



ABSTRACT

Industries - Sanction of Structured Package of Assistance to M/s. Allison Transmission Inc. USA - Orders - Issued.

INDUSTRIES (MID.1) DEPARTMENT

G.O. (Ms) No.195

Dated: 20.10.2008

Read:

From the Director, Guidance Bureau, Letter No. Dir/Allison Transmissions/07, dated 5.12.2007

ORDER:

M/s. Allison Transmission Inc. USA (Allison Transmission) is the world leader in the design, manufacture and sales of commercial-duty automatic transmissions, hybrid propulsion systems and related parts and services for on-highway trucks and buses, off-highway equipment and military vehicles. The Company has its presence in more than 80 countries, with a work force of over 4000 persons. At present, the Company has 80% market share of all medium and heavy duty commercial fully automatic transmissions produced.

2. Allison Transmission has proposed to establish a transmission manufacturing facility for commercial vehicles in SIPCOT Oragadam Industrial Park with an investment of Rs.350 crores in eligible fixed assets over a period of 5 years from the date of MoU. The Company has requested the Government for a package of support to implement its project.

3. The Government carefully examined the request of Allison Transmission. Allison Transmission have committed to invest Rs.350 crores in eligible fixed assets in their project within five years period. As per the New Industrial Policy 2007, new manufacturing facilities set up in Chennai, Tiruvallur and Kancheepuram districts with a minimum investment of Rs.350 crores in a period of 3 years would be eligible for a structured package of incentives on a case-to-case basis. Considering the economic benefits and spin-off that would accrue to the State due to the investment proposal of M/s. Allison Transmission, the Government have decided to extend the period of investment from 3 years to 5 years and sanction a structured package of assistance to the project of M/s. Allison Transmission, by relaxing the Policy subject to the condition that the package is contingent on the company fulfilling the following two obligations: (1) Investing not less than Rs.350 crores in period of 5 years from the date of this order and (2) creating direct employment for more than 400 persons at the end of 5 years from the date of this order. Subject to availability of skills, Allison Transmission will give preference to local unemployed youths in job opportunities. Allison Transmission will also endeavour to give preference to the disabled persons in job opportunities, subject to skill availability. Accordingly, the Government provide the following structured package of assistance to the project of Allison Transmission:-

(a) **Land:** The Government of Tamil Nadu through SIPCOT will allot 26.81 acres of land on 99 years lease in SIPCOT Oragadam Industrial Park to Allison Transmission at usual

terms of allotment and usual price and payment terms of SIPCOT. SIPCOT will arrange to relocate the electrical lines, if any, passing through the site through TNEB at SIPCOT's cost.

(b) Capital Subsidy : Allison Transmission will be sanctioned a back-ended capital subsidy as per the New Industrial Policy 2007, depending upon their investment made in eligible Fixed assets and direct employment provided at the end of 3 years from the date of this order, as given below:

Investment (Rs. in Crores)	Direct Employment	Quantum of Capital Subsidy (Rs. in lakhs)
5-50	100 persons	30
50-100	200 persons	60
100-200	300 persons	100
200 and above	400 persons	150

(c) Exemption from Stamp Duty: Since the project of Allison Transmission is proposed to be located in SIPCOT Oragadam Industrial Park, Allison Transmission will be given 50 % exemption from payment of Stamp Duty for land allotment to be made by SIPCOT, in terms of New Industrial Policy 2007. However, registration charges, as applicable, will be payable.

(d) Environment Protection Infrastructure Subsidy: If Allison Transmission establishes 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, as per New Industrial Policy 2007.

(e) Exemption from Electricity Tax: Allison Transmission's project will be given exemption from payment of Electricity Tax depending on their investment in eligible fixed assets and direct employment provided at the end of 3 years from the date of this order, as given below:

Investment (Rs. in Crores)	Direct Employment	Electricity Tax exemption period (from the date of commercial production)
5-50	100 persons	2 years
50-100	200 persons	3 years
100-200	300 persons	4 years
200 and above (including expansion units)	400 persons	5 years

(f) Soft loan against VAT + CST: Allison Transmission will be given a soft loan equivalent to the net Output VAT + CST paid to Government of Tamil Nadu for a period of 10 (Ten) years from commencement of Commercial Production or till the cumulative availment of Soft loan reaches 100% of the actual investment made in eligible fixed assets at the end of 3 years from the date of this order, whichever is earlier. SIPCOT will assess

the investment made in eligible fixed assets in 3 years from the date of this order. This incentive will be made available only if the company invests not less than Rs.350 crores in 5 years period. The soft loan will carry a nominal interest at 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 11th 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 12th Financial year and so on.

(g) Power Supply: TNEB will provide the required power at the prevailing normal industrial tariff rate as fixed by the State Electricity Regulatory Commission. If the Power requirement is more than 10 MVA, TNEB will provide Power Supply through dual feeder lines at 110 KV. In such an event, the cost of the second feeder will be shared equally by TNEB and the Government. Allison Transmission shall use energy efficient equipment and technology and practices to conserve energy. It shall comply with relevant energy efficiency practices, standards and norms as and when prescribed by Designated Authorities.

(h) Water Supply: SIPCOT will meet the water requirements of Allison Transmission on normal terms and conditions.

(i) Roads: SIPCOT will provide a road having a width of 10 metres so that the project site will have road connectivity to Oragadam – Wallajah road (SH-48).

(j) Single Window Facilitation: Guidance Bureau will provide Single Window facilitation to Allison Transmission for getting clearances, approvals etc. as a fee based service.

(k) General Conditions:

- (i) The structured package of assistance sanctioned above is contingent on fulfilment of commitment made by Allison Transmission for making an investment of Rs.350 crores and creating direct employment for over 400 persons, in a period of 5 years from the date of this order. In the event of non-fulfilment of the said commitment, the structured package given in this order will become in operative. In such an event, M/s. Allison Transmission shall refund the Output VAT+ CST related incentive, capital subsidy, incentives on stamp duty and Electricity tax exemption, Environment Protection Infrastructure subsidy and other forms of support availed thereof to the Government together with interest to be decided by the Government.
- (ii) At the end of the investment period, SIPCOT will assess the actual investment made in the eligible fixed assets in this project.
- (iii) The tax related incentives sanctioned in this order shall not exceed the actual tax received by the Government of Tamil Nadu from this Project.
- (iv) The incentive related to the output VAT will be eligible for M/s. Allison Transmission only if the sale is for ultimate use in State of Tamil Nadu.
- (v) Allison Transmission 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 Centres, Schools, Vocational training, adopting Industrial Technical Institute etc.

4. This order issues with the concurrence of Finance Department vide its U.O. No.400/DS(DSAR)/2008, dated 18.10.2008.

(BY ORDER OF THE GOVERNOR)

M.F. FAROOQUI
PRINCIPAL SECRETARY TO GOVERNMENT


To

M/s. Allison Transmission India Private Limited,
12th Floor, Building No.8, Tower-C
DLF Cyber City, Phase-2
Gurgaon 122 002
Haryana.

The Chairman and Managing Director,
SIPCOT, Egmore, Chennai -8.
The Principal Secretary to Government,
Energy Department, Chennai - 9.
The Secretary to Government,
Commercial Taxes & Registration
(2 copies) / Finance Department, Chennai -9.
✓ The Special Commissioner &
Commissioner of Commercial Taxes,
Chepauk, Chennai - 5.
The Chairman, Tamil Nadu Electricity
Board, 800, Anna Salai, Chennai - 2
The Director, Guidance Bureau,
Egmore, Chennai - 8.

Copy to:
Chief Minister's Office,
Chennai - 9.
Public (SC) Department, Chennai - 9.
Industries (MIE.2)/(OP.II) Department,
Chennai - 9.
SF/SCs

// Forwarded / By Order//


SECTION OFFICER
VS
20/10/08