

Sector	Project Title
Electronic Components Industry	Power Equipment Manufacturing Hub

Project Description

The Power Equipment industry comprises of equipment used for the generation, transmission, distribution, and utilisation of power. It includes items such as generators, boilers, turbines, transformers, switchgears, etc. The Indian power equipment industry registered a 27% growth in recent past. The performance of power equipment industry is closely linked to the addition in power generation capacity. While, huge investments have been planned in augmenting the power generation capacity in the country, the power equipment industry has been ignored. Experts cite the unavailability of power generation equipments as one of the reasons for India having missed its target of power generation capacity additions in 2007.



The increasing power demand by the country's growing economy would lead to a widened gap between demand and supply of power equipments. Currently, state owned Bharat Heavy Electricals Ltd. (BHEL) is the largest player in the industry commanding near-monopoly in the business. At present, the power equipment manufacturers are overbooked for next 5-10 years. In view of burgeoning power equipment manufacturing business, many players have announced their plans to foray into the business. Plans of major players include:

- Largest power generation company in India – NTPC announced two separate JVs with BHEL and Bharat Forge Ltd. to manufacture power equipment
- L&T has plans to take up production of power equipments through a JV with Japanese manufacturers Mitsubishi and Toshiba
- Chinese power equipment manufacturer Dongfang Electric Corp. (DEC) has indicated its plans to strengthen manufacturing arrangements in India
- Alstom is scaling up its operations in India and plans to make the country a major manufacturing and research hub for its operations

The Government of Madhya Pradesh envisages the potential of power equipment manufacturing as a significant contributor in employment generation and the economic growth in the region. Therefore, the Government of Madhya Pradesh plans to set up a power equipment manufacturing hub in the State and incentivise the manufacturers.

Project's Value Proposition

The huge investments in power sector will lead to substantial demand for power equipments. The companies engaged in business of manufacturing boilers, turbines, transformers, switchgears, generators, capacitors, transmission towers, high voltage equipment and rotating electrical machinery will

have ample scope for growing. Besides, companies engaged in coal handling plants, ash handling plants, de mineralized water plants, cooling towers, chimneys, fuel oil systems, pipes, valves, pumps, air-conditioning systems, fire fighting systems, computers and telecommunication systems, instrumentation and automation systems will also witness huge demands. In addition, providers of services such as erection & commissioning, construction and allied services will benefit from the implementation of projects.

The project will yield following benefits to the State:

- Assist in rapid industrialization of the State
- Greater share in FDI in electrical equipments
- Full utilization of the potential for development of power and defense equipment industry in the country
- Increase in State's revenues
- Creation of more employment opportunities

MP's value proposition

Madhya Pradesh is ideally suited to house this project on account of the following reasons:

Madhya Pradesh set to experience a tremendous growth in the Power sector

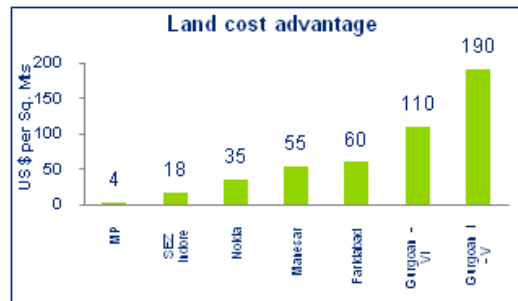
- More than 24000 MW worth of power capacity being created
- MOUs for more than 51000 MW of power signed

Madhya Pradesh is strategic choice for power equipment manufacturing hub in India

- Largest plant of India's leading engineering company, Bharat Heavy Electricals Limited is located in MP
- MP is rich in low grade coal suitable for power generation
- Strategic location in centre of the country and close proximity to Delhi Mumbai Industrial Corridor
- Diversified industrial base with supporting ancillary Industries
- Special fiscal and non fiscal incentives to the units in the state
- A solar energy park proposed at Ganeshpura in Rajgarh district

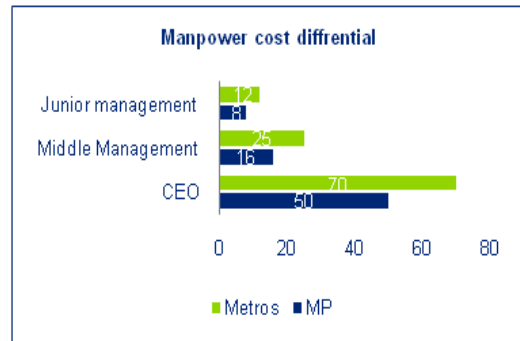
Land cost advantage

- MP offers cheap land cost in comparison to other developed industry centres



Man Power Cost Advantage & peaceful labour environment

- Number of engineering & technical graduates passing out every year
- Cost to a company for human resources is cheaper by 30-35% in the State
- Greater saving potential for the executive levels on account of cheaper land, cheaper housing and cheaper labour
- Man days lost over last 5 years < 1% of total available man days
- One of the most peaceful and labour productive State



Policy Initiatives by MP state government

- Special package for mega projects
- 5 year electricity duty exemption on captive power generation
- 25% capital subsidy for thrust sector industries
- Industrial investment promotion assistance – 50 to 75% of commercial tax for 4-5 years
- Concessional registration charges and stamp duty exemption for term loans
- Interest subsidy of 3-5% on term loan for 5-7 years
- Land on 75% concessional rate for mega projects
- Govt. (non forest) Land use permission @ Rs. 1/-(token) premium per year
- Entry tax exemption for 5 years
- Projects Reports Cost Reimbursement Scheme
- Subsidy on ISO Certification, Patent Registration & Technology Acquisition
- VGF funding of upto 40% (20% GoI + additional 20% GoMP)

Promotional Policy

In addition these incentives, the promotional policy of the Central Government is also applicable in the State. Key features of the policy include:

- 100% FDI under automatic route
- Capital import duty concessions, waiver of local levies extended to large power projects
- Tax holiday of 100% on profit for 10 consecutive years out of first 15 years
- Generation other than any large hydro projects is de-licensed
- Generation & distribution de-licensed in rural areas
- Unbundling of state electricity boards for efficiency and effectiveness
- Inter institution group for speedy financing
- 5 years Electricity Duty exemption on captive power generation
- Projects Reports Cost Reimbursement Scheme, subsidy on ISO Certification,
- Patent Registration & Technology Acquisition

Project Specification

The proposed project will have the following specifications:

- Location: The proposed project can be located at Biaora, district Rajgarh. The project is planned to be spread across an area of around 4000 acres.
- Project Cost: The project cost is estimated to be Rs. 200 billion.
- Returns: Internal rate of return is estimated at **18-25%**.

Project Contacts

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