Why Manufacture in UTTARAKHAND?

Uttarakhand is going hi-tech in a big way. Credit goes to sops offered by the state government to manufacturers, to meet its objective of developing the state’s infrastructure and generate employment for the locals.

North Indian states like Uttarakhand and Himachal Pradesh are emerging as the most favoured destinations for electronics manufacturers because of sops offered by the state governments and good work culture. The state governments in north India not only offer benefits like tax holidays, exemption from excise duties and land at cheap prices, the work culture there is good and there is no militant trade unionism.

Surprisingly, former leading states like Maharashtra and West Bengal have now taken a back seat as far as the electronics industry is concerned. While cost of labour and power is high in Maharashtra, militant trade unionism and lack of good work culture plague West Bengal.

A large number of electronics companies are flocking to Uttarakhand, where there is full exemption from sales tax and no excise duty for ten years besides income tax benefits.

George Van Der Merwe, chief operating officer of Sahara Computers, says that Himachal Pradesh and Uttarakhand are giving Special Concessional Industrial Package to attract the manufacturing companies for setting up their production units there. Setting up of manufacturing units in these states would boost the infrastructure and further accelerate the development of the states.

Sahara has set up its manufacturing unit in Uttarakhand because of its proximity to Delhi, and other conducive factors like labour policy of the government, cheap electricity and water, tax benefits, subsidies for transport, road infrastructure and proximity to airport, as it is comfortable for its nature of business.

Suresh Gupta, director-operations at Intex Technologies (India), too finds Uttarakhand other than Himachal Pradesh and Jammu in J&K as a good location for manufacturing of electronics for the same reasons.

Mirc Electronics has already commenced commercial production at its Roorkee unit in Uttarakhand.

Videocon Industries too is setting up a plant to make home appliances in Uttarakhand. The plant would manufacture a wide range of home appliances and help Videocon expand its reach in northern India.

HCL Infosystems’ manufacturing unit at Rudrapur, Uttarakhand, will initially manufacture desktop computers and LCD monitors and later would also cover products like notebooks, servers and thin clients.

Advantage Uttarakhand

Uttarakhand is a young state, having been carved out of Uttar Pradesh. It was formed on 9th November 2000 and accorded special status by the central government.

Within a short span of its existence, the state has several good things going for it. With its vast natural resource base and enormous power potential, Uttarakhand holds the potential of being one of the most prosperous states...
in the country. Also, levels of literacy in the state are higher than the national average. These are just a few of the reasons why it is attracting electronics and IT manufacturers.

State Industrial Development Corporation of Uttarakhand Limited (SIDCUL), a government of Uttarakhand Enterprise established in 2002, took up the mantle becoming the nodal agency for promoting industrial development in the state. It is transforming Uttarakhand into India’s leading manufacturing hub with the establishment of a number of integrated industrial estates.

Let’s see the potential existing in the state for electronics manufacturers, taking into account the resource base available and the policy measures that have been initiated by the state government, as also those about to be initiated, to develop the potential.

**Government’s labour policy.** The government of Uttarakhand has created an environment conducive to the rapid and sustainable industrial development of the state. It enhances the flow of investments into the industry and infrastructure. By doing so, the government is looking at generating additional employment opportunities and has developed a manufacturer-friendly labour policy.

**Cost of electricity and water.** The provision of uninterrupted power to industrial units is one of the most crucial factors for ensuring rapid industrial growth. In order to give a boost to the industrialisation, a special tariff has been introduced. With the commencement of the Tehri Dam Project, waiver of peak hour restriction for all industries, including heavy industries, is also proposed. The state has abundant water supply, which is extremely important for any manufacturing unit.

**Tax benefits/income tax.** The companies also enjoy the tax benefits in the state. Tax benefits in Uttarakhand, for example, include 100 per cent central excise exemption for ten years. Besides this excise exemption, there is 100 per cent exemption from income tax in the first five years of operations, and 30 per cent exemption from income tax in the next five years of operations.

**Subsidies for transport.** Under the Transport Subsidy Scheme of government of India, 50 per cent of transport cost on the basis of rates decided by the state government or actual freight paid, whichever is less, has been provided as subsidy for up to five years from the date of production.

**Road infrastructure and proximity to airport.** The state already has a good network and is also planning to connect every village, town and city to local economic centres and major cities in the state through a network of all-weather roads. The proximity to Delhi international airport is another huge advantage that it enjoys.

**Proximity to customers.** Connectivity with other regions/target customer base is not a problem. In India, it is very difficult to be close and within the reach of all the customers. Further, economies of scale may not be achieved if you set up manufacturing at many places. Availability of a good transportation system plays a very important role to service customers efficiently, quickly and effectively. Uttarakhand is very well connected with good infrastructure.

**Total cost.** Total cost of manufacturing is less due to the availability of incentives to manufacturers when compared to the cost of manufacturing for the units located in other areas.

**Suppliers/raw materials.** Though the state doesn’t have any raw material produced locally, however, being very close to the major hub, i.e., Delhi, there is no problem in arranging raw material.

### Other drivers.

Education, housing and medical facilities are fairly good. Free trade zones have been provided with lots of incentives such as concessional sales tax, excise duty exemption and income tax exemptions.

Also, there is no political risk as the state government is quite pro-industry and stable. The host community is very helpful with no mental blocks.

### Vision and strategy

Uttarakhand has the dynamism of a new state eager to exploit its resources and potential to attract investments in its areas of comparative and competitive advantage. The key elements of this strategy can be identified:

1. The state wants to promote industrialisation both in the organised and small-scale sector.
2. Finally, the objective is to exploit its proximity to the National Capital Region (the large urban and industrial cluster around New Delhi) to market.
3. The state aims to promote leading-edge technologies and sunrise industries in the areas of information technology and biotechnology.
4. Public-/private-sector involvement in generation of power and strengthening of the transmission and distribution network will be encouraged in the state.
5. To develop Uttarakhand as a premier research centre by leveraging the presence of world-class research and technical institutes existing in Uttarakhand.

The New Industrial Policy announced in 2003 by the state govern-
ment puts in place the regulatory framework for Uttarakhand’s industrialisation. The Policy indicates that private resources may be tapped while promoting integrated industrial estates in Uttarakhand. SIDCUL was formed to attain the following objectives:

1. Promote industrial development in the state
2. Provide financial assistance in the shape of debt, equity and venture capital
3. Develop infrastructure and assist private initiative in industry and infrastructure

SIDCUL aims to implement, manage projects and provide specialised financial, consultancy and construction and provide all such activities to promote industries and develop industrial infrastructure in Uttarakhand directly or through special-purpose vehicles, joint ventures, assisted companies, etc.

The spate of concessions available for industrial ventures in Uttarakhand along with the proactive government and facilitative environment has led to more than a thousand Expressions of Interest with SIDCUL, which entail an investment of around Rs 200 billion.

Major industrial infrastructure being developed by SIDCUL includes:

1. Integrated Industrial Estate (IIE) at BHEL, Haridwar
2. Integrated Industrial Estate at Pantnagar
3. IT Park, Dehradun
4. Growth Centre at Pauri
5. Integrated Industrial Estate at Sitarganj

**Infrastructure policy**

The state of Uttarakhand gives specific concessions for infrastructure projects on merit basis. A joint venture company called Uttarakhand Infrastructure Development Company (U-Dec) has been set up by the state government along with the Infrastructure Development and Finance Company to provide necessary professional advisory services.

**Power: electricity reforms on their way.** The state Cabinet has decided to bifurcate its power utility to carry out electricity reforms in the state. Uttarakhand Power Corporation Ltd (UPCL) would be bifurcated into separate companies in the transmission and distribution sectors. While UPCL would distribute and market electricity, a transmission corporation called Transmission Corporation of Uttarakhand would be set up soon and both the utilities would work independently. This has been done in compliance with the Central Electricity Act 2003, which has made it mandatory for states to carry out the power reforms. The Cabinet has also decided to set up a power-trading corporation to sell electricity.

**Investment climate.** Uttarakhand government encourages private-sector participation in development of infrastructure projects including specialised industrial estates and special economic zones, export zones, generation, transmission and distribution of power, roads, airports, civic infrastructure, etc.

**Institution mechanism: single-window contract.** The single-window contract facility is available at the District Industrial Centres at the district level and State Industrial Development Corporation of Uttarakhand at the state level. Apart from providing information and escort services to the entrepreneurs, the centres will also be maintaining a data bank.

**Industrial infrastructure**

Uttarakhand compares favourably with the all-India aggregates in term of the spread of basic infrastructural facilities. The state has a good transport and communication network. It has a total length of 536 km of national highways and 1138 km of state highways running through it. The length of metalled roads per 100,000 of population is higher than the all-India aggregate, though due to the nature of the terrain the length of metalled roads per thousand sq. km. of area is relatively lower.

Industrial estates and parks being developed include:

**The Integrated Industrial Estate, Haridwar.** Located just 3 km from Delhi-Haridwar National Highway, 225 km from national capital Delhi and 52 km from state capital Dehradun, it will have electronics as one of the special industrial zones.

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**IT Infrastructure Initiatives**

- State Infrastructure & Industrial Development Corporation of Uttarakhand (SIDCUL) is setting up a state-of-the-art Software Technology Park at Dehradun—the state capital with intelligent buildings and hi-tech habitat centre.
- SPTI Earth Station at Dehradun with connectivity up to 100Mbps fibre-optic networks by Reliance Infocom, Department of Telecommunication, etc.
- MOUs signed with Cisco Systems, Intel Corporation, IBM, etc. for setting up of research academies
the proposed industries. It will have world-class infrastructure and facilities like hotel, bank, school, hospital, petrol pump and golf course.

**Integrated Industrial Estate, Sitarganj.** Eldeco Infrastructure & Properties Ltd (EIPL), in association with SIDCUL, is developing a futuristic industrial park in Sitarganj in Udham Singh Nagar district. The site is located at a distance of about 300 km from Delhi and the nearest large town is Moradabad (UP), which is at a distance of about 80 km. Units are currently being set up in IIE, Sitargunj.

Its key advantages include:

1. Area sprawling over around 5 sq.km (1200 acres) with land availability to spread more.
2. As per current availability of industrial land, it is few of the largest tracts of land available in NCR (National Capital Region) and surrounding region.
3. Its regional connectivity (50-100 km) to major towns and cities: Rudrapur, Haldwani, Mordabad, Rampur, Kashipur and across states (300-500 km) to Uttar Pradesh, Delhi, Haryana and Himachal Pradesh.
4. The nearest airport is at Pant Nagar (50 km), which the government intends to upgrade.
5. Water is available in abundance, both ground and surface water.
6. Cheapest and uninterrupted power supply.
7. Skilled and semi-skilled manpower is easily available.

Development is in full swing. Financial incentives offered at IIEs are:

1. 100 per cent central excise exemption for ten years
2. 100 per cent income tax exemption for first five years and 30 per cent for next five years
3. CST at 1 per cent for five years
4. Capital investment subsidy at 15 per cent with a maximum of Rs 3 million

The facilities in IIEs of SIDCUL in general include dedicated 220kV substation with a string of feeder substations, common effluent treatment plants, 60m roads, all modes of connectivity, logistic centres, zonal distribution of industries, and residential and commercial areas. Specialised Theme Parks are also contemplated within these estates so as to garner all benefits of a cluster-based development.

SIDCUL plays a stellar role in industrial development by providing adequate and timely finance, developing the required infrastructure, ensuring development, technology upgradation and setting up of high-technology pollution-free industries. It ensures speedy clearances to enable the shortest lead-time in setting up industrial projects. SIDCUL would be administering all promotional schemes of the government for industries and administer the single-window system.

**Infrastructure: new initiatives**

For a nascent state like Uttarakhand, it is important to assess the new initiatives taken by the government to augment infrastructure facilities rather than focus entirely on the existing infrastructure.

**Power:** increased private sector presence to tap the efficiencies. The potential for power generation is enormous with a potential of 22,000 MW of hydroelectric capacity. National Thermal Power Corporation (NTPC) signed an agreement with the Uttraranchal government to develop two hydroelectric projects with an installed capacity of 1120 MW—the 600MW Loharinag-Pala in the Uttarkashi district and the 520MW Tapovan Vishnugad in the Chamoli district, which would generate 3525 million units of power a year on completion. The state would get 12 per cent of electricity produced from the projects free. A detailed project report is also being prepared by the NTPC on the Lata Tapovan hydel project with a capacity of 108 MW.

**IT:** Enhancing the presence of IT and ITES services in the state. The state is coming up with a dedicated IT park in Dehradun. The site offers adequate infrastructure support and is expected to host a large number of ITES and software companies that will further give a boost to the demand drivers of the state economy.

The author is an assistant editor at EFY