



# JAMMU & KASHMIR

October 2007



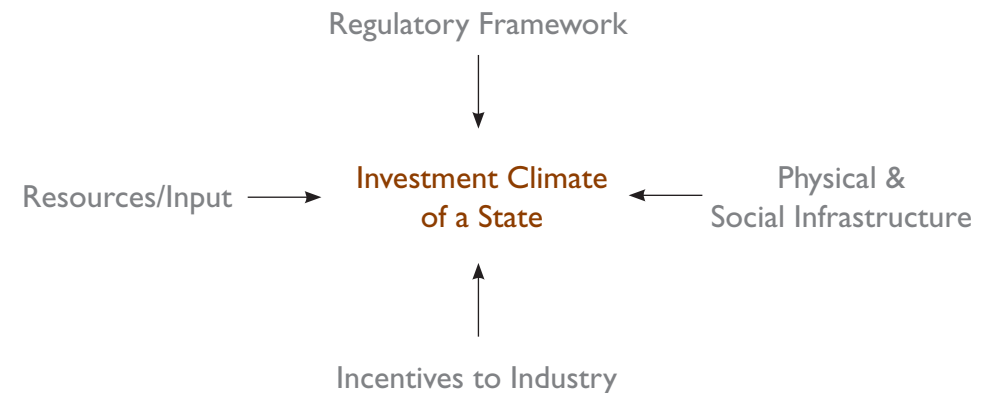
## Investment climate of a state is determined by a mix of factors

### Regulatory Framework

- Procedures for entry and exit of firms
- Industrial regulation, labour regulation and other government regulations
- Certainty about rules and regulations
- Security, law and order situation

### Resources/Inputs

- Skilled and cost effective labour
- Labour market flexibility
- Labour relations
- Availability of natural resources



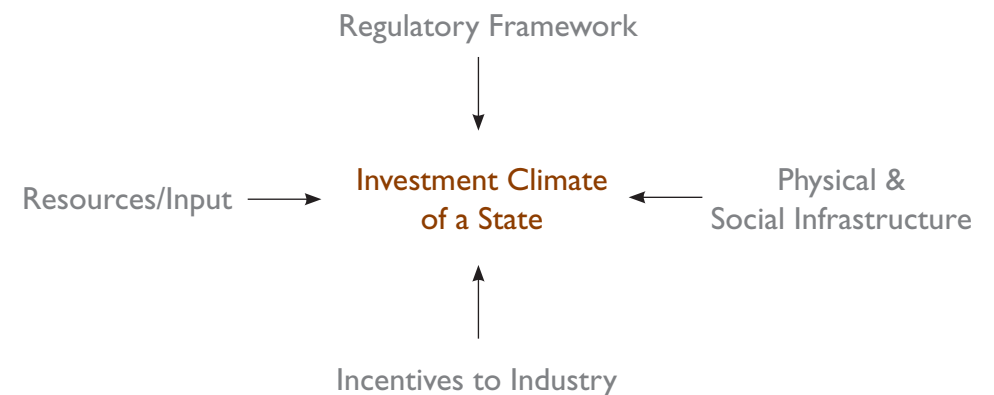
## Investment climate of a state is determined by a mix of factors

### Incentives to Industry

- Tax incentives and exemptions
- Investment subsidies and other incentives
- Availability of finance at cost effective terms
- Incentives for FDI
- Profitability and incentives to industry

### Physical & Social Infrastructure

- Condition of physical infrastructure like Power, Water, Roads etc
- Information infrastructure such as Telecom, IT, etc
- Social infrastructure like Educational and Medical facilities



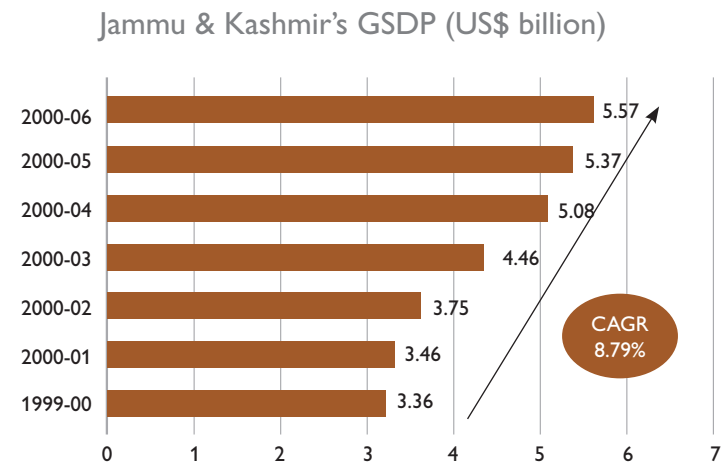
## Focus of this presentation

- **Jammu & Kashmir's performance on key socio-economic indicators**
  - **Availability of social and physical infrastructure in the state**
  - **Policy framework and investment approval mechanism**
  - **Cost of doing business**
  - **Key industries and players**
-

# JAMMU & KASHMIR'S PERFORMANCE ON KEY SOCIO-ECONOMIC INDICATORS

# Jammu & Kashmir's economic performance has been impressive, driven by all the three sectors of the economy

- The state's GDP grew at a good CAGR of 8.8% between 1999-00 and 2005-06 to reach US\$ 5.6 billion
- Agriculture was the highest contributor to the GSDP of the state among all industries in various sectors during 2005-06 at US\$ 675.6 million and was the principal contributor for the period from 1999-00 to 2005-06
- The tertiary sector, driven by public administration is the chief contributor to the GSDP and witnessed the highest CAGR of 10.0% during 1999-00 to 2005-06

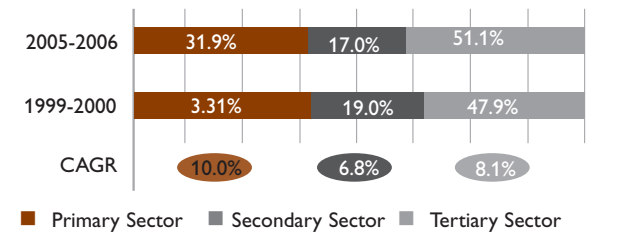


Source: Ministry of Statistics and Programme Implementation

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Percentage distribution of GSDP

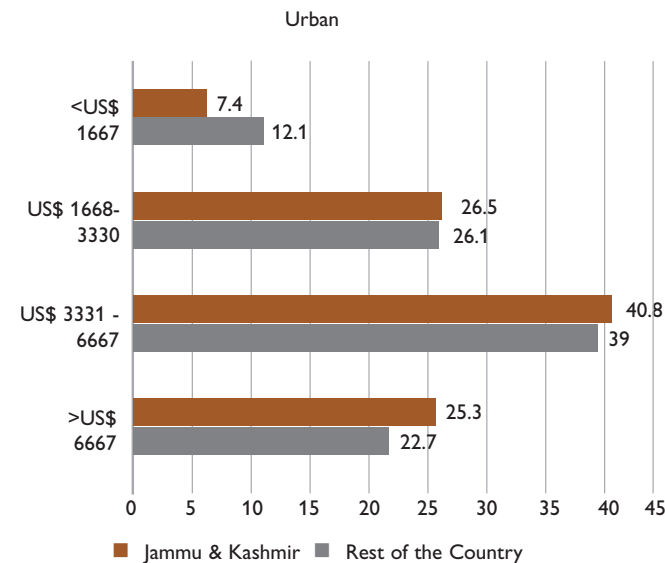


Source: Ministry of Statistics and Programme Implementation

## Households in the state have Higher Disposable Incomes as compared to the Rest of the Country

- According to estimates by Indicus Analytics, the per capita income in 2006 in urban areas was US\$ 667 and in rural areas it was US\$ 467, as against All-India average of US\$ 573.10
- Distribution of households by income shows that share of households in higher income categories in Jammu & Kashmir is greater than for All-India, a trend common for rural as well as urban households except in the category of <US\$ 1667

Distribution of Households by Income (Per cent)

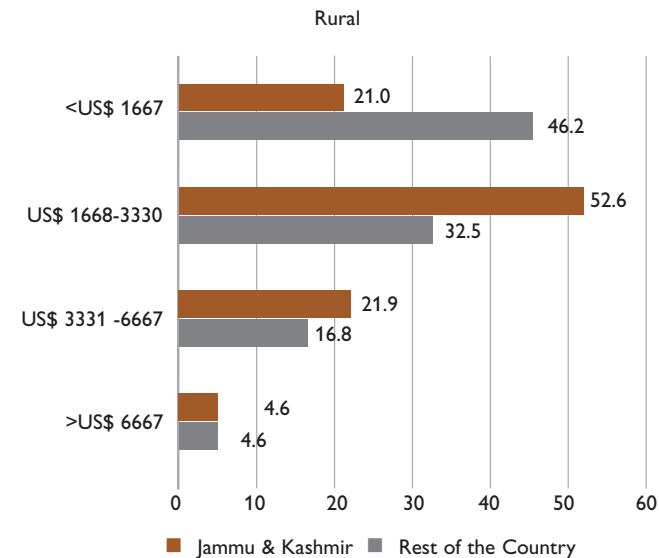


Source: The Market Skyline of India 2006 by Indicus Analytics

## Households in the state have Higher Disposable Incomes as compared to the Rest of the Country

- In ownership of assets like four wheelers and consumer electronics, Jammu & Kashmir is ahead as compared to All-India

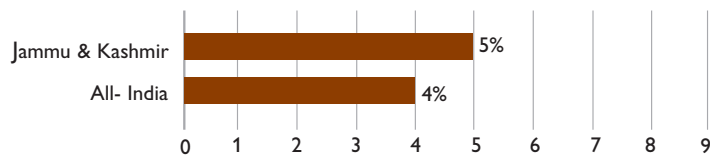
Distribution of households by income (Per cent)



Source: *The Market Skylilne of India 2006* by Indicus Analytics

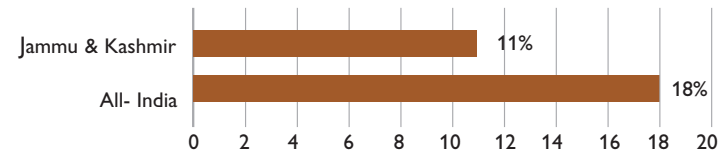
## Households in the state have Higher Disposable Incomes as compared to the Rest of the Country

Percentage of households with Four-wheelers



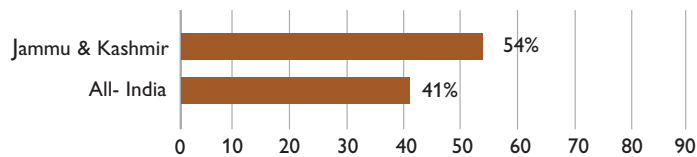
Source: The Market Skyline of India 2006 by Indicus Analytics

Percentage of households with Two-wheelers



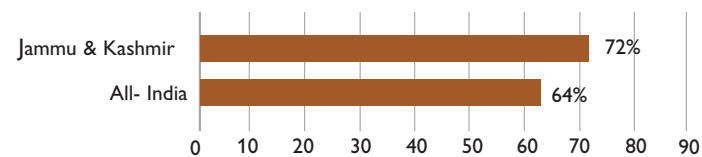
Source: The Market Skyline of India 2006 by Indicus Analytics

Percentage of households with Television



Source: The Market Skyline of India 2006 by Indicus Analytics

Percentage of households with Electricity



Source: The Market Skyline of India 2006 by Indicus Analytics

## Industry is mostly traditional in nature and comprises mainly of Small Scale and Cottage Industries

### Important Industrial Areas in Jammu & Kashmir

- Industrial Complex, Bari Brahmana, Jammu
  - Industrial Estate, Gangyal, Jammu
  - Industrial Growth Centre, Samba, Jammu
  - Integrated Infrastructure Development Project, Udhampur
  - Export Promotion Industrial Park, Kartholi, Jammu
  - Industrial Area, Kathua
  - Electronic Complex, Rangreth, Srinagar
  - Industrial Complex Lassipora, Pulwama, Kashmir
  - Industrial Complex, Khanmoh, Srinagar
-

## Industry is mostly traditional in nature and comprises mainly of Small Scale and Cottage Industries

### Important Industrial Areas in Jammu & Kashmir

- Industrial Complex, Zainakote, Srinagar
  - Industrial Estate, Zakura, Srinagar
  - Industrial Growth Centre, Ompora, Budgam
  - According to the State Directorate of Industries and Commerce, there were 1,048 registered factories in the state as on 31st March 2003
  - Handicrafts, being the traditional industry of the state, has been receiving priority attention of the Government in view of its large employment base and export potential
  - The state is famous for some small-scale and cottage industries such as carpet weaving, silks, shawls, basketry, copper and silverware, paper-machine and walnut wood
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## Industry is mostly traditional in nature and comprises mainly of Small Scale and Cottage Industries

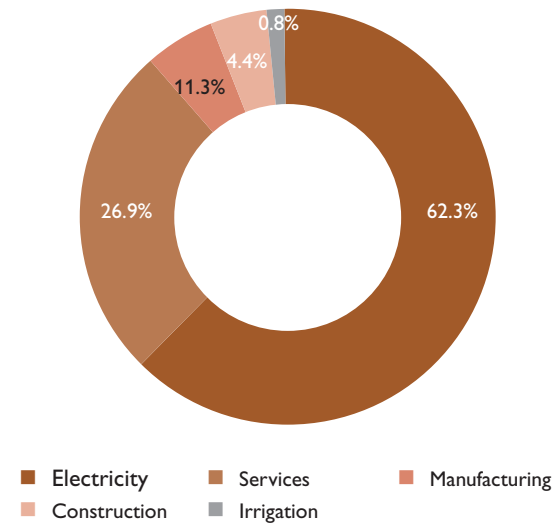
### Key industries in Jammu & Kashmir

- Horticulture
  - Floriculture
  - Handlooms & Handicrafts
  - Tourism
  - Mineral based industry
  - Gems & Jewellery
  - Sericulture
  - Information Technology
-

## Jammu & Kashmir has witnessed a strong inflow of investments in the manufacturing sector

- Outstanding investments in the state totaled US\$ 8.1 billion as on March 31, 2007, which is 18.7% higher compared to the same quarter a year ago
- 40% of this investment is under implementation
- Manufacturing sector has witnessed investments coming into the textiles sector
- Maximum investments have taken place in power related projects

Breakup of Investments by sector



Source: Monthly Review of States of India, CMIE

# AVAILABILITY OF SOCIAL AND PHYSICAL INFRASTRUCTURE IN THE STATE

## Social infrastructure is fairly strong

### Education infrastructure

- Education on top priority of the State Government
  - A provision of free education for children coming from families below the poverty line has also been made to facilitate education at the primary level among the poor
  - Jammu & Kashmir has 274 Higher Secondary Schools; 1,237 Secondary Schools; 10,860 Primary Schools; 3 Universities; 2 Engineering Colleges; 4 Polytechnics and 4 Medical Colleges
-

## Social infrastructure is fairly strong

### Medical infrastructure

- In 2004-05 the state had roughly 117 hospitals, 687 dispensaries, 394 primary health centres and sub-centres, 453 medical aid centres and 2,080 family planning centres and sub-centres
- There are two medical colleges, one in Jammu and the other in Srinagar
- A full-fledged medical institute, Sher-i-Kashmir Medical Institute, is functioning at Soura in Srinagar

### Comparison of Health Indicators

	Jammu & Kashmir	All-India
Birth rate*	18.9	24.8
Death rate*	5.5	8.1
Infant mortality rate**	50	63
<b>Life expectancy at birth (years)</b>		
Male	59.7	64.1
Female	59.0	65.4

\* Per thousand persons

\*\* Per thousand live births

Source: Jammu & Kashmir Official Website, Indiastat

## Transport infrastructure in the state is being upgraded

### Roads

- The state has 823 km of national highways; 688 km of state highways; 7,671 km of major district roads and 3,372 kms of village roads
  - The total road length in the state has reached 15,012 km
  - Road density is 35 km/100 sq km
  - During March 2007, widening of the existing two-lane road in the Pathankot – Srinagar section of National Highways-1A to Four lane configuration was approved under National Highway Development Project (NHDP) Phase - 2 as a part of the North-South corridor
-

## Transport infrastructure in the state is being upgraded

### Civil Aviation

- Srinagar airport is a major international airport in the state, Jammu & Leh being other domestic airports
- Srinagar airport reported a passenger traffic of 457,000 during 2005-06, while Jammu reported 306,385 and Leh reported 122,401

### Railways

- The state ranks 21st in the country in railway network with 138 km route of railways, as of March 2006
  - Udampur-Katra and Quazigund-Baramullah Rail link project has been taken up as national project which is likely to be completed by 2007
-

## The situation in the Power sector and Telecommunication is encouraging

### Power

- Jammu & Kashmir has immense potential for hydro power. The total installed capacity in the state stands at 537.76MW, most of it produced by hydro power projects and gas turbine
  - The industrial units are allowed to install their own captive power generation plants in the state and such units are excluded from paying electricity duty
-

## The situation in the Power sector and Telecommunication is encouraging

### Telecommunications

- The J&K Telecom Circle is the main service provider which provides Basic Telephony and Value Added Services
  - There are 5 secondary switching areas (SSAs) namely Jammu, Srinagar, Udhampur, Rajouri & Leh
  - The state has 373 telephone exchanges;  
416,904 landline equipped capacity;  
281,615 landline telephone subscribers;  
800,434 cellular mobile subscribers  
(both prepaid and post-paid) and  
45,641 internet connections
-

### Industrial Infrastructure is being built up

- The state has 40 industrial estates - Srinagar, Jammu, Anantnag and Pulwama are the major industrial centres in the state
  - Two Special Economic Zones (SEZs), one each in Jammu and Kashmir Province, are under finalisation with a view to promote exports of the state
  - There is an Integrated Infrastructure Development Project at Udhampur, an industrial area at Kathua, one Electronic Complex at Rangreth, Srinagar, three industrial complexes at Bari Brahmana, Pulwama and Khonmoh and three industrial estates at Gangyal, Jammu and Zainakote and Zakura at Srinagar
-

# Industrial Infrastructure is being built up

- Two Agri-processing zones-one for walnuts and another for apples in Jammu and Kashmir
  - Further, locations have been identified for two food parks, two export promotion industrial parks and one industrial estate
  - Two industrial growth centres at Samba & Badgam and one Export Promotion Industrial Park at Kartholi, Jammu are also being developed
  - There are major proposals for setting up of Software Technological Park, at Srinagar, Textile City at Kathua, besides Integrated Leather Complex, Food Processing Park and Gem Park at Srinagar/Jammu
-

# POLICY FRAMEWORK AND INVESTMENT APPROVAL MECHANISM

## Key Nodal Agencies in Jammu & Kashmir

### **Jammu & Kashmir Industrial and Technical Consultancy Organization Ltd. (J&K ITCO)**

- Set up in April 1997 as a subsidiary of Industrial Development Bank of India (IDBI)
  - Prime objective is to provide a package of consultancy services to existing and potential tiny, small and medium scale industrial units
-

## Key Nodal Agencies in Jammu & Kashmir

### Jammu and Kashmir State Financial Corporation (JKSFC)

- Established to act as a regional development bank with the aim of promoting industries and boosting economic development in the state
  - In case of existing units, JKSFC offers term finance for their expansion, diversification, renovation, modernization and procurement of quality control equipment and energy saving devices
-

## Key Nodal Agencies in Jammu & Kashmir

### **Small Industries Services Institute (SISI)**

- Provides techno-managerial, economic and marketing services to prospective and existing entrepreneurs in the state
-

## Key Nodal Agencies for Single Window Clearance

Jammu & Kashmir State Industrial Development Corporation (J&K SIDCO)	State-level Nodal Agency for Single Window Clearance
Purpose	<ul style="list-style-type: none"> <li>- Nodal agency for promotion &amp; development of medium and large scale Industries in the state</li> <li>- Established to act as a catalyst to inspire and accelerate the industrial development in the state</li> <li>- Investment limit – Cost of plant and machinery of over and above US\$ 0.7 million</li> </ul>
Directorate of Industries and Commerce	- Act as District level committee for Single Window Clearance
Purpose	<ul style="list-style-type: none"> <li>- Provides sanctions/clearances for setting up small scale industrial units in the state</li> <li>- General Manager acts as the key nodal officer for sanctions</li> <li>- Investment limit – Cost of plant and machinery of US\$ 0.7 million or less</li> </ul>

## Attractive Investment climate in the State being created through Investment friendly Policies, including Sector specific policies

### Industrial Policy 2004

**An action plan to promote industrial growth in the state**

- Key initiatives under this Policy include
    - To achieve sustainable industrial development in all regions for increasing the rate of growth, value of output, employment, income and overall economic development of the state
    - To strive towards balanced economic and social development in all regions of the state by promoting industrialisation particularly of the industrially backwards areas
    - To encourage and sustain the cottage and tiny industrial sector which is able to provide employment to a large number of people in the state
-

## Attractive Investment climate in the State being created through Investment friendly Policies, including Sector specific policies

### Industrial Policy 2004

- To create a supportive environment with transparency and easy access in to information, technology and financial resources
  - To revive potentially viable sick industrial units so as to put to optimum use the capital and other resources already employed in such enterprises
  - To promote the growth of thrust and export-oriented industries and encourage high-tech and knowledge based industries including information technology
  - To take necessary steps in the field of Human Resources Development to make available skilled/technical manpower as per the needs of industry
-

## Attractive Investment climate in the State being created through Investment friendly Policies, including Sector specific policies

### Infrastructure Policy

Focuses on improving the general infrastructure of the state

- Key initiatives under this Policy include
  - Development of modern industrial areas and estates, growth centres, Integrated Infrastructure Development Centres (IID), etc.

## Attractive Investment climate in the State being created through Investment friendly Policies, including Sector specific policies

### Infrastructure Policy

- Operational management of the major industrial estates will be rationalized, involving local industrialists through a suitable local self managed model both for development works and management of the estates including regulation of power and water supply
  - Treating private sector participation in infrastructure development as an industry for the purpose of availing incentives
-

## Attractive Investment climate in the State being created through Investment friendly Policies, including Sector specific policies

### Infrastructure Policy

- Facilitation of acquisition of land by the State Government for such private sector initiatives
  - Efforts will be made to ensure that the power supply within industrial areas, estates, IIDCs, etc. is regular, reliable and of good quality
  - Private sector investment in generation and distribution of regular power supply in industrial areas, estates, IIDCs etc. will be actively encouraged
  - Micro-hydel projects are already open for private sector investment. A separate policy on the subject has been announced and implemented by the Power Development Department of the government
  - To achieve sustainable industrial development in all regions for increasing the rate of growth, value of output, employment, income and overall economic development of the state
-

## Attractive Investment climate in the State being created through Investment friendly Policies, including Sector specific policies

### IT Policy

**Focuses on realising the potential of IT in the economic development of the state**

- Key initiatives under this Policy include
    - E-Governance: To use IT in the process of government functioning to bring about Simple, Moral, Accountable, Responsive and Transparent (SMART) governance to its citizens
    - IT in Industry: To use IT effectively in industries especially where the state has competitive advantages; to diversify the local industries into being web-enabled and attract investments from IT companies from elsewhere in the country and the world
-

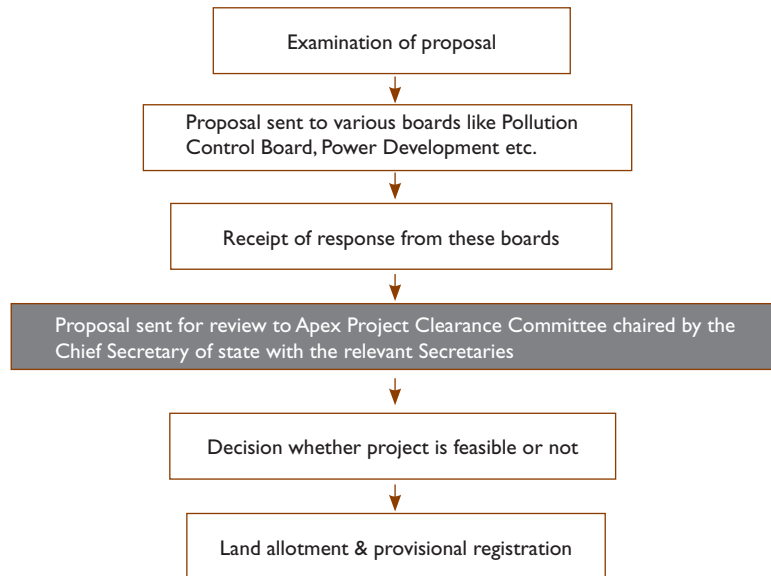
## Attractive Investment climate in the State being created through Investment friendly Policies, including Sector specific policies

### IT Policy

- IT in Education: Encourage the use of Information Technology in schools, colleges and educational institutions so as to enable students to improve their skills, knowledge and job prospects and enable them to obtain employment in this sunrise industry
  - Investments in IT Sector: To encourage and accelerate the Investments and Growth in IT hardware, Software, Internet, Training, ITeS, Telecom, E-commerce and related sectors in the state
  - Localization: To facilitate localization of software, so that benefits of IT could also percolate to the local language
-

## Single Window Clearance mechanism exists to facilitate speedy implementation of industrial projects

The following is the procedure for obtaining Single-Window Clearance in the state



The entire procedure is completed within a maximum time-frame of 2 months

## Concerned Agency for starting business in Jammu & Kashmir

### Jammu & Kashmir Industrial Development Corporation (J&K SIDCO)

- Acts as a catalyst to promote industrial development in the state
  - Has established seven industrial estates to provide infrastructure facilities at identified locations suitable for industrial development throughout the state
  - Within each estate, developed land is available at subsidized rate Industrial growth centres and export promotion Industrial parks are being set up in both Jammu region and Kashmir valley separately, by way of acquiring land, constructing internal roads, efficient disposal facilities, provision for water and power in the industrial estate.
  - Corporation offers a variety of financial assistance for setting up new units and for expansion/diversification/modernization of existing projects
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# COST OF DOING BUSINESS

## Cost of doing business in Jammu & Kashmir

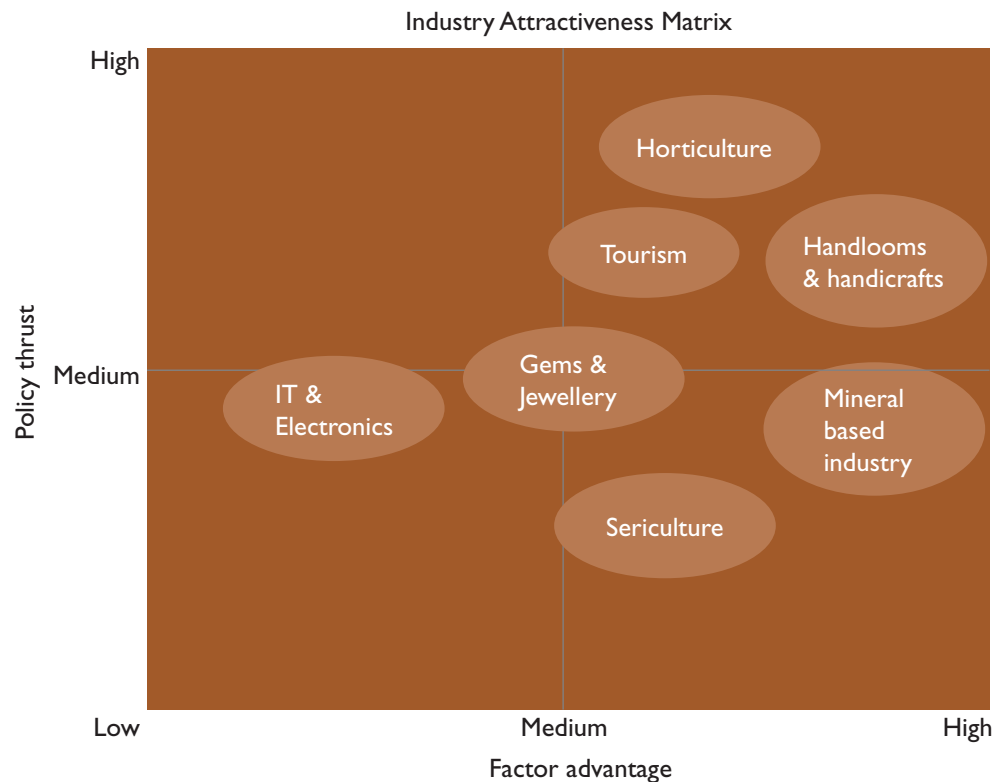
Cost of land	Government Land										
<b>a) Premium Rates</b>	<b>Revised Rates of Premium</b>										
<b>Name of the District</b>											
Jammu, Kathua, Udhampur, Samba (including Bari-Brahmana) Srinagar, Budgam, Anantnag, Pulwama	US\$ 4000 per kanal for plots not exceeding 4 kanals & US\$ 7000 per kanal for plots exceeding 4 kanals										
Poonch, Rajouri, Doda, Kishtwar, Reasi, Ramban, Gandorbal, Baramulla, Kulgam, Kupwara, Bandipora, Shopian, Leh and Kargil	US\$ 2000 per kanal for plots not exceeding 4 kanals & US\$ 3000 per kanal for plots exceeding 4 kanals										
<b>b) Premium Rates</b>	Ground Rentals: US\$ 66.7 per kanal per year										
Hotel costs	US\$ 22 to US\$ 222 per room night										
Cost of office space	18 cents to 30 cents per square foot per month										
Cost of residential space	US\$ 222 to US\$ 667 per month for a 2,000 square feet house (Rates depend on the type of structure and location)										
Power cost	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Capacity</th> <th>Rate (US\$)</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Metered supply energy charge for all units</td> <td>Upto 20 HP</td> <td>3 cents + 22% ED</td> </tr> <tr> <td>Above 20 HP upto 100 HP</td> <td>4 cents + 22% ED</td> </tr> <tr> <td>Above 100 HP upto 250 HP</td> <td>6 cents + 22% ED</td> </tr> </tbody> </table>	Particulars	Capacity	Rate (US\$)	Metered supply energy charge for all units	Upto 20 HP	3 cents + 22% ED	Above 20 HP upto 100 HP	4 cents + 22% ED	Above 100 HP upto 250 HP	6 cents + 22% ED
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	Above 100 HP upto 250 HP	6 cents + 22% ED									
Cost of Water	6.6 cents per 1000 litres										
<b>Source : J&amp;K SIDCO</b>											
8 Kanals = 1 Acre											

# KEY INDUSTRIES AND PLAYERS

## KEY INDUSTRIES AND PLAYERS

JAMMU & KASHMIR • October 2007

Key industries that have developed in the State are a result of the policy thrust of the government and several factor advantages



## Overview of Key Industries

### Horticulture and Floriculture

- Horticulture is the bulwark of rural economy in the state generating revenue of over US\$ 10.5 million yearly and providing job facilities to thousands of people directly and indirectly.
  - The State is a leader in the production of Apples, Walnuts, Pears, Almonds and Apricots and has huge potential for exports of processed food and allied services
  - The state has suitable Agro-climatic conditions for a variety of flowers
  - The floriculture industry in the state offers a good supply to both domestic and international market
-

## Overview of Key Industries

### Handicrafts

- Traditional industry of the state
  - Kashmiri silk carpets are famous world over and earn a substantial foreign exchange
  - Wood from Kashmir, popularly known as Kashmir willow, is also used to make high-quality cricket bats
  - Handicrafts industry and cottage industry provide direct and gainful employment to 0.3 million people
  - The state has established the Jammu & Kashmir Handicrafts Sales & Export Promotion Corporation and J&K State Handloom Development Corporation to promote development and growth of the handicrafts sector
-

## Overview of the Tourism Industry in Jammu & Kashmir

### Tourism

- 6.3 million domestic tourists visiting the state during 2001-05 on an average
  - Jammu is famous for its temples
  - Major tourist attractions include Chashma Shahi springs, Shalimar Bagh and Dal Lake in Srinagar; Gulmarg, Pahalgam and Sonamarg in the valley; Ladakh and Vaishno Devi temple and Patnitop near Jammu
-

## Overview of the Tourism Industry in Jammu & Kashmir

### Sericulture

- Kashmir is well-known for its quality of silk and its traditional silk weaving industry
  - The state houses two large silk factories in Srinagar and Jammu
  - The factory at Srinagar manufactures around 300,000 metres of various types of Silk fabrics, Georgette, Parachute and Suiting
  - The government woollen mill at Srinagar is another established manufacturing unit, which has a capacity of 2,018 Woollen and 1,576 Worsted spindles
  - The state has also a special package of US\$ 3 million for the development of sericulture for price stabilization, procurement of cocoons, cultivation of mulberry plantation in private lands, etc.
-

# Key Players in Jammu & Kashmir

## Indian Telephone Industries Ltd. (ITIL)

- India's pioneering venture in the field of telecommunications. Founded in 1948, this premier PSU has contributed to 50% of the present national telecom network
  - Manufactures the entire range of telecom equipment
  - Has its manufacturing unit at Srinagar
-

# Key Players in Jammu & Kashmir

## National Hydroelectric Power Corporation

- Incorporated in 1975 as a private limited company for the integrated and efficient development of hydroelectric power
  - Other sources of energy like geothermal, tidal, wind etc. have been added further
  - Has two power stations located at Salal and one each at Uri and Dulhasti
-

## Key Players in Jammu & Kashmir

### **Singer India Ltd.**

- Leader in sewing machines having expanded its product range
  - Has a factory at a distance of 16 kms from Jammu which is in existence since 1986
-

## Key Players in Jammu & Kashmir

### Zamindara Rice Mills

- Established at Village Rangpur Sandhrey in 1998
- The unit won the recognition of the highest order for the best quality of rice produced by them at the state level from the Federation of Retailers Association, Jammu

### Maral Overseas Ltd.

- The company's Jammu unit set up in 1985, in technical collaboration with Devanlay of France
  - The unit produces a wide range of yarns, fabrics and garments and was India's first vertically integrated plant
-

# Key Players in Jammu & Kashmir

## Jai Beverages Pvt. Ltd.

- Incorporated in 1999 as a franchise for Pepsi India at an initial investment of US\$ 6.4 million
- Providing direct and indirect employment to around 650 people

## Sutlej Industries Ltd.

- Golden Trading House exporting to 52 countries. Gained entry into the state with the Chenab textile mills of Jammu & Kashmir merging with the company in 1997
  - Part of the K.K Birla group which is one of the top business houses and among the textile industry leaders in India
-

# Key Players in Jammu & Kashmir

## Hindustan Machine Tools (HMT)

- Incorporated in 1953 as a machine tool manufacturing unit by the Government of India
- Has diversified into watches, tractors, printing machinery and metal forming presses in the recent times
- Has its manufacturing unit for hand wound watches in Srinagar which initiated in 1975

## Kashmir Steel Rolling Mills

- Largest manufacturer of TMT bars in the state situated at SIDCO Industrial Complex, Bari Brahamna, Jammu
  - The company has an ISO 9001 certification having its own source of raw material input and is manufacturing M.S.Ingots/Billets as per BIS standards
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