

Investment Climate in Chhattisgarh



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Table of Contents

Chhattisgarh - An Introduction.....	4
Demographic profile	4
GSDP growth.....	5
Urban infrastructure	6
Social infrastructure	7
State policies	8
Business opprtunities	
Key industries.....	10
Other Key industries.....	11
Gems & Jewellery industry	12
Apparel industry.....	13
Export potential of Chhattisgarh	13
Investments in Chhattisgarh	14
Key players in the state.....	14
Doing business in Chhattisgarh	16
Investment climate of Chhattisgarh	17

An Ernst & Young report for IBEF

Chhattisgarh – An Introduction

Chhattisgarh, which came into existence as a state on November 1, 2000, was formed following the coming together of 16 districts of undivided Madhya Pradesh. It shares its borders with six states – Orissa in the east, Jharkhand in the north-east, Madhya Pradesh in the west and north-west, Uttar Pradesh in the north, Maharashtra in the south-west and Andhra Pradesh in the south-east.

Location of Chhattisgarh in India

With a geographical area of 135,000 sq km, Chhattisgarh is the ninth largest state in India and amongst the richest in terms of mineral wealth; it is endowed with all major minerals including diamonds. The state also has mega industries in sectors including steel, power, mining, aluminium and cement.

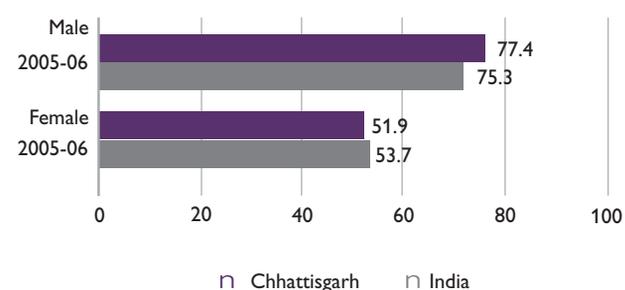
Districts	16
Villages	20,308 (2001)
Population	20,833,803 (2001)
Population growth rate	18.06%
Population density	154 persons (per sq km)
Sex ratio	989 (females per 1,000 males)
Literacy rate	64.7%

Source: Socio Economic Report, 2006-07

Chhattisgarh has the densest forests in India. Over 44% of the state's land is under forest cover, with rich wildlife and over 200

Demographic Profile (2001)	Chhattisgarh (% of population)	India (% of population)
Rural	80%	72.2%
Urban	20%	27.8%
Scheduled Caste	11.6%	16.2%
Scheduled Tribe	31.8%	8.2%

% Literacy Rate



40% OF THE STATE IS UNDER FOREST AREA AND OVER 40% OF THE POPULATION CONSISTS OF SC/ST

Source: Census, 2001; Integrated Health and Population Policy Chhattisgarh, 2006; Council of Social Development, 2006)

varieties of non-timber forest products.

Agro-climatically, the entire state falls in the category of Zone-VII (eastern plateau and hills zone) and can be sub-divided into three sub agro-climatic zones, viz. the Chhattisgarh plains (11 districts), the northern hills of Chhattisgarh (two districts), and the Bastar plateau (three districts).

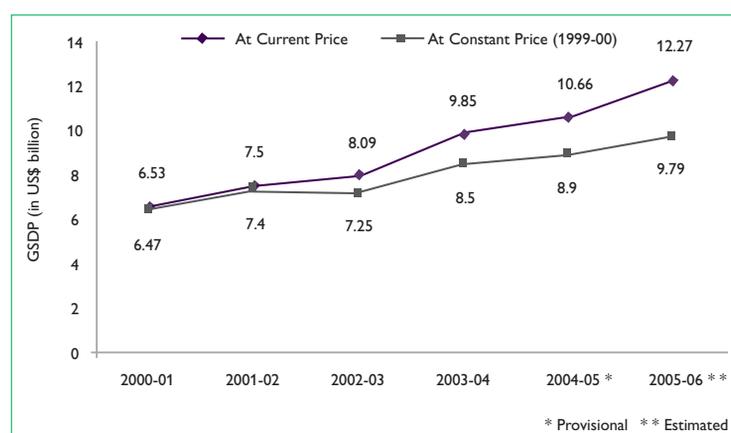
Demographic profile

Chhattisgarh accounts for two per cent of India's population, of which 20 per cent live in urban areas and the remaining 80 per cent in rural areas. The population is primarily concentrated in the central plains region. Of the total population of 20.83 million, 43.4 per cent represent scheduled castes and scheduled tribes, who live mostly in the thickly forested areas in the north and south.

The literacy rate in Chhattisgarh has improved steadily from 42.91 per cent in 1991 to 64.7 per cent in 2001, registering a growth of 21.79 per cent. With 77.4 per cent male and 51.9 per cent female literacy rates, the gender gap in literacy is 25.5% as against the country's average of 21.6%.

Among all districts in the state, Rajnandgaon has the highest literacy rate of 77.2 per cent. As per the 2005 UNDP report on Human Development Index (HDI), Chhattisgarh has an HDI of 0.447. Korba district, which ranks first in the HDI rankings (0.625), also has the highest income index of 0.980.

The state economy



Chhattisgarh's economy has seen a steady growth since its formation in 2000.

Sectoral contribution to Gross State Domestic Product (GSDP)

The primary sector, more specifically agriculture and allied activities, forms the base of the state's economy and provides

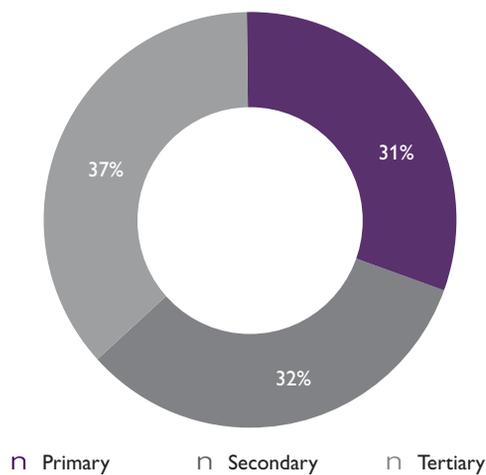
livelihood to 80 per cent of the rural population. The tertiary sector, however, contributes the highest – 37 per cent – to the state economy.

In 2005-06, agriculture registered a growth of 18.85% and the manufacturing sector of 24.61%.

GSDP growth

Chhattisgarh’s GSDP grew by 15.1 per cent (at current prices) in fiscal 2005-06, amounting to \$12.27 billion

Sectoral Contribution to GSDP at current prices (2005-06)



Source: Socio-Economic Survey, 2000-07

Increase in per capita income

The improvement in the standard of living and quality of life of the people of Chhattisgarh is evidence of the increase in income levels. Net per capita income at current prices grew by 13.16 per cent in fiscal 2005-06, touching \$474.05.

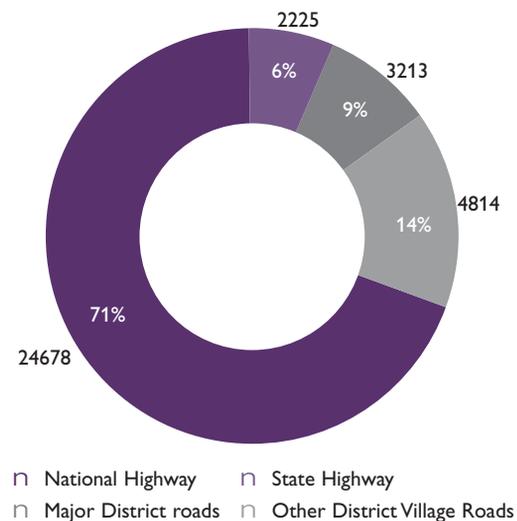
Physical infrastructure

The state’s Vision 2010 document recognises physical infrastructure development as a priority sector to ensure continuous growth of the economy. The vision outlays creation of Chhattisgarh Infrastructure Development Corporation (CIDC) to:

- Promote and catalyse infrastructure development
- Be the prime advisor to the government on matters related to infrastructure development
- Commercialise projects through Public-Private-Partnership

Transportation

Category wise length of State road network (Km)



Source: Socio-Economic Survey, 2006-07

Chhattisgarh’s strategic location has been instrumental in its development as a potential hub for inter-state trade. The state government has initiated measures to ensure growth of the transportation sector by introducing a new road policy and inviting private players to invest in the development of road infrastructure.

The category-wise length of the state-wide road network (in Km) for the period 2004-05 is indicated below:

Railways form an important aspect of the transportation network for the large number of mineral and heavy industries based out of Chhattisgarh.

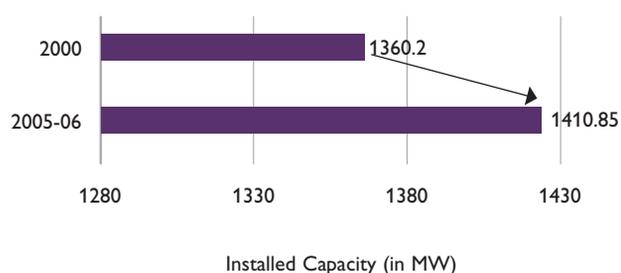
The railway network in Chhattisgarh is operated by the South Eastern (SE) Railways, headquartered at Kolkata, with a divisional office at Bilaspur. Raipur and Bilaspur are the two major railway stations, which connect Chhattisgarh to other major cities and towns of India.

The air transportation network in the state is quite limited. There is one major commercial airport in the capital city of Raipur and smaller airports/ airstrips at other cities such as Bilaspur, Bhilai, Jagdalpur, Sarguja, and Korba.

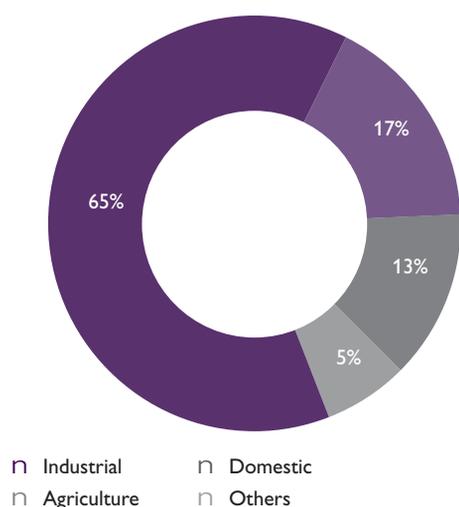
Power

Chhattisgarh is the emerging power capital of India. The total installed power capacity of the state increased from 1,360.2 MW in 2000 to 1410.85 MW in 2005-06. Availability of large reserves

Installed Capacity



% Electricity Consumption Pattern (2004-05)



Source: Chhattisgarh State Electricity Board

of coal ensure that thermal power accounts for over 90 per cent of the total power generated in the state. The remaining 20 per cent is generated through hydel power stations.

Korba district, the thermal power hub, contributes over 90 per cent of the state's power capacity.

Industrial consumption accounted for 65 per cent of energy consumption in the state in 2004-05, and domestic, agriculture and other consumers were responsible for the remaining 35 per cent.

Urban infrastructure

Urban infrastructure development has been a challenge for the state as it is still in its formative years. The Urban Administration and Development Department of Chhattisgarh (UAD) is responsible for urban development, urban governance and urban poverty alleviation through municipalities.

The rate of urbanisation stands at 17.4 per cent vis-à-vis the all-India average of 29 per cent. Shortfall in supply of safe drinking water, inadequate storm water drains and underground sewerage and solid waste management systems are some of the immediate challenges that the state faces.

The UAD has initiated measures for improvement of water supply, sewerage and sanitation. It is also working towards improving urban transport and housing and the upliftment of the urban poor.

The state government has adopted a new Urban Development Policy with the following objectives:

- Improvement in the quality of urban living
- More accountability of urban local bodies towards citizens
- Planned urban development
- Better quality access and efficiency of service
- Alleviation of urban poverty and equal access of services to the urban poor
- Financial sustainability of local institutions and
- People's participation in local governance

Industrial infrastructure

There are several industrial growth centres/parks in Chhattisgarh, acting as hubs of development and promotion of industrial activity.

Some of the well-established industrial growth centres are located at Urla and Siltara in Raipur district; Sirgitti and Anjani in Bilaspur district; and at Borai in Durg district. Moreover, to meet the increasing demand of land for new industrial units, the government has decided to set up four Star Industrial Areas across 6,836 hectares of land in the districts of Bilaspur, Raigarh, Rajnandgaon and Raipur.

Sponge iron and mini-steel plants, ferro alloy units, power plants/captive power plants and other core industries are planned to be established in these proposed Star Industrial Areas.

SEZs (Formal Approval)

S. No.	Developer	District	Sector	Area (in hectares)
1	Naya Raipur Development Authority (NRDA)	Naya Raipur	IT/ITeS	10.77
SEZs (in – principal approval)				
2	Writers and Publishers Limited	Raipur	Multi-product	2000
3	M/s. Chhattisgarh Infrastructure Ltd.	Raipur	Gems & Jewellery	29

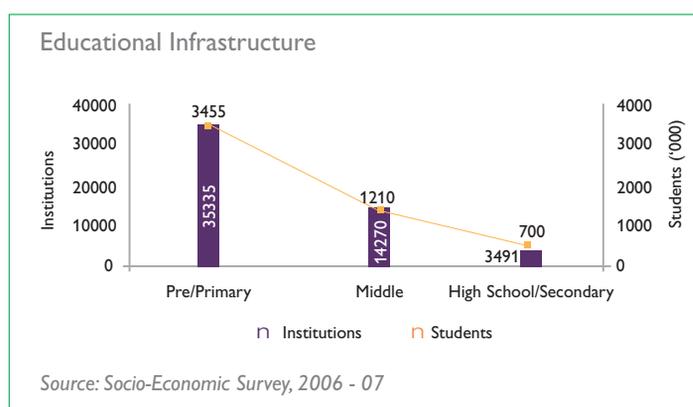
The state government is additionally focusing on the development of industrial clusters to support the growth of special thrust industry sectors such as food processing, gems and jewellery, metals, apparels, and pharmaceuticals.

Social infrastructure

The government is focusing strongly on developing social infrastructure to enable all-round socio-economic development of the state.

Education

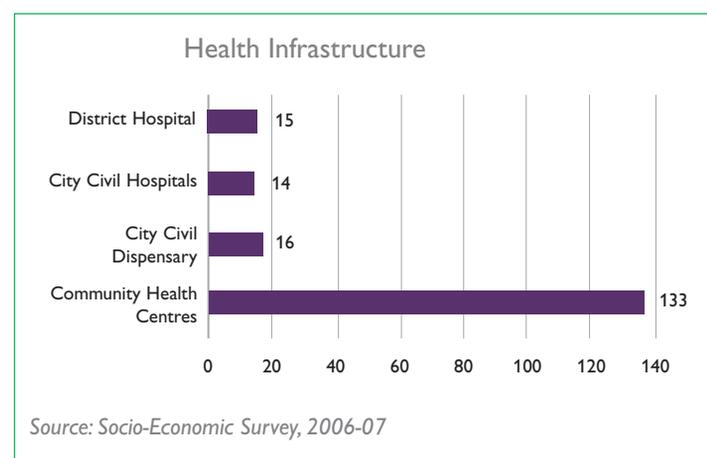
The education infrastructure is improving through the concerted efforts of the government.



Chhattisgarh has a male literacy rate of 77.4 per cent, 2.1 per cent higher than the national average, as per the 2001 census. The state's average literacy rate stands at 64.7 per cent. In all, 5.37 million students study in the 53,096 institutions, providing primary and secondary education in the state. There are 116 government colleges, 15 engineering colleges, 10 polytechnics, eight private pharmacy colleges, two medical colleges and three dental colleges in the state.

Health

The state's health infrastructure includes 717 primary health centres and 4,792 sub-health centres. There are 15 district



hospitals, 14 city civil hospitals, 16 civil dispensaries and 133 community health centres. Most districts in Chhattisgarh have clinics for STDs (Sexually Transmitted Diseases). Twelve districts have blood bank facility.

Medical college hospitals at Raipur and Bilaspur, together have a strength of over 1,000 beds and offer a wide range of specialised services. The Sewa Bhawan hospital at Jagdeeshpur and Champa Christian Hospital at Champa regularly conduct projects and programmes to ensure community health development and food security for the poor.

State policies

Since the formation of the state in 2000, continuous efforts have been made to introduce constructive policies and incentives for overall development.

State Industrial Policy 2004-09

Realising the need for rapid economic growth and regional balance in the newly-formed state, the government introduced the State Industrial Policy (2004–09). The objectives of the policy include:

- To create a favourable investment environment for enhancing industrial production;
- To create additional employment opportunities by accelerating the process of industrialisation;
- To create enabling environment for ensuring maximum value addition to the abundant, locally available mineral and forest-based resources;
- To ensure balanced regional development by attracting industries in economically backward areas;
- To ensure participation of scheduled castes, scheduled tribes and other weaker sections in the development process;
- To make industrial investments in the state competitive vis-a-vis other states in the country;
- To promote private sector participation for creation of industrial infrastructure;
- To create an enabling environment for increasing industrial production, productivity and quality upgradation to face the challenge of competition emerging from economic liberalisation.

Mineral policy

The state Mineral Policy, 2001, envisages the establishment of an investor friendly business environment in the mining sector to attract both domestic and international private sector investments. Some of the key objectives of the policy are:

- To provide facilities for maximum participation of people in the mineral industries by maintaining transparency, in order to increase the revenue from minerals;
- To develop mineral resources maintaining the priority for export-oriented minerals, strategic minerals and base metals;
- To attract private and foreign participation / investment for high value minerals (gold, base metals and diamond) and energy fuels;
- To introduce new technologies, equipment, and R&D facilities

to enhance the accuracy and quality of the mineral resources and their uses;

- Implementation of the Granite Conservation and Development Rules, 1999;
- To formulate measures to check illegal mining and pilferage of mineral revenue;
- To develop a knowledge base and ensure sustainable supply of raw materials for mineral-based industries established within the state through the State Mining Corporation.

Energy Policy

Chhattisgarh has surplus power, with immense potential for coal-based thermal power generation. The main objective of the State Energy Policy, 2001, is to accelerate the pace of development and to bring it at least at par with other developed states. Key objectives of the policy initiative are:

- To ensure availability of reliable and cheap electricity to every section of society, both in rural as well as urban areas;
- To ensure provision of electricity to farmers for agricultural purposes;
- To provide quality power at reasonable rates to industries as per their requirement;
- To enable power generation through captive power plants for industries;
- To increase power generation capacity by means of renovation, modernisation and innovation (solar, biomass, bio-gas, hydel, etc.);
- To ensure power sector reforms, energy conservation and management;
- To enable and ensure consumer satisfaction.

IT and ITeS Policy

The State IT and ITeS Policy has been designed to create an enabling environment that promotes the growth of the local IT industry. Highlights of the IT & ITeS Policy are:

- To foster the growth and development of a competitive IT industry by ensuring anytime and anywhere connectivity;
- To provide all citizens with widespread and easy access to government services at an affordable cost and in the local language, by setting up Integrated Service Delivery Centres across the state;
- To ensure 100 per cent IT literacy in all schools and colleges in a phased manner;

- To promote local entrepreneurs who are willing to invest in improving the IT infrastructure in the state;
- To increase investments to support the IT industry and create employment opportunities;
- To be a significant contributor in India's IT output by 2020.

A Chhattisgarh Infotech and Biotech Promotion Society (CHiPS) has been set up to give impetus to the growth of IT and implement initiatives for overall socio-economic development.

Information technology, bio-technology and other advanced technology-based industries have been declared as special thrust industries in the Chhattisgarh State Industrial Policy and are entitled to additional direct and indirect incentives.

Direct incentives

A number of direct incentives have been outlined by the government to promote industrial investments. The nature and details of these direct incentives may vary according to size of industry and sectors.

The incentives include:

- Interest subsidy
- Infrastructure development and capital investment subsidy
- Exemption from electricity duty
- Exemption from stamp duty
- Exemption from entry tax
- Allotment of plots at concessional premium in industrial areas
- Exemption from land diversion fee
- Reimbursement of project report expenses
- Quality certification subsidy
- Technology patent subsidy
- Interest subsidy for technology upgradation, etc.

Business opportunities

Chhattisgarh is one of the youngest and fastest growing states in India. It is rich in resources like steel, coal, aluminum, tin and bauxite. It has a conducive labour environment and cheap power, and sufficient water and land is available at a competitive rate.

Some of the key thrust sectors where Chhattisgarh holds advantage over other states are mining, iron ore and steel, cement and power.

Key industries

Mining

Chhattisgarh is widely known for its rich mineral resources and is a major resource base for major mineral-related industries. The mineral industry accounts for almost 80 per cent of total industrial units in the state. Chhattisgarh holds a major share of coal deposits in India, which has led to its 'power hub' strategy. Almost all the tin ore reserves in India are concentrated in Chhattisgarh. Over one-fifth of the iron ore in the country is found in the state. One of the best quality iron ore deposits in the world is found in the Bailadila mines in south Chhattisgarh, from where it is exported to Japan.

Reserves of Important Minerals in Chhattisgarh

S. No.	Mineral	Unit	India	Chhattisgarh	% of Reserves in India
1	Iron ore	Million Tonnes	10,052	2,336	23.23
2	Coal	Million Tonnes	204,652	35,375	17.28
3	Bauxite	Million Tonnes	24,622	96	3.89
4	Limestone	Million Tonnes	75,658	3,580	4.73
5	Dolomite	Million Tonnes	4,386	606	13.81
6	Tin Ore	Tonnes	28,907	28,894	99.96
7	Gold	Tonnes	68	3	4.41
8	Corundum	Tonnes	-	25	-
9	Quartzite	Million Tonnes	2,707	44	1.62

Source: Directorate of Geology and Mining, Government of Chhattisgarh, Chhattisgarh State Industrial Development Corporation

Widely occurring limestone deposits have resulted in the establishment of several large and small cement projects in the state.

Many more mineral-based industries are leveraging the large deposits of coal, iron ore, limestone, dolomite, quartzite, bauxite and positive indications of high value, rare, alkali and base-metals (including nickel, chromium, and platinum group elements - PGE), gold, diamond, etc.

The government intends to focus on beneficiation and processing of these minerals to maximise value addition within the state, instead of exporting them. The mineral resources have immense potential for large investments in mining, setting up of mineral-based industries and generating large-scale employment.

Power

Chhattisgarh has a robust power sector, which places the state in a highly competitive position with respect to industrial growth. Strategically located in central India, Chhattisgarh's large surplus of power can be easily transmitted without loss to any of India's four grids. Chhattisgarh lies in the chronically power deficit western grid, and is linked to the southern and northern grids as well. A special high-tension line is being laid between Raipur and Rourkela, in the eastern grid. As a result of its 'Power Hub' strategy, Chhattisgarh is expected to remain a power-surplus state for a considerable period of time. It is well positioned to emerge as a preferred destination for all power intensive industries.

Chhattisgarh had a power generation capacity of 1,360.2 MW in 2000 which rose 1,410.85 MW in 2005-06.

Source: Economic Survey of Chhattisgarh, 2006-07

Korba in Chhattisgarh is the Power Capital of India. National Thermal Power Corporation's (NTPC) Super Thermal Power Plant in Korba is working at 90 per cent Plant Load Factor (PLF), and the plants of the Chhattisgarh State Electricity Board (CSEB) are also highly efficient. There are huge coal reserves in the vicinity, offering cheap pithead power generation opportunities. There is also enough water from the state's largest reservoir of Hasdeo Bango. Chhattisgarh, along with two other states, accounts for 84% of India's coal. There are adequate coal supplies - South Eastern Coalfields Ltd, Bilaspur, is doubling its production from 35 million tonnes to 70 million tonnes per annum.

Chhattisgarh has excellent power transmission infrastructure. It has the capacity to transport and sell power to deficit areas in any part of India. CSEB levies minimal wheeling charges. The state has 44 per cent forest cover; therefore, the Chhattisgarh Environment Protection Board pursues proactive policies so that power generation is environmentally sustainable. Another factor favouring investment in Chhattisgarh's power generation sector is the progressive policy that allows third party sale to buyers outside the state, with or without wheeling from CSEB.

Non-conventional energy sources have been accorded very high

priority. A special agency called CREDA (Chhattisgarh Renewable Energy Development Agency) has been set up, and over 1,200 villages in dense forests are being electrified using off-grid energy. Micro-hydel power potential is additionally being tapped in a big way, and several projects have been identified for viable private investment.

Labour relations are very cordial in the power generating plants, with man-days lost being the lowest in the country. Chhattisgarh has emerged as one of the best destinations for investment in greenfield power projects with the cheapest cost of production in the country.

Cement

Chhattisgarh is a mineral-rich state that provides an opportunity to produce cement at the most competitive prices. The Raipur-Bilaspur belt provides the best location where both labour and material is available at competitive costs. The state government provides several concessions to accelerate growth of the industry, to create employment and contribute to the welfare of the people.

Major Cement Units

Name of Company and location	Annual Prod. Capacity (Lakh Tonnes)
ACC Ltd., Jamul, Durg	15.8
Century Cement Ltd, Baikunth Raipur	12
Grasim Cement Ltd, Rawan, Raipur	15
C.C.I. Ltd. Akaltara, Janjgir	4
C.C.I. Ltd. Mandhar, Raipur	3.8
Lafarge Cement Gopalnagar, Janjgir	22.4
Larsen & Toubro Ltd. Hirmi, Raipur	17.5
Ambuja Cement Ltd. Modinagar, Raipur	18
Lafarge Cement Sonadih, Raipur	14.3

There are widely occurring limestone reserves in Chhattisgarh, which have spawned several large and small cement projects. Around 3,580 limestone reserves are present in Chhattisgarh, contributing 4.73 per cent of the total limestone reserves in India.

Cement production grew by 13 per cent in Chhattisgarh in 2006-07. There are nine major and 12 minor cement units in Chhattisgarh, the majority concentrated in the Raipur area.

Iron Ore and Steel

With the overall rapid development of the country, demand for

iron and steel has grown faster than anticipated. The existing steel plants can partially meet the current demand. Hence, it is being seen as an imperative that new plants be established in the state.

Iron ore – the basic raw material for the iron and steel industry that is also used in ferromanganese industries, paints, pigments and other allied industries – is available in a fairly large area in the state.

Chhattisgarh, which ranks third among all the iron ore-producing states in India, contributes almost 20 per cent of national iron ore reserves; 28 per cent of India's sponge iron production comes from Chhattisgarh.

Iron Ore reserves in Chhattisgarh

There are approximately 10,000 iron ore reserves in India, of which Chhattisgarh accounts for over 23 per cent.

Important iron ore deposits in Chhattisgarh are in Dalli-Rajhara area of Durg district, Bailadila area of Dantewara district and Rowghat area of Kanker district. Other smaller deposits have been found in Chargaon, Hahaladdi and Metabodeli areas of Kanker district and Boria Tibbu area of Rajnandgaon district. Iron ore deposits of Bailadila are considered to be the best deposits available in the world.

Other key industries

Several other potential industries have been identified, offering immense investment opportunities in the state. Government initiatives have provided a thrust to the growth of these industries in Chhattisgarh.

a) Food processing industry

The state government has proposed to develop a Food Processing Park, to be located at Joratarai (40 km from Raipur) on 75 acres of land.

The proposed park will have the following features:

- Advantages with respect to sourcing of raw materials from the entire region.
- Proximity to the Mumbai-Howrah main rail line and NH-6.
- Boundary fence, internal roads with drainage system, street-lighting, and security arrangements. Identified plots for food processing units.
- Water supply, sewerage, power supply and telephone lines

and common facilities such as testing laboratory and R&D centre, cold storage, training centre, marketing/ branding services.

- Required off-site infrastructure for the park.
- The project is being developed as a public private partnership.

b) Herbal Medicine industry

Chhattisgarh is bestowed with vast forest resources, which account for 44 per cent of its total geographical area. The forest ecosystems are very rich in non-wood forest products (NWFP). The state has been recognised as an established centre for trade in herbal/ medicinal plants/ products. Currently the trade of NWFP is more than 100,000 tonnes and is worth \$140.24 million. (Source: Chhattisgarh State Industrial Development Corporation)

The Government of Chhattisgarh has declared the state as a 'Herbal State' with an objective to develop and conserve NWFP. It plans to develop a Herbal Medicinal Park in Banjari and Bagaudh villages of Kurudh Tehsil (30 km from the New Raipur City) in Dhamtari on about 154 acres of land.

The location has the following advantages:

- Wide forest covers of the district and proximity to a rich source of medicinal plants;
- Well-established trading centre for NWFP;
- Proximity to the state capital Raipur;
- Sufficient water, power and labour availability.

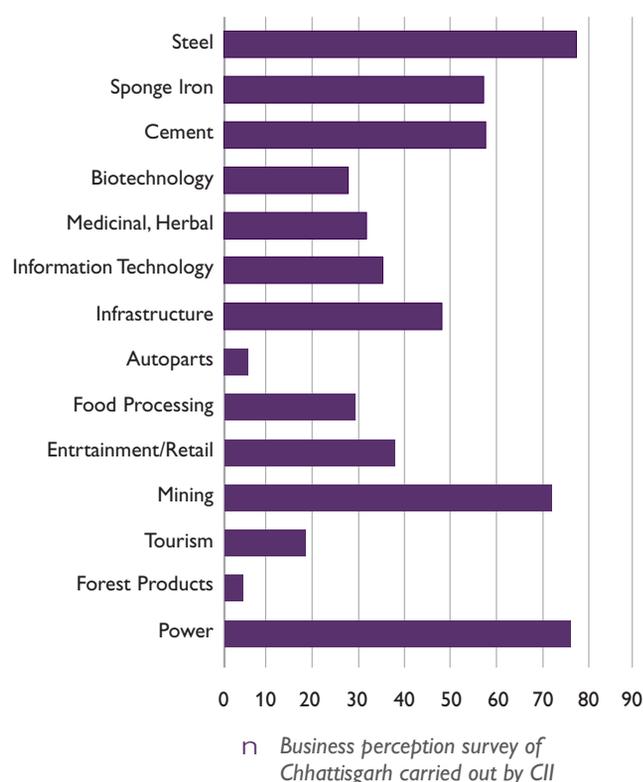
In the proposed Herbal/ Medicinal Park, the following components have been envisaged:

- Demarcated area for the industrial park comprising boundary fence, internal roads with drainage, street-light, and security arrangements;
- Identified plots for herbal/ medicinal processing/ manufacturing units to be set up by entrepreneurs;
- Provision for utility services such as water supply, sewerage, power supply and telephone lines;
- Common Facilities Testing laboratory and R&D centre, training centre, marketing/ branding services;
- The development cost of the Herbal & Medicinal Park is expected to be about \$6.09-8.53 million. The park is likely to house about 500 units. The project will operate under the PPP mode and would initially attract an investment of about \$60.9 million.

c) Gems & Jewellery industry

The state government plans to introduce its own SEZ policy, which would incentivise the players in terms of mining rights etc. In addition, the industrial policy initiatives and other incentives are designed to boost industrial infrastructure in the state. The state's Directorate of Geology and Mining is actively engaged in exploration of gold and diamond deposits.

Potential Growth Sectors in Chhattisgarh



The government plans to establish a Gems & Jewellery Special Economic Zone (SEZ) to encourage value-addition within the state and attract new investments. The 70-acre SEZ will be developed near the new capital area of Raipur. A state-of-the-art township is being rapidly developed close to the airport.

The proposed SEZ will have front-end components for sales and marketing and back-end components for manufacturing units. The front-end components would include identification, grading and certification of diamonds, a world-class gem and jewellery training institute, a gem-testing lab, an assaying and hallmarking centre as well as government offices to facilitate trade.

The SEZ would include:

- Demarcated area for the SEZ comprising boundary wall, internal roads, street-lighting, and security arrangements;

- Identified plots and Standard Design Factory (SDF) units for gems and jewellery processing/ manufacturing units to be set up by entrepreneurs;
- Provision for utility services - water supply, sewerage, and power supply;
- Common Facilities - testing & certification laboratory and hallmarking facility;
- Common Services - canteen, health care centre, custodial services, courier services/ freight handling services, etc.;
- Exhibition and conference Hall;
- Hotels and restaurant;
- Training centre: Institute of Jewellery Design and Technology would include basic and advanced jewellery design and manufacture technology, gemology and diamond trading;
- Government offices - Development Commissioner, Customs;
- Required off-site infrastructure.

The project development cost of the SEZ would be \$26.82 million, including residential units and hotels. The Gems & Jewellery SEZ will have about 150 units of 750 sq. mt each, in addition to 750 dwelling units and hotels. Initially the project would attract an investment of \$48.78 million. The project development would be in the PPP mode.

d) Apparel industry

CSIDC is establishing an Apparel Park for the development of textile and textile-based industries and to attract new investments in the sector. It is proposed to be set up in the Light Industrial Area of New Raipur, the proposed capital of Chhattisgarh.

The proposed area to be earmarked is about 20 hectares. Infrastructure development is underway and the park is due to be operational shortly.

e) Aluminium / Metal industry

The state proposes to create an Aluminium Park for promoting downstream products. It will house more than 100 industrial units to manufacture various aluminium/ metal products required by the civil aviation, automobile and construction sectors. It is proposed to be developed at Bhanpuri near Raipur.

Export profile of Chhattisgarh

Nearly 75 per cent of exports from Chhattisgarh emanate from Bhilai, and the remaining from Urla, Bhanpuri and Sirgitti. Major exportable products of the state are steel, handicrafts, handloom,

blended yarn, food/agri products, iron, aluminium, cement, minerals and engineering products.

Around 17 per cent of the companies based in Chhattisgarh are engaged in exports. The most favoured port is Vishakhapatnam (Vizag), followed by Paradip and Nava Sheva port of Mumbai. Vizag is the most preferred port as the logistics cost incurred elsewhere is much higher.

The remaining 83 per cent of the companies sell all of their production in the domestic market itself. However, it has been observed that a large proportion of exports of the state are being booked through other states. The opening up and operationalisation of the services of Inland Container Depot (ICD), Raipur, may reverse this trend. Local exporters booking their exports from other states will start booking it from Chhattisgarh after the opening of the ICD.

Year-wise exports

Year	Amount (USD million)	Growth (%)	% share in export from India
2002-03	104	-	0.17
2003-04	258	148.70	0.36
2004-05	342.48	32.7	0.39
2005-06	397.5	16.08	0.36

Source: Chhattisgarh State Industrial Development Corporation

Export Potential of Chhattisgarh

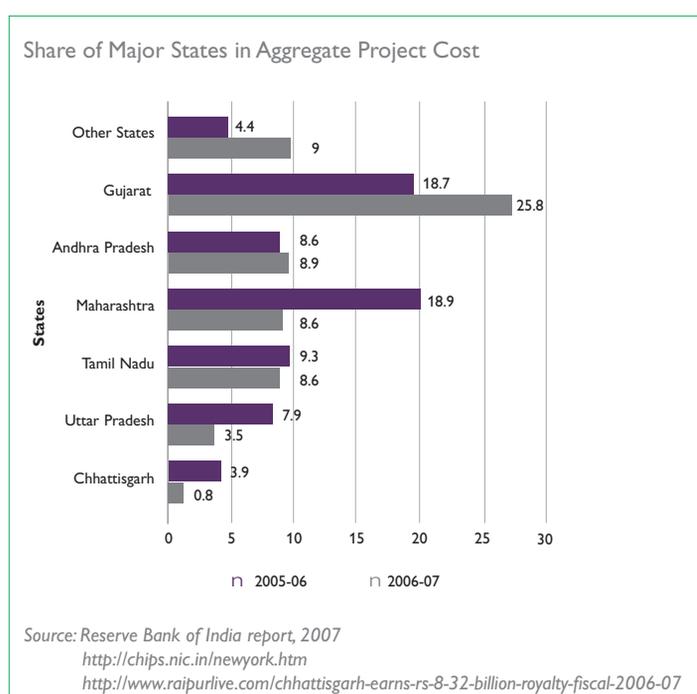
- Handcrafted wood, iron & steel, terra cotta, bell metal and handloom items are major attractions in the international market.
- Chhattisgarh is the only state offering quality fabric in Tas-sar Silk/ Kosa, which has good export potential in the UK, France, Switzerland, Norway, the USA, Canada, Australia, South Africa and Japan.
- The state has vast potential for exporting processed foods, organically grown cereals, herbal and medicinal products.
- Agricultural products such as rice – presently exported in huge quantities to neighbouring countries – derivatives and intermediates of rice products, processed foods and bio-diesel have a huge potential for exports.
- Mineral-based products including steel and pig iron, steel castings, forging and equipment, structural steel, cement and silico-manganese are also exported from Chhattisgarh.

Investments in Chhattisgarh

In 2006-07, 13 projects worth \$580 million (contributing 0.8 per cent of the total investments in India) were sanctioned in Chhattisgarh.

Source: Reserve Bank of India report, 2007

Mineral-rich Chhattisgarh has attracted investment proposals worth \$4.87 billion till October, 2007.



Vedanta Group has plans to invest another \$2.44 billion for setting up a large aluminium plant in Chhattisgarh. The group has also signed \$1.21 billion worth of MoUs with five private companies in the cement and steel sector. The Electricity Board of Chhattisgarh has plans to set up a 1,200 MW power plant at Korba with an investment of \$2.44 billion.

During 2001-2005, 1,004 Industrial Entrepreneur Memorandums (IEMs) were filed in Chhattisgarh, which invited an investment of over \$24.3 billion.

Source: Ministry Of Commerce and Industry Department of Industrial Policy and Promotion

Key players in the state

Bhilai Steel Plant



Bhilai Steel Plant is one of the largest integrated steel plants of the Steel Authority of India Ltd (SAIL). It is the sole producer of rails and heavy steel plates in the country. With an annual production capacity of 3.153 MT of saleable steel, the plant specialises in other products such as wire rods and merchant products. The plant is accredited with ISO 9001:2000 Quality Management System standard and ISO-14001 certification for its environment management systems. Bhilai Steel Plant has plans to invest \$5.5 billion up to 2012 in its integrated steel plants in Chhattisgarh.

National Thermal Power Corporation (NTPC)



NTPC Ltd is engaged in the generation and sale of bulk power to state electricity boards/state utilities. It is India's largest power utility and the sixth largest thermal power generator in the world with an installed capacity of 2,100 MW. The company is also engaged in providing consultancy, project management and supervision, oil and gas exploration, and coal mining. For the fiscal ended March 31, 2007, NTPC's power stations generated 188.674 billion units of electricity and its coal stations operated at a plant load factor of 89.43 per cent.

One of the largest establishments of NTPC is in the city of Korba in Chhattisgarh. Currently the company is implementing India's largest coal-based electricity plant at Sipat in Chhattisgarh with an installed capacity of over 3,000 MW at an estimated cost of over \$1.8 billion.

National Mineral Development Corporation (NMDC)



National Mineral Development Corporation (NMDC) is involved in the exploration of a range of minerals, including iron ore, copper, rock phosphate, lime stone, dolomite, gypsum, bentonite, magnesite, diamond, tin, tungsten, graphite and beach sands. The company is an iron ore producer and exporter, producing 20.74 million tonnes of iron ore from three fully mechanised mines in Chhattisgarh and Karnataka. NMDC is presently producing about 15.75 million tonnes of iron ore from its Bailadila sector mines in Chhattisgarh.

Iron-ore from this region is considered to be the best for manufacturing steel as it contains almost 66 per cent super high grade iron content, which is free from sulphur and other deleterious material. The company plans to open new mines in the Baila-

dila sector and a new iron-ore mine at Kirandul in Dantewada district is proposed.

Jindal Steel and Power Ltd. (JSPL)



JSPL is one of the largest coal-based sponge iron manufacturers in India with 24 per cent market share in this product segment. With an installed capacity of 650,000 MTPA, it is the world's largest coal-based sponge iron plant at Raigarh in Chhattisgarh. Total gross sales for the year 2005-06 amounted to \$731 million.

JSPL is the largest private sector investor in Chhattisgarh with a total investment commitment of more than \$2.43 billion. Jindal Power Limited, a wholly owned subsidiary of JSPL, is setting up a 1,000 MW O P Jindal Super Thermal Power Plant at Raigarh, with an investment of over \$1.09 billion.

JSPL has set up a first of its kind, 750-acre industrial park in district Raigarh, where more than 30 units have already started operations. More than \$300 million investment is expected in the park, which in its fully operational state is expected to provide employment to over 5,000 people. JSPL has initiated exploration for diamond, gold and associated minerals under reconnaissance permit (RP) covering over 2,500 sq km area in Jahspur district.

Associated Cement Companies Ltd (ACC Ltd)

ACC Ltd is India's leading manufacturer of cement and ready mix concrete with a countrywide network of factories. It has a production capacity of 16 MT per annum. It is India's largest refractory manufacturer and supplier, the largest research and consultancy organisation in the cement sector, and a pioneer in the area of advanced materials. In Jamul, Korba district, ACC has a cement plant with a production capacity of 1.58 million tonnes.



Lafarge India Ltd



Lafarge India is a subsidiary of the French building materials major, Lafarge. A world leader in building materials, it ranks top in all of its businesses: cement, aggregates & concrete and gypsum. Lafarge entered the Indian market in 1999, with the acquisition of the cement business of Tata Steel.

Lafarge has two integrated cement manufacturing plants at Sonadih and Arasmeta in Chhattisgarh with a capacity of 2 million tonnes per annum. The company's total cement production capacity in India currently stands at around 5.5 million tonnes.

Lafarge plans to invest \$70 million for setting up of 50 MW coal-based captive power plants for two of its units in Chhattisgarh. The company also plans to set up a railway siding for its plant at Sonadih in Chhattisgarh, connecting Bilaspur railway station.

Jayaswals Neco



The Neco group is the largest Indian iron and steel foundry group with a capacity of 100,000 tonnes and a turnover of \$150 million per annum. It covers a wide range of finished castings for automobile, engineering and construction industries in addition to cast/ductile iron pipes and pipe fittings, and has also diversified into industrial valves, infrastructure projects (roads and bridges), valve castings, food products, ceramics, ferro alloys, pig iron and steel.

Neco has an integrated steel plant in Siltara, Chhattisgarh, which contains all auxiliary facilities along with a 40 MW captive power plant, raw-material handling plants and a gas cleaning plant.

Bharat Aluminium Company Ltd (BALCO)

BALCO was established by the Government of India as a public sector undertaking in 1965. Its assets include aluminium and captive bauxite mines, captive power plants, refineries and smelters. An ISO 9001:2000 certified-company, it is one of the largest producers of aluminum in India with captive bauxite mines, power plant, refineries and smelters.



The company has two working units, situated in Korba (an integrated aluminum complex), Chhattisgarh, and the second in West Bengal at Bidhanbag. The Korba plant produces almost 100,000 tonnes of aluminum every year and has the capacity of producing almost 270 MW of electricity.

BALCO is executing a \$863 million expansion plan to increase its aluminum production capacity from 100,000 tonnes per annum to 345,000 tonnes. The company plans to set up a 540 MW electricity generation plant for captive consumption.

Doing business in Chhattisgarh

Some key approvals required from the state government for doing business in Chhattisgarh are outlined below:

Step 1 - Allotment of Plot

- a) Chhattisgarh State Industrial Development Corporation (CSIDC) allots the plots or built-up sheds, for establishing units. The documents required for allotment of land are:
 - Application in prescribed proforma
 - Project Profile in brief
 - Block plan for proposed construction
 - Processing fee
- b) Letter of Intent is signed between CSIDC and applicant
- c) Land Allotment Order is issued by CSIDC.
- d) Submission of Balance Premium

Step 2 - Signing of Lease Deed

The lease deed is signed between the applicant and CSIDC after submission of the balance premium.

On receipt of balance payment, the allottee is supposed to take over the possession immediately and execute the Agreement Lease of CSIDC within 30 days from the date of receipt of final payment.

The plots are allotted for small, medium and large scale units

Eligibility conditions for acquiring the land -

The plots are allotted to -

- a) Proprietary firm
- b) Partnership firm
- c) Private Limited company
- d) Public Limited company
- e) Co-operative societies
- f) Public trust
- g) Chief Promoter of -
 - Proposed Private Limited
 - Proposed Public Limited
 - Proposed Partnership firm
 - Proposed Co-operative Society

Step 3- Water connection

- a) Request for obtaining application form for water connection in prescribed format with fee of \$2.43 per form needs to be submitted.
- b) Application Form in prescribed format with necessary documents should be submitted
 - Photocopy of Lease Deed executed
 - Photocopy of Possession certificate
 - Photocopy of Registration of District Trade & Industries Centre
 - Layout plan of Industry
- c) Agreement for water connection
- d) Demand note for security deposit / new connection charges
- e) Road cutting charges, if required

Step 4- Electricity connection

The duly filled up application form is submitted to CSIDC.

CSIDC coordinates with the Electricity Department and assists the applicant in getting the electricity connection.

Step 5- Pollution clearance

- a) State level clearances -
 - Application Form in prescribed format is submitted to District Trade Industries Centre (for investment up to \$24.3 million)/ State Investment Promotion Board (for investment above \$24.3 million)
- b) Instances wherein clearances from Central Government are required - Application in prescribed format to District Trade Industries Centre (for investment up to \$24.3 million)/ State Investment Promotion Board (for investment above \$24.3 million) with Environment Impact Assessment Report.

Investment climate of Chhattisgarh

Investment Climate

Rich Natural Resources

- Natural resources are the biggest strength of the State. It has rich deposits of Limestone, Iron-ore, Copper-ore, Rock Phosphate, Manganese ore, bauxite, Coal, Asbestos and Mica. In fact Chhattisgarh, along with Orissa and Jharkhand, constitutes over 80% of the nation's Coal reserves. Chhattisgarh also has proven reserves of Diamond which can, in the future, be a large source of income for the State

Investment climate of Chhattisgarh

Relatively Low Land Cost

- With a lower population density and urbanisation rate, the State is able to offer land at extremely competitive prices

Surplus Power

- Chhattisgarh is currently one of the few states that has surplus power. This could be an important advantage for industrialists making project and investment decisions. Presence of low grade coal makes Chhattisgarh an ideal location for setting up of low cost pit head based Thermal Power Plants, capable of generating power to meet the requirements of other states.

Fiscal Position

- The fiscal deficit situation of the State is currently under control. It also has reliable sources of public finance and possesses no deficit on account of either the State Electricity Board or Road Transport Corporation

Favourable Labour Climate

- Though the Skill base is relatively low, the presence of a large number of willing and able-bodied people contributes to a substantial workforce. The State has a high worker participation rate (male and female) and a high labour force in the 15-39 age group. It also has one of the lowest losses in person-days attributed to labour problems, in the country

Political Environment

- Lesser number of bureaucrats and government employees compared to the other States in the country. This has also resulted in one of the lowest expenditures in the country on government functioning. The presence of a strong, committed and focused leadership is an asset in the state.

Average cost of setting up business in the state

Indicator	Value (in US\$)
Industrial Land (per sq. m)	3.04 – 4.75
Office space rent (per sq. ft/month)	0.56 – 0.93
Residential rent (for a 2,000 sq. ft house/month)	292.68- 439.02
5-star hotel room (per night)	73.1 – 134.14
Electricity (per KWh)	0.97– 1.46
Water (per 1000 liters)	0.22– 0.33

Source: E&Y Analysis

Note: Exchange rate used is INR 41 per US\$

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