

# Andhra Pradesh: Leveraging advantages for INDUSTRIAL leadership

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“The focus is on development of key sectors like pharmaceuticals, biotechnology, food processing and agro based, chemicals, leather, textiles, precision components, aero-space engineering, electronics and semiconductors and automobile and auto-components to accelerate the industrial growth in the state by creating sector specific industrial infrastructure such as biotech parks, textile parks, leather parks auto parks, fabcity and hardware parks.”

– *Economic Survey, Andhra Pradesh, 2010-11*



## The Partnership Summit 2012

"New Age Innovation Partnerships"

11-13 January 2012, Hyderabad International Convention Centre, Hyderabad, Andhra Pradesh, India

Andhra Pradesh may have got off the starting block a little late but it has caught up comfortably, thanks to a very aggressive pursuance of an industrial policy that began with the basics in terms of single window clearance and incentives and then went on to establish world class infrastructure and provide "power at the cheapest industrial tariff" and allowed the unleashing of the entrepreneurial energies in private as well as public sector. A World Bank report held Andhra's capital city, Hyderabad, as the 'most business-friendly' amongst Indian metros and this is something that the city that is hosting the 2012 CII Partnership Summit is telling the world. Indeed,

Industrial development in the state has been the priority sector since it generates large-scale employment directly and indirectly through its service sector. The state has a strong industrial base with industrial investments of Rs 1.18 lakh crores providing employment to 28.26 lakh persons in both large and marginal, small and medium enterprises (MSMEs). Employment in MSMEs is nearly 10 times that of the large industries.

Andhra Pradesh is a leading investment destination because of large resources of fruits, vegetables, oil seeds, dairy products, meat poultry, marine products, spices, chillies, coconut, cashew etc. for value addition by the food processing industry. In addition to this large number of mineral resources like coal, limestone, granite, barytes, bauxite, iron ore, beach sands etc. are available. This has led to a strong manufacturing strength in cement, paper, granite, pharma and bulk drugs, textiles, electronics and defence equipment, heavy electrical engineering industries and defence electronics and aerospace industries. Andhra Pradesh is also having strong presence in biotechnology through promotion of Genome Valley near Hyderabad – Chief Minister Kiran Kumar Reddy

a popular tourism destination courtesy its professionally promoted tourism that capitalizes on the states long coastlines, temple architecture, rivers, beaches and hill stations that draws people from India and overseas. The Partnership Summit announcement talks of the business opportunities in IT, tourism, pharmaceuticals, education, health care food processing and adds that the AP Petroleum Chemicals and Petrochemicals Investment region covering 603 square kms is the first and largest PCPIR in India, strategically located between Visakhapatnam and Kakinada.



## 2. STATE ECONOMY :

### (A) Gross State Domestic Product by Industry of Origin at Current Prices

Sl. No.	Sector	(Rs. Crores)	
		2008-09 (Q)	2009-10 (UA)
<b>1. Agriculture, Forestry &amp; Fishing</b>			
1.1	Agriculture	64502	62826
1.2	Livestock	23834	28391
1.3	Forestry	2000	2095
1.4	Fishing	9076	10943
<b>2. Mining &amp; Quarrying</b>		13011	12932
Sub-Total -Primary Sector		112423	117187
<b>3. Manufacturing</b>			
3.1	Registered	29016	31251
3.2	Un-Registered	11487	12194
<b>4. Electricity, Gas and Water Supply</b>		8897	10105
<b>5. Construction</b>		35106	39597
Sub-Total-Secondary Sector		84506	93147

Sl. No.	Sector	2008-09 (Q)	2009-10 (UA)
<b>6. Trade, Hotels &amp; Restaurants</b>		51152	54390
<b>7. Transport, Storage and Communications</b>			
7.1	Railways	4017	4448
7.2	Transport by other means and storage	18684	20146
7.3	Communications	6700	8505
<b>8. Financing, Insurance, Real Estate and Banking Services</b>			
8.1	Banking & Insurance	16860	18980
8.2	Real Estate, Ownership of Dwellings & Business services	33586	36502
<b>9. Community, Social &amp; Personal services</b>			
9.1	Public Administration	16277	20797
9.2	Other Services	33142	37246
Sub-Total: Tertiary Sector		180418	201014
Total Gross State Domestic Product		377346	411349
Total Net State Domestic Product		338907	368737
Per capita Income (Rupees)		40902	44081

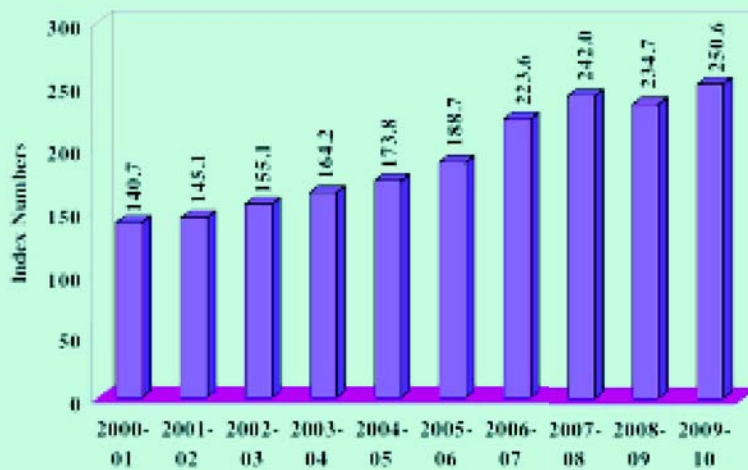


### Horticulture

Meaningful policy intervention has produced demonstrable businesslike results in even areas like horticulture. Andhra Pradesh has moved horticulture from a rural business to a professionally-run commercial activity through a host of supportive policies. It has increased area under horticulture from 3.70 lakh hectares in 1982 to 19.60 lakh hectares by 2009-10. More importantly, while the area under horticulture has increased by

43 per cent over the last decade, production has increased by about 115 per cent, thanks to modern technology, sustainable farming practices, post-harvest infrastructure facilities and farmer education on plant material, seed and inputs, drip and sprinkler systems and the like. The State Horticulture Mission spent Rs 56.46 crores in 2010-11 and there has been focused intervention in the areas of floriculture, mushroom development, post harvest management; fruit and plantation crop initiatives, integrated vegetable development, spices, landscape and ornamental gardening, organic farming, oil palm development, apart from a range of activities around animal husbandry, fisheries and forests.

Index of Industrial Production in AP  
(Base 1993-94=100)



### Sericulture

In sericulture too Andhra Pradesh provides important lessons: one hectare of mulberry creates employment for 12 persons throughout the year; 60 per cent of the employees are women thereby supporting a greater role for women in development. There is also a large tribal population engaged in sericulture. It has a low gestation period and continues to yield for 15-16 years with little expenditure on maintenance. Andhra Pradesh is the second largest producer of mulberry and tussar cocoons in the country and muga culture too is in the initial stage.





### Industry plus

That the state is on an industrial growth trajectory is not disputed. Significantly, Andhra Pradesh has 74 notified SEZs, the highest in the country. Of them, 27 are operational and employ in excess of 1.40 lakh persons. The Chief Minister is, however, looking beyond industrial growth and is seeking to capture the people power through a focused development of the medium, small and the micro sectors. This would help to achieve enhanced productivity "through clusters, under PPP model particularly in the employment intensive sectors like readymade garments, textile, electronics, footwear, food processing etc. Skill development, employment generation especially under the manufacturing sector through development of MSME is going to be yet another focus area during the 12th Plan period". The government has set itself a target of creating 7.5 to 8.0 million employment opportunities in the areas of textiles, construction, and IT & ITES, tourism and health care and other sectors during the 12th Plan period".

The Industrial Investment Promotion Policy 2010-15, announced in 2010, sought to attract Rs 75,000 crores in next five years, courtesy multi-sectoral incentives, for the micro, small and medium enterprises and a special focus for women entrepreneurs with a targetted growth rate of 12 to 15 per cent in the manufacturing sector. It envisaged the annual earmarking of Rs 100 crores in the

Estimated Mineral Reserve		
Item	Unit	Quantity
Coal	Million Tonnes	17,146
Limestone	"	35,179
Bauxite	"	615
Barytes	"	70
Beach Sands	"	241
Gold (ore)	"	12.10
Beach Sand	"	241
Diamond	Lakh carats	18.23
Granite	Million Cubic Meters	2,406

*Source:-Mines and Geology Department*



### SEZ exports:

Year	Exports (Rs.Cr.)
2008-09	3021.00
2009-10	5554.00
2010-11 (up to Sept 10)	3720.79

### Tourists Inflow and Revenue

Year	Tourists (Nos.Lakhs)	Revenue (Rs.Crores)
2004-05	24.96	59.18
2005-06	43.83	76.46
2006-07	53.54	89.50
2007-08	62.47	100.89
2008-09	73.79	109.00
2009-10	77.48	116.70
2010-11 (up to Sep.10)	20.59	59.41

*Source: Tourism Development Corporation*

state budget to develop industrial infrastructure and external infrastructure in Special Economic Zones. That apart, it provided for 100 per cent reimbursement of value-added and central sales tax for five years to micro enterprises and 50 per cent (up from 25 per cent) to small enterprises. Investment subsidy for micro and small enterprises was raised to Rs 20 lakh with an additional Rs 5 lakh subsidy for women entrepreneurs; 30 per cent to 40 per cent land reservation was kept for micro, small and medium enterprises in new industrial estates and land conversion charges were limited to Rs 10 lakh; a fixed power cost reimbursement at the rate of 75 paise per unit for five years and Re 1 per unit for SC/ST entrepreneurs, among other incentives that they would get for setting up industrial units was announced.

### Mega projects

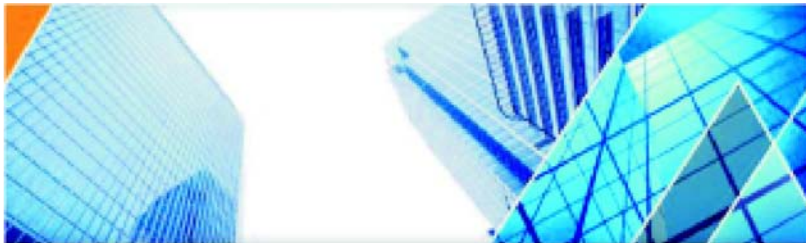
For mega projects it provided for an enhanced the investment limit of Rs 250 crores and said that all projects that created employment for more than 2,000 people would be considered for a special package of incentives under the mega project. More importantly, the government exhorted industrialists to serve as ambassadors of the state and woo investments from India and overseas for the state. Overall, the policy set itself an annual employment target of five lakhs for achieving 17 per cent growth in the manufacturing sector. An overall growth target of 10 per cent during the 12th Plan means a 10.5 per cent growth for the industries sector: mining and quarrying is projected to grow at 12 per cent, construction (11.5 per cent), manufacturing (registered a growth of 9.5 per cent), electricity, gas and water supply (nine per cent) would be the other contributors and the government is trying to strategise to enable each sector to contribute its share



state to include technical education for skill enhancement that is a core agenda for 12th Plan period and for which 97 skill development centres have been commissioned in Andhra Pradesh.

### Energy

Energy is another area that the Chief Minister takes a personal interest in because rapid industrial growth is expected to make heavy demands on power that needs to become more competitive. "We have successfully reduced the T&D losses from 21.42 per cent in 2004-05 to 17.05 per cent in 2010-11 – one of the lowest in the country. With the total installed capacity in the state at 15,768 MW, peak demand at 12,000 MW and energy demand at 78,000 MU, we could effectively reduce the transmission losses to



through empowering policies. More importantly, the state is looking to working on the quality of human resource to take its initiative forward. People, power, SEZs, natural gas and infrastructure are some of the broad planks on which the state is being taken forward.

### Skill development

The Chief Minister has focused on a two-pronged strategy to address the employment issue and does not want to rely just on government recruitments. He seeks to deepen the opportunity for the youth in the private sector by imparting skills. The government has launched the Rajiv Education and Employment Mission that identifies employment opportunities in the private sector, defines the required skill set and then takes up skill upgradation of the willing youth, while targeting guaranteed placement. This mission is "tasked with providing placement to 15 lakh youth by 2014 and of which at least 50 per cent shall be from among women, SCs, STs and backward classes", says Mr Reddy. Alongside are programmes for development of higher education in the

5.2 Energy :	Unit	2009-10
i. Installed Capacity	(M.W)	14625.52
ii. Electricity generated		
(a) Thermal	(MU)	24101.16
(b) Hydro	(" )	5450.49
(c) Others	(" )	45060.22
iii. Power Consumption(P)		
(A) Low Tension	(MU)	38554
(a) Domestic	(Percent)	33.75
(b) Commercial	(" )	8.70
(c) Industrial	(" )	6.55
(d) Agriculture	(" )	45.95
(e) Others	(" )	5.05
(B) High Tension	(MU)	20504.90
iv. Per capita Consumption(P) of Electricity (Utility only)	(Kwh)	929
v. Agricultural pumpsets energized('000 No's)		2769
vi. No.of Villages Electrified		26613

The number of establishments in the organized sector has grown to 21,564 by March, 2010. Out of these, 13,789 were in public sector and 7,775 were in private sector. Skill Development Initiative Scheme under Modular Employable Skills is being implemented. Under Rajiv Udyog Sri, various training programmes by the Line Departments have led to placement of 82,736 candidates from November 2009 to June 2010.

4.48 per cent and ensured highest transmission availability of 99.89 per cent", says Mr Reddy. Andhra is currently seeking to add 17,126 MW capacity by the end of the 12th Plan period to which the state power utility, APGENCO, will contribute 9,012 MW.

"In order to achieve the targeted growth in the electricity sector, fuel is a major concern for the power sector. Meeting increasing demand for power is going to be a major challenge. Our state being the gas-hub of India, we target to utilize natural gas resources of the state with the intervention of centre more effectively and promote gas-based captive power plants. Firm allocation of gas for power projects being taken up by APGENCO needs consideration besides providing adequate gas for ensuring full capacity utilization of the existing power projects in the state", said Mr Reddy in his presentation before the NDC. For thermal power, the state is seeking coal supply linkage agreement between the concerned PSUs and generating stations and granting long term coal linkages for the new thermal power plants being set up by the state. It is also focusing on non-conventional energy.

Finally, Andhra Pradesh is trying to maximize the benefits of its natural gas resource by trying to lay an extensive gas distribution network via two proposed trunk pipelines (Kakinada-Basudevpur-Howrah and Kakinada-Vijayawada-Nellore-Chennai) and develop, in collaboration with centre, an RLNG Terminal.

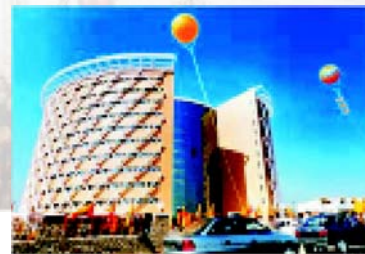
## IT

With leading Indian and international IT majors in the state Andhra is amongst the front runners in IT with software exports growing at more than 100 per cent per annum during the nineties and in excess of 40 per cent per annum thereafter. IT



contributes 49 per cent of Andhra's exports and the state ranks fourth in IT exports with a 15 per cent share of national IT exports, which it expects to take up to 17 per cent and create additional direct employment of 1.5 lakh by 2015.

Jawahar



## Growth of Information Technology

Year	Exports (Rs. Crores) (Year wise)	No. of Employees (Cumulative)
1997-98	284	8700
1998-99	574	12000
1999-00	1,059	25,500
2000-01	1,917	48,700
2001-02	2,907	64,000
2002-03	3,668	71,445
2003-04	5,025	85,945
2004-05	8,270	1,26,920
2005-06	12,521	1,51,789
2006-07	18,582	1,87,450
2007-08	26,122	2,39,000
2008-09	32,509	2,51,786
2009-10	33,482	2,64,372

Source: Software Technology Parks of India, Hyd.



Knowledge Centres, for technical manpower development, have been set up to improve the quality of manpower.

### Focus on infrastructure

With a considerable industry base and a sound industrial culture, Andhra Pradesh is focusing on infrastructure to be set up on the PPP model and this is being implemented across the board from the port sector to urban infrastructure. Three ports in commercial operation are being developed under PPP mode and another three non-major ports too have been awarded under PPP mode. Expression of Interest is being issued for development of two other non-major ports. For airports too, PPP is the preferred model and Shamshabad has turned out to be one of the finest international greenfield airports constructed and operated under a PPP model. "We are collaborating with AAI to develop regional airports. Development of non-AAI airports through PPP initiative is a priority area. We are continuously investing significant resources in developing the road infrastructure", says the Chief Minister who is seeking to upgrade major state roads to



national highways, develop single lanes to double amongst other plans. Alongside, urban infrastructure is being focused on. With 251 projects sanctioned under JNNURM (involving Rs 11,877 crores) Andhra Pradesh is ranked second in the country in this area.

A lot is going right for Andhra Pradesh, despite the shortcomings in the agriculture sector and the legacy issues around naxalism. The Chief Minister believes that "Naxalism has to be tackled more as a socio-economic problem than as a mere law and order problem. There are eight inter-state border districts of Andhra Pradesh adjoining Chattisgarh, Orissa and Maharashtra states, which continue to face the risk of relapse into extremism. Supplementing the Central Government's initiative through the Integrated Action Plan (IAP) to tackle extremism in the two LWE districts, the State Government on its part is implementing various welfare and developmental programmes". At the end of the day, any successful growth formula must take all the people along. Andhra Pradesh is paying the price of neglecting inclusive growth. How much of a price it will have to pay, time will tell. For now it is focusing on taking development across the country through specific policies; that is the best possible strategy provided it is executed with panache