



ABSTRACT

Industries – Sanction of Structured Package of Assistance to M/s Toshiba JSW Turbine and Generator Private Limited for setting up of a Project for manufacturing Super Critical Steam Turbines and Generators and other power systems related products and services in Tamil Nadu – Orders – Issued.

INDUSTRIES (MIA.1) DEPARTMENT

G.O. Ms. No.133

Dated : 23.10.2009

Read :

1. From the Director, Toshiba JSW Turbine and Generator Private Limited, Letter No.STGI-LE-0901-012, dated 23.1.2009.
2. From the Managing Director, TNRDC, Letter No.TNRDC/0060/2009, dated 16.2.2009.
3. From the Managing Director, Toshiba JSW Turbine and Generator Private Limited, Letter No.STGI-LE-0902-009, dated 24.2.2009.
4. From the District Collector, Tiruvallur, Letter No.42797/2009/B1, dated .2.2009.
5. Govt. Letter No.11660/MIA.1/2008-23, Industries, dated 27.2.2009.
6. From the Director, Toshiba JSW Turbine and Generator Private Limited, e-mail dated 5.3.2009 and Letter No.STGI-LE-0903-006, dated 24.3.2009 from the Managing Director, Toshiba JSW Turbine and Generator Private Limited.
7. Govt. Letter No.11660/MIA.1/2008-25, Industries, dated 26.3.2009.

Read also:

8. G.O. Ms. No.110, Industries (MIA.1) Department, dated 11.9.2009.

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ORDER:

Toshiba Corporation, Japan was founded in 1875. It operates a global network of more than 730 companies, with over 199,000 employees' worldwide and annual sales surpassing US\$67 billion. Toshiba is a world leader and innovator in pioneering high technology, a diversified manufacturer and marketer of advanced electronic and electrical products. The Company is one of the world's leading providers of steam turbines and generators, with over 1800 units with a capacity of some 150GW installed in over 40 countries worldwide. Toshiba currently operates a steam turbine and generator manufacturing facility in Yokohama, near Tokyo. JSW Steel Limited, India is a part of O.P. Jindal Group with interests in mining; carbon steel, power, industrial gases, port & infrastructure and Information Technology. The Company is one of the lowest cost steel producers in the world. JSW Energy Limited, the power business arm of JSW Group, having 490 MW operating capacity under its management is all set to become a leading player with more than 3,400 MW capacity under construction.

2. Toshiba and JSW Group have formed a joint venture company, namely Toshiba JSW Turbine & Generator Pvt. Ltd., (shortly referred to as "Toshiba JSW") to manufacture upto 1000 MW Sub Critical and Super Critical Steam Turbine and Generator sets near Chennai in Tamil Nadu. Toshiba JSW has identified an extent of about 99 acres close to Ennore Port to locate this project. Toshiba JSW has proposed to make an investment of

Rs.700 crores in 3 years and Rs.800 crores within 5 years from date of Memorandum of Understanding (MoU) and to provide direct employment to 400 persons in 3 years and 500 persons in 5 years from date of MoU. Toshiba JSW has requested the Government to offer an attractive package of support including incentives to implement their project.

3. The Government carefully examined the request of Toshiba JSW and signed a comprehensive Memorandum of Understanding (MoU) with Toshiba JSW on 7.7.2009 incorporating the obligations of Toshiba JSW with regard to investment, investment period, and employment generation and the obligations of the Government in terms of offer of a package of fiscal incentives and infrastructure support. In the MoU, Toshiba JSW has committed (i) to invest Rs.700 crores in Eligible Fixed Assets within a period of 3 years from the commencement of investment period and Rs.800 crores in Eligible Fixed Assets within the investment period of 5 years and (ii) to create direct employment for at least 400 persons within 3 years from the commencement of investment period, and at least 500 persons at the end of Investment Period.

4. In terms of the MoU executed with Toshiba JSW, orders were issued in the G.O. first read above allotting 89 Acres of land in Vaikkadu and Ammullavoyal villages of Ambattur taluk, Tiruvallur district in favour of Toshiba JSW for setting up their project for manufacture of Steam Turbine and Generator. Based on the commitments given by Toshiba JSW as mentioned in the paragraph 3 above and considering the economic benefits that will accrue to this State from the project, the Government provide the following structured package of assistance to the Project proposed by Toshiba JSW:-

(1) Stamp duty concession: The New Industrial Policy 2007 provides for 50% exemption from payment of Stamp Duty for land leased in SIPCOT Industrial Park. Considering that the land allotted by Government to Toshiba JSW on 99 year lease basis was also acquired by Government for industrial purpose and was part of over 1250 Acre acquired in Manali area earlier, Toshiba JSW will be given 50% exemption from payment of stamp duty on land leased to Toshiba JSW. However, registration charges, as applicable will be payable.

(2) Water Supply: Government through Chennai Metro Water will meet the water requirements for the project of Toshiba JSW within one year from date of MoU. The cost of extension of water supply line to the project area from the existing pipeline running along Ponneri Road will be met by the Government. Chennai Metro Water will provide raw water supply to Toshiba JSW on normal water charges payable by Toshiba JSW to Chennai Metro Water. Toshiba JSW in turn would require filtering and treating the water to make it compatible to their respective quality requirements for all purposes. Toshiba JSW shall adopt suitable measures for rain water harvesting.

(3) Power Supply: TNEB will meet the power requirements of Toshiba JSW both during construction phase and fully operational phase at the prevailing normal industrial tariff rate as fixed by the State Electricity Regulatory Commission. TNEB will provide 110kv with 20MVA power within 12 months from the date of MoU. The cost of the first feeder will be as per the usual terms and conditions of TNEB. Dual feeder line will be provided subject to Toshiba JSW agreeing to bear 50% of the cost of the second feeder. The balance 50% of the cost of the second feeder line will be borne by Government. The Government through TNEB will shift the High Tension Lines running across the Project Site. The cost of shifting these lines will be borne by Government. Toshiba JSW's project will be exempted from power cuts, peak load restrictions, power holidays and other power supply and usage restrictions. Toshiba JSW shall use energy efficient equipment and adopt energy efficient technologies and practices, in order to conserve energy.

Toshiba JSW shall comply with relevant energy efficiency practices, standards and norms, as and when prescribed by the Designated Authorities.

(4) Electricity tax exemption: The electricity tax applicable on power purchased from TNEB as well as on power generated and consumed from captive sources, is exempted for Toshiba JSW's Project for five years from the Date of Commercial Production in terms of the New Industrial Policy, 2007. The Date of Commercial Production shall be certified by SIPCOT.

(5) Environment Protection Infrastructure Subsidy: If Toshiba JSW establishes an Effluent Treatment Plant (ETP) or Hazardous Waste Treatment, Storage and Disposal Facility (HWTSDf), then it will be eligible for grant of Environment Protection Infrastructure Subsidy of Rs.30 lakhs or 25% of the capital cost of the ETP or HWTSDf, whichever is lower, as applicable under the New Industrial Policy, 2007.

(6) Capital subsidy: Toshiba JSW will be given a back ended capital subsidy of Rs.1.5 crores in terms of the New Industrial Policy 2007.

(7) Training Subsidy: Considering the huge investment proposed by Toshiba JSW, a training subsidy of 30% of the total cost of training for a period of two years will be given to Toshiba JSW and this will be subject to an overall ceiling fixed at Rs.35 lakhs. This subsidy will be given on reimbursement basis. This will be made available only if Toshiba JSW gives training outside its premises and for people belonging to Tamil Nadu.

(8) Strengthening of Bridges and Culverts: Considering the fact that Toshiba JSW has to move Heavy Steam Turbine and Generator of upto 450 MT, the bridges and culverts identified by Toshiba JSW and Tamil Nadu Road Development Company in two sections i.e., from the site proposed for Toshiba JSW to 5-T junction in Ponneri Road and from 5-T junction to Ennore Port in North Chennai Thermal Power Station Road need to be strengthened. This involves construction of new bridges and culverts apart from strengthening of the bridges existing or under construction as per specifications required by Toshiba JSW over and above the IRC Code Standards. Accordingly, (i) two minor bridges and Napalayam Bridge on the TPP Road (ii) Attipattu Road Over Bridge and Pullicut Backwater Bridge in North Chennai Thermal Power Station Road, and (iii) Buckingham Canal Bridge and Utility Crossing Culverts in Ennore Port Road will be strengthened. The basic cost of construction of these bridges and culverts wherever required will be borne by Government. The additional cost involved as per requirements of Toshiba JSW over and above the IRC Code Standards (estimated at Rs.10 crores) will be borne by the Government Agency concerned or Government. The road turnings and curves from the Project Site to Ennore Port will be got improved by the Government wherever necessary to ensure free movement of the vehicles carrying such heavy steam turbines and generators.

(9) Other fiscal incentives:

(a) Incentive on Output VAT + CST paid by the Project:

(i) Considering the big investment proposed by Toshiba JSW and its spin off benefits, an amount equivalent to Output VAT + CST paid by Toshiba JSW to the Government will be given as Investment Promotion Soft Loan to Toshiba JSW for a period of fourteen years from Date of Commercial Production or till the cumulative availment of soft loan reaches 100% of the actual investment made in Eligible Fixed Assets within three years from the commencement of Investment Period, whichever is

earlier. The soft loan will carry a nominal interest rate of 0.1% per annum. The soft loan sanctioned in the 1st year shall be repaid in full along with interest in the month of April in the 15th financial year and the soft loan sanctioned in the 2nd year shall be repaid in full along with interest in the month of April in the 16th financial year and so on.

(ii) If Toshiba JSW opts for refund of the output VAT + CST instead of soft loan mentioned above, an amount equivalent to Output VAT + CST paid to the Government will be refunded to Toshiba JSW by way of Investment Promotion Subsidy for a period of fourteen years from Date of Commercial Production or till the cumulative availment of refund reaches 50% of the investment made in Eligible Fixed Assets within three years from the commencement of Investment Period, whichever is earlier.

(iii) If Input VAT refund is availed by Toshiba JSW, the ceiling on availment of output VAT + CST refund or soft loan will be 40% and 80% respectively as mentioned in item (9) (b) (i) & (ii) below.

(iv) In case Toshiba JSW opts for Output VAT + CST based Investment Promotion Soft Loan, the assets of Toshiba JSW shall stand charged to Government for an amount equal to the monetary value of such Soft Loan as a guarantee for fulfillment of all the obligations and for a period till the full repayment of such Soft Loan. In case Toshiba JSW opts for output VAT + CST based incentives in the form of Investment Promotion Subsidy, then, Toshiba JSW shall give either Corporate Guarantee or an unconditional irrevocable Bank Guarantee from an Indian Scheduled Bank to the Government, for a period till the time when Toshiba JSW has fulfilled all such obligations in accordance with the MoU. Toshiba JSW is permitted to exercise this option only once prior to availment of first instalment of Investment Promotion Subsidy.

(v) The incentive related to the Output VAT will be eligible for Toshiba JSW only if the sale is for ultimate use in State of Tamil Nadu.

(b) Incentive on Input VAT:

(i) An amount equivalent to input VAT paid by Toshiba JSW on purchases made within Tamil Nadu for manufacturing in this project will be refunded to Toshiba JSW in the form of Investment Promotion Subsidy for a period of fourteen years from date of commercial production, provided that the Gross Output VAT + CST refund will be subject to a ceiling fixed at 40% of the investment made in eligible fixed assets within three years from the commencement of Investment period. In such a case, Toshiba JSW should forfeit the right to claim Input Tax Credit and set off benefit under the VAT law.

(ii) In the event of Toshiba JSW opting for Soft Loan for Output VAT + CST and wants refund of Input VAT refund, then a ceiling on cumulative availment of Soft Loan against Gross Output VAT + CST will be fixed at 80% of investment made in eligible fixed assets within 3 years from the commencement of Investment period. In such a case, Toshiba JSW should forfeit the right to claim Input Tax Credit and set off benefit under the VAT law.

(iii) This refund of input VAT will be eligible only if the commodity purchased by the Project is not a subject matter of any output VAT based incentive for its supplier or manufacturer. Inputs eligible for VAT refund will include raw materials, consumables, spare parts, packing materials, components and accessories (but excluding high speed diesel, light diesel oil and molasses etc.) purchased within Tamil Nadu and used for manufacturing in the project.

(iv) In case the Company does not opt for Input VAT refund, then normal set-off will apply and Net Output VAT + CST based incentive will be given.

(c) The VAT, CST and other tax related incentives given by the Government shall not exceed the actual tax received by the Government from this project.

(10) Single Window Facilitation: Guidance Bureau will provide Single Window facilitation to Toshiba JSW for getting various clearances and approvals as a fee based service.

(11) Labour Reforms: Subject to applicable laws and as far as possible, the Government will consider giving permission to Toshiba JSW's project for 24 x 7 (three shifts) operations, for employment of women in the night shifts, and flexibility in employment conditions including working house for women and shorter or longer shift timings. In recruitment of production workers, Toshiba JSW will give preference to the locals of the State of Tamil Nadu to the extent feasible.

(12) Zero rating for export sales: Toshiba JSW will be eligible for zero rating of VAT payable for export sales as per Tamil Nadu Value Added Tax Act, 2006 (Tamil Nadu Act 32 of 2006).

(13) Goods and Service Tax Compatibility: If any of the existing or current taxes included for refund or soft loan gets included in the GST as and when introduced, then the protection of incentives would be provided to the extent of the current taxes getting realized in the GST by the Government out of Toshiba JSW's Project. However, this will not apply to reduction in incentive due to reduction in tax rates, if any.

(14) Other facilitations: Government, on best efforts basis, will facilitate Toshiba JSW in getting railway line connection from Madras Fertilizers Limited to their proposed Project Site and road connection from 100 Feet Road to the Project Site through Guidance Bureau.

(15) Corporate Social Responsibility: Toshiba JSW will make best effort towards a positive contribution to the neighbourhood communities in which it will operate in by supporting a wide range of socio-economic, educational and health initiatives. These may include improving infrastructure in local hospitals, primary health centres, primary schools, etc., apart from arranging vocational training to local unskilled youth for livelihood, adoption of Industrial Training Institutes, etc. Also, subject to skills availability, Toshiba JSW will give preference to local unemployed youths in job opportunities. Toshiba JSW will also make endeavour to give preference to the disabled persons in the job opportunities, subject to the availability of the skills.

(16) General:

(a) The incentives and other components of the structured package of support offered by Government in this order is contingent on fulfilment of all the two commitments by Toshiba JSW mentioned in paragraph 3 above. In the event of non-fulfilment of any one or more of the above commitments by Toshiba JSW, this Structured Package will become null and void. In such an event, the Government and Toshiba JSW shall discuss and use their best efforts to resolve the issue amicably. In the discussion, the Government and Toshiba JSW will take into consideration the cause for such failure and the difference between the actual and committed investment and employment. If no mutual agreement

could be reached by such discussion, Toshiba JSW shall refund incentives and other forms of support availed thereof with interest as decided by the Government. Provided that in case Toshiba JSW makes an investment of at least Rs.400 crores in the Eligible Fixed Assets at the end of the Investment Period but fails to fulfil any one or more of the obligations mentioned above, Toshiba JSW will refund only the monetary and financial incentives given by Government with interest as decided by the Government.

(b) At the end of the Investment Period, SIPCOT would assess the actual investment made in Eligible Fixed Assets and actual direct employment created in the Project by Toshiba JSW.

5. This order issues with the concurrence of Finance Department vide its U.O. No.61258/Ind/09-1, dated 22.10.2009.

(BY ORDER OF THE GOVERNOR)

**M.F. FAROOQUI,
PRINCIPAL SECRETARY TO GOVERNMENT.**

To
The Managing Director,
Toshiba JSW Turbine and Generator Private Limited
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The Chairman and Managing Director,
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The Principal Secretary to Government,
Energy Department, Chennai-9.
The Secretary To Government,
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The Principal Secretary to Government,
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The Director, Guidance Bureau, Egmore, Chennai-8.
The District Collector, Tiruvallur.

Copy to:

Chief Minister's Office, Chennai - 9
The Deputy Chief Minister's Office, Chennai-9
The Finance (Industries) Department, Chennai-9
Public (SC) Department, Chennai-9
Industries (OP.II) Department, Chennai-9
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// Forwarded / By order //

SECTION OFFICER.