## CONTENTS

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>3</td>
</tr>
<tr>
<td>Economic Snapshot</td>
<td>5</td>
</tr>
<tr>
<td>The State Economy</td>
<td>7</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>9</td>
</tr>
<tr>
<td>Social infrastructure</td>
<td>9</td>
</tr>
<tr>
<td>Access infrastructure</td>
<td>9</td>
</tr>
<tr>
<td>Communications infrastructure</td>
<td>9</td>
</tr>
<tr>
<td>Industrial infrastructure</td>
<td>10</td>
</tr>
<tr>
<td>State Policy</td>
<td>11</td>
</tr>
<tr>
<td>Industrial Policy</td>
<td>11</td>
</tr>
<tr>
<td>e-Governance</td>
<td>12</td>
</tr>
<tr>
<td>IT Policy</td>
<td>12</td>
</tr>
<tr>
<td>Biotech Policy</td>
<td>12</td>
</tr>
<tr>
<td>Infrastructure Policy</td>
<td>13</td>
</tr>
<tr>
<td>Tourism Policy</td>
<td>13</td>
</tr>
<tr>
<td>Business Opportunities</td>
<td>14</td>
</tr>
<tr>
<td>Key industries</td>
<td>15</td>
</tr>
<tr>
<td>Exports</td>
<td>16</td>
</tr>
<tr>
<td>Investment</td>
<td>17</td>
</tr>
<tr>
<td>Key Players</td>
<td>18</td>
</tr>
<tr>
<td>Doing Business in Kerala</td>
<td>22</td>
</tr>
<tr>
<td>Obtaining approvals</td>
<td>22</td>
</tr>
<tr>
<td>Cost of setting up business</td>
<td>23</td>
</tr>
<tr>
<td>Contact for information</td>
<td>24</td>
</tr>
</tbody>
</table>

A report by KPMG for IBEF
Executive Summary

Kerala is one of the most popular tourist destinations in the world. Agriculture continues to be the dominant source of livelihood in the state. The state is the largest producer of coconut, rubber, coir and pepper. It is also the leading producer of a variety of spices, cashew, coffee and tea.

With an investment of US$ 769.6 million, the state has the third highest number of small-scale industries in India, employing over a million people. A majority of the state’s small-scale industries are agro-based and are engaged in rubber, food, coir and cashew processing.

The manufacturing sector accounts for 10 per cent of the State Domestic Product and has grown at an annual compounded rate of 9 per cent in the last seven years. The state has set up industrial parks catering to agro-sector, export promotion, small industries, film, Information Technology (IT), electronics, fisheries and rubber.

As one of the leading tourist destinations in the country, the state has seen 11.3 per cent growth in tourist traffic in recent years. Foreign exchange earnings from tourism amounted to US$ 145 million in 2002-03, growing at a Compounded Annual Growth Rate (CAGR) of 24 per cent.

Thiruvananthapuram, the capital city of Kerala, has emerged as a centre for IT/ITES and the Technopark in the city houses 55 companies, including giants such as Infosys and Tata Consultancy Services (TCS). The state handles two-thirds of the country’s data traffic and has the highest tele-density in the country.

The growth in tourism and the IT sectors has enabled the services sector of the economy to record a growth rate of 10 per cent per annum. In terms of infrastructure penetration, Kerala is a leading state. It has the highest per capita density of roadways in the country, three international airports, a large port at Kochi, three intermediate ports and 17 small ports. It is one of the two Indian states to have two submarine cable landings.

The state policy is keen to nurture its manufacturing sector and has proposed measures to help businesses seek technology upgradation and process improvements.

The state’s IT policy seeks to establish Kerala as a global services hub. The Government has proposed steps to improve labour relations in the state and make governance streamlined, transparent and investor friendly. The excellent infrastructure facilities, policy framework and the availability of skilled manpower have enhanced the state’s reputation as an IT/ITES destination. The state is keen to tap emerging opportunities in the biotech sector as well.
An Economic Snapshot

Capital
Area (sq km) 39,000
Population (Census 2001, million) 31.8
Literacy Rate (%) 90.92 per cent (highest in the country)
Sex Ratio (per 1000 males) 1,058 (highest in the country)
National Highway Length (km) 3,728
Domestic/International Airports Thiruvananthapuram, Kochi, Kozhikode
Major Port Kochi
Key Industries Agro-based, Coir, Textiles, Sea food, Chemicals, IT/ITES, Tourism
Advantage Kerala

- Kerala has the highest:
  - Literacy rate (90.9 per cent) and sex ratio (1,058 women per 1000 men)
  - Tops Human Development Index among the Indian states

- Lowest infant mortality rate at 9 deaths per 1000 births against the national average of 42 deaths per 1000 births

- Lowest population growth rate at 9.4 per cent against the national average of 21.3 per cent

- Largest producer of coconut, pepper, coir, cocoa, rubber and areca nut in the country

- The first state in the country to install public telephones in its census villages

- Third highest per capita consumption of domestic electricity at 145.6 kWh against the national average of 75.2 kWh (1999-00)

- Kochi (Cochin) International Airport Ltd, India’s first private airport was inaugurated in June 1999. Was accorded international airport status in 2000

- The only state in the country with a legislature for statutory Single Window Clearance
THE STATE ECONOMY

The state’s Gross Domestic Product (GDP) stood at US$ 17.3 billion in 2003, registering a growth of 6 per cent over the previous year. The services sector accounts for three-fourths of the gross state domestic product.

The state has seen a marked improvement in the standard of living. The per capita income at US$ 341.5 is higher than the national average and has grown at a CAGR of 12.8 per cent during 1999-00 to 2002-03.

Agriculture and allied activities remain the dominant source of livelihood in the state. A predominant feature of agriculture in the state is the cultivation of cash crops. It is a leading producer of coconut, rubber, pepper, cardamom, ginger, cocoa, cashew, areca nut and coffee. It is the largest producer of rubber in the country, accounting for 85 per cent of the country’s total land under rubber cultivation. Providing employment to 1.73 million people, the state is the third highest in the number of small-scale industries (258,000) in the country, with a total investment of US$ 769.6 million. The predominance of cash crop cultivation has led to the growth of a number of agro-based industries engaged in food, rubber, cashew and coir processing. A recent phenomenon in the state is the emergence of ayurvedic and biotech-based industries. The state’s traditional strength in tourism coupled with its emergence as an IT destination has given a fillip to the services sector. The tourism sector accounted

Income Distribution of Households (US$/year, in per cent)

<table>
<thead>
<tr>
<th>1989</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 729</td>
<td>11.27</td>
</tr>
<tr>
<td>729-1458</td>
<td>31.12</td>
</tr>
<tr>
<td>1458-2187.5</td>
<td>13.36</td>
</tr>
<tr>
<td>&gt; 2187.5</td>
<td>44.25</td>
</tr>
</tbody>
</table>

Source: NCAER

Kerala is the largest producer of:
- Coconut, accounting for 45 per cent of the country’s total production (2001-02)
- Rubber, accounting for 92 per cent (5.9 million tonnes) of the country’s total production (2001-02)
- Pepper, accounting for 97 per cent of the country’s total production (1999-2000)
- Cocoa, accounting for 62.8 per cent of the country’s total production (2000-01)
- Areca nut, accounting for 24.1 per cent of the country’s total production (2000-01)
for 6.29 per cent of the state’s GDP in 2002. The revenues of the state from the tourism sector grew from US$ 71.6 million in 1998 to US$ 145.8 million in 2002.

The state has emerged as an attractive destination for services sector in the country. Revenues from the IT sector totalled US$ 82 million with exports amounting to US$ 65 million.

- Second largest producer of tapioca, accounting for 37 per cent of the country’s total production (2000-01)
- Cashew, accounting for 11 per cent of the country’s total production (1999-2000)

Growth of services sector in Kerala (US$ billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (US$ billion)</th>
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<tbody>
<tr>
<td>1999-00</td>
<td>7</td>
</tr>
<tr>
<td>2000-01</td>
<td>8</td>
</tr>
<tr>
<td>2001-02</td>
<td>9</td>
</tr>
<tr>
<td>2002-03</td>
<td>10</td>
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</tbody>
</table>

CAGR: 10.79%

*Source: Kerala Economic Review 2003*
INFRASTRUCTURE

Social infrastructure

The social infrastructure in Kerala is the best among all the states in the country. Literacy level in the state is the highest at 90.9 per cent compared to the national average of 65.4 per cent, with free and compulsory school education. The state has 7 universities and 186 colleges. It has the most positive sex ratio in the country (1058 women for every 1000 men).

The state has the most extensive medical infrastructure and the lowest infant mortality rate in the country (9 deaths against the national average of 42 deaths per 1,000 births). The public health centres in the state have increased from 199 to 959 in the last decade. It has the highest per capita public health expenditure at US$ 2.7.

Access infrastructure

The state has the highest road density in the country (four times the national average). Road length in the state increased by 9.8 per cent in 2002-03. It has a total road length of nearly 110,500 km.

The state has a good railway network, with the Thiruvananthapuram division ranking second in number of passengers and passenger earnings. This division carries 165,000 passengers daily, operating 47 express/mail trains and 59 passenger trains. The newly constructed Konkan railways has enhanced connectivity to trade circuits in Mumbai and Pune. In 1998-99, the total railway route length in the state stood at 1,198 km.

The state has three international airports at Thiruvananthapuram, Kochi and Kozhikode. A fourth international airport is proposed at Kannur in the northern part of the state. The state has an international sea port at Kochi, three intermediate ports at Neendakara, Alappuzha, Kozhikode and 12 minor ports. It also has a well established inland water transport network, which serves the water logged areas of Alappuzha, Kollam, Kottayam, Ernakulam, Kasargod and Kannur districts.

Power

Power development in the state is based on its hydro-potential. The Government of Kerala is encouraging private sector participation in augmenting power supply. The Government has also given a thrust to develop hydropower through small and medium projects. Some of the new important thermal projects include the Brahmapuram Diesel Power Project, the Kozhikode Diesel Power Project at Nallalam and the third unit of the combined cycle power project of NTPC at Kayamkulam.

Apart from these, the state has 17 hydel units and one wind power unit. All these units put together amount to a capacity of around 2,311 MW. While majority of the hydel units have a capacity in the 10 to 75 MW range, the biggest unit is located at Idukki which can produce 780 MW of power.

Communications infrastructure

The state has a well-developed telecommunications infrastructure with the highest tele-density in the country. All the telephone exchanges in the state are connected to STD/ISD network and 98 per cent are connected to the National Internet Backbone (NIB) by optical fibre cables.

The state has seven Internet service providers. Private operators such as Reliance, Bharti and Asianet have laid optical fibre networks in the state. Kerala has two submarine cable landings and supports a bandwidth of 15 Gbps. Kochi, the primary
International gateway, handles two-thirds of the country’s data traffic.

**Industrial infrastructure**

The infrastructure facilities offered in the state include industrial parks, industrial estates, development areas/plots, export promotion zones and special economic zones catering to the agro sector, export promotion, small industries, film industry, IT, electronics, fisheries and rubber.

The state has set up nine industrial parks with another eight nearing completion. In addition, 17 industrial estates cater specifically to small industries. Two infotech parks, at Thiruvananthapuram and Kochi, are equipped with state-of-the-art facilities. The state is implementing ‘Akshaya’, an e-literacy programme to promote IT Enabled Services.

Kerala has developed a Special Economic Zone at Kochi. Spread over 103 acres, the zone was built with an investment of US$ 15.69 million. Exports of electronics, hardware & software, garments, gems & jewellery, plastics, rubber products, engineering and agro products from the zone totalled US$ 69.19 million in 2003.

Another three industrial development zones are likely to be converted to Special Economic Zones (SEZs) subject to approval from the Government of India.
STATE POLICY

Industrial Policy

The Industrial Policy, 2001 aims to accelerate industrial growth by attracting a steady stream of investment in industry, infrastructure and core strength sectors by creating a congenial investment climate in the state. The industrial and services sectors are the two most promising sectors in the state.

The state is laying special emphasis on building world-class infrastructure, generating employment opportunities and tapping into the opportunities that IT/ITES and biotech sectors offer. The state wants to maintain its pre-eminence as a chosen tourist destination in the country. It is also keen to attract investment in traditional industries such as fishing, agro-processing and handlooms & handicrafts. The broad focus areas of the Industrial Policy are outlined below:

- Enhanced and sustained industrial growth rate and generation of employment in industry
- Creation and maintenance of an investment friendly climate and facilitation of measures to maximise global and local investment in industry. e-Governance measures to be adopted to make governance streamlined and transparent
- Maximisation of private investment in infrastructure development, with government investment only in areas/functions where private investment cannot be attracted
- Special development of sunrise sectors including IT, biotechnology, food & agro-processing, infrastructure and services, which have high growth potential
- Maximisation of value addition within the state in indigenous produce and minerals. Intensive growth of Kerala’s products and services, particularly those for exports

The state policy has outlined a number of measures to facilitate modernisation and technology upgradation of industries, particularly traditional industries. The policy offers assistance to entrepreneurs and Public Sector Undertakings (PSUs) in obtaining patents and Intellectual Property Rights (IPRs). Measures to revamp the khadi, village & handloom industries and cooperatives have been proposed. The Government is encouraging private investment in its handloom and coir industries to enhance productivity and maintain a competitive edge. The policy also proposes to introduce powerlooms to promote state-of-the-art facilities of international standard.

The Kerala Institute of Entrepreneurship Development (KIED) has been established and the Government has announced exemptions and subsidies for entrepreneurs starting businesses in the state.

Emphasis on agro-processing
Technology upgradation and modernisation measures are proposed for the bamboo, cashew and food processing industries to help generate rural employment and income in the state.

Incentives for investors in the state
Besides encouraging industries to expand, diversify and modernise, the State Government is offering incentives towards investment in pollution control devices and R&D. Exemptions from electricity duty for five years and freezing of tariffs for new industrial units are also being offered. To attract Foreign Direct Investment (FDI), large infrastructure projects and projects with investment above US$ 10.3 million are being offered a special package of incentives. Enterprises
set up in central and state government industrial parks and corridors/zones are exempt from stamp duty and registration fee at the time of registration.

**e-Governance**

Single Window Clearance Boards in the state & district levels and industrial areas have been set up to attract investment. There is a proposal to restructure the Directorate of Industries & Commerce to enable it to act as a promotion agency and play the role of a facilitator.

The Government has outlined a marketing campaign to promote the state as an ideal destination for investment. It has set up an Export Promotion Committee for export related infrastructure projects.

Labour policy initiatives are also aimed at promoting ideal employee-employer relationships and curbing undesirable labour practices through legislation and administrative intervention. The Government will attempt to reduce unnecessary proliferation of trade unions in establishments. The State Government plans to put in place a special monitoring system to ensure workplace security and healthy working conditions for women workers. The Government will also streamline procedures to expedite labour disputes.

**IT Policy**

The state’s IT Policy outlines the following strategy to harness the business opportunities offered by Information Technology:

- Creating an appropriate pro-business, pro-enterprise, legal, regulatory and commercial framework to facilitate rapid growth of the IT industry
- Establishing Kerala as a global centre for excellence in human resources through the creation of multi-skilled and technically competent manpower
- Establishing an internationally competitive business infrastructure and environment for the IT industry, at par with the best facilities and practices worldwide
- A number of labour regulations related to working hours for the IT/ITES sectors have been relaxed, making it the first state to permit flexi-time, a three-shift operation and women working in night shifts. The state has also introduced a system of self-certification for these sectors

**Biotech Policy**

The broad focus areas of the Biotech Policy are as under:

- Act as a catalyst in the development and application of biotech keeping the state’s resources in mind
- Promote a sustained build-up of both the knowledge cadre and knowledge base through the strengthening and creation of educational and R&D institutions
- Establish an infrastructure and put in place an administrative, regulatory, legal and financial framework conducive for investment and growth of biotech enterprises, which in turn will promote economic development and human welfare
- The Government has set up the Kerala Biotechnology Commission and the Kerala Biotechnology Board. The latter headed by the Chief Minister, will create a corpus of US$ 20.65 million to build infrastructure such as biotech parks. The board will liaise with national and international agencies and ensure appropriate and timely implementation of the policy
- The Kerala Biotechnology Commission will be responsible for the implementation of the Biotech Policy and related guidelines laid down by the board. The Commission aims at identifying focus areas of investment and prioritising projects for implementation
The biotech parks in the state are principally designed to have the following components:

- Bio-resource centre: A hub to provide infrastructure, equipment, facilities and services to assist the tenants and clients of the park
- Technology incubator: Develop and licence technologies with the help of R&D institutions for tenants and clients
- Training centres: Impart technology skill packages in biotech streams

**Infrastructure Policy**

Kerala Industrial Infrastructure Development Corporation (KINFRA) is the nodal agency for all infrastructure development activities in the state. The state policy proposes to set up a fund to undertake preliminary/feasibility studies for infrastructure and project development related activities under various departments. The Kerala Infrastructure Development Act clearly outlines the modes of involvement for private and public entities in construction of infrastructure.

A Single Window Clearance Board is notified for each Special Economic Zone (SEZ) to provide pre-laid guidelines and time frames for processing approvals. A self-certification regime is to be introduced in each SEZ. Developers of SEZs and other industrial estates are to be exempted from sales tax, purchase tax and entry tax. The SEZ developer, however, has to ensure of uninterrupted power supply at competitive rates.

The State Government has also outlined a renewable energy policy, the focus of which is to develop non-conventional energy sources, provision of single window technical assistance, sourcing of finances and project clearances.

**Tourism Policy**

The main aim of the state’s Tourism Policy is to maximise its tourism potential and help the state realise its social and economic growth. This policy aims to increase the annual international tourist traffic from 0.1 million to 0.5 million and annual domestic tourist traffic from 1 million to 5 million in the next five years. The policy provides various concessions and incentives to entrepreneurs in tourism-related activities. The salient features of the policy are:

- Concentration on employment and income generation in the sector
- Redefining the role of government as a catalyst and facilitator in infrastructure development
- Inter-governmental coordination
- Rationalisation of taxes
- Growth with sustainability
- Providing safety to tourists
- Creating awareness among stakeholders in the sector
- Removing prejudices and misconceptions
- Creating tourist friendly destinations
BUSINESS OPPORTUNITIES

There are several factors that affect evolution of an industry in a particular region. The major factors impacting evolution are:

- **Policy proactiveness:** The policy that a state government adopts towards a sector directly affects its attractiveness for further investment. For example, the Government of Kerala has given many concessions to the IT sector. This has prompted many IT majors like Infosys and TCS to set up software development operations in the state.

- **Availability of natural resources:** Certain industries have a high dependence on availability of natural resources. The predominance of cash crop cultivation has made the state a leading agro processing centre.

- **Capability:** The growth of IT Enabled Services in the state is led by excellent infrastructure facilities (it has the highest tele-density and two submarine cable landings) and availability of skilled manpower (engineering colleges in the state such as National Institute of Technology, Calicut, are among the best in the country).

Based on an assessment of the above factors, some of the industries with potential for investment and growth in the state are illustrated below:

This is the qualitative assessment to highlight relative interest of different sectors. A case by case analysis is necessary before investment is made.

Source: KPMG analysis
Key industries

Agro-based and Food processing
The food processing industry has been recognised as a potential area for development of enterprises in the state. Kerala is the largest producer of rubber, cocoa, pepper and areca nut. It is also a leading producer of coconut and cashew. The state has a high proportion of small scale industries engaged in processing its agricultural produce. Kerala Industrial Infrastructure Development Corporation (KINFRA) set up a world-class food park at Kakkancherry, Malappuram in 2002. Four units with a total investment of US$ 2.5 million have started functioning at the park. The state is home to small scale units engaged in spice mixtures, oils, oleoresins, cosmetics, aromatics and flavouring food & beverages. Share of food & beverages sector in the agro-based industry accounted for 2.7 per cent of the total sales in 2003.

Coir
Coir is one of the traditional industries in the state employing 360,000 workers of which 76 per cent are women. Alappuzha, the main centre of this industry, consists of around 10,000 tiny and small scale enterprises. Public Sector Units (PSUs) and cooperatives (COIRFED) play a dominant role in the state’s coir industry. The Kerala State Coir Corporation and Foam Mattings India Ltd are the two major PSUs operating in this industry. Exports of coir products from Kerala have doubled from 30,833 tonnes in 1991-92 to 60,089 tonnes in 2002-03.

Textile and Garments
The textile sector comprising of spinning and handloom is the single largest industry in the state. The textile industry is dominated by handlooms, which enjoy a huge production base and account for 10 per cent of the country’s exports. Total sales of the sector accounted for 1.8 per cent of sales by industry in the state in 2003. The handloom industry dominated by cooperative societies, accounts for 86 per cent of the looms and produces 97 per cent of the state’s textiles.

Cotton yarn is the most popular product in the state followed by knitted garments and fabrics such as cotton and wool. The textile-processing complex at Kanjikode, the International Apparel Park at Thiruvananthapuram and the Industrial Export Park at Kochi offer walk-in-and-manufacture environments.

Sea food and other marine products
The state contributes nearly half of the country’s marine fish landing of 250,000 tonnes sardines, shrimps, lobster, cuttlefish, squid, tuna etc. These have a high demand in the overseas markets. Ongoing technology upgradation in the export-oriented marine product sector indicates greater growth in the immediate future.

Chemicals
The chemicals sector accounts for 63.4 per cent of the total revenue by industry in the state. Kochi Refineries Ltd, a highly profitable enterprise, is the main player in the sector. It has a capacity of 7 million tonnes and provides feedstock to several ownstream projects. In addition, a large chemicals terminal is being set up at Kochi to make imported feedstock available.

The refinery has an annual turnover of US$ 2,140 million with a net profit of US$ 198 million. The products of the refinery include LPG, petrol, diesel, kerosene, naphtha, benzene, toluene, LSHS, furnace oil, ATF, specialty solvents, bitumen and rubberised bitumen.
IT/ITES
The state’s excellent communications infrastructure coupled with its geographical location has made it ideal for Information Technology (IT) and IT Enabled Services (ITES). The state is known as the ‘Information Gateway’ of the country. Two infotech parks developed at Thiruvananthapuram and Kochi house several software companies. Revenues from the IT sector stood at US$ 82.6 million in 2003 and exports were to the tune of US$ 65.1 million in the same period. The 2,750 hardware assembling units provide employment to 2,000. About 350 small and micro software enterprises in the IT sector register a turnover of over US$ 8.3 million.

Exports
The state accounts for majority of rubber and coir based exports in the country. It is fast emerging as an ITES hub. A number of international companies have set up their centres located in the two IT parks at Thiruvananthapuram and Kochi. The principal motivation for these companies to set up their centres in the state has been the cost advantage and

Estimates of exports from Kerala in 2002-03 by Public Companies and CAGR

Tourism
The tourism industry in the state accounted for 6.3 per cent of the State Domestic Product in 2002-03. Tourist inflow in the state grew by over 11 per cent, including a rise of 6 per cent in domestic traffic during 2002-03. The tourism industry in the state was listed among the top 100 brands among 700 Indian brands studied by Super Brands Ltd. In 2002, Kerala became the first partner state in the World Travel and Tourism Council. Revenues from the tourism sector grew at a CAGR of 23.6 per cent during 1998-02 and stood at US$ 145 million in 2002. The industry provides employment to 700,000.
the excellent telecommunications infrastructure. Kochi has been rated second best among the ‘Super 9 Indian ITES Destinations’ in a survey conducted by NASSCOM in 2002. Another survey by Business Today and Gallup rates Thiruvananthapuram as the second ‘Best Indian City to do Business In’ while Kochi has been ranked third on factual parameters.

The Technopark at Thiruvananthapuram, a 1.5 million sq ft built-up space offers reliable power supply and excellent support facilities such as conference rooms and convention centres. The Infopark at Kochi is an ideal destination for ITES due to its proximity to the submarine optical cables. It offers regulated power supply, excellent telecom facilities and support functions such as convention centres and seminar halls.

**Investment**

Total investment planned in the state is US$ 12.5 billion with investment in the infrastructure sector amounting to US$ 9 billion. Investment to the tune of the US$ 490 million has been planned to improve facilities at the Kochi port. In addition, investment is also being made to enhance the existing cellular network in the state.

*Source: Projects Today*

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<tr>
<th>Sector</th>
<th>Estimate of likely investments in Kerala (US$ million)</th>
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<tbody>
<tr>
<td>Chemicals and Pharmaceuticals</td>
<td>1981</td>
</tr>
<tr>
<td>Mining and Minerals</td>
<td>735</td>
</tr>
<tr>
<td>Engineering and Hardware</td>
<td>78</td>
</tr>
<tr>
<td>Irrigation</td>
<td>48</td>
</tr>
</tbody>
</table>

*Source: Projects Today* as of Feb 2004: Projects Today classifies projects as “nascent”, “planning”, “partially completed” and “under execution”. For the purposes of the above estimation, nascent and planning stage projects have been aggregated.
PROFILE OF KEY PLAYERS IN KERALA

Apollo Tyres Ltd
Apollo Tyres Ltd is India’s fastest growing tyre company and one of the country’s leading tyre manufacturers. The US$ 492.4 million company set up its first manufacturing unit at Perembra in Kerala. In 1995, Apollo took over the Premier Tyres plant in Kalamassery. Today, this plant manufactures most of the tyres that Apollo exports. The company also has plants in Gujarat and Maharashtra. Apollo Tyres was the first tyre company in the country to obtain an ISO 9001 certification for all its operations. The company manufactures tyres and tubes for two wheelers, cars, trucks and tractors and has a network of more than 100 sales and service offices in the country.

Coir Cooperative Marketing Federation (COIRFED)
The Kerala State Coir Co-operative Marketing Federation is the apex organisation in the coir industry comprising 585 member societies producing yarn, mats & mattings and operating de-fibreing units. COIRFED has 108 showrooms in the country, of which 51 are company-owned and the rest run by franchisees. The company also exports its products to Europe, USA and the Middle East.

Hays Plc
The US$ 4.3 billion British group has set up its documentation centre at the IT park in Thiruvananthapuram, which functions as a support centre for Hays Plc’s European business. Hays Plc has three streams of businesses in HR, logistics and commercial services which include imaging, corporate mailing, systems management and document management. The company has been present in the state for five years. It also has operations in Colombo, Sri Lanka and Tamil Nadu.

IBS Software Services
IBS Software Services was set up in 1997 as a joint venture between the International Business Services Group and Atraxis AG, the IT arm of the erstwhile Swiss Air Group. The company is a provider of software services for global travel, transportation and logistics businesses with operations in USA, Europe, the Middle East and Asia Pacific. The company provides superior software solutions in areas such as airlines, airport operations, mail tracking and cargo handling. It has a large offshore software production and competence development centre in Thiruvananthapuram and has announced plans to commence operations at its second development centre at the Infopark in Kochi. In 2004, the company bagged contracts worth US$ 23 million. It also has a partnership with US$ 18 billion Cendant Corporation, a provider of travel and hospitality services for businesses and consumers in more than 100 countries. IBS is SEI CMM Level-5, ISO 9001:2000 and TickIT certified. It employs 400 professionals worldwide.

IVL India Ltd
IVL India Ltd, a wholly owned subsidiary of IVL GmbH, is a business technology consulting company specialising in SAP implementation, optimisation, integration and development of knowledge services. It develops software for its parent company’s global clients in Germany, Italy, United States, Japan, Taiwan, Finland, France and Singapore. It is also a major player in the domestic ERP market with 85 mega projects under its belt. The company is based in Thiruvananthapuram.

Kerala Minerals and Metals Ltd (KMML)
Kerala Minerals and Metals Ltd, a wholly owned government enterprise, is one of the pioneers in the mineral sand industry in the country. KMML is the world’s first fully integrated titanium dioxide plant...
and provides employment to 2000. KMML is the country’s first and only manufacturer of Rutile Grade Titanium dioxide by Chloride route. KMML is ISO 9002 certified. It currently exports 20 per cent of its production and aims to increase this to 50 per cent by 2005.

Kerala State Bamboo Corporation
Kerala State Bamboo Corporation Ltd, a Government of Kerala undertaking, was established in 1971. Its head office is at Angamally in Ernakulam district. The main activities include manufacturing and marketing of bamboo ply, artefacts and other value added bamboo products. The corporation employs over 100,000 individuals engaged in reed cutting, mat weaving and manufacture of handicrafts.

Seaview Support Systems Pvt Ltd
Seaview is one of the country’s largest IT Enabled Services companies offering medical transcription, legal transcription, business transcription and document management services. Seaview is part of UK’s ambitious multi-billion pound project to digitise its National Medical Service records. Seaview has a global presence through a joint venture with Speech Machines, the world’s largest medical transcription company. Both the companies are based in Thiruvananthapuram.

Softex Computer Consultants
Softex is a global leader in developing games for mobile phones and software solutions. Its product and project portfolio includes wireless applications, Internet, Intranet and client server applications for industries such as healthcare, ITES, business and entertainment. The company’s clients include international telecom giants such as Nokia, Ericsson and Siemens.

Steel and Industrial Forgings (SIFL)
Steel and Industrial Forgings Ltd, a subsidiary of Steel Industrials Kerala Ltd, is a wholly owned Government
of Kerala undertaking located at Athani, near Trichur. SIFL's diverse product mix includes complex and high precision forgings for defence, specialised forgings for aero and space research, heavy forgings for commercial vehicles and spares for light automobiles. The company is ISO 9002 certified for its quality standards. Main production machinery comprises 10 tonnes and 6 tonnes closed die pneumatic forge hammers with an annual capacity of 7,500 metric tonnes of carbon & alloy steel and non-ferrous & special metals.

SunTec Business Solutions
SunTec, a US$ 20 million company, provides transaction management solutions for the financial services and telecommunications industries. The company has developed billing systems for domestic clients such as the Department of Telecommunications, HFCL, Escotel's ISP project, iServe and international clients such as KPN (Finnish), Essnet Cabletron and Tritone. In 2004, German giant, Schroder Ventures Asia Pacific Fund invested US$ 4 million in SunTec. Thus, enabling the company to enhance its global operations. The company currently offers solutions in the wireless, cable & broadband, wireline and Internet space. The company is based in Thiruvananthapuram.

Tata Consultancy Services (TCS)
Tata Consultancy Services, a US$ 2 billion IT services company, was one of the first IT companies to invest in the state. TCS has a state-of-the-art facility at the Technopark in Thiruvananthapuram. Today, this facility operates as a training college for new global recruits. TCS plans to operate another facility at Kochi. This centre will house about 600 software professionals and will serve as a base for software development and IT services to meet the requirements of both domestic and overseas customers.

Toonz Animations India Pvt Ltd
Toonz Animation India Pvt Ltd, established in 1999, is a world-class animation studio delivering content for Film, Television, DVD, Internet and other interactive platforms. Based in Trivandrum, Toonz is among the most advanced studios in the country and
has emerged as a potential player in the international animation industry. Promoted by the Canada-based Comcraft Group, Toonz Animations is a 100 per cent subsidiary of Multitech Investment, Mauritius. The company has successfully completed commercial films for clients such as Pepsi, Nestle, Bharat Gas, Coca-Cola, among others. In 2000, the company won the first prize at UNICEF’s World Animation Celebration at Los Angeles. More recently, the Animation Magazine heralded the company as one of the top ten multimedia studios in the world. The company’s turnover stood at US$ 5 million in 2004. The multi award-winning studio is headed by a team of professionals from different parts of the world.

**Traco Cable Company Ltd**
Traco Cable Company, a state owned enterprise, commenced operations in 1964. It manufactures high quality electric cables and wires in technical collaboration with Kelsey Engineering Co Ltd, Canada. Traco’s main customers are the Indian Railways and electricity boards of various states in the country.

**Transformers and Electricals Kerala Ltd (TELK)**
Transformers and Electricals Kerala Ltd was incorporated in 1963 at Angamally, near Kochi, under an agreement with Government of Kerala, Kerala State Industrial Development Corporation and Hitachi Ltd, Japan, to set up a unit for designing and manufacturing extra high voltage electrical equipment. The company commenced operations with the manufacture of power transformers and extended its products to a whole range of electrical equipments. TELK takes the credit of manufacturing the first 420 KV transformer (1978) and the first 420 KV SF6 breaker (1979) in the country.

**Travancore Cements Ltd (TCL)**
Travancore Cements Ltd was incorporated in 1946 and began manufacture of grey cement in 1949. It has a licenced capacity of 50,800 tonnes of cement per annum. TCL has diversified its businesses, adding ordinary portland cement, cement paint and dry cement primer besides acrylic emulsion paint for interiors and exteriors. The ISO 9002 certified company is the only manufacturer in the state that makes white cement from raw material other than conventional limestone.

**US Software**
US Software, a wholly owned subsidiary of US Technologies, is one of the leading IT solution providers in the country. The company was established in 1999 at the Infotech Park in Thiruvananthapuram. It offers IT solutions to 12 Fortune 500 companies. Currently, the company employs 400 software engineers and plans to increase its employee strength to 1,000. Its parent company, the US$ 4.5 billion US Technology, delivers world-class Information Technology turnkey software solutions and innovative application development services to clients. The company’s state-of-the-art facilities in the state are highly rated by clients and independent assessors. The facility at Thiruvananthapuram is built on 180 acres and employs over 1,800 developmental resources. The facilities are connected by high bandwidth dedicated leased lines as well as Internet leased lines.
DOING BUSINESS IN KERALA

Obtaining approvals

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

<table>
<thead>
<tr>
<th>List of approvals and clearances required</th>
<th>Departments to be consulted</th>
<th>Estimated time taken (in days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incorporation of the company</td>
<td>Registrar of companies</td>
<td></td>
</tr>
<tr>
<td>Registration, IEM, Industrial licences</td>
<td>District Industry Centre for small scale industries for large and medium industries</td>
<td></td>
</tr>
<tr>
<td>Allotment of land</td>
<td>State Department of Industries / State Industrial Development Corporation / Infrastructure corporation</td>
<td></td>
</tr>
<tr>
<td>Permission for land use</td>
<td>State Department of Industries, Department of Town and Country Planning</td>
<td></td>
</tr>
<tr>
<td>Site environmental approval</td>
<td>State pollution control board and Ministry of environment and forests</td>
<td></td>
</tr>
<tr>
<td>No Objection Certificate and consent under water and pollution control acts</td>
<td>State pollution control board</td>
<td></td>
</tr>
<tr>
<td>Approval of construction activity and building plan</td>
<td>Town and country planning authority</td>
<td></td>
</tr>
<tr>
<td>Sanction of power</td>
<td>State electricity board</td>
<td></td>
</tr>
<tr>
<td>Registration under states sales tax act and central and state excise act</td>
<td>Sales tax department, Central and state excise departments</td>
<td></td>
</tr>
</tbody>
</table>

SINGLE WINDOW CLEARANCE

The state’s single window facility clears investment proposals in 45 days on an average. The single window obtains all approvals necessary for the investment proposal within the specified timeframe.

*Source: Kerala State Industrial Development Corporation*
Cost of setting up business

An indicative table on cost of setting up business in Kerala

<table>
<thead>
<tr>
<th>Manufacturing</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Land (US$ / hectare)</td>
<td>NA</td>
</tr>
<tr>
<td>Labour cost (US$ / man year)*</td>
<td>1,327</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Services</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupation costs (US$ / sq ft / year)</td>
<td></td>
</tr>
<tr>
<td>Employee cost (US$ / man year)**</td>
<td></td>
</tr>
<tr>
<td>Software developers</td>
<td>6,383</td>
</tr>
<tr>
<td>Team leads</td>
<td>14,893</td>
</tr>
<tr>
<td>Architects</td>
<td>21,276</td>
</tr>
<tr>
<td>Project managers</td>
<td>31,915</td>
</tr>
</tbody>
</table>

| Common heads                  |          |
| Cost of capital***            | 10.57    |
| (Prime lending rate, per cent)|          |

| Electricity (US cents / kWh)**** |          |
| Commercial                     | 9.3      |
| Industrial                     | 4.79     |

*Source: Indiastat.com
**KPMG Analysis on costing for an IT venture in India
***Estimated by computing the average Prime Lending Rates of prominent public sector, private sector and foreign banks in India
****Source: Indiastat.com

Note: Exchange rate used is INR 47 per US$
Contact for information

State Government Website
www.kerala.gov.in

Kerala Industrial Infrastructure Development Corporation (KINFRA)

Kerala Industrial Infrastructure Development Corporation aims at bringing together all the suitable resources available in the state and developing infrastructure for industrial growth. KINFRA has identified over 20 core areas of competency. It has 12 well-defined industrial parks, each offering comprehensive infrastructure and support services to its clients.

Kerala Industrial Infrastructure Development Corporation
TC 31/2312, KINFRA House
Sasthamangalam
Trivandrum 695 010
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Fax +91 471 2724773
Email kinfra@vsnl.com
Web www.kinfra.com

Confederation of Indian Industry (CII)

Information on markets and opportunities for investment in Kerala can also be obtained from Confederation of Indian Industry which works with the objective of creating a symbiotic interface between industry and government.

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