

Advantage Orissa- Metal Down Stream & Auto Component

The economy of Orissa is improving fast. The per capita GDP of the state is showing constant rise in the last 5 years in rupee term. The per capita GDP has gone up from Rs.13600/- (in Dec 2004) to Rs.18500 (in Dec 2008). Gross state domestic product (GSDP) has grown at 8.5 percent on average during the Tenth Plan period (2002-07), compared to 5.5 percent during the previous plan (1997-2002).

Odisha is the top most state in the country, as regards to metal sector development and investment. Industry has grown at 20 percent annually during 2002-07, compared to only 6 percent during 1997-2002.

Orissa enjoys several comparative advantages compared to others,

1. Surplus in Power
2. Abundant natural resources/mineral resources
3. Well connected to rest of the country
4. Political stability and investor friendly governance out-look
5. Port facilities at Paradip and Gopalpur and new port under development at Dhamra and few other ports are in the pipe-line in the eastern coast of India
6. Large pool of scientific & technical manpower
7. Adequate labour force

The State is an investor friendly State and has drawn progressive policies to promote investments. Prominent among them are - Orissa Industries Facilitation Act' 2004, Orissa Resettlement and Rehabilitation Policy' 2006, Industrial Policy Resolution 2007 and Orissa MSME Development Policy' 2009.

Broad areas identified to attract investment

1. Infrastructure:
 - Power(Transmission & Distribution)
 - Roads/Highways
 - Ports & Port Development
 - Railways
 - Industrial Parks/ SEZs
2. Mineral based industries
 - Steel/Stainless steel
 - Alumina/Aluminium
 - Cement
 - Mineral based Industries
 - Petrochemicals
3. Downstream industries based on Steel/ Aluminium mother units
4. Food Processing Industries
5. Automobile & Auto-component Industries

Orissa presently account for almost 50% of country's bauxite wealth concentrated in Koraput, Kalahandi, Rayagada and Bolangir districts of Orissa.

The competitive advantage of Orissa in aluminium sector is the strongest in the country and has the potentials to be a major player in the world. As evident, that power is one of the

costliest factors in aluminium production (about 40% of total cost of production), Orissa besides having more than half of the Bauxite, is also one of the cost effective supplier of quality power in the country (in term of per unit cost).

The state is in the process of adding another 32000 MW power to its existing capacity of 4000 MW through 26 IPPs & others. At present much aluminium producing countries suffer from availability and power cost factors.

The existing aluminium capacity in Orissa is little less than 0.74 million MT. Three companies (Vedanta, Aditya and RSB Metaltech) have signed MoU with the state govt. to build up total aluminium capacity of 0.685 million MT. Major Indian players in the alumina and aluminium sector have long term plan to build up capacity nearly to 3.9 million MT. In next 3-5 years the capacity creation can exceed 1 million MT.

Orissa has nearly 33% iron ore reserves with 24 % coal reserves of the country. That has made Orissa a destination for steel manufacturing. In steel sector additional private annual production capacity of nearly 10 million tonnes (including liquid metal) has been achieved by 29 projects out of proposed capacity of 80-90 million tonnes by 49 steel investing companies. Similarly, captive power generation achieved by those steel companies has exceeded 2000 mega watts.

Automobile and Auto Component Sector

Orissa holds huge investment potential in the automobile sector including the auto component sector. This is because of the inherent advantages of the State in terms of raw material cost and manpower. The resources available in the State to support automobile manufacturing units include:-

- Good quality pig iron / steel ingot and aluminium ingot
- Steel flat products like plates and sheets
- Steel rounds
- Several state-of-the-art automobile tyre manufacturing units
- Adequate supply of power in the State for the power intensive industrial activities
- Several institutions which are constant source of educated and skilled human resource; etc.

Orissa Government has identified the Automobile and Auto Component Sector as Thrust Sector with the indicated criteria.

Investment Opportunities in the sector exist in passenger car segment, two wheeler segment and heavy truck segment. The Government is making all efforts to attract investors into the State, through various incentives and schemes.

Automobiles: Minimum Investment –

(Rs.300 Crore) – Direct jobs to be generated -500

Auto-Components: Minimum Investment –

(Rs.50 Crore) - Direct jobs to be generated -200

The following Companies have concrete plans to put-up **Downstream Parks** for SME units,

- Adhunik Metalik- Special Steel & Forging Park-at Rourkela
- Jindal Stainless Steel-at Kalinga Nagar, Jajpur

- NALCO(JV of NALCO & IDCO) – Aluminium Park-at Angul
- RSB Metalteck –Aluminium Park -at Kamakhya Nagar,Dhenkanal
- Vedanta Aluminium- Aluminium Park-at Jharsuguda
- HINDALCO(Aditya Aluminium)- Aluminium Park at Hirakud

Auto Park by IDCO- at Tangi/Choudwar, Cuttack

Following companies have already established units in the Park

- RSB Transmission India Ltd- Auto Component-In Production(cast & forge items)
- AMTEK Auto- Auto Park- Signed MoU

The opportunities for investments in Auto and Auto-component sector are very favourable due to availability of cost effective critical inputs i.e. raw material (namely, hot Steel, molten Aluminium and cheap Power), skilled/ semi-skilled manpower; rapidly developing infrastructure like roads, railways, ports, and sector specific Industrial Parks; connectivity to major Auto-hubs in India by Rail and Road, as well as world class R&D Institutes such as CIPET at Bhubaneswar (Engineering Plastics), Indian Rare Earths Limited (IRL) at Gopalpur (Ceramics), IMMT at Bhubaneswar (Materials) and IIT at Bhubaneswar. Titanium Di-Oxide project at Chhatrapur/Berhampur is coming up in the vicinity of Indian Rare Earth project.

The state govt. has given utmost importance for the SME sector development through integration of those mother units in alumina/aluminium downstream sector in the state. This will create employment as well as meet domestic requirements in transport, electricals, and construction sectors. Those value added aluminium products also can open up export avenues to other high cost regions in the world.

While the all-weather Paradeep Port is one of the major port of India and rapid development is going on including the Petro-chemical complex of Indian Oil Corporation, NALCO's Aluminium Park for downstream & ancillary plan is taking shape to make the Port as hub of the country, since availability of space in Haldia Port is gradually squeezing up, the load will be multiple on Paradeep Port in eastern India considering the raw material and finished product movement of neighbouring states in coming years. It is expected that by 2015-16 there will be need for capacity handling of 76 million tonne finished product only in Orissa which entails raw material movement to the tune of 200-250 million tonne.

Keeping the future need of industrialization in the state particularly in metal sector, the state government is making all out efforts in developing the infrastructure need and also developing various ports at Dhamra, Kirtania, and Gopalpur etc.

Other Support Institutions for capacity Building:

- State Govt has already initiated for establishment of ITIs/ ITCs in all 314 revenue blocks of the State including establishing Centre of Excellence at strategic locations. Industry has come forward to adapt some of the training centres, as part of their corporate responsibility.
- Central Tool Room Training Centre (Development of press tools, forging tools, dies & moulds, precision in nature).

- Central Institute for Plastic Engineering & Technology (developments of moulds for engineering plastic s).
- Indian Institute for Foreman Training (training to manage engineering industries with mass production/unit production /assembly line
- Presence of mother industries like Rourkela Steel Plant, NALCO, L&T, Birla Tyres, and cluster of sponge iron plants, steel plant with captive power plants
- The state produces more than 18,000 engineering graduates and 7,000 diploma engineers every year

(For more details please visit: www.teamorissa.org web site)