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The India Brand Equity Foundation is a public-private partnership between the Ministry of Commerce & Industry, Government of India and the Confederation of Indian Industry. The Foundation's primary objective is to build positive economic perceptions of India globally.

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INDIAN STATES
Economy and Business

Punjab



Published by



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Executive Summary

Punjab was the first Indian state to use agricultural technology to engineer a “green revolution”, recording the highest growth rate in food production. Today, with its rich agricultural resources and favourable climate, the state continues to be one of the largest producers of food grains and cash crops in the country.

Punjab contributes 68 per cent to the annual food production of India. The state’s index of agricultural production rose from 269.55 in 1990-91 to 314.73 in 2002-03, showing an increase of 16.8 per cent. The state has 3 per cent of India’s net sown area and 1.5 per cent of its farming population. Punjab’s large agriculture base gives it a competitive advantage in industries such as food processing and textiles.

The state also has a marked presence in the agro-based and light engineering goods businesses. It has over 19.7 million small and medium enterprises, about 653 large enterprises and provides more than 75 per cent of the country’s requirement for bicycles, sewing machines, hosiery and sports goods. At par with the best in the world, these high quality products have carved a niche for themselves in markets across the globe.

The state is committed to creating a climate conducive to investment. It has been proactive in attracting investment from the private sector, particularly in areas like agro-processing, infrastructure, Information Technology (IT), textiles and biotechnology.

■ Industrial Centres in Punjab



An Economic Snapshot

<i>Capital</i>	Chandigarh
<i>Area (sq km)</i>	50,362
<i>Population (Census 2001, million)</i>	25.2
<i>Literacy Rate (%)</i>	70
<i>Human Development Index</i>	0.537 (all India rank 2nd)
<i>Net State Domestic Product (NSDP) (US\$ billion)</i>	8.6
<i>NSDP Growth (%) (10 years)</i>	4.06
<i>Per Capita Income (US\$)</i>	574
<i>Exports (US\$ million)</i>	1,558
<i>National Highways Length (km)</i>	1,557
<i>Rail Length (km)</i>	2,102
<i>Domestic Airports</i>	Chandigarh, Ludhiana
<i>International Airport</i>	Amritsar
<i>Key Industries</i>	Agro-processing Textiles, Hosiery and Woollens Light Engineering Goods
<i>Industries with Growth Potential</i>	Agri-business IT and Electronics Infrastructure Development Biotechnology

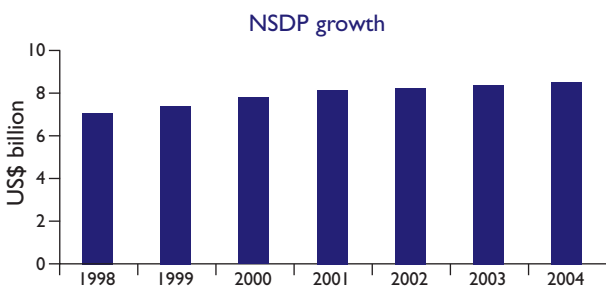


Advantage Punjab

- Leading agriculture state, per capita income 25 per cent higher than the national average
- Second largest producer of cotton and blended yarn, third largest producer of mill made fabric
- Competitive strength in textiles, woollens and auto parts due to presence of industry clusters
- Opportunity for further developing sectors like agro-processing, IT, electronics and biotechnology
- Potential to introduce private participation in infrastructure

THE STATE ECONOMY

Punjab's Net State Domestic Product (NSDP) stood at US\$ 8.6 billion in 2004 and has been growing at a Compounded Annual Growth Rate of 4.06 per cent since 1998.



Source: Punjab Statistical Abstract 2003 and Punjab Budget

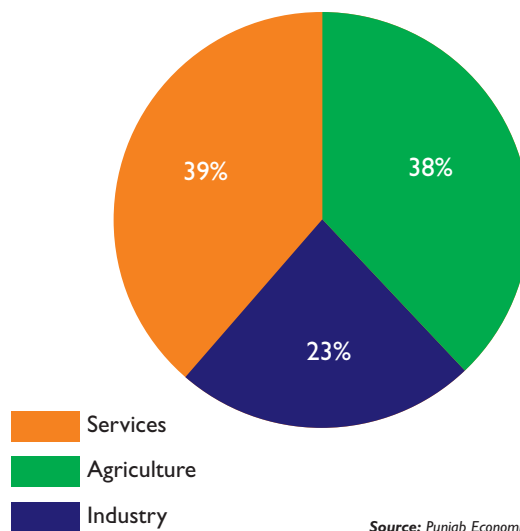
In Punjab, agriculture accounts for 38 per cent of the Gross Domestic Product (GDP), reflecting a huge scope for developing industry and services sectors in the state. Between 1994 and 2003, the industrial sector in Punjab grew at 5 per cent per annum while the services sector grew at 7 per cent per annum.

Punjab has consistently been ranked first in the country on the Infrastructure Development Index. According to Centre for Monitoring Indian Economy (CMIE) report (2000-01), on a national average of 100, Punjab's relative infrastructure index was the highest at 186.

In 2004, the state enjoyed a per capita income of US\$ 574. Punjab ranked second on the Human Development Index, in the Human Development Report (2001), reflecting a strong performance on the social development front.

Punjab has been focusing on developing its human resources by building skills. The Census (2001) reflects that the state has been successful in diverting its workforce to non-agricultural activities. Of its total workforce, only 39.36 per cent workers were found to be cultivators or agricultural labourers.

Sectoral Contribution to GDP



Source: Punjab Economic Survey 2003-04

INFRASTRUCTURE

Punjab has been working towards improving its infrastructure to ensure better accessibility and facilities to the industry at large and to attract investment into the state.

Social infrastructure

Punjab has a literacy rate of 70 per cent, according to the Census (2001). The state has been steadily building its human resources to enable its people to cope with the challenges of the 21st century. It has been encouraging private sector participation in the education sector, particularly in the area of technical and vocational education.

The state has 41 engineering colleges, 15 pharmacy colleges, 46 management and computer science institutes and over 170 industrial training institutes, including those in the private sector. Every year about 17,640 engineers and close to 31,689 technically qualified individuals graduate from Punjab's industrial training institutes.

Punjab is also gearing up to be a hub for biotechnology. It has five leading biotech institutions that produce 200 graduates and 100 postgraduates and doctorates in the field of biotechnology/ bio-engineering. These institutes are the Punjab State Council for Science & Technology (PSCST), Punjab Agriculture University (PAU), Thapar Institute of Engineering & Technology (TIET), Institute of Microbial Technology (IMTECH) and the Postgraduate Institute of Medical Education & Research (PGIMER). The state also has a network of 205 hospitals and 2,037 health centres.

Access infrastructure

The road infrastructure in Punjab is among the most developed in India. The network of national

and state highways aggregating 3,700 km provides convenient access to all parts of the state. Under the on-going National Highway Development Programme (NHDP), a length of 311 km is being converted into 4/6 laned highways. The State Government has also announced plans to develop 12 road corridors aggregating 845 km through public-private partnership. These projects are likely to commence in 2005.

Punjab is well connected by rail with all its main cities, Chandigarh, Ludhiana, Amritsar, Ferozepur and Jalandhar on the main line to New Delhi. With the completion of a number of on-going railway projects, the railway infrastructure in Punjab will get a further boost. These projects shall improve the intra-state connectivity and enhance the carrying capacity of major rail corridors in the state facilitating faster movement of goods, particularly food grains and items destined for export markets.

Punjab has an international airport at Amritsar and domestic airports at Chandigarh and Ludhiana. The airport at Amritsar has an air cargo complex, while Ludhiana has an inland container depot. Container freight stations are also planned at Jalandhar, Ludhiana, Amritsar and Rajpura.

Power

Power is pivotal to Punjab's industrial and agriculture sectors and the state has been working towards expanding and strengthening its power infrastructure to meet the increasing consumer demand in various sectors of the economy.

The State Government has signed Power Purchase Agreements with a number of power generating agencies through Power Trading Corporation, National Thermal Power Corporation (NTPC) and National Hydroelectric Power Corporation (NHPC). Punjab has an installed electricity generation capacity

of 4,452 MW (2004). Over the last decade electricity consumption has increased 5 per cent per annum on an average.

Punjab State Electricity Board (PSEB) has planned an additional capacity of 2,277 MW during the Eleventh Five-Year Plan period. Two major electricity generation projects under implementation are GHTP Lehra Mohabbat and the Bharat Heavy Electricals Ltd (BHEL) Hydro Project. Together these will generate 518 MW of power. PSEB intends to enter into a joint venture with the Gas Authority of India Ltd (GAIL) to set up a 1,000 MW gas plant near Doraha at a cost of

over US\$ 851 million. A Memorandum of Understanding (MoU) with NHPC is also on the anvil to initiate the process of implementing the 168 MW Shahpur Kandi Hydel Project.

Communications infrastructure

The state has seen a significant improvement in its telecommunications infrastructure since the announcement of the new National Telecommunications Policy (NTP) in 1999, which emphasised the participation of the private sector in the telecommunications industry. Since then, fixed wire telephone subscribers have increased from 0.4 million in 1995 to 1.9 million in 2002, while mobile subscribers touched 2.3 million in 2004.

Industrial infrastructure

The Punjab State Industrial Development Corporation (PSIDC) has developed over 80 industrial estates, growth centres and industrial focal points in the state. These estates provide the units with basic infrastructure, which include uninterrupted electricity and water supply, sewerage and common roads.

Punjab's key business and commercial centres are:

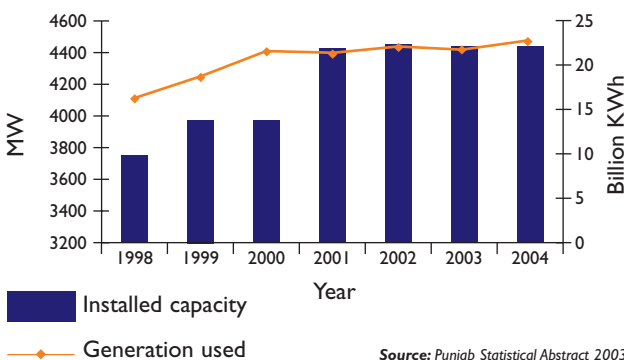
Chandigarh-Mohali

Chandigarh is the capital city of Punjab and the administrative headquarters of the Government of Punjab. Mohali is a twin township of Chandigarh and the hub for Information Technology (IT)/Information Technology Enabled Services (ITES), electronics and pharmaceutical industries. The State Government is actively pursuing proposals to set up an IT-based Special Economic Zone at Mohali.

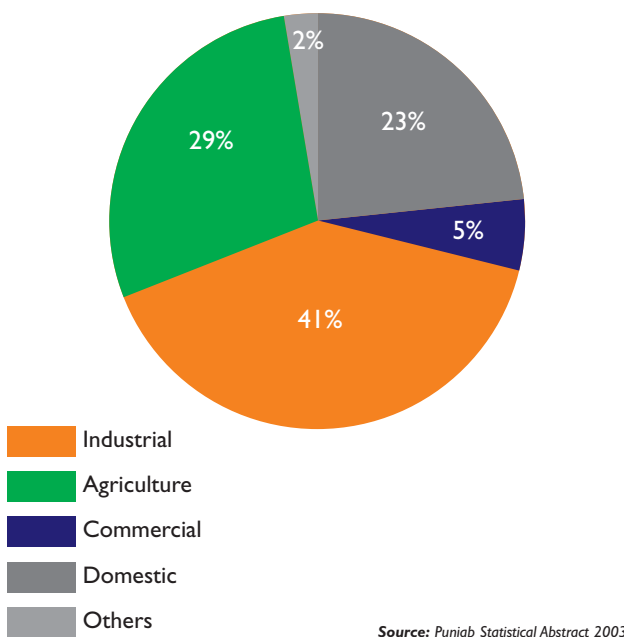
Ludhiana-Jalandhar

Spread over 6,400 sq km Ludhiana-Jalandhar are two of Punjab's largest cities with a population of over five million. They also form Punjab's principal industrial hubs, dominated by textiles and light engineering goods industries. Ludhiana is the domestic leader in acrylic

Trend in installed capacity and electricity generation



Composition of electricity consumption





yarn and woollens and is gearing up for growth in knitwear exports in the post quota regime, especially as the Indian textile industry enjoys a zero excise status.

Ludhiana-Amritsar

Under the Government of India's Industrial Infrastructure Upgradation Scheme, the state is developing two industrial clusters, at Ludhiana and Amritsar, to promote cotton and woollen textile exports respectively. These clusters involve an investment of US\$ 11 million each. The State Government is also working out the modalities of setting up a General Product Zone in Amritsar.

Punjab Apparel Park

To offer superior infrastructure support to apparel export units, the State Government is developing the

Punjab Apparel Park at Ludhiana. The park to be set up at the cost of US\$ 75 million will be developed by the Apparel Exporters Association of Ludhiana (APEAL) in collaboration with the Punjab Small Industries and Export Corporation (PSIEC). Spread over 100 acres, the park will be self-sufficient in terms of infrastructure, with an effluent treatment plant and a 5-10 MW captive power plant.

Pushpa Gujral Science City

The State Government along with the Central Government is setting up the Pushpa Gujral Science City (PGSC), an international level science centre to encourage R&D in agriculture and promote agro-based industry. The institute will be spread over 71 acres and will be located on the Jalandhar-Kapurthala state highway.

STATE POLICY

Vision & Mission

The Government of Punjab aims to promote industrial and agricultural growth, create employment opportunities and make Punjab an attractive destination for domestic and foreign investment. Thus, the Government has identified three focus areas:

- Diversify the agriculture base and promote value addition
- Promote the development of industrial clusters to strengthen their competitive position
- Restructure and empower public sector units to maximise their potential value

Industrial Policy

The State Government's New Industrial Policy (2003) aims to create a conducive investment climate through infrastructure creation, reduced regulation and general facilitation. It also aims to rejuvenate and make the existing industry competitive through improved technology, product quality and marketing.

Key policies

- Diversification of agriculture base and promoting value addition
- Investment in technology through seeds and fertilisers to improve yields
- Adopt contract farming to introduce modern management into agriculture
- Concentrate on post harvest measures to improve crop utilisation efficiency
- "Second Push Programme" - setting up cold chain infrastructure and food processing units to maximise value addition
- Promote development of industrial clusters to strengthen their competitive position

- Development of clusters in areas according to raw material availability and competitive advantage
- Maximise utilisation of Central Government support for development of industrial infrastructure
- Restructure and empower public sector enterprises
- Promote public sector enterprises to attract investment in public-private partnerships
- Utilise public sector enterprises to achieve structural transformation in the economy
- Revival of sick units

Single window clearance

To help entrepreneurs obtain speedy clearances for setting up industry in Punjab, the Government has set up a special cell called *Udyog Sahayak* (industry facilitator). All knowledge driven industries such as IT, electronics and biotechnology have a separate single window service mechanism under Punjab Information and Communication Technology Corporation Ltd.

IT Policy

To maximise the potential benefits from wide-scale adoption of IT in the state, the State Government has devised an IT action plan that aims to:

- Provide citizen-centred governance
- Create a global, digitalised economy to attract foreign investment
- Use IT to make local industry cost competitive and sustainable by lowering barriers to entry in the global market
- Provide superior technical education to create a highly qualified labour force

The State Government has already started an Integrated Citizens' Service Project on a pilot basis

in Ludhiana. Punjab's IT Policy also provides a range of incentives for IT firms located in the state. These include:

- Investment incentive at 30 per cent of the fixed capital investment
- Exemption from sales tax for a period of 10 years
- Exemption from electricity duty for a period of 5 years
- Human resources development grant for a period of 5 years
- Exemption from stamp duty and registration fee
- A venture capital fund to support the growth of the IT industry

e-Governance

Export promotion and facilitation

The Punjab Small Industries and Export Corporation (PSIEC) is the nodal agency for promoting exports from the state. PSIEC educates and updates exporters

on export procedures, documentation and quality certification. It also assists small enterprises to obtain funding support from central government schemes for marketing and development assistance.

Public Sector Enterprise (PSE) restructuring and disinvestment

The State Government has undertaken a strategic review of the role of PSEs in the state's economic development. Based on this, it has adopted a multi-pronged approach to redefine the role of various PSEs through privatisation and/or restructuring.

Of the units earmarked for divestment, the largest among them, Punjab Tractors, was divested in 2003. The Government of Punjab sold its 23.49 per cent stake to CDC Capital Partners for US\$ 48 million. The divestment process of four other public sector enterprises is currently underway.



These include:

- Punjab Tourism Development Corporation
- Punjab Communication Ltd
- Punjab State Container and Warehousing Development Corporation
- Punjab Alkalies and Chemicals Ltd

Infrastructure Policy

The Government of Punjab has been actively pursuing private sector investment to create world-class infrastructure and to upgrade the present infrastructure in the state. Its recent initiatives include:

- Setting up the Punjab Infrastructure Development Board (PIDB) in 1998. This is the nodal agency for facilitating private investment in infrastructure across different sectors - roads & highways, urban infrastructure, industrial infrastructure, electricity, health and education
- Creating a US\$ 4.25 million corpus called the Punjab Infrastructure Initiative Fund (PIIF) to finance project development through public-private partnership
- Enacting the Punjab Infrastructure Development Act in 2002 and setting up the Punjab Infrastructure Regulatory Authority (PIRA). The State Government recognised that to attract private participation, there was a need for an over-arching legislation to secure a level-playing field for private players, and establishing

a transparent regulatory framework governed by an autonomous regulator to grant various concessions and incentives to make projects and investment opportunities viable and attractive. The Act provides the necessary legal and policy framework to facilitate private investment in infrastructure projects

- Encouraging existing Small Scale Industries (SSIs) to undertake modernisation and technology upgradation to meet the challenges of the WTO regime. The Government has notified a scheme to provide capital subsidy
- A scheme of freight neutralisation assistance for export units has also been notified, which would neutralise the locational disadvantage of the state to some extent

Biotech Policy

Punjab announced a state-level Biotech Policy in 2003. The policy aims to ensure availability of trained manpower, develop quality infrastructure and provide special incentives and exemptions to the sector. The state has announced a series of fiscal incentives and a liberal regulatory regime to facilitate the growth of biotech industries in the state.

Punjab has also set up the Punjab Biotechnology Promotion Board (PBPB) and plans to develop infrastructure for R&D, data validation, commercialisation and public awareness in the area of biotechnology.



BUSINESS OPPORTUNITIES

The recent liberalisation of the country's economy has pitch-forked Punjab into the mainstream of global business. Punjab's inherent strengths and efforts to attract private investment make it a land of opportunities. Its rich agricultural base has the potential to add significant value to the food processing sector. Commercial agriculture can also assist the state leverage its competitive advantage in the sector.

Similarly, the existing industrial base of the state can be encouraged to go in for forward integration in a variety of sectors such as textiles, light engineering goods, IT, chemicals and biotechnology.

Key industries

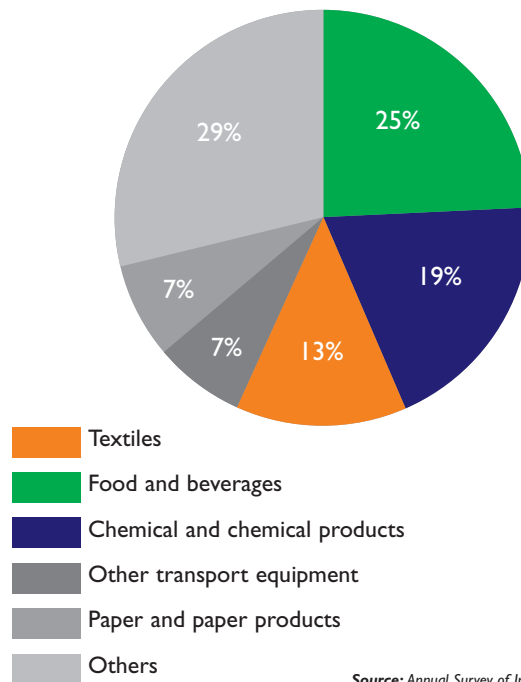
Agro processing

Punjab is the second largest producer of wheat contributing 21.5 per cent to the total production in the country. In 2002-03, Punjab produced 14.5 million tonnes of wheat. It is also the fourth largest producer of rice in the country, contributing 9 per cent to the total production. In 2002-03, Punjab produced 8 million tonnes of rice.

The annual production of food products in Punjab stood at US\$ 1.95 billion in 2001-02. Between 1990-91 and 2001-02, the same increased by over 300 per cent. Punjab's share in India's output of food products stands at 3 per cent. The statistics clearly indicate a potential for further developing the state's agro processing industry.

The Government of Punjab has introduced policies to modernise agriculture infrastructure in the state and promote agro-based industries. An outlay of US\$ 4.4 million has been assigned to improve agriculture infrastructure and set up a cold chain infrastructure.

Principal industries in Punjab



Source: Annual Survey of Industries, 2002-03

Recently, the Government permitted contract farming on 20,000 hectares for basmati rice and 80,000 hectares for wheat. This includes agreements with private sector companies like the Tata Group and the UB Group for contract farming of basmati rice and barley respectively.

Prominent players present in the agro processing industry in Punjab are Pepsi Foods and Nestle. Germany-based Metro Cash and Carry International have also signed a Memorandum of Understanding (MoU) with the Punjab Agro Industries Corporation for identifying and sourcing food products from the state.

Textiles, hosiery and woollens

Punjab's key competitive advantage in the textile industry is the abundance of raw material (cotton), presence of several textile and woollen clusters and skilled labour.

Punjab has a US\$ 2.34 billion textile industry. It is the second largest producer of cotton and blended yarn contributing 10 per cent to the country's total industrial output in 2003-04. The production of cotton and blended yarn in the state stood at 280,000 tonnes in the same year. Punjab is the third largest producer of mill made fabrics in the country with a share of 8.1 per cent. In 2003-04, production of mill made fabric increased by 21 per cent over the previous year to 82.6 million sq mt. 40 per cent of the country's wool units are also located in Punjab.

With the global trade in textile and clothing expected to grow from the current US\$ 356 billion to US\$ 600 billion by 2010, the state has seen a spurt of capacity enhancements and some ambitious scale ups in anticipation of the quota-free regime. Clearly, Punjab has an opportunity to boost its existing strengths to capture a larger share of the textile market.

Light engineering goods

Light engineering goods, which include bicycle and bicycle parts, tractors, auto components and hand tool industries, is another key area of strength for Punjab.

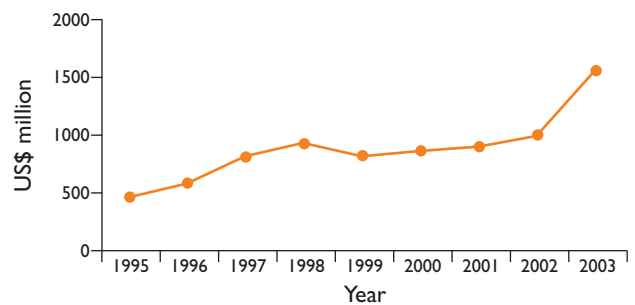
Punjab produces 1.8 million bicycles per annum, accounting for 15 per cent of the total bicycle production in the country, which stood at 12.3 million bicycles in 2003-04.

Punjab also holds an 80 per cent share in India's production of bicycle parts. India produced 48 million bicycle tubes and 50 million bicycle tyres in 2003-04. Two of the country's main bicycle producers, Avon and Hero Group, are based in Punjab. Punjab has a share of 7 per cent in the total tractor production in the country, which stood at 177,834 units in 2003-04. The two major tractor manufacturers in the state are Punjab Tractors Ltd and International Tractors.

Exports

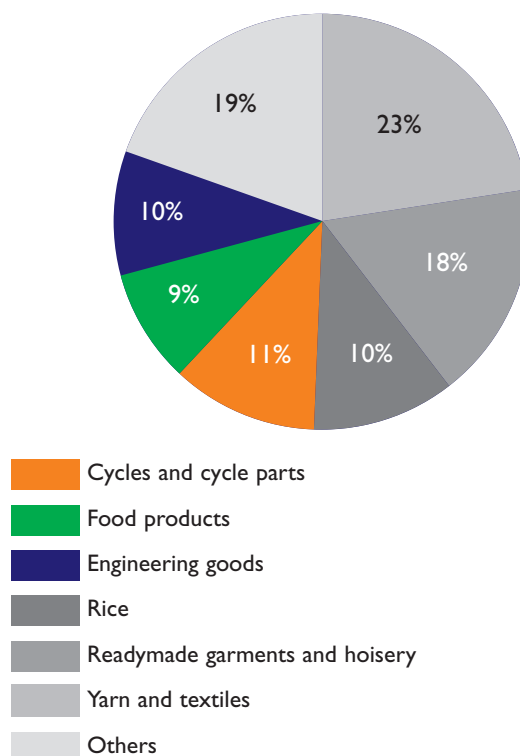
Between 1995 and 2003, exports from Punjab increased from US\$ 463 million to over US\$ 1,588 million. These largely constituted yarn and textiles, apparels, cycles and cycle parts, rice, engineering goods and food products. In the first half of 2004-05, exports stood at US\$ 1,175.74 million.

Export performance



Source: Punjab Statistical Abstract 2003

Composition of exports



Source: Punjab Statistical Abstract 2003

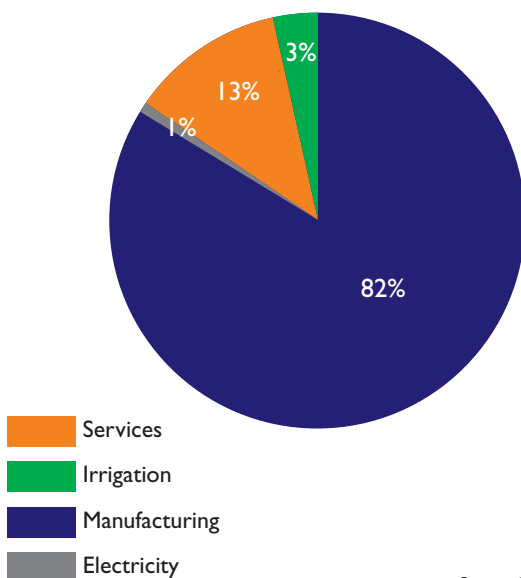
Investment

Punjab has attracted industrial investment in sectors such as food & food products, textiles and apparel, chemicals and chemical products and transport equipment.

Uptil 2003, there were 633 industrial enterprises in Punjab with investment of over US\$ 3.9 billion. In 2003-04, an additional 14 projects were implemented with an investment of US\$ 15.2 million.

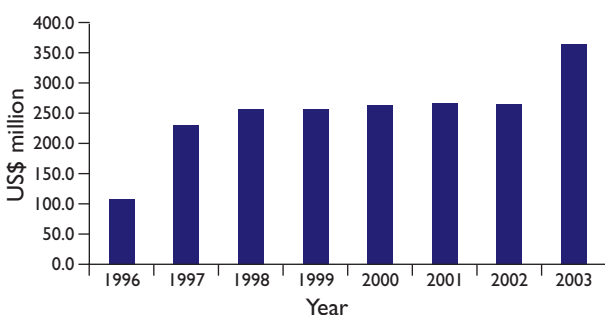
In 2004, there were 62 projects with a total investment of over US\$ 2.87 billion at various stages

Distribution of investment in the pipeline



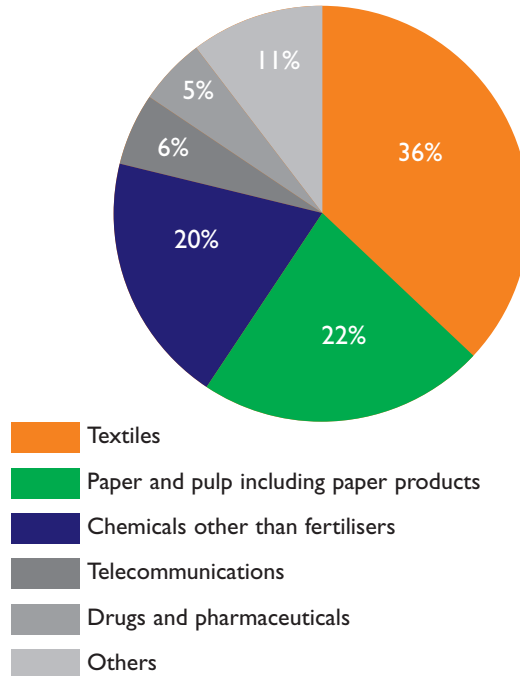
Source: CMIE, state report

Cumulative FDI



Source: Secretariat for Industrial Assistance reports

Sectoral break-up



Source: Secretariat for Industrial Assistance newsletter, Annual Issue 2002

of implementation in the state. Of these, the manufacturing segment, which includes textiles and chemicals, attracted the maximum investment.

Between 1996 and 2003, Punjab attracted US\$ 370 million of FDI in sectors like textiles, paper, paper products and pulp, chemicals other than fertilisers, telecommunications, drugs and pharmaceuticals.

Potential hubs for investment

Agri business

Punjab has tremendous opportunity for the agro-based industry. With 4.2 million hectares of sown area, 186 per cent cropping intensity and 100 per cent assured irrigation, Punjab is the granary of India. Apart from food grains, the state also has large quantity of fruits and vegetables available for processing.

IT and electronics

By 2008, the Indian IT software and services sector is projected to grow to US\$ 77 billion. The industry



is expected to employ four million people accounting for 7 per cent of the country's GDP and 30 per cent of its foreign exchange inflows.

Punjab possesses distinct competitive advantages that should facilitate further development of the IT sector in the state. These include:

- Persistent efforts by the Government to implement IT at all levels
- A large number of engineering colleges and other educational institutions to create high-tech manpower resources
- Development of IT parks to encourage software exports from the state
- Punjab Infotech has developed Mohali as a hub for electronics and IT in the state
- Incentives for electronics units

Of the 192 software export units registered, 20 started operations in 2003-04. Software exports

through the Software Technology Park in Mohali increased from US\$ 22.4 million in 2002-03 to US\$ 37.8 million in 2003-04.

IT companies based in Mohali include Quark Inc, Dell and Infosys. Others to have evinced interest in setting up facilities at Mohali include IBM, Intel, Samsung, TCS, I-Flex, Satyam and Wipro.

Infrastructure

Punjab offers significant opportunities for infrastructure development through public-private partnership. The state has been investing steadily in improving its roads. In 2003, Punjab Infrastructure Development Board (PIDB) spent US\$ 71 million to upgrade 65 km of roads and opened three high-level bridges.

The PIDB has taken up over a dozen road and bridge projects and will be investing over US\$ 100 million in the same. In addition, it is also supporting the

road upgradation programme of the Public Works Department with an investment of US\$ 33 million. It is in the process of selecting private partners for road stretches, aggregating 900 km.

The Government decided to invest US\$ 10 million to reconstruct and modernise bus terminals at Amritsar, Jalandhar and Ludhiana through private sector participation. The projects are to be implemented on a Build-Operate-Transfer (BOT) basis.

Biotechnology

Punjab's strong agricultural base presents an opportunity for leveraging it to develop the biotechnology industry in the state. The Government of Punjab has taken significant initiatives to promote biotechnology related R&D in the state.

Two centres which form the nucleus of the biotech research in the region are the Institute for Microbial Technology (IMTECH) in Chandigarh which takes up research in microbial bio-processing and the Central

Scientific and Industrial Organisation (CSIO) which has been developing a number of biotech based diagnostic kits.

The state is developing a biotechnology park in the suburbs of Chandigarh to nurture commercially viable leads through companies. The park, a public-private partnership between Beckons Industries Ltd and Punjab State Council for Science and Technology, is being set up at an estimated cost of US\$ 22 million. Its facilities will include a biotech incubator for research and development, pilot testing and other validation facilities. The park aims to attract Small and Medium Enterprises (SMEs) to the cluster and contribute to overall R&D in the sector.

The Punjab State Council for Science and Technology will act as the single window agency for setting up business in the biotech park. Major players to have shown an interest in the park include Ranbaxy, Dr Morepen, Panacea Biotech, among others.



PROFILE OF KEY PLAYERS IN PUNJAB

Abhishek Industries Ltd (AIL)

Abhishek Industries Ltd was incorporated in 1990 by the Trident Group. AIL is the second largest manufacturer and exporter of terry towels in India. It also manufactures yarn and paper. The company's sales in 2003-04 stood at US\$ 115 million. Over 80 per cent of its revenues were from exports. AIL exports around 94 per cent of its production to major retailers in the US (Wal-Mart, J C Penney etc). Its manufacturing capacity is currently 7,119 tonnes per annum, AIL has been increasing its focus on the high-margin export-oriented terry towels business. The company is expanding its production capacity to 20,000 tonnes with an investment of US\$ 50 million.

Avon Cycles Ltd

The US\$ 66.7 million Avon Cycles is a large bicycle manufacturer based in Ludhiana. The company produces 1.5 million bicycles per annum at its ten manufacturing facilities. Recently, Avon increased its production from 5,000 to 8,000 bicycles per day. The company exports 30 per cent of its bicycles. The company is the largest exporter of bicycle parts from India.

Dell Inc.

The US\$ 49.2 billion Dell Inc. recently launched its third customer contact centre, an 180,000 sq ft centre, at the Quark IT Park in Mohali. The centre has 300 employees approximately, who have received extensive training in Information Technology and customer-relation skills. The centre is part of a global network of approximately 50 centres that Dell operates around the world.

Gujarat Ambuja Cement Ltd (GACL)

Gujarat Ambuja Cement Ltd is India's third largest cement producer with revenues of over US\$ 500 million and a total capacity of 12.5 million tonnes. The company is the most profitable cement company

in the country and the least cost producer of cement in the world. In 2004, the company commissioned a capacity of over 14.5 million tonnes per annum at Ropar in Punjab. This is one of the company's five plants across the country. GACL is also setting up a 30 MW captive electricity generation plant in Punjab.

Hero Cycles Ltd

Hero Cycles Ltd is part of the US\$ 1.8 billion Hero Group, one of the country's top ten business houses. Hero Cycles is the world's largest producer of bicycles, manufacturing over 5.6 million units per annum. The company's main manufacturing unit is located at Ludhiana in Punjab. Hero Cycles recently expanded its capacity by setting up a US\$ 6.7 million plant to manufacture 300,000 bicycles per annum. A further investment of US\$ 4.4 million is planned to enhance the capacity of the Ludhiana plant. Hero Cycles has been rated as a Superbrand by the Global Superbrands Council. The company also features in the Guinness Book of World Records as the largest bicycle manufacturer in the world since 1986.

Hindustan Petroleum Corporation Ltd (HPCL)

Hindustan Petroleum Corporation Ltd is one of India's largest integrated oil refining and marketing companies. HPCL is setting up a 9 MMTPA oil refinery at Phulokhari in Bhatinda district through its 100 per cent subsidiary, Guru Gobind Singh Refinery Ltd. The total investment in the project is estimated to be over US\$ 2 billion and is expected to be operational by 2006.

International Tractors Ltd

International Tractors Ltd is one of the leading producers of tractors and agricultural machinery in the country. It is a joint venture with Renault Agriculture, France. The company has a modern and completely computerised plant at Hoshiarpur in Punjab.



Infosys Technologies Ltd

The US\$ 1.1 billion Infosys Technologies Ltd is the country's leading software services company that provides consulting and IT services to clients globally. Infosys has over 13,000 employees worldwide and has nine development centres across the country. Infosys set up its development centre at Mohali in 2001. In 2002, the company signed a Memorandum of Understanding (MoU) with the Union Territory of Chandigarh Administration to buy 20 acres of land at the Chandigarh Information Services Park (CISP) to set up a software development centre in Chandigarh, which is expected to house 2,400 software developers over the next five years.

JCT

JCT, a Thapar Group company, is a leading textile manufacturer in Punjab. It was the first in the textile industry to receive an ISO 9002 certification and is the largest manufacturer of blended fabric in the country. JCT Electronics Ltd is a flagship company of the Thapar Group, which was the first colour picture tube manufacturer in India. The company has a plant at Mohali, near Chandigarh.

Malwa Group

The Malwa Group is among the top ten textile mills of the Indian sub-continent producing cotton yarn, acrylic yarn and polyester viscose yarn. An ISO 9002 company, its total spindelage is around 140,000. The

company comprises three milling units, of which two are situated at Barnala in Punjab. The company exports all types of yarn to countries in Asia, Europe, Africa and America.

Nahar Group

Established in 1949, the Nahar Group is one of Punjab's leading industrial houses. The group has a presence in textiles, apparels, soaps, vegetable oils and sugar. The US\$ 450 million company is one of the largest exporters of textiles in Punjab. Its production facilities have been awarded the ISO 9002/IS 14002 certifications and Okotex Certification.

Nestle India Ltd

Nestle India Ltd is a subsidiary of Nestle SA, Switzerland, which is one of the world's largest food and beverage companies. In India, Nestle is a leading company in the FMCG industry with brands like Maggi, Nescafe, Cerelac, Lactogen, Kit Kat and Polo. The company set up its first factory in 1961 at Moga in Punjab for manufacturing processed foods. Today, Nestle procures and processes milk from farmers in Punjab. In India, the company has over 3,000 employees and its revenues stood at US\$ 497 million in 2003.

Pepsi Foods

Pepsi Foods, part of PepsiCo USA, is one of the largest food and beverage companies in the country.

The company has invested US\$ 1.5 million to develop a comprehensive agro-technology programme with the Punjab Agriculture University. This programme has helped thousands of farmers across India improve the yield and quality of their agricultural products. PepsiCo and Punjab Agro has also set up a 9,600 sq ft greenhouse at the Agriculture Research and Development Centre at Jalandhar to commercialise citrus cultivation in the state.

Punjab Tractors Ltd (PTL)

In 1970, Punjab Tractors Ltd was promoted as the country's first large scale, totally indigenous project to commercialise India's first tractor. Today, PTL is a leading manufacturer of tractors, combines and forklifts. The company exports its premium products to the USA. In 2003, as part of the Government of Punjab's divestment process, majority stake in PTL was sold to UK-based CDC Group Plc.

Quark Inc.

Quark Inc. is a US-based global IT company that creates software related to communication and resource management. Quark set up its largest software development centre at Mohali with an investment of US\$ 17.8 million in 1998. Currently, Quark comprises 1,100 IT professionals in the facility and plans to recruit more software developers.

Ranbaxy

The US\$ 1.17 billion Ranbaxy Laboratories Ltd is the country's largest pharmaceutical company and one of the top ten generic companies worldwide. Ranbaxy manufactures and markets world-class generics, branded generic pharmaceuticals and active pharmaceutical ingredients. The company started operations in 1961 and set up its first bulk drugs and formulation manufacturing plant at Mohali, in Punjab in 1973.

The manufacturing facility at Mohali is engaged in the production of APIs, primarily semi-synthetic penicillin, flouroquinolones and bulk cephalosporins. The company's products are sold in over 100 countries. It has manufacturing operations in 7 countries and ground presence in 44 countries. Majority of Ranbaxy's manufacturing facilities are US Food and Drug Administration (USFDA) approved. Currently, Ranbaxy is investing US\$ 100 million to expand its production capacities in India, Brazil and USA.

Siel

Punjab-based Siel is a leading producer of industrial chemicals, vanaspati & vegetable oils and sugar. The company has an industrial chemical complex at Rajpura in Punjab, which includes a chloralkali plant set up with an investment of over US\$ 55 million. Siel has a tie-up with the Government of Punjab to set up an industrial estate in the state. Siel's subsidiary companies include Honda Siel Power Products Ltd, Honda Siel Cars India Ltd and Daikin Industries.

Vardhman Group

The US\$ 439 million Vardhman Group is one of the largest textile players in the state. The group's portfolio includes manufacturing and marketing of yarn, fabrics, sewing threads, fibre and alloy steel. It is the second largest producer of sewing thread in the country and contributes 6 per cent to its yarn exports. The company has announced expansion plans aggregating an investment of US\$ 222 million to increase its production capacity and product quality. The company exports 40 per cent of its yarn production to more than 25 countries and has a strong presence in markets like the EEC, USA, Canada, China, Japan, Korea, Mexico, Brazil, Mauritius, Middle East etc.

DOING BUSINESS IN PUNJAB

Obtaining approvals

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

Department	Agency	Timelines
Environment	<ul style="list-style-type: none">■ Punjab State Water and Air Pollution Board	<ul style="list-style-type: none">■ Site/environment clearance: 60 days■ No Objection Certificate (NOC) for green category: 15-30 days■ NOC for red category: 30 – 45 days■ Renewal of consent: 90 days
Industries	<ul style="list-style-type: none">■ Directorate of Industries	<ul style="list-style-type: none">■ Approval of factory plan: 30 days■ License for running factory: 15 days
Incentives	<ul style="list-style-type: none">■ Udyog Sahayak■ PFC	<ul style="list-style-type: none">■ Investment incentive: 1 month■ Sales tax exemption: 1 week
Electricity	<ul style="list-style-type: none">■ Punjab State Electricity Board	<ul style="list-style-type: none">■ Loads up to 20 Kilo Watt (KW): 3 months■ Loads up to 100 KW: 4 months■ Loads above 500 KW: 8 months
Revenue	<ul style="list-style-type: none">■ PSIDC■ Udyog Sahayak	<ul style="list-style-type: none">■ Site Clearance: 60 days
PSIDC/ PFC	<ul style="list-style-type: none">■ PSIDC■ PFC	<ul style="list-style-type: none">■ Sanction of loan: 2 months

Source: PwC research

Cost of setting up business

An indicative table on cost of setting up business in Punjab

Indicator	Value (in US\$)
Industrial land (per sq mt)	Mohali - 35.42 Ludhiana - 17.71 Amritsar - 11.10
Office space rent (per sq foot per month)	.17 - .32
Residential rent (for a 2,000 sq mt house, per month)	287 - 478.72
5-star hotel room (per night)	57.45 - 80.43
Electricity (per kWh)	.086
Water (per 1000 litres)	Commercial & Industrial: 0.14

Source: PwC research
Note: Exchange rate used is INR 47 per US\$

Contact for information

State Government Website

www.punjabgovt.nic.in/

Punjab State Industrial Development Corporation (PSIDC)

Punjab State Industrial Development Corporation is the nodal agency to speed up industrialisation and promote and nurture the growth of the organised industrial sector. The main functions of PSIDC include:

- Provision of industrial infrastructure in the state
- Promotion of industrial and infrastructure projects through equity participation
- Providing financial assistance for private projects
- Providing escort services to private investors

PSIDC is also the holding company for various state public sector enterprises such as Punjab Alkalies and Chemicals, Punjab Chemicals and Fertilisers etc.

Punjab State Industrial Development Corporation

18 Himalya Marg, Udyog Bhawan

Sector 17

Chandigarh 160017

Tel +91 172 2704040

Fax +91 172 2714908

Web www.punjabgovt.nic.in/Industry/ind552.htm

Confederation of Indian Industry (CII)

Information on markets and opportunities for investment in Punjab 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

Block No 3, Dakshin Marg

Sector 31 A

Chandigarh 160 030

Tel +91 172 2602365

Fax +91 172 2606259

Email ciinr@ciionline.org

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