Investment Climate in Rajasthan
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*A report by ICRA for IBEF*
Executive Summary

‘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.

Rajasthan is emerging as one of the important states in the country. Dairy farming has a huge potential in the rural areas and is being promoted as a self-employment venture. The dairy industry currently contributes 40 per cent of India’s wool and 10 per cent of milk production, and is steadily growing in importance. With large parts of the state classified as desert and the rest prone to drought, livestock provides the poor with a source of security, income, food, and is an asset in times of need.

The state economy witnessed a compound annual growth rate of 15.2 per cent between 2002-03 and 2006-07 and added up to $33.32 billion in 2006-07. Rajasthan’s strategic location and its proximity to the rich northern and western Indian markets offer the state a significant advantage.

The state’s contribution is strong in crops like mustard, bajra, guar, cumin, coriander, and rabi oil seeds. It is ranked second in the country in barley production and third in soyabean and gram. It is amongst the largest producers of cotton and wool in the country. The state is a pioneer in jojoba cultivation, which is commercially exploited for making cosmetics, adhesives, waxes to high pressure lubricants of export orientation.

Rajasthan, a mining hub, has the second largest mineral reserves in the country. It produces 42 varieties of major minerals and 23 minor varieties. Its contribution to all-India production is significant in several minerals:

- 94 per cent for gypsum
- 70 per cent for feldspar
- 71 per cent for ball clay and
- 75 per cent for rock phosphate.

It is the second largest producer of glass and ceramic raw materials, clay and silica and the leading producer of feldspar in the country.

The state is also a storehouse of 70 per cent of the country’s non-ferrous metallic minerals and produces 90 per cent of the country’s copper and zinc. The largest and copper smelter in the country is based in Rajasthan.

The rich cultural heritage of the state coupled with its palaces and forts, tiger reserves, handicrafts, and art forms of music and dance, leverage Rajasthan to nurture and develop one of the largest travel and tourism industries in India.

Well-developed infrastructure facilities, proactive administration, investor-friendly policies, skilled manpower, cordial labour relations and a balanced package of incentives provide a conducive climate for attracting domestic and foreign investment. Adequate industrial infrastructure is being developed in the form of industrial parks and Special Economic Zones (SEZs).

The state has formulated a number of policies, which aid the development of economic hubs and encourage private partnership in the development of infrastructure. It focusses on economic activities where the state enjoys comparative advantage (for example, food processing industry and IT), and developing the services sector (tourism, transport, education, health care services and financial) to drive growth and create an investor-focused approach in administrative processes.

The state introduced a Single Window system for approvals and clearances and to reduce procedural requirements. The Bureau of Investment Promotion plays a promotional role and gives technical support to appraise investment proposals, from foreign as well as domestic producers.

The state is focusing on developing its education system to ensure supply of skilled workers to industry. The banking and financial services industry is also getting stronger to facilitate savings and disperse credit.
Select indicators for the State

<table>
<thead>
<tr>
<th>Capital</th>
<th>Jaipur</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and climate</td>
<td>Area (sq km) 342,239</td>
</tr>
<tr>
<td>Climate</td>
<td>Summer (April to June)</td>
</tr>
<tr>
<td></td>
<td>Rainy season (July to September)</td>
</tr>
<tr>
<td>Number of districts</td>
<td>32</td>
</tr>
<tr>
<td>Number of cities/towns</td>
<td>222</td>
</tr>
<tr>
<td>People</td>
<td></td>
</tr>
<tr>
<td>Major religion</td>
<td>Hinduism</td>
</tr>
<tr>
<td>Principal languages</td>
<td>Rajasthani, Hindi</td>
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<tr>
<td>Population (in million) (2001 Census)</td>
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</tr>
<tr>
<td>Share of urban population</td>
<td>23.4 per cent</td>
</tr>
<tr>
<td>Sex ratio (females per 1000 males)</td>
<td>921</td>
</tr>
<tr>
<td>Literacy Rate</td>
<td>61.03 per cent</td>
</tr>
<tr>
<td>Birth rate in 2002 (per thousand persons)</td>
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<tr>
<td>Death rate in 2002 (per thousand persons)</td>
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</tr>
<tr>
<td>Infant mortality rate in 2006 (per thousand live births)</td>
<td>53</td>
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<tr>
<td>Human Development Index</td>
<td>Ranked ninth in the country (Source: UNDP Human Development report 2004)</td>
</tr>
<tr>
<td>Key industries having business potential</td>
<td>Agro-Based, Textiles, Petrochemicals, Electronics &amp; Communication, IT &amp; ITES, Automobiles and Automotive components, Real estate</td>
</tr>
</tbody>
</table>

Economic overview of the state

The topography of Rajasthan is dominated by the Aravali range of hills. The region to the west and the north-west of Aravali hills is either desert or semi-desert. Human settlement is the state is scattered. Low-density of population, vast area and segmented pattern of human settlement are some of the constraints affecting the development of the economy. Agriculture continues to be a large contributor to the economy in terms of the State Domestic Product and employment particularly in rural areas. Water availability in the state is very poor as there is no perennial river except Chambal and Mahi traversing through the south-eastern region.

Mineral resources are the backbone of industrial and economic development in the state. Rajasthan contributes 22 per cent to industrial mineral production in the country. At present there are 34 district industry centres and seven sub-centres working under the Directorates of Industries for providing inputs and other facilities to entrepreneurs.

Rajasthan- Economic Performance

<table>
<thead>
<tr>
<th>Year</th>
<th>Rajasthan’s GSDP (US$ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002-03</td>
<td>18.92</td>
</tr>
<tr>
<td>2003-04</td>
<td>25.09</td>
</tr>
<tr>
<td>2004-05</td>
<td>27.60</td>
</tr>
<tr>
<td>2005-06</td>
<td>29.09</td>
</tr>
<tr>
<td>2006-07</td>
<td>33.32</td>
</tr>
</tbody>
</table>

The economy witnessed a CAGR of 15.2 per cent between 2002-03 and 2006-07. The gross state domestic product (GSDP) reached $33.32 billion in 2006-07. All three sectors of the economy - primary (comprising agriculture and livestock, forestry and logging, fishing, mining and quarrying), secondary (comprising manufacturing, construction and electricity, gas and water supply) and tertiary (comprising trade, hotels and restaurants, transport, storage and communication, financial services, real estate and related services, public administration and other services) - have contributed to the growth, with the primary sector showing significant increase in contribution over the years.

The structural composition of the economy has witnessed a transformation over the years. The primary sector saw its share rise to 28.7 per cent in 2006-07 from 22.8 per cent in 2002-03. The agriculture sector, however, continues to be dominant with over 80 per cent of the share in primary sector.

The share of the secondary sector in the GSDP has remained more or less the same, marginally above 29. The main contribution to this sector, which grew at a CAGR of 12.7 per cent between 2002-03 and 2006-07, comes from the construction sector, which has a 50 per cent share, and grew at with a CAGR of 23 per cent in the period under consideration.

The tertiary sector accounted for the highest share in the GSDP at 42.2 per cent in 2006-2007, though decreasing from 47.9 per cent in 2002-03. Major components like trade, hotels and restaurants and real estate continue to show a rising trend, growing at a CAGR of 9 per cent in this sector.
People - Economic prosperity of people

Rajasthan has over 384 medium and large scale industries providing employment to 15,000 people and over 275,000 small-scale industry (SSI) units employing 1.06 million people. Investment in the large and medium sector is estimated to be $3.22 billion and $970 million for the SSI sector.

Cairn Energy India Pvt Ltd along with the Oil and Natural Gas Corporation (ONGC) is planning to invest $2 billion to develop oilfields in the state. There is also the possibility of investment in a greenfield oil refinery in western Rajasthan. The Mahindra group envisages setting up a SEZ with an investment of about $3.2 billion. Hindustan Zinc Ltd, a Vedanta group company, also has plans for expansion in the state. Automobile major Honda plans to set up a car project in the state with an investment of $500 million.

Industrial centres in Rajasthan

The main industrial centres in Rajasthan are Jaipur, Kota, Udaipur and Jodhpur.

Jaipur, one of the three cities in the golden triangle, is 260 km from Delhi. Jaipur is an important tourist destination and a shopper’s paradise. It has 19 industrial areas with the product base including gems and and jewellery, textiles, marble, granite and engineering items. It is also a potential destination for IT and ITES industries coming to the state.

Kota is located in the south-eastern part of Rajasthan and is home to Asia’s largest fertiliser plant, a precision instrument unit and an atomic power station. Other important industries include chemicals, fertilisers, synthetic fibres, tyre-cord and sophisticated instruments.

Udaipur is known for its exquisite arts, crafts and miniature paintings, and also hosts the Shilpgram festival, which attracts thousands of tourists. Jodhpur, a popular tourist destination, and also has agricultural equipment units and copper based alloy industries.
Investments in Rajasthan

Rajasthan is growing as a preferred investment destination. According to estimates by the Centre for Monitoring Indian Economy (CMIE), outstanding investments in Rajasthan as of January 2007 were $12.88 billion. Maximum investments have come into the power sector, followed by mining, manufacturing and services. The mining sector, which has attracted investments of $2.81 billion, is growing primarily on account of availability of a large variety of minerals, and the state’s investor friendly policies encouraging domestic and foreign investments in mineral based industries. In the power sector, the Barmer Power project under Raj West Power envisaged the highest investment of $1.11 billion. In services sector, the Ahmedabad-Udaipur broad gauge conversion project costing $167 million has been announced by the Western Railway.

Rajasthan has attracted a significant foreign direct investment (FDI) in the last few years: it added up to $81.5 million between January 2000 and October 2006. Several multinationals have set up ventures in sectors like IT, chemicals, agro-processing, cement, granite, electronics and engineering. The state provides facilities like priority in the allotment of residential houses to NRIs in new schemes by the Rajasthan Housing Board, Jaipur Development Authority and Urban Improvement Trusts, in case they set up industrial projects in the state; priority for land allotment in industrial areas; and for every FDI/NRI project, a Nodal Officer in the Bureau of Investment Promotion to ensure speedy approvals and provide escort services.

Some of the global players in the state are Coca-Cola, Ford, McDonalds, Bausch & Lomb and Ericsson, Cairn Energy Plc, and GE Capital International Services.
Labour Force

The industrial climate in the state has remained peaceful. There are 4,610 registered trade unions in the state with a membership of 814,000 workers. During 2006-07, 1.33 million man-days were lost on account of strikes, lockouts and layoffs.

Infrastructure in Rajasthan

Industrial infrastructure

Rajasthan State Industrial and Investment Corporation (RIICO), the state government agency, has developed over 300 industrial areas with water, power, roads, shops and telecommunication facilities. These areas focus on high growth industries such as gems and jewellery, apparels, agro-processing and bio-technology.

Information Technology and IT enabled services

Rajasthan being close to the National Capital Region, it offers opportunities in the IT/ITES sector. RIICO has developed state-of-the-art IT Parks at Jaipur, Kota, Udaipur and Jodhpur, and is considering developing a park at Bhiwadi (Alwar). The infrastructure in terms of developed plots, continuous power, high speed data communication facility, roads and common testing facility are being made available at these parks.

Rajasthan provides several incentives to the IT sector. The following concessions are available in IT Parks:

i) Land rebate up to 60 per cent depending upon type and size of investment
ii) Exemption from stamp duty on registration of land
iii) 50 per cent exemption from electricity duty for seven years
iv) Simplified labour laws (women are allowed to work in night shift, self certification under various state enactments, etc.)
v) Customised incentive package for investment beyond $2.2 million.
vi) Venture Capital (on merit).

Biotechnology Park

The bio-diversity of Rajasthan is reflected in its rich bio-resources and the variety in its cattle breed. The state has a large livestock population and has good potential in animal husbandry and genetic engineering. It also has potential in biotechnology and development of biotech involving recombinant DNA based products.

RIICO is considering development of biotech parks at Jaipur, Jodhpur and Bhiwadi (Alwar) to attract investment. The infrastructure in terms of developed plots, continuous power, high speed data communication facility, roads and common testing facility are being developed.

An investor friendly Biotech Policy is on anvil. The following concessions are available in Biotech Parks.

i) Land rebate up to 60 per cent to modern Bio Tech units depending on the type and size of investment.
ii) Exemption from stamp duty for registration of land.
iii) 50 per cent exemption from electricity duty for seven years.
iv) Relaxation in labour laws relaxed (women are allowed to work in night shift, self certification under various state enactments etc.)
v) Venture Capital (on merit).

Agro-based Industries and Food Parks

Rajasthan offers vast potential for agro-based industries. It is a leader in producing bajra, barley, pulses, coriander, cumin and a host of ayurvedic herals and medicines (like Isabgol, Asgandh, Guggal, Saina and Henna). The government has given priority to the development of Agro-Food Parks and has announced concessions to units located there. Agro-Food Parks are being established at Jodhpur (with an investment of $3.03 million) and Kota ($2.33 million).

Theme Parks

RIICO is also developing Theme Parks (Special Purpose Industrial Parks) with infrastructure and facilities.

Export Promotion Industrial Parks (EPIP)

Export Promotion Industrial Parks have been set up at Sitapura in Jaipur, Neemrana in Alwar and Boranada in Jodhpur. EPIP Jaipur is the largest export park in northern India.

Special Economic Zones (SEZs)

RIICO is implementing two SEZs:

• Gem and Jewellery SEZ is being established at Sitapura Industrial Area (jaipur) with an investment of $1.4 million for the first phase of the zone.
• A handicrafts SEZ is being established at Boranada Industrial Area in Jodhpur, with an investment of about $3 million. Mahindra and Mahindra is developing an SEZ with an investment of $244 million, which will have Infosys and Wipro as
anchor investors. Genpact is also planning to set up its IT/ ITeS SEZ in Jaipur with an investment of $97 million.

### Inland Container Depots

There are Inland Container Depots at Jaipur, Jodhpur, Bhiwadi and Bhilwara.

### Educational and Training Infrastructure

There are 34,610 primary schools, 11,071 upper primary schools, 3,214 secondary schools and 1,257 senior schools in Rajasthan. The state also has a good network of private schools offering both English and Hindi as mediums of instruction. Among these are missionary institutions like St. Xavier’s at Jaipur, Sophia’s at Ajmer, Kota, Jodhpur and Mt. Abu. Many of them are affiliated to the Central Board of Secondary Education, Delhi.

There are nine universities including deemed universities. There are 173 general education colleges and 44 professional colleges providing higher education in engineering technology, medicine and teacher training. Jaipur, Udaipur and Jodhpur are the main centres of learning and have a medical college and an engineering college each as well as several institutes of specialised training. Ajmer, Bikaner, Kota and Pilani also have a concentration of higher education facilities.

### Medical & Health Care Facilities

Rajasthan’s health indicators are below national average. The state has recognised its health challenges and has started making necessary efforts in these directions.

There are 266 hospitals and about 10,000 dispensaries. The state government built four hospitals in Jaipur - Zanana Hospital, Mahila Chiktssalya, Jay Kay Lon Hospital and S.M.S. Hospital – at a combined cost of $4.94 million - between 2004 and 2005.

Health spending as a share of GSDP increased from about 1.1 per cent in 1990-01 to almost 1.4 per cent in 2003-04. This has been accompanied by an expansion in health and medical infrastructure, particularly in rural areas. The number of patients treated at government medical facilities has been on the rise. Budgetary investment allocation per person has gone up from $4 in the Ninth Plan to $4.5 in 2004-05.

### Infrastructure for savings and borrowings

Financial assistance to industries is provided through commercial banks, cooperative banks and other lending institutions.

The credit to deposit ratio in the state was 78.12 per cent as compared to 72.99 per cent at all-India level as on September 2006. One bank branch caters to 18,184 persons on an average and covers an average area of 99 sq km.

### Entertainment and Recreation

Rajasthan has forts, palaces and museums, which were part of erstwhile princely states. These sites are now major attraction for tourists. The state has tiger sanctuaries and hosts numerous fairs, some of which, like the Pushkar fair, have gained international fame. Dilwara, Nathdwara, Ranakpur and Mahaveerjee temples draw many devotees. Folk tradition has been kept alive by musicians and the state has several theatre groups of national acclaim.

### Physical Infrastructure

#### Transport

**Roads**

Rajasthan has a total road length of 167,128 km. Road density is lower at 48.83 km per 100 sq km as compared to the national average of 76.8 km per 100 sq km. Fourteen national highways criss-crossing the state facilitate easy movement between all major cities and commercial hubs. The state is also part of national level projects like Golden Quadrilateral, East-West Corridor and North-South Corridor.

**Railways**

The total length of railway network is 5,894 km, of which 57.16 per cent is broad gauge, 41.35 is metre gauge and the remaining narrow gauge. Ahmedabad-Udaipur broad gauge conversion project costing $167 million has been announced by Western Railway. Direct trains link Jaipur with major cities across the country. Jodhpur, Jaipur, Bikaner, Kota, Sawai Madhopur and Bharatpur are some of the main railway junctions.

**Aviation**

Rajasthan has full fledged airports at Jaipur, Jodhpur and Udaipur. In addition, air strips and helipads exist at a number of locations. Indian Airlines and private airlines offer regular flights from New Delhi, Mumbai, Kolkata and Ahmedabad. Jaipur has a fully operational international airport with flights to Dubai and Singapore.
Power

The state government has undertaken power sector reforms under which the Rajasthan State Electricity Board has been unbundled into various utilities. The Rajasthan Rajya Vidyut Utpadan Nigam Ltd is the power generation company, and Rajasthan Rajya Vidyut Prasaran Nigam Ltd is the transmission company. There are three regional distribution companies: Jaipur Vidyut Vitran Nigam Ltd, Ajmer Vidyut Vitran Nigam Ltd, and Jodhpur Vidyut Vitran Nigam Ltd.

The installed capacity in March 2006 was 5,453 MW and by end of 2006 additional 194 MW was added to it. The major power projects are the Suratgarh Thermal power plant with 1,250 MW installed capacity, the Kota Thermal power plant with 1,045 MW installed capacity and Beas Hydel power plant with 430 MW installed capacity. Central projects account for over 28 per cent of the total installed capacity in the state.

The state’s power deficit fell to 7.68 per cent in January 2007.

<table>
<thead>
<tr>
<th>Station</th>
<th>Sector</th>
<th>Type</th>
<th>Fuel</th>
<th>Location</th>
<th>Year of Commission</th>
<th>Installed Capacity (MW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dholpur Combined Cycle Gas Thermal Power Station</td>
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<td>gas</td>
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<td>Chamera 3</td>
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<td>Hydel</td>
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<tr>
<td>Parbatii 2</td>
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<td>Hydel</td>
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<td>Uri 2</td>
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<td>Hydel</td>
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<td>Outside</td>
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<td>Parbatii 3</td>
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<td>ONGC gas plant, Tripura</td>
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<td>Outside</td>
<td>2015-16</td>
<td>1000</td>
</tr>
</tbody>
</table>

Source: Central Electricity Authority, Infraline, Ministry of Power, IMaCS Research
from 7.87 per cent in the previous year. Peak deficit in January 2007 soared by 18.55 per cent from a year ago level of 13.71 per cent. Among other projects, the 1,000 MW Barmer Power Project and Binani Cement’s captive power project at Pindwara have moved from the announcement stage to the implementation stage. The Rajasthan Atomic Power Station at Rawatbhata near Kota has four nuclear power reactors, which are under operation. Rajasthan Atomic Power Station is the largest nuclear park in the country. The installed capacity of the four reactors is 790 MWe. Two more reactors of 220 MWe each are under construction.

Telecommunication

By the end of the financial year 2003-04, the state had about 1,240 telephone exchanges and the telephone department had installed about 349,230 connections in homes and business establishments.

GPRS and MMS services offered by various cellular operators of the state have brought Rajasthan telecommunications at par with the rest of the world. BSNL, the Government of India’s telecom service, offers landline, mobile and ISP services.

Major wireless telecom players in the state are Vodafone Essar with about 2 million connections, Idea Cellular (0.51 million), Bharti Airtel (2.55 million), Reliance Communications (1.31 million), Tata Indicom (1.19 million) and BSNL (2.40 million) as on August 2007.

Besides a television station at Jaipur, there are 42 relay transmitters in major towns which relay the programmes broadcast on the national hook-up. All the relay stations have been linked to Jaipur station, which enables viewers to watch programmes on regional as well as national hook-up.

Key Nodal Agencies

The state has single window clearance mechanism to provide assistance to entrepreneurs and reduce procedural requirements. The composite applications are to be submitted only at a single point - the Bureau of Investment Promotion (BIP) or District Industries Centre (DIC). The single window clearance system has a three-tier structure:

- Board of Infrastructure Development and Investment: This is headed by the Principal Secretary to the Chief Minister and receives composite application forms for grant of clearances for setting up of industrial units with proposed investment of $5 million and above. Its members include several Principal Secretaries - Excise and Taxation, Power, Town and Country Planning, Industries, Labour and Environment. Its Member Secretary is the Director, Industries and Commerce.

- State Level Empowered Committee: It deals with investment proposals between $0.67 - 5 million. It is chaired by the Principal Secretary, Industries, with members and member secretary same as the High Powered Clearance Committee.

- District Level Empowered Committee: This handles investment proposals below $0.67 million. Its chairman is the Deputy Commissioner, with members including Executive Engineer, Deputy Excise and Taxation Commissioner, District Town Planner, District Level Officer of State Pollution Control Board and Assistant Director, Industrial Safety, with member secretary as the General Manager, District Industries Centre.

Steps for single window system

1. Entrepreneur procures the application form from the Bureau of Investment Promotion / District Industrial Centre
2. Entrepreneur submits the filled form at BIP/DIC.
3. Scrutiny of form and issue of receipt within seven days (in case no lacuna is found) to the entrepreneur
4. Application is forwarded to the concerned department/agency
5. BIP/DIC monitors the case to ensure a decision within the time limit.
6. Approval / clearances / NOC / rejections issued within the time limit by the department concerned.
7. Approval / rejections / pendencies put to the empowered committee at the end of the time limit.
8. Final decision is taken by BIP/DIC.
9. Clearance is issued to the entrepreneur by BIP/DIC

Bureau of Investment Promotion

The Bureau assists the entrepreneur at every stage of operation - from conceptualisation of a project to its implementation. BIP is also the state government’s nodal agency for attracting foreign direct investment (FDI) and non-resident Indian (NRI) investment.
Rajasthan State Industrial Development and Investment Corporation, (RIICO)

RIICO is the sole agency in the state that develops land for industry. Large, medium and small scale projects get an easy access to a ready-to-use base with supportive infrastructure facilities in the industrial areas, developed and managed by RIICO. The financial and vital infrastructural facilities provided by RIICO has contributed to promoting accelerated growth of industrial sector.

Rajasthan Financial Corporation (RFC)

RFC, the development financial institution, focuses on providing financial assistance to new industrial ventures in the small and medium scale sector. RFC also assists in the planning and development of industries, particularly in the small and tiny sectors.

Project Development Corporation

It identifies commercially viable infrastructure projects, prepares detailed feasibility and Investment Banking Reports and offers these to the private sector for implementation.

Policy Framework

Policy to promote Investment in Health care facilities 2006

This policy, announced in 2006, aims to promote private investment in improving the healthcare facilities in the state. The main objectives of policy are:

- To promote private sector investment in medical and health care institutions, medical and dental colleges and support units like diagnostic centres, blood banks and paramedical training institutes.
- To ensure delivery of quality health care with reasonable costs.
- To promote development of Centres of Excellence for medical care.
- To promote Rajasthan as a Medical Tourism destination.
- To develop complementary and alternative medicine centres.
- To develop super specialty health care institutions.
- To promote public private participation in medical and health sector
- To develop standards for infrastructure and operations.
- To create a regulatory body with supportive role.

RAJASTHAN TOURISM UNIT POLICY 2007/Hotel Policy 2006

Aimed at bridging the gap between current demand and supply of hotel accommodation in Rajasthan and in view of the projected growth of tourism in the coming decade, a new Hotel Policy 2006 was by the government in June 2006. However, the concessions in the Hotel Policy 2006 were to be extended to the star category of Hotels only. Several other categories of hotels, heritage hotels and other tourism units such as camping sites, holiday resorts and restaurants were ignored.

In order to focus on all kinds of tourism units, the Rajasthan New Tourism Unit Policy 2007 was announced. This policy also covers health spa or other medical health related activities such as yoga attached with Tourism Units, golf academies and golf courses, other sports related activities and restaurants having investment of up to $25,000. The following concessions and facilities have been made applicable for all types of Tourism Units:

- Allotment of Land for Hotels and other Tourism Units: Jaipur Development Authority, Municipal Bodies, Gram Panchayats and District Collectors would identify suitable land for the establishment of Tourism Units. Such land banks will be reserved for all categories of Tourism Units.
- Reserve prices: For all Tourism Units, special reserve prices will be fixed in relation to present commercial reserve price of the local area. This special reserve price shall be the base price for disposal of identified and reserved lands through a process of competitive bidding.
- Conversion of agricultural land in urban areas: A provision has been made for conversion of agricultural land to non-agricultural land for different proposes. Commercial conversion of agricultural land at $9.52 per sq m in Jaipur city and different rates for other cities has been made applicable. There is no separate rate for Hotel and other Tourism Units. The state government intends to provide full relaxation to hotels and other tourism units for conversion from agricultural land.
- Conversion of Agricultural Land in rural areas: Provision for conversion for different purpose has been made. A maximum area of 2,000 sq m and 1,200 sq m for Tourism Units and Hotels can be made.
- Permission for conversion of residential land and heritage properties into Hotels and other Tourism Units
- Floor Area Ratio (FAR): FAR for hotels already established would be increased from 1.75 to 2.0 to allow construction of an additional floor; land coverage area shall be similar to previous permissible area. Only rooms would be permitted for construction rather than restaurant, bar or banquet hall.
- Nodal Department: For infrastructural development of all
Power Policy
The policy aims to promote private sector investment in setting up of power generation projects in Rajasthan to meet the growing demand for electricity and for rapid economic development. Some of the key initiatives include:

- Government will acquire land and allot it to the entrepreneur at the cost of acquisition. If land is acquired by the entrepreneur/joint venture, then no conversion charges will be levied.
- Proposals under this policy would be given required approvals/clearances by the Board of Infrastructure Development & Investment Promotion
- 100 per cent exemption on the stamp duty for execution of deed related to land
- Document and lease document provided the capital cost of the project exceeds $167 million.
- Co-operation in identification and commitment of water availability for power plants.
- Exemption/remission as the case may be from payment of tax by whatever names called on entry into local area, from any place outside that local area, of all capital goods, plants and machinery and spare parts except fuel for the purpose of the project during construction.
- At least 50 per cent of the energy generated in a year from the project under the policy shall be sold/used within Rajasthan.
- Distribution companies of the state government will purchase electricity at the rates determined through competitive bidding process and approved by Rajasthan Electricity Regulatory Commission or Central Electricity Regulatory Commission, as the case may be.
- Purchase of power by the distribution companies of the state government will be supported by the state government guarantee.
- Concessions and assistance provided under this policy will be available for the power plant to be set up by entrepreneurs on their own or as joint ventures with generating/distribution companies of the state government.

Tourism Policy
The policy is designed to ensure optimum utilisation of the rich tourism resources of the state to generate employment specially in rural areas, to develop a ready market for the rich and varied handicrafts, to preserve and to accelerate contribution of tourism industry in socio-economic development of the state by making tourism a truly people’s industry in Rajasthan.

Objectives of the Tourism Policy are:
- Increase employment opportunities, especially in rural areas for unemployed rural youth.
- Optimum utilisation of rich tourist resources of the state in order to attract the maximum number of domestic and international tourists;
- To facilitate the growth of tourism in the state and to further involve the private sector in the development of tourism;
- Preservation of rich natural habitat and bio-diversity, historical, architectural and cultural heritage; special emphasis on conservation of historical monuments;
- To develop a ready market for the rich and varied handicrafts and cottage industries; ensure welfare of artisans;
- To promote inter cultural understanding through religious and pilgrim tourism and fairs and festivals;
- To promote socio-economic development through Tourism with special thrust on backward areas;
- To make tourism a “People’s Industry”;
• To minimise the negative impacts of tourism and promote sustainable tourism;
• To open new vistas like adventure tourism, eco-tourism, camel and horse safaris, river and canal cruise, house boats (Palace-On-Waves), educational tourism, caravan tourism and village tourism.
• Jawahar Kala Kendra, Jaipur, and other cultural institutions will be associated with tourism development.

Biotechnology Policy 2004

The biotechnology policy of Rajasthan aims to contribute to this revolution by creating an enabling environment

• Positioning the state as an attractive destination for the development and growth of biotechnology industries.
• Create and continuously upgrade biotechnology infrastructure through government and / or public–private partnership.
• Create and develop trained human resources in biotechnology.
• Spread awareness among entrepreneurs, corporates and industries about the investment opportunities in different sectors of biotechnology.
• Outline a set of incentives and concessions for biotechnology industry to attract investment.
• Developing a world-class higher education and research base to serve the needs of growing Biotechnology industry and for creating high quality employment.

Key industries

Based on the competitive strengths of Rajasthan, industries and businesses in a wide range of sectors enjoy a strong domestic and international position, as well as excellent growth prospects.

Hospitality and Tourism Industry

Rajasthan has all the ingredients to become the brand state for cultural tourism in India, and has the potential to develop nature-based tourism. About 80 per cent of the Indian heritage properties are located in Rajasthan. Moreover the state has over a dozen natural sanctuaries, two reserves and two national parks, one of which (Keoladeo National Park) is one of only four Indian parks listed as UNESCO heritage sites. In recent years the number of both domestic and foreign tourists has been increasing sharply. Rajasthan received 8.3 million domestic and international tourists in 2001 (three per cent of India’s tourists), 13.1 million in 2003 (four per cent), and an estimated 17 million in 2006. The number of tourists is expected to continue to increase and reach almost 20 million by 2010.

It is estimated that tourism directly and indirectly employs 15 million people or 24 per cent of the state’s population. However, the contribution of tourism in Rajasthan’s GSDP is still far below its potential: the 2003 receipts from foreign tourists amounted only to $200 million or less than one per cent of the state’s GSDP.

Popular tourist destinations in the state include historic cities (Jaipur, Udaipur, Ajmer), wildlife sanctuaries (Sariska, Ranthambore) and desert locations (Jodhpur, Jaisalmer). Rajasthan also runs the ‘Palace on Wheels’ luxury train.

Rajasthan has a developed tourism infrastructure, with over 6,000 rooms spread over more than 150 hotels. Of these, over 1,400 rooms in 54 hotels belong to the heritage category, Jaipur, Udaipur, Jodhpur, Jaisalmer and Ajmer offer hotel facilities of international standards. These hotels, managed by national chains such as the Taj group, Welcome group, the Oberois, ITDC and the Clarks group, have excellent restaurants serving Continental, Chinese and Indian cuisine. In addition, all major towns have hotels run by Rajasthan Tourism Development Corporation (RTDC), as well as by local entrepreneurs, which offer services of a reasonable standard. The Delhi-Jaipur highway has several motels.

Many entrepreneurs have renovated old palaces of Rajasthan into Heritage Hotels in collaboration with national and international hotels chains. These are becoming increasingly popular with foreign tourists and with the Indian corporate sector for hosting conferences and weekend ‘getaways’.

East India Hotels

East India Hotels Ltd (EIH Ltd) was incorporated in 1949 by the Oberoi group of companies. The group, founded in 1934, owns and manages 30 hotels and five luxury cruises across six countries under the “Oberoi” and “Trident” brands. EIH Ltd manages these hotels and luxury cruises. Under the Trident brand, it has opened hotels at Agra, Udaipur, Cochin, Jaipur, Bhubaneshwar, Chennai and recently in Gurgaon. The company also operates luxury resorts such as The Oberoi Rajvilas in Jaipur, The Oberoi Amarvilas in Agra, Wildflower Hall in Mashobra, in Himachal Pradesh, The Oberoi Vanyavilas in Ranthambhore, The Oberoi Cecil in Shimla and The Oberoi Udaivilas in Udaipur.
Indian Hotels

Indian Hotels and its subsidiaries, known as Taj Hotels, Resorts and Palaces, are a part of the Tata Group. The Taj Mahal Palace and Tower, Mumbai, started by Jamshedji Tata in 1903, was the group’s first hotel. The concept of palace and heritage hotels was introduced in India by this group.

The company has 56 hotels at 37 locations across India and 13 international hotels in the Maldives, Mauritius, United Kingdom, Nepal, Sri Lanka, Africa and the Middle East. It has grouped its hotels into Luxury, Leisure and Business categories. The group has a total of 236 restaurants. It has eight hotels in Rajasthan, of which five are in Jaipur and one each at Jaisalmer, Jodhpur and Udaipur.

Metals and mining

Rajasthan is a state rich in minerals, with a virtual monopoly in the production of 25 minerals including zinc, lead, and calcite in the country. The state has 20 per cent of major minerals being worked in India, and ranks fifth in terms of value of major mineral production. In the case of minor minerals, Rajasthan ranks first in the country, accounting for 30 per cent of national production. The state has large resources of other minerals such as limestone, marble, sandstone, and copper, that make it an attractive manufacturing location for industries based on these minerals. In fact, Rajasthan is one of the largest producers of cement in the country, accounting for over 15 per cent of national production.

Hindustan Copper Ltd

Hindustan Copper Ltd was incorporated in 1967 to take over the plants and mines at Rajasthan and Jharkhand from National Development Corporation Ltd. Subsequently, it merged with Indian Copper Corporation Ltd. The company is engaged in mining, beneficiation, smelting, refining and production of cathodes, wire bars and continuous cast rods. It is a vertically integrated copper producer and also produces gold, silver, nickel sulfate, selenium, telurium sulfuric acid and fertiliser as by-products. The range of copper products includes continuous cast copper rods, copper cathodes and copper wire bars. It has a copper plant, Khetri Copper Complex, in Rajasthan.

Asian Alloys Ltd

Asian Alloys Ltd (AAL) manufactures steel ingots and castings. Steel ingots are mainly used for making finished non-flat steel products such as bars and rods. Steel castings find application in industries such as cement, railways, steel and mining. The company’s steel plants are located at Fatehgarh Sahib district in Punjab and a unit at Bhiwadi in Rajasthan.

Kamdhenu Ispat Ltd

Kamdhenu Ispat Ltd is the flagship of the Kamdhenu Group. Incorporated in 1994, it manufactures steel bars and was the first to receive ISO-9002 certification.

PSL Ltd

PSL Ltd, the flagship of the PSL group, recently doubled the capacity of its pipes division to 675,000 m/t per year. The company produces a variety of speciality coated pipes, including spirally submerged arc welded pipes for transporting gas, oil, water and petroleum for ONGC, GAIL, HPCL, BPCL and IOC among others. PSL Ltd has a pipe manufacturing facility at Jaipur.

Cement Industry

Rajasthan is one of the largest producers of cement in India with a capacity of over 13 million tonnes per annum and accounts for over 15 per cent of India’s cement production. Rajasthan possesses extensive reserves (about 2,500 MT) of cement grade limestone and with the present production capacity it ranks third after Madhya Pradesh and Andhra Pradesh.

Fifteen major and four medium cement plants with an installed capacity of 16 MT per annum are in operation and 10 cement...
Plants each of over 1 MT capacity are likely to come up in the near future. All the large cement companies have significant presence in Rajasthan. These include AV Birla Group / Grasim Industries, Gujarat Ambuja Cement and ACC.

ACC

ACC was incorporated in 1936 and is the largest cement producer in India with a total installed capacity of 20 million tonnes per annum (MTPA) and having a market share of 11 per cent. It is mainly engaged in the manufacture of ordinary Portland and blended cement, with the latter’s share in total production increasing from 57 per cent to 83 per cent in the last decade. The company is also the largest manufacturer of ready-mix concrete in India. It also offers consultancy services, raw material assessment, mine planning and upgradation of old cement plants.

It is the only cement company having a pan-India presence, with 14 cement factories across the country. One of its plants is located at Lakheri in Rajasthan.

Ambuja Cement

Ambuja Cement, formerly known as Gujarat Ambuja Ltd, is a major cement producing company. It has factories all over India; in Rajasthan its factory is located at Rabriyawas village in Pali.

Birla Corporation Ltd

Birla Corporation, formerly known as Birla Jute Manufacturing Company, is the flagship of the M.P. Birla group. Incorporated in 1919, the company has diversified business interests which include manufacturing cement, jute goods, textile yarn, PVC products, auto trim parts and steel foundries. Cement accounted for 92 per cent of the total sales in 2006–07.

The company owns seven cement plants and has an annual manufacturing capacity of 5.78 million tonnes. In Rajasthan, its manufacturing facility is located at Chanderia (Chittorgarh).

Mangalam Cement

Mangalam Cement is a B.K. Birla Group company, engaged in the manufacture of Portland cement and clinker at its plant located at Kota in Rajasthan. It commenced commercial production in 1981 and has limestone deposits at Morak, which are ideal for the manufacture of Portland cement.

Grasim Industries Ltd

Incorporated in the year 1947, Grasim Industries Ltd is the flagship of the Aditya Birla Group. The company has two cement units at Shambupura in Chittorgarh – with annual capacity of 1.9 MTPA – operating under the name Aditya Cement Works. The plants are equipped with state-of-the-art equipment and certified with ISO 9001 for quality systems, and ISO 14001 for environment management systems. Grasim produces both grey and white cement in Rajasthan.

Chemicals Industry

The chemicals industry in Rajasthan accounts for roughly 15 per cent of the total investment in the state. Major chemicals produced in Rajasthan include fertilisers, caustic soda and pesticides. The principal chemicals complexes are at Jaipur, Kota, Udaipur and Bhilwara.

With its backward and forward linkages with other industries, the chemical industry plays a significant role in providing the necessary inputs for other key sectors of Rajasthan’s economy, particularly textiles.

Prominent players having presence in Rajasthan include DCM Shriram Group, KK Birla Group and Kajaria Ceramics. DCM Shriram Group recently announced the expansion of its chemical complex at Kota. Other chemical projects under implementation include ceramics plant expansion by Kajaria Ceramics, Glass shell project of Samcor Glass and speciality chemicals plant of SRF Ltd.

Chambal Fertilisers and Chemicals Ltd (CFCL)

CFCL was promoted by Zuari Industries Ltd in 1985. The company is in the business of manufacturing and distribution of urea, agri-inputs, fertilisers, plant protection chemicals, seeds and bio-fertilisers. It operates two hi-tech nitrogenous fertiliser plants near Kota. It is the largest fertiliser complex in the private sector in India, with a capacity of over 1.7 MTPA of urea.

P I Industries Ltd

P I Industries Ltd was incorporated in 1960, and produces organo phosphorous insecticides. The company has a plant at Udaipur, producing liquid and solid insecticides, minerals and allied products and polymers.
Samcor Glass Ltd

Samcor Glass Ltd is a joint venture between Corning Incorporated, USA, and Samtel Group and has a unit at Naya Nohra in Kota district. It manufactures glass for TV and display tubes. Commercial operations started in 1998 with the commissioning of a 470 million plant having a capacity of 5.5 million sets per annum. In 2000 it started manufacturing CRT colour funnels. The production capacity at this unit is around 10 million colour funnels per year.

Automotives and Auto components industry

Amtek Auto Ltd

Amtek Auto Ltd manufactures automobile components such as connecting rod assemblies, oil seals and forgings. The company has its casting facility at Bhiwadi. It has technical collaboration with Aizen Ltd, Japan for its connecting rod assemblies unit and with Material Forming Technologies, UK, for its machining unit. It also has technical collaboration with Halverscheidt of Germany for manufacturing crankshafts.

Ashok Leyland

Ashok Leyland Ltd is India’s second largest commercial vehicle company. The company was formed in 1948 as Ashok Motors Limited (AML) primarily to assemble Austin cars, manufacture diesel engines and vehicle chassis at its Ennore plant in Tamil Nadu. Later in 1950, AML entered into an agreement with British Leyland for assembling Leyland commercial vehicles through Land Rover Leyland International Holdings Ltd (LRLIH). In 1955, LRLIH bought 40 per cent equity in AML and subsequently changed its name to Ashok Leyland Ltd.

Ashok Leyland has six manufacturing plants, including the mother plant at Ennore near Chennai, and assembly plants at Alwar and Bhandara. The Alwar unit assembles a wide range of vehicles with an emphasis on passenger chassis, including CNG buses.

Honda Siel Cars India Ltd (HSCI)

HSCI was established in December 1995, with Honda Motor Co, (Japan) and Siel Ltd (India) as the key promoters. HSCI is setting up a new manufacturing facility at Alwar district. The plant will have an initial production capacity of 60,000 units. It will generate over 1,000 jobs in the first phase. The company plans to roll out its first car from this plant by 2009.

Marble Industry

The vast reserves of marble and granite give locational advantage to marble and granite based industry. Rajasthan has 1,000 million tones of marble reserves. It is the only state in northern India with widespread granite reserves, found in various colours and designs, making the state an ideal location for marble and granite processing units.

Elegant Marbles and Grani Industries Ltd

The company is into the business of granite, marble slabs and tiles. The plant is located at Sirohi.

Maadhav Granites and Realty Ltd

Incorporated in 1989, it is into the business of manufacturing marble items such as tiles, slabs and blocks. It also manufactures granite. It has a plant at Udaipur.
Doing Business in Rajasthan

Obtaining approvals

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

<table>
<thead>
<tr>
<th>Service/Facility</th>
<th>Concerned Agency</th>
<th>Timelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Industrial License</td>
<td>• Industrial Commissionerate and Revenue Department</td>
<td>• 15 days</td>
</tr>
<tr>
<td>• Sponsorship for Raw Materials</td>
<td>• Industrial Commissionerate and Revenue Department</td>
<td>• 30 days</td>
</tr>
<tr>
<td>and inputs</td>
<td>• Industrial Commissionerate and Revenue Department</td>
<td>• 30 days district level</td>
</tr>
<tr>
<td>• Land Allotment</td>
<td>• Industrial Commissionerate and Revenue Department</td>
<td>• 60 days government approval</td>
</tr>
<tr>
<td>• Incentives</td>
<td>• Bureau of Investment Promotion</td>
<td>• Clearance at district level 30 days</td>
</tr>
<tr>
<td>• Sanction of Loan</td>
<td>• RFC</td>
<td>• State level clearance 45 days</td>
</tr>
<tr>
<td>• Release of Power Connection</td>
<td>• RSEB</td>
<td>• 30 days</td>
</tr>
<tr>
<td>• Site approval/environmental</td>
<td>• Department of Environment</td>
<td>• 60 days</td>
</tr>
<tr>
<td>clearance</td>
<td>• Pollution Control Board</td>
<td></td>
</tr>
<tr>
<td>• Adequacy Certificate</td>
<td>• Pollution Control Board</td>
<td></td>
</tr>
<tr>
<td>• No Objection Certificate</td>
<td>• Pollution Control Board</td>
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</tbody>
</table>

Cost Estimates

The following are broadly the costs involved in conducting business in Rajasthan.

<table>
<thead>
<tr>
<th>Cost Parameter</th>
<th>Cost Estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Land*</td>
<td>US$ 62 to US$ 122 (per sq feet)</td>
</tr>
<tr>
<td>Hotel costs**</td>
<td>US$ 20 to US$ 200 per room night</td>
</tr>
<tr>
<td>Cost of office space***</td>
<td>US$ 177 to US$ 220 per month for 2,000 square feet</td>
</tr>
<tr>
<td>Cost of residential space****</td>
<td>US$ 60 to US$ 120 per month for a 2,000 square feet house (Rates depend on the type of structure and location)</td>
</tr>
<tr>
<td>Power cost******</td>
<td>Industrial use: 11 cents per kWh</td>
</tr>
<tr>
<td>Cost of water********</td>
<td>Commercial &amp; Industrial</td>
</tr>
<tr>
<td></td>
<td>0-15,000 kilolitres 24 cents per kilolitre</td>
</tr>
<tr>
<td></td>
<td>15,000-40,000 kilolitres 35 cents per kilolitre</td>
</tr>
<tr>
<td></td>
<td>40,000 and above 50 cents per kilolitre</td>
</tr>
</tbody>
</table>

Source: * India Realities
** Leading hotels in the state
*** Discussions with property dealers
**** India stat
***** Public Health Engineering Department, Rajasthan
Contact Information

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Appendix
Exchanges rates used for converting the figures in Indian Rupees to US Dollars

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