



ABSTRACT

Industries - Sanction of Structured Package of Assistance to M/s. Hansen Drives Ltd.
- Orders - Issued.

INDUSTRIES (MID.1) DEPARTMENT

G.O. (Ms) No.227

Dated:30.12 .2008

Read:

1. From the Director, Guidance Bureau, Letter No.Dir/Hansen/2008 dated: 3.3.2008.
2. From the Director, Hansen Drives Limited, letter dated 26.3.2008.

ORDER:

Hansen Transmissions International, Belgium is the second largest Gearbox manufacturer for non-automobile applications in the World. It is in the business of designing, manufacturing and marketing Power Transmission Gear Boxes for Industrial Applications since 1923. To cater to increasing demand in emerging economies, Hansen has proposed to establish a wind mill gear box manufacturing facility in SEZ format in Suzlon Infrastructure SEZ in an area of 61.438 acres in Karumathampatti and Kittampalayam villages of Palladam taluk, Coimbatore district with an investment of Rs.1500 crores in eligible fixed assets in 5 years. Based on business exigencies / marketing demands, it may make further investments to the extent of Rs.500 crores aggregating to Rs.2000 crores within a period of 5 years. This project is expected to provide direct employment to around 800 persons and indirect employment to around 200 persons. The Company has requested the Government to extend a package of support to implement its project.

2. The Government carefully examined the request of M/s. Hansen Drives Ltd. Since M/s. Hansen Drives Limited have proposed to invest Rs.1500 crores in their project within five years period, it would qualify for a structured package of assistance under Super Mega Project category. Accordingly, the Government signed a Memorandum of Understanding (MoU) with M/s. Hansen Drives Ltd. on 28.06.2008 incorporating the obligations of Hansen Drives Ltd. 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, Hansen Drives Ltd. has committed to establish their project in Suzlon Infrastructure SEZ in Karumathampatti and Kittampalayam villages of Palladam Taluk, Coimbatore District with an investment of Rs.1500 crores in Eligible Fixed Assets within the investment period of 5 years starting from 1.11.2007 and to provide direct employment for 800 persons, within the investment period.

3. Based on the commitments given by Hansen Drives Ltd. as mentioned in the paragraph 2 above and in view of the fact that the establishment of this facility in

Palladam Taluk, Coimbatore District would considerably help to improve economic conditions of Palladam Taluk, a backward area and will help this area to consolidate its position as the leader in attracting investment in Non-Conventional energy generation and also considering the benefits that are engendered to the State, the Government provides the following structured package of assistance to the project of M/s.Hansen Drives Private Limited.

(a) Starting date of Investment:

The starting date of Investment will be taken as 1st November 2007, which will be ending on 31st October 2012.

(b) Reclassification of Land:

Hansen Drives Ltd. has purchased a site measuring 61.438 acres in Suzlon Infrastructure SEZ in Karumathampatti and Kittampalayam villages of Palladam Taluk, Coimbatore District which is classified as for 'Agriculture use'. The Government, on Best-Effort basis, will facilitate Suzlon Infrastructure Ltd. in getting the re-classification expeditiously, subject to it fulfilling terms and conditions under relevant Acts and Rules.

(c) Exemption from Stamp Duty:

Considering that Hansen Drives Ltd. is establishing its facilities in SEZ format in Suzlon Infrastructure Limited, which is already approved by the Government of India, it will be eligible for 100 % exemption from payment of Stamp duty for land transfer from Suzlon to Hansen Drives Ltd. as per SEZ Act, 2005, provided the land purchase was made after the date of SEZ Notification. However, registration charges, as applicable, will be payable.

(d) Power :

TNEB will meet the power requirement both during the construction phase and fully operational phase subject to the rules and tariff structure governing such power supply. TNEB will provide 7600 KVA of power through 33 KV line, after addition of one 100 MVA auto transformer in Palladam Sub-station. The prevailing normal industrial tariff rate as fixed by the State Electricity Regulatory Commission will be applicable.

(e) Exemption from Electricity Tax:

In line with the Tamil Nadu SEZ policy, Hansen Drive's project will be given exemption from payment of Electricity Tax on power purchased from TNEB as well as on power generated and consumed from captive sources. This exemption will be valid as long as Hansen Drives Ltd. holds SEZ status, and the unit is eligible for such a concession under SEZ Act.

(f) Environment Protection Infrastructure Subsidy:

If Hansen Drives Ltd. establishes a dedicated Effluent Treatment Plant (ETP) or Hazardous Waste Treatment, Storage and Disposal Facility (HWTSDF), then it will be given an Environment Protection Infrastructure subsidy of 25% of capital cost of setting up such ETP or HWTSDF or Rs.30 lakhs, whichever is less, as per New Industrial Policy 2007.

(g) Investment Promotion Subsidy:

Hansen Drives Ltd. will be given refund of Output VAT + CST paid to Government of Tamil Nadu on sales made in Domestic Tariff Area (DTA) for a period of 14 years from the Date of Commercial Production or till the cumulative refund of Output VAT + CST reaches 100% of investment made by Hansen Drives Ltd. in eligible fixed assets with in the Investment period of five years, whichever is earlier. If actual cumulative availment of Output VAT + CST refund at the end of 14 years does not reach 100% of the investment made in Eligible Fixed Assets within investment period, then refund on Output VAT + CST will be extended for an additional period of 5 years or till the cumulative availment of refund reaches 100% of the investment made in Eligible Fixed assets within the investment period, whichever is earlier. This refund will be given for only the direct (first) sale from SEZ to DTA and not for the subsequent sales. Hansen Drives will be eligible for incentive on Output VAT if the sale so made is for ultimate use in Tamil Nadu. Further, if the product of Hansen Drives has availed output based Investment Promotion Subsidy, then at no subsequent stage it will be eligible for any other VAT related incentive.

If any of the existing or current taxes included for refund 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 Hansen Drives Ltd.'s Project. However, this will not apply to reduction in incentive due to reduction in tax rates, if any.

(h) Capital Subsidy:

Hansen Drives Ltd. will be given a back-ended capital subsidy of Rs.1.50 crores in terms of the New Industrial Policy 2007.

(i) Training subsidy:

A training subsidy equal to 30% of overseas training cost will be given to Hansen Drives Limited for a period of 3 years, subject to a overall ceiling fixed at Rs.50 lakhs. This training subsidy will be given on reimbursement basis and this will be made available only for giving overseas training to employees belonging to Tamil Nadu.

(j) Exemption from other State Taxes:

Since Hansen Drive's project is proposed to be located in SEZ format, the facility will remain Zero-rated for input VAT on its purchases from DTA and exempted from works contract tax and entry tax. In the event of introduction of Octroi in future, it will be Zero-rated for Hansen Drives Ltd. for ten years from the date of its applicability to Hansen Drives Ltd. These tax benefits will continue as long as Hansen Drives Ltd. holds SEZ status and the unit is eligible for those concessions under the SEZ Act. However, property tax shall be payable by the company.

(k) Change of Status:

If Hansen Drives Ltd.'s SEZ project is converted into Domestic Tariff Area due to business exigencies, then all the benefits, concessions, incentives granted herein and terms set out in the MoU would be modified and made equivalent to the one

extended to an investment of that scale in the Domestic Tariff Area as per the prevailing policy at that time.

(i) VAT, CST and other tax related incentive given in this order shall not exceed in any case, the actual VAT or CST or the specific tax received by the Government of Tamil Nadu from this project.

(m) Single Window Facilitation:

Guidance Bureau, the designated Single Window Office, will facilitate Hansen Drives Ltd. in obtaining all approvals as may be required under various statutes, as a fee based service.

4. The Government also direct that in the event of M/s. Hansen Drives Limited not fulfilling its commitments with respect to the level of investment, investment period and the level of employment as mentioned in paragraph 2 above, the structured package of assistance sanctioned in paragraph 3 above will become inoperative. In such an event, M/s. Hansen Limited shall refund the incentives and other forms of support availed thereof to the Government with interest as decided by the Government.

5. This order issues with the concurrence of Finance Department vide its U.O. No.75443/Ind/08, dated 17.12.2008.

(BY ORDER OF THE GOVERNOR)

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

To

M/s. Hansen Drives Limited, 4th Floor, Viscose Towers, 1078, Avinashi Road, Coimbatore 641 018.

The 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/

M.F. Farooqui
SECTION OFFICER

Sf
31/12/08