Investment Climate in Himachal Pradesh
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A report by ICRA for IBEF
‘Investment climate’ is a broad concept, encompassing all the factors affecting business decisions, including profitability and where to locate plants and other units. A good investment climate provides opportunities and incentives for firms to invest productively and create jobs, thus playing a key role in ensuring sustained growth and poverty reduction.

Factors influencing investment climate include:
- Availability and ease of use of factor inputs such as land and labour;
- Availability of adequate physical and social infrastructure, such as power, telecom, urban infrastructure, water supply, hospitals, and educational institutions;
- Governance and regulatory framework in terms of rules and regulations governing entry, operation, and exit of firms, stability in regulation, integrity of public services, law and order and investment facilitation; and
- Provision of incentives and access to credit.

Himachal Pradesh, located in the northwest of India, borders the regions of Jammu, Kashmir and Ladakh in the northwest while its northern districts of Spiti and Kinnaur share their border with Tibet. It is a mountainous region, known for the natural beauty of its forests, rivers, valleys and hills.

The era of planning started in the state in 1948 when it was still part of the state of Punjab. The first Five-Year Plan allocated $1.2 million to Himachal Pradesh, of which more than 50 per cent was spent on road construction. This was done to ensure that proper transport facilities could be built so that the process of planning and development could be carried to the people, who mostly lived in far flung areas and inaccessible hilly terrain. The state has made significant progress in road connectivity in the last few decades. Today it has the highest road density among all hill states of India. Most important places in Himachal Pradesh are well connected with roadways and eight national highways - having a total length of 1,235 km - pass through the state.

The state is being driven by its Industrial Policy 2004, which aims at infrastructure development, lesser number of regulations and speedy clearance of new projects. The new industrial policy envisages achieving uniform growth for industry and the services sector throughout the state. It also aims at generating employment for the local resource owners and stakeholders. The other areas emphasised in the industrial policy are development of power, housing, social infrastructure development, human resource development and vocational education.

The state has a Single Window Clearance Agency, which is the nodal body responsible for obtaining all necessary clearances for an investment proposal. The committee, headed by the Chief Minister, clears all proposals prima facie within 30 days of submission.

Himachal Pradesh has a fairly well developed education system and enjoys an overall literacy rate of 77.13 per cent compared to the all-India rate of 65.38 per cent. It is also fairly advanced when compared with the rest of the country in terms of health indicators like life expectancy, birth rate and death rate.

The state is committed to creating a conducive investment climate for private investors. The steps taken so far in implementing appropriate policies and creation of physical infrastructure have ensured that economic growth in the state has remained at
more than 11 per cent per annum in the period between 1999-00 and 2005-06. Outstanding investments in Himachal Pradesh as of the quarter ending March 2007 were $12 billion, registering a healthy 23.7 per cent rise over the corresponding quarter a year ago. While the electricity sector attracted the maximum investment in the state, rising investments in construction and manufacturing were mainly responsible for accelerating the overall investment growth in the state.

Himachal Pradesh - Select indicators

<table>
<thead>
<tr>
<th>Capital</th>
<th>Shimla</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and Climate</td>
<td>Geographical Area (sq km)</td>
</tr>
<tr>
<td></td>
<td>55,673</td>
</tr>
<tr>
<td>Climate</td>
<td>Tropical and Sub-tropical in lower areas,</td>
</tr>
<tr>
<td></td>
<td>temperate in major portions and arctic in</td>
</tr>
<tr>
<td></td>
<td>high mountains</td>
</tr>
<tr>
<td>Average Rainfall in 2004</td>
<td>(in mm) 1,469</td>
</tr>
<tr>
<td>Rivers</td>
<td>Beas, Chenab, Sutlej, Ravi, Yamuna</td>
</tr>
<tr>
<td>Number of districts</td>
<td>12</td>
</tr>
<tr>
<td>Number of towns (2002)</td>
<td>57</td>
</tr>
<tr>
<td>Number of villages (2002)</td>
<td>20,118</td>
</tr>
<tr>
<td>People</td>
<td>Main religion Hinduism</td>
</tr>
<tr>
<td></td>
<td>State Language Hindi</td>
</tr>
<tr>
<td>Population (in million)</td>
<td>(2001-Census) 6.08</td>
</tr>
<tr>
<td>Share of urban population</td>
<td></td>
</tr>
<tr>
<td>State’s share in India’s</td>
<td>0.6%</td>
</tr>
<tr>
<td>Population density</td>
<td>(per sq km) 109</td>
</tr>
<tr>
<td>Sex ratio (females per 1000 males)</td>
<td>968</td>
</tr>
<tr>
<td>Literacy rate (2001)</td>
<td>77.13%</td>
</tr>
<tr>
<td>Birth rate in 2002</td>
<td>(per thousand persons) 20.7</td>
</tr>
<tr>
<td>Death rate in 2002</td>
<td>(per thousand persons) 7.5</td>
</tr>
</tbody>
</table>

Industry

Key Industries
Agro procurement, Textiles, Tourism, Cement, Pharmaceuticals, Light Engineering, Hydro power
Economic Overview of the State

It is important to have an understanding of the socio-economic base of the state at the time of its attaining full statehood on 25th January 1971, when it was declared as the 18th state of the Union of India. Before its formation as a separate state, a majority of its population lived below the poverty line, mainly because of the neglect faced by the hill areas in India before the country’s independence as well as in the early years after independence. The state had a weak economic and institutional base, and the low skill-set level of its people has been inadequate in providing support for infrastructure creation and delivery of services like banking, medical and health. In fact, the road density of the state in 1950-51 was the lowest in India. Per capita consumption of electricity in 1948 was 0.9 kWh as against the national average of 17.8 kWh. Today, however, the state has become a role model of development in the country.

The gross state domestic product (GSDP) in Himachal Pradesh in 2005-06 stood at $4.97 billion and its per capita income stood at $751.2. The major industries are food products, textile, especially spinning, chemical and chemical products, electronics, paper and paper products and precision and mechanical engineering. Together these industries constitute 80 per cent of the total large and medium scale industries in the state. In the small scale industry (SSI), 65 per cent of the units are related to food and allied products, hosiery, wood and wood products and mechanical items.

Himachal Pradesh’s economic performance

The gross state domestic product Himachal Pradesh stood at $4.97 billion in 2005-06, with an impressive compound annual growth rate (CAGR) of 11.24 per cent from 1999-00 onwards, when the GSDP stood at $2.62 billion. This has been driven by growth in all major sectors - primary (agriculture and livestock, forestry and logging, fishing, mining and quarrying), secondary (manufacturing, construction and electricity, gas and water supply) and tertiary (trade, hotels and restaurants, transport, storage and communication, financial services, real estate and related services, public administration and other services) sectors.

The share of the primary sector in the GSDP declined marginally from 26.1 per cent in 1999-00 to 25.5 per cent in 2005-06. Agriculture, comprising more than an 80 per cent share in the primary sector, grew at a CAGR of 10.7 per cent between 1999-00 and 2005-06.

The share of the secondary sector in the GSDP increased from 32.8 per cent in 1999-00 to 36.6 per cent in 2005-06. This sector witnessed the highest growth because of sustained industrialisation and rising construction activities. The manufacturing sub-sector, having the highest share of 47 per cent in the secondary sector, grew at a CAGR of 14.6 per cent; construction, having a share of 38 per cent in the secondary sector, grew at a CAGR of 11.7 per cent between 1999-00 and 2005-06. The share of the tertiary sector in the GSDP decreased marginally from 41.1 per cent in 1999-00 to 37.9 per cent in 2005-06, even though it grew at a CAGR of 9.1 per cent during this period. This was mainly on account of higher growth rates observed in the primary and secondary sectors. In the services sector, growth has been driven by sub-sectors like transport, storage and communication and trade and hotels, which grew at a CAGR of 17.4 per cent and 9.8 per cent, respectively.

People - Economic prosperity

The per capita income in Himachal Pradesh stood at $751.2 in 2005-06, substantially higher than the all-India per capita income of $573.10.

The annual income of households in Himachal Pradesh is also an important indicator of the economic prosperity of the people. A comparison of distribution of households by various income categories in the state vis-à-vis the all-India figures shows that the share of households in higher income categories in Himachal Pradesh is more. This holds true for both urban as well as rural households. For example, almost 40 per cent of the state’s urban households and 7.4 per cent of rural households figure in the
highest income category of $6,667 and above, as compared to only 22.7 per cent and 4.6 per cent, respectively, for all-India levels. In the lowest income category of less than $1,667, only 6.1 per cent of urban households figure, as compared to 12.1 per cent of all-India urban households. In rural areas, 31.8 per cent of the state’s households figure in the lowest income category, as compared to 46.2 per cent of all-India rural households. Another factor that points towards the economic well being of the people is the ownership of physical assets like vehicles and consumer electronics. Assets like four-wheelers, two-wheelers and television are indicators of consumer aspirations. A comparison of asset ownership by households in Himachal Pradesh vis-à-vis all-India shows that the ownership of four wheelers and two wheelers in the state is marginally lower than the all-India average, but the state population is significantly better placed in consumption pattern with regards to ownership of television sets and power connection.

Industrial performance in Himachal Pradesh

Key industries in Himachal Pradesh

- Pharmaceuticals
- Biotechnology
- Agro procurement
- Floriculture
- Industry based on Herbal and Medical Plants
- Tea Industry
- Forest-based Industry
- IT & ITES
- Construction
- Cement

Industries in Himachal Pradesh range from traditional industries like handlooms to high-tech products like computer monitors, magnetic components, high quality precision components, telecommunication equipment, electronics, drugs and pharmaceuticals and textiles. The rich natural resources of the state are ideally suited for investments in some major sectors like procurement of agriculture produce, hydroelectric power, cement and tourism.

Currently SSI units dominate the industry. There are 33,618 units in the small scale sector with an outstanding investment of $335 million. On the other hand, there are about 356 units in the medium and large-scale sector with an investment amounting to $912 million. Medium and large-scale industries form 80 per cent of the investments and 45 per cent of the employment in the state.
The grant of a Special Package of Incentives by the Central Government in January 2003 has acted as a catalyst in boosting industrial development in the state. Since the notification of this package, 8,860 industrial investment proposals have provisionally been registered/approved in the SSI and medium and large scale sectors in the state with an investment of about $6 billion as on 31st March 2007. The summary of these approvals in the period January 2003 to July 2007 is as follows:

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Large &amp; Medium Industries</th>
<th>Small scale units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working units (No.)</td>
<td>356</td>
<td>33,226</td>
</tr>
<tr>
<td>Fixed investment (US$ million)</td>
<td>US$ 912</td>
<td>US$ 335</td>
</tr>
<tr>
<td>Employment ('000 number)</td>
<td>43.2</td>
<td>157.3</td>
</tr>
</tbody>
</table>

Source: Department of Industries, Government of Himachal Pradesh

Of the 8,860 investment proposals, 3,120 have been implemented with an investment of $522.2 million.

The state government has developed 41 industrial areas and 15 industrial estates with all basic amenities. Apart from these, the Department of Industries has identified about 22,240 bighas of government and private land so that a Land Bank could be set up for allotment to entrepreneurs.

Industrial development in the state has been uneven. Depending on the development achieved, the districts in the state have been classified into two categories by the state government, viz., industrially developed districts and backward districts. The periphery districts of Solan, Sirmour, Kangra and Una are the industrially developed districts and have around 60 per cent of the total industrial units and 95 per cent of the large and medium industries in the state. The inner districts of Bilaspur, Chamba, Hamirpur, Kullu, Kinnaur, Lahaul and Spiti, Mandi and Shimla have been categorised as backward districts and account for the remaining industrial growth.

Baddi is a leading industrial centre of Himachal Pradesh and is part of the industrial corridor stretching from Barotiwala to Nalagarh. Many Indian companies have set up operations in Baddi because of tax concessions being offered by the Central and State governments. A few leading companies in Baddi are Colgate Palmolive, Cadilla Healthcare, Nectar Life Sciences and Torrent Pharmaceuticals. Nalagarh, located in Solan district, is an emerging town for production units in industries like leather, steel, chemicals, thread mills and breweries.

Table 1: Summary of investment proposals after announcement of Special Package

<table>
<thead>
<tr>
<th>Type of Industry</th>
<th>No. of Units</th>
<th>Investment (USD million)</th>
<th>Proposed employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSI units approved</td>
<td>7962</td>
<td>1211.6</td>
<td>174,955</td>
</tr>
<tr>
<td>SSI expansions approved</td>
<td>(227)*</td>
<td>17.2</td>
<td>3,277</td>
</tr>
<tr>
<td>Medium and large units approved</td>
<td>898</td>
<td>4860.4</td>
<td>137,093</td>
</tr>
<tr>
<td>Medium and large units - expansions approved</td>
<td>(76)*</td>
<td>209.0</td>
<td>3,706</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8860</strong></td>
<td><strong>6298.3</strong></td>
<td><strong>319,031</strong></td>
</tr>
</tbody>
</table>

*Expansion proposals implemented have not been added in calculating total numbers.
Source: Department of Industries, Himachal Pradesh

Table 2: Summary of investments executed

<table>
<thead>
<tr>
<th>Type of Industry</th>
<th>No. of Units</th>
<th>Investment (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSI units set up</td>
<td>2966</td>
<td>171.6</td>
</tr>
<tr>
<td>SSI expansions implemented</td>
<td>(181)*</td>
<td>3.7</td>
</tr>
<tr>
<td>Medium and large units set up</td>
<td>154</td>
<td>341.7</td>
</tr>
<tr>
<td>Medium and large units - implemented</td>
<td>(64)*</td>
<td>5.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3120</strong></td>
<td><strong>522.2</strong></td>
</tr>
</tbody>
</table>

*Expansion proposals implemented have not been added in calculating total numbers.
Source: Department of Industries, Himachal Pradesh

Industrial centres in Himachal Pradesh

The state government has developed 41 industrial areas and 15 industrial estates with all basic amenities. Apart from these, the Department of Industries has identified about 22,240 bighas of government and private land so that a Land Bank could be set up for allotment to entrepreneurs.

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The district-wise details of SSI units are given in the table below. The data shows that the districts of Solan, Sirmour, Kangra and Una lead in terms of investments attracted.
Investments in Himachal Pradesh

The state is at the forefront in attracting investments. According to estimates by the Centre for Monitoring Indian Economy (CMIE), the outstanding investments in Himachal Pradesh as of quarter ended March 2007 were $12.69 billion, of which 56 per cent is under implementation. Outstanding investments have registered a healthy 23.8 per cent rise over the Jan-Mar quarter in 2006. Rising investments in construction and manufacturing sectors continued to trigger the overall investment growth in the state. Investment in the manufacturing sector shot up by 95.5 per cent, while that in the construction sector reflected a rise from a negligible $48.2 million as of March 2006 to $492.6 million as of March 2007. Investment growth in the electricity sector was comparatively sluggish at 6.9 per cent although it attracted the maximum investment in the state.

During the quarter ended March 2007, six new projects were announced in the state. Of these, the most significant project in terms of cost was the $155.5 million Darlaghat cement expansion project to be undertaken by Ambuja Cements.

Himachal Pradesh’s contribution to exports

The total exports from the registered industries in the state stood at $409 million in 2004-05. With a strong traditional industry base, the state is a large exporter of textiles that contributes around 65 per cent to its total exports. Chemicals exports rank second followed by machinery. Export of apples is another major source of foreign exchange earnings for the state.

The Agriculture Produce Export Development Authority has approved in principle to set up an agri-export zone for apples in Himachal Pradesh. It would help provide apple growers gain easier access to the international market, enabling them to get remunerative returns on a sustainable basis.

Labour Force in Himachal Pradesh

As per Census 2001, nearly one-third (32.4 per cent) of the population in Himachal Pradesh constitutes main workers, another sixth (16.9 per cent) comprises marginal workers and the remaining are non-workers. Of the total workers, 65.33 per cent are cultivators, 3.15 per cent agricultural labourers, 1.75 per cent are engaged in household industry and 29.77 per cent in other activities.

Employment assistance to job seekers in the state is rendered through three regional employment exchanges, nine district employment exchanges, two university employment information

Table 3: District-wise details of SSI units in Himachal Pradesh (up to 31-3-2007)

<table>
<thead>
<tr>
<th>District</th>
<th>No. of Units</th>
<th>Investment (USD million)</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solan</td>
<td>3444</td>
<td>148.81</td>
<td>31,574</td>
</tr>
<tr>
<td>Sirmour</td>
<td>2652</td>
<td>49.81</td>
<td>13,737</td>
</tr>
<tr>
<td>Kangra</td>
<td>8448</td>
<td>43.83</td>
<td>36,729</td>
</tr>
<tr>
<td>Una</td>
<td>2790</td>
<td>23.98</td>
<td>12,527</td>
</tr>
<tr>
<td>Mandi</td>
<td>3440</td>
<td>19.31</td>
<td>13,866</td>
</tr>
<tr>
<td>Shimla</td>
<td>3101</td>
<td>12.43</td>
<td>11,324</td>
</tr>
<tr>
<td>Hamirpur</td>
<td>2574</td>
<td>10.83</td>
<td>9,315</td>
</tr>
<tr>
<td>Kullu</td>
<td>2286</td>
<td>10.50</td>
<td>11,559</td>
</tr>
<tr>
<td>Bilaspur</td>
<td>2113</td>
<td>8.60</td>
<td>7,675</td>
</tr>
<tr>
<td>Chamba</td>
<td>1671</td>
<td>6.13</td>
<td>5,826</td>
</tr>
<tr>
<td>Kinnaur</td>
<td>537</td>
<td>0.97</td>
<td>1,666</td>
</tr>
<tr>
<td>Lahaul &amp; Spiti</td>
<td>562</td>
<td>0.68</td>
<td>1,527</td>
</tr>
<tr>
<td>Total</td>
<td>33618</td>
<td>335.88</td>
<td>157,325</td>
</tr>
</tbody>
</table>

Source: Department of Industries, Himachal Pradesh

(Source: Planning Commission of India)

Key Industries

- Kangra: Food Products
- Shimla: Electronics, Paper & Paper products
- Hamirpur: Handloom Units, Leather Products, Hosiery
- Kullu: Beverages
- Bilaspur: Food Products, Cement
- Chamba: Watch manufacturing Units, Thermometers
- Kinnaur: Fruit products, Metal Fabrication
- Lahaul & Spiti: Handlooms
and guidance bureaus, 55 sub-employment exchanges, a special cell for the physically handicapped and a central employment cell – one each in the Directorate and Vocational Guidance Centres at Mandi, Shimla and Dharamshala. Besides this, the state government has also set up a Foreign Employment and Manpower Bureau at Shimla for people seeking jobs abroad.

Though Himachal Pradesh is ranked high in the country in terms of its education system, unemployment even in case of technically qualified labour force is significant.

The Himachal Pradesh Government has constituted a Minimum Wages Advisory Board under the Minimum Wages Act, 1948 to play an advisory role in fixing and revising the minimum rates of wages for workers. Currently, the minimum rate of wages in the state is $56.25 (converted at an exchange rate of 1 USD equivalent to INR 40).

**Infrastructure in Himachal Pradesh**

**Industrial infrastructure**

Availability of high quality industrial infrastructure is most essential for sustaining and accelerating industrial growth. The Department of Industries has developed 41 industrial areas and 15 industrial estates in different districts with basic amenities, such as roads, power, sewerage, water and communication. During the period 2003-07, around $22.7 million was spent on the development of industrial infrastructure in the state. One growth centre has been developed at Sansarpur Terrace in Kangra district in a 1,000-acre area at an estimated cost of $52 million. An export promotion industrial park, with an investment of $47 million, has been developed at Baddi by the Union Ministry of Commerce.

In the future, the Department of Industries proposes to set up an apparel park, industry clusters, agri-export zones (AEZ), and special economic zones (SEZ). Effective implementation of the existing and proposed schemes and programmes, encouragement of private sector participation in infrastructure development, and simplification of procedures are necessary to ensure accelerated industrial growth.

Some industrial development agencies, viz., Khadi and Village Industries Board (KVIB), National Bank for Agriculture and Rural Development (NABARD) and Small Industries Development Bank of India (SIDBI), have identified a few rural industrial clusters for further development. A bee-keeping cluster has been promoted by KVIB in Kullu. A cluster for steel and wooden furniture in Mandi district and a cluster for bamboo in Kangra district are under consideration. NABARD and SIDBI have identified clusters for metal, woodcraft, wool weaving and Tibetan handicrafts in Kullu district. Some of the District Industries Centres of the Department of Industries have recommended activities, which could be viable under the industrial cluster program.

**Industrial Parks**

The state has an export promotion industrial park at Jharmajri-Baddi in Solan district, located on the Pinjore-Swarghat National Highway. This has been jointly developed by the Ministry of Commerce, Government of India and the Department of Industries, Government of Himachal Pradesh. This park is equipped with all the essential infrastructural facilities. Dabur India, Torrent Pharma, Cadbury, Colgate Palmolive, DCM, Birla Textiles, and a host of other corporates have set up their units in this area.

**Special Economic Zones (SEZs)**

The state government has approved setting up of SEZs in Kangra, Una and Solan districts at an estimated cost of over $1.8 billion. These include setting up of a multi-product SEZ at Milwan in Tehsil Indora of Kangra District ($121 million), an airport-based SEZ at Gagret in Una District ($1 billion), and a multi-product SEZ at Waknaghat in Solan District ($652 million).

**Inland Container Depot**

An Inland Container Depot (ICD) is being set up at Baddi for the benefit of exporting units. The export goods will be cleared by the Customs Department at this depot and will be sent directly to the destination without further opening the containers, thus reducing the cost and time involved. The Department has

<table>
<thead>
<tr>
<th>Infrastructure</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial areas</td>
<td>Have been set up at Baddi, Barotiwala, Parwanoo, Kala Amb, Paonta Sahib, Mahatpur, Tahlwal, Amb, Sansarpur Terrace and Goltai</td>
</tr>
<tr>
<td>Baddi Barotiwala Nalagarh Industrial Area</td>
<td>• Emerged as a favorite hub for industries, especially Textile, Pharmaceutical and Packaging • The area has been promoted by Ministry of Commerce and Industry, Government of India</td>
</tr>
<tr>
<td>Bio Technology Park</td>
<td>The government has proposed setting up a Bio Technology park at Solan.</td>
</tr>
<tr>
<td>Special Economic Zones</td>
<td>• Approved SEZs in Kangra, Una and Solan districts with an estimated cost of US$ 1.8 billion • Kangra and Solan to have multi-product SEZs whereas Una will have an airport based SEZ</td>
</tr>
<tr>
<td>Inland Container Depot</td>
<td>Development of an ICD at Baddi for the benefit of exporting industries through Container Corporation of India</td>
</tr>
</tbody>
</table>

Source: Dept of Industries, Govt. of Himachal Pradesh
already identified 112 bighas of government land for the setting up of this depot.

Educational and Training infrastructure

Status of educational institutes

- 4 Universities
- 69 Art & Science Colleges
- 3 Medical Colleges
- 23 Colleges of Education
- 4 Dental Colleges
- 12 Teachers Training Schools
- 8 Engineering colleges
- 10 Polytechnic institutions

Source: Education Department, Himachal Pradesh, Statistical Outline of Himachal Pradesh 2005-06

According to Census 2001, the state has a literacy rate of 77.13 per cent, with male literacy of 86.02 per cent and female literacy of 68.08 per cent. There were 2,180 middle schools, 952 high schools and 708 senior secondary schools in the state as on December 2005. Of these 2,164 middle schools, 936 high schools and 701 senior secondary schools were functioning under the state government management. 44 degree colleges were functional as of December 2005. With introduction of new Industrial Training Institutes (ITIs), annual seats in the state stand at over 7,000 for vocational training.

The Himachal Pradesh Private Universities (Establishment and Regulation) Bill 2006 has been passed to provide for the establishment and regulation of private universities in the state for higher education.

Medical and Healthcare facilities

The Health and Family Welfare Department provides health services through its network of 90 civil hospitals, 66 community health centres, 439 primary health centres, 22 civil/ESI dispensaries and 2,069 sub-centres. The state government is strengthening the existing medical infrastructure by providing modern equipment and specialised services as well as increasing the strength of the medical and paramedical staff in the medical institutions.

The state government has mapped Health Mission 2008 to provide effective and efficient health services to the people. It broadly focuses on the following:

- Increased utilisation of public health services;
- Strengthening of primary health sector;
- Improving the quality of secondary health care;

Health Indicators

<table>
<thead>
<tr>
<th>Population served per</th>
<th>Himachal Pradesh</th>
<th>All-India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital Bed</td>
<td>607.8</td>
<td>1124.3</td>
</tr>
<tr>
<td>Medical Institution</td>
<td>23,287</td>
<td>26,536</td>
</tr>
<tr>
<td>Birth Rate*</td>
<td>20.7</td>
<td>24.8</td>
</tr>
<tr>
<td>Death Rate*</td>
<td>7.5</td>
<td>8.1</td>
</tr>
<tr>
<td>Infant Mortality Rate**</td>
<td>52</td>
<td>63</td>
</tr>
</tbody>
</table>

*Per thousand persons
**Per thousand live births

Source: Statistical Abstract of India

- Public health administrative capacity building;
- Extending public health services;
- Increased community participation and decentralisation.

With focus on surveillance of diseases, the state is all set to launch the Integrated Disease Surveillance Programme to combat communicable diseases.

Infrastructure for savings & borrowings

The Himachal Pradesh State Industrial Development Corporation Ltd (HPSIDC) is the principal agency for promotion and establishment of industrial units in Himachal Pradesh. It is a state level financial institution and provides long-term loans for industrial projects. Its main activities include provision of term loans, development of industrial areas and estates and providing escort services to entrepreneurs for securing registrations/ licenses/ clearances from the statutory/ other authorities.

Branches of financial institutions in Himachal Pradesh

<table>
<thead>
<tr>
<th>Branches of Financial institutions in Himachal Pradesh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Bank Branches</td>
</tr>
<tr>
<td>Regional Rural Bank Branches</td>
</tr>
<tr>
<td>State Cooperative Bank Branches</td>
</tr>
<tr>
<td>Central Cooperative Bank Branches</td>
</tr>
<tr>
<td>Cooperative Societies</td>
</tr>
</tbody>
</table>

Source: Economic Survey 2007
Some salient features of the savings and credit infrastructure in Himachal Pradesh are as follows:

- The coverage of financial infrastructure in rural areas is fairly vast.
- Average population served by a bank office in the state is 9,425 persons, amongst the healthiest ratio in the country, even in comparison with other developed states like Maharashtra, Tamil Nadu and Karnataka, and the all-India average of 16,152 persons.
- Credit disbursement of District Central Co-operative banks registered a CAGR of 19.7 per cent between 2003-04 and 2005-06, while State Co-operative banks registered an 18.22 per cent CAGR in the same period.

Physical Infrastructure

Transport

Roads

Roads play a vital role in boosting the economy of a hilly state like Himachal Pradesh. Starting almost from scratch, the state government had constructed 29,329 km of motorable roads by September 2006. The road sector has been assigned high priority and $45.1 million had been provisioned for the year 2006-07.

The state has eight major outstanding road projects, of which two are under implementation (Sarsa Bridge Project and Una-Bhota Highway Project).

Railways

Being a hilly state, the rail network is not strong in Himachal Pradesh. There are only two narrow gauge railway lines connecting Shimla with Kalka (96 km) and Jogindernagar with Pathankot (113 km) and a 33 km broad gauge line from Nangal Dam to Charuru.

Airports

There are three airports in the state. These are at Kullu (Bhuntar), Kangra (Gaggal) and Shimla (Jubbar Hatti). The air routes connect the state with Delhi and Chandigarh. In addition, 35 helipads are available for operation. The government has decided to construct helipads at Banjararoo, Satrundi and Khundi-Murahal in Chamba. The site at Dhangu near Sundernagar has been inspected jointly by a committee of Airports Authority of India and the state government for the construction of a new airport.

Power

The state has vast hydroelectric potential in its five river basins - Yamuna, Satluj, Beas, Ravi and Chenab. It is estimated that about 20,386 MW of hydel power can be generated in the state by constructing various major, medium, small and mini/ micro hydel projects on these river basins. Out of this hydel potential, only 6,353.12 MW has been harnessed by various agencies, including 454.95 MW by Himachal Pradesh State Electricity Board (HPSEB).

### Assessed Potential and Potential Installed

<table>
<thead>
<tr>
<th>Basin</th>
<th>Total assessed potential MW</th>
<th>Potential installed MW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satluj</td>
<td>9,989.55</td>
<td>3,276.55</td>
</tr>
<tr>
<td>Beas</td>
<td>4,522.90</td>
<td>1,812.80</td>
</tr>
<tr>
<td>Ravi</td>
<td>2,226.75</td>
<td>1,048.25</td>
</tr>
<tr>
<td>Chenab</td>
<td>2,723.00</td>
<td>0</td>
</tr>
<tr>
<td>Yammuna</td>
<td>602.52</td>
<td>215.52</td>
</tr>
<tr>
<td>Himurja</td>
<td>750.00</td>
<td>(21.60)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20,814.72</strong></td>
<td><strong>6,353.12</strong></td>
</tr>
</tbody>
</table>

Source: Economic Survey 2007

The state had achieved 100 per cent electrification target during 1988-89, of the then 16,807 inhabited census villages. As per 2001 census, the number of inhabited villages is 17,495. Of these, 17,155 had been electrified by the end of November 2006.

The important projects in the state include Bhakra Project (1,354 MW) and the Beas Satluj Link Project (990 MW). The state government has now opened up the power sector to private sector investments. Besides, central PSUs such as NTPC and NHPC have also been invited to take up large projects like Chamera-II, Kol dam and Parbati for execution.
The details of the installed capacity over the years are given in the table below:

**Installed Capacity (In MW)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Hydro</th>
<th>Diesel</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994-95</td>
<td>272.07</td>
<td>0.133</td>
<td>272.203</td>
</tr>
<tr>
<td>1995-96</td>
<td>276.87</td>
<td>0.133</td>
<td>277.003</td>
</tr>
<tr>
<td>1996-97</td>
<td>299.37</td>
<td>0.133</td>
<td>299.503</td>
</tr>
<tr>
<td>1997-98</td>
<td>299.17</td>
<td>0.133</td>
<td>299.303</td>
</tr>
<tr>
<td>1998-99</td>
<td>299.17</td>
<td>0.133</td>
<td>299.303</td>
</tr>
<tr>
<td>1999-00</td>
<td>301.17</td>
<td>0.133</td>
<td>301.303</td>
</tr>
<tr>
<td>2000-01</td>
<td>326.2</td>
<td>0.133</td>
<td>326.333</td>
</tr>
<tr>
<td>2001-02</td>
<td>326.2</td>
<td>0.133</td>
<td>326.333</td>
</tr>
<tr>
<td>2002-03</td>
<td>326.2</td>
<td>0.133</td>
<td>326.333</td>
</tr>
<tr>
<td>2003-04</td>
<td>326.2</td>
<td>0.133</td>
<td>326.333</td>
</tr>
<tr>
<td>2004-05</td>
<td>329.2</td>
<td>0.133</td>
<td>329.333</td>
</tr>
<tr>
<td>2005-06</td>
<td>328.95</td>
<td>0.133</td>
<td>329.083</td>
</tr>
</tbody>
</table>

*Source: Himachal Pradesh State Electricity Board, Statistical Outline of Himachal Pradesh 2005-06*

**Telecom**

Himachal Pradesh enjoys high tele-density, with a telephone present in every sixth household. Telephone facility is certainly very critical to Himachal Pradesh where physical mobility is constrained by hilly and mountainous topography, the population remains scattered, and extensive areas are not only remote but also remain cut off during winter. The facility is, however, unevenly distributed, with Mandi district having a distinct edge. Overall, the state has experienced substantial growth with the outstanding subscriber base increasing by 94 per cent to 1.24 million subscribers as of March 2007.

All telephone exchanges in the state are digitised and are interconnected by optical fibre cables (OFCs). Himachal Pradesh has the highest density of OFC penetration per unit area with a 6,000 km network.

**Key Nodal Agencies**

**Single Window Clearance Agency**

The Government of Himachal Pradesh has set up a state-level Single Window Clearance and Monitoring Authority under the chairmanship of the Chief Minister to consider and give in-prin-

ciple approvals to medium and large-scale projects. The objective is to ensure optimum inter-departmental co-ordination for speedy implementation of industrial projects by providing single point clearances to investors. The agency provides prima facie approvals to projects within 30 days of submission of the proposal, though detailed approvals still have to be obtained from other departments such as Land, Electricity, Water and Labour. However, a clearance from Single Window Agency assures that the proposal will not be rejected at a later stage, though some changes might have to be incorporated to conform to departmental norms. The state-level Single Window Clearance and Monitoring Authority takes up the project for clearance worth more than $1.2 million or where the power requirement is more than 5 MW irrespective of nature of the industry.

Clearances for small-scale projects are granted across the table. However, cases pertaining to forest-based industries, projects requiring more than 1 MW of power and industries listed as negative by the Government of India or the State Government, need to be cleared by the state-level Single Window Clearance and Monitoring Authority. Since the setting up of the agency in January 2004, 665 projects have been approved, with the total approved investment at $4.05 billion.

Apart from state-level Single Window Clearance and Monitoring Authority, the state has also set up Single Window Agencies at major industrial towns like Parwanoo, Baddi, Paonta Sahib, Goalthai and Sansarpur Terrace. These agencies not only ensure initial approvals to set up the project, but also look into the requirements of obtaining further licenses necessary to commence production. They assist in obtaining all necessary approvals from the concerned departments.

**Directorate of Industries**

The main functions of the Directorate of Industries are registration of SSIs and recommendation of medium and large-scale industries to the appropriate authority, providing technical and general consultancy, recommendation of cases for financial assistance to financial institutions and banks, industrial infrastructure development, collection and maintenance of data relating to industrial units and allotment of industrial plots, sheds and shops. It also carries out activities like administration of all incentives to industries given by both central and state governments.
Himachal Pradesh State Small Industries and Export Corporation

It was incorporated on October 20, 1966, to supply raw materials through depots, machinery on hire-purchase and provide assistance in export and marketing to SSI units.

Himachal Pradesh Khadi and Village Industries Board (KVIB)

Himachal Pradesh KVIB was constituted on January 8, 1968, with the objectives of promoting the development of khadi and village industries, providing financial assistance and loans at concessional rates, providing marketing assistance by selling products through its own showrooms, and conducting training courses to impart necessary skill and training.

Himachal Pradesh State Industrial Development Corporation Ltd (HPSIDC)

HPSIDC was incorporated in November 1966 to promote and develop medium and large-scale industries and act as an institutional entrepreneur. It provides long-term finance, besides equity participation, to industrial units. The corporation acts as the state-level financial institution under the refinance scheme of the Industrial Development Bank of India (IDBI) and the SIDBI. The agency has also been designated as the nodal agency for the administration of the capital investment and subsidy scheme announced by the Government of India. In addition, it is involved in planning and developing industrial estates and industrial areas.

Policy Framework

The State Government of Himachal Pradesh is creating an attractive investment climate by announcing various investment-friendly policies and initiatives.

Industrial Policy 2004

The Industrial Policy statement is a reflection of the government’s commitment to overall economic development of the state. The government enacted the Industrial Policy & Incentive Rules, 2004, with effect from 31st December 2004, to facilitate investments, achieve uniform growth of industry and the services sector throughout the state, generate local employment and develop specific areas like power, housing, social infrastructure and vocational education.

The key initiatives under this policy include:

- Increasing installed capacity for power generation by 6,100 MW by 2010, by opening up the sector to private sector investments, inviting central PSUs such as NTPC and NHPC to take up large projects, encouraging the co-operative sector by reserving sites in the small and micro hydel sectors to involve the local community, pursuing the execution of hydro-electric projects up to 300 MW through the MOU route with the Government of India and constituting the State Electricity Regulatory Commission;
- Special priority to 100 per cent export-oriented units, IT, biotech and tourism industries and FDI-related projects for grant of connection;
- No electricity duty charged on power generated from captive diesel power stations;
- Permission requirements for captive generating sets to be made time bound and simplified and third party sale of surplus captive power by such power producers to be allowed on a case-to-case basis;
- Supplementing the Special Package of Incentives given to the state by the Central Government with certain concessions and facilities to ensure sustainable industrial development;
- Setting up of Single Window Clearance Agency and Monitoring Authority under chairmanship of Chief Minister, along with Single Window Agencies in major industrial towns;
- Setting up of industry-specific infrastructure such as Food Parks, Electronics City, Export Processing Zones and Biotech Parks;
- Reforms in the labour department regarding annual inspections and maintenance of registers;
- Setting up of escort services by HPSIDC on payment basis to escort prospective entrepreneurs and help obtain necessary clearances and approvals;
- Encouraging agriculture, horticulture and floriculture activities;
- Setting up of technical education institutes for making available skilled manpower for the industry;
- Allowing advance bulk booking of telephone connections for new industrial areas so that entrepreneurs can secure connections without delay.

Power Policy

The state announced its Power Policy on 2nd January, 2007. The main policy initiatives are as follows:

- Projects up to 2 MW capacity have been earmarked for the investors of Himachal Pradesh and for projects up to 5 MW, first preference shall be given to the native population;
- Projects above 5 MW and up to 100 MW shall be allotted to
IPPs (Independent Power Producers) through MoU route and above 100 MW through the international competitive bidding process. The state government will have the right to equity participation in private sector projects above 100 MW up to a maximum limit of 49 per cent;

- In order to ensure that projects do not adversely affect the environment, release of 15 per cent of minimum discharge downstream of the dam/diversion structure during the lean season shall be ensured, which will help in protecting the rights of the local inhabitants for irrigation, drinking water, fishing and water for wild life etc.

- In order to ensure employment for the people of Himachal, a minimum 70 per cent of total employees/officers/executives are to be engaged by the companies;

- The concept of involving local people in the development of the ‘Project Affected Area’ has been specially evolved wherein Local Area Development Committees (LADCs) have already been formed and 1.5 per cent of the project cost will be earmarked by the developers for development of local area through such LADCs;

- Focus on construction of hydel projects, strengthening of transmission and distribution network, facilitating transmission of power from these projects and its distribution for utilisation within the state.

**IT Policy**

Recognising the enormous potential of IT, the Himachal Pradesh government has prepared IT Vision 2010 with the assistance of NASSCOM.

The following policy decisions have been taken to facilitate the growth of IT in the state:

- Department of Information Technology (DoIT) acts as a single point of interface for setting up of an IT unit in the state;
- IT software and IT services are deemed to be manufacturing activity for the purpose of incentives in line with the approved policy of Government of India;
- All IT units with a connected load exceeding 100 KW shall be charged a concessional rate of electricity duty at the rate of 10 paisa per unit for a period of 5 years from the date of commencement of commercial production;
- Provision of tax-related incentives;
- Accredited training institutions to be eligible to claim industry status, subject to norms;
- Special packages for investment proposals above $2.5 million or if the company is a Fortune 500 company;
- Ensure uninterrupted power supply;
- Exemption from land and building tax within the declared STP, IT habitats and Hi-tech cities;
- Creation of venture capital fund of $5 million in association with SIDBI.

The government has also introduced special projects to bring efficiency and transparency in administration like:

- Telemedicine Project: This project aims to improve the health services by providing access to experts for the common man even at the public health centre (PHC) level by linking leading medical institutions to the PHCs.

- Hospital Management Information System (HMIS): This involves automation of the routine activities of a hospital to keep track of patient record right from registration to discharge.

- Computer Call Management System (CCMS): This is a web-enabled software for registration of complaints, tracking the status of complaints, monitoring the vendor support system and imposing penalties according to the agreements/AMCs with the vendors, in case the vendor does not rectify the problem in a time-bound manner.

- HIMSWAN: It is a state wide area network (SWAN) to connect the State Secretariat, with all districts, blocks, tehsils and sub-tehsils.

- i-CoSC: It aims at setting up one-stop shops for information, using state-of-art methods of organising, sharing and communicating information.

- HIMBHOOMI: This system is being implemented in all the District Headquarters in which data of land records will be entered into computers for future access.

**Biotechnology Policy**

The Biotechnology Policy for Himachal Pradesh was formulated in June 2001 with a mission to promote diversified farming of high-value cash crops, conservation and commercial exploitation of bio-resources and promoting entrepreneurship in biotechnology-based industries. The key objectives of the policy are:

- Upgrade infrastructural support to R&D institutions to generate highly skilled human resource in biotechnology;
- Intensify R&D work in potential areas of biotechnology including agriculture, animal husbandry and human health;
- Conserve and commercially exploit bio-resources of the state for sustainable development;
- Attract entrepreneurs for setting up of biotechnology-based industries;
- Provide suitable institutional framework to achieve the objectives.

To achieve these objectives, the State Department of Biotech-
nology will act as the nodal agency interacting with various partners such as R&D institutions, industry, developmental departments, farmers and NGOs and donor agencies.

The state is taking proactive steps in setting up industry-specific parks to attract investments. It is proposed to set up two Biotechnology Parks in association with the private sector on the Solan-Shimla and Shahnur-Jogindernagar corridors.

A Biotechnology Task Force has already been constituted to advise the state government on making biotechnology-related policies and implementing them. The Task Force will also formulate norms for setting up biotechnology-based industries.

Key industries and players in Himachal Pradesh

Industrialisation has been a relatively recent phenomenon in Himachal Pradesh and has gained momentum only during the last two decades. Fiscal benefits to industry provided by the state as well as the central governments, and the availability of quality industrial infrastructure, have played a key role in the industrial development of the state. A mix of industries, agro-based, textiles, handloom, cement, pharmaceuticals, mining, tourism and sericulture have fuelled the growth of the state.

Agro-Based Industries

Agriculture is the main occupation of the people of Himachal Pradesh and provides direct employment to around 65 per cent of the total workers. Suitable climate has resulted in the shifting of land use to fruit crops in the last few decades. The area under fruits, which was 792 hectares in 1950-51, increased to 191,668 hectares during 2005-06. Apple is so far the most important fruit grown in Himachal Pradesh and constitutes about 46 per cent of the total area under fruit crops and about 76 per cent of the total fruit production. Other important fruits include nuts and dry fruits, citrus fruits, mangoes and other sub-tropical fruits.

The topographical variations and altitudinal differences, coupled with fertile, deep and well-drained soils favour the cultivation of temperate to sub-tropical fruits. The region is also suitable for cultivation of ancillary horticultural produce like flowers, mushroom, honey and hops. During the period April to December 2006, 352,000 tonnes of fruits were produced in the state. Growing of off-season vegetables has also picked up. During 2005-06, 930,000 tonnes of vegetables were produced as against 832,000 tonnes in 2004-05. At present, the food processing industry is limited mainly to the traditional processing of agricultural and horticultural raw materials using low-grade technology. The number of units in the state is 8,000 and employs 30,000 persons.

Horticulture Development Scheme is a major programme aimed at the creation and maintenance of infrastructural facilities in rural areas. This scheme offers programmes like development of fruit production, area expansion programme, demonstration of new technologies and improved package of practices on the orchards of fruit growers, development of crops like walnut, hazelnut, pistachio nut, olive, mango and litchi in lower hill areas, strawberry and other small fruits and medicinal and aromatic plants in other regions.

Horticulture Technology Mission for the development of horticulture with the financial assistance of $20 million was launched to establish convergence and synergy among numerous ongoing government programmes.

Some key players in the agro-based industry are as follows:

Reliance Retail

Himachal Pradesh is fast emerging as a preferred destination for corporates in agri business resulting in a fundamental change in procurement, storage and transportation of apples, peaches, stone fruits and seasonal vegetables. Reliance Retail is in advanced stages of creating its supply chain in Himachal Pradesh and will be procuring apples, peaches, plums, cherries, apricots and vegetables from the state.

Adani Agri Fresh Ltd.

The Gujarat-based Adani Agri Fresh has set up three controlled atmospheric stores with an investment of $33.3 million at Sainj in Theog, Mendli in Rohroo and Rampur Bushair in Shimla district with a capacity of 6,000 metric tonnes each. It is presently involved in the procurement, storage and transportation of fruits such as apples, apricots and plums, besides vegetables. The firm has proposed to procure 24,000 metric tonnes of apples in 2007-08 for storage as well as spot sales.

Dharampal Satyapal Group

Dharampal Satyapal Group is a diversified conglomerate with business leadership across a wide variety of products like chewing tobacco, food and beverages, hospitality and technology solutions. The company’s brands include Rajnigandha and Pass Pass. The group has two plants at Baddi and a production plant for its Catch brand of mineral water at Kullu.
Cremica Foods

Cremica Foods was established in 1978 as a small backyard enterprise for ice cream-making. Today it is a widely diversified food products and services company with sales of $25 million in 2005-06. The company has internationally certified production facilities and has established itself as a leading supplier to global and Indian food giants like McDonalds, Pizza Hut, Cafe Coffee Day and Barista. Its products include sauces, mayonnaise, toppings, syrups, biscuits, Indian snack foods, bread, buns, stabiliser blends, toffees, candies and gourmet ice creams. The company is setting up a plant for production of biscuits and snacks at Talhiwal Industrial Area, Una. The plant is being commissioned and would be 100 per cent automated with a monthly production capacity of 5,000 metric tonnes.

Textile Industry

Himachal Pradesh occupies a strong position in the textile sector, with many large units located in the state. There are 14 large players in the sector: Vardhman Textiles, Birla Textile Mills and Winsome Group are some of them.

Malwa Cotton Spinning Mills Ltd.

The Malwa Group is amongst the top ten textile groups in India. It produces cotton yarn, acrylic yarn and polyester viscose yarn. The company has three milling units, of which one is located at Paonta Sahib. The plant, which was set up in 1988, manufactures cotton, acrylic, polyester, viscose and other synthetic fibres. The company exports all types of yarn to countries in Asia, Europe, Africa and America. The company has also ventured into production of readymade garments for well-known international brands.

Vardhman Group

The Vardhman Group is one of the largest textile conglomerates in India with interests in specialised yarns, fabrics, sewing threads and acrylic fibre. It is amongst the largest producers and exporters of yarns and grey woven fabrics. It is also the largest producer of tyre cord yarns and the second largest producer of sewing threads in the country. The company has a strong presence in Japan, Hong Kong, South Korea and Europe. It has a state-of-the-art manufacturing facility at Baddi with an installed capacity of over 80,000 spindles.

Winsome Group

The Winsome Group established a spinning unit at Baddi in Himachal Pradesh in 1980. The firm has the capacity to develop a wide variety of shades in melange, package dyed and fibre dyed yarns owing to the installation of latest machinery from Rieter, Lakshmi, Schlafhorst and Murata. The firm plans to expand its spinning capacity by addition of 13,000 spindles and to add dyeing capacity of 10 tonnes per day.

Birla Textile Mills (BTM)

Birla Textile Mills (BTM) is a division of Chambal Fertilisers and Chemicals Ltd, a flagship of the K.K. Birla group. The state-of-the-art unit located at Baddi - with 37,248 spindles - commenced commercial production in May 2000. The ultra-modern fibre-dyeing machinery produces synthetic grey and dyed blended yarn in various single and dyed counts for the domestic and export markets.

Handloom Industry

Handloom is an important cottage industry of Himachal Pradesh and has the second largest employment potential in the rural sector. The importance of handloom lies in the artistic designs, low-cost investment and family-based skills, which are passed on from generation to generation with no formal training. At present, there are about 42,000 looms in the state, primarily based on wool, and providing gainful employment to about 45,000 weavers. The major products woven on handlooms are shawls, woollen tweeds, shirting, dress material and woollen carpets. Weaving activities are mostly undertaken in Kullu, Mandi, Kinnaur, Kangra, Lahaul and Spiti and Chamba districts.

A project named Hill Area Woollen Development Project has been taken up in cooperation with the Government of India to tap the potential in this sector. Under this project, programmes that are being undertaken include setting up training-cum-demonstration centres for training weavers on improved looms and equipment, modernisation of traditional pit looms into fly shuttle looms, setting up production-cum-service centres and improving the designs and quality of products. Manufacturing of readymade woolen garments on a large scale in the design-cum-fashion centre would also be undertaken. For the development of the handloom industry, various centrally sponsored schemes like Deen Dayal Hathkargha Protsahan Yojana and Baba Saheb Ambedkar Hastshilp Vikas Yojana, sponsored by the office of Development Commissioner of Handlooms, Ministry of Textiles, Government of India, are being implemented.
Cement Industry

Himachal Pradesh is on the threshold of becoming the ‘cement state’ of India. Quality limestone, which is one of the important ingredients in the manufacture of grey portland cement, is available in plenty. At present there are four cement plants in the large and medium sector, in addition to three mini plants.

Three more large-scale cement plants based on limestone have been approved to be set up in Sundarnagar, Alsindi (Mandi district) and Chamba. These plants in the private sector are being set up by:
- Larsen Toubro Ltd., Chamba.
- Grasim Industries Ltd. at Alsindi (Mandi).
- Harish Chandra Ltd., Sundarnagar.

Some of the existing key players in the state are:

Associated Cement Company (ACC)

ACC is India’s foremost manufacturer of cement and concrete with 14 factories, 19 ready mix concrete plants, 19 sales offices, and several zonal offices. ACC has a 3.52 metric tonnes per annum (mtpa) capacity plant at Gagal, Bilaspur district, the capacity of which was recently increased to 4.4 mtpa.

Ambuja Cements

Ambuja Cements is the third largest cement company in India, with an annual plant capacity of 16 million tonnes and revenue in excess of $732.9 million. The company has a plant with an installed capacity of 2 mtpa at Darlaghat, Solan district, and plans to enhance its capacity by another 2 mtpa. Plans are also in the pipeline to set up a clinker grinding unit at Nalagarh with a capacity of 1 mtpa.

IT & Communication

Some key players in the IT & Communication space are Himachal Futuristic Communications and Microtek International.

Himachal Futuristic Communication Ltd. (HFCL)

HFCL is one of the leading telecom equipment manufacturers in the state. Established in 1987, the company has interests in manufacturing transmission equipment, optical fibre cable, accessories and terminal equipment. Its two units at Solan are accredited with ISO 9002 certification and employ over 1,500 professionals. HFCL is also the first Indian telecom company whose Global Depository Receipt (GDR) issue was successfully subscribed. The company’s well-equipped R&D facility is involved in exploration of new technologies and designing of radio and optical transmission equipment.

Microtek International

Microtek International, an IT peripherals and power products company, has set up a motherboard manufacturing facility in Parwanoo. This facility, having a manufacturing capacity of 50,000 motherboards per month, is in addition to its existing four machine facilities in New Delhi.

Pharmaceuticals Industry

Himachal Pradesh has emerged as the fastest growing region for the pharmaceutical industry in India. The Special Incentive Package announced by the Centre, which includes an income-tax holiday and excise duty concessions for specified periods, and investment subsidy on plant and machinery, are the major attractions for pharmaceutical companies to set up operations in Himachal Pradesh. The central government's package is supplemented by the state government’s special package announced in its Industrial Policy, which offers 100 per cent excise duty exemption for 10 years and 100 per cent income-tax exemption for five years, followed by 30 per cent for the next five years. Further, there is also sales tax deferment for five years, central sales tax at one per cent for 10 years and power at $0.059 per unit.

Till date, more than 300 pharmaceutical firms have set up base in Himachal Pradesh. Dr Reddy’s Laboratories, Cipla, Ranbaxy, Indo-Swift Pharma, Nectar Life Sciences, Morepen, Torrent, Zydus Cadila, and Pulse Pharma are some companies that have established manufacturing facilities in the state.

Ranbaxy Laboratories

Ranbaxy is the country’s leading pharmaceuticals company with a strong international focus. The largest exporter of drugs from India, it has business operations in 40 countries and manufacturing facilities in six countries. The company’s major strengths are in the therapeutic areas of anti-infective, dermatology, GI tract, orthopedics and cardiovascular. The company has a manufacturing facility in Paonta Sahib, where it produces tablets and soft gelatine capsules. The plant also has a state-of-the-art fermentation block and produces fermentation-based products such as Penicillin and Cephalosporin-C. The company plans to increase
its capacity further with an additional investment of nearly $22.1 million. Ranbaxy has been exporting pharmaceuticals to USA and Europe from the Paonta Sahib plant for several years.

Cipla

Cipla is one of the leading pharmaceuticals companies in the country. Established in 1898, the company has an excellent process R&D capability and local distribution network. The company has one of the largest product portfolios in the industry with over 1,000 products in the domestic market. Cipla established a manufacturing facility at Baddi with an investment of $111 million in 2005; it manufactures bulk drugs (including malts), tablets and capsules, creams, aerosols, inhalation devices and injections and sterile solutions.

Torrent Pharmaceuticals

Torrent is one of the largest pharmaceutical players in the domestic market, manufacturing bulk drugs and formulations. Established in 1973, the company has a market share of 5.4 per cent and 2 per cent in cardiovascular and anti-diabetic segments, respectively. The company has set up its R&D facility at Baddi with an investment of $30.6 million and an employee strength of 160. The plant has a manufacturing capacity of 3,600 million tablets, 400 million capsules and 18 million oral liquid bottles per annum.

Mining Industry

Minerals constitute a fundamental component of the state’s economic base. Limestone, which is one of the ingredients in the manufacture of grey portland cement, is available in plenty in the state. The government has allotted Chamba and Alsindhi limestone deposits for the setting up of cement plants of two million tonnes capacity each. During 2006-07, the industry earned revenues of $6.8 million (up to December 2006).

Sericulture

Sericulture is a village-oriented, labour-intensive industry in all its phases, from cultivation of silk worms and food plants to silk worm rearing, silk reeling and other processes, such as twisting, dyeing, weaving, printing and finishing. The state’s climatic conditions are most favourable for the growth of this industry. The sericulture industry is an effective medium to develop the rural economy as it supplements the income of the weaker sections of society.

Automotive and Auto components

Himachal Pradesh is heading towards emerging as a hub for the automobile component industry in India. Some of the existing players in the state are:

Gabriel India Ltd

Gabriel India Ltd is a leading name in the Indian auto component industry and the flagship company of the $400 million Anand Automotive Systems group. Gabriel India manufactures ride control products and engine bearings and is a major supplier to all segments of the market — original equipment, aftermarket and exports. Its state-of-the-art QS 9000 plant at Parwanoo has a manufacturing capacity of 20 million units per annum.

Purolator India Ltd

Purolator is a joint venture between the Anand Group and ArvinMeritor Inc, USA, a global provider of integrated automotive systems, modules and components for original equipment manufacturers and the aftermarket. The company is the largest manufacturer and exporter of filters in the country. It manufactures air, oil, fuel and hydraulic filters for application in automotive, railways and aviation industries and has a QS 9000-certified facility at Parwanoo. The company is now working towards a TS16949 certification.

International Cars and Motors Ltd (ICML)

ICML is a group company of the Sonalika Group. The company has its state-of-the-art production facility to manufacture multi-utility vehicles (MUV)/sports vehicles, at Amb, District Una. ICML has an annual capacity of 2,000 vehicles per month (of its MUV Rhino). The company is a ‘mother unit’ as its establishment has attracted many other ancillary and small units for meeting the raw material requirements, yielding manifold employment avenues, revenue and industrialisation in the state.
Doing Business in Himachal Pradesh

The state has a Single Window Clearance Facility, which is the nodal agency responsible for obtaining all necessary clearances for an investment proposal. An indicative list of approvals with time frame for setting up business in Himachal Pradesh is as follows:

Table 9: List of approvals and estimated time for each

<table>
<thead>
<tr>
<th>List of approvals and clearances required</th>
<th>Departments to be consulted</th>
<th>Estimated time taken (in days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incorporation of the company</td>
<td>Registrar of Companies</td>
<td>30</td>
</tr>
</tbody>
</table>

SINGLE WINDOW CLEARANCE FACILITY

The state has a Single Window Clearance Facility, which is the nodal agency responsible for obtaining all necessary clearances for an investment proposal. The committee, headed by the Chief Minister of the state clears all proposals within 30 days of submission.  

Cost Estimates

The following are broadly the costs involved in conducting business in Himachal Pradesh

<table>
<thead>
<tr>
<th>Cost of land (per sq. m)</th>
<th>Baddi Industrial Area: US$ 35-60 (Cost of land is largely dependent upon the location and land adjoining the main road is substantially more expensive)</th>
<th>Other industrial areas: US$ 12-35</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel costs (per room per night)</td>
<td>US$ 95-130</td>
<td></td>
</tr>
<tr>
<td>Cost of Office space (per sq. m per month)</td>
<td>US$ 8-10</td>
<td></td>
</tr>
<tr>
<td>Cost of Residential space</td>
<td>US$ 95 per month for a 1600 sq. ft house (At Baddi). Rates are generally lower at other residential areas</td>
<td></td>
</tr>
</tbody>
</table>
| Power cost ***  | Small and Medium Industries: 6.8 cents/kWh  
Large Industries: 5.3 cents/kWh |                                 |
| Cost of Water **  | Non-industrialised area: 12 cents per KL  
Industrialised area: 19 cents per KL |                                 |

Contact Information

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Web: www.ciionline.org

Appendix

Exchanges rates used

<table>
<thead>
<tr>
<th>Year</th>
<th>One USD is equivalent to Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>46.6</td>
</tr>
<tr>
<td>2001</td>
<td>48.3</td>
</tr>
<tr>
<td>2002</td>
<td>48.04</td>
</tr>
<tr>
<td>2003</td>
<td>45.6</td>
</tr>
<tr>
<td>2004</td>
<td>43.7</td>
</tr>
<tr>
<td>2005</td>
<td>45.2</td>
</tr>
<tr>
<td>2006</td>
<td>45</td>
</tr>
<tr>
<td>2007</td>
<td>42</td>
</tr>
</tbody>
</table>

**Source: Department of Industries, Government of Himachal Pradesh**

*Source: Directorate of Industries, Himachal Pradesh

**Source: Leading hotels in the state

***Source: Discussions with property dealers

****Source: Himachal Pradesh State Electricity Regulatory Commission
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