INDIAN STATES
Economy and Business
Uttar Pradesh
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Uttar Pradesh
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A report by KPMG for IBEF
Executive Summary

Uttar Pradesh (UP) is situated in northern part of India and is surrounded by Bihar in the east, Madhya Pradesh in the south, Rajasthan, Delhi, Himachal Pradesh and Haryana in the west and Uttaranchal in the north. The state has a population of 166 million.

The state has the longest network of rivers and canals at 28,500 km fostering the agriculture sector. The mineral resources in the state are mainly limestone, dolomite, glass-sand, marble, bauxite, non-plastic fireclay and uranium.

Endowed with fertile land, salubrious-climate and perennial river systems, the state has long been, the granary of India. Agriculture is the major source of income for about 72 per cent of the population. The state is one of the leading producers of food grains and other commercial crops in the country. The state has a well-developed traditional industry besides mineral based industry. UP is now flexing its status as the leading agricultural state in the country to emerge as a preferred destination for the food-processing industry in the country.

The state has some of the oldest powerhouses and currently is one of the largest power producers in the country. The state has good communication network including one of the longest rail and road lengths. The state is keen to improve the industrial infrastructure and has developed integrated industrial townships like Noida with state-of-the-art facilities. Noida export zone enjoyed a good inflow of investment from many domestic and international players. The state has established four agro export zones and three Special Economic Zones (SEZs) are under implementation. Centre for Monitoring Indian Economy (CMIE) index of Relative Development of Infrastructure of the state (2002-03) is at 103.3 against an all India figure of 100.

The state has a well-developed agro-based industry. Being one of the largest producers of sugar cane, the state is India’s sugar bowl. UP accounts for 28.03 per cent of India’s sugar production. The affluence of agriculture spurred the growth of allied industries like cold storages and warehousing.

In addition to industrial areas, many centres like Kanpur, Ghaziabad and Lucknow have an established traditional industry. The large livestock population allowed the leather industry to flourish in the state. Kanpur and Agra emerged as the hubs for leather goods in the country. Textile industry is the other promising sector in the state.

Uttar Pradesh is the largest producer of electronic goods and is the fourth largest exporter of software products from the country. UP accounted for close to 10 per cent of IT & BPO exports from the country in 2003-04. With a productive and cost-effective manpower, the state has attracted some of the largest MNCs to set-up their manufacturing facilities – Coca-Cola, Pepsi, Glaxo, Daewoo, Honda, and Piaggio to name a few.

The state with its human resource potential, proactive policies and commitment to ensure encouraging climate to the investors is poised to emerge as a manufacturing hub in the country. The state has become a hub for corporate R&D with many domestic players and MNCs establishing their facilities.
Industrial Centres in Uttar Pradesh
## An Economic Snapshot

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area (sq km)</td>
<td>240,928</td>
</tr>
<tr>
<td>Population (2001, million)</td>
<td>166.2</td>
</tr>
<tr>
<td>Literacy Rate (%)</td>
<td>56.27</td>
</tr>
<tr>
<td>Net State Domestic Product (NSDP) (2002-03, US$ billion)</td>
<td>36.26</td>
</tr>
<tr>
<td>Per Capita NSDP (US$)</td>
<td>210.53</td>
</tr>
<tr>
<td>National Highway Length (km)</td>
<td>3728</td>
</tr>
<tr>
<td>Rail Length (km)</td>
<td>5440</td>
</tr>
<tr>
<td>International Airport (nearest)</td>
<td>Mumbai</td>
</tr>
<tr>
<td>Domestic airports</td>
<td>Lucknow, Varanasi, Kanpur</td>
</tr>
<tr>
<td>Key industries</td>
<td>Cement, Vegetable oils, Textiles, Cotton yarn, Sugar, Jute, Carpet, Brassware, Glassware &amp; Bangles</td>
</tr>
<tr>
<td>Industry with growth potential</td>
<td>Biotech</td>
</tr>
</tbody>
</table>
Advantage Uttar Pradesh

- Largest population in the country
- Longest river network, longest rail length and ranks second in road length
- Ranks second in total number of sugar mills
- Highest number of domestic tourists in the country
- Largest exporter of electronics and software services totalling to US$ 899 million in 2003-04
- Ranks fourth in software exports
The State Economy

Uttar Pradesh is the second biggest state economy in the country, with a share of 10.7 per cent in aggregate domestic product. Area-wise it is the fourth largest state in the country. The state recorded a growth of 4.5 per cent during 1993-94 to 2003-04. It is the largest producer of wheat, pulses, sugarcane, tobacco, potato and milk in the country. It also has the highest yield in the country of pulses and tobacco.

The state has a well-developed agro-based and food processing industry. The total investment in the food processing industry is expected to be more than US$ 42.55 million in 2004-05. The state is one of the leading producers of dairy and horticulture. The state, better known as the sugar bowl of the country is one of the largest producers of sugar cane. The state recorded total production of 5.4 million tonnes of sugar in 2001-02. The state ranks second in total number of sugar factories in the country at 101 in 2002-03.

The availability of good natural resources and abundant manpower spurred the growth of the industry in the state. About 389,000 Small Scale Industries like hand-knitted woollen carpets, woodcarving, brass metal industries, terracotta, etc. provide large employment opportunities.

Among the major states, Uttar Pradesh ranks fourteenth in per capita income. Uttar Pradesh is the most populous state in India, with more than 16 per cent of India’s total population. The western region is more urbanised than the rest of the state and has 622 industrial workers per thousand in registered factories, against 443 in the state. The density of population in the western region is 762 per thousand against 689 in the state.

Agriculture is the primary sector of the state’s economy, employing about 72 per cent of the total work force. The share of agriculture in the total income of the state is 33 per cent. Uttar Pradesh produces 38 per cent of India’s wheat, 20 per cent of paddy and 21 per cent of sugarcane. The state boasts of the highest irrigation intensity at 66 per cent.

(Uttar Pradesh - Sectoral Contribution to GDP)

Source: Government of Uttar Pradesh, 2003-04

Industrial index in 2001 (with 1996-97 base)

Source: Economic and Statistics Division Diary year 2001

1(As on 31st March 2002)
The services sector is the key emerging sector in the state. Uttar Pradesh emerged as a hub for IT companies and ranks fourth in terms of software exports. Several MNCs have established their facilities in Noida industrial area, which is in close proximity to the national capital. Tourism is one of the promising sectors in the state. With a range of pilgrimages, the state is the favourite destination for the domestic tourists. The state enjoys the highest domestic tourist visits in the country.

Three most important industries in the state are sugar, cotton fabrics and diversified food preparations. The state has fifth highest share in the country in manufacturing value added of nearly 7 per cent. The state witnessed a growth of 42 per cent in cement output in 2003-04.

At 13,645, UP is in the top quartile in the total number of factories in the country. The electronics, leather, textiles and mineral-based industries have shown a promising growth over the years.
INFRASTRUCTURE

Social infrastructure

Uttar Pradesh is one of the leading states in the number of institutions including 16 general universities, 3 technical universities and a large number of polytechnics, engineering institutes and industrial training institutes. The state has several reputed educational institutions like IIT Kanpur, IIM Lucknow, Allahabad University, Aligarh Muslim University, Banaras Hindu University and Roorkee Engineering University (recently ranked the fourth best university in Asia). Some of the research organisations in the state include Central Drug Research Institute, Industrial Technology Research Centre, Central Food Technology Research Institute, National Botanical Research Institute, Glass Research Institute, Sanjay Gandhi Post Graduate Institute of Medicine and King George Medical College.

The state has a good network of hospitals and has the highest number of health care centres in the country.

Access infrastructure

Uttar Pradesh has the longest rail length, the second longest road length, and highest number of post offices in India ensuring good connectivity. UP has over 4,800 km of national highways and over 10,000 km of state highways. The state runs multiple agencies involved in the construction and maintenance of road network with the Public Works Department (PWD) being the nodal agency.

The state government is going to take up the upgradation of 973 km of important state highways and major district roads along with major maintenance and rehabilitation of another 2,574 km. In addition, the PWD will construct four bypasses totalling 20 km and 5 major bridges. The total project cost for the UP state roads project is estimated at approximately US$ 614 million.

Power

Uttar Pradesh is the fourth largest producer of power in the country at 7,600 MW with about 88 per cent of it being thermal. The state is the third largest producer of thermal power in the country. The state is one among the few in the country to actively encourage private participation in power sector. The state has signed Power Purchase Agreements (PPAs) for nearly 2,500 MW of private power. Most of these projects have a tie-up with the major power companies of the USA, Canada, UK and Germany. The state signed a PPA with the National Thermal Power Corporation, with the aim of making UP a power surplus state1. Reliance Industries has planned to invest around US$ 2 billion in the power sector in the state2.

Break-up of power generation in Uttar Pradesh (in 2003)

<table>
<thead>
<tr>
<th>Power Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thermal</td>
<td>87.3%</td>
</tr>
<tr>
<td>Nuclear</td>
<td>1.8%</td>
</tr>
<tr>
<td>Hydro</td>
<td>10.9%</td>
</tr>
</tbody>
</table>

Source: Annual Report 2002-03, Ministry of Power, Government of India

1As on 31.01.2003
2by the year 2003
3Source: www.embkorean.org
**Industrial infrastructure**

Uttar Pradesh established 205 export oriented units\(^4\) till 2002. The state has an Export Promotion Zone at Noida and two others at Moradabad and Kanpur are under implementation. The state has four Agro Export Zones fostering better exports of agricultural products. Three Special Economic Zones\(^6\) have been proposed.

Uttar Pradesh has 129 industrial areas and ranks third in the number of industrial parks at 89, extending over a total area of 38,000 acres. The state has developed integrated industrial areas, Noida and Greater Noida in close proximity to New Delhi with state-of-the-art industrial and domestic infrastructure.

**Noida**

Noida, an Integrated Industrial Township of Uttar Pradesh was established in 1976 under the UPIADA\(^7\). Noida is better known as the state’s IT capital. The industrial park in Noida has about 4000 functioning industrial units with the state-of-art physical infrastructure. The first offshore Export Processing Zone in the country and a Software Technology Park with its own Earth Station are added assets of Noida. In addition to the basic amenities like high bandwidth, water, uninterrupted power facility etc., the state is keen to improve the domestic infrastructure. Noida is popular with big names looking for land in the city to set up facilities, Wipro, Xansa, Adobe to name a few. To remove the infrastructure drawbacks of Noida, an airport is being planned as also a host of flyovers and expressways.

Facilities provided:
- **Connectivity**: Noida is provided with good quality roads connecting it to all the major destinations in the country.
- **Power**: Uninterrupted quality power supply with 40 MVA surplus power is available at 220/132 KVA.
- **Water**: Potable water with per capita availability of 225 litres.
- **Telecom**: 33,000 lines on digital electronic exchange 10,000 lines as EWSD German Switching Technology.
- **Education**: There is one-degree college and 14 Higher Secondary schools. Proposals have been approved to set up engineering and medical colleges.

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\(^4\)100 per cent Export Oriented Units
\(^6\)Bhadohi SEZ at Kanpur, Kanpur SEZ and Greater Noida.
\(^7\)Uttar Pradesh Industrial Area Development Act
Greater Noida

Greater Noida, an industrial township near New Delhi and in the immediate proximity of Noida is one of the largest industrial townships in Asia. The township has been proposed to constitute state-of-art facilities with world-class standards. The state is proactive in encouraging private sector participation in the development. The power distribution has been privatised ensuring high quality uninterrupted supply to the industrial units. The township is provided with good water facility and educational facility including primary schools, university and R&D institutions.

Health: Noida is well-equipped with modern and advanced medical centres with good facilities. Plans for a super speciality hospital are in pipeline.

Noida export processing zone (NEPZ)

NEPZ established in 1985 by the Government of India works to promote investment and exports. It provides the following facilities:

- Corporate tax holiday for consecutive 5 years in the first eight years of establishment
- Duty exempt on inputs and capital goods
- Special import licenses for the import of consumer goods
- 25 per cent of the total production, 5 per cent rejects can be sold in domestic tariff area (DTA) units under EPZ scheme
- 50 per cent of agro production is permitted for sale
- DTA unit can apply for conversion to an Export Oriented Unit (EOU)
- 100 per cent of export earnings at market rate can be converted; no restriction on foreign share
- Profits and dividends can be remitted without restriction
- Units in EPZ exempt from power cuts

Greater Noida

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*Developed by Greater Noida Industrial Development Authority*
STATE POLICY

Vision & Mission

The state government of UP has laid thrust on the following key areas:

- Create facilitative administrative systems
- Reduce lead time in setting up of industries
- Remove bureaucratic hindrances
- Provide internationally competitive infrastructure
- Unfetter industries in the conduct of their business

Industrial policy

Incentives for investment

- Subsidy of 20 per cent of fixed capital investment for new units in most backward areas
- Subsidy of 15 per cent of fixed capital investment for new units in less backward areas
- Subsidy of 10 per cent of fixed capital investment for new units in least backward areas
- Deferment of luxury tax in thrust areas for 5 years
- Octroi rebate on plant, machinery and building material for new units for 5 years
- Exemption from minimum power demand charges for sick units during the closure period
- Land at 20 per cent of market prices for starred hotels
- Special incentives, including electricity, equity participation, and other assistance, for NRI entrepreneurs

The state government announced the UP IT Policy in 2004. The government aims at increasing the penetration of internet in the state supported with high-speed telecom backup. The state has committed to improve IT infrastructure by developing electronic cities and gateways to global destinations. Special incentives have been offered to the investors ensuring supportive climate.

The state government also plans to rope in the Software Technology Parks of India (STPI) to set up software technology parks at Noida, Agra, Kanpur and Allahabad. The government is also trying partner with the Indian Institute of Technology (IIT), Kanpur, Indian Institute of Management (IIM), Lucknow and Indian Institute of Information Technology (IIT), Allahabad for developing the Kanpur-Lucknow corridor as a cyber corridor in the state.

IT policy

The state government has announced plans to establish backbone network or the UP-wide Area Network (UPNET) for voice, data and video transmission and dissemination. UPNET will extend to all government departments, state secretariat, division and districts. To spread awareness of IT in the state, the Department of Science and Technology

Uttar Pradesh is among the five states in the country which have enacted their special economic zone (SEZ) legislations.

The state plans to develop industrial areas as Integrated Industrial Townships on the lines of Noida and Greater Noida. The state is active in inviting private sector participation in the infrastructure development. Certain areas to be developed as Industrial Corridors are:

- Noida-Greater Noida-Ghaziabad-Gautam Buddha Nagar
- Meerut-Moradabad-Bareilly
- Agra-Aligarh-Firozabad-Khurja (Bulandshahr)-Kosi (Mathura)
- Lucknow-Kanpur
of the UP government and the Council for Science and Technology have tied up with NIIT, the leading IT trainer, to test the IT proficiency of the state’s young population. Further, at least one Computer Education Centre (CEC) will be opened in an intermediate/degree college in each block to enhance IT penetration in rural areas in next five years.

Infrastructure policy

Under the road policy, the active role of the private sector is encouraged in construction and maintenance of roads, bridges, over bridges, under passes, expressways and highways etc. A road fund of nearly US$ 87 million, set up for the first time by any state in India, seeks to upgrade infrastructure facilities to world-class standards.

The National Highways Authority of India (NHAI) is upgrading the national highways under the Golden Quadrilateral and East-West-North-South corridor areas in the state. UP’s Public Works Department (PWD) is upgrading 3,500 km of state highways as part of a World Bank aided project. The World Bank has approved a US$ 488 million loan to improve the capacity, quality and safety of the existing state road network. The Uttar Pradesh State Roads Project will also enhance the capacity of PWD, the state’s main road agency, to manage and deliver quality road services.

The state has built an infrastructure development fund with a corpus of US$ 42.5 million under the upcoming industrial and service sector investment policy, 2004. A hi-tech airport at Saifai with proposed investment of US$ 9.5 million is to be completed within two years.

Biotech policy

The state government announced the UP Bio-Tech policy 2004 that seeks to establish a pre-eminent position for the state in this sector. The ultimate aim is to bring greater prosperity to the farmers through use of biotechnology and to generate job opportunities in this field. Lucknow is home to 20 institutions and 22 scientific academic bodies with multi-disciplinary specialities in the field of biological sciences. In view of this, Lucknow was declared as a “Biotechnology City” in 2002, during the 89th annual meeting of the Indian Science Congress. The state also has a large agricultural base to provide raw materials and a large market for the finished products. The bio-tech park in Lucknow will offer start-up and incubation facilities. The state is planning a much bigger biotechnology park in Noida.

Power policy

With a projected investment of over US$ 5.3 billion in the next 5 years and the largest base of potential consumers in India, Uttar Pradesh could emerge as the mecca of power sector in the country. UP was one of the first states to undertake power reforms. New Power Policy of the state has provisions for increasing the plant load factor (PLF) by creating additional power capacity, modernisation of power stations and improving the transmission system.

Reliance Industries Ltd is planning to build world’s largest gas-based power plant involving a total investment of US$ 2 billion and generating capacity of 3,500 MW in the state. The state also aims at electrification of its 40,000 villages by the year 2009. The state plans energy parks in various districts to create awareness among the people about alternative energy sources. The main state park will be set up at Allahabad and one such district-level energy park would be established in Lucknow.

Uttar Pradesh’s power industry is offering great opportunities to private sector entrepreneurs. The major incentives announced in the power policy are:

- Subsidy towards land cost and rehabilitation ranging from 40-60 per cent
Entrepreneurs of industries involving investment of up to US$ 5.5 million, export-oriented units of NRIs with investment above US$ 5.4 million and electronic and food industries with investment above US$ 2.2 million are provided with the single window registration by *Udyog-Bandhu* (friend of industry) for all the clearances.

All 100 per cent export oriented units, which exports over 50 per cent of production, are declared as public utilities to free them from the threat of flash strikes.

The state plans to make the entire tax system more progressive to ensure greater profitability for entrepreneurs. Rules, procedures and practices are being liberalised to bring them at par with global standards.

- Government land, if available to be given for 99 year’s lease at the rate of US$ 2.13 per acre, stamp duty on registration waived
- Deferment of entry tax as well as trade tax for a period of 7-12 years
- Water resources to be made available for thermal and nuclear power plants

UP has large coal reserves in the form of open cast mines in Sonebhadra district. Abundance of water makes this district an ideal location for thermal power plants. The state government commits power purchase from new power plants, if other network is not available.

**Governance**

The state introduced a single window registration system to speed up transactions red tape.
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 Uttar Pradesh State Government has given many concessions for the IT sector. This has prompted many IT majors like HCL, Cadence to set up software development operations in the state.

- **Availability of natural resources**: Certain industries like agro-based industries have a high dependence on availability of natural resources. The availability of a large livestock population spurred the growth of leather industry in the state.

- **Capability**: Availability of good quality manpower is a must for all industries to flourish. Highly cost-effective manpower in the state attracted many players to establish their manufacturing facilities.

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

This is a qualitative assessment to highlight relative attractiveness of different sectors. A case by case analysis is necessary before investment is made.
Key industries

Agro-based and Food processing
The total sales in food and beverages sector in the state accounted for 24 per cent of the sales by industries in 2003.

Uttar Pradesh is among the largest producers of agricultural commodities in the country. It produces 34 per cent of the total groundnut, 17.5 per cent of rapeseed, 8 per cent of fruits and 14 per cent of vegetables. It has the largest livestock in the country and its milk production is the highest in the country. It is the largest producer of sugarcane and ranks second in the manufacture of sugar.

Uttar Pradesh, with its prosperity in the agricultural sector enabled the growth of allied industry like warehousing, cold storages and flourmills. At 2,659, food product manufacturing sector has the highest number of factories (19.5 per cent of the total) in the state.

Leather
Uttar Pradesh has a well-developed leather industry. The state has one of the largest livestock populations in the country, which provides a strong raw material base required for the industry.

The number of leather and leather products industries in the state are to the tune of 11,500, of which Kanpur and Agra are the two famous production centres. Agra is the biggest centre for shoe manufacturing in the country.

Kanpur is the sole producer of saddlery products. It is a prominent centre for leather processing. Kanpur tanneries specialise in processing hides into heavy leather (sole, harness and industrial leather). Uttar Pradesh plans to develop a special economic zone at Kanpur to cater to the leather goods industry. In addition to traditional centres for leather and leather products in the state, Noida has emerged as a major centre especially for leather footwear and leather garments.

Electronics
With 196 units, the sector has shown a promising growth of 205 per cent during 1991 to 2000.

- Largest producer of component electronics at 19.6 per cent of India’s total
- With a share of 24 per cent the state ranks second in telecom electronics production
- In consumer electronics, the state produces 22 per cent and ranks second in the country
- Ranks third in the production of computer components with 14.5 per cent share and strategic components with 18.8 per cent.

Major players like LG Electronics, Videocon and others have set up manufacturing facilities in the state.

Chemicals
Chemical sector is one of the key contributors to the state economy. The state has a developed fertiliser industry and the sector ranks third in the total number of factories in the state. The chemicals sector has shown one of the highest growths of production at 150 per cent during 1996-2001.

Software
Utter Pradesh is the fourth largest exporter of software products in the country with exports amounting to US$ 957 million.

The IT industry is the backbone of state’s economy. STPI Noida Facility was one of the first STPI centres to be established as early as 1991. International giants like HCL, Cadence, CSC among others have their development facilities in Noida.

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth of Software Exports (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-99</td>
<td>241</td>
</tr>
<tr>
<td>1999-00</td>
<td>290</td>
</tr>
<tr>
<td>2000-01</td>
<td>417</td>
</tr>
<tr>
<td>2001-02</td>
<td>529</td>
</tr>
<tr>
<td>2002-03</td>
<td>761</td>
</tr>
</tbody>
</table>

Source: Government Website

Engineering
Total sales in machinery sector accounted for 10.5 per cent, transport equipment for 7.7 per cent and metal sector for 23.1 per cent of the sales by industries in the state in 2002. The state has a well-developed engineering sector with a number of factories in machinery and metal manufacturing. Manufacture of machinery and equipments\(^{10}\) has the largest share in industrial production. The state has manufacturing units for brassware & lock making in Moradabad and Aligarh respectively. The basic metals and alloys industrial production has shown a growth of 123 per cent during 1996-2001. Many MNCs like Honda,Yamaha, and New Holland Tractors have their manufacturing presence in the state.

Mineral-based
Total sales in non-metallic sector accounted for 24.6 per cent of the sales by industries in the state in 2003. The state has a good range of mineral-based industries. The state ranks third in the production of non-metallic minor minerals at US$ 203.3 million in the country in 2001-02. The availability of good natural resources spurred the growth of the industry in the state. Some of the players in the state include Ambuja cements, Sonabhadra Cement plant and Almorah mini cement plant\(^{11}\).

Textiles
Total sales in textiles sector accounted for 12.3 per cent of the sales by industries in the state in 2003. Textile sector is one of the important traditional industries in the state. Utter Pradesh has 58 spinning mills and a total of 74 textile mills in the non-SSI\(^ {12}\) sector. The state is known for its carpets & brassware products.

\(^{10}\)Other than transport equipment
\(^{11}\)Uranium has been discovered in Southern Lalitpur
\(^{12}\)SSI: Small Scale Industry
Tourism
The state recorded the highest number of domestic tourist visits at 27 per cent of the total visits from 1997 to 2003. Uttar Pradesh is known for Agra, the city of the Taj Mahal. Fatehpur Sikri is famous for the mausoleum of saint Sheikh Salim Chisti. Uttar Pradesh boasts of the beautiful hill stations and a large number of temples.

Exports
Uttar Pradesh recorded an export turnover of approximately US$ 425.5 million during 2001-02 and around US$ 531.9 million during 2002-03. Uttar Pradesh accounts for nearly 6 per cent of the country’s exports. The state is the fourth largest exporter of software products. The growth of IT export has been due to rise in exports from the software export houses. The manufacturing industry in the state has shown good export performance especially in the metal sector. The machinery exports have shown a promising growth with CAGR of 15 per cent during 1998-2003.

Carpet weaving is one of the important crafts in Uttar Pradesh. UP produces about 90 per cent of the country’s carpets in and around Mirzapur, Bhadohi and Khamaria. These carpets are popular export items today. Hand woven carpets, brassware and leather products form the traditional export items from the state.

Investment
The total investment in the state amount nearly to US$ 14.4 billion of which infrastructure investment constitute US$ 11.45 billion.

Uttar Pradesh has successfully attracted a good number of international players to establish their facilities in the state. The integrated industrial townships at Noida and Greater Noida have enjoyed good investment climate due to the availability of state-of-the-art infrastructure. Cadence Systems, a software giant has invested about US$ 100 million in its development centre in Noida. Adobe system has made an investment of US$ 100 million. General Motors, a leader in the auto manufacturing, plans to invest in the Daewoo plant to start manufacturing about 100,000 units providing employment to over 2000.

The growth of IT export has been due to rise in exports from the software export houses.
facility is instrumental in developing products for global market.

ST Micro electronics advanced design centre in Noida, employs over 950 professionals and has a strong R&D presence in the state. Bharat Petroleum plans to establish its first R&D facility in the state. Yamaha Motors has established its R&D facility at its manufacturing plant, which was instrumental in launching five models of the company.

Uttar Pradesh has leveraged the prowess of its IT industry to emerge as the leading ITES-BPO destination in India. BPO companies like EXL and HCL Technologies operate from Noida.

Potential hubs for investment

Uttar Pradesh as R&D and BPO hub

The state has emerged as a hub for R&D institutions in electronics and communications sectors. The emergence of Noida as one of the favourite IT destinations and the availability of good infrastructure supported by the state’s proactive policies led to the growth of R&D facilities in the state.

Cadence Design Systems R&D facility in Noida was set up in 1987 with strength of 320 engineers. The company has invested about US$ 100 million since the commencement of its operations and plans to expand by adding 300 engineers.

Adobe’s state-of-the-art R&D facility at NOIDA, built with an investment of US$ 10 million, has filed for 10 worldwide patents. The Indian facility is instrumental in developing products for global market.

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13The Adobe Indian team conceptualised and developed the Acrobat Reader for Palm and Pocket PC. The Indian unit owns some of the key technologies in image and document compression - Adobe Pagemaker 7, Adobe Frame Maker and Adobe Photo Deluxe.
Adobe Systems India Pvt Ltd
Adobe India commenced its operations in 1998 to augment engineering resources of the company. Currently the company has a headcount of around 250. An achievement of the subsidiary was the release of PageMaker 7.0 from the India campus in 2001, the first major international desktop product being engineered from India, which had more than a million downloads. The company has partnered with many Indian software giants like TCS and Wipro. The Indian campus has significant contribution in developing world-class products. The company has invested US$ 100 million till date and accounts for more than 20 per cent of Adobe’s annual revenues.

Birlasoft Ltd
Birlasoft Ltd, division of the C K Birla Group was founded in 1992-93 as a software-consulting firm and was later renamed with the equity participation by GE Capital. Birlasoft offers IT services worldwide from development centres in the US, India, and Australia. Birlasoft has 2,000 technical employees. The company provides applications development and support services in eCommerce, Data Warehousing, Legacy Systems, QA, CRM, RIMS (Remote Infrastructure Management Service) and ERP.

Cadence
Established in 1987, Cadence India at Noida, is the company’s largest R&D site outside USA. Cadence India is a pure R&D centre with investment to the tune of US$ 100 million till date, which accounts for about 20.5 per cent of its annual revenues. Cadence Design Systems plans to expand its R&D facility at Noida by adding 300 engineers to its existing 300-plus staff. Prominent among the products developed here are Checkplus, the interactive design rule-checking tool, libraries for system design, and VHDL simulation tools.

Computer Sciences Corporation India (CSC)
Computer Sciences Corporation India, the Indian arm of the US$ 15 billion Computer Sciences Corporation, a global IT services player has set up three centres in Noida and plans to set up another. The company is involved in managing information technology operations of International Business Machines (IBM) and Electronic Data Systems (EDS). The company operates with a gross turnover of over US$ 50 million and about 1000 professionals. The company has a SEI-CMM Level 5 rating.

Dabur India Ltd
Dabur India Ltd is the fourth largest FMCG company in India with interests in health care, personal care and food products. Dabur was formed by way of amalgamation in 1986. The company has several leading brands. Dabur Chyawanprash, a health tonic, has a market share of 70 per cent and Hajmola, a digestive tablet, has a share of 88 per cent. The company recorded a net turnover of US$ 257 million with a net profit of US$ 28.3 million in 2003.

Daewoo Motors
Erstwhile Daewoo Motors, one of the leading South Korean based manufacturers of cars and heavy automobiles was taken over by General Motors. Daewoo Motors has its manufacturing facility in Surajpur near Greater Noida. Daewoo’s car manufacturing unit is expected to generate employment for over 100,000 persons, besides providing revenue of nearly US$ 450 million over the next five years.

Delphi Automotive System
Delphi is a global supplier to every major Original Equipment Manufacturer (OEM) in the automotive sector. Delphi India operates as a wholly owned subsidiary of Delphi Automotive Systems Private Ltd.
and was founded in 1995. The company has two manufacturing facilities in Noida. Delphi India exports its supplies to the European OEM market.

**EXL Service Holdings Inc**

EXL Service Holdings Inc. offers comprehensive business process outsourcing services and was established in 1999. With three of the four state-of-the-art facilities in Noida, the company started with a headcount of 147. Currently the service employs over 2,700 people providing services for global multi-clients with a capacity of 7,500 workstations on a three-shift basis. Nasscom, in its 2002 survey, named EXL the leading BPO service provider in India.

**Goodlass Nerolac Paints Ltd (GNPL)**

Goodlass Nerolac Paints Ltd, the Indian subsidiary of Japan based Kansai Paint Co. Ltd, is the second largest paint company in India with presence in decorative paints as well as industrial paints & marine paints, enamels etc. It is the market leader in the industrial paints segment. The company has a strong presence in automotive paints accounting for 45 per cent of the organised industrial paint segment during the fiscal 2003 with a manufacturing plant at Jainpur, Kanpur Dehat. The company operates with net sales of US$ 164 million.

**HCL Technologies**

Headquartered in Noida, HCLT is the fifth largest exporter of software from the country currently operating with a workforce of 2,500. HCLT has witnessed significant growth in the past few years. HCLT partners with 370 prestigious organisations in the world. The HCL Technologies' BPO has bagged an ISO 9001:2000 and Purdue Benchmark.

**Honda SIEL Cars India Ltd**

Honda Motors established the company in India in 1997, with the collaboration of SIEL group. The company currently manufactures three models Honda city, Honda accord and Honda CR-V with variants. The manufacturing facility located in Noida has a capacity of 30,000 units a year and employs around 1,350. The company plans to invest about US$ 177 million in the Honda CR-V project.

**Indo Gulf Fertilisers Ltd**

Indo Gulf Fertilisers Ltd, an Aditya Birla Group company, is among the largest and most cost-efficient private sector fertiliser companies in India. Strategically located in the heart of the Indo-Gangetic plain in Uttar Pradesh, Indo Gulf manufactures and markets urea, a nitrogenous fertiliser. The company enjoys a leadership position in the nitrogenous fertiliser sector, with its strong brand of “Shaktiman”
urea, supported by a strong distribution and customer service network. Its marketing areas include Uttar Pradesh, Bihar, Jharkhand and West Bengal, which together account for over 40 per cent of the total urea consumption in the country.

Ingersoll-Rand India Ltd (IRIL)
Ingersoll-Rand India Ltd was established in India in 1926 with interests in fields of air solutions and infrastructure. The company’s products were mainly supplied from IR facilities in the United States until the Naroda plant was built in 1965. Ingersoll-Rand Wadco Tools Pvt Ltd is a 74:26 (IR:Wadco Group) joint venture with manufacturing facilities at Ghaziabad (near New Delhi). The company manufactures pneumatic tools, air motors, lube pumps, and fastener tightening and ergonomic handling systems for IRIL’s industrial solutions sector. The Ingersoll-Rand operates with total turnover of over US$ 90 million.

Jaypee Group
The Jaypee Group is a well-diversified infrastructure industrial group of India with a turnover of over US$ 650 million and employs a total workforce of over 25000. The group commenced its operations in 1972 and has interests in civil engineering, private hydropower, cement, design consultancy, information technology and hospitality. Cement production in 2003-04 is recorded at 3.5 million tonnes recording a growth of about 40 per cent.

LG Electronics India Ltd (LGEIL)
LG Electronics India Ltd established in 1997, is a wholly owned subsidiary of LG Electronics, South Korea. It is one of the leading companies in consumer electronics, home appliance and computer peripherals in India. Headquartered in Noida, Uttar Pradesh, LGEIL operates out of 30 locations across India. LG is a market leader in various segments like Colour TVs, microwave ovens, frost-free refrigerators, washing machines and air-conditioners with market shares of 16.4 per cent, 35 per cent, 32.9 per cent, 24.1 per cent and 34 per cent respectively. It has a turnover of almost US$ 1000 million in India. LGEIL’s sales are increasing with a CAGR of 40 per cent over the past five years.

LML Scooters
LML Scooters Ltd is the second largest manufacturer of two wheelers. The company was incorporated in 1972 in Panki Industrial Estate, Kanpur. The company claims a 30 per cent market share in volume terms with its popular scooter brand “Supremo”. It made net sales of US$ 190 million during 2003-04. The company is working towards setting up five training schools in different parts of the country to train mechanics and service
personnel. The company plans to establish assembly plants in Egypt and Columbia by 2006. The company is planning to convert half its scooter manufacturing capacity of half a million units per year to manufacture motorcycles.

**New Holland Tractors Pvt Ltd**
New Holland Tractors is a wholly owned subsidiary of the New Holland Machine Company, U.S.A and is a leading player in the local tractor market. The company has a manufacturing facility in Greater Noida with a production capacity of about 1,000 per annum. The company currently has 10 per cent market share with revenues of about US$ 100 million. The company adopted innovative procedures to reduce energy losses and currently operates with 35 per cent less energy with no human intervention.

**Scooters India Ltd**
Incorporated in 1972, Scooters India Ltd is an ISO 9001:2000 and ISO 14001 Company, situated in Lucknow, Uttar Pradesh. In 1975, company started its commercial production of scooters under the brand name of Vijai Super for domestic market and Lambretta for overseas market with the machinery from Italy. However, in 1997, the company discontinued its two-wheeler production and concentrated only on manufacturing and marketing of 3 wheelers. In the fiscal 2004, the company recorded a turnover of US$ 26.3 million.

**ST Microelectronics (STM)**
ST Microelectronics was established in 1987 under the name SGS-Thomson’s and later changed to STM. The company is involved in designing integrated circuits chips in India since 1992 at its Noida facility, the company’s largest design centre outside Europe. The facility has a workforce of around 1,000 and plans to increase it to 1500, which makes it the largest outside the U.S. The company invested about US$ 21.5 million in R&D in 2002. The Central Research and Development team in Noida has been a major contributor in the development of the new 90 nanometres CMOS (0.09 micron) design platform.

**Yamaha India Ltd (YML)**
Yamaha India Ltd had its presence in India for two decades as a technology provider and later became a 100 per cent subsidiary of Yamaha Motor Company, Japan in 2001. R&D division of the company involves model conception, designing, aesthetics, clay making, and proto-type development. YML’s manufacturing facilities comprise a state-of-the-art plant at Surajpur producing 10 models. The company follows 5-S and TPM in its manufacturing processes.
DOING BUSINESS IN UTTAR PRADESH

Obtaining approvals

An indicative list of approvals with timeframes for setting up business in Uttar Pradesh

<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>Issuance of provisional registration (including NOC(^{14}) for 220 types of non polluting SSI(^{15})s)</td>
<td>Directorate of Industries</td>
<td>Same Day/Instant</td>
</tr>
<tr>
<td>Permanent of registration of SSI</td>
<td>Directorate of Industries</td>
<td>30 days</td>
</tr>
<tr>
<td>Sanction of power load for construction</td>
<td>Uttar Pradesh State Electricity Board (UPSEB)</td>
<td>30 days</td>
</tr>
<tr>
<td>Sanction of power load for production</td>
<td>UPSEB</td>
<td>30 days</td>
</tr>
<tr>
<td>NOC for 29 highly polluting type of industries</td>
<td>Uttar Pradesh Pollution Control Board (UPPCB)</td>
<td>120 days</td>
</tr>
<tr>
<td>NOC for industries other than above 29 and the list of 220 non polluting industries</td>
<td>UPPCB</td>
<td>30 days</td>
</tr>
<tr>
<td>Grant of Consent to 29 types of highly polluting industries</td>
<td>UPPCB</td>
<td>120 days</td>
</tr>
<tr>
<td>Grant of Consent to low polluting medium and small scale industries</td>
<td>UPPCB</td>
<td>30 days</td>
</tr>
<tr>
<td>Temporary registration of trade tax</td>
<td>Trade Tax Department</td>
<td>3 days</td>
</tr>
<tr>
<td>Permanent registration of trade tax</td>
<td>Trade Tax Department</td>
<td>30 days</td>
</tr>
<tr>
<td>Inspection report for Trade Tax exemption/department</td>
<td>Trade Tax Department</td>
<td>30 days</td>
</tr>
<tr>
<td>Decision at Commissioner's level after submission of Inspection report for Trade Tax exemption/deferment</td>
<td>Trade Tax Department</td>
<td>30 days</td>
</tr>
</tbody>
</table>

\(^{14}\)NOC: No Objection Certificate
\(^{15}\)SSI: Small Scale Industry
<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>Approval prior to construction of factory building/ use as a factory for non-hazardous industries</td>
<td>Labour Department</td>
<td>30 days</td>
</tr>
<tr>
<td>Approval prior to construction of factory building/ use as a factory for hazardous and major hazardous industries</td>
<td>Labour Department</td>
<td>60 days</td>
</tr>
<tr>
<td>NOC on Fire Safety from Fire Officer</td>
<td>Fire Department</td>
<td>30 days</td>
</tr>
<tr>
<td>Declaration of land as non agricultural</td>
<td>Revenue Department</td>
<td>30 days</td>
</tr>
<tr>
<td>Proceedings under section 154 of UP Zamindari Abolition Act</td>
<td>Revenue Department</td>
<td>15 days</td>
</tr>
<tr>
<td>Grant of License</td>
<td>Food Department</td>
<td>10 days</td>
</tr>
<tr>
<td>Permission/NOC from District Magistrate’s level for storage of HSD</td>
<td>Food Department</td>
<td>30 days</td>
</tr>
<tr>
<td>NOC for grant of license</td>
<td>Drug Controller</td>
<td>30 days</td>
</tr>
<tr>
<td>Drug License</td>
<td>Drug Controller</td>
<td>30 days</td>
</tr>
<tr>
<td>Allotment assurance from State Excise Dept.</td>
<td>State Excise Department</td>
<td>30 days</td>
</tr>
<tr>
<td>Excise License</td>
<td>State Excise Department</td>
<td>30 days</td>
</tr>
<tr>
<td>NOC from Divisional Forest Officer</td>
<td>Forest Department</td>
<td>60 days</td>
</tr>
<tr>
<td>NOC for Electrical Safety</td>
<td>Electrical Safety Directorate</td>
<td>60 days</td>
</tr>
<tr>
<td>Permission under Urban Land Ceiling Act</td>
<td>Nodia Authority</td>
<td>60 days</td>
</tr>
<tr>
<td>Building Map approval</td>
<td>Local / Municipal Developmental Authority</td>
<td>30 days</td>
</tr>
</tbody>
</table>
**Cost of business**

Given below is the estimated cost of setting up business in Uttar Pradesh:

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
<th>Cost (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manufacturing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land (US$ / hectare)</td>
<td></td>
<td>373,416</td>
</tr>
<tr>
<td>Labour Cost (US$ / man year)</td>
<td></td>
<td>1,573</td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupation Costs</td>
<td>(US$ / sq ft / year)</td>
<td>18.4</td>
</tr>
<tr>
<td><strong>Employee Cost (US$ / man year)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Software Developers</td>
<td></td>
<td>6,383</td>
</tr>
<tr>
<td>Team Leads</td>
<td></td>
<td>14,893</td>
</tr>
<tr>
<td>Architects</td>
<td></td>
<td>21,276</td>
</tr>
<tr>
<td>Project Managers</td>
<td></td>
<td>31,915</td>
</tr>
<tr>
<td><strong>Common Heads</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of capital</td>
<td>(Prime lending rate, per cent)</td>
<td>10.57</td>
</tr>
<tr>
<td><strong>Electricity (US cents / kWh)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metropolitan Area</td>
<td></td>
<td>9.2</td>
</tr>
<tr>
<td>Non Metro Area</td>
<td></td>
<td>9.88</td>
</tr>
</tbody>
</table>

**Sales Tax exemptions:** Exemption / deferment of sales tax at rates ranging from 100 per cent to 125 per cent of fixed capital investment up to 8 years.

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16 Land cost has been estimated by computing the average cost of land at various Industrial Parks in Uttar Pradesh.
17 Source: Indiastat.com
18 KPMG Analysis on costing for an IT venture in India
19 Estimated by computing the average Prime Lending Rates of prominent public sector, private sector and foreign banks in India
20 Source: www.indiastat.com
21 UP Trade Tax Department: http://upgov.up.nic.in/tradetax/default.html
Note: Exchange rate used is INR 47 per US$
State Mineral Development Corporation Ltd (SMDC)
State Mineral Development Corporation Ltd was established in 1974 to provide an impetus to the development of mineral resources. The agency primarily focuses on scientific development and management of the mineral and sub-mineral resources, refinement of the minerals in association with the State Ministry of Geological and Mineral Survey of the State and to provide encouragement to mineral-based industries in the state.

Indian Industries Association (IIA)
Indian Industries Association is apex association of Small and Medium Scale Industries in Uttar Pradesh. The association with 2500 strong membership covers wide range of products and services and is spread in different regions of the state. The association has many local subsidiaries taking care of the interests of different regions like Kanpur, Muzzaffarnagar and Saharanpur etc.

Confederation of Indian Industry (CII)
Confederation of Indian Industry (CII) is a development authority instrumental in development of one of the Asia's largest integrated industrial township in the proximity of New Delhi. The industrial township has state-of-the-art facilities for industrial as well as for domestic purposes. The authority was founded 25 years ago and is in continuous support to the industry. The industrial township is proposed to have infrastructure at international standards.

Greater Noida Industrial Development Authority (NOIDA)
Greater Noida Industrial Development Authority is constructing a model integrated industrial township in the close vicinity of the National Capital Territory of Delhi and in the immediate proximity of Noida, which is one of the largest industrial townships of Asia. The industrial township is proposed to have infrastructure at international standards.

New Okhla Industrial Development Authority (NOIDA)
New Okhla Industrial Development Authority is an agency under the state government for developing industries and industrial infrastructure in the state. UPSIDC is India's premier industrial promotion and infrastructure development undertaking, dedicated to industrial development in Uttar Pradesh. The agency is equipped with highly professionalized services, single window clearance system and incentives.

Greater Noida Industrial Development Authority

Contact for information

State Government Website
www.upgov.nic.in

Department of Industry Website
www.upgov.nic.in/industry

Uttar Pradesh Industrial Development Corporation (UPSIDC)

State Government Website
www.upgov.nic.in

Department of Industry Website
www.upgov.nic.in/industry

Indian Industries Association (IIA)

Web www.iia-india.org

Information on markets and opportunities for investment in Uttar Pradesh can also be obtained from Confederation of Indian Industry (CII), which works with the objective of creating a symbiotic interface between industry, government, research bodies and domestic and international investors.

Confederation of Indian Industry (CII)

C/o Jubilant Organosys Ltd
Plot No.: 1 - A, Sector: 16 - A
Institutional Area
Noida-201301
INDIA
Tel 0120-2517325 / 2594838-40
Fax 0120-2517327
Email rajneesh.sharma@ciionline.org
Web www.ciionline.org
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India Brand Equity Foundation  
c/o Confederation of Indian Industry  
249-F Sector 18  
Udyog Vihar Phase IV  
Gurgaon 122015 Haryana  
INDIA

Tel +91 124 501 4087, 4060 - 67 Fax +91 124 501 3873  
Email ajay.khanna@ciionline.org  
Web www.ibef.org