in Sub-Large and Large Category

Aerospace & Defence Manufacturing Investments made from April 1, 2022, in Greenfield/Expansion projects, will be considered eligible for availing incentives under the Incentives for A&D investment in Sub-Large (Rs 50 to 300 crores) & Large (Rs 300 to 500 crores) Projects:

7.1.1.2 Investment Promotion Subsidy

The units can avail of one of the following options for investment promotion – a) Fixed Capital Subsidy, or b) Turnover based Subsidy. These options are mutually exclusive, and a one-time choice has to be exercised at the beginning of the Project by the investor.

I. Fixed Capital Subsidy:

Projects can avail a fixed capital subsidy as provided in the Table below:

Fixed Capital Subsidy for A&D manufacturing units (% Total EFA/Disbursal Period)		
Location Category	Sub Large (Rs. 50 crores - Rs. 300 crores & 50 jobs)	Large (Rs. 300 crores- Rs. 500 crores & 150 jobs)
A Category District	5%/5 years	7% /5 years
B Category District	7%/5 years	10% /10 years
C Category District	10% /10years	12%/10 years

(or)

II. B. Turnover Based Subsidy (TBS):

Large & Sub-large industries in A&D sector supplying to A & D majors listed in [Annexure 2 (a) to (c)] will be eligible for reimbursement of up to 2% of annual turnover arising from supply to A&D companies for 5 years from date of commencement of operations, subject to following conditions:

- a. The cap on the annual percentage of Turnover Subsidy is 2% and this shall be scaled as per the formula given below:

Turnover based subsidy for Sub Large & Large A&D projects for a given year 'n'	=	2%*(Investment Factor)*(A&D Turnover Factor)	*	'Eligible A&D Annual Turnover' in given year 'n'
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Wherein '*Investment Factor*⁷' is the ratio of 'Eligible Fixed Asset committed by the A&D manufacturing entity within the Standard

⁷ EFA (in Rs. Crores)/Rs. 300 crores

Investment Period' and 'Minimum investment for Mega Category Investment (i.e., Rs.500 crores)'.

'A&D Turnover Factor' is the ratio of 'share (%) of annual turnover from Tamil Nadu attributable to supply made to A & D majors listed in [Annexure 2 (a) to (c)]⁸'. In case of standalone/dedicated A&D entities, 100% share of A&D supply shall be considered.

'n' is the Turnover based Subsidy incentive disbursal period which is 5 years from CoD.

'Eligible A&D Annual Turnover' is the Annual Turnover from Tamil Nadu attributable to supply made to A & D majors listed in [Annexure 2 (a) to (c)].

b. The company can choose to avail the Turnover based Subsidy from the date of commercial production or upon achieving the minimum eligible investment for Structured Package in the given District, whichever is later, up to a cap of 4% of cumulative investment in Eligible Fixed Assets per annum for a period of 5 years.

7.1.1.3 Land Cost Incentive

For eligible projects in SIPCOT/TIDCO/SIDCO/ELCOT/ JVs of TIDCO, land allotment will be made at a 20% concessional rate in "A" & "B" category districts and at a 50% concessional rate in "C" category districts up to 20% of EFA. For private land in "C" districts, a 50% subsidy will be offered on the cost of land as per guideline value up to an extent of 50 acres and subject to land cost not exceeding 20% of EFA and a cap of Rs. 2 cr. provided that at least 70% of the land is used for manufacturing operations. In case the investor chooses to avail the land cost subsidy, land will be excluded from Eligible Fixed Assets for the purpose of Investment Promotion Subsidy.

⁸ (A&D turnover/Manufacturing turnover), If the company has multiple legal entities with business operations in Tamil Nadu with no clear demarcation of turnover, the turnover from the manufacturing operations in the State shall be considered to estimate the share of A&D turnover.

7.1.1.4 Stamp Duty Incentive

100% concession on Stamp Duty payable on lease or purchase of land/ shed/ buildings meant for industrial use shall be offered in the Parks promoted by SIPCOT/ TIDCO/ SIDCO/JVs of TIDCO/ ELCOT or any other Government Agency. In case of private lands, the stamp duty concession will be given as 100% back-ended subsidy for up to 50 acres on fulfilment of investment and employment commitment.

7.1.1.5 Electricity Tax Exemption

A&D Industries will be given 100% exemption on electricity tax on power purchased from TANGEDCO or generated and consumed from captive sources for the first 5 years from the date of commercial production. Expansion projects will be entitled to exemption of tax on the incremental electricity consumption for a period 5 years.

7.1.1.6 Training Subsidy

A&D units in the State with investments more than Rs. 50 crores will be provided skilling support in form of a Training Subsidy of Rs. 10000 per worker per month for 1 year for a maximum of 50 employees who are residents of Tamil Nadu.

7.1.1.7 Green Industry Incentive

Industrial projects undertaking green initiatives for recycling waste and water for industrial use and for sustainable energy usage, coupled with online monitoring (wherever applicable) indicated below, shall be eligible for a 25% subsidy on cost of setting up such environmental protection infrastructure in the following solution areas subject to a limit of Rs. 1 cr. This will be as provided in TNIP 2021

7.1.1.8 Enhanced Incentive for Quality Certification

Projects obtaining certifications like ISO, ISI, BIS, FPO, BEE, AGMARK, and ECOMARK or any other national or international certification shall be given a subsidy of 50% of the total cost incurred for obtaining the certification, as certified by the Chartered Accountant, limited to Rs. 50 lakhs for Sub-Large projects and Rs. 1.25 crore for Large, Mega, and Ultra Mega projects for the period of investment.

7.1.1.9 Product Certification Incentive

Subsidy will be provided to A&D industries in the State towards expenses incurred for product certifications for all from any national or international agencies, as notified from time to time, at 50% of the total cost incurred for obtaining the /product certification, as certified by the Chartered Accountant, limited to Rs.50 lakh for the period of investment.

7.1.1.10 Enhanced Incentive for Intellectual Property Creation

The Government will reimburse 50% of the expenditure incurred by the project for the investment period for patents, copyrights, trademarks, and geographical indicators registration subject to a maximum of Rs. 50 lakhs for Sub Large projects and Rs. 1.25 crore for Large, Mega, and Ultra Mega projects for the period of investment.

7.1.1.11 SGST Refund on Capital Goods

Eligibility for SGST refund on capital goods will be as per the Tamil Nadu Industrial Policy.

7.1.1.12 Interest Subvention

Interest Subvention of 5% as a rebate in the rate of interest shall be provided on actual term loans taken for the purpose of financing the project from TIIC, for a period of 6 years subject to the limits provided in the Table below:

Project/ Category	Interest Subvention (% Rate of Interest)	Maximum Incentive Disbursal Period (Years)	Ceiling per annum (Rs)
Sub-Large	5%	6	5 lakhs
Large	5%	6	20 lakhs
Mega and ultra-mega	5%	6	As per TNIP

7.1.2 Special Structured Package of Incentives

7.1.2.1 Mega and Ultra Mega Projects

A&D projects above Rs.500 crore will be eligible for Special Structured Package of Incentives applicable for Sunrise sectors as per TNIP 2021.

7.1.2.2 Pivotal Projects

The projects for manufacturing and assembling of civil/military aircraft, ships, Main Battle Tanks, aeroengines, etc. for A&D application and other aerospace and defence platforms are considered key initiatives as they will help the proliferation of aerospace and defence industrial units and enhancement of manufacturing capabilities in the State. Such advanced manufacturing projects from A&D industries with the combined responsibilities of Design, Development, Manufacturing, Testing, and Certification in the State would be treated as special pivotal projects and the Government would consider sanctioning special funding in the form of equity of such a joint venture in partnership with Tamil Nadu Industrial Development Corporation Ltd (TIDCO) or a suitable grant as a negotiable percentage of EFA.

Higher incentives /concessions and relaxation of the conditions mentioned in this Policy will be offered for deserving cases giving due weightage to investment, direct and indirect employment generated and potential for attracting further investment through vendors and ancillaries.

7.1.2.3 Indian Offset Partners

Defence Acquisition Procedure (DAP) 2020 offers a multiplier factor of 2 for investments in TN Defence Industrial Corridor. New/Existing manufacturing units in Tamil Nadu to undertaking projects under the offset obligation's requirements of the Ministry of Defence will be offered special package of incentives.

7.1.3 Incentives for MSME for A & D Investments

The Government of Tamil Nadu offers a wide range of schemes and incentives for enterprises classified as Micro, Small or Medium Enterprise based on the following composite criteria:

Type of enterprise	Investment in Plant & Machinery not exceeding	Turnover not exceeding
Micro	Rs. 1 crore	Rs. 5 crores
Small	Rs. 10 crores	Rs. 50 crores
Medium	Rs. 50 crores	Rs. 250 crores

A new or expansion unit in the MSME category could choose between this policy or TN MSME policy at the time of seeking incentives. This one-time choice cannot be altered subsequently. As per this policy, the Micro, Small, and Medium Enterprises are eligible for the following:

7.1.3.1 Investment Promotion Subsidy

A & D MSME would be eligible for Investment Promotion Subsidy as per prevailing MSME Policy

7.1.3.2 Land Cost Incentive

For eligible A & D MSMEs in SIPCOT/TIDCO/SIDCO/ELCOT/ JVs of TIDCO, land allotment will be made at a 20% concessional rate in "A" & "B" category districts and at a 50% concessional rate in "C" category districts up to 20% of EFA. For private land in "C" districts, a 50% subsidy will be offered on the cost of land as per guideline value up to an extent of 50 acres and subject to land cost not exceeding 20% of EFA and a cap of Rs. 2 crore provided that at least 70% of the land is used for manufacturing operations. In case the investor chooses to avail the land cost subsidy, land will be excluded from Eligible Fixed Assets for the purpose of Investment Promotion Subsidy.

7.1.3.3 Stamp Duty Incentive

100% concession on Stamp Duty payable on lease or purchase of land/ shed/ buildings meant for industrial use shall be offered in the Parks promoted by SIPCOT/ TIDCO/ SIDCO/JVs of TIDCO/ ELCOT or any other Government Agency. In case of private lands, the stamp duty concession will be given as 100% back-ended subsidy for up to 50 acres on fulfilment of investment and employment commitment.

7.1.3.4 Electricity Tax Exemption

A&D MSME will be given 100% exemption on electricity tax on power purchased from TANGEDCO or generated and consumed from captive sources for the first 5 years from the date of commercial production. Expansion projects will be entitled to exemption of tax on the incremental electricity consumption for a period 5 years.

7.1.3.5 Training Subsidy

A & D MSME units in the State will be provided skilling support in the form of a Training Subsidy of Rs. 10000 per worker per month for 1 year for a maximum of 50 employees who are residents of Tamil Nadu.

7.1.3.6 Green Industry Incentive

Industrial projects undertaking green initiatives for recycling waste and water for industrial use and sustainable energy usage, coupled with online monitoring (wherever applicable) indicated below, shall be eligible for a 25% subsidy on the cost of setting up such environmental protection infrastructure in the following solution areas subject to a limit of Rs. 1 crore. This will be as provided in TNIP 2021.

7.1.3.7 Enhanced Incentive for Quality Certification

Projects obtaining certifications like ISO, ISI, BIS, FPO, BEE, AGMARK, and ECOMARK or any other national or international certification shall be given a subsidy of 50% of the total cost incurred for obtaining the certification, as certified by the Chartered Accountant, limited to Rs. 50 lakhs for MSME projects for the period of investment.

7.1.3.8 Product Certification Incentive

Subsidy will be provided to A&D MSMEs in the State towards expenses incurred for product certifications for all from any national or international agencies, as notified from time to time, at 50% of the total cost incurred for obtaining the product certification, as certified by the Chartered Accountant, limited to Rs.50 lakh for the period of investment.

7.1.3.9 Enhanced Incentive for Intellectual Property Creation

The Government will reimburse 50% of the expenditure incurred by the project for the investment period for patents, copyrights, trademarks, and geographical indicators registration subject to a maximum of Rs. 50 lakhs for Sub Large projects and Rs. 1.25 crore for Large, Mega, and Ultra Mega projects for the period of investment.

7.1.3.10 Interest Subvention

Interest Subvention would be provided to A&D MSME as per the Tamil Nadu MSME Policy 2021 or its subsequent versions.

7.1.4 Special Project Incentives – Applicable for all category of investments including MSME

This policy also envisions enabling ecosystem for Aerospace and Defence industries in the State. MoD has set up Innovations for Defence Excellence (iDEX) initiative under the Defence Innovation Organisation (DIO) to use a multi-pronged approach and reach out/engage a large pool of innovators/technocrats/professionals/academicians. The Ministry of Defence has also come with a Make category of projects for transforming the nation into a self-reliant one in the A&D domain. These special incentives are applicable for all categories of investment (Start-ups, MSMEs, Sub-large, Large, Mega and Ultra-Mega).

7.1.4.1 State Grant for iDEX start ups

To support the activities of Start-ups whose innovations are funded through iDEX/TDF or any similar scheme, the Tamil Nadu Government would provide grant to each A&D start-up to the projects which would be executed in Tamil Nadu. This grant would be provided by Tamil Nadu Start-up and Innovation Mission (TANSIM).

7.1.4.2 A&D Start-up Equity Financing

The Government of Tamil Nadu would also promote incubation and acceleration facilities for the A&D start-ups. The Government of Tamil Nadu through Tamil Nadu Emerging Sector Seed Fund (TNESSF) would invest in the equity of the iDEX/TDF winners which have their facilities in Tamil Nadu.

7.1.4.3 'Make' category projects:

The 'Make' Categories defined in Defence Acquisition Procedure (DAP) 2020 aim to achieve the objective of self-reliance by involving greater

participation of Indian industrial eco-system including private sector. In order to support the firms that undertake R&D activities under the Make 1 /2/3 categories (as defined under DAP 2020) from Tamil Nadu the following incentives would be provided:

	Make I	Make II	Make III
Funding (% of prototype development cost)	5%	25%	50%
Cap per Development Agency (DA) (Rs. in crore)	1	1.5	2

As per DAP 2020, (details may be referred from DAP2020)

Make I – Government funded design and development projects

Make II- Industry funded design and development projects

Make III- Import substitution projects

7.1.4.4 Technology Transfer

Approved service sector projects in the A&D sector units shall be reimbursed 75% of the cost of technology transfer towards the first 5 vendor units and 50% towards the next 5 vendor units, subject to a maximum Rs.50 lakhs towards each vendor within the policy period.

7.1.5 Special Incentives for setting up of A&D Industrial Parks:

Special incentives for setting up of A&D industrial parks will be provided as per the Tamil Nadu Industrial Policy 2021 Section 15. However if the A&D industrial Park is being established within a capital outlay of Rs 50 Crores, the incentives applicable under TN MSME Policy (Annexure I, SI No 7.3) will apply.

7.1.5.1 Incentives under Tamil Nadu R&D Policy 2022

The Government of Tamil Nadu offers a wide range of incentives for R&D firms (Standalone and in-house) and GCCs that have a minimum investment of Rs.50 crore in EFA within Standard Investment Period of 4

years and employment of 50 jobs, engaged in R&D in Tamil Nadu with clearly demarcated facilities in/outside the projects.

7.1.5.2 Special Incentives based on TNIP 2021

- i. Land cost incentive of 50% of the cost of purchase or lease of land for up to 20 acres, subject to a ceiling of Rs.50 lakhs per acre.
- ii. R&D training incentive of Rs.10,000 per person per month for 12 months for the residents of Tamil Nadu.
- iii. Enhanced quality certification incentive of 50% of the total cost incurred for obtaining the certification, limited to Rs. 1 crore for the period of investment.
- iv. Enhanced intellectual property incentive of 50% of the expenditure incurred by the project subject to maximum of Rs. 1 crore. for the period of investment for in-house R&D for a patent, copyright, trademarks, and Geographical indicators registration and up to Rs.5 crore for standalone R&D assets.
- v. R&D projects shall also be eligible for standard incentives namely, electricity tax exemption for 5 years, stamp duty exemption and green industry incentive of up to Rs.1 crore as per TNIP 2021 para 13.5.
- vi. R&D projects shall also be eligible for SGST refund on capital goods as specified in Para 13.6 of Tamil Nadu Industrial Policy 2021.

7.1.5.3 Additional Incentives over & above TNIP 2021

- i. Special Capital Subsidy of 25% on the Eligible Fixed Assets disbursed in equal instalments of over 10 years from the date of purchase of land, machinery and equipment subject to a ceiling of Rs.25 crores, whichever is lesser. As per TNIP 2021, EFA shall include investment in R&D such as land, building, plant and machinery. To encourage R&D, EFA shall include intangible R&D related expenditure, subject to a ceiling of 20% of EFA.
- ii. Innovation lab incentive up to 50% of EFA created on innovation labs shall be reimbursed, up to Rs. 1 crore.

- iii. License Cost Incentive of 50% of the expenditure incurred on the purchase of specialized software license within the Standard Incentive Period of 4 years subject to ceiling of Rs.25 lakhs.
- iv. Product Testing & Prototyping Incentive of 25% of the EFA on establishing product testing and prototyping facilities, subject to a ceiling of Rs.1 crore.

The above R&D incentives are applicable subject to meeting the eligibility conditions detailed under section 4.2.1 to 4.2.10 of the TN R&D Policy 2022.

7.2 Incentives for Service Sector

There are a considerable number of sub-sectors under the Aerospace and Defence Domain, which the Government of Tamil Nadu would encourage to establish and operate from the State. Some of these subsectors are Civil Aviation, Drone as a Service, aero sports, etc. In these subsectors, the largest capex is not a fixed asset. The Government of Tamil Nadu would include the cost of the assets like helicopters, drones, airplanes, etc., which would be of considerable cost in the EFA for all companies based out of Tamil Nadu. Similar treatment would be accorded to space-based companies which own satellites or transponders outside the state but are based out of the State.

7.2.1 Incentives for Maintenance, Repair and Overhauling (MRO) facilities

Given that the aircrafts fly over national and international boundaries, Indian domestic MROs face stiff competition from foreign MRO players as the airline operators have a choice to fly their aircraft to countries such as Singapore, Sri Lanka, Malaysia, Dubai and China where MRO services are available with favourable tax rates/structure.

In order to create a level-playing field for MROs to cater to domestic airlines at export-competitive prices and support growth of value-added MRO operations in Tamil Nadu, domestic MRO services may be treated as

deemed exports (zero import duty). The input GST liability would reduce substantially which in turn helps the business to become more competitive.

7.2.2 Incentives for Service Sector Projects approved under DAP 2020

Approved service sector projects in A&D sector can avail one time Employment incentive in the form of reimbursement of employer's contribution of PPF up to Rs.48,000 per annum for employees domiciled in Tamil Nadu. The eligible service sector industries are those which are listed in the various DPPs and DAP 2020 as services eligible for discharge of offset obligations. These services are:

- a) Maintenance, Repair and Overhaul
- b) Upgradation/life extension of products
- c) Engineering design and testing
- d) Software development
- e) R&D services (govt recognised R & D facilities)

In addition, the Government of Tamil Nadu could notify more service sectors for being eligible for this incentive. To be eligible to claim this incentive, a company should have at least 100 employees in their facility at Tamil Nadu. This would be applicable for new employees on boarded after 01 April, 2022 and would be valid only up to 31 March, 2024.

8

Policy Implementation

8. POLICY IMPLEMENTATION

8.1 Single Window Clearance Mechanism

For MSME units, necessary facilitation will be provided by Facilitating MSMEs of Tamil Nadu (FaMe TN - Erstwhile MSME Trade and Investment Promotion Bureau). Necessary approvals will be facilitated through the single window portal of Commissionerate of Industries and Commerce without any charges.

TIDCO will provide all necessary facilitation for A&D projects. Necessary clearance will be facilitated by TIDCO through the online single window portal of Guidance Tamil Nadu. A&D units would be eligible for a 50% subsidy on the single window clearance charges.

8.2 Procedure for Sanction of Incentives and Sanctioning Authorities Application and Approval process

The procedure for sanctioning of incentives and sanctioning authorities is as laid out in the Tamil Nadu Industrial Policy for all investments exceeding Rs 50 crores. Application for incentives shall be received by Guidance/TIDCO and forwarded with its recommendations to the Industries Department for sanction of incentives. SIPCOT is mandated to act as the implementing and disbursement agency for all the incentives listed in the Policy. The incentives would be provided to eligible industries by the Industries, Investment Promotion, and Commerce Department based on the recommendation of the Guidance/ Inter Departmental Committee to the Government and disbursed by SIPCOT. The single window facilitation for all investments above Rs 50 crores shall be undertaken by Guidance through the single window portal.

All investments up to Rs.50 crores will be handled by FaMe TN and the Commissionerate of Industries and Commerce. The incentives for the MSME sector may be sanctioned by the Commissioner of Industries and

Commerce. The single window facilitation for the MSME sector may be undertaken by the Commissioner of Industries and Commerce and District Industries Centre

The existing institutional mechanism for sanction and disbursement of investment-related incentives to industries and other implementation guidelines (as per TNIP 2021 or TN MSME Policy 2021) could be made applicable to the industries eligible under this policy.

8.3 Inter-Departmental Committee

The Inter-Departmental Committee (IDC) constituted under the Tamil Nadu Industrial Policy 2021 shall serve as a recommendatory body to the Cabinet for sanction of incentives for special circumstances upon the request of the Additional Chief Secretary, Industries Department. A representative of TIDCO would be part of this committee for all A & D proposals

8.4 Disbursement Mechanism for Incentives

State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) is mandated to act as the disbursement agency of various incentives listed out in this Policy for all project categories barring MSME. For MSME, Industries Commissioner and Director of Industries and Commerce (ICDIC), Government of Tamil Nadu would act as the disbursement agency. SIPCOT and ICDIC would create SOP for the disbursement mechanism in collaboration with TIDCO for A&D industries.

Additional Notes

- i. New manufacturing facilities set up by an existing company within the existing facility (or) in a new site (or) in an adjacent vacant site for manufacturing a product already being manufactured in the existing unit or an entirely new product, would be treated as an expansion unit for the purpose of incentives under the policy, subject to maintaining of production volume/value in the older unit.
- ii. The definition of Aerospace & Defence Industrial Units under this policy are defined in Annexure-II.
- iii. The categorisation of districts of the State for applicability of various incentives laid down in this policy is defined in Annexure –III.
- iv. Eligible Fixed Asset (EFA) is as per the TN Industrial Policy.
- v. The definition for Direct Employment or Direct Job is as per the TN Industrial Policy.
- vi. In case, any subsidy/incentive offered for any MSME unit under the Tamil Nadu Micro, Small, Medium Industries Policy of MSME department is higher than the subsidy/incentive offered to Aerospace/ Defence MSME unit under this Policy, the higher subsidy/incentive as applicable to MSME unit will prevail.
- vii. The provisions of the current 'Tamil Nadu Industrial Policy' will be applicable in cases which are not explicitly mentioned in this Policy.

Annexure I - Abbreviations

S. No.	Abbreviation	Expansion
1.	A&D	Aerospace & Defence
2.	AGMARK	Agricultural Marketing
3.	ASP	Activated Sludge Process
4.	ATEA	American Tamil Entrepreneurs Association
5.	AVADI	Armoured Vehicle & Ammunitions Depot of India
6.	BEE	Bureau of Energy Efficiency
7.	BIS	Bureau of Indian Standards
8.	CVRDE	Combat Vehicles Research & Development Establishment
9.	DA	Development Agency
10.	DAP	Defence Acquisition Procedure
11.	DOFA	Defence Offset Facilitation Agency
12.	DPSU	Defence Public Sector Units
13.	DRDO	Defence Research & Development Organisation
14.	DSIR	Department of Scientific and Industrial Research
15.	EFA	Engine Factory Avadi
16.	EFA	Eligible Fixed Assets
17.	ELCOT	Electronics Corporation of Tamil Nadu Limited
18.	FaMe TN	Facilitating MSMEs of Tami Nadu (Erstwhile MSME Trade and Investment Promotion Bureau)
19.	FCS	Fixed Capital Subsidy

S. No.	Abbreviation	Expansion
20.	FDI	Foreign Direct Investment
21.	FPO	Fruit products order
22.	FSI	Floor Space Index
23.	GDP	Gross Domestic Product
24.	GRIHA	Green Rating for Integrated Habitat Assessment
25.	HAPP	Heavy Alloy Penetrator Project
26.	HVF	Heavy Vehicles Factory
27.	ICDIC	Industries Commissioner and Director of Industries and Commerce
28.	IDC	Inter-Departmental Committee
29.	iDEX	Innovations for Defence Excellence
30.	IGBC	Indian Green Building Council
31.	IIM	Indian Institute of Management
32.	IIoT	Industrial Internet of Things
33.	IIT	Indian Institute of Technology
34.	INR	Indian Rupee
35.	IoT	Internet of Things
36.	IPRC	ISRO Propulsion Complex
37.	ISI	Indian Standards Institution
38.	ISO	International Organization for Standardization
39.	ISRO	Indian Space Research Organisation
40.	IT	Information Technology

S. No.	Abbreviation	Expansion
41.	ITI	Industrial Training Institute
42.	JV	Joint Venture
43.	MBR	Membrane Bioreactors
44.	MIT	Madras Institute of Technology
45.	MRO	Maintenance, Repair and Overhauling
46.	MSME	Micro, Small & Medium Enterprises
47.	NIC	National Industrial Classification
48.	NIT	National Institute of Technology
49.	OCF	Ordnance Clothing Factory
50.	OEMs	Original Equipment Manufacturers
51.	OFT	Ordnance Factory Trichy
52.	PCD	Pollution Control Devices
53.	PPP	Public-Private Partnership
54.	PSU	Public Sector Units
55.	R&D	Research & Development
56.	RO	Reverse Osmosis
57.	SGST	State Goods & Services Tax
58.	SIDCO	Small Industries Development Corporations
59.	SIPCOT	State Industries Promotion Corporation of Tamil Nadu
60.	SIPEC	Small Infrastructure Project Empowered Committee

S. No.	Abbreviation	Expansion
61.	TANGEDCO	Tamil Nadu Generation and Distribution Corporation Limited
62.	TBS	Turn-over Based Subsidy
63.	TDP	Technology Development Programmes
64.	TIDCO	Tamil Nadu Industrial Development Corporation Limited
65.	TIIC	Tamil Nadu Industrial Investment Corporation Limited
66.	TN	Tamil Nadu
67.	TNDIC	Tamil Nadu Defence Industrial Corridor
68.	TNIFMC	Tamil Nadu Infrastructure Fund Management Corporation Limited
69.	VIT	Vellore Institute of Technology

Annexure II – Definition of A & D units

- I. For the purpose of availing the benefits under this Policy, the eligible Aerospace & Defence Industrial units are defined as those that comply with any one of the following:
 - a. Designing, engineering, manufacturing, servicing, supplying such material/components/sub-assemblies/test equipment/software, etc. to the OEMs / Tier I /Tier II /Tier III companies of Aviation, Space and Defence Industrial majors including HAL, ISRO, all Defence PSUs of GoI, all defence & security forces viz., Army, Navy, Air force, Coast Guard, NSIL/In SPACE, airports etc. (pertaining to A&D).
 - b. Construction of MRO Aircraft Hangers will also be considered as Aerospace/Defence Industry.
 - c. Designing, engineering, manufacturing, servicing, supplying such material / components / sub-assemblies / test equipment etc. to airport operators, air traffic management units, MROs, aviation, space or defence equipment lessors.
 - d. Other services that are included in the various DPP, DAP as eligible for discharge of offset obligations.
 - e. All the industrial units which have got the AS9100 certification or adhering to the standards laid down by various sub-committees of Dept of Defence Productions are considered as Aerospace/Defence related industrial/service units.
- II. Any additional clarification on the definition of aerospace /defence industries unit shall be given by Industries Deptt/TIDCO.
- III. Aerospace and Defence Park is defined as an Industrial Park promoted by Private/Govt/PPP proponents with land developed with all related infrastructure with a minimum area of 50 acres and where at least 50% of the units located is Aerospace & Defence related.
- IV. MSME Units: Government of Tamil Nadu will follow the MSME definition laid out by Government of India for MSMEs as per Micro, Small and

Medium Enterprises (MSME) Act 2006. The definition for MSMEs will be revised as per the guidelines issued by Government of India.

- V. OEM - Original Equipment Manufacturer of aircraft, ships, battle tanks, ammunitions, missiles, small arms, satellites, rockets, launch vehicles, artillery guns, armoured trucks & special vehicles used by defence forces, radars, any other equipment used for aviation, space & defence applications responsible for overall designing & manufacturing.
- VI. Tier 1 Suppliers- Supply directly to OEMs as per specifications provided by OEMs for at least 3 out of 5 years of operation or have a contract to supply for the next 1 year.
- VII. Tier 2 Suppliers - Supply directly to Tier 1 and OEM's suppliers' specifications for at least 3 out of 5 years of operation or have a contract to supply for the next 1 year.
- VIII. Tier 3 Suppliers-Providing basic components required by other vendors present higher in the value chain
- IX. Defence Public Sector Units - Central PSUs under the administrative control of Ministry of Defence.

Annexure III – Defence Industrial Corridor Nodes

Ministry of Defence has identified Defence Industrial Corridor in Tamil Nadu with Five nodes, namely Chennai, Coimbatore, Hosur, Salem and Tiruchirappalli have been identified for TN Defence Industrial Corridor. The nodes have been selected based on high potential for creation of end-to-end ecosystem for Aerospace and Defence sector development covering design, engineering, and manufacturing.

GoTN intends to promote these nodes as clusters with necessary testing and certification facilities, export facilitation centres, technology transfer facilitation, etc.

The geographical spread of the nodes of the Defence Industrial Corridors are as tabulated below

Sl No	District	Sl No	District	Sl No	District
1	Chennai	2	Kanchipuram	3	Tiruvallur
4	Chengalpattu	5	Ranipet	6	Vellore
7	Tirupattur	8	Krishnagiri	9	Dharmapuri
10	Salem	11	Erode	12	Tiruppur
13	Coimbatore	14	Namakkal	15	Tiruchirappalli
16	Ariyalur	17	Perambalur	18	Kallakurichi
19	Villupuram	20	Tiruvannamalai	21	Karur

The Government of Tamil Nadu may subsequently issue a notification on the districts which form part of each node when there are changes in the above tabulation.

Industries, Investment Promotion and Commerce Department

www.tndefencecorridor.in
www.tidco.com

