

INDIAN STATES
Economy and Business

Uttaranchal



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Executive Summary

Uttaranchal is a young state, barely four years old, having been carved out of Uttar Pradesh. It has however several good things going for it. Levels of literacy in the state are higher than the national average. The hills, the large forest cover and the presence of several holy shrines offer a tremendous tourist potential. The paper describes in some detail the resource base available in the State and the potential that exists for development in specific areas; e.g. development of tourism, IT and biotech fields, particularly industries based on herbal and medicinal plants, hydro power generation etc. It then outlines the policy measures that have been initiated by the

State Government, as also those about to be initiated, to develop the potential. There is a brief note on the industries that have been operating in the state for sometime like BHEL (Haridwar), Surya Lighting and LG Electronics. Prominent among those who have decided to invest in the State are Mahindra & Mahindra (automotive), Hero Honda (two-wheeler), Asahi Glass, Atlas Cycles and Britannia Industries (food products).

The report leads to an inescapable conclusion that Uttaranchal is an attractive destination for light industry as well as the IT and the biotech sector.

■ Industrial Centres in Uttarakhand



Uttaranchal at a glance

S. No.	Items	Year	Unit	Statistics
(A) Geographical Data				
1	Latitude		28°43' N to 31°27' N	
2	Longitude		77°34' E to 81°02' E	
3	Geographical Area	2002	Sq. Km.	53483
4	Forest Area	2002	Sq. Km.	35394
(B) Metrological Data				
1	Average Rainfall	2000	m. ms.	1523
2	Temperature			
	(i) Minimum (Mukteshwer)	2001	° C	0.1
	(ii) Maximum (Dehradun)	2001	° C	40.1
(C) Administrative Units				
1	Divisions	2003	No.	2
2	Districts	2003	No.	13
3	Census Villages (As per 01 census)		No.	16828
	(i) Inhabited Village	2001	No.	15761
	(ii) Un-inhabited Village	2001	No.	1067
4	Forest Village	2001	No.	346
(D) Economic Data				
	Monthly per capita consumption expenditure	1999-00	USD	14.53
	Per Capita Income	2001-02	USD	318.42
(E) Demographic Data				
1	Literacy Rate	2001	Per cent	71.62
	(i) Male	2001	Per cent	83.28
	(ii) Female	2001	Per cent	59.63
2	Crude Birth Rate	2001	Per '000 of Population	18.5
	(i) Rural	2001	Per '000 of Population	21.1
	(ii) Urban	2001	Per '000 of Population	16.6
3	Crude Death Rate	2001	Per '000 of Population	7.8
	(i) Rural	2001	Per '000 of Population	10
	(ii) Urban	2001	Per '000 of Population	6.1
4	Infant Mortality Rate	2001	Per '000 of Live Births	48
	(i) Rural	2001	Per '000 of Live Births	69
	(ii) Urban	2001	Per '000 of Live Births	26
5	Total Fertility Rate (NFHS-2)	2001	Per Female	2.6
(F) Employment				
1	Employment Exchanges	2002-2003	No.	20
2	Employed during the Year	2002-2003	No.	3017
3	No. of Unemployed Person Registered in Live Register	2002-2003	No.	338717

Advantage Uttarakhand

- The state has significant hydro-potential (15,000 MW) of which only 1124 MW has been realised.
- The state is promoting establishment of Industrial estates, industrial parks and growth centre in the State.
- A dedicated IT Park to come up in Dehradun.
- Uttarakhand is the first state in the country to have created a Tourism Development Board by legislation.
- Vast pool of a natural resource adds to the state's attractiveness as an investment destination, especially for tourism and forest based industry.
- Abundant availability of quality human resource base at competitive rates.
- Uttarakhand compares favourably with the all India aggregates in terms of the spread of basic infrastructural facilities.
- Investments in Uttarakhand enjoy a number of fiscal benefits like the Concessional Industrial Package offered by the State and the Central governments.
- The Tehri Hydro Development project is one of the highest multipurpose projects to be built across river Ganges.
- Uttarakhand has been successfully able to attract some of the key industrial players like Mahindra & Mahindra, Asahi India Glass, Atlas Cycle Ltd., Britannia Industries Ltd., LG Electronics India Ltd, etc.

ECONOMIC DEVELOPMENT

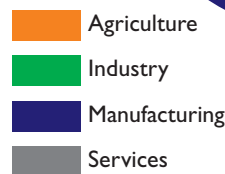
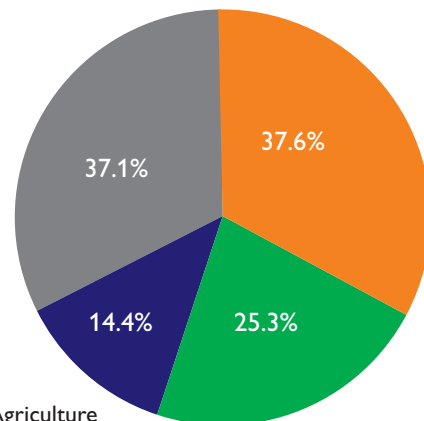
State Economic Profile: Tapping the Vast Potential

Uttaranchal with its vast natural resource base, large forest cover and enormous power potential holds the potential of being one of the most prosperous states in the country. The state domestic product during 2001-02 was around USD 1647 millions with a per annum growth rate of 4.4 per cent during 1993-94 to 2001-02.

Sectoral Pattern: Services Holds the Key

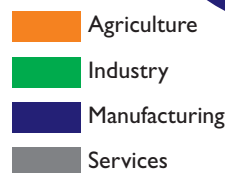
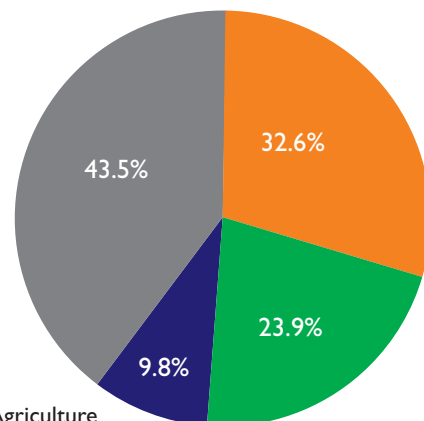
Breakdown of the state's latest available aggregate GDP shows clear dominance of the services sector. The sector with a buoyant per annum growth of 6.3 per cent during 1993-94 to 2001-02 pulled up the overall growth considerably. This is not surprising given the vast opportunities for tourism the state offers. Trade, hotels and restaurant contributed to bulk of the sector's GDP- with an average share of around 18.5 per cent in the services sector during the period.

GDP Composition (1993-94)



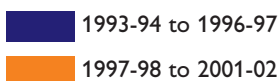
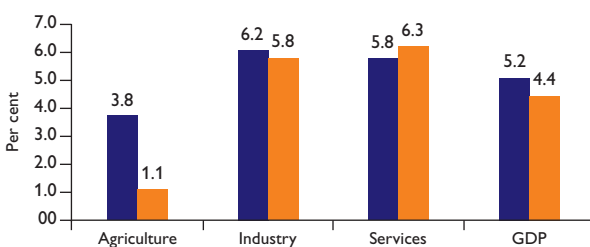
Source: CSO

GDP Composition (2001-02)



Source: Karnataka Economic Survey 2003-04

Sectoral GDP Growth (CAGR)



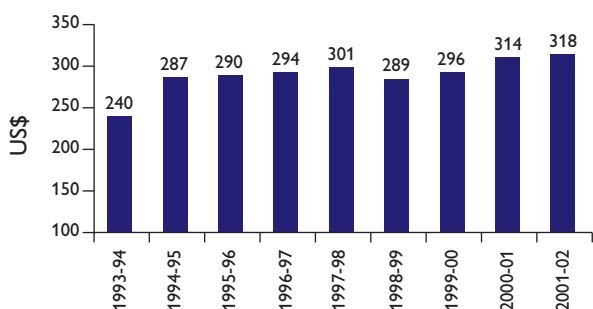
Source: Indiatat.com

Income levels: Creditable Despite Odds

Per capita income - as approximated from the per capita GSDP, is a vital indicator of standard of living in a state. The current per capita income of Uttaranchal

during 1993-94 to 2001-02 grew at an annual compounded growth rate of 3.6 per cent per annum (USD terms). During 2001-02 the per capita income of the state at USD 318.0 marginally fell short of the all-India aggregate (USD 374).

Per Capita Income

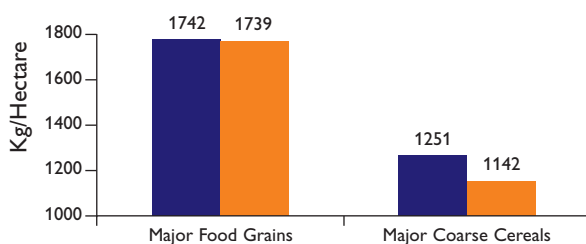


Source: CSO

Agriculture: Pool of Immense Opportunities

Given the terrain of the state and favourable climatic conditions, agriculture continues to be the major source of income for more than three-fourths of the state's population. Agriculture and allied activities with an average share of about 37.3 per cent during 1993-94 to 2001-02, is a significant contributor to the state domestic product as against the national average of 27.8 per cent during the period considered. The State hosts all major climatic zones thus giving it an edge in developing activities based on floriculture, fruits and nuts, vegetables and vegetable seeds.

Yield of Major Food Grains and Coarse Cereals (2001-02)
Yield (2001-02)



Uttarakhand
All India

Source: www.agricoop.nic.in

Given that Uttarakhand has significant area under forests, forestry and logging is a key component of the agricultural GDP (7.1 per cent of the agriculture GDP) during the period. The state outperformed the national aggregates of the yield of some of the major crops. During 2001-02, Uttarakhand posted significantly high yield of major coarse cereals.

State-wise Forest Area (2001)

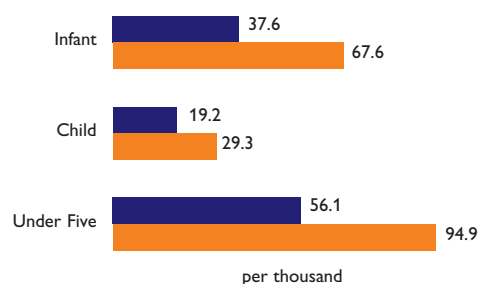
States/UTs	Uttarakhand (Sq.km)	India (Sq.km)
Geographic Area	53485	3287263
Reserved	23827	416547
Protected	125	223321
Unclassed	10710	125385
Total	34662	765253
% of Forests to Geographic Area	64.81	23.28

Source: IndiaStat

Public Health and Family Welfare: Compares Favourably with the National Averages

Uttarakhand compares favourably with the all India aggregate on the health statistics. During 1998-99 the state had an infant mortality rate of 37.6 per thousand live births as against the national average of 67.7. During 2002-03, Uttarakhand had 228 primary and additional primary health care centres, 325 state allopathic hospitals and 36 community health care centres.

Mortality Rates (1998-99)



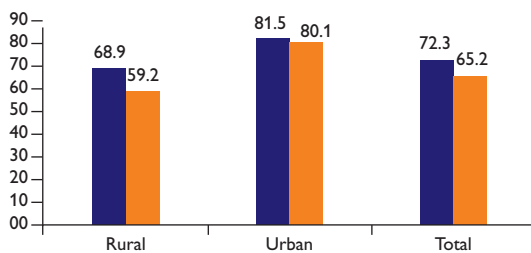
Uttarakhand
All India

Source: NFHS

Human Resources – high literacy levels and quality education

A key factor going in Uttaranchal’s favour in attracting services and industrial investments is its significantly high level of literacy. The overall rate of literacy in the state jumped up to 72.3 per cent in 2001 from 57.7 per cent in 1991. This endows it with large pool of educated labour that industry can draw from. Importantly, the spread of high level of literacy is even across the rural and urban sectors with the respective literacy rate of 68.5 and 81.5 per cent. The total school enrolment ratio for Uttaranchal for the age group of 6-17 was at 87 per cent, significantly higher than the all India ratio of 72 per cent. The high level of literacy and existence of large number of good quality educational institutions, research and training institutes and institutes of excellence indicate the abundant availability of quality human resource base. This can be supported by the facts charted hereby. During 2002-03, state of Uttaranchal was amongst the few states with 100 per cent trained teachers in all the levels of education.

Literacy Rates (2001)



■ Uttaranchal
■ All India

Source: Census 2001

Pupil Teacher Ratio (2002-03)*

	Uttaranchal	India
Higher Education Institutions	38	22
Higher Secondary Schools/ Intermediate Colleges	29	35
High/Post Basic School	22	30
Middle Senior Basic School	19	34
Primary/Junior Basic School	29	42

* As on 30th September 2002; Source: Indiatat

Good urban infrastructure with high quality of life further enriches the available manpower. A Dedicated Land Bank for setting up of human resource base industries- InfoCity is on the anvil.

Percentage of Trained Teachers (2002-03)

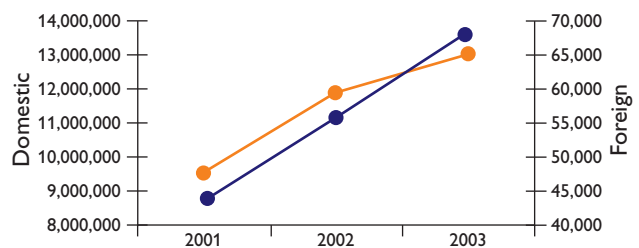
	Uttaranchal	India
Higher Secondary Schools/ Intermediate Colleges	100	90
High/Post Basic	100	89
Middle/Senior Basic	100	87
Primary/Junior Basic	100	86

Note: As on 30th September 2002
Source: Indiatat

Tourism Potential

The vast pool of natural resources in Uttaranchal adds considerably to its attractiveness as an investment destination particularly for tourism and forest based industry. The state has enormous resources for cultural, adventure, wildlife, nature and leisure tourism to attract both domestic and foreign tourists.

Number of Tourists Visits



● Total Proposals
● Proposed Investment

Source: www.ua.nic.in, India stat

- Uttaranchal is the first state in the country to have created a **Tourism Development Board** by legislation, as the highest body to function as a Promoter, Adviser, Regulator and Licensing authority for tourism in the state.
- Uttaranchal Tourism was awarded the prestigious National Tourism Award in the category of **“Best Practices by a State Government”** by the Government of India in October 2003.

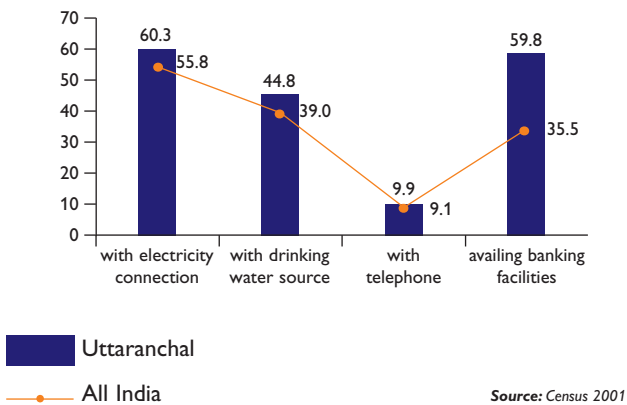
INFRASTRUCTURE

Basic infrastructure – ahead of the national average

Uttaranchal compares favourably with the all India aggregates in term of the spread of basic infrastructural facilities. A useful index of this is the access of households to different infrastructure facilities. On these parameters, the state figures well ahead of the national averages.

While the per cent of households with electricity connection in 2001 was at 60 per cent, those with source of drinking water within the household premises were at 44.8 per cent. The spread of financial services in the state is also robust, as the state ranks fourth with respect to the proportion of households availing banking services.

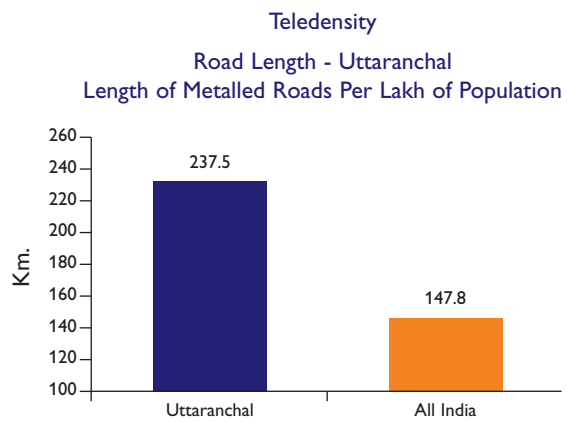
Infrastructure Penetration
Infrastructure Profile: 2001
Per cent of Households



Transport & Communication Network

The state has a good transport and communication network. The state has a total length of 536 km of national highways and 1138 km of state highways running through it. The length of metalled roads per lakh of population is higher than the all-India aggregate, though due to the nature of the terrain the

length of metalled roads per thousand sq. km. of area is relatively lower.



Source: Statistical Diary, Uttaranchal, 2001-02

With a total of 2717 post offices and 196 telegraph offices during 2002-03, the state also has strong postal and communication services network.

States/UTs	As on 30.06.2004
Uttaranchal	5.4
India	7.49

Tele Density – A Comparison
As on 31.3.2002

	Urban	Rural	Total
Uttaranchal	10.99	1.13	3.65
Jharkhand	5.25	0.3	1.4
Chhatisgarh	5.14	0.28	1.26
Uttar Pradesh	14.09	0.55	2.72
India	12.03	1.21	4.22

Source: IndiaStat

Financial Infrastructure

Uttaranchal is host to a number of banks and financial institutions. During 2002-03, the state had 646 nationalised bank branches and 173 regional rural

bank branches. The state also has significant presence of commercial, co-operative and cooperative agriculture and rural development bank. Credit to deposit ratio stood at 24.8 per cent during the year.

Natural Resource Advantage

Covering an area of 53843 sq km, Uttarakhand has a very diverse topography ranging from plains in the south to snow covered peaks in North. About 65 per cent of the geographical area of the state is covered under forests.

Outturn of Major Forest Produce in Uttarakhand (1996-97 to 1998-99)

Name of Forest Produce	Unit	Year		
		1996-97	1997-98	1998-99
Timber	Cu.M.	122640	242266	314405
Firewood	Cu.M. (Stacked)	35042	49290	44295
Resin	Qtl.	72500	32968	57665
Bamboo	Bundle	10418	13346	184

Source: Indiatat

Rural Infrastructure

Distribution of villages as per availability of services (%)

Unit	< 1 km.	1 to 5 km	> 5 km	Total
Drinking water	94.5	5.5	0.0	100.0
Co-educational Primary school	60.8	35.6	3.6	100.0
Secondary school (Boys)	13.6	63.6	22.8	100.0
Secondary school (Girls)	2.8	37.4	59.8	100.0
Higher Secondary (Boys)	7.0	61.4	31.6	100.0
Higher Secondary (Girls)	0.5	26.9	72.6	100.0
Allopathic Clinic, Dispensary and PHC	3.6	35.3	61.1	100.0
Metal roads in village	40.1	35.2	24.7	100.0
Railway Station	0.1	2.8	97.1	100.0
Bus Stop	15.7	51.5	32.7	100.0

Post-Office	15.6	59.0	25.4	100.0
Commercial Bank	3.3	40.5	56.3	100.0

Source: Statistical Diary Uttarakhand 2001-02

Despite the topography of the state, basic infrastructural facilities like access to drinking water and primary school are available to most of the villages at less than 1 km distance. Existence of secondary schools, health care centres and transport facilities are available to the village residents within a 5 km radius.

Industrial Infrastructure

Industrial Estates and Parks

The State is going to house **Integrated Industrial Estates (IIE)** at BHEL, Haridwar and Pantnagar. **IIE BHEL, Haridwar**, will be an ISO 14000 compliant estate with world-class industrial infrastructure, spread over 1500 acres of land in idyllic surrounding of Haridwar. Around 315 entrepreneurs have proposed to establish industries in the IIE with an investment of over USD 524 million and employment of around 18000 persons. The prominent among them are Hindustan Lever Ltd., Anchor Enterprises, Mahindra & Mahindra, Jay Bharat Group, Atlas Cycles, Raja Biscuit, Polar Fans, Yam Organics, Cello Houseware, Sharda Exports, Control Group etc. It will have clearly defined product zones, leisure areas, common facility centres, residential, institutional and commercial area along with a good rail and road network.

IIE Pantnagar – also an ISO 14,000 compliant estate with world class industrial infrastructure is to be spread over 3500 acres of land of which 2500 acres is proposed to be developed as an Special Economic Zone (SEZ). With world-class infrastructure, IIE Pantnagar is slated to be the best of its kind in India.

Infrastructure: New Initiatives

For a nascent state like Uttarakhand, it is important to assess the new initiatives taken by the government to

augment infrastructure facilities rather than focus entirely on existing infrastructure.

Power: Increased Private Sector Presence to tap the efficiencies

The state has significant hydro-potential (15,000 MW) of which only 1124 MW has been realised. National Thermal Power Corporation (NTPC) signed an agreement with the Uttaranchal government to develop two hydroelectric projects with an installed capacity of 1120 MW - the 600 MW Loharinag - Pala in the Uttarkashi district and the 520 MW Tapovan Vishnugad in the Chamoli district, which would generate 3,525 million units of power a year on completion. The State would get 12 per cent of electricity produced from the projects free. The projects would be set up with a total investment of approx. USD1174 million. A detailed project report is also being prepared by the NTPC on the Lata Tapovan hydel project with a capacity of 108 MW.

IT: Enhancing the presence of IT and ITES services in the State

The State is coming up with a dedicated IT park in Dehradun, for which 40 acres of land has already been acquired. The site offers adequate infrastructure support with a six-inch diameter water supply line and drainage facility. The park is expected to host large number of ITES and software companies that will further give a boost to the demand drivers of the state economy. Also, presence of IT sector in the state is expected to be a major source of demand for commercial real estate.

Special Economic Zones: Uttaranchal to host four of the forty-eight export zones in India

A consortium comprising majors from Germany, Turkey and Holland including Adani Exports and Vavasi Telegence have proposed to set up a SEZ at Pantnagar. The SEZ will focus on biotechnology, agriculture and food processing industries.

Tehri Dam Tourist Area

The Tehri Hydro Development project is one of the highest multipurpose projects to be built across river Ganges. The Tehri Dam Tourist Area can well establish as a major hub of recreation and entertainment at National and International level. The site offers immense tourism opportunities and boasts of excellent infrastructure support. The tourist area has 24 hour uninterrupted power and water supply and is connected to all major cities.

Water Resources

The State Cabinet has decided to sign a memorandum of understanding (MoU) with the World Bank for a new drinking water scheme. Under the Swajaldhara scheme, the World Bank would provide approx. USD 103 millions loan to the State Government to cover those areas, which are facing drinking water shortage.

POLICY INITIATIVES

Vision & Strategy

Uttaranchal has the dynamism of a new state eager to exploit its resources and potential to attract investments in its areas of comparative and competitive advantage. The key elements of this strategy can be identified:

- The state wants to promote industrialisation both in the organised and small-scale sector, particularly those with backward linkages to agriculture and forest resources. The aim is to strike a balance with the large pool of forest resources.
- Finally, the objective is to exploit its proximity to the National Capital Region (the large urban and industrial cluster around New Delhi) to market.
- The state aims to promote leading edge technologies and sunrise industries in the State in the areas of Information Technology and Biotechnology.
- Public/private sector involvement in generation of power and strengthening of the transmission and distribution network will be encouraged in the state.
- To develop Uttaranchal as a premier education and research centre by leveraging the presence of world-class Research and Technical Institutes existing in Uttaranchal.

Infrastructure Policy

The State of Uttaranchal will give specific concessions for infrastructure projects on merit basis. A joint venture company- Uttaranchal Infrastructure Development Company (U-Dec) has been set up by the State Government along with the Infrastructure Development and Finance Company to provide necessary professional advisory services.

Power: Electricity Reforms on their way

The State Cabinet has decided to bifurcate its power utility to carry out electricity reforms in the State. Uttaranchal Power Corporation Ltd. (UPCL) would be bifurcated into separate companies in the transmission and distribution sectors. While UPCL would distribute and market electricity, a transmission corporation called Transmission Corporation of Uttaranchal would be set up soon and both the utilities would work independently. This has been done in compliance with the Central Electricity Act 2003, which has made it mandatory for states to carry out the power reforms. The Cabinet has also decided to set up a power-trading corporation to sell electricity.

Investment Climate: Offering an Attractive Destination

Uttaranchal Government encourages private sector participation in development of infrastructure projects including specialised industrial estates and special economic zones, export zones, food parks, theme parks, tourism destinations, generation, transmission and distribution of power, roads, airports, civic infrastructure etc.

Institution Mechanism: Single Window Contract

The single window contract facility would be available at the District Industrial Centres at the District level and State Industrial Development Corporation of Uttaranchal at the state level. Apart from providing information and escort services to the entrepreneurs, the centres will also be maintaining a data bank.

Tourism: Thrust Industry

The State of Uttaranchal offers immense opportunities for development of vast array of tourism and related activities and services and has thus accorded the industry a status of thrust. A detailed tourism policy has also been formulated. Uttaranchal is the first state in the country to have created a Tourism Development Board by legislation as the highest body to function as a promoter, adviser, regulator and licensing authority for tourism in the state. As a step to promote tourist activity in the state, the state will allow 100 per cent exemption on entertainment tax for multiplex projects in the state for a period of three years, and for five years for all new amusement parks and ropeways.

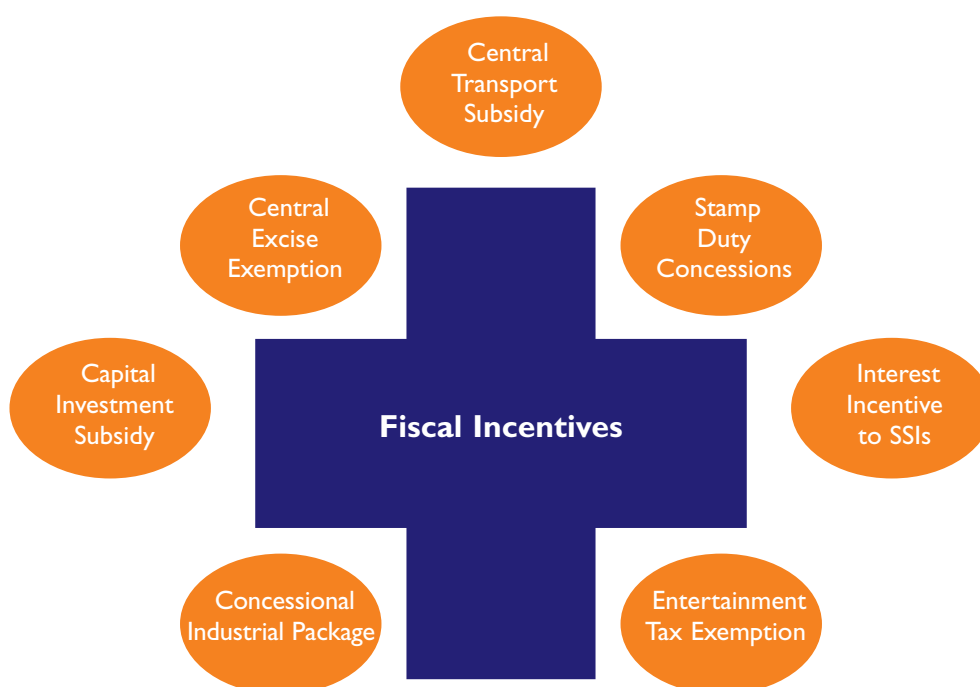
The Fiscal Advantage

Investments in Uttaranchal will enjoy a number of fiscal benefits offered by the state and central governments

The Fiscal Package for Tourism and Entertainment

The Ministry of Commerce and Industry, Government of India announced a Concessional Industrial Package for the state of Uttaranchal. Projects related to Eco Tourism, Hotels, Resorts, Spa, Entertainment/ Amusement Parks and Ropeways have been included in the list of thrust industries for the State. As a thrust industry, tourism projects would be entitled to a slew of incentives in the state.

- The state has allowed 100 per cent exemption on entertainment tax for all new multiplex projects for an initial period of 5 years and thereafter 30 per cent for a further period of 5 years.
- New projects would be entitled for capital investment in plant and machinery subject to a ceiling of Rs 30 lakhs (approx. USD 62 thousands).
- New tourism units in the State will be allowed rebate/ deferment facility in the payment of luxury tax for a period of five years from the date of commencement.
- New amusement parks and new ropeways installed will be exempted from the payment of entertainment tax for a period of five years.



KEY INDUSTRIES, INDUSTRIAL POTENTIAL & TRENDS

Key Industries and Growth Potential in Key Sectors

The pattern of industry in Uttarakhand in terms of the shares of different segments in gross value added (GVA) of the state.

Share of Industries (Manufacturing) in Uttarakhand (2002-03)	
Industry	Share in GVA (2002-03 QE)
Manufacture of Machinery & Equipment n.e.c.	32.8
Manufacture of Rubber and Plastic Products	10.7
Manufacture of Paper and Paper Products	10.0
Manufacture of Chemicals and Chemical Products	9.7
Manufacture of Electrical Machinery & Apparatus n.e.c.	9.5
Manufacture of Food Products and Beverages	8.9
Manufacture of Medical, Precision and Optical Instruments, Watches and Clocks	5.4
Manufacture of Radio, TV and Communication Equipment and Apparatus	4.3
Manufacture of Basic Metals	2.8
Total	94.1

Source: Annual Survey of Industries

Traditional Industries –Handicrafts, Handloom, Wool Based Industry, Khadi & Village Industries

Uttarakhand is host to several handicrafts industries like carpet weaving, woodcarving, brassware and copper based industries. The state plans to revive these industries to ensure adequate backward and forward linkages by way of centrally sponsored schemes. Handloom industry is critical for employment generation in rural areas. The state of Uttarakhand plans to tap the potential of these skill-rich industries by way of infrastructure support, training, design development, new techniques, packing, marketing events and exhibitions.

New Looms Acquired & Looms Modernised in Uttarakhand (2000-01 to 2002-03) ('000 USD)

Year	No. of Looms, Dobbies, Jacquards, Accessories Sanctioned	Amount Sanctioned
2001-02	742	46.11
2002-03	563	36.81

Performance in Khadi and Village Industries (Production, Sales and Earnings-'000 USD) (Empl. in Lakh Person)

Year	Production	Sales	Employment	Earnings
2000-01	673.0	844.2	0.02	4.6
2001-02	9735.1	7147.0	0.32	2999.5

Source: Indiatat

Wool and wax based industry and khadi and village industries are some of the key traditional industries operating in the state. While the wax-based industry is an important handicraft industry in the hill regions of the state, large section of the population in the state is associated with the wool based industry. The State has assigned due priority to develop these industries to their potential.

5.1.2 Biotechnology

Biotechnology is the emerging thrust area at the global level and is poised to make significant contributions in agriculture, human and animal health care, environment management and process industries. Being host to vast diversity of flora and fauna and rare species of plants and animals, gives Uttarakhand a natural advantage in the sector.

A high-level biotechnology board is being setup to pursue initiatives in the field of research.

The state of Uttarakhand will accord the units coming under this sector with the industry status and aims to establish an internationally competitive business infrastructure and environment for the industry in the

state. Further, a biotechnology park is to be developed that will integrate resources and provide a focused institutional set up for accelerated commercial growth of bio-technology and bio-informatics.

Information Technology

Given the state's high literacy rate and concentration of high quality educational institutions across the districts, Uttaranchal has the potential for developing as a preferred destination for IT and ITES along with hardware production. Beside this, with the establishment of an STPI earth station at Dehradun and proposed Earth Station at other locations, the state offers high-speed connectivity.

The state has come up with incentives for the industry like exemption on electricity duty on generator sets, stamp duty concessions and rationalisation of land use and conversion charges.

A dedicated IT park in Dehradun is coming up while others are set to follow in other parts of the state.

Industry based on Herbal and Medicinal Plants

Uttaranchal is host to a vast variety of rare species of herbs, medicinal plants and aromatic plant species. Significant value addition can be made in the industry to exploit the vast potential in the sector.

Uttaranchal's focused approach to development opens up growth opportunities both in the industrial and services sectors. Some of the key areas of growth are:

Manufacturing

The huge potential for hydel power generation (It is estimated that Uttaranchal can generate 15,000 MW of power in the state) and consequently the possibility of a ready supply of cheap power makes the state an ideal destination for manufacturing investment across a whole range of sectors. The initiatives in buffering the industrial infrastructure (Refer Section 3.6) and the key investments (Refer Section 5.4) clearly add to the

attraction of the state as a manufacturing base. High literacy rates and the presence of high quality educational institutions would ensure a ready supply of low cost, good quality labour.

Tourism

The combination of a vast pool of resources and initiatives to improve infrastructure should give tourism a boost in the medium to long term. During January 2004, a total of 4.70 lakh tourists arrived in Uttaranchal of which 4.67 lakh were domestic tourists. During 2003, total domestic tourists in the State increased by 11 per cent as against that in 2002, the foreign tourist inflow grew by more than 13 per cent during the period.

With the coming up of several industries and the associated residential and commercial facilities, there will be massive revenue generation, leading to overall development of the Integrated Industrial Estate and Uttaranchal at large.

Current Investment Inflow

Industrial Investment Inflow (Cumulative Since August 1991)

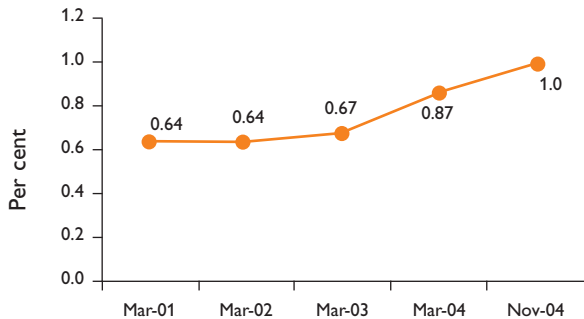
Period August 1991 to	Total Proposals	Proposed Investment (US\$ million)		Proposed Employment (Nos.)	
		IEM+LOI	IEM +LOI % Share	IEM+LOI	% Share
Mar 01	292	1503	0.5	52888	0.7
Mar02	314	1634	0.55	56187	0.65
Mar03	348	1764	0.56	61419	0.68
Mar04*	490	2087	0.59	76422	0.69
Nov04	596	2561	0.65	90188	0.77

Note: *Investment Proposals since March 2004 also include DILs
 *IEM: Industrial Entrepreneur Memorandum; LOI: Letter of Intent; DIL: Direct Investment Licence

Source: Department of Industrial Policy and Promotion

The state's initiative in attracting investment appears to have paid off in attracting industrial investment. During August 1991 to March 2001, Uttaranchal attracted a total of 292 Industrial Investment Proposals¹. The total industrial investment proposals jumped to a total of 490 proposals till March 2004,

Share of Uttaranchal in Total Industrial Investment Proposals



Source: Department of Industrial Policy and Promotion

significantly up from 348 in March 2003 and 314 in March 2002. Consequently, Uttaranchal's share of proposals in the national aggregate increased considerably from 0.64 per cent till March 2001 to 0.9 per cent during August 1991 to March 2004. During April to November 2004, the total number of proposals stood at 596. Though the bulk of these investments are from domestic sources, the ramp-up of industrial infrastructure is bound to translate into some interest from foreign direct investors in the near future.

The investment inflow generated 52888 employment opportunities in the state during August 1991 to March 2001. The investment proposals during April to November'04 is proposed to generate 90188 employment opportunities in the state.

Business Opportunities in Uttaranchal

- **Power and Infrastructure:** The creation of infrastructure itself within the state offers tremendous potential for private investment. For a potentially power-rich state, the generation, transmission and distribution of power provide vast investment opportunity. Significant opportunities are available for the construction of industrial parks, specialised production zones for IT.
- **Tourism:** Uttaranchal offers immense opportunities for development of a vast array of tourist facilities particularly in the areas of eco

and health tourism.

- **Agro and Forest Based Industry:** Since a significant portion of Uttaranchal is under forest cover thus offering excellent potential for the development of forest resources based industries in the state. Ample opportunity also exists to develop agro-waste industries. Uttaranchal is host to all major climatic zones that makes the state suitable for food preservation and floriculture. This together with minimum temperature and chill factor conditions provide abundant opportunities in setting up cold chain technologies, rootstock cultivation and processing, horticulture farms, food processing industry, contract farming herbal and medicinal plants cultivation.
- **Knowledge-Based Industry:** High literacy levels coupled with the presence of quality educational institutes make the Uttaranchal ideal for the location of sunrise industries such as biotechnology and IT. The state government is actively promoting supporting infrastructure.

Key Investments

Within the short span of its existence, Uttaranchal has emerged as a significant destination for investments in manufacturing industry, tourism and infrastructure. Some of the key investments in the state:

Investor consortium to develop tourism hub in Uttaranchal

The Uttaranchal Tourism Development Board (UTDB), has tied up investments from the investor consortium comprising Asian Hotels Ltd – owners of Hyatt Regency Hotels in India; Chescor Capital, UK – investment boutique specialising in corporate and project finance in the Middle East and the Indian sub – continent and Fair - wood Consultants Private Ltd. The project envisages Greenfield development of a tourism hub in the Kumaon hills on 325 hectares of land entailing investment in excess of USD 103 million by the private party.

Uttaranchal as Mahindra & Mahindra's three-wheeler manufacturing base

Mahindra & Mahindra Limited (M&M) is the flagship company of around USD 1653 million Mahindra Group, which has a significant presence in key sectors of the Indian economy. A consistently high performer, M&M is one of the most respected companies in the country. The company has, over the years, transformed itself into a Group that caters to the Indian and overseas markets with a presence in vehicles, farm equipment, information technology, trade and finance related services, and infrastructure development.

M&M proposes to set up a three – wheeler manufacturing facility and ancillaries in the State. The proposed project would involve a capital outlay of USD 10.3 million and spread over 50 acres of land at Integrated Industrial Estate of BHEL, Haridwar. The company also has a satellite plant in the state at Rudraprayag.

Asahi to set up unit in Uttaranchal

Asahi India Glass, India's largest glass manufacturer has decided to invest about USD 130.30 million to set up a manufacturing facility in the state. Asahi will be one of the biggest investors in the non-power sector in the state.

Uttaranchal to host Hero Honda's manufacturing base

Hero Honda plans to invest USD 124 million in Uttaranchal for expanding manufacturing capacities and also diversifying into making scooters. The new plant, the source added, will have the flexibility to produce both motorcycles and scooters. The base is also expected to generate 1,500 jobs as part of this expansion and diversification.

Medicinal and Aromatic Plants Sector to Receive Significant Investment

Maharishi Ayurveda Products Ltd (MAPL) has decided to inject USD 15.23 million in the State. This would be State's single biggest investment in medicinal and

aromatic plants sector. MAPL has bought six acres at Haridwar Industrial Estate and intends to install capacity of 300 tonnes of tablets, 300 tonnes of powder, 400 tonnes of paste and 500 tonnes of syrup at this project.

Uttaranchal to receive USD 57.65 million investment to promote bamboo plantation

The Delhi-based Eland International Private Ltd. has signed a pact with the State Government to provide plantation material to 'panchayats' and motivate people to grow bamboo. The company would invest USD 57.65 million to promote plantation of bamboo and its products in the State. This is a buy-back agreement, which will involve private and public participation for plantation of 1,50,000 acres of bamboo.

IT Park to promote IT and ITES in Uttaranchal

A dedicated IT Park is coming up in the capital city of Dehradun over 40 acres of land area. The park will host large number of ITES, software companies. Apart from boosting demand drivers of the state economy the presence of the IT Park is expected to enhance commercial real estate demand in the State.

Promoting Private Industrial Estate in Uttaranchal

State Industrial Development Corporation of Uttaranchal Ltd. and Purshotam Industrial Estate (P) Ltd has signed a MOU for promoting private industrial estate in Roorkee. Purshotam Industrial Estate (P) Ltd is planning to set up an Industrial Estate over 60 acres of land in Roorkee for developing and setting up of industries by individuals, corporate, etc. SIDCUL will act as a facilitator to Purshotam Industrial Estate (P) Ltd in the proposed Industrial Estate Development Project, which will be set up on Build, Own and Operate basis.

Atlas Cycle Limited takes up USD 6.53 million project

Atlas Cycle Haryana Limited booked 10 acres of industrial plot in BHEL Industrial Estate for a project on cycle and axillaries with an investment of over USD 6.53 million.

Uttaranchal as one of the biggest manufacturing facility base of air conditioners

LG Electronics India Private Limited has set up a world class and one of the biggest manufacturing facility for producing window split and commercial air conditioners, in Sela Qui, Dehradun, with a total investment of USD 2.18 million. The company expects to manufacture around three lakh units in 2004. While the total turnover is expected to be of USD 87 million, 500 local people have been employed in them.

Britannia to set up Greenfield project in Uttaranchal

Britannia Industries Ltd is in the process of setting up a Greenfield project in the State. The project cost is estimated to be USD 12 million and will help it augment the biscuits capacity.

Key Players in the State

Some of the key industries that currently operate in the State are:

Bharat Heavy Electricals Limited (BHEL)

BHEL is one of the leading power generation equipment manufacturers in the world. The company holds a capacity to produce 6000 MW of equipment- bigger than the Indian market. BHEL offers comprehensive service to its customers in Conventional and Non-Conventional Energy, Industry, Transportation, Telecommunication and Oil sectors.

Century Textiles and Industries (CTIL)

B K Birla group flagship, Century Textiles and Industries has diversified itself into rayon yarn, tyre cord, minerals & chemicals, cement, pulp & paper and shipping from just a textile mill. The company located at Lalkua (Nainital district) has provided direct and indirect employment to the people of the surrounding areas. With a human resource base of around 2500 people, Century Pulp & Paper has brought in a favourable impact on the socio-economics of the region. The company has immensely contributed to

the National Exchange and is adding to the quality of life and standard of living.

Surya

Surya set up its first factory for lighting products at Kashipur (in Nainital) in 1984. Today, Surya is India's second largest manufacturer of lighting products. Its steel tube manufacturing plant is one of the largest in Asia. The company maintains its leadership in the export of fluorescent tubes and has achieved high brand visibility in 45 countries across the globe.

The state-of-the-art lighting plant was accorded the ISO 9002 certification in the 1980s at a time when the Indian industry was not familiar with such innovative concepts. Surya is the only lighting company with 100 per cent backward integration; it manufactures all its components.

India Glycols

India Glycols promoted by the Bhartias is presently the only producer that manufactures Mono Ethylene Glycol (MEG) using the non-petroleum route in the country. The company was the first to install an elaborate and efficient system for treating distillery spent wash to safeguard the environment. The company is based in the industrial Kashipur tehsil of Udham Singh Nagar district.

Eureka Forbes

Eureka Forbes- a joint venture between Forbes Gokak and Electrolux AB of Sweden was set up in 1982 to market health and hygiene products to Indian consumers. The state of Uttaranchal houses one of the three manufacturing facility of the company at Bhimtal.

CONTACT AGENCIES & COST STRUCTURE

Contact Agency

State Industrial Development Corporation of Uttaranchal Limited (SIDCUL) is functioning as the Nodal Agency of the State to administer all existing GoI and GoUA schemes for Industrialization and Industrial Promotion. The Corporation provides the industrial units with the requisite information and directs them about the approvals needed for potential investors. SIDCUL is a multipurpose industrial promotion investment arranging and infrastructure development corporation. The corporation has undertaken the development of industrial area and estates in the state, the key cost structure for the particular projects are provided below.

Integrated Industrial Estate- BHEL & Pantnagar

- Land premium for the site is at the rate of USD 1,15,714 per hectare.
- L.T. and H.T. power would be available at the rate of USD 48.6 per 1000 Kwh and USD 39.3 per 1000 Kwh respectively.

Pauri Growth Centre, Kotdwara

- The plot would be sold at USD 82,653 per hectare and will be allocated in three phases, commencing from 2004 and concluding by 2007.

SIDCUL can be contacted at: M-16 Chandralok Colony, Rajpur Road, Dehradun –248001; contact no. 0135-2743838/2743288 or at www.sidcul.com.

Tourism related queries could be addressed to Department of Tourism, State Secretariat, 4, Subhash Road, Dehradun; contact no. 0135-2712095

ANNEX A.1: WEBSITES OF IMPORTANT AGENCIES AND BODIES IN UTTARANCHAL

State Government website:

www.ua.nic.in

State Industrial Development Corporation of Uttaranchal Limited (SIDCUL)

URL: www.sidcul.com

SIDCUL is functioning as the Nodal Agency of the State to administer all existing GoI and GoUA schemes for Industrialization and Industrial Promotion. The Corporation provides the industrial units with the requisite information and directs them about the approvals needed for potential investors. It has also been designated to receive all Industry and related properties from GoUP (Govt. of UP) as a result of the division of Assets and Liabilities.

The Corporation plays a stellar role in the promotion of industries, providing adequate and timely finance, developing the required infrastructure, ensuring development, technology up-gradation and setting up of high technology pollution free industries. SIDCUL ensures the speediest clearances to enable the shortest lead-time in setting up industrial projects. The Corporation would be administering all promotional schemes of the government for Industries and administer the Single Window System.

Uttaranchal Telecom Circle

URL: www.uttaranchal.bsnl.co.in

Uttaranchal Telecom Circle consists of 13 Revenue Districts of Uttaranchal State. Most of the Uttaranchal Telecom Circle consists of hilly region. The Circle is having borders with two countries; China & Nepal. It covers a population of approximate 85 lakhs spread over more than 53000 Sq Mts.

The Department of Industrial Policy & Promotion

URL: <http://dipp.nic.in>

Department of Industrial Policy & Promotion is responsible for formulation and implementation of promotional and developmental measures for growth

of the industrial sector, keeping in view the national priorities and socio-economic objectives. The Department monitors the industrial growth and production, in general, and selected industrial sectors, such as cement, paper and pulp, leather, tyre and rubber, light electrical industries, consumer goods, consumer durables, light machine tools, light industrial machinery, light engineering industries etc., in particular. The Department studies, assesses and forecasts the need for technological development in specific industrial sectors. On this basis, it plans for modernization and technological upgradation of the Indian industry so that; it keeps pace with the international developments in industrial technology on a continuing basis. The Department is also responsible for facilitating and increasing the FDI inflow in the country.

Uttaranchal Tourism Development Board (UTTBT)

URL: www.uttaranchaltourism.gov.in

UTTBT is a statutory board under the Government of Uttaranchal, chaired by the Tourism Minister, with the Chief Secretary as the Vice Chairman and five leading experts from the private sector as its members. The Board serves as a nodal agency for development and regulation of tourism related activities and provides a single window for granting clearances to Tourism projects. The Board has all the requisite administrative and financial autonomy for the speedy, integrated and well planned development of Tourism in the state of Uttaranchal.

Indian Industries Association, Uttaranchal (IIA)

URL: www.iiauttaranchal.com

IIA is an Apex body of small and medium scale industries of Uttaranchal. Its strong membership base covers wide products and services spread throughout the State Uttaranchal.

With exclusive focus on Uttaranchal, IIA is committed to the development of the State and its entrepreneurs. IIA, Uttaranchal has a two-tier system

operating at the State and the city level through respective chapters. The thrust and focus of the Association is always on making efforts to help the existing industry and to attract the new industry in Uttaranchal.

Uttaranchal Electricity Regulatory Authority

URL: www.uerc.org

ANNEX A.2: CONTACT ADDRESS OF UTTARANCHAL GOVERNMENT OFFICE

Government Offices

Secretary & Director Industries

Government of Uttaranchal, Dehradun
Phone: 91-0135-712095
Fax: 91-0135-712112
Email: nareshnp@sancharnet.in

Office of Industries Minister

Vidhan Bhawan,
Haridwar Road,
Dehradun
Phone: 91-0135-677499 ; Fax: 91-0135-677222

Chief Secretary

Government of Uttaranchal,
Dehradun
Phone: 91-0135-712100 ; Fax: 91-0135-712500

Directorate of Industries

Government of Uttaranchal,
Dehradun
Telefax : 91-0135-742903

District Industries Centre, Dehradun
Telefax: 91-0135-724903

District Industries Centre, Kotdwar (Pauri)
Telefax: 91-01382-22266

District Industries Centre, Gopeshwar (Chamoli)
Telefax: 91-01372-52126

District Industries Centre, Narendra Nagar (Tehri)
Telefax: 91-01378-27297

District Industries Centre, Uttarkashi
Telefax: 91-01374-22744

District Industries Centre, Roorkee (Haridwar)
Telefax: 91-01332-62452

District Industries Centre, Udham Singh Nagar
Telefax: 91-05944-43204

District Industries Centre, Haldwani (Nainital)
Telefax: 91-059-20669

District Industries Centre, Almora
Telefax: 91-05962-30177

District Industries Centre, Pithoragarh
Telefax: 91-05964-22574

Industry and Investment Promotion Bodies

Kumaon Garhwal Chamber of Commerce & Industry

Kashipur (Udhamsingh Nagar)
Phone: 91-05947-75178
Fax: 91-05947-79078

Indian Industries Association

Uttaranchal, Dehradun
Phone: 91-0135-640530
Fax: 91-0135-642640

Uttaranchal Industries Association

Dehradun
Phone: 91-0135-725287, 726850, 652624
Fax: 91-0135-721308

Tourism Development Board

Secretary Tourism and Chief Executive Officer

Govt. Of Uttaranchal
(Uttaranchal Tourism Development Board)
Sachivalaya, Dehradun
Tel: 0135-2712095 Fax: 0135-2712800

ANNEX B: ANNEXURE: INDUSTRY ASSOCIATIONS IN JHARKHAND

Confederation of Indian Industry (CII)

www.cii.org

The confederation of Indian Industry (CII) is a non-government, not-for-profit, industry led and industry managed organization. CII acts as a facilitator and catalyses change by working closely with government on policy issues, enhancing efficiency, competitiveness and expanding business opportunities for industry through a range of specialized services and global linkages. It also provides a platform for sectoral consensus building and networking. With its office in Dehradun, CII serves as a reference point for Indian Industry and the international business community.

Dehradun: Brigadier B M Verma, Head-Uttaranchal State Office, Confederation of Indian Industry, C/o Sara Services & Engineers Pvt. Ltd., 7/1, Pritam Road, Dehradun-248001 (India), Tele: 0091-135-669322(D), 674815, 672395, 677759 Fax: 0091-135-669459, 673109.

ANNEX C: ANNEXURE: ESTIMATES OF COST OF SETTING UP BUSINESS IN UTTARANCHAL

Cost of setting up business in Uttaranchal²

An indicative table on cost of setting up business in Uttaranchal

Manufacturing	
Land (US\$ / hectare)	99,183
Labour Cost (US\$ / man year worked)	1,593
Services	
Occupation Costs (US\$ / sq ft / year)	11
Employee Cost (US\$ / man year)	
Software Developers	4,722
Team Leads	13,782
Architects	18,541
Project Managers	28,586
Common Heads	
Cost of Capital (Prime lending rate, per cent)	10.25-11.00
Electricity (US\$ / 1000 KWh)	
H.T.	48.6
L.T.	39.3

² Source: Sidcul, Indiastat, www.ua.nic.in

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