

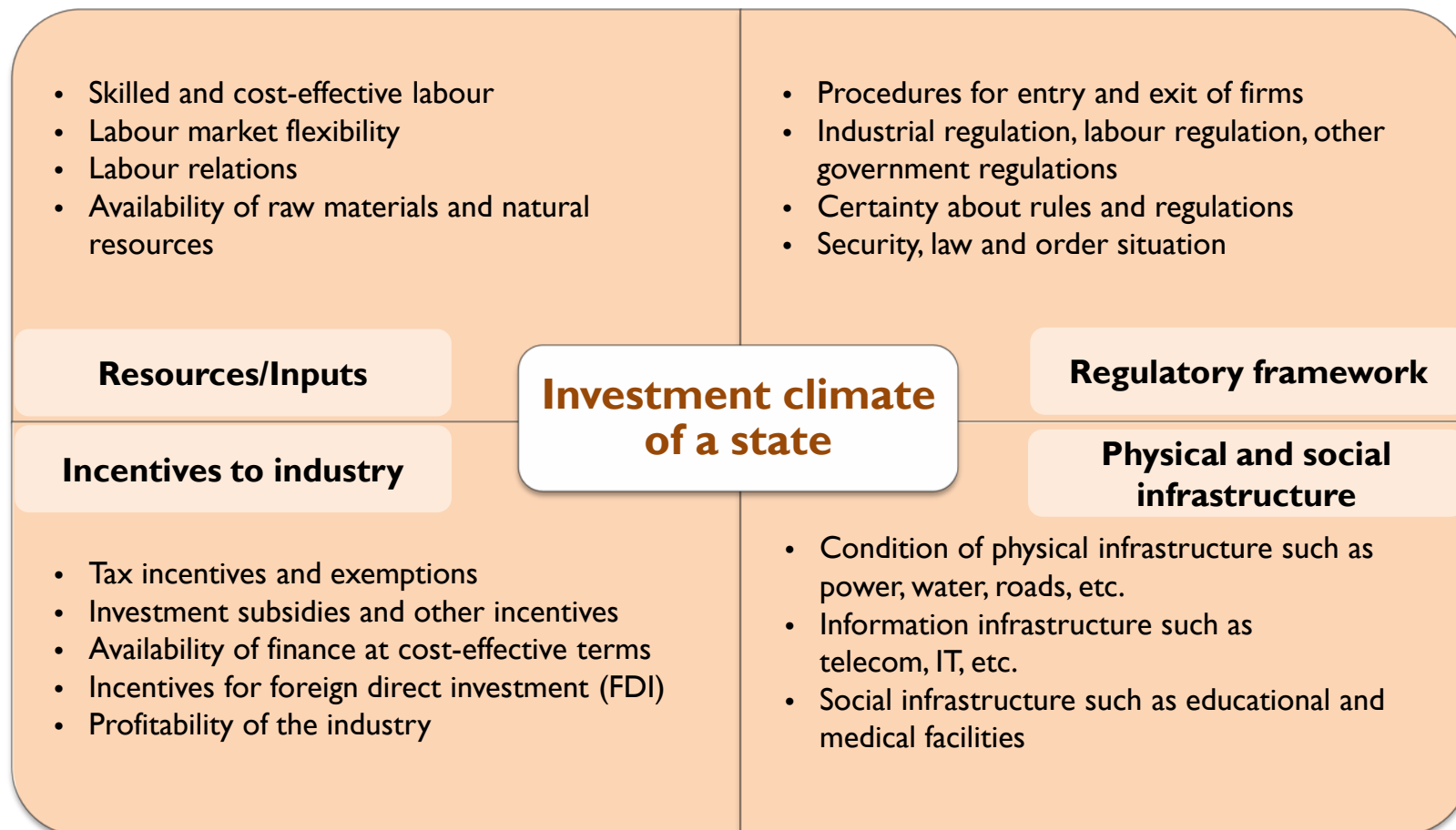


# ARUNACHAL PRADESH

April 2010



## Investment climate of a state is determined by a mix of factors

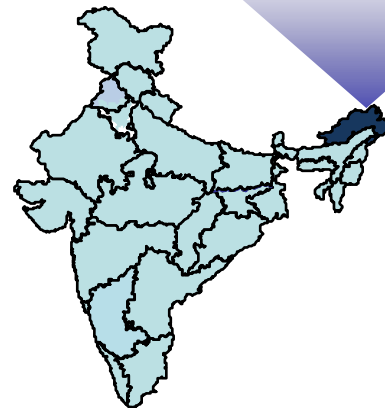


## Contents

- ❖ **Advantage Arunachal Pradesh**
- ❖ State economy and socio-economic profile
- ❖ Infrastructure status
- ❖ State policies and incentives
- ❖ Business opportunities
- ❖ Doing business in Arunachal Pradesh

## Arunachal Pradesh – State profile

- Covering an area of 83,743 sq km, Arunachal Pradesh is the largest state in the Northeast India.
- The state is located in the extreme Northeastern corner of the country. It shares its border with the neighbouring countries of Bhutan in the West, China (Tibet) in the North and Northeast, Myanmar in the East and Southeast and the Indian states of Assam and Nagaland in the South.
- Itanagar is the state capital. Arunachal Pradesh has 16 administrative districts.
- Naharlagun, Tawang, Tezpur, Bomdila, Ziro, Pasighat and Tezu are the major towns in the state.
- Brahmaputra is the major river flowing through the state. Other smaller rivers include Kameng, Subansiri, Lohit and Tirap.
- The most commonly spoken languages are Assamese, Bengali and Hindi. English is the primary medium of education in the schools.



## Advantage Arunachal Pradesh ... (1/2)

### Rich and varied agro-climatic conditions

Undulating topography and varied agro-climatic conditions offer vast potential for horticulture and growing a variety of fruits, vegetables, spices, aromatic and medicinal plants, flowers and mushroom.

### Policy and fiscal incentives

The state offers a wide range of fiscal and policy incentives and assistance for businesses under the Industrial Policy, 2008. Additionally, the state has sector-specific policies for industries related to power and agriculture.



## Advantage Arunachal Pradesh ... (2/2)



### Facilitating industrial infrastructure

The state has 13 industrial estates, established across districts. To support industrial growth, the State Government has also notified integrated infrastructure development centres, industrial growth centres and industrial areas.

### International trade opportunities

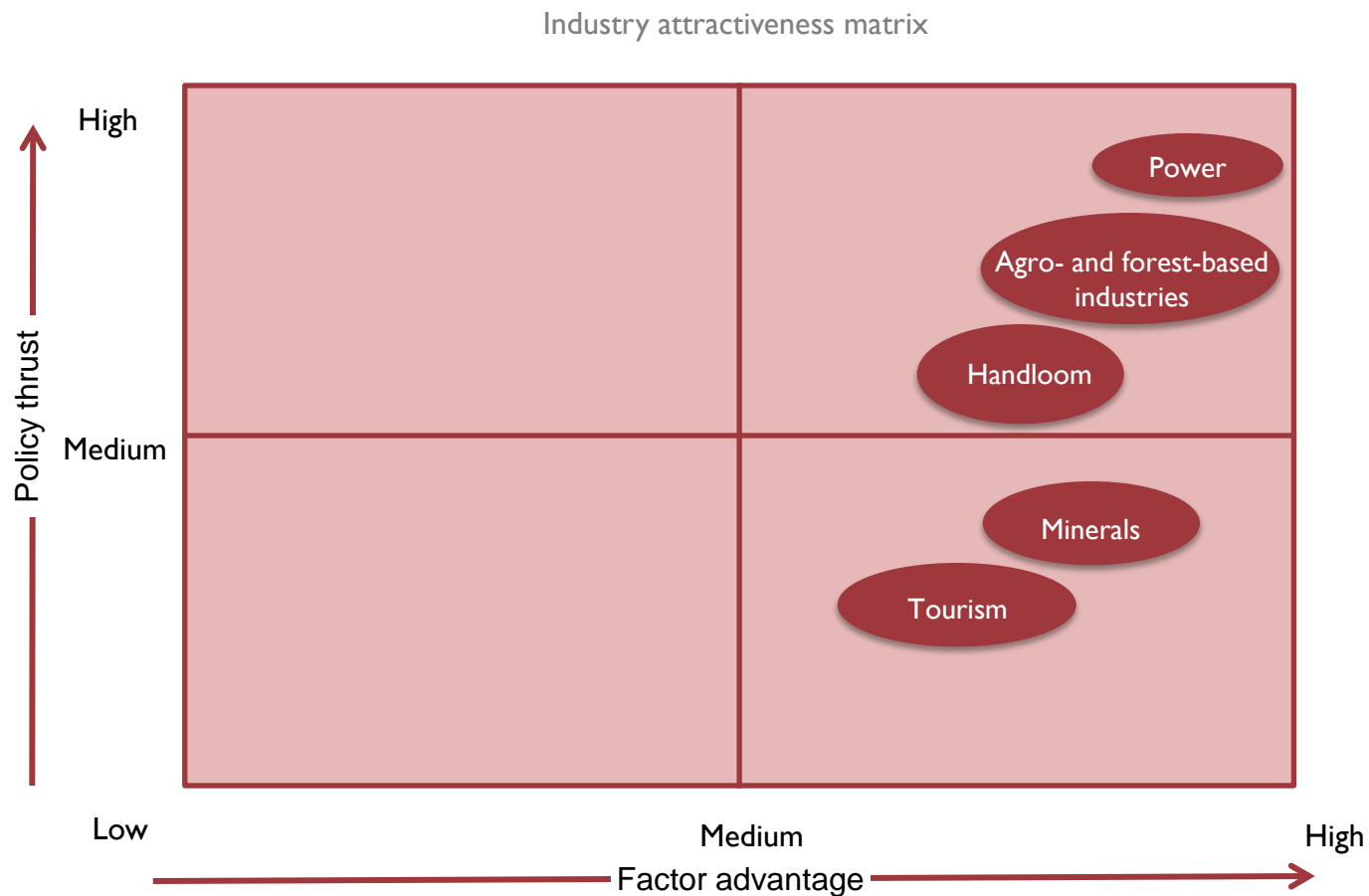
The geographic location of the state provides immense opportunities for international trade with the South Asian countries through its shared borders with Myanmar, Bhutan and China.

## Arunachal Pradesh in figures

Parameter	Arunachal Pradesh	All-states	Source
<b>Economy</b>			
GSDP as a percentage of all states' GSDP	0.1	100.0	CMIE, 2007-08, current prices
Average GSDP growth rate (%)	12.9	11.6	CMIE, 2000-01 to 2007-08
Per capita GSDP (US\$)	768.6	998.1	CMIE, 2007-08
<b>Physical infrastructure</b>			
Installed power capacity (MW)	61.1	98,996.4	Central Electricity Authority, as of March 2009
National Highway length (km)	1,992	70,548	Ministry of Road Transport & Highways, 2007-08
Airports (No)	1	133	Airport Authority of India
<b>Social indicators</b>			
Literacy rate (%)	54.3	64.8	Census of India, 2001
Birth rate (per 1,000 population)	22.2	23.1	Central Bureau of Health Intelligence, 2007
<b>Ease of doing business</b>			
FDI inflows (US\$ billion)	0.06*	102.1	Department of Industrial Policy & Promotion, April 2000 to October 2009
Outstanding investments (US\$ billion)	18.3	1,709.7	CMIE, as of December 2008

\*FDI inflows for the Reserve Bank of India-designated Guwahati-region, which comprises the states of Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura.

## Key industries with policy thrust and factor advantages



\*Factor advantages include benefits due to geographical location and availability of factors such as talent pool, natural resources and capital

## Contents

- ❖ Advantage Arunachal Pradesh
- ❖ **State economy and socio-economic profile**
- ❖ Infrastructure status
- ❖ State policies and incentives
- ❖ Business opportunities
- ❖ Doing business in Arunachal Pradesh

## Socio-economic snapshot of Arunachal Pradesh

Parameters	Arunachal Pradesh
Capital	Itanagar
Geographical area (sq km)	83,743
Administrative districts (no)	16
Population density (persons per sq km)	13
Total population (million)^	1.1
Male population (million)	0.6
Female population (million)	0.5
Population growth rate 1991-2001 (%)	27
Sex ratio (females per 1,000 males)^	901
Literacy rate (per cent)^	54.3
Male (%)	63.8
Female (%)	43.5
Average life expectancy (years)*	54.1

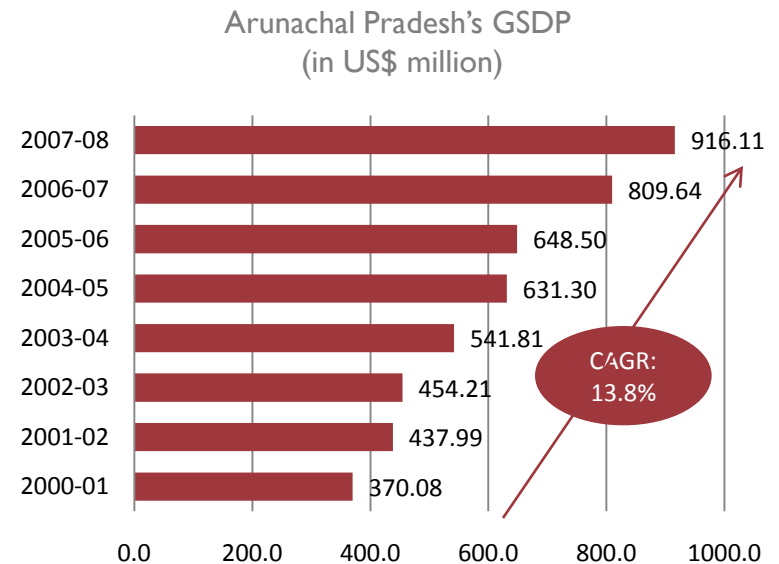
Source: Arunachal Pradesh Human Development Report, 2005

\*As of 2000

^Census 2001

## Arunachal Pradesh's GSDP

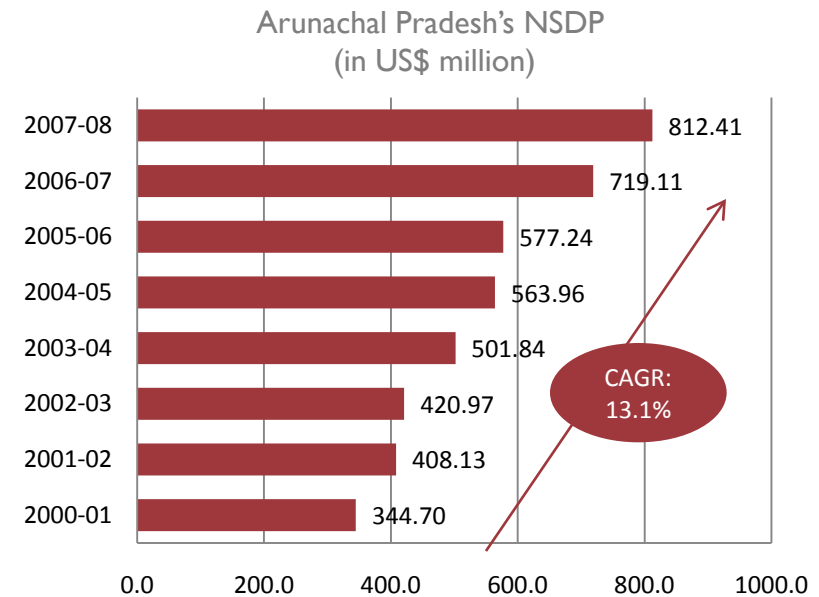
- At current prices, the Gross State Domestic Product (GSDP) of Arunachal Pradesh was US\$ 916.1 million in 2007-08.
- Arunachal Pradesh's GSDP grew at a CAGR of 13.8 per cent from 2000-01 to 2007-08.



Source: CMIE

## Arunachal Pradesh's NSDP

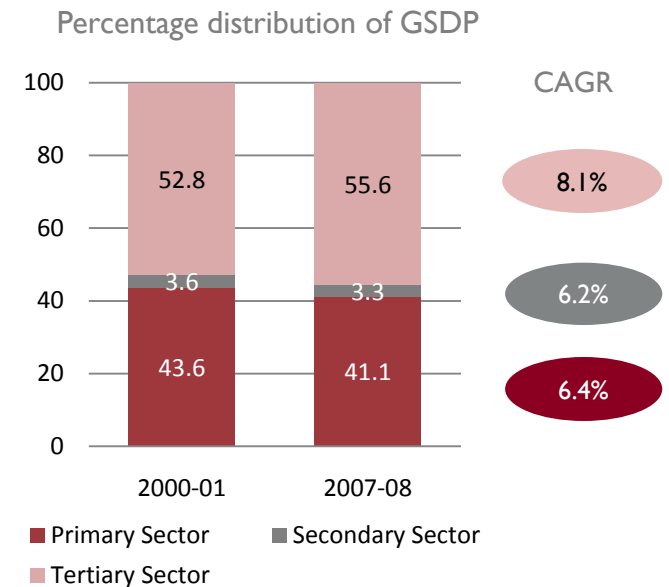
- At current prices, the Net State Domestic Product (NSDP) of Arunachal Pradesh was US\$ 812.4 million, in 2007-08.
- Arunachal Pradesh's NSDP at current prices grew at a CAGR of 13.1 per cent between 2000-01 and 2007-08.



Source: CMIE

## Arunachal Pradesh's economy is driven by the primary and tertiary sectors

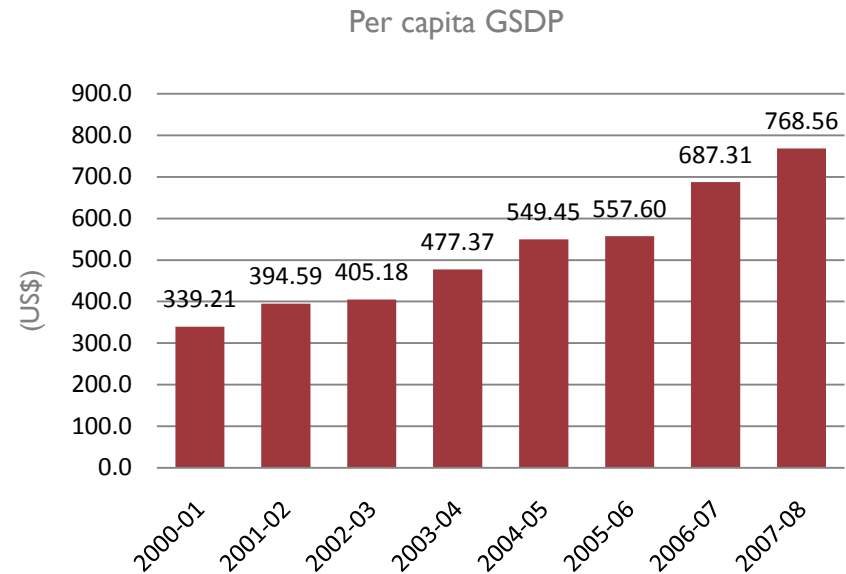
- In 2007-08, the tertiary sector contributed 55.6 per cent to state's GSDP at current prices, followed by the primary sector, contributing 41.1 per cent.
- The tertiary sector is the largest contributor to Arunachal Pradesh's economy. It grew at a CAGR of 8.1 per cent between 2000-01 and 2007-08.



Source: CMIE

## Per capita GSDP

- In 2007-08, the state's per capita GSDP, at current prices, was US\$ 768.56.
- The per capita GSDP grew at a CAGR of 12.4 per cent between 2000-01 and 2007-08. In terms of actual value, the per capita GSDP more than doubled during this period.



Source: CMIE

## Key industries in Arunachal Pradesh

- The resources, policy incentives and climate in the state support investments in mining and mineral products (including cement), tissue culture and floriculture, plantation crops (tea, rubber, etc.) and agro-based industries.
- The North Eastern Development Finance Corporation is engaged in catalysing the industrial growth of the Northeastern region (including Arunachal Pradesh) by providing counselling, timely advice and assistance for building quality enterprises.
- The Department of Industries, Government of Arunachal Pradesh, is responsible for promoting industrial activities in the state to provide employment opportunities to the rural and urban people.
- The Department of Industries has set up district industries centres (DICs) and sub-district industries centres (sub-DICs) for the industrial development of small-scale, tiny and village industries.

### Key industries in Arunachal Pradesh

- Art and crafts
- Weaving
- Cane and bamboo
- Carpet weaving
- Wood carving
- Ornaments
- Tourism
- Horticulture
- Saw mills and plywood

## Employment profile of Arunachal Pradesh

- The primary sector employs around 67.4 per cent of the total workforce in Arunachal Pradesh, followed by tertiary sector (23.9 per cent) and secondary sector (8.7 per cent).
- Around 94 per cent of the state's population lives in the rural belt. Thus, agriculture is the main occupation of the people of Arunachal Pradesh.
- Of the total workforce, 60.3 per cent are cultivators with self-owned land and only 5.1 per cent of the workforce falls in the agricultural labourer category.

Sector-wise distribution of workers

Sector	Percentage of total workforce employed
<b>Primary</b>	<b>67.4</b>
Cultivators	60.4
Agricultural labourers	5.1
Livestock/forestry/fishing/hunting	1.7
Mining and quarrying	0.2
<b>Secondary</b>	<b>8.7</b>
Manufacturing, processing, servicing and repairing in the household industry	0.2
Manufacturing, processing, servicing, and repairing other than in the household industry	2.5
Construction	5.9
<b>Tertiary</b>	<b>23.9</b>
Trade and commerce	3.3
Transport, storage & communication	1.1
Other services	19.5
<b>Total</b>	<b>100.0</b>

Source: Arunachal Pradesh Human Development Report, 2005

## Cereals, oil seed and sugarcane are the key agricultural products

- Major cereal crops of the state are rice, maize, millet, wheat and pulses (pea, kidney-bean and black-gram).
- Non-cereal crops include ginger, oil seed and sugarcane, apart from vegetables.

Cereal crops	Annual production ('000 MT)
Rice	141.0
Maize	63.5
Millet	21.4
Pulses	8.3
Wheat	6.3

Source: Government of Arunachal Pradesh website

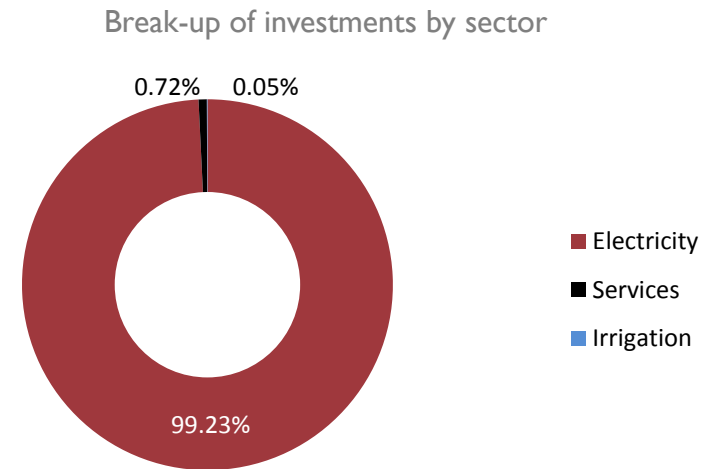
Other commercial crops	Annual production ('000 MT)
Vegetable	78.3
Ginger	42.8
Potato	31.6
Oil seed	29.2
Sugarcane	16.8

Source: Government of Arunachal Pradesh website

## Investments and FDI inflows

- According to the Reserve Bank of India (RBI), FDI inflows from April 2000 to October 2009 amounted to US\$ 55.03\* million.
- As of December 2008, of the total outstanding investments of US\$ 18.3 billion, energy sector accounted for over 99 per cent.

\*FDI inflows for RBI's Guwahati region, which comprises Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura.



Source: CMIE, as of December 2008

## Contents

- ❖ Advantage Arunachal Pradesh
- ❖ State economy and socio-economic profile
- ❖ **Infrastructure status**
- ❖ State policies and incentives
- ❖ Business opportunities
- ❖ Doing business in Arunachal Pradesh

## Road network

- Arunachal Pradesh has a total road length of 15,091 km, with a road density of 17.36 km per 100 sq km.
- Six National Highways run through Arunachal Pradesh, connecting the state with the rest of India as well as the international borders with China (Tibet), Myanmar and Bhutan.



Source: Maps of India

Road infrastructure	Road length (km)
National Highways (km)	1,992
Total road length (km)	15,091
Road density (km per 100 km)	17.4
Surfaced roads (% of total)	49.6
Villages connected by roads (% of total)	38.5

Source: Arunachal Pradesh Human Development Report, 2005

## Airports and railways

- In December 1995, the State Government introduced passenger flight services by nine-seat Dauphin helicopters to overcome the constraints posed by the hilly terrain.
- These passenger flights connect Naharlunga and Tawang to Guwahati in the state of Assam through commercially operating flights.
- The service also connects 29 major towns including Naharlunga, Tawang, Ziro, Pasighat, Bomdila, Seppa, Daporijo, Along, Yingkiong, Roing and Tezu.
- The state also has one domestic airport, located in Tezu.
- The nearest railway station is located at Harmoti in Assam, 23 km from Naharlunga and 33 km from Itanagar.



Domestic airport

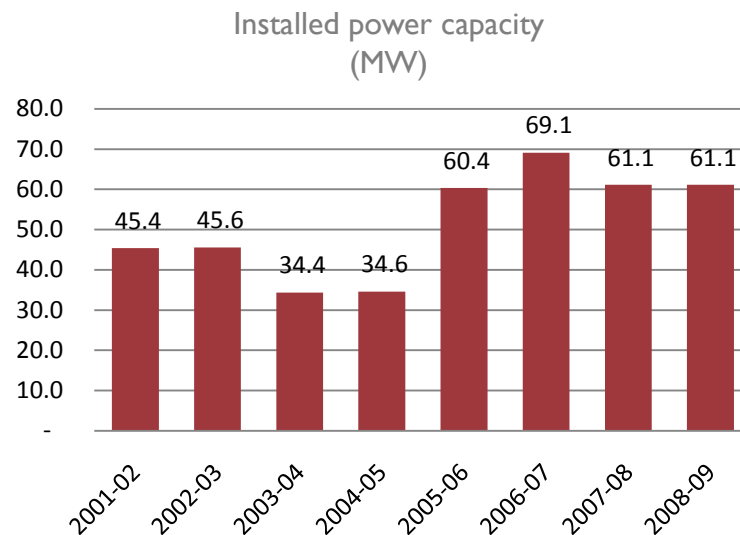


Inter-state helicopter service

Sources: Airport Authority of India; Department of Civil Aviation, Government of Arunachal Pradesh; Indian Railways; Government of Arunachal Pradesh website

## Power

- As of March 2009, Arunachal Pradesh had a total installed power capacity of 61.1 MW, all under the state power department. The state's share in the central sector capacity is around 120 MW, taking up the total power capacity available to Arunachal Pradesh to 180.1 MW.
- Renewable energy sources accounted for 79.5 per cent of the total installed capacity. The Ministry of New and Renewable Energy controls this sector.
- The per capita consumption of electricity in Arunachal Pradesh was 297.7 kWh in 2005-06.
- Arunachal Pradesh has been focusing on developing its huge hydro power potential. The state has set up the Department of Hydro Power Development to oversee, coordinate and monitor hydro power development.
- The Government of Arunachal Pradesh has signed a memorandum of understanding (MoU) with central sector power generators and integrated power developers (IPD) for the development of 72 hydro electric power plants, with an aggregate capacity of 25,722 MW.



Sources: Central Electricity Authority; Department of Power and Hydro Power Development Department, Government of Arunachal Pradesh

## Telecom

- Arunachal Pradesh has around 303 post offices, 31 telegraph offices and 94 telephone exchanges.
- The state's tele-density was 3.61 per cent.
- The state has 695 subscriber trunk dialing booths, 583 village telephones, 24 local public call offices, and 273 Internet connections.

### Telecom infrastructure

Post offices: 303  
Telegraph offices: 31  
Telephone exchanges: 94  
Telephone density: 3.61 per 100 persons

Sources: BSNL, Arunachal Pradesh Human Development Report, 2005

### Telecom operators in Arunachal Pradesh

- BSNL
- Bharti Airtel
- Aircel
- Vodafone Essar
- Reliance Communications
- Tata Teleservices

## Urban infrastructure

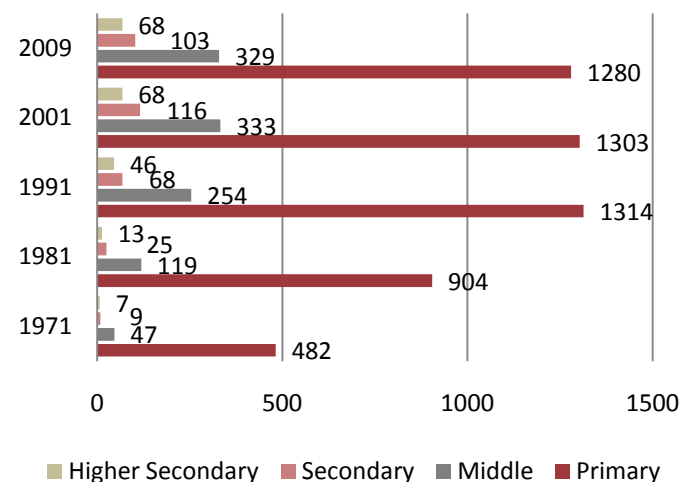
- Under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM), three projects costing US\$ 39.2 million have been sanctioned for Itanagar, the state capital.
- Projects for water supply, solid waste management and urban transport have been identified for development under the JNNURM.
- A majority of the projects under the JNNURM are either at the approval stage or work-in-progress. The urban transport project was approved in 2009 while two other projects were approved in 2007.

*Source:* Ministry of Urban Development

## Education sector

- Arunachal Pradesh had a literacy rate of 54.3 per cent; the male literacy rate was 68.8 per cent, while female literacy rate was 43.5 per cent.
- The state has started the Sarva Shiksha Abhiyan (SSA) – the national flagship programme on education to achieve universal elementary education in a mission mode. As of March 2006, about 2,166 teachers had been recruited and over 51,000 children enrolled under the SSA.
- The state has a university, 17 colleges, an engineering institute, two polytechnics, a farmer-training centre and three industrial training institutes.
- Major higher educational institutes in the state are the North Eastern Regional Institute of Science and Technology at Papumpare; the Jawaharlal Nehru College at Pasighat; Industrial Training Institute (Roing, Daporijo and West Kameng district) and the College of Horticulture and Forestry under the Central Agricultural University.

Category-wise schools in Arunachal Pradesh (No)



Sources: Government of Arunachal Pradesh website, Arunachal Pradesh Human Development Report, 2005

## Health infrastructure

- Arunachal Pradesh has a three-tier public healthcare infrastructure, comprising primary health centres, health units, community health centres and sub-centres.
- For every 10,000 people, the state has around five hospitals and 20 hospital beds.

Health infrastructure in Arunachal Pradesh	
General hospitals	3
District hospitals	11
Community health centres	19
Primary health centres	58
Ayurvedic dispensaries	12
Homoeopathic institutions	37
TB hospitals	2

Source: Ministry of External Affairs, Government of India

Health indicators of Arunachal Pradesh	
Population served per doctor*	2,325
Birth rate (per thousand persons)^	22.2
Death rate (per thousand persons)^	5.1
Infant mortality rate (per thousand live births)^	44.0
Life expectancy at birth (years)*	
-Male	53.7
-Female	54.5

Sources: Registrar General of India, Arunachal Pradesh Human Development Report, 2005

\*As of 2000

^As of 2007

## Cultural infrastructure

- Angling, trekking, river rafting, archery and fishing are the prominent sports in Arunachal Pradesh.
- Sports infrastructure available in the state includes the Rajiv Gandhi Stadium in Naharlagun, Nyikum Niya Indoor Stadium in Nirjuli and Nehru Stadium in Khonsa.
- In addition, some sports facilities are being planned or under construction, including an outdoor stadium in Jang, Tawang, and a multipurpose outdoor stadium at Itanagar.
- The key tourist destinations are Parasuram Kund (Lohit), the Namdapha National Park (Changlang), the Ita Fort and Jawaharlal Nehru Museum (Itanagar), the Tawang Monastery (Tezpur) and the Sela lake (Bomdila).

*Source:* Department of Tourism, Government of Arunachal Pradesh

## Industrial infrastructure

- Arunachal Pradesh has 13 industrial estates located in different districts. These industrial estates have been developed in land-areas ranging from 2.6 acres to 50 acres, with the primary objective of growth and development of small scale industries.
- In addition, the State Government has also notified integrated infrastructure development centres, industrial growth centres and industrial areas to support industrial growth.
- The State Government has set up district industries centres (DICs) in all 16 districts. These DICs play a vital role in the industrial development by providing services to the entrepreneurs viz., identification of suitable schemes, preparation of project report, arrangement for providing required plant, machinery and raw-material, assistance in availing incentives and facilities provided by both central and state governments, liaison with all development departments and financial institutions to provide assistance to the prospective entrepreneurs.

Notified industrial estates

Location	District
Deomali	Tirap
Khonsa	Tirap
Pasighat	East Siang
Tawang	Tawang
Tippi	West Kameng
Wanghoo	West Kameng
Naharlagun	Papumpare
Chandranagar	Papumpare
Namsai	Lohit
Changlang	Changlang
Khachang	Changlang
Dam	West Siang

## Industrial infrastructure

### Notified integrated infrastructure development centres

Location	District
Deomali	Tirap
Kameng	Kameng
Dirang	West Kameng
Iduli	Dibang Valley
Balinong	Changlang

### Notified industrial areas

Location	District
Bhalukpong	West Kameng
Roing	Dibang Valley
Tezu	Lohit
Banderdewn	Papumpare

Source: Department of Industries, Government of Arunachal Pradesh

## Major projects in the infrastructure sector

- The state has received significant investments in the power infrastructure sector.
- The state has a potential of an additional 57,000 MW. As of December 2009, projects of capacity of 25,722 MW have been allotted to central public sector enterprise and private sector enterprises. There are 23 private entities that have power projects under implementation in the state.
- Work on several incomplete hydro power projects has been restarted with the help of funds from the Indian Prime Minister's package.

Private companies with key power projects under implementation

S. No	Location
1	SEW Energy
2	Reliance Energy Limited
3	Jaiprakash Associates Limited
4	Indiabulls Real Estate Limited
5	GMR Energy Limited
6	Satyam (North-East) Hydro Power Limited
7	D.S. Construction

Power projects under implementation, funded by the Prime Minister's Package

Project name	Cost (US\$ million)
42 hydel projects in nine districts	36.7
Four hydel projects (Tawang, Kurung, Kumey, and Anjaw districts)	17.5

Source: Department of Hydro Power Development, Government of Arunachal Pradesh

## Contents

- ❖ Advantage Arunachal Pradesh
- ❖ State economy and socio-economic profile
- ❖ Infrastructure status
- ❖ **State policies and incentives**
- ❖ Business opportunities
- ❖ Doing business in Arunachal Pradesh

## Sector-specific policies ... (1/9)

### Industrial Policy, 2008

Aim: To facilitate and promote the growth of the industry, employment and investment in the state.

Key initiatives:

- To create an investment-friendly environment in the state for industrial growth in the private, joint and cooperative sectors for sustainable economic development of Arunachal Pradesh.
- To generate employment opportunities in the state.
- To make Arunachal Pradesh a preferred destination for outside investors.
- To encourage local entrepreneurs to set up enterprises based on locally available raw materials.
- To promote export-oriented industrial units.
- To take steps to promote the handloom and handicrafts industry.
- To promote local investors through joint ventures with outside investors.
- To encourage industrial units producing high value products.
- To ensure fast-track clearance of industrial proposals.

## Sector-specific policies ... (2/9)

### Industrial Policy, 2008

#### Key incentives:

- Entrepreneur(s) or a group of entrepreneurs or a consortium of industries to be allowed 100 per cent equity holding and/or ownership of their industrial unit(s) or enterprises for a period of 50 years.
- Entrepreneurs or investors shall be allowed to hold the land on lease for a period of 50 years on a predetermined lease rent. The consideration for lease of land may be in the form of annual instalments, lump sum payments or equity participation.
- Sales tax and/or VAT exemption of 99 per to be given to the eligible industrial units on import of actual raw materials, machinery and equipment into Arunachal Pradesh as also on sale of finished goods in the state, for a period of seven years from the date of commencement of commercial production.
- Trading licence to be issued to all entrepreneurs including outside investors, for the industries or enterprises with investments of minimum US\$ 1.1 million in plant and machinery (for manufacturing companies) and US\$ 434,783 for companies in the services sector.
- Price preference to be given to products manufactured by registered micro- and small-enterprises in the State Government departments' procurement bidding.
- Preference to be given to the registered units or enterprises by the State Government departments, while purchasing the products manufactured by them.

## Sector-specific policies ... (3/9)

### Industrial Policy, 2008

#### Key incentives:

- Power subsidy to be given according to the provisions of the North East Industrial and Investment Promotion Policy (NEIIPP), 2007
- Subsidy of 50 per cent to be given on the cost of quality testing equipment, procured by industrial units.
- Exemption of stamp duty: Projects of approved industrial units and/or enterprises to be given exemption from payment of stamp duty, up to 80 per cent of the applicable amount in execution of deeds, for a period of five years.
- Special incentives to be given to the eligible food-processing units as additional state capital investment subsidy at 20 per cent, subject to a ceiling of US\$ 54,347.
- Priority and time bound mandatory clearance to be given to large and heavy enterprises, particularly those using locally available natural resources.
- Revamping financial institutions under the State Government and streamlining the DICs and financial institutions to ensure smooth flow of credit to new projects, village industries, rural artisans and existing industrial units for modernisation, expansion and diversification.

## Sector-specific policies ... (4/9)

### State Mega Hydro Electric Power Policy, 2005

**Aim:** To develop the available potential of power projects in the most eco-friendly and judicious manner.

**Key incentives:**

- Promotional incentives for Detailed Survey and Investigation (DSI) and preparation of detailed project report in the form of grant-in-aids by the Ministry of New and Renewable Energy, Government of India. For projects up to 1 MW, a grant would be given up to US\$ 3,804; for projects between 1MW and 10 MW, the grant limit would be US\$ 6,521; and for projects between 10 MW and 25 MW, the grant would be US\$ 10,869.
- Capital subsidy would be given for small hydro power projects (SHP), with up to 25 MW station capacity for the following type of projects:

## Sector-specific policies ... (5/9)

Incentive	Up to 100 KW	101-999 KW	1-25 MW
Scheme for setting up new SHPs in the government sector	90 per cent of the project cost, limited to US\$ 1,304 per KW	90 per cent of the project cost, limited to US\$ 130,434 + US\$ 940 per KW	90 per cent of the project cost, limited to US\$ 978,260 + US\$ 163,043 per MW
Scheme for setting up commercial SHPs by private, joint sector and others	45 per cent of the project cost, limited to US\$ 652 per KW	45 per cent of the project cost, limited to US\$ 65,217 + US\$ 470 per KW	45 per cent of the project cost, limited to US\$ 489,130 + US\$ 81,521 per MW
Scheme for languishing SHP projects taken up in the government sector	75 per cent of the balance project cost, limited to US\$ 652 per KW	75 per cent of the balance project cost, limited to US\$ 65,217 + US\$ 470 per KW	75 per cent of the balance project cost, limited to US\$ 489,130 + US\$ 81,521 per MW
Scheme for renovation, modernisation and capacity updating of existing SHP projects	75 per cent of the repair and maintenance cost, limited to US\$ 652 per KW	75 per cent of the repair and maintenance cost, limited to US\$ 65,217 + US\$ 470 per KW	75 per cent of the repair and maintenance cost limited to US\$ 489,130 + US\$ 81,521 per MW

## Sector-specific policies ... (6/9)

### Small Hydro Power (SHP) Policy, 2007

**Aim:** To facilitate and promote the growth of small hydro power plants and, thereby, increase employment opportunities in the state.

**Key initiatives:**

- Private participation in development of SHPs with targeted incentives.
- Formulation and notification of an action plan for SHP generation. The action plan to provide programmes for capacity addition and determine the extent of involvement of various stakeholders of State Government or agencies in the field.

**Key incentives:**

- Facilitation by the State Government in obtaining subsidies, tax concession, etc., available from the Central Government for development of SHPs.
- Up to 50 per cent share of carbon credit benefit, as available from carbon trading under the clean development mechanism (CDM), under the Kyoto protocol.
- Exemption from supplying free power to the State Government, for indigenous tribal entrepreneurs, for projects up to 5 MW capacity.

## Sector-specific policies ... (7/9)

### Agriculture Policy, 2001

**Aim:** To achieve higher economic growth and create job opportunities for the rural unemployed through agriculture and allied sectors.

**Key initiatives:**

- Top priority to be accorded on increasing farmers' income.
- Addressing problems related to shifting (jhum) cultivation.
- Location-specific strategy development – area specific and differentiated strategy.
- Convergence of allied activities by making a shift from a commodity approach to a system approach in agriculture.
- Technology transfer.
- Supply of inputs such as seed, fertiliser, pesticides, agri-tools and implements, and credit to farmers at reasonable rates .
- Facilitating private investment in agriculture, especially for establishing agro-based industries.
- People's participation through formation of “self-help groups” and village committees at several levels.
- Research and technology package for location-specific agricultural research based on identified agro-climatic zone.
- Marketing infrastructure and techniques, especially for preservation, storage and transportation.
- Priority on setting up agro-processing units in key production areas.
- Market intervention scheme involving procurement by a notified agency to assure remunerative prices to farmers.

## Sector-specific policies ... (8/9)

### North East Industrial and Investment Promotion Policy (NEIIPP), 2007

**Aim:** To promote the Northeast region as an attractive investment region through concessions and incentives.

**Key features:**

- Industries covered under this policy are eligible for incentives for a period of 10 years from the date of commencement of commercial production.
- All new units as well as existing units that undergo substantial expansion (minimum 25 per cent increase in fixed capital) and start production before 2017 would qualify for incentives.
- Incentives would be available for all existing industrial units and upcoming units anywhere in the Northeast.
- A high-level monitoring committee or advisory committee, would oversee the implementation of the NEIIPP.
- NEIIPP would not be applicable to peripheral activities such as preservation while in storage, cleaning, packing, re-packing, labelling or re-labelling, sorting, etc.
- North East Industrial Development Finance Corporation (NeDFI) to act as the nodal agency for disbursal of subsidies.
- NEIIPP, 2007, has replaced the North East Industrial Policy, 1997.

## Sector-specific policies ... (9/9)

### NEIIPP, 2007

#### Incentives and concessions:

- 100 per cent excise duty exemption on finished products made in the Northeast region.
- 100 per cent income tax exemption for industrial units.
- Capital investment subsidy increased from 15 to 30 per cent for plant and machinery up to US\$ 360,000 per unit. For units above US\$ 360,000 and up to US\$ 7.5 million, an empowered committee approves. For units above US\$7.5 million, the Union Cabinet approves.
- Interest subsidy to be given at the rate of 3 per cent on working capital.
- 100 per cent reimbursement of insurance premium.

## Contents

- ❖ Advantage Arunachal Pradesh
- ❖ State economy and socio-economic profile
- ❖ Infrastructure status
- ❖ State policies and incentives
- ❖ **Business opportunities**
- ❖ Doing business in Arunachal Pradesh

The company logos cited in this section are registered trademarks of the respective companies.




## Power

- Over 50 per cent of Arunachal Pradesh's installed power capacity is based on hydro energy, however, thermal power also has a substantial share.
- The state is estimated to have hydro power potential of over 50,000 MW.
- Despite availability of such huge potential, the state has witnessed restricted development of the power infrastructure under the state sector.
- The Government has invited domestic power companies in the region to develop hydro power plants.
- Key regions for tapping hydel power include Dibang, Tawang, Subansiri Upper, Subansiri Middle, Kamang, Lohit.





### Key players

- NTPC
- NHPC
- NEEPCO
- Bhilwara Energy
- Reliance Power
- Jayprakash Hydro




## Power – company profiles ... (1/3)

<p>National Thermal Power Corporation (NTPC)</p> 	<ul style="list-style-type: none"> <li>• National Thermal Power Corporation (NTPC) is a Navratana public sector unit (PSU) engaged in thermal power production.</li> <li>• A leading thermal power generator, it has, now, entered the hydro power generation and nuclear power generation segments.</li> <li>• In Arunachal Pradesh, NTPC has power projects ongoing in the Dibang district: Etalin (4,000 MW) and Attunli (500 MW).</li> </ul>
<p>NHPC Limited</p> 	<ul style="list-style-type: none"> <li>• NHPC Limited (formerly known as National Hydroelectric Power Corporation Ltd) is a public-sector major in hydro electric power generation.</li> <li>• The company already has three ongoing projects with an installed capacity of 4,500 MW. Two of these are located in the Tawang district and one in the Dibang district.</li> </ul>
<p>North Eastern Electric Power Corporation (NEEPCO)</p> 	<ul style="list-style-type: none"> <li>• North Eastern Electric Power Corporation is a central PSU involved in power generation in Northeastern region. It is one of the oldest power generating companies and controls 50 per cent of the region's installed capacity.</li> <li>• The company recently completed the prestigious 405 MW Ranganadi project in Arunachal Pradesh.</li> </ul>
<p>Bhilwara Energy</p>	<ul style="list-style-type: none"> <li>• Bhilwara Energy Limited is a part of Delhi-based LNJ Bhilwara group. The company has recently signed three hydro power projects in the Tawang district of Arunachal Pradesh, with an installed capacity of 290 MW.</li> </ul>

## Power – company profiles ... (2/3)

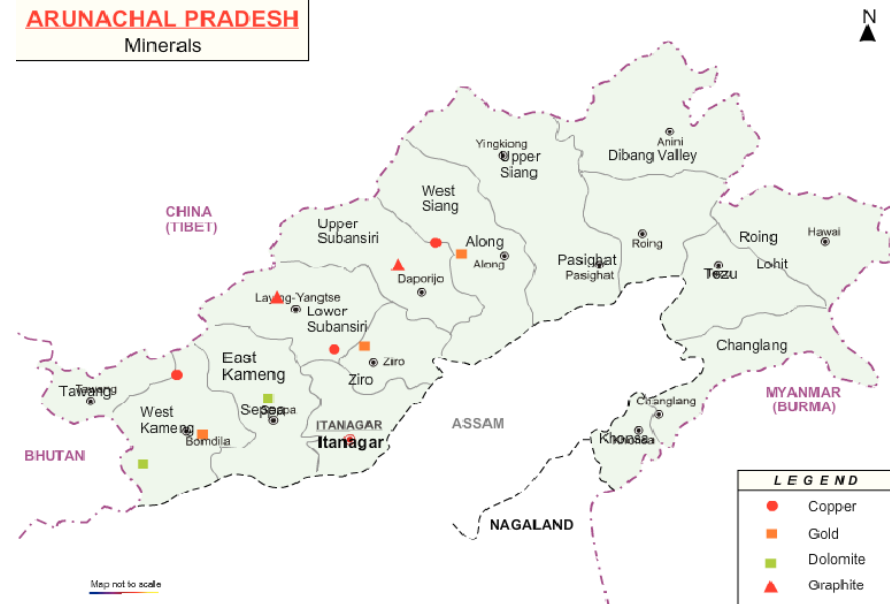
<p>Reliance Power</p>  <p>RELIANCE Power Anil Dhirubhai Ambani Group</p>	<ul style="list-style-type: none"><li>• Reliance Power is a well-known private sector company involved in power generation and distribution. The company has presence in coal-based, gas-based and hydro power generation.</li><li>• The company has recently signed an MoU with the Government of Arunachal Pradesh for developing two hydro power plants in Arunachal Pradesh with an installed power capacity of 1,700 MW.</li></ul>
<p>Jaiprakash Hydro Power Limited</p>  <p>JAYPEE GROUP</p>	<ul style="list-style-type: none"><li>• Jaiprakash Hydro Power Limited (JHPL) is a private sector company engaged in generating hydro power.</li><li>• The company has signed MoU with the Government of Arunachal Pradesh for developing two hydel projects in Arunachal Pradesh, with an installed capacity of 2,100 MW.</li></ul>
<p>Indiabulls Real Estate Limited</p>  <p>Indiabulls</p>	<ul style="list-style-type: none"><li>• Indiabulls Real Estate Limited (IREL) is an Indian company with operations in real estate, infrastructure, financial services, securities, retail, multiplex and power sectors.</li><li>• The company has four hydro power projects under implementation in the Kameng district of Arunachal Pradesh.</li></ul>
<p>GMR Energy Limited</p>  <p>GMR</p>	<ul style="list-style-type: none"><li>• The GMR group is a Bengaluru,-based infrastructure major, with interests in the airports, energy, highways and urban infrastructure.</li><li>• The company has signed an MoU with the Government of Arunachal Pradesh for a hydro power project in the Kameng district.</li></ul>

## Power – company profiles ... (3/3)

<p>KSK Energy Venture Limited</p> 	<ul style="list-style-type: none"> <li>• KSK Energy Ventures Limited is a fully-owned subsidiary of KSK Power Venture Plc., a power project development and investment company, listed on Alternate Investment Market (AIM) of the London Stock Exchange.</li> <li>• The company has signed an MoU with the Government of Arunachal Pradesh for developing nine hydro power projects in the state.</li> </ul>
<p>Energy Development Company Limited</p>	<ul style="list-style-type: none"> <li>• Energy Development Company Limited is engaged in the business of power generation through hydro power plants and wind mills. The company operates in two segments – generation and contract/consulting.</li> <li>• The company has five hydro power projects under implementation in the Kameng district.</li> </ul>
<p>KVK Energy and Infrastructure Private Limited</p> 	<ul style="list-style-type: none"> <li>• KVK Energy and Infrastructure Private Limited is a subsidiary of KVK Energy Plc., a power project development and investment company.</li> <li>• The company is implementing two hydro power projects, Par and Dardu, in the Subansiri district.</li> </ul>
<p>Patel Engineering Limited</p> 	<ul style="list-style-type: none"> <li>• Patel Engineering Limited is an infrastructure company engaged in civil construction. The company's projects include heavy construction, earth and rock excavations, housing complexes, building projects, dams, tunnels, bridges, refineries, factories, steel projects, thermal and hydro power house, pre-stressed and pre-cast concrete, marine works and public health works.</li> <li>• The company has two hydro power plant projects in the Kameng district.</li> </ul>

## Mineral-based industry

- Arunachal Pradesh has considerable mineral reserves, which offers immense potential.
- The state has reserves of coal at Bhalukpong; graphite at Tahila, Bopi and Khetabari; limestone at Hunli, Tidding, Menga and Pagin; marble at Hunli, Tezu, Pyuli and Dora; dolomite at Kaspi and Rupa; and lead and zinc at Shergaon.
- These minerals are useful in the gasified form or in cooking, fertiliser plants, refractory units and calcium carbide manufacturing units.
- The state's mining activities are managed by the Arunachal Pradesh Mineral Development and Trading Corporation Limited (APMDTCL).
- Parsuram Cements, a subsidiary of APMDTCL, is one of the oldest resource-based companies, based out of Lohit.



Source: Maps of India

## Agriculture and forest-based industries

- Major agro- and forest-based industries in the state relate to tea, fruit, timber and plywood industries.
- Non-timber based industries include bamboo, cane and medicinal plants.
- The industry is characterised by many regional players; several units have been set up by Arunachal Pradesh Forest Corporation (APFC), a government organisation.
- The New Industrial Policy, 2008, of Arunachal Pradesh lists agriculture and non-timber forest produce-based industries as thrust sectors.

### Arunachal Plywood Industries Limited

- Arunachal Plywood Industries Limited (APIL) is among the oldest plywood manufacturing units in the country.
- The company is engaged in manufacturing plywood and board made out of wood and sawn timber.
- The company has its manufacturing unit at Namsai, Arunachal Pradesh.

## Tourism

- Tourism has grown rapidly in the recent years with eco and adventure tourism, cultural tourism, and religious tourism being the major areas of interest.
- The popular tourist spots include Tawang, Parashuram Kund, Bhismanagar, Malinithan, Akashiganga, Namdapha, Itanagar and Bomdila.
- The New Industrial Policy, 2008, encourages the development of tourism sector in areas such as tour operations, hotels and resorts.



Source: Maps of India

## Textile

- Textile is a grass-roots industry in Arunachal Pradesh and provides employment to mainly, women. Most of the units are small-scale in operations and/or home-based.
- Carpet making is one of the important occupations in the districts of Tawang, West Kameng, Changlang and Upper Siang. The state's carpets have received national and international repute owing to its quality.
- The carpet weaving industry is promoted through the Government craft-centre.
- The state has unique and appealing handloom designs from each of its tribes. The products include skirt (gale), shirt (galuk), cotton shawl, side bag and curtain cloth.

## Contents

- ❖ Advantage Arunachal Pradesh
- ❖ State economy and socio-economic profile
- ❖ Infrastructure status
- ❖ State policies and incentives
- ❖ Business opportunities
- ❖ **Doing business in Arunachal Pradesh**

## Key nodal agencies in Arunachal Pradesh ... (1/2)

<p>Director of Industries</p>	<ul style="list-style-type: none"> <li>• The Department of Industries is the main executive and regulatory agency, functioning under the State Government. It oversees and monitors the over all industrial development activities in the state.</li> <li>• The department is engaged in various activities such as:             <ol style="list-style-type: none"> <li>a) Registration of industries, and regulation and development of industries</li> <li>b) Providing finance to small scale and other industries</li> <li>c) Distribution of scarce and indigenous raw materials to different industrial units.</li> <li>d) Other industrial development related activities.</li> </ol> </li> </ul>
<p>Arunachal Pradesh Industrial Development and Financial Corporation Limited (APIDFC)</p>	<ul style="list-style-type: none"> <li>• APIDFC was incorporated under the Companies Act, 1956, in August 1978, to promote and finance industries in Arunachal Pradesh.</li> </ul>
<p>Arunachal Pradesh Energy Development Agency (APEDA)</p>	<ul style="list-style-type: none"> <li>• APEDA is the state designated agency (SDA) for implementation and enforcement of the Energy Conservation Act, 2001, in coordination with the Bureau of Energy Efficiency (BEE), Ministry of Power, Government of India.</li> <li>• APEDA is also the state nodal agency for projects connected with clean development mechanism (CDM).</li> </ul>

## Key nodal agencies in Arunachal Pradesh ... (2/2)

<p>Arunachal Pradesh Khadi and Village Industries Board (APKVIB)</p>	<ul style="list-style-type: none"> <li>• APKVIB was constituted by the Government of Arunachal Pradesh in 1989, with the mission to create employment opportunities in the non-farm sector in the rural areas, to promote saleable articles and support rural development to improve quality of life.</li> <li>• The industries under its purview include khadi (silk, cotton, woollen), minerals, forest- and agro-based industries, polymer and chemical, engineering and non-conventional energy, textile industry and service sectors.</li> </ul>
<p>North Eastern Development Finance Corporation Limited (NeDFI)</p>	<ul style="list-style-type: none"> <li>• NeDFI was promoted by Industrial Development Bank of India (IDBI), Small Industries Development Bank of India (SIDBI), Industrial Finance Corporation of India (IFCI), Industrial Credit and Infrastructure Corporation of India (ICICI), Unit Trust of India (UTI), Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC) and its subsidiaries, and State Bank of India (SBI) . Incorporated in August 1995, NeDFI has its headquarter in Guwahati, Assam.</li> <li>• NeDFI provides facilities such as project and equipment finance, working capital finance, schemes for development of entrepreneurial skill and market development for products from the Northeast.</li> </ul>

## Key approvals required

List of approvals and clearances required	Department
Incorporation of company	Registrar of companies
Registration, Industrial Entrepreneurs Memorandum (IEM), industrial licences	Department of Industries
Permission for land use	
Allotment of land	Arunachal Pradesh Industrial Development and Financial Corporation Limited
Site environmental approval	Department of Environment and Forests , Government of Arunachal Pradesh; Arunachal Pradesh State Pollution Control Board (APSPCB)
No objection certificate and consent under Water and Pollution Control Act	
Registration under States Sales Tax Act and Central and State Excise Act	Department of Tax and Excise, Government of Arunachal Pradesh
Commercial taxes	
Sanction of power	Department of Power, Government of Arunachal Pradesh
Power feasibility	
Power connection	
Approval for construction activity and building plan	Public Works Department
Water and sewerage clearance	
Water connection	

## Cost of doing business

Cost parameter	Cost estimate
Industrial land (per sq ft per month)	US 2.2 cents
Power (per kWh)	Small industries: US 7.5 cents Medium industries: US 7.7 cents Large and heavy industries: US 8.6 cents
Labour (US\$ per day)	Unskilled: US\$ 1.7 to US\$ 1.9 Semi-skilled: US\$ 1.8 to US\$ 2.1 Skilled: US\$ 1.9 to US\$ 2.2
Water (per 1,000 litres)	Commercial and industrial: US 15.7 cents

## Contact list

<p>Director of Industries</p>	<p>Government of Arunachal Pradesh Udyog Sadan, Itanagar -791 111 Phone: 91-360-2212 323/ 2211 456 Fax: 91-360-2211 569</p>
<p>Arunachal Pradesh Industrial Development and Financial Corporation Limited</p>	<p>C Sector, Near Petrol Pump Itanagar - 791 111 Phone: + 91-360-2212 672, 2212 673 Fax: + 91-360-2212 672 E-mail: <a href="mailto:koyutony@yahoo.com">koyutony@yahoo.com</a></p>
<p>Arunachal Pradesh Energy Development Agency</p>	<p>Urja Bhawan, TT Marg Post Box No 141, P.O. Itanagar-791 111 Arunachal Pradesh Phone: 91-360-2211 160, Fax: 91-360-2214 426 E-mail: <a href="mailto:apedita@sancharnet.in">apedita@sancharnet.in</a> Website: <a href="http://www.apeda.co.in">www.apeda.co.in</a></p>
<p>North Eastern Development Finance Corporation Ltd (NeDFI)</p>	<p>NH-52A, Main Road, E-Sector, Itanagar -791 111, Arunachal Pradesh Phone/fax: 91-360- 2217694</p>

## Annexure

### Exchange rates

Year	INR equivalent of one US\$
2000	46.60
2001	48.30
2002	48.04
2003	45.60
2004	43.70
2005	45.20
2006	45.00
2007	42.00
2008	40.20
2009	46.00

Average for the year

## DISCLAIMER

India Brand Equity Foundation (“IBEF”) engaged ICRA Management Consulting Services Limited (IMaCS) to prepare this presentation and the same has been prepared by IMaCS in consultation with IBEF.

All rights reserved. All copyright in this presentation and related works is solely and exclusively owned by IBEF. The same may not be reproduced, wholly or in part in any material form (including photocopying or storing it in any medium by electronic means and whether or not transiently or incidentally to some other use of this presentation), modified or in any manner communicated to any third party except with the written approval of IBEF.

This presentation is for information purposes only. While due care has been taken during the compilation of this

presentation to ensure that the information is accurate to the best of IMaCS’s and IBEF’s knowledge and belief, the content is not to be construed in any manner whatsoever as a substitute for professional advice.

IMaCS and IBEF neither recommend nor endorse any specific products or services that may have been mentioned in this presentation and nor do they assume any liability or responsibility for the outcome of decisions taken as a result of any reliance placed on this presentation.

Neither IMaCS nor IBEF shall be liable for any direct or indirect damages that may arise due to any act or omission on the part of the user due to any reliance placed or guidance taken from any portion of this presentation.