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MAN'EXE-2017
"Make in Telangana: Creating a Sustainable & Globally Competitive Ecosystem"



Make in Telangana

Creating a Sustainable &
Globally Competitive
Ecosystem

TITLE	Report on 'Telangana: Creating a Sustainable and Globally Competitive Ecosystem' for CII Man'Exe 2017		
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FOREWORD

Telangana, the newest state of India, is marching towards industrial development through continuous support from Government and through policy instruments such as Telangana State Industrial Policy, 2014. Manufacturing industries hold key to foster economic growth, create employment and create a sustainable ecosystem in the state. It is our determination that the State of Telangana should emerge as the favourite destination for national and international investments in Manufacturing Sector.

In this era of global competition, it is imperative that the Manufacturing industries be competitive and sustainable. Innovation and use of advanced technologies shall lead this sector to the required levels of competitiveness and sustainable growth in the global arena

I am glad to note the theme of the event CII Man'Exe-2017 is 'Make in Telangana: Creating a Sustainable and Competitive Ecosystem'. Telangana indeed is a land of opportunities and we endeavor to foster the manufacturing sector in this state and equip it for the global competition. I also invite industry to leverage this opportunity to be part of the growth story and share innovative ideas that benefit the industry with improved efficiencies and competitiveness. I wish CII, YES Bank and its stakeholders the best & look forward to welcome investors to Telangana and partner us creating a growth story in Telangana.

Shri KT Rama Rao

Hon'ble Minister for IT, Industries, MA & UD, NRI Affairs,
Government of Telangana

FOREWORD



The Industrial Policy of Telangana, 2014 is one of the most progressive Industrial Policies in the country, aiming to create an Ecosystem for Industrial development across 14 thrust sectors as identified in this Policy.

The state has taken many steps to ensure the ease of doing business and investor friendly ecosystem in the state. One of the key initiative is Telangana State Industrial Project Approval and Self Certification System (TS-iPASS) Act, 2014. Further, we have launched the Industrial Infrastructure Development Fund (IIDF) Scheme for facilitating infrastructure development for standalone units. The initiatives such as T-IDEA and T-PRIDE Schemes have been introduced to encourage first generation entrepreneurs, women, SC, ST, etc to setup units in the State.

In order to support the industrial ecosystem in the state, Telangana State Industrial Infrastructure Corporation (TSIIC) has taken up many initiatives for Industrial Infrastructure development in the State. Some of the major such initiatives include National Investment and Manufacturing Zone-Medak, Genome Valley, Kakatiya Mega Textile Park etc. TSIIC is focusing on creating sustainable business opportunities by strengthening the states logistic facilities by developing multimodal logistics park, Logistics Park and dry port facilities in and around Hyderabad. Some of our other major initiatives include T-HUB, Information Technology Investment Region (ITIR) at Hyderabad and Telangana Academy for Skill & Knowledge (TASK), etc.

Along with an abundant land availability, which is maintained through a GIS monitored land bank system, Telangana provides the required necessary infrastructure to industries in the state which include abundant water supply, uninterrupted power supply, etc. With many nationally reputed institutions like IIT Hyderabad, ISB and numerous state institutes and diploma/ITI colleges imparting skill at various levels, Telangana provides a large coterie of skilled and semi-skilled manpower. The centralized location of the State is an added advantage to the industries operating out of our State.

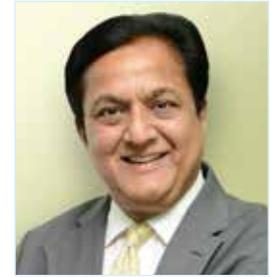
With a vision of “Research to Innovation; Innovation to Industry; Industry to Prosperity;” the goal of our policy is “In Telangana-Innovate, Incubate, Incorporate;” thus giving high priority to innovation in the State. This goes in line with CII Man’Exe 2017 theme of ‘Make in Telangana: Creating Sustainable and Globally Competitive Eco system’.

We congratulate CII for organizing such an event and YES Bank for developing this report. I wish the event all the success and invite investors to Make in Telangana – leading to their Sustainable Growth with the continuous support from the Government of Telangana.

Mr. Jayesh Ranjan, IAS

Principal Secretary to Government, IT, EC & Industries,
Government of Telangana

FOREWORD



Within 3 years of its formation, the state of Telangana has already scripted a stupendous story of all round growth. Telangana's rating as one of the best states in India for Ease of Doing Business is a strong testimony to this success story. It is also encouraging to note that the state is witnessing investments across all Primary, Secondary and Services sectors of the economy, which have grown by 12%, 7.54% and 8.2% respectively (*as per advanced estimated GSDVA for 2016-17*).

With special focus on Manufacturing, the State Government has successfully dovetailed the 'Make in Telangana' program with the strategic 'Make in India' initiative, ably supported by sector specific policies and approval mechanisms, which are at par with global standards. The Industrial Health Clinic set up by the State is one such progressive step towards addressing the concern of sick industries. Such strategic initiatives not only provide much needed guidance and support to industries, but also work towards boosting industry sentiment and investor confidence.

In such a supportive ecosystem like Telangana, I am confident that CII - MAN'EXE 2017 will be a huge success in garnering new ideas and resolving specific challenges. This flagship forum has been attracting Manufacturing industry leaders from across India to interact and share ideas and experiences on emerging technologies and best practices that will shape the future of Manufacturing. YES BANK is proud to partner the 13th edition of CII - MAN'EXE 2017 and present the knowledge report '**Make in Telangana: Creating a Sustainable & Globally Competitive Ecosystem**'.

The report highlights various path breaking initiatives championed by the state of Telangana towards making it a preferred investment destination, including its competitive policy framework, strategic infrastructure projects and various industrial facilitation initiatives. Also highlighted are initiatives like Research and Innovation Circle of Hyderabad (RICH) that plans to connect all research-led institutions in and around Hyderabad to facilitate a platform for seamless knowledge sharing and industrial guidance on technical subjects. I am sure this report will form a good reference document for delegates attending Man'Exe 2017.

I wish CII Telangana the very best for grand success of the CII - MAN'EXE 2017.

Thank You,
Sincerely,



Rana Kapoor

Managing Director & CEO 

Chairman 

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A b b r e v i a t i o n s

3PL	Third-party logistics
4PL	Fourth-Party Logistics
5PL	Fifth-Party Logistics
B2B	Business to Business
BEV	Battery Electric Vehicles
CAF	Common Application Form
CAGR	Compounded Annual Growth Rate
CFS	Container Freight Station
CII	Confederation of Indian Industries
CS	Cooperative Societies
DIPP	Department of Industrial Policy & Promotion
DPR	Detailed Project Report
EV	Electric Vehicle
FAME	Faster Adoption and Manufacturing of (Hybrid &) Electric
FCI	Telangana. Food Corporation of India
FDI	Foreign Direct Investment
FMCG	Fast Moving Consumer Goods
FY	Financial Year
GDP	Gross Domestic Product
GSDP	Gross State Domestic Product
GST	Goods and Service Tax
GVA	Gross Value Added
HMDA	Hyderabad Metropolitan Development Authority
ICD	Inland Container Depot
IIIT	Indian Institutes of Information Technology
IIP	Index of Industrial Production
INR	Indian National Rupee
ISB	Indian School of Business
IT	Information Technology
ITeS	Information Technology Enabled Service
ITIR	Information Technology Investment Region
KM	Kilometre
LFPR	Labour Force Participation Rate
MoU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprises
MW	Mega Watt
NALSAR	National Academy of Legal Studies and Research
NATrIP	National Automotive Testing and R&D Infrastructure Project
NBFC	Non-Banking Financial Institution
NEMMP	National Electric Mobility Mission Plan
NIMZ	National Investment and Manufacturing Zones

PHEV	Plug-in Hybrid Electric Vehicles
PKVY	Paramparagat Krishi Vikas Yojana
PPP	Public Private Partnership
R&D	Research & Development
RGIA	Rajiv Gandhi International Airport
RICH	Research and Innovation Circle of Hyderabad
RMF	Research to Market Fund
SAMPADA	Scheme for Agro Marine Processing and Development of Agro-Processing
SEZ	Special Economic Zone
SIAM	Society of Indian Automobile Manufacturers
SQ.KM	Square Kilometre
TASK	Telangana Academy for Skill & Knowledge
TEU	Twenty-foot Equivalent Unit
T-HUB	Telangana Hub
T-IDEA	Telangana State Industrial Development and Entrepreneur Advancement
TIHCL	Telangana Industrial Health Clinic Limited
T-PRIDE	Telangana State Program for Rapid Incubation of Dalit Entrepreneurs
TSIDC	Telangana State Industrial Development Corporation
TSIIC	Telangana State Industrial Infrastructure Corporation
TS-iPASS	Telangana State Industrial Project Approval and Self Certification System
T-SWIFT	Telangana State-Wide Investment Facilitation
USD	United State Dollars
WCS	Weaver Cooperative Societies

1. Executive Summary



1. Executive Summary

Background

The new state of Telangana was formed in 2014 after separation from erstwhile Andhra Pradesh. The economy of the state (GSDP) is growing continuously from 8.7 % in 2014-15 to 10.1% in the year 2016-17 (at constant 2011-12 prices)¹. Telangana is one of the few states in India to register the double digit growth in the recent past. The state has achieved its growth by creating robust policy framework, attracting investments in manufacturing sector and building necessary infrastructure facilities for the manufacturing sector to grow. The state has provided conducive eco-system for the industries to flourish and provide goods and services at competitive prices in national and international markets.

Government of Telangana has taken many initiatives for the development of manufacturing industries in the region. These initiatives are designed to cater the requirements of various industries from large industrial projects to MSME sector. The spectrum of initiatives include investment facilitation, providing support for implementation through TS-iPASS, nurturing new startup eco system through RICH and T-Hub and revival of existing MSME units through establishment of Telangana Industrial Health Clinic.

In addition to the policy measures, incentives and initiatives provided by the state, Telangana has advantages that make the state as potential manufacturing hub in India.

Demographic advantage

Telangana's Labour Force Participation Rate (LFPR) of 66.8%, LFPR is higher than the national average of 52.9% as per 2011 Census. The total workforce in the state stands at 1.63 Cr.²

Locational advantage

Telangana is located close to central India and is in close proximity with high growth states of Karnataka, Tamilnadu, Andhra Pradesh and Maharashtra. These states share wide variety of raw materials required for further processing and considered high consumption markets. With the introduction of GST, Telangana has become one of the most sought after state for investments because of its locational advantages

Infrastructure advantage

The state has strong rail, road and air connectivity. Telangana is one of the few states to have the higher road density of national highways with 2.9 km/ 100sq.km against the national average of 2.84km/100 sq.km.³ Rajiv Gandhi International Airport (RGIA), Shamshabad is one of the largest modern airports in India. Further, Government has entered MoU with Ministry of Civil Aviation and Airports Authority of India for development of small airports at Kothagudem and Warangal.

Competitive Cost of Labor

Competitive Cost of Labor provides competitive advantage for manufacturing sector.

Strong industrial base

Telangana is an important industrial hub, with units in sectors like Biotechnology, Pharmaceuticals, Electricals, Defence, Information Technology, Textiles and Tourism among others. The State is also a rapidly emerging center for sectors like Aerospace, Electronics, IT Hardware & Automobile manufacturing. These major industries can act as anchors for attracting similar large industries as also ancillary industries necessary for servicing these large players

Adequate manpower

As per 2011 census, among the literate population, 21.9% have graduation and above level of education.⁴

Uninterrupted power supply

The government put all its efforts in providing uninterrupted quality power to all consumers in the state. The existing installed capacity of Telangana State with Telangana's share of 53.89 per cent, as on December 2016, stands at 12,295.75 MW, which includes state, central and private sectors.⁵

Considering the above infrastructure resource availability, Telangana is poised to become a hub for manufacturing sector in future. In the current scenario, the sectors- Automobile and Auto ancillary, Textile and apparels, Logistics and Food processing- provide immense opportunities for new investors to tap the potential and existing investors to expand their manufacturing base. The opportunities of investment in each sector are highlighted below

Opportunities of investment in Automobile and auto ancillary sector

Automobile and auto ancillary sector is one of the key focus sectors in India. The total turnover of automobile manufacturers in India is USD 64 billion in 2016 and estimated to reach USD 69 Billion in 2017⁶. The automobile sector is major contributor for export of automobile units. Government of India has initiated an action plan to revolutionize this sector by preparing a National Electric Mobility Mission Plan 2020 (NEMMP). The focus of this plan is to achieve national fuel security by promoting hybrid and electric vehicles in the country. There is an ambitious target to achieve 6-7 million sales of hybrid and electric vehicles year on year from 2020 onwards⁷. This scheme has opened new market space for electric vehicles and hybrid vehicles. Globally, the electric car stock surpassed 2 million units in 2016 after crossing the 1 million vehicle threshold in 2015⁸. Realizing the importance the sector holds, Government of Telangana has taken significant steps to ensure that the new automobile and auto ancillary units created will be sustainable and create products which are

globally competitive.

Advantage Telangana	New Business Opportunity
<ul style="list-style-type: none"> ✓ Access to major consumer markets such as Bengaluru, Mumbai, Kolkata, Chennai etc ✓ Low manufacturing cost ✓ Established industrial base with Mahindra and Mahindra setting up plant in Zaheerabad and availability of ancillary units ✓ Competitive Cost of Labor 	<ul style="list-style-type: none"> ✓ Opportunity for establishment of electronic vehicles manufacturing in Telangana ✓ New business opportunity for establishment of suppliers/ vendor parks along with anchor units ✓ Partner with State Government in establishing Research and Development Centers ✓ Development of Auto and Auto industrial parks

Opportunities of investment in Textile and apparel sector

Textile sector is one of the oldest industries in India and has commendable presence in the national economy. The Indian textile industry is estimated around USD 120 billion and is expected to reach USD 230 billion by 2020.⁹ One of the key advantage this sector holds is that foreign investments can be allowed to the tune of 100%. The state of Telangana is one of the largest producer of staple cotton with a production of 50 lakh bales per annum¹⁰. In the value chain of textile manufacturing, Telangana has limited spinning mills (33 no's) with a capacity of 10 Lakh spindles consuming only 20% of the cotton grown in the state¹¹. Realizing the opportunity, Government of Telangana has taken many steps such as

- ✓ **Cotton-to-Garment' park (Kakatiya Mega Textile Park)** in Warangal Rural District in 2000-3000 acres.
- ✓ Introduced incentives for Textile and Apparel sector under Telangana Textile and Apparel Incentive Scheme 2017 which include
 - o Capital Assistance
 - o Operational Assistance
 - o Infrastructure Support
 - o Capacity building and Skill development Support
 - o Fibre to Fabric incentive
- ✓ Establishment of 6 Textile parks (SEZs) with all facilities

Advantage Telangana	New Business Opportunity
<ul style="list-style-type: none"> ✓ Availability of raw material: One of the largest producer of cotton in India ✓ Availability of physical infrastructure- 'Kakatiya Mega Textile Park' and other textile parks ✓ Access to major consumer markets such as Bengaluru, Mumbai, Kolkata, Chennai etc 	<ul style="list-style-type: none"> ✓ Establishment of technical textiles and value added products production units in upcoming textile parks- Kakatiya Mega Textile park at Warangal, Integrated Textile Park at Sircilla, Karimnagar district. ✓ Establishment of units in leather park station at Ghanapur, Jangaon

Opportunities of investment in Logistics sector

Indian Logistics industry is evolving rapidly. Logistics industry continues to witness growth owing to the progress in retail, e-commerce and manufacturing sectors. The size of the logistics sector in India is estimated to be USD 260 billion¹². The importance of this sector is presented in Telangana State Industrial Policy framework and Telangana is under process of developing a "logistic policy" for the state. Creating a logistic infrastructure is essential for a state to provide boost to existing manufacturing base and attract new investments into the state. The new initiatives in this sector are

- ✓ Government is in the process of preparing exclusive "Logistic policy" for the state to incentivize and increase warehousing, cold chain, logistics parks in Telangana
- ✓ Government is planning to develop Inland Container Depot and Dry Port along with Multimodal Logistic Park

Advantage Telangana	New Business Opportunity
<ul style="list-style-type: none"> ✓ Excellent road connectivity ✓ Strong railway connectivity with terminals at Nizambad, Mahbubnagar, and Jedcherla ✓ Established e-commerce and product development companies 	<ul style="list-style-type: none"> ✓ Opportunity for establishment of multi modal logistic parks, ware houses and cold chain to store agri products ✓ Establishment of multi modal logistics park under public-private partnership modal ✓ Immense opportunity for logistics service provider (3PL) , Network Integrators (4PL), Supply chain managers (5PL) to establish units in Telangana ✓ Partnering with State Government for establishment of logistic parks around Hyderabad ✓ Partnering with State Government for establishment of Dry port facilities under PPP mode

Opportunities for Food Processing sector

Telangana is a large producer of agro products along with being a market leader in the poultry and seed business. There is huge opportunity to add value to agro-products and expand the strengths. The production of food grains, including cereals and millets and pulses, has been estimated to be about 77.93 lakh tonnes¹³ in the 2016-17 agricultural year as against 51.45 lakh tonnes 2015-16¹⁴. The state stands 10th in livestock population, 2nd in sheep population, 13th in goat population, 4th in poultry, 13th in bovine population and 15th in pig population in the country, as per the Livestock Census, 2012. Telangana has put greater emphasis on food processing sector by creating value addition in the farm sector through its Industrial Policy. Major Food Parks are being established in Telangana State with assistance from Government of India. Apart from establishing mega food parks in the region, Government has also created necessary infrastructure for agriculture and horticulture output to considerably increase through various reforms such as **Mission Kakatiya**, which will rejuvenate 46,000 lakes to provide water for increasing acreage in the state and planning a mega multi modal logistics park in Telangana, catering to export of goods nationally and internationally.

Advantage Telangana	New Business Opportunity
<ul style="list-style-type: none"> ✓ Availability of raw materials 	<ul style="list-style-type: none"> ✓ Establishment of Food processing plants in notified food parks ✓ Establishment of units at upcoming Seed park at Medak and Food Processing park at Sangareddy

The above mentioned sectors in Telangana are key thrust areas for the Government and have a tremendous potential to grow. Telangana is a destination for “sustainable and globally competitive ecosystem” for setting up of new industries from large to MSMEs and expansion of existing industries with a competitive advantage.

2. Introduction to MAN'EXE 2017



2. Introduction to MAN'EXE 2017

2.1. Background

Economic prosperity of India will essentially depend on building strong manufacturing sector which contributes to infrastructure development, job creation and growth of Gross Domestic Product (GDP) on both overall and per capita basis. Recognizing its importance, Government of India has identified manufacturing as high growth sector and has launched "Make in India" program to place India on the world map as manufacturing hub and give global recognition to Indian Manufacturing Industry.

It is an impetus for Indian economy to provide a sustainable and globally competitive ecosystem for manufacturing sector through policy support. In achieving this objective, manufacturing industries are working towards manufacturing excellence in creating sustainable and globally competitive ecosystem. Manufacturing excellence will direct organizations towards competitiveness at a global platform. The excellence in manufacturing include internal reforms, investments in areas of technology and up gradation to required skills.

2.2. About MAN'EXE 2017

In order to succeed in rapidly evolving global manufacturing landscape, Indian manufacturing industry has becomes increasingly more advanced and sophisticated in augmenting traditional practices of manufacturing. The increasing success of "Make in India" reemphasizes the importance of investing in innovation and future technologies on large scale.

Confederation of Indian Industry's (CII) flagship program on **Man'Exe**, is a platform for various stakeholders in the manufacturing sector to come together, deliberate on topics related to investments, technology, excellence, advances in the Manufacturing sector and contribute to development of an overall sustainability and competitive ecosystem of the Industry.

This year the theme for the 13th edition of the Man'Exe 2017 conference is **"Make in Telangana: Creating a sustainable and globally competitive ecosystem"**. The Man'Exe 2017 conference focuses on this theme and brings leaders in industry from across India to discuss on Make in Telangana, focusing on sustainability and competitive ecosystem of Industry and importance of innovation and future technologies in achieving sustainable growth.

2.3. Structure of the report

The report focuses on highlighting Telangana as an emerging destination for the manufacturing sector and highlights recent policy related developments in the manufacturing sector. The first part of the report is structured to provide details about Telangana such as demographic profile, overview of socio economic profile, Industrial profile, resource availability and key initiatives of Government of Telangana.

The second part of the report highlights key initiatives taken up Government of Telangana in the following sectors

1. Automobiles and Auto Ancillary sector
2. Textiles and Apparel
3. Logistic sector
4. Food processing and nutrition products

In each of above mentioned sectors, the report highlights the growth of the sector at India level, opportunities for new business in the sector, policy level support extended by Union and State Government and how Telangana is most favorable destination for new business to be established along with incentives, advantages of Telangana.

3. About Telangana



3. About Telangana

- ✓ State of Telangana is the 29th state of India with Hyderabad as its capital
- ✓ With the geographical area of 1,12,077 Sq. Km¹⁵ with 31 districts and with population of 3.5 Crore¹⁶ Telangana is the 12th largest State in terms of both area and population



Table 1 Demographic features of Telangana

Description	Unit	Telangana	India
Area	Sq.Kms	1,12,077	3,287,263
Districts	Nos	31	707
Total Population (as per 2011 census)	Nos	35,003,674	1,21,08,54,977
Sex ratio	Females per 1000 men	988 ¹⁷	943 ¹⁸
Density of population	Per Sq.km	312	388
Literacy rate ¹⁹	Nos	66.54	72.99

Table 2 District wise population as per 2011 census²⁰

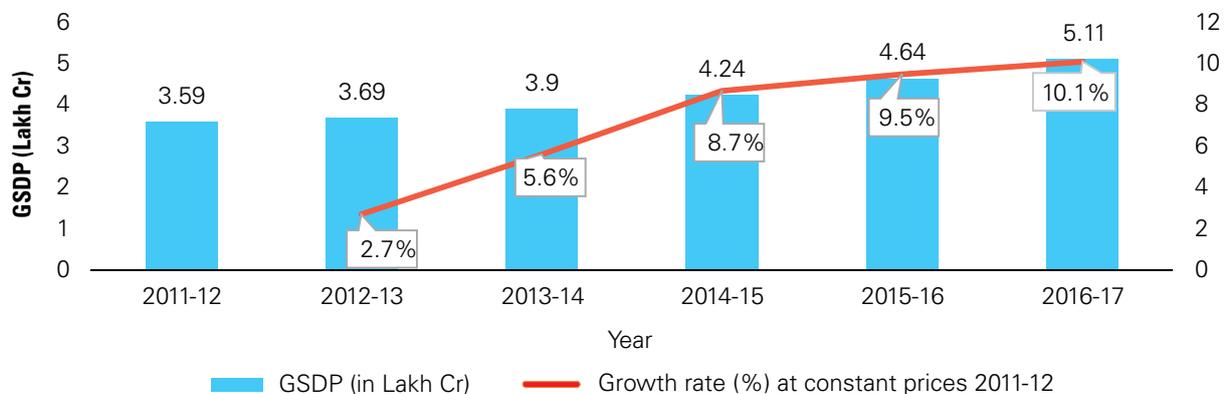
Name of the District	Population (in Lakhs) as per 2011 census	Name of the District	Population (in Lakhs) as per 2011 census
Hyderabad	39.43	Vikarabad	9.27
Rangareddy	24.46	Nagarkumool	8.62
Medchal	24.4	Mancherial	8.07
Nalgonda	16.18	Peddapalli	7.97
Nizamabad	15.71	Mahabubabad	7.75
Sangareddy	15.28	Medak	7.67
Mahabubhanagr	14.87	Yadadri	7.39
Kharnmam	14.02	Warangal ®	7.19
Suryapet	11	Jayashanagr	7.11
Warangal (u)	10.81	Adilabad	7.09
Bhadradri	10.69	Nirmal	7.09
Siddipet	10.12	Joulamba	6.1
Karimnagar	10.06	Wanaparty	5.78
Jagtial	9.85	Jangaon	5.56
Kamareddy	9.37	Rajanna	5.52
		Komaram Bheem	5.16

3.1. Socio- Economic Profile

3.1.1. Gross State Domestic Product (GSDP)

- ✓ The GSDP at current prices for the year 2016-17 is estimated at Rs. 6.54 lakh crore, as against Rs. 5.76 lakh crore in the previous year, indicating a growth rate of 13.7 per cent
- ✓ GSDP at constant (2011-12) prices is estimated at Rs. 5.11 lakh crore in 2016-17, compared to the previous year estimates of Rs. 4.64 lakh crore, thereby registering a growth rate of 10.1 per cent

Figure 1 Growth of GSDP at constant price (2011-12) (in Lakh Cr)



Source: Socio Economic Outlook 2017, Government of Telangana

3.1.2. Growth of various sectors

✓ Primary sector

- o Primary sector contribution to state's GSV (2016-17) is 18%
- o The growth of primary sector is 17.2% while the growth of primary sector is 9% for India (at current prices)

✓ Secondary sector

- o Secondary sector contribution to state's GSV (2016-17) is 19%
- o The growth of secondary sector is 9.8% while the growth of secondary sector is 8.7% for India (at current prices)

Tertiary sector

- o Tertiary sector contribution to state's GSV (2016-17) is 63%
- o The growth of tertiary sector is 14.6% while the growth of tertiary sector is 11.9% for India (at current prices)

3.2. Industrial Profile of Telangana

Telangana is home to several major manufacturing industries such as bulk drugs, pharmaceuticals, agro-processing, cement & mineral-based industries, high precision engineering, textiles, automobiles and auto components industry, spices, horticulture, poultry farming, biotechnology, defense equipment, etc

3.2.1. Factories²¹

- ✓ The number of factories in Telangana have increased from 7,357 in 2008-09 to 11,068 in 2013-14 posting 50 per cent growth. The total gross value added by factories in 2013-14 is INR 35,985 Cr.
- ✓ Telangana accounts for about 6 per cent of the total number of factories in India

3.2.2. Micro Small and Medium Enterprises²²

- ✓ Micro, Small and Medium Enterprises (MSME) sector plays an important role in the economic and social development of the state and provide direct employment opportunities to 7,82,406 people, with a vast network of around 69,120 units

3.2.3. Handloom and power loom Sector²³

- ✓ The handloom industry is the largest cottage industry in the country with a position next only to agriculture in providing massive rural employment
- ✓ There are 627 Handloom Weaver Cooperative Societies in the state. About 82,438 handloom weavers in the State are in the fold of Cooperatives and about 38,002 handloom weavers are outside cooperatives
- ✓ There are about 49,112 power looms in Telangana

Table 3 List of Handloom cooperatives in Telangana

S.No	Handloom cooperatives	Number
1	Cotton	259
2	Silk WCSs	33
3	Wool WCSs	44
4	Power looms WCSs	157
5	Tailor CSS/ Garment CSs	134

Source: Socio Economic Outlook 2017, Government of Telangana

3.2.4. Special Economic Zones²⁴

Government of India has sanctioned 67 Special Economic Zones (SEZs) in Telangana, of which seven (7) SEZs were approved. The details of SEZs are mentioned below

Table 4 Type and Location of SEZs in Telangana

S.No	Type of SEZ	Location	District
1	IT / ITES	Nanakramguda (V), Serilingampalli (M)	Rangareddy
2	Aero Space and Precision Engineering	Adibhatla (V), Ibrahimpatnam (M)	Rangareddy
3	Biotech	Lalgadi Malakpet(V), Shameerpet (M),	Medchal
4	Formulation	Rajapur & Pollepalli , (V), Jedcherla (M)	Mahabubnagar
5	Biotech	KarakaPatla (V), Mulugu (M)	Siddipet
6	IT / ITES	Madikonda (V), Hanamakonda (M)	Warangal (Urban)
7	Electronic Hardware	Maheshwaram(V), Maheshwaram (M)	Rangareddy

An IT/ ITES SEZ at Warangal Urban is under development and is expected to be operationalized in 2017-18, which and is likely to generate jobs to 3000 persons²⁵

3.3 Industrial policy of Telangana

Industrial Policy of Telangana, 2014- The State of Telangana has envisioned industrialization in the state with a Vision of - "Research to Innovation; Innovation to Industry; Industry to Prosperity". The industry policy framework has set up a goal of "In Telangana-Innovate, Incubate, Incorporate". The policy framework intends to provide a business regulatory environment where doing business would be easy.

Highlights of Industrial policy of Telangana

- **Effective Industrial Clearances Mechanism through TS- iPASS²⁶:** The "Telangana State Industrial Project Approval and Self Certification System (TS-iPASS) Act, 2014" has been enacted to create an investor friendly environment in the State. The salient features of the Act are:
 - ✓ A single Common Application Form (CAF) for all departmental approvals
 - ✓ All relevant departments have been brought under purview of TS-iPASS

- ✓ Depending on complexity of the approval, a time limit has been set varying from 1 day to 30 days depending upon the complexity of the project
 - ✓ Applications are pre-scrutinized at state and district level enabling proper submission of applications and thus avoiding delays in processing the same
 - ✓ It has been made mandatory for the competent authorities to seek shortfall/additional information, if any, limited to one time, within three days of receipt of application
 - ✓ In case approvals are not accorded by departments within stipulated timeframe, the projects shall be deemed approved
 - ✓ Increase of transparency with information being shared with entrepreneurs on reasons for delay, if any, in getting the clearance within time limits
 - ✓ A provision has been provided for automatic approval system on submission of a self-certification by the entrepreneur
- **T-SWIFT: Telangana State-Wide Investment Facilitation (T-SWIFT)** to provide approvals within 15 days to mega projects (projects of over Rs. 200 Crore investment). This will be executed through board under the chairmanship of the Chief Secretary to Government has been constituted
 - **T-IDEA²⁷ - Incentives for setting up of new Industrial Enterprises:** T-IDEA stands for Telangana State Industrial Development and Entrepreneur Advancement scheme. Under this scheme, Government shall provide incentives for first generation entrepreneurs and women entrepreneurs.
 - **T-PRIDE²⁸ - Incentives for encouraging Dalit Entrepreneurs:** T-PRIDE stands for Telangana State Program for Rapid Incubation of Dalit Entrepreneurs incentive scheme. Under this scheme, Government shall provide incentives for encouraging Dalit Entrepreneurs
 - **Telangana State Industrial Infrastructure Corporation (TSIIC)²⁹:** TSIIC was established in the year 2014. It aims at identifying and developing potential industrial growth centres, along with developing the required infrastructure in these centres. Following are some of the initiatives undertaken by TSIIC:
 - **Establishment of Hyderabad Pharma-City:** Government of Telangana is developing "Hyderabad Pharma City" at an area of 14,000 acres. This pharma city is the largest and first of its kind pharma city having smart eco system for sustainable industrial city. This city will host companies on Bulk Drug Manufacturing, Intermediaries, Vitamins, Vaccines, Drug Formulation, Nutraceuticals, Herbal medicine products, specialty chemicals, cosmetics etc. The city shall be developed on the lines of "work, live, learn and play" with world class social infrastructure including tertiary pharma university, center of excellence and incubation centers, common testing facilities and vivarium, efficient and cost effective common effluent treatment plants based on 'zero liquid discharge' etc.
 - **National Investment and Manufacturing Zones (NIMZ)³⁰:** A NIMZ has been approved by the Government of India to be established at Zaheerabad in Medak district. The estimated investment shall be Rs 17,300 crores and is estimated to generate direct and indirect employment to 2.61 lakh people
 - **Aerospace and Precision Engineering SEZ at Adibatla³¹:** The Aerospace SEZ at Adibatla in Rangareddy is being developed. It hosts 10 operational aerospace components manufacturing units
 - **Genome Valley³²:** Genome valley is largest innovation and life sciences cluster in Asia and is only clean manufacturing eco system. The Genome valley has shown promising growth by creating more than 10,000 jobs across over 200 companies occupying the valley like Novartis, GSK, Ferring Pharamceutical, Ashland, Lonza, Nektar Therapeutics, United Pharmacopeia, Sanofi, Biological E, Bharat Bitotech etc.

- o **Special Economic Zones (SEZs):** There are 67 SEZs in the State at different stages of completion in the State³³
- o **T-HUB³⁴:** T-Hub has been developed aiming at making Hyderabad as a start-up city and Telangana as a start-up State.
- o **Information Technology Investment Region (ITIR) at Hyderabad³⁵:** The ITIR, Hyderabad has been cleared by the Government of India. From this ITIR, IT products worth Rs. 2, 35,000 Crore are expected to be exported, with direct and indirect employment to about 15 lakh and 53 lakh people respectively.
- o **Plastic and polymer zone:** It is proposed to establish a 'Plastic Park' in 100 acres of land in Tumaloor village, Maheshwaram mandal of Rangareddy district. With an estimated investment of Rs. 123.24 crore. It is expected to provide employment opportunities both direct and indirect, to approximately 5000 persons.

3.4. Infrastructure and Resource availability

Government of Telangana through various initiatives have provided conducive eco system for the industries to flourish and provide goods and services in national and international markets. For any industry to flourish it requires Land, Energy, Skilled manpower and Transportation and Communication facilities. In this direction, some of the key initiatives and developmental activities taken up Government of Telangana are explained below:

Availability of developed land:

- o Apart from the 67 notified SEZs, the state is also in process of developing Industrial Parks in all the districts of Telangana. These industrial parks shall be developed based on parameters such as demand and availability of the raw materials in the surrounding areas of the cluster location by availing Government of India grant under Micro Small Enterprises- Cluster Development Program scheme for newly developing cluster and up gradation of existing industrial parks. Government of Telangana has identified 10 industrial clusters for development.³⁶

Table 5 List of notified SEZs in Telangana³⁷

S.No	Type of SEZ	Number
1	TSIIC – SEZs	7
2	TSIIC – Joint Ventures	3
3	TSIIC Allottees Notified as SEZs	17
4	AP MARKFED	1
5	Urban Development Authority	13
6	Private Developers	26
7	Total	67

Table 6 List of Industrial clusters in Telangana³⁸

S.No	Type of Industrial Cluster	Location
1	Fiber Glass cluster	Ibrahimpatnam (Ranga Reddy District)
2	General Engg – Electronics & Electrical Park	Duddada (Medak District)
Phase-II Industrial cluster (DPR under Preparation)		
3	Agri & Food processing Fiber Glass cluster / Composite Material cluster Defense cluster	Madaram – (Ranga Reddy District)
4	Leather Design cluster	Jedcharla – (Mahaboobnagar District)
5	Food processing (Banana / Spice)	1. Buggapadu (Khammam District) 2. Sattupalli (Khammam District)
6	Jewelry Manufacturing	Madikonda (Warangal District)
7	Agri Implements cluster	Manthani (Karimnagar District)
Identified Industrial locations (under consideration)		
8	Furniture City	Nalgonda
9	Spice / Agro products Seed processing	Armoor (Nizamabad District)
10	Auto ancillary cluster	Buchinalli (Medak District)

Energy³⁹

- o The existing installed capacity of Telangana State with Telangana's share of 53.89 per cent, as on December 2016, stands at 12,295.75 MW, which includes state, central and private sectors
- o The state provides uninterrupted quality power to all consumers in the state. The peak demand of 8284 MW was met on 9th September 2016. The total number of consumers served in Telangana State stands at 1.31 crore as on 31st December, 2016, including 21.40 lakh agricultural consumers
- o Telangana has as vast potential for solar energy generation. In view of this, Government of Telangana has released Telangana Solar Power Policy 2015. As per this policy, Government intends to add 5000 MW of solar power through competitive bidding process

Connectivity

- o **Road network:** The total road length in the state is 98,210 km in 2016-17, of which 69,920 km is under the Department of Panchayati Raj and 28,290 km (including national highways) is under the Department of Roads and Buildings. The density of notified national highways in Telangana is 2.90 km/100 sq.km against the national average of 2.84 km/100 sq.km⁴⁰
- o **Airport:** Rajiv Gandhi International Airport (RGIA), Shamshabad is one of the largest modern airports in India. Government of Telangana has entered MoU with Ministry of Civil Aviation and Airports Authority of India for development of small airports at Kothagudem and Warangal⁴¹
- o **Inland Container Depot / Container Freight Station/ Logistic parks/ Dry ports:** Telangana has 5 operational ICD/ CFS facilities handling around 2 lakh TEU per year. Government of Telangana is planning to develop two more units in Telangana. Hyderabad Metropolitan Development Authority (HMDA) in its master plan has planned to develop 9 Logistics Park in and around Hyderabad region. Out of proposed logistics park, 2 logistics parks are currently being developed.

Skilled Manpower

- o With initiatives like Telangana Academy for Skill & Knowledge (TASK) the state Government is working on enhancing the employability quotient of youth in the State

- o The state is also planning to soon launch its Skill Development Policy that aims to address the quality & availability of skilled manpower in the state
- o At present several agencies are involved in skill development initiatives in Telangana, viz., Telangana Academy for Skill and Knowledge, National Academy of Construction, Society for Elimination of Rural Poverty, Mission for Elimination of Poverty in Municipal Areas, Employment Generation and Marketing Mission, SETWIN, etc., in addition to a plethora of private sector agencies.

3.5. Key initiatives taken by Government of Telangana for promoting various Industries

Government of Telangana has taken many initiatives for development of industries in the region. These initiatives are designed to cater the requirements of various industries from large industrial projects to MSME sector. The spectrum of initiatives include investment facilitation for large industries, providing support for implementation through TS-iPASS, nurturing new startup eco system through RICH and revival of existing MSME units through establishment of Telangana Industrial Health Clinics. These initiatives are elaborated in the following sections.

3.5.1. RICH (Research and Innovation Circle of Hyderabad)⁴²

Government of Telangana has created a platform that will link the research institutes, academia and industry along with venture capitalists, angel investors and Incubation Funds. Through this platform Government would like to promote innovation and encourage commercialization of research. The Government will create a Research to Market Fund (RMF) to fund entrepreneurial activity, and provide a matching contribution up to Rs.100 crores to the fund for amounts contributed by private venture capitalists and angel investors.

3.5.2. T-Hub⁴³

T-Hub is India's largest incubator for startups and a unique public-private partnership between the Government of Telangana, IIIT-Hyderabad, ISB and NALSAR, and other private sector players. T-Hub supports startups through their journey and help in creating a startup ecosystem in Hyderabad towards positioning the city the startup capital of India. Some of key achievements of the T-Hub include.

- ✓ 711 entrepreneurs work in T-Hub under 200 startups.
- ✓ T-Hub has conducted 92 events/ workshops and reached 2995 entrepreneurs.
- ✓ T-Hub has inked partnerships with 15 venture capital funds, 7 angel networks, 25 seed funds, 30 incubators and accelerators
- ✓ T-Hub has forged multiple partnerships with key stakeholders in ten countries including USA, UK, Germany and Singapore.
- ✓ Startups have grabbed several millions in investment: Banyan Nation (USD 8 lakh), Flatpebble (Rs. 4 crore), V-deliver (Rs. 2.5 crore), etc.
- ✓ Major corporate companies like Microsoft, Google, Amazon, HP, Cisco, IBM, YES Bank and others have been working with several startups by entering into MoUs/Partnerships with T-Hub.
- ✓ T-Hub launched a dedicated start-up incubation programme named Smart Mobility Technologies cluster in September 2017, to promote innovation in advance mobility space, including EVs, autonomous and connected vehicles.

The phenomenal success T-Hub has prompted Government of Telangana to develop **T-Hub Phase-II** in 3 acres of land with a total built-up space of 3,50,000 sqft. This will provide IT incubation space for 4,000 IT entrepreneurs /professionals. T-Hub Phase-II is expected to be operational by 2018⁴⁴

3.5.3. Telangana Industrial Health Clinic⁴⁵

Government of Telangana has established Telangana Industrial Health Clinic Limited (TIHCL) as a subsidiary of Telangana State Industrial Development Corporation (TSIDC), with larger aim to revive sick units in MSME sector. TIHCL following are the objectives of TIHCL

- Facilitate finance founded on faith
- Provide responsible and responsive mentoring and counselling services
- Review, Resource, Restructure, Regain and Recover and ensure healthy industrial ecosystem for MSEs

TIHCL is proposed as Non-Banking Financial Institution (NBFC) with a corpus of INR 100 Crores.

4. Key Manufacturing sectors in Telangana



4. Key Manufacturing sectors in Telangana

The Government of Telangana recognizes the following 14 sectors as thrust areas, and investments in these sectors are accorded high priority.

1. Life Sciences (Bulk drugs, Formulations, Biologicals, etc)
2. IT Hardware (Electronics, Bio-medical devices, etc)
3. Precision Engineering (Aviation, Aerospace, Defence)
4. Food processing and nutrition products
5. Automobiles (Transport Vehicles, Auto-components, Tractors, etc)
6. Textiles and Apparel
7. Plastics and Polymers, Chemicals and Petro-chemical, glass and ceramics
8. FMCG and Domestic Appliances
9. Engineering and Capital Goods (Castings, Foundry and Ferro-alloys, etc)
10. Gems and Jewelry
11. Waste Management and Green Technologies
12. Renewable Energy and Solar Parks
13. Mineral-based and wood-based Industries
14. Transportation (Logistic Hub, Inland Port, Container Depot, etc)

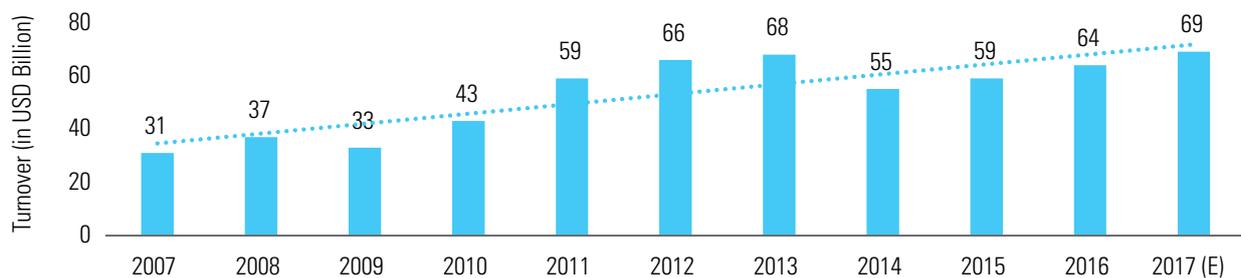
Out of the 14 sectors, this report focuses on highlighting investment opportunities in Automobile and Auto ancillary, Textile and apparels, Logistics and Food processing.

4.1. Automobile and Auto ancillary

4.1.1. Overview of Indian automobile sector

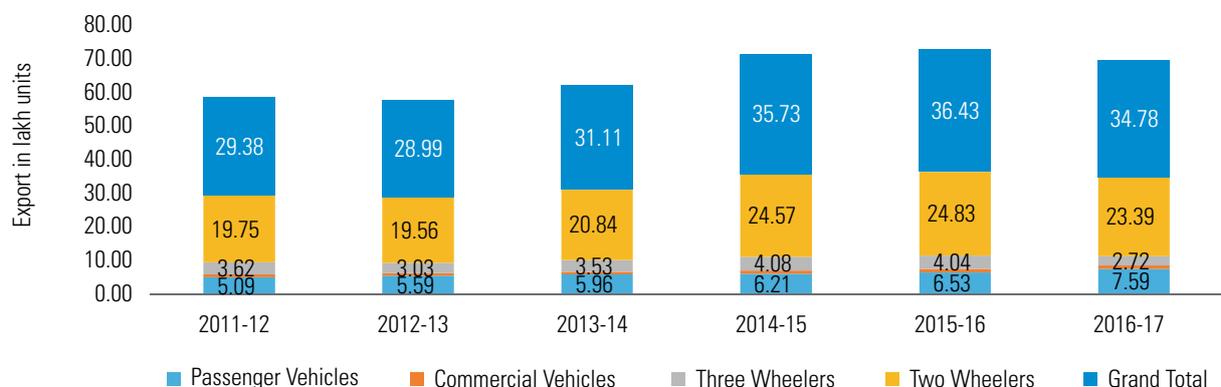
Automobile manufacturing industry comprises the production of commercial vehicles, passenger cars, three & two-wheelers. Two-wheelers are the most popular form of vehicles in India, taking an 81⁴⁶ per cent share in 2015-16. In the year FY17, 25 million automobiles were produced⁴⁷. Total production volume grew at a CAGR of 5.56% between FY12-17⁴⁸. Indian Passenger Vehicles and Commercial Vehicles exports registered a growth of 16.20% and 4.99 % respectively⁴⁹.

Figure 2 Turnover of automobile manufacturers in India (in USD Billion)



Source: Society of Indian Automobile Manufacturers (SIAM), Aranca Research

Figure 3 Automobile export trends in India (in lakh units)



Source: Society of Indian Automobile Manufacturers (SIAM); YES BANK Analysis

Electric Vehicles

India has initiated action to have a paradigm shift in transportation sector through National Electric Mobility Mission Plan 2020(NEMMP). This scheme has opened up new challenges and has created new opportunities for existing automobile and auto ancillary units in India. The challenges include shifting the production technology from existing internal combustion engines to electric vehicles. At the same time, it has opened new market space for electric vehicles and hybrid vehicles.

Internationally, many countries including UK, Germany, Sweden, France, Japan, Norway, US and China have started their journey towards reducing their dependency on internal combustion engines by increasing their

production in Battery Electric Vehicles (BEV) and Plug-in Hybrid Electric Vehicles (PHEV). The global electric car stock surpassed 2 million units in 2016 after crossing the 1 million vehicle threshold in 2015. The global BEV stock has experienced a higher annual growth rate than that of PHEVs since 2013. In 2016, BEVs grew by 62%, while PHEVs grew by 59%⁵⁰.

4.1.2. Growth drivers for the sector

The automobile and auto ancillary sector is one of the key priority sectors in India. Union Government through various initiatives, reforms and policies is aiding for development of the sector. The following are few aspects which are aiding for growth of automobile and auto ancillary industry in India.

- ✓ **Demographic potential:** India is 3rd largest automobile market and has huge potential with the growing Indian middle class and rising income levels of large young population
- ✓ **Large Domestic markets for automobiles:** India being largest automobile markets in world, has least vehicle penetration.
- ✓ **Fastest growing global R&D hub:** India is set to become one of the fastest growing global R&D hub. Union government is supporting in setting up National Automotive Testing and R&D Infrastructure Project (NATRiP) centers across India. Many international private players such as Hyundai, Suzuki, GM are keen to set up their R&D centers in India. Firms both national and foreign are increasing their footprints with over 1,165 R&D centres
- ✓ **Small car manufacturing hub:** Passenger vehicle market is expected to touch 10 million units by 2020. Strong export potential in ultra-low-cost cars segment (to developing & emerging markets) from India
- ✓ **Support from Union Governments:** Initiatives like 'Make in India', 'Automotive Mission Plan 2026', and National Electric Mobility Mission Plan (NEMMP) 2020 to give a huge boost the sector. As part of this mission, Department of Heavy Industry formulated a scheme FAME -India [Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles in India]. The overall scheme is proposed to be implemented over a period of 6 years, till 2020, wherein it is intended to support the hybrid / electric vehicles market development and its manufacturing eco-system to achieve self-sustenance at the end of the stipulated period⁵¹. Apart from this, Union Government is also supporting in Setting up of R&D centers at a total cost of US\$ 388.5 million to enable the industry to be on par with global standards.

4.1.3. Opportunities in Telangana

Government of Telangana has identified Automobile and Auto Ancillary sector as key thrust sector and is providing necessary eco system through incentives, subsidies through Telangana State Industrial Policy Framework. Observing key industrial trends in the auto mobile and auto ancillary industry, Government is keen to promote the establishment of Electronic Vehicles industries in the state. In view of this, Government of Telangana is in process of developing Electronic Vehicle Policy to attract investments in this sector. Given the growing conducive business environment, support from Government and presence of physical infrastructure, Telangana has potential to be positioned as one of the largest automobile and auto ancillary hubs in India.

4.1.4. **Competitive Advantage of Telangana**

- ✓ **Geographical advantage:** State of Telangana has unique geographical advantage as it is geographically placed in close proximity to major consumer markets such as Bengaluru, Mumbai, Kolkata, Chennai etc.,
- ✓ **GST implementation:** Implementation of Goods and Service Tax (GST) has eased many bottlenecks for manufacturing sector and has ensured seamless connectivity to consumer markets across India.
- ✓ **Conducive environment for new entrants and foreign investments:** Government of Telangana is ranked no 1 in Ease of Doing Business given by Department of Industrial Policy & Promotion (DIPP) and World Bank.
- ✓ **Focus sector for Government:** Government of Telangana has identified Automobile and Auto Ancillary sector as key focus sector to be developed in Telangana.
- ✓ **Availability of physical Infrastructure:** Government of Telangana has plans to develop an integrated multimodal logistics parks, container depots and ICD facilities to facilitate exports of goods produced in Telangana.
- ✓ **Low manufacturing and operational cost:** Telangana is one of the few states to have large talent pool of engineers to support automobile and auto ancillary sector.

4.1.5. **Policy support by Government of Telangana**

- ✓ As per Telangana Industrial Policy, the State plans Industrial park along with anchor units, and Suppliers/Vendors Park. Mega projects will have to compulsorily set up a Suppliers/Vendors park to encourage growth of local ancillaries. This model can greatly benefit the automobile sector which is dependent on the auto-ancillary units for their operational differences.
- ✓ State Government is currently planning to partner with premier Technical Institutes and research establishments across the state to establish Centre of Excellences for conducting market focused research on future mobility technologies
- ✓ **T-Works Automotive Prototyping center:** Recognized as India's largest Prototyping Center, T-WORKS will have a dedicated wing for prototyping & soft tooling of automotive components/ assembly. Industry partnership in the same will be invited from Auto OEMs and large component manufacturers with provision for preferential access
- ✓ **Mobility Engineering Cluster:** A Mobility Engineering Cluster is at planning stage and is being built with Industry partnership to facilitate development and testing of future automotive technologies such as Electric Vehicles (EVs) and other emerging automotive technologies such as autonomous and connected mobility. This Mobility cluster will house a state of the art infrastructure and technology base is envisaged to establish a global benchmark in Automotive Design, Development, Testing and Validation facility

4.1.6. Marquee Investments

- ✓ Medak district has potential to be an automobile manufacturing hub. After Mahindra's enhanced presence with a 100,000-unit capacity tractor manufacturing plant at Zaheerabad in the district, the upcoming auto-sector in Telangana received yet another boost with an addition of a bus manufacturing plant, Deccan Auto Limited, which also seeks to tap export markets

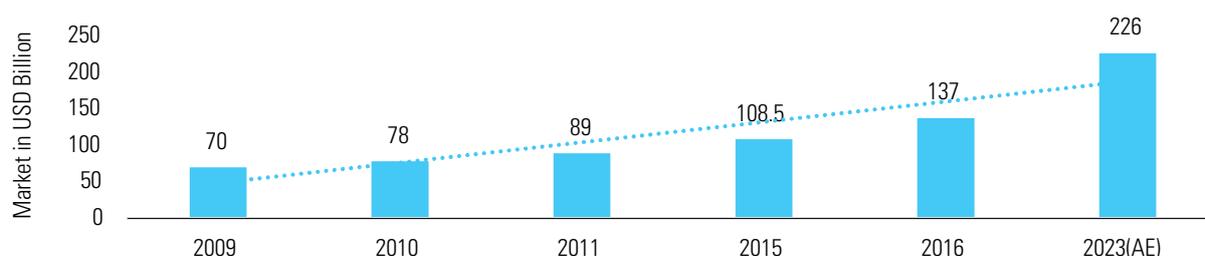
4.2. Textiles and Apparel

4.2.1. Overview of Textile sector in India

Textile is one of India's oldest industries and has a commendable presence in the national economy. The Indian textile industry is one of the largest in the world with a massive raw material supply and textiles manufacturing base. The Indian textiles industry, currently estimated at around US\$ 120 billion, is expected to reach US\$ 230 billion by 2020. The Indian Textile Industry contributes approximately 4⁵² per cent to India's Gross Domestic Product (GDP), and 14 per cent to overall Index of Industrial Production (IIP)⁵³. The textile industry employs about 51 million people directly and 68 million people indirectly. Textiles sector is one of the largest contributors to India's exports with approximately 15⁵⁴ per cent of total exports. India's overall textile exports during FY 2015-16 stood at US\$ 40 billion. The Indian government has come up with a number of export promotion policies for the textiles sector. It has also allowed 100 per cent FDI in the Indian textiles sector under the automatic route. The key initiatives announced in the Union Budget 2017-18⁵⁵ to boost the textiles sector are listed below:

- ✓ Encourage new entrepreneurs to invest in sectors such as knitwear by increasing allocation of funds to Mudra Bank from Rs 1,36,000 crore (US\$ 20.4 billion) to Rs 2,44,000 crore (US\$ 36.6 billion)
- ✓ Upgrade labour skills by allocating Rs 2,200 crore (US\$ 330 million)

Figure 4 Growth of Textile and Apparel Industry in India



Source: Make in India, Ministry of Textiles, Government of India

4.2.2. Growth driver for the sector

- ✓ Gap in Demand and supply
 - o Rising incomes has been a key determinant of domestic demand for the sector; with incomes rising in the rural economy as well, the upward push on demand from the income side is set to continue

- ✓ Policy support from Union Government
 - o Increasing domestic and foreign investments
 - o Assistance from Government of India in setting up Scheme for Integrated Textile parks and Mega Cluster Zone
 - o Increase loan under Technology Up gradation fund
- ✓ Increase in demand for textiles globally
 - o The strong performance of textile exports is reflected in the value of exports from the sector over the years. Textile exports witnessed a growth (CAGR) of 8.56 per cent over the period of FY06 to FY16
- ✓ Access to capital for entrepreneurship
- ✓ Skill Development
- ✓ Significant increase in investments
 - o Government of India has approved 100 % FDI in Textile sector
 - o USD 14 Billion of Foreign investments are expected in Textile sector. In April 2017, the government unveiled Textiles India 2017, its 1st ever global B2B handicrafts and textile event, in Delhi. The event showcased a 1000 stalls, and saw about 1,600 buyers from more than 100 countries. Around 1,300 exhibitors and 2,000 delegates had registered for the event and total participation, including domestic buyers, artisans and visitors, crossed 6,000. During the second day of the event, the Ministry of Textiles signed 65 MoUs.

4.2.3. Opportunities in Telangana

Telangana is the third largest producer of long staple cotton with production of around 50 lakh bales per annum. There are 33 spinning mills with a capacity of 10 lakh spindles, which consumes only about 20% of the cotton grown in the State while the rest 80% goes to other states for spinning⁵⁶. Capacity utilization of weaving industry in the State is negligible and there is not much processing capacity available in the State. There is no further downstream facility like processing and garmenting. In order to promote processing and garmenting, Government of Telangana is planning to set up 'Cotton-to-Garment' park (Kakatiya Mega Textile Park) in Warangal Rural District in 2000-3000 acres. The variation between raw cotton produce and the value addition to the raw cotton is huge. This opportunity can be leveraged by private textile to create value add products.

4.2.4. Competitive Advantage of Telangana

- ✓ **Largest producer of cotton in India:** Telangana is one of the largest producer of cotton in India.
- ✓ **Access to large consumer markets:** Telangana is strategically located to serve the largest consumer retail textile markets in Chennai, Bengaluru, Mumbai and cities in Central India.
- ✓ **Huge potential for technical textiles:** Telangana has huge potential for development of forward linkages and automotive applications such as geo textiles, medical textiles etc

- ✓ **Conducive environment for new entrants and foreign investments:** Government of Telangana is ranked no 1 in Ease of Doing Business given by Department of Industrial Policy & Promotion (DIPP) and World Bank.
- ✓ **Focus sector for Government:** Government of Telangana has identified Textile sector as key focus sector to be developed in Telangana.
- ✓ **Availability of physical Infrastructure:** Government of Telangana has plans to develop a mega textile park, an integrated multimodal logistics parks, container depots and ICD facilities to facilitate exports of goods produced in Telangana.

4.2.5. Initiatives and policy support by Government of Telangana

Government of Telangana has introduced incentives for Textile and Apparel sector under Telangana Textile and Apparel Incentive Scheme 2017⁵⁷. The incentives include

- ✓ Capital Assistance
- ✓ Operational Assistance
- ✓ Infrastructure Support
- ✓ Capacity building and Skill development Support
- ✓ Fibre to Fabric incentive

Government of Telangana has taken initiatives to set up textile parks, aimed at promoting development of textile sector in the state, as below

Table 7 Textile SEZs in Telangana

S.No	Type of SEZ	Number
1.	Apparel Export Park, Gundlapochampally	Ranga Reddy
2.	Textile Park, Siricilla	Karimnagar
3.	Textile Park, Pashamylaram	Medak
4.	Textile Park, Malkapur	Nalgonda
5.	Mini Textile Park, Warangal	Warangal
6.	Handloom Park, Gadwal	Mahabubnagar

4.2.6. Investment opportunity

Telangana state is known for its production of long staple cotton, with an annual production of about 60 lakh bales⁵⁸. Given the availability of high-quality raw material (cotton) and a large pool of workers having deep experience, and the presence of a domestic industry of reasonable scale, Textiles and Apparel present a rich opportunity to help the sector grow manifold through a sector focused comprehensive incentives framework for the industry. Kakatiya Mega Textile park at Warangal district is one of the key initiatives of the state which has a land bank of 2000 acres. State is proposing Integrated Textile park at Siricilla, Karimnagar district and Leather park station at Ghanapur, Jangaon. Considering the advantages of raw material and skilled labor availability, mega Textile Park is one of the key destinations for investment in textile and apparel industry.

4.3. Logistics

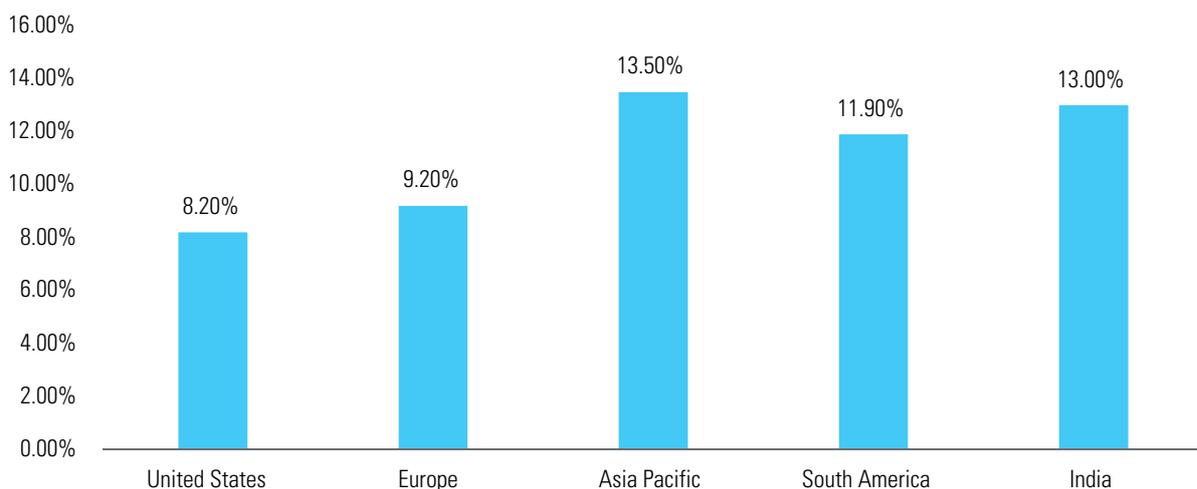
4.3.1. Overview of Logistics sector in India

Logistics sector covers broadly Transportation, Warehousing and storages, Courier Activities and packaging activities. Logistics is regarded as the backbone of the economy as it ensures efficient and cost-effective flow of goods and other commercial sectors depend on it. The global logistics market currently generates over USD 8 trillion annually and represents around 11 % of global GDP⁵⁹.

Indian Logistics industry is evolving rapidly. Logistics industry continues to witness growth owing to the progress in retail, e-commerce and manufacturing sectors. The size of the logistics sector in India is estimated to be USD 260 billion⁶⁰. Unlike global trends, the logistics sector in India has been growing at a healthy rate of ~14% over the last 5 years on strong demand drivers⁶¹. India is ranked no 35 while US is ranked no 10 and China 27 in Logistics Performance Index 2016 published by World Bank⁶².

India's logistical costs as a percentage of GDP are on the higher side: 13.0% vs. global average of 11.7% which is the major concern. Logistics in India are also plagued by an inefficient system, lagging infrastructure, lower average trucking speeds, congestion and bottlenecks in surface transportation, etc.

Figure 5 Logistics cost as % of GDP



- ✓ Ministry of Road Transport & Highways and Shipping, Government of India is currently working towards formulating an integrated, multi modal logistics and transport policy⁶³.

4.3.2. Growth driver for the sector

- ✓ **Growth of E-commerce:** E-commerce has been very successful in providing freight companies and customers new options that fuel the growth of its economy.
- ✓ Supply chain modernization is an important driver in Indian economy
- ✓ **GST implementation:** Implementation of Goods and Service Tax (GST) has eased many bottlenecks for manufacturing sector and has ensured seamless connectivity to consumer markets across India

4.3.3. Opportunities for Logistics sector

- ✓ Implementation of Goods and Service Tax (GST) has positioned Telangana as most favorable place for development of logistics sector
- ✓ **Road Development:** Government of India has set a target of constructing 15,000 km of roads in FY 2017-18 with budgetary allocation of close to USD 14 billion for the year.
- ✓ **Dedicated Freight Corridors/DMIC:** The Government approved the construction of dedicated freight corridors in 2014/15 to increase freight handling capacity through railways and reduce transit time. Currently, the plan is to connect the high container traffic routes of North to West and North to East through dedicated freight corridors.
- ✓ **Inland Waterways Development:** India has about 14,500 kms of navigable waterways which include rivers, canals, backwaters, creeks, etc. Currently, only 4,382 kms of waterways have been utilized. There is a huge potential waiting to be unlocked through development of these inland waterways

4.3.4. Competitive Advantage of Telangana

- ✓ **Road connectivity:** The density of notified national highways in Telangana is 2.90 km/100 sq.km against the national average of 2.84 km/100 sq.km
- ✓ **Strong railway connectivity:** The State also has an integrated railway network with railway terminals such as - Nizamabad, Mahbubnagar, Kamma Reddy, Bodhan, Jedcherala, Gadwal and, Balanagar having facilities for cargo or freight
- ✓ **Access to world class airport facility:** Rajiv Gandhi International Airport (RGIA), Shamshabad is one of the largest 7 modern airports in India. Government of Telangana has entered MoU with Ministry of Civil Aviation and Airports Authority of India for development of small airports at Kothagudem and Warangal
- ✓ **Established E- commerce and product development companies:** Companies such as Amazon and Procter & Gamble have significantly invested in warehousing and similar investments by major e-commerce companies is expected in this market
- ✓ **Conducive environment for new entrants and foreign investments:** Government of Telangana is ranked no 1 in Ease of Doing Business given by Department of Industrial Policy & Promotion (DIPP) and World Bank.
- ✓ **Geographical advantage:** State of Telangana has unique geographical advantage. It geographically placed in close proximity to major consumer markets such as Bengaluru, Mumbai, Kolkata, Chennai etc.,
- ✓ **Wide network of logistics facilities:** Telangana has 5 operational ICD/ CFS facilities handling around 2 lakh TEU per year. Government of Telangana is planning to develop two more units in Telangana. Food Corporation of India (FCI) operates warehouses worth capacity of 8.1 million tons while Telangana State Warehousing Corporation operates with 1 million tons of handling capacity. CWC operates around 65 ware houses having a total capacity of 0.9 million tones. The state has a cold storage capacity of 1.7 lakh tones which is mainly concentrate in and around Hyderabad

4.3.5. Initiatives and policy support by Government of Telangana

- ✓ Government of Telangana has realized the importance of development of healthy logistics network in Telangana and are currently planning to develop "Logistic Policy" to give boost to the sector.
- ✓ Apart from this, Government of Telangana has also initiated many projects such as development of Inland Container Depot, development of dry port and multimodal logistic park.
- ✓ Government of Telangana has entered into MoU with National Highway Authority of India and Container Corporation of India Ltd for development of Multi Modal Logistics Park at Hyderabad.

4.3.6. Investment opportunity

Government of Telangana is planning to develop Dry port facility in Telangana. This Dry port facility would be a state of art of facility in Public Private Partnership (PPP) model. The state is currently looking for private partners to develop the project under PPP mode

4.4. Food processing and nutrition products

4.4.1. Overview of Food processing sector in India

At 157.35 million hectares, India holds the 2nd largest agricultural land in the world. With 20 agri-climatic regions, all 15 major climates in the world exist in India. The country also possesses 46 of the 60 soil types in the world.

India is the largest producer of pulses, milk, tea, cashew and jute and the 2nd largest producer of wheat, rice, fruits and vegetables, sugarcane, cotton and oilseeds. Total food grains production in India reached an all-time high of 252.68 million tonnes in FY15⁶⁴. In FY2016, total food grain production in India was recorded at 253.16 million tonnes, which increased to 273.83 million tonnes in FY17⁶⁵. India is one of the largest manufacturers of farm equipment such as tractors, harvesters & tillers. India accounts for nearly one-third of the overall tractor production, globally, with the tractor production in the country estimated to increase from 0.57 million units in FY16 & reach to 16 million units by 2030.

Highlights of Agri based industries output

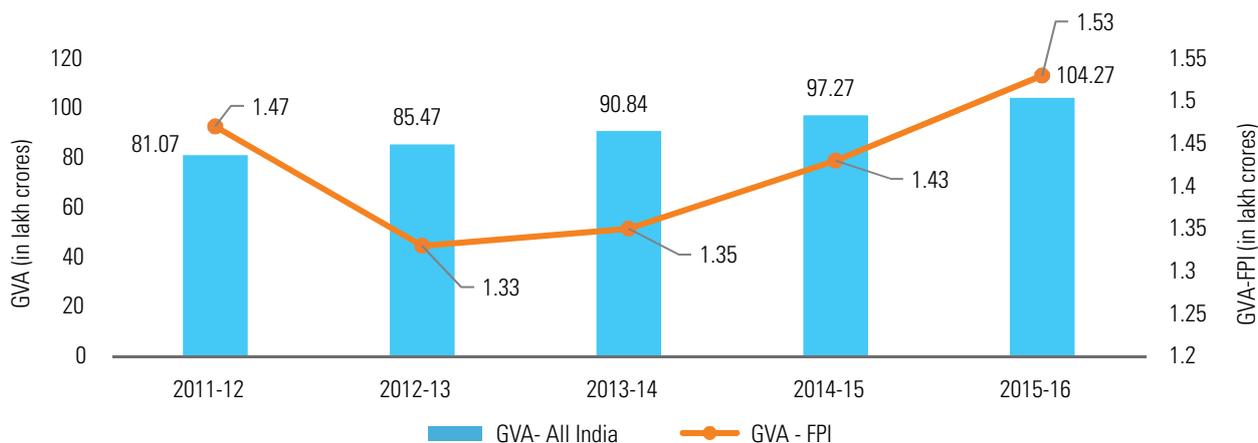
1. **Rice and Wheat:** In FY 16 production of rice stood at 103.61 million tonnes, whereas, production of wheat stood at 93.82 million tonnes⁶⁶
2. **Horticulture:** In FY 16, the total horticulture produce was 283.36 million tons⁶⁷
3. **Fruits:** India is largest producer of fruits such as mango, banana, guava and papaya
4. **Vegetables:** India is 2nd largest producer of vegetables. India occupies 1st position in production of okra, 2nd in brinjal, cabbage, cauliflower and onion and 3rd in potato and tomato in the world⁶⁸
5. **Spices:** India is the largest producer, consumer and exporter of spices and spice products in the world⁶⁹
6. **Animal husbandry and dairy⁷⁰:** India has the largest population of milch animals in the world. India's exports of Animal Products was INR 28,626 crore in 2016-17 which include major products like Meat, Poultry Products, Dairy Products, Animal Casing, Processed Meat and other meat. India is the largest exporter of dairy products and exported 39,397 Tonnes of dairy products worth INR 910 crore in 2016-17. The various dairy products are cheese, butter, ice cream, ghee, milk-powder, curd

Food processing industry in India is a sunrise sector that has gained prominence in the recent years. Availability of raw materials, changing lifestyles and appropriate fiscal policies has given a considerable push to the industry's growth. This sector serves as a vital link between the agriculture and industrial segments of the economy. Strengthening this link is of critical importance to reduce waste of agricultural raw materials, improve the value of agricultural produce by increasing shelf-life as well as by fortifying the nutritive capacity of the food products; ensure remunerative prices to farmers as well as affordable prices to consumers.

Highlights of Food processing industry⁷¹

1. The total Gross Value Added (GVA) by food processing sector has registered a growth rate of 6.71% in the year 2015-16 over 2014-15
2. There are total 37,445 units in food processing industry throughout India
3. 100% FDI is permitted under the automatic route in food processing industries. 100% FDI is allowed through approval route for trading, including through e-commerce in respect of food products manufactured and/or produced in India
4. The total FDI attracted in Food processing Industry in 2016-17 (April to September) is USD 500.77 Million⁷²

Figure 6 Gross Value Added by Food Processing Sector (FPI) at constant prices 2011-12 (in Lakh Crores)



Source: National Account Statistics, 2016/ Central Statistical Office; Annual Report 2016-17; Ministry of Food Processing, Government of India

4.4.2. Growth drivers of this sector

- ✓ Demand for value added products:
 - A large population ensure high demand for agriculture products - Rising urban and rural incomes have aided growth of demand for processed food
 - Soaring export markets have driven demand for quality and processed food grains.

- ✓ **Introduction of new schemes such as 'Sampada':** Government of India (GOI) has approved a new Central Sector Scheme SAMPADA (Scheme for Agro Marine Processing and Development of Agro-Processing Clusters), with an allocation of Rs. 6000 Crores for the period 2016-20
- ✓ Support from Union Government
 - Many Union Government schemes such as Paramparagat Krishi Vikas Yojana (PKVY) helps in developing organic clusters & make available chemical free inputs to farmers. Other initiative Other steps include Pradhanmantri Gram Sinchai Yojana that ensures improved access to irrigation; creation of an unified national agricultural market which would help boost the incomes of farmers
 - Union Government has provided support for 100% FDI under automatic route for development of seeds

4.4.3. Opportunities for the sector in India

- ✓ **Infrastructure Development for the food processing industry:** As a sunrise sector , Food Processing Industry is facing severe gaps in support infrastructure such as coal chains, warehousing, government certified labs, mechanized handling and loading etc
- ✓ **Addressing gaps in skills and technology:** Food processing industry is facing severe dearth of technology transfer from research lab to Industry, lack of training infrastructure, specialized training programs etc.,. This creates a great opportunity for new entrepreneurs/ existing industry leaders to explore new opportunities which will bridge the gap

4.4.4. Competitive Advantage of Telangana

Telangana is a large producer of agro products and a market leader in the poultry and seed business. There is huge opportunity to add value to agro-products and expand the current strength. The production of food grains, including cereals and millets and pulses, has been estimated to be about 77.93 lakh tonnes⁷³ in the 2016-17 agricultural year as against 51.45 lakh tonnes 2015-16⁷⁴.

Table 8 Agriculture, Horticulture and Poultry output of Telangana

S.No	Name of the crop	Production in Lakh tonnes	
		2015-16	2016-17 (AE)
1	Rice	30.47	45.73
2	Maize	17.51	27.35
3	Cereals & Millets	48.98	73.95
4	Total Pulses	2.47	3.98
5	Total food grains	51.45	77.93
6	Groundnut	2.06	2.71
7	Soya bean	2.52	3.43
8	Total oil seeds	5.79	6.6
9	Sugarcane	24.05	25.7
10	Cotton	37.33	29.32

Source: Socio Economic Outlook 2017, Government of Telangana

The state stands 10th in livestock population, 2nd in sheep population, 13th in goat population, 4th in poultry, 13th in bovine population and 15th in pig population in the country, as per the Livestock Census, 2012. About 29 lakh families are engaged in livestock sector for their livelihood.

Table 9 Livestock population in Telangana (as per 2012 census)

Category of cattle	No. in Lakhs
Cattle	44.8
Buffaloes	41.6
Sheep	128.35
Goat	45.77
Pigs	2.37
Poultry	807.51

Table 10 Opportunities for food processing units⁷⁵

S.No	Name of the Crop	Opportunities for food processing units
1	Rice, Maize, Cotton, Red gram. Soya, Groundnut, Sugarcane	<ul style="list-style-type: none"> • Puffed Rice, Rice Flakes, Rice Flour, Boiled Rice • Integrated Units for Processing of maize/Soya/rice • Corn Syrup, Corn Flour, Corn Flakes etc. • Cotton Seed Oil • Groundnut Seed Oil/ Cheese • Raw Sugar, Jaggery, Sugarcane Juice
2	Mango, Mosambi, Guava, Amla, Grapes, Watermelon, Gherkin, Okra, Carrot, Tomato, Turmeric	<ul style="list-style-type: none"> • Frozen fruit processing • Mosambi grading, Packing, Juice extraction etc. • Amla / Grape vineyards and integrated wine Production units • Gherkins Processing • Vegetable dehydration • Pickles, Ketchups, Squashes • Turmeric Oil extract, Powders
3	Eggs, Poultry meat	<ul style="list-style-type: none"> • Chicken Processing • Egg grading, Packing and egg powder units
4	Milk, Milk Products	<ul style="list-style-type: none"> • Integrated Large dairy farms • Dairy Processing units • Milk Powder • Milk by products such as paneer, cheese, butter etc.,
5	Animal meat	<ul style="list-style-type: none"> • Meat processing units for export • Sheep and goat processing units for local consumption
6	Value added products	<ul style="list-style-type: none"> • Ready to Cook, Ready to Eat, Heat & Eat Products like Jams, Jellies, Fruit pulps, biscuits, noodles etc

4.4.5. Initiatives and policy support by Government of Telangana

Government of Telangana has put greater emphasis on food processing sector by creating value addition in the farm sector through its Industrial Policy. Major Food Parks are being established Telangana State with assistance from Government of India at the following locations⁷⁶.

- ✓ M/s Smart Agro Mega Food Park Pvt. Ltd, in Nizamabad District
- ✓ M/s Raagamayuri Agrovet Pvt.Ltd in Mahabubnagar District
- ✓ M/s TSIIC Food Park in Khammam District
- ✓ M/s Basavashakti Mega Food Park Pvt. Ltd, in Medak District

Apart from establishing mega food parks in the region, Government has also created necessary infrastructure for agriculture and horticulture output to considerably increase through various reforms such as Mission Kakatiya, which will rejuvenate 46,000 lakes to provide water for increasing acreage in the state and planning a mega multi modal logistics park in Telangana, catering to transport and export of goods nationally and internationally.

4.4.7. Investment opportunity

Government of Telangana has provided necessary policy support for development of food parks, mega food parks in the state. Considering raw materials available, the state has tremendous potential for production of value added goods in food processing sector. The state is also proposing a Food Processing Park at Sangareddy district.

Telangana after its formation has embarked its journey towards over all development of the state. During the initial years of the formation, the state has not only strengthened its existing position in Pharma and IT and ITeS sectors but also addressed the challenges in terms of power and water shortages. The state has strengthened its policy and regulatory framework with initiatives such as Telangana Industrial Development Policy 2014 and TS-iPASS. In addition to this, the state has recognized 14 sectors as thrust/ focus sectors.

Out these some sectors also have certain advantages given the resource availability in the state. Auto and Auto Ancillary, Textile and Apparel sector and Food Processing sectors for instance have the advantages of availability of raw material, infrastructure availability in terms of industrial parks and availability of skilled manpower. Automobile and Auto ancillary sector in the state is in its growth phase. The expansion in existing facilities and further addition of new investments is leading to development of upstream and downstream vendor/ ancillary network in the state. Given the shift in industry towards Electric vehicles, the state is also developing a policy to attract investments in electronic vehicle manufacturing. With regard to the Textile industry, Telangana is largest producer of long staple cotton in India, producing about 50 lakh bales per annum. However, the cotton produced in the state is shipped out for value addition. To leverage on this advantage of being one of the largest cotton producers, textiles parks are proposed in the state for setting up units across the textile value chain. Of special mention is the Kakatiya Mega Textile Park at Warangal, that will be developed as a 'cotton-to-garment' park, providing opportunity for investments in the areas of ginning, spinning, weaving, knitting, textile processing & garmenting.

Agriculture is one of the fast growing sectors in the state. Telangana is a large producer of agro products and a market leader in the poultry and seed business. The production of food grains, including cereals and millets and pulses, has been estimated to be about 77.93⁷⁷ lakh tonnes in the 2016-17 agricultural year as against 51.45 lakh tonnes 2015-16⁷⁸. Food processing is one of the key growth areas in agri-business. Of the various food parks proposed in the state, a Mega Food Park is proposed in Khammam district, with central processing units and other support infrastructure facilities. Transportation and Logistics cost is one of the key considerations of the manufacturing industry. Towards this, the state has recognized Logistics as one of the key focus sectors with the aim of positioning Telangana as one of the leading Logistics hub in this

part of India, also making the overall logistics cost in the state more competitive. Currently, Telangana has 5 ICD/ CFS facilities, 8.1 million tons of warehousing capacity and 1.7 lakh tons of cold storages capacity. To strengthen this further with Mega multi modal logistics parks, Dry port facilities and other state-of-the-art logistics parks are planned in Telangana. The state is developing a dedicated Logistics Policy.

Today, Telangana is one of the fastest growing states in India and is increasingly being positioned as the potential industrial & investment hubs of India. The state is progressing towards being more competitive by the fiscal and non-fiscal incentives through its proactive policy framework and the growing infrastructure, both core and support infra. Various other strategic initiatives like the Industrial Health Clinics, TASK, T-Hub and RICH among others are growing enablers for a more conducive industrial eco-system. Given these initiatives combined with a growing Ease of Doing Business and availability of Infrastructure, Telangana is indeed poised to be a marquee investment destination in India that is creating a sustainable and globally competitive ecosystem to "Make in Telangana".

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