

Youngest yet fastest

TELANGANA

**“FAVOURED INVESTORS’ DESTINATION”
ATTRACTED OVER RS. 4.1 TRILLION IN 7 YEARS**



JUNE 2022

MSME Export Promotion Council

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TELANGANA

“FAVoured INVESTORS’ DESTINATION”

JUNE 2022

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11 June, 2022

ACKNOWLEDGEMENT

The Research Team at the MSME EPC has been conducting studies to help the existing as well as the potential investors. The two recent Studies on the Development of Assam and Meghalaya have been well received by the respective State Governments, investors, policy makers, opinion makers and the media, both print and electronic, These studies have been extensively disseminated.

The Study on Development of the youngest State Telangana has been highly interesting. Some of the policy initiatives taken by the State Government have been highly successful in meeting their objectives. The important sectors of the economy analysed by the Research Team has found that agriculture, livestock, electricity, MSME sector are doing extremely well and the role being played by the State as a 'FACILITATOR' has contributed to attract resh investment in the State.

Though every care has been taken to report the data, still the possibility of inadvertent mistakes cannot be completely ruled out. We request the reader to bring those to our notice.

I appreciate the effort of the Research Team and hope this exercise will continue.

A handwritten signature in blue ink, appearing to read 'Dr D S Rawat'. The signature is stylized and includes a horizontal line at the end.

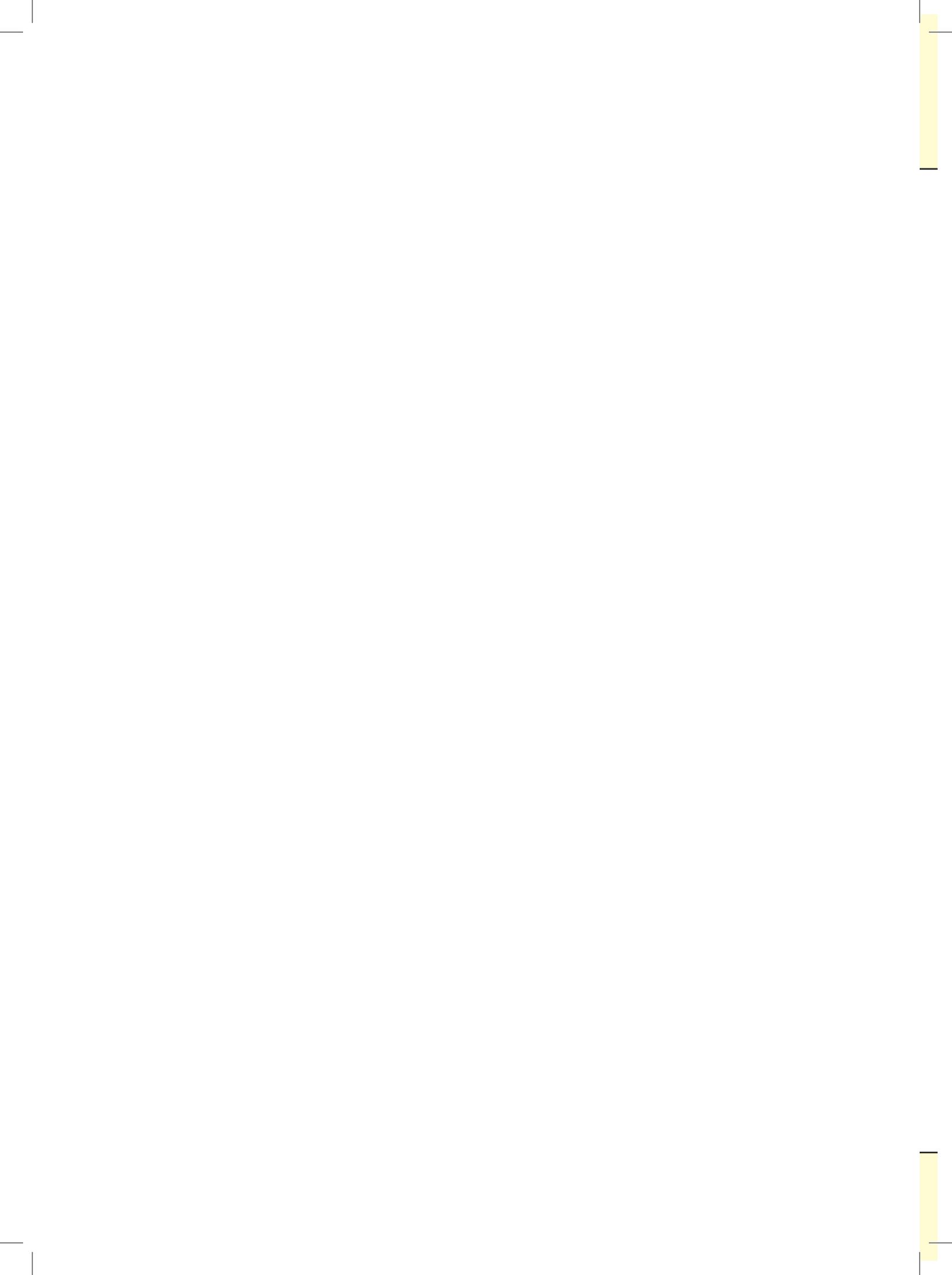
(Dr D S Rawat}
Chairman, MSME EPC

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TELANGANA “FAVOURED INVESTORS’ DESTINATION”

About

The youngest State of India Telangana continues to shine in economic development over other States. The state registered Gross State Domestic Product (GSDP) of Rs.11,54,860 crore in 2021-22, registering a whopping 19.1 per cent growth over the previous financial year at current prices as on February 2022. The state has also achieved a per capita income of Rs.2,78,833 that is 18.78 per cent higher over the previous fiscal at end of February 2022.



The per capita income of Telangana increased by 125 per cent in the past seven years from Rs 1,24,104 in 2014-15 to Rs 2,78,833 in 2021-22 . GSDP increased from Rs 5 lakh crore in 2014-15 to Rs11.54 lakh crore in 2021-22. Telangana secured TOP POSITION among major states in per capita income.

The state has shown rapid and robust economic growth amidst a global and national economic slowdown. The growth can be attributed to the proactive industrial initiatives of the government to act as facilitators and catalysts for industrialists. In addition, the extent of urbanization has also contributed to the economic development of Telangana.

Gross State Value Added (GSVA) Rs. Million

While in 2020-21, the gross state value added (GSVA) at Basic Prices were Rs 89,74370.1 Million, in 2019-20 it was Rs.87,17,436.8 Million and in 2018-19 the GSVA was Rs.77,95,963.6 Million.

Gross State Domestic Product (GSDP) Rs. Million

The Gross State Domestic Product (GSDP) in 2021-22 was Rs.115,48,599.9 million, in 2020-21 it was Rs.96,96,557.8 million, in 2019-20 it was Rs.94,83,559.0 Million and in 2018-19 it was Rs.85,74,271.5 Million.

Per Capita GSDP Rs. Million

The per capita GSDP has steadily been increasing from Rs.2,31,870.7 million in 2018-19 to Rs.2,56,307.8 million in 2019-20 and in Rs.2,60,753.5 million in 2020-21.

Agriculture and Allied Activities

The agriculture and allied activities in Telangana have been growing consistently since 2017-18.





Total Production – All Seasons: Foodgrains (000 Tonnes)

While in 2018-19, the total food grains production was 9,275.2 (000 tonnes), cereals 8835.1 (000 tonnes) and pulses 440.1 (000 tonnes), in 2019-20, the total production of food grains went up to 11,125 (000 tonnes), cereals 10,575.9 (000 tonnes) and pulses 549.2 (000 tonnes). As per the initial reports, the food grain production is estimated to be over 17.1 million tons in 2020-21, recording an ever higher growth of 53.7 per cent. During the same period, the state had also seen a 54.7 per cent increase in oilseeds production. Oilseeds output stood at 0.98 million tons in 2020-21.

It is worth mentioning that in 2020-21, the exceptional increase in agricultural output was possible due to a large expansion in cultivable area. During 2020-21, Telangana's kharif acreage stood at 5.4 million hectares, while rabi acreage stood at 1.9 million hectares.

In 2021-22, kharif acreage in the state increased to a fresh record of 5.5 million hectares. This increase was driven by higher area brought under paddy cultivation. Owing to high acreage, paddy production is estimated to have increased by nearly 30 per cent in 2021-22., compared to last year.

However, during rabi season in 2021-22, the state's rabi acreage fell sharply by 33.4 per cent y-o-y to 1.3 million hectares in 2021-22 because lower area brought under paddy cultivation.

Livestock Industry

State's livestock industry has also improved significantly. According to the provisional data released by Ministry of Fisheries, Animal Husbandry and Dairying, state's livestock products like meat, eggs and milk saw a considerable y-o-y increase. Meat production recorded the highest increase of 8.5 per cent in 2020-21. Egg production increased by 7 per cent and milk production increased by 3.1 per cent. The livestock sub-component in GSVa witnessed a whopping 30.6 per cent growth in 2020-21. Due to the various Schemes being implemented by the State government, livestock production is expected to increase in 2021-22 as well. The state distributed 7.9 million sheep in 2020-21, with an estimated expenditure of Rs.50 billion under



the first phase of subsidized sheep distribution scheme. The second phase was launched on July 28, 2021 with an estimated allocation of Rs.60 billion. In addition, the state government has approved subsidized buffalo distribution scheme to be implemented in 2022 with an aim to boost milk production.



Telangana has already proposed number of projects for increasing milk production and processing capacity. Six projects with an outlay of Rs.587.1 million were proposed by the state under the National Livestock Mission (NLM) in 2021. It has already in place 'Fodder Action Plan' to maintain and increase their livestock population. As per the 2019 livestock census, state's livestock population stood at 32.6 million, 22.2 per cent up from 2012 livestock census.

Total Production (All Seasons) Non-Food Crops Oilseeds (000 Tons)

While in 2018-19, the total production of non-food-crops Oilseeds was 589.2 (000 tons), it touched to 639.2 (000 tons) during 2019-20, as per the available figure.



Total Production (All Seasons) Non-Food Crops Fibres Cotton (000 Tonnes)

During the year 2018-19 the total production (all seasons) non-food crops fibre cotton was 3847.0 (000 tonnes), and it went up to 6833.0 (000 tonnes) in 2019-20.

Agriculture component in Telangana's Gross State Value Added (GSVA) at constant prices, increased from Rs.628.2 billion in 2017-18 to Rs.988.1 billion in 2020-21. It was 17.1 per cent share in the State's GSVA in 2020-21.

However, the sector witnessed huge growth thereafter and it was 29.3 per cent in 2019-20, owing to a surge in crop production. In 2020-21, it was 14.3 per cent driven by an impressive increase in livestock production. It may be mentioned that these two sub-sectors hold 8 per cent share each in the state's GVA. The growth in Telangana's agriculture and allied activities were due to the various policy initiatives taken by the State Government to increase output from crop and livestock farming. These schemes will have a long term positive impact to ensure better output.



Rythu Bandhu Scheme

The Rythu Bandhu Scheme launched by the State government in May 2018 provides all land owning farmers an input assistance Rs.5000 per acre, twice a year, for the Kharif and Rabi season. Farmers have greatly



been benefitted from the adequate water supply made available through the Kaleshwaram lift irrigation project completed by the state government on priority.

Electricity-Gross Installed Capacity of Power Plants MW (Excluding Central Sector)

In 2019-20, the total gross installed capacity of power plants (excluding central sector) was 12878.5 MW and in 2018-19 the total capacity of power plants was 12711.4 MW. Telangana generated 4.4 billion kWh of conventional electricity in



January 2022. This was 5 per cent higher than the year 2020 as it went down due to Covid. The January 2022 the increase was driven by growth in thermal-based generation. Coal-based thermal power plants, which account for around 80 per cent of Telangana’s power generation, generated 4.2 billion kWh of electricity. Hydro-based power plants in the state have an extremely low share in total generation in the state.

Renewable energy has a relatively small share of less than 13 per cent in the state’s power generation. Wind based generation is miniscule. The state government has announced plans to increase the existing 3900 MW of solar plants to 6246 MW by 2023.

Investment By All Projects Rs. Million

As per the CMIE report, as on 31 May 2022 the new investment in the state by all have significantly increased, helping new job generation; both direct and indirect, and has occupied a position among the investors the Most Favoured Investment Destination. Telangana is one of the fastest growing states and ahead among other Southern states.



In 2018-19, the new investment projects announced in the state were worth Rs.304570.4 million, the investment projects completed were worth Rs.317934.5 million and investment projects revived were worth Rs.9550.0 million.

Whereas, in 2019-20 the new investment projects announced were worth Rs.518222.8 million, investment projects completed were worth Rs.123524.7 million and Rs.47449.9 million worth of projects were revived.

Due to Covid in 2020-21, the new projects announced were on lesser side and worth Rs.309756.2 million, investment projects completed were worth Rs. 149473.7 million and the investment projects revived worth Rs5665.0 million.

The year 2021-22 witnessed a sharp increase in the new investment projects announced and touched to Rs.413632.7 million, investment projects completed were worth Rs.202793.7 million and Rs.76600.0 million investment projects were revived.

However, the investment projects outstanding during 2018-19 were worth Rs.6046611.4 million and the projects under implementation were worth Rs.4110248.8 million, in 2019-20 the total outstanding projects were worth of Rs.667045.3 million and under implementation Rs.407955.1 million,. In 2020-21 projects outstanding were worth Rs.6731146.8 million and under implementation Rs.4827272.7 million and during the year 2021-22 the investment projects outstanding were worth Rs.6727917.9 million and under implementation were worth Rs.4841983.6 million.

Investment Projects By Government (Rs. Million)

Out of the total new investment projects during 2018-19, Rs.79288.2 million worth were announced by the government, Rs.139324.5 million worth of projects were completed, Rs.5600.0 million worth were revived, investment projects outstanding were worth Rs.4397421.0 million and under implementation were worth Rs.3163750.1 million.

During the period of 2019-20, the new investment projects announced were worth Rs.114100.1 million, investment projects completed were of Rs.76955.6 million, outstanding projects were worth Rs.4788035.1 million and under implementation were worth Rs.3014575.2 million. In 2020-21, the new investment projects announced were of Rs.160932.7 million, completed were of Rs.124974.8 million, revived worth Rs.5115.0 million, outstanding worth Rs.4813220.4 million and under implementation were of Rs.3728036.1 million.

In 2021-22, the investment projects announced by the government were of Rs.142856.2 million, completed Rs.149168.8 million, outstanding Rs.4739345.5 million and under implementation were worth Rs.3716353.6 million.

Investment By Private Sector (Rs. Million) In Non-Financial Sector

According to CMIE data (as on 27 April 2022), the new investment projects announced in 2018-19 were worth Rs.302206.5 million, investment projects completed of Rs.271992.1 million, projects revived were of Rs.9550.0 million, total investment projects outstanding were of Rs.5284123.8 million and under implementation of Rs.3364385.8 million. In 2019-20, announced projects were of Rs.518222.8 million,



completed Rs.58994.7 million, revived Rs.47449.9 million worth of projects, total outstanding were worth Rs.5985429.2 million and under implementation worth Rs.3314683.7 million.

During 2020-21, the new announced projects were worth Rs.246028.7 million, completed Rs.127893.7 million, revived Rs.5665.0 million, outstanding Rs. 5996044.9 million and under implementation were worth Rs.4137029.7 million.

The private sector in 2021-22 announced new projects of Rs.413632.7 million, completed Rs.202793.7 million projects, revived projects of Rs.76600.0 million, total investment projects under implementation were of Rs.5992254.7 million and under implementation were Rs.4107977.1 million.

Foreign Direct Investment Rs. Million

As per the CMIE data available, during 2020-21, the total FDI inflows were worth Rs.86177.1 million and in 2021-22 Rs.119642.7 million.

TS-iPass IMPACT

It is worth mentioning that in 2014, Telangana introduced TS-iPass, which is a single window clearance system for investors. This initiative has significantly contributed to the “EASE OF DOING BUSINESS” in the state. Through this initiative, industrial clearances are given in a time-bound manner. As per the reports available, approvals of around 38 departments were given in a span of less than ten days. Ever since the INTRODUCTION OF TS-iPASS SCHEME, THE STATE HAS ATTRACTED ROBUST INVESTMENTS.

According to CMIE’s CapEx database, IN THE 7 YEARS PERIOD FROM 2014-15 TO 2020-21, DESPITE COVID-19, TELANGANA ATTRACTED HUGE NEW INVESTMENT PROPOSALS WORH RS.4.1 TRILLION AND HAS GENERATED OVER FIVE LAC JOBS. This is much higher than the investments received in a 7 year span prior to the introduction of the Scheme.



Count of Project: in terms of the count of project announced, also there has been a surge. Prior to the TS-iPass scheme, 1126 project announcements were made. This increased to 1461 post the implementation of the scheme. This is a 30 per cent increase in the project count.

The CMIE CapEx database says the quantum of projects that are under implementation has been progressing well. In 2020-21, 218 projects worth Rs.399 billion went under implementation. The jump to Rs.399 billion was from the previous year of 2019-20 that had 109 projects worth Rs.309.6 billion under implementation, which is around a 29 per cent increase.

With the TS-iPass scheme expediting clearances on projects, the count of projects that went under implementation witnessed a spike. In the 7 years from 2014-15 to 2020-21, 1124 projects were granted clearances that helped them move to the under implementation phase, the 7 years prior to this period had 831 projects in the pipeline. Even in terms of the value of projects there has been a 94 per cent increase.

Providing timely project clearances and approvals, the ratio of projects completed to the total projects outstanding in the under-implementation phase also shot up. From the 2007-08 to 2013-14 period, the completion rate was within the range of 0.4-4 per cent. In the years that followed the era of speed and the completion rate picked up significantly with a range from 1.2-5.3 per cent.

According to the Annual Survey of Industries, a total number of factories in 2018-19 were 15,167 and the number of persons engaged directly were 7,80,204.

The study has revealed that the TS-iPass scheme introduced by the state government in 2014 has been very successful in meeting its objectives.

Exports of Principal Commodities in Rs. Million

The exports of all commodities from Telangana in 2018-19 were Rs.500968.5 million, 2019-20 it was Rs.521699.6 million and in 2020-21 the exports of all commodities went up to Rs.645394.2 million.

MSME Sector in Telangana

The micro, small and medium enterprises sector has emerged as a highly vibrant and dynamic sector of the Indian economy. It contributes significantly in the economic and social development of the country by fostering entrepreneurship and generating large employment opportunities at comparatively lower capital cost, next only to agriculture. The estimated number of MSMEs in India is a staggering 63,388 million, according to MSME Ministry Annual Report 2020-21 engaged in different economic activities (196.65 lakh in manufacturing, 0.03 lakh in non-captive electricity generation and transmission, 230.35 lakh in trade and 206.85 lakh in other services) excluding those MSMEs are registered .

The estimated number of MSME enterprises (in lakh) are manufacturing in rural areas 114.14, urban 82.50, electricity rural 0.03 and urban 0.01, trade rural 108.71 and urban 121.64, other services 102.0 rural and 104.85 in urban areas.

The micro sector with 630.52 lakh estimated enterprises accounts for more than 99 per cent of total estimated number of MSMEs. Small sector with 3.31 lakh and medium sector with 0.05 lakh estimated MSMEs accounted for 0,52 per cent and 0.01 per cent of total estimated MSMEs, respectively.



Telangana – MSMEs

It is estimated that the state has 26.05 lakh MSMEs (micro sector 25.94 lakh, small 0.10 lakh and 0,01 lakh in medium sector). These MSMEs are providing employment to over 40.16 lakh people ((15.24 lakh female and 24.91 lakh male).

Telangana government has created efficient policy instruments around TSiPASS, T-PRIDE, T-IDEA, RICH, and TASK, TIHCL as part of the MSME ecosystem. MSMEs in the state today do not face power shortage, voltage fluctuations, etc. but the disruptive digital technologies, particularly artificial intelligence and Man-Machine-Learning are changing the ways even small enterprises are moving. Large enterprises are also beelining to the Industrial Parks and clusters like never before and with no precedence. Credit institutions, however, are yet to match these efforts. The major

challenges faced by the MSME sector are:

- Ease of doing business
- Lack of financial expertise
- Lack of access to financing solutions
- Technology remains a major deterrent
- Lack of trust
- Absence of collateral in loan

Availability of Credit and the Need for Alternative Sources of Finance

The biggest challenge to the MSMEs is unavailability of timely capital and as a result they suffer from either shrinking of operations or liquefying the enterprise itself. The problem of liquidity can be solved if there is availability of funds through credit. MSMEs look towards financial institutions to ease the cost of doing business. However, not all financial institutions are friendly when issuing loans to this sector. These institutions have limited their exposure to MSMEs because of the small size of loans, higher cost of servicing and limited availability of MSMEs to provide security against required finance.

The Organization for Economic Cooperation and Development (OECD) in their Paper on New Approaches to SME and Entrepreneurship Financing: Broadening the Range of Instruments has stated “while bank financing will continue to be crucial for the SME sector, there is



a broad concern that credit constraints will simply become THE NEW NORMAL for SMEs and entrepreneurs. It is, therefore, necessary to broaden the range of financing instruments available to SMEs and entrepreneurs, in order to enable them to continue to play their role in investment, growth, innovation, and employment.”

Fintech Services

Technology has been helpful in promoting innovation and helping gain efficiency. Their primary aim is to develop the financial services provided to the customers through customer experience management and to reduce the banks’ dependency on branches to function. It is reported that global fintech investment is growing @ 14% annually and already touched \$44 billion in 2020. Due to increased



industrialization, most Asian developing countries are becoming hub of fintech. India has a large unbanked population and the Reserve Bank of India (RBI) has been striving to change.

Digitization of the financial sector has been a revolution. Banking institutions have always been in search of technologies to help them improve their customer service and that's when fintech comes into play. Fintech firms have simplified the job of the investors by introducing the KYC documentation process.

As a result, fintech today is the **Backbone of the Financial Sector and the Hub of Innovation**. With its development over the years, they have been successful in coming up with many virtual applications to help the growth of the financial services. The financial structure has been shifting to an entirely new paradigm that will have everything from digital identity to digital sovereignty.

(Source: fintech and its role in re-conceptualizing the financial sector by Rachit Garg).



About MSME Export Promotion Council

The micro, small and medium enterprises (MSMEs) has emerged as a highly vibrant and dynamic sector of the economy. It contributes significantly in the economic and social development of the country by fostering entrepreneurship and generating largest employment opportunities at comparatively lower capital cost, next only to agriculture. MSMEs are complementary to large industries as ancillary units and this sector plays extremely important role in the inclusive industrial development, and empowerment of rural sector.

The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. As per the MSME Industry Report, micro (manufacturing & services) stands for turnover up to Rs.5 crore, small turnover up to Rs.50 crore and medium turnover Rs.250 crore. With around 63.4 million units throughout the geographical expanse of the country, MSMEs contribute over 6.11% of the manufacturing GDP and 24.63% of the GDP from service activities as well as 33.4% of India's manufacturing output. The share of export of specified MSME related products to All India exports is around 50% in 2020-21.

The MSME Export Promotion Council, a non-profit organization, is incorporated as Section 8 of the Company Law by the Ministry of Corporate Affairs, Government of India. The Council acknowledged as the fountain-head of knowledge, works closely work with the Centre and State Governments, Associations of micro, small and medium enterprises to help, promote and encourage these units. The focus of services and activities is enhancing the entrepreneurial skill development, training, enriching the knowledge on various laws, promotion of women entrepreneurialship especially in the North Eastern Region and SC-ST communities, connecting them with knowledge digital firms, fintech companies and importers/exporters, etc.

About Billmart Fintech Pvt. Ltd.

BillMart is a next generation FinTech firm and have built all digital marketplace engaging into lending to MSMEs & Corporates. Our platform is supported by Machine & Human Intelligence, backed by data insights and one of its kind technologies for seamless, cost-efficient, end-to-end digital transactions.

One of the biggest pain points of MSMEs today is gaining access to affordable credit, and through our the digital ecosystem which we have built,we aim to handhold the MSMEs & provide seamless experience in raising short term working capital, unlocking trade receivables, freeing cash flows.

Through our platform, our endeavour is to empower the businesses to decide the most suitable and customized financial solutions for their businesses. On BillMart, lenders will compete amongst themselves to finance the growing businesses and MSMEs to partner with their growth stories and solving the biggest problem of unpaid bills/ trade receivables by deployment of advanced technology, smart contract, blockchain, deep data analysis and fostering growth of all stakeholders.

BillMart has launched a MSME GAIN (Growth And Intelligence Network), with a vision to benefit 1 crore MSMEs with 100 crores hours of knowledge upgradation by 2024. MSME GAIN is a new world for knowledge with the latest news, articles, videos, events, training, networking, and everything about Businesses, connecting smart MSMEs for growth.

Visit our website www.billmart.com Or write to us on bd@billmart.com



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