



ABSTRACT

Industries – Sanction of Structured Package of Assistance to M/s Delphi-TVS for setting up a project for manufacture of Common Rail Fuel Injection System and enhancing capacity in the production of Mechanical Unit Pumps – Orders – Issued.

INDUSTRIES (MID.1) DEPARTMENT

G.O. (Ms.) No.78

Dated : 20.7.2009

Read :

From the Vice-President, Delphi-TVS Diesel Systems Limited, letter dated 28.8.2007, 28.2.2008, 23.7.2008 and 3.11.2008.

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ORDER:

M/s Delphi-TVS Diesel Systems Limited (shortly called as Delphi-TVS) is a joint venture between Delphi Corporation USA, one of the largest manufacturers of auto components in the world and TVS & Sons Ltd., the largest manufacturers of auto components in India engaged in the manufacture and sale of diesel automotive field engine systems. Delphi-TVS already has a Rotary Pumps manufacturing facility at Mannur, Sriperumpudur set up with an investment of Rs.200 crores.

2. Delphi-TVS is setting up a project for manufacture of Common Rail Fuel Injection System for supply to Indian and Global Customers involved in the manufacture of diesel-powered cars in an area of 40 acres of land allotted by SIPCOT in Oragadam Industrial Park. In addition, Delphi-TVS is enhancing capacity in existing Mannur Facility to produce Mechanical Unit pumps and establishing a Technical Centre to focus on new products. Delphi-TVS has proposed to make an investment of Rs.350 crores in these projects over a period of 3 years and indicated that these projects would provide direct employment to 600 persons and indirect employment to about 2000 persons. The Company has requested the Government for a package of support to implement their projects.

3. The Government carefully examined the request of Delphi-TVS in the light of the provisions in the New Industrial Policy, 2007. As per the New Industrial Policy 2007, new manufacturing facilities set up in Chennai, Tiruvallur and Kancheepuram districts with an investment of Rs.350 crores in eligible fixed assets in a period of 3 years would be eligible for a structured package of incentives on a case-to-case basis. Expansion projects within the existing manufacturing facility of an industry will also be eligible for a structured package of assistance subject to preservation of existing production volume / value. Delphi TVS has an existing industry in Tamil Nadu. Hence, the projects proposed by Delphi TVS can be considered as expansion projects by an existing industry and it would qualify for a structured package of assistance in terms of the New Industrial Policy 2007.

4. Accordingly, the Government sanctions the following structured package of assistance to the projects of Delphi TVS, subject to fulfillment of the following two obligations by Delphi TVS:-

- (i) To make an investment of not less than Rs.350 crores in eligible fixed assets within the investment period of 3 years as mentioned in item (a) below.

- (ii) To create direct employment for 600 persons within the investment period of 3 years as mentioned in item (a) below:

(a) Starting date of investment: Delphi TVS has given its project proposal to the Government on 2.11.2007. The Company has started making investments for manufacture of pumps and injectors at SIPCOT Industrial Park at Oragadam and also for the Technical Centre and Mechanical Unit Pump project at Mannur from 1.1.2008. Since the investment proposal of Delphi TVS has been under consideration of Government for quite some time, the starting date of investment is fixed as 1.1.2008 and it will end on 31.12.2010 (Investment period).

(b) Exemption from Stamp Duty: Delphi-TVS will be given 50% exemption from payment of stamp duty for the land allotted by SIPCOT in Oragadam Industrial Park. However, registration charges, as applicable, will be payable.

(c) Power Supply: The power requirements of Delphi TVS will be met by TNEB on normal industrial tariff as fixed by the State Electricity Regulatory Commission. The projects of Delphi TVS will be exempted from power cuts, peak hour restrictions, power holidays etc.

(d) Exemption from Electricity Tax: As per New Industrial Policy 2007, the projects of Delphi-TVS will be given exemption from payment of Electricity Tax for a period of 5 years from date of commercial production, subject to Delphi-TVS fulfilling the threshold limits of minimum investment and employment as per Policy.

(e) Roads: SIPCOT will provide road connectivity to Delphi-TVS's project site at Oragadam.

(f) Water: SIPCOT will meet the water requirements of Delphi-TVS on usual terms and conditions and normal rates of SIPCOT.

(g) Capital Subsidy: In line with the New Industrial Policy 2007, Delphi TVS will be given a back-ended Capital Subsidy of Rs.2.25 crores as its project is proposed to be located in SIPCOT Industrial Park at Oragadam, on compliance of investment of over Rs.200 crores or more and provision of direct employment to more than 400 workers within the investment period of 3 years as mentioned in item (a) above.

(h) Environment Protection Infrastructure Subsidy: If Delphi-TVS establish a dedicated Effluent Treatment Plant (ETP) / Hazardous Waste Treatment Storage and Disposal Facility (HWTSDf), then it will be given an Environment Protection Infrastructure subsidy of Rs.30 lakhs or 25% of capital cost of setting up such ETP or HWTSDf, whichever is less, in terms of New Industrial Policy 2007.

(i) Output VAT + CST related incentives:

(1) Delphi-TVS will be given Investment Promotion Soft Loan equivalent to Net Output VAT + CST paid to the Government in case the total Output VAT + CST exceeds the total Input Tax Credit for the Unit.

(2) In the event the total Input Tax Credit exceeds the Output VAT + CST payable by the unit, Delphi-TVS will be given Investment Promotion Soft Loan equal to the Output VAT collected on sales made for consumption in Tamil Nadu minus the Input VAT attributable to these commodities.

(3) The total period of incentives for (a) and (b) put together will be fixed as 10 years.

A combined ceiling for (a) and (b) will also be fixed at 70% of the investment made in eligible fixed assets within the Investment period. The Soft Loan will carry a nominal interest of 0.1% per year. The Soft Loan given in the first year shall be repaid in full along with interest in the month of April in the 11th Financial Year; the Soft Loan given in the second year shall be repaid in full along with interest in the month of April in the 12th Financial Year and so on.

- (4) The soft loan will be provided on a sliding scale starting from 95% of Output VAT + CST paid to the State Government and declining 5% after every 3 years as mentioned below:

1 – 3 years	:	95%
4 – 6 years	:	90%
7 – 10 years	:	85%

The VAT and CST related incentive before the application of sliding scale given by the Government should not exceed the actual VAT received by the Government from this project.

- (5) The base volume is fixed in such a way as to ensure that the soft loan is given for the expansion capacity only and the existing revenue stream is protected. Accordingly, the base volume is fixed as follows:

(i) The average production of M/s Delphi-TVS during the last 3 financial years preceding the date of commercial production of the expansion now undertaken in State of Tamil Nadu or the existing capacity in State of Tamil Nadu, whichever is higher, will be taken as the Base Production Volume (BPV). The capacities created under this project will not be taken into account while calculating the Base Production Volume. The output VAT + CST based incentive will be considered only if this BPV is achieved and for the production in excess of BPV as prescribed below:

(ii) The average sales made by M/s Delphi-TVS in State of Tamil Nadu during the last three financial years, preceding the date of commercial production of the expansion now undertaken, will be taken as Base Sales Volume (BSV). After fulfilling the condition (i) above, if the BSV is also achieved, then output VAT + CST based soft loan will be given for the sales from the project in excess of BSV.

- (j) **Goods and Services Tax Compatibility:** If any of the existing or current taxes included in the Investment Promotion Soft Loan gets included in the Goods and Services Tax (GST) as and when introduced, then the protection of incentive would be provided to the extent of the current taxes getting realized in the GST by the Government of Tamil Nadu out of Delphi TVS's project. However, this will not apply to reduction in incentive due to reduction in tax rates, if any.

(k) **General Conditions:**

- (i) The structured package of assistance sanctioned above is contingent on fulfillment of the obligations by Delphi-TVS as mentioned above. In the event of non-fulfillment of the said obligations, the structured package given in this order will become inoperative. In such an event, Delphi TVS shall refund all financial incentives with interest as decided by the Government and will not be eligible for other forms of support.
- (ii) The assets of Delphi TVS shall stand charged to the Government till the incentives are refunded along with interests.

- (iii) At the end of the investment period, SIPCOT will assess the actual investment made by Delphi-TVS in eligible fixed assets in the project. SIPCOT will carry out base line survey and assessment of existing capacities and assets as on date of starting of investment period. SIPCOT will evaluate the net additional capacity created by this project. Investment in eligible fixed assets proportionate to net additional capacity should fulfill the obligation regarding investment. Similarly, SIPCOT will assess the additional direct employment created by this project and this should fulfill the obligation regarding creation of direct employment.
- (iv) The incentive related to the output VAT will be eligible for Delphi-TVS, only if the sale is for ultimate use in State of Tamil Nadu.
- (v) Delphi TVS will make a positive contribution to the neighbourhood communities in which the project operates by supporting a wide range of socio-economic, educational and health initiatives like infrastructure in hospital, public health centre, vocational training, adopting Industrial Training Institutes etc. Also, subject to skills availability, Delphi TVS will give preference to local unemployed youths in job opportunities. Delphi TVS will also make endeavour to give preference to the disabled persons in the job opportunities, subject to the availability of the skills.
- (vi) M/s Delphi-TVS shall use energy efficient equipment & technology and practices to conserve energy. It shall comply with relevant energy efficient practices, standards and norms as and when prescribed by designated authorities.

5. This order issues with the concurrence of Finance Department vide its U.O. No.37459/Ind/09, dated 13.7.2009.

(BY ORDER OF THE GOVERNOR)

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

To
The Managing Director,
M/s Delphi TVS Diesel Systems Limited
Mannur, Thodukadu Post, Sriperumbudur Taluk,
Kanchipuram District 602 105.
The Chairman & Managing Director, SIPCOT, Egmore, Chennai 600 008
The Principal Secretary to Government, Finance Department, Chennai 600 009.
The Secretary to Government, Energy Department, Chennai 600 009.
The Secretary to Government,
Commercial Taxes & Registration Department, Chennai 600 009.
The Special Commissioner & Commissioner of Commercial Taxes,
Chepauk, Chennai 600 005.
The Chairman, Tamil Nadu Electricity Board,
144, Anna Salai, Chennai-2
The Director, Guidance Bureau, Egmore, Chennai 600 008.

Copy to:

Chief Minister's Office, Chennai 600 009.
Public (SC) Department, Chennai 600 009
Industries (MIE 2) / (OP.II) Department, Chennai 600 009.
SF / SCs.

// Forwarded / By order //

Section Officer.