

INDIAN STATES  
Economy and Business

# Himachal Pradesh



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## Executive Summary

The small hilly state, geographically located in the north-western part of the country, is surrounded by four states, namely, Uttar Pradesh, Punjab, Haryana and Jammu & Kashmir with Tibet on the other side. Himachal Pradesh is among the most advanced socio-economic states and has shown promising growth over the years. Over the last decade the strong agro-based economy has shifted towards services, particularly tourism.

The state is sparsely populated with less than half of Delhi's population and about 40 times its area. Endowed with natural attractions, tourism is one of the key contributors to the state's income. Some of the tourist attractions include tribal areas, mountaineering, winter sports like skiing, besides a large number of pilgrim centres. It is a hub for domestic and foreign tourists.

The state is largely an agro-based economy with about 71 per cent of its population dependent on farming, horticulture and livestock for their livelihood. The main crops are wheat, corn (maize), barley, rice and potatoes. It is one of the leading fruit and vegetable producing states in the country. The State Government has steadily been focusing on improvement of industrial infrastructure.

A slew of industrial parks and estates including export-oriented parks for agro-processing units have been set up, thus, strengthening the agriculture sector in the state. Several fruit and food processing units and other allied industries like warehousing and packaging have come up in various parts of the state. The state's agro-processing units have highest per capita output and value addition in the country.

Himachal Pradesh has one of the highest levels of telecom penetration in the country. The state has a well-developed banking sector with a high density of bank branches. It has the highest hydel power generation potential in the country and has fostered private sector participation in the sector.

The Government of Himachal Pradesh has formulated its policies with an objective to improve the industrial sector in the state. It has initiated many welfare programmes to improve the economic well being of its people. The state provides special package of incentives to the investors and ranks highest on the incentives index. The state enjoys a healthy investment climate with the presence of several domestic and multinational corporations. The state attracted an investment of US\$ 1.1 billion approximately, in 2003-04.

## ■ Industrial Centres in Himachal Pradesh



## An Economic Snapshot

<i>Capital</i>	Shimla
<i>Area (sq km)</i>	56,000
<i>Population (Census 2001, million)</i>	6.07
<i>Literacy Rate (%)</i>	76.48
<i>Net State Domestic Product (NSDP) (2003-04, US\$ billion)</i>	3.9
<i>Per Capita Income (US\$) (2003-04)</i>	539.7
<i>Domestic Airports</i>	Shimla Kullu Valley Kangra
<i>Key Industries</i>	Agro-based Woollens Tourism



## Advantage Himachal Pradesh

- Ranked first on the incentives index by NCAER
- Ranked second on consumer market index\*
- Most urbanised state in the country
- One of the lowest power tariff and cost of power generation in the country

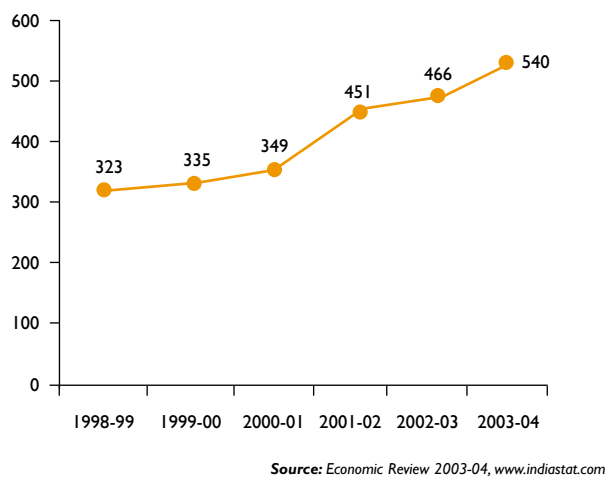
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\*Based on percentage households owning TVs; rural households spending over US\$ 13.4 per person per month; urban households spending over US\$ 24.3 per person per month; bank deposits; two wheeler population: India Today

## THE STATE ECONOMY

Himachal Pradesh's State Domestic Product (SDP) stood at US\$ 3.9 billion in 2003-04, registering a growth rate of 7.9 per cent over the previous year. The per capita income at current prices witnessed an increase of 10 per cent from US\$ 466 in 2002-03 to US\$ 539.7 in 2003-04.

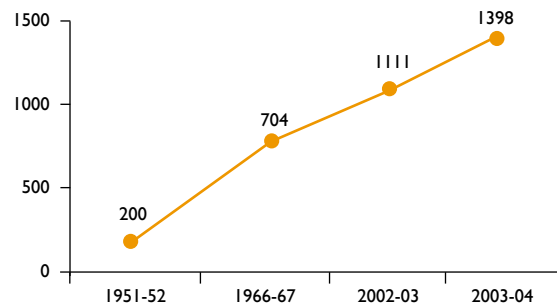
Growth of per capita income (US\$)



In the long-term, the economy has shown a shift from agriculture to industries and services and the percentage contribution of agriculture and allied sectors in total SDP declined from 57.9 per cent in 1950-51 to 20.1 per cent in 2002-03. The share of industries and services sectors increased from 1.1 and 5.9 per cent in 1950-51 to 13.7 and 19.4 per cent in 2002-03 respectively. Himachal Pradesh is still predominantly an agricultural state providing direct employment to about 71 per cent of the total population.

Economic growth has enhanced the affluence levels in the state. The percentage of population below poverty line is the lowest at 7.6 per cent against 26.1 per cent at the national level. The state is one of

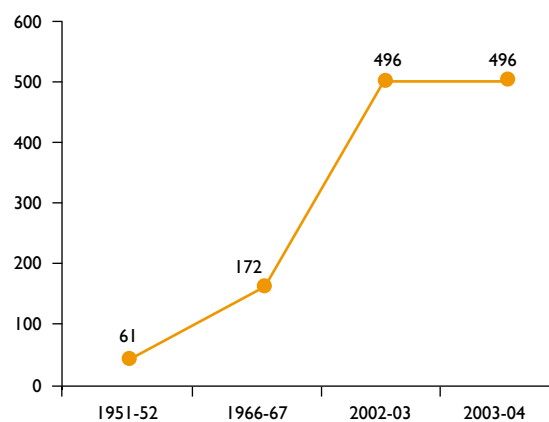
Growth of food grain production ('000 tonnes)



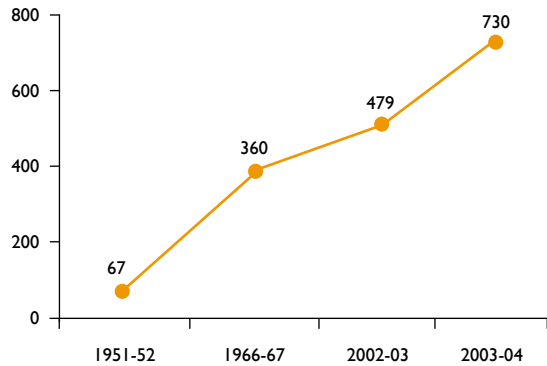
the largest producers of horticulture products in the country. The agriculture allied sectors like fisheries and dairy had also shown promising performance in 2003-04.

Rice, wheat and maize are the major cereal crops produced in the state. Maize production had grown at a Compounded Annual Growth Rate (CAGR) of 5.4 per cent during 1996-2002 with a high yield of 2,550 kg/hect against the national average of

Growth of wheat production ('000 tonnes)

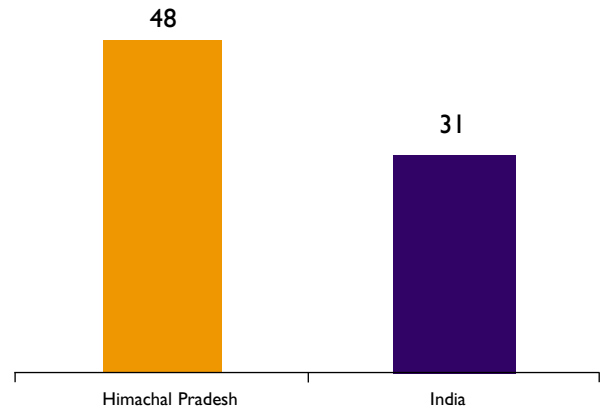


Growth of maize production ('000 tonnes)



Source: www.indiastat.com

Per Capita Gross Output in Industries (2001) (US\$)



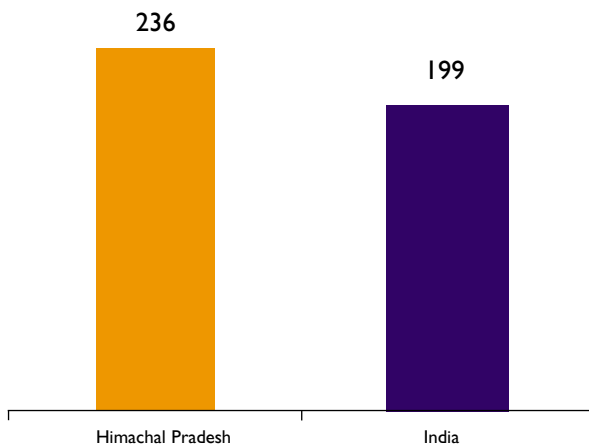
Source: www.indiastat.com

2,018 kg/hect.

The industrial sector in the state has performed well over the years. The state is in the top quartile in the country in terms of per capita gross output and value

added in industries.

Per Capita Value Added in Industries (2001) (US\$)



Source: www.indiastat.com

With an annual turnover of over US\$ 1 billion, the state has 196 medium and large enterprises and about 30,886 small enterprises with a total investment of US\$ 640 million. Some of the key industries include iron foundries, resin & turpentine, breweries, fertilisers and electronics. The weaving of woollen garments is a key cottage industry.

Services is the emerging sector in the state. The sector had shown a promising growth of 11.9 per cent as against 6.7 per cent growth in the state's income in 2002-03. The state has undertaken many initiatives to enable growth of the sector. Tourism is one of the main sectors in the state with an impressive CAGR of 17.5 per cent during 1998-2003.

# INFRASTRUCTURE

## Social infrastructure

The state has a literacy rate of 76.48 per cent with male literacy at 86 per cent (Census 2001). It has a well-developed educational infrastructure and ranks high on the educational development index\*.

The health infrastructure includes 50 civil hospitals, 60 community health centres, 438 primary health centres and 2,067 sub-centres. The state ranked second on the health index and the education index in 2003-04.

## Access infrastructure

Himachal Pradesh ranked second on the infrastructure index in the country\*\*. It has a road network of 28,208 km including 1,234 km of national highways. The state has three domestic airports at Shimla, Kullu Valley and Kangra.

## Power

The state is among the few in the country with zero power deficits. It has a huge potential of hydel power

generation at 20,300 MW (24 per cent of the total potential in the country). So far, 3,942 MW of hydel power has been harnessed, of which only 326.8 MW is under the Government of Himachal Pradesh.

The state is keen to encourage private sector participation in the power sector. There are six ongoing private power projects with a generation capacity of 1,663 MW, including Karcham Wangtoo Hydro Electric Project with a production capacity of 1,000 MW. The State Government has approved 22 small hydro projects of up to 5 MW capacity in the private sector.

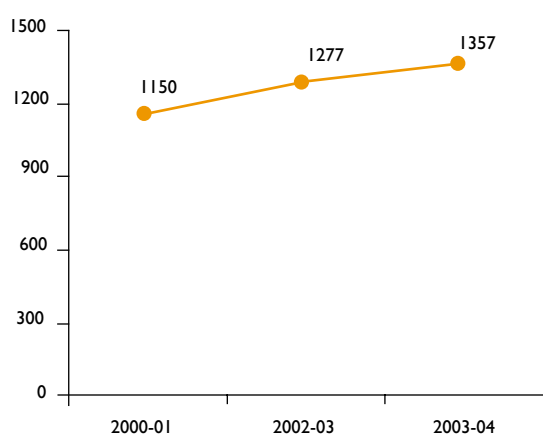
Himachal Pradesh was the first state in the country to be completely electrified as early as 1988. The state has a transmission network of over 74,200 km cables and 15,000 stations generating revenue of over US\$ 208 million.

The state has one of the lowest power tariffs in the country. In terms of domestic power, the state has the third lowest tariff at 2.2 US cents/kWh against the national average of 4 US cents/kWh. Industrial power costs 5.7 US cents/kWh against 7.95 US cents/kWh at the national level and was the fourth lowest in 2002.

## Communications infrastructure

The state has a high tele-density (no. of telephones per 1,000 people) of 8.4 against 5 at the national level. All telephone exchanges in the state are

Growth of power generation in the public sector  
(million units)

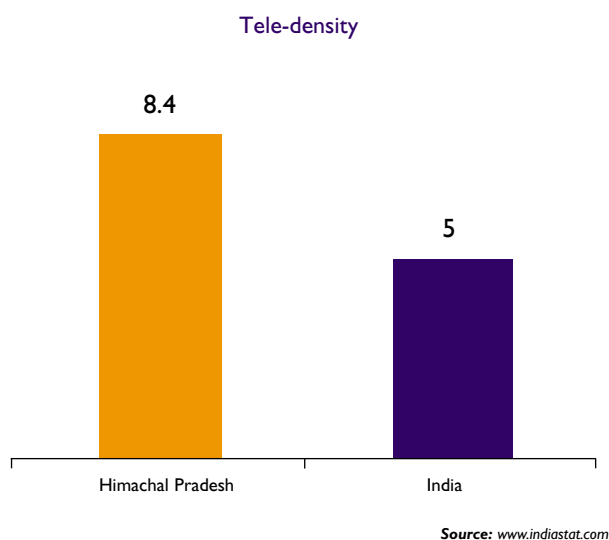


Source: Government Website

\*The index takes into account the following: Total Outcome for Parameter on Investment in Education + Total Outcome for Parameter on Literacy Achievements + Total Education + Total Outcome for Parameter on Availability. (The value for Himachal Pradesh is 1.423)

\*\*Based on percentage of households with electricity and LPG; percentage of villages connected with roads; per capita road length; per capita bank branches; density of post offices; telephone density: India Today

digitalised and are interconnected to each other by Optical Fibre Cables (OFCs). It has the highest density of OFC penetration per unit area with a 6,000 km network.



The Government of India has set up a Software Technology Park and High Speed Data Connectivity facility in Shimla. The state recorded a growth of 84 per cent in the Internet subscriber base and appeared in the top quartile in the country in 2002-03.

About 98.5 per cent of the villages in the state have been provided with telecom facility\*. Up to 2004, there were 936 telephone exchanges in the state with net switching capacity of 650,694. The state recorded the highest growth of mobile users at 175 per cent in 2002-03.

### Industrial infrastructure

The State Government has established 16 industrial areas, 11 export promotion parks and 11 industrial estates with basic amenities such as roads, power, sewerage, water, communications and power supply. An electronics complex has been developed at Shoghi, near Shimla. The state has established three agro export zones, including the one at Parwanoo, which is one of the largest in Asia.

### Brief facts

- First hill state in the country to achieve 100 per cent electrification of all census villages by 1988
- Rongtong Power House at an altitude of 12,000 ft approximately, is located at the highest altitude in the world
- Bhabha Power House, an underground facility with a capacity of 1,200 MW
- Satluj Jal Vidyut Nigam Ltd (SJVN) plans to invest nearly US\$ 2.8 billion to set up a 2,500 MW hydel plant

### Financial infrastructure

The state has a good network of banks. It has the highest number of banking offices per 100,000 of population at 12.7 against 6.3 at the national level. The total number of bank branches in the state stood at 1,161 in 2003. There are 20 commercial banks operating with a network of 655 branches. The State Bank of India, Punjab National Bank, UCO and State Bank of Punjab are the key banks with 556 branches.

\*Presently 16,598 villages out of a total of 16,864 have been provided with telecom facility

# STATE POLICY

## Industrial Policy

The Government of Himachal Pradesh has accorded priority to rapid industrialisation in the state with the main objective of generating employment opportunities and economic development on a sustainable basis. The key objectives include:

- To focus on development of quality infrastructure in the high potential growth centres
- To achieve economic and social growth in all regions particularly the industrially backward areas
- To encourage and sustain the cottage and small-scale industries.
- To promote and regulate industrialisation to ensure environmental protection and pollution control

### Promotion of traditional industries

The state is keen to develop the traditional industries such as sericulture, handloom, handicrafts etc.

In order to achieve this, the state plans to organise arts exhibitions to promote the products being manufactured by various industrial units. In order to promote the growth of small-scale industries in the state, the Government announced a rebate on the available rate of interest on loans from 13 per cent to 10.25 per cent\*.

### Employment

A central employment cell has been set up with the main objective of providing technical and highly skilled manpower to the industrial units, institutions and establishments especially in the private sector.

### Infrastructure approvals

As a part of its new industrial policy to attract indigenous and foreign investment, the State Government has approved an investment of US\$ 550 million for setting up over a hundred projects in the medium and large-scale industries.

### Incentives

The Government of India has announced a package of concessions to the industrial units in the state, which includes 100 per cent outright excise duty exemption for a period of 10 years from the date of commencement of commercial production, 100 per cent income tax exemption for the first 5 years and capital investment subsidy of up to 15 per cent for investment made in plant and machinery to all new and existing industrial units.

## IT Policy

The IT Policy has been formulated to promote entrepreneurship, boost foreign exchange earnings and increase its contribution to the state domestic product. The state aims to improve social equity and justice through IT. The primary objectives of the policy are:

- To encourage investment in the IT sector
- To facilitate the establishment of IT institutes and improve the quality of IT education
- To use IT tools to ensure a Simple, Moral, Accountable, Responsive and Transparent (SMART) government

The State Government has undertaken a number of initiatives to make available state-of-the-art facilities to further the growth of the IT industry. Some of the initiatives include:

- A modern Software Technology Park and an earth station under the Software Technology Parks of India (STPI) at Shimla to provide an improved communications network
- Around 174 acres of government land has been identified in Solan district for investment in the IT sector

\*Source: Himachal Pradesh State Government Website



- IT is deemed as manufacturing activity to benefit from approved policy of the Government of India
- Interest subsidy scheme is made applicable for computer hardware and software industries
- Electricity tariff is being made available at industrial rates
- Special incentive is being offered for investment of over US\$ 2.2 million, also being extended to a Fortune 500 company implementing the project
- Special incentive package for mega projects, with investment exceeding US\$ 21.5 million

### **Tourism Policy**

The Government announced the Tourism Policy to encourage private sector participation and create employment in the state. The state declared a 10 year tax holiday for entertainment units and deferred payment of luxury tax by hotels and tourism units.

Salient features of the policy are:

- Creation of wayside amenities along the highways
- Single window clearance for all tourism related projects
- Special incentive package for development of satellite towns and cyber cities with investment of over US\$ 21.5 million by NRIs and foreign investors

The Government is setting up complexes to promote industrialisation in the hilly regions of the state. Twelve potential places have been identified for setting up aerial ropeways.

Realising that tourism is the most labour intensive industry with minimum capital requirement, the State Government is encouraging local youth to take up tourism as a profession by training the individuals in various adventure sports.

## BUSINESS OPPORTUNITIES

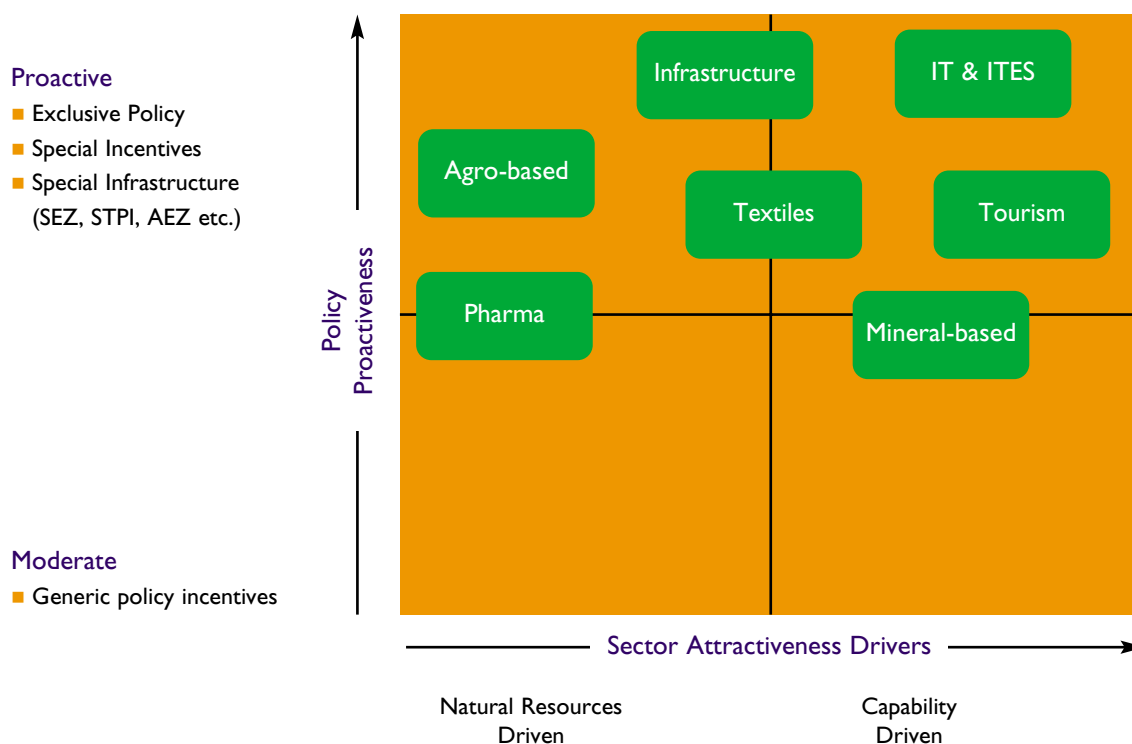
There are several factors that affect evolution of an industry in a region. Some of the major factors are:

- Policy proactiveness:** The policy that a state government adopts towards a sector directly affects its attractiveness for further investment. For example, the State Government has given many concessions for the establishment of industries. This has prompted many industry players to establish their manufacturing facilities in the state.
- Availability of natural resources:** Certain industries like agro-based industries have

a high dependence on the availability of natural resources. The availability of high quality limestone spurred the growth of the cement industry in the state.

- Capability:** Availability of good quality manpower is essential for industries to flourish. High literacy rates and good quality workforce are added assets for the state.

Based on an assessment of the above factors, some of the industries with potential for investment and growth in the state are illustrated below:



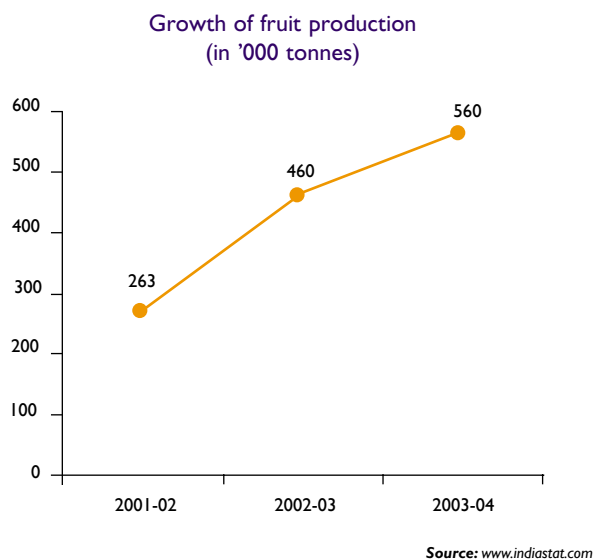
*This is a qualitative assessment to highlight relative attractiveness of different sectors. A case by case analysis is necessary before investment is made.*

## Key industries

### Agro-based

The diverse agro-climatic conditions and fertile soil enable the growth of horticulture produce in the state. Himachal Pradesh recorded a total fruit production of 0.56 million tonnes in 2003-04.

Apple, the dominant fruit crop, constitutes about 42 per cent of the total area under fruit crops and 84 per cent of the total fruit production in the state. Other fruit crops include mango and *litchi*. Vegetable production in the state increased from 25,000 tonnes in 1951-52 to 731,000 tonnes in 2003-04. Animal husbandry and dairy are key contributors to the state's income.



A network of rivers, reservoirs, natural lakes and ponds facilitates the growth of aquaculture in the state. In 2003-04, cumulative fish production stood at 6,465 tonnes and was worth US\$ 6.5 million.

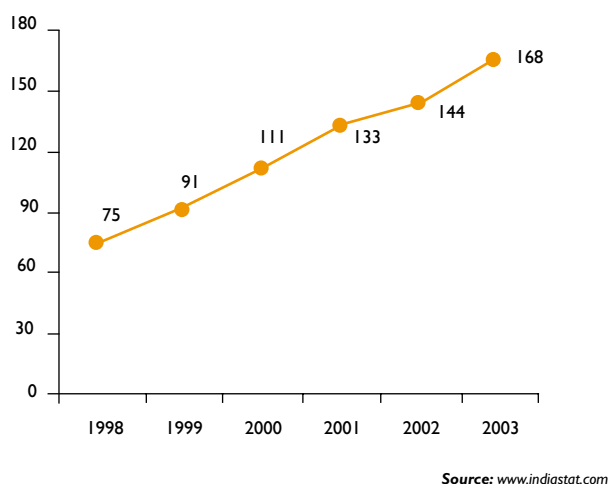
### Tourism

Tourism is one of the most important sectors in the state. The major attractions include tribal areas, pilgrim centres, mountaineering and winter sports.

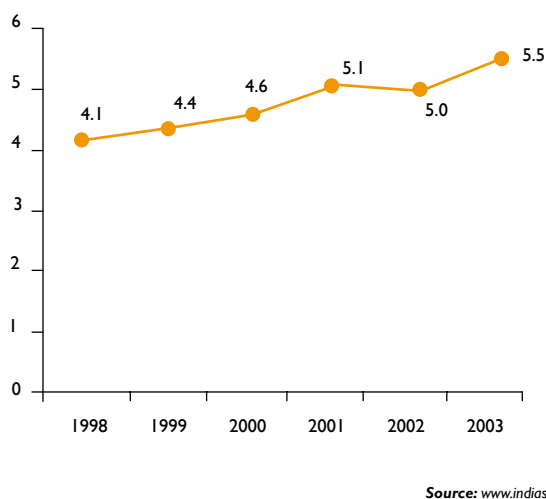
The state has more than 2,000 temples attracting thousands of devotees from all over the country.

The state ranks second in total tourism projects sanctioned during 2001-2004 in the country. The state ranks fifth in domestic tourist visits. It enjoyed a 14 per cent growth in tourist visits against the national average of 6 per cent in 2001.

Growth of foreign tourists (in '000)



Growth of domestic tourists (in million)



### Mineral-based

Minerals constitute a fundamental component of the state's economic base. The state has

considerable mineral resources including rock salt, limestone, gypsum, silica-sand and baryte. The high availability of quality limestone, a key raw material has made the cement industry flourish. Many domestic companies and MNCs have established their manufacturing facilities in the state.

The cement plants of ACC and Ambuja Cements have a total capacity of over 4 million tonnes with plans of future expansion. Jai Prakash Associates plans to set up a unit with an investment of US\$ 110 million. Besides these, there are many other mineral-based units like stone crushing, calcium carbonate units, hydrated lime units etc.

### Pharmaceuticals

Pharmaceutical units set up in the state enjoy an income tax holiday for five years till 2007 and a concessional rate of income tax for the next five years. The cost of production is also considerably lower. It is becoming a hub for pharmaceuticals manufacturing, with over 300 pharmaceutical firms.

With a proactive policy of the Government, the state has managed to attract significant investment in the recent past. The investment, particularly from the pharmaceuticals sector has been impressive, clearly vindicating the special incentives policy pursued by the Government. The Government plans to introduce a special package of incentives exclusively for the pharmaceuticals sector by 2007.

Ranbaxy, Torrent, Indoco Pharma, Nectar Life Sciences, Indo-Swift Pharma, Dr Reddy's Laboratories and Cipla are some of the pharmaceutical companies that have manufacturing facilities in the state. UniChem plans to invest over US\$ 8.7 million in its third formulation manufacturing facility. Indoco plans a formulation facility and Pulse Pharma plans its second plant for therapeutic nutrition in Baddi. Torrent and Zydus

Cadila are also planning to set up formulation facilities in Baddi.

### Textiles

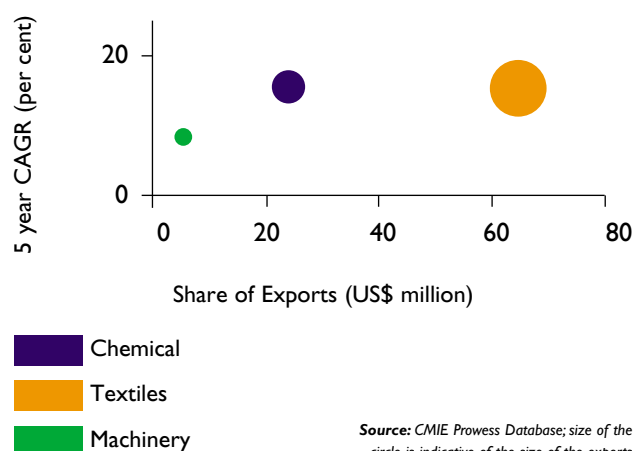
In addition to handloom and handicrafts, sericulture is one of the key cottage industries in the state. In 2003-04, 114,000 kg reeling cocoons were produced. There are about 50,000 handloom units primarily based on wool. The main products of the textile industry in the state are shawls, tweeds & blankets, woollen carpets, traditional dresses and other handicrafts.

The Baddi-Barotiwala-Nalagrah belt in Solan district near Chandigarh is fast emerging as a textile belt. The valley has a dozen units with a total capacity of about 600,000 spindles. Another five units with an additional capacity of 200,000 spindles are in the pipeline.

### Exports

The total exports from the registered industries in the state stood at US\$ 72 million approximately in 2002. With a strong traditional industry base, the state is a large exporter of textiles that contributes around 65 per cent to its total exports. The chemicals exports rank second in the state.

Estimates of exports from Himachal Pradesh in 2002-03 by Public Companies and CAGR



Source: CMIE Prowess Database; size of the circle is indicative of the size of the exports



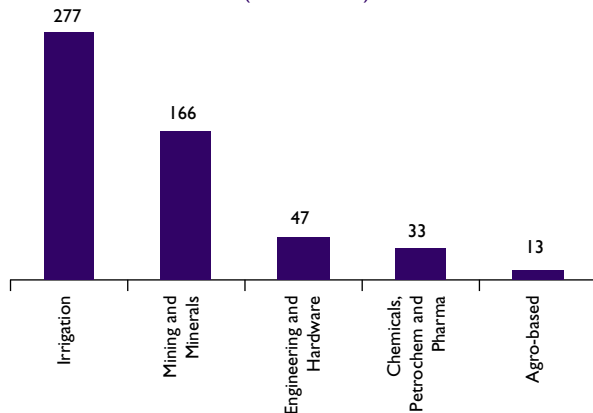
## Investment\*

The aggressive policy pursued by the State Government to attract investment has paid off. Several MNCs from various sectors have set up their facilities in the state. Spice Communications, India and TCL Mobiles, China have initiated the process of setting up a manufacturing facility for mobile handsets in the state. Besides catering to the domestic market the facility would also export to the Middle East and South African countries.

The state enjoyed a good investment climate in the recent past. Many projects in the power sector are in the pipeline, constituting about 99 per cent of the total proposed projects in the state.

MG Rover, UK has signed a joint venture to set up a manufacturing facility at Baddi with an investment of US\$ 45 million and production capacity of 24,000 units. Compact International plans to shift its cosmetic products manufacturing facility from Noida to Baddi. FMCG majors such as Johnson and Johnson and Hindustan Lever as well as other corporate majors like Titan are also in the process of setting up manufacturing facilities in the state.

Estimate of likely investment in Himachal Pradesh (US\$ million)



Source: Projects Today

\*Source: Projects Today as of Feb 2004: Projects Today classifies projects as "nascent", "planning" "partially completed" and "under execution". For the purposes of the above estimation, nascent and planning stage projects have been aggregated

## PROFILE OF KEY PLAYERS IN HIMACHAL PRADESH

### Associated Cement Company (ACC)

Associated Cement Company is the largest cement producer in the country with an installed capacity of 16.1 million tonnes per annum and a turnover of more than US\$ 745 million. ACC is the country's first name in cement, concrete and refractories. The Superbrands Council of India named ACC as a 'Consumer Superbrand' making it the only cement company to achieve this status. The company plans to expand its current capacity from 2.8 million tonnes to 4.4 million tonnes at its Barmana plant with an investment of US\$ 38 million.

### Cipla

Cipla is one of the leading pharmaceuticals companies in the country. Established in 1898, the company has an excellent process R&D capability and local distribution network which helped the company strengthen its position in both domestic as well as global markets. The company has one of the largest product portfolios in the industry with over 1,000 products in the domestic market. It launched over 55 products in 2004 alone. Cipla's anti-asthma brand, Asthalin, is ranked seventh among the top 10 retail brands. Cipla has five manufacturing facilities for bulk drugs and formulations and plans to establish one at Baddi with about US\$ 11 million in 2005. Cipla recorded an annual total income of over US\$ 425.5 million in 2004.

### Dabur India Ltd

Dabur India Ltd is the fourth largest FMCG company in the country with interests in healthcare, personal care and food products. Building on a legacy of quality and experience for over 100 years, Dabur has a turnover of US\$ 282.7 million with powerful brands like Dabur Amla, Dabur Chyawanprash, Vatika, Hajmola and Real. The company entered the specialised healthcare area of cancer treatment with its state-of-the-art oncology formulation plant at Baddi.

### Dharampal Satyapal Group

Dharampal Satyapal Group is a diversified conglomerate with business leadership across a wide spectrum of products like chewing tobacco, food & beverages, hospitality and technology solutions. During 2000-03, the group's turnover surged by over 250 per cent. The company's brands include Rajnigandha and Pass Pass. The group has two plants at Baddi, Dharampal Satyapal Ltd and Dharampal Satyapal Ltd SRF.

### Gabriel India Ltd

Gabriel India Ltd, a leading name in the Indian auto component industry, manufactures ride control products and engine bearings. It is the flagship company of the US\$ 400 million Anand Automotive Systems, a leading manufacturer and supplier of the widest range of automotive components and systems in the country. Gabriel India, with a turnover of over US\$ 94 million, is a major supplier to all segments of the market - OE, aftermarket and exports. The plant is equipped with an in-house chemicals and metallurgical laboratory, a non-ferrous powder foundry, sinter lines, semi-automatic presses, high-speed broaching machines, electroplating and sophisticated testing facilities. The state-of-the-art QS 9000 plant at Parwanoo has a manufacturing capacity of 20 million units per annum.

### Himachal Futuristic Communications Ltd (HFCL)

Himachal Futuristic Communications Ltd is one of the leading telecom equipment manufacturers in the state. Established in 1987, the company has interests in manufacturing transmission equipment, optical fibre cable, accessories and terminal equipment. HFCL's reputation is built on its technological expertise and sophisticated manufacturing plants. The two sprawling units at Solan are accredited with ISO 9002 certification and produce the best in wireless and wireline



technologies. Employing over 1,500 professionals, HFCL is the first Indian telecom company to have successfully subscribed its GDR issue. The company's well-equipped R&D facility is involved in exploration of new technologies and designing of radio & optical transmission equipment.

#### Malwa Cotton Spinning Mills Ltd

Malwa is among the top ten textile mills in the country. Malwa Cotton Spinning Mills Ltd, a subsidiary of VSO Group, has a facility at Paonta Sahib. The plant, which was set up in 1988, manufactures cotton, acrylic, polyester, viscose and other synthetic fibres. The Government of India awarded the group for consistent performance in exports and ISO 9002 for quality assurance.

#### Purolator India Ltd

Purolator, a joint venture between Anand Group and ArvinMeritor Inc, USA, a global provider of integrated automotive systems, modules and components for OEMs and the aftermarket with annual sales turnover of US\$ 7 billion approximately, is the largest manufacturer and exporter of filters in the country. Purolator has been manufacturing, marketing and distributing filters since 1923. The purolator brand includes more than 2,000 parts for automotive, light truck and heavy-duty applications. It manufactures air, oil, fuel and hydraulic filters for application in automotive, railways and aviation industries.

All facilities of the company are QS 9000 certified and are now working towards ISO 14000.



Purolator's Parwanoo plant is the largest filter facility in the country, established in 1976. Spread over an area of 9,000 sq mt, the plant primarily manufactures filter inserts for the domestic and export markets and also serves the defence and aviation segments. Parwanoo plant has the distinction of being the first filter facility in the country to be accredited with ISO 9001 certification.

#### Ranbaxy Laboratories

Ranbaxy is the country's leading pharmaceuticals company with a strong international focus. The largest exporter of drugs from India, it has business operations in 40 countries and manufacturing facilities in 6 countries.

The company's major strengths are in the therapeutic areas of anti-infective, dermatology, GI tract, orthopaedics and cardiovascular. The company with a strong R&D focus has a manufacturing facility in Paonta Sahib, where it produces tablets and soft gelatine capsules. The plant also has a state-of-the-art fermentation block. Ranbaxy has been exporting pharmaceuticals to USA and Europe, among other countries, from the Paonta Sahib plant for several years.

#### Torrent Pharmaceuticals Ltd

Torrent is one of the largest pharmaceuticals players in the domestic market, manufacturing bulk drugs and formulations with about 6 in the top 250 products in the market. Established in 1973, the company has a market share of 5.4 per cent and 2 per cent in cardiovascular and anti-diabetic segments respectively. Torrent is one of the first pharmaceutical enterprises in the country to realise the vital role of research. The company has also set up its R&D facility at Baddi with an investment of US\$ 20 million and an employee strength of 160. It is involved in developing new formulations for the company. The facility at Baddi would enjoy fiscal benefits like zero excise, sales tax and income tax for the next 10 years and mainly caters to the domestic market.

#### Vardhman Group

Vardhman, a major integrated textile producer in the country, has a modern state-of-the-art manufacturing facility at Baddi with an installed capacity of over 80,000 spindles. The group was set-up in 1962 at Ludhiana in Punjab. Since then, the group has expanded manifold and is today, perhaps, the largest textile conglomerate in the country. The group recorded a turnover of US\$ 439 million in 2003-04. Its portfolio includes manufacturing and marketing of yarns, fabrics, sewing threads, fibre and alloy steel.

# DOING BUSINESS IN HIMACHAL PRADESH

## Obtaining approvals

An indicative list of approvals with timeframe for setting up business in Himachal Pradesh

List of approvals and clearances required	Departments to be consulted	Estimated time taken (in days)
Incorporation of the company	Registrar of Companies	<b>SINGLE WINDOW CLEARANCE FACILITY</b>  The state has a Single Window Clearance Facility, which is the nodal agency responsible for obtaining all necessary clearances for an investment proposal. The committee, headed by the Chief Minister of the State clears all proposals within 30 days of submission.*
Registration, IEM, Industrial licences	DIC** for SSI for large and medium industries	
Allotment of land	State DI*** / SIDC**** / Infrastructure Corporation	
Permission for land use	State DI, Department of Town and Country Planning	
Site environmental approval	State Pollution Control Board and Ministry of Environment and Forests	
No Objection Certificate and consent under Water and Pollution Control Acts	State Pollution Control Board	
Approval of construction activity and building plan	Town and Country Planning Authority	
Sanction of power	State Electricity Board	
Registration under state's Sales Tax Act and Central and State Excise Act	Sales Tax Department, Central and State Excise Departments	

\*Department of Industries, Government of Himachal Pradesh

\*\*District Industry Centre

\*\*\*Department of Industries

\*\*\*\*State Industrial Development Corporations

## Cost of setting up business

An indicative table on cost of setting up business in Himachal Pradesh

<b>Manufacturing</b> Land (US\$ / hectare)* Labour Cost (US\$ / man year)**	Bidding process 781
<b>Services</b> Occupation Costs*** (US\$ / sq ft / year)	2.54
<b>Employee Cost (US\$ / man year)****</b> Software Developers Team Leads Architects Project Managers	6,383 14,893 21,276 31,915
<b>Common Heads</b> Cost of Capital***** (Prime lending rate, per cent)	10.03*****
<b>Electricity (US cents / kWh)*****</b> Metropolitan Area Non Metro Area	4.99 4.99

**Tax exemptions:** 100 per cent outright excise duty exemption for a period of 10 years and 100 per cent income tax exemption for a period of 5 years.

\*Land in Himachal Pradesh is sold in a bidding process.

\*\*Source: Indiatat.com

\*\*\*Source: Government Website

\*\*\*\*KPMG Analysis on costing for an IT venture in India

\*\*\*\*\*Government of Himachal Pradesh offers reduced lending rates to the industry

\*\*\*\*\*This is for SSI units in the state

\*\*\*\*\*Source: www.indiatat.com

**Note:** Exchange rate used is INR 47 per US\$

## Contact for information

### State Government Website

[www.himachal.nic.in](http://www.himachal.nic.in)

### Himachal Pradesh State Industrial Development Corporation (HPSIDC)

Himachal Pradesh State Industrial Development Corporation is the nodal agency for promotion and establishment of industrial units in the state. Wholly-owned by the State Government, it functions as a state level financial institution providing long-term loans for industrial projects.

#### *HP State Industrial Development Corporation*

New Himrus Building

Circular Road

Shimla 171 001

Tel +91 177 2624751

Fax +91 177 2624278

Email [hpsidc@sancharnet.in](mailto:hpsidc@sancharnet.in)

Web [www.hpsidc.nic.in](http://www.hpsidc.nic.in)

### Confederation of Indian Industry (CII)

Information on markets and opportunities for investment in Himachal Pradesh can also be obtained from Confederation of Indian Industry which works with the objective of creating a symbiotic interface between industry and government.

#### *Confederation of Indian Industry Northern Region*

L M Thapar Centre for Competitiveness

Block No. 3, Dakshin Marg

Sector 31 A

Chandigarh 160 030

Tel +91 172 2602365 / 2605868 / 2607228

Fax +91 172 2606259

Email [ciinr@ciionline.org](mailto:ciinr@ciionline.org)

Web [www.ciionline.org](http://www.ciionline.org)

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