

Think India - Think North



International Punjabi Chamber
for Service Industry
www.ipcsi.org

4th PARVASI PUNJABI DIVAS 2007

Global Investors Conference for Infrastructure Development *Destination: North India*

Thursday, the 11th January 2007, Hotel Mountview, Chandigarh, India



KNOWLEDGE RESERVOIR

Principal Host:



CREATING A NEW INDIA.

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dedicated to
Channelise Investments
for
Developing Infrastructure
for
Service Industry
leading to
Employment Generation
&
Entrepreneurship

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Preface

The Global Investors Conference on Infrastructure development in North India in series of the programmes organized by the IPCSI under Think India – Think North Campaign to strategically channelise investments from NRIs, FDI, FII, VCS, Indian Corporate and other sources for giving a fillip to the overall economic growth of the region with Think India- Think North. Infrastructure is the sine quo of all economic development, whether it is manufacturing, agriculture or even the service sector. And it is from the level of Infrastructure development, a country has achieved that we can form a fairly good idea of its overall economic development.

The event is organized on the occasion of the 4th Punjabi Parvasi Divas to continue the momentum generated at the 3rd Parvasi Punjabi Divas on 14th-15th January,

The objective in organizing this conference is to consider the broad spectrum of the infrastructure, its existing status and what needs to be achieved in this regard in future in its various segments. These segments include education, health, travel & tourism, hospitality, aviation, media & entertainment, retail with emphasis to make it a organized sector, housing and real estate, roads, railways, ports, power and telecommunications, but also water supply, housing and many more. Another objective is to bring NRI investors, entrepreneurs, developers, realtors, businessmen, Indian corporate, policy makers and planners on a common platform to deliberate on tapping the vast potential Punjab has for creating quality infrastructure. This will also go a long way in generating employment opportunities and entrepreneurship for our youth.

The thrust is on Public-Private Partnership (PPP), which is now being considered best suited for the infrastructure sector. Private sector, with its professional maturity and resources is expected to play a more active role in developing public infrastructure and other facilities and to make service industry a vital segment of the region's economy. IPCSI's vision for future is to promote vocational training, skills development training and help both public and private sectors under Public Private Participation

It is for the first time that North Indian states such as Punjab, Haryana, Himachal Pradesh and the Union Territory of Chandigarh, are meeting on a common platform to deliberate on ways and means to develop infrastructure which are in sync with their broader plans and policies. These states now offer a number of incentives and other facilities to the prospective investors, especially Non-Resident Indian investors and entrepreneurs for their projects. They are also expected to spell out projects for which investments are needed.

We sincerely hope that the present conference would prove to be a catalyst in bringing more investments to North India as a whole, which is already at the threshold of taking a quantum jump in developing its overall economy and ensuring progress and prosperity for the people.

There are many reasons for investment in infrastructure and service industry - related projects and in real estate ventures. The basic thrust of our approach has been how we could link up the Indian Diaspora, who is playing a significant role particularly of North Indian origin, for giving a further push to the developmental processes in the region.. There is a huge reservoir of resources, talent and goodwill in the Diaspora, which could be tapped, provided we meet their aspirations of transparency in administration, provide good infrastructure and create investor – friendly environment.

In this **Knowledge Reservoir** we have tried to give an overview of the infrastructure scenario and the investment opportunities that are available in North India. We sanguinely hope that the conference would help us in bringing a larger amount of resources in giving a push to the laudable efforts of the North Indian State Governments in developing quality infrastructure and in networking of the private and the public investors., now when the New Mantra is Infrastructure Development through PPP (Public- Private Partnership)

We sincerely hope that the present Conference would prove to be a catalyst in bringing more investments, which is already at the threshold of taking a quantum jump in developing its overall economy and ensuring progress and prosperity for the people.

It is hoped that our distinguished participants, experts, planners, policy makers and others in the Conference would find the **Knowledge Reservoir** a useful publication.

Being conscious of the fact, that there is much scope for improving the text, we would whole heartedly welcome their views and comments, which would, indeed, are very useful to us for future. www.ipcsi.org

At the end we have also ventured to give a few recommendations for promoting infrastructure Development in North India as a joint mission both by public and private authorities.

My sincere thanks are due to Ms Japneet Kaur and Mr. Deepak Bhardwaj, our faculty at ITFT Chandigarh for their hard work, diligence and untiring efforts in researching the material and in making it relevant for the occasion. My thanks are also due to Ms Usha Sondhi, Prof. Narinder Kumar for their valuable inputs in compilation of this document.

11th January 2007

Dr Gulshan Sharma
Secretary General NRI affairs, IPCSI

Chapter 1

INFRASTRUCTURE – A NEW MARKET MANTRA”

The importance of infrastructure for sustained economic development is well recognized in India. The country has made considerable progress in the last ten years in attracting private investment into the infrastructure sectors in telecommunications, ports and roads and in other individual projects. The sector is estimated to grow at a CAGR (Compounded Annual Growth Rate) of 15 per cent over the next few years. Clearly, it is a sector with colossal potential.

According to the Economic Survey 2005-2006, India has the potential to absorb **US\$ 150 billion of foreign direct investment** in the next five years in the infrastructure sector alone. Infrastructure development in India has set off in a major way in the last two years and is witnessing impressive growth across various segments.

“Infrastructure development requires huge resources .The planning commission has estimated that investment in infrastructure-defined broadly to include road, rail, air and water transport, electric power, tele communications, water supply and irrigation will need to be of the order of about Rs. 1450,000crore or USD 320 billion during eleventh plan period. This is a requirement immense magnitude.”

Sh Manmohan Singh

Prime Minister, India

Chapter 2

World Class Infrastructure – An Overview

The state of the country's infrastructure is far from adequate. Public sector monopoly in the ownership, control and management of infrastructure needs to give way to private financing of infrastructure projects to leverage the private sector's resources and productive efficiency for the benefit of all stakeholders - the service user, the service provider and the Government. This has been demonstrated with success all over the world. Although efforts are being made to augment quality and coverage of all infrastructure, the policy framework to promote private initiative is not yet fully in place. However, the magnitude of the task is too huge for the public sector to handle on its own. Without public-private partnership in this field, the desired rapid industrial growth cannot be materialized. Some States, notably Maharashtra and Andhra Pradesh, have adopted innovative models for providing state-of-the-art infrastructure. Not only do recent investor surveys accord higher ranks to the investment climate in these states, but also the flow of investment, including foreign direct investment (FDI), is greater. While there is no one model that suits all situations, the swiftness with which other States, especially the industrially-backward states including those in the northeast, come up with similar initiatives will determine the pace of industrial growth.

The Tenth Five-year Plan defines the policy paradigm for infrastructure development in terms of models that encourage efficiency and leverage resource generation.

Augmenting the Resource Base

A considerably higher measure of investible resources is required in order to achieve the industrial growth rate target of 10 per cent per annum. The augmentation of the resource base requires action on several fronts.

To begin with, the bleeding of the resource base in the form of unproductive public sector undertakings (PSUs) needs to be checked. The closure of such PSUs

needs to be expedited. A number of roadblocks to this process need to be removed.

Simultaneously, vast resources need to be released from areas of low productivity in the public sector.

Requirements

- Disinvestments of PSUs so that our resources are released and transferred to more efficient management. Taking into account the slow pace of disinvestments,
- Management of the public sector in the transition period.
- The subsidy burden also needs to be drastically reduced.

The fertilizer sector and the public distribution system (PDS) together account for over Rs. 20,000 crore of subsidies. Powerful vested interests in favour of their perpetuation need to be tackled.

Bold steps are required in order to bring about an efficient pricing policy.

Mobilizing Additional Resources

To evolve a healthy Indian capital and potential of the Indian household sector and transfer it to industry through efficient financial intermediaries.

- Restoration of investor confidence
- Utmost caution on the part of the regulatory institutions, which have been set up.

- Corporate governance cannot be improved unless credible and transparent rules of behavior are evolved and enforced by industry associations.

Serious attention must also be given to the issue of foreign investment (both portfolio investments and FDI).

According to some estimates,

- Quadrupling of FDI is required in order to achieve a 10 per cent industrial growth rate.

FDI is not only an additional source of funds but the technology it brings in and the market access it provides have vast implications for productivity and quality.

Efficiency Enhancing Initiatives

Efficiency enhancing policies call for allowing a free play of market forces during the Tenth Plan. Unless genuine strategic concerns require otherwise, all internationally traded goods would be priced on international parity. Prices of non-traded goods would reflect their true resource costs. Pricing based on the long-run marginal cost of production should be a dominating feature in sectors such as infrastructure services, power, municipal services etc. Market-based instruments and indirect policies would completely substitute direct intervention and the command-and-control approach. As progress from a regulated economy to a fully competitive economy would be necessarily slow and time-consuming, market imperfections would require a greater role for the State as a watchdog and regulator at least in some important sectors.

Creating a Positive Investment Climate

The industrial development strategy has to be re-oriented towards enabling the vibrant private sector to reach its full entrepreneurial potential, to contribute towards

- Production
- Employment
- Income generation.

Unless the economic environment is conducive to high levels of private sector participation, there can be little progress in accelerating industrial development and growth. In order to ensure that the transition from a closed to an outward-looking economy is smooth and non-disruptive, **well-conceived government interventions** to dismantle existing barriers to industrial growth and accelerating new initiatives to create an enabling environment at par with the rest of the world are needed.

Private initiative depends on a variety of **market-related factors** and overarching macro economic policies. A conducive investment climate requires a considerable widening and deepening of economic reforms cutting across the Centre and States and local bodies, including panchayati raj institutions.

These reforms must be aimed at

- Ending rigidities in labour policies,
- Reforming real estate laws, the security, transferability and enforceability of property rights,
- Bankruptcy and foreclosure laws.
- Easing restrictions on the inter-State movement of goods imposed by the Essential Commodities Act, 1955.

Chapter 3

Construction Sector to be the biggest Beneficiary of the Infrastructure Boom

In India, construction is the second largest economic activity after agriculture. The investment in construction accounts for nearly 11 per cent of India's Gross Domestic Product (GDP) and nearly 50 per cent of its Gross Fixed Capital Formation (GFCF). It accounts for nearly 65 per cent of the total investment in infrastructure and is expected to be the biggest beneficiary of the surge in infrastructure investment over the next five years. The investment in this segment over the financial year 2005 to 2010 is estimated at US\$ 124.65 billion.

Key drivers underlying the growth

The growth in the infrastructure sector is being driven by a host of factors, which include:

Political will:

The Government of India (GOI) has initiated an ambitious reform programme, involving a shift from a controlled to an open market economy. Building further on the initiatives taken by the previous Government, the incumbent Government is undertaking several measures to enhance the quantum of investments in the infrastructure segment.

Funding from multi-lateral agencies: Multilateral agencies such as the World Bank and the Asian Development Bank (ADB) are funding various infrastructure projects on a large scale in India. Other agencies include the Japan International Bank for Cooperation (JIBC) that funded the Delhi Metro (Underground Railway) Project. Various State Governments are mobilizing funds from these agencies to support rural roads and sanitation projects.

Increased private participation:

To encourage private sector participation in the sector, the Government has announced several tax breaks for investments. It is also devising return schemes that are attractive for the private participants, such as annuity payments and capital grants for road projects. Laws are being enacted to improve the finances of utilities and make their management more transparent, so as to improve returns on these facilities.

Chapter 4

Investments - Public-Private participation

In its effort to develop **Airports** of world-class standards, the Government is inviting private sector participation for developing the existing airports such as Mumbai, Delhi, etc as well as greenfield airports such as Hyderabad and Bangalore. The total investments envisaged in Indian airports over the next five years are US\$ 5.07 billion.

Up gradation of metro city airports. The cost of upgrading Delhi, Kolkata, and Chennai and Mumbai airports is estimated at US\$ 2.22 billion. The Government is keen to hand over Mumbai and Delhi airports to private parties for operations and modernization. The modernization of the two airports is estimated to cost US\$ 666.67 million. Private parties will recover their investment through levying special surcharge for airport facilities. The government has appointed a consultant for the privatization process of these two airports. Similar initiatives are expected in this sector over the next 2-3 years.

There is a wider real estate angle to the development of airports today. An estimated US\$ 1,650-1950 million is being planned for investment in over one thousand acres of land comprising golf courses, hotels, convention centers, malls, office space and entertainment centers at the Kolkata, Hyderabad and Bangalore airports.

The new business model

Airport	Area for Commercial Development (Acres)	Real Estate Plans	% of Revenue Expected	Expected Investment (US\$ Million)
Bangalore	300	Hotels, Office Space, malls	N.A.	400-500
Hyderabad	600-800	NA	N.A.	500-600
Kolkata	300	Golf Course, 4 hotels, convention centre	70-80	750-850

Source: Cushman & Wakefield

Other projects

The Central government intends to modernize airports at Madurai, Trichy and Coimbatore. Modernization of the Coimbatore airport is expected to cost US\$ 9.3 million.

Legislative reforms for airport investments in place

The Airport Authority of India (Amendment) Bill, 2003 has been passed by Parliament. The Bill provides a legal framework for operational and managerial independence to private operators. It also seeks to ensure a level playing field to private sector greenfield airports by lifting control of AAI except in certain respects.

Chapter 5

Foreign Direct Investment – An Insight

FDI is defined as a long-term investment by a foreign direct investor in an enterprise resident in an economy other than that in which the investor is based. The FDI relationship, consists of a parent enterprise and a foreign affiliate which together form a transnational corporation (TNC).

In order to qualify as FDI the investment must afford the parent enterprise *control* over its foreign affiliate. The UN defines control in this case as owning 10% or more of the ordinary shares or voting power of an incorporated firm or its equivalent for an unincorporated firm.

In the years after the Second World War global FDI was dominated by the United States, as much of the world recovered from the destruction wrought by the conflict. The U.S. accounted for around three-quarters of new FDI (including reinvested profits) between 1945 and 1960. Since that time FDI has spread to become a truly global phenomenon, no longer the exclusive preserve of OECD (Organisation for Economic Co-operation and Development) countries. FDI has grown in importance in the global economy with FDI stocks now constituting over 20% of global GDP. In the last few years, the emerging market countries such as China and India have become the most favoured destinations for FDI and investor confidence in these countries has soared. As per the FDI Confidence Index compiled by A.T. Kearney for 2005, China and India hold the first and second position respectively, whereas United States has slipped to the third position.

Types of FDI

Greenfield investment:

Direct investment in new facilities or the expansion of existing facilities. Greenfield investments are the primary target of a host nation's promotional efforts because they create new production capacity and jobs, transfer technology and know-how, and can lead to linkages to the global marketplace. However, it often does this by crowding out local industry; multinationals are able to produce goods more cheaply (because of advanced technology and efficient processes) and uses up resources (labor, intermediate goods, etc). Another downside of greenfield investment is that profits from production do not feed back into the local economy, but instead to the multinational's home economy. This is in contrast to local industries whose profits flow back into the domestic economy to promote growth.

Mergers and Acquisitions:

Transfers of existing assets from local firms to foreign firms takes place; the primary type of FDI. Cross-border mergers occur when the assets and operation of firms from different countries are combined to establish a new legal entity. Cross-border acquisitions occur when the control of assets and operations is transferred from a local to a foreign company, with the local company becoming an affiliate of the foreign company. Unlike

greenfield investment, acquisitions provide no long term benefits to the local economy—even in most deals the owners of the local firm are paid in stock from the acquiring firm, meaning that the money from the sale could never reach the local economy. Nevertheless, mergers and acquisitions are a significant form of FDI and until around 1997, accounted for nearly 90% of the FDI flow into the United States.

Horizontal Foreign Direct Investment

Investment in the same industry abroad as a firm operates in at home.

Vertical Foreign Direct Investment: Takes two forms:

1) Backward vertical FDI: where an industry abroad provides inputs for a firm's domestic production process

2) Forward vertical FDI: in which an industry abroad sells the outputs of a firm's domestic production

Types of FDI based on the motives of the investing firm

FDI can also be categorized based on the motive behind the investment from the perspective of the investing firm:

Resource Seeking: Investments which seek to acquire factors of production that are more efficient than those obtainable in the home economy of the firm. In some cases, these resources may not be available in the home economy at all (e.g. cheap labor and natural resources). This typifies FDI into developing countries, for example seeking natural resources in the Middle East and Africa, or cheap labor in Southeast Asia and Eastern Europe.

Market Seeking: Investments which aim at either penetrating new markets or maintaining existing ones. FDI of this kind may also be employed as defensive strategy; it is argued that businesses are more likely to be pushed towards this type of investment out of fear of losing a market rather than discovering a new one. This type of FDI can be characterized by the foreign Mergers and Acquisitions in the 1980's by Accounting, Advertising and Law firms.

Efficiency Seeking: Investments which firms hope will increase their efficiency by exploiting the benefits of economies of scale and scope, and also those of common ownership. It is suggested that this type of FDI comes after either resource or market seeking investments have been realized, with the expectation that it further increases the profitability of the firm. Typically, this type of FDI is mostly widely practiced between developed economies; especially those within closely integrated markets.

Foreign Direct Investment- Present Scenario

The government took several steps in the year 2005 - 2006 in the area of foreign direct investment (FDI) in the path of policy transparency and liberalization in FDI.

FDI up to 100 per cent is now permitted on the automatic route in all sectors/activities except:

(a) Activities requiring industrial license under the industries (Development and Regulation Act),

- (b) Proposals where the foreign investor had an existing joint venture/technical collaboration/trademark agreement in the same field of activity,
- © Proposals for acquisition of shares in an Indian company in the financial services sector and where SEBI (Substantial Acquisition Of Shares and Takeovers) Regulations, 1997 is attracted and
- (d) All proposals falling outside notified sectoral policy /caps or under sectors in which FDI is not permitted.

Measures

- FDI cap in the domestic airlines sector has been enhanced from 40 per cent to 49 per cent.
- NRI investment is permitted up to 100 per cent with no direct or indirect equity participation by the foreign airlines.
- FDI up to 100 per cent under the automatic route is now permitted for development of township, housing, built up infrastructure and construction development projects.

The minimum area requirement has been reduced to 10 hectares for serviced housing plots and 50,000 square meters built up area for construction-development projects. FDI cap has been increased from 49 per cent to 74 per cent in basic and cellular telecom services.

The revised cap includes both FDI and portfolio investment.

FDI has been permitted in FM Radio Broadcasting up to a maximum of 20 per cent (which is inclusive of FDI, NRI, PIO and FII)

Guidelines for approval of foreign/ technical collaborations for projects with existing joint venture/collaboration in the same field have been reviewed As a measure towards simplification of the existing procedures in FDI, the following Activities have been placed on the general permission route of RBI:

- Transfer of shares in an existing Indian company from residents to nonresidents and vice-versa (except in the financial sector and where SEBI takeover code is attracted);
- Conversion of ECB/loan into equity, provided the activity is covered under the automatic route and the foreign equity after such conversion falls within the sectoral cap;
- Conversion of preference shares into equity provided the increase in foreign equity participation is within the sectoral cap and the activity is under the automatic route
- Conversion of non-repatriable equity invested by NRI's in foreign exchange into repatriable equity allowed under the automatic route provided the original investment was made in foreign exchange under the FDI scheme notified under the FEMA regulations and the sector/activity in which the investment is proposed to be converted into repatriable equity is on the automatic route for FDI.

Procedural simplifications and inclusion of more sectors under the automatic route coupled with a change in the global scenario and a strong increase in FDI in developing countries in 2004 led to an increase in FDI inflows into India. FDI inflows increased by **25.0 per cent in 2004** and a further 33.8 per cent in 2005. India's share in global FDI increased **from 0.5 per cent in 2002 to 0.8 per cent in 2004**. Nevertheless, FDI inflows into India continue to lag far behind such inflows in some of the developing countries of **Asia**

As per the latest available figures, the cumulative amount of FDI approvals accorded till November 2005 was Rs.257,952 crore (US\$69,001 million). During the year Up to November 2005, **FDI to the tune of Rs. 5,947 crore** (US\$ 1,351 million) has been approved. In terms of cumulative inflows and its geographic origin, Mauritius topped the list by accounting for 37.2 per cent of the total inflows. USA was second with a share of 15.92 per cent. The sectoral composition of FDI indicated that electrical equipment was the largest recipient of the FDI inflows. Over 70 per cent of the FDI was accessed by 10 sectors. In terms of the destination of FDI flows Delhi; parts of Uttar Pradesh and Haryana; Maharashtra; Dadra & Nagar Haveli; and Daman & Diu accounted for almost 50 per cent of the total inflows. In terms of FDI approvals, however, Maharashtra topped the list, followed by Delhi, Tamil Nadu, Karnataka and Gujarat. A concerted strategy at the Central and State level needs to be evolved to ensure a more equitable regional distribution of such flows

Table 7.8 : Foreign direct investment in some Asian developing countries

Country	Foreign Direct Investment Inflows (billions of US \$)			Share in World FDI Inflows		
	2002	2003	2004	2002	2003	2004
China	52.74	53.51	60.63	7.36	8.46	9.35
Hong Kong	9.68	13.62	34.04	1.35	2.15	5.25
India	3.45	4.27	5.34	0.48	0.67	0.82
Indonesia	0.15	-0.6	1.02	0.02	-0.09	0.16
Korea	2.98	3.79	7.69	0.42	0.60	1.19
Malaysia	3.2	2.47	4.62	0.45	0.39	0.71
Philippines	1.79	0.34	0.47	0.25	0.05	0.07
Singapore	5.82	9.33	16.06	0.81	1.47	2.48
Sri Lanka	0.2	0.23	0.23	0.03	0.04	0.04
Thailand	0.95	1.95	1.06	0.13	0.31	0.16
Developing economies	155.53	166.34	233.23	21.72	26.29	35.98
World	716.13	632.6	648.15	100.00	100.00	100.00

Source : World Investment Report 2005, UNCTAD

Table 7.9 : Sectors attracting highest FDI inflows*(Amount in Rupees crore and in US\$ in million in parentheses)*

Ranks	Sector	2002-03	2003-04	2004-05	2005-06 (April – Nov)	Cumulative inflows (from Aug 1991 to Sep 2005)	Share of FDI inflows (in per cent)
1	Electrical Equipments (including computer software and electronics)	3,075(844)	2,449(632)	3,281(721)	3,667(223)	20,898(4862)	16.62
2	Transportation Industry	2,173(455)	1,417(308)	815(179)	741(168)	13,073(3,124)	10.39
3	Services Sector (financial and non financial)	1,551(326)	1,235(269)	2,106(469)	1,742(398)	11,981(2908)	9.53
4	Telecommunications (radio paging, cellular mobile, basic telephone services)	1058(223)	532(116)	588(129)	763(156)	12,076(2,863)	9.60
5	Fuels (Power +Oil refinery)	551(118)	521(113)	759(166)	81(19)	10,678(2,514)	8.49
6	Chemicals (other than fertilizers)	811(129)	94(20)	909(198)	843(191)	7,444(1,887)	5.92
7	Food Processing Industries	177(37)	511(111)	174(38)	158(36)	4,677(1,173)	3.72
8	Drugs and Pharmaceuticals	192(40)	502(109)	1,343(292)	4,85(111)	4,047(946)	3.21
9	Cement and Gypsum Products	101(21)	44(10)	1(0)	1,967(452)	3,229(746)	2.57
10	Metallurgical Industries	222(47)	146(32)	881(192)	544(122)	2,679(624)	2.13

Source : FDI Data Cell, Ministry of Commerce

Table 7.10 : Region-wise/State-wise break- up of FDI inflows

Rank	RBI's Regional Office	State covered	Amount of FDI Inflows		Share of FDI inflows in rupees (in per cent)
			Rupees in crore	US\$ in million	
1	New Delhi	Delhi, Part of UP and Haryana	21,839.84	4,840.2	25.96
2	Mumbai	Maharashtra, Dadra and Nagar Haveli, Daman and Diu	17,815.62	3,921.1	21.18
3	Bangalore	Karnataka	6,416.03	1,418.5	7.63
4	Chennai	Tamil Nadu and Pondicherry	5,089.62	1,116.7	6.05
5	Ahmedabad	Gujarat	2,793.23	611.5	3.32

Source : FDI Data Cell, Ministry of Commerce

Chapter 6

Foreign Institutional Investor

Foreign Institutional Investors, registered with SEBI under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995.

FII is an investor or investment fund that is from or registered in a country outside of the one in which it is currently investing. Institutional investors include hedge funds, insurance companies, pension funds and mutual funds.

The term is used most commonly in India to refer to outside companies investing in the financial markets of India. International institutional investors must register with the Securities and Exchange Board of India to participate in the market. One of the major market regulations pertaining to FIIs involves placing limits on FII ownership in Indian companies.

Who can get registered as FII (Foreign Institutional Investors)?

Following entities / funds are eligible to get registered as FII:

- Pension Funds
- Mutual Funds
- Insurance Companies
- Investment Trusts
- Banks
- University Funds
- Endowments
- Foundations
- Charitable Trusts / Charitable Societies

Further, following entities proposing to invest on behalf of broad based funds, are also eligible to be registered as FIIs:

- Asset Management Companies
- Institutional Portfolio Managers
- Trustees
- Power of Attorney Holders.
- Parameters on which SEBI decides FII applicants' eligibility
- Applicant's track record
- Professional competence,
- Financial soundness, experience,
- General reputation of fairness and integrity.
- The applicant should have been in existence for at least one year Whether the applicant is registered with and regulated by an appropriate Foreign Regulatory Authority in the same capacity in which the application is filed with SEBI
- Whether the applicant is a fit & proper person.

Which form needs to be filled in when applying for FII registration?

“Form A” - as prescribed in SEBI (FII) Regulations, 1995. Documents need to be sent with “Form A”.

- **Certified copy** of relevant clauses (clauses permitting the stated activities) of Memorandum of Association, Article of Association or Article of Incorporation.
- **Audited financial statement** and annual report for the last one year (period covered should not be less than twelve months)
- **Fee for registration as FII.** is US \$ 5,000. which is payable at the time of submitting the application for registration.

Mode of payment

Demand Draft in favour of “Securities and Exchange Board of India”.

Registration

SEBI generally takes seven working days in granting FII registration. However, in cases where the information furnished by the applicants is incomplete, seven days shall be counted from the days when all necessary information sought, reaches SEBI.

Validity

The FII registration is valid for 5 years. After expiry of 5 years, the registration needs to be renewed the process of renewal is the same as initial registration. Along with “Form A” and all the relevant documents, the applicants are required to fill in additional form while applying for renewal.

Renewal fee for FII

US \$ 5,000 needs to be paid for renewal of FII registration.

Submission of Application should be sent after three months before expiry of the FII registration.

Venture capitalist

Someone who invests capital in a business venture is a venture capitalist. Conventionally, venture capitalists are looking for a higher rate of return than might be given by more traditional investments.

Venture Capitalists raise capital (commonly known as risk capital) for a business and provide advisory services during the term of their investment. The capital raised may be in the form of debt or equity and may be from private or public sources. Venture Capitalist usually specializes in specific stages of investment and /or specific industries that they know well.

India

The investment of venture capitalists in Indian industries in the first half of 2006 is \$3billion and is expected to reach \$6billion at the end of the year.

Venture capitalists are higher risk investors and, in accepting these higher risks, they desire a higher return on their investment. The venture capitalist manages the risk/reward ratio by only investing in businesses that fit their investment criteria and after having completed extensive due diligence.

Venture capitalists have differing operating approaches. These differences may relate to the location of the business, the size of the investment, the stage of the company, industry specialization, structure of the investment and involvement of the venture capitalists in the company's activities. The entrepreneur should not be discouraged if one venture capitalist does not wish to proceed with an investment in the company. The rejection may not be a reflection of the quality of the business, but rather a matter of the business not fitting with the venture capitalist's particular investment criteria.

HOW TO GET REGISTERED AS A FOREIGN VENTURE CAPITAL INVESTOR

Main requirements under SEBI (Foreign Venture Capital Investors) Regulations, 2000:

The following are the eligibility criteria for grant of a certificate of registration as per regulation 4 of SEBI (Foreign Venture Capital Investor) Regulations 2000

- (a) The applicants track record, professional competence, financial soundness, experience, general reputation of fairness and integrity.
- (b) Whether the applicant has been granted necessary approval by the Reserve Bank of India for making investments in India;
- (c) Whether the applicant is an investment company, investment trust, investment partnership, pension fund, mutual fund, endowment fund, university fund, charitable institution or any other entity incorporated outside India; or the applicant is an asset management company, investment manager or investment Management Company or any other investment vehicle incorporated outside India;
- (e) To ensure that the agent is authorized to invest in venture capital fund or carry on activity as a foreign venture capital investor;
- (f) The applicant is regulated by an appropriate foreign regulatory authority or is an income tax payer; or submits a certificate from its banker of its or its promoter's track record where the applicant is neither a regulated entity nor an income tax payer.
- (g) The applicant has not been refused a certificate by the Board.
- (h) Whether the applicant is a fit and proper person.

Application for Registration:

The applicant must submit the application in Form A as specified in First Schedule to SEBI (Foreign Venture Capital Investors) Regulations, 2000 along with requisite fees as prescribed under Second Schedule of the Regulations.

The application and other documents as specified in Form A should be submitted in duplicate.

One set of documents is forwarded by SEBI to Reserve Bank of India (RBI) for the purpose of approval for making investment in India.

Additional Information

1. A complete list the group/associate companies registered with SEBI in any capacity, and also indicate the capacity in which they are registered and the SEBI Registration number; also whether the applicant is registered with SEBI in any capacity.
2. Whether the applicant or the intermediary, has been convicted by a Court for any offence involving moral turpitude, economic offence, securities laws or fraud
3. Whether any winding up orders has been passed against the applicant or the intermediary.
4. Any orders under the Insolvency Act have been passed against the applicant or any of its directors, or person in management and has not been discharged.
5. Whether any order restraining prohibiting or debarring the applicant or its whole time director from dealing in securities in the capital market has been passed by SEBI or any other regulatory authority and a period of three years from the date of the expiry of the period specified in the order has not elapsed;
6. Whether any order canceling the certificate of registration of the applicant on the ground of its indulging in insider trading, fraudulent and unfair trade practices or market manipulation has been passed by SEBI and a period of three years from the date of the order has not elapsed;
7. Whether any order, withdrawing or refusing to grant any license/ approval to the applicant or its whole time director which has a bearing on the capital market, has been passed by SEBI or any other regulatory authority and a period of three years from the date of the order has not elapsed.
8. Whether the promoter or its group/associate companies are listed on any of the recognized stock exchange(s) in India. If so, please furnish the details.
 - (a) Details of registration of your company/associate/group companies (to be given separately), which are registered/ required to be registered with Reserve Bank of India (RBI) as a Banking company or Non Banking Finance Company or in any other capacity and address (es) of concerned branch office(s) of RBI.
 - (b) Details of disciplinary action taken by RBI against you or any of your group/associate companies. Please also inform us in case there is any default in repayment of deposits by you or any of your group / associate companies.
9. Applicant can submit 'no objection certificate' from RBI for getting registered with SEBI, to expedite the registration process.

Other Documents to be submitted to SEBI

- Copy of latest financial statements of the applicant or the promoters.
- Copy of Memorandum and Articles of Association/Constitution Document and
- Certified copy of Certificate of Incorporation.
- Disclose the investment strategy as required under Regulation 11(a) of the SEBI (Foreign Venture Capital Investors) Regulations, 2000. Also, disclose the amount you propose to invest in India.
- Copy of custodian agreement, entered into, with a domestic custodian under Reg. 8(b).
- Certified copy of Business license (if any), issued by the regulatory agency abroad, with which the applicant is registered.
- A brief write up on activities of the applicant and its group.

- Profile of the Directors/Key personnel of the FVCI.
- Designated Bank in India.
- Declaration that the foreign venture capital investor will not make investment in any area listed under Third Schedule to SEBI (Foreign Venture Capital Investors) Regulations, 2000.
- Mentioning the life cycle of the fund.

Grant of Certificate of Registration

Once all above requirements have been complied with and RBI and requisite fees as per Second Schedule have given necessary approvals to Regulations has been paid, SEBI will grant certification of registration as a Foreign Venture Capital Investor.

Public Private Partnership - Innovative modes of Funding / Investment

The Government is tapping alternative sources of funds for infrastructure development. One of these is the cess on petrol and diesel, which is being used to fund road projects such as the Golden Quadrilateral and the North-South East-West corridor. It is also contemplating levying a tonnage tax on ships (to fund development of ports), and special taxes on air travel (for airports).

Airports, Power, Roads, and Realty- Investments surging

In terms of investments, roads, power and airports are expected to see rapid growth in the near future as the initial foundations for private investments have already been laid in these sectors. Further, the increased demand in housing and commercial space as a result of improved standards of living and economic growth is expected to result in rampant growth in the realty sector.

Key Opportunities

Roads occupy an eminent position in India's transportation as they carry nearly 70 per cent of freight and 85 per cent of passenger traffic in the country. Presently, India's road network spans a distance of around 3.3 million km.

Government investments provide the impetus for growth. The focus of successive Governments on improving road connectivity across the country has brought about significant investments in road development. Government expenditure on roads in India is significant - 12 per cent of capital and 3 per cent of total expenditure; however, road maintenance is grossly under-funded with only one third of needs being met. Recognizing the present deficiencies in the road network, the Government of India has sought to address these through the Tenth National Plan (2002-2007), which has assigned a high priority to the National Highway Development Programme (NHDP).

As per the National Highways Authority of India (NHAI), a total of 23,546 Kms of roads would be constructed in the next two years. One of the most important programmes under NHAI is the National Highway Development Programme (NHDP).

Private sector participation (PSP) being driven by Government.

The Government recognizes the importance of private participation in development of roads in the country. It has taken the requisite policy measures to encourage private investments in the sector.

Chapter 7

Services Sector – Growth and Initiatives

Services sector with its robust growth momentum has remained the leading sector of the Indian economy and has attributed, to a large extent, to the emergence of India as one of the fastest growing economies of the world.

The sector has been experiencing double-digit growth during the past two years (2004-05 and 2005-06), importantly, a strong growth of 10 per cent in 2005-06 has been instrumental in providing an impetus to overall real sector activity in the economy and propelling it to record a sturdy growth of 8.4 per cent (at 1999-00 prices).

Estimates of Production in Crores

Sub-Sectors	2006-07 (Q1)	2005-06 (Q1)	2004-05 (Q1)	2006-07	2005-06
At 1999-00 prices				Percent change over previous year Q1	
1. Trade, hotels, transport and communication	175025 (26.7)	154642 (25.7)	138390 (24.9)	13.2	11.7
2. Financing, insurance, real estate and business services	91527 (14.0)	84021 (13.9)	77245 (13.9)	8.9	8.8
3. Community, social and personal services	88,771 (13.5)	82637 (13.7)	77009 (13.9)	7.4	7.3
All Services (1+2+3)	355323 (54.2)	321300 (53.3)	292644 (52.7)	10.6	9.8
GDP at factor cost	656,064	602476	555,075	8.9	8.5
At current prices					
1. Trade, hotels, transport and communication	211022 (25.3)	181769 (24.7)	156187 (24.1)	16.1	16.4
2. Financing, insurance, real estate and business services	124695 (14.9)	109469 (14.9)	95654 (14.8)	13.9	14.4
3. Community, social and personal services	112716 (13.5)	99761 (13.6)	88797 (13.7)	13.0	12.3
All Services (1+2+3)	448433 (53.7)	390999 (53.2)	340638 (52.7)	14.7	14.8
GDP at factor cost	835109	734510	646806	13.7	13.6

Notes: Figures in brackets denote percent share of total services in GDP.

Source: CSO, Ministry of Statistics and Programme Implementation

Subsequent to this, the sector has continued to exhibit vibrant growth (10.6 per cent) during the first quarter of 2006-07 over the corresponding period of the previous year, mainly propelled by growth in 'trade, hotels, transport and communication' (13.2 per cent) followed by 'finance, insurance, real estate and business services' (8.9 per cent)

Due to the structural transformation of the Indian economy in the new millennium in favour of a service-dominated economy from an agrarian one, the share of the services sector in the total GDP has increased notably from 49.8 per cent in 2000-01 to 54 per cent in 2005-06. During the first quarter (April-June) 2006-07, the services sector has accounted for a share of 54.2 per cent as compared to 53.3 per cent in the comparable period during last year

The remarkable sectoral performance of the services sector as a whole has been reflected in the select lead indicators of the services sector, which have continued to grow at robust rates in the initial months of 2006-07 (Table 7.2). The tourism sector has performed well in terms of foreign tourist arrivals, although there has been a slow down in foreign exchange earned thereby. There has been a strong growth in production (33.5 per cent) as well as domestic sales (37 per cent) of commercial vehicles during April-September 2006 over the corresponding period of 2005. Similarly, the passenger vehicles production and domestic sales have also recorded double digit numbers during the same period. The overall upsurge in the production of automobiles has been on account of overwhelming demand for small cars and sports utility vehicles (SUVs). Similarly, substantial activity has been witnessed in cargo and passengers handled at international airports and passengers handled at domestic airports during April-May 2006. During April-August 2006, Indian Railways has also exhibited reasonably good performance except freight traffic handled.

In the communication sector, there has been a growth of 139 per cent in new cellular connections during April-September 2006 over 37 per cent in the same period last year. Apart from these physical indicators, there has been a considerable growth in the monetary indicators, like aggregate deposits, non-food credit and central government expenditure during April-September 2006. The increasing non-food credit during this period reflects growing demand for retail and personal loans, especially on account of the upcoming festival season.

The sector that has grown moderately as compared to the last year has been shipping in terms of cargo handled at major ports, which has also shown a moderate growth of 6 per cent during April-August 2006 as against 15 per cent during the comparable period of the previous year. A major expansion is required in the port infrastructure sector in order to handle sea borne traffic arising from increased foreign and coastal trade. This could be achieved through private sector participation by reducing the gestation period for setting up new facilities, bringing in latest technology and improving management techniques in order to upgrade cargo handling, both in terms of quality and quantity.

Table 7.2: Select Indicators of Services Sector Activities
(Growth Rates in per cent)

Sub-sector	2006-07	2005-06
1. Tourism (April-September)		
Tourist arrivals (in numbers)	13.8	13.0
Foreign exchange earnings (in US \$)	9.5	24.4
2. Transport		
Automobiles (April-September)		
Commercial vehicles production	33.5	13.4
Passenger vehicles production	18.5	7.2
Commercial vehicles domestic sales	37.0	7.1
Passenger vehicles domestic sales	20.7	7.0
Railways (April-August)		
Revenue earning freight traffic (in tones)	-3.4	10.9
Revenue earning passenger traffic (no. of passengers)	8.5	-
Passenger earnings (Rs crore)	11.7	-
Goods earnings (Rs crore)	16.5	18.3
Civil Aviation (April-May)		
Freight handled at international terminals	17.1	16.7
Freight handled at domestic terminals	4.2	13.0
Passengers handled at international terminals	17.6	14.2
Passengers handled at domestic terminals	52.1	17.2
Shipping (April-August)		
Cargo handled at major ports (in tones)	6.0	15.1
3. Communication (April-September)		
New cell phone connections	139.1\$	36.7
New landline connections	-0.4	57.4
Total new telecom connections	104.2	39.2
Broadband connections	9.3	-
4. Banking and Finance (April-September)		
Aggregate deposits *#	9.2	7.7
Non-food credit *	10.6	11.2
5. Public Administration (April-August)		
Central government expenditure	22	10.4

Notes: '-' means not available; \$ Data for 2006-07 includes WLL-F subs and hence the figures are not strictly comparable.

*Refers to scheduled commercial banks and figures are as on Sep 29, 2006.

Data reflect redemption of India Millennium Deposits (IMDs) on December 29, 2005.

Sources: Data are taken from respective ministries or other government authorities.

Key-Drivers of the Services Sector

Education

Even after 59 years of Independence, if we take a glance at the situation of the Human Capital Development of our country the scenario is dismal as:

The Dropout rate in schools from Kinder Garten to Senior Secondary is (including those who never attended school) 90% to 94%. nearly 600 million of Indians are illiterate

440 million are below the poverty line, which is based on a minimum requirement of Rs. 45 or US\$ 1 per day, (As per the World Bank this figure is now revised to \$2 per day per person).

- Nearly 300 million people are unemployed.
- 45 million unemployed are registered with the employment exchanges.
- Low 'Governance' in Government run schools.

As per the Ministry of HRD the present illiteracy is ONLY 37% or 430 million people, while as per UNICEF and UNDP it is nearly 60% or 650 million people. Whereas China has a literacy rate of about 93%.

One of the biggest reasons for the above is the

- Low investment in education and training, which is hardly 2.5% of the GDP of India.
- Requirement of at least four times, to 8 - 10% of GDP or nearly US \$ 40 - 48 billion per year.

The Education sector thus require additional investments of nearly Rs. 1,00,000 crores to Rs. 2,00,000 crores per year. Whereas the present investments are to the tune of Rs. 78,000 crores per year, out of which about 90% is financed by the states and the balance 10% by the central government.

With Central and State Government deficits of 11% of GDP, private investments, both NRI or domestic are a possible solution for bridging this important and vital gap.

Studies and experiences of developing and developed nations clearly points to the advantages of a 'One Point Agenda' of 100% Literacy and relevant education & training for the youth in particular and the employable age group of 25 to 55 years, in general, for rapid economic growth and improved quality of life of the citizens.

The major focus of the Educational system & Employment is on the higher education.

Nearly 94% of the youth 'drop-out', between class 1st to class 12th. The balance 6% seem to have only seven options for further studies, i.e., Arts, Commerce, Science, Law, Management & I.T., Engineering and Medicine. Out of this nearly 84% opt for Arts, Commerce and Science, which in today's economic scene may not be very relevant due to the major growth impetus of the service industry.

That leaves only 16% of 6% or about 1% of the total 29 million who prepare for a formalized education-employment plan. The first step of making India a knowledge economy is literacy and needs to be given all priority.

Government Expenditure on Education

The total amount spent on education is about Rs. 91,000 crores per year. 15% by the Central Government and 85% by the State Governments The Education Cess will collect another Rs. 7,000 crores per year. This amounts to about 3.3% of GDP. Presently both the Central Government as well as the State Governments are running in Financial Deficits, of about 9% to 11% of GDP, so the question of additional financing for education will strain not only the existing budgets but also put pressure on other sectors, where funds are being presently allocated. While 75% to 85% youth of the developed and developing world learn a skill or competence or trade between the ages of 14 to 35, by Vocational Education & Training, in India it is hardly covers 2% to 4% of the population.

India has about 5114 ITI's (Ministry of Labour) and about 6000 Vocational schools (Ministry of HRD),

India has 300 million unemployed able bodied between the ages of 18 to 50, but they have no skill sets and therefore not employable. Employers in India are facing a huge shortage of skilled manpower. Wages and salaries in India, of skilled manpower are going up too fast. India will not be able to take advantage of the demographic profile of its population, if the youth do not receive relevant and quality Education & Training.

Opportunities In education

Education is 5 times or 500% bigger than I.T. or software industry. India can become an Educational Hub for the world and earn US\$ 100 billion per year, after 10 to 20 years India has 7,700 foreign students.

Because of the growth in Higher and Technical Education, it is estimated that nearly 110,000 to 120,000 students leave India every year for studying abroad. At any given time these 350,000 students cost the country a foreign exchange out flow of nearly US\$ 10 billion per year or nearly Rs. 46,000 crores per year, enough to build 40 IIM's or 20 IIT's per year. The present problem of reservation will not solve the needs and aspirations of the youth. India needs a larger number of educational Institutions, seats and higher quality in the area of Higher & Technical education.

The Central and State governments are strapped for funds even for Primary and **Secondary education.**

The solution lies in complete decontrol of all forms of Higher & Technical education; the same way as business was delicensed in 1991

The Ministry of Human Resource Development has calculated that another Rs. 40,000 crores per year would be required only for additional requirements for Primary Education. The estimate that another Rs. 100,000 crores are required per year just to have reasonable quality of Primary and Secondary education, up to Class 10th which is where the Central and State Governments should concentrate for the next 10 to 20 years, or till we have at least 95% literacy and at least 80% of the population who are completing the High School stage or Class 10th.

As per the estimates the total expenditure for education is nearly 8% of GDP, about 3.3% from Government and 4.7% from private participation.

This includes funding of unaided schools and colleges plus the bribes and capitation fees the payment for students studying abroad, tuition classes, coaching classes, private I.T. & Software training institutes. Most of this private funding is confined to urban areas where only 30% people stay. About 7% to 8% of the youth who finish the 10+2 stage (pre-university) enter the 17,963 colleges of India. 70% of all graduates are B.A. or Arts graduates. Most of these so called graduates are not employable. Of all new employment-taking place nearly 60% are self-employed. About new Employment - 1% is with government, 2% with the private 'organized sector' and 97% with the 'unorganized sector'.

Grey Areas In Education

Little or no connection between education and employment generation.

- Fragmented employers associations, chambers of commerce and other business organizations
- No - “National Common Minimum Program” for “education and training of manpower” in India.
- About 27 million people are added every year to the existing education system, which is like adding another Australia, Hong Kong, Singapore or Dubai to India

Thus the focus of education should also be to assist and help the balance 94% of the population who do not make it past the 12th Class. **Like in I.T, software and the service industry .The workforce should be trained to meet the world class standards, such that Indian manpower can be of use any where on the globe and in India in world class organizations and in multi-nationals, both Indian and foreign.**

Participation of the society

Worldwide, education as an enterprise, is nearly 500% the size [about US \$2500 billion] of software and I.T. [which is about US \$ 530 billion]. India needs to take note of this as an opportunity. Education is a major employment generator and forces countries to improve infrastructure trade and business. The state governments as well as the central government are running fiscal deficits totaling nearly 11% of GDP, so they have very little funds for long-term investments in education and training. The field should thus be opened for private and civil society as well as for NRI's and PIO's participation with benefits of tax-free involvement and participation for the next 25 years or till we reach acceptable levels of literacy, employment, poverty reduction and improvement in health and general quality of life.

The present requirements in the areas of education and training should be focused on domestic & foreign students and cover the following areas of activity

For Domestic Students

- 100% functional primary literacy
- Secondary education leading up to high school
- Enterprise skills education till higher secondary level
- Vocational education & training
- For Foreign Students / NRI's / Domestic Students
- School education to international standards
- College education to international standards
- Higher & Technical education to international standards
- Indian Citizens (& NRI's) can be partners in education & training

This partnership can be divided into two parts that is direct participation to finance tax-free low-interest infrastructure 30-year bonds of interest rates between 3.5% to 4.5% or say 100 to 200 basis points. This could be a source of low-cost long-term funds to be used both by the central as well as the state governments to fund infrastructure for education and other needs of the economy.

Secondly, allow Indian Citizens (& NRI's) to invest in education, as a business and enterprise, both for domestic as well as for foreign students.

Tax breaks of at least 20 to 25 years, from the year of commercial start up, should be given as an incentive.

Suggested Role of the State and Central Governments

- The central government should work as a facilitator.
- Maximum leeway should be given to state governments to run their education programs in primary, secondary and high schools.
- Any Government should not subsidize higher education.
- Grants and scholarships to people below the poverty line and those from the weaker sections of society.

Action Plan

- Promote 100% Literacy as soon as possible
- Decontrol & deregulate all forms of education at the Central & State Government level.
- Allow tax-breaks for the next 25 years for all investments in education

If India has to globalize it is necessary that all students entering higher education, i.e. after 10+2, must learn another foreign language besides English. The English speaking world is hardly 35% to 40% of the world GDP.

Allow organizations to make education a business because education is five times bigger than Software and Information Technology.

- Indian mind-set on the importance of relevant education to be changed.
- Education to be tailor-made for employment generation.
- Abolishing licensing in education.
- To bring Indian enterprises inline with the global economy by recognizing the existing size, scope and importance.
- Infrastructure Funding and Implementation, policy change is required
- Infrastructure requirements need to be implemented as soon as possible.
- Scope of funding, at reasonable terms and ensuring that these funds are routed through the relevant financial institutions are the need of the hour.
- Government schemes for the poor and needy.

Travel and Tourism

Growth in the tourism sector -Opportunity

As travelers surge into India, the demand for rooms, across segments, has skyrocketed. Hotels in the luxury and business traveller segment are recording nearly 100 percent occupancy, spiraling tariffs, and a strain on capacity and manpower. Anticipating this demand, around 10,856 hotel rooms in Delhi, 9,318 rooms in Mumbai, 7,794 rooms in Bangalore and 7,408 rooms in Hyderabad are expected to be added by 2011, according to estimates by HVS International.

A policy thrust

The present government's major policy initiatives include:

- Liberalization in aviation sector
- Pricing policy for aviation turbine fuel which influences internal air fares
- Rationalization in tax rates in the hospitality sector
- Tourist friendly visa regime
- Immigration services
- Procedural changes in making available land for construction of hotels
- Allowing setting up of Guest Houses

Open skies, open arms

The government's Open Skies policy, permission for domestic airlines to commence international flights, start-up of various low-cost carriers, and fleet expansion by domestic players has created a huge incentive for domestic travelers to explore far-off destinations within and outside India.

The booming aviation business is bringing an ever-increasing number of passengers to India, and pulling Indians out of their homes and into hotels. The numbers, according to the Ministry of Tourism, speak for themselves:

The number of domestic and international passengers has increased fifteen-fold to 73.34 million in 2005/06 since 1970.

Domestic air passenger traffic grew by 16.8 per cent in 2005/06 compared to 2004/05.

International passenger traffic observed a growth of 16.9 per cent in the same period.

Private airlines accounted for 77.0 per cent of the total domestic traffic.

Travel and Tourism

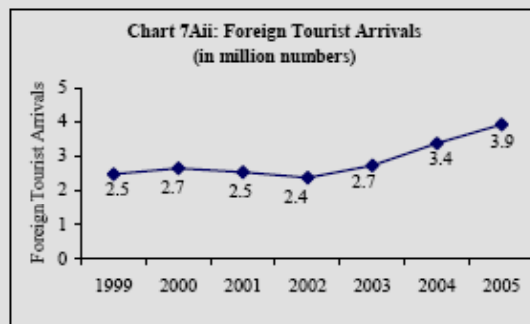
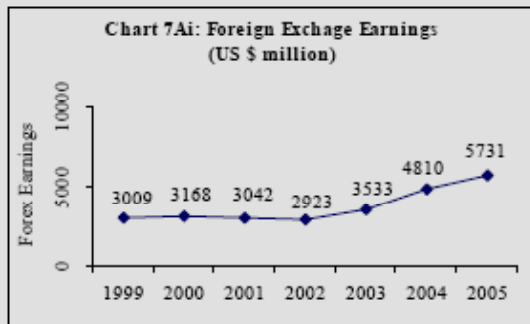
With an impressive growth of tourism in 2005, the key performance indicators of tourism sector are inbound and outbound tourist traffic and foreign exchange earnings from the same. After experiencing positive growth in 2005, the number of foreign tourist arrivals and the corresponding foreign exchange earnings have increased by about 13 per cent and 12 per cent, respectively, in January-September 2006 over the corresponding period in 2005

Table 7.3: Performance of Tourism Sector in India

Year	Foreign Tourist Arrivals (in million)		Domestic Tourist Visits (in million)		Outbound Tourist Traffic (in million)		Foreign Exchange Earnings (US \$ million)	
2001	2.54	(-4.2)	236.5	(7.5)	4.6	(4.5)	3042	(-4.0)
2002	2.38	(-6.3)	269.6	(14.0)	4.9	(6.5)	2923	(-3.9)
2003	2.73	(14.7)	309.0	(14.6)	5.4	(10.2)	3533	(20.9)
2004	3.45	(26.4)	367.6	(19.0)	6.2	(14.8)	4769	(35.0)
2005	3.91	(13.3)	-	-	7.2	(16.1)	5731	(20.2)
Jan-06	0.44	(15.1)	-	-	-	-	632.4	(18.8)
Feb-06	0.42	(10.1)	-	-	-	-	594.6	(10.9)
Mar-06	0.40	(11.0)	-	-	-	-	547.2	(8.2)
Apr-06	0.32	(24.7)	-	-	-	-	473.4	(25.1)
May-06	0.26	(14.7)	-	-	-	-	368.6	(10.6)
June-06	0.28	(10.6)	-	-	-	-	401.2	(6.9)
July-06	0.33	(13.3)	-	-	-	-	497.3	(5.7)
Aug-06	0.30	(10.5)	-	-	-	-	456.8	(4.9)
Sep -06	0.25	(9.2)	-	-	-	-	424.7	(5.7)
Jan-Sep 05	2.7	(15.3)	-	-	-	-	3968.4	(22.5)
Jan-Sep 06	3.1	(13.0)	-	-	-	-	4441.2	(11.9)

Note: Figures in bracket represent percent variations over the previous year or the corresponding period in the previous year.

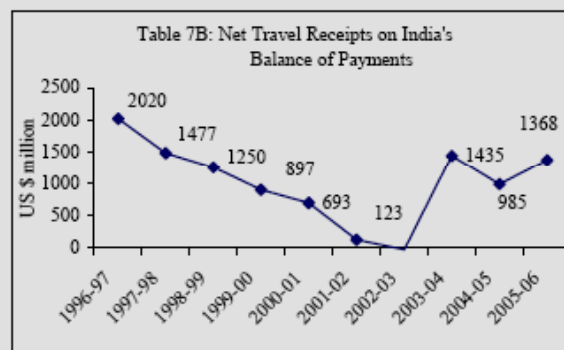
Source: Ministry of Tourism (www.tourism.nic.in)



On the back of this optimistic growth, the government expects tourist arrivals to touch 4.4 million in 2006 from 3.9 million in 2005, 9.9 million by 2011 and 15.9 million by 2014. The number of foreign tourist arrivals during January-September 2006, which has already touched 3.1 million and as per the trend of larger tourist inflows during the winter season, the target for 2006 appears attainable. Moreover, following the trend, it is expected that the foreign exchange earned during this period would exceed those in the previous quarters due to the higher average room rates during the winter period.

Year	Receipts Payments		Net Receipts	Foreign Tourist Arrivals
	(in million US\$)			(million no.)
2000-01	3497	2804	693	2.7
2001-02	3137	3014	123	2.4
2002-03	3312	3341	-29	2.5
2003-04	5037	3602	1435	2.9
2004-05*	6495	5510	985	3.5
2005-06**	7789	6421	1368	4.1

Notes: * partially revised ** preliminary
Source: RBI Bulletin, various issue and Ministry of Tourism (www.tourism.nic.in)



However, although gross receipts from travel have shown a steady rise except for the year 2001-02 (when the tourism industry was hit by terrorist attack in the US in 2001), there had been a deceleration in net receipts, due to increasing number of Indians taking up foreign travel resulting in higher travel payments than travel receipts under the balance of payments account

There has been a revival of the tourism sector since 2003-04 resulting in improved net receipts thereafter. What has been encouraging is the sharp increase in net receipts by US \$ 1368 during 2005-06 as against lower earnings of US \$ 985 in 2004-05. This can be attributed to a higher influx of foreign tourist (4.1 million in 2005-06 as compared to 3.5 million in 2004-05), especially during the winter months of 2005. (Please note that the travel account on Balance of Payments not only includes tourist travel, but also business related travel for personal purposes.) **Tourism & Hospitality**

It is boom time for India's Tourism and Hospitality sector. Driven by a surge in business traveller arrivals and a soaring interest in India as a tourist destination, the year 2005 has been the best year till date, with foreign visitor arrivals reaching a record 3.92 million, resulting in international tourism receipts of US\$ 5.7 billion.

According to global hotel and hospitality consulting firm, HVS International, the strong performance in tourist arrivals in 2005 can be attributed to a strong sense of business and investment confidence in India inspired by:

India's strong GDP performance

Strengthening of ties with the developed world, and

Opening of sectors of the economy to private sector/ foreign investment.

The efforts made by the Ministry of Tourism & Culture in the last few years have had a salutary effect on India's tourism industry.

- Foreign tourist arrivals are expected to witness a growth of 78 per cent in 2006 over 2001 (last 5 years)
- Growth in foreign exchange earnings is expected to be of the order of 122 per cent during this period.

As per estimates (Ministry of Tourism), on an average, about 3.1 million additional jobs per year have been created directly and indirectly in the tourism sector in the last four years.

India is fast emerging as one of the most enticing destinations for the global leisure traveller. The Readers Travel Awards 2006, conducted by Condé Nast Traveller has recently placed India at number four among the world's must-see countries, up from number nine in 2003.

The Incredible India campaign has also been a huge success.

Tourism as an economic growth engine

As an engine for economic growth, the tourism and hospitality sector cuts across the rural-urban divide, and bridges economic boundaries. According to The World Travel & Tourism Council's 2006 Travel and Tourism Economic Research, the travel and tourism sector in India is expected to generate a total demand of US\$ 53,544.5 million of economic activity in 2006, accounting for nearly 5.3 per cent of GDP and 5.4 per cent of total employment.

According to the report, the sector is expected to grow at a rate of 8.4 per cent in 2006 and by 8 per cent per annum, in real terms, between 2007 and 2016.

Hospitality

Indian hotel industry offers 110,000 hotel rooms. China has 10 times as many and the US 40 times as many. According to some analysts, there is a demand of 150,000 new hotel rooms, which would cost \$ 10 billion to build. The shortage is pushing the peak season rates for the basic rooms in India. However the Indian government also recognizes that by some industry estimates, hotels employ 180 people for every 100 rooms and is now scrambling to increase. Keeping in mind the exploding economic growth in India and the need for the hotel rooms as commercial traffic builds to serve the burgeoning market, and wealthy individuals expand their travels.

Present infrastructural requirements in the hotel industry forecasts a need of 100,000 rooms more than double the current amount. According to Mr. Lalit Suri Director, Bharat Hotels estimated that it would require investment up to \$17.4 billion.

At the current pace India will fall short of the projected need. In an effort to encourage foreign investment, the Indian government changed its restrictive laws in February 2005 to allow 100% FDI to develop new housing, commercial properties, hotels and hospitals. India allows foreign funds to own stakes of as much as 24% in the national publicly traded real estate companies. India's hospitality state is attractive with the major shortage of rooms in the commercial centers like Delhi, Mumbai, Bangalore, and Hyderabad. The hospitality industry has grown at 23.7% in 2005 – 2006.

The all India occupancy mark touched the 70.8% mark for the first time, while there is a severe demand supply imbalance as shown in the chart;

The supply demand gap in the premium hotels segment (Average of 10 cities)

	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06 P	2006-07 P	2007-08 P
Room availability	16,378	17,656	18,976	22,247	23,010	24,246	24,620	25,773	27,703
Room demand	10,138	10,671	9,448	13,001	15,472	17,518	19,130	20,797	22,822
Surplus/ Shortage	6,240	6,985	9,528	9,246	7,538	6,728	5,490	4,976	4,881
Increase in room supply		1,278	1,320	3,271	763	1,236	374	1,153	1,930
Occupancy rate (%)	62	60	50	58	67	72	78	81	82
Av. Room Rate (Rs)		4,220	4,094	3,835	4,046	4,332	5,250	5,936	6,772

Note: The data pertains to the cities of Mumbai, Delhi, Chennai, Kolkata, Bangalore, Hyderabad, Pune, Goa, Jaipur and Agra P - projections

Source: ORIS INFAC

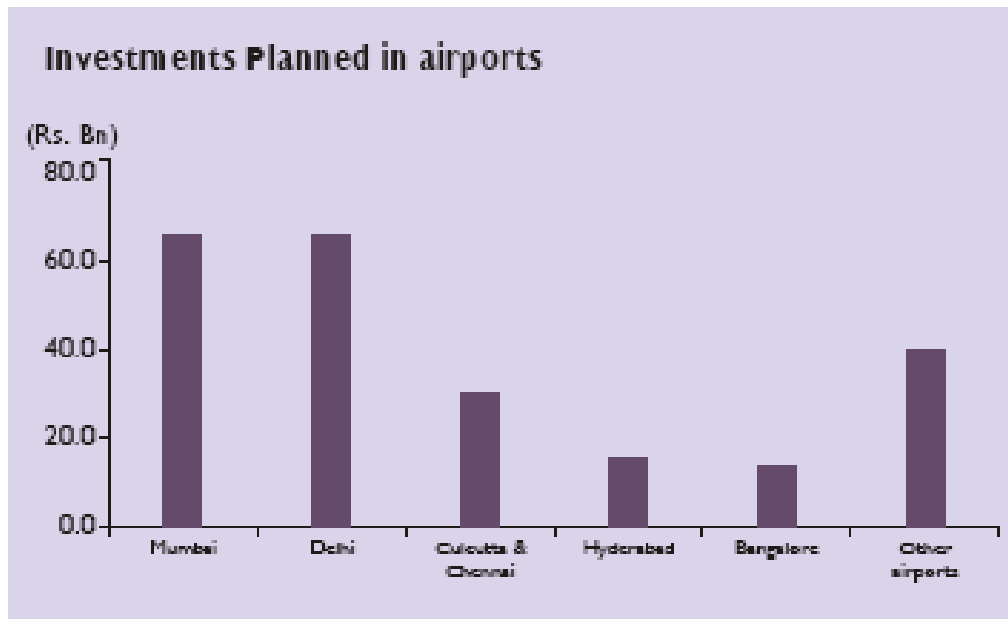
The room tariffs have also been on a rise. Most hotel chains in India are looking at expanding within the country as well as overseas. But they require huge investment for this, with the real estate prices going through roof and an all time high investment costs, a management contract is the easier way out.

Aviation

India has 450 airports managed by Government agencies such as defence services, State Governments and the Airports Authority of India (AAI). The AAI manages a total of 120 Airports in the country, which include 11 International Airports, 81 domestic airports and 28 civil enclaves. Top 5 airports in the country handle 70 per cent of the passenger traffic out of which Delhi and Mumbai together account for 50 per cent traffic.

Upsurge in air traffic creating under-capacity

With air travel becoming more affordable the air traffic in India is witnessing rapid growth. Though the entry of low-cost air carriers is a key factor, industry analysts attribute the boom in air travel to India's economic upswing, increased FDI in various key industrial sectors, a flood of outsourcing firms, the growing popularity of India as a tourist destination and the consequent surge in the numbers of foreign travelers arriving in the country.



Passenger and cargo traffic has grown at an average of about 9 per cent over the last 10 years. The domestic passenger segment is likely to grow at 12 per cent per annum over the next few years. The estimated growth for the international passenger segment is 7 per cent while the growth for international cargo is likely to be at a healthy rate of 12 per cent. With the number of passengers in the country expected to grow from 19 Million annually now to 50 million by 2010, a number of new air carriers have entered the space while several other groups are planning their foray. Airlines in India are expected to buy at least 280 new planes by 2010, worth an estimated \$15 billion, and another \$15 billion below worth in the following decade. Market estimates of international aircraft manufacturer Airbus Industries indicate that demand for planes from India could grow to about 800-1,000 in the next two decades.

Presently, Indian airports face several constraints. Due to liberalization in the sector and a spurt in new airlines launching their services, the airport infrastructure is under increased pressure. The limited parking and terminal capacity, delay in passenger clearances, and bunching up of flights have led to congestion at airports. Moreover, most Indian airports lack modern ground-handling facilities, night-landing systems, and cargo-handling facilities. Information Technology & Telecommunications

Information Technology

India has emerged as the fastest growing IT hub in the world, its growth dominated by IT software and services such as Custom Application Development and Maintenance (CADM), System Integration, IT Consulting, Application Management, IS Outsourcing, Infrastructure Management Services, Software testing, Service-oriented architecture and Web services.

When it comes to IT services, the world is coming to India. With a CAGR of 28 per cent during the last 5 years, the IT-ITES industry's contribution to India's GDP has risen from 1.2 per cent during 1999-2000 to 4.8 per cent in 2005-06.

On a high growth curve

A survey by the National Association of Software and Services Companies (Nasscom) shows why the Indian IT industry has become a case study of success:

- The Indian IT-ITES industry has recorded 33 per cent growth in exports, clocking revenues of US\$ 23.6 billion in FY 2005-06, as compared with export revenues of US\$ 17.7 billion in FY 2004-05. FY 2005-06 also saw the overall
- Indian IT-ITES industry (including domestic market) growing by 31 per cent registering revenues of US\$ 29.6 billion, up from US\$ 22.5 billion in 2004-05. Of the total IT-ITES exports in FY 2005-06, IT software and services grew by 33 per cent, registering revenues of US\$ 13.3 billion.
- The ITES-BPO segment clocked revenues of US\$ 6.2 billion, recording a growth of 37 per cent. Engineering services and product exports grew from US\$ 3.14 billion in FY 04-05 to US\$ 4 billion in FY 05-06.
- Domestic market clocked revenues of US\$ 6 billion in FY 04-05 from US\$ 4.8 billion in FY 05-06.

Telecommunication

Under the New Telecom Policy, 1999, with provision of affordable and effective communication as its core vision and goal, the telecommunication sector in India has achieved a lot in recent years. With rapid growth, tele-density levels have surpassed the targets set. The total number of telephones (basic and mobile) rose from 22.8 million in 1999 to more than 125 million at the end of December 2005. While 21.83 million telephones were added during 12 months of 2004-05, the first nine months of 2005-06 saw an addition of 27.47 million phones. Overall, tele-density has risen from a mere 2.32 in 1999 to 11.32 in December 2005.

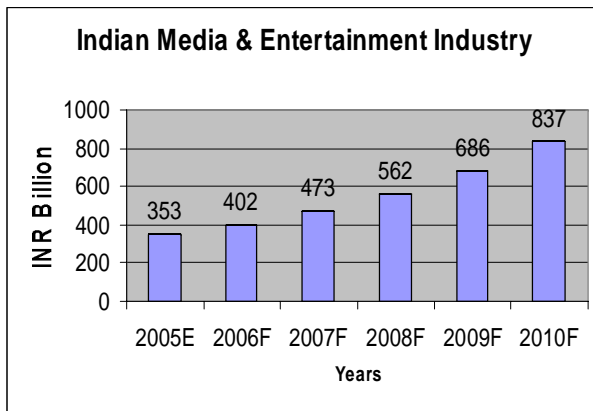
Media & Entertainment Industry

The global entertainment industry

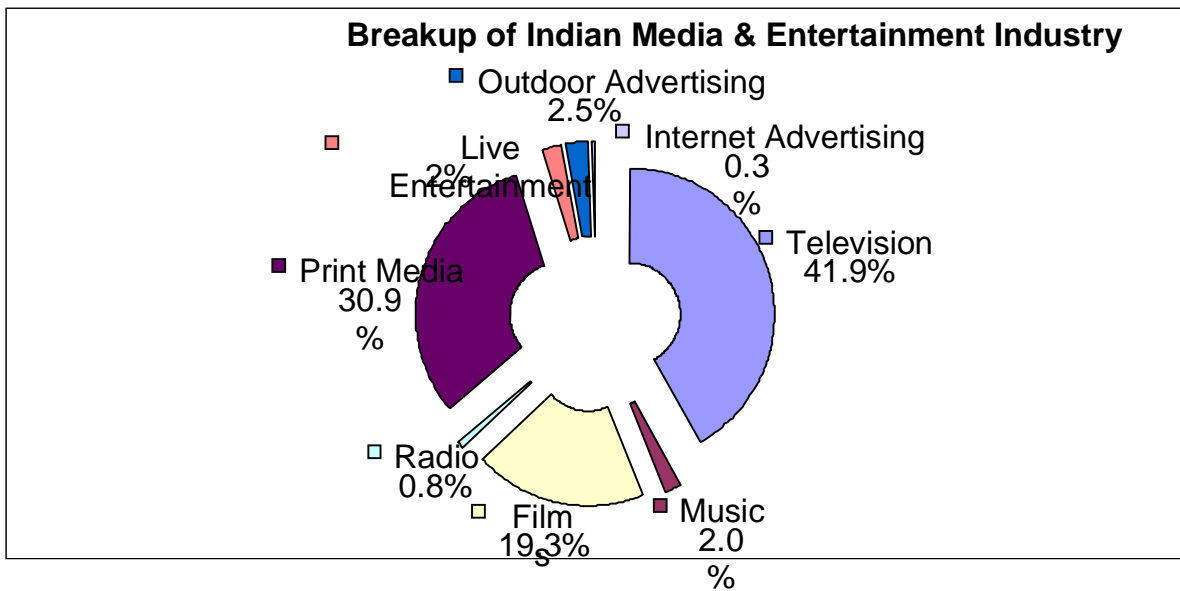
It is projected to touch a whopping US\$ 1.8 trillion by 2015, is gravitating towards the Asian region, and India has the potential to garner a chunk of it — about US\$ 200 billion.

Indian Media and Entertainment Industry

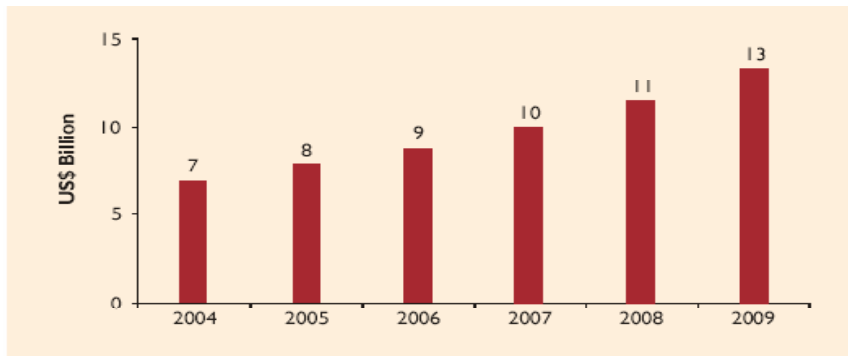
The current market size is estimated at USD 7.72 bn, which is expected to reach USD 18.32 bn by 2010, a CAGR of 19%. Maximum growth is expected in television and film segments with more than 300 national and regional TV channels and close to 1000 films made every year. Liberal FDI policies across all the segments of the industry, the government is focusing on regulations to give further impetus to the industry.



Television is the largest segment with close to 42% share in industry revenues followed by print media at 30.9% and films at 19.3% in 2005. Television's share expected to increase to more than 50% by 2010 at the cost of print media's share.

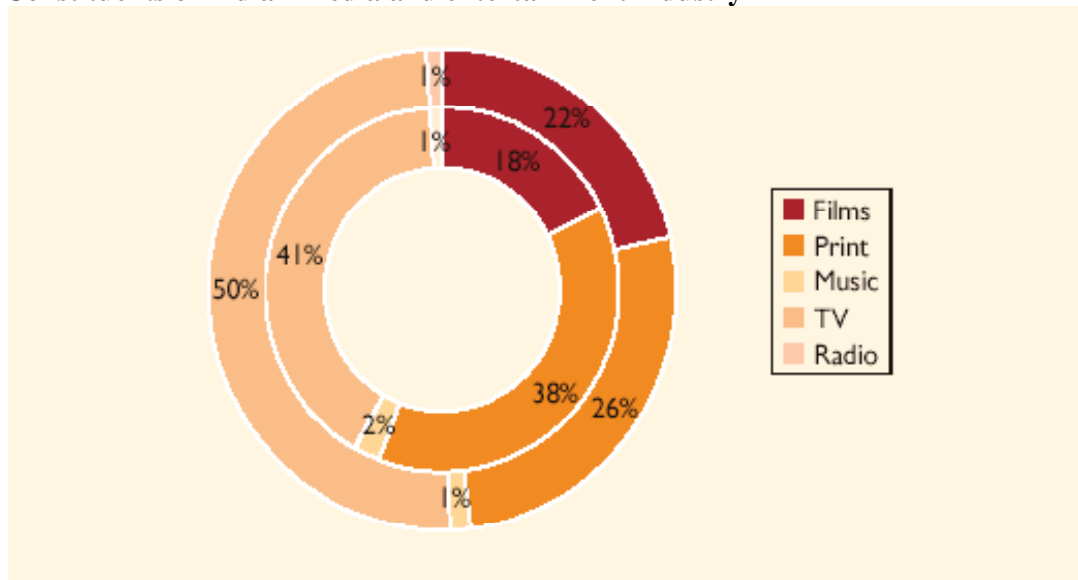


Projected Growth Rates Of Media and Entertainment Industry



Source: PricewaterhouseCoopers Global Entertainment & Media Outlook 2005-2009

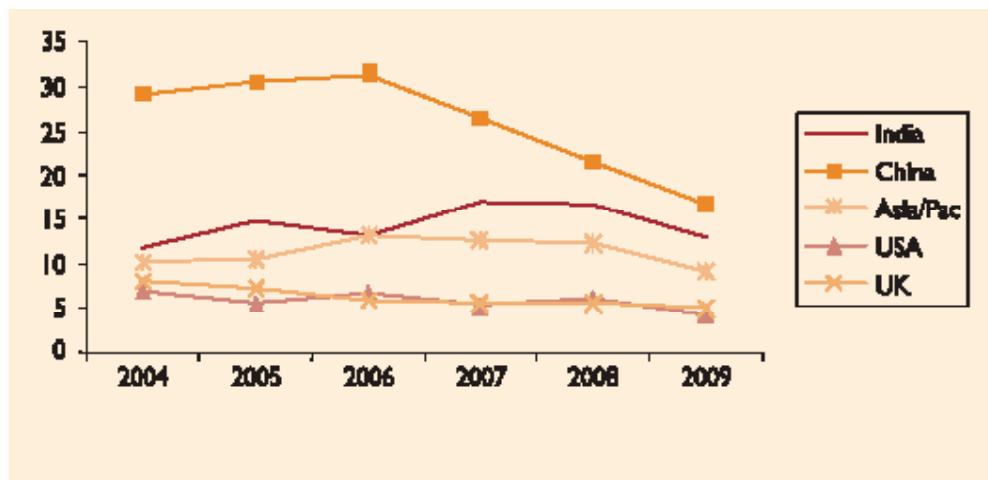
Constituents of Indian Media and entertainment industry



Source: PricewaterhouseCoopers' Global Entertainment & Media Outlook 2005-2009

Inner circle represents shares in 2004 and outer circle represents projected shares in 2009

Projected growth rates of media and entertainment Industry: Comparison with few major countries



Source: PricewaterhouseCoopers' Global Entertainment & Media Outlook 2005-2009

Expected Growth:

The Indian media and entertainment industry is expected to **grow at 19 per cent** compound annual growth rate to reach **Rs 83,740 crore by 2010 from Rs 35,300 crore at present**, a study by FICCI and PricewaterhouseCoopers said.

CINEMA

The Indian film industry is said to be one of the largest in the world with 934 films produced in 2004 and more than 3.1 billion admissions. **It is currently worth about US\$ 1,256 million and is expected to grow at a compounded annual growth rate of 18 per cent for the next 5 years.**

Home Video Segment :

India also offers a huge base for growth in the home video segment. The country boasts of having **over five million home video** and DVD subscribers. With the current penetration levels, the home video segment offers ample growth opportunity. It is **expected to grow over 30 per cent** in the next five years.

Dubbing Industry

In addition, dubbed international films are also finding a market in India. Hollywood films are now being dubbed in local Indian languages and screened in cinema theatres. The dubbing industry has **grown at 25-30 per cent** over the last five years. In fact, almost 75 per cent of the total industry revenues of US\$ 5.1 million is contributed by international content released in local languages. For example, the dubbing of

“Spiderman 2” in three local languages has played a large role in the stupendous success of film in India.

The **animation business in India**, which **touched US\$ 300 million in 2004**, is expected to **grow by about 20 per cent in 2005-06**, the National Association of Software and Services Companies (NASSCOM), said in a report on the industry.

Television

India is the third largest television market in the world today. There are over 119 million television households, which comprise only about 60 per cent of the total households in the country. Of these 119 million television households, about 50 million receive cable television services, leading to a penetration of only about 42 per cent cable TV households to total TV households and 25 per cent cable TV households to total households in India.

Growth Of Television Sector:

According to the study, the television industry is poised to grow at 24 per cent to Rs 42,700 crore from its current size of Rs 14,800 crore. “

Music

The success of music videos and non-film albums is driving growth in the Indian music market. The music sector is estimated to be about US\$ 149 million in legitimate sales of music cassettes and CDs and is pegged to grow at 3 per cent over the next five years.

Radio

Indian radio today reaches out to 99 per cent of the population and is currently the most cost-effective mass communication medium in the country, according to a report by global consultancy PricewaterhouseCoopers.

The PWC report states that there will be **a boom in the radio industry with 22 per cent growth and rationalization of the license framework will treble its size to about US\$ 145.9 million by 2009.**

India’s private FM radio sector is expected to get foreign investments of US\$ 111 million in the next 12 to 18 months.

The revenues in the sector are contributed by the advertisement that accompanies the content. The size of the market in India is currently estimated at US\$ 53 million and is expected to have the highest growth at a CAGR of 22 per cent in the coming years

Projected Growth:

Radio is poised for big growth with projected size **for 2010 at Rs 1200 crore from the current level of Rs 300 crore.**

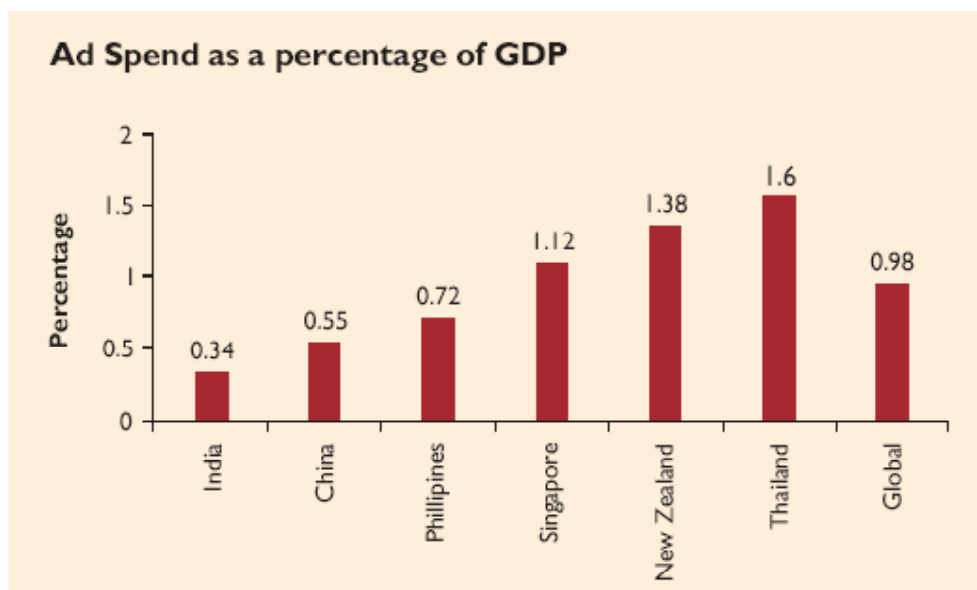
Print media

According to the study, the print media is projected to grow at 12 per cent CAGR to Rs 19,500 crore in 2010 from Rs 10,900 crore.

Live entertainment sector is also seen growing at 18 per cent to Rs 1,800 crore by 2010 from Rs 800 crore. “The growing number of corporate awards, television and sports events is helping this sector. However, issues like high entertainment taxes in certain states, lack of world-class infrastructure and the unorganized nature of most event management companies continue to hinder growth of this industry,” the study said.

Advertisement:

Indian Advertising spends, as a percentage of GDP is only 0.34 per cent, which is way below the percentages for both developed and developing countries. This provides an immense potential for growth in since advertising revenues are key to every segment in the Indian entertainment and media industry. Even if India were to reach the global average, the advertising revenues generated would almost be equal to the current advertising revenues, which are estimated at about US\$ 2.5 billion for 2005 fiscal.



Source: Advertising Expenditure Forecasts October 2004 by Zenith Optimedia as quoted in Entertainment Network Limited Draft Red Herring Prospectus filed with SEBI on November 11, 2005

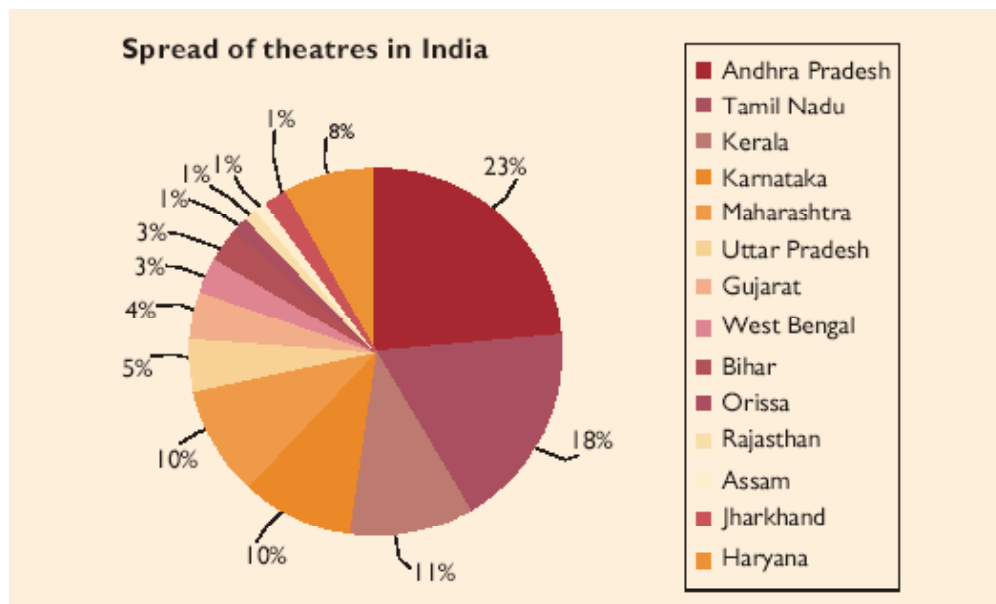
Internet advertising

Internet advertising is projected to grow at 50 per cent rate to Rs 750 crore by 2010 from the current level of Rs 100 crore. “

Theaters

Most of the theatres in India are single-screen theatres and not the highest quality, which has resulted in lower occupancy rates and lower ticket prices. This provided an opportunity for companies to take over such theatres on lease/contract basis (most of such theatres are owned by individuals who are running into losses and hence are willing to enter into such contracts) for up-gradation or conversion to multiplexes. This growth of the multiplexes has resulted in the average ticket prices to rise as high as US\$ 1.7 from a low of US\$ 33 cents.

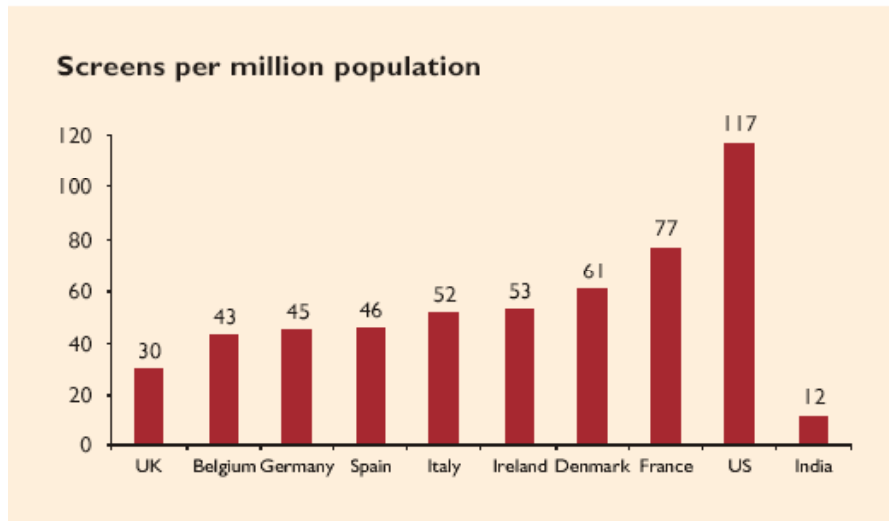
About 60 per cent of the theatres in the country are situated in the four Indian southern states of Andhra Pradesh, Tamil Nadu, Kerala and Karnataka (refer to chart) servicing only 22 per cent of the Indian population. As a result of this regional disparity, there is a latent demand to launch theatres in other states of India.



Source: FICCI-PricewaterhouseCoopers Report- Indian Entertainment Industry: An Unfolding Opportunity

Screens

With around 12,000 theatres in the country that are mostly single-screen, the average screen density works out to be only 12 screens per a million population. In contrast, the US average is about 117 screens (per million populations) and the UK at 30 screens (per million population). Even if a gap of just 8 screen average (as per the UNESCO Report of 2001, quoted in the CII-KPMG Report 2005) is considered, there is a potential demand of about 8,000 additional screens in the country.



Source: UNESCO Report 2001 as quoted in CII-KPMG Report 2005

Though more than 200 additional screens are slated to commence operations in 2006 alone, there is still a large untapped opportunity in this sector.

International Films in India

International films (primarily English, Hollywood) have a strong market share in most developed countries around the world (refer to table). However in India, the share of foreign films as compared with the gross box office collections of all films is relatively small at around 5-10 per cent. One of the reasons for this low share is that the number of International releases in India in 2004 was just 80 films as compared to the local films releases, which were over 900 in 2004. Further, of the total gross box office collections of International films which has grown over 33 per cent in the last four years, 40 per cent of such collections are contributed by such international films dubbed in local Indian languages.

Share of Foreign Films in Gross Box Office Collections (2004)

Country	Share
USA	< 5%
UK	> 95%
Australia	99%
Netherlands	91%
Russia	88%
Italy	79%
Germany	76%
Japan	63%
Hong Kong	54%
South Korea	40%

Source: Yes Bank Report- Bollywood: Emerging Business Trends & Growth Drivers 2005

Foreign Direct Investment In Media and Entertainment Industry

Advertising - FDI is permitted upto 100 per cent through the automatic route

Films - FDI in all film-related activities such as film financing, production, distribution, exhibition, marketing etc. is permitted upto 100 per cent for all companies under the automatic route.

TV Software Production- 100 per cent FDI permitted subject to:

- All future laws on broadcasting and no claim of privilege or protection by virtue of approval accorded.
- Not undertaking any broadcasting from Indian soil without Government approval

Cable Networks FDI limit upto 49 per cent inclusive of both FDI and Portfolio Investment. Companies with a minimum 51per cent paid up share capital held by Indian citizens are eligible for providing cable TV services under the Cable Television Network Rules, 1994.

Direct-to-home

Maximum 49 per cent foreign equity including FDI/ NRI/FII. Within the foreign equity, FDI component should not exceed 20 per cent.

FM Radio

Total foreign investment including FDI by OCB/NRI/PIO etc., portfolio investments by FIIs (within limits prescribed by RBI) and borrowings, if these carry conversion options, is permitted to the extent of not more than 20 per cent of the paid up equity in the entity holding a permission for a radio channel

subject to the following conditions:

- One Indian individual or company owns more than 50 per cent of the paid-up equity excluding the equity held by banks and other lending institutions

- The majority shareholder exercises management control over the applicant company
- Has only resident Indians as directors on the Board
- All key executive officers of the applicant entity are resident Indians

Print

FDI upto 100 per cent is permitted in publishing/ printing scientific and technical magazines, periodicals and journals. In the news and current affairs category, for instance newspapers, FDI has been allowed upto 26 per cent subject to certain conditions:

- The largest shareholder must hold at least 51 per cent equity
- Three-fourth (3/4) of directors and all executive and editorial staff have to be resident Indians.

Advantage India - Second fastest growing economy in the world.

- Favorable FDI policies for all the segments of Media & Entertainment Industry
- Regulatory environment being strengthened for faster growth of the industry
- High quality of creative and technical talent pool
- Large untapped potential especially in Television and Films
- Indian consumers willing to spend more on entertainment
- Growing middle class with more disposable income.

Business opportunities in the Indian Media & Entertainment Industry

Television

- Production/co-production of content
- Broadcasting of TV channels
- Distribution of TV channels through cable and new delivery platforms like DTH and IPTV
- Technology transfer for digital content creation
- Marketing of TV rights/air times.

Strategic investment in existing companies in broadcasting, distribution and content.

Radio

- Investment in FM and Satellite Radio
- Content creation for radio channels
- Marketing of air times
- Films
- Production/co-production of films
- Processing, distribution and exhibition of Bollywood films
- Shooting of overseas films in India
- Development, distribution and exhibition of Hollywood/overseas films
- Training for technical and functional areas of film making
- Supply of Hardware to film studios

Music

- Creation of content for film and non-film music

- Marketing of film and non-film music
- Strategic investment in local music companies.

Print

- Strategic investment in news and non-news publications
- Tie-ups for providing content to Indian publications.

Real Estate

Driven by positive growth in the economy, real estate in India is booming. The year 2006 started on a promising note when the Government of India opened the construction and development sector in February 2006 and allowed 100 per cent foreign direct investment (FDI) under the ‘automatic route’ in order to spur investment in the vital infrastructure sector. Groups showing interest in India include insurance company American International Group Inc (AIG), High Point Rendel of the UK, Edaw-US, Japan’s Kikken Sekkel.

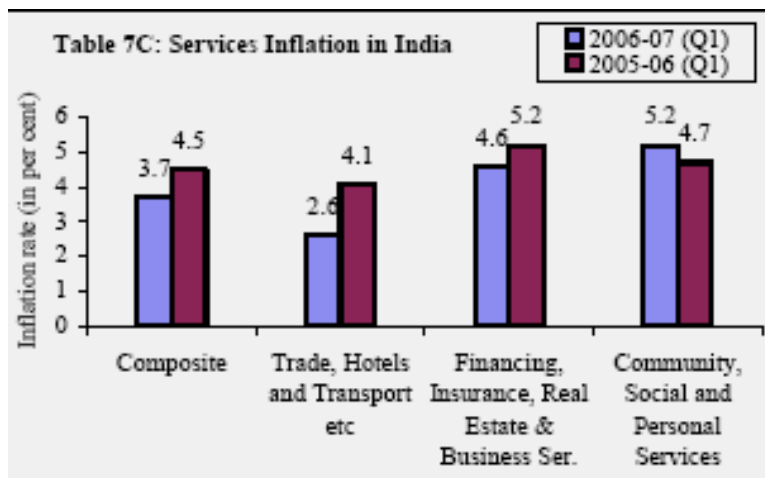
Along with strong supply-side factors, the dynamics of demand have also been quite strong, which has led to an escalation of real estate prices in almost all tier I and tier II cities in India during the last couple of years. The simple demand-supply dynamics indicate that until one of these factors undergoes a change, the high property prices will probably persist due to demand far outstripping supply. The property market has remained firm since the beginning of 2006. For example, in the first quarter of 2006, the real estate markets in Mumbai, Thane and Navi Mumbai have shown price increases varying between 3-15 per cent. Further, any rise in interest rates (interest rates have risen by around 2.5 per cent during last 24 months) is expected to impact only speculators and not genuine homebuyers. One of the reasons behind this continued demand is unaffected equated monthly instalments (EMI) as the banks have extended repayment periods of loans leaving the monthly instalment amount unaltered.

Recent Developments: Real Estate Index

The government is planning to float the first housing price index to track price variations in different locations within cities which would help simplify the decision making process for the consumers easier. The index is expected to track the extent of inflation taking place in housing prices across the country. Since a single measure would not be able to fully represent price variations in housing sector, the government is planning to make it flexible enough to track local variations. India will be the third country in the world to launch such an index after the US and UK.

Services Inflation

Given the fact that the services sector contributes more than 50 per cent to GDP, it is useful to throw light on services inflation in the first quarter of 2006-07 .The general practice to measure services



Inflation till date has been the use of a deflator. As per the CSO's recently released new annual GDP series (1999-00=100) at current and constant prices, the overall services sector inflation during April-June 2006 has been estimated at 3.7 per cent, lower than the inflation rate of 4.5 per cent during the corresponding period in the last year and the average WPI inflation at 4.5 per cent during the first quarter of the current financial year.

	2006-07 (Q1)	2005-06 (Q1)	2004-05 (Q1)
Services Sector GDP at current prices	448433	390999	340638
1 Trade, Hotels and Transport etc	211022	181769	156187
2 Financing, Insurance, Real Estate & Business Services	124695	109469	95654
3 Community, Social and Personal Services	112716	99761	88797
Services Sector GDP at 1999-2000 prices	355323	321300	292644
1 Trade, Hotels and Transport etc	175025	154642	138390
2 Financing, Insurance, Real Estate & Business Services	91527	84021	77245
3 Community, Social and Personal Services	88771	82637	77009
Services Sector Deflators (1999-2000 =100)			
Composite	126.2	121.7	116.4
	(3.7)	(4.5)	
1 Trade, Hotels and Transport etc	120.6	117.5	112.9
	(2.6)	(4.1)	
2 Financing, Insurance, Real Estate & Business Ser.	136.2	130.3	123.8
	(4.6)	(5.2)	
3 Community, Social and Personal Services	127.0	120.7	115.3
	(5.2)	(4.7)	
WPI Inflation Rate (average)	4.5	5.3	

Note: Figures in brackets are percent variations over previous year.
Source: Central Statistical Organisation (www.mospi.gov.in)

Given the importance of the services sector, there is a need to develop 'service price indices' for selected service sectors, particularly in the national accounts framework. The need for such indices has been recommended by the Working Group set up to revise the

WPI and has been emphasized by the National Statistical Commission. The Office of the Economic Adviser, Ministry of Commerce and Industry has been implementing a plan aimed at developing service sector price indices as per international best practices. Under the plan schemes, studies are being commissioned for ten selected services like, road transport, railways, air transport, port, banking, insurance, posts, telecommunication, business services and trade services to develop service price indices.

Reality Industry

The Real Estate sector in India has come of age and competes strongly with other investment options in the structured markets. The strong economic growth of the country has augured well for the Indian real-estate market. Continuing bullish sentiment in the economy and slow delivery of stock on the supply side has resulted in realty prices increasing significantly in many parts of the country.

Housing, IT and Retail driving growth in realty. India's property market is on a fast track, driven largely by the rapid expansion of its information technology industry, a retail boom and the simultaneous growth of its middle class population. Almost 80 per cent of the real estate development is in the residential space and rest comprises offices, hotels, malls etc. The number of households in India is expected to increase at a CAGR of 2.58 per cent (source: CrisInfac) owing to growth in urbanization, increasing affordability, and further nuclearisation of families. Further, factors such as

- Lower interest rates
- Declining EMI rates,
- Increasing disposable incomes

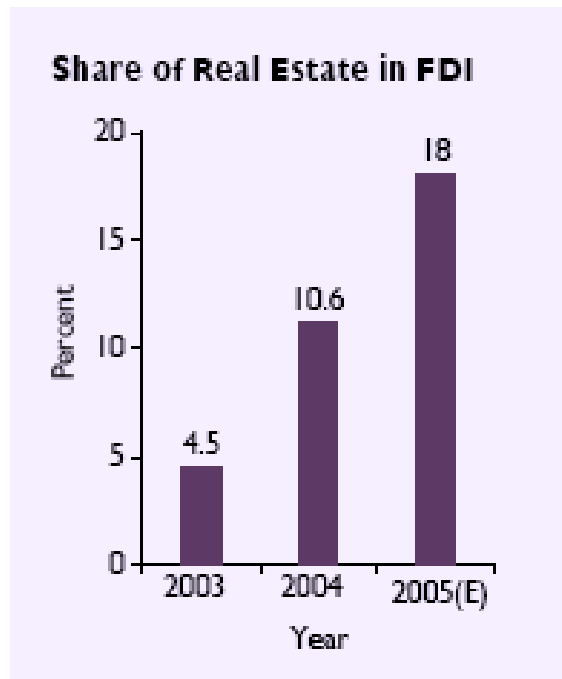
Government incentives are also triggering the growth in the housing sector. Most large cities, such as Mumbai, Delhi, Chennai, Bangalore, Pune and Hyderabad, are developing IT clusters, especially designed to house offices of hi-tech companies and residential townships for their employees.

There is also a surge in retail development, such as shopping malls and multiplexes. Major reforms witnessed in real estate FDI policy and venture funds.

With the objective of mobilizing the requisite capital for augmenting the real estate sector, the Government of India has introduced reforms and liberalized investment policies for this sector. This is the first step towards radically changing and reorganizing the real estate sector in the country.

Two major reforms introduced in the real estate sector are:

- Changes in the Foreign Direct Investment (FDI) policy
- Introduction of real estate venture capital funds



Grey Areas of Real Estate

Definition of minimum built up area in case of construction development projects

Minimum capitalization requirement of US\$ 5 million by a foreign investor Joint Venture with Indian Partner refer to minimum capital contribution by the foreign investor for Joint Venture or capital contribution per project

Commencement date imply to construction start date when capital is transferred to India.

Stage of FDI participation.

High investment yields and capital appreciation in Indian Real Estate

Commercial real estate continues to be a desirable investment option in India. On an average, the returns from rental income on an investment in commercial property in metros are around 10.5 per cent, which is the highest in the world. In case of other investment opportunities such as

bank deposits and bonds, the returns are in the range of 5.5-6.5 per cent.

Key trends of the real estate boom

A report on real estate trends by Merrill Lynch said that the number of malls in Mumbai, Bangalore, New Delhi, Hyderabad and Pune was expected to grow to about 250 by 2010 as against 40 now. In terms of total area, there was 12.40 million square feet (mnsqft) of mall space available in these cities.

As the competition in the market is intense, builders are going out of their way to be different. Specialised malls have become the order of the day. Gurgaon, on the suburbs of New Delhi will soon have an auto mall, while Bangalore is about to get an exclusive furniture mall. Gurgaon is set to get the biggest mall of the world — a large US\$ 89.78 sq ft sprawling property that is being developed by DLF Universal. It will be known as Mall of India.

Similarly in the home segment, which is driven by the availability of easy home finance, most builders are trying to woo investors with interesting features, each more tempting than the other.

Retail Sector

The organized retailing is at a very nascent stage in India contributing a mere 3 per cent of the total retail industry of US \$ 230 billion. However in comparison to the growth of unorganized retail which is growing at a mere 5 per cent per annum, the organized retail is growing at a noteworthy pace of about 25-30 per cent and is expected to touch US \$ 33 billion by 2010 enabling the contribution of organized retail sales to be almost 9 per cent of the total retail sales. However, there still exists a tremendous untapped potential for India as compared to the developed retail markets like US, Taiwan and Malaysia where penetration of organized retail sales is more than 50 per cent. Retailing is the second largest employer (22 million people) in India, second only after agriculture. The booming retail market has attracted large players like Kishore Biyani's Pantaloon Retail, K Raheja Groups Shoppers Stop, Tata Group's Trent, RPG's Spencer and Micky Jagtiani owned Landmark Group's Lifestyle stores and now Reliance Retail to expand their foray nationally. Also, regional giants like Subiksha, Vivek's, Nilgiris and Trinethra are expanding rapidly.

Moreover, due to its correlation with other industrial and service sectors, organized retailing is generating a great deal of indirect employment in other sectors; security, and electrical and mechanical maintenance, property management services, parking, sorting, packaging, etc. If both direct and indirect employment is taken together, organized retailing is bound to create a larger number of better-paid, better-quality jobs. This is a large growth opportunity in an organized business that the country would witness in a long time. Apart from the direct jobs, every retail job created adds further jobs in the support businesses.

Retail scenario in India

Across the country, retail sales in real terms are predicted to rise more rapidly than consumer expenditure during 2003-08. The forecast growth in real retail sales during 2003- 2008 is 8.3% per year, compared with 7.1% for consumer expenditure.

Sales from these large-format stores are to expand at growth rates ranging from 24% to 49% per year during 2003-2008, according to a latest report by Euro monitor International, a leading provider of global consumer-market intelligence.

With a three-year compounded annual growth rate of 46.64 per cent, retail is the fastest growing sector in the Indian economy.

Organized retail in India is only two per cent of the total US\$ 215 billion retail industry, it is expected to grow 25 per cent annually, driven by changing lifestyles, strong income growth and favorable demographic patterns. KSA-Technopak, a retail consulting and research agency, predicts that by 2010, organised retailing in India will cross the US\$ 21.5-billion mark from the current size of US\$ 7.5 billion.

Retail Space

By 2007, an estimated 50 million square feet of quality retail space will be available across India. This is in sharp contrast to the situation a decade ago. Then, there was not

one shopping mall in India. Today, in Delhi, Mumbai and their suburbs, there are about 100 malls. Of the 700 new malls coming up all over India, 40 per cent are concentrated in the smaller cities. Organised retailing in small-town India is growing at a staggering 50-60 per cent a year compared to 35-40 per cent in the large cities.

MOREOVER , - Indian Oil Corporation (IOC) has earmarked an investment of Rs 2,000 crore by March 2007 to improve its retail marketing infrastructure across the country.

The investment would involve the creation of 1,000 fully automated retail outlets (ROs), 200 auto LPG stations and conversion of petrol pumps into branded retail outlets. The oil marketing major has also set a target of creating 2,000 automated ROs by March 2008.

Employment and GDP Contribution:

AFTER farming, retailing is India's major occupation. It employs 40 million people. The Associated Chambers of Commerce and Industries of India (ASSOCHAM) estimate that the organised retail sector will create 50000 jobs a year in the coming five years.

According to a study by the Indian Council for Research on International Economic Relations (ICRIER), retailing contributes employs seven per cent of the total national workforce and to 10 per cent of the GDP .According to ICICI Bank estimates, 3 million direct jobs would come up in organised retail by 2011, with RIL's venture accounting for a third of these. An ICICI Bank study says that retail (organised and unorganised) constitutes 10 per cent of India's GDP and employs 8 per cent of its workforce. That makes it the second largest employer after food and beverages (65 per cent).

FDI in Retail Sector

At present, the most crucial issue regarding the retail sector is that of FDI. The Foreign Investment Promotion Board (FIPB) has permitted 51 per cent equity cap on a single brand product since February 2006. Simultaneously, the equity cap on FDI in 'trading for exports', which is permitted under the automatic route has been raised from 51 per cent to 100 per cent. However, whether the government should introduce 100 per cent FDI in other cases is a matter of dispute with the proponents advocating competition to result in better quality while the opponents being concerned about survival of small shops.

Retail – Future

The Indian retail market is estimated at US\$ 350 billion. But organised retail is estimated at only US\$ 8 billion. However, the opportunity is huge—by 2010, organised retail is expected to grow to US\$ 22 billion.

India's retail industry accounts for 10 percent of its GDP and 8 percent of the employment to reach \$17 billion by 2010. There are about 300 new malls, 1,500 supermarkets and 325 departmental stores being built in the cities very soon.

The organized retail sector is expected to grow at 6% by 2010 and touch a retail business of \$ 17 billion as against its current growth level of 3% which at present is estimated to be \$ 6 billion, according to the Study undertaken by The Associated Chambers of Commerce and Industry of India (ASSOCHAM).

The Study has revealed that the retail sector will grow at GDP 7% by 2010 and enlarge its market share to \$ 280 billion from its present estimated level of \$ 200 billion.

The ICICI bank also says that the industry turnover would grow from the present figure of Rs 27,000 crore (Rs 270 billion) to 90,000 crore (Rs 900 billion) by 2010 and Rs 150,000 crore (1,500 billion) by 2015. Salaries are likely to rise at 30 per cent a year and jobs in retail would be there for the taking.

“We need 8 million people in organised retail by 2011, of which about 500,000 would be working in the 300-400 malls that would be there by then,” says Ashish Mahajan, head (Retail Solutions Group), Indian Retail School.

Retail Revolution

Indian retail continues to be one of the largest sectors attracting fresh investments from the private sector. Apart from existing players (such as Pantaloon) ramping up their retail chain store operations, many large business groups, including Reliance Industries, Birla group, Bharti Enterprises have announced their intention to cumulatively invest over US\$10 billion over the next five years to capture a share in the fast-growing pie of the organized retail sector

Ports

India occupies a strategic location on the global maritime map. Along its extensive coastline of 7,517 km, there are 12 major ports. Eleven major ports are Port Trusts, governed by the provisions of Major Port Trust Act, 1963 and the twelfth, Ennore Port, is the first major corporate port. In addition, there are 185 minor and intermediate ports spread across the nine coastal states.

These are controlled by the respective states. Indian ports handle 90 per cent of India's total foreign trade in terms of volume and 70 per cent in terms of value. Ports sector set to attract US\$ 5.5 billion in the next five years. The Government of India (GOI) is using privatization as a tool to expand existing port infrastructure (augmenting the existing capacities as well as developing Greenfield ports). With the law relating to privatization already in place, the ports sector is emerging as one of the most attractive opportunities for private sector investments.

Rampant growth in traffic – driving demand for additional capacity the traffic handled at the ports has been growing steadily over the past decade. Following the liberalization and opening of the Indian economy in the early 1990s, there has been a significant increase in India's maritime trade in 2004-05. The Government has fixed an ambitious target of US\$ 150 billion for exports by the year 2008-09 to double India's share in world exports from nearly 0.8 to 1.5 per cent. Indian ports require capacity expansion on a large scale. As opposed to the growth of 3.5-4 per cent in global trade, India has been registering a 10.4 per cent growth in containerized cargo and 6 per cent growth in bulk cargo.

Special Economic Zones

The growth in industrial parks in India is being primarily driven by Government reforms through Special Economic Zones (SEZs). Presently, there are 11 operational SEZs and approvals have been granted for setting up of another 42 SEZs in the private/joint sectors or by the State Governments and its agencies on the basis of the proposals received from them.

Benefits of SEZ

The Passing of The Special Economic Zones Act 2005 is expected to infuse further growth in the sector.

Some of the key benefits offered by Indian SEZs include:

- Exemption from customs duty on import of capital goods, raw materials, Consumables, spares etc.
- Exemption from Central Excise duty on procurement of capital goods, raw materials, consumable spares etc. from the domestic market.
- 100 per cent Income-tax concessions up to 10/15 years.
- No license required for import.
- Facility to retain 100 per cent foreign exchange receipts.
- Facility to realize and repatriate export proceeds within 12 months.
- Commodity hedging by SEZ units permitted
- Profits allowed to be repatriated freely without any dividend-balancing requirement.
- Full freedom for subcontracting including subcontracting abroad.
- In house Customs Clearance.
- Concession on dividend distribution Tax and Minimum Alternate Tax.
- No restriction on domestic sales.

Chapter 8

State Profile

PUNJAB

Punjab is the cradle of the Indus Valley Civilization, more than 4000 years old.

Area:

50,362 square kilometers (Punjab occupies 1.54 % of the country's total geographical area.)

Location:

Punjab is situated in the northwest of India, bordered by Pakistan on the west, the Indian states of Jammu and Kashmir on the north, Himachal Pradesh on its northeast and Haryana and Rajasthan to its south.

Capital: Chandigarh

Population: 243.59 Lakh for the year 2001

Rural: 160.96 Lakh

Urban: 82.63 Lakh

Major Land Features

Most of Punjab is a fertile plain; toward the southeast one finds semi-arid and desert landscape; a belt of undulating hills extends along the northeast at the foot of the Himalayas. Four rivers, the Ravi, Beas, Satluj and Ghaggar flow across the state in a southwesterly direction. Supported by seasonal tributaries. In addition, Punjab is watered by an extensive canal system.

Punjab state is divided into 20 administrative districts : Amritsar, Barnala, Bathinda, Ferozpur, Fatehgarh Sahib, Faridkot, Gurdaspur, Hoshiarpur, Jalandhar, Kapurthala, Ludhiana, Mansa, Moga, Mohali, Muktsar, Nawanshahr, Patiala, Rupnagar, Sangrur, Tarn Taran

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.

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 3,1689 technically qualified individuals graduate from Punjab's industrial training institutes.

Education as on (30.09.2004)

Universities	6
No. of Arts, Home Science, Commerce and Science College	212
No. of High schools/ Senior Secondary Schools	3980
No. of Middle schools	2503
No. of Primary Schools	13352

Punjab – A gearing hub for biotechnology.

Punjab has five leading biotech institutions that produce 200 graduates and 100 postgraduates and doctorates in the field of biotechnology/ bioengineering.

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)
- Postgraduate Institute of Medical Education & Research (PGIMER).
- The state also has a network of 205 hospitals and 2,037 health centres.

Medical and Health (01.04.2005)

Hospitals	219
Dispensaries	1479
P.H.C.s.	441
Ayurvedic and Unani Institutions	529
Homeopathic Institution	107
Beds installed in Medical Institutions (Allopathic)	25192

Agriculture

Agriculture is the mainstay of Punjab's economy and 97 per cent of the total cultivable area is under the plough.

Main crops: wheat, rice and cotton. Priority is being given to sugarcane, oil seeds, horticulture and forestry.

Percentage contribution to Central Pool

Wheat: 64.1 % **Rice:** 42 % **Cotton:** 20%.

Per capita milk and egg production is highest in the country.

Area, Average yield & Production of selected Crops. (2004-2005)

	Area (000,hec)	Prod. (000, tons)	Average yield (Kg. per hec.)
Rice	2647	10437	3943
Wheat	3481	14695	4221
Maize	154	422	2738
Bajra	7	7	978
Gram	5	4	869
Sugarcane	86	517	6012
Rapeseed & Mustard	59	61	1032
Sunflower	17	31	1826
Groundnut	4.3	4	842
Cotton	509	2088	697

Allied Economic Activities:

Dairy Farming

Dairy farming as an ancillary avocation to agriculture is getting popular. White revolution has already been ushered. The total production of milk in 1997-98 touched 7.16 million tonnes. Per capita availability of milk of 845 gms per day was highest amongst all other states of the Indian union. 44 milk plants and chilling Centres and 2424 veterinary institutions serve the state.

Poultry farming

Poultry farming on scientific lines is being adopted increasingly. Egg production in 1997-98 reached 2850 million. The state had the highest per capita availability of 125 eggs per annum amongst other states of the union

Road Network:

Total Road network 47,605 km

All cities connected by National Highways.

All major towns of adjoining states connected by National Highways.

Percentage of villages connected by metalled roads 97%

National Highways	:	1000 km
State Highways	:	2166 km
Major Distt. Roads	:	1799 km
Other District Roads:		3340 km
Link Roads	:	31657 km

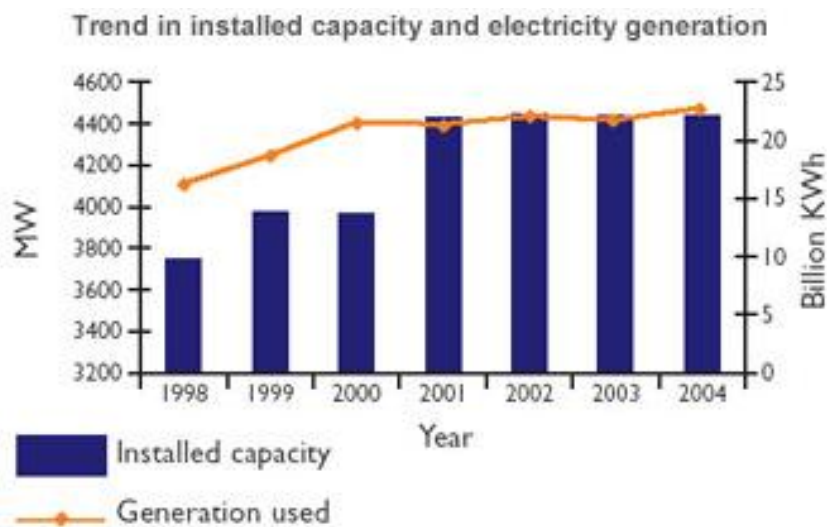
Airports:

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,

Power:

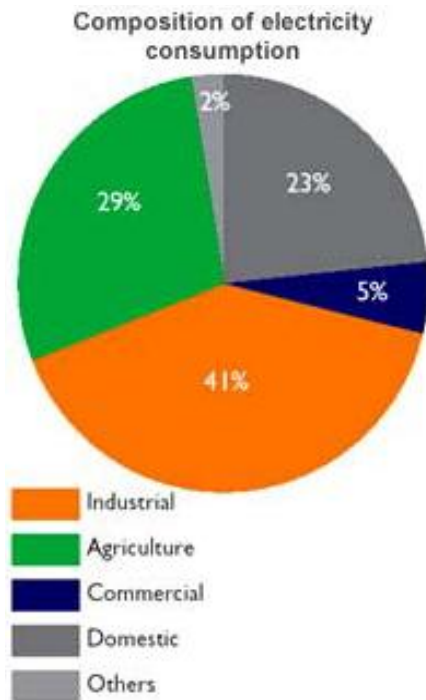
Power is pivotal to Punjab's industrial and agriculture sectors and the state has been working towards expanding and strengthening its power infrastructure to meet the increasing consumer demand in various sectors of the economy.

Source: Punjab Statistical Abstract 2003



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.

Energy (2004-2005)

Consumption of Electricity	22414 Million KWH
Per capita Consumption of Electricity	871 KWH

Industrial infrastructure

Average growth rate - 10% (highest in the country),

Punjab also boasts a 58% literacy rate and the highest per capita income in India.

Small and medium industries - 2.04 lakhs

Large-scale industries - 600

It leads in the manufacture of machine and hand tools; printing and paper cutting machinery; auto parts and electrical switchgear. The state also provides more than 75% of the country's requirement for bicycles, sewing machines, hosiery and sports goods

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/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 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.

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 (APPEAL) 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.

Focal Points i.e. Industrial Park

Punjab has set up 24 industrial estates at 18 locations provided with all the infrastructural facilities. The nodal agency for industrial park is Punjab Small Industries and Export Corporation Ltd, Udyog Bhawan, Sector 17, Chandigarh.

Co-operatives (2004-2005)

No. of Cooperative Societies	21230
Membership (lakh)	46.37
Working Capital (Crore)	24361.08
No. of Primary Agriculture Credit Societies	3985

Banks:

Scheduled Commercial Banks: 2,478 branches

Punjab State Cooperative Banks: 635 branches on an average, each branch services a population of 9,414, an area of 24 square kilometers or a cluster of five villages

TV & Cinema:

The entire Punjab is on the TV map of the country. The southern districts near Kasauli receive telecasts from New Delhi. The central, northern and southwestern districts are serviced by the Jalandhar Doordarshan Kendra and the relay stations at Amritsar and Bhatinda. All India Radio stations at Chandigarh and Jalandhar, apart from organizing programmes, like the TV station at Jalandhar, also relay the National Programme. Cable television has also reached to the farthest corners of the state. The state has over 200 cinema houses and, like the rest of the country has been touched by the video revolution.

NRI INVESTMENT IN PUNJAB

Punjabi NRI's have chosen to invest in promoting health, education and other basic facilities in Punjab villages.

Stating that the government has decided to give matching grant to the NRIs who decide to invest in various development projects in the state, Mr N.S. Kalsi, Commissioner, NRI Affairs, pointed out that:

The NRIs and the government were funding the 43 projects that had been cleared jointly. The NRI share of money was Rs 3.75 crore while the government was giving the rest of the money.

Eye and General Charitable Hospital:

A Rs 4 crore project in Patiala where an NRI would be spending Rs 2 crore. The largest number of projects had been cleared for district Nawanshahr. Out of the 36 projects worth Rs 3 crore, NRIs have taken up the construction of school buildings in Bhaura, Garh Padhana, Mahetpur, Simbal Majra and Karyam villages. Some NRIs have offered to construct stadiums in Rakkar Dhahan, Jhingan, Bharta Khurd and Daulatpur villages.

Exports:

COMMODITY - WISE EXPORTS FROM PUNJAB (Amt. Cr. Rs.)

SR. NO.	COMMODITY	AS AT	
		31.03.2005 (Revised)	31.03.2006 (Revised)
1.	Rice	582.15	636.55
2.	Readymade Garments & Hosiery	970.43	984.80
3.	Cycle & Cycle Parts	950.16	1183.95
4.	Food Products	177.74	41.67
5.	Engg. Goods	292.71	314.85
6.	Sports Goods	365.96	471.44
7.	Yarn & Textile	2418.13	3362.09
8.	Handicrafts	14.18	25.03
9.	Carpets	19.34	85.98
10.	Leather Goods	190.86	133.48
11.	Hand Tools	529.50	692.00
12.	Machine Tools	180.51	275.76

13.	Auto Spares	300.21	346.25
14.	Diesel Engine	50.18	56.09
15.	Sewing Machine	8.25	20.08
16.	Electrical Accessories	14.72	19.14
17.	Drugs	116.67	167.82
18.	Others	732.65	838.93
	Total	7914.35	9655.91

Best Infrastructure in India:

Punjab leads the nation in infrastructure. The Centre for Monitoring Indian Economy (CMIE) infrastructure index gives Punjab a rating of 191 – highest in the country. Even the most industrially developed State of Maharashtra figures at a low level of 111 only, against the national average of 100.

- Infrastructure rating by Centre for Monitoring Indian Economy of Punjab is 191.4 against the national average of 100
- Highest per capita consumption of power in India -- 806 kWh, About 2 times the national average. Even then the State Government is not complacent and keeping the expected increase in demand in view has taken major decision to expedite the new power projects. 500 MW Power Plant has been awarded to a private company, which will operate it on BOO basis. Two units of Guru Hargobind Thermal Plant of 210 MW each have been commissioned and it has been banned to further expand this thermal plant with two more units and 452.4 MW will be available from Ranjit Sagar Dam & 168 MW has been planned from it in Shahpur Kandi. Besides that State Government is encouraging captive power generation by industry
- Excellent network of 1000 Km of National highways, out of which around 200 km of best 6 lane road with grade separation, and 95 km road length per sq km of area is highest in India.
- A big network of State highways and rural link roads making all villages approachable by all weather roads
- Well connected to all parts of India by fast speed trains
- Connected to New Delhi by 4 pairs of high speed Shatabdi trains (3 hours from Chandigarh. 4 hours from Ludhiana)
- Dense telecommunications network: even small villages have ISD connections
- Airports at Chandigarh, Amritsar and Ludhiana
- Cities of Punjab provides best of big and small cities. All facilities of metro available without congestion and pollution, small and well planned residential colonies of Amritsar, Jalandhar, Ludhiana, and Mohali and, Patiala can match best in India.
- Inland Container Depots or, Container Freight Station near all major industrial clusters
- Excellent educational and health facility available all over state.

- Highest number of banks per capita – 15 banks for every 10,000 people
- Excellent Financial Infrastructure available in Public and Private Sector.

Punjab: The Best of Best

- Punjab State, with only 1.5 per cent of Geographical Area of the Country, Produced 20 percent of wheat, 9 percent of Rice and 14 percent of Cotton of the total produce under these crops in the country. Punjab is 1st in average per hectare yield of rice, wheat and cotton.
- During the year 1997-98, the total production of food grains touched 211.61 lac tonnes, a matter of great pride for any state and its people.
- Punjab State which has earned the rare distribution of being called the “FOOD BASKET OF the whole COUNTRY” & the “GRANARY OF INDIA”, has been contributing 40-50 percent of Rice & 60-70 percent of Wheat to the Central Pool for the last two decades.
- Wheat yield of 40 quintals per hectare is a record production.
- Punjab State produces 1% of Rice, 2% of Wheat and 2% of Cotton of the World
- As compared to 73 Kg. per hectare utilisation of fertilisers at the National level, Punjab is using 167 Kg. of fertilisers per hectare.
- Punjab State consumes 10 percent of the total Fertilizer Consumption in India.
- The Punjab State topped all other States in India in the Kinnow fruit production.
- Punjab State topped all other states in per hectare yield of grapes.
- Per hectare potato seed production is highest in Punjab.
- Punjab topped all other State in Mushroom production. It is contribution about 20 to 25 percent in the national food pool.
- Punjab State Cooperative Bank has won two major national level awards for operational efficiency and overall performance for the year 1993-94. This award has been given after selecting Cooperative Banks of 28 States in the country by the NABARD.
- The National Productivity Council, Govt. of India, has awarded the National Productivity Award for the seventh successive year in Oct. 1995 to Punjab for excellent performance in agriculture extension and agro-based industries.
- One-Third Tractors of India are working in the fields of Punjab (5 lakh).
- The Product of MILKFED “VERKA VIGOUR”, the only honey based Brown Malted Health drinks in the country has been accepted in Bangladesh against severe competition from various multinational brands.
- Verka milk products known for quality are largely exported to the Middle East, Nepal, Sri Lanka, Phillipines and Bangladesh.
- Punjab exports vegetables of worth Rs 50 Crores to Pakistan
- In addition to the supply of Quality milk, Whole milk, Skimmed milk, Powdered milk, Cheese & butter to the army, Punjab is also supplying 11,000 tonnes of milk worth Rs 100 Crores a year
- Per capita availability of Eggs is the highest in India:
- Average in India - 35
- Average in Punjab – 125

- Punjab is the first State in India to export HONEY to the United States of America.
- Punjab Energy Development Agency (PEDA) has been awarded the best Performance Award for propagating the objectives of non-conventional and renewable energy sources.
- Under the Family Welfare Programme, Punjab has already attained couple protection rate of 63.73% against the national target of 60% envisaged to be achieved by 2000 A.D.
- Under the Family Welfare Programme, Punjab has already attained couple protection rate of 63.73% against the national target of 60% envisaged to be achieved by 2000 A.D.
- Punjab Produces 7.16 lakh M.T. of milk annually, which is 10 % of the total production in the Country.
- MARKFED is one of the largest cooperative institutions in Asia with a business turnover of about Rs. 91816.46 crores per annum.
- Punjab is the only State in the country where every village and urban slum areas have Mahila Swasthya Sang.
- The fish production is 4100 kg/hectare as compared to All India level 2180 kg.
- Punjab has given a lead to the country by commissioning 160 community and Institutional Biogas Plants, which supply clean cooking fuels to over 10,000 families in the State.

Punjab and India

	Punjab's average	All- India average	Rank in the country
Per capita income (Rs)	19,500	6,929	First
Energy consumption per capita (kWh)	790	283	First
Daily factory employment per 1000 population	17.5	10.0	First
Per capita bank deposits (Rs)	4,565	2,362	First
Per Capita Bank Credit (Rs)	2,201	1,570	Second
TV Coverage (%) area	99.00	58.02	First
Rural Electrification (per cent)	100	83.9	First
Registered motor vehicles for every 10,000 people	556	206	First
Employment in the organized sector to total population (%)	4.63	3.84	First
Villages connected with roads (per cent)	98.8	40.7	Second

Haryana

Haryana is a small state in north India. It has a total of 81 cities and towns. It has 6,759 villages. For administrative purpose the state is divided into four divisions - Ambala, Rohtak, Gurgaon and Hissar. Haryana, bordering the Capital from three sides, offers excellent location to start any industry. It has a rich industrial base and a sound infrastructure. One-third of Haryana falls under the National Capital Region. Haryana has emerged as one of the forefront States in the Northern Region. It has combined growth with equity and is ranked third against the States with a minimum gap between rural and urban prosperity. In terms of per capita income it is sixth in the country after Chandigarh, Delhi, Pondichery, Maharashtra and Punjab. Amongst the top most industrialized States it ranks third largest in per capita value addition in industries and is sixth in the roster of Industrial Entrepreneurship Memoranda (IEMs). It ranks fourth as per the infrastructure index developed by CMIE besides being one of the top agrarian states and contributing substantially to the national pool of wheat, rice, coarse cereals and pulses.

POPULATION

The population of Haryana, according to the 2001 census, is 2,10,83,000, with 1,13,28,000 males and 97,55,000 females. The population density is 477-people/sq km

Social infrastructure

Education:

The state's education network consists of 4 universities and over 249 colleges, along with 1,123 primary and 4,494 secondary schools. The state has done well in terms of literacy, which has increased from 55.8 per cent in 1991 to the current level of 67.9 per cent.

Haryana has 40 engineering colleges with an annual intake of over 10,128 students. It also has 31 polytechnics and 195 Industrial Training Institutes (ITIs), providing vocational training to students. This network of educational institutes focusing on professional training provides a talent pool for the various industries located in the state.

The medical institutions in the state offer 150 seats annually. In addition, there are 3 pharmacy institutes with an annual intake of 180 students and 12 management institutes with an annual

The state's network of health facilities comprises 79 hospitals and 467 health centres.

Agriculture:

Agriculture is the main occupation of the people of Haryana. About 70% of the population is depended upon agriculture for their livelihood. Haryana is self-sufficient in food grains production and one of the top contributors of food grains to the Central pool. It contributes 40 to 45 lakh tonnes of food grains to the Central pool, which is the second largest. The world famous Basmati rice produced in Haryana finds an easy market abroad. The total food grain production in the year 2001-2002 was 139.27 lakh tonnes. The production of oil seeds for the year 2001-2002 was 6.70 lakh tons. At present about 37.50 lakh hectares is covered under cereal crops like wheat, rice, maize and bajra yielding a total cereal production of 109,60,000 tons. The total number of farm tractors is about 1,96,500.

The state of Haryana has a geographical area of 44.20 lakh hectare. About 86% of the geographical area is cultivable, of which 96% has already been brought under plough. Therefore, there is hardly any scope for bringing additional area under cultivation, except for reclamation of degraded lands affected by water logging, salinity and alkalinity. About 75% of the cultivated area in the state is irrigated, wherein the contribution of tube wells / pumping sets is about 50%. The cropping intensity in the state is nearly 170%. Dairy farming forms an essential part of Haryana's rural economy. It has been known as the 'milk pail' of India. Dairy products like Milk, Ghee, Butter, Dahi and Paneer are a major part of the diet of Haryana's people. The total milk production in the state is now approaching 33 lakh metric tonnes. Animal husbandry has been taken up as an integral component of diversified agriculture. Haryana has a livestock population of 98.97 lakh. To give farmers good price for their dairy products and to help in marketing, a vast network of milk producers societies has been set up in the state. About 1500 milk societies are now working. Six milk plants set up in the cooperative sector are now working in Jind, Bhiwani, Ambala, Rohtak, Hissar and Ballabhgarh. One more is being set up in Sirsa.

Providing subsidies on minor irrigation works has augmented irrigation facilities in the state. The number of tube wells and pumping sets has increased to 5.97 lakh as compared to 27,957 during 1966-67. For judicious use of water, sprinkler irrigation system has been encouraged and now 79,969 sprinkler irrigation sets are functioning in rain fed area of the state.

Economic Infrastructure

Roadways

Haryana is a trendsetter in the field of passenger transport. The remotest parts of the state are linked with metalled roads. It has bus fleet of 3,864 buses covers a distance of 1.15 million Kilometers per day. It was the first State in the country to introduce luxury video coaches.

Growth of road network in Haryana

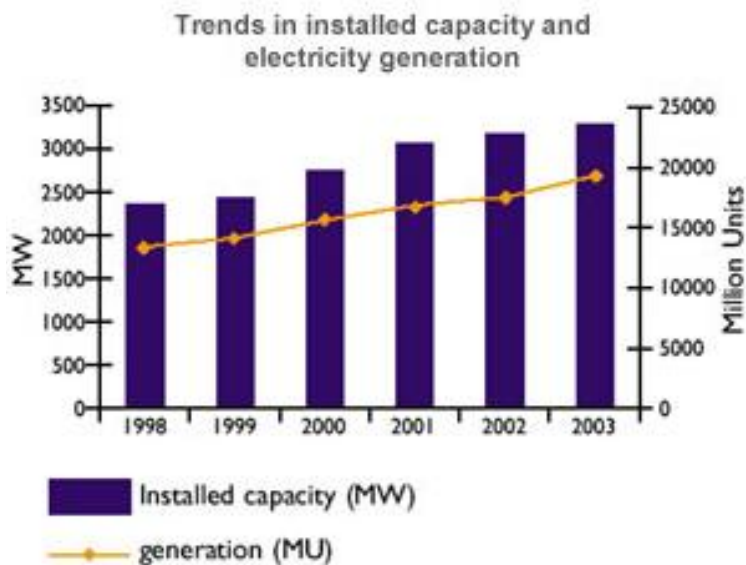
Year	1996	1998	2000	2002
Total length (in km)	27,907	28,416	28,093	28,203
Surfaced length (in km)	25,868	25,790	26,011	26,311

Source: **Ministry of Road Transport and Highways, Government of India**

The state's road density is 63.8 km per 100 sq km, as against the national average of 74.73 km. The total length of national highways passing through the state is 1,468 km. This includes the highway connecting Delhi and the state's important business centres. Roads are the principal mode of transportation and connectivity in the state.

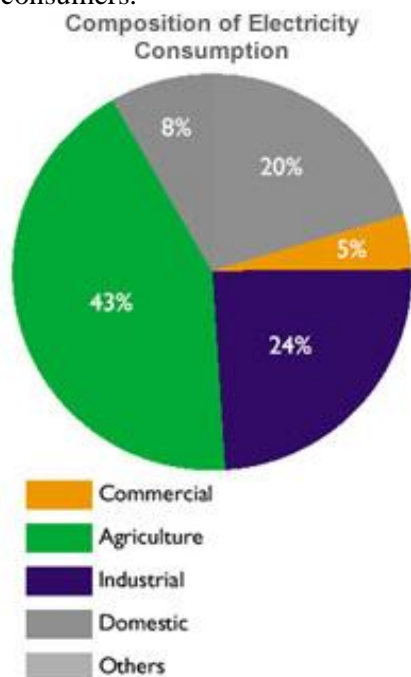
Power

The installed electricity generation capacity of the state is 4,033 MW. Most of the electricity generated in the state is through thermal power (more than 95 per cent). Hydropower is available through jointly owned projects with other states.



Source: **Haryana Statistical Abstract 2002-03**

Electricity consumption had increased from 6,051 million kWh to over 11,720 million kWh in 2002-03, thus, indicating an average annual growth rate of over 6 per cent. Agriculture and industry represent the largest consumer categories followed by domestic consumers.



In terms of per capita, electricity consumption in the state stands at 530 kWh per annum, significantly higher than the national average of 355 kWh per annum.

The State Government has proposed to add over 3,000 MW power generation capacity during the Tenth and Eleventh Five Year Plan. This includes Yamuna Nagar Thermal Project (600 MW coal based and 500 MW gas based) and Hissar Thermal Power Project (500 MW gas based). In addition, Haryana will also get 704 MW power from government projects such as Koldam, Kahalgaon, North Karanpura and Harb Project of NTPC and various hydro projects taken up by NHPC in Jammu & Kashmir and Himachal Pradesh.

Communications

Telecommunications services have been developing rapidly in the state over the past few years. The number of fixed wire telephone subscribers have grown from 0.2 million in 1995 to 0.98 million in 2002.

Growth of fixed wire telephone					
Year	1995	1997	1999	2001	2002
Fixed wire telephones (in '000)	242	355	525	794	984

Source: CMIE, Infrastructure Report

The growth in mobile telephony has been equally strong. Since its launch in 1999, the number of subscribers increased to over 600,000 in 2004. The key telecom players in the state are Escotel, Idea, Aircel Digilink, Bharti and BSNL.

Industry

Haryana has developed 103 industrial estates through its development agencies. Haryana State Industrial Development Corporation (HUDA) develops the industrial estates in the state and private developers develop the industrial estates in the state.

To facilitate coordinated development of infrastructure and participation of private sector including FDI, the HSIDC is designated to be the nodal agency for infrastructure development and it is proposed to redesignate it as 'Haryana State Industrial and Infrastructure Development Corporation' (HSIIDC).

HSIDC invested US\$ 220 million to develop industrial infrastructure in 2003-04. Of the total investment, US\$ 40 million was earmarked to develop new industrial estates.

Haryana currently produces two third of passenger cars, fifty percent of tractors, sixty percent of motorcycles and fifty percent of refrigerators manufactured in the country. About twenty-five per cent of India's Total production of Sanitary-ware is from Haryana. One out of every four bicycles in the Country is manufactured here. **The number of large and medium units in the State has increased from 162 in 1966 to 1212 today with a capital investment of Rs.225 billion while employing 2 lakhs persons and producing goods worth Rs.12800 crores.**

The State has already 857 projects with foreign technical collaboration. To mention only a few Maruti Udyog Limited, Hero Honda, Modi Alcatel, Escorts, Sony India, VXL India, whirlpool Industries, Wipro Ltd., Perfitti India, DCM, Benetton, TDT Copper Ltd., Asahi India Safety Glass Etc. Some Major Units in the public sector are HMT Ltd.,

National Fertilizer Ltd., Indian Drugs & Pharmaceutical Ltd., and Bharat Electronics Ltd. IBPL etc. The Latest addition to this group is the Rs.4200 crore Oil refinery set up by Indian Oil Corporation in Panipat district.

Small Scale Industries:

The growth of small industries in the State has also been phenomenal. Their number has increased from 4500 in 1966 to 80,000 today. They are producing good worth Rs.4500 crores per annum while generating employment for 8.7 lac persons. Twenty per cent of the country's total export of scientific instruments, sixty per cent of the demand of ammunition boxes of the country's defence forces and sixty percent of the total needs of woollen blankets of the Indian Army are met by small units of Haryana. Haryana's Small Scale Sector also enjoys the reputation of manufacturing the largest number of electrical mixies and gas stoves in the country.

Exports

Exports from the State has touched more than 200 billion in the year 2004-05. Major export items are Software, Handloom products, scientific instruments, Garments, Automobiles & Automotive components, Electrical appliances, Rice, Guargum, Pickels etc.

Key industrial centres

Gurgaon

Gurgaon is the most developed commercial and business centre of Haryana, located on the outskirts of Delhi. It is spread over 2,766 sq km and has a population of over 600,000. The industrial areas around Gurgaon house most of the automobile and auto component manufacturers in the state. Gurgaon also has a number of garments export units.

Faridabad

Faridabad is another prominent business and industrial centre, covering an area of 2,151 sq km. Adjacent to the southern part of Delhi; it is well connected to the National capital and Gurgaon through a road and rail network. The 500 small and medium enterprises in Faridabad, mainly auto component manufacturers, are finalizing plans to invest over US\$ 30 million for technology improvement and capacity expansion.

Panipat

Indian Oil's Panipat refinery is the most modern public sector refinery equipped with state-of-the-art technology. Panipat refinery today is on the springboard of growth with two projects, Panipat Refinery Expansion Project for doubling its capacity from 6 to 12 MMTPA and Integrated Paraxylene and PTA Project having a capacity of 553,000 MTPA of PTA are scheduled to be commissioned in 2005.

Joint Venture Agreement:

Haryana State Industrial and Infrastructure Development Corporation Ltd. and Reliance Venture Limited. The Central Government has accorded approval in principle in March 2006 for the setting up of this mega project over an area of 25,000 acres. The agreement also paves the way for the transfer of about 1395 acres of land, which was acquired by HSIIDC for setting up of an SEZ near Garhi Harsaru in district Gurgaon. The site for this biggest SEZ in the country spanning more than 25000 acres has also been finalized jointly by HSIIDC and RVL. The location falls in Gurgaon and Jhajjar districts of the State and would be abutting the proposed Kundli-Manesar-Palwal Expressway on both sides.

The Reliance Industries-Haryana State Industrial and Infrastructure Development Corporation joint venture Special Economic Zone is expected to create five lakh jobs and revenues up to Rs 10,000 crore according to Haryana CM Bhupinder Singh Hooda.

Investment Opportunities for Infrastructural Development in Haryana

Haryana government has identified following projects for investment including investments by NRIs

- Special Economic Zones and export oriented Units in SEZ
- Downstream Industries in Petrochemical Hub at Panipat.
- New Industrial Model Townships along KMP Expressway.
- IT Parks / Technology Parks and cities including Bio Technology Park.
- Mega Food Processing Parks.
- Power Plants
- New Expressways linking new IMTs
- Mass Rapid Transit system
- Transport Hubs
- Developing Airport of International Standards
- Promotion of Tourism
- Electronics, Information and Communication Technology, Biotechnology, Drugs & Pharmaceuticals, Petrochemicals, Medical Equipments, Fashion Garments.
- Solid Waste Management

HIMACHAL PRADESH

India became independent of the United Kingdom in 1947, and Himachal Pradesh was established as a state on April 15, 1948, composed of the territory of some 30 Hill states . Proclaimed by ancient Indian texts as *Devbhumi*—“Land of the Gods”—and believed to be the earthly home of the mighty Lord Shiva, this beautiful, far-flung region has an almost palpable presence of divinity. Bordered by Tibet to the east, Jammu and Kashmir to the north, and the Punjab to the west, the landlocked state is one of great topographic diversity, from vast bleak tracts of rust-colored high-altitude Trans-Himalayan desert to dense green deodar forests, apple orchards, cultivated terraces and, everywhere you look, sublime snowcapped mountains. This is also where you’ll find the largest concentration of Buddhists, their atmospheric *gompas* (monasteries) a total contrast to the pageantry of Hindu temples.

Capital	Shimla
Population (Census of India 2001.)	6,077,248
Per Capita Income [2000-01]	Rs. 10942
Literacy [2001]	77.13 %
Area	55673 sq kms

Districts: 12

Kangra ,Hamirpur, Mandi,Bilaspur,Una,Chamba,Lahul and Spiti, Sirmapur, Kinnaur, Kullu, Solan,Shimal

Social Infrastructure:

Educational Institutions : (govt.)

S.No	Institutions	As on 31 st December 2000-01
1.	Primary School	10,633
2.	Middle Schools	1671
3.	High School & Senior Secondary	1514
4.	Colleges	37

Technical Education:

Engineering Colleges - 2,

Polytechnics – 5,

ITI – 14

Besides a plethora of franchises of reputed private training institutions.

Agricultural University

The Himachal Pradesh Vishwa Vidhyalaya not only caters to the needs of education in the field of agriculture but also is responsible for the entire research support to the State in the field of Agriculture and partially in respect of Animal Husbandry and Fisheries. The research activities of the University are spread over at main campus at Palampur, four regional research stations and eleven research stations located in four different agro-climatic zones of the State.

Horticulture and forestry University

Dr. Y S Parmar University of Horticulture and Forestry, Solan imparts education in the field of Horticulture, Forestry and other allied branches. Further advancement of learning and prosecution of research, both basic and other applied particularly in horticulture, forestry and other allied science.

Health

Indian System of Medicine & Homoeopathy have played historically a vital role in the health care system of the State of H.P. This could perhaps be due to the fact that H.P., due to its varied climatic conditions has traditionally been a rich repository of H.P and herbs used in various systems of medicines.

Department of Indian Systems of Medicine and Homoeopathy was created on 7th Nov., 1984. At that point of time there were 424 Ayurveda, 3 Unani and 2 Homeopathic Dispensaries and 12 Ayurvedic College at Paprola, one Research Institute in ISM at Joginder Nagar and 2 Pharmacies for the manufacture of Ayurveda Medicines at Joginder Nagar and Majra respectively. Over the years the Indian Systems of Medicines & Homoeopathic institutions have grown from 441 to 1158. The budget has also risen from Rs.312.95 lakh (in 1984) to Rs. 4843.95 Lakh (in 2001) over these years.

Growth In Institutional Network

There were 12 Hospitals, 424 Ayurveda Dispensaries, 2 Homoeopathic dispensaries, 3 Unani dispensaries at the time of bifurcation of Department of ISM & H from the parent Department of Health Services in 1984, The number of such institutions has increased over the years to 1158 from 441.

Economic Infrastructure

The Himachali economy is mainly dependent on tourism and apples. Kullu, Manali, Shimla, Palampur and Dharamshala are famous tourist destinations in Himachal Pradesh.

TRANSPORT

Roads

Eight national highways (NH) pass through the state with a total length of 1235 km. District Hamirpur has got highest road density in the country. This itself shows the level of road infrastructure in HP.

The following data depicts the growth of road length in Himachal Pradesh upto 31st March 2001.

Road Length in Himachal Pradesh (in Km)

Type of Road	1990	2001
(a) Motorable Double Lane	1994	2332
(b) Motorable Single Lane	14889	19874
© Jeepable	-	906

Railways

Himachal has two narrow gauge **rail tracks**.

The Kalka-Shimla Railway track - 96 kilometers.

The Pathankot-Jogindernagar - 113 kilometers.

Both these tracks are commercially unviable but are operated because of their heritage value.

Airways

The three airports in Himachal Pradesh are: Jubbarhatti near Shimla, Gaggal near Kangra and Bhuntar near Kullu. **The flights operate only seasonally due to extreme weather conditions, especially during winters. All these airports have runways shorter than 4000 ft and therefore allow the operation of only the smaller aircraft such as the 18-seater Dornier, which is the most common aircraft operating on these runways.**

Communication

HP has the highest density of telephones amongst the States.

Telephone Exchanges	896
Direct exchange lines (000)	4,40,308
Telephone per 100 persons	7.10
Number of post offices	2775 (upto March 2002)

Electronic Industry

The Electronic Industry has been identified as a priority industry in the State. The climate conditions are perfectly suitable for assembling and other related activities.

Facilities for Electronics Industries have been set up in the following places through the H.P. State Electronic Development Corporation.

- i) ElectronicComplexChambaghat
- ii) Electronic Complex, Shogi
- iii) Electronic Estate Nagri (Palampur) in Distt. Kangra and another estate has been developedatJubbarhatti

Units manufacturing soft ferrite, Blank & Video Tapes, Subscriber Courier Systems, Key pads for telephone instruments, Pay phones, Magnetic Heads, PTX/Multi layer PCBs etc. have been established in the State.

Export Promotion Industrial Park (EPIP) – Baddi, District – Solan

The Ministry of Commerce Govt. of India and the Deptt. of Industries, Govt. of Himachal Pradesh has developed an Export Promotion Industrial Park (EPIP) at Jharmajri- BADDI (Distt. Solan) located on the Pinjore-Swarghat National Highway around 40 Kms. from Chandigarh and 22 Kms. from Kalka Broadgauge Railway Station. Applications are solicited for allotment of plots from entrepreneurs interested to set up Export Oriented Units (EOU) in EPIP, Baddi.

Incentives

Units set up in EPIP shall be eligible for incentives as applicable under various incentive schemes of the Govt. of India and the State Govt. from time to time like income tax holiday for 5 years etc.

Electricity / Water/ Sewerage and other infrastructure are available.

Himachal Pradesh Infrastructure Development Board

Himachal Pradesh Infrastructure Development Board has been established for furtherance the purpose of Himachal Pradesh Infrastructure Development Act. 2001 and to provide for framework for participation by persons other than the State Government and Government agencies in financing, construction, maintenance and operation of infrastructure projects and to raise resources on behalf of the State Government for infrastructure projects development.

At present, the investments raised through this organization are bridging the gap of the expenditure under State Plan.

So far various developmental works in the following sectors have been undertaken.

- a) State Roads and Bridges Projects.
- b) Irrigation and Public Health Projects.
- c) Health infrastructure.
- d) Power projects.
- e) Urban Local Bodies and other infrastructures

Information Technology

Himachal Pradesh has announced its Information Technology Policy recently.

A Department of Information Technology (DoIT) has been created to ensure the process of furthering the development of IT through. Encouraging investments in the IT sector Facilitating the establishment of IT institutes and improving the quality of IT education in the State. Using IT tools to ensure a SMART (Simple, Moral, Accountable, Responsive and Transparent) Government. A Modern Software Technology Park (STP) and an Earth Station under the Software Technology Parks of India (STPI) Scheme of Ministry of Information Technology has Boon Set up at Shimla.

Around 174 acres of Government land has been identified in Solan District, along the Kalka-Shimla national highway and about 25 kilometers from Shimla, for attracting investments in the IT sector.

The State Government will offer customized package of incentives for prestigious investment proposals, e.g. projects where total investments are more than Rs. 10 crore or

a fortune 500 company is implementing the project. Department of Information and Communication Technology shall receive all such proposals for approval on case-to-case basis on merit. For Mega Projects, with investment exceeding Rs. 100 crore, Government may consider Special Package of Incentives, on a case to case basis, based on the gestation period of project, pioneer nature of projects, locational aspects, state-of-the-art technology, profitability, scope for further related investment etc.

10 infrastructure companies to make investments in Himachal Pradesh's IT city

Ten companies have shown interest in setting up an IT city in Himachal Pradesh. The expressions of interest (EOIs) were sought in May 2006 and the companies which have evinced interest include DLF Universal, Gurgaon; Parsvanath Developers, Uppal Housing, Omaxe InfoTech City Developers and Negolice India, New Delhi; IVRCL Infrastructure and Projects and Maheshwari Mega Ventures, Hyderabad; Skill Infrastructure and Zoom Developers, Mumbai and Compact Disc India, Chandigarh.

The project will involve an investment of nearly Rs 200 crore assuming that one lakh metre of built up area and construction of other common facilities such as internal roads, streetlights, ETP and green patches are taken into account and an IT habitatis also proposed to be part of the IT park. The park is proposed to be built over 120 acres of land and the areas identified include Wahnaghat in Solan, Nalagarh near Baddi, Raja-Ka-Bagh in Kangra, Nagri in Kangra and Dalhousie in Chamba.

The project is to be operated on commercial format of build, own, operate basis (BOO). Indications are that the IT Park may be set up in two locations. The whole or part of the IT park may even be run as a special economic zone (SEZ) for which the state government shall provide all facilitation including requisite government Clearances. Nasscom has rated Himachal very high on 9 out of 13 parameters in its countrywide survey. It has projected annual turnover of Rs 20,000 crore by March 31, 2010, from software and services.

IT and LEP secretary Sanjeev Gupta said, "We have uninterrupted, cheap and good quality power supply coupled with nearly 8,000 km out of 13,000 km of metalled road with nX2 mpbs optical fibre cable (OFC) network making it the highest density in the country." Added to this is central excise duty exemption for 10 years, nil sales tax on IT products, income tax holiday for five years and 30% rebate thereafter, even for domestic operations and DGFT registered units. Moreover, the government will give all software and service units, including training institutes, an industry status. However, what lacks in Himachal is proper air connectivity. The state has only three airports at Shimla, Bhuntar and Gaggal.

Investment Potential on Projects In Himachal Pradesh

Himachal Pradesh has been rated as the most socially progressive state and it ranks very high in economic performance, governance and developing rural infrastructure. The state has one of the best social security cover in the country.

There are four key areas where state government to focus its efforts for greater realization in the potential

- Fast track acculisation of massive hydroelectric development in the state projects of 5600 MW capacity are in hand . The state will become the powerhouse for the energy starved northern region in the country
- Fastening the pace of revolution in the fruit and vegetable production in Himachal Pradesh.as the state has a great potential for off season vegetables due to the agro climatic advantage
- Tourism Sector
-

Chief Minister's Budget Speech

- Rs 1000 crores tunnel cum overbridge project between Kalka and Shimla
- Corridor between Una and Mandi
- Expressway between Una and Dharamshal at he cost of about Rs 750 Crore
- Expressway between Solan Yashwantnagar- Jubbal –Rohru estimated cost of about Rs. 1250 Crore
- 15 nursing and 5 paramedical colleges
- Locating defence industry for manufacture of weaponry in Una district.
- Integrated tourism development projects for Pong lake , Gobind Sagar lake and Chamera lake .
- Himalayan Ski Village in the Manali
- Permanent indoor ice skating rink in Shimla
- Integrated bio Technology Park in Solan
- Integrated IT park in Solan
- Parking lots in Shimla , Dharamshala , Dalhousie, Manali and Mandi.

New Projects (For Investment By NRI In Private Sector)

- Four laning of Pinjore- Baddi- Nalagarh portion of NH -21 A
- World Trade Centre at Baddi
- Special Economic Zones in Kangra, and Solan Districts
- Setting up of Integrated Textile Park
- Projects in the Horticulture Sector.
-

Education Sector

- Private ITIs and poly techniques for technical education
- Establishment of Private Universities In the state.
- Tunnel Projects.
- Tourism Projects

Chandigarh

Chandigarh is India's youngest city planned by the famous French architect Le Corbusier. It is capital of the States of Punjab and Haryana but does not belong to either of them. Instead, it is a Union Territory. It means that the city is under the direct administration of the Government of India and not constituted as a state with its own legislative assembly. A Union Territory in India is something like the District of Columbia in the USA.

Chandigarh is known for its:

- Planning and Architecture
- Quality of Life
- High Educational Level
- Pollution-free Environment
- Low Crime Rate
- Aware & Active Citizens

The famous French architect Le Corbusier planned Chandigarh, the dream city of India's first Prime Minister, Sh. Jawahar Lal Nehru. Picturesquely located at the foothills of Shivaliks, it is known as one of the best experiments in urban planning and modern architecture in the twentieth century in India

Chandigarh derives its name from the temple of "Chandi Mandir" located in the vicinity of the site selected for the city. The deity 'Chandi', the goddess of power and a fort of 'garh' laying beyond the temple gave the city its name "Chandigarh-The City Beautiful".

Area: 114 Sq.km.

Population: 640,725

Literacy: Nearly 82 per cent of Chandigarh population is literate. This is much higher than the national figure of 65 per cent.

Social Infrastructure

Educational Institutions

The city's premier institutions of Higher Education are:

Punjab University

The Post Graduate Institute of Medical Education & Research

The Government Medical College

The Technical Institutions

The Punjab Engineering College

Chandigarh College of Architecture

The Government College of Art

Chandigarh College of Engineering and Polytechnic (The Central Polytechnic College)

The Government Polytechnic for Women

Industrial Training Institute

The Government Central Crafts Institute for Women

Food Craft Institute

Schools in Chandigarh :(2004)

Primary Schools	24
Middle Schools	9
High Schools	70
Senior Secondary School	52

Colleges in Chandigarh: (2004)

Arts, Science and Commerce Colleges	4
College of Education	1
College Of Arts	1
Home Science College	1
Polytechnic	2
Industrial Training Institute	2
College of Architecture	1
Engineering College	1
Medical College	1

Health Services**At Primary Health Care Level**

Community Health Centre/PHC Manimajra	1
Civil Dispensaries	25
Rural Dispensaries	9
Ayurvedic Dispensaries	5
Homeopathic Dispensaries	4
Sub-centres under PHC Manimajra	15
Private Nursing Homes	25

At Secondary Level

General Hospital Sector -16

Shri Dhanwantri Ayurvedic College and Pandit Kedarnath Memorial Ayurvedic Hospital Sector 46 (Private)

Homeopathic Medical College and Hospital Sector 26 (Private)

At Tertiary Level

Govt. Medical College Hospital, Sector 32, Chandigarh

Post Graduate Institute of Medical Education & Research

ECONOMIC INFRASTRUCTURE**Transportation Infrastructure and Facilities****Roads**

The Union Territory of Chandigarh is well served by an excellent network of roads. The National Highways No. 21 (Ambala-Kinnaur) and 22 (Chandigarh-Leh) are the chief road arteries linking Chandigarh with the rest of the country. The city is within motorable distance from a number of popular towns and pilgrimage centres.

Bus Facilities

Buses of several State Road Transport Corporations connect Chandigarh with many cities and towns of neighbouring states. Buses may be air-conditioned, deluxe, semi-deluxe or ordinary. The Inter-State Bus Terminus (ISBT) is located in Sector 17 (City Centre).

Railways

Chandigarh Railway Station is about 8 kms from the City Centre in Sector 17. Shatabdi Express and Himalayan Queen provides train connections, everyday, between Chandigarh and Delhi. Paschim Express connects the city to Mumbai. Chandigarh Transport Undertaking and the Corporation buses ply to and from the railway station to coincide with the arrival and departure of important trains. Chandigarh Industrial and Tourism Corporation Limited (CITCO) coach offers free transfer to CITCO hotels.

Airways

Chandigarh's airport is 12 km. from the City Centre. Indian Airlines and Jet Airways connect Chandigarh with, Delhi, Leh and Amritsar. The Corporation has a well-maintained Tourist Information Centre at the Airport.

Information Technology:

Chandigarh Administration declared its I.T. Policy in April 2000 to promote the application of Information Technology for the benefit of the residents of Chandigarh, by implementing e-Governance and by promoting investment in the field of technology, for generating employment. The IT Enabled Service Policy of Chandigarh Administration was announced in January 2003 in order to promote the IT Enabled Service/BPO Sector, which is growing at a rapid rate. Training tie-ups, Upgradation of educational facilities and promotion of IT infrastructure were emphasized in this policy.

With the launch of the Sampark Project, the first phase of e-Governance was implemented in Chandigarh in August 2004, followed by the commencement of financial transactions through Sampark Centres from November 2004. Sampark Centres have been set up in six locations at present i.e. Sector 43, 18, 10, 15, 23 and Mani Majra. Two more Sampark Centres are to be set up in various locations in the city by June 2005. The Sampark Website/Portal also provides these services for the residents.

The Chandigarh Technology Park is likely to be commissioned in June 2005, with DLF Info City Developers Limited (6 lacs Sq. ft.) and Infosys Technologies Limited (2 lacs Sq. ft.) completing the first phase of their premises which will be ready for occupation by then.

With this background, the stage is set for the second phase of the transformation of the society in Chandigarh to a Techno – Enabled Society. Thus it is necessary to announce an I.T. Vision – 2010 statement, so that the road map for the next five years can be laid out.

Vision Statement

The I.T. Vision 2010 of the Chandigarh Administration is to promote the application of I.T. for society, so that each resident of Chandigarh benefits from the various applications of I.T. Chandigarh would be an automated city-state by 2010, when residents are able to access the benefits of technology in its various applications on a comprehensive basis.

Recommendations

- A Northern India Infrastructure Development Board be constituted. It should consist of officials of all the North Indian states such as Punjab, Haryana, Himachal Pradesh, J&K, Uttarakhand and Union Territory of Chandigarh.
- In the initial stages, it should consist of Punjab, Haryana, Himachal Pradesh and the Union Territory of Chandigarh.
- A Chief Minister of a State should head the proposed Board for a year by rotation.
- It should consist of both government and private sector stakeholders including infrastructure developers, architects, town planners, landscapers, manufacturers of cement, steel and other construction companies, consulting engineers, power, IT & telecom, aviation, hotels and hospitality companies, media- entertainment, transport, rural and community developers, educational institutes, banks and other financial institutions and others relevant for the subject.
- Some NRI investors and entrepreneurs will also be co-opted as members of the Board.
- The Board will have sub- committees of each state, which will evaluate the critical needs for infrastructure development of each of the member states of the Board. These sub- committees will also work out strategies for infrastructure development.
- The Board will work out an Action Plan for the entire region and take investment decisions.
- All northern Indian states to raise GDP percentage of infrastructure financing.
- A Mechanism needs to be worked out for smooth investment of the Private Sector for infrastructure related projects, which all ensures removal of all obstacles and transparency.
- Focus on functioning of the mechanism should be on Public- Private Partnership.
- A separate North India Infrastructure Finance Company may be constituted for infrastructure and service industry related projects.

- All North Indian states to develop social infrastructure for developing human resources
- Education infrastructures should be given top priority.
- In view of the contiguity of all North Indian states, priority should be given to roads, aviation, tourism & hospitality including health tourism related projects. In fact, North India should be developed as Aviation Hub by improving and upgrading existing airports, helipads, and airstrips and developing new airports with greater connectivity of pilgrimage, religious and tourist interest places.
- States to offer more attractive investment packages to both domestic and NRIs with least hassles and single window clearance of the projects in a time- bound manner.
- Allow commercial exploitation of land other than along the right of way
- Identify projects that could be taken up on Built- Operate- Transfer (BOT) basis
- Priority should be given to and upgrading and developing infrastructure in rural areas of the region where more than 70 per cent of population live.
- Existing toll systems need to be rationalized.
- Draw up a state water account
- All state governments to bring out compendiums, which provide detailed information about the infrastructure and service industry related projects and their latest industrial policies, in regard to the making availability of land, water and electricity supply and other facilities.
- In addition to the state compendium, a compendium for the entire North region need also be brought out, copies of which should be made available in India and overseas.

A key role of the IPCSI (Infrastructure Division) is to identify infrastructure related projects and facilitate the timely delivery of the region's priority infrastructure projects. This is achieved by working closely with State Governments agencies, other spheres of government, NRI investors and the corporate houses.

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International Punjabi Chamber for Service Industry

(Single window to channelise Domestic-NRI Investment, FDI & Knowledge Partnership)

NRI International Secretariat

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Event Planned & Organised by :

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